

# **SOUTH AFRICAN STATEMENT TO THE 14<sup>TH</sup> SESSION OF THE COMMISSION FOR SUSTAINABLE DEVELOPMENT**

**Theme: Accelerating industrial development for poverty eradication**

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## **INTRODUCTION**

Government's core economic objective is to halve poverty and reduce unemployment to below 15% by 2014. Measures are being implemented to accelerate sustainable and shared growth through government, labour and private sector partnerships. Prevailing inequalities need to be considerably reduced to achieve the desired 5% rate of growth. Our vision is an inclusive economy where production and consumption patterns are more sustainable, and unemployment is reduced.

In pursuit of this growth our sustainable development objective is that of improved resource efficiency, building cohesive sustainable communities and improving our performance through better integration and long term planning.

## **CHALLENGES AND CONSTRAINTS**

In the short to medium term the focus will be on overcoming so-called binding constraints that impair growth, including:

### **National Constraints**

- Backlogs in investment for transport, telecommunications and energy infrastructure;
- Market structures that do not encourage competition, downstream production and development of service industries;
- Shortage of suitably skilled labour and the concentration of skilled labour in a few centres of economy activity in the country
- Regulatory burdens on small medium and micro enterprises (SMME); and
- Lack of economic planning capacity at local government level.

### **Global Constraints**

- An increasingly highly competitive global market;
- The increase in technical barriers to trade
- Difficulties in attracting foreign direct investment.
- Proliferation of bilateral free trade agreements that may impact negatively on multilateral trade arrangements
- A lack of 'Standards, Quality, Accreditation and Measurement' (SQAM) infrastructure in Africa
- Minimal input from developing countries in international SQAM network

Government has learned that targeted infrastructure investments have a profound catalytic effect on creation of small businesses, especially in the manufacturing sector, as well as creating various employment opportunities and thus reducing poverty levels.

In this regard government will invest R372 billion over the next three years in various infrastructure development projects in order to enhance industrial productivity and competitiveness. These include the upgrading of transport and energy infrastructure and the expansion and modernization of the country's telecommunication infrastructure. The public sector will also accelerate infrastructure investment in the underdeveloped urban and rural areas of the country.

A National Industrial Policy framework is in the final stages of preparation. Customized sector approaches will be developed for business process outsourcing; tourism; chemicals; bio-fuels; metals and metallurgy; wood, pulp and paper; agriculture; the creative industries; and clothing and textiles. The industrial Policy advocates the promotion and support of diversification and the facilitation of progression up the value chain in order to foster growth in labour intensive sectors of the economy. Improved incentives and interventions focused on job-creating investment and growth will be implemented.

Government will also focus on **SMME development for income generating employment**. The following sub-sectors were identified for priority attention: business process outsourcing, tourism and bio-fuels. These industries are labour intensive, rapidly growing, suited to South African circumstances and open to opportunities for Broad Based Black Economic Empowerment (BBBEE) and small business development.

Interventions will be made to address deep-seated inequalities and to bridge the gap between the first and second economies, ultimately eliminating the second economy. Interventions will streamline access to finance and support Preferential Procurement and promotion of sectors that are labour intensive. Regulations that negatively impact on labour intensive sectors will be reviewed. The state owned Enterprise Procurement Forum is codifying and spreading best practices for affirmative procurement by public enterprises. In addition, a procedure is being developed through which 10 products will be set aside for affirmative government procurement.

Government will intensify its engagement with the Financial Services Charter signatories to help generate the necessary resources for the development of the SMME Government will also improve the regulatory climate to facilitate the expansion of this sector.

Government has identified the need to grow the **medium and high-level technology manufacturing sector**. In terms of the Integrated Manufacturing Strategy government identified the need to increase knowledge intensive goods and services. An advanced manufacturing strategy guides our efforts towards a knowledge-based economy. Specific focal areas include the

aerospace industry, biotechnology and nanotechnology. The strategy aims to facilitate the flow of technological resources to industry through new knowledge networks that foster innovation.

The efforts to accelerate industrial development for poverty eradication will require special attention to scarce skills specific to the country's growth objectives. More resources will be allocated to research and innovation. Measures to increase the pool of young researchers will include an intensive campaign to link up over 60 000 registered unemployed graduates with companies around the country.

At the international level measures are required to increase and maintain market access and a constant flow of FDI, Donor programmes should inter alia focus on removing and / or overcoming technical barriers to trade (TBT) and to provide financial support for transfer of cleaner technologies. In terms of the Johannesburg Plan of Implementation (JPOI) a global 10-year framework needs to be developed to accelerate the shift to sustainable consumption and production, An increase is required in the investment in cleaner production and eco-efficiency, and corporate responsibility and accountability need to be enhanced.

## **KEY CONSIDERATIONS FOR THE POLICY SESSION**

The following key considerations are suggested for the policy session

- Continued commitment to a fair and equitable global trade regime
- Promoting regional industrial integration of the African continent within the NEPAD framework.
- Improving the integration of best practice and new technologies to make production and consumption patterns more efficient.
- Developing the small business sector with a particular focus on access to capital, entrepreneurial training, assistance with marketing and the development of cooperatives. It is also important to ensure the sustainability of small business through capacity building.
- Accelerated high-impact investment in developing countries to enhance sustainable industrial development
- Capacity building and training programmes with particular attention to women, previously disadvantaged and less privileged groups
- Promoting and growing South-South trade and facilitating exchange of information and best practice on efforts to accelerate industrial development
- Enhancing the role of women and other disadvantage groups in economic decision making, ensuring access to finance and significant participation in industry
- Strengthening partnerships aimed at implementing sustainable industrial development
- Promoting “aid for trade” to assist developing countries to diversify their exports
- Strengthening the SQAM infrastructure in NEPAD.

- Ensuring developing country input into international SQAM activities such as the International Standards Organisation (ISO), International Electrical Commission(IEC), International Laboratory Accreditation Cooperation (ILAC) etc.