

MEDIA STATEMENT

DESTEA CORRECTS DISTORTIONS MADE BY DA MPL, DR ROY JANKIELSOHN ON THE DRAFT FS LOCAL ECONOMIC DEVELOPMENT AND TRANSFORMATION BILL

10 February 2022

The Free State Department of Economic, Small Business Development, Tourism & Environmental Affairs (DESTEA), has noted the statement issued by the leader of the official opposition in the Free State Legislature, Dr Roy Jankielsohn, regarding the Draft Local Economic Development and Transformation Bill.

Whilst the Department is open to all inputs from the people of the Free State, the Department wishes to warn against distortions which often dwell on cheap politicking and raising unnecessary alarm, as was noted in the statement alluded to above.

The Statement by Dr Jankielsohn makes a fatal error by claiming that foreign direct investment will be discouraged if certain economic activities are reserved for ownership and operation by citizens or persons with permanent residency status in the Republic of South Africa. This is a distortion and is not consistent with basic economic theory.

One of the key drivers of foreign direct investment is political stability. This means that investors are more likely to invest in areas where there is stability as compared to the opposite. Over the past few years, many communities in the Free State have experienced scatters of protests by communities who, more often than not, bemoaned that “foreign nationals had taken over some economic activities”, especially in the townships. The Bill attempts to resolve this challenge and bring lasting stability, which is an incentive for foreign direct investment.

Another driver of foreign direct investment is the size of the domestic market. At the present moment, majority of the people in previously disadvantaged communities rely on social grants. This Bill seeks to ensure that those people are able to have incomes, and to be able to participate fully in the economy. This is surely ensure that the size of the domestic market is enhanced in order to attract further investment.

The Statement by Dr Jankielsohn further makes a claim that “almost all local businesses will and major retailers will not be able to comply (with the proposed 30% quota of local goods) since few businesses are reliant on locally produced goods”. This is claimed is flawed. The majority of our businesses, including major retailers, already have locally produced goods on their shelves. This latter claim by Dr Jankielsohn is not only flawed, but is alarmist. It is an attempt to discourage local businesses from supporting local producers and manufacturers.

In response to the proposal that the MEC for DESTEA “may set out composition, membership and incidental administrative matters for the Provincial and District Business Council, Dr Jankielsohn makes a flawed claim that this will “open up the door for crony-based structures representing businesses by decree. It is either Dr Jankielsohn is ignorant or is not residing in the Free State.



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As we speak, there is a constant mushrooming of the “crony-bases structures” he refers to, because there are no recognized structures for coordination and representation of various organized businesses. The Bill therefore attempts to deal with the fears that Dr Jankielsohn has, as well as the status quo.

Lastly, Dr Jankielsohn incorrectly claims that the “root cause of poverty and unemployment in the Free State is the incapacity of the provincial government and local municipalities to deliver services”. Whilst services are important in driving economic prosperity, it must be noted that the structure of the economy is responsible for its conduct and, ultimately, its performance. The current structure of our economy constrains growth and development, causes slow job creation (a concept sometimes called jobless growth), and leads to many citizens being outside of the mainstream economy.

The Department urges all the people of the Free State not to be misled, but to take time to read the Draft Bill, in order to make informed inputs. Once adopted by the Legislature, the Bill will go a long way in changing the socio-economic fortunes of the majority of the people of the Free State. Inputs can still be made in writing until Friday, 11 February 2022, and can be sent to DominicM@fsl.gov.za.

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