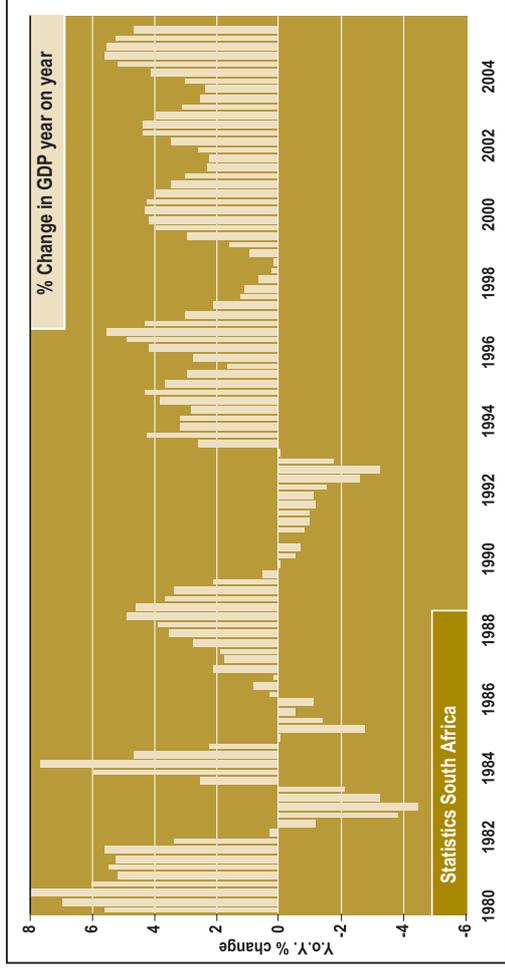
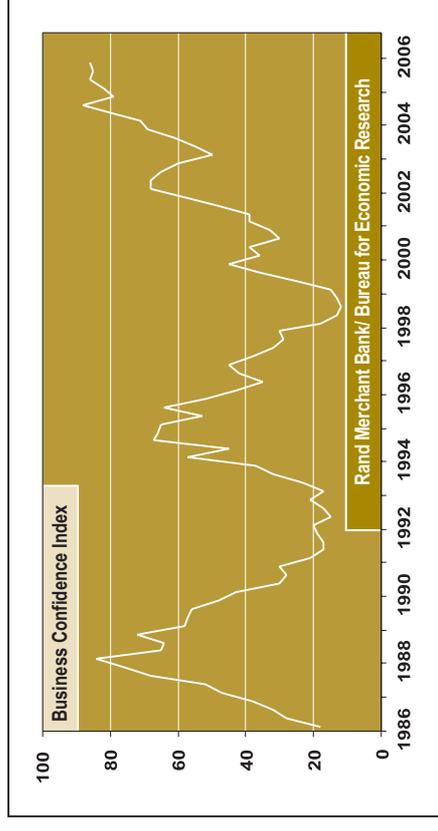
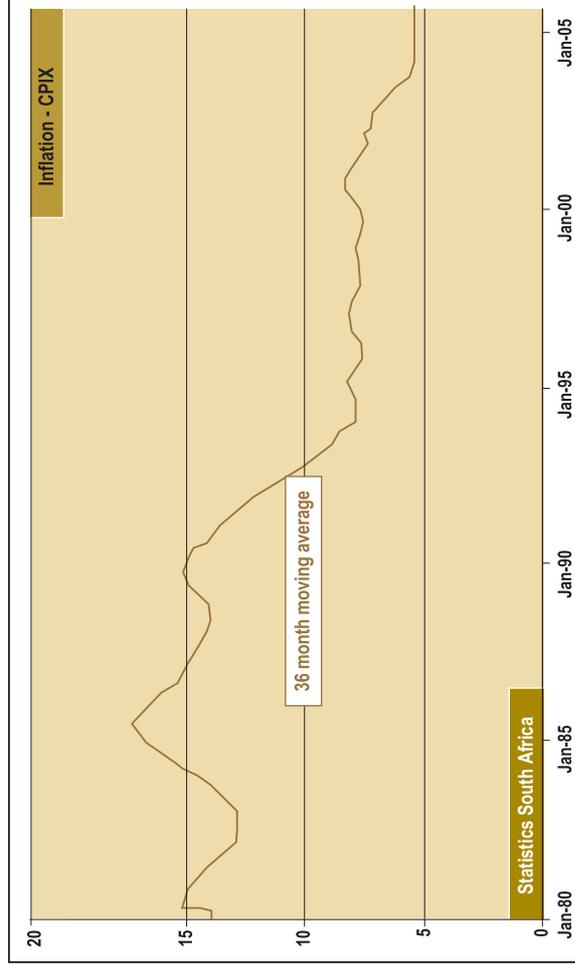
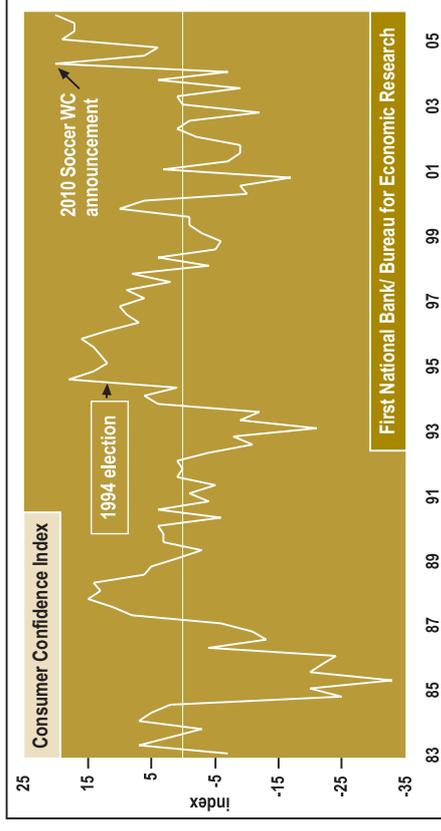


## Improved macroeconomic stability



## Confidence on the rise



**ACCELERATED AND SHARED GROWTH INITIATIVE –  
SOUTH AFRICA (ASGISA)**

<b>1. THE CHALLENGE</b>	<b>2</b>
.....	
<b>2. BINDING CONSTRAINTS</b>	<b>4</b>
.....	
<b>3. INFRASTRUCTURE INVESTMENT</b>	<b>6</b>
.....	
<b>4. SECTOR STRATEGIES</b>	<b>8</b>
.....	
<b>5. EDUCATION AND SKILLS DEVELOPMENT</b>	<b>9</b>
.....	
<b>6. ELIMINATING THE SECOND ECONOMY</b>	<b>11</b>
.....	
<b>7. MACRO-ECONOMIC ISSUES</b>	<b>14</b>
.....	
<b>8. GOVERNANCE AND INSTITUTIONAL INTERVENTIONS</b>	<b>15</b>
.....	
<b>9. CONCLUSION</b>	<b>16</b>
.....	

## THE CHALLENGE

The South African Government was mandated in 2004 to halve poverty and unemployment by 2014. These objectives are feasible – indeed we would hope to surpass them – because of steady improvement in the economy's performance and job-creating capacity.

Growth averaged about 3% during the first decade of freedom, from 1994 – 2004, a considerable improvement on the decade before 1994 when growth averaged 1% per year. Since 2004, growth has exceeded 4% per year, reaching about 5% in 2005. Expectations for the current strong performance to continue are high — forecasts by banks and ratings agencies generally indicate expectations of growth continuing at around 4,5% in the medium term. Business confidence is very high. The Rand Merchant Bank/Bureau for Economic Research business confidence index, with 86% of firms expecting the continuation of improving business conditions, has remained at high levels for an extended period. 'Such a period of uninterrupted positive confidence has not previously been recorded in the 30-year history of the index, according to Rudolf Gouws, chief economist at the Rand Merchant Bank. Consumer confidence has shown a similar pattern.

Inflows of foreign capital have been exceptionally high since 2003, with an inflow of R80 billion (about US\$13 billion) into the JSE share market between the beginning of 2005 and the first quarter of 2006. In the same period, South Africa has also had several very large inward foreign direct investment transactions.

Good economic policies, positive domestic sentiment, and a favourable international environment have created the opportunity to consolidate these gains, and to take our performance to a yet higher level.

With the faster growth rate has come rapidly improving employment creation. In the last year measured (to September 2005), around 540 000 net new jobs were created. Though unemployment remains high at over 26%, this is considerably better than the 32% unemployment rate reached a few years ago. Recent research indicates that the real incomes of the poorest 20% of South Africans rose by 30% in real terms between 1994 and 2004.

Yet, the goal of reducing unemployment to below 15% and halving the poverty rate to less than one-sixth of households will not be achieved without sustained and strategic

economic leadership from government, and effective partnerships between government and stakeholders such as labour and business.

### **Consultation**

As we explored our opportunities, government consulted with a range of stakeholders. The AsgiSA Task Force led by the Deputy President included the Ministers of Finance; Trade and Industry; and Public Enterprises; the Premiers of Gauteng and Eastern Cape provinces; and the Mayor of Johannesburg who represented the South African Local Government Association. Many other ministers and their departments were included in the discussions, as were organised business and labour, religious leaders, youth, and women in various groupings and forums. Government also consulted with domestic and international experts. Consultation and discussion will continue as AsgiSA is implemented.

These interactions have convinced government that South Africa is ready for AsgiSA to be a national shared growth initiative, rather than merely a 'government programme'.

### **Targets of accelerated and shared growth**

Government's investigations, supported by some independent research, indicate that the growth rate needed for us to achieve our social objectives is around 5% on average between 2004 and 2014. Realistically assessing the capabilities of the economy and the international environment, we have set a two-phase target. In the first phase, between 2005 and 2009, we seek an annual growth rate that averages 4,5% or higher. In the second phase, between 2010 and 2014, we seek an average growth rate of at least 6% of gross domestic product (GDP).

In addition to these growth rates, our social objectives require us to improve the environment and opportunities for more labour-absorbing economic activities. More broadly, we need to ensure that the fruits of growth are shared in such a way that poverty comes as close as possible to being eliminated, and that the severe inequalities that still plague our country are further reduced.

Our vision of our development path is a vigorous and inclusive economy where products and services are diverse, more value is added to our products and services, costs of production and distribution are reduced, labour is readily absorbed into sustainable employment, and new businesses proliferate and expand.

## Balanced growth

We will also put our growth on a more balanced footing, in two important respects.

The recent growth has been based on a combination of strong commodity prices, strong capital inflows and strong domestic consumer demand, given impetus by anti-poverty measures, growing employment and rising asset prices. The effect, however, of this combination has been to strengthen the currency which makes it difficult for exporters outside the commodity sector or those who compete with imports to remain competitive. That led to a trade deficit of 4,3% of GDP in 2005, well financed by capital inflows, but demonstrating South Africa's challenge to compete effectively outside of the commodity sector.

The second imbalance derives from the fact that although the social grant programme has given significant impetus to poverty reduction and income redistribution, there remain about a third of South African households not yet able to benefit directly from our economic advances. Bringing this sector of the population into the mainstream economy will considerably enhance our growth potential.

Sustainable growth at around 6% requires that these two imbalances are countered. In developing a strategy for accelerated and shared growth, we adopted a growth diagnostic analysis which seeks to identify the 'binding constraints' on achieving our objectives. The methodology holds that while all successful economies have certain characteristics in common – such as well-managed fiscal and monetary policy and competent government administration – each country faces specific challenges in moving from mediocre to successful.

## 2. BINDING CONSTRAINTS

The list of binding constraints emerging from analysis and consultation has been kept short enough and focused enough to allow for a coherent and consistent set of responses.

- **Volatility and level of the currency.** In spite of major improvements in the administration of fiscal and monetary policy, currency volatility deters investors in tradable goods and services outside of the commodity sector. The Rand remains somewhat volatile, though the degree of volatility has been reduced. At present, the relative volatility is accompanied by a currency that is overvalued in the sense that economic resources are diverted into narrow areas of investment, laying an

unsteady foundation for the future. A further area for macro-economic improvement is in expenditure management, particularly in government capital investment.

- **The cost, efficiency and capacity of the national logistics system.** Backlogs in infrastructure and investment, and in some cases market structures that do not encourage competition, make the price of moving goods and conveying services over distance higher than it should be. Deficiencies in logistics are keenly felt in a country of South Africa's size, with considerable concentration of production inland, and which is some distance from the major industrial markets.
- **Shortage of suitably skilled labour amplified by the impact of apartheid spatial patterns on the cost of labour.** The most difficult aspects of the legacy of apartheid to unwind arise from its deliberately inferior system of education and irrational patterns of population settlement. In a period of growth it is evident that we lack sufficient skilled professionals, managers and artisans, and that the uneven quality of education remains a contributory factor. In addition, the price of labour of the poor is pushed up by the fact that many live a great distance from their places of work.
- **Barriers to entry, limits to competition and limited new investment opportunities.** The South African economy remains relatively concentrated, especially in upstream production sectors such as iron and steel, paper and chemicals and inputs such as telecommunications and energy. In some cases, market structure negatively influences the possibilities of downstream production or service industry development. Competition law and industrial policies need to be strengthened to counteract these factors.
- **Regulatory environment and the burden on small and medium businesses.** The mediocre performance of the small, medium and micro business sector in terms of contribution to GDP and employment partly arises from the sub-optimal regulatory environment. In the administration of tax, the planning system (including Environmental Impact Assessment), municipal regulation, the administration of labour law and, in specific sectoral regulatory environments, regulation unnecessarily hampers the development of businesses.
- **Deficiencies in state organisation, capacity and leadership.** Certain weaknesses in the way government is organised, in the capacity of key institutions, including some of those providing economic services, and insufficiently decisive

leadership in policy development and implementation all constrain the country's growth potential.

Countering these constraints requires a series of decisive interventions. These interventions do not amount to a shift in economic policy so much as a set of initiatives to achieve our objectives more effectively. Our responses to the binding constraints fall into six categories:

- infrastructure programmes
- sector investment (or industrial) strategies
- skills and education initiatives
- Second Economy interventions
- macro-economic issues
- public administration issues.

### **3. INFRASTRUCTURE INVESTMENT**

Government has already begun to ramp up public-sector investment. At one point public sector investment fell below 4% of GDP. In recent years, it rose above 6%. In order to roll back the backlog that has emerged in public infrastructure, public-sector investment is planned to rise to around 8% of GDP. As indicated in the Medium Term Budget Policy Statement in October 2005, government and public enterprise investment expenditure for the period April 2005 and March 2008 is planned to be about R370 billion.

Of this, about 40% will be spent by public enterprises, mostly Eskom (R84 billion) and Transnet (R47 billion, of which R40 billion is 'core'), and mainly on power generation, power distribution, rail transport, harbours and an oil pipeline. The general purpose is to improve the availability and reliability of infrastructure services in response to rapidly growing demand.

The three spheres of government are responsible for about half of the total public sector capital investment over the period through a range of programmes at national department level. The planned rate of growth of the capital budget of government at between 10% and 15% per year is unprecedented in South African history. Projects are distributed to provincial and local government through the municipal and provincial infrastructure grant programmes, while provinces and most municipalities have further funds collected from their own revenue sources for capital expenditure.

Key areas of government expenditure, incorporating all spheres, are: provincial and local roads, bulk water infrastructure and water supply networks, energy distribution, housing, schools and clinics, business centres, sports facilities, and multi-purpose government service centres, including police stations, courts and correctional facilities.

Electronic communications as a key commercial and social infrastructure will be one focus of priority attention.

#### **Plans to be implemented in electronic communications**

- Implementation of a strategy to rapidly grow South Africa's broadband network
- Implementation of a plan to reduce telephony costs more rapidly
- Completion of a submarine cable project that will provide competitive and reliable international access, especially to Africa and Asia
- Provision of subsidies to encourage the establishment of telecommunications – and labour-intensive businesses in poor areas.

Another key challenge in the infrastructure sector is preparations for the 2010 FIFA World Cup. This includes building or improving the 10 stadiums to be used, and investment in the environs and access to the stadiums.

Other strategic interventions in the infrastructure arena include further development of the country's research and development infrastructure, and further improvement in the modalities for public-private partnerships in the development and maintenance of public infrastructure.

Public-sector infrastructure spending has considerable potential spin-offs in terms of the generation or regeneration of domestic supply industries, small business development and empowerment. Government is seeking to maximise the positive impact of these spin-offs on the domestic economy.

In addition to the general infrastructure programmes, provinces were asked to propose special projects that would have a major impact on accelerating and sharing growth. A set of projects has been selected for finalisation of implementation plans, some of which are already underway.

#### Provincial infrastructure projects with major AsgiSA impact

- The Umzimvubu Catchment and Timber Industries Development Initiative in the Eastern Cape
- A diamond and gemstone jewellery project in the Northern Cape
- A biofuels initiative that will cover at least Northern Cape, Free State, KwaZulu-Natal, Eastern Cape and Mpumalanga
- A water reticulation project for Mokopane-Vaalwater-Marken in Limpopo
- A Moloto Corridor Rail Project, mostly in Mpumalanga
- The Johannesburg International Airport Logistics Hub and Industrial Development Zone in Gauteng
- The Makhathini Cassava and Sugar Project in KwaZulu-Natal
- A national livestock project that would particularly focus on the Northern Cape and North West
- The Dilokong Platinum Corridor to integrate development located around the planned De Hoop Dam in Limpopo
- The proposed Square Kilometre Array and linked projects in Northern Cape
- The Cape Flats Infrastructure Project in the Western Cape

## 4. SECTOR STRATEGIES

In order to promote private-sector investment, sector strategies are being prepared, and some are in the implementation stage. A broader National Industrial Policy Framework will be submitted to Cabinet during this year. Part of the purpose of AsgiSA is to focus the energy of government and its partners.

In this context, two sectors have been identified for special priority attention: business process outsourcing (BPO) and tourism. A third sector, biofuels, is being finalised. What these industries have in common is that they are labour-intensive, rapidly growing sectors worldwide, suited to South African circumstances, and open to opportunities for Broad-Based Black Economic Empowerment (BBBEE) and small business development.

BPO refers to the trend of business worldwide, especially in countries where labour is costly, to locate back-office activities such as accounts or claims processing or front-office activities like call centres in cheaper centres. South Africa has attracted about 5 000 of such jobs from the rest of the world so far. The sector has the potential for 100 000 additional direct and indirect jobs by 2009. Government and business have a joint project, supported by the Business Trust, led by the Minister of Trade and Industry and

the Chair of Standard Bank to remove obstacles and refine incentives to achieve this goal.

The other high immediate priority sector is tourism. This sector has already grown rapidly in South Africa but is ready for a second phase of growth that could take its contribution to GDP from about 8% to about 12%, and increase employment by up to 400 000 people. Key issues are marketing, air access, safety and skills development. This industry also entails a strong government/private-sector partnership, which was established during the first phase of growth.

The other high priority industries which are to follow are in the agriculture and agro-processing field and include biofuels, referred to above. They have similar advantages and opportunities as tourism and BPO.

A number of other sectors, constitute the next rank of priorities.

#### **Further priority sectors**

- Chemicals
- Metals beneficiation, including the capital goods sector
- Creative industries (crafts, film & TV, content and music)
- Clothing and textiles
- Durable consumer goods
- Wood, pulp and paper (as mentioned in provincial projects)

#### **Cross-cutting industrial policy challenges that are also being addressed**

- Inadequate competition and import parity pricing
- Capacity for trade negotiations
- A more co-ordinated Africa development strategy
- Better incentives for private R&D investment
- Better use of BBBEE to encourage industry transformation, beyond the transfer of equity

## **5. EDUCATION AND SKILLS DEVELOPMENT**

For both the public infrastructure and the private investment programmes, the single greatest impediment is shortage of skills – including professional skills such as engineers and scientists; managers such as financial, personnel and project managers; and skilled technical employees such as artisans and IT technicians. The shortfall is due to the policies of the apartheid era and the slowness of our education and skills development institutions to catch up with the current acceleration of economic growth.

The AsgiSA responses range from medium-term educational interventions to raise the level of skills in areas needed by the economy to immediate measures to acquire the skills needed for the implementation of AsgiSA projects.

#### **Educational responses to the skills challenge**

- The QIDS-UP programme aimed at achieving high levels of literacy and numeracy in the lowest grades
- The Maths and Science (Dinaledi) programme for 529 high schools to double Maths and Science high school graduates to 50 000 by 2008
- An upgraded career guidance programme
- A huge upgrading of the Further Education and Training colleges.
- The Adult Basic and Education Training programme is to be ramped up, based on a model developed in Cuba and New Zealand

Apart from interventions to address the skills challenge in the educational sphere, measures include the development of an Employment Services System (to close the gap between potential employers and employees), and Phase 2 of the National Skills Development Strategy.

A short-term project is the development of a scarce skills database based directly on the expected needs of the over 100 individual projects included in AsgiSA.

Other key skills projects include the deployment of experienced professionals and managers to local governments to improve project development, implementation and maintenance capabilities. The project managed by the Development Bank of Southern Africa (DBSA) will deploy an estimated total of 150 expert staff, with the first 30 to be deployed in April 2006. The project will also include skills transfer to new graduates. The DBSA is compiling a database of 'retired experts' for this and further possible deployments.

The Umsobomvu Youth Trust is driving a number of initiatives, many of which entail youth volunteers, to support a range of skills development programmes.

A new institution is the Joint Initiative for Priority Skills Acquisition (JIPSA). It is led by a committee of the Deputy President, key ministers, business leaders, trade unionists and education and training providers or experts. Its job will be to identify urgent skills needs and quick and effective solutions. Solutions may include special training programmes, bringing back retirees or South Africans and Africans working out of Africa, and drawing in new immigrants where necessary. It may also include mentoring and overseas placement of trainees to fast-track their development. JIPSA will have an initial timetable of 18 months, starting in March 2006, after which its future will be reviewed.

As part of JIPSA, 100 women will in April begin a one-year placement programme in the United Arab Emirates focused on developing skills in infrastructure project management and project financing as well as tourism. There will be similar placement programmes in South African companies.

## **6. ELIMINATING THE SECOND ECONOMY**

Without interventions directly addressed at reducing South Africa's historical inequalities, growth is unsustainable. Conversely, successful measures to reduce the inequalities will add impetus to growth.

Government has already initiated interventions to address deep-seated inequalities and target the marginalised poor, to bridge the gap with the Second Economy, and ultimately to eliminate the Second Economy. AsgiSA includes some specific measures of response to the challenges of exclusion and the Second Economy.

### **Leveraging the First Economy**

One key mechanism is to use the leverage of the First Economy to address the Second Economy. There are two key examples in AsgiSA.

The first is to leverage the increased levels of public expenditure, especially investment expenditure, to promote small businesses and broad-based empowerment addressing such issues as access to finance, preferential procurement and a review of the impact of regulations on labour-intensive sectors. The State-Owned Enterprise Procurement Forum is codifying and spreading best practices for affirmative procurement. For the Government, the Department of Trade and Industry (DTI) is developing a procedure through which 10 products will be set aside for procurement through smaller black-owned business.

Linking small businesses to opportunities deriving from the 2010 FIFA World Cup is another task for government. Private companies will also be persuaded to engage in affirmative procurement and the implementation of the relevant provisions of the BBBEE Codes of Good Practice and the relevant sector empowerment charters will be closely monitored. Timely payment by government for procured goods and services will also be monitored. Infrastructure projects will be labour-intensive where feasible.

We are convinced that to achieve AsgiSA's goal of halving unemployment and poverty by 2014, we will have to pay particular attention to the concerns of women and youth.

With regard to women, the focus will be on expanding and accelerating access to economic opportunities including skills development and finance.

#### **Expanding women's access to economic opportunities**

- Human resource training
- Ensuring they have access to finance (micro to mega bucks)
- Fast-tracking them out of the Second Economy
- Ensuring their significant participation in agriculture and creative industries
- Improving their access to basic services
- Increasing their participation in the Expanded Public Works Programme (EPWP)

On the youth front, one intervention is to target unemployed graduates for jobs or learnerships. This includes support for the Umsobomvu Youth Fund initiative to register unemployed graduates on their database, and engage with business to participate in this initiative. We shall ensure that the focus on youth development is intensified in all spheres of government.

#### **Measures to promote youth development during 2006/07**

- Set up 100 new youth advisory centres
- Enrol at least 10 000 young people in the National Youth Service
- Enrol 5 000 volunteers to act as mentors to vulnerable children
- Expand the reach of our business support system to young people
- Intensify the Youth Co-operative Programme
- Closely monitor the impact of our programmes on youth skills training and business empowerment as an integral part of our national effort

The other form of leverage will be that all of the sector strategies, such as the strategies for tourism or BPO, will have elements addressing development goals in the Second Economy. For example, the economic cluster of government is committed to ensure that at least five BPO operations are established in poor areas with relatively little economic activity. The targeted beneficiaries are youth and women.

Broad Based Black Economic Empowerment will be leveraged to support shared growth.

#### **Leveraging components of BBBEE**

- Provisions for access to finance for women and youths
- Funding commitments for housing and small business loans
- Skills development commitments
- Social responsibility commitments
- Other commitments to enterprise development
- BBBEE charters will be assessed from time to time to establish how broad-based their impact has been

There are several other interventions designed to support small businesses. The National African Chamber of Commerce has committed to establish 100 000 new small and medium enterprises per year, and government will support these efforts.

A key challenge in this regard is to address the gap in loans between R10 000 and R250 000. One such effort is a new partnership between Khula and Business Partners in a R150-million fund for business loans of this size. Another is a planned fund for women entrepreneurs, which is the result of a collaboration between the DTI, Eskom, Umsobomvu and the Women's Development Bank.

A commitment in the Financial Services Charter of R5 billion to small business loans is still to be finalised as a programme, but we expect progress shortly under the new leadership of the Charter. We also plan to accelerate the roll-out of the Apex (SAMAF) and Mafisa programmes of loans under R10 000.

For the next stage of business development, venture funding is key, and government is supporting efforts to establish new venture funds for small, medium and micro enterprises. The R1-billion programme recently announced by the Industrial Development Corporation (IDC) and the National Empowerment Fund's venture fund will make a considerable impact on the growth of small businesses. These large interventions will be supported by the development of the Small Enterprise Development Agency based at the DTI, which is rolling out its services, making a stronger operational distinction between small and medium business and micro businesses, and adding to its capacity to take small businesses into manufacturing.

A further key small business initiative will be to pursue decisions made by Cabinet on the regulatory environment for small businesses.

#### **Decisions on the small business regulatory environment**

- That the Minister of Labour will lead a review of labour laws, including their impact on small businesses
- That the reforms in tax administration affecting small businesses will continue
- That the DTI and the Department of Provincial and Local Government (DPLG) will prepare recommendations on how to improve the regulatory environment for small businesses in municipalities
- That sector departments will review the impact of their laws and regulations on small businesses

In respect of municipalities, the AsgiSA process has also mandated the DPLG, in consultation with the DTI, to improve the capacity of local government to support local economic development.

The EPWP is a key Second Economy intervention. As part of AsgiSA, this programme will be expanded beyond its original targets.

Firstly, its mandate has been extended to a larger number of roads and some larger road projects. This will entail additional funds over the coming Medium Term Expenditure Framework period, about 63 000 more people maintaining roads, and about 100 000 additional people in jobs averaging six months in roads-building and training.

In addition, 1 000 more small black contractors will be developed. New access roads will have a significant impact on conditions and opportunities in some poor and rural areas. Other new elements of the EPWP will be a concerted roll-out of its Early Childhood Development component, home-based care and the finalisation of a process to support local governments in developing larger EPWP projects.

A final set of Second Economy interventions is centred on the challenge of realising the value of dead assets – land, houses, livestock, skills, indigenous knowledge and other assets that have intrinsic value not currently realised.

#### Measures to realise the value of dead assets

- More rapid movement towards the formalisation of land tenure
- Livestock improvement programme
- Efforts to ensure that the Financial Services Charter commitment on housing finance is effectively implemented
- Improvements in planning and zoning capacities
- Support for the development of co-operatives

## 7. MACRO-ECONOMIC ISSUES

Regarding macro-economic issues, one challenge is to find strategies to reduce the volatility and overvaluation of the currency; another is to ensure that within an inflation targeting regime fiscal and monetary policy work together to produce sustained and shared growth.

A further challenge is to improve budgeting in government, particularly at a macro level where we tend to underestimate revenue and overestimate expenditure, which results in the budget appearing more expansionary than it is, which in turn sends misleading signals to other players in the economic arena.

A fourth area where macro-economic policies or implementation can be improved is in expenditure management, particularly in government capital investment, where several

agencies' budgets are considerably underspent while some others run out of funds before the end of the financial year. One innovation to be introduced in 2006 is the development of a new capital expenditure management information system by the National Treasury.

## **8. GOVERNANCE AND INSTITUTIONAL INTERVENTIONS**

We have planned on the principle that institutional interventions are costly and should be kept to a minimum, and that, where possible, existing institutions should be levered into new functions and responsibilities.

One issue of concern has been the relatively slow progress made in the implementation of some aspects of the Growth and Development Summit. We believe that the social partners should seek, in the context of AsgiSA, to make progress towards realisation of a people's contract on economic matters – as discussed in the President's Joint Working Group, and referred to as a social contract. The other issue we will focus on is the effective implementation of agreed BEE charters, and leveraging benefits from offsets.

On local government and service delivery, we are focusing on addressing the skills problems through Project Consolidate. The skills interventions include the deployment of experienced professionals and managers to local governments to improve project development implementation and maintenance capabilities. The project managed by the DBSA will deploy an estimated total of 150 expert staff, with the first 30 to be deployed in April 2006. The project will also include skills transfer to new graduates. The DBSA is compiling a database of 'retired experts' for this and further deployments.

For AsgiSA implementation, monitoring and evaluation by the executive, it has been decided in Cabinet that the Cabinet Committee for Investment and Employment would now have AsgiSA as a standing item for regular reports and problem-solving at its monthly meetings.

The Department of Public Service and Administration has made proposals on improving the quality of economic services, initially through proposals for the DTI. This effort will be extended to other relevant areas, including provincial and local government.

Government is committed to reviewing the functioning of the development finance institutions, which include the IDC, the Land Bank, the DBSA and the National Development Agency. These are powerful institutions that can be more effectively employed in our developmental efforts and support social mobilisation and active participation of civil society.

There are reports that some investment projects have been held up by unnecessary bureaucratic delays. Government will ensure that investors have access to a one-stop trouble-shooting centre, probably located at Trade and Investment South Africa.

A new institution, mentioned earlier, will be JIPSA. JIPSA will be led by a committee headed by the Deputy President, and will include key leaders from government, business, labour and the education and training fields. The National Business Initiative will be providing support services for JIPSA.

A further innovation will be the institution, after finalisation by Cabinet, of a system of Regulatory Impact Analysis (RIA). The RIA will add well-designed procedures (first developed in the United Kingdom) to reduce or eliminate the negative unintended consequences of laws and regulations, especially on job creation.

A final key area requiring institutional reform is the framework for the planning and management of land use. Many investment projects are unnecessarily held up by the weakness of local or provincial planning and zoning systems, or the cumbersome Environmental Impact Assessment (EIA) system. The EIA system is being reformed so that it will reduce unnecessary delays, without sacrificing environmental standards. A complementary activity must be improvements in the planning and zoning systems of provincial and local governments.

## **9. CONCLUSION**

The implementation of AsgiSA, which must still be adjusted and fine tuned in the context of ongoing consultations, has already begun. Government will regularly review progress in implementation and will draw its social partners into such evaluations from time to time. The programme will be subjected to review by experts, such as the team of economists and social scientists based at Harvard and other universities. Where necessary, the programme will be amended or supplemented.

We believe that we have built the basis for a national effort to achieve faster and shared economic growth. With this programme we can achieve our social objectives and we can more than meet the Millennium Development Goals. Our second decade of freedom will be the decade in which we radically reduce inequality and virtually eliminate poverty. We know now that we can do it, working together around an initiative which has the support of the nation.