

Department of Trade and Industry Budget Vote Address delivered by Mr Mzwandile Masina, Deputy Minister of Trade and Industry

23 Jul 2014

Chairperson of the National Council of Provinces;
Chairperson and Honourable Members of the Portfolio Committee;
Minister Davies and Minister Zulu;
Deputy Minister Thabethe and other Deputy ministers present
MECs and Heads of Departments;
DG October, officials of the Department Trade and Industry and the Council of Trade and Industry Institutions (COTII);
Leaders of Organised Business and Labour;
Distinguished guests;
Ladies and gentlemen

Honourable Chairperson, the convening of this our fifth democratic Parliament happens at a time when the global economy is showing signs of a strengthening recovery. This poses both challenges and opportunities for the South African economy. A key challenge is that as economic growth accelerates in SA, we may become complacent and the President's call for Radical Socio-economic Transformation may not be realised within the required time.

As the ANC led Government we are humbled by the overwhelming electoral victory as it affirms the confidence our people have in us. The renewed mandate means we need to accelerate Radical Socio-Economic program to deal decisively with poverty, unemployment and inequality that continue to haunt the toiling masses of our people.

This would be a grave mistake; as we saw in the years immediately before the 2007/8 Global Financial Crisis, even when the SA economy grew by 5% and above, it did not result in improved employment.

Many other developing countries have experienced this; the benefits of high rates of economic growth can easily be captured by 'advantaged' parts of society to the detriment of the poor and the unemployed.

When President Zuma called for Radical Socio-economic Transformation, he called on all South Africans to build an inclusive economy anchored in a large and growing industrial sector underpinned by broad-based black economic empowerment.

In the coming financial year, the dti will continue to improve implementation of the Industrial Policy Action Plan (IPAP) and the Mineral Beneficiation Action Plan. We will also move decisively to develop bolder and sharper instruments to support black industrialists and youth entrepreneurs, but more importantly ensure they are viable and sustainable.

Honourable members, one of the yardsticks that can be used to measure the impact of the work of the dti in transforming the economy as well as broadening participation is the extent to which black people are meaningfully participating in the economy.

The groundwork required to fulfil these imperatives has been done in terms of policy frameworks. These include the Broad-Based Black Economic Empowerment Act 53 of 2003 which was enacted to advance economic transformation and economic participation of black people in the economy; the Black Economic Empowerment codes of good practice; the National Industrial Policy Framework; and IPAP. The BEE Act

and its codes were amended last year to close a number of loopholes in terms of dealing with firms who engage in 'fronting' and to better align our B-BBEE imperative with the need to promote industrialisation of the SA economy.

However, 20 years of freedom has also allowed us to analyse the extent to which real BEE has been achieved; the extent to which black people are not just minority shareholders with little board influence and strategic oversight; the extent to which black people have direct executive responsibility for major enterprises in manufacturing, agriculture, mining and services.

Our sense is that although progress on the whole has been significant, we need to be more ambitious. The entrepreneurial, executive and management talents of black people have not yet been fully unlocked and indeed in some sectors established firms continue to create barriers to entry for new, black-owned enterprises.

There is therefore a need to intensify black participation in productive sectors especially in sectors prioritised in IPAP such as Plastics and Chemicals, Automotives, Agro-processing, Metal fabrication and downstream mineral beneficiation to name but a few.

To facilitate a more meaningful participation of black people in the mainstream economy we will look at various ways of developing and sustaining black industrialists. I will lead a team that will work closely with the Presidential B-BBEE Advisory Council to develop specific actions in this regard. One such action will be the creation of a targeted incentive to support black entrepreneurs entering the industrial sector, including in the film and to focus more on the talent support, which is often ignored.

Honourable Members, Government's Infrastructure build programme as well as Government's procurement of goods and services for its normal operations; provide a crucial opportunity for deepening and transforming the industrial base of South Africa.

Assisting local enterprises to provide these goods and services will create jobs in South Africa, develop skills and create a springboard for these enterprises to progressively develop their capabilities and eventually enter the export market. Doing so is not just our patriotic duty, it is an economic and financial necessity.

Honourable members, imports especially for Government procurement, create jobs in other countries, create profits in other countries, and moreover is an important contributor to SA's current account deficit. In many developed and developing countries this is a non-issue, Government buys from its domestic suppliers as a first-principle. We will work towards meeting the target of 75% of Government procurement being provided by local manufacturers and producers as outlined in the ruling party's manifesto.

However the government cannot drive this industrialisation agenda alone: there is a clear need for partnerships with the private sector and broader society if we are to drive this agenda successfully. In an effort to develop such partnerships, in the past five years the dti introduced the "taking the dti to the people", a campaign designed to create awareness of products and services offered by the dti and its agencies and also serve as a platform for engagement between the dti and its stakeholders.

In this past financial year we have taken the dti to various communities including Hamaskraal in Gauteng, Zebediela in Limpopo, Bushbuckridge in Mpumalanga, Denneysvillie in Free State, Ixopo in KwaZulu-Natal and Mantsere in North West. During these engagements communities are encouraged to establish businesses and cooperatives to assist them address poverty and unemployment and they are also made aware of the types of assistance they can expect from the dti

The focus over the medium term will be on more engagements with industry and this campaign will now be called “taking the dti to the factories”. We believe that this creates new opportunities for the private sector to engage with the dti, and also for the dti to provide information on the kinds of support available to the private sector.

Given challenges of unemployment in the country, we are calling on the private sector to utilise state instruments to fully participate in the “One Company One Job” initiatives, the campaign will be driven by my office working with business, labour and civil society.

We will further monitor government expenditure linked to ruling party commitments on job creation, including imposing requirements to companies doing business with the state at all levels. This approach will be extended to companies accessing state incentives, companies requiring licensing or importing and exporting entities.

Unemployment can no longer be a question of statistics, we need to act now and be decisive as the ruling party with an overwhelming mandate from the masses of our people who continue to suffer in the hands of white monopoly capital that still dominate our economic landscape.

We will also use the opportunity to engage the private sector on its reluctance to follow Government’s lead of targeting 75% local content in its procurement. It is essential that Government, Business and Labour support local industries and deepen industrial capabilities where these are inadequate.

Minister Davies was correct to articulate that we are now more determined to implement a high impact industrial policy that would respond to imminent threat of de-industrialisation and lay a basis for the creation of a stronger industrial base. Equally, the Minister was correct to remind all of us about designated goods and services to be procured to meet the said percentage.

Indeed we should welcome the next designation of strategic products to be added but we also have an obligation to ensure that the R1 trillion that government spent per annum procuring goods and services does not reduce our people to only focus on non-core items or crumbs of this economy.

The youth forms a large part of our population and it is the segment most affected by unemployment with an unemployment rate of 36.1% (using the narrow definition) and 47.7% (using the broad definition) according to Statistics SA for the 1st quarter of 2014. The statistics are alarming and cannot be ignored, hence it is more and more critical to introduce interventions directed at the youth.

Last year, we launched the Youth Enterprise Development Strategy (YEDS 2013-2023) that aims to mitigate the challenges that constrain youth development such as low economic participation, lack of critical managerial skills, difficulties in accessing finance and economic opportunities. Over the medium term our focus will be on implementing the YEDS in order to increase youth economic participation.

This house will agree with me that communication is very crucial for the success of any policy implementation. We therefore organised workshops to introduce the YEDS in all 9 provinces. These workshops are also aimed at assisting provincial departments of Economic Development and government agencies that are involved in youth development to align their plans to the YEDS.

Furthermore, the department conducted provincial youth awareness campaigns with the purpose of empowering youth in townships and rural areas and encouraging them to fight poverty and unemployment by starting their own businesses. Early this year, we took this campaign to Nyanga in Cape Town where 400 young people attended; and Koffiefontein in Free State with 120 participants. The high numbers of young participants clearly demonstrate their eagerness to become self-employed and to

meaningfully participate in the economic activities of their country.

We are currently developing a Mass Youth Enterprise Creation Programme (MYECP) that will be implemented over the next 10 years. The aim of MYECP is to increase the number of youth entrepreneurs participating in the mainstream economy.

The process of developing financing mechanisms to ensure access to start-up finance by young entrepreneurs is at an advanced stage. These finance options will be targeted at improving access to finance by young entrepreneurs through the provision of collaterals, grants and improving competitiveness and sustainability of businesses.

Furthermore, a range of financial reforms are on the cards to ensure inclusive growth, access and participation. It is going to be business unusual if we are to achieve the radical economic programme, however it must be noted, we are not going to be reckless or adventurous but radical, bold and decisive.

Partnerships have been formed on a number of initiatives with the National Youth Development Agency (NYDA), Provincial Governments and other stakeholders to identify business opportunities and develop young entrepreneurs. The youth in rural communities have been identified as part of rural Upliftment where cooperatives are being developed. Community Enterprise Development Officers (CEDO's) from 120 communities have been trained to originate deals, offer business advice and assist with loan applications. Currently, beneficiaries of this training are from Gauteng, Mpumalanga, Limpopo and KwaZulu-Natal but the programme is spreading to other provinces as well.

Chairperson, women empowerment is still central to our plans as recognition that the majority of South African women in the past have been marginalised on the basis of race, class and gender. Therefore, there is a need to strengthen initiatives targeted at women economic empowerment.

Over the years the dti has developed mechanisms for ensuring the integration of women into the mainstream economy. These among others include the National Strategic Framework on Women Economic Empowerment which is being finalised; Technology for Women in Business (TWIB); Bavumile Skills Development Initiative; Isivande Women's Fund; South African Women Entrepreneurs' Network (SAWEN); Export support programmes for women; and Women on Boards training.

TWIB was introduced to address the underrepresentation of women in science, technology and innovation related business activities. It provides capacity building that enables women to embrace appropriate technologies and advance their businesses through technology applications, innovation and invention.

To acknowledge and crown the best technological and innovative women ideas we have introduced the annual TWIB awards. Indeed there are good stories to tell, one of the winners - DR Molefi Moretlo pioneered a product in telemedicine where medical information is exchanged from one site to another via electronic communications to either improve patients' health status or educate them. In 2013, the award was bestowed to Ms Dorothy Botse of Botho Ubuntu cleaning services.

B'avumile Skills Development Initiative targets 20 women per province and each year three (3) provinces are selected for training. Women are trained in applique pattern making, sewing techniques, doll making and tie dyeing. Women trained in KwaZulu-Natal, Eastern Cape and Northern Cape won contracts with a number of organisations to make school uniforms for HIV orphans and bags for municipal library.

Through the Isivande Women's Fund, the department approved a total of 13 women led projects to the value of R14,1m. This affirms that appropriate and well-targeted programmes can be successful and add value on the lives of ordinary women.

We will review the implementation of these in the coming year to ensure they are relevant and speak to the needs of women.

The global economic decline that started in 2008 hit our major trade partners in the Euro Zone and North America severely, thereby reducing the global demand for our products. One major lesson to be learned from these unfortunate developments was that we need to diversify our export markets. Given that our neighbouring countries and indeed most of Africa was not affected as much as our Western trading partners, there is a clear imperative to redirect our trade efforts towards these countries.

In this regard the dti is currently reviewing the National Export Strategy (NES) which aims to prioritise markets and provide specific export finance for manufacturing companies. We will be targeting the African region and the BRICS group as part of export promotion.

The fifth Administration will open a database of companies participating in our trade missions, pavilions and other international forums in order to integrate those who have not participated previously. We will do this mindful of the fact that quality can never be compromised for inclusivity.

Therefore we call on all companies who have not had an opportunity to participate in the international space to contact the dti and follow processes which will ensure they are included in the future data base.

The department will continue rolling-out initiatives under the National Exporter Development Programme to improve access for businesses throughout South Africa and enhance their export readiness. In particular, we will be focusing on developing the next generation of export companies so as to fundamentally increase the scale of SA exports.

Over the next five years efforts will be intensified to raise exports within the IPAP sectors to R5 billion per annum. A target for 2018/19 has been set to support over 2,000 companies through the Export Marketing and Investment Assistance (EMIA) scheme. The idea is that black sustainable industrialists should take advantage of this opportunity to grow their markets and business across the world through this scheme.

Africa has proven to be one of the crucial trade partners to South Africa therefore a strategy has been put in place to harvest the growth benefits that are presented by trade partnerships with key African countries. Trade missions, national pavilions and Trade Initiatives have been planned for the current year to create new markets for South African products.

A key component of this will be the creation of a dedicated Export Council focusing only on exports to the African continent. We are working in partnerships with Provincial Departments of Economic Development as well as investment promotion agencies to promote exports and investments.

Through MINMEC we will work to coordinate our investment figures and statistics in order to reflect the impact of these partnerships. South Africa needs to participate meaningfully within the global economy and position itself as a valuable trade partner for value-added tradable goods.

The dti will continue forging economic partnerships for regional integration and development to ensure coordination and securing trade agreements with the Tripartite Free Trade Agreement (T-FTA), the Southern African Development Community (SADC) and the Southern African Customs Union (SACU).

I have just returned from Botswana where I was attending the SADC and SACU Committee of Trade Ministers on behalf of Minister Davies and we have made our position very clear to these platforms in ensuring that as a country we maintain our economic hegemony.

More focus on the African Market does not translate into neglecting our traditional trade partners, hence trade bilaterals will continue with the rest of the world targeting the extension of the AGOA, reviewing of the TDCA and BRICS.

The dti will use government-to-government platforms to advance bilateral economic cooperation with Africa and the rest of the world. To promote exports and investments, the department is committed to creating an enabling environment by addressing market access barriers (NTBs) and ensuring institutional and human capacity for standards and quality assurance for traded products.

The dti being the custodian of intellectual property has committed itself to champion the “anti-piracy” programme. This involves education, raising awareness and building capacity to implement the Counterfeit Goods Act, 1997. We have partnered with SARS customs, SAPS, NPA and FPB to bring maximum impact of the programme. We believe that together with our stakeholders we can eliminate the illicit business in pirated products and we will continue to coordinate the search and seizure operation. As such we will be launching a massive public campaign together with local celebrities to raise awareness of dangers of counterfeit goods.

Chairperson, we are also at an advance stage to review legislation that will deal decisively with issues raised by local artists, in particular the issue of royalties and needle-time and how these can be better handled to avert a situation where our artist die paupers. Once the legislation is signed into law, the dti will run a dedicated programme to create awareness in partnership with the Department of Arts and Culture.

Chairperson, the dti has made tremendous progress in support for Film and television sector since the introduction of film incentive in 2004. In 2008 for instance, there were 49 films shot and produced locally and that number jumped to 398 in 2013. Of these 256 were SA production, 77 co-production and 65 foreign productions. All these productions have generated a total of QSAPE of R8 billion with incentive pay out of R2 bn.

In 2012, Foreign Post-Production Incentive was introduced and this led to an increase in large production being serviced. It is worth noting co-production treaties that have been ratified with several countries including Germany, France, UK, Italy, Canada, Australia, New Zealand and Ireland.

This sector is important and strategic in that it generate foreign earnings for the country but more importantly it contribute about R3,5 billion into SA GDP and created more than 25000 jobs for the economy.

Going forward, we will finalise our engagement with the industry players including Directors, Actors, and industry associations towards the creation of an incentive for Black Film Makers during this financial year. This is particularly important to ensure the work we do is broadly supported and appreciated by the people we seek to serve.

Honourable Chairperson and Members,

His Excellency President Zuma has called on all of us to implement Radical Socio-economic Transformation. We echo this call and invite Business and Labour to form meaningful partnerships with the dti to ensure that our ‘Good Story’ becomes a ‘Great Story’.

I thank you.

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