economic
development

Economic Development Department
REPUBLIC OF SOUTH AFRICA

Deputy Minister of Economic Development Prof Hlengiwe Mkhize Notes for the South African Trade, Investment and Tourism Symposium - Gauteng Gauteng Province

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Participants from business, labour and government,

SAFM representatives,

Participants from SA Guides,

Introduction

Thank you for the opportunity to speak at this important event. We are grateful to the organisers, participants and sponsors who have joined with us here to address the key challenge of collaborating to promote investment, trade and tourism.

Let me start by outlining our current context and our core development strategy. In the process, I will highlight the opportunities that are emerging for investors and other stakeholders.

Context

One reason we support this kind of event is that we as South Africans need to work together to respond to the worsened global context. We benefited tremendously from the global commodity and financial boom of the mid-'00s – but with the rest of the world, we have paid a price since the 2008/9 downturn.

Since then, the recovery in South Africa has been fairly strong, with growth of around 3% a year from 2010 to 2012 and the creation of new jobs.

But the global economy has been less than supportive, with a double-dip recession in Europe that has only just come to an end. This has certainly added to the challenge of recovering from the downturn. Similarly, slow growth in the US and China points to the fact that we cannot simply wait for the global economy to take off and carry us with it.

In these circumstances, all of us need to explore new opportunities for investment and growth.

South Africa

That said, for us South Africans, growth can only be necessary, not sufficient – and therefore it is not a goal in itself. If the past year has proven anything, it is that economic growth on the path of our history is not sustainable. Our society cannot continue to sustain the profound inequalities that were entrenched under apartheid. The conflicts in our workplaces and communities can only be reduced if we also deal with the deep inequalities left by apartheid. In the words of a wise Pope, if we want peace, we must all work for justice.

True, in the past two decades the democratic government and ordinary South Africans have done a lot to address the legacy of apartheid. We no longer see overt discrimination in our education and health systems, our public spaces, or our financial and market institutions. Government has gone far to reduce the backlogs in public investment that deprived historically African communities from Soweto and Alexandra to Sekhukhuniland and other rural areas.

To take just one example, the percentage of African households with electricity has risen from around half in the early 1990s to three quarters today. To take another example, the majority of our young people make it through to matric.

These may seem trivial accomplishments to those who have never experienced the deprivation imposed by apartheid. But they required huge investments of time, money and skills. It is no small task to re-engineer discriminatory systems that were entrenched over the centuries before we won democracy.

Still, we have by no means achieved our aim of a free, prosperous and equitable South Africa. To this day, South Africa ranks amongst the most unequal economies in the world.

Three Triple Challenges

A central pillar of inequality is high unemployment. In itself, it shows how so many of our people have been effectively excluded from the benefits of economic growth. To this day, only four out of ten working-age South Africans is employed, compared to the international norm of six out of ten. In the former so-called “homelands,” where almost a third of our people live, only around two out of ten adults are employed.

A second pillar of inequality is unequal incomes in the workplace. Here, too, South Africa ranks amongst the worst in the world. Our managers and professionals have incomes comparable to the global North, while too many workers – especially domestic and farm workers and those in the informal sector – are paid at levels found in countries like Bangladesh and China.

A third pillar is unequal ownership patterns. We know this best from agriculture, where apartheid explicitly divided the land unequally amongst our people. But it is also true across the rest of the economy. After all, apartheid also prevented many of our people from setting up businesses or shops in towns; hindered them from obtaining credit, especially in the case of black women; and even kept them from buying houses.

Given these legacies as well as the global economic trends, we need to think out of the box. We as government need both to ensure a supportive environment for investors, and to work with them to develop a more sustainable, diversified and equitable economy. We need an economy that provides tangible benefits and above all opportunities for more of our people, while identifying new areas of growth so as to escape the impact of the global slowdown.

The NIP

Central to our response has been adoption of the **National Infrastructure Plan at the start of 2012. The plan provides a basis for industrialisation, rural development and regional integration – all areas where we can grow our economy** sustainably while improving employment and equality.

The core to the **National Infrastructure Plan** is the establishment of strategic integrated projects, or SIPs, that enable us to identify synergies and priorities across the country. Some SIPs focus on improving core infrastructure for the formal sector, including transport from Gauteng to the coast as well as electricity generation and bulk water supply. Others aim to drive rural development, addressing both persistent backlogs in municipal infrastructure in our poorest districts as well as the need for enhanced rural productive infrastructure and roads. Finally, there are SIPs to improve health and education infrastructure and to build links across the southern African region.

We have already seen substantial successes in implementing the National Infrastructure Plan. **As a core indicator, public investment has climbed from a low of 6,8% of the GDP in 2010 to its current level of 7,6%. In 2012, public investment totalled R235 billion.**

Much of this investment takes the form of capital equipment for the railroads and electricity generation. Infrastructure is not only bricks and mortar. That means the build programme opens opportunities as much or even more in the capital goods industry as it does for construction companies.

Partnerships with business are central to our work on the National Infrastructure Plan, which is driven by the Presidential Infrastructure Coordinating Commission or PICC. These partnerships take several forms.

To start with, we are working with BUSA and BLSA on some core infrastructure projects, especially to open the Northern mining belt and improve electricity generation under SIP 1.

In addition, we aim to procure inputs wherever possible from South African producers. That in turn means in many cases that we have to find ways to develop new kinds of production capacity. The PICC is working closely with business, the Industrial Development Corporation and the Department of Trade and Industry to identify opportunities in this regard. Already we have seen investments to produce inputs for Eskom and Transnet that will generate billions in revenues and thousands of jobs. The IDC has established a localisation office to assist in this regard.

Last, but probably most important in the long term, we need to ensure that our new infrastructure stimulates productive investment. Improving electricity, roads, rail and telecommunications is not an end in itself. Rather, it should leads to increased production across the economy. We need large and small companies, urban and rural enterprises to explore how they can use the new facilities that we are building to grow our economy.

The National Infrastructure Plan is central to our response to the global crisis and to the imperative of ensuring more equitable and inclusive growth in future. Let me also highlight three other initiatives.

First, we are seeking to strengthen local procurement across the state, not only for the build programme. We have designated a range of products, from uniforms to rolling stock for the railroads to some pharmaceuticals, for local procurement. This increase in demand should provide a platform for new investment and growth. It maximises the stimulus from government spending, which aims to counter the slowdown globally.

Second, the DTI's Industrial Policy Action Plan identifies a host of opportunities for diversifying the economy and strengthening our productive base. I am sure the representatives of the DTI here will speak to these developments.

Finally, we are seeking to **build partnerships between business and FET colleges. The National Skills Accord, which was signed last year, confirms our common commitment to expanding apprenticeships and improving the quality and** relevance of FET institutions. Now we need to implement that accord, leading to a qualitative improvement in the skills available to our economy.

Gauteng is especially well placed to take advantage of the new opportunities arising from our push for more inclusive growth. This province has much of the management and productive capacity of the country. **The new public investments in transport and electricity in particular should ensure greater efficiency and competitiveness in the long run.**

Conclusion

Colleagues and friends,

It is a platitude that every crisis can also lead to new opportunities – that out of lemons we can make lemonade. But like so many platitudes, there is truth in these sayings. **During the commodity boom,** we could afford to fall back on our old way of doing things. The changes in the **global economy may make us uncomfortable, but they also push us to take our**

country, our economy and our society to a higher level. We know that together, we are up to this challenge.

Thank you again for this opportunity and for participating in this important event.