



destea

department of
economic, small business development,
tourism and environmental affairs
FREE STATE PROVINCE

INPUT BY THE MEC FOR DESTEA, MR MAKALO MOHALE ON THE OCCASION OF THE PARLIAMENT'S INCLUSIVE ECONOMIC GROWTH OVERSIGHT SUMMIT, FRIDAY 17 JUNE 2022

Deputy Chairperson of the NCOP Hon Sylvia Lucas

Members of the NCOP

Invited Guests

Ladies and Gentlemen

The 17th of June 1976, which was the second day of the historic June 16 Uprisings, was marked by uncontrollable fury and burning hostility. Whilst many students and parents alike had not heard about Hector Peterson and many who were killed, burnings continued.

Narrating the events of that day, one Solomon Marikele, who was a student from Rhulane Primary School said; **“On the second day I picked up stones and I joined the struggle. We targeted schools, busses, shops and cars. We were angry and unstoppable”**.

We gather here today exactly **46 years** since the June Uprisings, not to throw stones and bombs, but to build an inclusive economy. We are however, as resilient as those students of 1976, and we commit to ensure that **The People Shall Share in the Country's Wealth**. As we were requested by this august house we will deliver an input anchored on the following pillars;

- ❖ Our Value Chains Transformation to economic Recovery Approach
- ❖ The Free State Procurement Framework

- ❖ The Draft Integrated Local Economic Development and Transformation Bill, and
- ❖ Strategies emanating from our Master Plans.

On the Value Chains Transformation to Economic Recovery Approach

Part of the assessment made by the 6th Administration is the lack of transformation of our economy. We realised that, in terms of ownership patterns, most of the sectors of our economy were dominated by white owned companies. We also found that our economy was too reliant on the export of raw materials, rather than the value adding of those materials.

As a result, we thought that the only way to transform this economy was to zoom into the value chains of key sectors of the Free State economy. The approach will entail supporting both the **primary and secondary** actors in the various value chains. The **primary actors** are concerned with input supply, production, processing, storage, wholesale (including export), retail and consumption.

The secondary actors, which are also called value chain development support agents, get involved in services that support primary activities like transportation, brokerage, packing and handling, certification and financial support.

Other value chain actors are the promoting agents like government bodies that provide support activities and interventions to foster value chain development and these interventions may include provision of market information, advice on business planning or the initiation of partnering arrangements.

There are also influencers of the value chain like regulatory framework, policies, trade regimes, market interventions and infrastructures. This is therefore the rationale for us to develop the Value Chains Economic Development and Transformation Approach.

On the Free State Procurement Framework

As one of the ways to ensure that we put the Value Chains Transformation to Economic Recovery Approach, we have developed the Free State Procurement Framework. The

Constitution of South Africa recognizes the decades of racial discrimination and economic disempowerment which cannot be eradicated unless bold and radical decisions are taken.

The most significant provision in the Constitution that precisely directs government procurement to be used as a policy tool is Section 217(1). This section points five principles that must be complied with when organs of state contract for goods or services, which is fairness, equity, transparency, competitiveness and cost-effectiveness.

Section 217(2) of the Constitution states that it does not prevent the organs of state from implementing a procurement policy providing for (a) categories of preference in the allocation of contracts; and (b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

Section 217 of the Constitution therefore makes provision for the use of state procurement as a policy tool.

The Free State Procurement Strategic Framework is intended not to replace the current procurement framework and prescripts but to enhance the application of those acts. The purpose of the Free State Procurement Strategic Framework is to enhance the application of procurement processes by:

- (a) Ensuring that the provincial government leverages on the procurement spent to the benefit of the local economy, small businesses and cooperatives;
- (b) Promoting the support of locally manufactured goods and services;
- (c) Providing support to the small and medium enterprises to ensure that they participate in the mainstream economy through value chains; and
- (d) Providing guidance to the provincial departments on the implementation of the Framework and ensure monitoring and evaluation on the implementation of this Framework.
- (e) Linking public procurement and SMME's through public policy.

To ensure successful implementation of the industrialisation strategy, the provincial government should provide support in the designated sectors by sourcing of goods and services from the manufacturers and not third parties. This should be clearly stipulated in the bid documents to ensure that non-manufacturing enterprises are eliminated. The following sectors are a priority:

- Textile and clothing
- Retail and wholesaling
- Construction services
- Agro-processing
- Tourism accommodation
- Transport and logistics

The following departments had the highest spend on goods and services over the past five years:

- Department of Human Settlements ;
- Department Education;
- Department of Police Roads and Transport and
- Department of Public Works.

On the Integrated Local Economic Development and Transformation Bill

The South African and the Free State economy in particular remain untransformed. The lack of enforceable business regulation regime creates unfavourable conditions for economic participation, investments, and economic growth. Key challenges facing the Free State economy are:

- Lack of regulation
- Barriers to entry
- Ownership patterns
- Ease of participation by the PDIs
- Financial and Non-financial Support of SMMEs

To this end, the department has produced a draft Free State Integrated Local Economic and Transformation Bill in order to address these challenges. This Bill seeks to facilitate and promote inclusive economic growth along a transformative paradigm in order to build a cohesive and an equal society which is underpinned by –

- a growing and inclusive economy that harnesses the potential of all citizens and persons with permanent residency status in the Republic;
- diversify the ownership patterns; and
- facilitates easier access by new entrants into all sectors of the economy.

The Objectives of the Bill are to:

- (a) to provide a regulatory framework which makes it possible for Free State citizens to establish viable and thriving business where they live;
- (b) to designate business activities within the township areas that are reserved for the exclusive and sole use of citizens;
- (c) to promote the development and diversification of the economy of the Province through regulation of participation of enterprises in specific sectors;
- (d) to introduce an enabling framework to ensure retail malls and supermarkets partner with local enterprises, including the sourcing of some of the products and services from local producers, service providers and manufacturers;
- (e) to establish specific procurement rules and programmatic support which allow government and its main contactors –
 - (i) to buy from a large group or groups of local enterprises, with systems linking them so they can supply if they were one large enterprise; or
 - (ii) to compel enterprises that get government contracts to spend a certain percentage of their procurement spent on enterprises or entrepreneurs and cooperatives owned by citizens;
- (f) to provide an enabling environment for municipalities –
 - (i) to implement local economic development and to grow supporting value chains and industries;
 - (ii) to implement an integrated businesses licencing regime;
- (g) to promote and support the development of representative associations of enterprises owned by citizens and non-profit organisations.

This Bill also provides for regulation of organized business formations by establishing the Provincial Business Council and District Business Councils as recognised structures for coordination and representing various organised businesses in their respective areas of operation. The responsible Member will issue regulations by notice in a *Provincial Gazette* setting out the composition, membership and incidental administrative matters of the Councils contemplated in subsection

On the Strategies emanating from Master Plans of key Economic Sectors

As part of ensuring that we transform our economy, with focus on value chains for key sectors of the economy, we have developed Master Plans for the following sectors;

- **CTLF**
- **Tourism**
- **Agro-processing**
- **Biodiversity**
- **Land and Property Steel and Metal Fabrication**
- **Mining**
- **Automotive**
- **Chemicals and Energy**
- **Financial services**
- **Communications and Digital Economy**

Emanating from these, we have developed specific strategies from each Master Plans.

For example, as part of our Economic Recovery Plans we are taking a focused approach in supporting businesses that are in **Agro-Processing**. The FS has always been known as the bread basket of the country because of its agricultural input & it is for this reason that we want to pursue accelerated and inclusive growth of this sector. This will ensure that we are able to create jobs, provide much needed skills and alleviate poverty & bring food security to people of the FS.

As the FS we also recognise the huge economic potential that can be brought about by the commercialisation of **Cannabis and Hemp**. This potential is documented in the departments Biodiversity Master Plan as one of those sub-sectors with potential. As a province we also want to be amongst the pioneers by tapping into the prospective economic stimulus “green gold” can bring for the province.

The COVID 19 Pandemic showed us that we need to strengthen our local industries to be responsive to supply chain needs. This presents the South African **manufacturing** sector an opportunity to position itself as an attractive business destination. This is in line with our Economic Recovery plans as we want to position the FS manufacturing base as competitive for both the local & global markets.

Our Master Plan on **Clothing, Textiles, Leather and Footwear** puts emphasis on increasing production capacity of our entrepreneurs, thus enabling leveraging on on-shoring opportunities. This plan will not only benefit big industries but ensure our SMME also play a role in the manufacturing value chain.

Chairperson,

We have taken a decision not to focus on piecemeal efforts, but on an integrated approach to transform the economy. This e do because we know that the transformation of an economy which still has the hallmarks of Apartheid and Colonialism will not be an easy task.

It requires extraordinary measures. All this we must in order to
#BuildTheFreeStateWeWant

Ke a Leboha

ENDS