

Speaking notes of MEC for Finance, Economic Development and Environmental Affairs:

Eastern Cape Economic Outlook Symposium – 4 February 2010

I'd like to welcome you to this Economics Symposium.

You will all agree that this is an important event in the Development Calendar of the Eastern Cape, because, as you know, Thought Leadership is key to any form of development.

The reason we are all here is to share ideas towards assisting our communities to take part in and to benefit from economic development. Our communities are the basis for building and strengthening the economy. Your thinking and ideas are critical to our ability to shape programmes that can uplift our communities.

In the Eastern Cape, both poverty and meaningful economic activity have a marked spatial dimension. We are confronted with a distinct geographical distribution of economic sectors overlaid by a concentration of poverty in the former Ciskei and Transkei. Ultimately we need to increase the spread of the former and diminish that of the latter.

Through profiling our economy, we hope to be able to crystallise policies that simultaneously guide both poverty reduction and industrial development. At the core of profiling of course, is research and analysis. These disciplines enable us to establish a thorough understanding of the prevailing structure and trends within the economy. On the basis of such insight government will then be able to develop appropriate, responsive and focussed policies and strategies. Your

contributions to shaping that insight will assist government to build more robust policies and strategies in the future.

South Africa has, along with the rest of the world, begun the slow process of recovering from the crippling economic recession of the past two years. While our economy appears to have been better insulated than many others, serious fault lines have been exposed. This conference is conceived of as an opportunity to scrutinise those fault lines in our economy with the express intention of preparing government to address them. To do so will require us to interrogate the facts as objectively as possible, to move away from locating economic debate within the boundaries of personalities, and to boldly chart a new course, particularly for our embattled provincial economy.

Conferences are by nature about conversations. The power of exchanging ideas at this conference lies in the potential to catalyse economic solutions. Ideas will not feed, clothe or educate the citizens of the Eastern Cape. It is important therefore that the conference guards against the tendency to over-complicate ideas as an end in itself, but rather ensures that the ideas shared here today are located and firmly rooted in the practical solutions needed by our people.

In this room there is plenty of talent available to shape the recovery of economic sectors. We need to go further, however, and consider sectors and approaches that are unfamiliar and fresh. Understanding that industrialisation and the promise of the Green Economy have the potential to shape a new economic vision for this Province, we ask you to energetically interrogate the inherent possibilities of these themes.

Economic strategy is a matter of perspective. Society has many competing perspectives. As government our perspectives are inspired by the need to

eliminate poverty and create sustainable livelihoods. We seek to find a balance between competing needs and perspectives. The developmental path that we are working on, aims to optimise the resources of the country for the benefit of all our citizens. This imperative should guide your discussions.

In doing so, today's conversations will assist us to begin the process of building shared understandings. We hope that, not only will government benefit from the contributions of different perspectives, but that our partners outside of government will gain a deeper understanding of our policies, mandates and priorities.

It is important to us, for instance, that, in the Eastern Cape, we tackle the spatial development disparities that currently define this province. In recent years we have seen that a booming economy can be accompanied by stagnant regional and remote economies. Such disparate experiences of economic growth are ultimately detrimental and threaten the sustainability of the gains achieved in the process.

In our economic review, we find that:

- Sectors that are labour intensive are the most volatile in terms of economic growth and investment. Accordingly these sectors have to yield higher than average rates of return in order to attract investment. This is the reason why as a government we are playing an active role in these sectors.
- The benefits of economic growth and development continue to be concentrated in the historically privileged areas, with little investment opportunities available in historically disadvantaged areas.
- Large scale infrastructure programs often have long lead times, with immediate economic benefits being temporary. We need long term micro-

economic reform and the infrastructure backbone to drive growth and development.

While this confirms the obvious, the debate, the dialogue, the conversation moving forward must, of necessity, seek to expose responses.

The themes into which the conference has been organised thus reflect our initial analysis with respect to the challenges and opportunities we face. It would be a sad day indeed if this conference does not progress our thinking beyond this starting point. For this reason we have intentionally opened the door to “emerging themes”. I urge you to allow yourselves the freedom of creative thinking today, for the Eastern Cape is in dire need of creative solutions. It is thus imperative that we revitalise and sustain the debates and critiques of our growth path and our macro-economic strategy to date. Let us, together, stake a claim for Thought Leadership.

Later in the programme we are launching the booklet “Economic Profile and Outlook of the Eastern Cape”. I am told by the HOD that the average age of the young people who worked on this publication is 26. They are all from the rural areas of the Eastern Cape. The product that we will later launch is a product of our youth and of our Province. This is a source of inspiration and pride.

On this point, I want to reflect on the importance of research in driving development in a rapidly changing society and economy. As government, we cannot respond to the needs of our people if we do not understand the problems. This is the role of research. Similarly, we cannot objectively evaluate the impact we are making if we do not have research capacity and capability to do so. For innovation to take place, and for us to prosper as a people, we must strive to generate knowledge. We must ask questions and seek answers.

The two Departments that I am deployed to lead have a responsibility to drive knowledge generation in order for provincial government to allocate resources responsibly, utilise them efficiently, and deploy them effectively. Together with our stakeholders we must pose the right questions, and set a sustainable research agenda. To do so, we must allocate the right resources towards building a vibrant agenda for research, and together, establish a knowledge driven economy. It is for this reason that I am pleased with the concentrated effort by the Head of Department and his team to encourage young researchers and economists to be part of the publication we will be launching today.

It is my view that Treasury and DEDEA should be at the centre of engagement and debate about matters related to growth and development. We must necessarily concern ourselves with the production of a robust policy understanding & engagement on the Eastern Cape economy. It is incumbent on us to deepen the understanding of key provincial and local economic variables & their interrelation in promoting the Eastern Cape's economic growth and development prospects. Equally, we must oversee and manage the acquisition of critical economic information and analysis thereof on various developments that will have an impact on the Eastern Cape Province. We must provide strategic guidance to all our stakeholders. Ultimately, we must support the Eastern Cape's policy and budget planning processes.

This publication is in essence a celebration of the first fruits of the DEDEA's investment in the Economics Capacity Development Programme based at Coega. Coupled with this conference, it is the first slab in what we hope will be a solid foundation for vigorous debate and planning for a stronger, more equitable provincial economy.

Once again, I must say I am pleased with the turnout today. This event has been on our minds for quite a while. I anticipate robust engagement, and I invite you to interact with us, and with everyone here. I invite you also, to guide us, and share your views and thoughts with us. Today is about you, our partners in driving growth and development. We want to know what is on your minds. We need you, all of us, to continue thinking, talking, exchanging ideas, because it is only through such engagement that government will be able to build the credible, dynamic solutions we require for the economy.

With these words, I trust you will have a positive experience with us over the next few hours in exploring new developments and ways of approaching economic development. I hope also, that you will join us for the cocktail event, when we launch the publication.

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Issued by:

Mr. Nkosohlanga Mboniswa

Chief of Staff – Office of the MEC

Cell: 0822004756

E-mail: nkosohlanga.mboniswa@treasury.ecape.gov.za