

# 2012

## NCOP Budget Debate



**economic  
development**

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Economic Development Department  
REPUBLIC OF SOUTH AFRICA

**Minister of Economic Development  
Ebrahim Patel**

**17 May 2012**

**ADDRESS BY MINISTER EBRAHIM PATEL, MINISTER OF ECONOMIC DEVELOPMENT ON THE OCCASSON OF THE POLICY DEBATE ON VOTE 28: ECONOMIC DEVELOPMENT IN THE NATIONAL COUNCIL OF PROVINCES, HELD ON 17 MAY 2012**

CHECK AGAINST DELIVERY

Chairperson

Minister Davies

Deputy Ministers Thabethe and Tobias- Phokolo

MECs

Select Committee Members and Chairperson, Honourable Freddie Adams

Honourable Members

Eighteen months ago government adopted the New Growth Path as the framework for our economic policies. It places employment – decent work opportunities – at the centre of our efforts to rebuild productive sectors of our economy. It identifies the means by which we will move away from an unsustainable consumption-led growth trajectory.

Honourable Members, today I will reflect on EDD and the work that we do with Development Finance Institutions and Economic Regulatory Bodies, through a provincial lens.

First, let us look at the state of our labour market.

StatsSA recently released its first quarter results for 2012 in the Quarterly Labour Force Survey (QLFS), a comprehensive report of labour market trends. The value of the survey is particularly on the the annual trends to date, updated every 3 months, undistorted by seasonal factors that show up in quarter-to-quarter figures.

Over the last twelve months 305 000 net new jobs were created. We have now experienced FIVE quarters of year-on-year jobs growth.

In October 2010, when the NGP was adopted, total employment was 12,9 million. By 31 March this year, it was 13,4 million. Thus 447 000 new jobs have been created in the past 18 months, compared to a loss of 660 000 jobs in the 18 months prior to October 2010.

53 000 new jobs have been created in agriculture in the past twelve months - a growth of almost 9%.

On the down side, manufacturing and construction lost a large number of jobs over the last year. 81 000 manufacturing jobs were lost, partly as a result of contracted demand in the Eurozone. Manufacturing is a critical driver of long-term economic welfare and we should be concerned. It will be crucial to increase local and regional demand for these key sectors to offset the downward trends.

Six provinces saw jobs growth over the 12 months, while 3 had job losses.

At top spot was Gauteng with 141 000 new jobs, followed by Kwazulu Natal in second place with 90 000 new jobs, and in third place, the Western Cape with 63 000 new jobs.

Gauteng's job creation performance was excellent, accounting for 46% of all new jobs created nationally, which is almost one in every two new jobs created, and double that of the Western Cape.

The provinces with the largest job losses in the past year were the Eastern Cape and Free State.

Honourable Members, let me return to the work of EDD.

What do we seek to do? Our work is primarily about integrating efforts across government, public agencies and our Social Partners – business, labour and communities – towards better economic outcomes.

Today I will illustrate how we bridge the gap and coordinate the effort at a provincial level by giving you a snapshot of the work that we do, working closely with sister departments like the DTI, and our agencies - the IDC and ITAC.

How we leverage our policy instruments to facilitate high impact opportunities.

Most importantly, how we promote structural change and efficiency gains towards our vision of a vibrant, competitive and inclusive economy.

Honourable Members, in 2011, customs data revealed that South Africa imported 330 000 tons of chickens a year. This is 400% more than we imported a decade ago.

In the Free State, the IDC is partnering with the Vrystaat Kooperasie Beperk (VKB) to finance development of the fifth largest chicken broiler in the country. R80m of loan finance under the UIF scheme and BBBEE finance will ensure that this 2200 member co-op will boost the Free State agri-business sector - creating 1 328 jobs in the first phase and progressively and replacing 40% of national poultry imports. With the support of provisional anti-dumping protections through ITAC, announced on 13 February 2012, we are looking to repatriate many of the 7 800 local jobs currently exported to the Brazil, Argentina and European Union poultry industries.

In Kwazulu Natal we've seen an example of success with a component of the green economy: the solar water heater installations. EDD collaborated with the IDC on industrial funding, ITAC on a tariff investigation, DTI on localisation, DPE

on Eskom's role, the Department of Energy on policy issues, the SA Bureau of Standards on approval of an 8 000 unit SWH factory and National Treasury on establishment of a R4.7bn three year funding mechanism.

The result? More than 262 000 solar water heaters have now been installed countrywide, of which about 51 000 were in KZN.

Honourable Member, government is focused on creating jobs and boosting industrial development by unlocking mineral wealth in the Kalahari Basin of the Northern Cape. In February, President Zuma announced the national infrastructure plan, containing details of rail capacity improvements to transport manganese from the Northern Cape, with an IDC-backed manganese sinter plant in the province, to a ferromanganese alloy smelter and manganese terminal in the Port of Coega in the Eastern Cape

Looking forward, we must consider further beneficiation of manganese as an input in local steel manufacturing for local, regional and international markets.

In Bronkhorstspuit, Gauteng, we are ensuring rural economic development and job creation through a focus on import replacement and enhancing the agricultural-value chain. The IDC-funded RusselStone soya crushing plant will be the first commercial scale facility of its kind in the country, it will replace 240 000 tons of imported soya cake per year – creating 48 permanent and potential for a further 1 040 agricultural jobs.

Honourable Members, Vektronix in the Eastern Cape is an example of our work to integrate investment within the framework of the Industrial Policy Action Plan (IPAP), the manufacturing driver of the New Growth Path. Established in 1974, this East London based company was the first TV manufacturing plant established in South Africa. It remains one of the most flexible, cost-effective

consumer electronics contract manufacturers in the country. Since 2009, Vektronix has had a revolving R123m credit facility with the IDC, which has allowed the company to gear up capacity for contract assembly of a range of Samsung flat-panel models.

Local company, Tubular Construction Projects, in Mpumalanga is an example of integrating industrial and infrastructure development to promote localization and job creation by leveraging off the infrastructure plan. Funding will enable the company to execute a contract for the supply, fabrication and erection of an air-cooled condenser system for Eskom's Kusile Power Station. 687 new jobs will be created.

Localisation will be deepened by our partnership with Proudly South African to run a "Buy Local" campaign.

In the North West, we see integration across rural development and the mining value chain for effective outcomes of BB-BEE and job creation. The African Queen Newco project will allow the mining of a continuous platinum ore body as a mega mine, placing the project in the top 5 platinum producers in South Africa. The local community will own 27% of the consolidated mine. 9 000 jobs will be created in full production and during the construction phase.

In Limpopo, a major infrastructure programme announced through the PICC will unlock vast quantities of chromium, coal, platinum and palladium, and stimulate emergence of the first post-Apartheid new city, in the Waterberg area. Transnet's investment in rail, Department of Water Affairs laying of water pipelines together with Eskom's energy generation and transmission infrastructure and the IDC's industrial investment will unlock industrial development in the Northern Mineral belt.

Finally, the Western Cape demonstrates the growing innovations in our support to SMMEs as a means of securing equity of our communities in the economy.

Last year the Khula approved R63.5m to land reform beneficiaries for planting vineyards and citrus orchards in the Citrusdal community. These two projects will create employment and ownership opportunities to about 565 workers.

This year Khula Finance, SAMAF and the IDC's small business lending book were amalgamated into one single agency – the Small Enterprise Finance Agency (SEFA). Through operational efficiencies and leveraging a R2bn funding envelope over the next three years, SEFA will enhance funding support to SMMEs at a provincial level through initiatives such as the roll-out of a direct lending facility piloted in Cape Town last year.

Honourable Members, sustainability of our SMME interventions doesn't rest on finance alone. It also requires operational support and enhancing their ease of doing business.

We have an agreement with the South African Institute of Chartered Accountants (SAICA), to train 100 accountants to provide support to small businesses.

This year EDD will roll-out Employment Impact capacity-building workshops to the nine provinces. This will enable provincial departments to understand factors driving employment creation and how they can use their policies, regulations, programmes and activities collectively to intensify employment creation.

We will provide further capacity-building support to Provinces including deepening of training on economic development and planning for officials. Last year we sponsored a training course at Wits University for 90 provincial public sector officials. 100 officials from five municipalities will be trained this year.

More broadly, government has announced a bold Infrastructure Plan to shape economic and social development. As the location of the Presidential Infrastructure Coordinating Commission (PICC) Secretariat - EDD provides technical and coordination services to support planning and preparation of 17 Strategic Integrated Projects. The PICC integrates the plans, budgets and investment pipelines of national, provincial and local government as well as State Owned Enterprises (SOEs) and government agencies.

As demonstrated with the IDC, we are re-aligning our Development Finance Institutions for greater operational efficiency and to support New Growth Path outcomes. Over the last year the IDC saw a 29.23% increase, totalling R13,5 billion, in finance approved with a 18% increase in deal flow and turn-around times for processing applications reduced from 82 to 50 days.

Similarly ITAC follows a developmental approach to trade policy and tariff setting to boost competitiveness, support industrialisation and promote jobs. Last year, ITAC improved its turnaround time for roughly 20 000 permits issued annually to three days.

Honourable Members, I would like to conclude with the words of Nobel Laureate Amartya Sen - "Freedoms are not only the primary ends of development, they are also among its principal means."

These words describe government's work over the last year and the road ahead in fostering a dynamic, just and competitive South African economy.

An economy growing on the energy of our citizens enabled to exercise their economic freedom.

There is no silver bullet to get us on our new trajectory. Our primary mandate of coordination requires managing efforts and smart policy implementation. It requires tactical initiatives with multiplier impact which will ensure the structural

shifts and efficiency gains we need to build a dynamic, inclusive economy. Most of all it requires perseverance and a focus on quality outcomes.

I thank you.