



economic development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Budget Vote Speech

By

**The Deputy Minister of Economic
Development,**

Prof Hlengiwe Mkhize, MP

Date: 07 MAY 2013

Venue: Old Assembly Chamber at Parliament

Time: 15:30

Chairperson

Honourable Ministers and Deputy Ministers

Members of Parliament

Chairperson of the Portfolio Committee,

Honourable Members

**Officials of Development Finance Institutions, Commissions and Economic
Development Department**

Social partners, special guests and members of the public

Representatives of NGOs and other civil society formations

All our Officials

Distinguished Guests

Ladies and Gentlemen,

Introduction

I would like to thank our Minister and the Chairperson of the Portfolio Committee for their guidance and support in preparation of this Budget Vote Debate. Also, thank you to Ms. Jenny Schreiner, the Director-General of the Department of Economic Development and my office staff for on-going support.

The Historical Perspective

I recall the Business and Labour hearings of the Truth and Reconciliation Commission, Professor Sampie Terreblanche, an academic Economist and a writer, amongst others, testified to the effect that ,

“Apartheid was beneficial to white owned business because it was an integral part of a system premised on the exploitation of black workers and the destruction of black entrepreneurial activity.” (Volume 4: Truth and Reconciliation Commission of South Africa Report, page 18-58)”

I attribute this debate to **Mme Charlotte Maxeke, a gallant freedom fighter, a fearless tigress, scholar and a leader of struggles against the Natives Land Act of 1913.** This legislation was part of a machinery which was established to systematically impoverish, marginalise and exploit the oppressed, thereby creating the haves and the have nots who will die of hunger and hopelessness.

The quest for equality is also enshrined in section 9 of the South African Constitution which states that everyone is **equal** before the law and has the right to **equal protection** and benefit of the law, which includes the full and equal protection of all rights and freedom. The South African **Constitution entrenches economic and cultural rights in an unprecedented manner.**

As early as 1994, **Mr Nelson Mandela**, stated that,

“No political democracy can survive and flourish if the masses of our people remain in poverty, without land, without tangible prospects for a better life. Attacking poverty and deprivation must therefore be the first priority of a democratic government”

The Freedom Charter states that, **“The People Shall Share in the Country’s Wealth”**

- The national wealth of our country, the heritage of South Africans, shall be restored to the people;
- The mineral wealth beneath the soil, the Banks and monopoly industry shall be transferred to the ownership of the people as a whole;
- All other industry and trade shall be controlled to assist the wellbeing of the people;
- All people shall have equal rights to trade where they choose, to manufacture and to enter all trades, crafts and profession.

In his 2009 State of the Nation Address, President Jacob Zuma made a commitment that:

“The creation of decent work will be at the centre of our economic policies and will influence our investment attraction and job initiatives. In line with our

undertakings, we have to forge ahead and promote a more inclusive economy.”

Today, The Department of Economic Development is mandated to systematically uproot the faces of the Colonial and Apartheid-engineered social ills. The New Growth Path policy framework identifies 3 social ills of our time, namely, **poverty, unemployment and inequality** as the stumbling block to attaining our economic **freedom** and the **restoration of the dignity** of those who lost out the most.

The New Growth Path sets a target of 5 million jobs to be created by 2020. It identifies key Jobs drivers and sectors that will be supported in order to reach our set targets.

The identified sectors are:

- **Infrastructure**
- **The mining value chain which includes beneficiation**
- **Agriculture, agro-processing and rural development,**
- **Manufacturing**
- **The green economy and**
- **Tourism, the creative industries and high level services.**

From all Monitoring and Evaluation Reports, it is clear that we are a nation at work with a clear vision to achieve our job targets. There will be cycles where sadly, jobs will be lost, our responsibility is to pay close attention and to steer the ship on course.

Within the economic transformation cluster, the Department plays an enabling role and also that of an **integrator** for systematic and sustainable economic inclusion across the board. Also, we are the **chief negotiator** with all other partners.

Who are the Targeted Groups for Inclusion?

Our vulnerable are still mainly,

- Women
- Youth

- The disabled
- People in rural communities

And unfortunately they are still predominantly black and they constitute 60% of our society.

We will recall, last year Africa as a whole lived through the trauma of the Arab spring uprisings, triggered off by a 27 year old, **Tarek al-Tayeb Mohamed Bouazizi** Tunisian street vendor, who set himself on fire on 17 December 2010, in protest over the confiscation of his wares and the harassment and humiliation that he reported was inflicted on street vendors by municipality officials. His act became the catalyst for the **Tunisian Revolution** and the wider Arab Spring, sparking and inciting demonstrations and riots throughout **Tunisia** in protest of inequality in the country.

In order to achieve our long-term vision, the **National Development Plan** estimates that the economy has to grow annually by **5%** yet our economic growth has averaged at 3% and in 2012 it only grew by **2, 7%**. It sets a target of **11 million** jobs by 2030.

The National Development Plan

While we are spending a huge amount of resources and our assets in managing today's economic challenges, we have adopted a long term development blueprint called the **National Development Plan (NDP) 2030**. This is our bold statement, which sends a message to everyone including investors that, we are shaping, inspiring and unlocking the future. Our Minister of National Planning, Mr Trevor Manuel said, during the launch of the country's overall vision of how South Africa should position itself:

“The plan we hand over today is about the actions that all of us must take to secure the future chartered in our Constitution.”

The NDP spells out, the enabling milestones, such as:

- Establish a competitive base of infrastructure, skilled and competent human resource and an enabling regulatory framework

- Broaden ownership of assets to historically disadvantaged groups such as women, and rural communities
- Enhance the quality of education and attainment of critical skills in fields like engineering, finance and ICT
- Produce sufficient energy to support industry at competitive prices, ensuring access for poor households, while reducing carbon emissions per unit of power by about one third.
- Ensure that all South Africans have access to clean running water in their homes.
- Make high speed **broadband** internet universally available at competitive prices.
- Realise a good trade surplus, with one-third produced by small-scale farmers or households.
- Broaden social cohesion and unity while redressing the inequalities of the past
- Play a leading role in continental development, economic integration and human rights.

Inclusion of Youth

One cannot over emphasize the importance of quality education and the establishment and capacitation of industry connected and aligned to skills development colleges and trade centres.

The department will continue to **tackle youth unemployment**. The **New Growth Path** places focus on **knowledge-intensive sectors** of the economy such as **ICT**. This **continuously innovating** and evolving sector is now at the heart of the **information age** and **knowledge economy**. It also underpins the **competitiveness of countries**.

Due to its **dynamic nature**, ICT holds great prospects for **young people**. Trends in the sector indicates that there is very **little local manufacturing** happening in the ICT sector. South Africa is a **net importer** when it comes to ICT goods. This budget should target **employment opportunities for youth** in the ICT sector, especially providing them with **skills** for full participation throughout the value chain. During the

dialogue forum initiated by business, recently, it was apparent that there is scope for **incubation programmes** that will promote **import replacement** of IT components in **townships**. As increased **access to broadband** is achieved, the **demand** for **IT-related components and manufacturers** will increase and so will demands from the hosting of the **Square Kilometre Array**.

A Comprehensive Supplier Development Model

The realities of poverty and oppression are too harsh; they are forcing us to make paradigm shifts. Our financial systems can no longer turn a blind eye to the exclusive capitalist agenda, practices, and achievements. (Cf Karl Marx, Lenin, Luxemburg, Gramsci, Guevara, Freire, and Nyerere)

Policy Pillars of Inclusion and Sustainability

For us to succeed in our struggle for economic inclusion, we have to critically examine our financing, economics and trade policies as levers for change.

- industrial policies should be under constant scrutiny
- Government should decisively set a developmental bias rather than a pure commercial basis for financing projects.
- Transformation of development financial institutions
- The use of technology, innovations and **knowledge building**
- To develop cooperatives, SMEs as suppliers of scale through the value chain
- Establish strategic pointed institutions of learning and skills development, to feed into specific industry required capabilities.
- Aggressively promote access to markets and global value chains
- Protect new entrants against anti-competitive behaviour
- Use the regulatory framework to empower on a massive scale

Our Social Accords are embedded in **partnerships**. The eminent stakeholders are skills generating centres, innovators, business, government and organized labour.

There are emerging lessons from some of the 23 poorest municipalities that we are having dialogue with on an ongoing basis. A lesson that is uppermost is one on the

need to **integrate** and **coordinate** our efforts. **Support** for small and medium enterprises and cooperatives should be enhanced.

The entry point should be unconditional grants with a sole purpose to make projects bankable. The incubation period calls for heavy investments in terms of capacity building, coaching and introduction to the whole **value chain**. Business funding should have a clear vision of making SMEs **suppliers of scale**.

Leveraging on Trade Policies

From October 2010 to April 2013, women's employment grew by 366 000, while men's employment grew by 280 000. That means women's employment climbed by some **6, 5%** over the two and a half years to April 2013.

While women are still less likely to find a job than men, the relatively rapid growth in women's employment means the gap has narrowed somewhat. In April 2013, women made up **43, 8%** of total employment, up from **43, 2%** in October 2010.

Women have in particular benefited from the administration's determination to adopt counter-cyclical policies while improving services for our people and strengthening the public sector.

As a result, the public service, where many women professionals are employed as educators and health workers, has maintained steady growth since 2010. From 2010 to 2012, public health added 32 000 employees and public education grew by 8000.

We also have to continuously leverage on trade policies for example, the **IDZ** programme in South Africa (SA) was introduced in September 2000. The rationale behind the free trade zones is to attract export-oriented manufacturing investment by setting aside a physical area where investors will be given a range of incentives. These include benefits such as tax breaks, waivers of industry regulations, exemptions from import and export duties, suspension of rules requiring foreign investors to make investments in conjunction with local partners, strict guarantees

against expropriation, assurances of physical security and access to efficient communications and transportation networks.

Our resolve on economic inclusion should be to position cooperatives and SMEs to be suppliers of choice. In that way, we'll gradually enable SMEs to take their rightful place as drivers of the economy and generators of sustainable jobs. This calls for a shift in mindset about the value of SMEs.

Agriculture is one of the most **accessible industries** for the targeted vulnerable groups. This is especially relevant because **2013** marks **100 years** since the promulgation of the **Natives Land Act of 1913**. In his **2013 January 8 Statement**, President Jacob Zuma, spoke at length about the importance of redress, since land is an important asset and a factor of production and in recognition of how far we have come from when the majority of black South African's were denied **access to land**.

Provision of **rail and road infrastructure** in the rural hinterland, for instance, will **integrate** these areas into the **agricultural value chain** including drawing dividends through **beneficiation** from **agro-processing** along the value chain.

The recently launched **Rolling Stock Programme by PRASA**, **has set** asides manufacturing opportunities for women. Ms. Sindiswa Chikunga, the Deputy Minister of Transport, as the champion of this programme has made a call that women should be developed as suppliers of scale to the industry through the value chain. This programme is underpinned by technical skills development and enterprise development and support of women-owned entities and women professionals.

R797 million has been set aside for skills development and has been increased to **R1 billion** which must ensure that re-industrialization of the rail environment with the inclusion of women.

The **65%** localization requirement of the **Rolling Stock Fleet Renewal Programme** also offers huge opportunities for women and young women owned-companies to participate in the supply of rail components. Another opportunity available is on the **R51 billion** deal awarded to Gibela Rail Transportation. **30%** Broad-Based Black

Economic Empowerment process for Rolling Stock Fleet Renewal Programme currently underway offers further opportunities for women-owned companies.

Another opportunity for women is in poultry farming. Our success in empowering women in **poultry** farming will counteract the current trade situation where the country is presently importing chicken from other countries. Again we need to invest in the whole value chain, **breeding, abattoir, packaging, quality, storages** and **enterprise markets**

Waste management also provides another avenue for the absorption of our vulnerable people. Through modern waste management technologies young people and women can be involved in alternative energy use including clean water technologies, especially in our priority inner cities like Alexander Township. In all these emerging opportunities we'll pay special attention to the inclusion trajectories of the people with disabilities.

Conclusion

In conclusion I would like to leave you with the following thought. Some of you may be familiar with the children's book about an ugly duckling which was laughed at and scorned by the swans. But one day, the ugly duckling became a beautiful swan that all the swans admired. It is time that we turn small business into the beautiful swan that is a solution to joblessness, instead of treating it like an ugly duckling. The meaning of the children's story is that we cannot afford to support SMEs half heartedly as they are key in growing an inclusive economy and creating massive employment.

Thank you

