

**ADDRESS BY THE MEC FOR ECONOMIC
DEVELOPMENT, ENVIRONMENT AND TOURISM,
MR MN MOKOENA, MPL, ON THE OCCASION OF THE
SEDA-MPUMALANGA STAKEHOLDER MEETING,
MERCURE HOTEL, MBOMBELA**

26 July 2012

- **Programme Director;**
- **The Head of SEDA – Mpumalanga, Ms Ntokozo Majola;**
- **Provincial Heads of DFI's in Mpumalanga;**
- **Officials from all three spheres of Government;**
- **Representatives of Captains of Industry;**
- **Representatives of SMME's and Co-operatives movements in our midst;**
- **Distinguished guests;**
- **Ladies and gentlemen;**

Good Morning

It is indeed an honour and a privilege for me to be part of this important occasion where SEDA, a Government agency gives an account of its work and performance to its stakeholders in the province.

As you would know that SEDA amongst others is part of the reconfigured Government Institutional arrangement to provide for improved delivery of support services to small businesses and co-operatives.

In this centenary year of our glorious movement and a month we are celebrating the Legacy of Nelson Mandela, we want to accelerate the programmes of the ANC-led Government to better the lives of our people so that freedom becomes meaningful to citizens through the creation of jobs and sustainable livelihoods for all.

As Government, we have a resolute commitment to strengthen the capacity of the State to lead on the various areas of our development, hence the whole concept of a developmental state.

In line with the economic development model of most of the developing countries, our Government has prioritised the SMME Sector, whose growth and development is critical to our economic growth, job creation, income distribution, poverty eradication and enhancing the participation of the historically disadvantaged section of our society in the mainstream economy of our country.

This policy position was confirmed by the Premier of Mpumalanga, Mr DD Mabuza during the State of the Province Address when he assured the people of Mpumalanga that and I quote

“More attention will also be given to the development of small businesses and co-operatives since they are central in terms of realising the directive of an inclusive economy. We will revisit our current support approach to these categories with a view of developing comprehensive support packages which can assist in creating viable and successful small businesses and co-operatives, and our main targets remain the youth, women and people living with disabilities.” End quote.

This focus therefore promotes the role of SMME sector in the country's economy

SMME CONTRIBUTION TO GDP AND EMPLOYMENT

As at September 2010 the estimated sum total of 2.8million (both formal and informal) SMMEs contributed between 52%-57% to our gross domestic product (GDP).

It is also estimated that SMMEs contributed nearly 61% of employment in South Africa. (I of course struggled to get the latest figures from the Stats SA Integrated Business Register). However the point I am making is the role of this sector to the Economy of the Country.

We have already signed together with our social partners at NEDLAC over and above a Skills Development Accord, a Local Procurement Accord wherein Government as one of the biggest consumers of goods and services must utilise this opportunity to empower SMME's and Co-operatives.

Of the 31.2 billion Rand total Provincial Budget for the 2012/13 financial year, 6.24 billion Rand (i.e. 20% of the total budget) goes to goods and services and 2.5 billion rand is going to be spent on capital assets, and the latter contributes about 8% of the total provincial budget.

These figures can guide SEDA and DFI's in their high level planning and strategic expectations wherein Government through its procurement muscle is targeted as a partner to the development of SMME's and Co-operatives.

Expenditure on fixed assets include, new construction, furniture, land and transport among others.

Available research further indicates opportunities in government through **Preferential Procurement Policy** to include inter alia:

- Computer equipment and consumable supplies
- Advertising, media and Communication
- Interior and exterior cleaning services and cleaning products supplies
- Clothing and textiles
- Travel co-ordination and shuttle services
- Food perishable supplies
- Stationery and printing
- Events co-ordination and management
- Maintenance and repairs, construction, office space, furniture and vehicle body works

Furthermore, state-owned enterprises (SOE's) have also identified more opportunities within the infrastructure development Supply Chain, which opportunities would accrue mainly to medium enterprises.

The President of the Republic of South Africa, Mr Jacob Gedleyihlekisa Zuma in his 2012 State of the Nation address made a ground breaking pronouncement over and above the building of a University in the Province when he said ***“Using the developments in Limpopo as a base, we will expand rail transport in Mpumalanga, connecting coalfields to power stations.***

This will enable us to decisively shift from road to rail in the transportation of coal, which has caused a deterioration of the roads in Mpumalanga.”

The big question is, what potential opportunities are there for SMME's, in these kind of ground breaking projects. So we are saying to our SMME's and co-operatives – **Get Yourselves Ready!**

It is our considered view that starting small is the way to go, but planning big is the way forward for all SMME's and Co-operatives.

Undoubtedly there are inherent benefits that may be accrued as a result of increased public procurement from SMME's such as:

- Government can utilise its consumption capacity to pull the economy in the right direction especially in times of recession, as it has been the case most recently. It was because of our procurement of infrastructure development that helped cushion the negative impacts that this recent recession had on many economies, sending many of their growth trends spiralling down.
- Government can take direct responsibility to help SMME's to develop and increase their capacities to operate in the competitive economy by focusing amongst other areas on:
 - pre-finance technical and business management skills;
 - tendering and procurement advice;
 - Financial management skills;
 - Business incubator programme and mentorship support;
 - Access to funding and markets including exporting capacity and business linkages.

Ladies and gentlemen, these government interventions therefore explain the critical role of organisations like, SEDA, NEF, NDA, IDC, DBSA, MEGA and the recently re-configured entity called Small Enterprise Finance Agency (SEFA) in ensuring that the objective of a developmental state to transform the economy towards an inclusive growth is realised. I wish to underscore that the growth we are talking about is the growth which must create decent jobs and sustainable livelihoods.

Programme Director, I felt it was important to give this background so that all of us can understand the strategic economic policy focus of government but also perhaps to broaden the understanding and context of SEDA's role in advancing Government's commitment to fulfil its electoral mandate especially in the social and economic space.

The small business sector is dynamic and has changed significantly since the dawn of democracy in 1994. It is therefore necessary for us to adapt our products so that we are able to effectively support the SMME's Sector.

In pursuit of this noble objective the process is underway to review and re-configure the role of the SOE's and DFI's in an attempt to align them to the overall government agenda of **Job Creation**.

The example of such an output as I have mentioned is the merging of Khula, SAMAF and IDC small business funding initiatives into a single small funding entity called SEFA (Small Enterprise Finance Agency) whose main mission is to bring affordable finance to SMME's. You should also know better how SEDA came into existence through the merging process.

The Government view is that, successful small business support strategies must see businesses in a holistic way and be able to cater for the different needs of SMME's.

Programme Director, as Karl Marx famously put it more than a century ago ***“men make their own history but not in the circumstances of their own choosing”***.

This administration took over in the midst of the most severe global economic crisis since the 1930's, just as the South African Economy plunged into recession declining by 1.3% in 2009 and loosing close to a million jobs.

Given the bleak backdrop, the advent of the recession and slow recovery in South Africa had a knock-on effect on the massive contraction in the extension of credit facilities to local business in general, we had no choice but to read the global trends well, juxtapose them with our economic vision as a country and respond accordingly through IPAP2 and a New Growth Path (NGP).

Taking a cue from the National Framework namely the IPAP2 and NGP the Mpumalanga Provincial Government in consultation with its stakeholders in the Economic space adopted a provincial economic trajectory known as the Mpumalanga Economic Growth and Development Path (MEGDP).

You will observe that in both the MEGDP and its draft Programme of Action (POA) the **creation of decent work** remains the principal intervention for addressing poverty and inequality. In addition the MEGDP proposed a number of complementary interventions to address structural challenges underpinning inequality, these include:

- Equitable access to education and skills development;

- Accelerating rural development;
- Optimising on the job creation potential of the Green Economy and upgrading our support for SMME's, Co-operatives and social economy;

The injunction of the economic growth path, is that every sector and every business entity must focus on job creation.

As I said earlier on, SOE's, DFI's and Agencies must also be aligned to the job creation agenda.

Finally the MEGDP programme of action outlines prioritised projects for the next few years, such as:

1. The construction of a University for the Province that will anchor future higher levels of skills development to support our growth and development.
2. The development of a Fresh Produce Market that is supported by both large scale farmers and small scale farmer cooperatives and linked to international export markets. This will make a difference in linking rural development to industry and international markets.

3. The setting up of a food technology centre as a base for entrepreneurs to enter into production through agro-processing in the food processing sector.
4. Addressing the unfortunate environmental side effects of mining through land rehabilitation drives of old mining areas.
5. Working with mining houses towards developing key foundation skills through a maths and science academy and also developing SMME's through an entrepreneurial development centre for supply of goods and services to the mines.
6. Working with the mines and key state entities such as Eskom on water reclamation and water infrastructure projects.
7. Working with industry in developing a key infrastructural logistics port along the Maputo Development Corridor, in the form of the Komatipoort Dry-Port.
8. The rehabilitation of our infrastructure in the reserves which are key for our eco-tourism offerings as well as the setting up of new infrastructure for a high performance training centre, thus enhancing both our sport tourism capacity and general sporting excellence to inculcate a culture of healthy living.

It is our firm belief that SEDA and other agencies must help us to position our SMME's to benefit from these MEGA projects.

I must also conclude by thanking SEDA for their role in the roll out of the CRDP and ensuring that the SMMEs and co-operatives in the Province are ready to participate meaningfully in the MEGDP.

Finally on a sad note, we lost one of the committed public servants Ms Clara Ramashu who was the Provincial Head of the IDC in Mpumalanga who passed on during the month of June. I know the partnership she had with SEDA and the Department was for the benefit of Co-operatives and SMME's in the Province. (May her soul rest in peace).

In conclusion, Programme Director let me take this opportunity to wish Team South Africa at the 2012 London Olympics all the best, and hope our athletes, swimmers, Banyana Banyana will make us proud and bring back the medal, in a form of gold and emulate the success of Ernie Els by winning the 2012 Open Championship in London on Sunday.

On that note let me take this opportunity to thank SEDA and all the hard working staff for their commitment to share their time and expertise for the benefit of the people of the Province.

I thank you.