



**economic
development**

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Keynote Address

On

“Free State Province

Trade, Investment and Tourism Promotion

Symposium”

by

Deputy Minister of Economic Development

Prof. Hlengiwe Mkhize, MP

at

Venue: President Hotel, Bloemfontein

Date: 27 January 2014

Time: 09h00

Ms. Rowena Baird SAFM: Programme Director for the day

Cllr Thabo Manyoni : Executive Mayor

Mr Mosebenzi Zwane: Honorable MEC of the Free State
Department of Economic
Development, Tourism and
Environmental Affairs

Mr. Ikhraam Osman: Free State Development
Corporation

Mr. Newyear Ntuli: South African Post Office

Colleagues and friends

It is with great pleasure that I'm afforded an opportunity to partake in this launch of the Free State Province Trade, Investment and Tourism Promotion Symposium. It is through events like this one that strategic and worthwhile economic partnerships are formed.

Allow me to start by giving you a glimpse of what the country's economy looks like.

As we all know South Africa is an export-based economy and is the largest and most developed in Africa. It is because of provinces like the Free State that the country is rich in natural resources and is a leading producer of platinum, gold, chromium and iron. The South African economic growth is forecast at 2.8% in 2014, a figure slightly down from a **2.9%** projection in the October 2013 World Economic Outlook (WEO) report. There is hope that this figure will improve by half a percent (**0.5%**) to **3.3%** in 2015. It is expected that this growth rate will be supported by exports. 20% of the world total gold production is from the Free State and 30% of South Africa's output is also from the Free State Province. This colleagues is a clear indication of how important this province is to the wellbeing of the South African economy.

Our Gross Domestic Product (GDP) expanded by an annualized **0.7%** in the third quarter of 2013 over the previous quarter whereas the year on year GDP expanded by 1.8%. The largest contributor to the quarter-on-quarter growth was mining and quarrying which recovered from a **5.4** percent contraction in the previous quarter and grew **11.4%**, due to higher production of metal ores (including platinum) and other mining and quarrying (including diamonds). Of course mining is one of the pillars of the Free State's economy. **As it stands about 82% of the province's mineral production is derived from gold mining with gold mines also supplying silver and considerable concentrations of uranium.**

After contracting in the first two quarters of 2013, agriculture increased by 6.6% and this was attributed to higher production of horticulture and animal products. Animal products contribute a 30% of the gross agricultural income in the Free State Province,

with the balance generated by horticulture. It is because of the opposing seasons of the southern and the northern hemispheres that the Free State Province has an advantage in floriculture. This is evident in the province's export capacity of about **1.2 million tons of cut flowers per year**. In the Free State field **crops yield almost two-thirds of the gross agricultural income**.

The Ficksburg district of the Free State Province produces 99% of the country's cherry crop and the district is also home to the country's two largest **asparagus canning factories**. **Soya, sorghum, sunflowers and wheat** are cultivated in the eastern Free State, where farmers specialize in seed production. About **40%** of the country's potato yield comes from the province's high-lying areas. This just goes to show why the Free State economy is considered to be the **“breadbasket” of the country**. The province takes up **3.2 million hectares** of cultivated land and occupies **10.6%** of the total South African land. The province has

however moved from being dependent on mining and agriculture only to a manufacturing, export-orientated economy as well.

What still remains a problem for the government and the people of South Africa are some structural problems such as the gap between rich and poor, low-skilled labour force and **high unemployment**. The national government together with provincial governments such as the Free State Province has programmes and plans which endeavor to combat and bring to a bare minimum these structural challenges. Through plans such as the National Infrastructure Plan we aim not only to attract investments into particular areas within the country but also to ensure that the women and youth in those areas get decent jobs and are recipients of the skills transfer from big multi-national companies.

The QwaQwa area which is a former Bantustan falls under the Thabo Mofutsanyana District, one of the poorest parts in the country with the highest unemployment rate and poor per capita

Gross Geographic Product (GGP) in the province. The district's comparative advantage, i.e. **its fruit and grain farming**, holds opportunities for growth and development, in the area of food security. This should perhaps be an area to be explored by government together with the private sector for some possible strategic partnerships. Institutions of higher learning like the QwaQwa branch of the University of Free State should form strategic partnerships with the community to up the skills levels in the area, in line with the Minister of Higher Education & Training's post-school strategy.

About **1 054 000** more people were employed at the end of the NGP period (October 2010 to October 2013). The Quarterly Labour Force Survey (QLFS) shows that as at 1 October 2013 **63.2% of youth under 30** were employed, studying or in training, which is the same as the **62%** in 2010. Of the unemployed, **62.2%** have not finished secondary school, **30.5%** have matric and only

7.3% a tertiary degree. Youth unemployment rate for those below the age of **30** remained high at **40.6%** but it has declined from October 2010. The total number of youth employed where **3.56** million as of the third quarter of 2013 which is a significant rise from October 2010.

Women's employment rose by 685 000 over the period. This is **12.1%** increase in employment since the implementation of NGP. Women's share in formal employment climbed from **40%** to **42.3%**. The bulk of this new employment is in the public sector, especially educators, nurses and home-based care, and security services. Women's informal sector share in total employment is higher than in the formal sector, at **44.8%**, because they dominate in domestic work. Domestic labour employs **905 000 women** which is **14.4%** of African women with paid employment.

Investment was **19.5%** of GDP as of the second quarter of **2013** with public investment being **7.6%** of GDP. The percentage contribution by the public sector in investment shows the significant role the public sector has been playing in the economic recovery since the economic downturn.

PROVINCE	GDP		EMPLOYMENT		%
	PER QUARTER	YEAR TO YEAR	PER QUARTER	YEAR TO YEAR	
GAUTENG	0.9	1.8	0.1	1.1	30.7%
KWAZULU-NATAL	-	1.5	1.1	-	18.5%
WESTERN CAPE	0.2	1.4	0.8 -	2.0	13.3%
EASTERN CAPE	0.2	1.4	4.0	2.6	9.6%
FREE STATE	1.9	1.7	3.0	2.3	5.5%

According to the National Development Plan a sustainable increase in employment will require a faster-growing economy and the removal of structural impediments, such as poor-quality education or spatial settlement patterns that exclude the majority. This is seen as essential to achieving higher rates of investment and competitiveness, and expanding production and exports.

Some of the obstacles which raise the cost of doing business in South Africa whilst causing both investment and internal trade to limp are poor transport links and infrastructure networks, as well as tariff and non-tariff barriers. Allow me to mention that the Free State is one of the provinces with a potential to grow its economy and the economy of the country further. Colleagues I say this because of the role which the province play in the Durban-Free State-Gauteng logistics and industrial corridor. The Free State Industrial Strategy is intended to be integrated into the corridor.

The corridor is intended to promote not only improved transportation of goods between the end points but also to boost economic development in the towns and rural areas along the way. Harrismith which is situated at the intersection of the **N3 and N5** highways is ideally positioned to be turned into a logistical hub. This is especially appropriate considering that the road between Johannesburg and Durban is the busiest long-haul freight transport corridor in the country and the Harrismith Highway Junction is the Southern Hemisphere's biggest truck stop.

The strengthening of the corridor comes with it an opportunity to create an inland port that can handle cargo containers and at the same time be able to shift cargo from road to rail. The move to create this port is intended to both reduce road congestion and costs. The **Durban-Free State-Gauteng and Industrial Corridor** is one of the **18 Strategic Integrated Projects (SIPs)** of the **PICC**, a plan intended not only to deliver infrastructure to the

economy and communities in South Africa but also to create an environment for **inclusive** and **jobs-rich economic growth**. We all know that the quality and affordability of infrastructure raises economic productivity and as a result permitting economic expansion thereby allowing the marginalized households and communities to take advantage of new opportunities.

In the previous year an announcement of the launch of an integrated food processing park **Tshiame, Harrismith** was made. These are some of the positive spin-offs which are as a result of the high agricultural activity in the province and also taking advantage of inland hub. Tshiame was declared a presidential nodal (most poor) area and one of **SA's 10 Special Economic Zones in 2012**. SEZs are used as a mechanism to contribute towards realization of economic growth and development goals in National Development Plan (NDP), New Growth Path (NGP) and National Industrial Policy Framework (NIPF).

The main objectives in creation of SEZs are:

- Responding to challenging global and domestic economic conditions demands a sharper focus on new sources of competitiveness

- Achieved through innovation and productivity, with an entrenched base in skills, infrastructure and efficient and responsive state action

- Boost private investment (domestic and foreign) to labour-intensive areas, competitiveness and exports

- Measures must also be implemented to:

- enhance domestic and regional demand
- extend export promotion strategically

- strengthen South African industrial base
- promote labour-absorbing industrialization path

The Strategic Integrated Project 8 (**SIP 8**) of the **PICC** speaks to **green energy** in support of the South African economy. With towns such as Bothaville Free State Province is a leader in **biofuels production**. SIP 8 supports sustainable **green energy** initiatives on a national scale through a diverse range of clean energy options as envisaged in the Integrated Resource Plan (**IRP 2010**) and support bio-fuel production facilities. Bio-fuel production facilities such as the one in Bothaville and the others which are still to be built have the potential to enhance the economy and create jobs, both directly and indirectly for those communities in which they operate. The National Development Plan suggests that most new jobs are likely to be sourced in domestic-orientated businesses, and in growing small- and

medium-sized firms. These **small- and medium-sized firms** must seize opportunities available in the **Special Economic Zones** (SEZs) and **the biofuel** production facilities.

SIP 11 talks to **agri-logistics** and **rural infrastructure**. It is a strategic intervention to steer the economy of the province particularly the agricultural sector. **SIP 11** focuses on the improvement of **investment in agricultural and rural infrastructure** that supports expansion of production and employment, **small-scale farming** and **rural development**, including facilities for storage (**silos, fresh-produce facilities, packing houses**); transport links to main networks (rural roads, branch train-line, ports), fencing of farms, irrigation schemes to poor areas, improved R&D on rural issues (including expansion of agricultural colleges), processing facilities (abattoirs, dairy infrastructure), aquaculture incubation schemes and rural tourism infrastructure.

In conclusion I would like to draw your attention to the successful growth of emerging markets. Growth in these emerging markets is backed by drivers such as technological progress, better education and economic management, greater openness to international trade, changes in the use of land, and domestic migration from low-productivity to high productivity sectors. It is moves such as not only focusing on primary agriculture but also on secondary agriculture which will see the Free State Province's economy soar.

I thank you.