

Sailing the Western Cape to a different wind

The Arcelor Mittal plant in Saldanha Bay

The *Statistics SA Quarterly Labour Force Survey* released recently shows the official unemployment rate for the first quarter of 2013 has increased to 25.2%. When accounting for discouraged work-seekers the broad unemployment rate increased to a staggering 38%. This means that there are 1.2m more South Africans unemployed today than there were on the day Jacob Zuma became president. But the Western Cape resisted the negative trend, creating 8 000 jobs in the same quarter, reducing unemployment to an official 23.3% – the lowest amongst the provinces.

As the Western Cape's MEC for Finance, Economic Development and Tourism, Alan Winde oversees the economy of the fourth-largest province in South Africa, which has consistently outperformed the national economy in terms of GDP growth per annum and unem-

ployment figures. *Finweek* asked him about the state of the province's economy and what the future holds.

In 2009, when the DA won the Western Cape, it came as no surprise that Alan Winde was appointed to oversee the province's finances. Having served in the provincial legislature's standing committee for finance when the ANC was in control of the province, he had made his mark as an astute politician with a business sense. He was, after all, instrumental in the start-up of ten businesses in Knysna.

"Since the DA took over the province we've really managed to spend the taxpayers' money well and wisely," Winde says. "As for the finance part of my portfolio [he's also responsible for economic development and tourism], there were some small changes. We now approve our budget before the start of the financial year. I actually cannot believe National Govern-

ment passes theirs well into the financial year. It doesn't make sense to me."

Under his auspices there's been a particular focus on bringing about real changes in governance and the management of finances in the province. "We're the first provincial government that passed a law to prohibit civil servants to do business with government." (In the National Government sphere this is still a delicate matter and calls for such a prohibition fell on deaf ears until the appointment of Lindiwe Sisulu as Minister of Public Service and Administration, who has vowed to implement such legislation.)

Winde is also particularly proud of sorting out the procurement process in the Western Cape. "At a provincial and local government level we procure billions of rand of goods and services per year – R18bn in this province and its municipalities alone," he says. "And we know that in

the procurement and tender space, South Africa has a bad name. Those are the areas in which corruption is rife. So in the Western Cape we developed a new supplier database and we reduced the red tape involved when businesses want to tender for a specific service.”

As for economic policies at a national level, Winde is excited about the National Development Plan (NDP) – the brainchild of the National Planning Commission headed by Minister in the Presidency Trevor Manuel. “The NDP really outlines the framework for South Africa and as a provincial government we’re absolutely aligned with it,” Winde says. “For us the NDP is a key programme.”

One economic policy Winde is less thrilled about is the Department of Trade and Industry (dti) Industrial Policy Action Plan (IPAP): “We need this policy to be more focused on enhancing the ability of our competitive sectors to grow without being overly interventionist.” He explains: “If a sector is not showing potential and growth you’ve got to come to a stage where you decide to stop. It’s going to be interesting to watch the steel sector going forward.”

The Arcelor Mittal plant in Saldanha Bay is a case in point. “We have a steel fabrication facility and we export millions of tons worth of iron ore out of the same port at which the space is based. We are also spending billions on upgrading the Sishen/Saldanha railway line to export more iron ore. But if we ask Arcelor Mittal in Saldanha why it can’t compete globally, it’ll say it can’t compete with the Chinese market. Yet, we’re spending billions of South African taxpayers’ rand on getting more products to the

Chinese market, which will eventually close down our plant in the Western Cape.”

Where this policy is showing positive results, Winde says, is, for instance, in the oil and gas industry. “The dti and Western Cape government are collaborating to designate an Industrial Development Zone in Saldanha Bay, which will significantly ramp up our capacity to become a repair hub for oil and gas vessels operating in the newly-discovered fields off the African coastline,” he says. “This is an area in which we already have a natural competitive edge and there is growing demand for the service, so it makes sense to support it.”

Asked if there’s anything he’d do differently if he were to serve a second term in his current portfolio? Winde answers in the affirmative. “I want the department to be more focused on the small, medium and micro economic (SMME) sectors, especially because this sector makes up the Western Cape economy. We don’t have the big mining conglomerates so our employment and growth potential lie in that SMME space. To put it in simple terms: how do we incentivise our companies to grow the number of people they employ? Twenty years down the line in our democracy we have massive unemployment and we haven’t made significant changes. So as a department we have to think differently about how we’ll incentivise and facilitate growth to create jobs.”

With next year’s general election less than a year away the DA and ANC will no doubt have a go at each other, especially on policy matters. The ANC generally slanders the DA-led Western Cape government for its “anti-poor policies”, but Winde is not fazed. “If our policies are anti-poor, why is it then easier to get a job in the Western Cape than any

other [of our] provinces?”

The Western Cape has the most favourable unemployment rate in South Africa, Winde says. “More importantly, we also have the most favourable differential between broad and narrow unemployment. The broad unemployment rate accounts for people who’ve given up looking for work. In the north of the country it can be as much as a 10% differential. In the Western Cape it is round about a 1% differential, which means most of the unemployed people here haven’t given up looking for jobs. That’s also why people come to the Western Cape.”

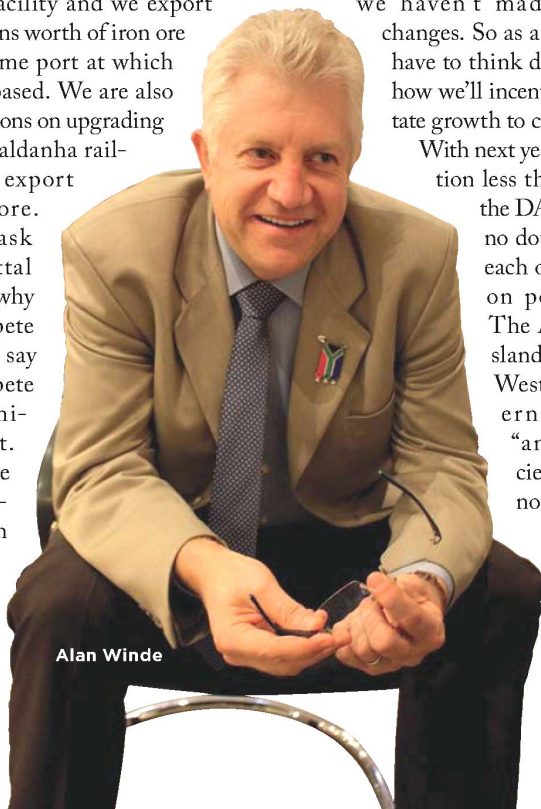
He takes pride in the fact that so many people – from South Africa and the rest of the continent – flock to the Western Cape looking for jobs. “If you look at the 2011 Census results, the Western Cape has grown by 30% in the last ten years. Why? Because people come here to look for opportunities, be it economic, education or health.”

Not that the migration of people into the province is a negative thing, Winde says. “Look at the history of the economy of the world. Which ones have really flourished over time? It’s those economies that have welcomed the risk-taking migrant entrepreneur and job-seeker. Singapore, South Korea, Australia – even the American economy. So if someone comes to the Western Cape to look for a job or invest – why are they coming here? Who are they? They come here because we’ve created an environment that is open for business.”

And if he were the finance minister of South Africa, what would he do differently? “National Treasury is one of the departments in South Africa that’s really well-run and has been for a long time. It’s been the rudder and the guiding light for SA for quite a long time,” Winde says. “I’d probably be looking at what Mauritius is doing. They’re doing very well in the finance space for Africa and as a competitor we need to be ahead of our game. I would make private-public partnerships also easier. It’s very restrained because of our regulation – more tax incentives to promote growth and link it to jobs so your company would get a much better tax incentive if you employ people.”

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Alan Winde