



## **CAPACITY BUILDING WORKSHOP FOR SOCIAL PARTNERS ON THE NEW GROWTH PATH AND THE SOCIAL ACCORDS**

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**15 MARCH 2012**

Programme Director

Ladies and Gentlemen

Programme director, I would like to acknowledge the national department of Economic Development for coming down to the Free State to discuss with us these meaningful topics. We are very happy that the Free State will benefit from this and also believe that delegates present here will not only listen but contribute and take something from this workshop. We have been requested to speak about leveraging local procurement and the green economy for job creation and industrial development.

This is indeed the opportune time for all of us to brainstorm on our national and provincial economic development since the department will also be tabling its budget vote on Monday the 19<sup>th</sup> at Wesselsbron thereafter putting into action those plans for the new financial year. We all need to move steam ahead and work together with all stakeholders to deliver on the mandate set by Minister Ibrahim Patel' framework of New Economic Growth Path in 2010.

It is a fact that primary sector (mining and agriculture) have declined in the province and this trend holds challenges for the Free State economy. With this decline there is a room for development in the secondary sector by adding value to raw materials locally. The decline of the primary sector also coincides with increasing levels of unemployment amongst a group of people who are not that well educated and have low skills and who work in a sector requiring specifically manual labour. Their ability to find jobs in sectors where the knowledge base is central have been extremely limited and, in many cases, virtually impossible. It should also be noted that the skills base of new entrants into the working environment (either from higher education institutions or from the school system) has not always been adequate to ensure wider employability, a fact acknowledged in a range of government documents. But we all can change this

negative impact that keeps on hindering our economic progress. As our motto says “together we can achieve more”.

Secondary sector which is manufacturing has been growing significantly and we need to explore that and make sure that our business ideas are related to today`s trends so that they can grow and be sustainable.

In addition to Industrial Development Zones we are looking at special Economic Zones which will assist us in local and foreign trade investment in the Free State. These zones will give impetus to the Department`s projects that are already underway together with the department`s stakeholder organizations eg. Containerized Manganese and Harrismith Logistics Hub projects.

Government is also planning for a more integrated approach that aligns with the needs of host municipalities. In focusing on host municipalities `needs, domestic travelling will must be highlighted and promoted. We also need to realize that as citizens, by travelling at home, we contribute significantly and that will automatically lead to an improvement in the Free State`s economic growth there by creating jobs. Our partnership with the private sector will largely influence the success and growth of our identified SEZ.

Ladies and gentleman, we all need to acknowledge the importance of SMMEs to our economic growth. We need to carefully look at creativity amongst role players in this field. It is important that we agree about the need to come up with revolutionary ideas of repositioning the Free State Economy.

Procurement particularly from government seems to be a very topical issue as it holds ground for SMME sustainability. Hence the Free State provincial government has laid down a policy directing that 70% state procurement should go to SMMEs in the Free State. This was done because procurement plays an important facilitative role in creating opportunities geared towards accommodating SMMEs and helps develop and manage partnerships between the private and the public sector.

Over and above the policy resolution of 70% state procurement set aside to local product and SMMEs. We have public entities such as the Free State Development Corporation, Small Enterprise Development Agency and the National Development Agency which are mandated to provide financial and non-financial support to SMMEs across the Free State. Their instigation was after the realization that many people require capital injection to either start or sustain their existing enterprises.

Ladies and Gentlemen, The Free State Province recorded a slight growth of 2.1% in 2010. The economy is expected to grow by around 2.8 % in 2011. Now our

advantageous centrality of the Free State makes it possible for the province's economy to grow even further as the years go by.

SMMEs seem to function as independent units and operate mainly to cater for basic monthly household needs. This provides little scope for investment in existing businesses or for exploiting export opportunities that could support growth and competitiveness.

Other challenges include the following:

- Access to finance
- Inadequate premises
- Lack of equipment and tools
- Inadequate markets or marketing
- Formally registering
- Little or no procurement from SMMEs
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Ladies and Gentlemen, now we turn to green economy, as the concept that result in improved human well-being and social equity, whilst significantly reducing environmental risks and ecological scarcities. We will strive to ensure an increasing bias towards the Green Economy. I do not believe that there is such a thing as the green economy but rather that it is an ideal or principle that must business and society at large should pursue. Everything we do must reduce our carbon footprint and be environmentally sustainable.

The green economy has many advantages that are on our disposal for utilisation. When we talk about green economy, one can think of solar geysers on top of our roof nowadays. The term "*going green!*" is on the tip of our tongues because of the growing need to save energy. We all know of Climate Change, which is about serious disruptions of the entire world's weather and climate patterns, including impacts on rainfall, extreme weather events and sea level rise, rather than just moderate temperature increases. The developing world faces greater challenges than the developed world, both in terms of the impacts of climate change and the capacity to respond to it and its effects on our environment, and as they say in academic circles "*For every force, there is a counter force or for every negative there is a positive*". By this quote, we are taking advantage to create job opportunities to grow our economy. This new sector of economy is highly accessible for participation.

Areas of usage:

- Energy generation,
- Energy and resource efficiency,
- Emissions and pollution mitigation and

- Natural resource management

It is estimated that nationally, 98 000 new jobs could be created in the short-term and around 255 000 in the medium term. In long-term, 462 000 employment opportunities could be created in the formal economy with green economy.

Some of the benefits of green economy includes conserving electricity, usage of public transport and preferably carbon free transport, recycling and use of other material. If we work hard, green economy can create much needed jobs. Stakeholders must work together to make sure that it is a reality.

The other important thing that still makes us struggle as a province is that even though there are individuals, institutions of higher learning and companies with innovative ideas of products to be produced, the problem is that they all have to be manufactured outside the province. We need to establish a manufacturing hub that will service us as Free Staters and other provinces.

It is our responsibility to assist our local entrepreneurs in establishing sustainable businesses that can with stand economic negative factors like recession. The strategic leveraging of public procurement has a significant impact in transforming the economy, creating sustainable companies and decent jobs for our communities.

Programme Director it is possible for the Free State to reclaim its position as the food basket of the province, if only we think out of the box and identify the competitiveness advantage of our province.

It has to be noted ladies and gentlemen, that government on its own can never succeed in this quest without the support from the private sector. In that respect, the government has made an undertaking that they will persuade the private companies to engage in affirmative procurement. It is also our duty as the provincial government to utilize existing public-private partnerships we have for the benefit of SMMEs.

**I thank You**