

# TRAILBLAZERS

## Trailblazing the future

<http://www.mokwena.com>

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### About Trailblazers

Trailblazers are freethinking individuals and focus groups with a shared vision of positively contributing towards advancing developmental discourse. The trailblazers' website stimulates and encourages discourse on Economic development, Political economy, knowledge economy and the green economy. The website serves as a forum for exchanging ideas, views and opinion. It attracts experts, academics, intellectuals and practitioners and anybody interested in contributing towards the debate. It is a site for generating new knowledge & cutting edge solutions for the global socio economic ills. The trailblazers seek to build social capital through the process of informal transmission of knowledge and social media. Also mentor and support practitioners in the specified field of work, through engagement, advice and referrals. The ultimate objective is to ensure professional development and support.

### News of Top Stories

#### DBSA to focus on infrastructure



Johannesburg - The Development Bank of Southern Africa (DBSA) will renew its focus on lending to infrastructure sectors, CEO Patrick Dlamini said on Monday. The need for infrastructure finance in South Africa and the rest of the continent meant the bank was considering an expanded role, he told reporters in Rosebank, Johannesburg. It would seek to move beyond just a "municipal finance" institution to a broader infrastructure finance institution. "The National Treasury... approved a R7.9 billion recapitalisation facility over a period of three years... to support the DBSA's refocused mandate to drive its infrastructure funding by increasing municipal lending, state-owned enterprise infrastructure plans, regional lending and private/public partnerships," said Dlamini. Over the years the scope of DBSA, particularly in the non-financing areas such as policy, research, agency administration, advisory and capacity support, had grown substantially, he said. "The bank needed a repositioning to do more in the core area of infrastructure finance," Dlamini said. Questions were then raised whether DBSA was not overreaching and over-stretching itself in these areas. "Over the years, the scope of sectors covered by DBSA had progressively increased, and therefore could well be overlapping with the mandates of other development finance institutions," he said. The board reviewed the bank's focus and a restructuring exercise officially started in September 2012. A series of meetings were held with employees and that culminated in a new growth strategy which was approved by the board in November 2012. <http://www.iol.co.za/business/business-news/dbsa-to-focus-on-infrastructure-1.1500667-.UXjgUjVfURx>

#### Underground coal gas power project on cards in Free State

JOHANNESBURG (miningweekly.com) – A project that will supply underground coal gas from a deep, stranded coal deposit in the Free State to an independent power producer (IPP) is at an advanced stage of planning. Former Sasol executives **Johan Brand** and **Eliphus Monkoe**, who bought 1.4-billion tons of coal near Theunissen from BHP Billiton, have teamed up as African Carbon Energy (Africary), which has been operating since 2007. A memorandum of understanding has been signed with a still-to-be-named IPP, which will build, own and operate a 50 MW combined-cycle gas turbine (CCGT) power plant and buy the underground coal gasification- (UCG-) produced syngas as a fuel gas from Africary. "We will be transforming the face of coal mining and electricity production in South Africa," Brand told *Mining Weekly Online* in an interview on the sidelines of the Fossil Fuel Foundation UCG workshop on Wednesday. The UCG process, which State-owned power utility Eskom has been researching for six years at Majuba in KwaZulu-Natal, unlocks the energy potential of deep coal that would otherwise go unmined. <http://www.engineeringnews.co.za/article/underground-coal-gas-power-project-on-cards-in-free-state-2013-04-24>

#### Eskom concerned that domestic coal prices may migrate to export levels



State-owned electricity utility Eskom has again appealed for a domestic coal-pricing regime that is premised on an "efficient and transparent cost, with a fair return" rather than one that migrates towards export parity-price (EPP) levels. Should such a migration occur, upward pressure would be placed on Eskom's costs and on South Africa's already fast-rising power tariffs. It calculates that an increase in the price from current levels to an EPP of R600/t delivered for the 30-million tons it currently purchases yearly through short-term contracts, will result in a 5% increase in its total operating cost, which stands at 56.4 c/kWh. Eskom, which purchased 124.27-million tons of coal in 2012, still buys the majority of its coal through cost-plus and fixed-cost contracts. However, the proportion of coal acquired through short-term contracts had increased from around 17% in 2007 to 30% in 2012, as the performance of cost-plus mines has decreased. Moreover, the utility is concerned that, owing to underinvestment in new capacity, high levels of industry consolidation and the emergence of viable export markets for Eskom-grade coal, miners could expect the utility to pay EPP in future. In fact, it is precisely this threat that prompted Eskom to apply to the Competition Tribunal to intervene in the merger between Glencore and Xstrata. The utility eventually withdrew the application in favour of a confidential negotiated settlement. But the pricing threat remains, particularly for the period after 2018, when coal shortages of up to 40-million tons a year are being forecast. Substantial mining investment will be required to deal with that shortfall, with Eskom estimating that capital requirement at close to R100-billion. Eskom has informed lawmakers that a balance needs to be struck that ensures domestic energy security together with sustainable growth of coal exports. It has identified several enablers of what it describes as the "ideal utilisation" of South Africa's remaining resources including: efficient domestic- and export-coal logistics; supply security for domestic users; the timely development of resources; and the development of alternative fuel sources, such as underground coal gasification. But it also sees pricing, volume and quality factors as key to securing coal for domestic power generation requirements. <http://www.engineeringnews.co.za/article/eskom-concerned-that-domestic-coal-prices-may-migrate-to-export-levels-2013-04-24>



### Social capital is the cornerstone of development



South Africa seriously needs social capital as the cornerstone of our developmental state. The benefits of social capital are long term if not lifetime; they are most relevant and needed now in South Africa, and most importantly they are interlinked with development. Social capital is anchored around trust and is crucial for various reasons. Among others, we are a society emerging out of centuries of high level of mistrust, anti-trust and distrust. The apartheid system has created a society with deep seated levels of societal mistrust. It has created a society of mistrust, beyond race, that runs deep into ethnic, class, gender and even religious mistrust. The current socio-economic and political dynamics are characterized by allegations of corruption, racism, and other ills which are fuelled by lack of cohesion. Advancing the discourse on a developmental state, we need to seriously consider social capital as the cornerstone of our Developmental State. I cannot agree more with Francis Fukuyama's definition when he asserts that social capital, is "shared norms or values that promote social cooperation, instantiated in actual social relationships". He argues that social capital is a necessary precondition for successful development, but a strong rule of law and basic political institutions are necessary to build social capital. He believes that a strong social capital is necessary for a strong democracy and strong economic growth. Social capital is essential to build a broader radius of trust that will enable connections across borders, of all sorts, and serve as a basis for the state. <http://www.mokwena.com/node/16>

### Tackle labour disputes, urges Marcus



Johannesburg - South Africa must find ways to resolve labour disputes before they undermine the economy, SA Reserve Bank governor Gill Marcus said on Friday. "In South Africa we need to find models that enable earlier dispute resolution in the workplace before labour disputes affect the broader economy," Marcus said. "We also need to find ways that enable the workforce to have greater knowledge of the financial affairs of the company and sector, while management needs to better appreciate the living and working conditions of their employees." Marcus told a Southern African-German Chamber of Commerce and Industry luncheon in Johannesburg there were many lessons South Africa could learn from Germany's experience with labour relations and skills training. **Social market model** She said much of Germany's post-war economic success could be attributed to its social market model. Germany's industrial relations were characterised by a high degree of co-operation between employer and employee organisations. "Both workers and firms take a long-term view of the economy and both parties recognise the importance of continuously raising productivity," Marcus said. Germany had a dual training system with high-quality vocational training institutions complementing on-the-job training. Nearly two-thirds of the country's workers were trained through partnerships among companies, technical schools, and trade guilds. German companies took on and trained nearly 600 000 paid apprentices in 2011. Schools provided theoretical lessons on the side, while trade unions helped ensure training was standardised. German firms took in young work seekers and provided training and induction to prepare them for the rigours of work and give them skills to raise their productivity. **Tackling unemployment** The German system allowed new entrants to gain access to work and training quickly, meaning long-term unemployment was low, she said. Germany had among the lowest youth unemployment rates in the world, currently 7.7%, compared with the eurozone average of 23.9%. South Africa had amongst the highest rate of youth unemployment in the world, at 51%. Marcus said the youth was locked out of employment due to poor skills and lack of suitable experience. There was no overall coherent focus on skills training in the country, she said. Germany had used its open economy to put pressure on both workers and firms to remain productive and at the cutting edge of technology. In South Africa certain sectors in South Africa were globally competitive, but "too many sectors" were not. "South Africa has to raise its competitiveness across the board... This is the only long-term solution to structural weaknesses in our economy that presents itself through large current account deficits," said Marcus. <http://www.fin24.com/Economy/Tackle-labour-disputes-urges-Marcus-20130419-.UXGypagpQ.facebook>