



**destea**

department of  
Economic, Small Business Development,  
Tourism and Environmental Affairs  
FREE STATE PROVINCE

## THE LAUNCH OF INDUSTRIALIZATION SUPPORT INCENTIVE SPEAKING NOTES

ADDRESS BY MEC MAKALO MOHALE

DATE: 28 MAY 2021

**Programme Director**

**Members of the Media**

**Organised Business**

**Representatives of Development Finance Institutions**

**Members of the Management**

**Ladies and gentlemen**

Good morning to all the guests, members of the media, and all participants who are joining us via various virtual platforms. Today represents a critical milestone in government's on-going efforts of reconstructing and reviving the Free State economy after in the wake of the Covid-19 pandemic.

Recognising the challenges presented by the pandemic, we made the following commitment in our budget vote on the 19<sup>th</sup> of March this: "*Through industrialization, we will unlock productive potential of our province's productive assets for massive localized Working with the FDC, we will this year establish an **Industrialization Support Incentive** for our current and prospective industrialists in the province with a particular focus on manufacturing*". This commitment means that support of industrialization efforts is the fulcrum of our approach to rebuilding our economy.

Ladies and Gentlemen, let me briefly reflect on the economic overview. Growth in the advanced industrialised economies is forecast at -6.1% in 2020. Amongst these economies, Italy is expected to experience a negative growth of -9.1%, Spain -8.0% and France -7.2%. Growth for emerging markets and developing economies, with the exception of China, is projected to contract by 1.0% in 2020.



In 2019 the Free State Province had a total GDP of R251 billion in current prices, which constituted 5% of the national GDP and ranked **(8<sup>th</sup>) eighth** relative to the contribution of all the other provinces. In terms of sectoral composition of the Free State economy, the community services remains the key driver at 25%, followed by Finance and Trade at 16% and 15% respectively. Mining and manufacturing sectors each contributed 11% to the Free State economy whilst agriculture's contribution was at 5%.

As part of the efforts to revive the country's economy, the President of the Republic unveiled the South African Economic Reconstruction and Recovery Plan in response to the economic calamity visited on the country by the Covid-19 pandemic and economic stagnation that preceded the pandemic. The SA Economic Reconstruction and Recovery Plan is envisaged in three stages:

- **Engage and preserve:** this focusses on provision of comprehensive health interventions to save lives and curb the spread of the novel corona virus
- **Recovery and Reform:** focusses on interventions to restore the economy
- **Reconstruct and Transform:** focus is on building a sustainable and inclusive economy.

The Recovery and Reconstruction Plan, launched in 2020, places emphasis on the following:

- Integration of Black Industrialists and SMMEs in sectorial and large firm supply chains;
- Increase in local manufacturers' share of domestic demand;
- Identification of import replacement opportunities for Black Industrialists and local manufacturers;
- Increasing import replacement in key infrastructure value-chains;
- Competitive SMMEs that contribute to inclusive economic growth and job creation;



Specifically, the purpose of the industrialization incentives are:

- To stimulate local domestic manufacturing and production
- To ensure job retention and increase job creation
- To reduce economic concentrations
- To assist SMMEs to transition to industrial production levels
- To stimulate participation in large businesses and government supply chains.

This innovative programme emanates from the Free State Regional Industrialization Policy which is in line with the Department of Trade, Industry and Competition's Revitalization of Industrial Parks Programme which is implemented throughout the country to renovate state-owned industrial parks that are located in historically disadvantaged areas.

The focus for this initiative will be towards Maluti-a-Phofung Special Economic Zone (MAPSEZ), Phuthaditjhaba, Thaba 'Nchu, and Botshabelo industrial areas. This is a decisive action to enhance the work already done in these areas, this time focusing at propelling SMMEs in those areas to production levels. Our emphasis is to ensure that our people access opportunities that will ensure that the means of production are in their hands.

Currently eighteen thousand permanent job opportunities have been created in these areas. Our responsibility is create conducive opportunities to increase these levels of employment opportunities and we believe that the Industrialization Support Incentives Programme is our answer.



This incentive will ensure that these Industrial Parks become attractive to potential investors, improve the occupancy rate, and thus create much needed jobs. Furthermore, this will ensure that informal and emerging manufacturers have access to proper industrial infrastructure which will allow them to grow their businesses.

The incentive will assist industrialists with rental and set-up cost subsidies and is divided into three categories:

- Established Manufacturers' Incentive: To provide established enterprises involved in manufacturing and industrialisation with factory space rental subsidies **(R2m maximum per applicant)**
- Emerging Manufacturers' Incentive: To provide enterprises at the incubation or start up stage, who are in manufacturing and industrialisation, with factory rental subsidy **(R1m maximum per applicant)**
- Informal Manufacturers' Incentive: To provide informal/unregistered manufacturers with factory space rental subsidies, and set-up costs grants to support manufacturing and industrialisation operations **(R300k maximum per applicant)**



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The budget for the Industrialization Support Incentive is R10.112 million per year over the MTEF

The applications window for all interested industrialist is from Monday the 31<sup>st</sup> of May 2021 to the 15<sup>th</sup> of June 2021. For further information on application process and requirements, please visit our website on [www.destea.gov.za](http://www.destea.gov.za).

Ladies and gentlemen, please join me as we take these bold steps of re-building our economy

**I THANK YOU**

**Economic Development Branch**  
**Industrialization Support Incentive,**  
**28<sup>th</sup> of May 2021**



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**Order of Proceedings**

**Role-players (participate virtually or physically):** MEC, HOD, Senior Managers, Communications Unit, Economic Development Branch, and Media Houses.

Time	<i>Mangaung Metro Municipality Bophelo House</i>	Representatives
09h30	Arrival	All role players
09h45	Start logging in and accepting participants on Zoom platform: <b>Meeting ID:857 0438 4484</b> <b>Passcode :183400</b>	
10h00	Commencement of the meeting	All participants.
10h00	House Rules	Mr. K. Tau
10h02	Opening and Welcome	Dr. M. Nokwequ
10h05	Introduction of the Member of Executive Council	Mr. K. Tau
10h00	Member of Executive Council	Mr. M. Mohale
10h30	Questions and Answers Session	Mr. K. Tau

11h00	Vote of Thanks
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