

Keynote address by TSP Makwetla, Premier of the Mpumalanga Provincial Government at the Mpumalanga Growth and Development Summit, Emnotweni Arena, Nelspruit

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Programme Director

Members of the Executive Council representing all three Cabinet Cluster Committees

The Director General, Mr Khaya Ngema, and all HODs and CEOs of our Parastatals

Leaders of Organised Labour in Mpumalanga

Distinguished Leaders of the Business Community representing different industries and chambers in the Province

Distinguished Leaders of our Civil Society Organisations and Development Institutions

Senior Managers in the Public Service at National and Provincial level

Colleagues

Ladies and gentlemen

Allow me to begin my input this morning by making reference to a side issue which, nonetheless, is intrinsically linked to the mission of this important gathering today, namely the untimely and tragic demise of South Africa's Secretary for Defence, Mr January Boy "Alias Ché O'Gara" Masilela. Now that he has joined the dead, and no longer in competition with the living, I believe we should be less challenged to agree that our Province has indeed been robbed of an exceptional individual, a true social reformer, a combatant, and an icon in the popular struggle of our people for democracy and social progress. May his pure spirit rest in peace.

As the first MEC for Local Government in our Province, 'Ché' Masilela was part of the team of pioneers who plotted the growth and development of our communities at the dawn of our democratic order. True to the legacy of South Africa's freedom fighters, Cde Ché never viewed himself as anything else but part of the material with which the freedom and reconstruction of our (people) country was to be won.

I therefore wish to humbly dedicate my remarks this morning to his memory, to let his spirit live forever among us, and help re-double our efforts in all the work and programmes that shall flow from this Summit's resolutions as we journey into the future.

It is an honour and a privilege to open our Growth and Development Summit today, three years since our last dialogue in Badplaas. For me, it represents a decisive moment in Mpumalanga's socio-economic and political development. Once again the provincial administration has created a platform for government to engage with our social partners to agree on innovative and bold steps to address the socio-economic challenges the province currently confronts.

The economist Michael Spence, a Nobel Laureate and Chair of the Commission on Growth and Development, an independent body supported by Australia, Sweden, the Netherlands, UK, the William and Flora Hewlett Foundation and the World Bank Group, says "growth is a necessary condition for the achievement of a wide range of objectives that people and societies care about. One of them is obviously poverty reduction, but there are even deeper ones. Health, productive employment, the opportunity to be creative, all kinds of things that really matter to people seem to depend heavily on the availability of resources and income, so that they don't spend most of their time desperately trying to keep their families alive."

To that end, the provincial administration has embarked on a comprehensive and far-reaching review of the Provincial Growth and Development Strategy (PGDS), which will provide the framework for planning and implementation of the programmes of provincial government, municipalities, the private sector, organized labour and civil society. It has always been our desire to have the product we are tabling here today presented to our partners and stakeholders much earlier, however, owing to our objective capacity limitations, this proved to be a formidable challenge.

Ladies and gentlemen, when we addressed the Mpumalanga Labour Summit in May this year, which was attended by many of the participants that are present here today, we said that the PGDS Summit will provide a platform for us to jointly craft a PGDS that supports integrated planning and cooperative implementation. I also indicated that the provincial administration will create a permanent structure to institutionalise and deepen stakeholder consultation and oversight of the implementation of the PGDS.

These are ambitious objectives. They are also a necessary condition for harnessing the capabilities and energies of all the agents and institutions that play a role in the development of our province, in order to achieve a better life for all in the coming decade. Without integrated planning frameworks and co-ordinated implementation, we will not effectively address the challenges of poverty, inequality and unemployment. I have no doubt that the

'pioneering spirit' that is an intrinsic characteristic of the people of our Province; will enable us to find innovative approaches to attaining our socio-economic objectives.

Socio-economic challenges

Ladies and gentleman, it is imperative that we have a shared understanding of the socio-economic challenges confronting the province, if we are to craft an overarching strategy to address them. At the Labour Summit, we said that we share a common enemy: poverty. The annihilation of that common enemy is our central challenge. The looming target is the national objective of halving poverty by 2014.

The persistence of poverty is a reminder to us all that the apartheid legacy weighs heavily on our country and on our province. The research undertaken in support of the PGDS illustrates the magnitude of the problem: in Mpumalanga 61.6% of households live below the poverty line of R800 per month. Critically, inequality has grown in the province, both between racial groups and within racial groups.

This indicates that our growth path has not been inclusive and has exacerbated the apartheid legacy of poverty and inequality, rather than redressing it. The dominance of resource-based and capital intensive economic activities in the provincial economy, including petrochemicals, electricity generation, mining and metals, are not labour-absorbing and require high skill. They are therefore not sufficiently impacting on the inclusion of the poor majority.

We must acknowledge that substantial progress has been made in addressing poverty through the rolling out of social grants and the provision of essential services, including health, education, water, sanitation and electricity. However, the exclusion of poor households from the first economy creates a formidable structural impediment to alleviating poverty.

There is substantial evidence that unemployment lies at the heart of poverty. It is the absence of wage income that characterises poor households, which depend on remittances, pensions or grants. Unemployment is also a brake on growth: the international panel on growth, appointed by National Treasury to advise government on how to attain an inclusive growth path, make the incisive point that the unemployed represent an untapped resource to drive a shared growth trajectory as long as they remain outside the labour market.

The draft Anti-Poverty Strategy further highlights the fact that as is the case in Mpumalanga, in South Africa, poverty is associated with very high levels of inequality. Inequalities are still associated strongly with race and gender as well as location. Inequality matters because it acts as a brake on development and because it poses a structural constraint to the eradication of poverty. According to the World Development Report of 2006 an unequal distribution of assets and human capital reinforces inequality and low levels of growth, while more equitable land distribution and access to health and education services are associated with rising equality and shared growth.

A further observation made in the draft Anti-Poverty Strategy that is of relevance to our deliberations here today, is the fact that poverty continues to reflect apartheid settlement patterns. Virtually all poor households are found in the former Bantustan regions, informal settlements and historically black townships. Two-thirds of the population of the former Bantustans live in poverty.

In Mpumalanga, the combination of a growth path that is capital, technology and skill intensive; apartheid spatial patterns; inequality and unemployment, play a mutually reinforcing role in perpetuating poverty. The areas where the three former Bantustans of KwaZulu, Gazankulu and Kangwane were located continue to be poverty pockets, where large concentrations of poor households reside. Despite access to social grants and services, the exclusion of the vast majority of households in these areas from the mainstream economy, and from wage income, keeps them in poverty and deprivation.

In advancing the goals of the Provincial Growth and Development Strategy, it is crucial that the Province accelerates investment in social infrastructure, improving access to housing along with basic services such as water, decent sanitation and electricity, improving access to quality education and skills development opportunities, advancing access to comprehensive health care as well as addressing high rates of crime in our communities.

Central to the major task of enhancing the delivery of basic services is ensuring that communities have access to water. As a Province, we have prioritised the 'Water for All' flagship programme to ensure that communities have access to water services infrastructure and clean water by 2010. Of 945 000 households, 661 546 have access to water. 283 454 households have no access to adequate water (below RDP standard). Of this amount, 36 352 households have no access to infrastructure at all. While recognising progress we have made providing access

to electricity to many households, we still need to strengthen our efforts in addressing the backlog households who do not have access to electricity. We also need to improve and sustain momentum in the delivery of houses.

At the heart of sustained provincial growth and development should be the availability of comprehensive health-care services to the people of the Province. We should continue to improve the quality of health care, and ensure that we contribute meeting health millennium development goals of reducing infant mortality and maternal mortality, and reversing the spread of HIV/AIDS, tuberculosis, and malaria. Critically, government and its social partners gathered here today should commit to strengthening partnerships for the implementation of the national HIV/AIDS Strategy in order to mitigate the devastating impact of the HIV and AIDS pandemic.

Provincial Labour Market Trends

As regards the provincial labour market, between September 2006 and September 2007, unemployment in Mpumalanga declined by 5.1% points, to reach its lowest level of 22.9% since accurate official statistics have been available in the post 1994 democratic era. Indeed, Mpumalanga now has the third lowest unemployment rate of the 9 provinces, after Gauteng and the Western Cape. Despite the fact that most of the new jobs are in the informal sector, improved labour absorption is a cause for optimism as it suggests that there is potential for the provincial economy to create jobs in the future.

However, we must squarely acknowledge the gender and age bias that characterises our labour market and that makes women and the youth more vulnerable to poverty. Ladies and gentleman, it is highly disturbing that according to official statistics, in September 2007, in Mpumalanga the unemployment rate for women stood at 30.3%, compared to 16.7% for men, in a context where participation rates for women are 51.3%, compared to 66.5% for men. These statistics starkly illustrate the extent of the gender bias in our labour market.

In relation to youth, the critical point is that South Africa has a young population, which accounts for a high proportion of the economically active population and a large proportion of the unemployed. In Mpumalanga, in September 2007, 72% of the unemployed were youth. This poses economic, social and political challenges which require urgent and forceful interventions to ensure that young people are active players in economic growth through their participation in the labour market.

Ladies and gentlemen, the vast majority of young people that enter the labour market each year encounter disappointment and frustration as they are unable to find jobs. For most young people, it takes many years to find work after leaving school or completing a tertiary qualification. An interesting finding of the draft anti-poverty strategy is the paradox that because education has improved in the democratic era, youth have far more years of education than older labour market participants, but much higher unemployment rates. Notably, workers earning under R1 000 per month – predominantly in agriculture, domestic work and construction – have lower education levels than most jobless youth.

Ladies and gentleman, I have delved into some detail about the characteristics of the related challenges of poverty, unemployment and poverty in Mpumalanga, because if we are to contribute to a strategy to redress these socio-economic challenges, we must have a shared understanding of the nature and severity of the problems.

Growth Trends

The dynamics and drivers underpinning economic growth in Mpumalanga will play a decisive role in the manner in which we are able to address the challenges of alleviating poverty through growth and employment. While growth in the provincial economy has been robust between 2004 and 2006, exceeding 4% each year, it has been below the national growth rate, which averaged 5.1% over that period. This is largely because growth has been driven by the tertiary sector, in a context where it accounts for a smaller proportion of economic output in Mpumalanga than is the case for the national economy. A further structural feature of the provincial economy that accounts for slower growth is the fact that the mining sector represents a high proportion of output, 21.9% in 2006, three times more than the national average, and has been growing slowly.

The drivers of provincial growth have been transport and communications; finance, real estate and business services; wholesale and retail trade, hotels and restaurants, which includes the tourism industry and manufacturing. Construction is the fastest growing sector, averaging a growth rate of 9.8% during the 2001 – 2006 period, but from a small base of 2% of provincial output in 2006. These trends are to be encouraged and supported, particularly in the labour absorbing industries, such as construction, which accounted for 9.9% of the employed in the province in March 2007; and wholesale and retail trade, hotels and restaurants, which accounted for 24.9% of employment.

In the light of the global food crisis and its labour-intensive nature, it is disappointing that the agricultural sector has contracted during the 2001 - 2006 period. In 2006, it contributed 3.9% to provincial output, while accounting for 11.5% of employment. The mining sector also performed poorly and accounts for a disproportionately low share of formal employment due to its capital-intensive nature.

Ladies and gentlemen, alongside the growth dynamics of the provincial economy, there are two opposing forces that characterise the national economy that will impact on Mpumalanga's growth prospects: on the one hand, increasing interest rates in response to increasing food, fuel and electricity prices will have an adverse effect on growth; on the other, planned public investment in infrastructure will have a very positive impact on growth. It is imperative that we factor these realities into our PGDS.

The key point in relation to Mpumalanga 's growth prospects is that we have a growing economy that has been undergoing a structural change that will place it on a higher growth path. It is our collective responsibility to ensure that it is an inclusive growth path, by more forcefully ensuring that more jobs are created in all sectors for every additional rand of output. It is clearly also imperative to target and facilitate the growth of labour-intensive sectors.

Provincial Government's Perspective of Mpumalanga 's Growth and Development Priorities

Ladies and gentleman, as the purpose of this summit is to craft the PGDS, it is important that government's perspective frames the discussion and provides a platform for the debate and discussion that is to take place in the commissions this afternoon.

The provincial administration's approach to socio-economic policy is framed by national policy, including Accelerated and Shared Growth Initiative for South Africa (AsgiSA), the National Spatial Development Perspective, the Anti-Poverty Strategy and the National Industrial Policy Framework. Our role is to customise these policies so that they address the unique characteristics of Mpumalanga 's socio-economy, and to align them to the strategies and plans of the three spheres of government and our social partners.

The framework we are proposing for the growth and development strategy rests on four pillars: poverty alleviation, employment, growth and environmental sustainability. They are aligned to the AsgiSA 2014 targets of halving poverty and unemployment and attaining a 6% annual growth rate, as well as the national imperative of ensuring that development is environmentally sustainable. The integrated spatial framework for the province will underpin these four policies, because our strategic framework for growth and development must be embedded in the spatial dynamics of our province.

In line with the national anti-poverty strategy, two strategic areas of focus are at the center of the fight against poverty: the creation of economic opportunities and improved educational outcomes . Of course, direct support to poor households through social grants and free basic services will continue to play a critical role in reducing the vulnerability associated with poverty.

The creation of economic opportunities is inextricably linked to employment creation. In terms of educational outcomes, the province plays a pivotal role in the development of human capital through the provision of primary and secondary education, early childhood development and adult basic education and training. In the 2008/09 financial year, 47.7% of the provincial budget, R8.9 billion, is allocated to this important function. The challenge for the provincial administration is to improve educational outcomes by improving the quality of education.

Ladies and gentlemen, the history of economic development during the last century demonstrates that no country has been able to break out of poverty without substantially widening and raising its human capital base. No country has been able to adopt a development pattern characterised by consistently high rates of economic growth without making a substantial investment in the human capital of its population.

However, not all countries which invested in human capital have succeeded in attaining high rates of growth and development. Human capital investment is thus a necessary but not a sufficient condition for growth and development. Countries that have been able to "leap-frog" onto the growth path of higher living standards are those that were able to make substantial investments to ensure optimal outcomes in education and health and coupled these to appropriate demand-side interventions such as industrial policy.

In South Africa , the persistence of high income inequality, which is clearly inhibiting economic growth and poverty reduction, cannot be meaningfully disassociated from the limited and unequal access to human capital; they are inextricably linked. Therefore, efforts to foster education accumulation, and particularly education equality and access for the poor to high quality health services, will have a substantial impact on reducing inequality and stimulating growth.

It is critical that we are cognisant of the fact that achieving satisfactory outcomes in education is dependent on the complementarity in the provision of other services, particularly amongst poor communities. It is therefore crucial that the province is able to forge the linkages between education and health outcomes, and the provision of clean water, adequate sanitation, cheap and accessible transport, and effective nutrition programmes .

A crucial aspect of the national anti-poverty strategy, which is a priority of the provincial administration, is the development of social cohesion and social capital. This involves programmes to ensure a more inclusive and integrated society, based on the development of more integrated structures and engagements across class and race, as well as visible solidarity in communities and society as a whole. The focus is also on strengthening social capital, especially for the poor to expand their networks and ensure they have access to information.

Ladies and gentleman, the current initiatives to combat poverty rely heavily on government sponsored and administered programmes and projects. It is imperative that the PGDS recognises that the struggle against poverty requires support, not only from the State, but also from business, non-governmental organisations (NGO's), students and others who are not poor. This support can take several forms, such as mentoring new businesses or community organisations, volunteering in poor communities, assisting organisations representing the poor or providing funds through, for example, Corporate Social Investment programmes. It is my sincere hope that we can mobilise human and financial resources to jointly wage a war against poverty.

As regards employment creation, the challenge is not only to create jobs, but to create decent jobs. As many of the poor and unemployed lack skill, they are doomed to unemployment or to work in the low wage, low productivity sector. The eradication of poverty and the acceleration of growth therefore require skills development to enhance the productivity of our workers. This is, in turn, a pre-condition to increase wage income in order to create decent jobs.

Active labour market policies that facilitate the school-to-work transition, alongside a joined-up human resource development strategy, that involves the entire education pipeline, from early childhood development all the way through to tertiary education and on-the job training, is a necessary condition for skill development and labour absorption.

A further imperative is to identify the skills that are required by the public and private sectors and to create training programmes to develop those skills through public-private partnerships involving industry, Sector Education and Training Authority (SETA) and provincial government. Youth, women and school leavers can then be actively directed to acquire these skills as a pathway into the labour market.

I have already said a great deal about growth. The thrust of government's approach is to target industries and sectors that are labour-absorbing, as this lies at the heart of an inclusive growth trajectory. In the case of capital-intensive industries, the challenge is to strengthen backwards and forward linkages in the provincial economy, so that these industries are able to create more jobs.

The transformation of the provincial economy through the promotion of Broad Based Black Economic Empowerment (BBBEE) is also a critical dimension of our growth path, alongside the expansion of the small, medium and micro enterprise (SMME) sector. A further long-term priority is integrating the first and second economies, so that over time we have one economy.

Ladies and gentlemen, environmental sustainability is a non-negotiable aspect of our growth and development trajectory, if we are to maintain our environment for future generations. Environmental degradation caused by polluting industries and other factors such as poor waste management must be dealt with as a core dimension of our PGDS. We must also utilise our unique and pristine environment as a lever of economic growth. In addition, we need to explore the possibility of creating 'environmental industries' that produce goods and services in an environmentally sustainable manner, as this is clearly an industry with immense growth potential.

Institutional Mechanisms for Implementing the PGDS

If we are to deepen and sustain the outcomes of today's summit, it is imperative that a permanent institutional mechanism is put in place to facilitate ongoing policy development and the implementation of priority programmes and projects. As government, we have proposed the establishment of a Provincial Development Forum, which will include representatives from provincial and local government, business, labour and civil society.

The role of this forum is to:

- enhance communication, cooperation and coordination between government and social partners in achieving economic and social development objectives
- facilitate joint analysis and assessment as well as research on economic, social, environmental and other development realities
- facilitate agreement on policy objectives and a framework of agreement for a provincial strategy
- identify opportunities for participation of each sector of society in projects
- facilitate participation in generating the required resources for effective implementation of programmes and projects
- review, assess and make recommendations on progress reports.

Ultimately, the forum will create a platform for joint accountability in the attainment of our socio-economic objectives.

Conclusion

Ladies and gentlemen, this summit represents a pinnacle point in a broader process to craft a framework, in the form of a refined PGDS, to guide our growth and development initiatives and to ensure that they are aligned for maximum impact. I urge the participants here today to direct your considerable capabilities and energies to finding innovative solutions to the formidable socio-economic challenges confronting the Mpumalanga province.

I have no doubt that we all share a vision of a prosperous, non-racial, non-sexist and democratic province. We all share a desire to eradicate poverty so that our children don't have to live in a province where poor and vulnerable sectors of the population experience suffering and indignity because they are unable to meet their basic needs.

Ladies and gentleman, Albert Einstein defined madness as the belief that you can achieve different outcomes by doing things in the same way. My parting message is that hope for a better future is not enough. Purposeful action, grounded in a rigorous strategic framework and supported by human and financial resources will yield the desired developmental outcomes. That is the task for each one of us over the next two days.

Let me conclude by foregrounding the remarks of the President of the Republic, Pres. T Mbeki, on the challenges of the moment: "Given what we have achieved in the last 14 years, and the possibilities we have created as a result, the challenge we face is to act firmly according to the popular mandate we enjoy, without fearing to act practically, consistent with the challenging reality that the masses of our people accept that they depend on the democratic government as the central element of the engine of their hopes, whatever their problems, and that they will continue to sleep easily as long as they know that – the ANC lives! The ANC leads!"

I wish you fruitful deliberations and look forward to enriching constructive dialogue.

I thank you.