



TOWARDS 2029:

**The DA's 5-Point "Jobs" Plan for Economic
Freedom, Fairness and Opportunity**

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Introduction: economic freedom, fairness and opportunity

“We are not yet free... We have merely achieved the freedom to be free”

- Nelson Mandela, *Long Walk to Freedom* (1995)

For too many South Africans, the political freedom achieved in 1994 has not been matched with economic freedom. The fact that one out of every four South Africans does not have a job is the clearest and most devastating expression of this lack of economic freedom.

The unemployed are unfree. And so we need to prioritise jobs as a passport to freedom.

Unemployment fuels poverty and inequality. Currently, more than four out of every ten South Africans live below the poverty line. Ours remains one of the most unequal societies in the world.

The legacy of apartheid casts a long shadow. It continues to hold back many black South Africans from enjoying equal access to economic opportunities. It is one of the main structural causes of poverty and inequality. That is why the DA supports measures to redress the legacy of the past, provided they broaden opportunities beyond an elite band of beneficiaries and promote growth and jobs.

Yet, even in spite of the legacy of apartheid, we should be much further down the road towards economic freedom. Since 1994, one of the biggest obstacles in our way has been the failure of the economy to create enough jobs. High levels of unemployment fuel poverty and inequality. In fact, they are the root cause of almost all of our overlapping economic, social and political problems.

According to the Centre for Development and Enterprise, by some measures, South Africa’s unemployment crisis is the deepest in the world. Almost no other country in the world is as bad at creating jobs as South Africa. In developing countries like India and Mexico, on average, 60% of adults are employed. In South Africa, the figure is around 40%.¹

Our unemployment rate is 26% under the “narrow” definition of those actively looking for work, and 36% under the “expanded” definition that includes discouraged jobseekers. This is extremely high by international standards.

Youth are the worst affected.

Statistics South Africa calculates the unemployment rate among youth between the ages of 15 and 24 at 63%. According to the World Economic Forum’s 2014 Global Risks report, South Africa has one of the highest unemployment rates for youth between the ages of 15 and 24 in the world, along with Greece and Spain, at 50%.

According to the South African Institute of Race Relations², our overall unemployment rate is

¹ Ann Bernstein, “Crisis demands we ditch our aversion to lowly paid jobs”, *Business Day*, 30 June 2015.

² John Kane-Berman, “Give the poor back their right to work: a 10-point plan for jobs”, *@Liberty: The Policy Bulletin of the IRR*, Issue 19, 24 June 2015.

substantially higher than those of Brazil and Russia (6% each), India (9%), and China (4%). Although it is roughly the same as Greece's (25%), our unemployment rate comes on the back of five years of tepid economic growth, whereas Greece's comes on the back of five years of economic recession.

No country can create jobs or include more people in the economy without economic growth. This insight informs The DA's *Plan for Growth and Jobs*, first published in July 2012, and updated in 2014. Our Plan aims to create the conditions for the South African economy to grow at 8% by:

- **Providing policy direction and coherence on the economy;**
- **Managing public money better;**
- **Increasing investment and savings;**
- **Supporting redress measures to broaden participation in the economy;** and
- **Boosting trade with other countries,** especially our African neighbours, so that businesses can grow and create jobs.

The DA remains committed to achieving 8% growth by implementing our *Plan for Growth and Jobs*. We will continue to strengthen and revitalise our ideas in each of these areas with up-to-date research and innovative policy proposals. For example, over the next six months, the DA will embark on a costing and modelling exercise aimed at cutting the public sector wage bill and reducing our bloated government to 15 ministries. This will result in a better use of public funds. In order to provide better and more growth-focused policy direction and coherence, we will analyse all interventionist laws and regulations – from those affecting the mining sector to tourism and beyond – that are suffocating growth and that the DA will repeal when it comes into government. We will also continue to refine our approach to redress measures like employment equity, broad-based black economic empowerment and land reform so that their outcome is not narrow demographic representivity, but more economic opportunity for more people, more growth and more jobs.

In the meantime, we have also begun a process of reconfiguring and reprioritising the core offer of our economic policy so that it becomes synonymous with one word: jobs.

Partly, the impetus is internal. In May 2015, the DA adopted a Values Charter. It affirms that freedom, fairness and opportunity are the bedrock of the DA's values. These values shared are by the majority of South Africans. We all want a society and an economy that are free, fair and full of opportunity.

In June 2015, we launched our Vision for 2029. What we envision, after ten years of DA government, is a dynamic and vibrant country – a leader in the developing world – where opportunity, personal responsibility, and effort coupled with reward, all provide for economic freedom.

South Africans have extraordinary potential. But that potential remains untapped. Too many of our people don't have the opportunity – by way of education, skills and, above all, jobs – to enjoy economic freedom. Opportunity is what enables people to be truly free. It is what allows them to unleash their talents and pursue their dreams, develop their full potential and lead lives they value. Without opportunity there can be no economic freedom. And without economic freedom, society is much less fair.

The internal consolidation of our values and vision around freedom, fairness and opportunity over the

past year has led us to a much sharper focus on jobs.

It has become increasingly clear that to realise our vision, we will require a laser-like focus on addressing and removing barriers to labour market entry and job creation in five key areas. For that reason, as we prepare to form part of government in 2019, and with a view to attaining our vision after ten years of DA government in 2029, we will, over the medium term, refocus and refine our economic priorities so as to:

- 1.) Invest in **integrated energy, transport and ICT infrastructure** for job creation;
- 2.) Give more people the **education and skills** they need to get a job;
- 3.)** Radically reform the **labour regime to support job creation**;
- 4.) Provide direct **incentives for job creation**; and,
- 5.) Create a nation of **entrepreneurs** by making it easier for South Africans to start and grow their own **small businesses**.

If we get these five things right, by 2029 South Africa will be a hub of innovation, with 1 million new entrepreneurs. We will have a growth rate of 8 percent. And businesses will have been able to create millions of jobs.

1. Integrated infrastructure for job-creation

Before we can even think of growing the economy and creating jobs, we need to ensure that the basic infrastructure to support this growth is in place. This means a dependable supply of affordable electricity, a well-maintained road infrastructure and the roll-out of efficient ICT infrastructure across the country.

Right now, our government is failing in all three of these areas.

A DA government would immediately put steps in place to break up the Eskom monopoly, allowing for more independent power producers to contribute to our grid. We would also abandon the ill-conceived nuclear build, which is not only unaffordable, but will take far too long to complete.

We would prioritise the maintenance of our road network in all provinces, and we would embark on the roll-out of appropriate ICT solutions nation-wide, as we have already started in the Western Cape.

i. Investing in integrated infrastructure for growth

Massive infrastructure backlogs have contributed to investor concerns about the attractiveness of South Africa as an investment destination. Poor state planning over the last 15 years has left us, according to the Department of Public Enterprises' own research, with a R1.5 trillion backlog in the energy, road, rail and communications infrastructure needed to support a growing economy.

**A DA government
would increase
infrastructure
spending to 10% of
GDP**

The Zuma administration has not delivered on its big promises with regard to infrastructure investment. From 2009/10 to 2011/12, government missed its infrastructure spending targets by an average of 22.5%.

The effects on job creation of infrastructure backlogs and non-delivery have been devastating.

A DA government would boost actual expenditure on infrastructure to at least 10% of GDP.

This spending cannot be funded solely through the fiscus. We propose the following approaches to raising the finance to bring infrastructure investment to the desired level:

- State-owned enterprises (SOEs) to sell off existing aging or underutilised assets and then reinvest the proceeds into new infrastructure projects.
- Listing various large infrastructure projects so as to raise equity capital from the financial markets.
- Listing SOEs themselves, whereby a majority of shares could be retained by the state but capital could be raised on the sale of the remainder on global markets.
- Allowing private sector players to build and manage infrastructure assets. This could include allowing more independent power producers (IPPs) in the energy sector or permitting mining houses to build their own rail connections to the ports.

Furthermore, in order to bring infrastructure investment to the desired level, we will need to:

- **Fix energy policy and the mess at Eskom.**

South African is currently facing an electricity crisis with no easy solutions. Everyone in our country has been affected by load shedding, whether through simple inconvenience, the impact on businesses, or by job losses.

A well-run and effective energy sector is vital to growing South Africa's economy. It contributes to growth and creates jobs through the activities involved in generating and distributing energy. More importantly, energy supports growth in the rest of the economy as it is used by almost every business to deliver goods and services. Affordable and reliable electricity is a key input for all businesses.

To fix the mess at Eskom, we must identify its roots causes. The current crisis is a consequence of failed energy policy and planning as well the ANC's ideological confusion. This failure has led to a number of other systemic issues, which together, have resulted in the current crisis. These include:

- Eskom not having enough generating capacity;
- The never-ending delays to finishing new power plants that are meant to increase this capacity;
- The lack of proper and regular maintenance at existing power plants;
- Poor and inexperienced management at Eskom;
- The lack of political will in government to address the crisis because of the opportunities it provides for self-enrichment; and finally,
- The financial emergency the company finds itself in, which is compounded by the indefensible payment of large bonuses to Eskom executives.

To address these problems, a DA government would firstly implement a short-term action plan. This plan would introduce competition into the electricity market by allowing Independent Power Producers (IPPs) to launch new power projects to make up for Eskom's lack of generating capacity and would lower the price of electricity. A DA government will do this by adopting the long overdue Independent Systems and Market Operator (ISMO) Bill, which would remove the operation of the electricity transmission grid from Eskom and place it in a separate state-owned entity.

To improve generating capacity, the DA would also fast-track the Medupi and Kusile projects. The DA recognises the importance of reducing the demand for electricity that Eskom supplies and would also subsidise and incentivise homes and businesses which generate their own electricity (by using solar panels (PV), generators or other technology).

Eskom's financial situation can also be addressed in the short-term. Using diesel generators to reduce the impact of load shedding is expensive. This cost is being increased by Eskom's procurement process, which, as recent media reports have shown, is allowing middle men to benefit from suspicious tenders to enrich themselves at the cost of consumers. A DA government would ensure transparent and cost effective procedures for buying all inputs for Eskom to minimise the impact for South Africans. Salaries and bonuses to officials also have to be reduced and linked entirely to performance. Bonuses would

be paid to the engineers who turn failing plants around, not the executives who have let them fall into disrepair.

Another important short-term step the DA would take would be to make Eskom publish a detailed report on backlogged maintenance at all power plants. This would allow a DA-led government AND all South Africans the chance to hold the utility to account.

One of the biggest failures of the current government has been a lack of planning for the future. The DA believes that the above measures are much needed, but that it is as important to plan ahead so South Africa never faces a crisis of this magnitude again. To begin this planning, the DA would revise and release an updated Integrated Resource Plan (IRP). This plan would include details such as the kind of energy mix South Africa should have (renewable, nuclear, coal, etc.). It would also investigate and describe how much energy we will need in the future and what kind and size of energy projects would best meet this need. A DA government will introduce an IRP plan with a strong focus on further expanding the use of renewable energy technologies and gas, as these are faster to implement than alternatives.

The use of gas as an energy source in homes and businesses is a key way to solve the current crisis; even the ANC has recognised this in its five step plan. Unfortunately, like many current plans, the ANC has failed to provide the legislation and regulation for the effective use of gas as an energy source. To speed this up, a DA government would separate legislation governing gas from other mineral resources. We would also publish a Gas Utilisation Master Plan (GUMP) in order to provide clarity to the market as to what investments into the gas sector are being considered.

We know that providing electricity cannot come at any cost, especially the health of our people. We would ensure Eskom conducts an honest analysis of its power generation stations to determine if and how they are affecting the health of surrounding communities as well as nearby land and water resources.

- **Refine and strengthen the role of infrastructure regulators.**

A national DA government would conduct a comprehensive analytical review of the current state of South Africa's independent infrastructure regulators. The review process will (i) clarify their respective roles; (ii) strengthen accountability; (iii) update relevant legislation and regulations; and (iv) make recommendations regarding institutional design reform. We also believe that a Regulatory Impact Assessment Unit, located in the Presidency should conduct regular reviews of the impact of the independent regulators on economic growth and provide advice and support to these bodies.

- **Renew Freight Rail Fleet.**

In government, the DA will initiate a process of renewing the country's entire freight rail fleet to expand capacity and enhance the efficiency, reliability and competitiveness of transporting goods around the country and to our trading partners abroad. This will take the form of a region-by-region shift (beginning in areas facing immediate capacity constraints) to new generation high-capacity rolling stock, and will be augmented by station upgrades and improved facilities to enhance the

interface between rail and road-based services. As this is a long-term process, improved maintenance of existing rolling stock will be integrated into the renewal process.

- **Develop an intra-SA business corridor.**

The DA will use infrastructure investment to improve commercial connectivity between regions by upgrading the Durban-Gauteng freight corridor, and build a new port at the old Durban International Airport site. This will both stimulate commercial activity within South Africa and enhance our trade profile by better integrating the country's primary economic hub (Gauteng) with the main port (Durban).

- **Upgrade Information and Communications Technology Infrastructure.**

In national government, the DA would prioritise universal access to affordable, fast and reliable internet services.

This will be achieved through both (i) a market-driven approach in which we create an enabling environment for the delivery of ICT infrastructure, services and content by the private sector, and (ii) a developmental approach in which the state will play a stronger role in facilitating access to infrastructure and services in under-served areas and promoting content that serve developmental needs³.

- **Increase the transport infrastructure budget.**

The DA will increase budget allocations to the public transport network to better connect people with opportunities (for example, by extending Rapid Bus Transit systems) and increase spending on upgrading informal settlements.

- **Invest in water infrastructure.**

The assurance of sufficient water for industrial development and urban expansion is an essential prerequisite for growth. Approximately 40% of South Africa's run-off flows into the ocean.

A DA government would prioritise water distribution to nodes of development in its infrastructure expansion programmes. Utilisation for irrigation purposes that can grow agricultural production, and hydro-electricity generation that can contribute to lower energy costs will be given due consideration, whilst maintaining the required ecological reserves.

ii. Reducing infrastructure costs

Studies show that high levels of market concentration represent a serious underlying constraint to South Africa's potential to achieve higher growth over sustained periods⁴.

³ Detail on our broadband policy is discussed in our policy document on Communications.

⁴ Faulkner, Loewald & Makrelov, 2013.

It is estimated that if mark-ups in the South African economy could be reduced to international benchmarks the economic growth rate could increase by as much as 1.5% per year⁵. Volume benefits resulting from the gains to consumers when competition is increased and prices are lower are expected to far outweigh any possible losses to domestic firms.

**If we reduce costs, we
can grow the economy
by another 1.5%**

In addition, the South African economy is constrained by the high cost of transport and ICT. Such costs are also often devolved to consumers.

The DA believes that the following initiatives could assist in driving down costs:

- **Strengthening competition authorities** and increasing their budget in order to counteract anticompetitive behaviour by Big Business 'insiders'. This should include (i) making it a criminal offence for a company, its directors and managers to knowingly participate in collusive behaviour, (ii) ensuring that appointments to the Competition Commission are a-political, (iii) making it the responsibility of the commission to initiate investigations into the level of competition of problematic economic sectors and instituting formal enquiries where appropriate.
- Managing costs escalation from uncompetitive state-owned enterprises involved in the delivery of infrastructure, such as the South African National Roads Agency (SANRAL) and the Transnet National Ports Authority (TPNA), by exploring the privatisation of these SOEs. The DA would **commission an independent feasibility study** that will examine the economic impacts of **privatising particular SOEs**, or divisions thereof. Terms of reference will include a full estimation of the costs involved in such a process, recommendations as to which, if any, SOEs would be suitable for sale and how the process should be managed in order to maximise value.
- **Granting operating licences to additional fixed-line telephone operators** in order to encourage competition in the ICT sector, bring down prices and improve service delivery for consumers. This will bring to an end the monopoly enjoyed by Telkom, which has until now undermined South Africa's competitiveness in this important sector.
- **Establishing a new regulatory framework for the ICT sector** to ensure that broadband capacity improves, that prices fall and that the internet is accessible to all.
- **Encourage Independent Power Production** through an overhaul of the institutional framework governing the electricity sector in South Africa to facilitate competition and drive efficiencies.

⁵ Aghion *et al* in Faulkner, Loewald, & Makrelov, 2013.

2. Education and skills development for job creation

One of the main reasons that South Africa has such a high unemployment rate is because there is a fundamental mismatch between the skills demanded by employers and those possessed by much of the potential workforce.

In pursuit of freedom, fairness and opportunity, the government must work to give more people the education and skills they need to get a job and to support the kinds of research and development that can make South Africa a winning nation in a globalised knowledge economy.

Education is already an important national priority. In the 2014/2015 financial year we spent R246 billion, more than one-fifth (22, 6%) of our national budget, on education.

The return on investment on the other hand has been unsatisfactory. While we have improved *access* to education we have not improved the *quality of outcomes*.

International assessments highlight the problems in our education system. The 2011 *Trends in International Mathematics and Science Study* (TIMSS) report⁶ ranks South Africa second last of the 63 countries and 14 participating benchmark countries for mathematics. The 2012 *Progress in International Reading Literacy Study* (PIRLS) report⁷ placed South Africa third last of the 49 countries and 9 benchmark countries for literacy.

These poor outcomes in basic education are also impacting on the experiences of learners in our universities. A study released by the Council for Higher Education in August 2013 revealed that only one in four students in contact institutions graduated in time, only 35% of the total intake, and 48% of contact students graduate within five years, and only 5% of African and coloured youth are succeeding in higher education⁸.

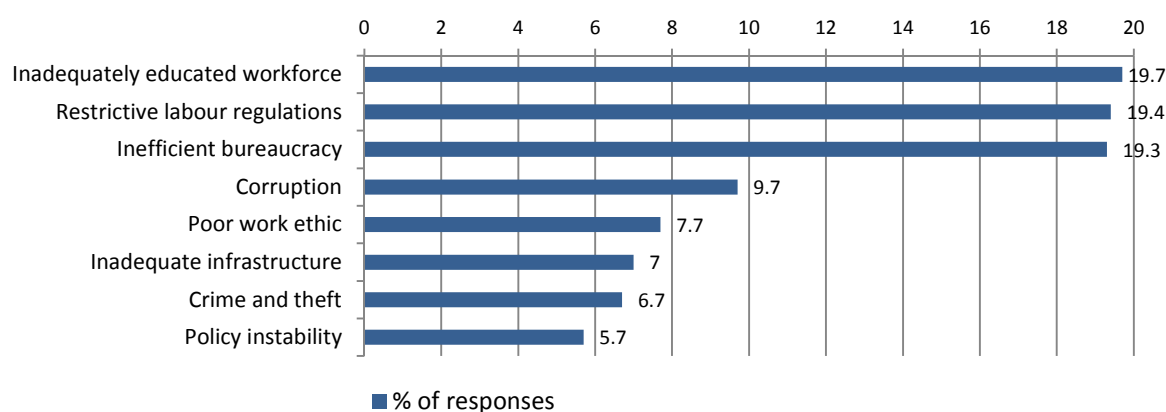
This has meant that our “inadequately educated workforce” has become the most problematic factor for doing business in South Africa.

⁶ The International Association for the Evaluation of Educational Achievement (IEA). 2011. TIMSS 2011 International Results in Mathematics. [Online]: http://timssandpirls.bc.edu/timss2011/downloads/T11_IR_Mathematics_FullBook.pdf

⁷ The International Association for the Evaluation of Educational Achievement (IEA). 2011. PIRLS 2011 International Results in Reading. [Online]: http://timssandpirls.bc.edu/pirls2011/downloads/P11_IR_FullBook.pdf

⁸ MacFarlane, D. 2013. ‘Damning CHE report into university performance’, in *Mail & Guardian*. Available. [Online]: <http://mg.co.za/article/2013-08-20-damning-che-report-into-university-performance/> (August 2013).

Graph 1: The most problematic factors for doing business in SA



Source: World Economic Forum, *Global Competitiveness Report: 2013-14*.

The DA’s education policy offer is discussed in more detail in our Basic Education policy. In our Innovation policy, we set out how we believe Higher Education and Training and targeted investment in Science and Technology can be leveraged to support the work-readiness and productivity of job-seekers and the employed and ensure that our research activities deliver real benefits to ordinary South Africans.

Some of our key proposals to get education right and to ensure that we keep investing in the development of new ideas to grow the economy are outlined below:

- **Fixing basic education**

In our Basic Education policy, we outline interventions to:

- Improve school management (studies show that school leadership is “second only to classroom teaching as an influence on pupil learning” and that schools cannot improve learner outcomes in the absence of talented leadership⁹);
- Professionalise the teaching profession and use competency tests to enhance teacher quality;
- Develop an integrated system of performance management that will help us to reward teachers for good performance (with a strong focus on learner outcomes) and to identify training needs;
- Attract scarce skills to teaching by involving the private sector and exposing more graduates to teaching;
- Support academic excellence through a nation-wide bursary scheme for academically talented learners from low-income families; and
- Encourage private sector participation in education by creating a legislative and policy framework that allows for alternative schooling models (this could include providing public funding to private organisations delivering quality schooling outside of the public education system, whilst maintaining public accountability).

⁹ Bush *et al*, 2011.

- **Building our skills base.** In our Labour policy and our Innovation policy we provide details on our interventions to ensure that we develop the skills that the economy needs to grow and that South Africans need to find jobs. The proposed interventions include:
- **Expand the National Student Financial Aid Scheme.** In national government, the DA would expand the National Student Financial Aid Scheme (NSFAS) to ensure that a lack of funding does not exclude any suitable candidates from tertiary education. We will also develop a programme of state sureties for students who do not qualify for NSFAS bursaries, but are seeking student loans from commercial banks.
- **Scrap the inefficient Sector Education Training Authorities.** SETAs have not been effective in servicing South Africa's skills needs. The DA will scrap these expensive and overly bureaucratic structures and encourage industry to engage directly with training providers to establish vocational training that will prepare trainees for the world of work and enhance the productivity and development prospects of existing employees.
- **Reimburse training costs to employers.** In national government, the DA would pay employers back for the money they spend on approved training for their workers to ensure that employees' skills are better matched with market demand. Employers' associations will be encouraged to articulate the skills needs in their respective industries and to engage with Further Education and Training (FET) colleges, universities and a centralised body administering apprenticeships to ensure that training and trade offerings match their skills needs.
- **Bring back the focus on practical skills.** In national government, the DA will prioritise the re-introduction of nation-wide practical skills programmes. This will include:
 - i) A renewed focus on vocational schooling for which curriculums will be developed in partnership with industry.
 - ii) Encouraging dual technical and vocational training programmes presented through FET colleges that includes simulated practical work and workplace based practical experience.
 - iii) Streamlining the confusing system of SETA-accredited non-technical learnerships and the technical apprenticeships (or artisan training) until recently run under the terms of the Manpower Training Act of 1981. There are currently nearly 1 000 registered trades and significant duplication in terms of certifications offered for a specific skill¹⁰. The DA supports the recommendation of industry experts that this should be rationalised into a uniform, cross-sectoral list of around 100 'generic trades'¹¹. Quality assurance can be centrally managed

A national DA
government will
reimburse employers
for their training costs

¹⁰ Van Rensburg, 2012. 'Reinventing the apprenticeship system in South Africa'. Available. [Online]: <http://www.leader.co.za/article.aspx?s=6&f=1&a=4115> (September 2013).

¹¹ Van Rensburg, 2012.

through the Quality Council for Trades & Occupations (launched in 2010) and trade tests can be administered through relevant industry bodies.

- iv) Tax incentives for employers who accommodate FET students for workplace experience.
- v) Encouraging greater flexibility in the labour regime regarding apprentices through minimum wage determinations that promote rather than inhibit the appointment of apprentices.

- **Encourage skills development through the empowerment scorecard.** The empowerment scorecard currently only recognises contributions to skills development for an entity's own black employees in the skills development component. This excludes South Africa's large unemployed population from capacity-building initiatives by the business community.

The DA would change the scorecard to (i) recognise skills development contributions to both employees and non-employees earning less than a specified minimum income, and (ii) give recognition for accommodating interns and apprentices in a business (regardless of the 'race').

- **Public Service Graduate Recruitment Programme.** The DA will create work experience opportunities for young people through a formal graduate recruitment programme for the public service, featuring skills programmes for senior management, technical professionals and local government staff components. The programme will require a basic entrance examination to ensure that public officials possess basic competencies. In addition, we will pilot a high-performance 'fast stream' recruitment initiative modelled on the UK system to attract talented individuals from the best universities.
- **Make it easier for skilled professionals to enter the country.** Each skilled migrant into South Africa could create up to eight unskilled jobs¹². The DA will therefore reform immigration laws and visa requirements to make it easier for skilled foreign nationals to enter the country and obtain permission to work and live here.
- **Positioning South Africa as a global hub for research and development.** According to estimates by the Organisation for Economic Cooperation and Development (OECD), a 1% increase in the ratio of research and development (R&D) investment to GDP raises economic activity by 1.2%¹³.

R&D ↑ 1%
=
GDP ↑ 1.2%

South Africa has a number of good universities, and a selection of top-flight research institutes, specifically in high-value industries such as pharmaceuticals and science and technology research. In the Global Competitiveness Report, South Africa is ranked 34th in the world in terms of the quality of our scientific research institutions and 30th in terms of industry-university collaboration on R&D¹⁴. South Africa has the intellectual assets to become a world-class centre for R&D.

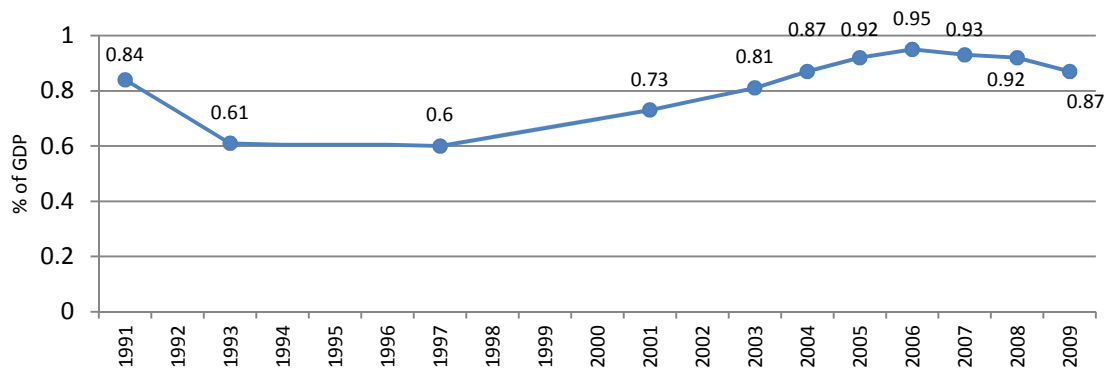
¹² Gill Marcus in Maswanganyi, N. 2013. 'Marcus in fresh attack on failure of state policy' in *Business Day*. Available. [Online]: <http://www.bdlive.co.za/economy/2013/08/01/marcus-in-fresh-attack-on-failure-of-state-policy> (August 2013).

¹³ Faulkner, Loewald, & Makrelov, 2013.

¹⁴ World Economic Forum. 2013. *Global Competitiveness Report: 2012-2013*. Available. [Online]: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2012-13.pdf (August 2013).

The National Survey of Research and Experimental Development measures R&D investment by business enterprises, government, higher education institutions, not-for-profit institutions and science councils. The latest survey shows that South Africa's investment in R&D is actually decreasing¹⁵. We are moving further away from our targeted spending of 1% of GDP, whilst in 2010, member-countries of the Organisation for Economic Cooperation and Development (OECD) invested, on average, 2.38% of GDP in R&D.

Graph 2: Investment in Research and Development as a % of GDP



Source: Human Sciences Research Council. 2013. National Survey of Research and Experimental Development: 2009/10 Fiscal Year.

Smart policy reforms will be needed at a national level to harness South Africa's intellectual assets to boost our country's overall competitiveness and drive growth.

To support R&D investment in South Africa, the DA proposes the following:

- **Establish a research alliance venture fund.** Funding could be allocated in the form of commercialised grants to assist researchers to turn their work into marketable products.
- **Allow universities to retain ownership of government-funded work** – thus enabling them to benefit financially from their innovations.
- **Use national grant and bursary funding** to encourage research in priority areas.
- **Establish a web-based portal** where innovators can access information on the types of support available for research and development in various areas, the funding cycles for financial support, application processes and opportunities for research partnerships.
- Provide support towards the **cost of patenting.**
- Strengthen the **capacity of the Technology Innovation Agency** to deliver on its mandate to provide financial and non-financial support for the development and commercialisation of competitive technology-based services and products.

¹⁵ Wild, S. 2013. 'R&D in SA: No rhythm, only blues', in *Mail & Guardian*. Available. [Online]: <http://mg.co.za/article/2013-06-21-00-rd-in-sa-no-rhythm-only-blues> (August 2013).

- Allow for **accelerated depreciation** of equipment used in research and development.
- **Reduce the cost of R&D inputs** by exempting imported research and development inputs from import duties.
- **Strong tax incentives** for private sector investment in R&D.
- Establish techno-parks, industrial zones or city rejuvenation projects that can act as **sites for innovation** (supported by appropriate infrastructure, reduced red tape, an accommodating regime of taxes, rates and utility fees and investment in the skills required for the relevant industry).
- **Strengthen the protection of intellectual property (IP)** by withdrawing the un-implementable changes to the Intellectual Property Laws Amendment Act adopted in 2013. These changes undermine existing copyright, trademark, design, performance and film protection in a clumsy effort to protect traditional knowledge or “indigenous cultural expressions”. The DA would keep current IP legislation intact and supplement it with a specific sui generis act protecting Traditional Knowledge which would address the shortcomings in our current legislation around protecting indigenous cultural expressions without completely undermining the implementation of IP laws in other areas.

3. A labour regime that supports job creation

There are many reasons for our high unemployment rate. Thus far, we have seen how they include infrastructure that does not promote growth, poor schooling and inadequate technical education, as well as skill shortages.

Another major cause is our unfair labour regime, which locks out prospective new entrants from the labour market. Our labour market is too rigid. It is too difficult to hire and fire workers, which discourages employers from taking on inexperienced workers. And collective bargaining favours big firms at the expense of smaller ones.

It is time for a new set of ideas and policies to recalibrate the country's industrial relations system and deregulate our labour market.

Of course, the DA fully supports the rights of workers and is committed to the four principles outlined in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work as adopted in 1998. The four fundamental principles include (i) Freedom of Association and the effective recognition of the right to collective bargaining, (ii) Elimination of all forms of forced or compulsory labour, (iii) Effective abolition of child labour, and (iv) Elimination of discrimination in respect of employment and occupation.

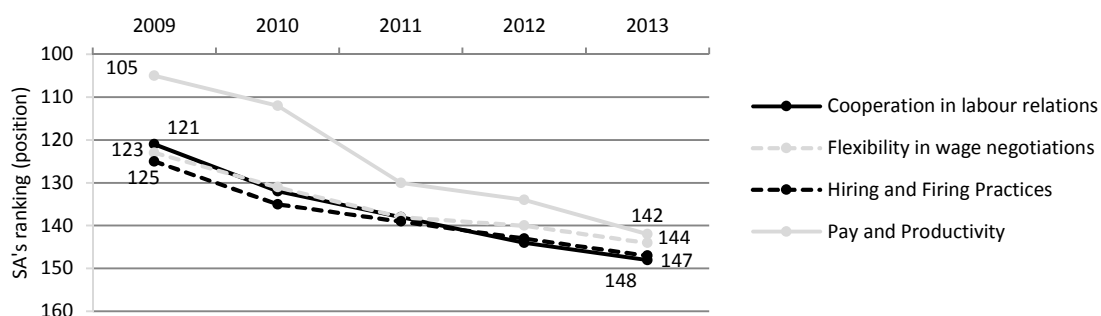
We do not, however, support any abuse of power by entrenched labour unions that perpetuates the divide between economic insiders and outsiders, and shields the employed at too great a cost to the unemployed.

In an analysis of labour market efficiency in 144 countries, the World Economic Forum's *World Competitiveness Report 2014-2015* places South Africa¹⁶:

- 144th for cooperation in labour-employee relations,
- 143rd in terms of hiring and firing workers,
- 139th in terms of flexibility of wage negotiations, and
- 136th in terms of the extent to which pay is related to productivity.

The rankings also suggest that South Africa's labour market is becoming less efficient over time.

Graph 3: SA's rankings in terms of labour market efficiency



Source: World Economic Forum Global Competitiveness Reports 2013, 2012, 2011, 2010, 2009.

¹⁶ World Economic Forum. 2014. The Global Competitiveness Report 2014–2015. [Online]: http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf.

“Restrictive labour regulations” is noted as the 2nd biggest problematic factor for doing business in South Africa (following an “inadequately educated workforce”) ¹⁷.

The DA’s position on labour issues is set out in more detail in our Labour Policy document. Key labour reform initiatives that we believe could support job creation are outlined below:

- **Remove extension of collective bargaining to non-parties.**

The DA believes that collective bargaining is losing its value as a forum for identifying mutually acceptable solutions to labour issues as a result of the dominance of big business and big unions in collective bargaining councils and the extension of agreements by the council to non-parties, including small businesses that are often unable to shoulder the responsibilities imposed on them.

Don’t allow the extension of collective agreements to non-parties

The DA believes that Section 32 of the Labour Relations Act, which allows for the extension of agreements to non-parties, should be repealed.

- **Amend the definition of “big employer”.**

To reduce the regulatory burden on small business and encourage them to employ more people, the DA would amend the definition of big employer in the Labour Relations Act so that it only applies to entities that employ more than 250 persons.

- **Don’t allow historically dominant unions to keep out new and smaller players.**

Democratise labour relations by:

- Repealing Section 26 of the Labour Relations Act which allows for closed-shop agreements and propose a model of proportional representation in labour bargaining, with firm minimum thresholds for participation to prevent the proliferation of labour representatives in a given bargaining unit. To prevent free rider problems, agency shop agreements could be extended to employees who are not members of unions represented in the bargaining council, with membership fees distributed proportionally to represented unions.
- Repealing Section 18 of the Labour Relations Act which allows majority unions and employers to agree on thresholds of representativeness for unions to gain organisational rights in a specific workplace or sector.

- **Improve the ease of hiring.**

The DA will consider amendments to the labour relations act to:

- Simplify dismissal procedures for businesses employing less than two workers;

¹⁷ World Economic Forum, 2013.

- Relieve some of the restrictions on bigger employers wishing to dismiss employees based on operational requirements, particularly the requirements that consulting parties must try to reach consensus on the criteria and method for selecting employees to be dismissed and that employers must provide extensive documentation concerning the dismissal to the consulting party (including the prospects for re-employment); and
- Simplify procedures for dismissals based on poor work performance.

- **Enhance temporary employment.**

The DA recognises the importance of temporary employment agencies in transitioning people into the formal job market and believe that the formal temporary employment agency sector should be supported in supplanting illegal and exploitative temporary employment agents. This should be coupled with the introduction of a redesigned and better resourced Labour Inspectorate.

- **Make NEDLAC a driver for job creation.**

The DA believes that Section 5.1 of the NEDLAC Act (35 of 1994) should be amended to explicitly include job creation and poverty reduction as part of the goals of the council - thus ensuring that the need for flexibility in the labour market and its impact on employment is appropriately considered and reported upon in all NEDLAC decisions.

- **Introduce sectoral minimum wages rather than a national minimum wage.**

Instead of a national minimum wage, the DA would introduce a sectoral minimum wage dependent on industry and region. This sectoral minimum wage will take into account that living costs and conditions differ across industries, as well as between urban and rural areas.

The DA would create an Independent Wage Commission to determine and set fair sectoral minimum wages. The commission would involve economic experts, but not representatives from big business, labour unions or politicians. This freedom from business, political or labour interests will allow wage levels to be determined scientifically. The panel would publicly recommend sectoral minimum wages to the Minister of Labour, who would seek approval from National Treasury.

The DA believes that supporting entrepreneurship is key to job creation. The party also believes in economic inclusion and reducing youth unemployment. Therefore, a DA government would not apply minimum wage rules to young work-seekers and trainees, as well as small businesses. These exemptions would include:

- Small and micro enterprises with a set turnover as specified in the BEE codes;
- Youth under 25 years of age, students and those employed as part of the Employment Tax Incentive; and,
- Apprentices or interns receiving training.

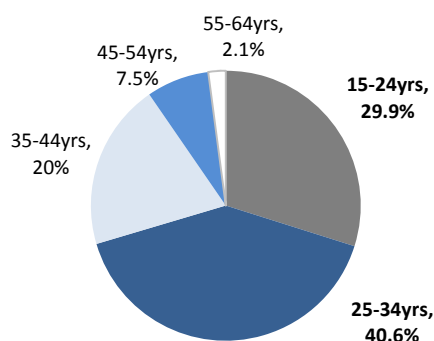
A sectoral minimum wage will maximise fairness and opportunity in the labour market, without making it hard for businesses to employ people. It will offer protection for both workers and employers, and will provide the certainty needed to grow the economy.

4. Incentives for job creation

The most fundamental challenge facing South Africa today is that too few people are employed. We need to incentivise opportunities for job creation.

Unemployment is particularly high among young South Africans. The age groups 15-24 and 25-34 years jointly account for nearly 66% of the total number of unemployed persons. For the nearly 8 million unemployed and discouraged job-seekers in South Africa, it is very hard to maintain a minimum standard of living.

Graph 4 : Age break-down of SA unemployed



In recognition of the impact of high unemployment on our economic growth potential and the quality of life of ordinary South Africans, the government should directly incentivise job creation.

Incentive programmes should complement initiatives to create jobs through growth and improvements to the skills base.

Source: Statistics SA: Quarterly Labour Force Survey, Q2 2013

The DA believes that the following initiatives could help get people into jobs:

- **A real Youth Wage Subsidy.**

A national DA government would implement the rollout of a real youth wage subsidy programme to encourage the appointment of young-work seekers.

The DA has been calling for a real Youth Wage Subsidy for a long time now, but the finance minister remains silent on the issue. Instead, after years of infighting in the tripartite alliance, the ANC chose to introduce a watered-down version called the Employment Tax Incentive (ETI) in 2013.

**The youth wage
subsidy could benefit
423 000 young people
in the first 3 years**

The delay in tabling the ETI Bill in Parliament, caused by the stand-off between the ANC and Cosatu, led to 218,000 young job seekers joining the ranks of the unemployed.

Although the DA supported the introduction of the ETI, recent research by University of Cape Town and information provided by Deputy President Cyril Ramaphosa during question time in Parliament, reveals that it has not made a big enough dent in youth unemployment.

Instead, South Africa needs to implement a real Youth Wage Subsidy.

Under a DA government, the subsidy would be targeted at young and low skill job-seekers aged between 18 and 29, earning below the personal income tax threshold. It would be available for a maximum of two years and have a maximum value of R12 000 per year. It would run through the Pay as You Earn (PAYE) system operated by the South African Revenue Service (SARS).

The subsidy would be subject to an initial implementation period of three years with detailed monitoring and reporting on a quarterly basis. Continuation of the subsidy and design changes will depend on a full impact evaluation, with appropriate job creation and cost per job criteria.

We believe that this subsidy could benefit 423 000 young people in the first three years of implementation.

This subsidy will provide a stronger incentive for job creation than government's existing Employee Tax Incentive, as it will allow existing young workers to be subsidised, will ensure that entry-level jobs created in sectors with wage determinations will also qualify for the subsidy and will allow for cash pay-outs if a company's PAYE (Pay as You Earn) bill is depleted.

- **Apprenticeship wages.**

It is crucial that we push ahead with a real Youth Wage Subsidy as it will play an important role in kick-starting the careers of thousands of young South Africans and getting them onto the first rung of the ladder of our economy.

Given that 67% of unemployed people in South Africa are under the age of 35, we cannot afford to twiddle our thumbs, hoping that the economy will pick up at some point. We need urgent interventions that will get young South Africans working.

But the Youth Wage Subsidy cannot help every young jobseeker out there. It needs to be implemented alongside various other plans to get young people into jobs.

One such a plan is the apprenticeship wage.

The World Bank proposes the use of apprentice wages as a means to overcome employer resistance and create new opportunities for young jobseekers. Apprentice wages allow businesses to hire young, first time employees for a portion of the mandatory minimum wage.

Apprentice wages can pay a “double dividend” by securing the transition to permanent employment for young workers and providing for lower labour costs by the employer¹⁸.

Apprentice wages can pay a “double dividend” by securing the transition to permanent employment

A national DA government would encourage wage agreements that include flexible provisions around the minimum wages payable to apprentices.

¹⁸ World Bank, 2013.

- **Recognition of job creation as the key to empowerment.**

In the socio-economic development element of the Broad-Based Empowerment Scorecard, businesses get recognition for initiatives that contribute to social development and facilitate access to the economy. At the moment, the socio-economic development element accounts for only 5 of the 100 points on the scorecard for generic enterprises. The DA proposes an increased weighting for this element.

We also believe that points must be awarded in recognition of employment creation. Employment is the most sustainable way to lift people from poverty, and it acts as an economic multiplier by increasing people's purchasing power. The recognition could be based on proportional annual increases in job opportunities offered by an entity.

- **Jobs Zones.**

There could be significant economic benefits from establishing Jobs Zones close to South Africa's ports and airports or in under-developed rural and peri-urban areas to attract investment in labour-absorbing industries.

Experience in comparable developing countries show that many companies that graduate from the tax holidays associated with jobs zones chose to remain invested in the country and that the presence of the multinational promotes the establishment of local, related start-ups.

To attract investment and create jobs, zones of this nature must be globally competitive. Competitiveness in this space requires (i) an attractive suite of incentives, (ii) simplicity of process, and (iii) integration with infrastructure.

A legislative framework for the roll-out of Special Economic Zones (SEZs) was approved by Parliament in August 2013. The Special Economic Zones bill however, does not specify the nature of incentives, it includes a cumbersome process for application and designation of a Special Economic Zone and its success is heavily reliant on whether the Department of Trade and Industry can work with other departments and spheres of government to offer easy access to efficient, world class transport networks, energy networks, and government services.

In national government, the DA would propose strong incentives for economic activity in Jobs Zones, including:

- Encouraging employment through generous exemptions from labour legislation or tax incentives for job creation;
- Strong tax and trade incentives for investors operating in Jobs Zones, including (i) a five year income tax holiday for all new investors followed by a flat tax lower than the normal rate once the holiday expires, (ii) no taxes on production inputs or capital goods, (iii) no value-added taxation, (iv) no freight taxes on the transportation of raw, secondary or finished goods, (v) allowing foreign-

owned companies to repatriate all profits without any taxation, (vi) duty free import of machinery, goods and raw materials; and,

- Prioritising Jobs Zone investors for preferential loans through the Industrial Development Corporation (IDC) – based on an assessment of the project’s job-creating potential.

Through effectively targeted increased spending, we will ensure that operators have the economic infrastructure and services (including transport, communication and energy) that they need to succeed.

During the deliberations on the SEZ bill in Parliament, the DA was successful in strengthening the role of local and provincial governments in designing and offering their own incentive packages, which we believe will be a critical element of the success of the SEZ project. Where we govern provincially and locally, we will make aggressive use of the provisions in the bill to offer cost savings to investors, including savings in rates and services charges and electricity charges.

Through this approach, we could turn SEZs into globally competitive Jobs Zones that will benefit ordinary South Africans.

- **Upscaled Expanded Public Works Programme.**

Progressively up-scale the expanded public works programme (EPWP) to employ 2.5 million people on a contract basis by 2025¹⁹. This will take the form of annual increases in the scale programme, the rate of which will be informed by available revenue. The aim of the programme is to provide temporary relief from unemployment and will include a skills development component.

Upscale expanded public works programmes to employ 2.5 million people by 2025.

- **Government internship programme.**

The DA will introduce a comprehensive government internship programme across all departments, based on the highly successful Western Cape model. The programme will hire 18 000 interns on six-month contracts at a rate of R 1200 p.m. This will help bridge the ‘study-work’ divide, and equip recent graduates with valuable professional knowledge and skills.

- **Evaluate the effectiveness of the Jobs Fund.**

The DA will conduct a comprehensive review of the Jobs Fund that underspent by R300m in 2013 – establishing the cost per job created and the value-add of each job. The impact of investments made through the Jobs Fund must be carefully monitored to ensure that it serves its intended purpose. The DA will prioritise high value-adding job creation and an increase in the job opportunities supported with the available funds.

¹⁹ The National Development Plan has a target to “expand public employment programmes to 1 million participants by 2015 and 2 million by 2020”. It is argued that these programmes can be scaled down as the number of formal- and informal-sector jobs expands.

5. A nation of entrepreneurs

If South Africa can encourage an efficient small business culture as well as create the conditions for a growing economy, we will solve our challenges of unemployment, poverty and inequality. We will pave the way for economic freedom, fairness and opportunity.

South Africa needs to become a nation of entrepreneurs. We cannot separate the need to create new jobs from the need to create new businesses and support new entrepreneurs. This principle is powerfully described by economic strategist Clem Sunter as the idea that “decent work means decent business”²⁰. If we are able to create one million new businesses after ten years of DA government, we will create at least 5 million jobs.

South Africa has more than enough hard-working, resourceful people to make this happen. All it needs now is the right government.

A DA government would ensure that all the obstacles that prevent businesses from getting off the ground are removed.

The most obvious of these obstacles is the crippling **red tape** that **small and medium enterprises** must deal with. The DA government in the Western Cape has already streamlined the administrative process considerably, making it easier to register a business and comply with legislation. We would replicate this across South Africa.

Then we would establish a National Venture Capital Fund so that promising entrepreneurs have access to start-up capital without having to resort to micro-lenders.

We would also establish Opportunity Centres – one-stop facilities where small businesses can conduct their affairs with government, such as registration and support. Along with this, we would introduce Opportunity Cards, which would give small business owners subsidised access to training and business support services.

A DA government would then break up government tenders into smaller contracts so that small and medium-sized companies can also compete for these tenders and get a foot in the door. There is nothing “broad-based” or “empowering” about awarding state contracts to the same large companies, over and over again.

These are all steps that can be implemented right away. All it requires is a government with the vision and the will to do so.

Our economic policy offer is therefore primarily aimed at creating an environment in which it is attractive and easy to start and grow a business.

South Africa has not succeeded in creating a nation of entrepreneurs who are encouraged to take up business activity in an environment that supports small enterprise growth.

²⁰ Sunter, C. n.d. ‘Decent work means decent business’. Available. [Online]: <http://www.clemsunter.co.za/decentworkclemsunter.html> (September 2013).

The Global Entrepreneurship Monitor (GEM) for 2014 once again highlighted how South Africa lags behind its peers in terms of small business development²¹. At 3,2%, the country's new business ownership rate is the lowest of those Sub-Saharan African countries included in the study. The established business rate (the percentage of the working age population who have owned and managed businesses for more than three and a half years) is the lowest of any country in the study. At 2,7%, the established business ownership rate was also far below the average for other Sub-Saharan African countries studied (13,2%).

Only 10% of South Africans surveyed intended to start a business in the next three years, compared to the regional average of 45%²².

We have not succeeded in creating a nation of business owners.

The government can make it easier for South Africans to start and grow their own businesses. Our key proposals with regard to small business development are fleshed out below:

- **Opportunity centres.**

A national DA government would establish Opportunity Centres, which will serve as One-Stop-Shops for small businesses and as a central node for young job-seekers and entrepreneurs to access support.

**Opportunity
centres for
small business
and job seekers**

These centres will allow prospective entrepreneurs to register a company name, lodge their documentation with the Companies Commission, and register with SARS, the Department of Labour and the relevant commissioner under the Compensation for Occupational Injuries and Diseases Act - all with a single online form and with a single registration fee. This will significantly reduce the time and cost of opening a business. Applicants will be able to follow the registration through an online tracking system that will highlight each stage of the process as it is completed.

One-stop shops will also be used as portals to access small business support initiatives and to disseminate information on tendering for government business.

The efficacy of these centres should be supported through a toll-free national call centre for small businesses, offering information on all aspects of setting up a small business and referring callers to their closest one-stop-shop for support in addressing specific challenges in running their business.

- **Establish effective small business incubators in partnership with the private sector.**

If they are managed efficiently, staffed with knowledgeable, experienced personnel and maintain close relationships with established businesses, small business incubators, like the *Bandwidth Barn* in Woodstock, Cape Town, can provide an effective platform for targeted support to small business.

²¹ Global Entrepreneurship Monitor. 2014. [Online]: <http://www.gemconsortium.org/report>

²² Global Entrepreneurship Monitor. 2014. [Online]: <http://www.gemconsortium.org/report>

Incubators can be used to encourage investment in priority sectors, identified by the provincial and local governments where they operate. Specialisation or focus on a particular field should guide the appointment of support staff and the types of support offered.

Where possible, incubators can be formed in partnership with the private sector and non-government organisations specialising in small business development, and should leverage funds from the Enterprise Development contributions made by business within the framework of the Broad-Based Black Economic Empowerment Codes of Good Practice.

- **Streamline small business support through the Opportunity Card.**

Comparisons of South Africa's small business support programmes with those in other developing nations such as Brazil, India, Chile and Malaysia show that South Africa's current support architecture is very often too complicated for small business owners to understand and access²³.

Simplify small business support with an Opportunity Card

The DA believes in streamlining and simplifying government's assistance for small businesses in accessing credit, training, business advisory services and business support services (such as insurance and auditing).

This assistance can be provided by rolling out an Opportunity Card as a single, integrated system of support for small business. This card could be used to:

- Streamline grant support payments to qualifying small businesses;
- Provide credit to qualifying enterprises at low interest rates and with longer repayment periods;
- Give qualifying entrepreneurs credits to spend on an e-commerce portal listing accredited service providers;
- Implement the DA's proposed Business Voucher Support programme by allowing training and business support services to register on an e-commerce portal and giving beneficiaries credits to spend on the portal; and,
- Implement the DA's proposed Opportunity Voucher programme by allocating credits to young adults that can be spent through an e-commerce portal with accredited training and education providers or for business support services (e.g. IT support, management support or business plan development).

The card can be modelled on the Cartao BNDES in Brazil, which combines the concept of a debit card with that of an e-commerce platform and provides pre-approved credit to purchase specific goods.

The system can be managed by a private service provider, or group of providers, following a competitive tender process. Strict monitoring and evaluation targets will be applied and marketing income from the site could be shared between the private service provider(s) and the Department of Trade and Industry. Proceeds can be ring-fenced for investment in further support. Consideration can

²³ Timm, S. 2011. *How South African Can Boost Support to Small Businesses: Lessons from Brazil and India*. A report for the Department of Trade and Industry and Trade & Industrial Policy Strategies; Timm, S. 2012. *How the state and private sector can partner to boost support to SME's: Lessons from Chile & Malaysia*. A report for the Department of Trade and Industry and Trade & Industrial Policy Strategies

be given to maintaining local content requirements for service and product providers registering on the portal.

Small business owners who do not have access to the internet would get assistance on accessing the e-commerce portal and choosing their support services at the one-stop-shops for small businesses.

Distinctive categories of support can be accommodated on the site by different card statuses (e.g. different cards for small business owners or for young South Africans wishing to access further education or training).

One of the programme objectives would be to graduate small businesses from users of the sites to accredited providers of goods and services.

- **Reduce regulatory burdens for small businesses.**

Research by SBP shows that small firms spend as much as R1 in every R20 on regulatory red tape.

The DA believes that there must be an urgent review of the full regulatory burden on small enterprises in South Africa (including registration requirements, taxes, labour regulations and empowerment frameworks) and investigations into how these processes can be streamlined. Consideration will be given to streamlining bureaucracy by allowing small enterprises to complete their business registration with SARS, rather than going through the Companies and Intellectual Property Commission (CIPC). In the longer term, we will consider the feasibility of merging the registration function of the CIPC with SARS for businesses of all sizes.

DA governments will help entrepreneurs from “red tape” to the “red carpet”

As an interim measure, we propose immediate actions to relieve the regulatory burden on small businesses through the following:

- Amending the **definition** of ‘**designated employer**’ in the Employment Equity Act (Act 55 of 1998) and the definition of ‘**big employer**’ in the Labour Relations Act so that it only applies to entities that employ more than 250 persons.
- Reducing the cost of **compliance to B-BBEE** regulations by only requiring entities to audit their scorecards once every two years. Audited scorecards will then be valid for 24 months. This would also allow businesses to implement empowerment programmes with longer timeframes.
- Rolling out **Red Tape to Red Carpet** initiatives where we govern. In the DA-run Western Cape, the provincial government is helping small businesses with their administrative and bureaucratic woes by identifying processes that can be streamlined and assisting entrepreneurs to navigate the regulatory landscape.

- **Introduce opportunity vouchers.**

In national government the DA would implement an opportunity voucher programme that will provide funding to young adults who would like to start their own businesses or further their education and skills development. The voucher would entitle the graduate to (a) a partial subsidy of university or FET college fees; (b) seed capital to establish small or micro enterprises subject to a well-formed business plan; or (c) a state guarantee to cover loans extended by commercial banks to graduates to establish small or micro enterprises subject to the submission of a basic business plan and other requirements.

Vouchers will be provided to young people who want to start their own businesses or further their education

The voucher could be implemented through the Opportunity Card system.

- **Start a business voucher support programme.**

In national government, the DA would pilot a Business Voucher Support Programme (BVSP) in all municipalities that will offer support services to small start-ups, or small enterprises employing fewer than five people. The business voucher will be exchangeable for a business skills-, management-, financial skills- or relevant technical programme at an accredited business skills provider. Recipients will have to be over the age of 21, produce proof of residence and must present a feasible business plan.

To simplify access and increase take-up of the support offered, this voucher could also be implemented through the Opportunity Card system, or local government programmes linking in to the card system.

- **Making it easier for small businesses to win government contracts.**

The public procurement process is already being used to incentivise small business development. This effect has been strengthened further by the new local content provisions in procurement regulations.

Help small businesses to do business with government

Where public procurement has made significant contributions to small business development (e.g. in Australia and South Korea) the participation of smaller businesses was facilitated through e-procurement systems bringing down the cost of bidding and making the process more accessible²⁴.

In South Africa, information on tenders is often difficult to obtain, bidding entities are sometimes required to put down non-refundable deposits and supporting documents must be submitted separately for every tender.

²⁴ Timm, 2011.

In national government, the DA would implement an e-Procurement system that would make it easier for small entities to register as suppliers. The system could allow small business to upload all the certificates and supporting documents that must accompany government tenders once a year and to submit tenders through an online system.

DA governments will be firmly committed to paying suppliers within 30 days

In South Korea, this system has also helped the government to reduce the time it takes to pay suppliers (from 14 days to just 4 hours), as the IT system simplified payment and flagged outstanding payments²⁵. This would be particularly beneficial in the South African context, where small businesses often suffer, because government departments do not pay on time for products and services delivered.

In 2012, responses to DA parliamentary questions showed that 14 government departments have failed to pay a total of R160 million to 1 662 suppliers within the 30-day limit prescribed by the Public Finance Management Act (PFMA).

DA government will be firmly committed to pay suppliers within 30 days.

- **Expand the use of community supplier databases.**

In the DA-run City of Cape Town a community supplier database is used for smaller tender opportunities (e.g. less than R30 000). The DA will expand the use of such databases where we govern. Small and micro-enterprises will be encouraged to register on these databases and to access information on smaller tender opportunities. Information on small tenders will also be actively promoted at small business one-stop shops.

- **Break up tenders to help small businesses.**

Smaller companies are often excluded from tender processes because of the enormity of many public sector tenders. Where possible, DA governments will break up tenders into smaller contracts to encourage small businesses to tender for government work.

- **Introduce a National Venture Capital Fund.**

In national government, the DA would establish a National Venture Capital Fund to provide investment capital to start-ups and early-stage businesses. The Fund will aim to support innovation in start-ups and SMMEs.

The Malaysian government has boosted entrepreneurial activity in targeted areas through a government-backed venture capital fund that invests in innovative businesses in the country²⁶. The

²⁵ Timm, 2011.

²⁶ Timm, 2011.

state also uses the national fund to provide funding to private sector venture capital funds. Funds take a fee of around 2% and the share in profits based on its equity in an enterprise. A similar model has been successfully rolled out in Chile.

The DA believes that similar funding structures could boost innovation and entrepreneurial ventures in South Africa.

- **Cash-flow assistance for small businesses.**

The DA believes that cash-flow pressures on small businesses can be relieved by introducing a three year Tax Loss Carry-back for businesses with a turnover of less than R5 million. This would allow a small cyclical business to recoup a loss by setting it off against a prior year profit. As an elective alternative, declare that a tax credit that derives from an assessed loss (which hasn't been claimed as above) can be set off against VAT payable. This will terminate at the commencement of the year following that in which the taxpayer's estimate of tax for the second provisional payment exceeds R5 million.

- **Time limits for building authorisation.**

The DA wants to revamp the construction permitting process in all DA-run city authorities and municipalities so that time limits are placed on each stage of the process overseen by the municipality concerned (such as paying the road repair deposit, submitting notification of compliance for foundation work and plumbing, and applying for and receiving the necessary compliance certificates). A basic list of requirements will be published for each type of development to help investors plan for the necessary time and costs involved.

- **Entrepreneurship competition.**

Where we govern, we will enter into partnership with companies, NGOs and local business schools and training centres to establish an annual 'My Future Starts Now' entrepreneurship competition for 18 to 30 year olds that will pay a cash prize each year to an individual or group of individuals responsible to developing a winning business plan. The exact amount would differ from year to year, depending on partner contributions.

This could be coupled with an entrepreneurship week in which participants are encouraged to get involved in activities related to entrepreneurship. Such programmes have not been particularly successful in South Africa in the past (in our first Entrepreneurship Week we secured 8000 participants, versus 1.4 million participants getting involved in a similar programme in Brazil)²⁷.

Interest and participation in the programme can be boosted through:

- Partnerships with local radio and television channels to promote entrepreneurship and use prime-time slots to talk about themes related to it;

²⁷ Timm, 2011.

- Making use of online events like twitter town halls, blogs, video chats and surveys; and,
- Allowing a broader range of activities for registered participants, including workshops, seminars, competitions and online activities.
- **Targeted support for micro-entrepreneurs.**

South Africa also has a large informal economy estimated by StatsSA to contribute around 5.6% to GDP and employing more than 2.3 million people. StatsSA defines participants in the informal economy as those working for small businesses employing less than five people and who are not registered for income tax (thus earning less than R60 000 per year). Labour advisory company, Adcorp, puts the economic contribution of the informal economy at 17.3% and estimates that more than 6.2 million people are employed in this sector.

Whilst the very nature of informal economic activity makes it difficult to quantify the exact size of the informal economy, it is clear that micro-entrepreneurs make a significant contribution to the economy. The sector appears to be growing with very little support from the government, relying on the tenacity and spirit of the entrepreneurs who are brave enough to work every day to find new ways to support themselves and their families.

The informal economy is economic activity happening organically in a country where economic activity is relatively scarce

The DA's approach to the informal economy is to recognise that it is economic activity happening organically in a country where economic activity is relatively scarce.

As such, we must ensure that we foster this sector and support the job creation potential that it offers.

The DA believes that the role of the informal sector in enhancing livelihoods in South Africa can be boosted in the following ways:

- **Develop a Code of Good Practice on engagement with informal traders.**

The DA is currently engaging with informal traders, and the civil society organisations and trader's associations that represent their interests, to develop an understanding of the regulatory blockages and day-to-day challenges faced by micro-entrepreneurs.

We believe that the outcomes of these engagements can be used to inform a Code of Good Practice on engagement with informal traders to guide our interaction in this level of the economy where we are in government. We believe that a similar process on national government level could hold significant benefits for small entrepreneurs and strengthen their position in interactions with local, provincial and national government authorities.

Specific attention is being paid to (i) developing common ethics, values and policy guidelines for interactions with informal traders, (ii) improving relationships with the police, (iii) guidelines for

good practice with regard to the confiscation of goods and the processing of permits on local government level, (iv) identifying appropriate levels of protection for workers in the informal economy, and (v) assisting the sector in establishing credible, representative and accessible organisations to lobby on its behalf.

- **Initiate a comprehensive survey of the informal sector** that can be used by an **inter-departmental task team** to develop a strategy to assist informal business owners and their employees.
- **Adjust the legal and regulatory framework to accommodate those in the informal economy.**

Existing regulatory and legal frameworks do not effectively support informal economic activity. The high costs of establishing formal businesses and sustaining formal business activity discourages the formalisation of entrepreneurial business activity. This leaves many informal enterprises outside of the protection of the legal and regulatory system, limits their markets and stunts their job creation potential. These business operators need appropriate laws, including property rights and enforceable contracts.

The formalisation of property rights unleashes economic potential as properties can be transferred, borrowed against and used in formal agreements. Appropriate frameworks for the legislation of contracts can decrease the vulnerability of enterprises in the informal economy by giving them recourse to the legal system.

- **Provide safe trading spaces for informal entrepreneurs.**

The DA-run City of Cape Town has streamlined the identification of trading sites for informal traders and has identified more than 3970 informal trading sites through its informal trading plan. Dedicated informal trading markets have been established by the City of Cape Town in Nyanga, Guguletu, Philippi, Ntlangano, iSithandathu, Hanover Park and Lentegour.

- **E-registration for informal trading permits.**

In the City of Cape Town the DA has simplified applications for informal trading permits through an e-registration system that makes it very easy for small entrepreneurs to register their businesses and gain access to trading sites. We believe that this model could also be beneficial in other municipalities.

Easy online
registration for
informal trading
permits

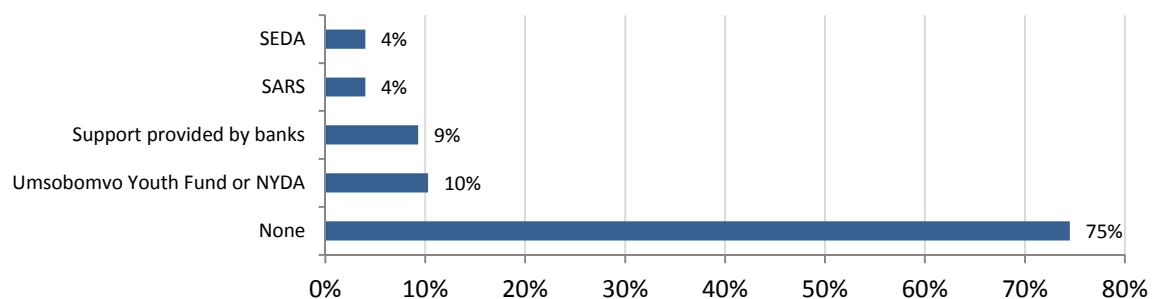
In addition, we believe that micro-entrepreneurs can be assisted and encouraged to formalise and increase the growth potential of their businesses by:

- **Removing the incentives to remain outside the formal economy** by making it easier to start and grow a small business (e.g. by reducing the costs and administrative burdens associated with formalisation);

- **Promoting awareness of the tax amnesty for small businesses** below a specified asset level and the possibility of opting for a simplified tax regime in which a tax on turnover replaces other forms of taxation; and,
- **Encouraging government procurement of goods and services** from small business entities and ensuring that micro-entrepreneurs are made aware of these opportunities.
- **Awareness programmes on support available to small business owners.**

Many business owners are not aware of the support available to them and the various support programmes run by the government. A 2010 study by the Finmark Trust showed that 74.5% of small business owners were not aware of available support.

Graph 5: Awareness of organisations that give support and advice to small business



Source: Finmark Trust. 2010. *FinScope South Africa Small Business Survey 2010*. Available. [Online]: http://www.finscope.co.za/new/pages/Initiatives/Countries/South-Africa.aspx?randomID=d1ae7321-9633-4086-8f33-ccc59f1e8cf2&linkPath=3_1&IID=3_1_11 (August 2013).

National Treasury and the Department of Trade and Industry then tend to consider programme withdrawal if take-up of support is low – as seen in Treasury’s attempts to withdraw turnover tax for small enterprises – rather than investing in efforts to ensure that entrepreneurs know where and how they can access support.

Where we govern we will make sure that we use all available information channels, including government web portals, 1-stop support centres, sms campaigns and interaction with representative bodies to promote awareness and increase take-up of small business support initiatives.

Conclusion

South Africa will only succeed in bringing about economic freedom, fairness and opportunity if we focus all of our efforts on enabling employers to create employment.

In other words, “jobs” must be our watchword, for jobs are a passport to economic freedom.

This document outlines five key ideas on jobs. Put into practice, they will remove barriers to job creation and labour market entry.

They are not complicated ideas. They require us to:

- Invest in **integrated energy, transport and ICT infrastructure** for job creation.
- Give more people the **education and skills** they need to get a job.
- Radically reform the **labour regime to support job creation**.
- Provide direct **incentives for job creation**.
- Create a nation of **entrepreneurs** by making it easier for South Africans to start and grow their own **small businesses**.

An efficient government with the necessary political will can bring about significant change by adopting this 5- point “jobs” plan for economic freedom, fairness and opportunity.

This is the plan that the DA aims to implement when it forms part of the national government in 2019.

It is the plan that will help us to realise our Vision for South Africa in 2029: a South Africa whose economy is growing at 8%; a South Africa that is a hub of innovation and entrepreneurship; a South Africa where millions of jobs are being created, filled by young South Africans equipped with the necessary skills; and a South Africa in which citizens feel more empowered and positive than ever before, because they are seizing the opportunities presented by a growing economy, a world-class education system and a capable state.