

ECONOMIC DEVELOPMENT BUDGET DEBATE SPEECH PRESENTED AT THE NATIONAL COUNCIL OF PROVINCES ON THE 13TH MAY 2015 BY MADALA MASUKU, DEPUTY MINISTER OF ECONOMIC DEVELOPMENT

INTRODUCTION

1. Honourable chairperson and members, members of the public thank you for the opportunity to participate in this important debate.
2. Thank you Minister for the informative budget speech. Indeed the series of examples that you have shared in this house and with the people of this country are but a few of the many that you experience in every corner of the country.
3. I have already indicated that all our Development Finance Institutions and Provincial and Local agencies are hard at work.

Illustration of DFIs hard at work

4. NYDA assisted a young man who decided to join a cut throat competitive township enterprising that he thought was beginning to dominated by superior and experienced foreign national enterprisers who outplayed all local business people who operated from old technics and managed to win his space.
5. Sefa assisted a Young man to establish a fitter and turner manufacturing initiative where he manufacture and supply all kinds of bolts and nuts required by surrounding industries.
6. We also visited some sweet industry funded by the IDC. The workers there have some kind of shareholding beyond what they earn as workers. They have braved the five years of establishment without profit and my visit to the factory coincided with the day they broke even.

7. The Provincial Development agency has also revamped the industrial development areas in the various regions of the province, one of which they have established a bed-making factory that is supplying beds to a number of shops in the province.
8. NEF in this region funded a couple of BBBEE mining deals in the province. I visited one of the diamond mines, of which I was impressed by the fact that the final quality checkers of the commodity was done by two black women, whom we were told are the most secured in all the mining staff.
9. Our people ranging from those with small initiatives and big business benefit out of the above-mentioned support and are appreciating it.
10. This is coupled with a number of other none loan finances in the form of grants, expertise, technology transfer and other capital assistance relevant to the enhancement of production, expand job creation and stimulate growth.
11. The above assistance has played a critical role in the little changes we see today.
12. This is a reflection of a nation hard at work under decisive leadership that is bold in its resolve to provide the necessary support all , but with a bias to those who were previously disadvantage in the form of facilitating access, financing, mentoring, ownership and control.

Relevant Leadership to Economic SA Economic Development

13. This leadership continue to prevail even during stormy weathers, including the 2009 financial crisis and the recent labour unrest and the current stormy economic environment characterised by scaling down of industries and retrenchment.

14. We do this to live to what David Flick in his book Africa, continent of economic opportunities published in 2006 characterised as “enlightened leadership” as opposed to mere “opportunists elected because of stupid promises” driven by “greed and despotism that works against development”
15. Flick (2006) characterised South Africa as “A voice” in the continent that regard history as the past we can learn from, but not a necessarily a solution to our problems that are a manifestation of the past.

What is our choice of leadership?

16. Flick describes us as a country that understands that revisiting colonialism was necessary not a solution to Africa’s problems. But leadership in the eradication of poverty and conflict by promoting trade, education and respect of existing cultures was key to making Africa a better place. And to be successful in this endeavour, we need to sustain the momentum of the calibre of the examples you gave minister.
17. In 2010 Greg Mills argued in his book “why Africa is poor” that the main reason why Africa’s people are poor is because the choices their leaders made (Mills, 2010:1).
18. It took me some time to understand this until I remembered that apartheid was a deliberate choice of a particular calibre of leadership.
19. The apartheid leaders like Verwoerd, whom today we hear are celebrated as a “smart tactician” made that decision that the majority people of South Africa must stay poor and they are today. All we are doing is to reverse and ultimately stop this trend.
20. Verwoerd, together with his cronies made this choice that the Allister Sparks, the stalwart lecture in the DA conference hailed as excellent

work worth emulating by future leaders of the DA, as some of its past leaders did.

21. Allister Sparks indeed tried to exercise this so-called smart tactic through a column in the business day. In this column repeatedly and consistently drum up a cry of beloved country that had suddenly lost leadership just after the dawn of democracy in 1994. He did it so good that I was also beginning to believe it and thought as a veteran journalist, he might know something that I never came across.
22. Honestly, I have been doing a lot of reflection and self-criticism to live to his mantle of leadership. But now that I know, I can only say I am sorry he can shelve it.
23. Our kind of leadership derives from experiences of leading a hard and difficult revolution to dismantle apartheid blended colonialism of a special type. It requires us exercise high level of what Mills (2006) called Weberian human traits for development.
24. These are traits that allow you to execute your task with precision **characterised by high quality leadership; Honesty, humility, Discipline and social commitment to the people.** What Karl Marx summarise as Iron Discipline.
25. The kind of **discipline that is informed by the fact that “development would not come to Africa through policies dreamed up in the western think tanks and universities” but from within “designed and supported by African people themselves.** It had to be development for the people by the people” (Fick, 2006: 24).
26. South Africa’s freedom was earned through South African solutions. South Africa’s constitution has come as a result of inputs of South

Africans. South Africa's National Development Plan is a reflection of the opinions of South African people's will and not an individual view.

27. This budget debate is a reflection of the progress we are making with regard to the implementation of the national Growth path, which the NDP recognised as action plan that is taking the country into a new trajectory.

On the revolutionary thought

28. We are on course towards achieving the goals of the NDP, hence of the people, with a full understanding that the National Development Plan is not sacrosanct, but a living document that can be adapted as existing conditions change without changing our ultimate goal of eradicating poverty, inequalities and joblessness.
29. Ben Turok wrote in his book on the revolution thought in the twentieth century that "Revolution is a creation; without creative spirit, a revolution cannot succeed. There has never been and will never be a unique formula, one that is suited to all circumstances and all times, for waging a revolution" (Turok, 1980:20)
30. Consistent with Marxist/Leninists, He concluded that a successful revolution is the one that ensures "release of pent-up energies" amongst its people and bring about hope that revolutionary classes can use to "destroy the out-dated political superstructure, abolish the old state power and create a new one." (Turok, 1980:7)
31. We are indeed living to this dictum.
32. In the beginning of the 5th term of the democratic government, we have indicated that part of the critical task to improve our economic performance is to get our institutions to function efficient and effective.

33. We highlighted that the major focus will be on the effective co-ordination of provincial and local development efforts. These included a major effort towards alignment of work.

Provincial Economic profile

34. As at December 2014, The South African economy recorded an average growth rate of 3,7 per cent between 2003-2013,
35. Western Cape and Gauteng were above the national average with rates of 4,2 per cent each, as was KwaZulu-Natal with a rate of 4,0 per cent.
36. All other provincial economies recorded growth rates lower than the national average, e.g. North West posted an average economic growth rate of 2,3 per cent, whilst Mpumalanga grew at 2,9 per cent over the period
37. We agree with the economic Report on Africa 2015 dubbed “industrialisation through trade”, which calls for a need to ensure that growth is sustainable and inclusive and that the sources of growth are diversified to reduce vulnerability to internal and external shocks such as droughts, global consumptions, financial and economic debt crises.”
38. The report calls for Africa and its member countries to leverage on the progress made and take this opportunity to build strong institutions that maintain and improve entrepreneurial environment economic governance and macroeconomic management.
39. In this regard we seek to strengthen our co-ordination mechanisms and structures across spheres of government and amongst cluster departments and agencies. The core of our policy being industrial development

Provincial Visits

40. During the 3rd and the 4th quarter we conducted visits to provinces to have a conversation around co-ordination of economic development across spheres.
41. 5 Provinces graciously hosted us since the beginning of the programme - (Eastern Cape, Limpopo, Free State, KwaZulu- Natal and Mpumalanga)
42. In terms of Western Cape, a representative from the office of the Deputy Minister supported one of the LED forums

Objectives of the provincial visits

The objective of the provincial visits was to amongst others:

43. Solicit common understanding of the economic development frameworks – NDP, NGP, IPAP, NIIP
44. Alignment of economic development priorities of provincial and local government plans to the National Development Plan (NDP)
45. Process of identifying key jobs-drivers in provinces and municipalities that can be implemented in those spheres.
46. Exploring the use of social accords to leverage buy in from all stake holders.
47. Explore role of DFIs, the Competition Commission, ITAC in support of economic development initiatives of the provincial and local government.
48. Engage business community with regards to their role in economic development at a provincial and local sphere
49. Discuss and explore mechanisms for unblocking constraints to economic development potential at a provincial and local sphere
50. We have also compared the growth and employment creation patterns with infrastructure provision and other state interventions such as DFI

funding distribution to identify the impact of the intervention in the creation of jobs, stimulation of growth and reduction of poverty.

Post provincial visits

51. **To date we can report that most of the provincial strategic plans and Provincial Growth and Development Plans are aligned to National Growth Path Job drivers**, with the coastal ones beginning to incorporate ocean economy in their plans.

52. Provincial Priorities

Free State

Due to their strategic importance in job creation, energy supply and further enhancing the Free State as a business and investor friendly province, Free State Strategic Development Projects are:

- Mabele Fuel,
- Xhariep Solar energy, and
- Broadband projects
- Maluti a Phofung Special Economic Zone

KwaZulu-Natal

- Aerotropolis and maritime, export strategy, trade and investment
- Implementation of industrial hubs (Dube Trade Port and Richards Bay IDZs)
- SIP 2, Dig out port
- Tourism: implementation of the master plan: growth in arrivals and KZN being abyss with tourists

Limpopo key priorities

- Acceleration of industrialization programme through Mineral beneficiation (Platinum hub), development of agro-processing cluster and logistics.
- North West's Recovery, Renewal and Repositioning Plan
- Rebranding, repositioning and renewing villages, townships and small dorpias economies
- Ensure the mines complies 100% with their Social Labour Plans
- Support Agriculture, and Culture, Arts, and Tourism.

Northern Cape

- Solar renewable energy initiatives (the province received the lion's share of the IPP projects)
- Revitalisation of the agriculture and agro-processing value chain
- Mining

Gauteng province

- Ten Pillars of radical Transformation, Modernisation and Re-industrialisation
- The development of new modern, innovation-driven industries in the areas of high-tech, biotechnology, the green economy and blue economy
- Changing the current industrial structure of our economy to privilege manufacturing and industrialisation through the processing of rich mineral resources and other raw materials locally
- Changing ownership patterns to bring black people into the economic mainstream and creating black industrialists

Western Cape's SIPs

- Hospitals: SIP 13
- SIP 5: Saldanha Bay, Sunrise LPG and Furrow Wind Farms
- Universities: SIP 14

52. Implementation support for provincial and local economic development remains a critical challenge to be addressed over the next cycle of planning and implementation.
53. In the 2015/16 financial year, we want to work with all provinces with a target to get at least two provinces economic development programmes aligned to both the National growth Path and local initiatives.
54. The Local Economic Development capacity in Metros is fairly established, although not fully in some cases. We will also be working with all the metros to address this with a target to get at least two well established to serve as an example to others.
55. **The economic development capacity in most district and local municipalities requires an attention.** In this financial year we will work with provinces towards positioning of municipalities as centres of growths than just consumption.
56. **We will work with provinces towards building capacity in Provincial departments to play a bigger role in supporting local economic development initiatives by providing planning and implementation support**
57. **Provinces need to harness the potential contribution by the private sector**
58. **Provincial and District Development agencies need to align their plans to the new mandate as outlined by the National Development Plan.**

59. There is a dire **need to rationalise Development financing from national to provincial, including streamlining development financing by provincial and national agencies.**
60. The provinces also indicated that the Integration of the work done by the outcome 4 core department (EDD, the small business development, the dti) national DFIs must be expedited by MinMEC in order to consolidate our efforts in an efficient and effective way.
61. The Economic development conference of officials from the provinces and the metros was also convened in March 2015 to reflect on the same co-ordination matters and similar outcomes emerged.

MEASURE OF SUCCESS: NGP, THE MTSF AND THE 9 POINT PLAN OF 2015/16

62. We want to ensure that provinces and municipalities contribute in our economy through stimulation of growth drivers relevant to their areas, taking into account the enabling conditions on the ground.
63. We shall use the nine point plan as outlined by the president when he delivered the state of the nation in February 2015 as measure of our success.
64. We want to ensure that we put in place systems and measurers towards realising our MTSF goals of promoting of rapid industrialisation through beneficiation, agro-processing, localisation of procurement and manufacturing, youth and women empowerment, rural and township enterprises development, tourism development, as well as small business development
65. We will Leverage the potential of our youthful population to boost the quality of our future labour force, as alluded to by the United Nations

Economic Commission for Africa in its researched book innovative Financing for the Economic Transformation of Africa "edited by Abdalla Hamdok and published in March 2015.

66. We will do a full scale analysis on the availability and growth of development funding in various DFIs, departments, provinces and Municipalities with an aim to rationalise for bigger impact.

I thank you.