



**NCOP POLICY DEBATE ON BUDGET VOTE NO 28: ECONOMIC
DEVELOPMENT**

17th May 2012

Honourable Chairperson of the NCOP

Honourable Minister of Trade and Industry

Honourable Minister of Economic Development

Honourable Members

The New Growth Path is a dynamic vision to collectively achieve a more developed, democratic, cohesive and equitable economy for South Africa. It highlights critical markets for employment creation and growth and identifies where viable changes in the structure and character of production can ensure an inclusive and greener economy

The New Growth Path also aims at improving communication between the different spheres of government relative to their developmental

responsibilities. More specifically, all spheres of government will have to identify opportunities arising by taking cognisance of their specific conditions. In this context, a spatial economic strategy will determine how the job drivers impact on different provinces, municipalities and rural areas thereby linking it to the local IDP's and Spatial Plans to industrial policies. Metropolitan areas, for example, are the engines of economic growth and there is a need to strengthen the capacity of municipalities in general to ensure efficient provision of planning, services and development aligned with the New Growth Path.

Honourable Chairperson we will restrict our comments to the key focus areas highlighted in the 2012/2013 Economic Development Budget Speech, and these are as follows:

Firstly on the roll-out of an infrastructure plan of government, focussed on implementation and consensus building:

- SALGA welcomes the focused approach toward public investment in infrastructure. Investments in new bulk construction in water and sanitation, technology services, transport and housing, as well as the maintenance of existing infrastructure as it will go way to addressing the backlog on basic services, stimulating the local economy, driving job creation and improving local environment for business and other economic efficiencies.
- At the department's recent infrastructure and development conference on the implementation of the government's R845bn infrastructure programme, Professor Stiglitz pointed out that; *Investment in infrastructure is important, but citizens themselves*

must also benefit. Their impact must therefore also include well-being (social development), decent work and long-term sustainable development.

- Therefore, while the Presidential Infrastructure Coordinating Commission (PICC) recently announced the 17 strategic integrated including three ‘spatial’ sips, the reality is that the infrastructure investment in all 17 Sips will take place within or across a local municipality. From a municipal perspective SALGA wishes to emphasise the need to:
 - o Find the right balance and integration between top down and bottom up planning;
 - o Ensure a common understand with municipalities of what “local” will mean – as in use of local labour; local suppliers; local beneficiation.
 - o Ensure that there are platforms, political will and ability of all the local, regional and national stakeholders to engage and participate in the Sip process;
 - o Ensure labour intensive construction including skills development and also more long-term sustainability, with the capacity and an enterprise development.

Secondly, the Minister announced steps to improve small business performance, including through the rollout of Small Enterprise Finance Agency (SEFA) across the country, increasing the disbursement to small business and work to lower the costs of bureaucracy and overheads.

- SALGA applauds the launch of the new streamlined model of the Small Enterprise Finance Agency and hopefully the much needed

acceleration of small businesses in accessing funds to start or to sustain their businesses.

- As the Association representing all municipalities, SALGA, understands the challenge in getting the right type of information and level of support to the people, especially in the rural arrears at the grass root level where most of the previously disadvantaged communities reside. We therefore make a plea to the Minister, to make a recognisable effort in using SALGA, municipalities and other channels to bridge this gap and inform and provide small business support within the most neglected areas of our country.
- In support of both the national as well as local developmental efforts, SALGA would like to motivate that every local municipality must have access to promote and/or facilitate access to the services of SEFA. While enterprise development is not a competency of local government, SALGA would like to reinforce that entrepreneurship is the single most important activity in our economy. This needs to be facilitated at the cold face where communities engage government. It is the only activity that enables enterprising South Africans to apply their mind to create new value, new wealth, new money and new jobs. So, SEFA needs to be more than a name change with the same levels of bureaucracy and poor delivery services, but is rather a change of the formula and level of professional support that will encourage entrepreneurship to unprecedented levels.

Thirdly working with the Department of Trade and Industry determining further support for co-ops:

- SALGA welcomes the focus on cooperatives, especially given that 2012 is the International Year of Cooperatives. As part of SALGA's Annual Performance Plan we continue to advocate for municipal developmental strategies that support the social economy. We would like to propose a partnership between SALGA, the Economic Development Department and the Department of Trade and Industry for a nationwide campaign in support of International Year of Cooperatives to be in alignment with the United Nations.
- Municipalities face a number of challenges in developing and implementing policy that creates an enabling environment for the informal economy. SALGA recently developed and shared **GUIDELINES FOR MUNICIPALITIES IN RESPECT OF ADOPTING A MORE DEVELOPMENTAL APPROACH TOWARDS THE INFORMAL ECONOMY** and encourages the Minister and the department to support and encourage greater developmental thinking in this area. The informal economy should be an important part of Government's strategies to address unemployment, support livelihood creation and reduce vulnerability. National departments and agencies should support the efforts of local government to develop and implement a more developmental approach towards the informal economy.

Fourthly, strengthening links with provinces and local government, including via the Mimics and the PICC.

- SALGA wishes to congratulate the minister for his leadership and vision in formation of the PICC which brings together half of Cabinet, the nine Premiers, metro mayors and SALGA. Having a single

structure where all economic decision-makers in the public sector sit together to drive implementation is long overdue.

- SALGA notes that 200 local government officials are to be trained in economic development capacity and would like to encourage the Minister and department to also engage and complement SALGA's capacity building programme around local economic development (LED). Sound LED practice can facilitate an appropriate environment for economic growth, impacting positively on an enabling environment, job creation opportunities and poverty reduction. This should result in good quality economic development planning and facilitation, development of good LED practice, and sound pragmatic LED initiatives and improved local economic and job creation performance.

Finally, we have two cross cutting items for attention of the NCOP.

- It is agreed that spending across the three spheres of government can impact of small business and both positively or negatively improve the economic development. Therefore, preferential procurement is an important strategy for the government to extend opportunities to the previously disadvantaged groups. Most municipal Supply Chain Management Policies (SCM) encourages procurement from within a local municipal environment. This is to ensure that the municipality itself supports companies and SMME's from their local community where possible. The imperative of promoting local small and enterprise development is constantly reinforced at local imbizos and IDP consultation processes. The new preferential procurement regulations do not allow SCM policies to provide or set-aside and

targeting of local (geographical) supplier including co-operatives, SMME's and CBO's. While municipalities will have had to amend their policies, but it is the local businesses themselves who will potentially suffer the most. This problem is of special concern to SALGA and local councillors and municipal leaders. In this scenario, municipalities know where to buy and support locally produced goods and services but are limited in doing so.

- SALGA welcomes the fund and incentives relating to the green economy, including programmes in green energy, component manufacture and services. SALGA would further welcome greater incentives for municipalities directly (especially cities) in how best they can and should be advantage of new opportunities in the knowledge and green economies including programmes around waste management and recycling.

In conclusion, SALGA is excited to support the new and strong partnerships between national, provincial and local government around Economic Development, especially the implementation of the infrastructure investment programmes stemming from PICC takes place. To be successful the Department will need to work in partnership with key stakeholder's particularly local government.

I thank you

Councillor Orginia Mafefe

Chairperson: Economic Development and Planning

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