

Address by MEC for Economic Development, Environment and Tourism at the National Annual General Meeting of FABCOS, Kloppenheim Country Estate, Emakhazeni, Local Municipality.

Monday, 22 November 2010

- Programme Director;
- President of FABCOS, Mr Mxolisi Zwane;
- Distinguished guests;
- Comrades and friends;
- Ladies and gentlemen

Good Afternoon!

As the Department responsible for economic matters in the province, we are humbled and appreciating that you've once more, invited us to address the annual general meeting of your organisation.

This is because on the occasion of the annual general meeting of your organisation last year on 09 October 2009, you invited us to come and interact with you to discuss matters that affect the livelihood of our people.

This can only mean that you, like the ruling party – the African National Congress, believe that **“Working together we can do more,”** to change the living conditions of our people and continue in our quest to provide **a better life for all.**

The Global Economic Crisis

Ladies and gentlemen; when we interacted at the same venue last year, our economy was still bleeding as a result of the job losses experienced due to the global economic meltdown.

The recession had devastating impact on the economy and prospects for employment. The economy took a heavy knock, with some 870 000 people losing their jobs in 2009 and households suffering from falling incomes and high levels of debt. The domestic economy contracted by an estimated 1.8% in 2009 as a result of a decline in consumption spending and weak investment growth.

During the course of this year, the South African economy started to show signs of recovery, but there is no doubt that we are not out of the woods yet. Poverty, unemployment and growing inequalities remain entrenched in our economic system.

Collectively, as government and business, we need to respond to alleviate the plight of the poor and vulnerable and achieve better social outcomes. This is only possible in the context of a growing economy characterised by increased productive capacity and high levels of labour absorption.

This will not be easy. The greatest challenges of our times remain, which are, unemployment and poverty. As Madiba once said, and I quote: *“After climbing a great hill, one only finds that there are many more hills to climb!”*

We’ve climbed the greatest hill of the economic recession, but many more hills remain to be conquered. The creation of **decent work and sustainable livelihoods** in order to reduce unemployment and poverty, remains one such hill to climb.

It remains critical therefore, that we must continue to work together in order to conquer this hill. Hence, we believe that your contribution remains critical in ensuring that business, particularly the SMME sector, plays a meaningful role in the mainstream of the economy to drive up growth and decent employment.

Key economic outcomes and the role of business

Ladies and gentlemen, you would be aware that the ANC-led government has committed to paying attention to 5 priorities during its current term. These are:

- Creation of decent work and sustainable livelihood
- Education
- Health
- Rural development, food security and land reform, and
- The fight against crime and corruption

From these priorities, government has derived 12 outcomes on which government work must focus to realise the vision of a better. These outcomes are;

1. Quality Basic Education
2. A long and healthy life for all South Africans
3. All people in SA are and feel safe
4. Decent employment through inclusive economic growth
5. Skilled and capable workforce to support an inclusive growth path
6. An efficient , competitive and responsive economic infrastructure network
7. Vibrant, equitable, sustainable rural communities contributing towards food security for all.
8. Sustainable human settlements and improved quality of life.
9. Responsive , accountable, effective and efficient Local Government System
10. Protect and enhance our environmental assets and natural resources.
11. Create a better South Africa, a better Africa and a better World.
12. An efficient, effective and developmental orientated public service and an empowered, fair and inclusive citizenship.

The outcomes approach focuses on fostering collaboration among key partners and stakeholders to negotiate a Delivery Agreement that commits all partners to achieve a specific outcome. At a national level, the President has assigned coordinating Ministers for each of the outcomes. At a Provincial level, the process of concluding Delivery Agreements is about to be finalised, with Delivery Agreements expected to be signed off at the end of this month.

At the Provincial Government, we have been interacting with our social partners to ensure that they participate in the development and implementation of commitments contained in the Delivery Agreements. Delivery Agreements constitute a new platform for increased cooperation between government and its social partners.

Therefore, as FABCOS, it is important to ensure that you contribute to the development and implementation of Delivery Agreements which are intended to deliver agreed national outcomes.

The new Growth Path

Ladies and gentleman, most of you would know that there is acknowledgement by government and its social partners that to turn the economic situation around, we need to do things differently. As part of our comprehensive response to the challenges of the global recession, high levels of unemployment, inequalities, and underdevelopment, there is a need to collectively define a new growth path begins to define a new growth trajectory for the economy.

Recently, national cabinet concluded discussions on the new growth path aimed at ensuring that our economy moves in the right direction.

The new growth path has identified several sectors with the potential to create new jobs as the country shifts to a more labour-absorptive economy. It includes a deliberate and strategic focus on:

- manufacturing,
- infrastructure development,
- rural development and agro-processing,
- as well as the "green" economy.

Minister Patel has consistently emphasized that *"The central ideas in the developmental growth path are to enhance the labour absorbing capacity of the economy and to find ways to connect knowledge and innovation to the challenge of jobs and growth,"*

The role of the private sector in creating new jobs is crucial. As FABCOS, this is the economic space that you need to occupy as we promote the entrance of Black participants and small businesses into the value chain of economic opportunities flowing from the new growth path.

Government's economic policy will continue create the necessary environment Broad-based Black economic Empowerment and intervene statically in key economic sectors to enhance SMME development.

As government, we continue to appreciate the ongoing contribution being made by FABCOS in ensuring that our SMMEs continue to play a meaningful role and claim a stake in our economy.

Through your unwavering commitment, the previously marginalised people in our country are fast realizing benefits of participating in the mainstream economy.

Industrial Policy Action Plan 2

Programme Director, we believe that through the Industrial Policy Action Plan 2, more opportunities will be created for businesses as the country accelerates industrial growth and diversification.

IPAP2 will become one of the key drivers of the new growth path. Moving away from credit and consumption-driven growth calls for a strategic focus on manufacturing competitiveness.

Most importantly, manufacturing and other productive sectors of the economy are the engines of long-term sustainable growth and job creation in developing countries such as our own.

IPAP 2 is intended to expand production in value-added sectors with high employment and growth multipliers that compete in export markets as well as compete in the domestic market against imports. It places emphasis on more labour absorbing production and services sectors, the increased participation of historically disadvantaged people and regions in our economy. It will also facilitate, in the medium term, SA's contribution to industrial development in the African region.

African markets are essential in the growth of South African businesses. As FANCOS, it is critical to encourage and support your members to take advantage of opportunities in the African region. We need to contribute to the economic growth and integration of the entire continent.

Among other pillars of IPAP2, is government's aim to increase competitive local procurement and supplier development opportunities, minimise 'leakages' from the domestic economy, and support meaningful Broad Based Black Economic Empowerment (B-BBEE) in all 3 spheres of government and in State-Owned Enterprises.

As a Province, we've undertaken a number of initiatives to ensure that we support entrepreneurship and the growth of SMMEs. We have crafted a **provincial small business development strategy**, through which we commit to continue to develop regionally, sector-diverse and growth-oriented small businesses characterised by the increasing levels of competitiveness and innovation. Special focus will be on the participation of target groups such as women, the youth and people with disabilities.

Our long term goal is to see all SMMEs in the province graduating from participating in the second to the first economy. Furthermore, in order to increase the number of entrepreneurs in the mainstream economy, we continue to implement what is known as the *Business Launchpad* competition.

The *Business Launchpad* competition is a concept which is intended to give funding opportunities to all those aspiring entrepreneurs, who've found it difficult to get start-up or expansion funding from conventional commercial banks.

We are proud to announce that one of the **2009 winners of the competition in the ICT category, Mr Maphindi Ngwenya of Nelspruit**, has just been awarded a contract to develop digital billboards for the King Shaka International Airport in KwaZulu-Natal. Mr Ngwenya received funding for mentorship and business development support to the tune of R250.000 after winning in the competition.

The 2010 competition was launched in June and the winners will be announced in two days time at an event to be hosted at the Ingwenyama Conference Centre in White River.

A similar strategy also saw **Ms Julia Shungube** of Siphandane Trading in Nkomazi winning **start-up equipment to the value of R150.000** for her body oil making business through the **Youth Entrepreneurship Programme**. Ms Shungube

manufactures body oil from the jathropa plant, and was recently selected by *the dti* (Department of Trade and Industry) to be part of an investment promotion mission to China in July this year, to go an exhibit her product.

Ladies and gentlemen, in our effort to advance economic empowerment and promote engagements with key stakeholders, our department has established a Provincial BBBEE Advisory Committee and Forum. The committee and forum advice the department on empowerment issues, and provides support on BBBEE implementation.

We are proud to indicate that FABCOS is represented in the forum by a representative of its Provincial leadership, Mr Zayd Boroko.

We have also established a stakeholder forum for the Eskom Kusile Project, to allow local entrepreneurs an opportunity to engage with Eskom on the available economic opportunities such as procurement and their corporate social investment initiatives.

It is also our intention, to embark on a process of doing BBBEE verification for all companies doing business with the Provincial government. This will assist in ensuring that companies benefiting from government procurement are really BBBEE compliant. We want to ensure that our spending is directed towards growing and ensuring that SMMEs in the province are sustainable. This is one of the mandates being given to us, and we cannot let anything stand on our way, as we strive to fulfil that.

We continue to interact with community members in all the districts by conducting BBBEE awareness seminars to empower them to understand how they can benefit through BBBEE legislation.

Ladies and gentlemen, when we met last year, we informed you that we are in the process of merging the old Mpumalanga Economic Growth Agency (MEGA), the MADC (Mpumalanga Agricultural Development Corporation) and the Mpumalanga Housing Finance Company, to create a new super entity. Since we are committed to saving costs associated with establishing a new entity, we have decided to keep the name, MEGA, for the new super entity.

I can report that the three entities have been successfully merged and the new MEGA is now operational. We have just recently appointed a new board for the entity, chaired by Ms Rachel Kalidas, and have also started a recruitment drive to appoint a CEO.

The merger of the three (3) public entities came after the Honourable Premier realised that *“our success in driving an accelerated programme of economic growth and job creation requires the existence of requisite institutional capacity, to enhance enterprise development and build massive economic and social infrastructure.”*

In his inaugural speech of 19 June 2009, Premier D.D Mabuza said the merger of the three entities is expected *“to accelerate enterprise development and delivery of massive infrastructure.”*

As the new entity is still in its infancy, we believe that once all systems and strategies are aligned, this will realise the acceleration of enterprise development which will see SMMEs in the province benefitting significantly.

We have a responsibility as government, to create the conditions for tourism growth and development by promoting and developing tourism, thereby increasing

job and entrepreneurial opportunities and encouraging the meaningful participation of previously disadvantaged individuals.

Working together, we can do more to ensure that all aspiring small entrepreneurs share in the wealth of their country of birth. This is our collective responsibility, and we dare not fail in our quest to realise this commitment.

Ladies and gentlemen, next week the Executive Council will be discussing the draft provincial our province Economic and Development Growth Path which will seek to address unemployment, poverty and inequality, amongst others.

Consultations with different stakeholders, including yourselves are continuing, and we intend to finalise the strategy by the end of this current financial year.

As the rest of the country, we believe the growth path will pave the way to turn-around our economy, in order to realise the election commitments made by the ruling ANC.

As I close, let us draw wisdom from a Chinese proverb which says, and I quote:

*“If you want to know your past - look into your present conditions.
If you want to know your future - look into your present actions.”*

Our actions should show that we care for the future.

I thank you!