

Demographics

South Africa

The Republic of South Africa consists of nine (9) provinces, of which Mpumalanga is one of them, and the provinces collectively cover just over 1.2 million square-kilometre radius. It is home to over 49 million people. It is estimated that South Africa has a labour force of 16 million economically active people, with the main industries being mining, automobile assembly, metal, textile, iron, agriculture, amongst others.

Mpumalanga Province

The Province of Mpumalanga accounts for 7.2 per cent of South Africa's population of almost 50 million people. It is home to 3.6 million people, making it the sixth largest of the nine (9) provinces. It is formed by three (3) district municipalities, and is bordering Mozambique and Swaziland.

In terms of representation, females constitute 1.85 million or 51.2 per cent of the provincial population distribution and males 1.76 million (or 48.8 per cent). The youth up to the ages of 34 years, accounts for 71.9 per cent of the total population in the province and the age group 60 years and older, only 6.3 per cent.

Economic Prospects

South African Economy

South Africa has a two-tiered economy, that, one rivalling developed countries and the other with only the most basic competitive infrastructure.

The countries formal sector is based on manufacturing, services, mining, and agriculture, and is well developed. Our transportation infrastructure is among the best in Africa, with the O.R Tambo International Airport in Johannesburg serving as a hub for flights to other Southern African and International countries. South Africa also has several major ports that make it a central point for most trade in the southern African region.

South Africa's economy is expected to grow at a rate of 3.6% this year. This is according to the report released by the South African Institute of International Affairs, which also forecast that the GDP (Growth Domestic Product) will grow by 4.3% next year. According to a report released by the South African Chamber of Commerce and Industry (SACCI) last Tuesday, business confidence has improved marginally in June 2011, up by one index point and now standing at 86.8. In the first half of the year, the business confidence index averaged a strong 86.9 compared to 82.8 in the first half of 2010.

The South African economy experienced moderate gross domestic product (GDP) growth of 2.8 per cent in 2010. The current expectations by the International Monetary Fund (IMF) are that overall economic growth of 3.5 per cent can be expected in 2011, rising to 3.8 per cent in 2011 and 4.2 per cent by 2013.

South African Competitive Advantages

South Africa has competitive advantages given:

1. Its relatively stable macro-economic and political environment;
2. That is a gateway to Africa with respect to financial services, political influence and sophisticated infrastructure;
3. The abundance of natural resources, which include a range of raw materials that can be transported to where they are to be used without massive costs;
4. The ease with which traded goods can be moved around the country, as well as imported and exported out of the country, which is crucial for encouraging other countries to trade with South Africa;
5. That it offers the cheapest electricity in the world.

THE MPUMALANGA ECONOMIC GROWTH & DEVELOPMENT PATH:

The Mpumalanga Provincial Government is in the process of developing a ten-year strategy which will form the basis for the provincial government's agenda to create jobs as well as fight poverty and inequality.

The proposed strategy will be known as the Mpumalanga Economic Growth and Development Path (MEGDP). The MEGDP is a strategic plan that is derived from South Africa's National Growth Path framework, and is adopted to focus on the Mpumalanga's economic growth and development.

The draft MEGDP identifies amongst others, challenges in the labour market, which are exacerbated by the low levels of skills and the high concentrations of unemployment in the youth and women. It however recognises the strides made by government towards the provision of basic services but also identifies the growing income inequality and low infrastructure investment in rural areas as a legacy from the apartheid past.

To this end, the Province has set itself a target of reducing the unemployment, which now stands at 30.8% (in the 1st Quarter 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. 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.

Crucial to this growth and development agenda will be the ability to develop new ties with other emerging economies. New links with African and Asian economies offer prospects for sustainable growth in markets.

We believe that increased trade, the sharing and exchange in skills and technology, will lay a firmer foundation for growth and development. We have thus identified six (6) strategic areas of focus for our drive to develop our economy in a manner that creates jobs:

1. Infrastructure for Employment and Development;
2. Job Creation in Priority Economic Sectors as follows, agriculture, agro-processing and forestry; mining and mineral beneficiation as well as energy; tourism and cultural industries; manufacturing such as tooling, plastics and chemicals, bio-fuels).
3. Developing new sectors of the economy namely in the Green Economy and ICT;
4. Investing in Social Capital and the Public Service;
5. Rural Development by implementing strategies such as the (Comprehensive Rural Development Programme);
6. Regional and International Co-operation.

Our focus will also be on beneficiation, which will be a key element in moving from primary production in value add activities and will earn our economy more revenue as well as create more employment.

For example, we feel that the sugar industry can benefit by securing new long term markets in the east, which will open up opportunities for growth and even introduce new players to the local industry.

We have a mandate to ensure that co-operatives and SMMEs are developed, and to further ensure that the cost of doing business in the province is reduced, which will result in increased competitiveness.

Support to Co-operatives and SMMEs

Our country places more emphasis on the nurturing and development of co-operatives and Small, Medium and Micro Enterprises (SMMEs).

In Mpumalanga, our government regards co-operatives and SMMEs as an important part of a visionary development which will make the first economy accessible to a wider number of people, while also increasing provincial market share. There are a number of reasons why a high level of importance is attached to the development and promotion of small businesses and some are as follows;

- SMMEs and Co-operatives have shown a remarkable capacity to absorb labour, albeit largely unskilled;
- SMMEs and Co-operatives are usually locally owned and controlled, and can strengthen the extended family and other social systems and cultural traditions;
- SMMEs and Co-operatives provide a 'nursery' and a proving ground for entrepreneurship and innovation;

- SMMEs and Co-operatives provide employment for, and sometimes expand the entrepreneurial talents of women.

Challenges faced by SMMEs and Co-operatives in Mpumalanga

Despite our efforts to support and nurture SMMEs and co-operatives, they continue to face challenges ranging from lack of capacity, skills and management; access to market opportunities; access to appropriate technology; access to finance and lack of collaterals; lack of physical infrastructure, amongst others.

Proposed focus areas of co-operation between Mpumalanga and Indonesia

In terms of possible co-operation areas in respect to SMMEs and co-operatives, we propose that we co-operate on two (2) areas, namely, **financial and technical areas**. The focus in relation to financial co-operation would be (1) on *Debt Financing*, in order to provide access to finance for SMMEs and Cooperatives between both parties.

Secondly, it is necessary that we co-operate on *Equity Financing*, in order to promote the growth of venture capital businesses between both parties in APEC economies, and further provide opportunities for joint equity financing so that SMMEs and Cooperatives may raise long-term capital in the most efficient ways.

With regard to technical co-operation, the focus should be firstly on *knowledge exchange* in order to learn from one another, through information exchange and consultation, on the design and implementation of various financial products for SMMEs and Cooperatives. It is also significant that we share knowledge and experience in areas of risk management, credit guarantees, collateral issues, securitization, credit analysis, business diagnosis tools, and good corporate governance.

We can also share knowledge and experience in financial support for specific target groups, such as grass-root micro and community enterprises, start-ups, innovative and knowledge-based SMMEs and Cooperatives.

Secondly, we would have to co-operate on *human resource development*, in order to provide opportunities for staff and executives from both parties to participate in training programmes, workshops and seminars relating to SMMEs and Cooperatives development; provide personnel exchange programmes, and to even visit parties' respective organisations as well as successful SMEs in their respective economies.

Thirdly, we would have to network through informational technology to provide links, through parties' respective websites, to sources of information on financial products, services available to both parties

such as such as business management, financial management, marketing, production technology, research and relevant studies.

Political Closing Remarks by John Sikhosana

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