MEDIA STATEMENT

MINERALS COUNCIL SOUTH AFRICA NOTES THE PRESIDENT'S ECONOMIC RECONSTRUCTION AND RECOVERY PLAN;
CALLS FOR MUCH GREATER FOCUS ON STRUCTURAL AND INSTITUTIONAL REFORMS REQUIRED TO BOOST COMPETITIVENESS, ACCELERATE INVESTMENT AND TO RAISE INCLUSIVE GROWTH

Increasing competitiveness will lead to much greater investment

Johannesburg, 16 October 2020. The Minerals Council South Africa notes the South African Economic Reconstruction and Recovery Plan presented by President Ramaphosa on 15 October 2020 to a Joint Hybrid Sitting of Parliament. The plan does capture a number of the agreed points from the NEDLAC discussions, but it does not go far enough on the areas where South Africa needs to improve its global competitiveness (which is the key to raising investment and inclusive growth). The business inputs in NEDLAC focused on measures to raise investor and business confidence, improve the nation's competitiveness and to raise private sector investment and inclusive growth. Only by increasing the country's competitiveness will we be able to unlock the economic potential of the country, and only then will investment (local and foreign) flow.

Minerals Council President Mxolisi Mgojo notes: "South Africa is at a precipice. While we have managed to claw back from the precipice before, it has only been through decisive action that recognises that pain comes before gain – across the board – that we can set our nation back on a road to prosperity. That means that hard economic decisions need to be taken, and soon.

"The South African economy was in a crisis before the outbreak of the COVID-19 pandemic, performing well below its potential for the past decade. COVID-19 has further exacerbated the situation resulting in 2.2 million South Africans losing their livelihoods during the second quarter of 2020,with the country's fiscal deficit ballooning to 15% of GDP and GDP likely to shrink by 9%."

The government plan, while a positive contribution to stabilising the economy, appears to centre on what government can do in a massive infrastructure programme, promoting greater local procurement for industrialisation and on public and social job creation processes. But, the plan does not adequately address in detail the issues that drive competitiveness and investment, including foreign investment. The tough choices on structural reforms that would allow much greater private sector participation and investment are mostly absent or are only mentioned in passing. Business believes that these structural reforms should include much greater private sector participation and competition in infrastructure (electricity, ports, pipelines, rail); a much more sustainable fiscal policy and balanced budgets; and institutional reforms (a smaller, more efficient and more capable state). While there is agreement in the President's NEDLAC process that a more detailed process must be undertaken to discuss the key structural and institutional reforms, the Minerals Council believes that this process must be accelerated on an urgent basis.

The Minerals Council welcomes the inclusion of interventions related to mining aimed at:

- Ensuring electricity energy security, and in particular, the fast-tracking of applications for self-generation of energy supply; the separation and unbundling of Eskom to address structural challenges; and improving the operational and financial stability of the power utility;
- The proposed halving of turnaround times for mining and prospecting licences in order to improve investor confidence;
- Addressing crime and corruption, and the mismanagement and waste of state resources and stopping the hijacking of businesses and mines for nefarious purposes; and
- The mention of modernising and reforming network industries such as electricity, road, rail and ports, and the SOEs responsible for delivering these services.

Minerals Council CEO, Roger Baxter noted: "We fully agree with President Ramaphosa that we need to take extraordinary measures towards a speedy and sustainable economic recovery. This will require active public-private engagement. If the COVID-19 pandemic has showed us anything, it is that various segments of our society can come together in service of a greater goal. But it is critical that we have a frank conversation on the real structural and institutional issues impeding competitiveness and growth at the national level and to develop detailed plans on how to unlock these constraints."

Baxter says that at the specific mining sector level, the Minerals Council is currently engaged in intensive and frank conversations with the Department of Mineral Resources and Energy (DMRE) to identify solutions to constraints to unlock the potential of the exploration and mining sectors.

Concludes Baxter, "We firmly believe that – with the right interventions – we could grow exploration to 3% of global expenditure within five years and mining could contribute upwards of 10% to South Africa's GDP, and in so doing, grow GDP overall and help lead the economic recovery. This is a view that Minister Mantashe also shares. With that would come investment, jobs, export earnings and taxes to the fiscus. But, at the heart of our potential recovery as a nation is the need for improving our national competitiveness and we need to focus much more on this issue."

For further information, please contact:

Charmane Russell
Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 372 5816
Email: charmane@rasc.co.za

Memory Johnstone
Tel: +27 (0)11 880 3924 or Mobile: +27 (0)82 719 3081
Email: memory@rasc.co.za

Alan Fine
Tel: +27 (0)11 880 3924 or Mobile: +27 (0)83 250 0757
Email: mineralscouncil@rasc.co.za

Web: https://www.mineralscouncil.org.za/