

## INPUT FOR MEC'S SPEECH TO COSATU

### *The Global Economic Crisis*

Ladies and gentlemen; like all countries of the world, the global economic meltdown did not spare us. We are still picking up the pieces; hence we are strategising to come up with the new economic growth path for the province. As a result of the recession, 870 000 jobs were lost as bread-winners were laid off. This resulted in many families losing their livelihood, and many went to bed on an empty stomach.

### **International**

The economic crisis has led to a reassessment of the systems governing global cooperation, financial architecture and policies linked to trade and climate change, and this is a wake-up call to speed up implementation of long-discussed reforms. In this complex and evolving landscape, emerging markets, including those from Africa, are among the first to show signs of a recovery and are forecast increasingly to contribute to global growth in the next decade.

As Africa joins India and China in crossing the billion person mark, its young population, natural resources and market potential are catalysts for significant future growth and development. This is an opportunity to strengthen the increasing trend towards greater South-South co-operation.

### **South Africa**

Business confidence has remained steady over the last few months, but fails to be robust. Local economic support for recovery remains constrained from the consumer side, while the fixed investment cycle is currently slowing down.

Enhanced participation in international trade is therefore crucial for economic growth. South Africa needs to manage its global trade participation beyond being a mainstay commodity producer.

Caution needs to be exercised though as the economy is moving ever towards skill intensive activities, but has an over endowment of unskilled persons. There is therefore a need to step up initiatives to improve the skills levels of those that are employed and those that are unemployed, especially the youth.

### *Domestic Financial Conditions*

The recent lowering of the repo rate by the Reserve Bank has further eased the conditions for debt burdened households and small and medium sized businesses. The subdued household consumption expenditure bears testimony to depressed conditions for many households.

### *International Trade and Commodity Prices*

International trade is pivotal to the South African economic recovery and promoting local business confidence. The strengthening of the rand by 26% year on year, in the first three quarters of 2010, against a weighted basket of the three main trading currencies of the world, has contained exports and promoted imports.

## **Mpumalanga**

### *Economic Indicators*

Latest economic and market related data suggests that the economic recovery is consolidating its recovery from the recent recessionary conditions. The domestic economy has now moved beyond the lower turning point. Data released by Statistics South Africa show that the Mpumalanga's GDP fell by 1.7% in 2009, just as the national average performed.

The two main contributors to provincial GDP, mining and manufacturing performed the least, showing drops of -3.5% and -6% respectively. This has had a direct impact on labour. Labour figures indicate that the Province lost 9 000 jobs in the third quarter of this year, compared with 15 000 the previous quarter. This puts our official unemployment rate at 28.4% and at 43.9% according to the expanded definition, thus making us the province with the second highest unemployment rate.

On a positive note however, year on year inflation remains low at 3.1% for the province and the country, in September this year. What is more encouraging also is that food inflation remained very low at 1% and transport inflation was 2%. These are significant areas that affect the poor more than the more affluent. The more unurbanised areas of the Province, Mbombela and Emalahleni experienced a higher inflation rate of 3.4%.

Global export demand has strengthened, boosting manufacturing output, which accounts for 15% of our economy.

### ***Economic Summit 2009***

The 2009 provincial economic summit identified a number of priority areas to be tackled. We are currently finalizing the SMME Development Strategy and the Co-operatives Strategy, which will be incorporated into the Provincial Growth Path. The merger of the three public entities, MEGA, MHFCo and MDC has been finalised with a view to strengthening our capacity to embark on major infrastructural projects. It has not all been smooth sailing and the issue of institutional arrangements to follow through on agreements, as well as a consultative forum for government with business, labour and civil society, are still on our agenda. We will have a clear government position after the forthcoming retreat to deliberate on proposals for a provincial growth path.

### *Mpumalanga Growth Path*

Most of you would know that there is acknowledgement by government and its social partners that to turn the economic situation around, we need to do things differently. As part of our comprehensive response to the challenges of the global recession, high levels of unemployment, inequalities, and underdevelopment, there is a need to collectively define a new growth path trajectory for the economy. Recently, national cabinet concluded discussions on the new growth path aimed at ensuring that our economy moves in the right direction.

Taking cue from the national government, the Mpumalanga Provincial Government, at the Exco Lekgotla held on 17-19 August 2010, resolved that the Province develops a Growth Path which will define a long term vision that will guide the province towards Economic Growth and development. The Department of Economic Development, Environment and Tourism was tasked to coordinate process of developing the Growth Path.

A steering committee consisting of the economic cluster departments was established in order to facilitate the development of the Mpumalanga Economic Growth and Development Path (MEGDP). The MEGDP was developed taking cue from both national and provincial prescripts, including the national framework for the Growth Path, Industrial Policy Action Plan (IPAP 2) at the National level and the PGDS at the provincial level. The development of the strategy also takes into account work done at local level. Other previous work is being taken into account including among other, the draft Provincial Economic Development Strategy, the draft revised Integrated Spatial Framework (ISF), the draft SMME and Co-operatives strategies, as well as various sector specific strategies.

The main challenges we face remains largely under-development, unemployment, poverty and inequality. The scale of the challenges we face indicates that the

province needs to create nearly 700 000 decent jobs in the next ten years to bring unemployment down to 15%, coupled with raising the number of people above the poverty line by 620 000 during the same period, in order to address these main challenges.

The draft Mpumalanga Economic Growth and Development Path (MEGDP) spells out a vision for **“An Inclusive and equitable Economy that supports an improved quality of life for all the people of Mpumalanga.”**

This vision is supported by the following six major areas, as pillars, which will need the collective effort of government with its social partners. We have identified them as:

- **Job creation**
- **Inclusive and Shared Growth of the Economy**
- **Spatial Distribution**
- **Sustainable Human Development**
- **Regional Cooperation**
- **Environmental Sustainability**

The MEGDP identifies key cross-cutting drivers to achieve the objectives of the above mentioned pillars, and this includes the following:

- An education and skills development programme that not only develops appropriate skills for the current industry, but lays the foundation for responding to future needs;
- Innovation towards joint funding models that will respond to the needs of projects with an emphasis on Public Private Partnerships (PPPs) for large scale projects;
- Significantly improved development and targeted support towards SMMEs and Co-operatives;

- Land Resource Management that works towards addressing past imbalances and empowering communities to launch development initiatives;
- Water Resource Management that unlocks opportunities for development.

The new growth path has identified several sectors with the potential to create new jobs as the country shifts to a more labour-absorptive economy. It includes a deliberate and strategic focus on:

- manufacturing,
- infrastructure development,
- rural development and agro-processing, as well as
- the "green" economy.

The immediate focal areas are as follows:

- **Infrastructure development**, through the massive expansion of transport, energy, water, communications capacity and housing, underpinned by a strong focus on domestic industry to supply the components for the build-programmes. Infrastructure development is key to the success of strategy to take off, hence there is a need to prioritise joint infrastructure co-ordination along the lines of World Cup joint operations model.
- **SMME Development:** With the passing over of the economic recession, the development of infrastructure projects bring with them opportunities for our SMME's to grow, if properly guided and supported. The role of government is therefore to forge business linkages between SMME's and large contractors. The building of the Kusile power station is a case in point, where we are working with our social partners in a forum to get SMME's to access opportunities brought about by the construction of this new power station. There is necessity for the facilitation of inter-enterprise linkages in order to maximize capacity of SMME's for them to deliver on requirements by the major contractors.

- The creation of the new super MEGA brings with it the opportunity to leverage more funding for the purpose of loans. The re-capitalisation of enterprise development loan funding will make available more funds towards their development.
- **Growth in participation in the agricultural value chain**, with a focus on expanding farm-output and employment and increasing the agro-processing sector;
- **Increased participation and growth in the mining value chain**, with a particular emphasis on mineral beneficiation, as well as on increasing the rate of minerals extraction;
- **Development of opportunities in the green economy**, with programmes in green energy, component manufacturing and services;
- **Manufacturing**, guided by sectors in the Industrial Policy Action Plan (IPAP2);
- **Tourism and cultural industries**: The province is working towards the development of a provincial crafts hub that will offer opportunities for co-operatives within the crafts industry to network and access national and international markets.

In order to improve delivery, the MEGDP proposes that the strategy be reviewed after 2 years to identify and address any backlogs, thus fast-tracking the successful implementation of the MEDGP targets by 2014. The strategy's success will depend on a collective vision for the province. In order to achieve this, special institutional arrangements need to be put in place to ensure the success of the strategy. Special initiatives relating to capacity building in government departments and local government to deliver on the strategy are therefore equally important. These initiatives include training and capacity building of government officials to ensure alignment to the strategy and implementation success.

Ladies and gentlemen; the advent of climate change poses a serious challenge to us. It is predicted that temperatures could rise by at least 2 degrees Celsius by 2020, if drastic measures to reduce greenhouse gas emissions are not taken. This could in turn cost the global GDP up to 3 percent, and 5 percent in 2030. And when that happens, thousands of our people will suffer – I do not believe that this is the legacy we want to leave for our children, hence we must work collectively to significantly reduce the greenhouse gas emissions from now on.

From next week, November 29, world leaders including our President, comrade Jacob Zuma, will converge in Cancun, Mexico, until 10 December, for the 16<sup>th</sup> session of the Conference of Parties (COP 16) of the United Nations Framework Convention on Climate Change. With the Copenhagen conference having failed to reach a legally-binding agreement on the significant reduction of greenhouse gas emissions by 2020, our hope is now on the Mexican talks.

## **Department's Priorities for the 2010-2011 financial year**

### **Integrated Economic Development**

In order to increase the number of entrepreneurs in the mainstream economy, we have continued with the *Business Launchpad* competition, which gives funding opportunities to all those aspiring entrepreneurs, who've found it difficult to get start-up or expansion funding from conventional commercial banks. We are proud to announce that one of the **2009 winners of the competition in the ICT category, Mr Maphindi Ngwenya of Nelspruit**, has just been awarded a contract to develop digital billboards for the King Shaka International Airport in KwaZulu-Natal. Mr Ngwenya received funding for mentorship and business development support to the tune of R250.000 after winning in the competition. The 2010 competition was launched in June and the winners will be announced before the end of this month.



## **MEGA**

The new super MEGA will continue to promote foreign trade and investment, and facilitate investments to the value of R200 million and exports to the value of R80 million. During this financial year, the agency will also fund 300 aspiring entrepreneurs to the tune of R500 000 each; and implement two (2) technology transfer projects.

## **MTPA**

In our quest to capacitate land claimants who've just received their land back, where are parks are situated, we will move with speed to conclude post-settlement and co-management agreements with them. The affected nature reserves are the Blyde River Canyon, Mthethomusha, Songimvelo, Loskop Dam, Andover, Bushbuckridge, SS Skosana, Sterkspruit, Ohrigstad Dam, Nooitgedacht Dam and Blouswaelvlakte.

## **Economic Planning**

We intend to also finalise and launch the Information Communication and Technology Strategy for the province; develop a Mineral Beneficiation Plan; a Forestry Plan; and an Industrial Development Plan for the province.

## **Environmental Development**

Environmental management remains our top priority as well. It is our intension to complete the Centralised Integrated Waste Management facilities and the air quality management plan for the Highveld Air Pollution Priority Area by December 2010, including drafting the Provincial Climate Change Mitigation Strategy.