

## KEYNOTE ADDRESS BY THE MEC FOR ECONOMIC DEVELOPMENT, ENVIROMENT AND TOURISM, MR MN MOKOENA, MPL, ON THE OCCASION OF MBOMBELA LOCAL ECONOMIC DEVELOPMENT SUMMIT, SKUKUZA, KRUGER NATIONAL PARK

26-27 January 2012

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- Programme Facilitator;
- The Executive Mayor of Mbombela Local Municipality, Her Worship Cllr Cathy Dlamini;
- The Executive Mayor of Mbabane City Council Mr. Zephania Nkambule and CEO Gideon Mhlongo;
- Members of the Mayoral Committee;
- All Councillors;
- Dr D Mabunda, the CEO of SANPARKS;
- All guests of honour in particular our Speakers or shall I say my learned friends (Prof's and Dr's);
- Mr Harris Rosen, President and COO of Rosen Hotels & Resorts
- Business Leaders and Captains of Industry;
- The Acting Municipal Manager Ms NT Mthembu and your team of technocrats;
- Government Officials from all three spheres of Government;
- Distinguished guests from South Africa and abroad;
- All Social partners in our midst;
- Ladies and Gentlemen;

### Recognition of Key VIP Guests

Thank you for inviting the Provincial Government and for the Honour to address you on behalf of our people.

I rise to congratulate the Mbombela Local Municipality for facilitating and organising such a high powered and well-structured economic and business dialogue platform. **I think they deserve a round of applause.**

I appreciate the opportunity to share with you some reflections on global, national, provincial and local economic trends impacting on our destination. Given the complexity of the global economic challenges we face, it is crucial that we engage as we do to share our collective

experiences as a global community to unlock value. We are therefore encouraged by the presence of international speakers and successful business personalities of note at this summit and we hope they can share with us their valuable experiences and best practises.

Secondly, I also wish to sincerely thank all our International Guests and Speakers on behalf of the Province of Mpumalanga for putting time aside and travelling all the way to come and share with us your insightful thoughts on this important subject.

We equally recognise the presence of all the social partners, who have given their time to be part of this important summit over the next two days, and their inputs will undoubtedly give further impetus to the shared outputs of this summit.

The Municipality has already welcomed you to the Province where the sun rises, a Province of the pioneering spirit. Our Province is undoubtedly a world tourism destination of choice, endowed with a myriad of global attractions and experiences. The main offerings being wildlife, scenic beauty, adventure, and a rich and diverse culture and heritage landscape.

The province's tourism jewels included amongst others, the Kruger National Park which offers 2 million hectares of flora and fauna, the Blyde River Canyon, which is the third largest in the world and the only evergreen, the Makhonjwa Mountain range in Barberton with rock formations dating back 3.5 billion years, the iconic mining village of Pilgrim's rest and the majestic waterfalls, cultural and heritage landscape.

### **Context and timing of Summit**

We indeed note that this Summit comes at a crucial time given the events which are unfolding within our economy on the local, regional as well as the global fronts.

We are at a time of global economic uncertainty where upon we face a global economic crisis like no other time that we have experienced since the 20<sup>th</sup> century.

Ladies and Gentlemen, the biggest challenge we all face, especially since the 2008 global financial and economic crisis, are **economic** growth and **job creation**. The most recent Global Economic Outlook released by the International Monetary Fund (IMF) this week, has even slashed its forecast for growth this year from 4.1% to 3.3%, with the Euro Zone crisis expected to possibly derail the global economic recovery.

One of the most important consequences of the world financial crisis has been the serious deterioration of the fiscal position of governments around the world. Budget deficits have mushroomed as Governments collect less tax.

Furthermore, there are significant concerns globally that the developed world is on the brink of a second economic depression, with its knock-on-effects to the developing world. The crisis in Europe, where we have our main trading partners, is likely to have serious impact on us. Until now, there have been fragmented responses to the European crisis, which have merely delayed the need for a credible solution. There are no easy or painless solutions, but the longer they are delayed, the more difficult and painful the outcome will be. It is not just the markets that have lost confidence, as I said; it is the ordinary people who are bearing the brunt of the consequences of the crisis.

These social and economic consequences are becoming increasingly apparent and disturbing with a growing structural unemployment problem, particularly amongst the youth, and in a number of instances, increased civil unrest has been experienced in North Africa, the Middle East and Europe to mention a few. So the timing and the subject of this summit have never been more important.

The South African Government has made a commitment to making the creation of work opportunities and sustainable livelihoods, the primary focus of our economic policy and all economic role players including municipal authorities must take advantage of this commitment including the positive aspects of our economy.

### **Domestic Economic Outlook**

South Africa is a middle-income, emerging market with an abundant supply of natural resources; well-developed financial, legal communications, energy and transport sectors; a stock exchange that is ranked the 18<sup>th</sup> largest in the world; and a modern infrastructure supporting a relatively efficient distribution of goods to major urban centres throughout the region.

Real GDP growth has recovered from negative 1.5% in 2009 to 2.9% in 2010: The unadjusted real GDP at market prices increased by 3.1% year-on-year in the 3rd quarter of 2011 compared with the 3rd quarter of 2010. This rate of GDP growth remained clearly below potential,

estimated to be around 4% per annum for South Africa. GDP is expected to grow at 2.8% in 2012. Our domestic growth is likely to keep being led by household and government consumption expenditure.

The official average annual inflation rate was 5.0% for the year 2011. Inflation is now expected to remain outside the upper end of the target range (6%) for the whole of 2012, and to peak in the second quarter of 2012 at around 6.6% before declining gradually and returning to within the target range (3%-6%) in the first quarter of 2013.

The economy of Mbombela is important to the economy of the province and contributes about 64% of the Ehlanzeni District economy. The economy of Mpumalanga is expected to grow at 3% in 2012 compared with 3.7% in 2011, while the Mbombela economy is expected to grow at 3.2% in 2012 compared with 3.4% in 2011.

The impact of the global financial crisis is still evident on our economy.

The biggest sectors in terms of contribution to the Mbombela economy are community services, trade, finance and manufacturing. If we look at contribution in terms of employment, the largest sectors are trade, community services, manufacturing and agriculture. Due to the global financial crisis the unemployment rate (strict definition) in Mbombela increased from 11.8% in 2008 to 14.5% in 2010 compared with the Ehlanzeni district figures of 18% in 2008 and 21.7% in 2010

### **Trade Strategy**

Looking at our trade prowess, China has become the top destination for South Africa's exports since mid-2009 and is also South Africa's leading source of imports. China is the dominant investment partner among emerging partners with its foreign direct investment (FDI) ranked fifth in terms of value in early 2010, at 33 billion South African Rand (ZAR).

Many emerging partners use South Africa as a gateway to other African countries. In December 2010, South Africa became an official member of the BRICS (Brazil – Russia – India – China – South Africa) group.

The challenge for all three spheres of government led by the National sphere is to show that it has a purposeful plan to engage with BRIC countries, to priorities our productive capacity, and each sphere of government to maximise its contribution to the national economy.

Another challenge is to avoid neglecting traditional partners while nurturing its strategically important emerging partnerships. Indeed the EU is still South Africa's topmost regional export destination. The year 2011 has also seen the launch of the South African Development Partnership Agency (SADPA) to inform and direct the country's development assistance.

### **2030 Vision**

Director of proceedings, I wish to remind your audience that, the National planning commission released a diagnostic report in June 2011 outlining the key challenges that compound our fight against poverty and inequality, and those that constrain growth and development agenda.

Subsequent to this report a Road Plan for the country's 2030 vision was crafted to address these key challenges, and the draft plan give details on the following:

- 1) Creating jobs and livelihoods
- 2) Expanding infrastructure
- 3) Transition to a low carbon economy
- 4) Transforming urban and rural spaces
- 5) Improving education and training
- 6) Improving quality healthcare
- 7) Building a capable state
- 8) Fighting corruption and enhancing accountability
- 9) Transforming society and unifying the nation
- 10) Creating an inclusive and integrated rural economy
- 11) Broadening social protection
- 12) Building safer communities
- 13) Enhancing South Africa's role in relation to the region and the world

This is the country's long term picture that we must continue to visualise in addition to the New Growth Path as we strive to reverse the plagues of poverty and inequality through LED.

## **Provincial Context – MEGDP**

The Mpumalanga Provincial Government, through the leadership of the Department of Economic Development, Environment & Tourism (DEDET), has crafted the Mpumalanga Economic Growth and Development Plan (MEGDP), commonly known as the Provincial Growth Path. This plan will form the basis for the provincial government's agenda to create jobs as well as fighting poverty and inequality.

The MEGDP is a strategic plan that is derived from the National Growth Path (NGP) framework and is adopted to focus on the Mpumalanga's economic growth and development agenda for the next ten years, as a base for longer term growth and development.

To this end, the Province has set itself a target of reducing the unemployment, which now stands at 29.1% (*in the 3<sup>rd</sup> Quarter of 2011*), to 15% in 2020. This is a massive undertaking which will require the mobilisation of resources by all stakeholders, towards a common vision of a more equitable and inclusive economy.

The challenge for our province is to increase the economic growth rate to at least 5 per cent per annum, in order to create enough jobs and to significantly reduce the high unemployment.

The MEGDP recognises that jobs will be created mainly through private enterprise activities but it is essential that government takes a more assertive role in directing as well as enabling the economy to grow in a manner that creates jobs on a large scale for the benefit of all. **This inherently brings into focus the need for our state owned enterprises to gear up to the challenge of stimulating the economy to grow faster whilst creating employment.**

**It also brings into focus the need for a more holistic approach towards empowerment, taking into account the control and ownership of the means of production.**

The Education and skilling of our youth will play a major role in the success of our economic growth and development path. It is therefore of great importance that we intensify the efforts of capacitating our youth, who represent our future, to obtain the necessary skills in order to be meaningful players in the future of this industry.

Government will need to work together with business, labour and the broader civil society in order to achieve these targets.

**The issue** of building trust amongst the stakeholders will be key and government is in the process of putting in place Implementation Fora, where these parties will be able to engage on economic growth and development issues on a regular basis in a structured format.

Ladies and Gentlemen, continuous analysis of global, national and provincial economic opportunities remains pre-requisite.

As all South Africans will know, our local government system is based on developmental goals, sections 153 of the Constitution of the Republic of South Africa sets out the developmental duties of Municipalities as:

A municipality must:

- (a) Structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote the social and economic development of the community and;
- (b) Participate in national and provincial development programmes;

Similarly the 1998 white paper on Local Government states:

“The developmental local government is a local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.”

Ladies and Gentlemen, what this means is that, the economic development of communities is an important part of the developmental role of municipalities and should be part of a municipality’s integrated development plan, and undoubtedly LED is the key expression of this economic development.

The aim of democratising our society and growing our economy inclusively can only be realised through a responsive, accountable, effective local government system that is part of a developmental state.

The establishment of a South African Developmental State is grounded in the vision of the State and society working together at all levels to advance social justice, economic growth and development.

Developmental Local government is central to building the developmental state. The country faces a great development risk if Local Government fails.

### **The Role of LED**

Mbombela Local Municipality lies in the heart of Mpumalanga as the capital city of this Province. It was one of the host cities during 2010 FIFA World Cup with one of the best stadiums in the country and its suitably located regarding tourism and trade routes along N4 Maputo Development Corridor.

It has become a strategic gateway for neighbouring markets such as Mozambique and Swaziland and it furthermore offers access to many of the world's finest game parks. The city with its scenic landscape is also home to the National Botanical gardens, set in 154 hectares of land along the eastern bank of the crocodile river, containing no fewer than 512 plant species indigenous to the area, let alone its rich cultural heritage and diversity, which you can't find anywhere in the world.

Citrus agricultural products give it a competitive advantage to export and beneficiate some of the agricultural products.

I am certain that this profile alone puts Mbombela Local Municipality ahead of other economic hubs in the Province with regard to its growth potential.

LED involves identifying and using primary local resources, ideas and skills to stimulate economic growth and development.

The aim of Local Economic Development is to explore the cooperation of Municipalities, Private Sector and Civil Society to ensure growth that will create jobs, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents.

The point of emphasis outlined in the LED National Framework of 2006 is that, LED cannot be disconnected from the broad struggle against poverty, unemployment and inequality.



Furthermore, the framework identifies the strategic goals of LED as:

- A shift towards a more strategic approach to the development of local economies and overcome the failure of municipalities in trying to manage a litany of non-viable projects or start-ups.
- To support local economies to realise their optimal potential and make local communities active participants in the economy.
- To elevate the importance of effectively functioning Local economies in growing the provincial and National economy.
- To wage the national fight against poverty more effectively through local level debates, strategies and actions.
- To improve community access to economic initiatives, support programmes and information.
- To improve the coordination of economic development planning and implementation across the government and between government and non-governmental sectors.
- To build greater awareness about the importance of localities and regions which globally are playing an increasingly significant role as points of investment facilitated by supportive provincial and national policies.

Ladies and Gentlemen, these are profound strategic goals by any measure. On condition LED is incorporated in the Municipal Integrated Development Plan (IDP) and secondly it is ensured that IDP is aligned to Provincial and National economic growth strategies because this will invariably lead to better decision making for economic development at the local level and consequently better outcomes.

Programme Director, time constraints do not permit me to expand on opportunities per sector by I would like to give an illustration on two sectors, namely tourism and renewable energy.

### **Tourism**

The Mpumalanga Tourism Growth Strategy seeks to transform the Provincial Tourism Economy from a primary factor driven approach that is characterised by limited investment, insufficient product portfolio, inadequate knowledge and research capability and limited airlift capacity.

The new approach's primary goal is to mobilise investment in tourism infrastructure and to expand the current product portfolio across the province.

At the centre of this new approach is the need to transform the tourism economy of this province in order to obtain sustainable benefits and create decent employment for the people of Mpumalanga. I am ecstatic to realise that many role players including Mbombela Local Municipality have started to engage and partner with Local and international potential investors to generate investment within the local economy.

In many cases, the main benefit to be expected from investment in tourism is not in the size of capital investment but in the impact on training, the upgrading of management processes, and links to international value chains.

These can have a major positive effect on the economic development in the long term if managed carefully.

Non-equity investment such as hotel franchise to a destination can also be very beneficial for example by helping to attract a critical mass of visitors that will make other tourism projects profitable.

Local government therefore, has a critical role in partnership with other social partners of developing and diversifying the tourism economic space in the province.

### **Environmental assets / Renewable energy**

As identified in the MEGDP the point of emphasis here is sustainable development of environmental assets must be a prerequisite for exploring the maximum potential of job creation in the areas of waste management through recycling. One example would be the buy-back centres to drive the economy through the "waste revolution."

Municipal landfill sites must therefore not only be permitted exclusively for the sake of compliance, but also to ensure that they are transformed into reservoirs of "green and renewable energy" generated from landfill gas. In this way contributing to the energy security of the country and creating jobs.

Clearing of invasive alien plants is an important expanded public works programme that has a huge potential for job creation, but this important initiative does not seem to find expression in our plans. The working for water, working for wetlands and all similar programmes must be prioritised through applicable collaboration platforms.

Rehabilitation of mine dumps in the Province as well as water reclamation deserves specific attention through the corporate social initiatives of the mining houses operating in a municipal space.

The significance of development of world heritage sites in the provincially protected areas will be pursued to further unlock the potential of tourism in the Province.

Green and renewable energy projects listed in the priorities of sector departments in all three spheres of government should be a good start and these need to be updated regularly, especially upon completion of the renewable energy map for the Province.

## **Conclusion**

Mbombela Local Municipality must grab the opportunity which the growth path, the post-recession global economic realignment, regional economic integration initiative (such as the Tri-land agreement) and developments present to us.

How the municipality exploits these opportunities will determine whether you build the local economy that is a practical expression of your huge potential or a municipality with a mediocre local economy, happy to do enough just to get by.

We say this is a municipality in a developing state; nothing would be more expensive than missing this opportunity for economic growth and development.

Programme Director, as I conclude I would like to remind the summit that the Founding fathers of the ruling party had a clear economic vision many decades ago, in fact 25 years before the centenary celebration Oliver Tambo had this to say:

**Open quote** “Of central importance also is the critical requirement that the new South Africa must guarantee the masses of our people freedom from hunger, disease, ignorance, homelessness and poverty. The democratic state will be representative of all the people of our country and especially the ordinary working people who own neither land nor factories and

neither the mines nor the commercial banks. It will therefore be called upon to ensure that the wealth of the country increases significantly and continuously and that it is shared equitable by all the people to ensure their material and spiritual upliftment and wellbeing.”

With these few words I therefore wish you well in your deliberations over the next two days.

Together we can do more!!

I thank you.