



DEPUTY MINISTER  
TRADE, INDUSTRY AND COMPETITION  
REPUBLIC OF SOUTH AFRICA

The Deputy National Chairperson of the NCOP, Hon. Silver Lucas.

The Presiding Officers and Chairpersons of Committees.

Members of Parliament and NCOP.

The honoured guests

The officials of Parliament.

Let me first express my sincere gratitude to the special invitation extended to us in the Ministry of Trade, Industry and Competition, to make few reflections in this august conference as convened by NCOP. The criticality of this conference stems from its essential purpose - which is to assess the state capacity in driving the programme of social transformation. In addition, within that assessment, seek to identify strategic weaknesses in delivering these objectives in line with policy positions that we set for ourselves to execute.

Whilst the main theme of this conference is “*Delineating State Capability Weaknesses, Devising the Appropriate Mechanisms to Accelerate Policy Implementation*”, I am requested to focus my attention into the sub-theme: ***Strengthening state capability, to accelerate economic transformation, inclusive growth and competitiveness.***

Unfortunately, we are having this conference against the backdrop of the South African economy, which is experiencing serious challenges of unprecedented magnitude. The main drivers of these economic headwinds includes a sustained weak growth,

de-industrialisation and extreme fiscal pressures, high unemployment, poverty and deepening inequality. Economists are agreeing that we are at the phase of stagflation. Stagflation is a situation in which the inflation rate is high, economic growth at its lowest, and unemployment at its high.

With the recent floods in KZN, April manufacturing activity fell sharply with various subsectors of the economy slowing down and some closing. Many goods coming or leaving the country through Durban ports are linked to inland provinces activities like Gauteng, North West, Limpopo and other provinces, through road freight logistics. According to Absa Purchase Managers Index (PMI) released on May 3 shows that we have dropped in manufacturing activities by 50.7 index points. However, the overall causal effects is not just floods but connected to the entire three years tough environment such as the following:

- The impact of Covid-19 and its attendant lockdown that saw disruptions of global supply chains and effectively shutting down of the economy, the results of which has been the shedding of jobs and SMMEs going under;
- SA's binding constraints on the economy (including unreliable electricity supplies that is a major risk in our economy and overall growth path; the issue of auctioning of spectrum that has finally been addressed recently.
- The harbor congestions accompanied with freight/logistics constraints, and regulatory delays which impede investment);
- The impact of the July 2021 unrest into the economy and unemployment consequences;
- The current Russia-Ukraine conflict that has a global effects on trade issues and food inflation.
- And, the recent KZN Floods are going to regress the economy severely, given that KZN is a second national contributor to the national GDP after Gauteng.

It is against the above economic background that we must be “**Strengthening state capability, to accelerate economic transformation, inclusive growth and competitiveness**” Building a capable state is one of the key pillars of the National Developmental Plan. Capable and decisive state is characterised by a strong planning and coordination in the implementation of government programmes, breaking free from unnecessary red tapes, and strong on turnaround times in achieving timelines - without fail.

In this regard, the District Development Model mechanism in government as an instrument of breaking silos in government, and enforce planning at all three levels of government, is beginning to show signs of coordination in our re-industrialization policy implementation with provinces and district municipalities.

At the beginning of this new administration, as Trade, Industry and Competition Department we began working with the private sector and organised labour on the development of the Re-imagined Industrial Strategy (RIS). The Re-Imagined Industrial Strategy brings together a comprehensive set of policy interventions to drive inclusive growth, underpin transformation and create a new growth dynamic based on localisation and exports through the African Continental Free Trade Agreement (AfCFTA).

A key pillar of the Re-Imagined Industrial Strategy is the development of the sector-focused Masterplans (drawing on the success of the Automotive Masterplan). We have since concluded the Sugarcane Masterplan, Clothing, Textile, Leather and Shoes Masterplan, Steel Masterplan and Furniture Masterplan.

Related to the above, has been our implementation of Spatial Industrial Development (SID). The designation and the establishments of the Special Economic Zones and Industrial Parks in various Cities and regions across the country, to build regional economies has been unfolding.

However, we have since realized that - for this amount of work to succeed - all three spheres of government must get involved. In that context, we seek to impose a capable state in the building of economy with all three spheres of government compelled by

the new approach to play a role. District Development Model approach in the spatial economic development will see us as **thedtic** planning and putting resources per each district municipality, with a provincial government also putting resources in establishing economic hubs, economic zones and industrial parks.

District municipalities will play a pivotal role in driving the economic growth, which will be a new mandate to them, additional to the current supervision of Local Municipalities, managing municipal grants and being District water authorities. The task of job creation in the economy cannot be seen as a responsibility of national government anymore, but all levels of government. District Municipal LEDs working with national government economic cluster Departments and provincial government involved in the economic development, will now be entrenched in this approach that **thedtic** brings. I argue that this will energize the capabilities of the state in a vertical manner in all its spheres.

### **The Implementation of Economic Reconstruction and Recovery Programme (ERRP).**

As we are all aware that government had developed a response after the impact of COVID-19, so that the economy can recovery and be on the growth footing. Unfortunately as government we had to deal with other crisis as we implement the ERRP, which have been knocking off the same economy we are trying to rebuild. The last year July Unrest was a fundamental setback to our efforts to repair, and recently the KZN floods, whose scale of economic impact is still being quantified by the government.

The impact of the ERRP will be assessed in government achieving in the following areas:

- Delivering on Energy Security of the country. This include fast tracking all the energy mix measures than relying on Eskom national grid alone.
  
- Industrial base to create jobs. This amongst others includes spatial economic development with clear growth targets,

- Localization policy implementation to re-incubate and protect the local industries through promotion of local content in the procurement processes, thereby prevent unfair competition from same products coming from the established economies, especially of Europe and the East.
- Strides in implementation of just transition and green economy.
- Critical Infrastructure development.
- Reviving Tourism sector suffered during lockdown, a sector that has been contributing 9% to the national GDP of the country.
- Revamping mining sector as an attractive sector for new investors, a sector that use to contribute 20% to the GDP but now has dropped to 8% contribution.
- Food security and expanding the base of food production in the country.

As this government, we have no other options but to double our efforts in delivering in the above key areas, so that the country can be brought back to the pre-COVID, pre-July Unrest and pre-Floods era. I have confidence into our resilience as this country but this will require strong leadership, to succeed.

The current oblique picture in the country requires new ways of doing things especially from us in government. A capable and developmental state that will drive the expansion trajectory of the economy and in particular, including deliberate efforts to drive broad based black economic empowerment with stringent timeframes. No time for laxity. A case in point is the execution of the announcement of President Ramaphosa during the Women's day address in 2020; of 40%, set aside for women owned enterprises in the public procurement.

The state that we are in as a country requires a reset button and a different approach. This is a huge discussion in government especially in the economic cluster. The Asian Tigers (especially Hong Kong, Singapore, Taiwan, and South Korea) were an offshoot of the post 2nd World War crisis; it was through an aggressive drive by the state in coordinating and mobilizing the private sector for reinvestment and a creation of a new set of businesses, which turned those economies into what they are today. To that extent, we need to use the post-pandemic, post-July and post-floods as our runaway tarmac in rebuilding one of Africa's big and sophisticated economy. We need to re-

industrialize our Economy. The structure of our economy has to be anchored around manufacturing. This phase has taught us that speculative capital in our stock markets is not a necessary condition for a country's wealth and development; it is a bubble that is vulnerable to the whims of investor sentiments and can be sent away offshore at a wink. However, infrastructural investments, that is, industrial investments is tangible and therefore a fundamental base for the economy. Of course we live in an era of new economies as occasioned by the phenomenon of the fourth industrial revolution; we are leveraging these innovation driven sectors for the country's prosperity.

As the newly appointed chairperson of Absa bank, Mr. Sello Moloko said in his first interview with Forbes Africa recently when asked about the future of this country. He said the following:

*I am optimistic that our country has the will, has the plans to be able to navigate its challenges. However, we have to solve the economy first. Going forward, it will require very decisive, execution-based type of leadership. But simultaneously as we fix this economy, we have to solve youth unemployment by finding programs that will empower this youth.*

There is nothing that beats the triumph of human spirit. This country will recover, under the leadership of this President, from the current woes that have tested his leadership and his government as a whole!

-Thank you-