



## **Budget Speech by Tasneem Essop, Minister of Environment, Planning, and Economic Development, on Vote 12- the Department of Economic Development and Tourism - 29 May 2008**

Speaker,  
Honourable Premier,  
Fellow Members of the Executive Council,  
Honourable Members of the Provincial Legislature,  
Acting Head of Department,  
Invited guests,  
Staff members, and  
Ladies and Gentlemen

The Secretary-General of the United Nations, Ban Ki- Moon recently said;

*“We will have time to reach the **Millennium Development Goals** – worldwide and in most, or even all, individual countries – but only if we **break with business as usual**. We cannot win overnight. Success will require **sustained action** across the entire decade between now and the deadline. It takes time ... to grow the small and large businesses able to create the jobs and income needed. So we must start now.”*

Honourable Members, when the ANC took control of the Western Cape the mandate was clear: We must continue to grow and develop the economy, tackle head-on the rising levels of poverty and underdevelopment, create new jobs, and work towards raising the levels of investment and the promotion of a developmental state.

In order to achieve this it was clearly understood that we had to develop a detailed programme of action that responded to the second economy, and deal with market failure, so that the poor could also be active participants in the economy.

During the period 1999 – 2003, the Western Cape economy had grown on average by 3.9%. Only 3 out of every 100 Africans who entered the labour force found a permanent job as opposed to 92 out of every 100 whites. 23.16% of our economically active people were formally unemployed, therefore, remaining invisible.

At this time the economy was exposed to a weak rand, which had averaged R7.70 against the US Dollar over the period 1999 – 2004. Since then, the rand had strengthened and our regional exporter base had come under strong pressure, especially the manufacturing sector, and industries such as clothing and textiles were struggling.

Although the ANC government had inherited a provincial economy that was growing, the sharing of this growth was still a problem. Job creation was still limited to a small pool of skilled people and the general public did not share a feeling of economic prosperity and equality.

I would like to remind this House that in 2004 we had no ASGISA policy to help achieve shared and accelerated growth, the Broad-Based Black Economic Empowerment Act of 2003, the National Spatial Development Framework, the National Advanced Manufacturing and Technological Strategy (2004) and the Small Business Amendment Bill were new, and in the province our public-private partnership ventures were captured through 5 fledgling sector bodies, or Special Purpose Vehicles (SPVs).

Speaker,

In his first State of the Province Address in 2004, Premier Ebrahim Rasool spelt out his vision for the Western Cape as a “Home for All”, using a phrase coined by Chief Albert Luthuli.

The concept of the Western Cape as a growing and sharing “Home for All” has been the philosophical cornerstone of all of my Department’s policies, programmes and interventions. We know that every one of our endeavours requires focused and dedicated action if we are to achieve our Millennium Development Goals of halving poverty and unemployment amongst our people.

#### **Legacy: Micro-Economic Development Strategy**

Under the ANC Government’s leadership the Department in 2004, embarked on the Micro-economic Development Strategy (MEDS), which is focused set of interventionist sector strategies, overlaid by an additional set of cross-cutting thematic strategies.

To ensure that our strategies are firmly grounded in evidence-based research, we have completed 30 sets of studies through four rounds of MEDS research.

We hosted extensive public participation workshops, public dialogue sessions and outreach programmes that have actively sought out the opinions and inputs from various constituents in our province and worked closely with the Provincial Development Council (PDC).

As an outcome of this consultative process, we have developed 13 sector strategies and 4 cross-cutting thematic strategies. Flowing from these MEDS strategies, we implemented 106 projects and an additional 11 Special Purpose Vehicles have been created.

#### **State of the Provincial Economy since 2004**

Speaker,

As we enter our fifth year of governance, it is important that we take stock of what we have accomplished thus far, especially under the iKapa Elihlumayo policies which were first launched in 2004.

During the period 2004 to 2007 the economy grew at an average growth of 5.1%, reaching 5.8% in 2007 and surpassing the rate of 3.9% for the period prior to 2004.

According to the Labour Force Survey of 2007, the unemployment rate in the Western Cape has been on a downward trend since 2004. As of March 2007 the unemployment rate in the Western Cape stood at 17.2% which is the lowest recorded rate amongst all provinces.

Through WESGRO and the SPVs, the Western Cape facilitated investments to the tune of R6.6 billion over the last four years, with more recent investments taking the figure to R7.2 billion. This means that the average amount of investment per annum is R1.8 billion, considerably more than the R400 million success rate in 2003.

Since 2004, the Western Cape assisted 54 715 Small and Medium Enterprises, which averaged out, means that we have assisted 13 678 businesses every year since 2004. This is somewhat more than the 1 245 SMEs that the Province assisted in 2003.

The Western Cape's focus on addressing the skills challenge has resulted in 22 934 persons being trained over the last four years.

And through all these MEDS programmes and initiatives, the Western Cape has facilitated the creation of 66 234 jobs since 2004, a considerable contribution to the Premier's vision of a "Home for All".

I would like to take this opportunity to unpack some of these achievements, particularly in terms of our priorities of transformation, the second economy and skills development:

### **Promoting Broad-based Black Economic Empowerment.**

Decades of apartheid and institutionalised racial discrimination make black economic empowerment an imperative.

In this spirit, the department has developed a Broad-based Black Economic Empowerment Strategy, which provides an enabling framework to help this Province, with all its constituents – to achieve the spirit and the objectives of the BEE Act of 2003 and the BBBEE Codes of Conduct.

As a percentage of the SMEs helped, we have assisted 39 978 BEE companies through the Red Door and the Sector Programmes. This has been accomplished through a range of interventions to promote broad-based black economic empowerment in the Province, including:

- sector-specific programmes that provide specialist support,
- generic business advice and skills training,
- mentorship and guidance on running an enterprise,
- training to guide SMEs through state tendering processes, and
- providing business linkages and helping establish partnerships with banks to secure funding.

### **Second Economy**

A key priority of the Western Cape is our focus on the second economy. However, little was known about the informal sector, making it difficult to develop programmes specifically to help its participants into the formal economy.

But having conducted a number of MEDS research studies on the Informal Economy, we understand the challenges facing the informal sector. We understand that:

- Although smaller than the national informal economy, one in every ten people working in the Western Cape works in an informal enterprise, compared to South Africa, where between 15% and 19% of those who are working, work in informal enterprises,
- The Western Cape's informal economy tends to be more skilled than the rest of the country,
- Over six in every ten informal workers operate from home – either theirs or someone else's,
- Although reported earnings are higher in the Western Cape in comparison to national averages, 44% reported earning R1 000 or less in a month,
- Nearly one in every two people working informally is involved in trade, a further 17% in construction, 15% in services and 8% in manufacturing,

- The labour component of the informal economy alone contributes over R10 billion to the Western Cape economy annually. The informal economy is estimated to contribute between 8-12% to GDP nationally.

Our research has proved that this part of the economy, which has remained largely invisible, has significant economic value and provides a means of survival to some of the poorest in our communities.

As UN Secretary-General Ki-moon said we need to ‘break with business as usual’. We therefore know that we cannot meet these challenges just by conventional means and methods.

Consequently, while the beneficiaries of the Red Door initiatives have been and will continue to be from the second economy; the Department has implemented a range of unconventional measures to further assist the second economy.

The Department has delivered the following:

- the iKapa Fund - which has dispersed R23 million to assist SMEs and black businesses previously seen as ‘unbankable’ by the private sector,
- the Siyabulela Initiatives - which seeks to assist particularly women and the youth has assisted 126 beneficiaries,
- the 1000 x 1000 Programme - which has provided 1 000 entrepreneurs with R1000 of funding and much more in training and mentorship,
- the Survivalist Programme in which beneficiaries receive basic business training and assistance coupled with a mentorship programme.

As a result of these interventions, we have funded 1 565 predominantly survivalist Small and Medium Enterprises since 2004.

## **Skills Development**

The skills shortage still remains one of the most fundamental and major challenges in trying to accelerate the growth of our economy. If we don’t ensure that there is an adequate supply of skills, then all economic growth will be hampered.

So within all our strategies there is a strong focus on skills development.

These include:

- the establishment of the CallingTheCape Call Centre Campus in Athlone and the CADET programme which has facilitated the training of 3 992 Call Centre Cadets,
- the Boat-building Academy which is training 26 learners,
- the Oil and Gas Training Programme which has 61 current learners in the system,
- the Craft Skills Programme that has trained 1 441 people,
- Since 2007 our SPV training programmes have trained 10 831 people, and
- A crucial aspect to the assistance rendered to SMEs by the Department has been training and in this regard 1 542 people were trained in 2004 while in 2007 that number had risen dramatically to 9 758.

Speaker,

The global economy has shown all the signs of economic slowdown as we witness increasing interest rates, soaring fuel prices and a massive reduction of imports by the United States. Although many of these phenomena are cyclical we remain confident that the Western Cape's economy will be resilient in 2009.

We are confident that the MEDS is a winning strategy. Some of our Sector Bodies and enterprise initiatives are considered best practice. A number of our strategies and initiatives are being used by the dti and other provinces as models on which to base their strategies and programmes.

The efficiencies in our Office of the Consumer Protector and the Liquor Board are used as a national benchmark. In the last OECD visit, we were commended on our economic policies but criticised for not providing sufficient funding. The Harvard Group of Economists who are guiding National Cabinet were also full of praise for the provincial government's initiatives and its support of the economy.

### **Deliverables for 2008/09**

I started today's Budget Vote by speaking about the Millennium Development Goals. This should not be seen as an isolated international agreement that genuinely seeks to halve poverty and hunger by 2014 but it should also be seen as the logical outcomes of our iKapa eliHlumayo strategies, the results of work driven by a notion of growing and sharing the Western Cape.

In his State of the Nation Address this year, President Thabo Mbeki, like UN Secretary-General Ban-ki Moon spoke about 'business unusual'.

We must guard against falling into the trap of talking 'business unusual' but walking 'business as usual'.

Let me assure this House that, I, together with the Department of Economic Development and Tourism, have and will continue to embrace the spirit of business unusual.

### **2008/09 Budget**

I hereby table the Department's expenditure for the financial year 2008/09.

In the last financial year the Department's portion of the Provincial Revenue Fund was R205.386 million and for the financial year 2008/09 it is R219.244 million. This represents a 6.7% increase over the previous year. The allocation includes funding for the Tourism programme and the provincial Destination Marketing Organisation, Cape Town Route Unlimited, which reports to Minister Brown.

While our budget has not increased substantially, we are undertaking initiatives which will provide further support to our citizens. We have managed to do this through the partnerships which we have established with national, provincial and local stakeholders. Of note, I would like to highlight some of our key deliverables for 2008/09:

The Department will be transferring R46, 350, 000 to the Sector Bodies, to fund a range of MEDS interventions. This represents an increase from 2007/08, where R34 630 000 was transferred to these sector bodies. This increase in funding represents our confidence in them and their ability to deliver.

Funding will also be provided to the Office of the Consumer Protector to the tune of R7, 213 million as we will begin operationalising the Consumer Tribunal, expanding the number of Advice Offices and increasing our awareness campaigns.

### **Co-operatives**

The Department has developed a Co-operative Strategy in partnership with the Development Bank of South Africa. It will be launched in 2008/09 after consultation with stakeholders, which has already begun.

The strategy focuses on increasing the formation, number and spread of co-operatives operating in the Western Cape. In addition to the launch, the Department will roll out co-operative initiatives across 11 Areas of Priority. This focus comes with a Co-operative Package of financial and non-financial support, which includes Co-operative Support Vouchers, assistance with Business Plan Development, marketing tools acquisition, and financial support.

An amount of up to **R1,1 million** has been allocated for the roll-out of this programme.

### **Economic Precincts**

Our economic precincts programme looks at the establishment of commercial spaces and economic urban regeneration within disadvantaged communities. Our approach is unique, because although we use one or more of our MEDS sectors or themes as a catalyst for economic activity, it is really the communities' own energies and needs, cultural and social strengths, and historical identity which forms the shape of these economic precincts.

Thus far, we have developed pilot projects in Manenberg and Nyanga, and although the beginnings are modest, the emphasis is on empowering and assisting the communities to take control of their own development through the provision of hard and soft infrastructure. Five more economic precincts, predominantly through the creative industries, will be introduced in 2008/09 with a budget of R5million which is being held by Provincial Treasury.

### **Expansion of the RED Doors and Mobile RED Doors**

The RED Door has proved to be a highly successful, innovative model for SME support. Through the RED Initiative, the Department was able to offer an accessible one-stop shop platform for a range of support services to SMEs and the informal sector. The 33 970 SMEs assisted by the RED Doors is evidence of its success.

We are therefore launching our 12<sup>th</sup> RED Door and two more Mobile RED Doors in 2008/09. The mobile RED Door is an innovative adaptation of the RED Door which takes our services deep into communities. We will also be introducing additional initiatives to broaden and deepen the spectrum of RED Door services offered to the entrepreneur:

#### **Of note:**

- Through a significant partnership agreement with CIPRO of the dti, signed in 2007/08, the RED Doors will be able to assist with the processing and registration of Closed Corporations and Co-operatives. This should not only speed up the registration of businesses for second economy operators, but will reduce costs, time and red tape constraints for the entrepreneur. We will begin offering these services towards the end of the financial year.

- In line with international studies and best practice, which demonstrate that networking plays an important role in the development and growth of SMEs, we will introduce the RED Door Clubs which allow for entrepreneurs to network amongst themselves, with service providers, with experts, with potential clients, and with stakeholders. A budget of R60 000 has been allocated towards this small but highly effective initiative.

## **Oil and Gas Summit**

Although a relatively new industry, the Cape's Oil and Gas Industry, which is focused on providing services to the West Africa Oil and Gas sector, has seen significant investments, for example, the Saldanha Fabrication Facility which will see an investment of R1.7 billion on completion and the industry has already enjoyed foreign orders of approximately R800 million-worth of repairs and fabrication.

In a collective effort to ensure that the Western Cape captures all the potential offered by this industry, business, government, labour and civil society have come together to develop and co-ordinate a coherent and far-reaching strategic plan.

A historic Oil and Gas Summit will be held in Cape Town in the 3<sup>rd</sup> Quarter of 2008 to launch the agreement reached within this plan and the interventions with which to unlock industry constraints. This strategy will become part of the MEDS.

I am also happy to report that after consultation with the Minister of Public Enterprises and Transnet NPA we have agreed that the Department will work together with the afore mentioned to finalise the provincial Oil & Gas and Ship Repair Services business plan. The Department has committed an overall budget of R3,6 million towards the Oil and Gas Sector.

## **Liquor Bill**

While we regret that the Liquor Bill was not promulgated last year due to protracted and compulsory consultations with the dti, we are pleased that in the process of passing the Liquor Bill through the legislature for the second time, the public has further opportunity to provide inputs and comments.

The main aim of the Bill is to increase public participation in the liquor licence application process. It seeks to do this by requiring better advertising of applications to be given to municipalities, community organisations and the public, in particular residents in the area where the liquor business will be located.

Another aim is to address the shebeen problem in the Western Cape and to increase public awareness of the dangers of alcohol abuse. We have allocated a total of R7 569 000 towards Liquor Regulation, of which R1.7 million will go towards awareness campaigns about alcohol abuse.

## **Wesgro**

Wesgro will receive R15 900 000 in 2008/09, which represents an increase from R11 100 000 from their 2007/08 budget. I also have the pleasure of announcing the new Board of Wesgro,

1. Ms Beryl Kerr
2. Mr Fezile. Calana
3. Mr Phillip. Dexter
4. Ms Fadila Lagadien

5. Mr Guy Lundy
6. Ms Xolswa Motswai
7. Mr Ravi Naidoo
8. Mr Lizo Ntloko
9. Mr Carl Opperman
10. Mr Clifford Sitonga

The membership of Wesgro elected two Directors to serve on the Board, who are:

11. Mr Saadiq Mathews
12. Dr Gerald Wolman

In addition to the CEO of Wesgro, two ex-officio Directors will be appointed by the Western Cape and the City of Cape Town.

Wesgro has done well over the last four years in attracting investment, and under the new leadership of their CEO, Angelo Manzoni and their Board, we are confident that they will continue delivering investments for the Western Cape.

## **27 Social Transformation Areas of Priority**

As part of our political mandate that we received in 2004 and as part our contribution to the *Premier's 27 Priority Areas Programme*, we will intensify the fight against poverty and we will deliver the following:

- Khayelitsha
  - Development of an Economic Precinct
  - Launch of a Co-operative
  - Total budget is R380 000
- Mitchell's Plain
  - Launch of the RED Door Club
  - Total budget is R15 000, over and above the current RED Door cost of R1 296 269.00 that already exists there.
- Manenberg
  - Further development of the pilot Economic Precinct
  - The development of a waste recycling project, together with DEADP
  - The introduction of Mobile RED Door services which will operate from Mitchell's Plain
  - Total budget allocated is R650 000, of which R450 000 will be for the Economic Precinct.
- Drakenstein
  - Introduction of 2010 Trading Places, which will maximize SME opportunities should the municipality be successful in its bid to be a training camp
  - The launch of the Agri-Help Desk within the RED Door, which will be an innovative addition to our current services
  - Total budget is R270 000
- Central Karoo
  - The launch of a Co-operative
  - Total budget is R100 000
- Philippi
  - The Development of an Economic Precinct
  - The development of a waste recycling project
  - The introduction of Mobile RED Door services which will operate from Gugulethu

- Total budget is R133 000.
- Elsie's River
  - The launch of a Mobile RED Door
  - Total budget is R300 000
- Matzikamma
  - The development of the Doringbaai Hydroponics project
  - Total budget is R200 000
- Gugulethu
  - Facilitation of the Eyona Economic Precinct
  - The launch of first Xhosa Mobile RED Door
  - The development of a Security Co-operative
  - Total budget is R400 000
- Theewaterskloof
  - The development of an Agri-business Co-operative
  - Total budget is R100 000
- Delft
  - The development of a waste-recycling project
  - The introduction of Mobile RED Door services which will operate from Elsie's River
  - Total budget is R133 000
- Vredenburg/Saldanha/
  - The development of a Food Co-operative
  - The launch of the RED Door Club
  - Total budget is R115 000
- Hanover Park
  - The development of a Construction Co-operative
  - Total budget is 100 000
- Cedarberg
  - The development of a Rooibos Co-operative
  - Total budget is R100 000
- Kleinvlei
  - The introduction of Mobile RED Door services which will operate from Elsie's River
  - Total budget is R33 000
- Witzenberg
  - The introduction of Mobile RED Door services, which will operate from Paarl
  - Total budget is R250 000
- Bishop Lavis
  - The introduction of Mobile RED Door services which will operate from Elsie's River
  - Total budget is R33 000
- Nyanga
  - Further development of the Economic Precinct
  - The introduction of Mobile RED Door services which will operate from Gugulethu
  - Total budget is R483 000
- Oudtshoorn
  - The development of a Construction Co-operative
  - The initiation of an Economic Precinct
  - Total budget is R100 000
- Muizenberg
  - The launch of the 12th RED Door in the Province
  - The launch of the OCP Advice Office
  - Total budget is R672 000

- Kannaland
  - Our support to the Department of Agriculture on the Zoar project by providing – (business training support for small farmer development in fruit
  - Total budget is R75 000
- Mossel Bay
  - To complement the activities of the well-established RED Door which costs R1, 29 million, we will launch the RED Door Club
  - Total budget is R15 000
- Worcester
  - The introduction of the CCDI mobile services to the area
  - The development of one Co-operative
  - Total budget is R140 000
- George
  - The launch of the George Call Centre project.
  - Total budget is R600 000.
- Atlantis
  - Development of a Boat-building Economic Precinct, beginning with a pre-feasibility study.
  - Total budget allocated is R200 000
- Greater Athlone
  - The further development of the CallingTheCape Campus and Cadet programme
  - Total budget for the programme is R4 million
- Bonteheuwel/Langa
  - The introduction of Mobile RED Door services which will operate from Gugulethu
  - Total cost is R33 000

The total budget for all these initiatives within the 27 Areas of Priority is R9 480 000.

## **Conclusion**

Speaker,

There can be no doubt that the role of this government in reaching its objectives of growth and transformation is reflected in the growth of the economy and job creation under our watch as the ANC Government.

There can be no doubt that we have laid the foundation for a continued and focused set of interventions and programmes in the second economy. We have put a human face on what was once invisible and we have given the poorest of poor not only hope, but new economic opportunities, skills and jobs.

I am proud of this Department's achievement and can honestly say that we have set the path for sustained action across the first and second economies. Our challenge for 2008/09 is to sustain the effort, embrace the 'business unusual' approach and deliver the vision of a growing and sharing Western Cape that is a place people call a 'Home for All'.

In closing I would like to thank the Department for their dedication and hard work. They are young team of serious and committed people.

I would also like to thank:

- My family
- Partners from business, labour and civil society
- All of the sector bodies, their Boards and Staff for their dedication and commitment
- The OCP Advice Offices, the Western Cape Advice Office Association, the Association for Responsible Alcohol Abuse, FASfacts, DOPstop, CSIR, CIPRO, Umsobumva Youth Fund, and SEDA
- The Standing Committee and Chairperson
- My Acting Head of Department, Jo-Ann Johnston and all my officials in the Department.