

# Address by Local Government and Housing MEC Maite Nkoana-Mashabane at the launch of the Limpopo LED Local Competitiveness Fund

**25 October 2005**

Programme Director;  
Mr Gerrit Booyens, Chairperson of the Limpopo Export Advisory Council;  
Members of our various partners within the private sector;  
Organisers of this important function – the staff at the Limpopo LED, under the leadership of Mr Tim Wilkinson;  
Officials from the Department of Local Government and Housing; Our partners in the media;  
Distinguished guests;  
Ladies and Gentlemen:  
Good evening.

As many of you will be aware, President Thabo Mbeki's International Investment Council – or the IIC -- met over the past weekend. This gathering of global business leaders of blue-chip companies meets twice a year to discuss issues of how the country can best be placed on a higher growth path. It also plays the role of advising the President and Cabinet on how best to sharpen the country's economic strategies. At the end of their fruitful discussions, Trade and Industry Minister, Mandisi Mphahlele, echoed the President's sentiments that South Africa could, indeed, reach an economic growth rate of six percent – even before our target date of 2010.

I wonder how many people heard and understood that heartening message. I also wonder how many realize what the International Investment Council was saying about the prospects of a better life for the majority of our people.

As for me, a humble Member of the Executive Council in the Limpopo Province – potentially South Africa's economic powerhouse in the next twenty years – the Council's message was very encouraging. What it meant was very simple : it meant that we, as the African National Congress-led government, will in the coming four-or-so years, be able to ensure that the promise of a better life for becomes reality for many more of our people. It meant that we are still very much on track to meet our promise to the 70% of the population who voted for us in the last general election when we said that we will, together, create jobs and fight poverty. It also meant that the future of the more than five million Limpopo citizens continues to, under the leadership of President Mbeki and Premier Sello Moloto, look brighter.

This is very important for us as the last StatSA figures showed that unemployment was highest in our Province at 32.4 percent – higher than the national average of 26.5 percent. The statistics also showed that more women - at 31.4 percent -- were without jobs. We know for a fact that because of the rural nature of our Province, many rely heavily on agriculture as a source of livelihood. We also know that the current drought that continues to grip our Province is strangling many farmers – leading to a further loss of jobs for our people.

Programme Director

I believe that the launch of this Local Competitiveness Fund, as part of our Local Economic Development programme, will assist us in turning that unfortunate unemployment scenario around. This R18m fund, which is supported by our friends in the European Union, aims to improve the competitiveness of our local companies so that they are able to attract more business to our Province. The logic behind this is simple. If we have more competitive businesses in our Province; able to fight for investment with the best in the world – then more of our people would be employed and our municipalities would be able to have a sustainable tax base in order to support our poorest citizens through our indigence policies. In that way, our companies will become our partners in accelerating employment growth and fighting poverty – allowing us to reach the targets of a 6-percent growth by 2010 and halving poverty by 2014.

Ladies and gentlemen

We all know that in this cut-throat globalised economy, one has to have a competitive edge if one's business is to thrive. Business does not only go to those who can produce the products at the best quality – but cost factors, time factors and other elements are also taken into account. In a world where borders do not matter; where companies can literally operate on a twenty-four hour basis on all continents – it is clear that the way in which business is done in the world today has gone through phenomenal changes.

To ensure that our companies have a competitive advantage, the LCF particularly promotes growth in sectors where the Province already holds some edge. These are industries where the Province can have a serious impact such as agri-business; mining; tourism and construction. In a Province endowed with good soil and a generally conducive climate for agriculture; where our platinum and other ores are but just receiving the type of attention they deserve, it is clear that there is still a lot of room for improvement for our companies to increase their competitiveness. It is my belief that our companies are not nearly as competitive as they should be.

Through this fund, groupings of companies or organizations which plan to work together to improve their competitiveness can access funds from the LED. There are two types of funds which can be accessed through the LCF. Companies can either apply for money to put together a Competitiveness Action Plan (CAP) or fund the Implementation of Competitiveness Action Plan (ICAP).

The application for the CAP has to be made for a group of companies which would like to undertake research or processes which can help improve their competitiveness. Groups of organizations can apply for funding up to the tune of R850 000 and a minimum of R350 000. However, the applicants must put up 20% of the required funding from their own sources or other funding sources so that the risk is also taken by the applicants. The LCF can fund projects which deal with the :

- Compilation of studies and feasibility studies to improve a grouping's competitiveness (e.g. Value chain gap analysis);
- Drafting of business and marketing plans for the group of companies;
- Training, consulting and workshops to develop projects for improving the competitiveness of a sub-sector and facilitate formation of a grouping;

- Cost for setting up a group.

In terms of the I-CAP, that is, the funding for organizations which would like to implement their competitiveness action plans, the LCF can provide a maximum of R3m and a minimum of R1m. In this instance, the consortium – or group of companies – must take 30% of the risk while the LCF will cover the remaining 70% of the required amount.

Some of the examples of the types of plans the I-CAP can cover are the:

- Extension of the value chain and supply chain in existing markets eg. Moving upstream into processing;
- Supporting of SMME's to benefit from outsourcing from large companies and Government procurement opportunities;
- Improvement of business development services related to a cluster or group of companies;
- Integration of small scale producers and service providers into the product chain;
- Improvement of common infrastructure to members of a group;
- Improvement of access to markets and finance for a group of members;
- Provision of technical assistance with the implementation of the competitive action plan and the
- Provision of limited capital expenditure for projects which benefit the group.

Under the requirements, it is stated clearly that for both types of funding; the benefit must not go to a single entity but must be felt by all members within a group. Co-operatives; those who want to pool their resources together; those with common outsourcing of supplies will get preference.

The LCF is targeted mainly at business organizations but entities which are not business-orientated but aim to support a group of businesses may also apply. The closing date for all application is Tuesday 13 December and all applications should be forwarded to the Limpopo LED Offices.

I trust that with this kind of support, Limpopo businesses will be given an opportunity to add their bit in pushing our economy to grow at a much faster pace and reach our target of 6% by 2010.

We, as a Province, are in that enviable position of having most of the tools we need to get this economy growing at a pace we need to make a difference in the lives of our people. We have the minerals; the weather and the warm bodies of many, many skilled people who can take us there. With the Local Competitiveness Fund, we have even more support to make us take advantage to all our resources.

I urge co-operatives (especially those which are led by our poor rural women) and other business groupings in the Province to make use of this opportunity. It is, after all, a chance to make real change in the way Limpopo does business – we cannot let it just slip.

Thank you.

