

## INPUT: MEC MOKOENA'S ADDRESS TO COSATU PEC ON 10 FEBRUARY 2010

### 1. Challenges facing the Department

#### *Merge MEGA, MADC and MHFCo*

One of the major success stories since we took over the administration, was the creation of the new MEGA following the merger of the old MEGA, the Mpumalanga Agricultural Development Corporation and the Mpumalanga Housing Finance Company. Like the Honourable Premier had directed, we were able to merge the three public entities by the end of March 2010. We have appointed a board and will very soon appoint the CEO of the entity.

#### *Appointment of members of the Mpumalanga Consumer Court*

In fulfilling the mandate to protect consumers against unscrupulous business practices, we have inaugurated six (6) members of the Mpumalanga Consumer Affairs Court. The court is now operational, and has assisted quite a large number of complainants.

The challenges we are facing as the Department continue to be under-funding, thus constraining our full ability to create conducive conditions for investment in strategic economic infrastructure, amongst others. This includes capital funding for tourism infrastructure, business centres, environmental services, and industrial parks, just to mention but a few.

### 2. Mpumalanga Growth Path Strategy

- As you will recall, the ruling party in the 2011 January 8 Statement stresses a focus on identifying areas where employment creation is possible on a large scale, as a result of substantial changes in conditions in South Africa and globally. These sectors are amongst others, infrastructure development, mining, agriculture, tourism, green energy and knowledge-based sectors.

- Once more, the primary focus of the January 12-14 ANC Lekgotla was on intensifying job creation. In order to reduce unemployment drastically, from the current levels to at least 15 percent, and grow our economy, as a country, we need to facilitate the creation of 5 million jobs in the next 10 years.
- Our intention, through the proposed Mpumalanga Economic Growth and Development Path, is therefore to outline a set of strategic choices and potential paths that will lead towards a growing sustainable economy of our province, which provide economic opportunities and work for all our people.
- At the end of the third quarter of 2010, our province was rated as having the second highest unemployment rate of the 9 provinces standing at 28.4 percent.
- Total number of people employed in the province at the same time was 890 000 – contributing 6.9 percent to the country's work-force. Currently, there are 353 000 unemployed people in the province.
- Given the current historic trend of job creation, the number of people employed will increase by at least 314 406 in the next 10 years, culminating in just over 1.2 million employed people in our province by 2020.
- However, considering that we have almost 1.9 million economically active members of our population, we therefore need **to facilitate the creation of about 720 000 jobs in the next 10 years**, and not 314 406, if we are to decrease our unemployment rate from 28.4 percent to 15 percent.
- **Sectors to focus on:**
  - Through the Growth Path, we plan to focus on unlocking the employment potential in seven (7) key sectors. They are **infrastructure, agricultural value chain, mining value chain, the green economy, knowledge economy (that is, ICT and education), manufacturing, and tourism and cultural industries.**
  - In the **infrastructure sector**, we intend to focus to investing more in transport, energy, water, housing, just to mention but a few.

- With regard to **agricultural value chain**, the focus will be on expanding farm-output and employment and increasing the agro-processing sector.
  - Particular emphasis will be made on mineral beneficiation as well as on increasing the rate of minerals extraction in the **mining value chain**.
  - The **green economy** sector has advanced a lot of economic and job opportunities, given that South Africa and countries of the world are beginning to give specific attention to mitigating the impact of climate change and global warming. We believe that more jobs could be created through this significant previously untapped sector.
  - The **knowledge economy** sector in the form of the ICT and education also provide us an opportunity to create jobs. This is a sector which is growing at a fast rate, hence we will exploit its potential.
  - The **manufacturing** sectors mentioned in the IPAP-2 such as tooling, plastic industry, chemicals and bio-fuel, as well as **the tourism and cultural industries** will also be exploited.
- **Job drivers:**

We have identified the following job drivers, which we believe have the potential to unlock job opportunities:

    - **Infrastructure (for employment and development)**

As you are aware, infrastructure projects are catalysts for job creation, skills development and empowerment, and they also contribute to poverty reduction. We therefore intend to prioritise the development of the Moloto Corridor, industrial parks in the Govan Mbeki and Steve Tshwete Municipalities, rehabilitation of the coal-haulage route, municipal utilities (for water, sewerage, electricity), and to benefit from the construction of the Kusile Power Station.
    - Our target in this sector is to create 15 000 jobs per annum.

- **Value addition**

The second job driver we will pay attention to is value addition in the seven (7) sectors I have already mentioned.

- In the agricultural value chain, we target to include 35 000 households in the small-holder schemes by 2020. Through agro-processing, we intend to create 12 000 jobs by the same period.

- In the mining value chain, our target is to create 27 000 direct jobs by 2020. In the manufacturing sector, we target the creation of 17 000 jobs. Through the tourism and cultural industries, we hope to create at least 16 000 jobs.

- **Green and knowledge economies: New economies**

The emergence of new economies such as the green economy and knowledge sectors will in the targeted period, give us at least 24 000 jobs and 7 000 jobs respectively.

- **Social capital and public service**

It is our hope that the social economy will result in the creation of at least 18 000 jobs by 2010, whereas as the public service, we intend to create 78 000 jobs targeting mostly the youth through special brigades.

- **Spatial development**

We will focus on rural development, as well as regional co-operation targeting our neighbours Mozambique and Swaziland, amongst others.

## **Strategic Interventions**

- **BBBEE:** We will review our BBBEE policies to ensure that empowerment in relation to ownership, production and management.
- **Beneficiation:** We will move fast to ensure skills transfer from outside our borders through our investment promotion agency, MEGA, amongst others, by providing incentives to international companies that will do skills transfer and empowerment of our people.
- **Support to co-operatives:** Our intention, through MEGA, is to facilitate for the establishment of Co-operatives Bank, and make available, on lease, under-utilised government buildings and land for use by co-operatives, amongst others.
- **SMME development:** It is our intention to lower the cost of doing business with SMMEs including, but to limited to, reducing electricity tariffs and rates; craft province-specific standard procurement policy to ensure affirmative procurement led by government; and also extend incubation period to a minimum of five (5) years.
- **Focus on the Youth:** We will facilitate incentives to encourage the youth to take up careers in labour absorbing sectors by incentivising businesses that prioritise youth employment.
- **Increased Trade and Investment:** We will review current trade and investment strategies to respond to new global dynamics, more importantly, given the inclusion of South Africa in the BRICS (Brazil, Russia, India, China, South Africa) countries.

## Proposed Mpumalanga Top Priority Programmes

- **Infrastructure**

- Coal Haulage Rehabilitation (Gert Sibande)
  - Moloto Rail Development Corridor & Kusile Power Station (Nkangala)
  - Komatipoort Logistics/ One-Stop Border/Truck Stop (Ehlanzeni)
  - Water Reticulation supply in municipalities
  - Industrial Parks & Craft Hub
  - Implementation of ICT strategy (broadband deployment)
  - Commercialisation of conservation estates
- **Provincial Primary Development Node**
    - Mashishing (Mining Supplier Industry/Tourism supply Industry/Agric supply industry)
- **Rural Development Focal Areas**
    - Bushbuckridge, Albert Luthuli, JS Moroka/Thembisile Hani
    - Land tenure reform
    - CRDP (Comprehensive Rural Development Programme) and up-scaled *Masibuyel'emasimini* programme
- **Skills Development**
    - Revamp of FETs and establishment of the Mpumalanga University

## Wayforward

During this month, we will start consulting industry sector leaders in the mining, agriculture, forestry, financial services, construction, green economy, manufacturing; Business Formations and Chambers; organized labour federations such as COSATU and others, and civil society groups.

We hope to finalise this consultations by the end of this month, paving the way for the approval of the strategy by the Executive Council, and signing of the Service Delivery Agreement on Outcome 4.

### **3. Support to co-operatives in the Province and means of job creation**

The Department of Economic Development, Environment and Tourism is responsible for implementing the National Co-operatives Policy of South Africa in the Province, as well as the Cooperatives Act 14 of 2005, and the Cooperatives Banks Act 40 of 2007. To show how we view the significance of co-operatives, we are currently finalising the Provincial Strategy on Supporting Co-operatives, which aims to improve:

- the co-ordination of the range of support services to emerging cooperatives in the province;
- Monitor the performance, compliance with legislation and socio economic contribution by co-operatives;
- The institutional framework to support the growth of co-operatives in the diverse range of economic sectors, social activities and regions.

In our quest to grow the participation of co-operatives in the provincial economic mainstream, we had planned for the current financial year, to facilitate support and development of 60 SMMEs and co-operatives. Even though we are still a month away from the end of the financial year, we are proud that by the end of December 2010, we had supported 581 SMMEs and co-operatives.

We continue to value the co-operatives as strategic vehicles for economic empowerment, job creation and poverty alleviation. We will continue to support them since they are the building blocks of economic activities in the province.

#### **4. State-owned enterprises in the Provinces: Are they contributing to economic growth and job creation?**

State-owned entities under the Department, that is, MEGA, MGB (Mpumalanga Gambling Board) and the MTPA (Mpumalanga Tourism and Parks Agency) continue to play a significant role towards job creation and economic growth.

##### **MGB**

- The MGB continues to fulfil its mandate of regulating the gambling industry in the province. It remains our main source of revenue, contributing the bulk of own revenue generated by the province.
- The MGB's role has facilitated multi-million infrastructure development in the form of hotels around Emalahleni and an entertainment centre at Mashishing, resulting in many permanent job opportunities for the locals.

##### **MTPA**

- *Activation of the Tourism Airlift Strategy*

Our entity responsible for tourism, the MTPA, has activated the Tourism Airlift Strategy by signing a deal with Comair Limited, which has realised affordable airfares to the KMIA (Kruger Mpumalanga International Airport). The inaugural Comair flight, with the first ever business class section, was launched on the 4<sup>th</sup> of May 2010. The contract will see bigger planes carrying up to 120 passengers, landing at the KMIA six times per week.

- *Post-settlement and co-management agreements with the land claimants of the nature reserves under our management*



The MTPA managed to finalise settlement and co-management agreements with land claimants of four reserves, namely, Manyeleti, Mabusa, Mdala and Mkhombo Dam, and commit to finalise the remaining ones in the current financial year.

## MEGA

- In the current financial year, MEGA has not performed as expected, mainly due to the challenges of the merger. The merger of the three (3) entities, like I have already indicated, has entailed a concerted effort to put in place new systems, new policies, and other administrative support systems such that all effort has been focused on having the new entity up and running. However, as the three distinct entities, before the merger, the impact they made in local economies is impressive. The old MEGA has created a considerable number of jobs, while also ensuring that the previously disadvantaged enter the economic mainstream. The MADC, through MAFISA Fund, amongst others, has ensured that our farmers have access to loans to improve their farming operations, while the MHFCo has built many houses, in the process creating employment during construction of those houses.

## Challenges

- What remains a huge challenge, is the funding of these public entities. They remain under-funded, especially MTPA and MEGA, given their mandate.