

COVID 19 IUDF IMPLEMENTATION: POLICY LEVER 6 ECONOMIC INCLUSION

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national treasury

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ECONOMIC BACKGROUND



South Africa faced a difficult economic climate before the pandemic:

- SARS revenue for 2019/20 was R66 billion less than in 2019 Budget (preliminary results released 1 April)
- Moody's downgraded South Africa to sub investment grade on 27 March due to our low economic growth and unsustainable fiscal trajectory. Downgrade will lower growth, increase inflation and raise the costs of government borrowing
- Unemployment levels over 29%

COVID-19 impacts:

- Slowdown in global production and trade as a result of pandemic and response measures across the world
- Domestic economic impact of the lockdown will be much slower growth (some analysts project a 40% quarterly contraction – no official NT projections available yet)
- This will weaken government tax revenue and further undermine our fiscal sustainability
- Severe unemployment challenge, etc. 50% of workforce

ECONOMIC IMPACT OF LOCKDOWN



Stats SA Business Survey released on the 21st April 2020

- Majority of businesses (85,4%) reported turnover below normal
- 46,4% indicated temporary closure or paused trading activity.
- 50,4% expected their workforce size to stay the same & 36,8% reported to decrease in two weeks after survey
- 28,3% indicated their workforce has decreased working hours and 19,6% reported laying off of staff in the short term
- 19,1% indicated that prices of materials, goods or services purchased increased more than normal
- 38,2% of businesses applying for financial assistance reported that they would use government relief schemes.
- 30,6% indicated they can survive less than a month without any turnover, while 54,0% can survive between 1 and 3 months.

WHAT HAS THE PANDEMIC EXPOSED?

What we must address?

- Economic linkages and dependencies
- Persistent Inequality
- Extent of the informal sector
- Fragility of food security
- Fragility of job security
- Environmental decay

What we would like to keep?

- Solidarity and coming together
- States' ability to respond decisively
- State's capacity to regulate & demonstrated political will
- Global knowledge sharing and support
- Less traffic, less violence, less pollution

SA NATIONAL RESPONSE



- **Immediate Objectives**

- Deal with the health crisis and save lives through flattening the curve.
- Ensure negatively impacted households delay mortgage/rental payments and have cash on hand.
- Ensure workers receive pay-checks even in quarantine or if temporarily laid off.
- Protect the poorest and most vulnerable.
- Ensure firms have enough cash flows (to pay workers and suppliers), especially small and young businesses, and can avoid bankruptcy.
- Support the financial system to avoid the health crisis becomes a financial crisis. Keep financial markets open and ensure that banks can extend cash and credit to solvent companies and households.

- **Proposed Short to Medium Term Objectives**

- Ensure that urban municipalities are enabled to lead economic recovery within the country.
- Ensure that recovery interventions build the resilience of urban centres to withstand future shocks - rebuild sustainable economies and cities.
- Ensure that government's broader economic, social and spatial transformation objectives are pursued.
- Build solidarity and broad-based partnerships to support national and local economic recovery.

MACRO ECONOMIC STABILISATION



- **Macro Economic Measures**
 - primarily led by the Presidency and relevant Ministers responsible for Finance, Trade and Industry, Small Business Development, Social Development, Education, Employment and Labour and State-Owned Enterprises.
- **Meso Economic Stabilisation**
 - Space for COGTA and local government, especially urban municipalities
 - IUDF can be leveraged and maximised at this level
 - Economic recovery in urban spaces is dependent on macro level public sector measures and leveraging the role of the international community, private sector and civil society

POSITIONING THE IUDF



- IUDF remains relevant
- Goals of inclusive economic development remain relevant
 - Increased number and profitability of enterprises, small and large
 - People who have self-respect, and who develop new skills and social networks, as they participate in productive work
 - Communities that are uplifted through improved skills and services, and work and livelihood opportunities; and
 - Elevated national living standards
- Interventions remain largely relevant
- However, COVID-19 has deepened the crisis and challenges and thrust SA's urban centres even more into the spotlight as drivers of economic recovery

MESO LEVEL STABILISATION



Reposition the District Development Model

- Focus on development of mini “One Plans” as stepping-stones to a more comprehensive and longer-term district “One Plan”
- Allows an emergency response to current economic pressures
- Urban municipalities will be required to identify strategic economic development spaces, sectors and assets within their boundaries that not able to reach their full economic potential owing to challenges such as:
 - Lack of integrated and evidence-based planning
 - Weak public, private and community sector engagement and co-operation
 - Lack of inter-governmental co-ordination of investment
 - Weak (urban) management
- The spaces, sectors and assets would need to be prioritised in terms of their potential to:
 - Retain or generate jobs
 - Positively impact the livelihoods of poor households
 - Positively impact the performance of SMMEs
 - Facilitate integration within broader value chains and economic regions

MESO LEVEL STABILISATION



- Aim would be to address inhibitors to economic recovery and productivity within these spaces & sectors related to:
 - the regulatory environment
 - land-use management
 - Efficient business processes and quick decision-making
 - service delivery and infrastructure
 - skills-levels & availability & social services
 - safety and security
 - institutional arrangements & urban management
 - public transport
- **Rapid, Agile & Responsive Mini“ One Plans”** could be developed & implemented for:
 - a township /industrial park /Port /informal traders’ market / CBD.
 - a specific sector, such as the food /circular economy, tourism, energy or ICT
 - A city asset such as a conferencing centre or tourism node
- Mini One Plan must reflect commitments of all relevant stakeholders and transversal project teams must be put in place to roll-out the plans
- Team of skilled process facilitators to be appointed to support targeted urban municipalities – step towards “district hubs” in non-metro areas

MESO LEVEL STABILISATION



- Urban municipal responses should:
 - Be informed by city and other administrative and economic development data sources
 - Utilise City levers
 - Spatial, land-use and development planning
 - Service delivery and infrastructure provision and revenue management
 - Business process efficiency and continuity
 - Regulation
 - Urban management
 - Co-ordination of government-wide support
 - Leverage levers / programmes from international community, national and provincial government, private sector and civil society

MESO LEVEL STABILISATION

Immediate Urban Municipal response

- Develop consultative **Economic Recovery Plans** that could include:
 - **City Business Responses** (dependent on financial sustainability)
 - Indigent relief e.g. issuing of electricity vouchers for pre-paid users
 - Borrowing
 - No service cut-offs and reinstatement of water supply to households
 - Temporary relaxation of city regulatory requirements such as opening and delivery times of businesses
 - Temporary relaxation of informal trading requirements
 - Fast-tracking of SCM processes and expediting of service provider payments
 - Business continuity measures
 - Rebates, Payment holidays, Relaxation of credit control measures
 - **Stakeholder communication and education plans**
 - COVID health, disaster & support measures
 - **Facilitation of business support**
 - Info flows
 - Emergency procurement opportunities
 - **Facilitation of community and household support**
 - Encourage formation of Community Action Networks
 - Co-ordinate and assist in directing national and provincial relief measures
 - Forge issue-based partnerships with relevant civil society groupings e.g. homelessness, food security

MESO LEVEL STABILISATION



Short-to-Medium Term: Urban Municipal response

- **Development and implementation of Mini One Plans – spaces, sectors and assets**
- **Facilitate national / provincial support to SMMEs and informal traders**
- **Massive Digitisation Programme**
 - Relevant municipal business processes (e.g. expand COGTA / DBSA's SMART & NT's SNDB Reform programme)
 - Use agencies such as NEDLAC for Roll out free wi-fi to marginalised communities; Facilitate access to free data for educational, social and informal trading purposes and Facilitate access of firms to digitisation support
- **Massive skills development**
 - Facilitate engagement amongst industry, private and public sectors re skills demand and supply
 - Implement life-long learning campaigns
 - Identify successful programmes & forge partnerships e.g. Harambee, UNISA, SETAs, other tertiary institutions
- **Extend the EPWP**
 - Identify new opportunities e.g. Maintenance and management of public spaces and municipal assets, Social service delivery including ECD, community-based care, community health workers, counselors, environmental management and regulation e.g. waste-pickers and recyclers, cleaning of storm water drains; protection of water taps, Extension of walking and cycle lanes, Conducting of community surveys, Health and safety officers, Local tourist guides
 - Focus on skills development within the programmes
- **Infrastructure Build Programme**
 - Accelerate public and private delivery through incentives, automation of development planning system, expediting SCM, expediting payments, panels for emergency procurement, reducing time taken to process strategic projects, communicating business support
 - Identify innovative infrastructure financing solutions – build on existing work underway by COGTA, DBSA, SALGA and NT
 - Ensure sustainable infrastructure (e.g. City Green Building commitments) and service delivery design and investment
 - Cities to prioritise an infrastructure pipeline geared to economic recovery (also link to One Plans)
 - Unlock stuck programmes e.g. the Green Cities Programme
- **Putting in place enabling institutional arrangements**
 - Transversal teams to enable the implementation of One Plans
 - Multi-stakeholder forums
 - Inter-governmental platforms

LEVERAGING THE IUDF TO SUPPORT URBAN ECONOMIC RECOVERY



- Resource mobilization in support of Metros
 - Donors, private sector, DFIs
 - Forge linkages with global agencies e.g.
 - City Resilience (e.g. Global Investors for Sustainable Development, WRI Ross Centre for Sustainable Cities) – water, energy and food security
 - Training and Skills Development (e.g. WB’s Integrated Training and Skills Development)
 - Economic Inclusion (WEF’s Inclusive Economies Accelerator, ILO’s SCORE and KAIZEN programmes)
- Forge a Social Compact through NEDLAC on urban economic recovery
- Ensure the DDM is recognised as a tool to deliver the IUDF and support urban economic recovery
- Public Sector Intervention Measures
 - 1) Build on existing initiatives to facilitate the centralization and accessibility of economic data for municipalities
 - 2) Adopt and resource the revised DDM through the appointment of a team of skilled process facilitators in development of Economic Recovery and One Plans to unlock spaces and sectors, e.g. energy sector
 - 3) Resource an expanded COGTA/DBSA SMART Cities programme
 - 4) Resource an expanded SNDB Reform programme in secondary cities
 - 5) Resource and finance an expanded CWP/ EPWP
 - 6) Ensure the Infrastructure Build is sustainable and focus on repairs and maintenance
 - 7) Identify and support the upscaling of successful skills and employment initiatives e.g. Harambee, Tshepo 1 Million
 - 8) Identify and extend existing urban economic support instruments to ICMs e.g. CSP’s Land Value Capture project, Catalytic Land Development Programme, Circular Economy, Cities Infrastructure and Delivery Management System

THANK YOU

