



GAUTENG PROVINCE

ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

PRESENTATION OF THE DEPARTMENT OF ECONOMIC DEVELOPMENT'S 2019/2020 MEDIUM TERM EXPENDITURE FRAMEWORK BY DR KGOSIENTSHO RAMOKGOPA, MEC FOR ECONOMIC DEVELOPMENT, AGRICULTURE AND ENVIRONMENT

30 JULY 2019

Madam Speaker,

Hon Premier and fellow Members of the Executive Council,

Chairperson and Members of the Portfolio Committee for Economic Development
Agriculture and Environment,

Fellow Members of the House,

Our valued Partners and Guests seated in the Public Gallery,

Member of the Media,

The People of our Province;

Allow me to begin by sharing with Honorable Members of the House the wise counsel offered by Former President, Thabo Mbeki on the eve of his departure from the Presidency of the Republic in September 2008;

“Gloom and despondency have never defeated adversity. Trying times need courage and resilience. Our strength as a people is not tested during the best of times...We should never become despondent because the weather is bad, nor should we turn triumphalist because the sun shines.”

Indeed, we are experiencing the headwinds of trying times. Gauteng remains the largest contributor to South Africa's economic output, contributing 35% to Gross Domestic Product since 2014. However, despite the significant contribution to the country's output, the Gauteng economy is growing far slower than the population, creating a disproportionate burden on the economic infrastructure and basic services,



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and critically on the capacity of the economy to absorb higher numbers of our People into gainful economic opportunity. The province's contribution to domestic output grew moderately over the past years, registering an average annual growth rate of 4% between 2014 and 2017.

The recent estimates show that the Gauteng economy registered a negative growth of 2.2% in the first quarter of 2019, off the back of 2.1% and 3% in the preceding two quarters respectively. Importantly, significant economic declines were recorded in the first quarter of each year of reference. While this could be expected, given the anticipated seasonal trend of low production levels in the last quarter of each year, it is worrying that each year, the magnitude of the decline increases.

These trying times, therefore, calls on us to develop a common onslaught against the contemporary social and economic challenges of our time and as President Mbeki advised, now more than ever before, requires leadership that imbues courage and resilience.

In response, Madam Speaker – we require a deliberate effort to develop a patriotic front, or social compact that develops, aides and implements a set of actions that seek to place our economy of a sustainable path of growth. In this permutation, the State needs to be aggressive in asserting its redistributive capacity both through legislative instruments and state procurement in a manner that direct investments in the economy in such a manner to undermine the structural faultlines of an economy that was historically designed to exclude the Black and particularly the African majority.

In all honesty, over the past 25-years, policies such as Preferential Procurement Policy Framework Act (PPPFA) and the Broad-Based Black Economic Empowerment (BBBEE) legislation, have not succeeded in achieving the desired outcome.



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Whilst we have been able to draw greater numbers of Black people into the mainstream of the economy, the central failure has been the inability to transition from the pattern of consumption fueled growth to manufacturing-led growth, that simultaneously and consciously dissolves the entry barriers for Black industrialist, entrepreneurs, and SMME's.

Madam Speaker, equality and non-racialism are intrinsically interwoven concepts. One will not exist without the other. We must, therefore, spare no effort to foster a culture based on the truism that *Collaboration is the new Innovation*.

In our many engagements, as well as the thousands of social media comments, the sentiment that two of the major impediments for Black business is growth and access to capital on the one hand and market access, is pervasive. In response to our *#BotšaRamokgopa* campaign, as part of our People-centered approach to the Budget, George Matlala gives us the following advice "We need to ensure that black people participate in the 3.4 billion spaza shop industry." similarly Vuyo Yekani shared his thoughts as follows "The R240m for the commercialisation of emerging farms should have a significant portion going directly towards YOUNG emerging farmers. Market access should be prioritised, too"

In response to these and many others, we wish to share the following two major interventions that we will initiate to address the issue of access to capital and markets;

First; as announced in the State of the Province, we will sponsor a detailed policy proposal and Cabinet Memoranda on the introduction of the Gauteng Township Economy Development Bill. This proposal will include a comprehensive stakeholder engagement process, socio-economic and cost analysis impact assessments, as well



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as how we create the required enforcement capacity, using punitive measures where necessary for non-compliance.

Secondly, we will, before the end of September 2019, issue a call to market to set up a community financing instrument that is designed to provide secured lending to Black SMME's, and small-scale Manufacturing based in Townships. This will assist us to ensure that we capture the value chain of the products that are supplied to the Government and create a very real probability of increasing manufacturing opportunities for township-based industries. We will deliberately design the scope to ensure we leverage household saving schemes or what is commonly referred to in township language as "*mokgodisano*" as the principal financier of the scheme, whilst also looking at unlocking other developmental capital options.

Madam Speaker, in this regard, the Gauteng Enterprise Propeller (GEP) will be remodeled and repositioned so that it plays a significantly greater role in providing both financial and non-financial support to the small business enterprise. We will, before the end of October 2019, finalise the recruitment of the Chief Executive Officer and the Chief Operations Officer, and review the governance framework of the entity to gear it better to fulfill its anticipated pronounced role and function in the redefined Gauteng economic dispensation.

Amongst the key considerations in respect of GEP, is its capitalization model, credit or lending policy and critically it's debt management and collection strategy. Parallel to this will be the deployment of appropriately competent business mentors, who will be embedded in the companies that receive funding to ensure their business model is appropriate for their respective trading environments. This approach will not only ensure a higher propensity for repayment for loans that we invest in these companies but also will ensure a higher degree of success of the business, the sum total of which will mean stronger economic performance of the economy in general.



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Madam Speaker, Africa is a global innovator and leader in the mobile money space. A recent article in a Forbes (online¹) has this to say, "The power of financial technology to expand access to and use of accounts is demonstrated most persuasively in Sub-Saharan Africa." The World Bank's *Global Findex Database* found 21% of adults in the region now have a mobile money account. This, according to the Forbes article is near twice the share in 2014 and easily the highest of any region in the world.

This trend begins when someone starts to access mobile payment services via their mobile phone. They begin to access all sorts of other services with the potential to transform their lives — and the lives of their families. Everything from loans to start small businesses, to insurance to safeguard valuable incomes, to the ability to save money for the future.

By accepting payment with mobile money, businesses avoid the cost, risk, and hassle of cash. Mobile credit allows customers to stretch out payments for large purchases and helps entrepreneurs expand their businesses. From a Provincial government perspective, the mobile money platforms allow us to cut out the middle-person in paying stipends to community-based workers in Health, Community Safety, and Infrastructure Departments. This means that the saving can be ploughed right back into the pockets of these workers.

We will, therefore, working with young Black techpreneurs look at how can develop ecosystems around the mobile money platforms to support SMME's, building and strengthening bulk buying networks and stimulating the culture of savings.

¹ <https://www.forbes.com/sites/tobyshapshak/2018/11/27/how-mobile-money-continues-to-boom-in-africa/#7aff7bda205c>



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REMAKING THE TOWNSHIP ECONOMY

While townships were historically designed as labor reserves of cheap black labour. Thousands of commuters spend a larger proportion of their income on transport as they work far from home. We seek to redefine townships and transform them from being places of dormitory-style living and consumption enclaves into sustainable and thriving living spaces, supported by integrated economic nodes and manufacturing or clean industrial hubs.

Tshepo Michael, thank you for taking the time to give us your input on Facebook. Tshepo suggests that we should revive the #Qondisaishishinilakho roadshows as a way of supporting young entrepreneurs. We agree and also, we have identified several instruments that will ensure that we support township SMME's:

- Standardization and accreditation programmes to support localization and product accreditation.
- Promote competitiveness and market readiness of township enterprises through training and incubation programs. These training and incubation programs will focus on enhancing innovation, operational, technical and business skills.
- Audit existing industrial parks in partnership with the DTI to recapitalize them. Industrial parks will provide SMEs with infrastructure and bulk services support and business development services in a targeted and focused way.
- The support we provide to a commercial enterprise will be offset against a worker-share ownership model, ensuring that productivity is enhanced by workers.
- Sign offtake agreements with sister departments such as Education, Roads and Transport; Human Settlements and Health



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In addition, we will investigate and promote the opportunities that exist in the entire value chain of the horse racing industry and the localisation of the manufacturing of gaming equipment. In this regard, I can announce the Gauteng Gambling Board will issue a call to market in the next 60 days, for a new Horse Racing Operator in the Province, which will bring to an end the monopolistic domination in this industry for all of time.

Madam Speaker, last week I announced our intention to introduce in this House the Gauteng Liquor (Amendment) Bill to be processed by the Legislature. It is anticipated that the Bill will be tabled for adoption around February 2020 and, if adopted, the amended Act ought to be promulgated in April 2020. One of the significant features we will introduce in the draft legislation is a differentiated application fee scheme for township outlets as opposed to fully-fledged commercial outlets.

INVESTMENT ATTRACTION: FOREIGN AND DOMESTIC DIRECT INVESTMENT SUPPORTED BY MULTI-TIER SEZ'S ACROSS GAUTENG

Madam Speaker, Investment attraction is one of the key elements of achieving faster economic growth. As we continue to develop our industrial and economic plans, we have been engaging and developing partnerships with businesses to identify real-time challenges and bottlenecks in the industry that need to be addressed to achieve higher rates of investment.

Industrial development and diversification of manufacturing capabilities are at the center of our strategy to grow the Gauteng economy and create employment for our youth in particular across all the five corridors of the province. Our industrial strategy is aligned with the Industrial Policy Action Plan (IPAP). The IPAP identifies key sectors and sub-sectors across different value-chains both that have the highest potential of



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value addition and jobs. Our focus is both on upstream and downstream segments of the value chain.

Our key interventions to fast-track industrial development and manufacturing is the development of Special Economic Zones (SEZs) and Mega-hubs. SEZs will focus on bolstering labor-intensive sectors to achieve mass job creation. We approach SEZs and Mega-hubs through a clustering or agglomeration economies approach. Our interventions include;

- In Sedibeng and West Rand: establish a Mega hub anchored on the agriculture and agro-processing sectors.
- In Tshwane: Implementation of Automotive SEZ to promote the growth of the auto-sector. The key aim of this plan is to integrate township re-industrialization and manufacturing capacity into the procurement value chains of tier two and particularly three suppliers to the Automotive OEM's (Ford, Nissan, and BMW)
- Develop 3 new auto-hubs integrating key lessons learned from Winterveld and Chamdor automotive township hubs.
- Development of economic infrastructure, including a R2.7 billion upgrade to the existing ORTIA Precinct.

SKILLS REVOLUTION, 4iR, AND INTERNET ACCESS

Madam Speaker, a wide body of literature exists that seeks to analyse the impact on the workplace or what we consider jobs today. What we know is that the future of jobs will look altogether different in the next 30 years. Much of the interventions we initiate



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will amount to little if we don't future proof against the wave that will usher the looming 4th industrial revolution.

Many African countries have made significant progress toward creating an Internet sector, with broad sector reforms and focus on increasing broadband availability. A study by the Internet Society titled "Promoting the African Internet Economy" which looks at Internet adoption and usage by companies and governments throughout Africa found that; government policy interventions should address two areas of focus, being online platforms that can support further online growth, ranging from mobile money services to online employment platforms and supporting entrepreneurial efforts to allow innovative new companies to emerge. These platforms themselves can grow into entire ecosystems that propel broader economic growth, the study suggested.

The Innovation Hub is in the process of developing and advancing a land development strategy for infrastructure development to stimulate the development of high-tech businesses and firms as well as other essential ingredients such as incubators, and venture capital funds, that will form the basis for a world-class innovation corridor in the Province.

Currently, construction has commenced on the Bio Park phase 3 project and construction will commence during this financial year with the Enterprise Building 2 and Enterprise Building 3. To this effect the land development strategy will include:

- Companies engaged in research, development and the design of products, services, and processes.
- Operators of technology-intensive businesses who place knowledge-based innovations – including decision-making, research, product and market



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development, advanced and prototype manufacturing, and customer support and associated services - as a significant part of their operations at the Hub.

- Priority will be given to companies that are; world leaders (actual or potential) in innovative technology and brand recognition, contributing members of high-technology clusters in Gauteng and are inclined towards the development of synergies with other companies located at The Innovation Hub.

Presently, the Innovation Hub has 10 eKasi Labs covering the Gauteng corridors with a reach of 39 townships. The Ekasi labs expansion programme over the next 5 years will see the roll-out extend to the following areas;

- South Corridor – Boipatong
- North Corridor – Hammarskraal - Seda
- Central Corridor – Diepsloot – Opportunity Centre
- East Corridor – Duduza - FabLab
- West Corridor – Carltonville – Kutsong Business Hub

Working with our Sister Departments, eGovernment and Education we have already begun a process of synergizing our strategic approach to the development of skills for the future economy as well as internet connectivity through affordable and reliable broadband access.

The current FTTH infrastructure investments across South Africa, have focussed on higher-income areas where the market can afford pricing that supports the high capital investment required to deploy FTTH networks. This has unintentionally created a digital divide in South Africa where only certain communities have access to affordable reliable uncapped fibre broadband.



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There is a broader national initiative that is pushing for private sector involvement to unlock township economies and high-speed fibre broadband can play a significant role in being a catalyst for growth.

The benefits of high-speed broadband are well known. Economic development, job creation, participation in a digital economy, improved education and better security has been well documented.

These initiatives will best be leveraged through a partnership between the state and the private sector. I am glad to announce that our engagement has led to a commitment from Vumatel to spearhead a R2bn township fibre rollout. This partnership will also support the procurement of locally manufactured fibre infrastructure products within Gauteng economy, youth job creation, skills and SMME development. The rollout will be all funded by Vumatel, a company with over 50% black ownership.

As a spin-off of the fibre deployment, Vumatel, will free of cost extend *Fibre-to-the-House* connections covering 1.2 million households in Soweto, Alexandra in Johannesburg and Vosloorus, Tembisa, Kwa-Thema and Daveyton in Ekurhuleni. The project will not only ensure the provision of affordable broadband access, but also train community members in skills that will enable tech-start-ups, and provide back-end support capacity to maintain the infrastructure. Over the term, we will ensure all Townships enjoy wall-to-wall broadband coverage

I would like to thank Mr. Dietlof Mare, CEO of Vumatel and Khudusela Pitje representing the investors of Vumatel for the commitment to bridge the digital divide and propel township economy to new heights.



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TOURISM AND DEVELOPMENT

Madam Speaker, Tourism is one of the biggest contributors to global GDP. The World Travel & Tourism Council's estimates that the sector contributed \$8.8 trillion to the global economy, grew faster than the global economy for the eighth successive year, created 319 million jobs, representing one in ten of all jobs globally and is the second-fastest-growing sector in the world, behind only Manufacturing. Tourism is a big business. Although the sector continues to be a major contributor to Gauteng's economy, with the largest spent for the sector recorded in our Province, it has a significant growth prospect.

Unlocking this growth will require investment in tourism product development, upgrading of the existing product offering and diversifying our basket beyond Meetings, Incentives, Conferencing and Exhibitions (MICE) into the realm of leisure tourism using our rich and diverse natural and political heritage offering as a natural springboard. This budget will begin to appropriate resources to initiate the following interventions in the Tourism space;

- The Museum & Archive of the Constitution project, called MARCH, will become a new major tourist attraction for the Province and is currently being designed and built at Constitution Hill. MARCH will tell the story of the making of South Africa's Constitution and is poised to become a center of knowledge and action on the South African Constitution. While the Court is the place where the Constitution is formally guarded and interpreted, MARCH will be a space for reflection, an affirmation of rights, knowledge generation, learning and engaging with the history and significance of the Constitution as a guidepost for South African democracy.

The dramatic events of the founding of our democracy and the continuing struggles around constitutional issues will be brought to life through personal stories and



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perspectives and driven by dynamic interactive exhibits, objects, films, and photographs. The audio-visual material and objects will provide the windows into the human experience, while the interactive elements will ensure that the experience is participatory.

Each visitor will leave behind their thoughts and opinions, constantly adding layers to the ever-changing story of our nation and ensuring that history is made present, tangible and relevant. In addition to this, we will over the next 12 months develop an operational model for the new tourism routes focusing on;

- Struggle and Democracy
- Mining towns (Gold and Diamond)
- Origins of Humankind
- Migrants and immigrants
- Gandhi and Mandela
- Gauteng Townships
- Shopping
- LGBTQI+ Community
- Adventure and Birding
- Positioning of Gauteng as a preferred destination for competitive sports, cultural and creative industries and business events (Business Tourism) as part of attracting new and sustaining existing demand (domestic and international visitors) for tourism growth.
- Ensure targeted destination marketing through the leveraging of niche market events & platforms.
- Ensure self-sustainability of Cradle of Human Kind & Dinokeng Big 5 Game Reserve by ensuring destination growth (international and domestic visitors)



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- Support of **cultural tourism events** through the Gauteng Bidding and Hosting of Events Program as part of promoting domestic tourism/excursions
- Enhanced coordination and support of existing events such as Jo'burg Shopping Festival, Sansui Summer Cup, Cradle Cycle Festival, Joy of Jazz, Afro-Punk, DSTV Delicious Festival

Madam Speaker, in concluding I would like to agree with Professor Thandika Mkandawire who argued in his inaugural lecture to Maphungube Institute for Strategic Reflections that rapid development requires social mobilization. In this regard, the government has a responsibility to harness the energies and resources of other social partners optimally, akin to all developmental states. The 6th administration is committed to building a social compact led by government and supported by labour and civil society to drive economic growth, not for its own sake but to restore the dignity of our People by eradicating the toxic combination of the triple challenges of poverty, unemployment, and inequality.

Madam Speaker, I began by invoking the counsel of President Mbeki, let me conclude by drawing on his words yet again when he says "Whomever we may be, whatever our immediate interest, however much we carry baggage from our past, however much we have been caught by the fashion of cynicism and loss of faith in the capacity of the people, let us err today and say - nothing can stop us now!"

I thank you

Dr Kgosientsho Ramokgopa

MEC: ECONOMIC DEVELOPMENT, AGRICULTURE AND ENVIRONEMNT

30 JULY 2019