



National Economic
Development and
Labour Council

BRIEFING NOTE: NEDLAC 30 YEAR OF DEMOCRACY PROJECT

Nedlac social partners reflecting on 30 years of democracy and planning for the future

Theme: Economic development and employment
Sub-theme: Structural reforms

Welcome to the discussion, which will cover the provision of and investment in infrastructure, regulatory reform and public-private partnerships in respect of freight and logistics, energy, ICT and water.

This briefing note will assist you in your discussion by:

- Highlighting key issues¹
- Setting out questions for you to consider.

You are free to add additional issues and questions to your discussion.

A. Key issues

1. Variables and driving forces

The Indlulamithi project has identified the following variables and driving forces to consider when planning for future scenarios:

- Urbanisation will accelerate alongside urban poverty. By 2030, half of Africa will be urbanised.
- 50% of the population is online, mostly via mobile phone-enabled connectivity. However, they can't be online regularly because of the high cost of data.
- The continuing exponential advance of computer processing power is leading to rapid changes in machine learning/artificial intelligence.
- Wealthier areas are increasingly likely to privatise their lives, seeking private health, education, energy supply, security, transport, and entertainment.

The NDP 10-year review indicates that:

- Reducing the costs of non-revenue water from the current 41% to 20% and counteracting invasive alien plant infestation can offset the rising costs of energy security

The AfDG dialogues argues that:

- The institutional arrangements in the water sector are opaque and complex, and this complexity is further complicated by overlapping and duplicating mandates within the various spheres of government for basic service delivery. In addition, the performance of municipal and water services is inextricably linked to the overall performance of a municipality (AfDG: 30)

¹ These issues have been sourced from the DPME 30 year review, Indlulamithi driving forces scenarios, the dtic review and work in Nedlac.



National Economic
Development and
Labour Council

- Major investments in and capabilities for public infrastructure are needed, including in respect of transport, energy and local government. An enhanced professional procurement system could support this, as could innovative models of local government financing (AfdG:5)

2. Achievements and changes

- There has been a significant decline in fixed investment activity for 2023. The total value of new projects announced was R184.8 billion, a drop from R259.9 billion in 2022 and R392.7 billion in 2021. Private sector projects announced R56 billion compared to R203 billion in 2022 (Nedlac Economic and Employment Trends, June 2024)

Energy

- South Africa has experienced an energy supply shortfall since 2007, the biggest constraint to growth. Past failures to invest in new generation capacity, together with the deteriorating performance of Eskom's ageing coal-fired power stations, has led to frequent load shedding and significant economic costs in the country (OV:13)

¹ These issues have been sourced from the DPME 30 year review, Indlula8mithi driving forces scenarios, and work in Nedlac and AfdG dialogues held in 2022/23

Nedlac social partners reflecting on
30 years of democracy
and planning for the future





National Economic
Development and
Labour Council

- Reforms have occurred or are in progress to enable private investment in new generation capacity, restructure Eskom and establish a competitive electricity market (OV13).
- Through the National Energy Crisis Committee (Necom), additional capacity has been added to the grid as quickly and efficiently as possible, including by improving the performance of Eskom's existing fleet, accelerating procurement of new capacity from solar, wind, gas, and battery storage, and supporting households and businesses to invest in rooftop solar (OV:13).
- Raising the licensing threshold for embedded generation led to more than 6,800 MW of projects being formally registered with Nersa by April 2024 (OV:14).

Transport

- There was a decline of 80% in the use of passenger rail between 2013 and 2020 (NDP: 23)
- The financial and operational performance of South Africa's ports and rail network has declined sharply in recent years, and resolving this would increase GDP by 0.9% above the baseline by 2031 (OV:17).
- In 2023, transport backlogs pushed South Africa's coal exports down to 50mn tonnes, their lowest since 1993. The provision of private security on the rail network by businesses has brought down criminal incidents on the vital north corridor by 65 per cent.
- A process of reform in transport is underway, including introducing private sector participation in container terminal operations, establishing an economic regulator, separating rail infrastructure ownership from operations and corporatising the National Ports Authority (OV:18). Also planned is the devolution of passenger rail (OV:19)
- 80% of the national road network is past its 20-year design life due to a maintenance backlog requiring R75 billion (NDP: 23). 30% of the population were within 2 km of an all-weather road in 2021, up 9% from 2004 (Summary:39)

Water

- The Blue Drop Watch Report of the Department of Water and Sanitation shows that only 38 per cent of water treatment systems achieved excellent microbiological water quality for more than 99 per cent of the time, while 11 per cent achieved good microbiological quality between 97 per cent and 99 per cent of the time.
- The investment in water infrastructure is about one-quarter of what it needs to be to address the declining quality of water infrastructure. This is primarily due to management deficiencies and declining local government capacity (NDP:23)
- To create systemic solutions to ensure water security, a number of reforms have been introduced, including establishing the National Water Resource Infrastructure Agency Bill, updating the Raw Water Pricing Strategy and establishing a Water Partnerships Office to facilitate private investment in water infrastructure (OV:20, 21)

Digital

- South Africa's telecommunication sector has operated with insufficient allocation of spectrum. In March 2022, Icasa concluded the auction of high-demand spectrum through which six mobile operators were awarded spectrum with a value of over R14 billion. Analogue transmission was switched off on 31 July 2023 for frequencies above 694 Mhz. The remaining services should be switched off by the end of 2024.

B. Questions to be addressed



National Economic
Development and
Labour Council

- a) What are the achievements and lessons with respect to **structural reforms**? Consider, in particular, public-private partnerships in infrastructure provision and the recent collaborative experiences between business and government with respect to energy freight and logistics and crime
- b) Going forward, what should the **priority focus areas** and how can regulatory reform, investment, infrastructure and public-private partnerships be accelerated in respect of:
- Energy;
 - Water;
 - Digital; and
 - Freight and logistics.
- c) How should Nedlac and social partners collaborate to achieve these reforms?

Note: The local government working session will also consider the issue of the local government's failures to provide infrastructure.

Nedlac social partners reflecting on
30 years of democracy
and planning for the future

