

Prepared for Chair Busi Mabuza

Speaking notes for the Economic Reconstruction and Recovery Conference - 17 June 2022

Thank you Mr/Madame Chairman, Honourable Ministers and Deputy Ministers, Honourable Members, Excellencies, Esteemed Ladies and Gentlemen SANIBONANI. Thank you most especially for convening this important oversight session. I have been charged to focus the IDC's contribution to this conversation by unpacking the following sub-themes:

- Expanding Access through Industrial Development and the facilitation of Job Creation (Food, Beverage, forestry and agro derivative industries)
- Utilizing and Advancing the development of local and regional resources to supply domestic demand and increase international trade participation (particularly through the (AfCFTA)
- Targeted Interventions to Reduce Imports and increase exports
- Sector Support Strategies (Automotive and Transport Equipment, Infrastructure Sector, Mining and Metals) Prioritizing Women and Youth

Each of these four sub themes are admittedly very big and complex areas Chair that may require much more time. I therefore hope that similar conversations will be held in the future.

For the purposes of today's conversation, I have chosen to confine myself to the Agriculture and Agribusiness sector as I endeavour to explore each sub-theme in my contribution. Just yesterday Chair, I had the privilege to join (via a virtual platform) a BRICS Business Council session at the St. Petersburg International Economic Forum (SPIEF) which is currently in session. The conversations there partially focused on the impact of the Ukraine situation on the agriculture sector ranging from:

1. Availability of some important agricultural commodities such as fertilizer (an input commodity), wheat, vegetable oils to name a few
2. The consequent impact on prices and
3. The anticipated or unfolding impact on food security in the medium to long term

These issues are indeed critical for the outcomes of today's discussion and especially for the interventions that will hopefully be agreed by the end of this conference.

When government published the ERRP in October 2020, it was as though the champions of the plan had foresight of the turbulence that lay ahead; not just for us as South Africa; but indeed for the whole world. The plan Chair is as relevant today as it was then. May I suggest to the honourable members that it is however even more urgent today as the economic impact of the Covid-19 pandemic has, like a sore open wound, since been exacerbated by the unfortunate unrests that parts of the country witnessed in 2021, the climate related

catastrophes that hit some of our rural areas, small towns and major metros along the eastern coast of the country earlier this year, as well as the runaway price escalations of key commodities such as fuel and basic food products that we are witnessing in 2022. The fact that we are not alone in experiencing all of these setbacks is no comfort to anyone.

The nine priorities of the ERRP remain relevant Chair as already indicated by the speakers before me. The key enablers towards the successful implementation of the Plan were also identified Chair and they too remain as relevant today.

EXPANDING ACCESS

Let me start with the important area of the availability of fertilizer. I am told by my Colleagues in the Agribusiness Working Group of the BRICS Business Council that South Africa, imports 80% of our annual fertilizer usage, a volume of roughly 2 million tonnes. For the agricultural sector to grow, the availability of this now more expensive commodity is critical. South Africa fortunately does manufacture and blend various types and grades of fertilizer. However we remain dependent on imports. The IDC, through its interest in Foskor has ensured that the input minerals available in the country are not all shipped offshore but that some are beneficiated in the country. However this is a capital intensive industry with expensive inputs where strategic relationships that will ensure that South Africa moves up the technology and efficiency curve in the production of fertilisers in the country are necessary to ensure that the requisite investment is made in the interest of food security. Smart and mutually beneficial partnerships are therefore critical and we are grateful for the support received to date from our line department, the dtiC.

BROAD INDUSTRY VIEW:

South Africa correctly views agriculture as one of the key engines for growth and job creation as we rebuild our economy from the shock of the Covid-19 pandemic. This is in fact true for large parts of this African continent which is endowed with arable land and a youthful population.

The sector already plays a meaningful role in the South African economy accounting for 2,5% of GDP at the primary level, and with agro-processing pushing this to 7% of GDP. There are 1,3 million South Africans working at both primary and agro-processing levels, making this sector a significant source of much needed employment.

Importantly we have over 2 million hectares of land that the country aims to bring into total production and attract agro-processing investment.

Our agriculture and agro-processing sectors are export-oriented. We currently export half of what we produce in value terms, about US\$12,4 billion in agricultural products in 2021. So, the expansion planned at the production level should be accompanied by a strong focus on exports as well as food security.

TRADE & GLOBAL CO-OPERATION:

Chair with the global re-alignment that we are currently witnessing, and talking from a trade perspective, South Africa's agriculture and agribusiness should work even harder in seeking new opportunities as well as strengthen its relationship through multilateral platforms such as BRICS (if I may refer to a platform I am familiar with). I reminded our partners at SPIEF yesterday that Russia for example currently accounts for 7% of our citrus exports and 12% of our pears. Bar the recent strict lockdowns in China, the share of our exports to China are even higher. These relative shares of exports could be expanded and include other high-quality fruit and other products that South Africa produce.

Such trade won't and can't be a one-way approach Chair. However Chair, the Ukraine situation has resulted in many countries in the continent facing the risk of insufficient availability of wheat for example. South Africa imports about half of its annual wheat consumption, about 1,5 million tonnes. Is this perhaps an opportunity for the AfCFTA potential to be tested through an intervention aimed at increasing the production of wheat on the continent?

Chair for this to be an inclusive recovery; black entrepreneurs, women and youth should be supported to enter the growing and newly emerging agricultural sub-sectors. The citrus, pear, avocado and other lucrative fruit export markets are currently dominated by the large established farmers. Scale and considerable investment is required. I believe the IDC's programmatic approach to this sector will start yielding the desired transformation impact. This has admittedly been slow to manifest to date.

The IDC has focused on supporting labour-intensive, labour-absorbing and labour-enabling industries (e.g. agriculture and agro-processing; specific manufacturing industries such as automotive parts and components, and others).

In the interest of Localisation, we continue to try and maximise the domestic impact of public and private sector procurement by sourcing locally and encouraging our business partners to do the same.

We continue to focus on inclusive transformation by seeking opportunities to alter ownership patterns in terms of BEE/women/youth/worker participation. We also continue to focus on support for Black Industrialists, women-entrepreneurs, youth- entrepreneurs, black-owned companies, broad-based empowerment.

We of course need to expand the SME segment of the economy because of its labour absorption potential. We have focused on supporting entrepreneurial development by providing assistance to SMEs as key drivers of employment creation and to reduce levels of economic concentration. Mechanisms include the small business finance and other programmes.

Reducing spatial inequalities remains an important area including support for the development of township economies, rural areas, towns affected by reduced mining activity, as well as SEZs.

We recognise the need to enhance the competitiveness of business enterprises. We therefore provide support for technological upgrading, modernisation and digitalisation. Skills development is another important area of focus.

Developing support infrastructure: Contributing to energy and water (water treatment, bulk water) security, support transport & logistics infrastructure development, storage facilities (including warehousing and distribution), telecoms (transformation opportunities).

At a micro-level, I stated at last year's inaugural Women's Economic Assembly that both financial and not financial interventions are required to support women and youth in business. Barriers faced by entrepreneurs include:

- the lack of collateral and other capital contribution that is often required by funders
- Lack of access to information and
- The lack of access to institutional networks

The IDC continues to try and support our business partners in dealing with these barriers.

With food security on the global agenda, we have called on the BRICS partners to also increase their focus and put the Agriculture and Agro-processing sector at the top of the grouping's Agenda, with a particular focus on promoting investment and trade amongst BRICS members.

Thank you Ladies and Gentlemen