



**economic  
development**

Economic Development Department  
REPUBLIC OF SOUTH AFRICA

**Speech**

**By**

**The Deputy Minister of Economic Development,**

**Prof Hlengiwe Mkhize, MP**

**During the Charlotte Local Government Week – The Role of Local  
Government in Stimulating Local Economic and Rural Development**

**Date: 01 August 2012**

**Venue: Venue – Old Assembly Chamber at Parliament**

**Time: 14:00-16:00**

Ministers,

Leaders of SALGA,

Mayors and municipal leadership,

Members of Parliament,

Leaders of the labour movement and other participants,

Municipalities in the former “homeland” regions confront the long bitter aftermath of impoverishment and removals. Because their people simply cannot afford to pay rates or tariffs, these municipalities have, on average, around R400 per person to spend every year, even after getting national government grants. In contrast, the metros and towns in the former white areas can spend **five** to **ten** times as much per person. Overcoming this kind of inequality is not easy.

These stark differences reflect, above all, the spatial differences in economic development. And they are still largely replicated within our cities, even the most prosperous like Cape Town. It is not so easy, and certainly not cheap, to build bridges across the gaps left by apartheid. To this day, the majority of the poor and working people live far from economic and social centres on the fringes of our cities, in informal settlements and townships that are largely bereft of economic

opportunities. That means they cannot easily find jobs, while even for workers productivity is drained by expensive, unreliable and long-distance commuting.

We at EDD have tried to support local economic development in particular in our work with the Presidential Infrastructure Coordinating Commission and the National Infrastructure Plan. We welcome this opportunity to explore how we can build a better partnership with local government on this important project.

As you are probably aware, the National Infrastructure Plan includes **17 Strategic Infrastructure Projects**. Several of these are directly focused on local economic development.

**SIP 6** aims to develop a national capacity to improve services in the 23 worst-served districts, virtually all of them from the former “homelands” with a population of 17 million people. It targets all the maintenance backlogs and upgrades required in water, electricity and sanitation bulk infrastructure. The road maintenance programme will enhance service delivery capacity and support economic development. It will be complemented by **SIP 11**, which focuses on improving investment in agricultural and rural infrastructure that supports expansion of production and employment, small-scale farming and rural development.

Projects include facilities for storage like silos, fresh-produce facilities and packing houses; processing facilities such as abattoirs and dairy infrastructure; transport links to main networks through rural roads, branch rail lines and ports); fencing and irrigation schemes in poor areas; and rural tourism infrastructure.

**SIP 7** aims to support the planning and implementation of public transport, human settlement, economic and social infrastructure and location decisions into sustainable urban settlements connected by densified transport corridors.

The National Infrastructure Plan has identified key projects for local economic development. We need to align them with other initiatives, especially the turnaround strategy.

At the same time, the PICC recognises that many local governments need assistance in procuring and maintaining infrastructure. It is working to strengthen systems to improve support for these functions. Above all, the planning of procurement for infrastructure must be **reliable, transparent and efficient**. We need to **bolster skills** across the system and **improve our systems substantially** if we want to meet the aims of the National Infrastructure Plan.

The Infrastructure Plan requires role clarity between the spheres of government. I think that is a lesson that we should extend across **economic governance**. Too often, our reach exceeds our grasp. Even if we have legal rights to engage in a particular area of governance, we don't always have the practical skills or competencies. In those cases, it might be best to stick to basics.

In this context, a particular concern remains the slow turnaround time on authorizations and decision-making around the economy that we hear about from many municipalities. But often, this kind of government delay, no matter what its cause, can kill new investments that could in turn create employment.

A further concern is that agencies across the state – by no means only in local government - too often set unrealistic fees for businesses and even households. Yes, we need the money. Yes, many can afford to pay. But we have to be much more aware of how decisions to charge user fees or raise rates affect economic activity, employment and equity. We need to get impact studies done before we decide to increase any administered price by more than the rate of inflation.

Colleagues and friends,

Economic development requires the ability of the national state to redistribute resources to poorer regions and to identify cross-border opportunities.

This is particularly true in South Africa, where the poorest regions were historically systematically deprived of investment and logistics linkages to the core economy. The regional differences in our country underpin economic inequalities that are amongst the worst in the world. If we do not have a strong central state, we cannot address these regional differences. But if we disempower our communities, our programmes cannot succeed. Working together in an integrated fashion, our economy will be stimulated and jobs created.

I just want to raise a few points as food for thought, as we develop outcomes of the SALGA week, on the economic growth path:

- **Prepare for the Global Economic slow down**
  - The challenge: unemployment rates remain high, making our economic growth unsustainable
  - Europe, our key trading partner, remains valuable
  - Intra-regional trade in Africa is weak.

- **Strategies for Job Creation and Decent Work**
  - Opportunities: link social grants to job creation measures
  - Support and grow co-operatives
- **Management of Tenders and Procurements**
  - Urgently improve governance and management systems
  - Monitor compliance
  - Preference to be given to direct procurement from manufacturers.
  - Ensure better value for money
- **Youth Employment**
  - Invest heavily in skills development
  - Guard and defend quality and relevant education
  - Cement partnerships and commitments through social accords between Government and the Private Sector.
- **Women and Economic Participation**
  - Guarantee their access to development finance
  - Skill women for different sectors
  - Implement preferential treatment clauses already in our legislation
  - Eradicate poverty and hunger
- **Beneficiation**
  - Simplify regulatory frameworks

- Improve the implementation of the BBEE
- **Infrastructure plan**
  - Support and fast track the infrastructure development bill
  - Skills to be a mandatory outcome
  - State construction capacity to be improved
  - Support water and sanitation master plan as a new SIP.
- **Inequality**
- **Agriculture**
  - Initiate pilot projects focussed on small scale farmers, investing in mystification, quality, marketing and logistics.
- **Energy**
  - Explore different forms of alternative energy supplies
  - Exploration of natural gas should be intensified
  - Always taken into consideration impact on the environment
- **State Capacity**
  - Spend, regulate, plan, implement, decision making monitor and evaluate impact.
  - Massive expansion of ICT Infrastructure in collaboration with the private sector.

- **Integrity and Ethics of Public Representatives**
  - Norms and standards
  - Consequences
  
- **Support the Speedy Introduction and Approval of the Special Economic Zones Bill**
  - Manufacturing zones
  - Expand SME's
  - Guarantee access to finance

Thank you again for the opportunity to make these brief remarks. I look forward to a challenging discussion.