

**ADDRESS BY HIS EXCELLENCY DAVID MABUZA,  
DEPUTY PRESIDENT OF THE REPUBLIC OF SOUTH  
AFRICA TO THE INFORMAL SECTOR SYMPOSIUM AT  
MPEKWENI BEACH RESORT, PORT ALFRED,  
EASTERN CAPE PROVINCE, 13 OCTOBER 2022**

Programme Director;

Eastern Cape Premier Oscar Mabuyane;

Minister of Small Business Development, Ms Stella  
Ndabeni – Abrahams;

Deputy Ministers present;

MEC responsible for Finance, Economic Development  
Environmental Affairs and Tourism;

Mayors and District Mayors;

European Union Ambassador, Her Excellency Sandra  
Kramer;

Distinguished Guests!

**BACKGROUND AND PROBLEM STATEMENT**

1. We are grateful for the opportunity to be part of this **National Township, Rural, and Informal Economy Symposium**, as a joint multiple-stakeholder initiative aimed at elevating the **Informal, Social, and Solidarity**

**economies by drawing insights from international best practises in order to inform our national policy options.**

2. Given the limited time and the lengthy programme ahead of you, we wish to begin by reasserting the national problem statement that your symposium will have to grapple with and hopefully bring some solutions to.
3. As the global economy slowly recovers from an unprecedented COVID-19 pandemic, communities around the world are counting the extent of the social, economic, and infrastructural devastation that has been left behind.
4. One of the many steps the government had to take to stop the virus from spreading and slow the rate at which new infections were happening was to put a lockdown on the whole country. This affected both the economy and jobs.
5. Contrary to initial estimates, the pandemic has not been the **great equalizer**. Although we are faced with the same virus, its impact has particularly paralysed the livelihoods and wellbeing of those who were already on the margins of society.

6. The majority of those affected are primarily low-income households located in the outskirts of our cities, small towns, and rural villages, where the poor and marginalised are concentrated.
7. The decimation of the informal economy as a result of Covid-19 restrictions brought about misery for many of those who derive their incomes and sustainable livelihoods through active participation across key sectors of the informal economy.
8. The UN General Secretary best described this reality when he said:

"The pandemic has demonstrated the fragility of our world. It has laid bare risks we have ignored for decades: inadequate health systems; gaps in social protection; structural inequalities; environmental degradation; the climate crisis. The economic fallout of the pandemic is affecting those who work in the informal economy, small and medium-size businesses, and people with caring responsibilities, who are mainly women. We face the deepest global recession since World War II and the broadest collapse in incomes since 1870. One hundred million

more people could be pushed into extreme poverty.  
"We could see famines of historic proportions."  
"COVID-19 has been likened to an X-Ray, revealing fractures in the fragile skeleton of the societies we have built."

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1. Nevertheless, we are of the opinion that if it was not for organised business, labour, and community in their respective constituencies and working together at NEDLAC, we would have been in a worse position when it came to our response to the pandemic and the nationwide lockdown.
2. Quite frankly, as we grapple with the social, economic, and political afterlives of the pandemic, **our democratic dispensation is at a crossroads.**
3. When a **stronger economy, improved wellbeing, and shared prosperity** are held up as yardsticks to measure how far we have come, the results are clear to everyone.
4. Whereas the people remain resolute in fulfilling the promise of freedom and democracy that we shared and embraced

in 1994, the hard truth we must face and confront is that **we are not yet near where we should be.**

5. Our labour market and industrial policy choices have not lived up to the expectations of the majority and international partners who supported our struggle for freedom, leaving us with an unhealthy concentration of income, wealth, power, and opportunities in the hands of the already privileged.
6. Adversely, this results in a steady rise in chronic levels of basic social and economic insecurity for those already on the margins of our society, most of whom survive through the informal economy and are cut off from global value chains of mainstream economic activities.
7. Nearly three decades into our democratic dispensation, more than half of our population lives in poverty, and despite visible progress made, we remain one of the most dangerously unequal societies in the world.
8. Using information obtained from tax data, researchers Dieter von Fintel and Anna Orthofer revealed in the year 2020 that "**one percent of the population of South Africa owns about fifty percent of all the country's wealth, and**

***the top ten percent of the population owns more than ninety percent of the wealth collectively."***

9. Beyond equal political rights, it can be said that our economy is fundamentally that ***"of the top 10 percent, by the top 10 percent, and for the top 10 percent."***
10. Whichever way you look at it, this is an unhealthy and unsustainable state of affairs, which undermines our collective efforts as a democratic government, to build a socially cohesive society that is united in its pursuit of an inclusive, equitable, and better life for all.
11. We are thus hoping that this symposium will narrow down the national problem statement and help to position the role of the informal sector and its inherent potential in restoring the livelihoods and dignity of the most vulnerable in society. This is the challenge that you as researchers, scholars, leaders, and community organisers need to live up to.
12. Moreover, all of our reconstruction and recovery efforts will require that we **as a nation remove the mask and get to terms with the true state of our nation.**

13. We should not be afraid of a real conversation about rebuilding that will lead to economic participation and growth for everyone.
14. We should be alive to the reality that the biggest risk to nation-building and social stability is the marginalisation and structural exclusion of many South Africans from meaningful economic participation and empowerment. If not proactively addressed, this has a potential to engender popular discontent that undermines our democratic dispensation.
15. It is critical that we pay particular attention to how, government at all levels can create an enabling policy and regulatory environment geared towards supporting the informal economy.
16. At municipal level, our regulations of informal economy, at times are obstructionist.
17. Even though municipalities are in charge of trading rules, market rules, street trading bylaws, and beach bylaws in their own areas, it is important to make sure that these rules are always enforced with the utmost respect for everyone's dignity and human rights, including hawkers.

18. Our efforts to cut down on unnecessary paperwork and bureaucracy include the removal of burdensome regulations and arbitrary barriers to participation, such as those that make it difficult to get permits.

19. We need to enhance the overall capacity of the state to fast-track applications and administrative approvals to regularise trade and economic activities of the informal sector. The informal sector needs to be supported by ensuring that registration and compliance processes are simplified to avoid unnecessary confrontations between informal traders and municipal authorities.

20. We need to improve access to modern technologies and platforms that enable informal traders to modernise their businesses in terms of sourcing goods, bulk buying, and conducting safe financial transactions.

21. Integrated support in terms of funding and access to markets by small businesses in the informal sector remains critical to ensuring that this sector thrives to create and contribute to the GDP.



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### **YOUTH UNEMPLOYMENT CRISIS**

22. Our key measure of success in economic reconstruction and recovery will be our ability to respond decisively to the challenge of high youth unemployment. It has reached unacceptably high levels.
23. A lot of jobs in both the formal and informal sectors have been lost.
24. For instance, in the second quarter of this year, Statistics SA reported that 12.3 million people are jobless. Eight million people are still looking for jobs; 3.6 million are discouraged from looking for employment, while 700,000 have given up looking for other reasons.
25. The results continued to show that young people remain vulnerable in the labour market. In comparison to the first quarter of 2022, the overall number of young people between the ages of 15 and 34 who were without jobs rose by 2.0 percent, or 92,000, to 4.8 million in the second quarter of 2022.

26. In the second quarter of this year, the unemployment rate in the country was 33.9 percent, as reported by Statistics South Africa. This represents a decrease of 0.6 percent from the rate of 4.5 percent experienced in the first quarter.
27. Even though we are glad about the drop, it doesn't change the fact that the country has a big problem with unemployment, especially among young people.
28. To effectively assist young people, we need to realise the full potential of our rural and township economies. We need to focus most of our enablers and efforts to create jobs in the informal sector.
29. We need targeted support to youth owned businesses through the provision of mentorship, funding, key infrastructure and access to markets. Youth-owned businesses should be creators of entrepreneurship and jobs.
30. Your symposium should take this reality into account.
31. As the UN General Secretary emphasized, those who work in the informal economy, small and medium-sized businesses, and people with caring responsibilities,

primarily women, have been disproportionately affected by the 2009 economic crisis and the subsequent pandemic.

32. What this means is that no economic stimulus package or recovery plan will take off until it is rooted in elevating the informal sector, SMMEs, and solidarity economics.

33. The critical measure of progress in this initiative shall be the material change in people's income-earning ability and job- and wealth-creating potential.

34. As President Mandela stressed in his first State of the Nation Address:

35. "The government I have the honour to lead, and I dare say the masses who elected us to serve in this role, are inspired by **the single vision of creating a people-centered society.**"

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# **THE UNIQUE ROLE OF THE INFORMAL ECONOMY IN OUR RECOVERY AND RECONSTRUCTION EFFORTS**

<sup>36.</sup> Our country has always cared about the informal sector and the important role of small and medium-sized enterprises (SMMEs) in fighting poverty and reducing social and economic gaps.

<sup>37.</sup> Our 1995 White Paper on National Strategy for the Development and Promotion of Small Business, asserts that:

"With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the task of job creation and generating sustainable and equitable growth. SMMEs are an important way for our country to deal with problems like creating jobs, growing the economy, and making sure everyone gets a fair shot."

<sup>38.</sup> These words were the first time that South Africa after apartheid started to understand how important SMME development was for economic growth, job creation, and getting rid of poverty.

<sup>39.</sup> Indeed, our National Development Plan, Vision 2030, sets out a target of creating 11 million jobs by 2030, of which 90 percent are expected to come from SMMEs. As ambitious

as these goals may sound, they will only be reached if this symposium benchmarks the best ways to do things. This is because the economy is uncertain and unstable right now.

40. Even though we have been supporting the informal economy for a long time, the high failure rate among small and informal businesses continues to slow growth and hurt their chances of creating jobs.

41. We need more evidence-based research looking into ways to reduce this mortality rate of SMMEs so that we can save existing jobs and improve the prospects of creating new jobs.

42. One such issue is **Rural to Urban Migration and the need for long-term planning.**

43. This symposium must address the seemingly unstoppable force of rural-to-urban migration and its implications for city-level and small-town economies.

44. Sustaining livelihoods across social strata in general, and low-income households in particular, has been and continues to be greatly influenced by the phenomena of urbanisation, the mass movement of populations from rural

to urban settings, and the consequent physical and societal changes to such urban settings.

45. The force of urbanisation and its key drivers, continue to shape both human and non-human activity in ways that can neither be avoided nor slowed down.

46. The odds of achieving the provision of liveable, safe, resource-efficient, just, equitable, and socially inclusive human settlements to low-income communities are thus inextricably linked to the ability of cities to anticipate, manage, and respond to urbanisation trends, challenges, and opportunities.

47. By 2008, the proportion of the global population living in urban areas had overtaken that in rural communities. Today, more than 4 billion people, well over half of the world's population, live in towns and cities.

48. The UN's World Urbanisation Prospects Report, forecasts this trend to reach 68 percent (over two thirds) of the global population by 2050.

49. Emerging economies such as ours are projected to experience the highest and most rapid rates of urbanisation

in the coming decades. The United Nations thinks that by 2050, Africa and Asia will be home to more than 90 percent of the world's urban population.

50. As massive sites of production, consumption, and industrial activity, our city economies remain the most influential factors in urban change.

51. In our country, 63 percent of the population already lives in urban areas. This figure is expected to rise to 71 percent by 2030 and 80 percent by 2050. **Put another way, by 2050, 8 in 10 South Africans will be living in urban areas.**

52. For as long as our cities continue to be "migration magnets," this symposium must grapple with the planning and development implications of this reality.

53. Although the reasons for an influx of in-migration to these cities vary, the pursuit of employment and related economic opportunities and amenities are well-established drivers.

54. Given that 63 percent of the population lives in urban areas, to talk about poverty in South Africa is to fundamentally refer to urban poverty and its relationship to the rural poor,

who are already projected to be on their way to the city in search of a better life, opportunities, and amenities.

55. From a scenario planning point of view, the key questions for the Symposium are:

- What infrastructure planning and provision should anticipate the growth of the informal economy as a key area of economic participation?
- What financial support instruments should be designed and implemented to meaningfully support the informal economy?
- How will we ensure that small businesses and informal traders can source goods and services cost-effectively as part of leveraging economies of scale?
- What enabling bye-laws and regulations will be required to enable the success and growth of the informal economy as a driver of jobs and sustainable livelihoods?

56. These are some of critical questions that Symposium must reflect on to shape a new path for the support of our informal economy.

57. I wish to leave you with these provocations, and allow you space to imagine a more humane society in which the



informal, social, and solidarity economies take centre stage in aiding our war on poverty, inequity, and unemployment.

58. As we have said many times before, the government is not the only one responsible for the National Development Plan or the plan for economic reconstruction and recovery.

59. For it to work, everyone involved needs to work together. The goal is to take strong steps to solve the social and economic problems caused by inequality and poverty.

60. Without resolving these socio-economic issues, the cornerstone of nation building will not be sustainable, and neither will social cohesion.

Thank you very much for the opportunity.