

# PERFORMANCE REPORT TO AFRICAN NATIONAL CONGRESS (ANC) BY CDE MN MOKOENA: MEC FOR ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM

PERIOD: NOVEMBER 2010 – NOVEMBER 2011

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## 1. PURPOSE

This report seeks to explain the progress made since I was deployed in November 2010 to the Department of Economic Development, Environment and Tourism by the ANC. It further not only seeks to highlight strategic milestones achieved, but also the challenges faced by the Department and the recommendations to mitigate the challenges at hand.

## 2. CONTEXT

### 2.1 Global Context

The economic meltdown which was experienced by the entire world from 2008-09, had far-reaching effects. These effects cut across national boundaries and economic sectors because of the global nature of the modern economy. Under the global economy, money moves easily around the world as investors seek new opportunities. As a result, consequences of the global economic meltdown are not limited to one country, but spread around and more likely, affects the entire world.

### 2.2 National Context

South Africa was no exception to this crisis, and had been sitting on relatively strong fundamentals and emerging from a protracted period of economic expansion. The meltdown allowed “not-so-well-hidden” vulnerabilities to surface. Unemployment, inequality and poverty, however still continues to plague our country. Agriculture, mining and manufacturing declined while the trade sector and current account deficit widened. Household indebtedness reached worrying levels in a low-interest rate environment and inflationary pressures mounted.

Moreover the crisis has also impacted the real economy. House prices have been declining along with vehicle sales. Manufacturing production has slowed down. Considering that the most of the coal mining jobs are in Mpumalanga, the mining sector continues to shrink further, and retrenchments are on the increase. Growth has slowed down which is a risky proposition for South Africa and Mpumalanga in particular.

Due to sound fiscal position adopted by our National Treasury, our economy was cushioned from the economic meltdown and was therefore spared a bit.

Close to 60% of our exports were destined for the US, the EU and Japan, and the contraction of demand in those economies are going to have a direct impact on our manufacturers and the labour they employ. The decline in the demand of commodities such as gold, steel, coal and timber coupled with the decline in prices has had a negative impact on those sectors in Mpumalanga. It has thus become much harder to do business in South Africa and in Mpumalanga. Financial institutions store their remaining assets, leading to sharp decline in lending. Even consumers and firms with stellar credit histories have trouble getting credit. Consumers, meanwhile, fearing further economic deterioration, spend less.

South Africa experienced relatively strong economic growth around the year 2000, but we also know that this growth did not address the structural challenges in the economy (*ANC 2011 January 8 Statement*).

This growth however did not translate into decent and sustainable jobs and opportunities for the unemployed and prospective entrepreneurs respectively.

### 2.3 Synopsis of Provincial Socio-economic review and outlook

The Socio-economic outlook of the Province can be characterised as follows:

- The Province is blessed with an abundance of natural resources, but is faced with the challenge of exploiting these resources in a manner that is sustainable and beneficial to the rest of the society. The said challenges can be characterised as follows:
  - The high unemployment rate (the highest of all Provinces at 30.4% in the second quarter of 2011)
  - Declining growth rate
  - Widening income disparity (Gini co-efficient)
  - High rate of poverty
  - Low skills levels
  - High HIV prevalence rate has a negative impact on the Provincial economy.

The ANC-led Provincial Government has to steer the Provincial Economy in a manner that addresses the challenges stated above in order to create *'A Better life for all.'*

### 2.4 Political Context

This report is in the main guided by the following Political mandates:

- The 2007 Polokwane Resolutions on economic transformation;
- The ANC's 2009 and 2011 General Election and Local Government/municipal Elections Manifestos, respectively;
- The 2011 January 8 Statement;
- The ANC February 2911 PEC *Lekgotla*.

#### 2.4.1 The 2007 Polokwane Resolutions on Economic Transformation:

This resolution instructs the ANC-led Government to accelerate shared economic growth by acting decisively to address the most significant obstacles that limit the pace of economic growth, and intervening in favour of a more equitable growth path.

Secondly, it mandates the Provincial Government to continue to roll out a State-led infrastructure programme, and promote strategic investments in productive activities with the aim of diversifying the economy.

#### 2.4.2 Election Manifestos

In the **2009 General Elections** manifesto, the ANC promises “**Decent Work and Sustainable Livelihoods**” for all people. The ANC-led Government has therefore committed to the people of South Africa that the creation of decent work and sustainable livelihoods will be central to its agenda, and special attention will be given to, inter alia, development finance institutions, regulatory bodies, labour intensive production methods, broad based economic empowerment, enhance the promotion of skills development, procurement policies that support local jobs and building public-private-partnerships and a host of other economic transformation policies.

The **2011 Local Government Elections** manifesto on the other side, promises “**to build local economies in order to create more employment and sustainable livelihoods.**” The National and Provincial spheres of Government are therefore expected to support municipalities which have been given electoral mandates to place job creation and sustainable livelihoods at the centre of their Local Economic Programmes, with a particular focus on skills development for Women and the Youth.

#### Tangible Action

- Creation of R9 billion jobs fund over the next 3years;
- Industrial Development Corporation (IDC) has allocated R10 billion for investment in job creating economic activities;
- A programme be developed that will support rural communities;
- Ensure that municipalities contribute to the National Climate Change Response Strategy, including ceasing related opportunities for job creation (for example in the emerging green economy).

#### 2.4.3 The 2011 January 8 Statement

The ANC has declared 2011 as the year of job creation through meaningful economic transformation as defined in the New Growth Path (*the NGP*). *The NGP* must isolate areas where the employment creation is possible on a large scale, but also set a platform for the strong social dialogue to focus all stakeholders on encouraging growth in employment creation activities.

#### 2.4.4 The ANC February 2011 PEC *Lekgotla*

The PEC *Lekgotla* of February 2011 gave further guidance to the ANC-led government in the Province to pursue an inclusive growth agenda, and prioritise the following critical tasks, amongst others:

- Develop the *new Mpumalanga Economic Growth and Development Path (the MEGDP)* – a growth trajectory which should be defined in the main by the following exercises:
  - Identifying strategic sectors with a potential to create more jobs in the Province, with a special focus on co-operatives and SMMEs (wherein women, the youth and people with disabilities will be prioritised);
  - Prioritising skills development as a pre-requisite for sustainable growth;
  - Promoting Regional and international economic co-operation;
  - Crafting a strategy that will contribute in reducing the carbon footprint/greenhouse gases. This exercise is all about the management of our environmental assets for sustainable development.

Furthermore, the current growth constraints dictated to the ANC-led Government in the Province:

- To urgently review and align the policy direction and operation of Provincial State Owned Enterprises and Development Finance Institutions; and
- To promote and drive the *CRDP* (Comprehensive Rural Development Programme) including revitalisation of rural towns.

### 3. MILESTONES, CHALLENGES AND CORRECTIVE MEASURES

The political context outlined above, remains a solid line upon which milestones are reported against. For the period November 2010 to November 2011, I have monitored and provided political guidance amongst other areas of work and strategic priorities of the ruling party.

#### 3.1 The Growth Path

Critical milestones on this area of work are as follows:

- The Mpumalanga Economic Growth and Development Path (*the MEGDP*) was preliminary endorsed by the Executive Council *Lekgotla* and the document is awaiting formal approval.
- Social partners including alliance structures, business, and civil society were consulted and the following has been noted through the consultation process:
  - There is consensus on the broad *MEGDP* document including the identified strategic sectors with a potential to create more jobs in the Province;
  - Stakeholders made valuable inputs especially on the required interventions to create jobs, for example, to develop the Provincial Industrial Policy, and to reduce the costs and ease of doing business in the Province;

- There is work in progress on institutional arrangements to drive the Implementation Plan (organisational structure has been reconfigured accordingly); and
- The drafting of the implementation plan is about to be finalised (it is 90% complete).

### 3.2 Support to Co-operatives and SMMEs

- The draft Provincial Strategy on co-operatives aligned to the co-operative Bill is at the final phase of completion;
- The MOU with Development Finance Institutions has been entered into to give structured support to co-operatives and SMMEs in the Province (for example to give financial support and entrepreneurial skills);
- The Business Launch Pad competition which seeks to unleash the potential for SMMEs and co-operatives to access funding beyond the boundaries of the Province was sustained.
- Facilitate access to government markets for co-operatives through initiatives such as the CRDP.

### 3.3 Broad Based Black Economic Empowerment (BBBEE)

To ensure the transformation of the structures of production and ownership through the participation of HDIs in the Mainstream economy, I have continued to give guidance in this area of work, namely, in the:

- Drafting of the Provincial BBBEE Strategy (which is due for formal approval);
- BBBEE awareness workshop for strategic sectors in the Province;
- Strategic linkages with corporate Mpumalanga e.g. Eskom Principals Forum have been sustained and significant number of Mpumalanga companies are accessing various opportunities through the Kusile Project. However, more work is still required to reach the critical masses. As it is now, most BBBEE companies are not able to meet Eskom's stringent requirements and they end up sub-contracting and we need to see more BBBEE companies in the main contractor's category. Other strategic engagements include TSB, Sasol, Komatiland Forestry, and commercial banks;
- Compilation of an Analysis Report on Procurement Spend by the Provincial Government.

### 3.4 State Owned Enterprises and Development Finance Institutions

Notwithstanding the current Presidential Review on SOEs, there was an obligation to stabilise and align Provincial SOEs to the ANC-led Government Priorities and the New Growth Path. It should further be noted that Polokwane Resolutions have instructed the ANC-led Government to strengthen the role of SOEs and ensure that, whilst remaining financially viable, SOEs or agencies – as well as companies in which the State have significant shareholding. They must respond to a clearly defined public mandate and act in terms of over-arching industrial policy and transformation objectives, and sadly this was not reached in our Provincial SOEs, especially in *MEGA*.

## Synopsis of the Status Quo in MEGA Post Intervention

The following have been achieved in turning around MEGA:

- To a degree MEGA has been stabilised and the merging process will be finalised before the end of the financial year, and when that happens, it will qualify to be registered with the National Treasury as a Public entity;
- An interim Board in consultation with the ruling party has been appointed;
- Plans have been put in place to deal with the issues raised in the Auditor General's Management Report;
- A turnaround strategy has been developed to ensure that the entity is financially viable and is able to execute its mandates of supporting SMMEs and co-operatives in the Province; contribute to the roll out of a State-led infrastructure investment programme and promote strategic investments in productive activities with the aim of diversifying the Provincial economy.

### 3.5 Investment Strategy

The Department, in collaboration with MEGA is in the process of finalising an Investment Strategy which will place the Province in a unique position to accelerate attraction of investments.

As part of the Investment Strategy, the Province will undertake inbound and outbound missions to address the decline in inflows of Foreign Direct Investment (FDI). Reports show that in all developing countries, there had been a decline in FDIs by 35% since 2009, after six years of growth, due to the impact of global financial crisis.

#### 3.5.1 Outbound and inbound mission

The Growth Path as a major driver, focuses on Regional and International co-operation, and the missions undertaken were meant to foster growth with a special focus on SADEC, Africa at large, the BRICS countries and the Oceania.

##### 3.5.1.1 Outbound mission to Indonesia

An outbound mission was undertaken to Indonesia from 08 to 17 July 2011. The purpose of the mission was to investigate opportunities for increasing bi-lateral trade and investments; facilitate tourism, sport and cultural exchanges as well as exchange experiences in technical and grant funding. Indonesia was identified as it provides the market for manufacturing technology and skills in different areas. According to the 2011 World Bank Report, Indonesia will become one of the top six (6) emerging economies in the next few years.

##### 3.5.1.2 Outbound mission to Oman

Purpose of the visit to the Sultanate of Oman was to explore trade and investment opportunities between the two Provinces; identify areas of cooperation in agriculture, tourism and industrial development; and strengthen social and cultural ties between the people of Mpumalanga and Oman.

The major outcomes of the visit are as follows:

In the Agricultural sector, the following areas of cooperation have been identified:

- Capacity building through exchange programmes on training, veterinary services and technical assistance;
- Research and development on wheat and banana production;
- Establishment of an integrated fresh produce market in Mpumalanga and the Port of Sohar.

In the Manufacturing sector, we will pursue prospects of expanding Oman Cables through the establishment of a manufacturing plant in Mpumalanga to support the energy sector throughout South Africa. In Industrial and Infrastructure Development, we agreed on capacity building in the form of an Exchange Programme to gain experience and expertise.

In relation to Tourism, we intend:

- To conduct a feasibility study to build a business case for the introduction of a direct flight from Oman to South Africa, preferably Kruger Mpumalanga International Airport;
- To increase tourism information sharing between the two Provinces by activating an Exchange Programme of Tour Operators and Travel Agents to package tourism products in both Oman and Mpumalanga;
- To introduce student exchange programmes to create awareness and exposure to the experiences of both provinces.

### **3.6 Sector Development**

The establishment of the Centralised Metallurgical Waste Plant has been identified as a mineral value addition beneficiation project which is aimed at addressing the lack of intervention in the beneficiation within the mining sector in the province. The project is set to kick start in the 2012-2013 financial-year.

The Renewable Energy Sector has also been identified as a sector with huge potential in employment creation. The Public Private Partnership model has been adopted to collaborate with the private sector in the establishment of smokeless stoves manufacturing plant, solar photovoltaic panels, Solar Water Heaters plants. This include partnership with Independent Power Producers and Charcoal producing plant using agricultural, forestry and collection of municipal waste.

On the Manufacturing and Manufacturing Value Chain, we are in the process of facilitating for the establishment of a PVC Pipe Manufacturing Plant. This project seeks to address the shortage of water supply material and management at municipality level. We are currently soliciting investors in this regard. Furthermore, the Leather Beneficiation Value Chain Programme will be embarked on to establish a footwear manufacturing plant.

In addressing the lack of beneficiation from abundant skin hides in the province, and the lack of sustainable footwear clusters utilising the centre of excellence model, we need to attract an integrated footwear cluster that integrates the entire footwear value chain with companies such as the *Edcon Group*.

### **3.7 Human Capital Maximisation**

The Department in collaboration with the Department of Education has been instrumental in the development of the Provincial HRD Strategy.

Our central provincial concern is to accelerate development so that there is a match between supply and demand for human resources. The HRD Strategy will enable us to maximise the potential of the people of Mpumalanga through the acquisition of knowledge and skills, working productively and competitively in order to achieve a rising quality of life for all. This will further set in place an operational plan in line with the Mpumalanga Economic Growth Path. The HRD strategy will assist in taking purposeful action to increase the aggregate levels of skills in the workforce, so that we can maximise opportunities for individuals, thereby benefiting society as a whole.

This strategy is a call to action. Its primary purpose is to mobilise multi-stakeholder participation, and to encourage individuals and organisations to take on the challenge of improving the human resource stock of our communities. By enhancing the skills, knowledge and abilities of individuals, HRD serves to improve the productivity of people in their areas of work – whether these are in formal or informal settings. We also need to emphasise that increased productivity and improvements to the skills base in any country supports economic development and social development as well.

### **3.8 Comprehensive Rural Development Programme (*the CRDP*)**

The Department is participating in this programme through the establishment and the development of co-operatives in the seven (7) identified CRDP Municipalities. The Department has its own set of projects, as well as supporting sister Departments who are involved in providing infrastructure in the Province. In the infrastructure projects, we register and train co-operatives. We registered co-operatives to manufacture bricks, door and window frames, as well as warehouse and supplier co-operatives. We have also supported the establishment of labour cooperatives to train our people to manufacture bricks, do carpentry, plumbing, plastering, tiling and electrifications.

In the Departmental sets of projects, we identified enterprises that can produce bread, paint, detergents, and grow nurseries and vegetable tunnels. Our approach was to identify projects that can be rolled out throughout all the seven (7) *CRDP* areas, as well as those that are unique to particular areas such as pallets, charcoal, fish farming and so forth.



### 3.9 Environmental Assets

The Department has signed the *Service Delivery Agreement on Outcome 10* with the Minister of Environment and Water Affairs, which is aimed at protecting “**Environmental assets and natural resources.**” This Outcome focuses mainly on the quality of water, reduction of gas emissions and climate change, sustainable environment management and the protection of biodiversity.

In championing this conservation mandate, we managed to increase the hectares of land under conservation in the Province by 23 000 hectares from 229 000 hectares in 2009 to 252 000 hectares in 2010.

Through ‘*the Greenest Municipality Competition,*’ which is an element of the National Waste Management Strategy, we will collectively contribute towards realising the said outputs of Outcome 10. The ‘*Greenest Municipality Competition*’ links to other global and national initiatives such as greening the nation, and ensuring the reduction of greenhouse gases. The departure point of the competition is environmental education and awareness. It encourages municipalities and people to play an active role in the moral regeneration of their communities, and to re-ignite pride and commitment in cleaning up their environments.

This competition stresses six (6) core elements, namely:

- Waste Management;
- Energy Efficiency and Conservation;
- Water Management;
- Landscaping, tree planting and beautification;
- Public Participation and Community Empowerment; and
- Leadership and Institutional Arrangements.

In relation to waste management, municipalities are urged to demonstrate their ability to promote the ethos of the waste hierarchy, by promoting waste minimisation and re-use. Under energy efficiency and conservation, municipalities are encouraged to cut down on energy usage such as considering using green street lighting which includes LED technologies, solar and retro-fitting with Compact Fluorescent Lamps (CFL), and the implementation of green building principles in new developments.

With regard to raising awareness around climate change and its impact, we held a two (2) day Provincial Climate Change Summit from 6-7 October 2011, as a build up to the COP17 United National Climate Change Conference currently taking place in Durban. At the end of the summit, stakeholders signed a declaration, and amongst others, committed:

- To mitigating our climate change impact through reducing greenhouse gas emissions;
- To co-operating with affected sectors such as agriculture, water, mining, forestry, to reduce the impact of climate change.

Areas of cooperation include, the transfer of technologies relating to inter alia, climate change adaptation and mitigation and technology development initiatives;

- To educate and create awareness to establish programmes and projects in partnership with all stakeholders to respond to the challenge of climate change;
- To increase the contribution of a low carbon footprint in the economy of the province through the promotion of renewable energies and the creation of sustainable livelihoods.

I trust that you will find the information provided above in order.

**Working together we can do more!**

Kind regards,

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CDE MN MOKOENA

*MEC: Economic Development, Environment and Tourism*

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