NDA
National Development Agency

POLICY DISJUNCTURE BETWEEN ECONOMIC TRANSFORMATION AND JOB CREATION IN SOUTH AFRICA

RESEARCH REPORT

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POLICY DISJUNCTURE BETWEEN ECONOMIC TRANSFORMATION AND JOB CREATION IN SOUTH AFRICA

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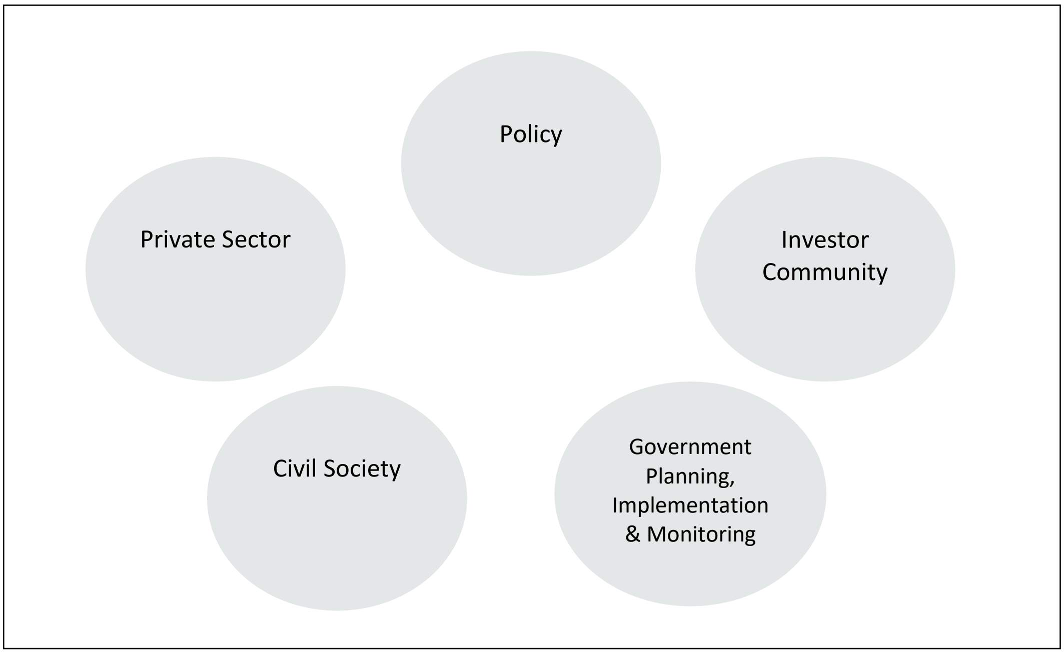
Executive Summary

Record-high unemployment is the main cause of poverty in South Africa. The hardship of poor communities is further compounded by collapsing public service delivery, including electricity provision, public transport, road maintenance, public health, policing, and waste-water treatment. The plight and desperation of impoverished communities are further amplified by rampant food and petrol inflation caused by oil trading over $122 a barrel at time of writing (Markets Insider, 2022).

This is occurring against a backdrop that is not short of policy. Which begs the question: why is there an apparent disconnect between policy and economic development and poverty eradication? This Study posits that there is not simply a disconnect between policy and economic development, but rather between policy, implementation, how government structures work (through Annual Performance Plans) and the role of civil society. This picture is simplistically illustrated below.

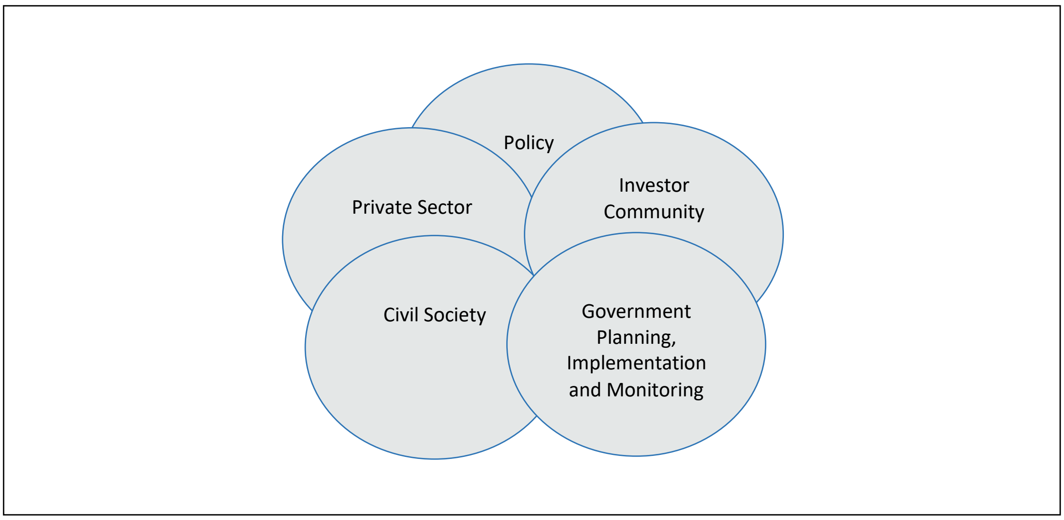
Figure 1: Disconnect in Development Community (Current Scenario)



Although this diagram runs the risk of oversimplifying the current state, it clearly depicts the reality, where all the relevant aspects of economic development are operating separately.

The ideal scenario would be depicted by a Venn Diagram showing collaboration, as shown below.

Figure 2: Connect in Development Community (Ideal Scenario)



Ultimately, in order for policy to be effective, it needs to be supported by effective implementation by Government through the intelligent crafting of Annual Performance Plan (APP) targets, as well as monitoring and evaluation (M&E). Achieving these two fundamental aspects of APP targeting and M&E will encourage the investor community to support the country and businesses within the country, which will benefit private sector, with civil society helping to ensure accountability.

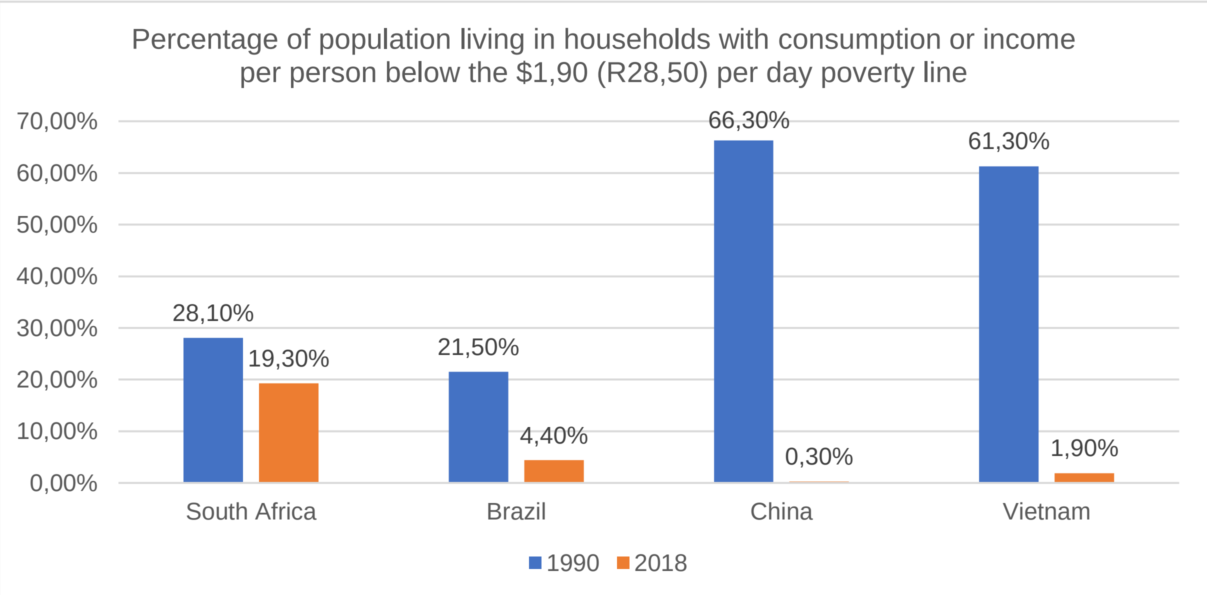
In depth research into successful efforts to eliminate poverty elsewhere in the world, including China, Vietnam, Singapore and Brazil, has confirmed that South Africa's progressive economic policies, in particular Broad-Based Black Economic Empowerment (B-BBEE), have to be augmented with policies that elevate the attraction of investments to create jobs as the highest national priority for all organs of state. Lessons from Norway demonstrate how the management of natural resources is key to economic growth-something this report suggests South Africa could better focus on.

No job creation is possible without foreign and domestic direct investment, and vast investments are required to reach National Development Plan (NDP) employment targets. This imperative is acknowledged by the Government Gazetting of the Country Investment Strategy by the Presidency on 27 May 2022 as well as various Industry Master Plans that are in the process of being issued.

Sound investment strategy and industry plans are critical, but the quality of these plans is not enough to ensure their success. All government, private sector, and civil society stakeholder groups must be invested in these strategies and plans in order to ensure success.

China and Vietnam were successful in lifting over 60% of their citizens out of absolute poverty in the short space of 28 years. Brazil, comparable to South Africa in socioeconomic state and racialised history, managed to lift around 17% of its population out of poverty. By comparison South Africa has only lifted approximately 9% of their citizens out of absolute poverty in the same period, as illustrated below. All three countries below also share a colonial past and a challenge to eradicate absolute poverty. These commonalities make them credible and relevant reference cases for South Africa.

Figure 3: Poverty Reduction between 1990 and 2018



Source: (World Bank, 2022)

The best practices employed by China and Vietnam, in particular, also provide clear direction on policies South Africa should adopt to augment its existing progressive economic policies in order to eradicate poverty.

China and Vietnam found a working balance between market friendly policies and progressive economic policies that protected their citizens against the volatility and potential exploitation of global markets. These two countries did not choose between capitalism and socialism, they found an approach to embrace both. Pockets of poverty and inequality continue in both countries but their progress since 1990 overshadow these. Singapore also demonstrates a strong emphasis on attracting foreign direct investment through market friendly policies backed up by a strong education system matched to the economy and strict laws against corruption.

An in-depth analysis of other countries' poverty eradication journeys highlighted three best practices for South Africa to consider in re-assessing its policy environment:

1. Common strategy across all departments, state-owned enterprises, agencies, and local governments to eradicate poverty.
2. Setting of individual, scientific economic performance targets determining bonuses, salaries, promotions, and dismissal for civil servants whose mandates materially influence investment, job creation, poverty reduction, economic growth, and public service quality.
3. Empowerment of civil society, focussing on marginalised communities to participate in economic policy creation and hold individual civil servants accountable on an annual basis.

This report primarily compares South Africa to China and Vietnam in the application of these best practices and then uses that as a basis for policy recommendations to reverse poverty in South Africa. In addition, the study focused on key areas of learning from Brazil, Norway, and Singapore. These included exports and social security (lessons from Brazil); education (lessons from Brazil and Singapore); natural resources (lessons from Norway); and foreign direct investment, corruption, and entrepreneurship (lessons from Singapore).

Common Poverty Eradication Strategy: Policy Gap

China, Vietnam and Brazil followed a similar strategy of leveraging exports to generate revenues that are then re-invested to build professional skills and migrate into larger, more sophisticated, and higher margin export industries. Norway also leveraged exports, although in the higher margin industry of energy. Like China, Vietnam and Brazil, Norway also re-invested in professional skilling, forming a knowledge industry through the development of institutional relationships among government agencies, private corporations, and academic institutions.

In the cases of China and Vietnam, their export strategies were supported by very aggressive growth in electricity capacity, transport capacity and skills development. Electricity capacity, transport capacity and skills development were integral and subservient to the collective economic targets around investment, job creation, poverty reduction and economic growth. Their export strategies also drove the prioritisation of policies that have the biggest impact on investment job creation, poverty reduction, economic growth and public service quality over conflicting policies that have more marginal impacts on economic performance. Above all else, all countries ensured that all organs of state, the private sector and civil society were aligned and committed to the overall poverty eradication strategies.

South Africa's National Development Plan, Country Investment Strategy and the various Industry Master Plans indicate that South Africa is taking a strategic approach to poverty eradication that acknowledges the unyielding demands of the tightly integrated and market-orientated global economy. When compared to the strategies of China and Vietnam, the Country Investment Strategy and Industry Master Plans could be challenged and refined, but the value of doing so is marginal compared to the value of ensuring that all organs of state, the private sector and civil society are aligned, committed, and working toward the Country Investment.

The implementation of the Country Investment Strategy and Industry Master Plans are threatened by the same two key risks, namely:

1. Rejection by the citizens that see these private sector-focussed strategies and plans as the newest assault by “White Monopoly Capital” or the “re-incarnation” of Apartheid.
2. Senior civil servants that are critical to the success of the Country Investment Strategy and Industry Master Plans have conflicting financial incentives that cause them to ignore or actively undermine the Country Investment Strategy and Industry Master Plans.

As a consequence, the policy recommendations in this report focus on how countries such as China, Vietnam and Singapore addressed civil society inclusively as well as civil servant commitment to their common poverty alleviation strategies instead of providing feedback on the merits of the Country Investment Strategy and Industry Master Plans.

Any incarnation of the Country Investment Strategy and Industry Master Plans represent a major step forward. The most important matter now is not their improvement but rather their implementation.

Individual Civil Servant Job Creation Accountability: Policy Gap

Not all government departments, state owned entities and agencies have the same impact on investments and job creation. This stems from the interaction between the different organs of state’s governmental mandates and the mechanical operation of the global economic systems. The *de facto* departments of agriculture and energy have different impacts on the economic performance of water rich Brazil and oil rich Norway, respectively, given their natural resource endowments. This interaction is further determined by the balance of power between centralised functions and local governments.

Regardless of the differences between countries there are always individual civil servants’ whose performance will have a disproportionately large impact on investments and job creation. The Pareto Principle suggests that a minority of South Africa’s civil servants will have the majority impact on investment and job creation. It follows that these civil servants’ performance is of national importance in arresting South Africa’s unemployment challenge. As such the optimisation of their performance is a matter of national importance and should be in the public domain. Central to performance optimisation is holding individual civil servants transparently accountable for outputs that they have control over, and which directly impact investment and job creation.

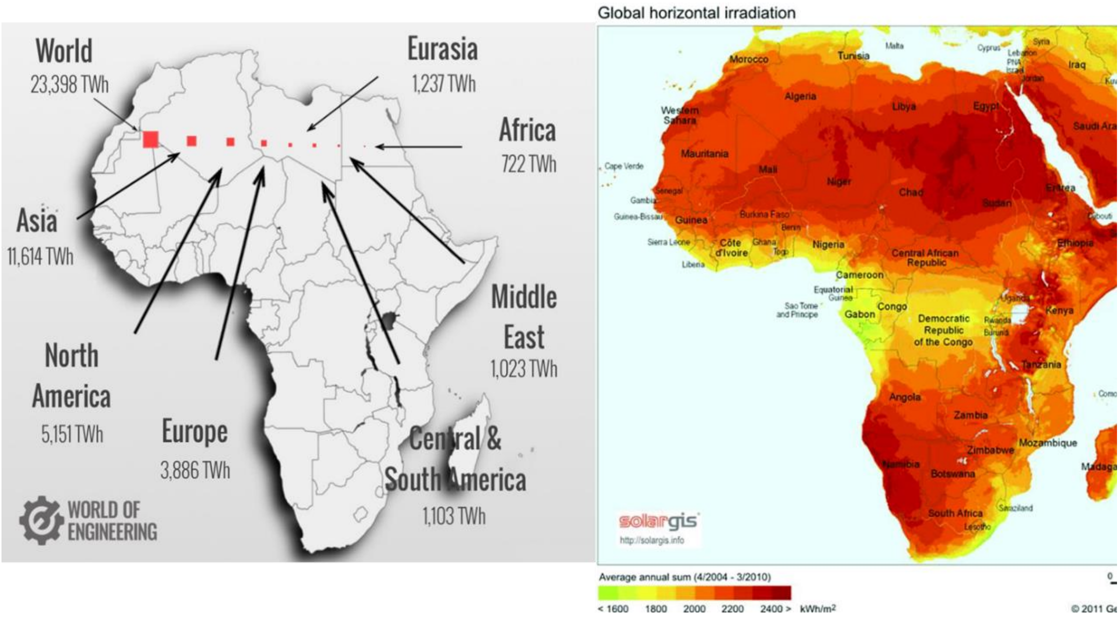
South Africa’s vast collective natural resource wealth also provide direction on which departments, state-owned-enterprises, agencies, and local governments should be prioritised for performance optimisation and individual civil servant accountability. South Africa is estimated to have non-energy minerals worth upwards of US$2.4 trillion, making it the wealthiest mining jurisdiction in the world (if petroleum reserves are excluded) (WorldBank, 2019). South Africa is also projected to have approximately 9 billion barrels of oil, and roughly 60 trillion cubic feet of gas offshore (BusinessTech, 2022). The value of these mineral, oil, and gas resources dwarfs South Africa’s national debt, as illustrated below. They should arguably attract the investments needed to catalyse South Africa’s journey out of unemployment and poverty.

Figure 4: Value of South Africa's Resources as of 2022 (in R billions)

Source: VisionActiv, 2022

South Africa, and the Northern Cape in particular, also have world class solar radiation levels, almost enough to meet global electricity demand, let alone South Africa's modest power needs, as illustrated below:

Figure 5: Surface Area Required to Power World with Solar Alone



This mineral and energy wealth belongs to the State, and thus to the citizens of South Africa, in terms of the Mineral and Petroleum Resources Development Act of 2002. Impoverished communities currently mired in poverty should benefit from this vast wealth.

The rapid issuing of licences to exploit South Africa's mineral, oil, gas, and solar resources is the fastest way to convert the State's collective wealth into millions of employment opportunities.

Given that unemployment is the biggest issue the country currently faces it follows that the rapid issuing of licences to exploit mineral, oil, gas, and solar resources is probably the most important process being executed by government at present.

The management and progress of mineral and energy licence issuing should be in the public domain and impoverished communities which stand to benefit from those licences should be in a position to hold the relevant civil servants accountable. In 2021 it was disclosed that there was a backlog of 5,326 applications for mining rights, prospecting rights, mining permits, renewals and cessions or the sale of rights. It can be assumed that these applications would translate to hundreds of thousands of jobs, many if not most benefitting impoverished communities. The impact of these licence applications on specific impoverished communities, the progress of those licence applications, issues holding up the issuing of licences and the civil servants in control of these processes should all be public information.

Beyond minerals and energy, the provision of freight rail and harbour capacity, the provision of clean water to major industrial operations, the arrest and prosecution of criminal syndicates targeting investors and municipal service delivery have all featured prominently in the media as impediments to investment. The impact of electricity, road, rail, harbour, water, crime and other services on specific communities, the progress on improving delivery, issues holding up progress and the civil servants in control of these processes should all be public information. The civil servants controlling these processes should also directly engage with civil society, especially with civil society organisations (CSOs) representing impoverished communities. Shareholders of private companies can hold individual executives personally accountable; citizens of South Africa should have the same right.

It can be argued that part of Singapore's economic miracle has been a result of holding civil servants accountable for poor performance and corruption. In Singapore, strict laws against corruption, the enforcement of these laws, a meritocratic promotion system and competitive wages are the preferred methods to encourage civil servant performance and ethical behaviour. In contrast to South Africa, it can also be argued that China and Vietnam's economic miracles are the result of their policies which hold individual civil servants accountable for economic targets which include growth, investment, and employment targets (TheDiplomat, 2013). China and Vietnam ensure that key civil servants are committed to investment and employment by linking their remuneration, career progression and dismissal to national growth, exports, investment, employment, public safety, and other economic performance targets. This translation of national economic targets to individual economic targets is being done according to Management by Objective (MBO) principles. In China targets are classified into veto, hard and normal targets with salaries, bonuses, promotions, and penalties predominantly determined by meeting, exceeding, or failing hard and veto targets. These consequences are rigorously applied, and civil servants are in no doubt about the imperative to deliver on their hard and veto targets. In Vietnam the measurement of performance is not solely performed by government agencies either, civil society is also given the opportunity to give *de facto* performance feedback on individual civil servant's performance.

Vietnam's Provincial Governance and Public Administration Performance Index (PAPI) is a policy monitoring tool that assesses citizen experiences and satisfaction with government performance at the national and sub-national levels in governance, public administration, and public service delivery. Following the initial pilot in 2009 and a larger survey in 2010, the PAPI survey has been implemented nationwide each year since 2011. PAPI measures eight dimensions: participation at local levels, transparency, vertical accountability, control of corruption, public administrative procedures, public service delivery, environmental governance, and e-government.

In order for individual civil servant targets to be fair they must be under the control of the civil servant being held to account. Holding civil servants directly accountable for jobs creation is unreasonable if they cannot control all the processes required for job creation. Unreasonable targets also destroy the credibility of any performance management system. While a National Police Commissioner can obviously not be held accountable for national job creation, they can be held accountable for of the arrest of cable thieves. Arresting cable thieves is not only within the National Police Commissioner's mandate and abilities, it also directly impacts investment and employment. Transnet Freight Rail capacity constraints cost commodity exporters R35B in 2021 (Miningmix, 2022). This was due in part to 1 000 km of copper cable used to power electric locomotives being stolen in the financial year ending March 2022 (Engineering News, 2022). Reducing cable theft is a fair target that increase investment.

China and Vietnam are communist countries with the political stability necessary to mature their civil servant performance management targets, processes, systems, and reward models. They are also believers in Confucianism which bestows honour and responsibility on public service. As such they cannot be replicated without significant modification to cater for the different political systems between China, Vietnam, and South Africa.

In practice though holding individual South African civil servants accountable for process outcomes that they have complete control over, and prioritising performance in processes that have the biggest impact on job creation is both fair and effective in promoting job creation.

Civil Society Inclusion in Economic Development: Policy Gap

Citizens living in impoverished communities, which constitutes the majority of South Africans, feel left behind and are angry towards both the private sector and government. Older South Africans still have vivid memories of local and multi-national corporations flourishing while the majority of South Africans were oppressed by racist Apartheid laws and security forces. For them Gross Domestic Product (GDP) growth does not equate to a better life, as South Africa recorded stellar GDP growth performances from the 1950s through the 1970s, a period where Apartheid prevailed largely unopposed by the international business community. Regardless of the actual merits of arguments that the commodity boom is temporary and that profit sharing is a more sustainable remuneration arrangement, the reality is that the perception of capitalist greed at the expense of vulnerable people is deeply entrenched in the South African psyche.

Government, which is synonymous with the African National Congress (ANC) since 1994, is viewed with equal suspicion to the private sector by the citizens of impoverished communities. Unemployment, load-shedding, potholes, rampant violent crime, and unchecked immigration have led to record-low voter turn-out in ANC stronghold communities including Soweto, Diepsloot, and Ivory Park during the 2021 local government elections. This low turn-out have led to the loss of ANC control in Johannesburg, and similar issues also surrendered Ekurhuleni and Tshwane, some of the economic centres of South Africa. To compound matters, the bitterness towards government has been deeply amplified since 2021 with rampant food and petrol price inflation affecting poor communities negatively. For this too, impoverished communities are blaming government. To people in impoverished communities, words and strategies around investment and industrialisation mean little unless these can translate to tangible benefits for their specific impoverished communities. Civil Society Organisations (CSOs) are the often the last line of defence for many vulnerable communities.

CSOs were the vanguard of the anti-Apartheid movement locally and the umbrella organisation for the Apartheid-era CSOs, the United Democratic Front (UDF), was led by now President Cyril Ramaphosa. Despite the advent of democracy, CSOs still remain true to their mission of speaking up on behalf of marginalised communities on the fringes of economic power. This was vividly demonstrated recently when the widely respected Bertrams Inner City Farm close to Ellis Park rugby stadium faced forced removal. Dozens of CSOs joined arms to prevent the forced relocation of the farm to a plot 30 kilometres away from the impoverished community it currently serves (Daily-Maverick, 2022). These CSOs are very much the embodiment of the *"Poor Community First"* mentality and their formal involvement during the conceptualisation and development of the multi-purpose Centre planned for the farm's current location would have saved the authorities from avoidable public relations damage.

The Bertrams Inner City farm episode highlights the policy gap as it relates to formal collaboration with CSOs regarding investments that impact impoverished communities. During the 1980s, the CSOs under the UDF were a more united force. The current fragmented CSO community lacks the same formal organisation and influence in key economic development processes, specifically the Country Investment Strategy and Industry Master Plan implementation. The National Development Agency (NDA) Act provides for government supported capacitation and funding of CSOs. The Act, however, lacks specificity around how to include CSOs in economic development processes, including investments in and around impoverished communities.

Given that many CSOs migrated towards providing *de facto* social services in the post-Apartheid era, the National Development Agency has also been allocated to the Welfare cluster within government, thus moving away from economic development as well. It is thus clear that practical mechanisms formally involving government, the private sector and CSOs, as well as a supporting government agency, is required to meaningfully involve CSOs in the implementation of the Country Investment Strategy and the various Industry Master Plans. More specifically, South Africa needs a policy environment enabling a ***"United Civil Society Front"*** for CSOs to formally sit at the investment negotiating table with government and the global investment community in implementing the Country Investment Strategy and the various Industry Master Plans.

Recommendations:

The combination of the proposed policy recommendations will empower members of impoverished communities to negotiate equitable rewards with the global investment community and hold their civil servants personally accountable for job creation efforts in impoverished communities. Handing this power to citizens living in impoverished communities will help bridge the trust gap between impoverished communities and the private sector as well as between impoverished communities and the government. Both are essential for buy-in to the implementation of the Country Investment Strategy and various Industry Master Plans.

Linking key civil servants' remuneration and career progress to targets which materially impact investment and employment but is still within their mandated ability to control will align their financial interests to the Country Investment Strategy and various Industry Master Plans. Making the key processes that impact employment transparent and open to public feedback will also deter corruption and dramatically improve investor confidence into South Africa.

By introducing these practices South Africa will improve its ability to emulate the poverty elimination achievements of China, Vietnam, Brazil, Singapore, and Norway. Most importantly, this will focus government, the private sector and civil society on what matters most, namely creating a million jobs a year to meet the 2030 National Development Plan's employment and unemployment targets.

The following policy recommendations are thus suggested to allow the successful implementation of the Country Investment Strategy and Industry Master Plans.

Individual Civil Servant Accountability Policy Recommendations

1. Develop and maintain a central **Job Creation Performance Model** that indicate the impacts that different government processes have on investments, direct jobs, and indirect jobs respectively.
   a) For example, the issuing of a mining licences will lead to investment in a new mine, creating direct jobs for those working in the mine and indirect jobs for those working within the supply chain that serves the mine.
   b) The issuing of a power generation licence will lead to investment in the new power station, creating direct jobs for building and operating the power station and many multiples more indirect jobs within the wholesale and retail businesses consuming the power.
   c) Different departments, state owned enterprises, and agencies have varying degrees of impact on investment, as well as direct and indirect jobs. The **Job Creation Performance Model** must help identify the organs of state and their processes that have the largest impact in order to make sure they receive the most attention and assistance.

2. Engage with the local and global investment community and identify the 20% of government processes that will have the 80% impact on investment and direct and indirect jobs, as per the Pareto Principle ("80/20 rule"), as part of the **Job Creation Performance Model**.

   a) This process will first identify the departments, state owned enterprises, and agencies through investor feedback and then drill down into their mandates, operational processes, and existing Outcome Indicators in their Annual Performance Plans (APP).

3. Refine Output Indicators for the most investment and job creation sensitive processes to focus on short term job creation as part of **Job Creation Performance Model** (the 20%). The following are examples of refined Output Indicators:

Table 1: Examples of Refined Output Indicators in APPs

#	Government Process	Refined Output Indicator
1	**Grant Mining Licence**	Number of licences granted for mines employing between 2000 – 3000 people within 2 years since granting
2		Number of licences granted for mines employing between 2000 – 3000 people in 3 years since granting
3		Number of licences granted for mines employing between 2000 – 3000 people within 4 years since granting
4	**Grant Power Generation Licence**	Megawatt baseload installed capacity granted that can be connected to transmission network in 12 months
5		Megawatt day-time installed capacity granted that can be connected to transmission network in 12 months
6		Megawatt variable installed capacity granted that can be connected to transmission network in 12 months

4. Develop econometric models for the 20% of the most investment and job creation sensitive government processes and derive normative ratios between each process Output Indicator, Investment, Direct Jobs, and Indirect Jobs respectively as part of the **Job Creation Performance Model**.

   The following hypothetical example illustrates such normative ratios between each process Output Indicator, Investment, Direct Jobs, and Indirect Jobs:

Table 2: Example of Normative Ratios Between Processes and Indicators

#	Process	Output Indicator	Investment	Direct Jobs	Indirect Jobs
1	**Grant Power Generation Licences**	*Megawatt baseload installed capacity connected to transmission network in 12 months*	R15M	10	100

5. Work backwards from National Development Plan (NDP) targets and derive process Output Indicator Targets for the 20% of the most investment and job creation sensitive government processes as part of the **Job Creation Performance Model**. An example of a target is indicated below:

Table 3: Example of Process, Indicator and Target

#	Process	Output Indicator	Target (for financial year xxxx/xxxx)
1	**Grant Power Generation Licences**	*Megawatt baseload installed capacity connected to transmission network in 12 months*	2500 Megawatt

6. Establish a **Job Creation Office** within the Investment and Infrastructure Office of the Presidency to develop and maintain the central **Job Creation Performance Model** and maintain a list of the most investment and job creation sensitive processes, process Output Indicators, investment and jobs ratios, and NDP derived process Output Indicator Targets.
7. Formally partner the **Job Creation Office** with leading universities' Economics departments to develop econometric models and verify NDP derived targets.
8. Publish the **Job Creation Performance Model** in the Government Gazette for formal feedback from the private sector and organised CSO community.
9. Integrate **Job Creation Performance Model** Output Indicator Targets into relevant departmental, state-owned enterprise, and agency APPs.
10. Assign weights to all APP Output Indicator Targets of departments, state owned enterprises, and agencies that materially impact investment and employment. Mandate weightings of **Job Creation Performance Model** targets to 66% or above until unemployment levels drop to annual NDP target levels.
11. Align remuneration and bonuses of departments, state owned enterprises, and agencies' senior leadership on weighted APP Output Indicator Target performance. Institute mandatory disciplinary processes for gross underperformance against targets. This will ensure commitment from critically important civil servants towards investment driven job creation.
12. Develop a public web-based dashboard that tracks progress against **Job Creation Performance Model** Output Indicator Targets on a monthly basis.
13. Arrange quarterly **Job Creation Performance Model** performance feedback sessions between the CSO community and the relevant departments, state owned enterprises, and agencies' leadership.
14. Pilot the **Job Creation Performance Model** with 20 of the most important processes and add 20 additional processes on an annual basis till the 20% of the most investment and job creation sensitive processes are implemented.

Civil Society Inclusion in Economic Development Policy Recommendations

1. Create a dedicated Impoverished Community Investment Committee (ICIC) under the umbrella of the Country Investment Strategy's Investment Fast Track Committee (IFTC) that specifically focuses on investments that will uplift specific impoverished communities.
2. The ICIC must involve representatives from government, the private sector, and appropriately skilled and accredited Civil Society Organisation (CSOs).
3. Formally evaluate and invite CSOs that have the necessary social, financial, commercial, and legal acumen to effectively represent specific impoverished communities at the ICIC.
4. Formalise public-private investment models that allow impoverished community members to become equity partners with large private, institutional, and corporate investors using government supplied seed-capital in business ventures that leverage impoverished community assets such as land and water.

a) An example of such a model would be the Taung Co-Op where a wholly owned subsidiary of major agricultural concern—GWK—partnered with emerging crop farmers operating on communal land in the impoverished Taung community.

b) This membership and the Taung Co-Op's novel risk-sharing arrangement allows the emerging farmers to access markets, supply chains and finance that would not otherwise be available to farmers on communal land.

c) Another example would be major beef conglomerate Sernick and emerging beef farmers in Vredenburg's having joint equity ownership of a beef sales and distribution company.

d) In both instances the Treasury's Jobs Fund provided the public capital for these Agricultural SMME–Corporate Collectives.

5. Allow accredited CSO operated trusts that are exclusively mandated to provide services to specific impoverished communities to meet **B-BBEE ownership requirements** that are preventing otherwise viable investments that will provide employment to impoverished communities.

   a) As an example, an accredited CSO operated trust that serves poor communities close to a prospective mine must be allowed to hold a non-tradable equity interest in the mine in order to meet B-BBEE requirements.

   b) The trust deed will prevent the CSO trustees to sell the interest, thereby allowing the mining companies to develop the 20–50 years' business case required by the global mining investment community. This would resolve the Mining Charter's "top-up" impasse between Government and the mining industry.

   c) The black ownership will not only remain stable but also benefit the actual people around the mine, providing social stability through an alignment between the owners and workers of the mines.

   d) This model will also reduce inequality, with mining profits not only accruing to wealthy investors but also to poor community members.

6. Only allow legally, commercially, and technologically skilled non-profit CSOs approved by the relevant impoverished community, government, and the Minerals Council of South Africa to operate such trust holding equity in mines.

7. Create a central and public **Impoverished Community Job Creation Projects Register** listing projects that have high job creation potential for specific impoverished communities. All projects on the register must be qualified in terms of:

   a) **Impoverished beneficiary communities**, such as Motherwell township for the R23B Coega Ridge development between Motherwell township and the Coega Industrial Development Zone (IDZ).

   b) **Number of jobs for the impoverished community**, such as between 2000 to 5000 jobs for Motherwell residents working on the Coega Ridge development.

   c) **Government cost per job created in impoverished community**, such as R20 000 per job for Motherwell residents, assuming that government contributes R40 Million to a public-private partnership for a new waste water treatment facility for Coega Ridge.

8. Accredited CSOs must be allowed to publish investment opportunities on the **Impoverished Community Job Creation Projects Register** to introduce investors to the communities and allow these investors and CSOs representing these communities to submit joint applications for regulatory approvals, such as mining, water, or land use licences.

9. Allocate a targeted percentage of government spend towards projects on the **Impoverished Community Job Creation Projects Register.** This will ensure a poor community specific view in the implementation of the Country Investment Strategy and Industry Master Plans.
10. Investigate mechanisms to classify the degree of poverty for project prioritisation purposes. Include dependency on social grants as one of the factors to consider.

1 Introduction

This Final Report is produced as part of the study on Research Policy Disjuncture Between Economic Transformation and Job Creation in South Africa (the "Project" or "Study") for the National Development Agency (NDA or the "client").

The following table provides an outline of the sections contained in this report.

Table 4: Overview of Report Sections

Section	Contents	Description
1	Introduction	This section introduces the project and provides overviews of the NDA and Redflank
2	Project Background	This section provides background to the project, outlining the project objectives and key research questions
3	Methodology	An overview of the research methodology adopted in this study, including desktop research and field research, as well as the challenges encountered
4	South African Policy in Relation to Economic Transformation and Job Creation	A view of the South African policy landscape over the years
5	Civil Society Involvement in Economic Development	The role of civil society organisations in informing policy and bridging the economic divide
6	Common Strategies to Eradicate Poverty	A look at poverty alleviation best practices and lessons that can be learned from China and Vietnam, as well as Brazil, Norway, and Singapore
7	Individual Civil Servant's Economic Performance Targets, Remuneration, And Career Progress	The importance of creating government and civil service capability and accountability, as seen in other countries
8	Performance Management of Critical Investment and Job Creation Processes	Key industries and departments to stimulate the South African economy
9	Recommendations	Recommendations to improve civil service accountability and civil society inclusion in economic development as central measures to development
10	References	List of references used in drafting this Report

1.1 NDA Overview

The National Development Agency (the "NDA") reports to Parliament through the Department of Social Development. The NDA is classified as a public entity under schedule 3A of the Public Finance Management Act, 1999 (Act No. 1 of 1999), and was established in November 1998 by the National Development Act, 1998 (Act No. 108 of 1998) (NDA Act) as government's response to the challenge of poverty and its causes in South Africa.

In terms of the Act, the primary objective of the NDA is to contribute towards the eradication of poverty and its causes by granting funds to Civil Society Organisations (CSOs) for the purposes of carrying out projects or programmes aimed at meeting the development needs of poor communities and strengthening the institutional capacity of other CSOs involved in direct service provision to poor communities.

The secondary objectives of the NDA, in terms of the Act, are to promote consultation, dialogue and sharing of development experience between CSOs and relevant organs of State and debate on policy development. Additional secondary objectives are to undertake research and publication aimed at providing the basis for development policy.

Through the Act and various policies, the NDA contributes to – but is not limited to – the advancement of economic development, social cohesion, access to basic human rights and skills development. This contribution of the NDA supports the National Development Plan (NDP) 2030 outcomes for a greater and better South Africa.

1.2 Redflank Overview

Redflank is a specialist management consultancy, assisting clients with the delivery of strategy, research, diagnostic, implementation, and assurance projects. The specialist nature of our consultancy relates to the inclusion of deep management consulting and industry expertise in our project teams. Our client base includes private sector companies (e.g., Old Mutual, BMW) as well as public sector organisations (e.g., JDA, BANKSETA, DPSA).

2 Project Background

The NDA appointed Redflank to conduct research on Policy Disjuncture Between Economic Transformation and Job Creation in South Africa. The purpose of the research was to understand the development and economic transformation failures in job creation in South Africa and identify the challenges that prevent the country from expanding its economy to absorb labour.

2.1 Project Objectives

The research aimed to produce a body of evidence and information on policies for job creation and economic growth, relying on literature from local and international sources. This body of evidence is intended to inform policies, strategies, and programmes that result in economic growth, increased job creation, and reduced levels of poverty. The project also aims to spark debate on the failures of economic and development policies in creating reasonable growth in job creation in South Africa.

The research objectives included:

- Identifying high impact strategic areas of the economy that can bring positive results in the fight against the triple challenges of poverty, inequality, and unemployment, resulting in the meaningful and sustained growth of the economy across all sectors.
- Identifying and proposing new or underdeveloped sectors of the economy that can be explored to create new jobs, new markets, and inclusive participation of the South African population.
- Recommending how the country can expand the economy to absorb labour and improve the ability of South Africa's people and institutions to respond to opportunities and challenges.
- Providing a blueprint that South Africa can use to achieve its goals effectively in an integrated approach; design and implement responsive policies and programmes for poverty reduction; and increase employment levels amongst its population.

2.2 Key Research Questions

The key Development and Economic Policies questions for this research included, but were not limited to:

- Whilst South Africa has put in place an array of development and economic policies over the years, these have not seen meaningful growth in the economy, nor meaningful reduction in poverty and unemployment. What are the causes of this policy failure?
- How should South Africa reframe, review and or reshape its development and economic transformation agenda to effectively respond to poverty, inequality, and unemployment in a significant manner?
- The 6th Administration of the South Africa government has been debating "socio-economic radical transformation" to address high unemployment and high poverty levels, how should this be approached at both policy and implementation levels to ensure that the desired outcomes are achieved by the state and the population?
- What are the key elements, strategies, and requirements the state and its partners (civil society and private sector) need to put in place to address the failures that have resulted in the non-achievement of development and economic transformation?
- What are the key recommendations to address the challenges of development and economic policies?

3 Methodology

The methodology for this Study included, but was not limited to the following:

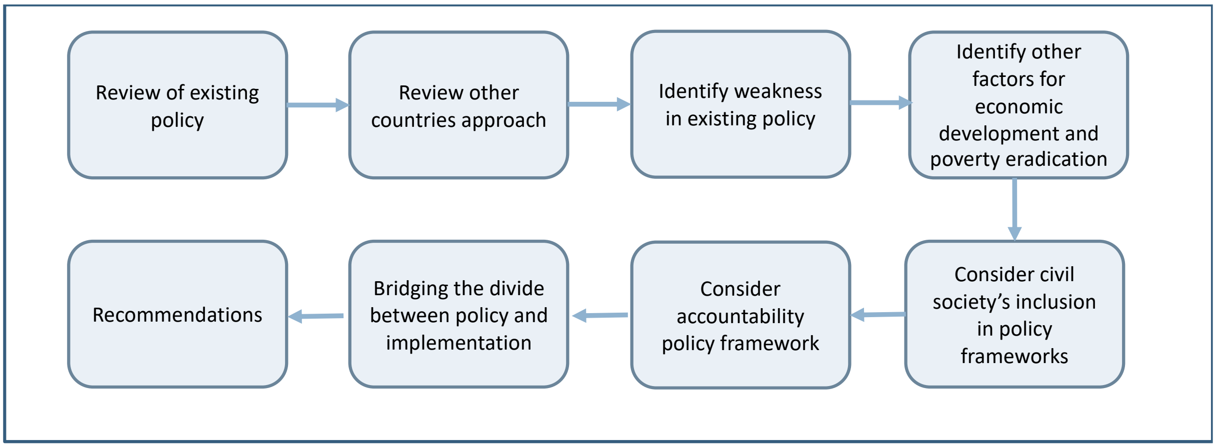
- Review of organisational documentation such as Annual Performance Plans
- Review of literature relating to policy development and implementation, including international case studies
- Conducting interviews with key stakeholders
- Administering surveys
- Quantitative and qualitative analysis of the data from the fieldwork

3.1 Desktop Research Undertaken

The Study assessed existing policy and then investigated necessary actions to translate policy (as a concept) into implementation measures that account for civil society's role in an accountability framework for public servants.

The diagram below illustrates this approach.

Figure 6: Desktop Research Approach



Section 10 is a detailed reference list of the literature consulted in the production of this report.

3.2 Field Research Undertaken

In addition to desktop research, the Study based its findings on data gathered through surveys and interviews. This included 400 survey responses and 9 interviews, totalling 409 consultations.

The table below provides an outline of the fieldwork undertaken.

Table 5: Fieldwork Conducted

#	Stakeholder Type	Planned Consultations	Achieved Consultations
Surveys			
1	Civil Society Organisations	200	400
Interviews			
1	Civil Society Organisations	15	9
Total		**227**	**409**

The interviews conducted were with organisations involved in community and economic development and/or public interest causes. These included:

- Harambee
- Economic Bricks and Building Primary Cooperative
- Yes4Youth (Youth Employment Services)
- Ezenzeleni Warden Business Forum
- Organisation Undoing Tax Abuse (OUTA)
- Institute for Economic Justice
- Development Action Group
- African Centre for Economic Transformation
- Southern Centre for Inequality Studies

In addition, a validation workshop/focus group was attempted with stakeholders.

3.3 Research Challenges

During the data collection phase of the project, several challenges were encountered that hampered the data collection process. Although these issues were overcome by adapting the research design it is worth noting these here, to inform the research approach in future. The table below lists the identified challenges, and the approach taken to handle the challenges.

Table 6: Research Challenges

	Research Challenge	Response to Challenge
1	**Lack of Readily Available Stakeholder Contact Details** The NDA does not maintain a record of the contact details of all their stakeholders, only having contact details of CSOs and some co-operatives. Consequently, the databases received excluded contact details for industry bodies, as well as government and private sector representatives. The contact databases also had other deficiencies, as expressed in points 2 and 3 below.	• Requesting contact details of stakeholders early in the Study to avoid delays. • Consolidating the contact details into one repository and standardising the way they were presented. • Googling contact details, where possible. • Contacting general information desks or switchboards and requesting referral to relevant personnel.
2	**Limited Number of Relevant CSOs** This study focused on development/ economics/ policy, however, many of the CSOs the NDA supports are not involved in these fields and were unable to share insights.	
3	**Incomplete Stakeholder Details** Some of the databases received had incomplete details. For example, some had stakeholder's names and surnames but did not have phone numbers or email addresses.	• Calling the provided contact number, if no email was provided, or emailing if no contact number was provided. • Googling contact details, where possible. • Contacting general information desks or switchboards and requesting referral to relevant personnel.

	Research Challenge	Response to Challenge
4	**Invalid Stakeholder Information** The databases containing stakeholder contact details had invalid/outdated contact details, resulting in unsuccessful attempts to contact some stakeholders for participation. This may be attributed to contact details such as email addresses being deactivated after some time, for instance if an employee exits an organisation, or phone numbers being changed.	• Given that the stakeholders' contact details were not always accurate, the project team sent out the survey to the whole available population to increase the chances of a successful response. • Where a respondent could not be reached for an interview due to invalid contact details, they were replaced with another.
5	**Stakeholder Willingness to Participate in Study** Many stakeholders were unavailable to provide input, despite repeated attempts to consult them. This was particularly the case for industry bodies, the private sector, and government as they were not aware of the NDA. Furthermore, many stakeholders declined or did not honour invitations to participate in interviews, resulting in rescheduling.	• To accommodate all views, appointments were rescheduled at the convenience of stakeholders. • The data collection deadline was extended to allow for more responses to be gathered. • If a stakeholder did not respond to a request for engagement after three attempts by the project team, they were replaced with another one.

4 South African Policy in Relation to Economic Transformation & Job Creation

To understand whether the policies that have been enacted in South Africa over the last couple of decades since the advent of democracy have achieved impact, it helps to review the changing state of the economy and population welfare since then. But first, understanding the major policies introduced and what their objectives were will help in contrasting what they were supposed to achieve relative to what occurred. From then on, the views of civil society stakeholders can be considered in the assessment of the effect or lack thereof of these economic and development policies on the ground in the lives of ordinary South Africans.

4.1 South African Economic and Development Macro Policies

Nine major economic and development macro policies and their key objectives for the nation are presented in Table 7 below.

Table 7: Major South African Economic and Development Policies Over the Years

Development/Economic Policy	Key Objectives
RDP – Reconstruction and Development Programme (1994)	• Achieving high and sustainable economic growth. • Privatising underutilised state assets. • Liberalising trade policy to boost exports. • Increasing employment via economic growth. • Reducing the budget deficit. • Financing the RDP visa savings in other areas of government expenditure. • Increasing capital expenditure by government. • Forming a more effective civil service. • Reconstructing the environment of disadvantaged South Africans via the provision of housing, water, and electricity. • De-racialising the economy via legislation and policy changes in areas such as affirmative action. • Introducing competition policy to inhibit the over-concentration of economic power. • Strengthening the bargaining position of labour.
GEAR – Growth, Employment and Redistribution framework (1996)	• Encouraging greater public investment in infrastructure. • Reducing the budget deficit. • Using interest rates to control inflation. • Relaxing exchange controls. • Liberalising trade more rapidly. • Introducing tax incentives to stimulate investment. • Restraining growth of the public sector wage bill. • Privatising state-owned assets. • Increasing labour flexibility.

Development/Economic Policy	Key Objectives
AsgiSA – The Accelerated and Shared Growth Initiative for South Africa (2006)	• Introducing greater labour market flexibility via a review of labour laws. • Promoting/encouraging investment in infrastructure. • Ensuring a more competitive business environment especially for small and medium-sized enterprises. • Achieving GDP growth of 4.5% by 2009 and 6% between 2010 and 2014. • Improving the value of the rand. • Reviewing BEE policy. • Ensuring a supply of skilled labour.
IPAP – Industrial Policy Action Plan (2007)	• Fast-tracking implementation of four "lead sectors", viz.: o Capital/transport equipment and metals; o Automotives and components; o Chemicals, plastic fabrication and pharmaceuticals; o Forestry, pulp and paper, and furniture. • Maintaining momentum on implementation of ASGI-SA sector priorities: business process outsourcing & offshoring (BPO&O), tourism and biofuels. • Implementing other substantive sector projects in: Diamond beneficiation and jewellery; Agro-processing; Film; and Crafts. • Furthering strategy in a range of other sectors including: Mining and mineral beneficiation; agriculture; agro-processing; ICT (services and products); and creative industries and white goods. • Designing and implementing an Industrial Upgrading Programme to deepen manufacturing capabilities. • Revising the suite of Industrial financing instruments to support the industrial policy. • Reducing input costs through competition policy and the review of import duties on a range of intermediate inputs into manufacturing. • Implementing Industrial policy related cross-cutting imperatives as set out in Government's Programme of Action. • Instituting measures to improve government's organisation and capacity to implement industrial policy.

Development/Economic Policy	Key Objectives
NIPF — National Industrial Policy Framework (2007)	• Facilitating diversification beyond reliance on traditional commodities and non-tradable services. Promoting movement into non-traditional tradable goods and services that compete in export markets as well as against imports. • Intensifying South Africa's industrialisation process and movement towards a knowledge economy in the long term. • Promoting a more labour-absorbing industrialisation path with a particular emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation. • Promoting a broader-based industrialisation path characterised by increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy. • Contributing to industrial development on the African continent with a strong emphasis on building productive capabilities.
NGP – The New Growth Path (2010)	• Enabling the state to play a leading role in directing investment and providing investment incentives. • Promoting domestic investment. • Increasing employment via the private sector. • Strengthening public sector investment in infrastructure. • Targeting labour-absorbing industries for investment. • Promoting small-scale agriculture. • Reviewing BEE policy to focus on skills development and worker and community ownership. • Increasing labour market regulation to protect vulnerable workers. • Resisting the reduction of trade tariffs while promoting exports and combating illegal imports. • Capping pay and bonuses for senior managers and executives earning over R550,000 a year. • Moderate pay increase for people earning between R3,000 and R20,000 a month.
NDP – The National Development Plan 2030 (2011)	• Maintaining fiscal discipline and macro-economic stability. • Achieving sustained GDP growth of 5.4%. • Reducing unemployment to 14% by 2020 and to 6% by 2030. • Overhauling the civil service to improve efficiency and implementation. • Promoting market competitiveness. • Reducing the cost of living.

Development/Economic Policy	Key Objectives
	• Reducing impediments to investment. • Creating jobs through entrepreneurship, reducing regulations, and implementing public works programmes.
NSDP — National Skills Development Plan (2019)	• Derived from the National Development Plan (NDP), and seeks to ensure that South Africa has adequate, appropriate and high-quality skills that contribute towards economic growth, employment creation and social development. • Identifying and increasing production of occupations in high demand to improve the responsiveness of the post school education and training system to the needs of the economy. • Linking education and the workplace through workplace-based learning. • Improving the level of skills in the South African workforce. • Increasing access to occupationally directed programmes. • Supporting the growth of the public college system. • Supporting skills development for entrepreneurship and cooperative development. • Encouraging and supporting worker-initiated training. • Supporting career development services.
ERRP — Economic Reconstruction and Recovery Plan (2020)	• Modernising and reforming network industries and associated state-owned enterprises. • Re-orienting trade policies and pursuing greater regional integration to boost exports, employment and innovation. • Diversifying the energy pool and capacity by implementing the Integrated Resource Plan[1]. • Lowering barriers to entry to make it easier for business to start, grow and compete. • Supporting labour-intensive sectors such as tourism and agriculture to achieve more inclusive growth. • Creating greater levels of economic inclusion, including through addressing high levels of economic concentration. • Addressing the weak job-creating capacity of the economy. • Boosting education and skills development. • Promoting greater beneficiation of raw materials • Addressing racial, gender and geographical inequalities which hamper deeper economic growth and development. • Prioritising green economy interventions.

[1] The Integrated Resource Plan (IRP) is an electricity capacity plan which aims to provide an indication of the country's electricity demand, how this demand will be supplied and what it will cost (Cliffe Dekker Hofmeyer , 2019).

Development/Economic Policy	Key Objectives
	• Strengthening agriculture and food security. • Effectively coordinating fiscal and monetary policies to support the ERRP.

Source: (Cronjé, 2014), (Independent Entrepreneurship Group, 2015; Department of Higher Education and Training , 2019), (the dti, 2007), *and* (South African Government, 2020)

4.2 Changing State of the Economy and Population Welfare Over the Last Decades

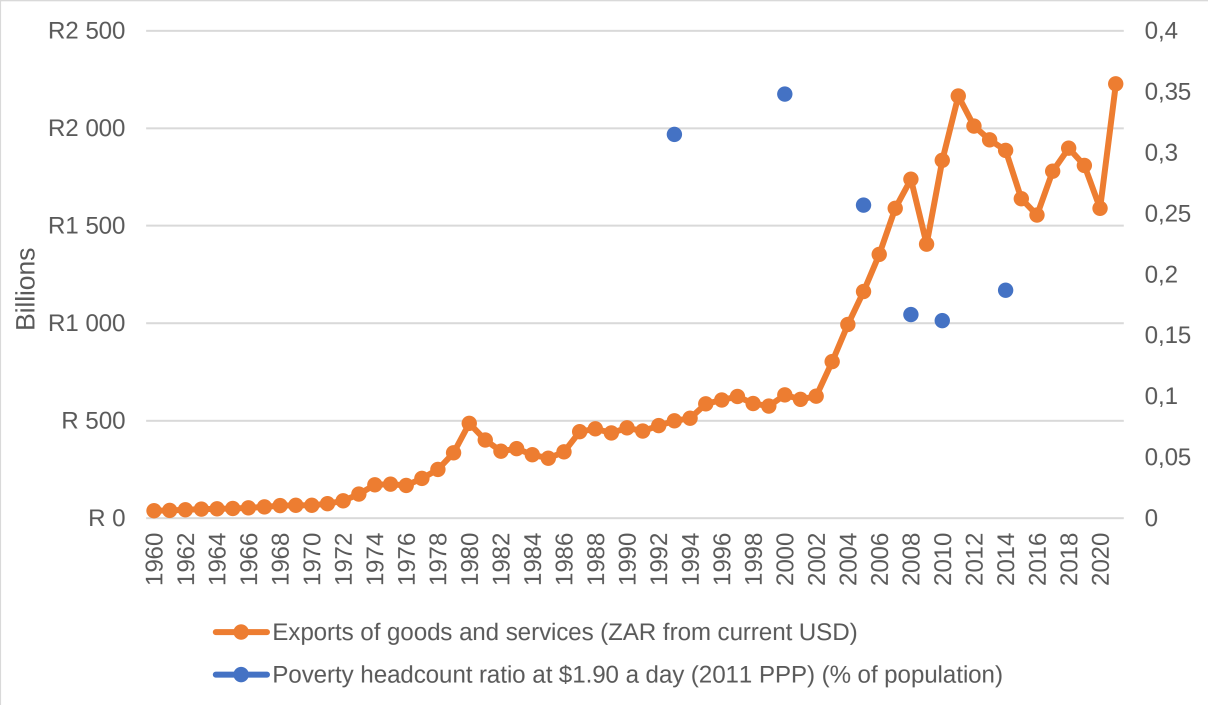
In the following sections, the state of the economy over the last 30 years is assessed and presented.

4.2.1 Export Growth and Poverty Reduction

South Africa's post-1994 trade performance is not what might have been expected of an economy undergoing substantial trade liberalisation and lessening of external export constraints. It was expected that the lifting of sanctions and deregulation of trade and other economic control measures would allow a boost to South Africa's exports, however, this was not entirely the case. South Africa's exports are highly concentrated in natural-resource-based products, but these had a relatively low growth in world markets. South Africa's exports were weak even in natural resource-based products; and export growth and diversification did not fare well compared to other middle-income and resource-based exporters (Edwards & Stern, 2006). Exports of consumer appliances and clothing increased since 1994. Furthermore, high tariffs in these sectors did not do much to encourage competitiveness and export growth. Between 2010 and 2019, South Africa's export growth rate has decreased by more than half with its growth rate also likely being linked to the structure of trade, and specifically, the kind of goods that South Africa produces competitively and exports (Strern & Ramkolowan, 2021). When comparing the top 10 export products in 2001 and 2019, what is apparent is that with the exception of machinery in 2001 and motor vehicles in both 2001 and 2019, South Africa's exports are strongly and consistently concentrated in mineral and metal products (Stern & Ramkolowan, 2021). While there may have been successes, the lack of bigger and sustainable growth in conjunction to the high unemployment rate is not feasible for poverty reduction on a national scale.

Figure 7 below shows South Africa's exports against South Africa's poverty headcount ratio at the national poverty line (measured in percentage of population). The poverty headcount ratio refers to the percentage of the population living below the national poverty line(s) (World Bank, 2022). The national poverty line refers to the benchmark used to estimate poverty indicators that are consistent with the country's specific economic and social circumstances and reflect local perceptions of the level and composition of consumption or income needed to be non-poor (World Bank, 2022). The figure below represents the poverty headcount ratio at the national poverty line at $1.90 a day i.e., the percentage of the population living with less than $1.90 a day.

Figure 7: South Africa's Exports vs Poverty Headcount Ratio at $1.90 a day



Source: (World Bank, 2022)

4.2.2 Main Export Growth Strategies, Growth, and Evolution in South Africa

Trade and Investment South Africa (TISA) is a division of the Department of Trade and Industry and Competition (the *dtic*, previously *dti*) that is assigned with the responsibility of growing the national exporter base and the volume and value of exports by South Africa (the dtic, 2019). The *dtic* is mandated, through the TISA, to expand South Africa's export base and increase exports of value-added products and services. As a result, the Integrated National Export Strategy (INES) or "Export 2030" was developed (the dti, 2016). The strategy introduced different interventions for enhancing South Africa's export performance, which encompass all applicable public and private sector economic agents. Prior to the development of INES, it was imperative that the foregoing strategy (NES 2006-2009) be reviewed, so that solutions for the gaps identified could be integrated into the INES. These gaps included domestic competitiveness, limited consultation processes, weak institutional arrangements, lack of a common export agenda and fiscal constraints (the dti, 2016).

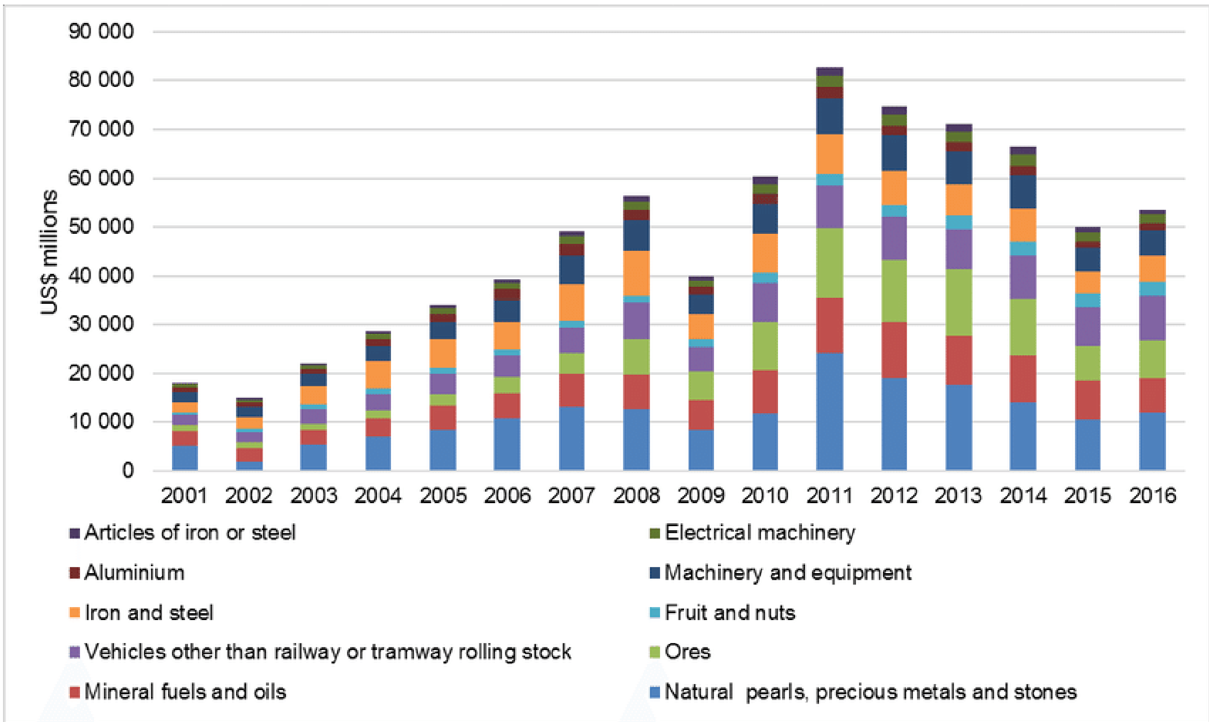
INES is based on four fundamental precepts, namely (the dti, 2016):

- Improving the export enabling environment and international competitiveness
- Increasing demand for goods and services through market prioritisation, diversification, and access
- Developing exporters, increasing export capacity, and strengthening exporter performance through the National Exporter Development Programme (NEDP)
- Strengthening the export promotion mechanisms through enhancing South Africa's value proposition

Furthermore, the aims of the INES are to diversify South Africa's export basket into more value-added and manufactured goods and services, develop new markets with an emphasis on Africa and emerging markets, engage with the top five manufacturing exporters and to expand the exporter base through Retain, Expand and New Exporters (REN) approach within the NEDP (supplier diversification) by integrating into local, regional and global value chains (the dti, 2016).

According to the Observatory of Economic Complexity (OEC) (2021), in 2021 South Africa exported approximately R156 billion worth of goods and services, of which, the top exports were Platinum at R28.9 billion, Gold at R12.3 billion, Coal Briquettes at R11.1 billion, Iron Ore at R9.89 billion, and Ferroalloys R7.4 billion. The graph below shows the composition of South Africa's top 10 exports between 2001 and 2016.

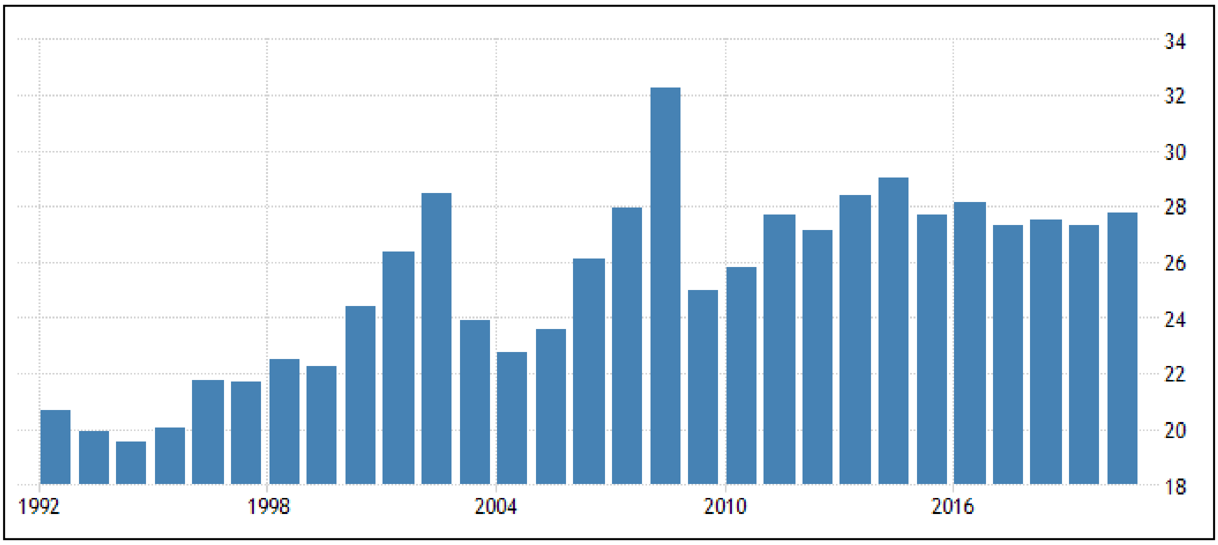
Figure 8: Composition of South Africa's Top 10 Exports



Source: (Mondliwa & Nkhonjera, 2018)

Research by United Nations Conference on Trade and Development (UNCTAD) indicates that South Africa's structural transformation was defined by the country's shift from the primary sector, mainly restricting its dependence on agricultural and extractive outputs and that, as a result, the share of mining value added decreased and the share of agricultural employment from 1960 to 2011 also decreased, with an increase in value added and employment shares while the service sector saw some benefits (UNCTAD, 2013). For structural transformation to take place, there needs to be rapid productivity growth. For South Africa, the average productivity growth was stagnant from the 1960s to 2011, with the exception of mining and utilities sectors which saw a rise in the late 1990s. Additionally, labour productivity has been relatively low between 1960 and 2011 for the largest economic sectors, i.e., agriculture, retail, restaurants and hotels (UNCTAD, 2013).

Figure 9: South Africa Exports of Goods and Services (% of GDP)



Source: (Trading Economics, 2022)

In 2020, South Africa's exports of goods and services contributed 27.8% to GDP (World Bank, 2020). Figure 9 above shows South Africa's exports of goods and services (value of all goods and other market services provided to the rest of the world) as a percentage of GDP from 1992 to 2020. As shown, exports as a percentage of GDP peaked in 2008 and gradually fell from there, indicating that less and less of South Africa's GDP come from the value of exports.

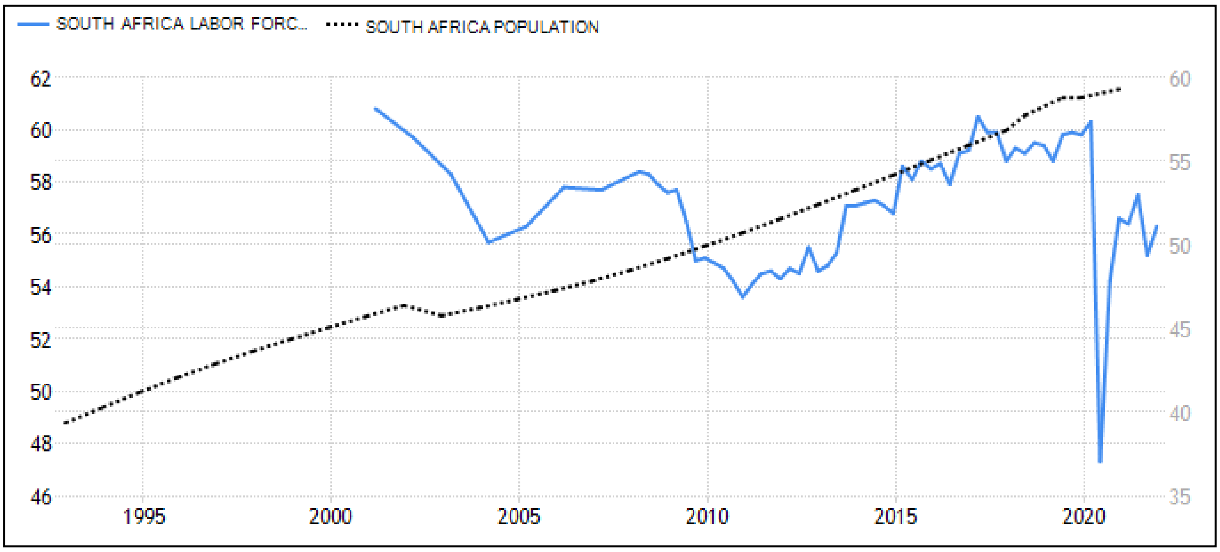
Foreign direct investment into South Africa decreased from $4.6 billion in 2019 to $2.5 billion in 2020 and the decrease was also reflective of the global foreign direct investment reduction of 42%, arguable fuelled in part by the COVID-19 pandemic. More recent major foreign direct investment into South Africa includes a R24 billion investment by New York-based PepsiCo's acquisition of Pioneer Foods and the establishment of Equiano, a new private subsea cable connecting Portugal and South Africa, by Google (The Law Reviews, 2021). Additionally, in the electrical machinery industry, Adenia Partners, a private markets investment firm based in Madagascar, acquired majority stake in a leading distributor of low-voltage electrical products and solar products in South Africa, known as Herholdt's, which was part of $500 million raised by Adenia to invest in Africa (Adenia, 2021). South Africa is also targeting to attract at least R1.2 trillion over 5 years, which has led to commitments by foreign investors into South Africa, such as Rayal, a Chinese company, which has committed R280 million in a porcelain tile manufacturing plant in Gauteng, Ardagh (an Irish company) and Consol committing to invest R1.5 billion in a new glass container production facility in Gauteng, and Tetra Pak (a Swedish company) committing R500 million towards the expansion of a manufacturing plant in KwaZulu-Natal (SA News, 2022).

4.2.3 Population and Workforce Growth

As seen in the graph below, South Africa's population stood at 59.3 million people in 2020. It has also experienced slight growth since then with its mid-year population being estimated to have been 60.14 million in 2021 (Statistics South Africa, 2021). The labour force participation rate is defined as the proportion of the working-age population—all persons aged 15 to 64 years—who are able and willing to work that is either employed or unemployed. The number of people participating in the workforce in South Africa was measured at 56,3% of the population in the fourth quarter of 2021 (Statistics South Africa, 2022).

The graph below shows South Africa's steady increase in population from 1992 until 2021, as well as South Africa's labour force participation rate from 2001 to 2021.

Figure 10: South Africa - Population vs Labour Force Participation Rate



Source: (Trading Economics, 2022)

The labour force increased by 1 046 000 from 21,3 million in the fourth quarter of 2015 to 22,2 million in the fourth quarter of 2020. Growth in the working age population was significantly stronger than growth in the labour force in 2020 compared to 2015. This led to a 1,90 percentage points decrease in the labour force participation rate to from 58,5% in the fourth quarter of 2015 and 56.6% in the fourth quarter of 2020 (Statistics South Africa, 2022).

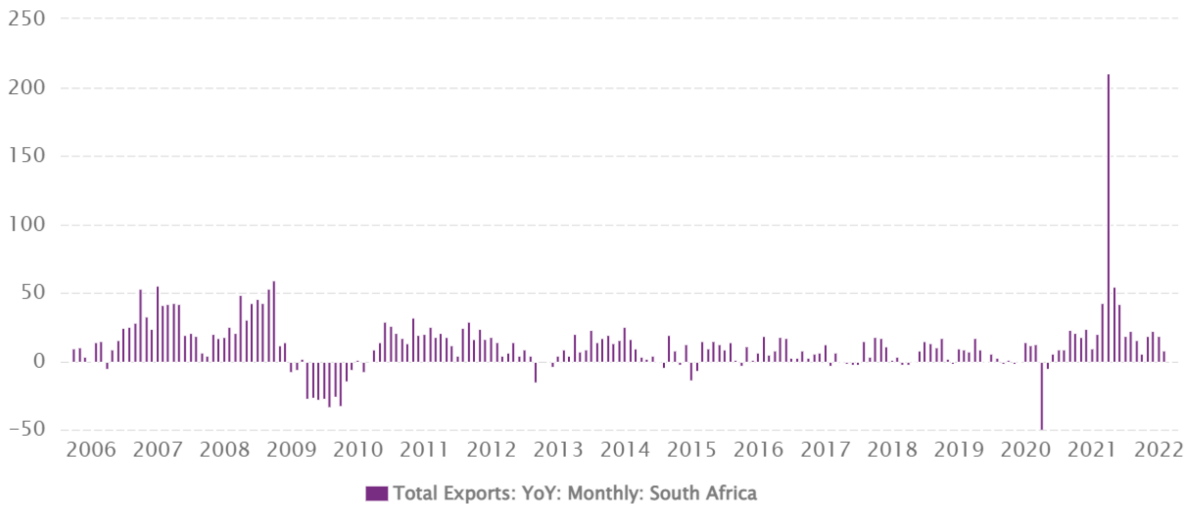
Between the third and fourth quarters of 2021, the labour force participation rate increased by 1,1 percentage points to 56,3% as a large number of individuals moved from the "not economically active" status to the "employed" and "unemployed" categories between the two quarters (Statistics South Africa, 2022). This could mean that some of the full-time scholars and students, full-time homemakers, those who are retired, and those who are unable or unwilling to work are joining the labour force.

The above indicates that the dynamics of the labour force participation rate are influenced by a growing working age population which is not matched by similar growth in the labour force as well as the movements between labour market status categories.

4.2.4 Export Growth and Growth in Employment

South Africa's employment rate has been declining in the past three decades. Exports have been growing at a relatively low rate between 2010 and 2020 as can be seen in Figure 11 below. Between October 2005 to May 2022, exports have been growing at an average rate of 10.8 % and reached an all-time high between this period of 210.3 % in Apr 2021 and a record low of -49.9 % in Apr 2020.

Figure 11: South Africa's Total Exports Growth from Oct 2005 to May 2022



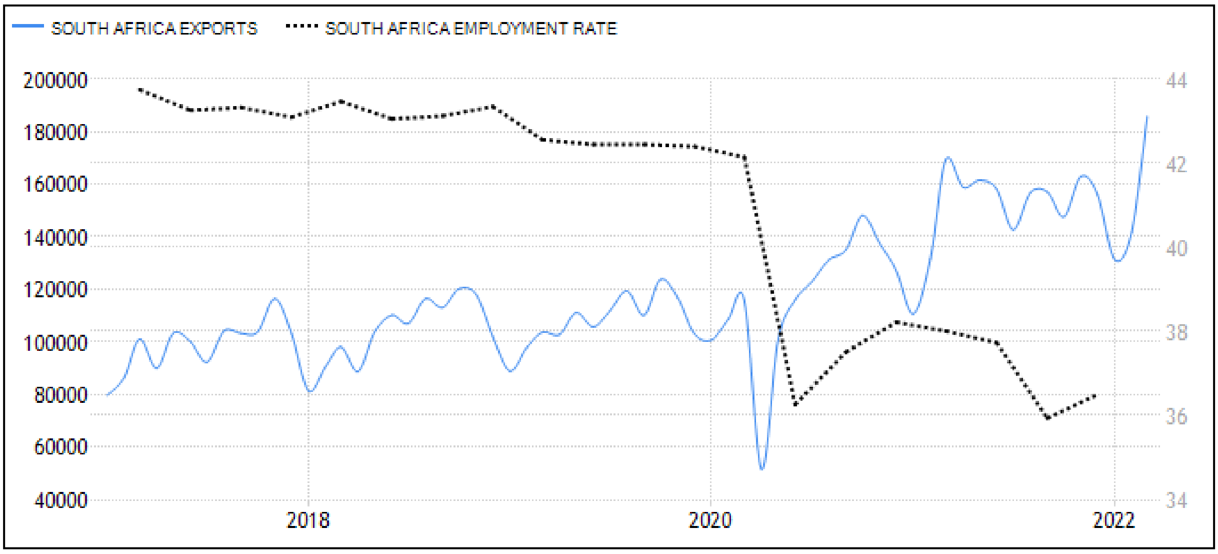
Source: (CEIC, 2022)

As seen in the graph below, South Africa's absorption rate (the proportion of employed individuals in the working age population) decreased from 43,3% in 2018 to 36,5% in 2021 (Trading Economics, 2022).

Exports increased from R80.5 billion in January of 2018 to R130.1 billion in January of 2022. In 2020, both employment and exports saw a sharp decline as a result of the COVID-19 pandemic. While exports have managed to recover, employment has failed to reach pre-COVID-19 levels. Export growth can potentially lead to employment growth, however, this has not been the case for South Africa. This is in part due to South Africa mainly exporting minerals as opposed to beneficiated goods that will have required relatively labour-intensive production.

The graph below shows South Africa's exports and employment rate from 2018 to 2022.

Figure 12: South Africa – Exports vs Employment Rate

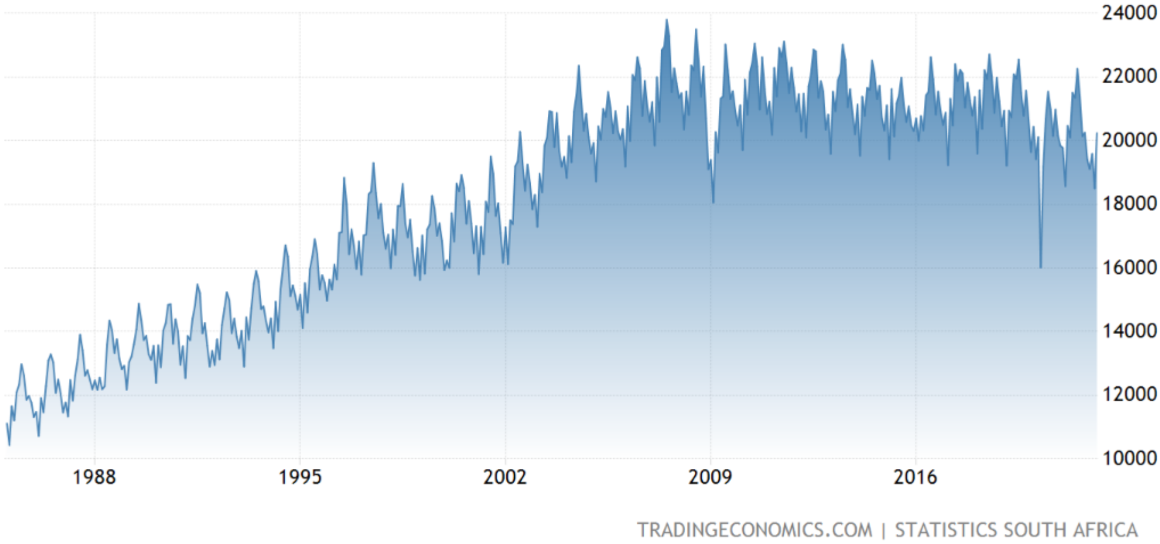


Source: (Trading Economics, 2022)

4.2.5 Electricity Generation Capabilities and the Energy Mix

Electricity generation capacity in South Africa has been steadily increasing from the 1970s up to about 2006–2008, where it peaked (Trading Economics, 2022). Since then, generation capacity and realised generation have been fluctuating with generation units going offline necessitating loadshedding as shown in the figure below.

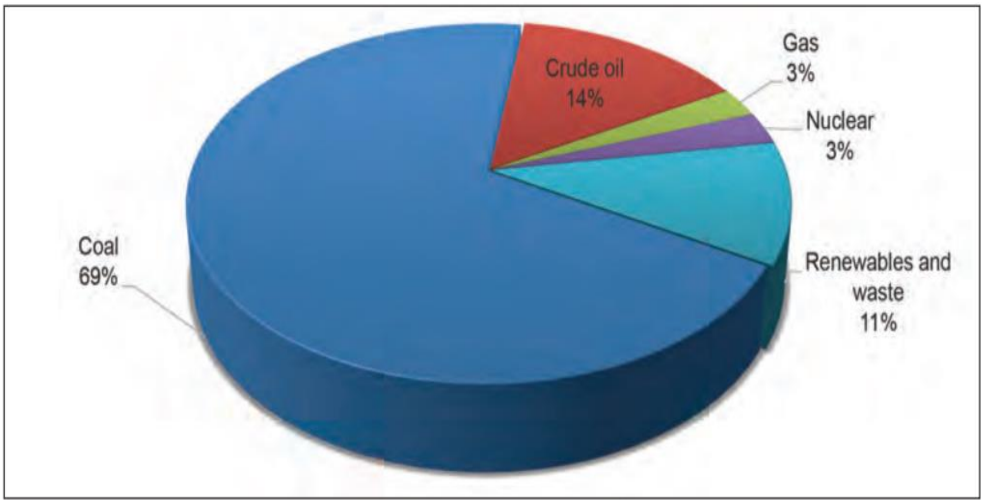
Figure 13: Electricity Production in South Africa over the Decades



Source: (Trading Economics, 2022)

The energy mix has been dominated by coal, which accounted for 69% of generation capacity in 2016. Renewables have been gaining steam, composing 16% of the energy mix in 2016 since the introduction of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP) by South Africa's Department of Energy (DOE) in 2011 (Ratshomo & Nembahe, 2019).

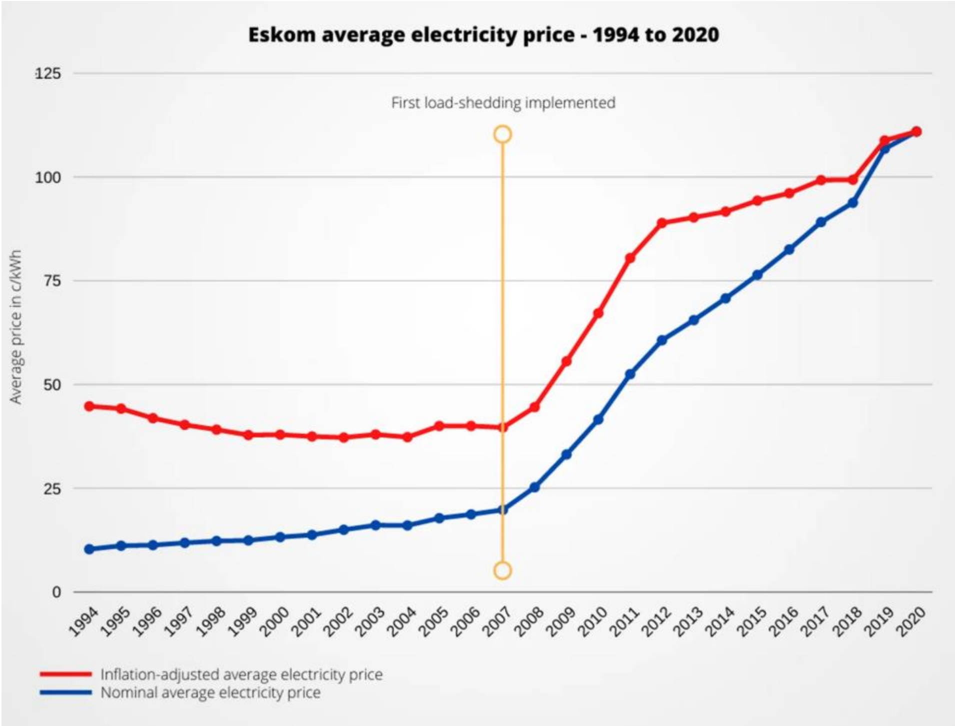
Figure 14: South African Electrical Energy Mix in 2016



Source: (Ratshomo & Nembahe, 2019)

The price of electricity in South Africa was steady between 1994 and 2007 but has since risen sharply—coinciding with the first instance of load shedding in 2007 as shown in the figure below. In 2008 the electricity price percentage increase was more than three times annual inflation, whereas in 2007 the price increase was about equal to annual inflation (Labuschagne, 2020).

Figure 15: Average Electricity Price (ESKOM) – 1994 to 2020

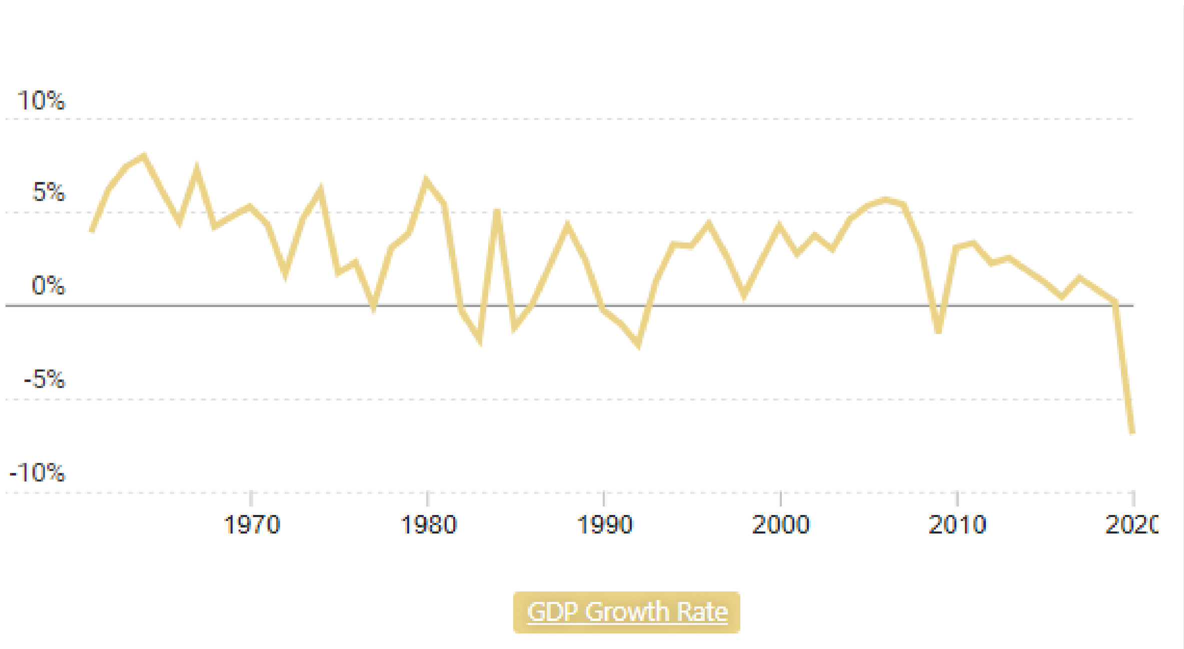


Source: (Labuschagne, 2020)

4.3 Policy Achievements and Non-Achievements in Context

As can be seen from the previous section, section 4.2, the key objectives and targets as set out when the various economic development policies were promulgated were mostly not achieved. For example, *AsgiSA – The Accelerated and Shared Growth Initiative for South Africa* intended to achieve GDP growth of 4.5% by 2009 and 6% between 2010 and 2014. Instead, there was a -1.5% annual change in GDP in 2009, and a 3.0% annual change in GDP was achieved in 2010, which gradually fell back to 1.8% by 2014 (Data Commons, 2020), as illustrated in Figure 16 below.

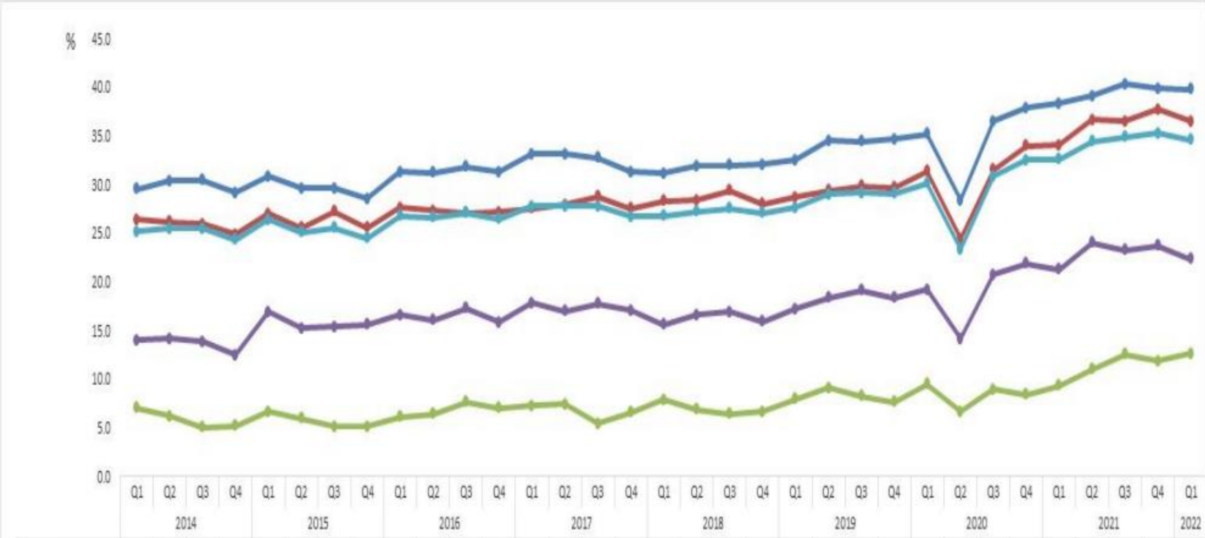
Figure 16: Gross Domestic Product Growth Rate in South Africa



Source: (Data Commons, 2020)

Furthermore, the *NDP – The National Development Plan 2030* intended to reduce unemployment to 14% by 2020 and to 6% by 2030. Up to 2022, that has not been achieved. Unemployment is currently at 34.5% (official definition), substantially more than was targeted for 2020. As such, the data suggests that the economic development policies of South Africa have, by most accounts, not achieved their intended objectives, and as such have not had the expected impact in alleviating poverty, reducing unemployment, and creating a transformed economy that benefits all citizens.

Figure 17: Unemployment Rate by Education Status, 2014 to 2022



	2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Less than matric	29.5	30.3	30.4	29.1	30.8	29.6	29.6	28.5	31.3	31.2	31.8	31.2	33.1	33.1	32.7	31.2
Matric	26.4	26.1	25.9	24.8	27.0	25.6	27.2	25.5	27.6	27.3	27.0	27.1	27.5	27.9	28.7	27.5
Graduates	7.0	6.2	5.1	5.2	6.6	6.0	5.2	5.1	6.1	6.5	7.6	7.0	7.3	7.4	5.4	6.6
Other tertiary	14.0	14.2	13.8	12.4	16.9	15.2	15.3	15.6	16.6	16.0	17.3	15.8	17.8	17.0	17.8	17.0
RSA	25.2	25.5	25.4	24.3	26.4	25.0	25.5	24.5	26.7	26.6	27.1	26.5	27.7	27.7	27.7	26.7

	2018				2019				2020				2021				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Less than matric	31.1	31.9	31.9	32.0	32.5	34.5	34.4	34.6	35.2	28.4	36.5	37.8	38.3	39.1	40.2	39.8	39.8
Matric	28.2	28.3	29.4	28.0	28.7	29.4	29.8	29.7	31.4	24.4	31.5	33.9	34.0	36.6	36.5	37.7	36.5
Graduates	7.9	6.9	6.4	6.7	7.9	9.1	8.2	7.6	9.5	6.6	8.9	8.4	9.3	11.0	12.5	11.8	12.6
Other tertiary	15.6	16.6	16.9	15.9	17.2	18.3	19.1	18.3	19.2	14.1	20.7	21.8	21.2	24.0	23.2	23.7	22.3
RSA	26.7	27.2	27.5	27.1	27.6	29.0	29.1	29.1	30.1	23.3	30.8	32.5	32.6	34.4	34.9	35.3	34.5

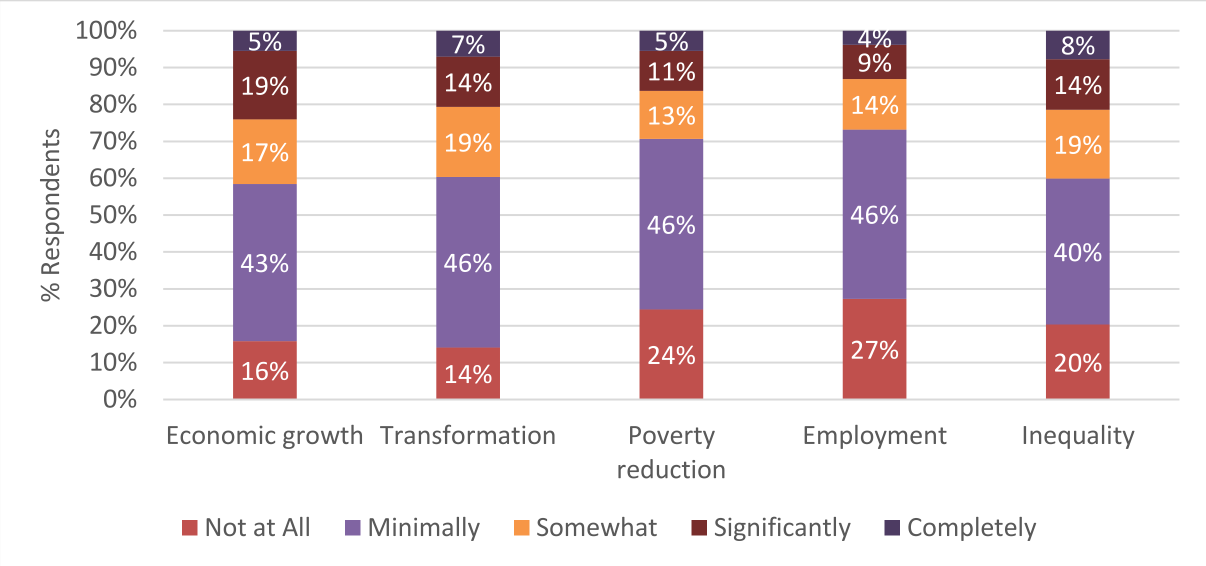
Source: (Statistics South Africa, 2022)

4.4 Stakeholder Views on Economic and Development Policies

In this section, the thoughts of civil society stakeholders on whether economic and development policies have had a positive impact, what could be the reason why they have not if so, and possible solutions are detailed.

In this study, civil society organisations (CSOs) were surveyed to determine how effective they think South Africa's development and economic policies have been. The figure below details their responses.

Figure 18: Effectiveness of Development and Economic Policies According to CSOs



Source: Survey, 2022

Around a quarter of respondents (24%) believe South Africa's development and economic policies have been significantly or completely effective in promoting economic growth. One in five respondents (21%) view policies on transformation as significantly to completely effective in promoting transformation. Only 16% and 22% of CSOs view policies on poverty reduction and inequality as effective, respectively. Employment policies show the lowest approval, with only around one in ten respondents (13%) believing these policies have been significantly to completely effective in solving unemployment. For all five of these key focus areas, the majority of respondents (at least three out of five or 59%) indicated that the policies have not at all been effective or have only been minimally effective, as displayed in the figure above. These findings indicate that more effort has to be made to increase the degree to which policies align with the needs of stakeholders and achieve their intended objectives.

In addition to the surveys, interviews were also conducted with stakeholders to draw insights regarding the success or failure of economic and development policy in South Africa. The key insights highlighted during engagements are as follows:

The majority of stakeholders indicated that though South Africa has good policies, the challenge is poor implementation.

> "South Africa has perfect policies, but the problem starts with the people who are handling services that need to be delivered to the people out there. They are not creating the country to be the best place to live in by rerouting the resources into their own satisfaction and not the community."
>
> *Survey, CSO, 2022*

Some stakeholders, however, refuted the claim that South Africa has good policies, noting that well-written policies are not necessarily well-thought-out policies. They went further to say policies are sometimes erroneous and contradictory, and there is an opportunity to improve the actual content in terms of aligning it to the outcomes and impacts sought.

> “First is, anecdotally, it is commonly said that we have amazing policies, the best in the world. I think this is erroneous. There is contradictory content in them. Do not take them at first value. What is the actual content and what is it going to produce?”
>
> *Interview, 2022Interview, CSO, 2022*

A factor that is said to exacerbate the challenge of poor implementation as highlighted by stakeholders is the lack of accountability among those who are tasked with implementing policy.

> “There are no adequate Policy implementation and [there is a] lack of accountability, including the use of [the] multiple stakeholder’s approach.”
>
> *Survey, CSO, 2022*

A key success factor for implementation highlighted by stakeholders is the hiring and retaining of quality civil servants with strong governance skills, integrity, and passion.

> “Implementation must be addressed critically so, reinforcing a responsible attitude whereby government officials become role models of this country. Officials must be proud South African, passionate about their work because they are working for the nation not themselves but for people.”
>
> *Survey, CSO, 2022*

Whilst Monitoring and evaluation (M&E) mechanisms exist in the country, primarily through the Department of Planning, Monitoring and Evaluation, as well as the Government-Wide M&E System, a number of stakeholders have noted that they have not been involved in planning and M&E. Promoting collaboration, stakeholders highlighted that civil society should be allowed to play a bigger role in monitoring and evaluating the activities of the government so that they can steer efforts in the best interest of the public.

> “For us the disjuncture is that policy need civil society (CS) to be more involved in planning, monitoring, and evaluation. We see that some of the implementation mechanisms done by government are more tick-box exercises, not the engagement space that we envision...”
>
> *Interview, CSO, 2022*

Stakeholders called for more contribution from the private sector in lifting the overall prosperity level of the South African.

> “Big & private business must create jobs; government can’t do it alone. Apprenticeship scheme to be reintroduced at companies. [There must be] More skills mentorship programs for the youth.”
>
> *Survey, CSO, 2022*

4.5 Challenges to Policy Implementation: 3-Tier Government System

Following apartheid, the incorporation of ten former ethnic and three racial administrations required the redesign of all regulatory frameworks, the reconfiguration of state departments, the reformulation of policy and the recruitment and reassignment of staff through a programme of affirmative action (Tapscott, 2017). At the same time, the system of intergovernmental relations was reconstituted to assign autonomy to provincial and local governments (Tapscott, 2017). The representatives of minority groups argued for a federal system as a way to distribute power while the ANC and its allies favoured a unitary state (Tapscott, 2017). Thus, although the 1996 Constitution speaks of a single sovereign state, the three-tiered structure of national, provincial, and local government in place has many of the features of a federal system (Tapscott, 2017).

According to the Constitution, governmental power is divided between three spheres of government, viz. national, provincial, and local government. These spheres are further divided into two branches – the executive and the legislature. The focus of the democratic model of cooperative governance which consists of three spheres falls on a decentralised governance model which aims to meet the basic needs of local communities (Coetzee, 2010). In accordance with the main principles of a co-operative government, all three spheres must provide transparent, efficient, accountable and a coherent government (Coetzee, 2010). While the government commits to improving service delivery and has developed legislation and policies to do so, the results to date have been lower than expected (Tapscott, 2017). The government's indecisiveness on the growth path to follow which is further compounded by changes in the global economy has meant that the government has not been able to achieve the levels of economic growth required to lift most of the population out of poverty (Tapscott, 2017). This has been further aggravated by a lack of coordination between the three spheres of government, ineffective administration, particularly at the local level and deficiencies in accountability and oversight amongst other factors which will be discussed below.

4.5.1 Coordination Challenges between the Spheres of Government

The Constitution prescribes the division of powers between the different levels of government and the exclusive and concurrent responsibilities that the different orders of government must assume but provides minimal guidance regarding the co-ordination and integration of activities of the national and provincial governments (Tapscott, 2017). The political arrangements and party structures have diluted the autonomy of local government, leaving municipalities under-resourced and unable to financially sustain themselves as national and provincial government determine programmes and are involved in the detail of local provision (South African Cities Network, 2021). Tapscott (2017) argues that there is weak coordination between and within the different tiers of government and that this has been an ongoing challenge for the democratic government and continues to impede effective implementation of national polices despite the existence of the Intergovernmental Relations Framework Act, which makes provision for the establishment of various national, provincial, and local forums to coordinate intergovernmental coordination. The main challenges that confronted intergovernmental relations between the spheres of government previously related less to party political differences, due to the dominance of a ruling party, but more so to the problems of administrative coordination and administrative capacity (Tapscott, 2017). This has meant that national policies have not been implemented at provincial and local levels in the way that they are intended to which has led to policy incoherence where the policies of the different strata of government are frequently not aligned (Tapscott, 2017).

4.5.2 Terms of Power and Functions of Local Government

Co-operative governance is particularly important when local government has to implement national and provincial government programmes (Coetzee, 2010). A challenge often faced in this regard is that national policies fail to take the human resource and capacity constraints and the operational context into consideration. The South African society is fragmented along the lines of political, social and economic relationships which has meant that the three spheres of government have the potential to have different views and different policy choices more especially local government which is closer to the electorate (Coetzee, 2010). While the Constitution considers local government as an equal and autonomous power, it also makes provision for provinces to take over municipal functions in instances where local government fails to fulfil its obligations which blurs the lines around municipal autonomy given the discrepancies between well-functioning and struggling municipalities (South African Cities Network, 2021). The constitution further provides for the devolution of many functions such as housing and transport to municipalities that have the capacity to manage them. While this has taken place partially, municipalities have not been provided with the scope of responsibilities, the necessary funding and clear performance and accountability guidelines (South African Cities Network, 2021).

4.5.3 Coordination and Capacity for Improved Policy Implementation

The constitutional provisions on how institutions of government should operate and co-operate with one another are supported by legislation such as the Intergovernmental Relations Framework Act, 13 of 2005 among others, which solidifies former informal institutions and structures and provides the minimum forums and procedures for co-operation (Malan, 2012). In addition to this, the Department of Cooperative Government (CoG) is the South African custodian of intergovernmental relations which is ‘mandated to develop and monitor the implementation of national policy and legislation aimed at transforming and strengthening key institutions and mechanisms of governance in national, provincial and local government to fulfil their developmental role; develop, promote and monitor mechanisms, systems and structures to enable integrated service delivery and implementation within government; and promote sustainable development by providing support to and exercising oversight of provincial and local government’ (Republic of South Africa , 2022). While these are in place, there coordination and capacity challenges remain.

Co-operative governance has further been challenged by the mapping of intergovernmental programmes to individual public institutions’ budgets when the number of relevant stakeholders is large and question of jurisdiction between institutions when policy priorities cut across ministerial mandates in the management of service delivery (Malan, 2012). Weaknesses in the practices of monitoring, support, and intervention in the spheres of government also contribute to the management of concurrent competencies in the spheres of government.

The constitution provides for extensive overseeing and overriding which indicates that the different spheres of government are not equal which has led to government spheres overstepping their boundaries in terms of powers and functions (Coetzee, 2010). To avoid this, functions need to be clearly distributed between the spheres of government (Coetzee, 2010). To ensure that the spheres of government are able to perform their functions, the capacity requirements of functions need to be reviewed and action needs to be taken towards ensuring that the spheres of government are capacitated with human and financial resources.

4.6 Key Impediments to Economic and Development Policies Achieving Impact

Having assessed whether South Africa's economic and development policies have achieved impact, and having engaged with civil society stakeholders, a few key points which guided further research emerged, as listed below:

- South African policies are well written but have not worked as there has not been sufficient implementation.
- There must be greater monitoring and evaluation in government.
- Government must re-evaluate its metrics for success and ensure that their metrics are aligned to the prosperity of the average citizen.
- Civil servant hiring processes must be enhanced to weed out cadre deployment and corruption.
- Civil servants must be aware that if they do not perform by reaching targets, they could be fired and/or forfeit bonuses.
- Corruption is costing the country dearly and must be overcome.
- Job creation should be the core focus of each government department. This means each department must have operations that promote private sector growth through public procurement, funding, market-friendly policies and plans, and partnerships, amongst others.

The above are issues calling for solutions. The following chapters explore ideas, common strategies, and frameworks that can help solve some of these issues; along with best practices from the historical experience of other countries that were once in a similar position to where South Africa currently finds itself (such as a colonial past, non-Western social customs, and a challenge to eradicate absolute poverty). Key among these are strategies that ensure policy is implemented well—a major contributor to the disjuncture.

5 Civil Society Involvement in Economic Development

Citizens play an important role in keeping public institutions accountable, more transparent, and effective in solving complex development challenges by creating links between citizen engagement and improved public service delivery; public financial management; governance; social inclusion; and empowerment (The World Bank, 2022). Citizen engagement also builds trust in institutions which enables the smooth implementation of public policies and service delivery (World Economic Forum , 2015).

Irvin and Stansbury (Irvin & Stansbury, 2004) posited that there could be two tiers of benefits to consider (process and outcomes) and two beneficiaries (government and citizens) in evaluating the effectiveness of the citizen participation process. These benefits are demonstrated in the figure below.

Figure 19: Advantages of Citizen Participation in Government Decision-Making

	Advantages to Citizen Participants	**Advantages to Government**
Decision Process	* Education (learn from and inform government representatives) * Persuade and enlighten government * Gain skills for activist citizenship	* Education (learn from and inform citizens) * Persuade citizens; build trust and allay anxiety or hostility * Build strategic alliances * Gain legitimacy of decisions
Outcomes	* Break gridlock; achieve outcomes * Gain some control over policy process * Better policy and implementation decisions	* Break gridlock; achieve outcomes * Avoid litigation costs * Better policy and implementation decisions

Source: (Irvin & Stansbury, 2004)

Literature suggests that participation by the citizenry in the social, economic, and political matters of society creates direct and indirect benefits which in turn produce benefits at the community and society level. For instance, citizen participation favours growth inclusiveness as it creates an opportunity for citizens to participate in the decision-making process (Emorine , et al., 2015). Citizen participation has also gained greater importance in relation to poverty reduction following Sen's (1999) concept of deprivation which asserts that deprivation can also be seen in the lack of rights and power for the poor. This emphasises the importance of placing the empowerment of poor people as the main objective of anti-poverty policies.

The participation of citizens, especially of the poor, is now a pillar of poverty reduction policies throughout the world and so it is in Vietnam (Emorine , et al., 2015). It is emphasised by party leaders and present in all government policies. Participation in Vietnam has become a society concern with the promulgation of the 1998 Decree on Grassroots Democracy (GRD) by the Vietnamese Government which was upgraded into an ordinance in 2007 (Hoa & Garcia-Zamor, 2017). Citizen participation has been recognised as one of the major solutions for encouraging sustainable development in Vietnam (Nguyen , et al., 2015). This decree is aimed at enabling citizens to exercise their rights, be informed of government activities that affect them, discuss and contribute to the formulation of certain policies, participate in local development activities, and supervise certain government actions by institutionalising citizen participation in local governance, especially at village and communal level (Emorine , et al., 2015). The Vietnamese government has also promoted Participatory Poverty Assessments (PPAs) initiatives, in line with the decree, to ensure that democratization is supported by civic and political actions to assist in further developing the country (Emorine , et al., 2015). Hoa and Garcia-Zamor (2017) have argued that citizen participation can be an engine of good governance in local public institutions in Vietnam and found that citizen participation contributes to the transparency and accountability of local governments.

In China there have been campaigns in many cities like Zhuhai, Shenyang and Nanjing that invited 10 000 people to assess the government's performance. In Nanjing, citizens assessed government performance on three main areas namely, government work style, integrity, and clean governance. The results from these assessments were used in designing future objectives and direction for governmental institutions in the country (Chelniciuc, 2014).

5.1 Civil Society Engagement and Involvement in the Economic Development of South Africa

Civil society organisations (CSOs) have been a critical part of the formation of the current South African state as they were critical in helping overturn apartheid and relieve some of the effects of the subsequent inequality (Glaser, 1997). Pre-1994, CSOs were either aligned to the state (serving the interests of the white minority) or in opposition to the state (assisting in ushering in democracy) (Community Agency for Social Enquiry, et al., 2008). South Africa is said to have a unique system of combining corporatism[2] and pluralism[3] where interest group activity has increased as demonstrated by the wide range of CSOs (Lehman, 2008). This increased CSO activity was underpinned by the passing of the National Development Agency Act of 1998, which also established the National Development Agency (NDA). The NDA's mandate as set out in the National Development Agency Act 108 of 1998 is to (Community Agency for Social Enquiry, et al., 2008):

- Carry out projects or programmes aimed at meeting the development needs of poor communities
- Strengthen the institutional capacity of civil society organisations involved in direct service provision to poor communities
- Promote consultation dialogue and sharing of development experience between civil society organisations and relevant organs of state
- Debate development policy
- Undertake research and publication aimed at providing the basis for development policy

CSOs in South Africa play a significant role in terms of influencing the economy. Hearn (2010) found that civil society organisations that were the most funded in Ghana, Uganda and South Africa were those which are committed to the promotion of liberal democracy and economic liberalism. Furthermore, these CSOs were found to be among the key actors in society. In general, CSOs are engaged with socio-cultural and socioeconomic issues primarily, but they influence the economic agenda in indirect ways. In interviews of CSOs, participants were recorded as saying the second broad role of civil society is: "ensuring that there is citizen's participation in the democracy", "getting grassroots voices heard at the highest level", and "the average citizen's ability to shape the world and particularly the [state and the market].", indicating the important role CSOs play in making the voices of a diverse population heard both in the political and economic spheres (Community Agency for Social Enquiry, et al., 2008).

In this study, CSOs were surveyed to determine the extent to which they have been able to contribute to or inform South Africa's economic and development policies. Figure 20 details their responses.

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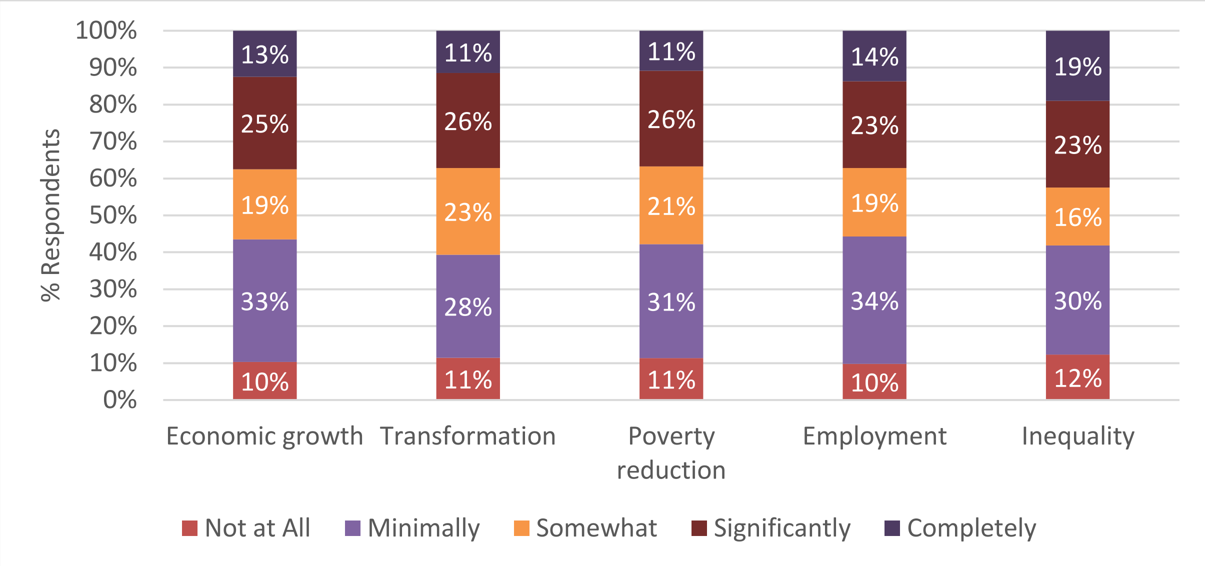
[2] Corporatism refers to an interest group system in which groups are organised into national, specialized, hierarchical, and monopolistic peak organisations that are often incorporated into the process of policy formation.

[3] Pluralism refers to an interest group system that accepts diversity of political thought and permits the peaceful coexistence of different interests and convictions.

Figure 20: Extent to Which CSOs Have Been Able to Contribute to Economic Policies



Source: Survey, 2022

Almost two in five CSOs (38%) indicated that they have been able to contribute either significantly or completely to economic policies that address economic growth. 37% of CSOs indicated that they have been able to contribute either significantly or completely to economic policies that address transformation, poverty reduction and employment. Economic policies that address inequality appear to have had the greatest influence from CSOs among the five key focus areas, with 42% of the respondents indicating that CSOs have been able to contribute either significantly or completely to policies to reduce inequality. At least two out of five CSOs (40%) indicated that they have not been able to contribute, or could only contribute minimally, to economic policies regarding economic growth, poverty reduction, employment and inequality. These findings indicate that greater involvement and contribution of CSOs is required in economic policies that address the five key areas illustrated in the figure above. This may be done at the planning, implementation or evaluation phases of said policies.

A number of CSOs indicated that a major limitation to their contribution in terms of policy implementation has been limited funding.

> "We are civil society working in remote rural areas. Targeting vulnerable groups. We only participate in all of these areas whenever we get a lift from our departments when they have awareness at community level. We have not contributed much due to financial problems as we were never funded, and we are not working we only depend on one board member with stable job for support."
>
> *Survey, CSO, 2022*

Some stakeholders indicated that the government does not sufficiently involve civil society when it comes to the development of policies.

> "To improve, we need a paradigm shift for civil society involvement at development and implementation of policies. We also need a change in measuring of success by the government. We also need to capacitate civil society to play a role in the implementation. We have insufficient infrastructure, civil disorder such as gang violence, and these impede implementation. Government has not invested enough to capacitate its implementation arm: the local government and municipalities."
>
> *Interview, CSO, 2022*

5.2 Civil Society Engagement and Involvement in the Economic Development of China

In seeking to retain the benefits of civil society while mitigating the perceived dangers, Chinese local officials developed a new model of state–civil society relations that combines the pluralistic aspect of democratic governance with the state control mechanisms prevalent in authoritarian governments such as that of China (Teets, 2014).

Since the 2000s, state–civil society relationships in China have changed from corporatism to a hybrid model of consultative authoritarianism that combines the autonomous civil society found in liberal models with mechanisms of state control found in corporatist models. Although corporatism still exists in China, consultative authoritarianism is increasingly becoming the dominant model (Teets, 2014).

In China, civil society plays an important role in this learning process through direct interaction with local officials on projects as well as providing information about models or policies used in other places (Teets, 2014).

Even though non-state actors, such as international and domestic civil societies, cannot bring about policy change without governments instituting new policies, they can transmit information through networks of technical specialists and officials.

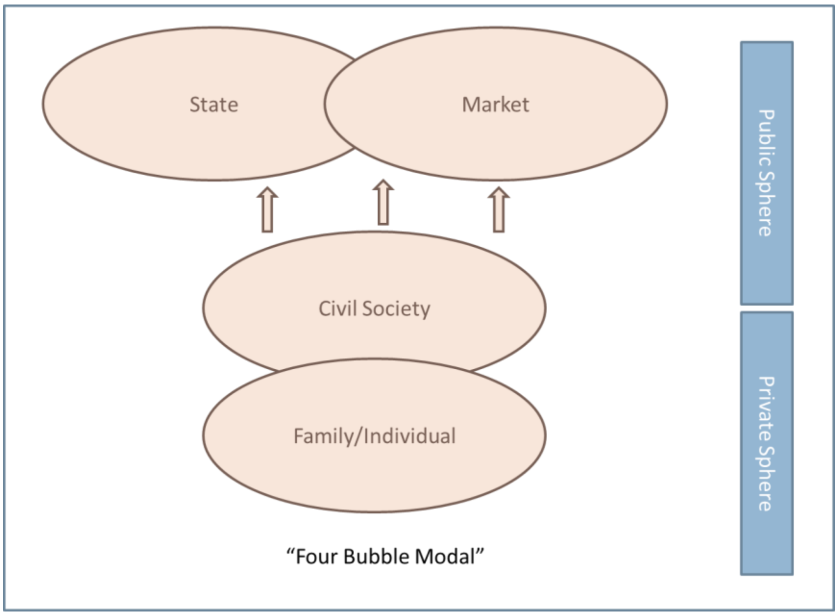
Pressure to provide public goods motivated initial collaborations with civil society because officials could access international funding and resources to further promotion goals and increase welfare in the local community, and if the collaboration appeared to lead to unrest, they could simply shut down the whole project. These partnerships, or direct learning experiences, were also facilitated by an increase in international funding sources for civil society.

Beginning in the early 1990s, international funding agencies and NGOs began to work in China, often explicitly excluding local governments and funding grassroots groups. The World Bank and other international funding agencies, such as the Ford Foundation, wanted to fund development through more bottom-up initiatives. This international environment created rising capacity among domestic groups to help bridge the resource gap and solve welfare provision problems through access to international funding and innovative service models. To take advantage of this new funding stream, local officials partnered with existing groups or supported the creation of new groups. In fact, as one official explained, partnering with these groups opened up a new line of finance with little risk unlike common extra-budgetary channels such as increasing fees and taxes or selling land, both of which create social protest. These partnerships allowed local officials to directly experience the benefits of a fairly autonomous civil society and over time helped change the local state–civil society relationship from corporatism to consultative authoritarianism (Teets, 2014).

5.3 Civil Society Engagement and Involvement in the Economic Development of Vietnam

CIVICUS (a global alliance of civil society organisations and activists) examined the structure of civil society in Vietnam in 2006 and revealed that it is broad-based and comprises many groups, organisations, and associations. The large breadth is due to large membership of the mass organisations (CIVICUS, 2006). However, mass organisations are sponsored by the Communist Party of Vietnam and so do not fit within some definitions of civil society mainly because membership does not necessarily imply activity or participation (Asian Development Bank, 2011). Membership in mass organisations can come about due to employment in the public sector. However, mass organisations have been becoming more independent. Examples of such are Farmers' Association, Women's Union, and Youth Union, which can each have thousands of suborganisations through-out the country. CIVICUS found that among citizens of Vietnam, 74% are members of at least one organisation, 62% are members of more than one CSO and, on average, each citizen is a member of 2.3 organisations (CIVICUS, 2006). This then indicates that directly or indirectly, civil society is engaged when it comes to economic transformation. As can be seen below, the role of civil society in Vietnam is to plug together the family/individuals to the state and the market (THAYER, 2009).

Figure 21: Four Bubble Modal



Source: (THAYER, 2009)

There were four main types of Civic Society Organisations in existence in Vietnam as identified by CIVICUS:

- Community-based organizations (CBOs),
- Mass organisations,
- Professional associations, and
- Vietnamese NGOs.

These impact the economic development of the country in various ways, particularly at the socio-economic level. They largely act as a launch pad for young staff who may have less experience, leading to better-paid employment, either in an International Non-Governmental Organisation (INGO) or with an international donor organisation (CIVICUS, 2006). CSOs in Vietnam are also focussed on issues such as employment, education, health, crime, and national poverty alleviation. Core to these are CSO's abilities to play the role of a watchdog, advocacy group, lobbying, and opposition (THAYER, 2009). In terms of supporting livelihoods, the government's poverty reduction programmes (HEPR and program 135 for disadvantaged communes) contribute primarily to the construction of infrastructure and the creation of an enabling environment and targeted livelihood improvements and are part of the CSO initiatives. CSOs working among the grassroots are said to be the best situated to reach special target groups like women and the poor (CIVICUS, 2006). For example, Farmers' Association has organised 235 000 training courses on agricultural techniques and its micro-credit programmes have benefited more than 8 million farmers. In Vietnam, mass organisations—particularly the Women's Union and Farmers' Association—have grassroots organisations in almost every part of the country. For instance, The Women's Union had 12,362 suborganisations as of 2006.

6 Common Strategies to Eradicate Poverty

6.1 Poverty Alleviation Best Practices

China and Vietnam's economic performance is anchored in a range of policy and governance best practices that can broadly be grouped under the following headings:

1. Common goal and strategy to use exports to transition out of poverty
2. Common goal and strategy to attract investments for export economy
3. Common goal and strategy to enable exports
4. Effective public service delivery by all levels of government
5. Growth of Electricity Provision Capacity
6. Growth in Transport Capacity
7. Growth of Workforce Skills
8. Focused Rural and Deprived Community Development
9. Government and Regulatory Stability
10. Social Safety Net

When comparing South Africa's policies and governance under the same broad grouping, as performed in detail in the Literature Review and summarised below, it is clear where South Africa is currently falling short from a policy and governance practice perspective.

The table below shows the ratings[4] of the Republic of South Africa (RSA), the People's Republic of China (PRC), and the People's Republic of Vietnam (PRV). The ratings are a deduction from the research undertaken in this study across the ten identified best practice domains; the data presented by Moody's, Fitch Ratings, S&P Global Ratings, and in their reports under these domains (Trading Economics, 2022); and the World Trade Organisation's Trade Policy Review (World Trade Organization, 2015). For example, there is an acknowledgement of the significant investment in power generation capacity through independent power producer (IPP) contracts, but it is noted that it could take several years to stabilise electricity supply hence the low rating in 'Common goal and strategy to attract investments for export economy' and 'Growth of Electricity Provision Capacity' (Fitch Ratings, 2021).

Table 8: Policy and Governance Practice Comparison between South Africa, China, and Vietnam

#	Best Practice Domain	RSA	PRC	PRV	RSA Score Indicators
1	Common goal and strategy to use exports to transition out of poverty				• Development and issuing of industry Master Plans developed at National Economic Development and Labour Council (Nedlac). • Efforts by DTIC to improve collaboration between different units of the state including Eskom (Agarwal, 2022). • No common economic performance goals and strategy—specifically for exports but also other indicators—that cabinet, (ExportHelp, n.d.) ministers, and department leadership have committed to.

[4] Best Practice Domain Rating Scale:

No Evidence	Some Evidence	Verifiable

#	Best Practice Domain	RSA	PRC	PRV	RSA Score Indicators
					• No hard and consistently enforced consequences for quantitative economic performance targets not being met by government leadership.
2	Common goal and strategy to attract investments for export economy				• Different ministers and factions within the ruling party are not aligned on the urgency, approach, and actions required to attract investments (SANews, 2019). • Open conflict between different departments—and even the Presidency—over the use of renewable energy to reduce the dependency on hydrocarbons. • Persistent opposition to and unexplained delays in introducing measures that improve transparency and inhibit corruption, such as a Mineral Rights Cadastre system in the most important export industry for the short term (Chipkin, 2018). • Persistent lack of law enforcement and prosecutorial support to combat criminal activity within Eskom and Transnet that cripples both electricity and rail capacity, indicating prioritisation of elite patronage networks over collective economic growth and employment by current political leadership. • This lack of cohesion in purpose and action within government and the ruling party actively cripples investor confidence. •
3	Common goal and strategy to enable export activity				• Significant activity by the Department of Trade and Industry on trade agreements (EngineeringNews, 2022). • Increased collaboration between Department of Trade and Industry and Eskom to support black industrialists (EngineeringNews, 2022) • No formal framework that makes other departments and state-owned enterprises accountable for favourable conditions for export activity. •

#	Best Practice Domain	RSA	PRC	PRV	RSA Score Indicators
4	Effective public service delivery by all levels of government				• Size and extent of irregular and wasteful expenditure by local governments (SANews, 2022). • Load-shedding, waste-water treatment collapse, filling-up landfills, and potholes (BizNews, 2022). • Endemic and systemic corruption throughout all levels of government (CorruptionWatch, 2022). • Low voter turn-out in local elections (Runciman, 2021). • Persistent service delivery protests (Statistics South Africa, 2022). • Lack of enforced professional norms and standards. • Lack of consequences for overwhelming majority of corrupt officials (DispatchLive, 2022).
5	Growth of Electricity Provision Capacity				• Ongoing and increasingly crippling load-shedding (BizNews, 2022). • Ongoing delays in getting major private power producers online. • Persistent disagreements over the energy mix (News24, 2018). • Disconnect between the Presidency, Eskom leadership, and the Department of Minerals and Energy over the introduction of large scale solar generation capacity—regardless of the availability of concessionary finance for solar projects (Gwegwe, 2022).
6	Growth in Transport Capacity				• Collapse of the Transnet Freight Rail service, undermining the mining industry's ability to exploit high prices in the wake of Covid-19 (News24, 2021). • Congested and inefficient Transnet Ports service undermining agriculture's ability to leverage the spike in demand for fruits in the wake of Covid-19. • Poor and unmaintained roads in urban and rural road networks. •
7	Growth of Workforce Skills				• SETA model highly beneficial for skills building (Cham-Training, 2022). • SETAs often lack local insight on skills needs and required interventions, even where provincial offices exist.

#	Best Practice Domain	RSA	PRC	PRV	RSA Score Indicators
					• Majority of SETAs still operate antiquated and highly inadequate IT systems that prevent them from getting fast and accurate skills demand-and-supply positions. • The SETA's antiquated IT systems lack the process management, management information, and user portal capabilities required to improve the efficient delivery of more Learnership programs within a constrained fiscal environment. • Actual spend on skills development is inadequate (South African Government, 2022).
8	Focused Rural and Deprived Community Development				• Multiple departments and agencies have a specific focus on rural development. • There is currently no integrated plan that integrates all the government plans that account for and address the reasons for rural economic decline. • No hard quantitative target for rural economic development and employment (International Labour Organization, 2017).
9	Government and Regulatory Stability				• Different factions within the ruling party have vastly different economic policy positions (Villiers, 2019) • The various factions prioritise internal alliance and reward arrangements than public or business community opinions (South African Government, 2022). • Sections of government that are explicitly and publicly concerned with responsible economic leadership are not supported within the ruling party rank and file (Caruana, 2015).
10	Social Safety Net				• Setting up new humanitarian relief or temporary social assistance programmes during COVID-19 lockdowns was slow and susceptible to targeting errors and corruption (Devereux, 2021). • There is government recognition of the fact that they need to become better coordinated, more inclusive, and rights-based in social protection (Devereux, 2021).

Source: (Redflank, 2022)

The table below provides a summary of best practices, including which of these best practices have been adopted in each of the indicated countries.

Table 9: Best Practices Across South Africa, Vietnam, Brazil, and China

Best Practice	South Africa	Vietnam	Brazil	China
Common goal and strategy to use exports to transition out of poverty				
Market-based economic reforms and policy that foster export-led economic growth		✓	✓	✓
Setting, planning, and collectively working towards achieving ambitious developmental targets	✓	✓	✓	✓
Development of inspiring 'common goal and belief' economic reforms that citizens can get behind		✓		✓
Prioritising innovation in economic planning		✓		✓
Common goal and strategy to attract investments for export economy				
Maintaining a good debt service history and credit rating		✓	✓	✓
Development of policies and procedures that facilitate foreign investment, such as tax incentives	✓	✓	✓	✓
Strengthening intellectual property laws	✓	✓		
Introduction of substantive search and examination for patents	✓	✓	✓	✓
Clarifying property rights and removing ambiguity		✓	✓	✓
Simplified regulatory environment		✓	✓	
Low costs of doing business	✓	✓		✓
Continual reform of laws to position the country favourably in terms of investment and trade		✓		✓
Equalising business conditions for SOEs, foreign-invested enterprises, and the domestic private sector		✓		
Harmonising regulatory standards with international, regional, and foreign standards	✓	✓	✓	✓
Modernising competition laws and frameworks	✓	✓	✓	✓
Gradually decreasing corporate tax rates	✓	✓		✓
Gradually decreasing personal income tax rates		✓		
Maintaining a low sales tax		✓		✓
Common goal and strategy to enable exports				
Signing of free trade agreements with high volume importing nations	✓	✓	✓	✓
Preferential tariffs and eliminated customs duties for free trade agreement partners	✓	✓	✓	✓

Best Practice	South Africa	Vietnam	Brazil	China
Export-friendly policies		✓		✓
Diversification of export products and markets		✓	✓	✓
Development of an export-oriented trade regime that is supported by various instruments, including sectorial targeting, export financing and geographical targeting		✓		✓
Applying duty exemptions on inputs used in exports				✓
Extending trade credits for working capital as fixed investment to produce exports and import substitutes				✓
Forming relationships with regional and global economic powers	✓	✓	✓	✓
Promoting production and export of beneficiated tertiary goods compared to primary goods		✓		✓
Fostering an economy that is relatively open to international trade	✓	✓	✓	✓
Provision of specific support (such as access to credit, lower taxes and land rents, and to exemption of import duties) to selected high growth activities and sectors		✓	✓	✓
Establishing multilateral and bilateral trade agreements	✓	✓	✓	✓
Establishing export processing zones (dedicated export oriented industrial areas)	✓	✓	✓	✓
Applying preferential export and import taxes to companies in export processing zones	✓	✓	✓	✓
Setting up special economic zones that enjoy administrative autonomy in the areas of investment, pricing, taxation, housing, labour, and land management policies	✓	✓	✓	✓
Effective public service delivery by all levels of government				
Ensuring entry process into public employment is competitive, with strict recruitment, evaluation, and selection criteria		✓	✓	✓
Evaluating civil servant performance regularly or continuously		✓		✓
Assigning mentors to civil servant candidates	✓			✓
Defining civil servant roles across various levels of government through fundamental instruments of the law: decrees/acts		✓	✓	✓
Laying out recruitment, employment, and management of [each] civil servant role exhaustively through fundamental instruments of the law: decrees/acts		✓		✓
Laying out training and retention requirements of [each] civil servant role exhaustively through a decree/act	✓	✓	✓	✓

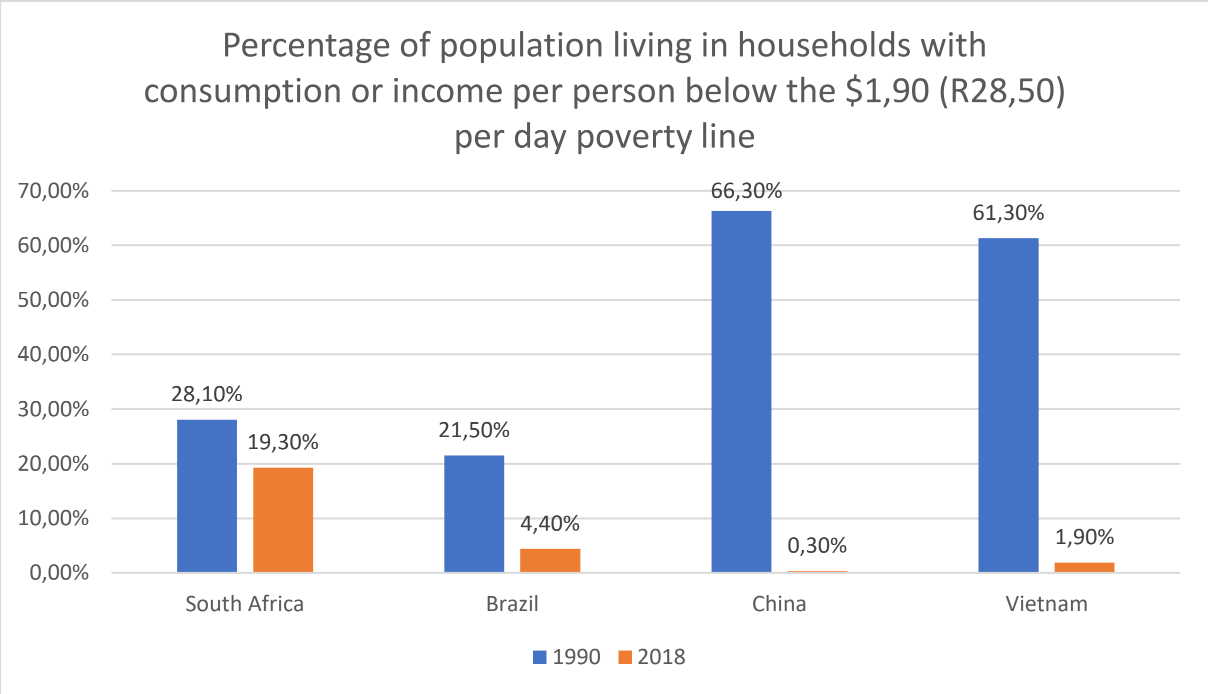
Best Practice	South Africa	Vietnam	Brazil	China
Strengthening the institutional capacity of civil society organisations, through among other ways, allowing civil society to contribute to the drafting of laws, influencing of global policies, and to the transmission of information through its networks	✓	✓	✓	✓
Establishment of a single public service that includes all three spheres of government		✓		✓
Development of an e-Government strategy to reduce the cost of public administration	✓	✓	✓	✓
Provision of adequate support to state-owned entities		✓	✓	✓
Reforming underperforming state-owned enterprises while nurturing the development of private firms		✓	✓	✓
Development of new pre- and in-service training programs for all teachers	✓	✓	✓	✓
Growth of electricity provision capacity				
Further development of power generation capabilities to meet demand		✓	✓	✓
Increasing share of renewable electricity generation in the energy mix	✓	✓	✓	✓
Regulating retail price of electricity	✓	✓	✓	✓
Ensuring electricity is cheap for industry with sector specific tariff in some instances		✓	✓	
Providing licenses to independent power producers	✓	✓	✓	✓
Growth in Transport Capacity				
Heavy investment and growth in transport infrastructure	✓	✓	✓	✓
Grow Workforce Skills				
Keeping public education expenditure consistent or growing at high spend	✓	✓	✓	✓
Boosting human resource development (through education and other means)	✓	✓	✓	✓
Development of dedicated technical and vocational education and training (TVET) programmes for high-priority fields	✓	✓	✓	✓
Enhancement of workforce with skills that match the job market (through upskilling and establishment of school-industry partnerships)	✓	✓	✓	✓
Assisting companies in launching their own professional development programmes	✓	✓	✓	✓

Best Practice	South Africa	Vietnam	Brazil	China
Focused Rural and Deprived Community Development				
Maintaining a dedicated ministry for rural and agricultural affairs for the development of rural areas	✓	✓	✓	✓
Providing investment incentives (mainly through tax reductions) for projects in geographical areas with difficult socio-economic conditions	✓	✓	✓	✓
Foster post-productivism rural development (rural tourism, lifestyle activities, art, craft, boutique towns, sport, recreation, and nature conservation)	✓	✓	✓	✓
Government and regulatory predictability and stability				
Maintaining a consistent regulatory framework for standards and technical regulations	✓	✓	✓	✓
Harmonising regulatory standards with international, regional, and foreign standards	✓	✓	✓	✓
Modernising competition laws and frameworks	✓	✓	✓	✓
Social safety net				
Cross subsidising household utility rates with higher industry and commerce rates	✓	✓	✓	✓
Implementation of policies allowing provision of free health care for the poor and vulnerable	✓	✓	✓	✓
Implementation of policies allowing provision of free/subsidised education for all children	✓	✓	✓	✓
Provision of educational assistance through the reduction of or exemption of tuition fees, granting aid, and the provision of a living allowance	✓	✓	✓	✓
Provision of social security and social assistance to citizens (especially children living in difficulty, people living in poverty, people living with disabilities, etc.)	✓	✓	✓	✓
Development of public rental housing, affordable homes, free homes for the poor, and/or grant rental subsidies to low-income families	✓	✓	✓	✓
Development of medical aid programmes for low-income families, or provision of free health care	✓	✓	✓	✓

Developing Private Sector Incentives to Support Collective Economic Performance Targets

Two countries that have shown strong economic growth as well as having less than 2% of the population living below the poverty line (2018) as compared to South Africa which has 19.3% of citizens living under the poverty line are China and Vietnam. Brazil has also shown positive signs with 4.4% living below the poverty line, as shown in the figure below.

Figure 22:Poverty Reduction between 1990 and 2018



Source: (World Bank, 2022)

This section will discuss the private sector incentives that have been developed from China and Vietnam which can be used as guidelines or suggestions for incentives that South Africa can implement to improve its economic performance targets.

China

China's economy has experienced rapid growth over the past 30 years. The Chinese government's spending has been a significant driver of its growth and is making China a world economic leader. China is well known for its growth in its export industry, however, as the Chinese consumer market grows there will be less reliance on exports and more diversification into a mixed economy.

Measures to develop the private sector incentives include (Zhang, 2019):

- Opening additional markets to both private and foreign investors. These markets include railways, civil airports, basic telecommunications, electricity allocation and sales, defence-related science and technology, and finance.
- Introducing infrastructure and Public Private Partnership (PPP) projects to private companies. For provincial-level PPP projects where private capital is significant, the standard of landing bonus and subsidy will increase by 10%.
- Spending at least 40% of the total annual procurement budget of provincial departments on goods and services provided by private enterprises, especially by small and medium-size enterprises (SMEs).
- Supporting private enterprises to participate in the restructuring and reorganization of state-owned enterprises (SOEs) by means of equity participation, holdings, and asset acquisition.

- Pushing for no less than one-third of new corporate loans for private enterprises to come from large banks and no less than two-thirds to come from small and medium-sized banks.
- The creation of special economic zones (SEZs) where TNCs (Trans National Corporations) are offered incentives such as reduced tax rates to set up manufacturing operations (tutor2u, 2021).

Additional private sector incentives include reduction of taxes

- The first major tax incentive is the reduction in corporate tax which was reduced from 33% in 2007 to 25% in 2008
- In addition to the reduction in corporate tax, small-scale VAT taxpayers whose monthly sales do not exceed $14,715 (USD) will be exempt from paying VAT on certain items. This value was raised from an initial $4,415 (USD) in 2019

Vietnam

While Vietnam has not progressed as quickly as China, it has still made significant progress in improving its economy as well as reducing the number of citizens earning under the poverty line.

The Provincial Competitiveness Index (PCI) report developed by the Vietnam Chamber of Commerce and the United States Agency for International Development (USAID), assesses each region's ease of doing business, quality of economic governance, and results from reforms that local governments created (Asia Perspective, 2022).

The following top 10 indices were found as:

1. Low entry costs for business start-ups
2. Easy access to land and security business premises
3. A transparent business environment and equitable business information
4. Minimal informal charges
5. Limited time requirements for bureaucratic procedures and inspections
6. Minimal crowding out of private activity from policy biases toward state, foreign, or connected firms
7. Proactive and creative provincial leadership in solving problems for enterprises
8. High quality business support services
9. Sound labour training policies
10. Fair and effective legal procedures for dispute resolution and maintaining law and order

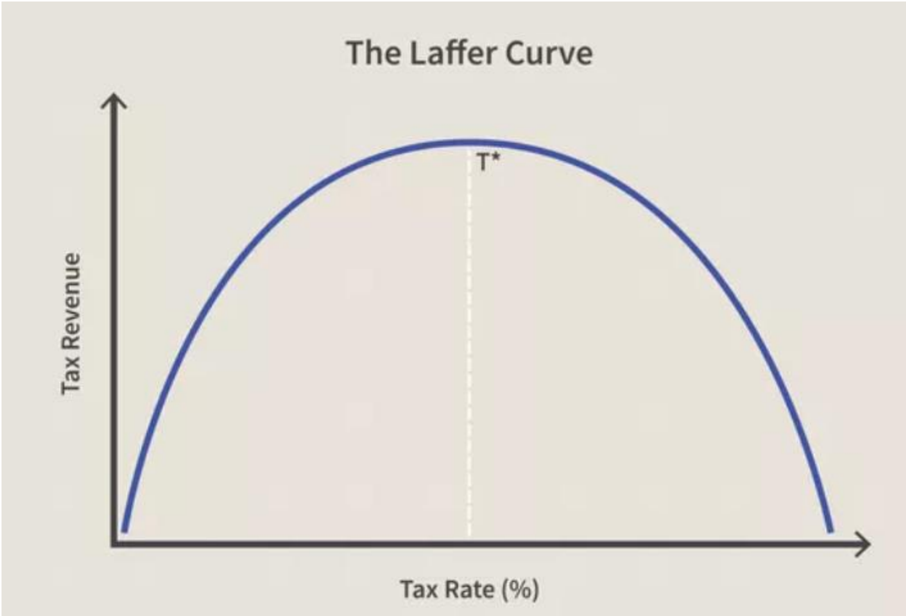
Additional incentives offered by Vietnam include:

- Low corporate tax rate which has decreased from 35% in 1999 to 20% in 2021.
- Tax incentives based off factors such as business sector and business location as found in the figures below:
- Land rental incentives. While dependent on the business sector and it's geographical location. This not only attracts foreign investors but also supports private businesses by reducing the rental expense from 3 years to the entire duration of the project. This also promotes development in multiple areas of the country

As mentioned above, the prominent incentives found in both countries are the land (special economic zone) incentives as well as the tax benefits.

The decreasing of the Corporate Income Tax and sales tax might seem counterintuitive but the Laffer curve principal which shows the relationship between tax rates and total revenue, as shown below, follows the principal that the maximum tax revenue collected does not equate to the highest tax rate. (Hayes, 2021)

Figure 23: The Laffer Curve



Source: (Hayes, 2021)

The reason for this is that is if the tax rate is too high, the citizens of a country will be discouraged from participating in taxed activities while if the tax rate is too low there will not be enough revenue. The goal of the curve is to try and find the optimal rate of tax to return the maximum tax revenue through an iterative process. One which can be seen by both China and Vietnam by the decrease in their taxes over the years

These incentives will grow the economy by encouraging not only businesses within the country to grow but also encourage foreign direct investments. This will lead to more job creation resulting in the countries increase in GPD; hence allowing collective economic targets to be met.

6.2 China's Journey to Eradicating Poverty

6.2.1 Factors that Contributed to Growth in Export Industries

There are several factors that have contributed to the growth of China's export industry. There is a plentiful labour supply in China with a steady stream of rural-urban migrants in search of work. This is due to the mechanisation of agriculture leading to unemployment and under-employment in rural areas and concurrent growth in industrial work in urban areas. Voluntary migration of the rural population has been accompanied by aggressive re-planning schemes. The unemployment rate has fallen in recent years to just over 4%, but high rates in the past drove down wages. Wages in other East Asian countries earn up to 10 times more than Chinese workers. Due to the low-cost labour profit margins have increased and attracted inward FDI (Foreign Direct Investment) as American, European and Japanese companies open factories under licence in China. Rapid population growth in China, despite the One Child Policy, has resulted in very large numbers in the economically active population, leading to rapid urbanisation. This has fuelled further industrialisation, allowing for more exports (tutor2u, 2021).

The non-democratic political system in China has meant that it has been possible to embrace western-style free market economics while maintaining control over the political system. For many years all manufacturing in China was state owned and operated. This has gradually been relaxed as the economy has been restructured and now up to 50% of businesses are privately owned. The planned economy of China has accelerated economic growth because the government has controlled all decision-making. Since 1953, the government has followed a series of Five-Year Plans/Guidelines which have enabled the government to enact any reforms it feels is necessary (tutor2u, 2021).

Export-led growth is beginning to become phased out in favour of Import Substitution Industrialisation, by which consumer products imported for China's growing middle-class are increasingly being made in China, such as cars, domestic white goods and house- and office-furniture. Foreign investment was encouraged in the initial phase of economic growth. They tended to locate in one of six SEZs (Special Economic Zones) or 14 Open Cities in which a relaxation of regulation and government control created a more attractive business environment. These are designated zones where TNCs (Trans National Corporations) are offered incentives such as reduced tax rates to set up manufacturing operations (tutor2u, 2021).

China's geographical location has geopolitical significance because of its proximity to consumer markets and trading partners. South Korea, Taiwan, Japan and Hong Kong are on major trade routes. China has started to globalise economically by buying up foreign companies in North America and Europe particularly. In fact, in 2010 China invested $56bn in in outward Foreign Direct Investment. With inward FDI averaging some $60bn per year, China had, by 2015, converted from a net recipient to a net investor in FDI, a marker of its economic maturity in many respects (tutor2u, 2021).

6.2.2 Specific Export Growth Strategies Employed

The market-oriented reforms introduced at the beginning of the 1980s aimed at capitalising on China's comparative advantage in more labour-intensive light industry, using export demand as a driver for investment, and special economic zones (SEZs) in coastal areas as a platform to attract foreign investment and technology. The country's total exports of goods in 2018 reached 16.4 trillion yuan (2.49 trillion USD), and manufactured exports rose from 46.5% of the total in 1978 to 96% (The World Bank, 2022a).

China's reform can be categorised into three subperiods with distinct policy directions. During the first period (1981–1990), the reform focused on decentralisation of agriculture, coupled with more operational autonomy in the industrial sector. The second period (1991–2000) began with reforms towards a market-driven economy and the official adoption of the 'socialist market economy' in 1993. Various policies to attract foreign direct investment (FDI) had encouraged a new wave of investment in export-oriented manufacturing. China's accession to the World Trade Organization (WTO) in 2001 marked the beginning of the third wave of reform. Substantial tariff reductions enhanced the competitiveness of Chinese exports and generated competition pressure for domestic firms to improve their performance. Urbanisation accelerated thanks to the rapid expansion of megacities linking local and global markets and the relaxation of the strict migration restriction which prevents free flow of labour across provinces (Hukou system) (Ciuriak, 2022).

Three factors combined give rise to China's success in promoting an "export culture", namely: adoption of an aggressive pro-export strategy by central authorities, active participation of local authorities and the presence of Hong Kong and Taiwanese investors looking for a source of cheap labour. With the beginning of the "open-door" policy, the central authorities began sending clear signals in favour of an export-oriented trade regime. A variety of instruments were employed to promote the export culture. These include:

- Geographical targeting – China set up SEZs and Open Cities within which economic activities took place in a more liberal environment than what is available in the rest of the economy.
- Sectoral targeting - The creation of production networks for exports (PNEs) was intended to bring the leading factories within the targeted sector into a network and support them through subsidies. The aim of the networks was to expand both the quality and quantity of exports of the participating factories.

- A liberal foreign investment regime - China's striking export performance is related to the size of foreign direct investment flows into the country. Foreign investors have been lured to the Chinese market due to policies and procedures designed to facilitate foreign investment, employment pricing policies and extra incentives for joint ventures.
- Liberal provision of export financing- The Bank of China provides trade credits, and this is believed to contribute favourably to export performance (Panagariya, 2021).

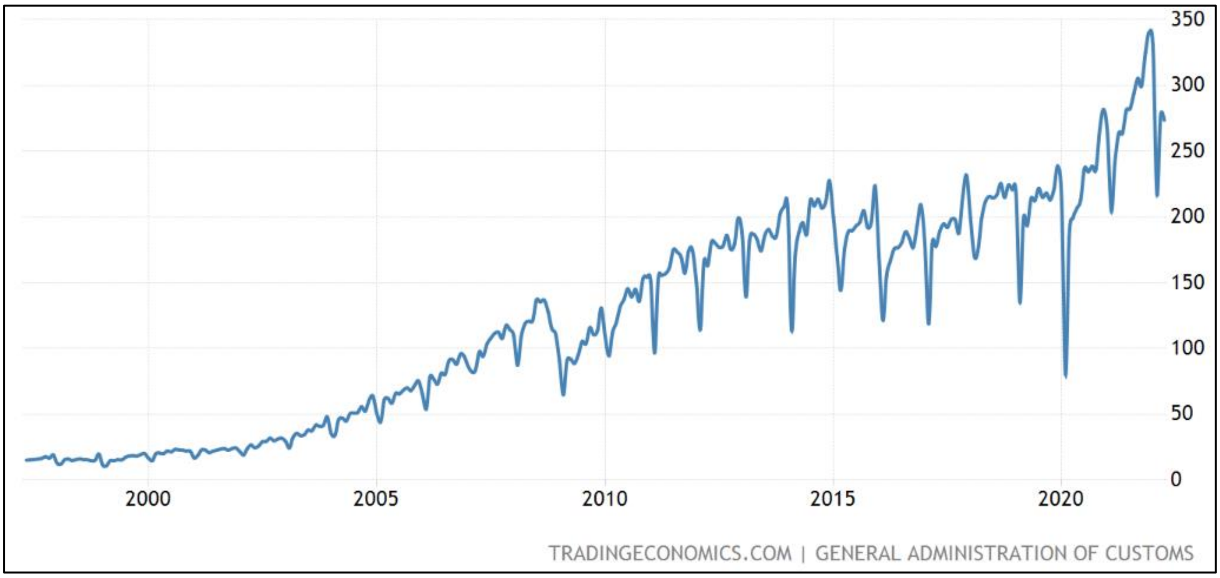
The central lesson is that the key to high GDP growth rates is export orientation and eventual success in the world market. The success in export expansion, in turn, depends on the policy package, which conveys a message in no uncertain terms that, rather than shelter import competing industries, the country will give priority to export oriented activities.

6.2.3 Main Export Industries and their Growth

The export value in China in March 2022 increased by about 14.7% compared to the same period of the previous year. And the total exports amounted to around 276 billion U.S. dollars.

China's exports have accounted for almost 15% of the total global merchandise exports as of 2020. China has been the largest exporter of goods in the world in the past decade, exporting a third of all household and "hi-tech" goods traded worldwide and nearly a quarter of all textile and apparel. The figure below indicates the increase in China's exports over the past 25 years.

Figure 24: Export Figures over the past 25 Years in Billions of US$



Source: (Trading Economics, 2022)

In 2020, China's leading export trade partners were the European Union, United States (US), and ASEAN[5] countries, accounting for nearly half of all exports from China that year. The European Union surpassed the US in imports from China for the first time, whereas the US share of 16.7% dropped to the lowest point since 2013 (Ma, 2022).

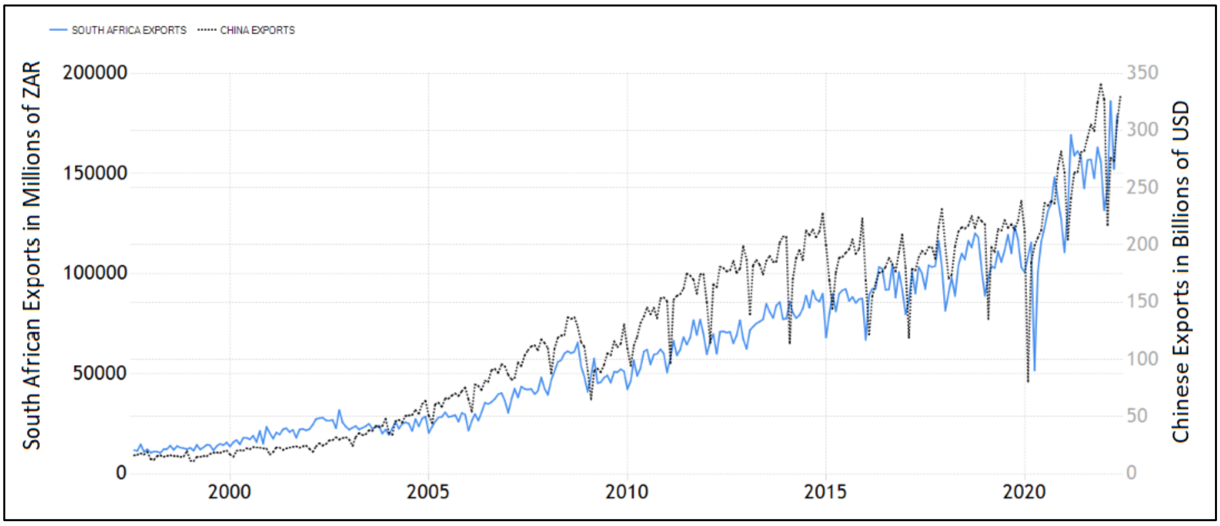
The 10 largest export industries and their export value in China in 2022, are mobile phone manufacturing ($134.2B), Integrated Circuit Manufacturing ($123.3B), Smart Phone Manufacturing ($118.7B), Computer Manufacturing ($107.5B), Computer Peripheral Manufacturing ($78.3B), Building

[5] ASEAN is the Association of Southeast Asian Nations-an Association for regional cooperation among the Countries of Southeast Asia. ASEAN brings together ten Southeast Asian states – Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam – into one organisation (ASEAN, 2020) .

Construction ($54.2B), Software Development ($51.3B), Apparel Manufacturing ($50.9B), Steel Rolling ($50.2B), and Computer Tablet Manufacturing ($42.6B) (Ibis World, 2022).

The figure below indicates exports in South Africa and China over the past 25 years. The graph demonstrates a similar trend in both countries; however, China had a clear lead in exports in the period from 2005 to 2016.

Figure 25: China vs South Africa Exports over the past 25 Years in Billions of US$



Source: (Trading Economics, 2022)

6.2.4 Structural Evolution of the Main Export Industries Over the Last 30 Years

Since the advent of the communist government, there has been a greater emphasis on the development of industry. The growth in overall industrial output has been significant, at 10% annually. China's industrial workforce probably exceeds the combined total for all other developing countries (Britannica, 2022).

Manufacturing (mobile phones, integrated circuits, smartphones, computers, computer peripherals)

The manufacturing sector has surpassed all other sectors in economic growth and degree of modernisation. After 1990, there was an increase and diversification of the pace of industrialisation. Notable were the development of automobile, aircraft, and aerospace manufacturing. China also expanded rapidly into the production of electronics, semiconductors, software, and precision equipment, often in conjunction with foreign firms (Britannica, 2022).

Building Construction

Industry leaders have adjusted their strategies to enlarge the advantage in the domestic market or keep the same pace on technical process as the international level. Over the years, the industry changed its original direction and greatly varied its services. Now the industry has taken charge of a very wide panel of activities which spans building houses to the construction of public utilities and infrastructures, from constructions under contracts to investments, from inner market to outer markets. This diversification provided the industry with new momentum (Zhou, 2014).

Software Industry

There has been a rapid growth of markets for software products and services in China during the last decade. This has created a great potential for further development of the Chinese software industry – including a significant growth of indigenous software firms. The value of output from the Chinese software industry grew from 4.4 billion yuan in 1992 to a total of 110 billion yuan in 2002, with an annual growth rate of 38% - or four times the growth rate of China's GDP (Baark, 1990).

Apparel Manufacturing

Chinese manufacturers are betting on innovation to revolutionise this sector. The garment manufacturing has entered a new stage of development, one that aims to be intelligent, flexible and green. Automated machines and robots have replaced a significant proportion of human labour. Screens display real-time information about quality, equipment operation and energy consumption (Beijing Review, 2021).

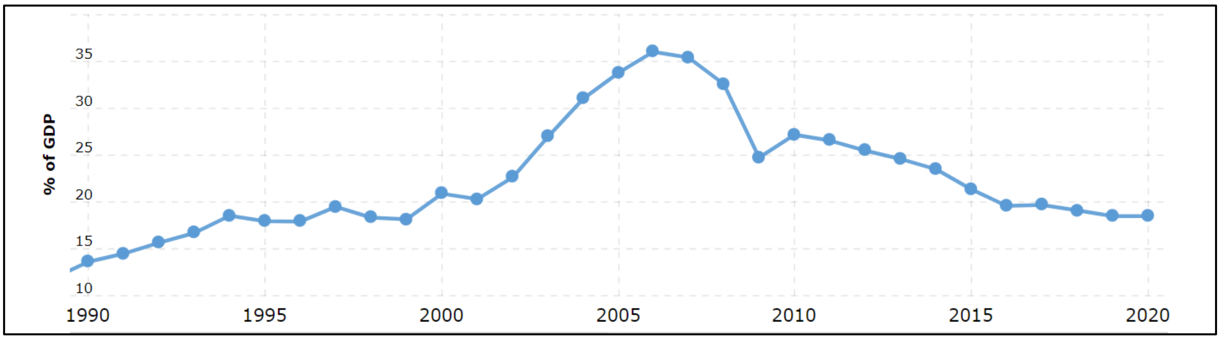
Steel Industry (Rolling)

Over the past 30 years, China's steel production has increased at a rapid pace as the economy has industrialised and urbanised. The combination of strong economic growth and rising steel intensity has resulted in a steady rise in China's share of global steel production over the past 10 years. In 2010, China accounted for around 45% of global steel production, which was significantly higher than its share of 15% at the start of the decade. The Chinese steel industry is highly decentralised, consisting of a relatively small number of large, advanced steelmakers and a large number of small and medium-sized firms that produce lower-value steel products (Holloway, et al., 2010).

6.2.5 Change in Export Contribution to GDP Over the Last 30 Years

China's export contribution to GDP over the last 30 years is illustrated in the figure below. There was a steady increase from 13.61% in 1990 to 18.54% in 1994. Between 1995 and 2001, there were slight fluctuations and between 2001 and 2006, there was a significant increase to 36.03%, followed by a drop to 24.75% im 2009. After 2010, there was a steady decrease followed by a more gradual decrease to 18.5% in 2020 (The World Bank, 2022).

Figure 26: China's Exports of Goods and Services (% of GDP)



Source: (The World Bank, 2022)

China's share of exports in GDP amounted to approximately 19% in 2021. The total Chinese merchandise export value amounted to around 21.7 trillion yuan that year (Ma, 2022).

Economists generally attribute much of China's rapid economic growth to two main factors, namely large domestic savings and foreign investment, as well as rapid productivity growth. Over the past few years, growth has moderated in the face of structural constraints, including declining labour force growth, diminishing returns to investment, and slowing productivity (The World Bank, 2022).

6.2.6 Correlation between Export Growth and Poverty Reduction

Over the past 40 years, the number of people in China with incomes below US$ 1.9 per day (the International Poverty Line) has fallen by close to 800 million. China has contributed to almost 75% of the global reduction in the number of people living in extreme poverty (The World Bank, 2022a). In 2021, China declared that it had lifted 770 million people out of poverty since 1978, thereby eradicating extreme poverty according to the national poverty threshold. Although China has eradicated extreme poverty, a significant number of people remain vulnerable with incomes below a threshold more typically used to define poverty in upper-middle income countries (The World Bank, 2022a).

China has set a new goal to achieve significant progress towards common prosperity by 2035. China's approach to poverty reduction was based on two pillars. The first pillar aimed for broad-based economic transformation to open new economic opportunities and raise average incomes. The second was the recognition that targeted support was needed to alleviate persistent poverty; support was initially provided to areas disadvantaged by geography and the lack of opportunities and later to individual households.

A key feature of China's industrialisation strategy from the 1980s onwards was its export orientation. During the 1950–70s, China prioritised heavy industry and national security and had very limited interaction with the world economy. The market-oriented reforms introduced at the beginning of the 1980s aimed at capitalising on China's comparative advantage in more labour-intensive light industry, using export demand as a driver for investment, and special economic zones in coastal areas as a platform to attract foreign investment and technology. The country's total exports of goods in 2018 reached 16.4 trillion yuan (2.49 trillion USD), and manufactured exports rose from 46.5% of the total in 1978 to 96% (The World Bank, 2022a).

Cluster-based industrialisation and export-oriented manufacturing in coastal regions, fuelled by high investment absorbed surplus rural labour nation-wide through migration and urbanisation.

In the second half of the 1990s, in preparation for WTO accession, export-oriented industries in coastal areas and TVEs gradually integrated. As coastal areas thrived, supply chains were extended further inland, driving additional investment and modernisation. Following a wave of privatisation, many TVEs and non-essential SOEs became private companies, some counting among China's leading industrial enterprises today. By 2005, collective firms represented only a tiny proportion of employment in TVEs.

Public investment in infrastructure improved living conditions in rural areas but also connected them with urban and export markets.

6.2.7 Correlation between Export Growth and Growth in Employment

The increase in final demand, including both domestic demand and exports, is the main driver of employment growth in China. The strong growth in final demand offsets the decline in employment caused by enhanced labour productivity, especially during the 2000s. The contribution of exports to job creation has increased significantly, especially in manufacturing and agriculture, following China's accession to the World Trade Organization (WTO). Labour productivity accelerated in all sectors, led by manufacturing and most technical upgrading occurs in manufacturing, while agriculture also experiences increased technical upgrading through the decline in labour usage (Ciuriak, 2022).

The figure below presents the contribution of exports through both direct and indirect channels to employment. The major findings are twofold. First, an overall increasing dependency of employment on exports is observed. This pattern is particularly strong in manufacturing, where up to 41% of employment, equivalent to 60 million jobs, was generated from exports in 2010. Second, the source also suggests the growing role of exports in capital-intensive manufacturing and services to job creation. Even during the 1990–2000 period when aggregate employment declined, the contribution of these two sectors remains positive at 9.4% and 9.6%, respectively.

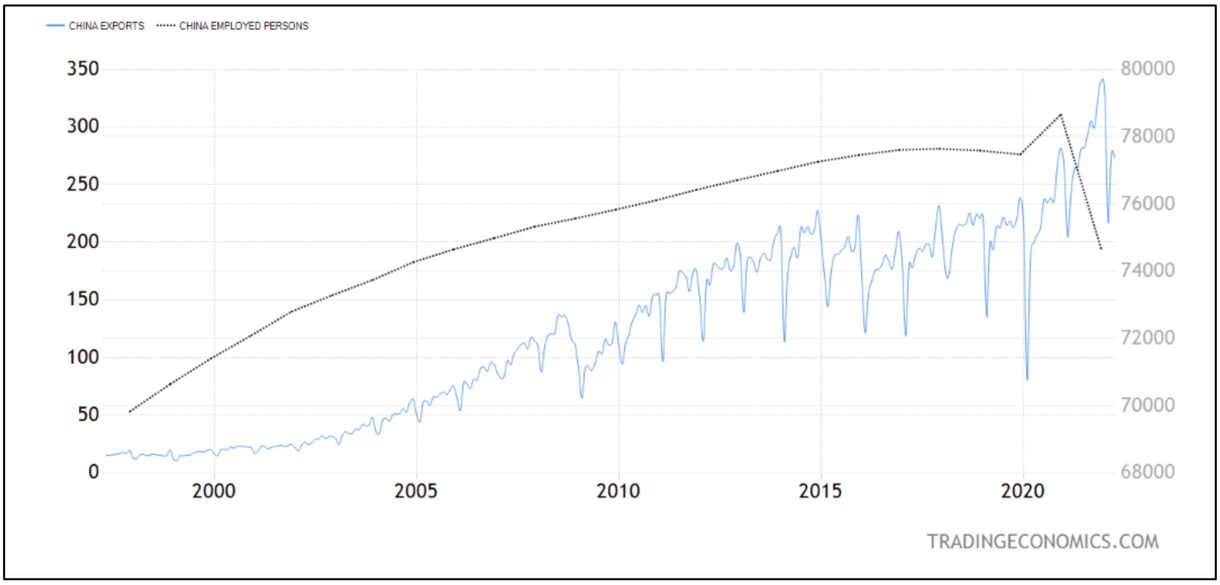
Figure 27: Contribution of Exports to Employment (%)

Panel A	1981	1990	2000	2010
Agriculture	10.2	11.4	11.0	20.0
Mining	14.1	17.0	22.7	28.0
Manufacturing	15.2	24.5	32.2	41.0
Labour-intensive	*21.0*	*33.2*	*34.0*	*43.0*
Capital-intensive	*11.0*	*18.6*	*31.1*	*40.0*
Utility and construction	1.3	2.5	2.2	2.0
Services	8.3	13.2	14.5	16.0
Whole economy	10.8	14.0	14.9	21.0
Panel B	**1981–1990**	**1990–2000**	**2000–2010**	**1981–2010**
Agriculture	2.6	–0.4	4.2	7.0
Mining	8.4	–0.5	4.7	12.3
Manufacturing	14.2	4.4	23.2	44.6
Labour-intensive	*16.8*	*–3.0*	*23.4*	*37.1*
Capital-intensive	*12.3*	*9.4*	*23.1*	*50.2*
Utility and construction	4.8	1.1	1.0	11.5
Services	13.8	9.6	8.4	52.2
Whole economy	7.0	2.8	8.2	22.3

Source: (Ciuriak, 2022)

The figure below indicates growth in both China's exports and number of employed persons over the past 25 years. The sudden decline in both metrics in the past few years are due to the impacts of the COVID-19 pandemic. Export growth has been a major component supporting China's rapid economic expansion. There appears to be some correlation between the two factors, as exports have slowly increased over the years so have the number of employed persons in China (Trading Economics, 2022).

Figure 28: China- Exports vs Employed Persons



Source: (Trading Economics, 2022)

6.3 Vietnam's Journey to Eradicating Poverty

6.3.1 Factors that Contributed to Growth in Export Industries

Vietnam is located in a strategic position for foreign companies, with operations throughout Southeast Asia. Foreign Direct investment (FDI) in the country has increased its ability to export goods all over the world, as it has been shown that there is a strong and positive relationship between FDI and economic growth (Hoang, et al., 2010). The country is currently transforming into a global manufacturing hub, being the main relocation destination for the China+1 strategy[6]. For example, China's Pearl River Delta—one of the key factory centres for the world's manufacturers—was becoming expensive for companies to be based there in the 2020s, post-COVID-19 and as such those companies were looking to other competitive territories such as Vietnam (Nguyen & Mah, 2022). The continual development of infrastructure—which is estimated to grow at a compound annual growth rate of 4% during 2016–2026 has been one of the major factors allowing Vietnam to grow exports (Mordor Intelligence, 2021). Vietnam has also employed strategies to become the next most favourable destination by keeping costs low and maintaining a simplified regulatory environment (Nguyen & Mah, 2022).

6.3.2 Specific Export Growth Strategies Employed

Vietnam has signed several free trade agreements, such as the Regional Comprehensive Economic Partnership (RCEP), European Union Vietnam Free Trade Agreement, and the UK-Vietnam free trade agreement. Several favourable conditions set out in these agreements—such as preferential tariffs and eliminated customs duties—ensure that Vietnamese exports end up in more countries. The RCEP for example is the world's largest free trade agreement with the following members: Australia, Brunei Darussalam, Cambodia, China, Japan, Lao PDR, New Zealand, Singapore, Thailand, South Korea, Vietnam, and other signatories (Ministry of Industry and Trade of the Socialist Republic of Vietnam, 2022). The agreement covers 30% of the world's population (2.3 billion people) and contributes about 30% of the world's GDP (US$25.8 trillion) (ASEAN, 2022). By January 2021, Vietnam had signed 15 regional trade agreements (World Trade Organization, 2021). To functionalise these agreements, the Vietnamese government heavily invested in transport infrastructure as a top priority, raising $7bn between 2001–2008 and having aimed to have raised $120bn by 2020 (Mordor Intelligence, 2021). Overall, the success of Vietnam has been attributed to its export-friendly policies, attraction of FDI, diversification of export products and markets, boosting human resource development, and forming relationships with regional and global economic powers (TBS Report, 2021). In the second trade policy review by the World Trade Organization (WTO), it is noted that Vietnam pursues export-oriented trade policies and recognises international economic integration as a key driver for its institutional improvement, economic growth, and development (World Trade Organization, 2021). For example, in its Strategy on Exports and Imports for 2011-20 and Vision to 2030, the country set double digit targets for export growth, a higher growth rate for exports compared to imports, and want to achieve a trade surplus in the next decade.

6.3.3 Main Export Industries and their Growth and Structurally Evolution

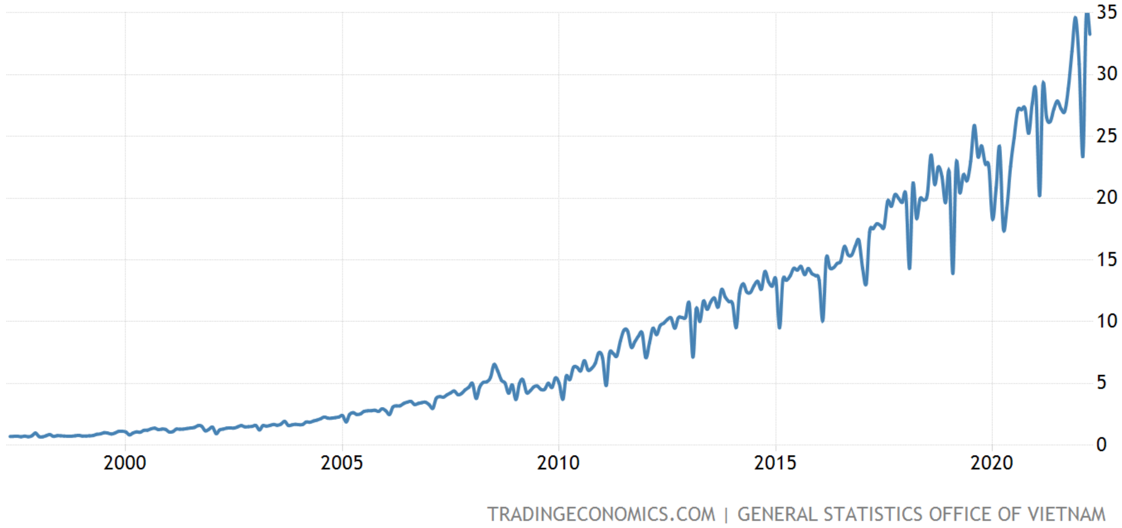
Vietnam's five most sustainable trade industries suitable for high-growth export markets in 2019 were (Samuel, 2021):

- Electronics
- Footwear
- Garment textiles
- Furniture and prefabricated buildings
- Oil

Electrical and electronic goods exports have become the top export, surpassing textiles, coffee, and rice—accounting for 36% of all exports in 2019 (Samuel, 2021). A sub-division of electronics are cell phones and accessories, which Vietnam exported over US$51 bn of in 2020, a slight decrease compared to 2019 but higher than previous years (Nguyen, 2021).

[6] The China+1 strategy is a business strategy of avoiding investing only in China and diversifying business into other countries, generally in another Asian economy, due to increasing cost of doing business in China, which counteracts the initial reason of investing in China, i.e., low production costs, and enormous domestic consumer markets (Enderwick, 2011).

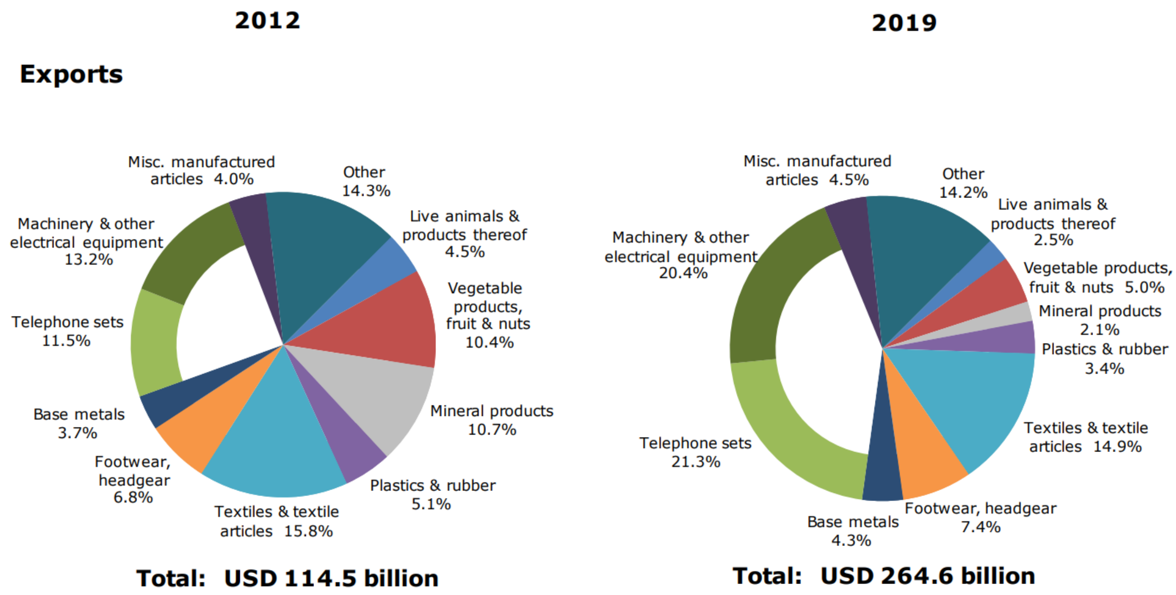
Figure 29: Export Figures over the Past 25 Years in Billions of US$



Source: (Trading Economics, 2022)

Between 2012 and 2019, Vietnamese exports significantly increased from a total value of US$114.5 bn to US$264.6 bn (World Trade Organization, 2021). 'Vegetables products, fruits & nuts' have shrunk from 10.4% in 2012 to 5.0% in 2019, while 'Machinery & other electrical equipment' have increased from 13.2% to 20.4% over the same years—indicating a rapidly industrialising economy shifting away from sale of primary goods to beneficiated tertiary goods as shown in the figure below.

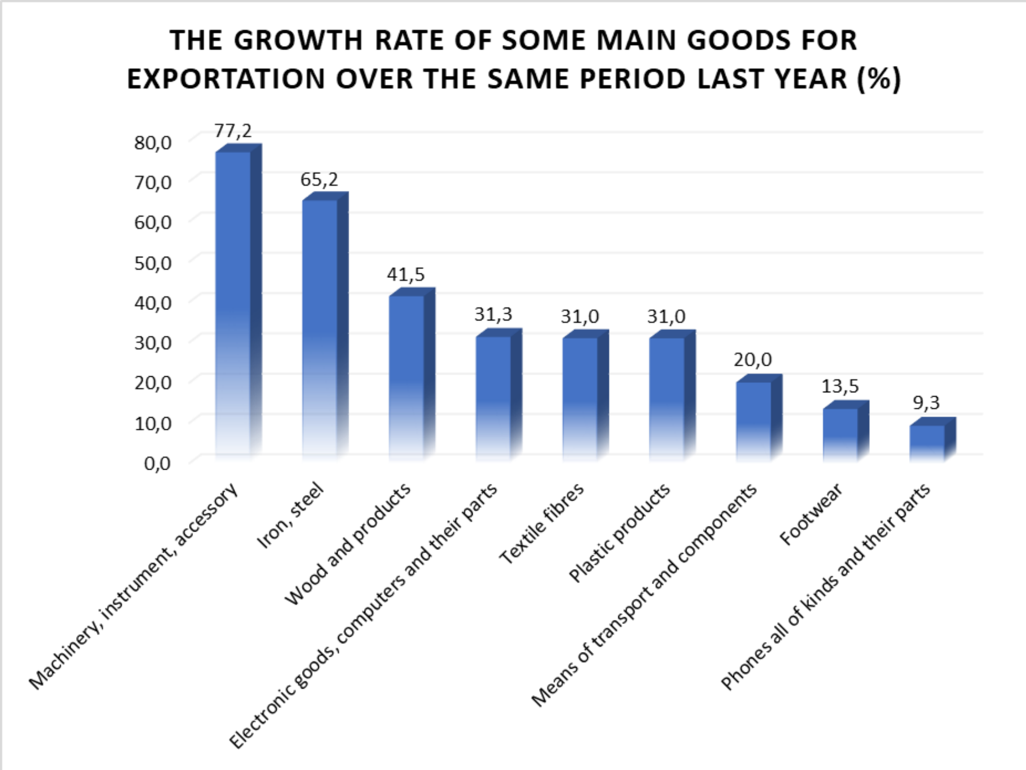
Figure 30: Vietnamese Exports by Product Composition between 2012 and 2019



Source: (World Trade Organization, 2021)

With the advent of COVID-19, the global economy was destabilised. Nonetheless, recovery is underway. The first quarter of 2021 recorded a strong recovery of import and export activities in Vietnam, with export turnover reaching US$ 77.34 bn, a 22% increase compared to 2020 (General Statistics Office of Vietnam, 2021).

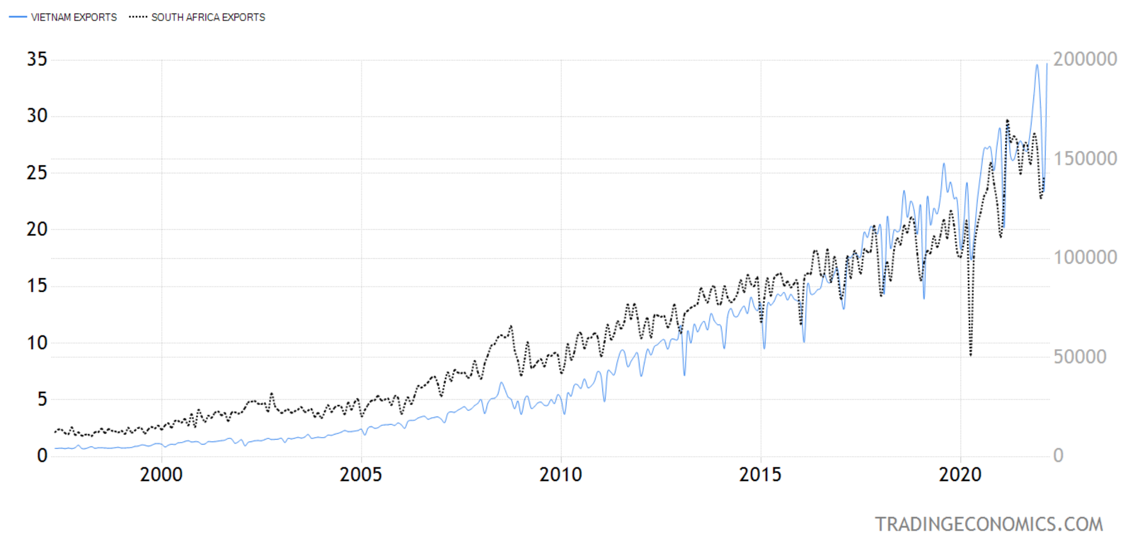
Figure 31: Growth Rate of Main Export Goods in 2021



Source: (General Statistics Office of Vietnam, 2021)

Vietnamese exports (in blue) have grown similarly to South African exports (in black) as shown below, however, they started trending upwards above those of South Africa from around 2017.

Figure 32: Vietnam vs South Africa exports over the past 25 years in billions of US$

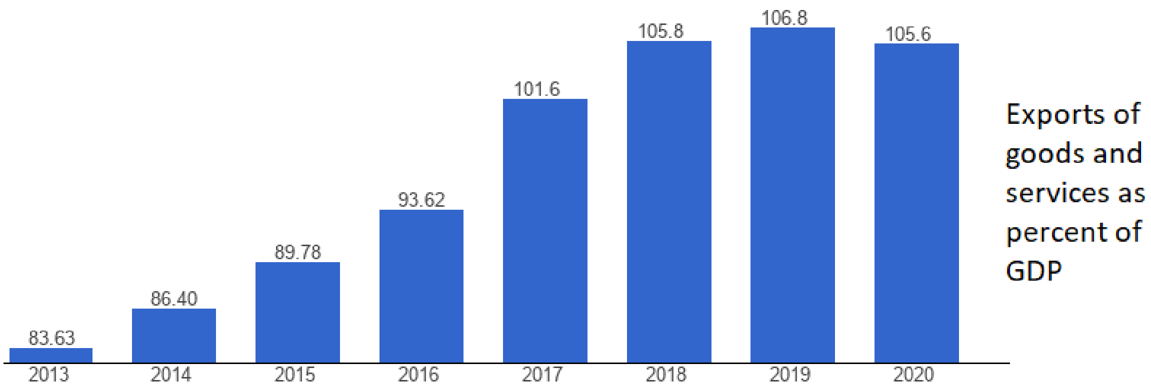


Source: (Trading Economics, 2022)

6.3.4 Change in Export Contribution to GDP Over the Last 30 Years

The GDP growth rate of Vietnam has been at 6.2% between 2000 and 2017, making the country one of Asia's fastest growing economies over the past decade (Mordor Intelligence, 2021). The country has further integrated into the world economy with its ratio of trade to GDP increasing from 165% in 2013 to 210% in 2019 (World Trade Organization, 2021). Between 1986 and 2020, the average export of goods and services as a percentage of GDP has been 58.17%, with a minimum of 3.95% in 1988 and a maximum of 106.8% in 2019 (The Global Economy, 2020). The trend has been upwards, which has meant that the economy of Vietnam has been relatively open to international trade since the 1990s.

Figure 33: Exports of Goods and Services as% of GDP between 2013 and 2020



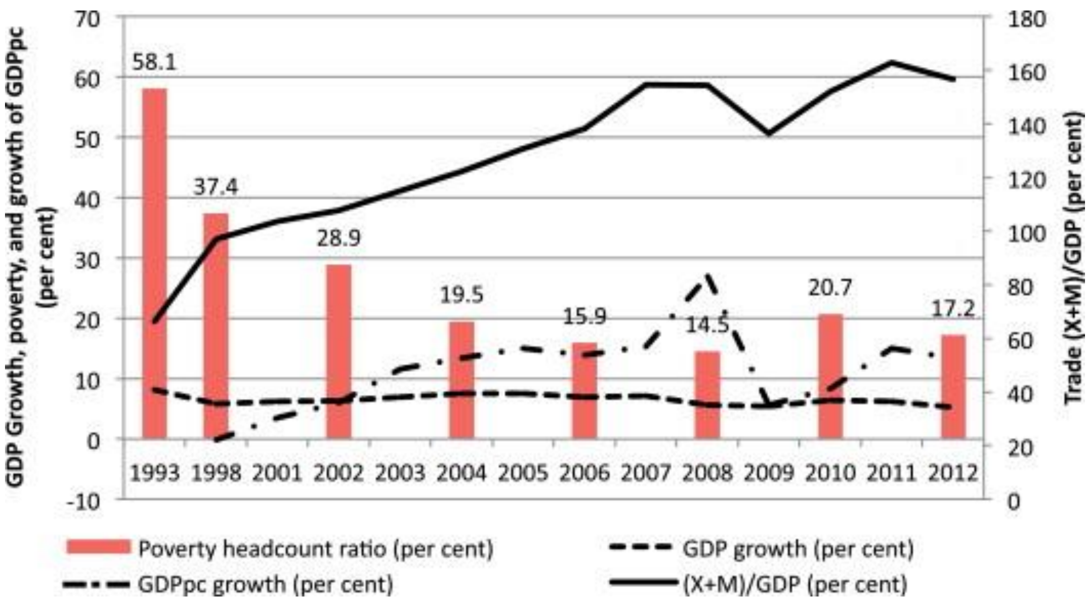
Source: (The Global Economy, 2020)

6.3.5 Correlation between Export Growth and Poverty Reduction

The second Trade Policy Review of Vietnam, published in 2021 by WTO "appreciated Vietnam's economic and trade performance during the review period and the progress made in poverty reduction through sustained export-led growth, which is a continuation to the structural reform initiated 35 years ago" (World Trade Organization, 2021).

Just as the global economic crisis was taking hold, a study revealed that in 2009 there was no close relationship between the growth rates of exports and GDP (Reidel, 2022). This had implications for the average Vietnamese as the GDP per capita was not increasing at the same rate as export growth was (Reidel, 2022). However, in the preceding years it was clear that an increase in trade was positively correlated to a reduction in poverty as shown below, showing that 2009 was an outlier.

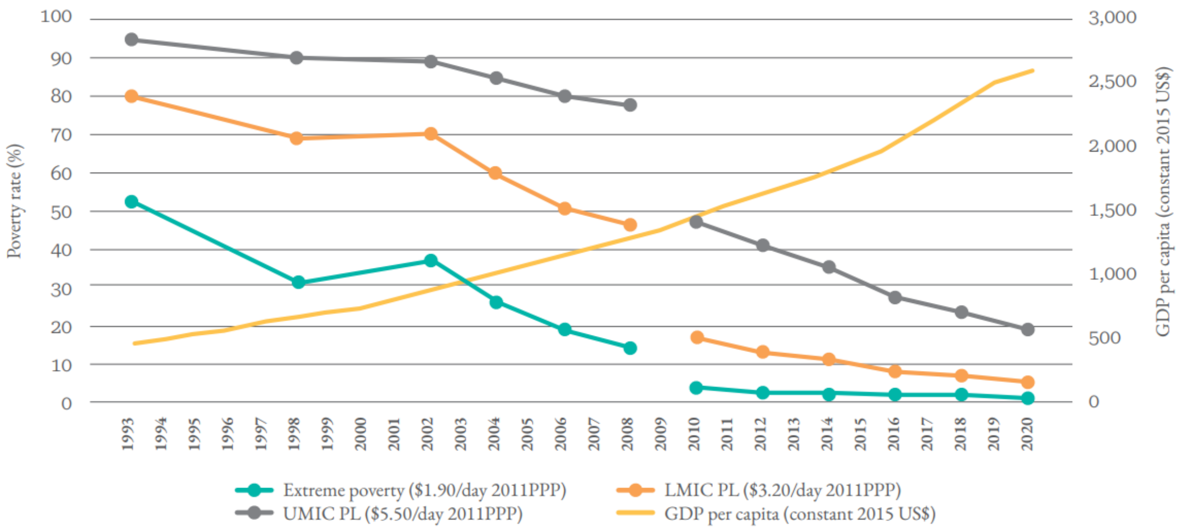
Figure 34: GDP Growth, Poverty and Trade in Vietnam



Source: (Le, 2014)

As demonstrated in the figures above and below, exports are generally positively correlated with GDP growth in Vietnam. The World Bank in its 2022 Vietnam Poverty and Equity Assessment study tracked poverty as defined according to various measures such as extreme poverty (living on US$1.90 per day), LMIC PL[7] (living on US$3.20 per day), and UMIC PL[8] (living on US$5.50 per day). Since 1993, all three of these measures of poverty have been trending downwards, as seen below. It was only in 2002 that these trended upwards but returned to the downward trend from 2003 onwards (World Bank, 2022). As such, export growth has had a positive correlation to poverty reduction in Vietnam.

Figure 35: Economic Growth and Poverty Reduction, 1993–2020



Source: (World Bank, 2022)

[7] LMIC PL: Lower Middle Income Countries Poverty Line (World Bank, 2022).

[8] UMIC PL: Upper Middle Income Countries Poverty Line (World Bank, 2022).

6.4 Lessons from Other Countries

6.4.1 Brazil

Brazil’s development improvements should be of interest to South Africa given its racial diversity and similar socio-economic state where inequality and poverty are challenges faced by its citizens. While Brazil’s growth rate was only slightly better than South Africa’s between 1992 and 2011 (3,2% compared to 2,9%), Brazil has been able to achieve more success by taking advantage of the opportunities presented by the commodity boom and helping small farmers become productive enterprise. In taking advantage of growth opportunities, Brazil was able to increase employment and, through education reform, increased wages for better educated workers (Centre for Development and Enterprise , 2012). This increase in labour incomes through increased employment as a result of assisting small farmers and education reform and well-targeted cash transfer programmes ultimately played the most significant role in bringing down inequality and poverty levels in Brazil. The sections that follow will focus on how export growth strategies were employed to take advantage of the commodity boom, how cash transfer social security programmes play a role in reducing income inequality levels and the role that education plays in matching investment needs.

6.4.1.1 Specific Export Growth Strategies Employed

In 2020, Brazil’s economy ranked number 12 in the world in terms of GDP, when calculated in United States Dollar (USD), while also ranking number 25 in total exports. Brazil’s economy is highly dependent on exports of raw materials and manufactured goods, which make up approximately 50% and 36% of exports, respectively. A 2019 paper found evidence of export-led economic growth in Brazil and that there was a bi-directional causality between economic development and exports in the long-run, as observed since the 1960s (Dinç & Gökmen, 2019). Export-led economic growth facilitates the inflow of foreign exchange, increases production, creates new employment opportunities, and enhances overall commercial volume (Dinç & Gökmen, 2019). The observed growth has been attributed to such factors as the social capital[9] that was strengthened by the early phase of industrial growth in Brazil (Bazan & Schmitz, 1997), and export diversification, world trade performance, rise in export prices, increase in number of exporters, new export discoveries, and country-specific innovations (Bonelli & Pinheiro, 2008). A World Bank summary of Brazil indicated that the economic and social progress that took place in Brazil between 2003 and 2014 as a result of export growth alleviated poverty for approximately 29 million people and significantly lowered inequality, as the Gini coefficient decreased by 6.6 percentage points from 58,1 to 51,5 in the same period, while an increase in the income level of the poorest 40% of the whole population was also evident (Devex, 2016). However, the rate of reduction in poverty and inequality has been static since 2015, as it was also followed by a recession.

Brazil’s trade agenda has been geared towards contributing to the country's sustainable development and to the reduction of poverty and social exclusion domestically. Internationally, the trade agenda has been geared towards enhancing cooperation, mutual benefits and eliminating trade distortions (World Trade Organization, 2017). To promote its exports, Brazil established the Export Guarantee Fund (FGE) as an insurance programme that guarantees exports of domestic goods and services in operations that have been going for longer than two years. The country also made progress in implementing the WTO Trade Facilitation Agreement (TFA) and to improve the efficiency and transparency of governmental agencies responsible for dealing with international trade. For example, in December 2016 new electronic procedures for export declaration and export cargo registration were made available for trial by the private sector (World Trade Organization, 2017).

[9] Social capital refers to the networks of relationships among people who live and work in a particular society, enabling that society to function effectively (Hellerstein & Neumark , 2020).

In the 1990s, Brazil attracted more foreign direct investment (FDI) than any other developing nation except China, which is an anomaly since the FDI attracted was not export-oriented—going instead mostly to service industries such as telecommunications (Oliviera, 2001). Transnational companies in the 1990s treated Brazil as a stand-alone market, rather than as an export platform like Mexico or China. In Brazil, the interventionist promotion of manufactured exports has resembled the policies of the East Asian Newly Industrialising Countries (NICs)[10]. Since the end of the debt crisis of the 1980s, the country has been engaged in a search for export activity to bring in foreign exchange to help it service its debts. Having acted under the pressure of the crisis—without a well-conceived industrial policy program capable of taking a long-term view—resulted in policies conforming to the liberalisation theory of development[11] rather than to the actual policies that the East Asian countries have followed (Oliviera, 2001).

Due to increased exports of agricultural and manufactured products which increased by 36,8% and 35,2%, respectively, Brazil's overall value of exports increased by 25% to $29.1 billion in March 2022. Brazil's foreign direct investment, inclusive of equity capital and intercompany loans, increased by $11 842.56 million in 2022 (Trading Economics, 2022).

6.4.1.2 Role of Education in Achieving Economic Growth and Development

Brazil has taken a practical angle to skills development programs to boost innovation in the business environment. The Pronatec Productive Sector—a large-scale professional qualification programme aimed at fostering innovation and competitiveness in Brazilian companies—provides for the adaptation of government-backed vocational courses to the reality of the market by mapping demands of the private sector for the skilled work (World Trade Organization, 2017). The Protanec is a flagship federal education and training program which is part of the technical and vocational education training (TVET) system in Brazil. Sistema-S is the training arm of Protanec in the TVET system (Costin, 2015).

In aiding in the development of skills aligned to the market, several good practices have been noted of the Brazilian TVET system. For one, the training levy is managed by a private sector non-profit organisation called SENAI. The advantage of this strategy is that there is better alignment of the skills being trained for and the needs of the private sector (Costin, 2015). Relevance of skills training for the labour market has ensured that 80% of graduates find jobs within 6 months after graduation. SENAI takes the lead role in managing skills development, which ensures better alignment of supply and demand of skills. The organisation determines the training programmes to be offered and the number of students to be admitted based on industry demand (Costin, 2015). Furthermore, measures are taken to ensure that the TVET system is inclusive of the poor and marginalised.

6.4.1.3 Social Security System in Brazil

Brazil has developed a social protection system which includes social assistance programmes in order to provide support to people living in poverty, as well as disadvantaged groups. These programmes primarily include social pensions for the poor elderly and disabled, conditional cash transfers for poor families, unconditional cash transfers, housing assistance for low-income households, school feeding, food programs, social services, and a variety of other small benefits and services (World Bank Group, 2018).

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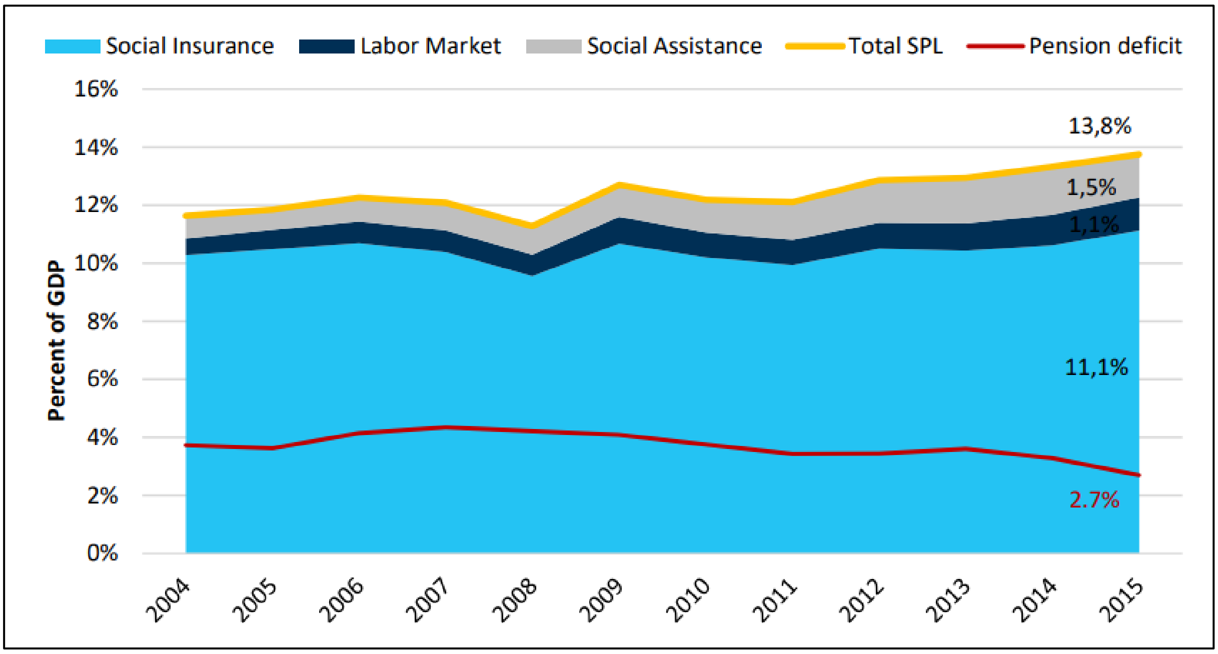
[10] Newly industrialised countries (NICs) or newly industrialised economies are a group of countries in the developing world that exhibited rapid and sustained increases in GDP, incomes and industrial employment in the 20th century (Warf, 2010).

[11] This refers to the loosening of government controls (Gissy, 2022). In this instance, it refers to the loosening of government control through reductions in restrictions on international trade and capital.

Social assistance programmes, which accounted for 1.5% of GDP in 2015, complement social insurance programmes, such as unemployment insurance and wage subsidy programmes, which are funded through general taxation and contributions by employees. As seen in the figure below, social insurance spending made up 11.1% of GDP in 2015 (World Bank Group, 2018).However, the benefit paid out by social insurance programmes often exceed the contributions which has led to these programmes being financed from general taxation.

***Figure 36: Spending on Social Assistance vs Overall Social Protection Spending in Brazil*[12]**



Source: (The World Bank, 2018)

The deficit incurred by the social insurance programmes makes up 1.5% of GDP and the deficit incurred by the civil servants' pension system incurs another 1.2% of GDP. The total deficit as a proportion of GDP of these social insurance programmes is 2.7% which is higher than the percentage of GDP (1.5%) that is spent on non-contributory social assistance programs.

[12] "Total SPL" in the figure refers to the total spending on Social Protection and Labour Programmes.

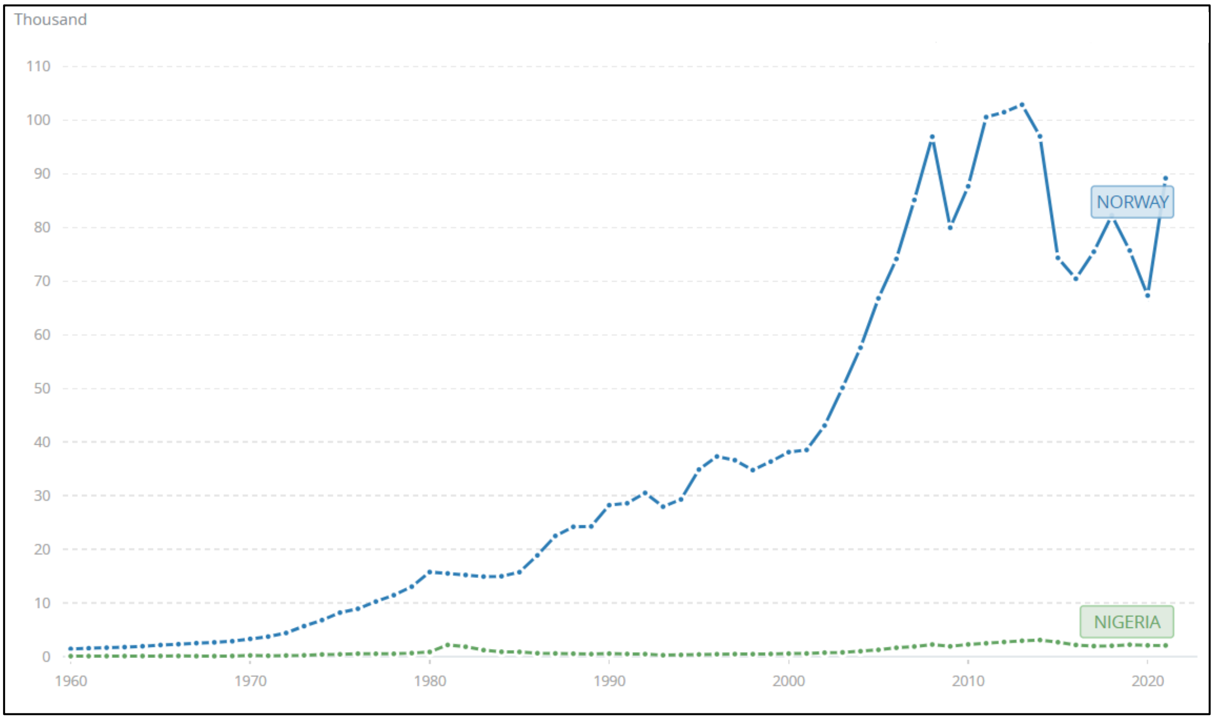
6.4.2 Norway

While natural resources have been treated as less important than capital and labour in generating growth, prior to the twentieth century, many countries such as Canada, Australia and the United States benefitted from commodity exports in the early stages of their economic development (Bakwena, et al., 2009). It has been suggested that natural resource abundance is harmful to economic development with the Dutch Disease theory arguing that an abundance in natural resources leads to deindustrialisation and lower economic growth as production and the export of the manufacturing sector declines (Bakwena, et al., 2009). This argument fails to explain why a developed nation like Norway and a developing nation like Nigeria, which are both oil endowed countries, do not share the same economic experience as it fails to account for other social and institutional factors that may have an impact on how natural resources drive economic growth.

6.4.2.1 Natural Resources as Key to Economic Growth

Norway, ranked among the countries with the highest per capita income in the world, had a relatively low GDP per capita between the 1950s and 1970s (Cappelen & Mjøset, 2009). The development in this country is in part as a result of its developed petroleum sector. It is for this reason that Norway should be of interest to South Africa given the lessons that it can provide on exploiting mineral resources for sustained economic growth and development.

Figure 37: GDP per Capita (current US$) - Norway and Nigeria



Source: (World Bank, 2022)

The figure above illustrates the GDP per capita growth between 1960 and 2021 for Nigeria and Norway. Oil was first discovered and exploited in the 1960s in Nigeria and Norway, however, Norway's GDP per capita growth, is far greater than the GDP per capita growth in Nigeria. While Nigeria's real GDP of $511.13 billion was higher than Norway's at $419.38 billion in 2021, the GDP per capita in Norway and Nigeria in the same period was $89 202.80 and $2 085 respectively (World Bank, 2022).

Norway has been able to transform itself from one of the poorest countries in Europe during the early 1900s into one of the countries with the highest quality of life today (Bakwena, et al., 2009). The difference between Nigeria and Norway are its institutions and the management of its petroleum sector, in particular. Norway has been successful in achieving natural-resource based development by integrating their resource-based industries with the rest of the economy through various linkages and the development of institutions that are were developed to handle shocks that are endemic to resource productions such as large changes in terms of trade (Cappelen & Mjøset, 2009). Unlike other resource-rich countries, Norway uses the wealth accumulated from their oil as a support engine for development by storing oil revenues in a Foreign Exchange Reserve Fund, investing it in different foreign industries within a clear framework, and preventing it from entering directly into the country's budget plan (Narouzi & Ataei, 2022).

6.4.2.2 Institutions as a Key to Natural Resource Management and Economic Growth

Norway is well established in terms of the quality of its institutions as the country has consensus-oriented policies, a lack of corruption, recruitment by merit and firmly established institutions with independent civil servants and depoliticised resource management (Havro & Santiso, 2008). The institutions are further reinforced by the rules and regulations governing the different institutions and the checks and balances in place.

Similar to the development of the American petroleum sector. Norway's oil sector was successful because it was transformed into a knowledge industry through the development of institutional relationships among government agencies, private corporations, and academic institutions (Cappelen & Mjøset, 2009). Following the discovery of oil resources in the 1960s, Norwegian authorities declared ownership of the resources, even though the first explorations were to a large extent conducted and financed by international oil companies (Holden, 2013). In 1972 Norway established a state-owned company, Statoil, which organised learning and technology transfers from foreign companies and set up a government body which was responsible for implementing policies that would ensure that linkages between petroleum extraction and supply could be developed (Cappelen & Mjøset, 2009). The Norwegian involvement increased gradually, when Norwegian oil companies, Statoil and private companies Saga and Hydro were given more important roles during the 1970s. While Statoil took a 50% ownership interests in every production licence in 1972, this was later modified to allow for Statoil's ownership to be higher or lower than 50%. The production licences are awarded by the Ministry of Petroleum and Energy through two types of licensing rounds viz., the numbered licensing rounds, and the yearly awards in predefined areas (APA) for (Holden, 2013). Statoil was privatised in 2001, but the government has retained a 67% majority stake (Holden, 2013). In efforts to reflect its commitments to diversify its business and become a broad energy company, Statoil changed its name to *Equinor* in 2018.

It has, however, been noted that the level of state involvement that is seen in Norway may not be the best solution in states with poor institutions as this could create inefficiencies and facilitate corruption (Havro & Santiso, 2008).

6.4.2.3 Management of Natural Resources

The view among Norwegian decision-makers is that resources belong to the nation and that development should benefit generations to come. This view is reflected in the management of natural resources as policies, and the appropriate regulation and taxation systems that have been implemented to ensure that the revenues generated from oil were exploited in a safe and profitable way (Bakwena, et al., 2009). A policy in the form of ten oil “commandments” was formulated and adopted by the Norwegian government in 1972 and following this, policies for the management and spending of the petroleum wealth gained prominence with the establishment of the Petroleum Fund (now the Pension Fund) in 1990, and the adoption of the fiscal rule in 2001 (Holden, 2013).

The Norwegian government receives a 78% tax on profits from oil companies which is made up of a 28% tax that is applicable to all firms and an additional 50% tax which only applies to the petroleum sector. There is also an “uplift scheme” that safeguards a normal return of 7.5% on the costs of the depreciable assets from the special 50% (Holden, 2013). The government further encourages new companies to exploit small reservoirs that have not been exploited by oil companies due to limited capacity by allowing them to carry losses forward if they do not have revenues from existing fields to cover the costs of exploring new ones (Holden, 2013). In addition to tax as a source of revenue, the Norwegian government has direct ownership through the State’s Direct Financial Interest (SDFI), which represents the state’s one third ownership of country’s oil and gas fields, onshore facilities and pipelines, which now has a passive-owner share[13] in all activities (Holden, 2013). The SDFI is managed by the state-owned management company, Petoro

Increased oil activities combined with greater public spending in the mid-1970s led to a significant increase in the cost level relative to Norway’s trading partners, which called for the establishment of a buffer fund to ensure that the increasing oil revenues would not lead to a corresponding increase in the spending of the oil income (Holden, 2013). In 1990, the Petroleum Fund, which was renamed to the Pension Fund in 2006, was established and all government net revenues from the petroleum are transferred into this fund. The fund is owned by the Norwegian parliament on behalf of the Norwegian state and is managed by the central bank’s separate asset management entity, Norges Bank Investment Management, which implements the asset allocation defined by the Ministry of Finance (Holden, 2013). This fund has been integrated into the ordinary governments budget and is used in instances where there is a deficit (Holden, 2013). The revenues placed in the fund are invested in foreign assets so as to provide currency income and avoid increased investments in Norway increasing the already high Norwegian cost level (Holden, 2013).

[13] The Norweigan government has a passive ownership share in all active petroleum projects via the SDFI, which means that it is not involved in the day-to-day decision making and operations of projects.

6.4.3 Singapore

Following its expulsion from the Malaysian Federation, Singapore became an independent country in 1965. The British government announced it plans to withdraw its military forces from the Republic in 1967. This had consequences for unemployment, which was already high (Blomqvist, 2000). The country at the time faced poverty and had underdeveloped infrastructure and a lack of nationhood due to its multilingual, multiracial and multi-religious society (Blomqvist, 2000). Despite these challenges, Singapore fared better than most developing countries at independence as its average income was relatively high, an efficient public administration had already been established and the British colonial government had made some basic efforts at improving the education level and health standards in the country (Blomqvist, 2000). Singapore should be of interest to South Africa given its success in nation building and how its economy has managed to succeed despite the country not being endowed with mineral resources (pointing South Africa towards market diversification).

Singapore is a developmental state which has been able to achieve long term developmental success through various ways including the below:

- An efficient legal system that protects property rights
- Minimising barriers to entrepreneurship and business growth
- Maximising the quality of human capital
- Investing in world class physical infrastructure
- Focusing on innovation
- Building and maintaining a highly capable public administration system by curbing corruption and promoting meritocracy

The sections that follow further elaborate on how the Singaporean government has been able to achieve long term success through foreign direct investment, a capable public administration its investment in human capital and minimal barriers to entrepreneurship.

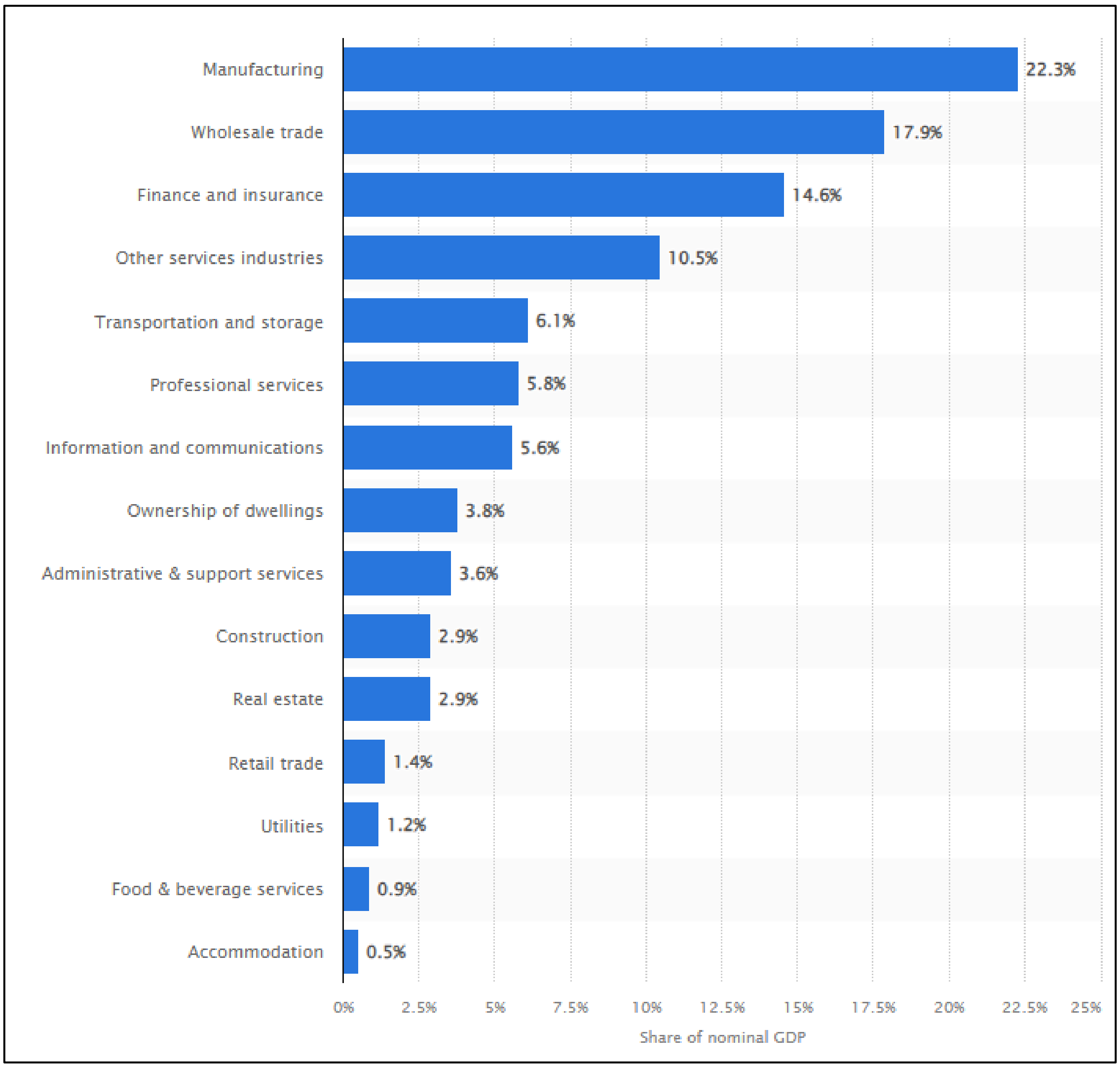
6.4.3.1 Foreign Direct Investment for Economic Growth and Development

While its strategic location was a distinct advantage, the country's traditional role of a regional trading port appeared to be waning and its decline was further reinforced by the strained political relations to the republic's closest neighbours in the mid-1960s, which made regional integration an unviable path to development (Blomqvist, 2000). While recognising the questionable potential of being a trading port as an engine of growth, the government followed an outward oriented industrialisation and free trade strategy of development with an emphasis on attracting foreign direct investment (FDI) in manufacturing-where the country could operate as a production and export platform – and its services sector where multinational sectors would establish hubs for global operations and international business in the country (Blomqvist, 2000) (Wong & Tang, 2011). Singapore's general openness to foreign investment is, however, limited in sectors considered critical to national security, including telecommunications, broadcasting, domestic news media, financial services, legal and accounting services, ports, airports, and property ownership (U.S Department of State, 2021). The three largest recipient industries of FDI in Singapore are finance, wholesale and retail trade and manufacturing (Lloyds Bank, 2022).

The Singaporean Government established the Economic Development Board in 1961 to lead an investment drive and make Singapore an attractive destination for foreign investment. FDI activities were supported by domestic resources in the form of labour and administration, which led to market integration taking place at a global level as opposed to a regional one (Blomqvist, 2000). Singapore has experienced remarkable economic success since the 1960s with the annual GDP pre-capita growth averaging 4.7% between 1970 and 2019 (Hyde, 2021).

Today, the key drivers of growth in Singapore are the value-added manufacturing sector - the electronics and precision engineering sectors in particular- and the services sector (World Bank, 2022). The services sector which is dominated by trade, business services, transportation, communications and financial services contributed close to 70% of GDP in 2021 (Anon., 2022).

Figure 38: Share of Nominal Gross Value Added in Singapore in 2021, By Sector



Source: (Statista, 2022)

As seen in the figure above, the transportation and storage sector, which includes logistics, contributed 6,1% towards Singapore's nominal GDP in 2021. Singapore is considered one of the world's leading logistic clusters due to its global connectivity, its good infrastructure, liberal taxation policies and efficient customs handling, which are especially favourable given the rise of the Association of Southeast Asian Nations (ASEAN) region and Singapore's location in the heart of Southeast Asia and at the centre of major shipping lanes (Belgian Foreign Trade Agency, 2014). Corresponding industrial development and logistics infrastructure has made the growth in Singapore's logistics sector possible as the industry focus has upgrading from labour-intensive industries (e.g., textiles and garments, rubber), skills-intensive industries (e.g., electronic parts), capital-intensive industries (e.g., petrochemical), technology-intensive industries (e.g., biomedical, IT) to knowledge and innovation-intensive industries since the 1950s (Qingyu, 2018). Singapore has the second largest port based on through put in 2021 (Statista, 2022) and second busiest port in the world (Gardham, 2021).

6.4.3.2 Tackling Corruption: Strict Laws, a Meritocratic System and Wage Increases

Singapore is (in)famous for its strict laws that sanction corrupt officials and was ranked the third least corrupt country in the 1996 Berlin-based transparency international and the least corrupt amongst Asian countries (Dirir, 2022). This, however, was not always the case as corruption was a serious problem in the country during the British colonial period due to an ineffective Anti-Corruption Branch - which only had limited personnel to deal with corruption and non-corruption related functions - and the government's lack of political will (Quah, 2018). Low public servant wages, a high inflation rate and scarcity of food and other commodities further exacerbated corruption and the lack of supervision provided civil servants the opportunity to behave unethically with low chances of getting caught (Quah, 2018). The People's Action Party (PAP) leaders assumed office when corruption was an endemic in the country and showed their political will by enacting the Prevention of Corruption Act (POCA) to replace the ineffective Prevention of Corruption Ordinance (POCO) and strengthened the Corrupt Practices Investigation Bureau (CPIB) by providing it with more legal powers, personnel and funding to perform its functions effectively (Quah, 2018). In addition to this, the CPIB's effectiveness was improved through the following measures (Quah, 2018):

- Even though it comes under the jurisdiction of the Prime Minister's Office, the CPIB has operational autonomy.
- The CPIB's director can obtain the president's consent to investigate allegations of corruption against key officials if the prime minister withholds his consent.
- The CPIB makes use of a "total approach to enforcement" and deals with both major and minor cases of public and private sector corruption, regardless of the amount, rank, or status of the persons under investigation.
- The CPBI prioritises the training of its officers on management and professional topics in Singapore and other countries.

The CPIB's success is mostly attributed to its impartial enforcement of the POCA, and its effectiveness is confirmed by its 100% conviction rate. Its effectiveness is also reflected in Singapore ranking sixth among 180 countries in the Transparency International Corruption Perception Index in 2017 and the findings of the CPIB's 2016 Public Perceptions Survey in which 89% of respondents rated Singapore positively in its anti-corruption efforts (Quah, 2018).

In addition to the strict laws in place, meritocracy and wage increases have been used to diminish corruption in Singapore. The emphasis on meritocracy and training in Singapore's public administration has resulted in a high level of competence of the personnel in implementing policies (Quah, 2018). During the early years of independence, the state was not able to increase the salaries of civil servants and therefore relied heavily on the existing legislation to curb corruption by reinforcing their penalty and severity (Dirir, 2022). After achieving domestic growth in the 1970s, which led to higher private sector salaries, a large number of talented senior civil servants moved to more lucrative jobs in the private sector (Quah, 2018). The government responded to this by increasing the salaries of senior civil servants to match those in the private sector, however, salaries were drastically decreased in 2011 following the recommendations made by a committee which reviewed the basis and level of salaries for the President, Prime Minister, political appointment holders and Members of Parliament (MPs) to ensure that the salary framework remains relevant for the future (Quah, 2018). In 2017, an independent committee formed by the PAP government recommended that the salaries of key political appointments should be increased as they had not been increased since 2011 and did not match salaries in the private sector. The deputy prime minister did not accept the recommendation made on salary increases, citing that the current salary structure was still relevant and sound (Quah, 2018). The anti-corruption system of the country has strengthened the economic and political position of the country with the maximum punishment for corrupt officials including fines of up to 100 000

Singapore Dollars (approximately R1.3 million, or R850 000.00 in terms of purchasing power parity, at time of writing) or to prison sentences of up to five years or both for each count of corruption (Anon., 2022).

6.4.3.3 Matching Education with Economic Strategies

After its dependence, Singapore established a development state strategy that allowed them to depart from the dependency on being a trading port and becoming an export, industrialised state (Dirir, 2022). As opposed to following demand side policies such as the introduction of a welfare system, the Singaporean government geared towards the supply side by strengthening human capital stock and by creating physical and social infrastructure (Blomqvist, 2000). The lack of skilled labour in the state and natural and human resources made it difficult to increase manufacturing activities for a trading port. It is for this reason that the Singaporean government started to develop new skills that would fit their economic strategies (Dirir, 2022). This was done by providing free and equal education for every child and extending a loan of free textbooks and aiding all pupils so as to increase the literacy rates. The second industrial revolution sped up the state's shift to more advanced technologies, which decreased its dependence on labour expansion for economic growth. The shift towards advanced technologies coupled with the economic growth experienced in the country, led to a shift in focus from the quantity of educated individuals to the quality of education that individuals possess, so as to respond to the needs of the market and decrease education wastage (Dirir, 2022).

The two main strategies taken by the country were to attract multinational companies and to invest in technology and promote activities in research and development. This strategy of managing education and skill demand and supply is one of the competitive advantages of Singapore (Dirir, 2022). In 2019, Singapore spent almost 20% of its national budget on education and was ranked 3rd the quality of the skill-levels of its current workforce in the World Economic Forum's Global Competitiveness Index and 2nd in the Organisation for Economic Co-Operation and Development's (OECD) Programme for International Student Assessment ranking in 2018 (Hyde, 2021).

6.4.3.4 Minimal Barriers to Entrepreneurship and State Investment in Industry

Minimal administrative hurdles and a variety of schemes which assist entrepreneurs to access finance to establish and scale a business have been integral to Singapore's economic success with the country ranking fourth in the World Bank's Ease of Doing Business Index and 7th in the ease with which a business can deal with tax authorities and 4th in the World Bank's Ease of Doing Business Index (Hyde, 2021). The ease of doing business in Singapore, coupled with its highly qualified workforce, has also contributed to the growth of the country's services sector.

In addition to minimising barriers of entry for businesses, the Singaporean government also supports Singaporean businesses through its Sovereign Investment Funds (SIFs). Singapore has two Sovereign Investment Funds viz., Temasek Holdings, which ranked as the 13th largest SIF by total assets under management as of June 2022, and the Government Investments Corporation, which ranked as the 5th largest SIF by total assets under management as of June 2022 (Statista , 2022). Temasek Holdings plays a prominent role in strategically supporting Singaporean business. Established in the early 1970s to look after Singapore Government's holdings, it has grown to around $313 billion in net assets in 2019 and has entered into a $100 million joint venture with the National Research Foundation to solve the commercialisation of basic research which has been a long-recognised weakness in the Singaporean economy (Hyde, 2021).

7 Individual Civil Servant's Economic Performance Targets, Remuneration & Career Progress

7.1 Chinese and Vietnamese Performance Management Practices

7.1.1 Types of Targets

Central to the success of both China and Vietnam was the development of common economic development goals articulated in 5-year plans, and quantitative economic performance targets that substantiate the common economic development goals. Government, private sector, and civil society all committed to these common goals and the associated quantitative economic performance targets.

To drive the correct leadership behaviours by government officials, these common economic performance targets are translated to individual cadre performance targets (known as "*kaohe zhibiao"* in China) against which the cadres are rigorously and consequentially evaluated (known as "*ganbu pingjia*" in China).

The translation of these common economic performance targets into individual cadre performance targets is done according to Management by Objective (MBO) principles.

Management by Objectives

George S Odiorne in his seminal book titled: Management by objectives; a system of managerial leadership, lays out the foundations of the principle (Odiorne, 1965). In it of MBO he says: "The system, of management by objectives can be described as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each its members". The concept itself was pioneered by Peter F Drucker in 1954 in his landmark book: The Practice of Management.

Other definitions of MBO highlight that it is a managerial system that integrates many key managerial activities in a systematic manner—consciously directed toward the effective and efficient achievement of organisational and individual objectives; and that it allows for the establishment of effectiveness areas and effectiveness standards for managerial positions and the periodic conversion of all these into measurable time bound objectives linked vertically and horizontally with future planning (Odiorne, 1965).

Figure 39: Some of the Management by Objectives Process Steps

Source: (Corporate Finance Institute, 2022)

A study that did a meta-analysis of 70 studies of MBO adoptions in the public and private sectors indicated that MBO had a positive impact on productivity in all the public sector agencies studied, with greatest effect in those where the top management was highly committed to the approach (Rodgers & Hunter, 1992).

Performance Management in China

Cadre performance targets in China are classified into normal, hard, and veto power targets. Career progression and remuneration are based on success in meeting hard targets, while failure to meet veto power targets usually results in dismissal (Aken, 2013). Examples of hard targets include economic growth, tax revenue, family planning, and social stability. Meeting the targets is an important pre-condition for promotion and upward mobility within the civil service (Burns, 2010).

Initially deployed at local government level, China’s “Objective Responsibility System” (ORS) involved setting targets for subordinate government units and **holding individual leaders responsible** for their fulfilment. After years of practice within local governments, the central authorities have institutionalised the ORS as an important tool for improving governmental performance (PerformanceMagazine, 2014).

The targets which are deduced from China’s five-year plans are cascaded down to provincial governments that also add their own targets. These then become targets for larger cities which also add additional targets (Burns, 2010). Examples of these targets include budget revenue, total value of investment in fixed assets, total value of imports and exports, total value of retail sales, and so forth. Figure 40 below details some of the targets.

Figure 40: Targets for Municipal Governments in China

Performance indicators for municipal governments, 2006		
Dimensions	**Performance Indicators**	**Weight**
Sustainable development	1. GDP growth rate	5
	2. Financial development index	4
	3. Growth rate of fixed assets investment	4
	4. Development index for non state enterprises	3
	5. Population development index	3
	6. Index of human capital development	3
	7. Environmental quality-index	4
	8. Energy consumption index	3
	9. Reduction of government debts overdue	3
Progress in modernisation	10. Urbanisation index	3
	11. Development index for the third industry	3
	12. Proportion of industrial increment	4
	13. Development of new industry	3
	14. Ratio of R&D investment to GDP	2
	15. Proportion of high-tech industry increment	2
	16. Number of patents	2
	17. Index of export dependence	3
	18. Growth rate of overseas capital investment	3
Harmonious society construction	19. Index of new village construction	3
	20. Urban residents income index	3
	21. Income index for rural residents	2
	22. Index of educational development	3
	23. Development index for public health	3
	24. Rate of social security coverage	3
	25. Rate of registered unemployment	2
	26. Index of public safety	3
	27. Satisfaction rate for public safety	3
Administration by law	28. Index of legality for abstract actions	3
	29. Index of legality for concrete actions	3
	30. Losing rate in lawsuits	2
	31. Rate of rectification in reconsideration	2
	32. Efficiency in dealing with complaints and visits	3
	33. Completion rate of dealing with complaints	2
	34. Percentage of staff misconduct	3

Source: (Minelli, 2017)

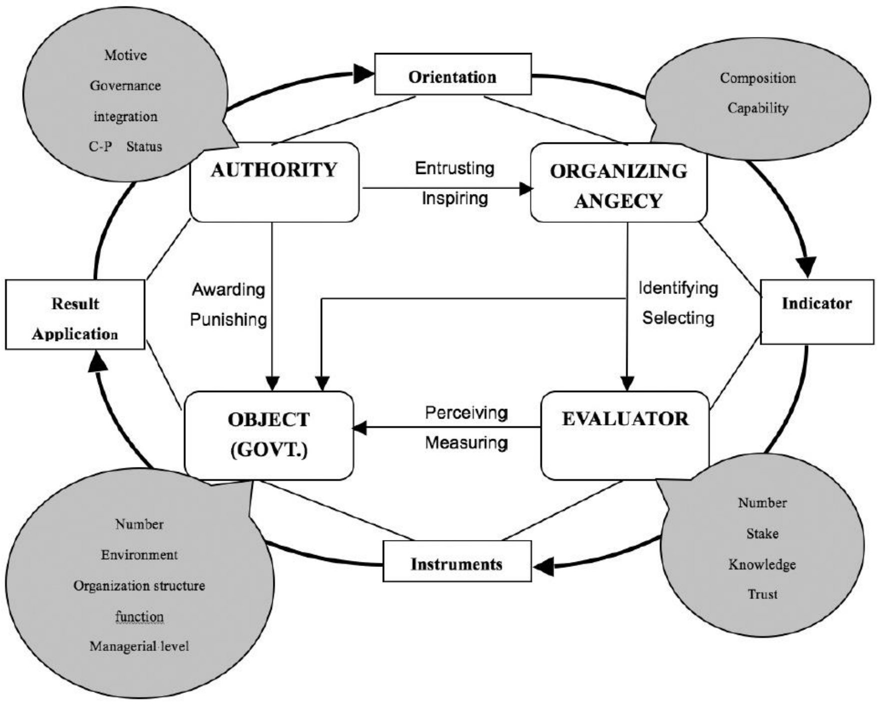
Citizen Participation in Measuring Public Service Delivery

Another critical element of the cadre evaluation is the participation of citizens, a practice rigorously applied in both China and Vietnam. The Vietnamese Provincial Governance and Public Administration Performance Index (PAPI) introduced in 2009 is the **annual** citizen-centric, nationwide, and external policy monitoring tool which measures local government performance in governance, public administration, and public service delivery. From 2009 to 2020, PAPI captured the experiences of 146 233 citizens on central and local governance and public administration issues. (VietnamBriefing, 2022).

Annual citizen reviews of individual public services leaders in context of a system where career progress is determined by meeting hard economic performance targets arguably makes the government of communist Vietnam practically much more accountable to the citizens than the South African government. Annual evaluation of individual leaders, followed by career consequences for the individual leaders provides civil society with an avenue to hold government accountable in a way that elections of a party every 5 years never will.

Figure 41 below models the relationship between different stakeholders in the Chinese citizen participation system. Stakeholders involved include the authority, the organizing agency, the evaluator, and the object. The individual factors affecting stakeholder behaviours are shown in the round comment boxes and include knowledge, trust, composition, etc. The relationships between the stakeholders are shown with the lines, and the key determinants which combine to form the evaluation process are shown. Wu & Gao (2009) in their study found that the decision and behaviour of the authority in the evaluation was affected by the extent to which the citizen participation was integrated with the regional governance, the degree to which leaders seek to innovate upon the performance evaluation system, and their basic attitude towards the previous C-P status in the area (Wu & Gao, 2009).

Figure 41: Analytical Framework for the C-P Evaluation Process



Source: (Wu & Gao, 2009)

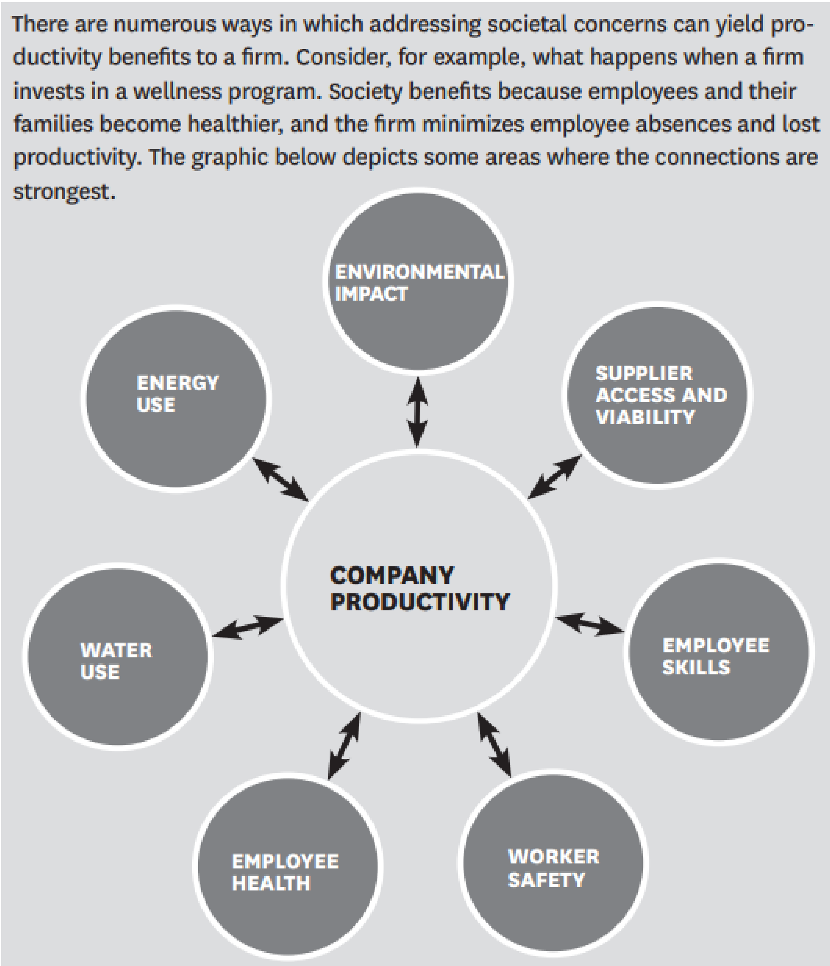
Corporate Participation in Boosting the Economy

Primary control over privately owned enterprises is exercised by the markets, where poor leadership is immediately punished by poor financial performance and eventual bankruptcy and liquidation. Private companies cannot deviate from their primary imperative of being profitable, otherwise no wealth creation, taxation and public service delivery is possible.

The behaviour of private companies can however be more closely aligned to common economic performance targets by offering profit boosting incentives for strategic decisions that directly improve collective economic performance, such as tax-relief for creating new jobs in deprived communities. This will promote the philosophy of shared value by corporation.

Kramer & Porter (2011) in their seminal publication concluded by saying "NOT ALL societal problems can be solved through shared value solutions. But shared value offers corporations the opportunity to utilize their skills, resources, and management capability to lead social progress in ways that even the best-intentioned governmental and social sector organizations can rarely match. In the process, businesses can earn the respect of society again". This extract summarises the intentions of the Creating Shared Value (CSV) philosophy quite well. At its core CSV is about having corporate policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which it operates (Porter, 2011).

Figure 42: The Connection Between Competitive Advantage and Social Issues



Source: (Kramer & Porter, 2011)

CSV is not about redistribution of income, philanthropy, or harm reduction; but about designing products and services at the Business to Business and Business to Consumer scales to inherently address societal needs. These needs could vary from environmental impact, safety, health, education, nutrition, living with disability, housing, financial security, etc. It is about building businesses around unsolved customer problems—improving customer lives (Porter, 2011). CSV emphasises that there are equal or greater opportunities in serving disadvantaged communities and developing countries (Kramer & Porter, 2011). Some of the areas where CSV can have the most impact are shown in the figure above.

Efficacy of Target Driven Performance Management in Public Service

The setting, measurement, and consequence management of individual economic performance targets for public service and the private sector leaders, with the active involvement of civil society, will inevitably result in coherence of purpose and coherence in action around eliminating poverty and providing decent employment for all. These, however, have to emanate from within the government as externally imposed restructurings and reorganizations restricts the successful implementation of performance management (Fryer & Antony, 2009).

In the United States of America, the National Performance Management Advisory Commission developed a performance management framework to help governments move beyond measuring and reporting those measures to managing performance and improving results. The framework is conceptual, i.e., it can help governments that currently have performance measures to improve in order to get better results and can help governments without performance measures to develop those. It was designed to be used by government entities at state, provincial, and local level—including agencies, cities, counties, school districts, the judiciary, and special districts (National Performance Management Advisory Commission, 2010). The goal of performance management is to improve the results for the public in the form of better public service. Governmental organizations in the United States of America have used performance management practices to achieve cost savings and improve both performance against targets and customer satisfaction (National Performance Management Advisory Commission, 2010).

The Norwegian system of performance management called the Management-By-Objectives-And-Results (MBOR), has been widely adopted in the Norwegian central government and by civil service organizations in the country (Lægreid, et al., 2006). Targets are not imposed from the top of the hierarchy but are formulated jointly by the ministry and the agency. It has been noted that the MBOR model works best for agencies that are relatively young and large, subject to some form of market competition, and report a very high level of mutual trust between the agency and the parent ministry. The performance-management systems there are primarily used by senior managers, not by ministers—presenting a challenge at the interface between political executives and managers (Lægreid, et al., 2006).

Denmark and Sweden have also implemented MBOR performance management systems. A comparative study of MBOR in Prison and Probation Services, Food Safety, and Meteorology in the central governments of the three Scandinavian countries Denmark, Norway and Sweden was conducted. It found that even though these nations are very similar, it was difficult to come up with one "Scandinavian" approach to MBOR—national and organisational context mattered and thus should be taken into account in the development of these systems as they will appear and function differently in different contexts (Kristiansen, 2016). This national context and its implications on MBOR are demonstrated in the engagement extract in the figure below.

Figure 43: Linking Bureaucratic Structure and MBOR, an Extract from Engagements

Quotations linking ministerial responsibility and MBOR
"There are elements in the performance contract to which you say, why is that included? […] But it is included because it from a ministerial perspective and from a political perspective might be important if it might get the minister into the soup" (Manager, Danish agency). *"We also have some shared goals for the entire ministry"* (Employee, Danish agency).
Quotations linking dualistic structure and MBOR
"*And then we meet the minister once a year. As you know, we don't have ministerial responsibility as in Denmark, so the minister focuses on whether we are doing what is written in our instructions, and then it is up to me to decide how we do the rest"* (Manager, Swedish agency). "*In Sweden, the agencies are much more autonomous than in Denmark*". "*… the government are not that interested in steering us. In Denmark, that is quite another matter*" (Managers, Swedish agency). "*What is special in Sweden is that the agencies are so big, and the ministries are so small…*" (Employee, Swedish ministry).

Source: (Kristiansen, 2016)

7.1.2 Determination of Targets

China and Vietnam both use five-year plans as a guide for social and economic development for the years to come. The plans place focus on targets and economic metrics to be achieved. In contrast to South Africa, those with the responsibility to meet the targets set out in the five-year plans are much more likely to achieve these targets due to the management by objective methodology used in China and Vietnam.

7.1.2.1 China

The Five-Year Plans of China are a series of social and economic development initiatives issued by the Chinese Communist Party (CCP) since 1953, in the People's Republic of China. China's Five-Year Plans have been praised for their capabilities, efficiency and their contribution to rapid development, economic growth, corporate finance and industrial policies (Chen, et al., 2017).

The themes and targets in the plans guide decision making at all levels of government. Provincial, municipal, and sectoral plans are released throughout the year that describe the plan's targets in more detail, as well as some of the policies and mechanisms that will be used to achieve them (Kaja, et al., 2021).

On March 13, 2021, China's National People's Congress (NPC) approved the outline of the country's 14th Five-Year Plan, covering the period 2021-2025. Major themes included in the latest plan include:

- Prioritizing the quality of growth rather than the quantity of growth
- Building China into a self-reliant technological and manufacturing powerhouse
- Accelerating the drive towards a low-carbon economy to help achieve the 2030/2060 climate goals
- Achieving "common prosperity" through new rural revitalization and urbanization strategies

- Moving ahead with gradual liberalization of the business environment
- Elevating China's leadership role in regional and global economic governance
- Managing great-power rivalry with the United States (Cooper, 2021)

Targets are derived from goals expressed in central Five-Year Plans or from other ad hoc plans articulated by central departments and local governments. There are both broad governance targets and specific policy performance targets. These targets provide benchmarks for comparison across time and allow for continuous improvement, China is careful to avoid large-scale, potentially disruptive changes, they prefer continual adaptation (Aken, 2013). The figure below indicates the 20 main indicators of economic and social development during the 14th five-year plan period:

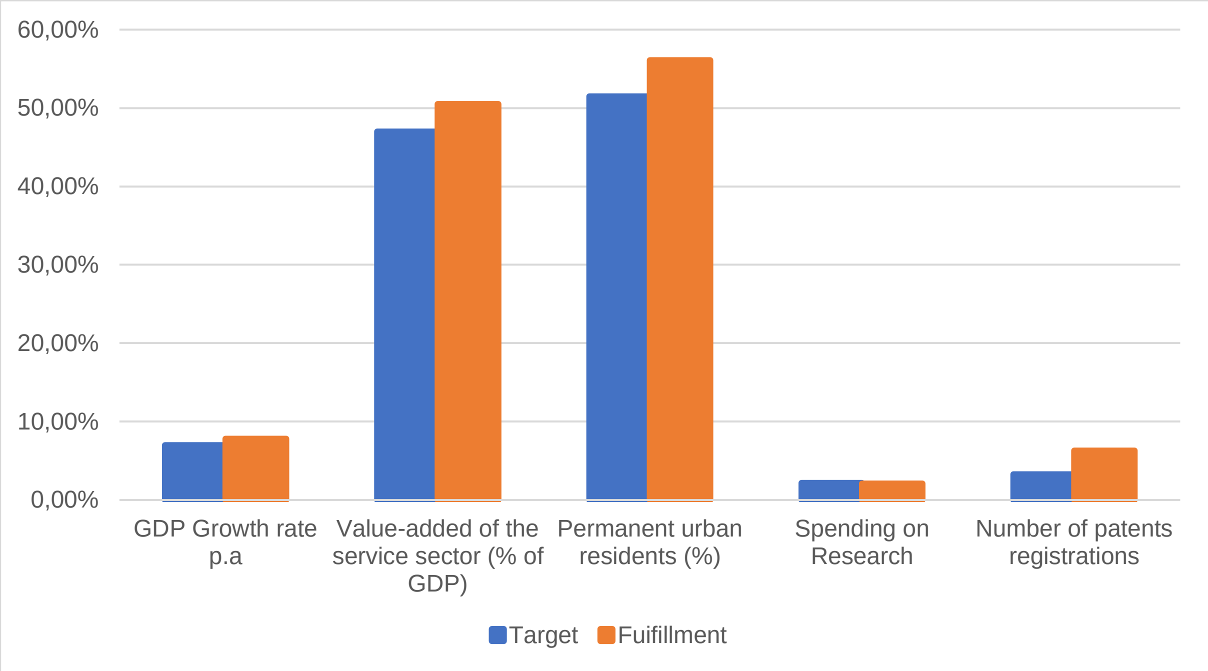
Figure 44: Main Indicators of Economic and Social Development

Category	Indicator	2020	2025	Annual Average or (Cumulative)	Indicator Type
Economic Development	1. GDP Growth	2.3%	--	Set annually and maintain within a reasonable range	Indicative
	2. Labor Productivity Growth	2.5%	--	Higher than GDP growth	Indicative
	3. Urbanization Rate	60.6*%	65%	--	Indicative
Innovation Drive	4. National R&D Expenditure	--	--	>7% [annually], [aim for cumulative total greater than 13th Five-Year Period]	Indicative
	5. Number of High-Value Patents per 10,000 people	6.3 patents	12 patents	--	Indicative
	6. GDP Share of Value-Add of Digital Economy Core Industries [See Chapter 5]	7.8%	10%	--	Indicative
People's Livelihood	7. Growth in Average Resident's Disposable Income	2.1%	--	Generally in line with GDP growth	Indicative
	8. Urban Unemployment Rate	5.2%	--	< 5.5%	Indicative
	9. Average Years of Education of Working-Age Population (Years)	10.8 years	11.3 years	--	Binding
	10. Number of Licensed (Assistant) Physicians Per 1,000 People	2.9 physicians	3.2 physicians	--	Indicative
	11. Basic Pension Insurance Participation Rate	91%	95%	--	Indicative
	12. Number of Childcare Center Seats for Children Under Age 3 Per 1,000 People	1.8 seats	4.5 seats	--	Indicative
	13. Average Life Expectancy (Years)	77.3* years	--	(1) Year	Indicative
Green Ecology	14. Reduced Energy Consumption Per Unit of GDP	--	--	(13.5%)	Binding
	15. Reduced Carbon Dioxide Emissions per unit of GDP	--	--	(18%)	Binding
	16. Percentage of Days With Good Air Quality in Cities at or Above Prefecture-level	87%	87.5%	--	Binding
	17. Percentage of the Quality of Surface Water at or Above Class III	84.3%	85%	--	Binding
	18. Forest Coverage Rate	23.2%*	24.1%	--	Binding
Security & Safety	19. Overall Grain Production Capacity	--	> 650 million tons	--	Binding
	20. Overall Energy Production Capacity	--	> 4.6 billion tons of coal equivalent	--	Binding

Source: (Kaja, et al., 2021)

The figure below indicates some key indicators laid out in China's 13 Five-Year plan and demonstrates a comparison of the targeted metrics for the 2015- 2020 period and the actual metrics for this period.

Figure 45: Target vs Fulfilment of China's 13th Plan Metrics



Source: (Central Committee of the Communist Party of China, 2016)

Companies, organizations, and governments with interests in China who review the 14th Five-Year Plan will understand the high-level policy direction and goals of the Chinese government, and will then be able to monitor corresponding activities as China's industrial policy apparatus at the central and local levels begins to take concrete steps towards implementation (Kaja, et al., 2021).

7.1.2.2 Civil Service Performance Evaluation

Setting targets and evaluating whether those have been achieved by civil servants has had great success for various countries across the world. In China, civil service performance evaluations proceed along line relations. This means that higher levels of government evaluate the next lower level, local governments evaluate various departments, and so on. As demonstrated in the section on **XNCJS Policy Framework Implementation in Mizhi and Qingyuan Counties**, evaluations take different forms in different jurisdictions; however, it has been noted that during evaluation in some areas each civil servant submits a self-examination to their superior who oversees them (Aken, 2013). In the evaluation they must score their own performance out of 100 with four grades: incomplete, basically complete, complete, or complete above target. These are then reviewed based on available evidence. The reviews are then approved, establishing the final grading reports. It is notable that even though the reports for cadres are confidential in the Chongqing municipality, those of companies and government levels are reported publicly, thus acting as powerful incentives for improving performance (Aken, 2013).

The challenge with this evaluation system, however, is that there are also incentives to inflate performance, which results in discrepancies between performance stated by lower government levels and that stated by the national government. For example, GDP as stated by the provinces is much higher than the true GDP achieved (Burns & Zhiren, 2010). This also emanates from the fact that the cadre-evaluation criteria are strongly biased toward economic performance, influencing local officials to devote more effort to activities that promote economic growth. Focus then rests on the outcomes rather than the process (Ong, 2011). Nonetheless, setting targets has overall been responsible for the high governance performance observed in China. Furthermore, the feedback mechanisms built into the evaluation process ensure that there is continual target and strategy adjustment as per the changing local conditions and realities (Aken, 2013).

Figure 46: ORS Criteria and Measures

Basic items	Criteria	Specific indicators
Economic construction	Economic production, development speed, per capita production.	GDP and its rate of change. Per capita GDP and its rate of change.
	State tax collection and local financial capacity.	Tax collection of central government and its rate of change Local financial income and its rate of change.
	Living standard of peasants and city residents.	Per capita peasant income and rate of change. Rate of non-poverty in poor populations. Per capita city resident living income and rate of change. Retail price index. Consumer price index.
	Agricultural production and rural economic development.	Acreage of farming lands. Production of major rural products and rate of change. Acreage of irrigated lands.
	Management of state-owned assets.	Profits of state-owned enterprises. Increasing rate of profit tax from state-owned enterprises. Profits of township-owned enterprises. Tax collection from state-owned enterprises.
	Standard of infrastructures such as transportation, resources, telecoms, construction of cities and townships, farm land, water supply, etc.	Investment rate (amount) on construction of infrastructure.
Social development and spiritual civilisation construction	Population and birth control.	Birth rate according to the birth plan.
	Social stability and security situation.	Rate of change of criminal cases. Rate of solving major criminal cases.
	Situation of education, technology, culture, health and physical education.	Implementation rate of nine-year compulsory education. Rate of decline of youth and adult illiteracy. Contribution rate of science and technology development. Implementation rate of medical treatment, prevention, health check in rural areas.
	Environmental protection.	Standards of dealing with waste water, waste gas, waste materials. Preservation and development of forests and grass lands.
Party building	Ideological education.	No specific indicators.
	Construction of leadership corps.	No specific indicators.
	Construction of democratic centralism.	No specific indicators.
	Construction of party branches.	No specific indicators.
	Dealing with corruption.	No specific indicators.

Source: (Burns & Zhiren, 2010)

In order to evaluate performance, there must already be mechanisms in place to help provinces, cities, and townships to manage performance. Local governments in China have experimented with various performance management systems from the early 1990s. This resulted in the curation of these systems as formalised under the objective responsibility system (ORS) in 1995; some of the ORS criteria and measures are shown in Figure 46 above. In ORS, governments at higher administrative levels set targets for lower-level administrators and hold them to account for achieving them (Burns & Zhiren, 2010). ORS is now widely practised with targets that are increasingly specific, quantifiable, and linked to personnel outcomes (Burns & Zhiren, 2010). Under ORS, compliance is monitored by the audit bureaus attached to local government at each level, and by other arrangements that include specialist agencies that have responsibility for policy implementation in the various areas (Burns, 2010). Additionally, prefectural-level cities perform various checks including ad hoc inspections and produce report tables to identify best and worst performers (Burns, 2010). The following figure show some of the performance targets at the township level.

Figure 47: Performance targets for a township government in the Changtai County, Fujian Province, 1999

Dimensions	Targets	
	Task	Weight
1. Agriculture		100
1) Total value of production (in million yuan renminbi)	184	10
2) Structural adjustment		25
Banana planting (in hectares)	1 050	
3) Fruit production (in tons)	22 200	10
4) Mushroom planting		25
Hectares	110	
Volume of production (tons)	11 800	
5) Number of pigs provided (in thousands)	25.6	20
6) Aquiculture production (tons)	790	10
2. Private and small business development		100
1) Construction of development zone for private and small businesses		40
Number of new businesses	4	
Total volume of investment (in thousand yuan renminbi)	2 000	
2) Private businesses with investment above CNY 100 000		60
Number of new businesses	16	
Total volume of investment	240	
3. Outside investments		100
1) Production value by joint ventures (in million yuan renminbi)	62	15
2) Volume of foreign investment in contract (in thousand United States dollars)	7 500	30
3) Volume of foreign capital invested (in thousand United States dollars)	3 500	20
4) Number of new enterprises by overseas investors	3	20
5) Number of new businesses above CNY 500 000 by investors outside the region	2	15
4. Fixed assets investment		100
1) Volume of investment (in thousand yuan renminbi)	23 000	20
2) Volume of investment by key projects (in thousand yuan renminbi)	5 000	80
5. Tax revenue		100
1) Volume of tax revenue		80
2) Contribution to the county		10
3) Tax revenue per capita		10

Source: (Burns & Zhiren, 2010)

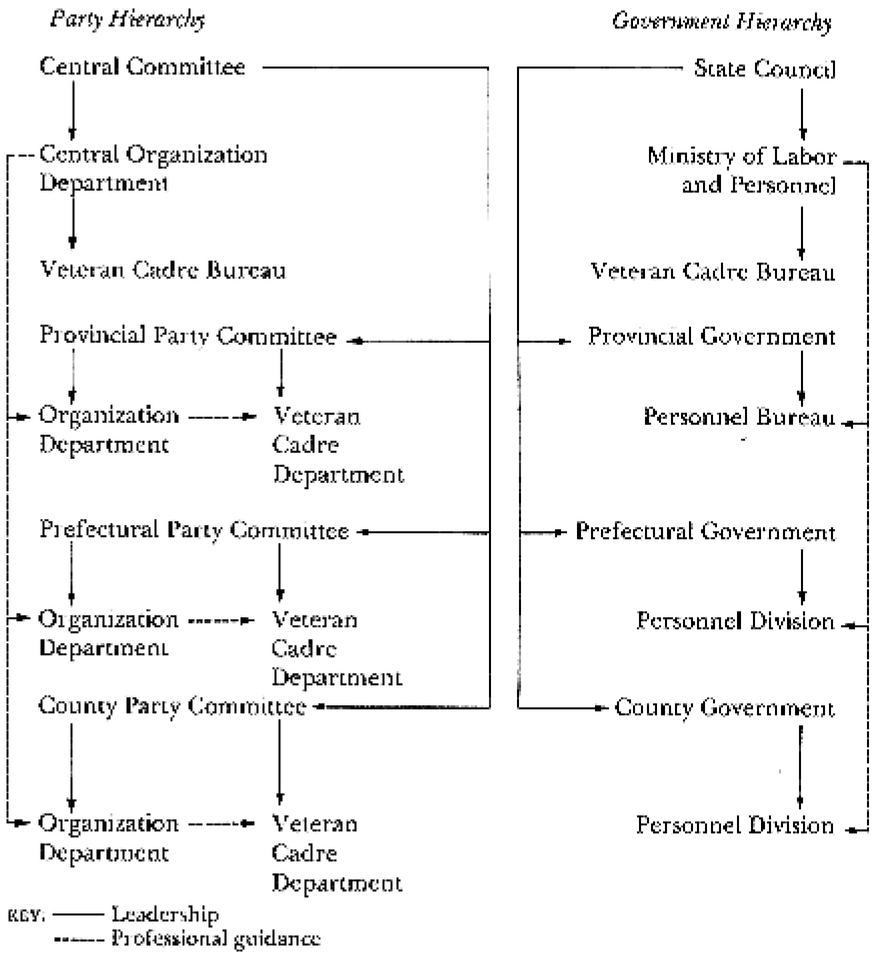
7.1.2.3 Applying Management by Objective (MBO) Principles to Translate Collective Economic Performance Targets into Individual Economic Performance Targets for Civil Servants

Management by Objectives (MBO) is a dexterous method that has been applied in a variety of contexts, both in the public and private sector as already explained. A 2018 study assessed MBO as a method for performance appraisal using an econometric model that empirically tested the relationship between an employee's effectiveness (performance) and creating objectives, communicating objectives, planning goals, setting control points, employees' commitment to determine objectives, freedom and independence in fulfilling duties, and continuous communication. The study's econometric results suggested that MBO is an effective method of performance appraisal as the employees' effectiveness was enhanced. It also showed that MBO resulted in the evaluation of individual employees' performance and a clear definition of results (Islami, et al., 2018).

The latest of China's five-year plans is the 14th Five-Year Plan (2021-2025) which consists of 19 chapters and 65 sub-chapters and sets qualitative goals or objectives to be achieved within the 2021–2025 period (Kaja, 2021). These qualitative goals or objectives are also articulated by central departments and local governments. These then cascade down from overarching qualitative objectives to the level of quantitative targets that provinces, municipalities, and sectors must achieve. At each level of the cascade chain, the individual public sector personnel—who are often CCP cadres—are assigned their own targets at the veto power priority level, hard priority level, and ordinary priority level as previously alluded to (Aken, 2013).

The logic with this type of MBO system is that if every civil servant down the line meets their clearly defined objectives and targets, then the entire organisation—be it a township, county, prefecture, province, department, and/or national government—would meet its objectives. Tang, et al. (2013) in their article titled "Government for the People in China?" argue that the citizens of China have a belief in the legitimacy of the government due to government responsiveness which is demonstrated by the performance targets met, even as some from outside China were discussing how ordinary Chinese citizens were growing increasingly dissatisfied. This result was supported by multiple surveys, including one conducted by the same authors (Lewis-Beck, et al., 2013). As such, for the citizens of a country to remain confident in their government, it helps to adopt performance driven targets for civil servants.

Figure 48: Formal Structure of Authority in Veteran Cadre Work



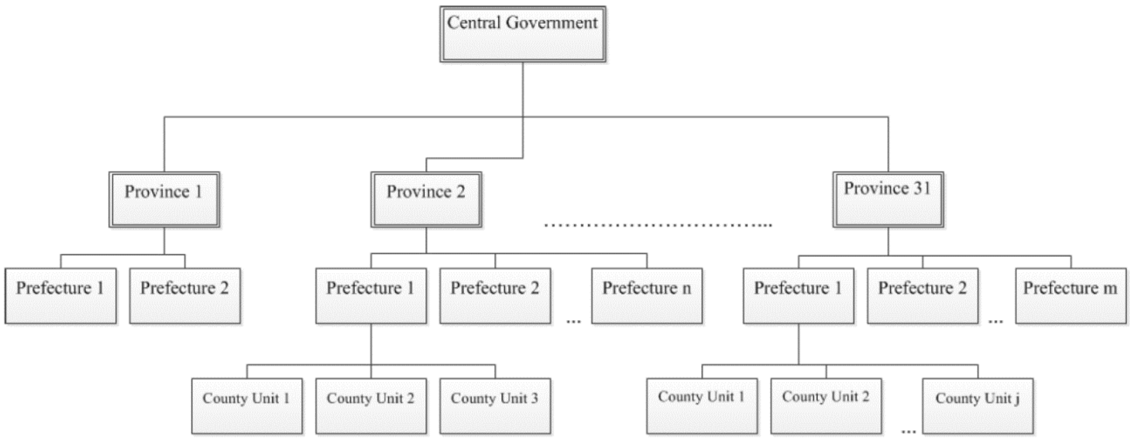
Source: (Lieberthal & Lampton, 1992)

The fact that China is a one-party state means that party duties are often conflated with civil duties, and as such can be evaluated in unison. As shown in the figure above, government functions often have party parallels. The Chinese Communist Party uses performance targets (*kaohe zhibiao*) and cadre evaluations (*ganbu pingjia*) to ensure that its party members holding public office are held accountable and produce results (Tang, et al., 2013). However, the results expected will have cascaded from the national level of planning—as entailed in the five-year plans—to the individual civil servant level. As such, as much as the evaluation may be largely centred around the party, the expected targets are those of the national government. Thus, China's MBO system with its performance targets can be applied to democratic and communist governments alike.

7.1.2.3.1 The Cadre Evaluation System

In China, the CCP manages and controls appointments, promotions, transfers, and removals of all leading cadres (Ong, 2011). This system called the "*lingdao ganbu*" allows the party committee one level above a cadre in the administrative hierarchy to evaluate their performance. For example, the career progression of a cadre in a township is managed by the party organisation department—*zuzhibu*—of the county whose leading cadres are themselves evaluated by the prefecture. The cadres of the prefecture are evaluated by those of the province who are in turn evaluated by those of the central party organisation department (Ong, 2011).

Figure 49: The Hierarchy of Chinese Multilevel Government System



Source: (Lü & Landry, 2013)

As previously alluded to, the performance targets (*kaohe zhibiao*) are ranked in terms of their significance. There are 'priority targets with veto power' (*yipiao foujue*), 'hard targets' (*ying zhibiao*), and 'soft or ordinary targets' (*yiban zhibiao*) (Ong, 2011). Overall, the system is designed to maximize economic growth on one of the primary targets is the maximisation of GDP growth. As can be seen from Figure 50: Cadre-Evaluation Criteria of Four Arbitrary Townships below, the core hard priorities are economic growth centric.

Figure 50: Cadre-Evaluation Criteria of Four Arbitrary Townships

	Townships			
	A	B	C	D
Priority targets with veto power (*yipiao fojue*)	Population control	Population control	Workplace safety	Population control
	Social stability	Workplace safety	Amount of investment attracted	Social stability
	Petition cases			Petition cases
Hard targets (*ying zhibiao*)	Fiscal revenue	Fiscal revenue	Fiscal revenue	Fiscal revenue
	Industrial production	Industrial production	Industrial production	Industrial production
	Amount of investment attracted	Amount of investment attracted	Amount of investment attracted	Farmers' income
	Number of large industrial enterprises			
	Number of industrial parks			
Soft targets (*yiban zhibiao*)	Farmers' income	Size of private economy	Size of private economy	Amount of investment attracted
	Education and healthcare provision	Farmers' income	Farmers' income	Agricultural development
	Grassroots organization development	Education and healthcare provision	Education and healthcare provision	Forestry conservation
	Cultural and social development	Social stability	Social stability	Cultural and social development
		Petition cases	Petition cases	
		Grassroots organization development	Grassroots organization development	
		Cultural and social development	Cultural and social development	

Source: (Ong, 2011)

As shown in Figure 40: Targets for Municipal Governments in China, policy scoring tables summarize targets and tasks and assign points based on their relative importance. As cadres are assessed, their scores per target are aggregated and weighted as per the assigned weight. The specific targets used and their weights are determined through consultations with experts, government officials, cadres, managers, and local and provincial governments. Overall, it has been noted in literature that cadres that perform well and meet their quantifiable, hard targets get promoted faster, receive honorary titles, and are rewarded with higher year-end bonuses, while those that do not could face fines and termination, and loss of bonuses and promotions (Aken, 2013).

7.1.2.3.2 Cascading of the Five-Year Plans to Civil Servants

The Five-Year Plans of China are the core documents released by the CCP that detail social and economic development plans. These have been released since 1953. The first plan was released for the period (1953–1957), second plan (1958–1962), third plan (1966–1970), fifth plan (1976–1980), sixth plan (1981–1985), seventh plan (1986–1990), eighth plan (1991–1995), ninth plan (1996–2000), tenth plan (2001–2005), eleventh plan (2006–2010), twelfth plan (2011–2015), thirteenth plan (2016–2020), and the current: fourteenth plan released for the period (2021–2025). These plans have helped China progress from a poverty ridden country to the prosperous future-focussed country it is today. The core themes of these plans feature in other plans and policies promulgated during that period. The implementation of these plans and policies is then cascaded down the governance hierarchy to the level of individual civil servants are assigned expected targets.

The government sometimes incentivises the completion of specific projects laid down in the five-year plans. For example, Xi'an City paid out 500 000 Chinese yen to units that completed their projects, while its county governments provided 3 000 Chinese yen to each organisation that successfully accomplished key projects (Burns & Zhiren, 2010).

As much as plans cascade down from the national level down to the lower levels of governance, the central government, based on differing local experiences, can determine which strategies work best and develop national standards based on those (Aken, 2013). The determination of which strategies work best is done in part through performance evaluations as these have built-in feedback mechanisms. As such, once the plan is implemented, individual civil servants contribute to the development of the next plan by giving feedback (Aken, 2013).

The process of initiating and eventually cascading the five-year plan down begins just after the midpoint of the CCP's five-year political cycle with its "Guidelines", which are approved at a plenary session of the Central Committee before the first year of the plan and aim to solidify the party's strategic consensus. From here on, the State Council drafts the "Outline," which is then approved by the National People's Congress. The "Outline" is the actual Five Year Plan which elucidates the objectives and points to individual policy strategies but remains vague (Melton, 2015).

As the Five-Year plan takes shape, a parallel process of Guidelines and Outlines ensues among local governments over the same time period. Melton (2015) in his testimony for the U.S.-China Economic and Security Review Commission confirmed that "later in the first and second year of the plan cycle, the individual paragraphs or targets in the national and local plan Outlines are then used as the basis for the real core of the Five-Year Plan (FYP) system: hundreds of sub-plans that contain the first level of practical detail on how the main objectives of the new five-year plan outline are to be realized." The plans Melton referred to provide individualized regional targets which are tailored to local conditions and resources, define the general parameters of policy strategies, and set initial guidance for how progress will be measured and evaluated (Melton, 2015). At the same time, government departments at all levels must develop a series of "work programs" and "implementation programs" that contain the level of specificity needed to allocate resources and adjust procedures and regulations. Once this process has been done by many of the provinces, cities, and counties, individual policy programs can then be implemented nationally (Melton, 2015).

The nested web of plans that emanate from this process are aligned with the three core levels of the state: the central government, provincial-level governments, and counties and county-level cities, which correspond to CCP supervision and authority structures. These sub-plans are institutionalized. National plans set general strategies and outline the content of a policy plan, but the main details and management functions are left to local governments—which often reinterpret or reprioritize the content of their instructions (Melton, 2015).

Melton (2015) also noted that "many of the key policy documents that translate Five-Year Plan strategies into practice are not explicitly identified as subcomponents of the plans that mandated their creation, which helps obscure the sustained coordination process in the planning system". Typically, in the first year it is the national thematic sub-plans that are released, followed by their implementation documents in the second and third year. Fiscal support measures and evaluation procedures have been noted to lag even further, thus the full web of national and local policies is generally only complete in the latter half of the plan period. As the policies begin full on implementation, a mid-term review process begins at all levels of government. Since the 11th Plan, third party evaluators have been involved in the mid-term review process with varying degrees of success (Melton, 2015). The results of the review process are then released in the third and fourth years of the plan and also includes a formal presentation to the National People's Congress and local equivalents in order to provide feedback on initiatives as they mature. This process also assists with identifying then spreading successful models and correcting unsuccessful ones. As the review process concludes, preparatory work for the drafting of strategic guidelines for the next Five-Year plan begins. As such, the outstanding problems identified from the review are then fed back so that their solutions could be integrated into the plans.

7.1.2.3.3 XNCJS Policy Framework Implementation in Mizhi and Qingyuan Counties, a Case Study Demonstrating Cascading with Evaluation

During the 5th plenary session of the 16th CCP's Central Committee (2005), the intention to "build a new socialist countryside" "*shehui zhuyi xin nongcun jianshe*" (XNCJS) was proclaimed as a new policy initiative and approach to rural development. This then became government policy in March 2006 when it was approved by the National People's Congress (Ahlers & Schubert, 2009). Ahlers & Schubert (2009) describe XNCJS as a macro-policy as it is a policy framework that "features a central stimulus in terms of slogans and rough guidelines for implementation, while delegating the main work of policy concretization to local governments". The provincial and city governments must set up their own development strategies aligned to XNCJS; the county defines a development strategy or plan (guihua) that is broadly determined by XNCJS regulations passed down from the province; then finally the townships and villages would propose strategy aligned projects and apply for funding.

It is notable that among the draft guidelines submitted to the same 2006 National People's Congress session where XNCJS was ratified were the following: increasing urbanization rate from 43% in 2005 to 47% in 2010; number of rural laborers transferred to non-agriculture sectors reaching 45 million in five years; per capita net income of rural residents increasing 5% annually in five years (from 3 255 yuan in 2005 to 4 150 yuan in 2010) (China's National People's Congress, 2006). Some of the other targets of this five-year plan and its achievements are shown the figure below. These are notably some of the goals of XNCJS, suggesting the interlinkage and a parallel cascade mechanism at play.

Figure 51: Major Indicators of Economic and Social Development in the Eleventh Five-Year Plan period

Class	Indicator	2005	2010	Annual average growth (%)	Attribute
Economic growth	Gross domestic product (1,000 billion Yuan)	18.2	26.1	7.5	Anticipative
	Per capita gross domestic product (Yuan)	13985	19270	6.6	Anticipative
Economic structure	Proportion of added value for service industry (%)	40.3	43.3	[3]	Anticipative
	Proportion of unemployment for service industry (%)	31.3	35.3	[4]	Anticipative
	Proportion of appropriation expenditure for research and test development in the gross domestic product (%)	1.3	2	[0.7]	Anticipative
	Urbanization rate (%)	43	47	[4]	Anticipative
Population resource environment	Total national population (10,000)	130756	136000	<8‰	Obligatory
	reduction of energy consumption per unit gross domestic product (%)			[20]	Obligatory
	Reduction of water consumption per unit industrial value added (%)			[30]	Obligatory
	Available factor of agricultural irrigation water	0.45	0.5	[0.05]	Anticipative
	Comprehensive utilization of industrial solid wastes (%)	55.8	60	[4.2]	Anticipative
	Farmland retention (100 million hectares)	1.22	1.2	-0.3	Obligatory
	Reduction of total emission of major pollutants (%)			[10]	Obligatory
	Forest coverage (%)	18.2	20	[1.8]	Obligatory
People life Public service	Average educational time of the people (year)	8.5	9	[0.5]	Anticipative
	Number of people covered by basic old-age insurance in cities and towns (100 million)	1.74	2.23	5.1	Obligatory
	Coverage of new type rural cooperative medical service (%)	23.5	>80	>[56.5]	Obligatory
	Additional job opportunities in the five years (10,000 persons)			[4500]	Anticipative
	Transfer of rural labour force in the five years (10,000 persons)			[4500]	Anticipative
	Registered urban rate of unemployment (%)	4.2	5		Anticipative
	Per capita disposable income of urban residents (Yuan)	10493	13390	5	Anticipative
	Per capita net income of rural residents (Yuan)	3255	4150	5	Anticipative

Source: (China's National People's Congress, 2006)

The mechanism described above is how the policy framework cascaded down from the strategic level to the more concrete implementation level of local governments. The local governments had the task of sparking infrastructural and agricultural modernization while also introducing and maintaining ecological sustainability. The indicators of success for this policy would be an increase in rural incomes, urbanization through the transformation of the countryside, and a gradual reduction of the rural population. Here we will look at the implementation and evaluation of XNCJS in two counties: Mizhi county and Qingyuan County (Ahlers & Schubert, 2009).

Mizhi county has 13 townships, 396 villages, covers 1 212 km², and has a population of 216 800 (83.8% of which have a rural household registration). Qingyuan County on the other hand has 20 townships, 345 villages, covers 1 898 km², and has a population of 198 440 (90% of which have a rural household registration). As can be seen from the two figures below, from 2006 on when the XNCJS policy was implemented, there were notable increases from then on until 2008 in each county's annual net income and growth rate; local financial revenue and growth rate; and peasant average annual income and growth rate/national average. This signifies that the policy was successful in achieving its goals as earlier laid out. Here we will see what lessons can be learned from the implementation and evaluation of the policy framework's implementation in these two counties that resulted in the growth observed (Ahlers & Schubert, 2009).

Table 10: Basic Economic and Social Development Indicators for Mizhi County

	County's annual net income and growth rate*	Local financial revenue and growth rate*	Peasant average annual income and growth rate*/national average
2003	11,820,000 (0.6%)	9,090,000 (3.4%)	873 (-3.0%) [2,622 (33.3%)]
2004	15,580,000 (14.3%)	12,690,000 (39.6%)	1,305 (49.6%) [2,936 (44.4%)]
2005	15,610,000 (15.5%)	8,610,000 (8.3%)	1,487 (13.9%) [3,255 (45.7%)]
2006	51,980,000 (209.8%)	12,430,000 (108.9%)	1,886 (26.8%) [3,587 (52.6%)]
2007	90,870,000 (74.8%)	20,150,000 (62.1%)	2,408 (27.7%) [4,140 (58.2%)]
2008	121,710,000 (33.9%)	27,850,000 (38.2%)	3,368 (39.9%) [4,761 (70.7%)]

Source: (Ahlers & Schubert, 2009)

Table 11: Basic Economic and Social Development Indicators for Qingyuan County

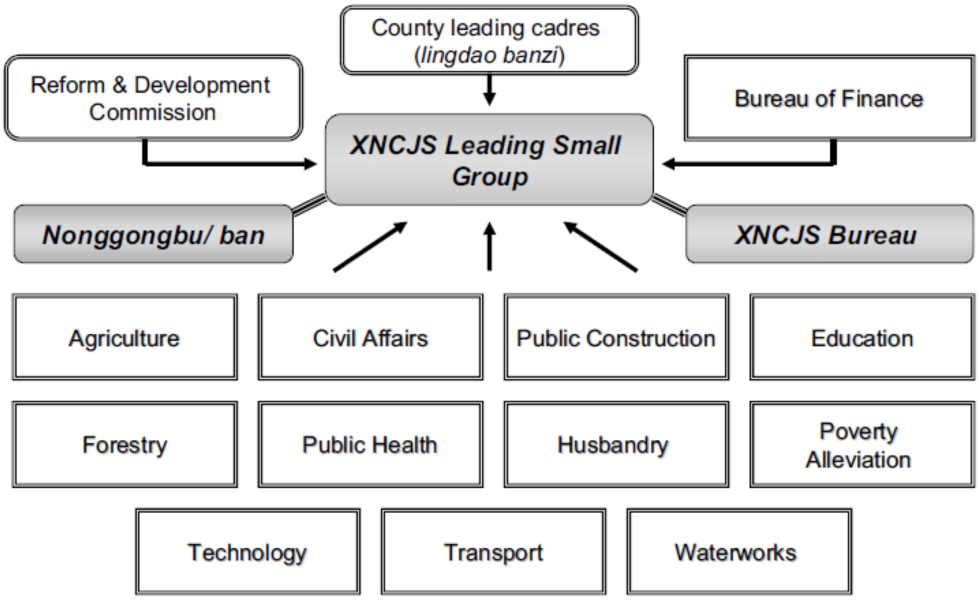
	County's annual net income and growth rate*	Local financial revenue and growth rate*	Peasant average annual income and growth rate*/national average
2003	79,833,000	45,680,000	2,735 [2,622 (104.3%)]
2004	90,770,000 (13.7%)	55,360,000 (21.2%)	2,910 (6.4%) [2,936 (98.8%)]
2005	119,890,000 (31.1%)	71,410,000 (29.0%)	3,150 (8.3%) [3,255 (96.8%)]
2006	151,670,000 (26.5%)	92,900,000 (30.1%)	3,459 (9.8%) [3,587 (96.4%)]
2007	191,390,000 (26.2%)	119,000,000 (28.6%)	3,950 (14.2%) [4,140 (95.4%)]
2008	205,660,000 (7,5%)	125,250,000 (4.9%)	4,670 (16.5%) [4,761 (98.1%)]

Source: (Ahlers & Schubert, 2009)

7.1.2.3.3.1 XNCJS Implementation

The XNCJS embraced an integrative approach where there was a degree of interdepartmental coordination throughout the process of policy formulation and implementation. As such the Mizhi and Qingyuan counties established two coordinating bodies: the XNCJS Office (*xin nongcun bangongshi* or *xinnongban*) and the Leading Small Group for XNCJS (*xinnongcun jianshe lingdao xiaozu*). The XNCJS Office is linked to the Party Department of Rural Works (*nonggongbu*) (though it was an independent unit in the government hierarchy) (Ahlers & Schubert, 2009). The XNCJS Office was concerned with administration of specific XNCJS measures (mostly agricultural development), the coordination of projects related to the competencies of different government departments, and the gathering of data and statistics to document project implementation. It also operated as the standing body of the Leading Small Group, the decision-making centre in the XNCJS policy process that determined the allocation of funds earmarked for rural development (Ahlers & Schubert, 2009). Other bodies involved in the process are shown in the figure below.

Figure 52: XNCJS-related Government Bureaus and Coordinating Agencies at the County Level

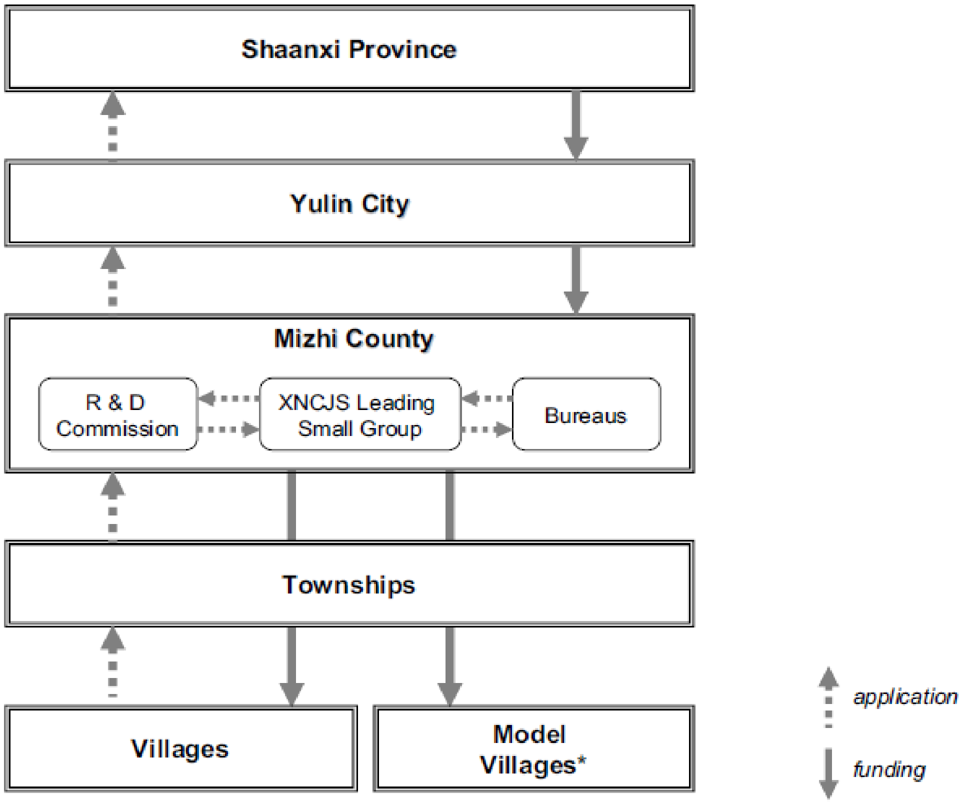


Source: (Ahlers & Schubert, 2009)

The process of interpreting the XNCJS's high level broad goals to measures that are implemented was done by the county's Development and Reform Commission and were finally decided upon by the County Party Committee. It would then be up to the villages and townships to decide on projects that align to the county blueprint and apply for funding. As such, project design and application for the project was a bottom-up process (Ahlers & Schubert, 2009).

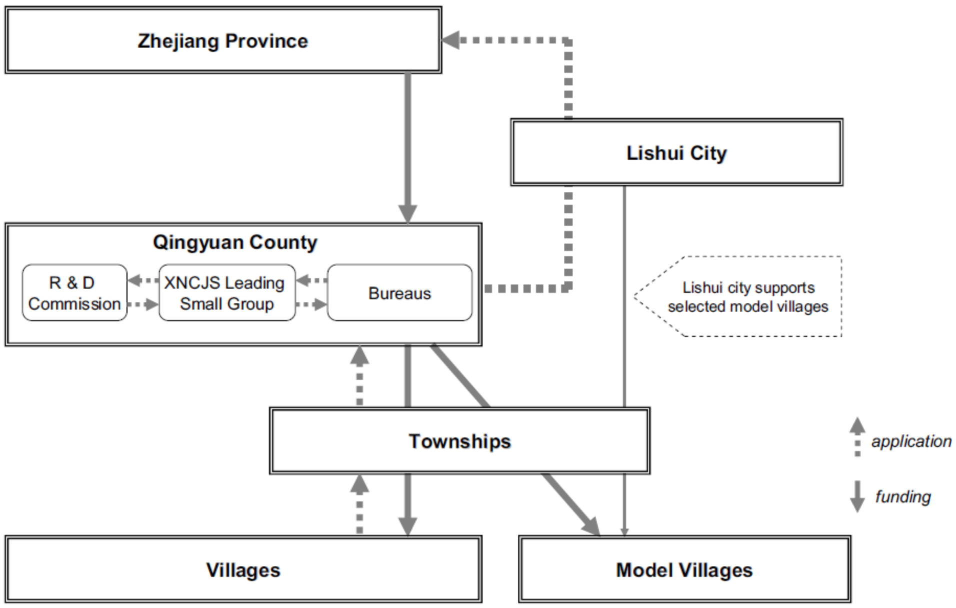
The process of applying for funding usually took about 3 months. After intensive bargaining and coordination (*xietiao*) between all bureaus concerned, the county government's Reform and Development Commission would screen the proposals and submits an allocation proposal to the Leading Small Group which projects will be implemented. From here on, the process moves back up to the city (in the case of Mizhi) or provincial (in the case of Qingyuan) government's own Reform and Development Commission and XNCJS Leading Small Group. The city or province's XNCJS Leading Small Group has the final say on the project list and disburses the funds to the responsible county departments (Ahlers & Schubert, 2009). The application process generally flowed as shown in the two figures below.

Figure 53: Application Process and Funding of XNCJS-related Projects: Mizhi County



Source: (Ahlers & Schubert, 2009)

Figure 54: Application Process and Funding of XNCJS-related Projects: Qingyuan County



Source: (Ahlers & Schubert, 2009)

Ahlers & Schubert (2009) found in interviews with local leaders (at the township and county levels) that the increase in fiscal transfers from the central government and the resulting expansion of projects thereof was the main reason for increase in average rural per capita household income in recent years. The practice of matching (*peitao*) funding also worked well in the implementation of XNCJS projects. Once an application for project funding is successful, the city/provincial government a portion of the estimated project budget to the county finance department (Ahlers & Schubert, 2009).

The county would then have to supplement the budget with the remainder, even though they are usually entitled to apply for reimbursement (*baoxiao*) once the project has been successfully implemented (Ahlers & Schubert, 2009).

7.1.2.3.3.2 XNCJS Performance Evaluation

Project evaluation (*xiangmu kaohe*) and cadre evaluation (*ganbu kaohe*) work hand in hand in policy implementation in China. XNCJS was regularly internally evaluated by the party authorities at county, city, and/or provincial levels. The performance of the bureaus and offices at the county and township levels was screened by city or provincial authorities using a set of indicators (*zhibiao*) and sub-indicators designed to quantitatively and qualitatively assess XNCJS project implementation and management (Ahlers & Schubert, 2009).

During performance evaluation, points (*dafen*) related to a benchmark figure for each category evaluated was assigned. Five major indicators: economic development, basic village infrastructural development, village welfare, the development of democratic politics, and "other" were evaluated in Lishui City (which administers Qingyuan County) in 2008. These indicators were further expanded in 35 sub-indicators. The table below summarizes the evaluation of all counties administered by Lishui City in 2008 by taking a selection of indicators from Qingyuan County as examples (Ahlers & Schubert, 2009).

Table 12: Qingyuan County XNCJS Project Evaluation Undertaken by Lishui City, 2008

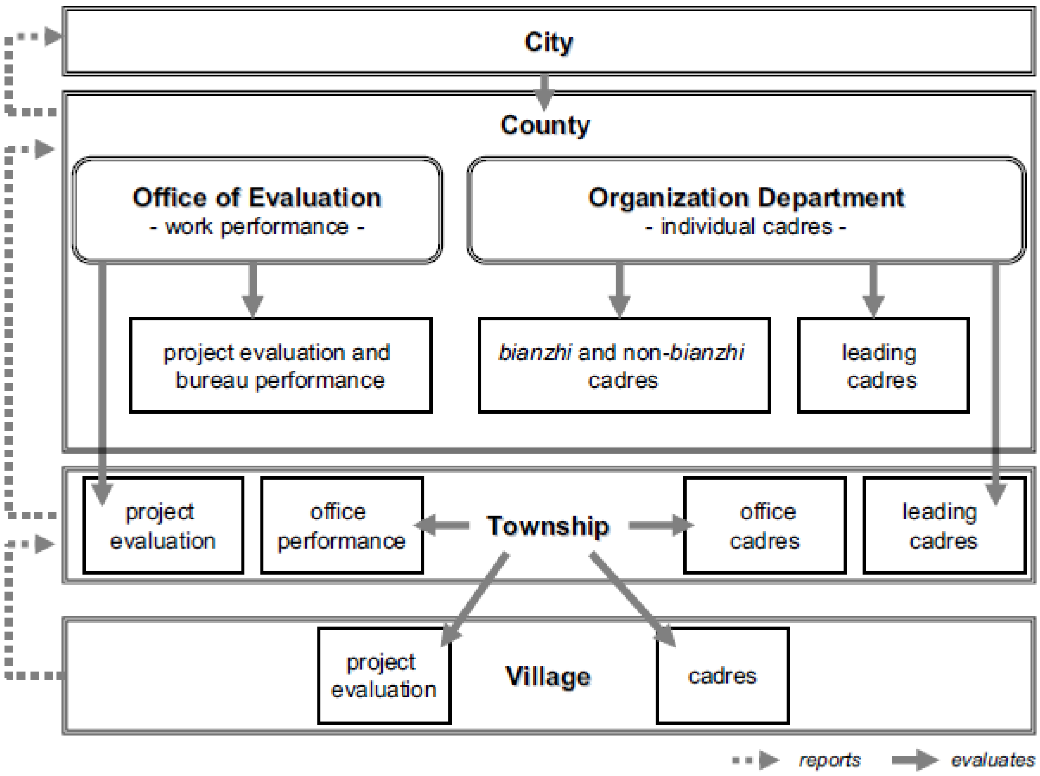
Target Field	Indicator	Qingyuan County Index	Leading City Department
Economic development	Increase in the proportion of specialized agriculture as percentage of total agricultural output	0.5%	Department of Agriculture
	Total area of adjusted land (*tudi liuzhuan*)	20,000 mu*	Department of Agriculture
	Number of farmers who receive training to operate the farmers' digital information system	1725	Department of Agriculture
	Percentage of farmers who have received vocational training before taking new jobs	80%	Department of Labour and Pension
Village basic infrastructural development	Building of *new urban villages*	1	Department Village basic of Rural Work
	Number of low-income farmers' houses renovated (annual increase)	400	Department of Public Construction
Village welfare	School completion rate	93.28%	Department of Education
	New Rural Cooperative Medical System participation rate	90%	Department of Public Health
	Net increase in income of poor households	15%	Department of Poverty Alleviation
	Number of state-led cultural activities in the village	120	Department of Culture

Target Field	Indicator	Qingyuan County Index	Leading City Department
Development of democratic politics	Rate of transparency accomplished in village accounting (*cunwu gongkai*)	90%	Department of Civil Affairs
Other	Increase in the proportion of "san nong"-related investment in the county budget	12.03%	Department of Finance
	Increase in micro credits by Rural Cooperatives (or Rural Cooperative Banks)	51,000,000 CNY	City level People's Bank of China

Source: (Ahlers & Schubert, 2009)

A horizontal performance/target evaluation (*mubiao kaohe*) was carried out within each county bureau, and counties also undertook a vertical evaluation of the township offices. The townships then conducted horizontal evaluations of their offices and vertical evaluations of the village cadres. Furthermore, there was a regular horizontal and vertical evaluation of individual cadres—divided between the evaluation of cadres with and without an established post (*bianzhi*) and of the group of leading cadres (*lingdao banzi*) (Ahlers & Schubert, 2009). The system used for local cadre evaluation is demonstrated in the figure below.

Figure 55: The System of Local Cadre Evaluation



Source: (Ahlers & Schubert, 2009)

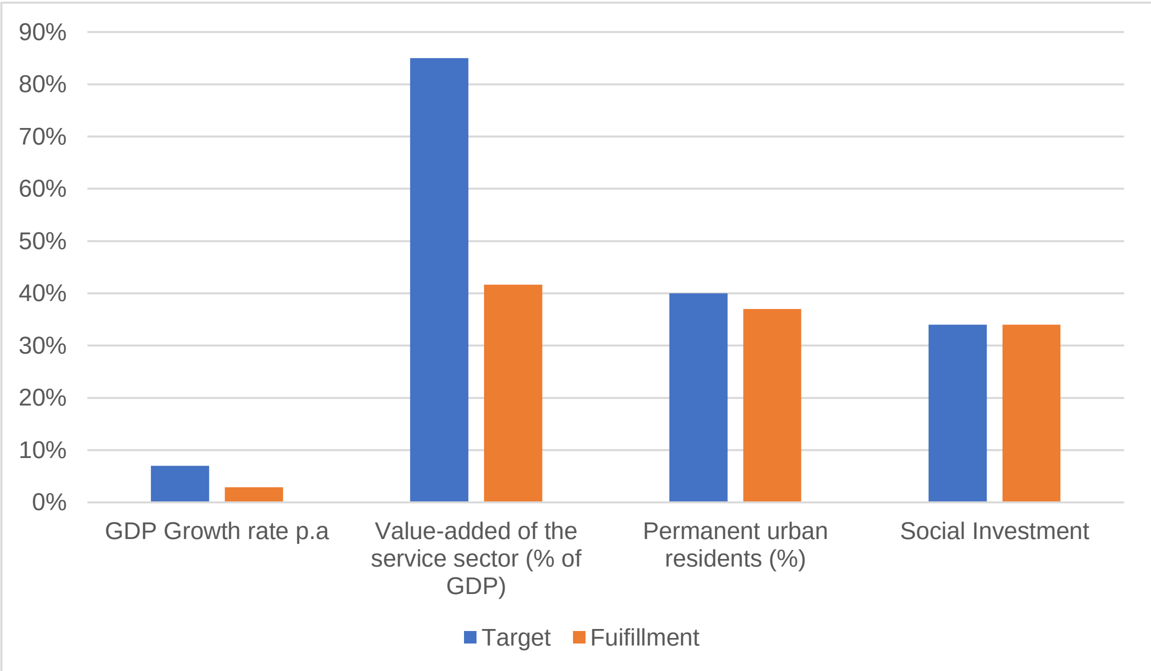
XNCJS project evaluation and bureau performance assessments were managed by the Evaluation Office (*kaohe bangongshi*) and cadre evaluation was directed by the Party Organization Department. Cadre evaluation was noted to still be dominated by indicators that measure performance related to birth control, social stability, economic development, party work and ideological attitude (*yipiao* *foujue*). Ahlers & Schubert (2009) managed to access some internal documents listing the results of bureau performance evaluation at the county and township levels for XNCJS; however, cadre performance was a clandestine matter which was not usually explained in great detail to scholars.

7.1.2.4 Vietnam

The Five-Year Plans of Vietnam are a series of economic development initiatives. The Vietnamese economy is moulded primarily by the Vietnamese Communist Party that plays a primary role in establishing the foundations and principles of communism, mapping strategies for economic development, launching reforms, and setting growth targets (Dharmaraj, 2021).

The figure below indicates some key indicators laid out in Vietnam's 12th five-year plan and demonstrates a comparison of the targeted metrics for the 2015- 2020 period and the actual metrics for this period.

Table 13: Target vs Fulfilment of Vietnam's 13th Plan Metrics



Sources: (Socialist Republic of Vietnam, 2016)*;* (The World Bank , 2020)*;* (STATISTA, 2021)

Vietnam's 11th five-year plan is for the period 2021-25 and indicates a continuation of the current economic development model (Thuy, 2021). According to Fitch Solutions (2021), the country is set to maintain an average growth rate of 6.5% over the coming decade; this forecast is on the lower end of the government's 6.5-7% average growth target for the 2021-25 period.

Key goals of this five-year plan include continued strong economic growth, driven by manufacturing, and supported by a further integration into global supply chains through the pursuit of trade pacts and export market diversification. (Thuy, 2021)

Figure 56: Vietnam's 11th Five-Year Plan Targets

Categories	Targets
Economic	Average real GDP growth rate of 6.5-7.0% over 2021-2025, versus 5.9% over 2016-2020
	GDP per capita of USD4,700-5,000 by 2025, up from USD2,750 in 2020
	GDP proportion of processing and manufacturing to exceed 25%; digital economy to be about 20% by 2025
	Total factor productivity contribution to growth to be about 45% by 2025
	Average social labour productivity growth rate 6.5% per year
	45% urbanisation rate by 2025
Social	Average life expectancy to be about 74.5 years, with at least 67 years of healthy life
	Proportion of agriculture labour to total social labour to be around 25% by 2025
	Rate of trained labourers to be 70% of 2025
	Unemployment rate in urban areas to fall below 4%
	Poverty rate maintains an annual decline of 1-1.5%
	10 doctors and 30 patient beds per 10,000 people
	95% of the population having health insurance
Macroeconomic metrics	Gross fixed capital formation to be about 27-28% of GDP; Final consumption share of GDP to be at least 73-74%, implying no major shifts from current GDP shares
	2021-2025 five-year average of total social investment capital to be 32-34% of GDP
	Budget mobilisation to fall to 15-16% of GDP, from 24.5% in 2020
	Public (Central government, government guaranteed, Local government) debt to fall to 47.5% of GDP by 2025 from 56.8% in 2020, with central government debt accordingly falling to 43.8% by 2025, from 46.7% in 2020
	State budget deficit (excluding debt repayment) to average 3.7% of GDP over 2021-2025
	Ensuring the national energy balance

Source: (Thuy, 2021)

This plan aims to form a suitable and effective structure in each industry and between industries and the economy as a whole. It also looks to create a breakthrough in the competitiveness of key economic sectors and develop national products based on new technologies. It intends to create significant changes in the growth model and productivity as well as an increase the autonomy, adaptability, and resilience of the economy (Dharmaraj, 2021).

7.1.3 Consequence Management of Targets

As shown in the section on **XNCJS Policy Framework Implementation in Mizhi and Qingyuan Counties, a Case Study Demonstrating Cascading with Evaluation**, cadre performance was a clandestine matter which was not usually explained in detail to scholars. Nonetheless, earlier sections have shown a mechanism that rewards outstanding performance in civil service based on the achievement of specific targets per civil servant. As previously alluded to in earlier sections, there are consequences for not meeting targets ranging from loss of bonuses and promotions to fines and termination of employment (Aken, 2013). The 'hard targets' (*ying zhibiao*) are the ones with an outsized effect on the progression of a cadre's career. Ong (2011) asserted that studies by economists have shown the likelihood of a local leaders' promotion to be positively associated with the economic performance of their jurisdictions.

The exact composition of soft/ordinary/normal, hard, and veto power targets varies from jurisdiction to jurisdiction. The veto power priority level targets are taken as the bare minimum for passing the evaluation process. Among the most featured hard targets are the following: the amount of fiscal revenue collected, the level of industrial production, and investment attracted. Further examples of each type of target in the context of townships are shown in Figure 50: Cadre-Evaluation Criteria of Four Arbitrary Townships.

In China's civil service, promotion is based on performance which may be assessed through performance appraisal results and on performance in various tests and interviews. As previously stated, appraisal is often according to the official four-grade system. China's Civil Servant Law states that officials should be promoted on the principles of "both moral integrity and ability, and appointment of those on merits, paying special attention to work accomplishments" (Burns & Zhiren, 2010). It is also a requirement that officials should have served for a certain number of years in two positions at a lower grade in order to qualify for promotion (Burns & Zhiren, 2010). The aforementioned Civil Servant Law of 2005 came about as a codification of the civil service reforms were designed to improve the performance of government-employed administrators, managers, and professionals (Burns & Zhiren, 2010).

The authorities have attempted to implement performance-based rewards at both the organisational and individual levels as these are known to provide a key incentive for employees to work hard. For example, in 2001 the Changchun Education Bureau leaders signed performance contracts with each administrative staff member in the Bureau with a promise of a bonus to each person if the Bureau could be among the top five in the city-wide competition. Targets were specified and the staff members were held personally responsible for achieving the targets. Changchun Education Bureau was in 2003 ranked third in the city-wide competition, resulting in each staff member receiving a bonus of 1 800 Chinese yuan (Burns & Zhiren, 2010).

According to Civil Servant Law, Article 83, two consecutive "incompetent" ratings should lead to dismissal. Burns & Zhiren (2010) found in their field work that the severe consequence of dismissal motivates civil servants to do their job well enough not to be rated as incompetent. It is said that few civil servants receive unfavourable performance ratings (less than 0.3% of the civil servants nation-wide), and dismissals were rare (Burns & Zhiren, 2010).

Civil servants in the Haidian district only received 50% of their annual bonus if they were judged to be "basically competent" and those judged to be "incompetent" went through a probation period of 6 to 12 months while received no bonus (Burns & Zhiren, 2010).

8 Performance Management of Critical Investment & Job Creation Processes

The National Development Plan has set an employment target of 23,8 million people in 2030, as indicated below. This requires the creation of more than 9 million jobs in a period of 9 years following the end of 2021.

Figure 57: National Development Plan Targets

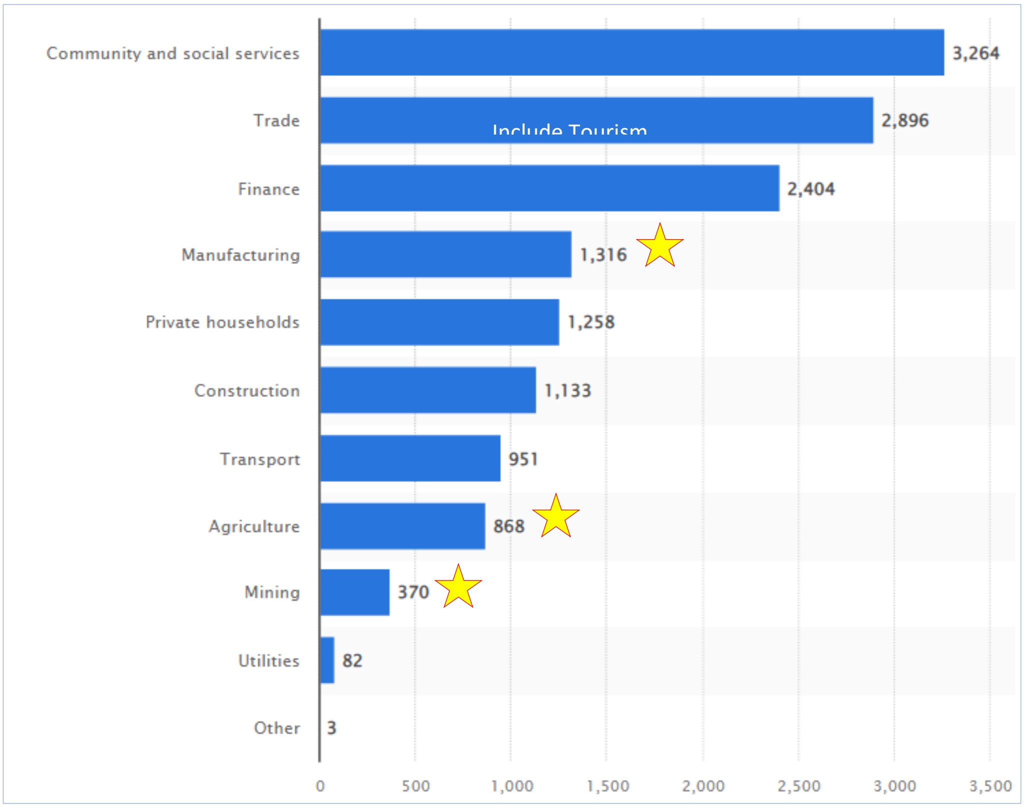
Measures		Baseline	Target 2024	Target NDP 2030
Growth	GDP growth	0.8%	2% - 3%	5.4%
Unemployment	Formal rate	27.6%	20% - 24%	6%
Employment	Number employed	16.3 million	18.3–19.3 million	23.8 million
Investment	% of GDP	18%	23%	30%
Inequality	Gini co-efficient	0.68	0.66	0.60
Poverty	Food poverty	24.7%	20%	0.0%
	Lower bound	39.8%	28%	0.0%

Source: (National Planning Commission, n.d.)

In order to create over 9 million jobs, South Africa's private sector companies need to sell more products and services to local and international markets. The sales growth required to accommodate 9 million jobs at an average wage of R120K per annum and with an average wage to sales ratio of 25% would be in excess of R4 Trillion. The sheer size of the sales growth required implies the necessity of producing products and services for global markets that have sufficient depth to consume such an increase in supply. It follows that South Africa must focus on exports to generate the job numbers required.

A quick overview of South Africa's industry employment indicates that three of the four major export industries, namely manufacturing, mining and agriculture, are making very modest contributions to employment at present. The fourth export industry, namely tourism, does make a more significant contribution.

Figure 58: Employment by Industry in South Africa in Q4, 2021 (in thousands)



Source: (Statista, 2022)

The manufacturing, mining and agriculture industries employ 2,6 million people between them. Community, social services, and private households employ 4,5 million people between them, with government being the key contributor to the community and social services.

Neither government nor private households have any export potential, yet they employ more people than in manufacturing, mining, and agriculture. Other industries including construction, transport and utilities are also focused on domestic consumption with less apparent export potential when compared to manufacturing, mining, agriculture, and tourism.

Considering the need for over 9 million new jobs and the dependency on exports, it follows that government should prioritise the enablement for those industries. In order to build the thousands of new factories, mines, farms and tourist facilities required, many trillions of Rands must be invested into those industries.

A small number of government departments and state-owned enterprises have an outsize impact on the investment attractiveness of manufacturing, mining, agriculture and tourism. While the new Country Investment Strategy and Industry Master Plans represent tremendous progress, the success of their implementation still hinges on the performance of this handful of departments and state-owned enterprises.

While the unemployment crisis would suggest that these departments would be working together as a team with a laser focus on attracting the investments required for job creation, the reality is that they are often focused on other priorities. The Department of Minerals Resources and Energy, Department of Transport, Department of Public Enterprises particularly Eskom and Transnet, South African Police Services, Department of Forestry, Fisheries and the Environment, Department of Water Affairs and the Department of Trade Industry and Competition have all been accused of undermining investments, usually accused of a combination of mismanagement and corruption (Parliamentary Monitoring Group, 2022).

While corruption is clearly a major deterrent to investors and the first Zondo commission report has made tangible recommendations around institutional infrastructure to combat corruption, the matter of mismanagement is more complex and requires deeper consideration.

While there is a vast collection of theories and models around operational performance, most seem to concur that there are at least four key requirements to operational excellence, namely:

1. Presence of a clear strategy, which should be derived from the National Development Plan for government departments and agencies (National Planning Commission, n.d.)
2. Performance management, specifically holding management and staff accountable for reasonable performance targets derived from the organisational strategy, in this case the National Development Plan (National Planning Commission, n.d.)
3. Highly efficient processes subject to continuous improvements (National Planning Commission, n.d.)
4. Skilled teams working in a high-performance culture (National Planning Commission, n.d.)

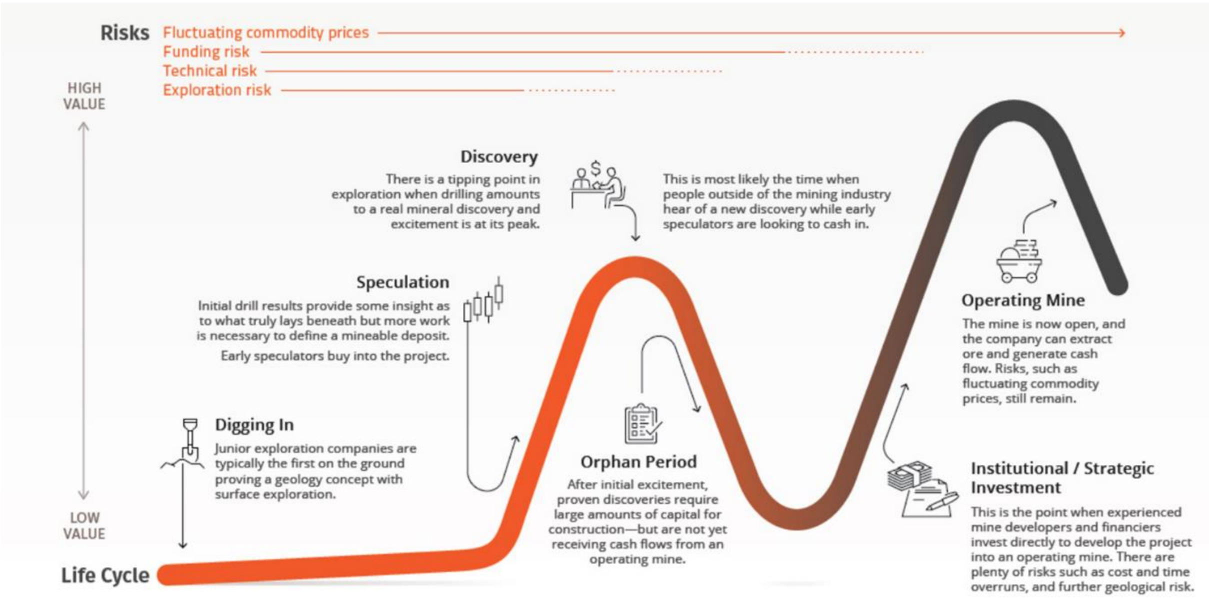
Within these four requirements there also resides the principle of materiality, best illustrated by the well-known Pareto principle which states that 20% or less of an organisation's actions will affect 80% or more of an organisation's impact.

Practically speaking there is a small minority of processes within these departments and state-owned enterprises that have an outsize impact on the investment attractiveness of the key export industries. It follows that these processes should be the subject of the most scientifically derived performance targets, the greatest level of public scrutiny and accountability, the most efficient policies and procedures, the most technically skilled human resources, fit-for-purpose technology, and adequate operational budgets. As the biggest determinants of investments and job creation, these processes must be prioritised during the budgeting cycle and squarely live in the public domain. An example of such a process would be the granting of exploration licences by the Department of Minerals Resources and Energy.

South Africa alone is estimated to have non-energy minerals worth upwards of US$2.4 trillion, making it the wealthiest mining jurisdiction in the world (if petroleum reserves are excluded). Despite this, it only employs an extremely modest 370,000 people.

The lifecycle of a mine, as illustrated below, commences with the granting of an exploration licence by the Department of Minerals Resources and Energy. Only a percentage of the exploration's projects will render sufficient bankable deposits to attract the investments required to proceed with mining. And it is only the mines that attract sufficient investments that will proceed to become major sources of new jobs. It thus follows that the granting of an exploration licence by the Department of Minerals Resources and Energy would be their most important process as it concerns job creation.

Figure 59: Lifecycle of Mineral Discovery



Source: (Visual-Capitalist, 2019)

Given the impact of exploration licences on direct job creation it follows that this process must meet the following requirements to be considered operationally excellent and also meet the needs of both the investment community and civil society, especially those communities close to the potential mines:

1. There is a **jobs-weighted exploration licence issued** target that is scientifically derived from the National Development Plan's annual jobs target. The scientific determination process will be technically complex but critical to bestow legitimacy upon the target
2. The process is transparent and the progress of every licence application through the approval process is published online, updated regularly and known to the public
3. The impoverished communities standing to benefit from the new jobs as well as a rough estimate of the number of potential jobs must be disclosed to those communities
4. The team of civil servants and their contributions to every licence application must be known to civil society, especially the communities that will be most impacted by the mines
5. Community members must have a formal platform to question the civil servants and hold them accountable for unreasonable delays
6. The team responsible for the process must have unlimited access to skilled professionals, information technology and funding, other organs of state or the private sector cannot be held up as an excuse for not delivering

7. The remuneration and career progress of the team involved in the process should be directly linked to their success in meeting the **jobs-weighted exploration licence issued**

The process to grant exploration licences does not currently meet the above listed operational excellence, investment-friendly or community-focused requirements. If anything, it can at best be described as opaque and vulnerable to the type of corruption that was highlighted by the Zondo Commission.

The DMRE's credibility has suffered in recent years due to a number of factors, one key factor is the backlogs caused by the ineffective South African Mineral Resources Administration (SAMRAD) system which has been put in place to improve turnaround times for applications for prospecting and mining licences. A backlog of 5,326 applications for mining rights, prospecting rights, mining permits, renewals and cessions or the sale of rights was brought to light in early 2021 during a presentation to Parliament by the DMRE. The delay in obtaining the required licenses in order to begin mining activities has had an unfavourable impact on investment in South Africa's exploration sector.

The South African mining industry is also in need of a cadastral system for the industry to operate in an efficient and transparent manner. Often graphically represented in a cadastral map, a cadastral system is responsible for managing property rights. Mining companies have been calling for a new modern and transparent online cadastre that will replace the dysfunctional SAMRD system and stem corruption with the award of licences and bring about much-needed investment in exploration in the industry (Mosepele, 2022).

The development of a credible cadastral system would be dependent on:

- High-focused political, legal and administrative framework conditions
- How the cadastral process is carried out professionally and responsibly by the surveyors

The system will remain credible if it is able to implement the above-mentioned points as well as its transparency in its processes for the granting of licenses.

South Africa currently attracts less than 1% of the global mining industry exploration spend, an significant indicator that the process is failing. Another glaring shortcoming of the process is the lack of DMRE performance targets that support the National Development Plan jobs targets. A review of the Department of Minerals Resources and Energy 2021/2022 Annual Performance Plan reveals that it does not contain a **jobs-weighted exploration licence issued** or equivalent target. Its jobs creation target does not reflect the fact that South Africa is the richest mining jurisdiction in the world either.

Another even more impactful process is the granting of electricity generation licences. Nothing has done more harm to investor confidence than load-shedding. Eskom has been placed under severe pressure due to its inability to produce power for South African households and businesses. This has resulted in sectors of the economy including manufacturing, mining and technology being adversely affected. The recurring power cuts have the potential to rob the country of foreign investment which directly impacts job creation within the country (Thomas, 2022). While the failed implementations of Medupi and Kusile are largely the result of Eskom corruption and incompetence (Phillips, 2021) their ability to remedy the resulting capacity shortfalls was actively undermined by the National Energy Regulator of South Africa (NERSA) (NERSA, 2021).

NERSA, which is under the control of DMRE have historically frustrated Eskom from pursuing renewable energy despite the availability of concessionary finance for renewable energy (NERSA, 2021).[14] The DMRE has been adamant that South Africa should use its vast coal, oil, and gas resources to its own benefit. While this standoff continued, South Africa plunged into an ever-worsening loadshedding. Eskom CEO, André de Ruyter, has noted that it has become increasingly difficult to secure funding for new coal electricity generating projects, coal is no longer a fuel that is acceptable

[14] We note that NERSA did approve 16 new renewable energy projects in June 2022

to the international investor community. In addition, a plan by the European Union to impose a carbon border tax could render South African exports, including from the manufacturing sector, much less competitive.

Mineral Resources Minister Gwede Mantashe has long advocated for the continued use of coal in South Africa's energy mix, but his view on coal generation threatens the funding announced by US President Joe Biden at the 26th Conference of the Parties (COP26) as this provision of the funds will be dependent on South Africa switching from coal as its primary source of electricity generation. President Biden announced that several rich nations would provide funding of $8.5 billion to South Africa over the next three to five years to speed up the country's move from coal to clean energy (MyBroadBand, 2021).

A new report by Meridian Economics, specialists in economics and energy advisory, claims that South Africa could have experienced 96.5% less load shedding, had the Renewable Energy Independent Power Producer Program (REIPPP) not stalled in 2016 (Wagiet, 2022).

Karpowership corruption allegations aside (amaBhungane, 2021) there is definitely a strong moral argument for a poverty-stricken country like South Africa to be given the same privileges as rich countries to exploit their own coal, oil and gas wealth.

Members of Diepsloot, Soweto and Ivory Park care little whether their electricity comes from coal, oil, gas, wind or solar. What they do care about is the price and availability of their electricity. And their dissatisfaction, as evidenced by their record low voter turn-out in the 2021 local government elections (Scholtz, 2021) is proof that the power generation licence process has failed them.

Similar to the exploration licence process, the power generation licence process also lacks NDP derived targets, process transparency, civil servant accountability and impoverished community inclusivity. While the exploration and power generation processes are clearly critical to investment and employment there are a number of other processes that also have an outsize impact on investment and job creation.

The global investment community have been quite explicit about their requirements to invest in mining, manufacturing, agriculture and tourism specifically and South Africa in general. These include but are not limited to (IDC & InvestSA, 2019):

1. Electricity availability and cost
2. Rail capacity
3. Harbour capacity
4. Roads without potholes
5. Policing and prosecution, especially sabotage of electricity and transport infrastructure and corrupt civil servants
6. Clean and sufficient water
7. Free Trade Agreements and Investment Incentives

Meeting these requirements is going to require uncompromising operational excellence in the small collection of processes under the control of the following departments, agencies and state-owned enterprises that have an outsize impact on investments and employment:

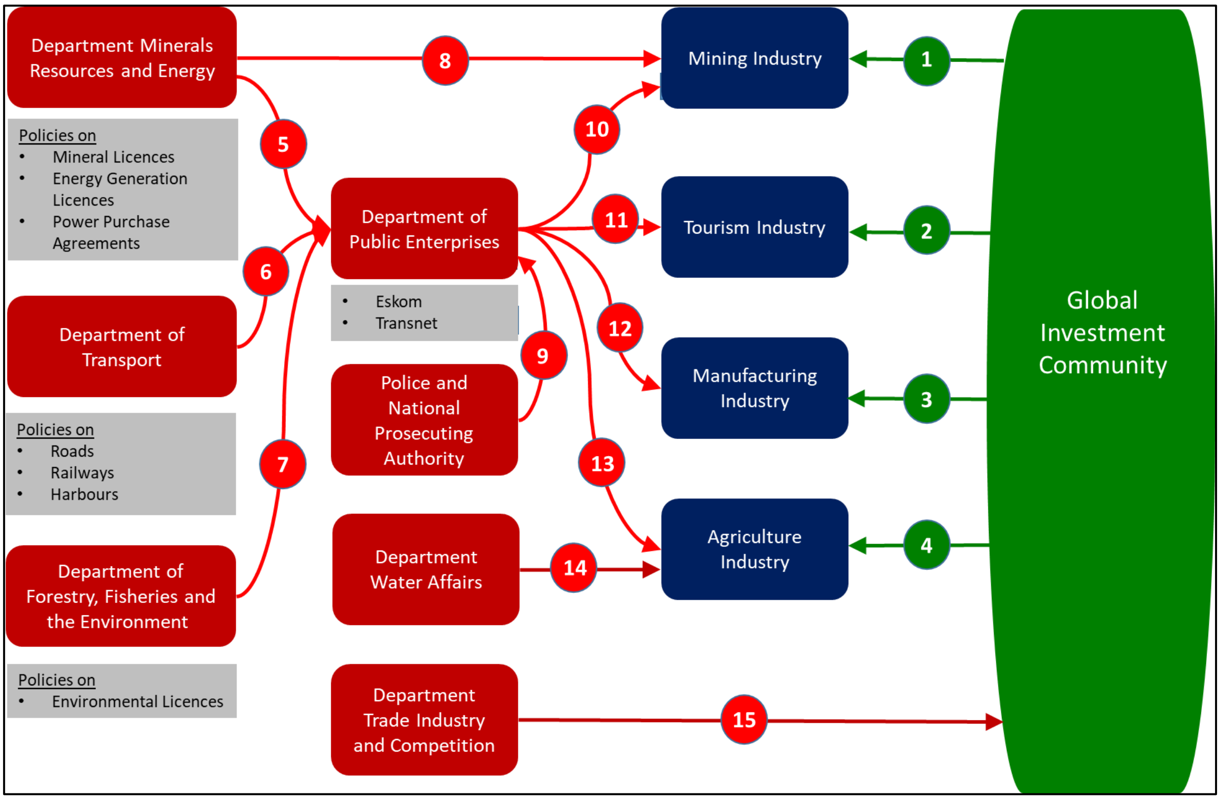
1. Department of Mineral Resources and Energy
2. Department of Transports
3. Department of Public Enterprises, specifically Eskom and Transnet
4. National Police
5. National Prosecuting Agency
6. Department of Water Affairs
7. Department Trade Industry and Competition

While the remainder of the processes are by no means unimportant it is paramount that operational excellence is first achieved for the processes critical for job creation before improving the remainder of the departments, agencies and state-owned enterprises.

8.1 Critical Industries, departments and enterprises affecting investment and job creation in SA

The following diagram illustrates how a small number of government departments, agencies and state-owned enterprises have an outsize impact on investment and job creation in manufacturing, mining, agriculture and tourism. The accompanying descriptions will further detail the dynamics between these government departments, agencies and state-owned enterprises and the global investment community:

Figure 60: The critical Industries, departments and enterprises affecting investment and job creation in SA



> "…We need to strengthen our institutions first and use the policies to create the right environment…"
>
> *Interview, CSO, 2022*

8.1.1 Investor Community Requirements

The global investment community have been quite explicit about their requirements to invest in mining, manufacturing, agriculture and tourism specifically and South Africa in general. These include but is not limited to (IDC & InvestSA, 2019):

1. Electricity availability and cost
2. Rail capacity
3. Harbour capacity
4. Roads without potholes
5. Policing and prosecution, especially sabotage of electricity and transport infrastructure and corrupt civil servants
6. Clean and sufficient water

7. Free Trade Agreements and Investment Incentives

Foreign Direct Investment in South Africa is crucial for economic growth and job creation. government departments, agencies and state-owned enterprises should prioritise operational excellence to ensure South Africa is an attractive investment.

8.1.1.1 Mining Investor Community Requirements

According to Investment Index attractiveness, mining investment in South Africa was R45 billion in 2018, creating 4 000 jobs. For the period of 2018 to 2020, an estimated 60 mining projects were in the pipeline in exploration, expansion, new mines and processing plants, with an estimated investment value of R110 billion and projected employment estimated at 32 000 employees. These projects demonstrate the correlation between the mining industry and investment and job creation; they also indicate that South Africa is still considered an attractive destination for mining investment and demonstrate the employment potential in this industry (DMRE, 2020).

Although South Africa has suffered an a FDI decline of more than half in 2020, there was a FDI of 2.5 billion rand secured, the drop in Covid-19 sanctions indicates a sign of recovery, and South Africa still remains an attractive destination for mining with its good business climate, strong focus on production and financial services, as well as other sectors such as tourism and retail showing great potential (Mining Review SA, 2021).

In South Africa, investors can be granted mining rights if the mineral to be mined can be mined optimally, the investor needs to have the funds and expertise to conduct the proposed mining operation optimally, the financing plan needs to be compatible with the intended mining operation and for the duration thereof and unacceptable pollution or damage to the environment as a result of the mining operation is strictly not allowed. The investor needs to make financial provisions and other provisions for the prescribed social and labour plan, the operation is required to be line with the Mining Charter; as well as not contravene the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) (MPRDA) (SA Governemnt, n.d.).

Traditional and historical investment jurisdictions such as Australia and Canada as well as recent investment jurisdictions have expressed concern regarding the constantly changing regulatory environment in South Africa. Two major concerns have been expressed by South Africa's investment jurisdiction, the first one being legislation such as the MPRDA and NEMA being constantly subjected to review and amendments, as well the amount of time it takes the government to grant authorisation (Sidler, 2014). Investors require a stable regulatory environment in their investment criteria; thus, South Africa needs to improve stability in regulation surrounding mining investments.

In South Africa, it takes a minimum of 6 months and a maximum of 12 to 18 months for the minister to grant mining rights. Furthermore, it can take up to 5 years for a mine to be granted a water license, which the mine cannot operate without. Environmental authorisation is a critical component of the ability to mine lawfully; being granted mining or prospective rights without environmental authorisation and things such as water use license prevents investors from being able to mine lawfully. The constant review of key legislature hinders proper decision making on investment, and investors are also more attracted to investing in a country that can efficiently expedite the authorisation process, as delay in authorisation results in delay on return of investment (Sidler, 2014).

8.1.1.2 Tourism Investor Community Requirements

The United Nations World Tourism Organisation (UNWTO) expects the world-wide tourism sector to return to pre-crisis levels only in 2023. In order to attract FDI in the tourism sector, the sector itself must first be restored. To attract investment in the South African tourism industry factors such as safety, security and general services need to be improved. The South African Tourism Department has outlined 7 strategic interventions to address the current state of the tourism sector, with the 5th key strategic intervention being to execute a global marketing programme to reignite international demand (Tourism, 2020) .

One of the programmes that has been implemented to help achieve this goal is the Tourism Incentive Programme (TIP), which was implemented to facilitate enterprise growth and expansion, and thereby stimulate job creation and transformation in the tourism sector. The focus of this incentive programme is to enhance the quality of tourism products through incentivising participation in the tourism grading system and enable qualifying SMMEs to access international tourism markets (Tourism, 2020).

It is expected that together, the interventions and enablers outlined in 2020-2025 Tourism Strategic Plan will facilitate the preservation of R189 billions of value, and 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. Furthermore, the implementation of the Plan can reduce the impact of the COVID -19 crisis on employment by 125 000 jobs. The Department of Tourism aims to double international tourist arrivals to 21 million by 2030. This will be achieved through the renewal of the country’s brand, introducing a world-class visa regime and a significant focus on specific markets such China, India and Nigeria and air arrivals from the rest of the continent (Tourism, 2020).

Currently, the sector is operating at between 30 to 40 % capacity when compared to the same period in 2019. Sector recovery is essential for investment and is currently led by domestic travel as leisure tourism increased in December 2021, while corporate and government travel has begun to increase in February 2022; however events and conferencing need to be boosted. The tourism sector lost 470 000 jobs due to COVID-19 with only 37% of employees receiving 100% of their salaries in February 2022.

The Department of Tourism has made plans that are aimed at helping the sector recover. As part of addressing challenges that are facing the sector, the department plans to vaccinate the entire sector to boost confidence, deal with uncertainty regarding arrivals protocols, harmonize travel protocols in SA and SADC region, create African specialists in source markets to work closely with source markets trade partners, as well as addressing consumers' concerns and desires under COVID-19 (TBCSA, 2022).

The department believes that vaccination of the complete tourism zone is prime to constructing confidence as well as dealing with uncertainty concerning arrivals protocols. The department plans to harmonize tour protocols in SA and SADC region and creating of African experts in supply markets to paintings carefully with supply markets alternate partners, to help address challenges that are contributing towards the sector’s recovery (TBCSA, 2022).

8.1.1.3 Manufacturing Investor Community Requirements

The pandemic has prompted global investors to diversify their product supply sources, making the South African manufacturing sector attractive because the sector is well established, it has advanced technologies to produce high quality goods and its strategically positioned to give companies access to the rest of the continent’s percentage of total export earnings in 2020. Year-on-year percentage change in the volume of manufacturing production has been steadily increasing over the past 5 years (SA, 2021).

Global investors require a well-functioning manufacturing sector in order to invest. The areas in need of attention impacting the manufacturing sector include issues involving social unrest, industrial action and trade unions. Other issues affecting operations in the manufacturing sector include infrastructure issues such as electricity, water, roads and rail.

Investors require a stable production environment that shows growth potential. South Africa's total manufacturing production has large contributions from automotive, metal products, wood products, food and beverage, furniture and other manufacturing sectors. The automotive sector’s contribution including the manufacturing of automobiles, parts and accessories, and other transportation equipment, rose to 84.1% in June 2021 (SA, 2021). Small industries within the manufacturing sector, such as food processing, beverages, motor automobile manufacturing and wood products have reached maturity matured and are in a good position to attract foreign direct investment (SA, 2021).

A study conducted by Deloitte SA on local manufacturing competitiveness found that the biggest driver of competitiveness of the South African manufacturing sector is the availability and cost of raw materials. Education, skills development, spatial development, and community safety are some of the social factors that have hindered South Africa’s manufacturing sector to be competitive. The study found that the market attractiveness is in survival mode, with threats of cheap imports, policy uncertainty, high input costs and limited skills base being some of the key challenges that the sector is facing (SA, 2014).

8.1.1.4 Agriculture Investor Community Requirements

South Africa's agricultural sector has experienced solid growth during the past two years, with its gross value-added expanding by 13.4% year-on-year in 2020 and 8.3% year-on-year in 2021. It was a favourable rainy period, which has supported crop yields and pasture conditions for the livestock industry. Rising commodity prices, especially cereals and oilseeds, have also boosted farmers' incomes in 2020 and 2021 (SA, 2022).

Increased global demand for agricultural commodities during this period has driven South Africa to export agricultural products worth 10.3 billion USD in 2020, reaching a record of 12.4 billion USD billion by 2021. Furthermore, improved farmers’ income has benefited related industries, such as agricultural machinery (SA, 2022). Positive conditions for agricultural production are also reflected in employment conditions in the industry, 829,000 people entered primary agriculture in the third quarter of 2021, an increase of 3 % over a year (SA, 2022).

The South African agricultural sector is one of the most diverse in the world, consisting of intensive and extensive corporate and individual farming systems, including vegetable, fruit, nut, and grain production. The well-developed commercial agriculture sector in South Africa is the backbone of the country's agricultural economy and had the best growth rate of any economic sector in 2020 at 13.1%. South Africa's climate ranges from subtropical to Mediterranean, allowing for a wide variety of cropping options. The country's biodiversity ensures that products such as grain, fruit and wine are exported and preferred for their exceptional quality (Administartion, 2022).

South Africa has by far the most modern, productive and diverse agricultural economy. South Africa has a well-developed agricultural sector, and there are few barriers to the introduction of new equipment into the South African market. Equipment such as planters, sprayers and tillage equipment are imported duty free unless the same product is manufactured in the South African market. Most precision agricultural equipment such as planters, self-propelled sprayers and combines are imported from South America, Europe, and the United States; smaller equipment is purchased locally (Administartion, 2022).

It is clear that the agriculture sector of South Africa possesses many attractive qualities for investors. However, to ensure South Africa remains an attractive investment and attracts further investment issues relating to water access, water sanitation, transport of produce and land repossession need to be addressed.

8.1.2 Impact of government departments

In order to ensure economic performance targets are met, public enterprises need to become high-performance organisations and be given more autonomy to make decisions, while being held to certain targets and performance metrics. Government departments determine the capacity that can be produced by public enterprises which either enable or cripples the four key industries of mining, manufacturing, tourism and agriculture, where jobs need to be created.

Meeting the requirements of investors is going to require uncompromising operational excellence in the small collection of processes under the control of the following departments, agencies and state-owned enterprises that have an outsize impact on investments and employment:

1. Department of Mineral Resources and Energy
2. Department of Transports
3. Department of Public Enterprises, specifically Eskom and Transnet
4. National Police

5. National Prosecuting Agency
6. Department of Water Affairs
7. Department Trade Industry and Competition
8. Department of Forestry, Fisheries and the Environment

While the improvement of all government departments will aid in economic growth, these departments could have the greatest direct impact on the overall economy. These key departments have the power to create the most impact and improvement in the South African economy in the short term and it is paramount that operational excellence is first achieved for the processes critical for job creation in these departments before improving the remainder of the departments, agencies, and state-owned enterprises.

8.2 Where Policy Meets Departmental Action – Core Departments

To ensure economic performance targets are met, government departments need to be given more autonomy to make decisions while being held to certain targets and performance metrics in order to become high performance organisations. While the improvement of all government departments will aid in economic growth the departments that could have the greatest direct impact on the overall economy include the departments of Mineral Resources and Energy, Public `Enterprises, Trade and Industry, Transport, and Police. These key departments have the power to create the most impact and improvement in the short term in the South African economy.

> "To be honest, SA has strong policies. Our weakness is in translating policy into action. That needs resources, finance, and people who are going to make them happen. There should be coordination…"
>
> *Interview, CSO, 2022*

8.2.1 Department of Mineral Resources and Energy

Eskom provides critical services to the mining, tourism, manufacturing, and agriculture industries. Each of these industries use large amounts of energy and issues such as loadshedding have extreme impacts on these sectors. Due to its direct impact on Eskom, the Department of Mineral Resources and Energy (DMRE) could be considered the government department with the greatest opportunity for a positive impact on economic growth.

Renewable energy in the economy is imperative to economic growth, investment, and job creation. This is proven through South Africa's Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). The REIPPPP attracted investment of a total value of R209.7 billion, R41.8 billion of which was foreign investment. Since inception of REIPPPP in 2011, 55 217 job years were created for South African citizens to date, the programme further contributed to socio-economic development and enterprise development of R1.3 billion and R402.5 million respectively (Kiepile, 2021).

Eskom is aware of the opportunities for investment and job creation through renewable resources and would like to convert Eskom to a more sustainable model, however the DMRE is creating barriers (Energy Voice, 2021). At time of writing, Eskom was looking to make shifts to more renewable energy. One of these shifts included a request for authorisation for a 'standard offer', through which Eskom would seek bids from small private generators to sell their surplus electricity into the grid under three-year contracts. The Eskom board approved these standard offer agreements in August 2021 and have since been waiting for a variety of approvals from the National Treasury, Nersa, and the DMRE to bring this online. All Eskom's communications with government on this matter have been channelled through the Department of Public Enterprises (Creamer, 2022). The inefficiencies of these government departments means that approvals are delayed, and the dependency on these departments means that progress is slow.

In 2016, Eskom was delayed by government departments in the signing of power purchase agreements with renewable energy producers, the deals were only approved in 2018. If there had not been a stall in critical renewable energy projects in 2016 South Africa could have essentially solved load-shedding (Moyo, 2022).

Another issue Eskom is facing is strict trade policies. These policies have made it as such that Eskom is forced to buy its solar panels from one supplier that has limited capacity and charges 20% more than the market price. This throttles the ability for independent power which hinders growth of the entire economy (MyBroadBand, 2022).

In the Mineral Resources and Energy sector, Illegal mining is an issue and is often organised and conducted by crime syndicates. The consequences of illegal mining activities include health risks, loss of life, environmental degradation, and fiscal losses to the formal mining sector (Minerals Council Fact Sheet, 2022).

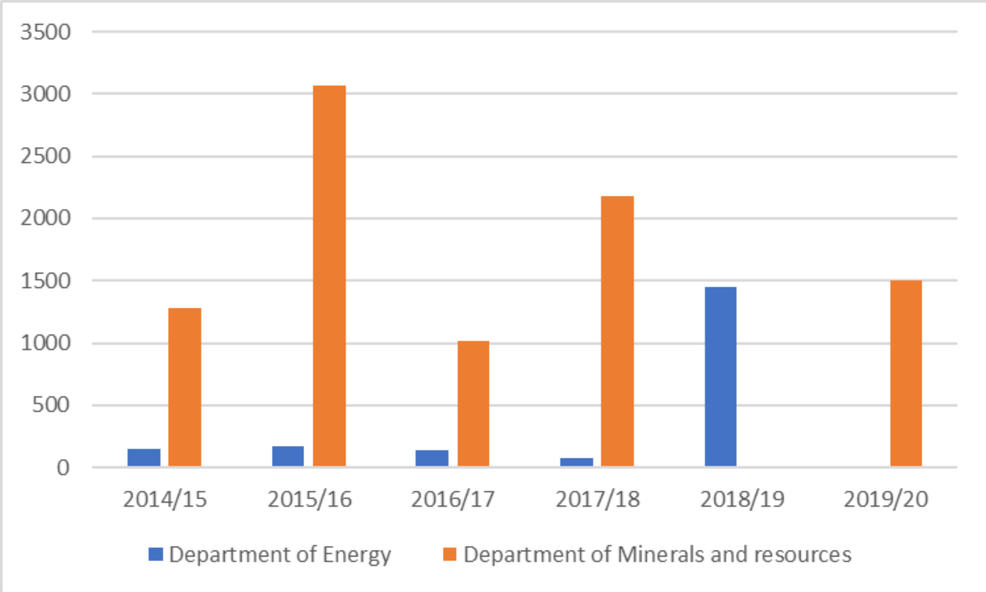
South Africa is estimated to have non-energy minerals worth upwards of US$2.4 trillion, making it the wealthiest mining jurisdiction in the world, yet we consume less than 1% of the world's exploration budget (World Bank, 2019). This is because majority of exploration companies in South Africa aim to become miners themselves rather than selling exploration projects to a dedicated mining company. Therefore, there should be a focus on the development of a specialised exploration sector in South Africa. The first step towards developing this sector is creating a regulatory environment geared towards exploration. This would involve the introduction of exploration-specific legislation, a functional mining cadastre, tax incentives and improving the application system (Ramdass, 2022).

To start a mining company, one must first obtain an exploration license, also known as a prospecting right. A prospecting right is a permit which allows an individual or their company to survey or investigate an area of land for the purpose of identifying an actual or probable mineral deposit (SA Gov, 2022). Once mineral deposits have been identified, to conduct mining operations a company needs to obtain a mining permit from the DMRE, without it, a company is not allowed to mine. A mining permit is valid for the period specified on the permit but may not exceed two years. It may however be renewed for three more periods of no more than a year each (SA Gov, 2022). This process relies heavily on the efficiency of the DMRE in granting these permits.

The inefficiency of the Department of Mineral Resources and Energy is demonstrated in the backlog of 5 326 applications for prospecting and mining permits as well as rights, cessions, and renewals. Of these, 235 backlogged applications are for new mines, processing of which could be an immediate stimulus to economic growth. (Burger, 2021). Even though the mining sector's contribution to GDP is the second highest, it's GDP share has been declining due to mine closures. (Watson & Olalde, 2020). The Minerals Council has told delegates that South Africa could unlock close to R100 billion of investment if it were to deal with the issues hindering new ventures and planned renewable energy projects. (Mahlakoana, 2022)

Despite the above issues, senior management are still receiving bonuses, as seen in the figure below.

Figure 61: Cash Bonuses (in R'000) for DMRE Senior Management



Source: (DMRE, 2015-2021)

The National Energy Regulator of South Africa is crucial to economic growth, its mandate is to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act No. 60 of 2003). (NERSA, 2022) There should be coherence between the Department of Mineral resources and Energy and NERSA to ensure a well-functioning sector.

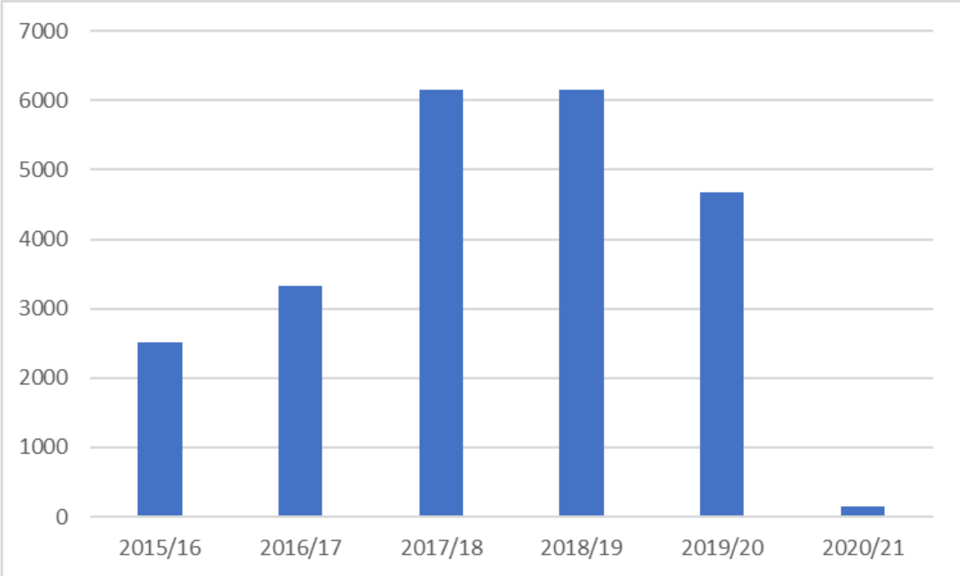
8.2.2 Department of Trade, Industry and Competition

Improving the efficiency of the Department of Trade, Industry and Competition (DTIC) means improving the global competitiveness of the South African economy, creating economic transformation, ensuring inclusive growth and development, and improving employment and equity. This department is important as an improved trade policy can be a source of new jobs and expansion of the industrial economy in South Africa. Increased exports can drive sustainable growth, generate decent well-paying jobs, and widen economic inclusion (DTIC, 2022).

A current issue in the Department of Trade, Industry and Competition is trade policy restrictions, this could hinder opportunities for growth in the economy. This issue is displayed in the case where trade policy has made it as such that Eskom is forced to buy its solar panels from one supplier that has limited capacity and charges 20% more than the market price. This throttles the ability for independent power which hinders growth of the entire economy (MyBroadBand, 2022)

The figure below demonstrates that even though there are policy restrictions and other issues, senior management in the Department of Trade, Industry and Competition have been receiving sizeable bonuses.

Figure 62: Cash Bonuses (in R'000) for DTIC Senior Management



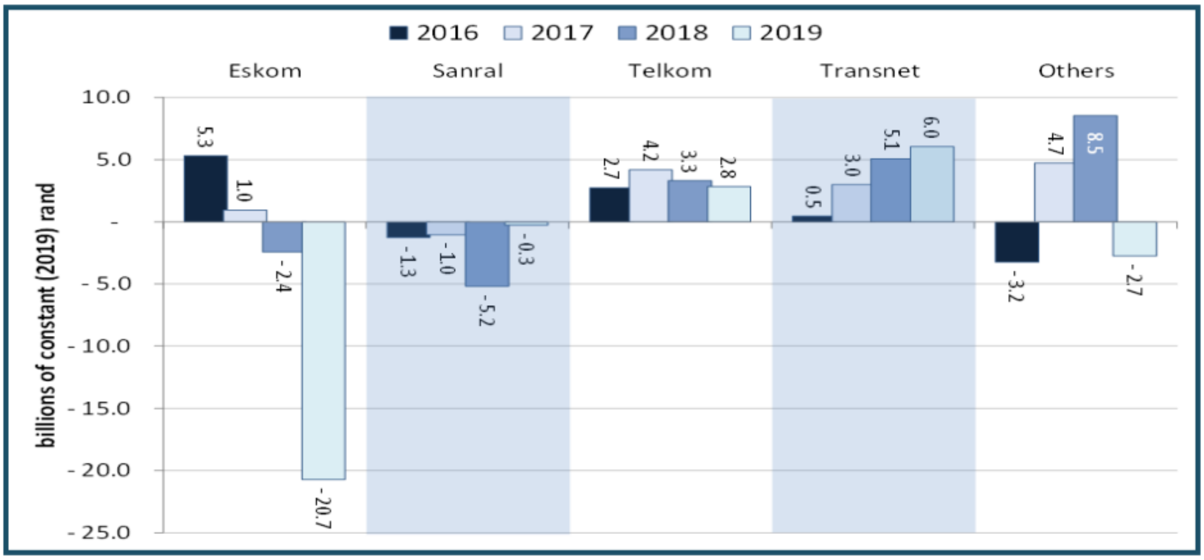
Source: (DTIC, 2016-2021)

8.2.3 Department of Public Enterprises

In order to drive developmental objectives, industrialisation, job creation and skills development, the Department of Public Enterprises must create an enabling environment in which state-owned companies add real economic value by focussing on operational excellence, commercial viability and fiscal prudence (Department of Public Enterprises, n.d.).

State owned enterprises are currently facing governance and financial challenges. In 2018/19 the national public enterprises reported R15 billion in losses, with a rate of return on assets of -0,7%. Eskom alone lost R20 billion (Trade & Industrial Policy Strategies , 2020). Six out of every 10 local municipalities in South Africa are not financially sustainable and are probably dysfunctional in terms of service delivery (Suttner, 2022). The Department of Public Enterprises has not been efficient in addressing the challenges and performance targets are thus not being met (Trade & Industrial Policy Strategies , 2020). The table below further indicates the financial crisis public enterprises are facing.

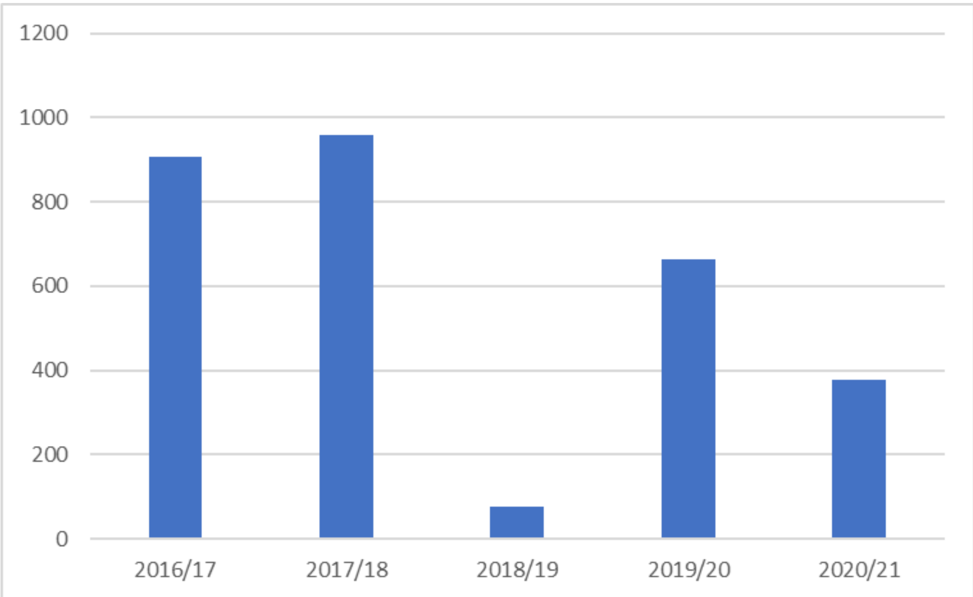
Figure 63: Profits and Losses of Public Enterprises, 2016 to 2019



Source: (Trade & Industrial Policy Strategies , 2020)

Despite the billions of rands in losses and lack of proper governance of public enterprises, senior management are still receiving bonuses, as seen in the figure below.

Figure 64: Cash Bonuses (in R'000) for DPE Senior Management



Source: (DPE, 2017-2021)

8.2.4 Department of Transport

Transport is needed to get products to and from the correct places and is essential in increasing exports. Transport infrastructure investment creates economic growth through many different channels, especially the facilitation of the exchange of goods. Transport is imperative for a well-functioning economy and particularly in the industries of mining, tourism, manufacturing, and agriculture. Improved transport infrastructure reduces the cost of trade and better domestic trade opportunities allow regions to specialise in the sector where they are the most competitive relative to the others. Better foreign trade opportunities can unlock not just regional but even countrywide export-driven economic growth (Tsiaki, 2016).

The Department of Transport (DoT) is responsible for legislation and policies for rail, pipelines, roads, airports, harbours, and the intermodal operations of public transport and freight. These policies affect public enterprise, Transnet, which provides critical services to the mining, tourism, manufacturing, and agriculture industries. The DoT's policies on roads, railways and harbours directly impact Transnet and often constrain its ability to carry out operations effectively.

Although Transnet owns locomotives and train tracks, they cannot unilaterally decide to build new train tracks and purchase new locomotives, they must first request permission from the DoT. The DoT plays a role in Transnet's pricing policies including the mix of locomotives bought or the location where new projects should be built.

South Africa is experiencing a rail and general transport crisis, where rail transportation for goods and for individuals has broken down in almost all of the country, with one or two exceptions of irregular passenger transport on rails. The chances of recovery of the rail sector at all seem unlikely, with devastating consequences for the country. It is a disaster for industry and creates issues for the already financially struggling working people who must use more expensive forms of transport (Suttner, 2022).The transport department faces challenges of deficiency in terms of capacity and reliability of transport resulting in economic costs such as lower quality of life and less opportunities (Tsiaki, 2016).

The actions of the DoT directly affect Transnet. At the national level, the DoT has established a forum to improve the co-ordination of infrastructure planning for all modes of transport. The Ministerial Conference of Ministers of Transport (MINCOM) structure has promoted co-ordination across national and provincial functions, whilst structures have been developed to provide for co-ordination between DoT and Transnet. Provinces have been encouraged to develop and participate in structures for provincial/local authority co-ordination (SA Gov, 2022).

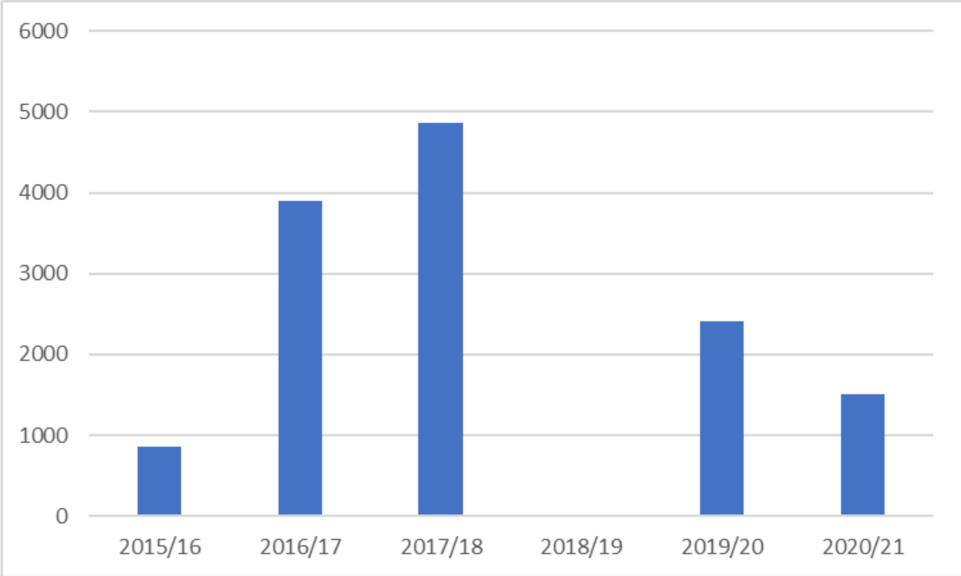
A more sustainable approach to the provision of transport infrastructure is required, shifting from accommodative, supply-focused transport approaches to a more balanced approach including pro-active land use and transport demand management as part of the policy package. The DoT has been playing a more prominent role in initiating relevant decision-making processes and forums on urban and rural development and land use. Decisions on infrastructure investment have been made on the basis of multiple criterion evaluation, to best meet the conflicting policy goals and objectives (SA Gov, 2022).

Rail is seen as an essential long-term component of the network for both freight and passenger transport. The provision and maintenance of rail infrastructure for bulk and general cargo freight transport, and for inter-city passenger transport, will be determined by market needs and commercial viability. The national transport authority owns the commuter rail infrastructure, rolling stock and land associated with rail reserves, until the provincial or metropolitan transport authorities are able to take over this responsibility (SA Gov, 2022).

South African roads lack maintenance especially those that are in rural areas. The Transport Department is facing a challenge of deficiency in terms of capacity and reliability of transport which results in economic costs such as lower quality of life and fewer opportunities (Tsiaki, 2016).

Despite the above issues, as seen in the figure below, senior management are still receiving bonuses.

Figure 65: Cash Bonuses (in R'000) for DoT Senior Management



Source: (DoT, 2016-2021)

8.2.5 Department of Police and the National Prosecuting Authority

The mission of the SAPS is to prevent and combat anything that may threaten the safety and security of any community, investigate any crimes that threaten the safety and security of any community, ensure offenders are brought to justice, and participate in efforts to address the root causes of crime (DoP, 2022). The efficient carrying out of these actions by the South African Police Services (SAPS) and the efficient functioning of the Department of Police is crucial as criminal activity can strain the entire economy by discouraging domestic and foreign direct investments, reducing the competitiveness of business organisations, and the reallocation of resources. It creates uncertainty and inefficiency in the business environment. (Addl, 2015)

The country's rail network, which both Transnet and Prasa use, is in a vulnerable position due to extensive theft and vandalism. Both organisations have had to improve security efforts, which leads to additional spending. Transnet CEO Portia Derby told Parliament that during the 2021/22 financial year, Transnet had lost 1,500km of cables to theft. She said that Transnet spent R1.5-billion on security in 2022 (Payne, 2022) The theft and vandalism of the rail network has drastically impacted South Africa's exporting ability and therefore negatively affects the South African economy.

The lack of corrective action from the SAPS in response to the illegal strikes at 9 of Eskom's power stations by its employees caused the national power utility to operate at a reduced capacity which led to the country experiencing more frequent loadshedding. The protests included incidents of intimidation of working employees and blockading of roads leading to power stations and other facilities, inhibiting the free flow of personnel and commodities required for the generation of electricity and smooth operations (Vermeulen, 2022). It is the SAPS's responsibility to ensure that any illegal activity that may impact the operations of Eskom are dealt with in order to limit any negative impact they may have on Eskom.

In addition to illegal strikes Eskom experiences ongoing theft and vandalism of its electricity infrastructure. Copper cables theft has significantly contributed to power cuts in recent years and cripples the already struggling Eskom. A multidisciplinary task team established to fight cable theft has arrested 28 thieves since its inception in May 2020, and only three have been sentenced to jail time (Illidge, 2022). Police and National Prosecuting Authority need to have processes in place to deal with crimes that undermine the biggest enablers or deciders of economic activity, investment and job creation.

There is an urgent need for accountability and a functioning disciplinary system in the South African Police Services. There needs to be an improvement in this department to maintain discipline and remove corrupt or under-performing officers. However, the SAPS internal disciplinary system has generally failed. Internal disciplinaries dropped 71% between 2012/13 and 2019/20. In 50% of the hearings, the case was withdrawn because witnesses failed to appear, or evidence went missing. In only 7% of hearings do police officers get dismissed or suspended without pay (Newham, 2021).

8.2.6 Summary

In order for South Africa to experience increased GDP growth, investment and job creation it is imperative that the above-mentioned departments become high performance organisations. To do this, accountability and consequence management should be integrated into the governance structures of the departments. The actions of those in the above-mentioned departments have a national effect and therefore the setting of targets, as well as job placement and performance measurements should also be of national concern. The above departments have the greatest potential for impact on GDP growth due to their investment attraction capabilities and should therefore be strictly held to promised targets.

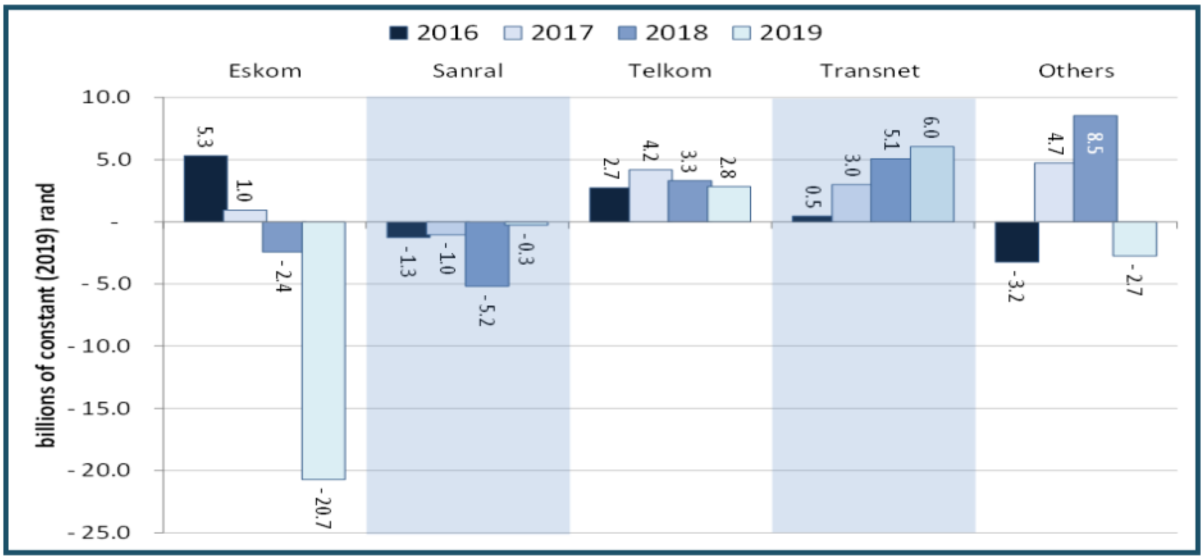
There is a need for political leadership to coexist with a professionalised civil service We need a situation where the public service is in fact a public service and is not dependent on the minister or political head in the central government or province for every minute decision. Senior public servants need to enjoy a degree of autonomy to do their jobs with the technical proficiency they have learned. (Suttner, 2022)

8.3 Where Policy Meets Implementation – Core State Owned Enterprises (SOE)

In order to drive developmental objectives, industrialisation, job creation and skills development, the Department of Public Enterprises must create an enabling environment in which State-Owned Companies add real economic value by focussing on operational excellence, commercial viability and fiscal prudence. (Department of Public Enterprises, n.d.)

State Owned Enterprises are currently facing governance and financial challenges. In 2018/19 the national public enterprises reported R15 billion in losses, with a rate of return on assets of -0,7%. Eskom alone lost R20 billion (Trade & Industrial Policy Strategies , 2020). Six out of every 10 local municipalities in South Africa are not financially sustainable and are probably dysfunctional in terms of service delivery (Suttner, 2022). The Department of Public Enterprises has not been efficient in addressing the challenges and performance targets are thus not being met. (Trade & Industrial Policy Strategies , 2020). The table below further indicates the financial crisis public enterprises are facing.

Figure 66: Profits and Losses of Public Enterprises, 2016 to 2019



Poor management of these public enterprises will lead to their demise, but proper management will not necessarily solve all their issues. Ultimately these enterprises are enabled and constrained by the departments discussed above. The mining, tourism, manufacturing and agriculture industries are serviced by public enterprises; the following sections detail the impact that two of the most impactful public enterprises, Eskom and Transnet, have on these four industries.

8.3.1 Impact of Eskom and Transnet capacity, reliability and cost on Mining industry investments and job creation

South Africa was one of the top 10 leading mining countries worldwide in 2018 (Statista, 2022). The countries year on year production has dropped 14.9% in April 2022. This shows a cause for concern with the declining mining production rates (Trading Economics, 2022).

Loadshedding from Eskom is contributing to the reduced capacity and reliability of the mining industry. The year-on-year mining production (of Platinum Group Metals, coal and gold) plummeted in April by 14.9% (Steyn, 2022). According to StatsSA's principal survey statistician, Juan-Pierre Terblanche, the country also produced less nickel, chromium ore, copper, manganese ore and diamonds (Dludla, 2022).

The mining sector has also faced coal production cuts due to poor railing services from Transnet. The rise in cable thefts and inability to procure spare parts to service locomotives prevents mines from nationally transporting coal (Steyn, 2022). This results in a decrease in coal production for the mines which, due to the use of coal powered stations ultimately effects the energy generation by Eskom.

If Transnet were to enforce further protection or monitoring systems of their rails, cable theft rates could decrease. This means the transportation of coal would not be under stress due to rail issues- encouraging the coal mining industry. This would help ease the strain of Eskom's coal requirements. If Eskom were to provide sufficient power to the mines, there would be a higher mining production rate as well as more confidence within the mining sector as mines could operate normally without the worry of loadshedding.

8.3.2 Impact of Eskom and Transnet capacity, reliability and cost on Tourism industry investments and job creation

The success of the tourism industry relies heavily on the efficiency and reliability of services provided in a country. Investors want to ensure that their investments will create returns, an investor in the hospitality industry would not consider opening up a hotel for example in a country that has poor service management as this would not be attractive to tourists.

The current state of Eskom and Transnet would be a deterrent for tourism. Loadshedding has the biggest impact on tourist dissatisfaction. When someone is visiting South Africa and is not able to enjoy their visit due to power outages, this will negatively impact their perception of South Africa and these tourists might not return. Additional these dissatisfied tourists could actively discouraging their friends, family or colleagues from visiting South Africa.

The crippled rail industry impacts a tourist's ability to get from place to place and shines a light on the inefficiencies of operations in South Africa. The lack of reliable transport across the country forces tourists to spend larger amounts of money to travel through other forms of transport, resulting in a decrease in South Africa's credibility.

A decrease in loadshedding will not only improve the viewed perception of South Africa by tourists but also citizens of the country, this will boost patriotism and confidence within the country. Similarly, if Transnet were to create newer, more reliable rail systems and locomotives while encouraging the use of rail travel across the country, this could create more job opportunities and would encourage tourists to spend more money travelling across the country. This allows for access into smaller towns and to explore more of the country, increasing revenue generated from tourism as a whole.

8.3.3 Impact of Eskom and Transnet capacity, reliability and cost on Manufacturing industry investments and job creation

The success of the manufacturing industry relies on smooth operations and efficient processes. These processes are negatively affected by the inefficiencies of Eskom through loadshedding and Transnet due to cable theft.

Loadshedding causes manufacturing plants to shut down and operations to be halted. It follows that these manufacturing plants will lose profits. Unexpected outages can cause hazardous circumstances when working with equipment and machinery. The profits lost can amount up to R315 656 per week within the manufacturing sector (Creamer Media, 2021).

The inefficiencies of Transnet affect the manufacturing industry majorly through exports. Plants are not able to get products to the harbour if the rail is down or can't get onto ships if the harbour is congested. Other issues include delays in raw materials being delivered to the manufacturing plants causing bottlenecks in production. Transnet is key to saving and creating jobs in the manufacturing sectors (BusinessTech, 2022).

By reducing the incompetence of Eskom and Transnet, manufacturers will be able to operate without the stress of downtime, resulting in a loss of hundreds of thousands of Rands, as well as easily transporting and exporting manufactured goods from South Africa. This will not only help create a positive perception of the manufacturing industry but also create a sense of reliability, attracting investors and growing the economy.

8.3.4 Impact of Eskom and Transnet capacity, reliability and cost on Agriculture industry investments and job creation

The success of the agriculture industry relies on proficient irrigation and processing systems for agricultural growth and a strong transportation system in moving produce and grains across the country.

Loadshedding causes irrigation systems and other processes to shut down. Load shedding has an impact on irrigation-reliant and energy-intensive industries like the horticulture, dairy, poultry, grains and agro-processing industry. Irrigation, irrigation scheduling, the application of fertilizer, processing and shipment are all negatively affected by the unplanned load shedding disruptions. (SAPPO, 2019)

The agricultural industry still makes use of railways from Transnet (SAgrainmag, 2022). The cable theft of railway cables amounted to over 1000km of copper cable within the first 10 months of 2021 with additional thefts of wiring from locomotives and wooden rail sleepers (Coleman, 2021). Many of the incidents took place in high traffic and high-volume corridors, where major bulk commodities were being transported. This resulted in a decrease in the transporting and exporting of agricultural commodities within South Africa.

If the risks load shedding and cable theft were minimised or mitigated by the two state owned entities, the country would not only experience higher agricultural yields from local farmers but also a larger exportation of commodities from the country. In most countries it costs a quarter of the price to transport commodities such as grain by rail compared to road (Coleman, 2021) whereas in South Africa due to cable theft it is almost double the price to use rails compared to roads. The reduction of cable theft and increased vigilance can possibly swap the two ratios around benefitting both the agricultural and rail industry.

8.4 Impact of Department of Water and Sanitation bulk water provision on all investments and job creation

The Department of Water and Sanitation (DWS) is the custodian of water resources in South Africa (SA). The department is primarily responsible for the formulation and implementation of policy governing this sector. It is also responsible for ensuring that the country's water resources are protected, managed, used, developed, conserved and controlled by regulating and supporting the delivery of effective water supply and sanitation as set out in the National Water Act of 1998 and the Water Services Act of 1997 (SA Government). The DWS is accountable for the implementation of the requirements of any water-related policies and legislation that are critical in delivering on people's right to have sufficient food and water, contributing to the growth of the economy and the eradication of poverty (SA Government, 2022).

In continuing to improve equitable access to water resources, the DWS provides integrated water services, management, infrastructure planning and development, while also implementing the Water and Sanitation Master Plan, which details the requirements for appropriate investment into water resources and services and sets targets for adequate water conservation and demand management (SA Government, 2022). The department is focused on making a positive impact on the country and its people as custodians of water and sanitation resources, and as innovative and committed partners in the drive for sustainable development.

8.4.1 Impact of Department of Water and Sanitation on the Mining Industry

Mining is a critical contributor to SA's economy; it is responsible for the creation of around 450 thousand jobs and accounts for approximately 8% of GDP. Mining contributes 11% of gross capital creation but also 16% of total direct foreign investment in SA (Mikhelidze, 2021). The use of water in mining has the potential to affect the quality of surrounding surface water and groundwater. In response to these concerns and government regulations, the DWS monitors water discharged from mine sites, and has implemented management strategies to prevent water pollution.

According to a report titled Mining Sustainability in South Africa, there are three main risk factors for the mining industry, one of them being water security and quality. Although mining is not the most water intensive industry in the country, water does play an important role in the mining process (Smith, 2020).

The efficiency at which the DWS operates to ensure that mines are provided with sufficient water that is not contaminated will have a positive impact which can help grow the industry thus creating more job opportunities for South African citizens.

8.4.2 Impact of Department of Water and Sanitation on the Tourism Industry

Water shortages in main tourist attraction areas pose a cause for concern for the tourism industry in SA. A water crisis results in tourists being more inclined to avoid visiting the specific province or city. A few years ago, the city of Cape Town experienced water shortages to a point where hotels had to ask guests not to use baths and to limit showers to two minutes or less, while some restaurants switched to disposable cups and ditched table linen (Oteng, 2018).

Water shortages caused by droughts are an unavoidable circumstance that can be overcome by certain mitigation strategies that the DWS should implement in order to ensure that any water crisis within a main tourist area does not affect the attractiveness of the particular area to tourists due to the inconvenience of water restrictions or because they don't want to add to demand. Potential investors are also less likely to enter the industry if circumstances such as water shortages are not managed efficiently and effectively by the DWS.

The tourism industry has been hit the hardest in the past 2 years largely due to the COVID-19 pandemic. The recent repeal of COVID-19 restrictions made by the Minister of Health will allow the industry to fully operate at it's optimum level again which will result in an increase in investment within industry.

8.4.3 Impact of Department of Water and Sanitation on the Manufacturing Industry

Almost all products that are manufactured require massive amounts of water. The process of refining and producing raw materials such as metal, fuel, oil, lumber, chemicals, paper, and plastic demands water. The manufacturing processes of transporting and transforming raw materials into consumable goods requires large volumes of industrial water. Industrial water can be used for multiple processes within a manufacturing facility, either for production (fabrication, washing, cooling, boiling, etc.), sanitation (of the facility, personnel, and equipment), or as a raw material in the product itself (Kremer, 2018).

The quality of industrial water used in the manufacturing industry is dependent on the DWS ensuring that the water provided to this industry is of the appropriate quality and quantity. The water used impacts the quality of the products or raw materials produced in the manufacturing sector, the lack thereof, could deter potential investors. Investment within the manufacturing sector is influenced by the quality of products produced, this also affects job creation within the industry.

The Manufacturing Indaba 2022, held in the month of June, revealed that service delivery failures by various municipalities in key manufacturing nodes have come back to trouble the manufacturing industry, threatening to derail the little recovery it has made. The water crisis in some parts of South Africa has affected the productivity of some manufacturers, with one senior pharmaceutical executive detailing how the water crisis in Gqeberha was affecting the drugmaker's productivity.

The water crisis impacts manufacturers both at a production level and employee level. Employees residing in areas affected by water shortages are posed with health risks and productivity issues (IOL, 2022). The manufacturing industry has become one of the more proficient industries in the last century, yielding higher machine and worker productivity rates, in so sustaining and enhancing the creation of jobs in order to capitalise on profits (Manufacturing Indaba, 2018), it is of the upmost importance that the productivity of the industry is maintained at a high level in order to attract investment, both local and foreign, to aid with job creation within the sector.

8.4.4 Impact of Department of Water and Sanitation on the Agriculture Industry

The agriculture industry is largely dependent on water supply, farms use it to grow fresh produce and to sustain their livestock. Therefore, water quality is critical for agriculture, both for the health and quality of produce, and for the economic stability of the farming industry.

The DWS plays an essential role in the overall success of the industry as they are responsible for ensuring that sufficient water is provided to all farms and that the water quality is at a respectable standard. The efficiency at which the agriculture industry operates and is successful will directly impact the number of jobs that are available within the sector.

The 2022 Sustainable Agriculture Market Intelligence Report gives an overview of the agricultural economy in the Western Cape and South Africa, it offers an in-depth look into the market sizes of specific technologies emerging as opportunities evident in the SA agriculture sector. The technologies mentioned in the report, are considered key for investment because they would lead to improved appetite on the demand side, the existence of local industries that can expand production to include agri-specific products and increased research and development of technologies and their applications (Smith, 2022).

Agriculture was only sector that grew during the COVID-19 pandemic-induced lockdowns that affected the country and its continued growth is important to offset job and other economic losses as it ensures food security for the country.

8.5 Impact of Department of Trade Industry and Competition on South Africa's overall attractiveness to the Global Investment Community

Improving the efficiency of the Department of Trade, Industry and Competition (DTIC) means improving the global competitiveness of the South African economy, creating economic transformation, ensuring inclusive growth and development, and improving employment and equity. This department is important as an improved trade policy can be a source of new jobs and expansion of the industrial economy in South Africa. Increased exports can drive sustainable growth, generate decent well-paying jobs and widen economic inclusion (DTIC, 2022).

The DTIC provides leadership on South Africa's trade policy, to promote economic growth and development, industrial upgrading and diversification, poverty reduction through sustainable employment and job creation.

Customs tariff investigations, trade remedies and import and export control falls within the domain of the International Trade Administration Commission of South Africa (ITAC) which the DTIC is the custodian of in South Africa. The aim of ITAC is to foster economic growth and development in order to raise incomes and promote investment and employment in South Africa and within the Common Customs Union Area by establishing an efficient and effective system for the administration of international trade (DTIC, 2022). The DTIC is empowered to regulate, prohibit, or ration imports to South Africa in the national interests, but most goods may be imported into South Africa without any restrictions.

The Department should aim to reduce the tariffs charged for the importation and exportation of goods in the country in order to promote the growth of businesses in South Africa and encourage investment, both foreign and domestic. Furthermore, the DTIC makes use of strong government-to-government relations and mechanisms to advance a developmental agenda in Africa. The trade agreements with partner countries assist with building investment relations with the new poles of economic growth in the world, that is developing countries (DTIC, 2022). Trade agreements entered with other countries enable the country to identify and establish joint investment projects in partner countries, promote two-way trade, coordinate South African technical co-operation and assistance to support policy and institutional development in partner countries and negotiate agreements on investment protection and economic co-operation.

As a matter of government policy, the SA Government is aiming to open its market further to increase trade and to develop more competitive domestic industries. During 2020, the South African authorities enacted emergency measure to restrict all movement of goods and persons due to the Covid-19 pandemic; these have since been partially lifted (International Trade Administration, 2021).

South Africa's exports have lagged behind the rest of the world over recent decades, and this has likely constrained overall economic growth. There are multiple reasons for this disappointing trade performance, one of them being the high cost and deteriorating competitiveness of the general business environment.

To address the inherent bias against exporting, South Africa urgently needs to address the high costs of investment and trading across borders; review the impact of existing industrial, localisation and sector-specific policies on export behaviour; implement a comprehensive and well-targeted export promotion and export finance framework; and update its trade policy approach to negotiations across the continent and internationally (Strern & Ramkolowan, 2021).

9 Recommendations

The combination of the proposed policy recommendations will empower members of impoverished communities to negotiate equitable rewards with the global investment community and hold their civil servants personally accountable for job creation efforts in impoverished communities. Handing this power to citizens living in impoverished communities will help bridge the trust gap between impoverished communities and the private sector as well as between impoverished communities and the government. Both are essential for buy-in to the implementation of the Country Investment Strategy and various Industry Master Plans.

Linking key civil servants' remuneration and career progress to targets which materially impact investment and employment but is still within their mandated ability to control will align their financial interests to the Country Investment Strategy and various Industry Master Plans. Making the key processes that impact employment transparent and open to public feedback will also deter corruption and dramatically improve investor confidence into South Africa.

By introducing these practices South Africa will improve its ability to emulate the poverty elimination achievements of China, Vietnam, Brazil, Singapore, and Norway. Most importantly, this will focus government, the private sector and civil society on what matters most, namely creating a million jobs a year to meet the 2030 National Development Plan's employment and unemployment targets.

The following policy recommendations are thus suggested to allow the successful implementation of the Country Investment Strategy and Industry Master Plans.

9.1 Individual Civil Servant Accountability Policy Recommendations

1. Develop and maintain a central **Job Creation Performance Model** that indicate the impacts that different government processes have on investments, direct jobs, and indirect jobs respectively.
    a) For example, the issuing of a mining licences will lead to investment in a new mine, creating direct jobs for those working in the mine and indirect jobs for those working within the supply chain that serves the mine.
    b) The issuing of a power generation licence will lead to investment in the new power station, creating direct jobs for building and operating the power station and many multiples more indirect jobs within the wholesale and retail businesses consuming the power.
    c) Different departments, state owned enterprises, and agencies have varying degrees of impact on investment, as well as direct and indirect jobs. The **Job Creation Performance Model** must help identify the organs of state and their processes that have the largest impact in order to make sure they receive the most attention and assistance.
2. Engage with the local and global investment community and identify the 20% of government processes that will have the 80% impact on investment and direct and indirect jobs, as per the Pareto Principle ("80/20 rule"), as part of the **Job Creation Performance Model**.
    a) This process will first identify the departments, state owned enterprises, and agencies through investor feedback and then drill down into their mandates, operational processes, and existing Outcome Indicators in their Annual Performance Plans (APP).
3. Refine Output Indicators for the most investment and job creation sensitive processes to focus on short term job creation as part of **Job Creation Performance Model** (the 20%). The following are examples of refined Output Indicators:

Table 14: Examples of Refined Output Indicators in APPs

#	Government Process	Refined Output Indicator
1	**Grant Mining Licence**	Number of licences granted for mines employing between 2000 – 3000 people within 2 years since granting
2		Number of licences granted for mines employing between 2000 – 3000 people in 3 years since granting
3		Number of licences granted for mines employing between 2000 – 3000 people within 4 years since granting
4	**Grant Power Generation Licence**	Megawatt baseload installed capacity granted that can be connected to transmission network in 12 months
5		Megawatt day-time installed capacity granted that can be connected to transmission network in 12 months
6		Megawatt variable installed capacity granted that can be connected to transmission network in 12 months

4. Develop econometric models for the 20% of the most investment and job creation sensitive government processes and derive normative ratios between each process Output Indicator, Investment, Direct Jobs, and Indirect Jobs respectively as part of the **Job Creation Performance Model**.

   The following hypothetical example illustrates such normative ratios between each process Output Indicator, Investment, Direct Jobs, and Indirect Jobs:

Table 15: Example of Normative Ratios Between Processes and Indicators

#	Process	Output Indicator	Investment	Direct Jobs	Indirect Jobs
1	**Grant Power Generation Licences**	*Megawatt base-load installed capacity connected to transmission network in 12 months*	R15M	10	100

5. Work backwards from National Development Plan (NDP) targets and derive process Output Indicator Targets for the 20% of the most investment and job creation sensitive government processes as part of the **Job Creation Performance Model**. An example of a target is indicated below:

Table 16: Example of Process, Indicator and Target

#	Process	Output Indicator	Target (for financial year xxxx/xxxx)
1	**Grant Power Generation Licences**	*Megawatt base-load installed capacity connected to transmission network in 12 months*	2500 Megawatt

6. Establish a **Job Creation Office** within the Investment and Infrastructure Office of the Presidency to develop and maintain the central **Job Creation Performance Model** and maintain a list of the most investment and job creation sensitive processes, process Output Indicators, investment and jobs ratios, and NDP derived process Output Indicator Targets.

7. Formally partner the **Job Creation Office** with leading universities' Economics departments to develop econometric models and verify NDP derived targets.
8. Publish the **Job Creation Performance Model** in the Government Gazette for formal feedback from the private sector and organised CSO community.
9. Integrate **Job Creation Performance Model** Output Indicator Targets into relevant departmental, state-owned enterprise, and agency APPs.
10. Assign weights to all APP Output Indicator Targets of departments, state owned enterprises, and agencies that materially impact investment and employment. Mandate weightings of **Job Creation Performance Model** targets to 66% or above until unemployment levels drop to annual NDP target levels.
11. Align remuneration and bonuses of departments, state owned enterprises, and agencies' senior leadership on weighted APP Output Indicator Target performance. Institute mandatory disciplinary processes for gross underperformance against targets. This will ensure commitment from critically important civil servants towards investment driven job creation.
12. Develop a public web-based dashboard that tracks progress against **Job Creation Performance Model** Output Indicator Targets on a monthly basis.
13. Arrange quarterly **Job Creation Performance Model** performance feedback sessions between the CSO community and the relevant departments, state owned enterprises, and agencies' leadership.
14. Pilot the **Job Creation Performance Model** with 20 of the most important processes and add 20 additional processes on an annual basis till the 20% of the most investment and job creation sensitive processes are implemented.

9.2 Civil Society Inclusion in Economic Development Policy Recommendations

1. Create a dedicated Impoverished Community Investment Committee (ICIC) under the umbrella of the Country Investment Strategy's Investment Fast Track Committee (IFTC) that specifically focuses on investments that will uplift specific impoverished communities.
2. The ICIC must involve representatives from government, the private sector, and appropriately skilled and accredited Civil Society Organisation (CSOs).
3. Formally evaluate and invite CSOs that have the necessary social, financial, commercial, and legal acumen to effectively represent specific impoverished communities at the ICIC.
4. Formalise public-private investment models that allow impoverished community members to become equity partners with large private, institutional, and corporate investors using government supplied seed-capital in business ventures that leverage impoverished community assets such as land and water.
    a) An example of such a model would be the Taung Co-Op where a wholly owned subsidiary of major agricultural concern—GWK—partnered with emerging crop farmers operating on communal land in the impoverished Taung community.
    b) This membership and the Taung Co-Op's novel risk-sharing arrangement allows the emerging farmers to access markets, supply chains and finance that would not otherwise be available to farmers on communal land.
    c) Another example would be major beef conglomerate Sernick and emerging beef farmers in Vredenburg's having joint equity ownership of a beef sales and distribution company.

   d) In both instances the Treasury's Jobs Fund provided the public capital for these Agricultural SMME–Corporate Collectives.

5. Allow accredited CSO operated trusts that are exclusively mandated to provide services to specific impoverished communities to meet **B-BBEE ownership requirements** that are preventing otherwise viable investments that will provide employment to impoverished communities.
   a) As an example, an accredited CSO operated trust that serves poor communities close to a prospective mine must be allowed to hold a non-tradable equity interest in the mine in order to meet B-BBEE requirements.
   b) The trust deed will prevent the CSO trustees to sell the interest, thereby allowing the mining companies to develop the 20–50 years' business case required by the global mining investment community. This would resolve the Mining Charter's "top-up" impasse between Government and the mining industry.
   c) The black ownership will not only remain stable but also benefit the actual people around the mine, providing social stability through an alignment between the owners and workers of the mines.
   d) This model will also reduce inequality, with mining profits not only accruing to wealthy investors but also to poor community members.
6. Only allow legally, commercially, and technologically skilled non-profit CSOs approved by the relevant impoverished community, government, and the Minerals Council of South Africa to operate such trust holding equity in mines.
7. Create a central and public **Impoverished Community Job Creation Projects Register** listing projects that have high job creation potential for specific impoverished communities. All projects on the register must be qualified in terms of:
   a) **Impoverished beneficiary communities**, such as Motherwell township for the R23B Coega Ridge development between Motherwell township and the Coega Industrial Development Zone (IDZ).
   b) **Number of jobs for the impoverished community**, such as between 2000 to 5000 jobs for Motherwell residents working on the Coega Ridge development.
   c) **Government cost per job created in impoverished community**, such as R20 000 per job for Motherwell residents, assuming that government contributes R40 Million to a public-private partnership for a new waste water treatment facility for Coega Ridge.
8. Accredited CSOs must be allowed to publish investment opportunities on the **Impoverished Community Job Creation Projects Register** to introduce investors to the communities and allow these investors and CSOs representing these communities to submit joint applications for regulatory approvals, such as mining, water, or land use licences.
9. Allocate a targeted percentage of government spend towards projects on the **Impoverished Community Job Creation Projects Register.** This will ensure a poor community specific view in the implementation of the Country Investment Strategy and Industry Master Plans.
10. Investigate mechanisms to classify the degree of poverty for project prioritisation purposes. Include dependency on social grants as one of the factors to consider.

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