

**ADDRESS BY THE MEC FOR ECONOMIC DEVELOPMENT,
ENVIROMENT AND TOURISM, MR NORMAN MOKOENA,
MPL, ON THE OCCASSION OF THE PROVINCIAL NAFCOO
POLICY SUMMIT HELD AT THE MALAGA HOTEL,
WATERVAL BOVEN**

Thursday, 24 March 2011

- Programme Director, and the Deputy General Secretary Mr M Mahlobogoane
- The Executive Mayor of Nkangala District Municipality and Chairperson of SALGA Mpumalanga, Mr S Mashilo
- National Deputy President of NAFCOO, Mr Chicco Mofolo
- President of NAFCOO in Mpumalanga, Mr Sydney Kunene
- Esteemed members of the Provincial Executive Committee
- Leaders of sectors, Regions and branches of NAFCOO in the Province
- The project manager: Kusile Power Station, Mr A Masango
- The Acting CEO of MEGA, Mr GJ Dladla
- Chief Director Trade & Sector Development DEDET: Dr J Pakade & Mr Makaringe
- Honoured Guests present
- Ladies and Gentlemen

Good morning!

We wish to start by expressing our sincere appreciation to the entire Leadership of the National Federated Chamber of Commerce (NAFCOC), led by the President & Deputy Secretary General for giving me the opportunity on behalf of the Provincial Government of Mpumalanga to come and share perspective about the economic vision, opportunities and the common challenges that we face as a Country and Province in particular.

I hope that at the end of this two day Policy Summit you will emerge even stronger than you were yesterday with regard to all questions facing us as a collective in the economic transformation front, particularly the issues of unity and co-operation, both within the black business community and between the black and white businesses.

I also trust that the policy gaps to be identified by the summit over the next two days will enable us to engage robustly and take practical, visible and measurable steps towards the further empowerment and advancement of black business and the deracialisation of our economy.

The planning documents of the ruling party before 1994 titled “Ready to Govern” pre-stated it quite eloquently that to correct the economic imbalances with a cumulative effect of over 300 years will be the outcome of a protracted struggle waged in conditions in which there is a clear imbalance between the resources available to meet our objectives and the enormous volume of the needs we have to address.

In his political report, the President of the ANC, Mr. Jacob Zuma has succinctly stated and I Quote “Our research shows that our economy has the potential to create employment on the necessary scale through the plans for a large scale expansion in infrastructure, in mining, agriculture, in the services, construction, tourism in the new economy areas such as the green economy and knowledge based sectors, rural development, African regional development, and through the social economy and the the public sector” end Quote.

The fundamental question remains, how then do we position ourselves as business in the province to take advantage of this huge potential.

In his state of the province address, The Hon. Premier of Mpumalanga, Hon. DD Mabuza argued strongly for the inclusive growth when he says open quote “Another important principle that must guide our Growth Path is the development of SMME’s and cooperatives. We have to bridge the gap between the first and the second economy. We have to ensure that the Broad-based Black Economic Empowerment continue to guide our economic activities” end quote.

In essence both the President of the ANC in his NGC political report and the Premier in his State of the Province Address presented a compelling case in favour of the argument that says we need a growth path that posses the attributes of a developmental state characterize by an ability to plan longer term, to focus on key partners on a common agenda, and to mobilize resources to build requisite productive state capabilities to intervene where support in needed most.

Programme Director, the ruling party holds the view that in much the same way that we defeated apartheid rule and created the conditions for democratic order characterised by a vision of a non-racial, non-sexist and prosperous society, we will therefore work with the Leadership of NAFCOG to achieve the goals of fundamental social and economic transformation we have set ourselves and defeat poverty and underdevelopment.

This requires that we all work together as South Africans, inspired by a common patriotism that recognises the reality that no section of our population can achieve its strategic goals working alone.

The ANC Government has always been upfront saying that the drive to transform our society in all its facets is not only the preserve of Government but is something that should be done by all of us as a collective.

Government has adopted a new approach in service delivery based on outcomes. There are 12 outcomes which have been prioritised.

My Department is responsible for the implementation of the two outcomes, namely: Outcome 4 and 10 which are decent employment through inclusive growth and Environmental assets and natural resources that are well protected respectively.

The outcome 4 emphasises the development of policies which are more developmental in nature with the focus mainly on the creation of sustainable jobs and to re-prioritise industries (sectors) which high labour absorbency so that more people would find employment. The state will also improve on its procurement practices so that the focus should more on local production. Where there is no skills, training shall be provided through partnership with businesses.

Particular emphasis in government programmes will be on youth employment and development as the province is mainly youth based. Green economy should be explored to create more jobs.

The outcome 4 is characterised by seven (7) outputs namely:

- Output1: Faster and sustainable inclusive growth
- Output2: More labour absorbing growth
- Output3: Multi-pronged strategy to reduce youth unemployment

- Output4: Increased competitiveness, to raise net exports, grow trade as a share of world trade and improve its composition
- Output5: Improved cost structure in the economy
- Output6: Improved support to small business and cooperatives
- Output7: Implementation of the expanded public works programme

Outcome 10 focuses mainly on the water quality, reduction of gas emissions and climate change, sustainable environment management and the protection of biodiversity. My department is the process of developing strategies which will assist in mitigating the effects of climate change. The issue of water licenses for economic development will be discussed with the Minister of Water Affairs so that the Province can have more say on issuing water licenses for better management of water resource for development.

As development take place in the Province, the Department shall endeavour to ensure that environment is protected for our future generation.

This will include setting up measures which will assist in the reduction of CO₂ emission and the protection of our bio-diversity which will draw more tourists into our space, thus create more jobs.

Outcome 10 is characterised by four (4) outputs, namely:

- Output1: Enhanced quality and quantity of water resources
- Output2: Reduced Greenhouse Gas Emissions, Climate Change Impacts and improved air/atmospheric quality
- Output3: Sustainable Environmental Management
- Output4: Protected Biodiversity

All of these would be achieved through collaboration between ourselves (government) and the business community, as the President of the Republic of South Africa has correctly said “Together we can do more”.

Therefore, unless we collectively identify and remove the key constraints to growth and development, we stand little chance of achieving progress. Nor can we as a people hope to join the ranks of the most advanced economies if we, the Government and businesses of this Country don't work in Partnership.

As the Honourable President, Mr Jacob Zuma stated in his opening remarks at the President's summit on job creation held last week, open quote "The responsibility of business is to grow and to create jobs. The role of government is to create the conditions to encourage the kind of growth that creates jobs." Close quote

BLACK ECONOMIC EMPOWERMENT AND INEQUALITY

Your invite, Cde President has requested me to express a view on the BBBEE programme.

I may have to start by reminding this house that NAFCOOC had previously set, for itself and the Country, what was perhaps an ambitious target yet a correct programme of Black Economic Empowerment focusing on the following areas among others:

- Targets on the equity of the companies on the stock-exchange for black ownership
- Targets representing the percentage of black managers in a corporate space
- Targets on goods and services to be sourced from black business

It is obvious that we have not achieved any of the targets set by ourselves, the fact that our economy is still not representative of the majority of the people of our Country, sixteen (16) years after our freedom, points to the enormous challenges that we still face.

Clearly, the task to accomplish those targets faces all South Africans, not just members of NAFCOG.

Each sector of our society – Government, big business, emerging business, trade unions and others have a responsibility to ensure that we bring into the mainstream of the economy, the majority of our population, not just as consumers, but as active participants and leaders in the manner that NAFCOG is projecting.

It must be admitted that to some extent the policy has yielded positive returns, however there is still a lot that needs to be done.

I would like to bring to your attention a recent survey conducted by the Department (DEDET) in 2010 where the compliance levels of a number of big corporations were looked at.

The survey looked at ten (10) big companies covering our main sectors (manufacturing, forestry, agriculture and mining).

It transpired that most of the companies were between level six and seven in terms of their BBBEE compliance which in itself is not an acceptable level of compliance.

Companies are expected in terms of the code of good practice be ranked between levels 4 to 1.

I must also point out that, the element of ownership remains a key challenge; it's also a concern that most BBBEE transactions taking place in companies operating within the Province do not include partners from the Province.

Going forward we must all be strict on this matter if we are to make a critical breakthrough in mainstreaming HDI in the economic mainstream of the economy. But the worst culprits are those that are fronting. Fronting is as bad as corruption. It corrodes the moral fibre of business.

We must all work together to uproot this cancer. Fronting is like selling your soul to the highest bidder. It's bad for development, It's bad for empowerment, It's bad for duo attempts to deracialise the economy.

Programme Director, all of us are in agreement that preferential procurement is seen by major stakeholders as an element that can fast track empowerment.

Our survey reveals that private companies tend to procure peripheral goods and services from black companies whilst procurement of their core goods or services still remain within the hands of those who previously benefited from the apartheid economic structure.

This has resulted in over-reliance by black entrepreneurs on Government tenders. Procurement in South Africa's mainstream economy is built around big companies and has very little to do with small business.

We feel that government policy should be clearly directed for the benefit of the thousands of small to medium enterprises (SMMEs) scattered across the province.

Our Department working with the Department of Finance will finalise the previous preferential procurement framework work, that for the first time we must be bold on support for SMME, youth, women and people with disabilities. We will set quotas that are measurable and form part of the HOD's performance agreement.

We need to find ways to dissolve the barriers to entry that confront small business in the delivery of their products and services to large corporates and government State Owned Enterprises.

Many South Africans are kept out of the economic mainstream because of gaps in infrastructure, lack of roads linking rural areas to markets, energy grids that do not service all areas. We need to fix this.

OPPORTUNITIES

The tax incentives that were recently announced by the government presents a rare opportunity for black business to partner for job creation with large corporates to create adjacent operations for industries with no prospects for new jobs.

CRDP

As a province we have been piloting a comprehensive rural development programme to respond one of the 5 apex priorities of the ruling party.

This has given rise to a collective commitment programme (the Comprehensive Rural Development Programme) changing the lives of our rural communities.

The CRDP is aimed at being an effective response against poverty and food insecurity by maximizing the use and management of natural resources to create vibrant, equitable and sustainable rural communities.

The strategic objective of the CRDP is therefore to facilitate integrated development and social cohesion through participatory approaches in partnership with all sectors of society.

In our view the Government's CRDP programme should present an opportunity to the province's entrepreneurs to start new industries to serve rural communities while providing jobs and sustainable livelihoods.

The following Municipalities have been identified for CRDP implementation: Thembisile Hani LM, Dr JS Moroka LM, Nkomazi LM, Bushbuckridge LM, Albert Luthuli LM, Pixley Ka Seme LM and Mkhondo LM.

The focus will be on development and revitalisation of irrigation infrastructure, provision of mechanisation, provision of boreholes, construction and renovation of schools, clinics, PHP houses, road infrastructure improvement, re-gravelling, maintenance of bridges through the EPWP or labour intensive programme.

The Provincial Growth Path shift to a more labour-absorbent economy, and the new growth path will also present opportunities in manufacturing, infrastructure development, rural development and agro-processing, and the "green" economy.

THE GROWTH PATH

The government earlier last year launched the Industrial Policy Action Plan 2 (IPAP), which seeks to respond to various economic and industrial imperatives and to address weaknesses in South Africa's economy.

Later in the year, National cabinet unveiled a National Growth Path whose emphasis was on putting our economy on a new growth trajectory and at the centre of this growth path was the creation of jobs.

In December last year, Cabinet directed me and the Department to produce an Mpumalanga specific Provincial Growth Path. We did so and the Provincial Cabinet adopted the draft this month.

The Mpumalanga Economic Growth and Development Plan (MEGDP), commonly known as the Provincial Growth Path, which 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.

The MEGDP is anchored on the development of priority sectors in a manner that is inclusive and shared, the re-dressing of imbalances between urban and rural areas with respect to spatial development, sustainable human development in skills, regional co-operation with African countries as well as international partners and environmental sustainability.

This is then given expression through a set of JOB DRIVERS that define the manner in which the jobs will be created.

These job drivers are within the following areas:

The prioritization of key sectors where there will be a focus on creating jobs. These sectors are as follows:

- Agriculture, agro-processing and forestry
- Mining and energy as well as mineral beneficiation
- Tourism and cultural industries
- Manufacturing (Tooling, plastics and chemicals, bio-fuels)
- The development of opportunities arising out of new sectors of our economy namely in the green economy as well as in information and communications technologies (ICT).
- Investing in Social Capital by encouraging the growth of the social economy (coops, non-gov organizations, stokvels, burial societies etc). This will be supported by giving more access to public service opportunities that will arise from activities such as feeding, catering and other services within the health and education and correctional services departments. The development of skills and community led economic development in the form of People's Housing Programme as well as HIV support and Management

- Rural Development that is focused on the provision of infrastructure & housing and positioning the rural economy to create jobs through the lowering of costs to economic activity, supporting small scale agriculture as well as self sustenance through community food gardens. This will be mainly addressed through the Comprehensive Rural Development Programme (CRDP) and an upscaled Masibuyel'emasimini Programme.
- Regional and International Co-operation that forms strategic partnerships with other countries on the continent and beyond for increased trade and investment. The changing global economic landscape is taken into account with a strong emphasis on both Africa and the emerging block of Brazil, Russia, India, China and South Africa (BRICS)

The MEGDP will work on principles of BBBEE, the development of co-operatives and SMME's, increased competitiveness, reduction of the costs of doing business and youth empowerment.

To this end, the Province has set itself a target of reducing the unemployment, which is hovering slightly over 28% (28.7% in the 4th Quarter 2010), 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.

It is recognised 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.

The Department is leading the consultation with the provincial social partners in finalizing the Provincial Growth Path for labour-intensive growth, as well as seeking consensus on the policy tools available to support job creation across the provincial economy.

As President Zuma indicated in the SONA, we expect our development finance institutions to step up the pace of job creation. Investment is a key driver of growth and of jobs and the IDC will be a critical agency to provide co-investment and loans to entrepreneurs.

I am pleased to confirm that we are also in the process of devising new strategies and policies at MEGA to address the challenges encountered by entrepreneurs in the past. We have realised that a blanket or a one size fits all approach does not work. We are looking at crafting tailor service packages to meet the differing needs of entrepreneurs in the Province.

The time delays in processing applications and red tape associated will also be a thing of the past. We are also ensuring that MEGA and DEDET have the optimal internal structure to achieve our ambitious goals.

We have, as government acknowledged that we will have to craft a new vision for our economy, supported by interventions that make the highest impact to the most vulnerable.

Whilst, details of the strategic initiatives and government spending supporting this Growth Path and the CRDP will be outlined in the Provincial Budget Speech and the consequent departmental votes in the next few weeks, there are a few highlights of our ideas.

AGRICULTURE & FORESTRY

Within the context of our CRDP, we need a programme to unlock the potential of our agricultural sector.

We will include the following interventions

- Comprehensive support to small scale farmer & agri-businesses and Increase acquisition of agricultural land for previously disadvantaged communities
- Fast track outstanding land claim settlements, including the facilitation of Optimal utilisation of restituted & redistributed land

On the one hand we should drive the forestry sector's transformation agenda towards an inclusive economic exploitation and participation, with strong empowerment imperatives which should include the following.

- The optimisation of community forestry driven by a strong cooperatives movement
- Participation of marginalised groups in the value and supply chain of the industry including in harvesting, transportation etc.

I am certain we have women in the trucking industry, as well as young black companies in the chemicals industry which are critical supplies for the wood, paper and pulp sectors-

Government through, MEGA's renewed mandate for agricultural development financing should be able to assist you in these endeavours.

MINING & ENERGY

As we continue to pursue mining, we need to ask ourselves to what extent is there beneficiation aimed at the previously disadvantaged groups.

Our engagement plan with the mining giants should be able to send a message that says, let us work together in the following areas

- Strategic procurement from SMMEs and HDIs , including the setting of monetary targets on such spending
- Corporate Social Investment interventions which are qualitative and impact on communities they are aimed at.
- The need to protect and care for our communities through Social Labour Plans that work

We also believe that there are downstream activities which our entrepreneurs can render with ease, these are for example the projects in mine rehabilitation that involve re-treatment of sub-economic deposits & dumps, which the mining sector must consciously involve historically, disadvantage individuals and companies.

The Premier has in his 2011 State of the Province address indicated the following:

Official statistics that in Mpumalanga approximately 53 000 jobs were lost during 2009 alone. Major sectors that are affected in the Province include agriculture, mining, manufacturing, construction and trade.

The people who are hardest hit by this unfavourable situation are the poorest of the poor.

Of critical importance is that, as a Province we promised to put together a package of stimuli that could assist us in mitigating the recession and also speeding up economic growth to create decent work and sustainable livelihoods. We said that we will do this in partnership with the private sector, labour and all other relevant stakeholders.

Big businesses have pledged billions of Rands to invest in the Province, particularly in the mining and energy sectors. One refers to initiatives such as the Kusile Power station, the Sasol Secunda growth project, Xstrata Goedgevonden, Anglo coal Zondagsfontein and BHP Billiton Douglas Middelburg optimisation project and many other initiatives presently in progress in the Province.

Furthermore, the Premier has indicated that in pursuit of these strategic development goals, we have established numerous consultative forums with numerous businesses to strengthen our relations with business and labour.

The forums are of critical importance in creating a platform to unblock funding, infrastructure and empowerment interventions.

I can as well confirm that last week the Premier and I met with an Eskom delegation led by the Chairperson and CEO of the board aimed at fostering sustainable good relations with SOE's business.

We appreciate from the depth of our hearts the constructive engagements with companies like Eskom, we have agreed to work through the Mpumalanga Provincial Government – Eskom

Principals forum and I am glad to indicated that there are already positive spin offs and Mr Abram Masango: Project Manager of Kusile Power Station will give details, but I need to highlight the following:

- Eskom is on a drive to enhance skills development in the Province. 5000 bursaries are awarded annually for students in the Province with the provision to increase them to 10 000. (Mr Masango will provide more details).
- To date more than 150 small businesses are participating in the Kusile Project and about R1billion has been set aside to empower black entrepreneurs.
- R15 million has been set aside to contract a company that will help on Enterprise Development (assisting SMMEs which have been contracted)
- A Contractor academy has been established wherein Entrepreneurs are recruited and sent to University for (+/-) 8 months to enhance their business management skills.

I am certain that working together we can do more to grow and support our SMME in the Province.

However, I must upfront call on NAFCOG to come to the party and assist us in reducing the spirit of entitlement by our black entrepreneurs, I've been advised that they attend presentations, particularly at Kusile and often they don't do the spade work and go there ill-prepared and in certain instances it's a question of pure fronting.

I am sure Cde President, you will agree with me that we must encourage the perpetrators of these unproductive tendencies to change the way they do business not withstanding that there are outstanding black entrepreneurs who conduct their businesses ethically, professionally and with high levels of integrity.

Coming back the Growth Path, We have committed to co- funding green economy projects, with a particular bias to those projects which have a strong women and youth empowerment element.

We are therefore all encouraged to embrace the green economy as an opportunity to address the market failures of the past that have resulted in global climate change.

Hence concerted efforts and interventions to address climate change must yield enterprise activities, waste recycling, water reticulation and renewable energy to mention but a few.

We have identified opportunities for broad based economic participation in independent power production (IPPs) and we will ensure empowerment from such projects.

MANUFACTURING

The manufacturing sector is the fourth employment creator; however participation by previously disadvantaged groups is far behind.

Continued challenges to improve the manufacturing sector's empowerment performance like, inadequate infrastructure, Access to funding and skills shortage, must be addressed.

We must commit and propose interventions on how we will invest in economic infrastructure to encourage enterprise development in manufacturing, and provide comprehensive support to SMMEs development.

We should unlock our skills fund to enhance skills development, especially in the areas of engineering, artisans, business and project management- It is only if we provide these skills that black entrepreneurs can afford them.

This approach is confirmed by the Minister of Economic Development, Mr Ebrahim Patel in his comments during the SONA debate in Parliament on the 15th February, when he says and I quote “In order to achieve the greatest employment and development benefits, we cannot rely simply on selling raw materials to the rest of the world. Government is finalising a beneficiation strategy to incentivise the greater processing of minerals locally, where possible to final consumer or capital goods production as part of the approach to create more decent work opportunities.

Some of the key value chains include iron-ore, coal and platinum. He goes on to say that there are also significant job opportunities in new sectors such as the green economy, which is growing on the back of the new tide of green industrialisation that is reshaping industries and energy generation across the world.”
Close quote.

TOURISM & CULTURAL INDUSTRIES

These sectors have proven to deliver jobs and grow the second economy. However we acknowledge that to get the maximum results government should champion a programme aimed at the following:

- Sustained investment in all aspects of the industry – new products, destination marketing, human capital development in the service industry
- Comprehensive support to SMMEs to exploit opportunities in the tourism and cultural industries.

Without the appropriate investment in strategic infrastructure, we will not create and sustain the jobs required to drive growth-

As government, we are completing our plans on investment in massive infrastructure facilitation which includes the development of an International Convention Centre and A Craft Creative Industry Hub. This hub will become a centre that will contribute to the development of talent in various arts genres as well as the promotion of artistic expressions of our diverse history and heritage.

As part of the cultural hub, we will finalise the establishment of the Film Office to ensure that we promote the development of the film industry in Mpumalanga.

The process for the establishment of the university, incorporating a tertiary hospital, is also in progress. The Provincial Government is working with the Minister of Higher Education, Dr Nzimande in this regard and a Ministerial Task Team has already been set up to take the process forward.

Currently, the Task Team is working on the legal framework, institutional arrangements, planning and design. These activities will be completed in 2011 financial year.

Equally, planning work on the tertiary hospital is on course as the Premier indicated in his State of the Province address.

Central towards alleviating poverty and creating opportunities for work is the programme of delivering housing units.

To this end we shall increase our efforts in the roll-out of People's Housing Programme (PHP) in the three district municipalities. We are targeting to build 5000 units in the new financial year.

Most importantly, the PHP will be linked to our comprehensive rural development programme and will ensure that local people are employed and developed as contractors to government. To support this programme, the Provincial Government have set aside R305m in the next financial year.

These investments will continue to drive the provincial economy and create sustainable jobs

CONCLUSION

We have to keep provincial resources, in the province and maximise opportunities arising from the exploitation of our economic resources.

This we should not do by excluding other players, but by empowering our companies to compete.

We need to ensure that youth and women owned companies have the skills and the credibility to claim a fair cut of government spending, because they can and not because, they are preferred by law.

I, together with a number of my executive council colleagues have begun a process of consultations on the growth path; I invite you to avail yourselves for this important step of developing a shared plan for our province's future.

Cde President, I wish you well for the next two days in your deliberations.

Please remember that the 18th May 2011 has been declared a public holiday for voting – I am calling on all NAFCOG members to take part.

Working together, we can do more!

I thank you!