

## **KEYNOTE ADDRESS BY MPUMALANGA PREMIER TSP MAKWETLA AT THE ENTERPRISE DEVELOPMENT FORUM**

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Programme Director

CEO of Mafube Publishing, Mr. Thami Mazwai

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Distinguished Guests

Ladies and Gentlemen

It is a special pleasure for me to be with you today on the occasion of the Enterprise Development Forum.

Let me take this opportunity to convey our heartfelt gratitude to Mafube Publishing and Enterprise Magazine for bringing this important event to our humble province. We are confident that today's event is another significant milestone in the Forum's history and will serve as a useful platform for the interaction between various role players in our society and the future economic leadership of our country.

Our special thanks also go to the sponsors, Xstrata, who continue to display a serious commitment to partnering our province in addressing the various challenges that it faces. We are greatly encouraged by the manner in which some of the business leaders in our province are embracing corporate social responsibility not as some form of a distraction but rather as a business imperative that can contribute both to their profitability and community development.

This gathering comes at a time when there is a growing momentum for the acceleration of economic growth and service delivery in our country. This is undoubtedly a situation necessitated particularly by the goals we have set for ourselves to halve poverty and unemployment by 2014, as part of the people's contract we entered into with the millions of our people who voted us into office.

The recent National Cabinet Lekgotla, held in July, has given further impetus to our efforts to address the challenges we face.

The Lekgotla was an important development that not only brought focus to the implementation of government's Programme of Action, as outlined by the President in his State of the Nation address earlier this year, but also gave greater urgency to initiatives to deal with poverty and unemployment in a co-ordinated and integrated manner across the different tiers of government.

It is my sincere hope that at the end of our presentation you will know more about Mpumalanga's rich heritage and unique attributes but, more importantly, you will also be able to join us in our confidence and belief that this is a province at a strategic turning point. Indeed, this is a province with various competitive strengths and one where there is a will to make choices that can deliver a better life for our people.

Mpumalanga is the second smallest province in our country after Gauteng and has a population of 3.1million, or roughly 7 percent of the country's population, according to Census 2001. It is a rural province, with 59.5 percent of the people and 53.4 percent of households living in areas considered to be rural. Population growth has tended to exceed the national average over time but urbanization is still at a relatively low rate.

This region is home to almost all South Africa's ethnic and national groups Swazi, Ndebele, Tswana, Pedi, Tsonga, South Sotho's, Zulu and Afrikaans-speaking communities, among others. It has a rich history that we as a province are putting much effort to discover with our goal being to seek to correct distortions of the real true stories of communities and places of this province.

For example, the story of Mpumalanga is often told from an angle that over emphasises Barberton and Pilgrim's Rest because they were important gold mining centres from the late nineteenth century. However, much as Mpumalanga has been synonymous with mining activity in our country as a result of Barberton and Pilgrim's Rest,

and even Witbank, evidence exists of this regions enormous relevance to the story of human development in our country and Southern Africa as a whole, that goes as far back as the Middle Stone Age, some 50 thousand years ago .

In fact, on the hills nearer our border with Swaziland, the near town of Barberton, archaeologists have come across signs of the earliest phases of the evolution of our planet Earth more than 3 billion years ago.

Since the coming to power of a democratically elected government in 1994, this part of our country has consistently captured the nation's attention and imagination though, we must readily admit, this has occurred sometimes for the wrong reasons.

The name 'Mpumalanga' or "the place of the rising sun" was not chosen by coincidence. It was an appropriate name for a region that is truly coming of age not only in terms of achieving socio-political stability but also in recognition of its immense economic potential.

It is possible today to measure the strides taken to address challenges that have faced the province in the immediate past, particularly with regards to the promotion of good governance.

The approach to good governance in the province is one that emphasises the positive relationship between good governance and development. Therefore, a firm foundation has been laid, underpinned by a commitment to adopt corrective steps to eradicate the cancer of corruption and to develop an efficient and transparent provincial administrative machinery.

In particular, I would like to highlight a few of the important steps we have taken to ensure that we create a suitable environment for political stability and good governance in Mpumalanga:

- The political leadership of the province has adopted a strong and unambiguous anti-corruption stance, as demonstrated by prompt interventions where problems have been detected
- We are continuously assessing and improving institutional checks and balances through the use of internal audit and other available mechanisms
- We have placed an emphasis on improving skills levels and capabilities among managers. For example we have recently completed a skills audit, which will assist us to address skills gaps and competency levels within management echelons
- The implementation of Project Consolidate to improve service delivery within municipalities remains a key objective and priority.

What we are describing here are some initial steps that are being taken in Mpumalanga to enhance our ability to deliver services in a manner that, among others, reduces wastages associated with fraud and corruption.

We are confident that we can succeed and we remain hopeful that we can count on all our social partners to play their part in assisting us to ensure that the negative perceptions of our province, whether real or imagined, become a thing of the past.

The story of Mpumalanga is the story of a region that has been part of the 'national core' of industrial development in our country since the early twentieth century.

Economic geographers have written about a 'dominant Highveld' part of this national core that includes "all the industrial components of Gauteng, the adjacent gold, coal and platinum mining areas, and the iron and steel, electrical and chemical-based growth centres in Northwest, Free State, Mpumalanga and KwaZulu-Natal".

Indeed, our province has been a significant part of what analysts have termed "the Minerals-Energy Complex", an appropriate reference used to describe the extensive linkages between mining, electricity, and manufacturing, that have come to shape the development of the South African economy in the post-World War II period.

Recent statistics indicate that this province is the fourth largest regional economy in the country after Gauteng, Western Cape and KwaZulu-Natal, with an estimated 7 percent share of the country's Gross Domestic Product.

Mining and manufacturing are the main contributors to provincial Gross Value Added and their contribution in the province exceeds their share of the national economy.

This is a province endowed with extensive mineral deposits of coal, gold, platinum, and vanadium, to name but a few.

For a long time Witbank has been synonymous with the mining of coal, a reason most likely for the popular name 'Emalahleni'. Overall it is estimated that the province is responsible for approximately 83 % of total coal production in the country.

The large deposits of coal have contributed to our region becoming the 'energy' province in the country, producing over 75% of our country's electricity needs through Eskom.

The unique combination of mining and energy capabilities have over time given rise to substantial downstream activity in sectors such as iron and steel, mineral beneficiation and heavy chemicals.

Agriculture is the third largest economic sector in the province and we produce, among others, sugar and fruit whilst being home to the country's dominant forestry production area. Both Sappi and Mondi, have a strong presence here. Agriculture is also a significant employer despite its relatively small share of the provincial economy and contributes immensely to the alleviation of poverty in the more rural and poverty-stricken pockets of the region.

Our region's economic growth performance over time has been fairly impressive. Between 1980 and 1991, the region's economy reportedly grew at an annual rate of 4.2 percent. This declined to 2.5 percent between 1996 and 2002 though it remained in line with the national average. More recently, in 2004, the provincial economy has grown even faster than the national average with particularly strong showing from the mining, construction and services sectors.

Economic activities in the province are relatively evenly distributed between the district municipalities of Nkangala, Gert Sibande and Ehlanzeni. However, among the municipalities, Govan Mbeki, Middelburg, Emalahleni and Mbombela account for a larger share, some 71.5 percent of the regional economy.

Clearly, what we have in Mpumalanga is a vibrant and diversified regional economy with various opportunities that include the following, among others:

- **Tourism** : the province has large unexplored tourism potential and opportunities exist for further investment in tourism infrastructure in order to exploit what is one of the country's most popular tourist destinations. We are the home of the Kruger National Park, famed gorges and acclaimed scenic beauty.
- **Stainless steel** : Mpumalanga is home to the world's third-largest stainless steel producer, Columbus Stainless, and significant opportunities exist in the manufacturing of downstream products
- Wood products, furniture and components
- Manufacturing of various organic, inorganic, and natural-based chemical products
- Agro-processing in food and non-food products
- Mining and mineral beneficiation

Since the mid-1990's Mpumalanga has also been synonymous with the Maputo Development Corridor, which has been described as one of the most ambitious and exciting development initiatives undertaken within Southern Africa since 1995.

Whilst the road link between Gauteng and Maputo has been improved, some of the other core infrastructure such as the rail and the port face various challenges that need to be addressed. However, one can confidently assert that this initiative will receive greater attention from both private and public players in the near future. It would not be incorrect to suggest that significant opportunities will arise as we seek to maximize investments in the potential of this region and opportunities presented by the rehabilitation of the key infrastructure.

Despite the various comparative and competitive strengths of our province, as we have outlined above, the challenge of achieving adequate levels of growth and development in our region is one that is uppermost in our minds here in Mpumalanga.

Too many of our people are unemployed or find themselves in productive activities that utilize little of their abilities and offer limited rewards.

The most recent Labour Force Survey suggests that unemployment in Mpumalanga declined between March and September 2004 but increased slightly in March 2005 and now stands at 27.4 percent of the labour force. On the other hand provinces such as Gauteng and Eastern Cape has seen their unemployment rate decline between March 2004 and March 2005.

At the same time, Mpumalanga is also a region with high levels of inequality and significantly lower human development than the national average,

In our efforts to make a difference in the lives of our people, in line with the mandate articulated in the People's contract, we have drawn guidance from the framework of government's programmes on the economy.

In particular, we have taken note of the Microeconomic Reform Strategy (MERS), the decisions of the Growth and Development Summit (GDS), the new infrastructure projects, initiatives to lower the cost of doing business, and programmes in respect of the Second Economy.

Within the existing intergovernmental relations and co-operative governance system in our country there is considerable scope for provinces to make a difference with regards to economic development.

However, addressing the various challenges is not something that the provincial government can achieve on its own.

Therefore, it was particularly heartening that at the beginning of this year, at a provincial summit held in Badplaas, representatives of various key stakeholders in the province including government, unions, business, and community organizations, launched a Provincial Growth and Development Strategy (PGDS) and committed themselves to a common vision for promoting rising levels of economic growth, investment, job creation and people-centred development.

As a provincial government, and building on the outcomes of the provincial Summit, we are consciously seeking to build on the province's economic strengths whilst widening economic participation for previously disadvantaged communities and forging a virtuous cycle between the first and second economies.

Our programmes to support economic development in the province have included:

- **Improving the business climate and business support** . This has involved strengthening the capacity and role of key institutions such as the provincial Department of Economic Development and planning; the on-going merging and reform of key economic parastatals such as the MEEC and MII; and increasing attention on business infrastructure needs
- **Adoption and implementation of sector strategies** . The province is currently evaluating opportunities along the value-chain with regards to various key sectors in the province

We are also undertaking various programmes with a clear intention to address the gap between first and second economies, which include:

- **Paying close attention to small business support and entrepreneurship** . For example, we have set up a Provincial Equity Fund to address the problem of access to finance for small business. At the same time we are investigating supplier development programmes to prepare small business to benefit from the presence of large global players in the province such as SASOL, Eskom, Columbus Steel and Xstrata.
- We are committed to improved supply chain management and fostering its role in promoting Broad-based Black Economic Empowerment.

- We intend to do more to support the development of co-operatives and the establishment of viable and sustainable Local Economic Development (LED) projects in our communities.

### **Concluding remarks**

The challenges facing Mpumalanga that we have identified earlier are not insurmountable.

We are confident that our province is well positioned to take advantage of a rosy outlook for the national economy, the commodity boom and the proposed capital investment projects that are also likely to benefit our part of the world.

We wish to welcome various large-scale projects that have been announced in the province and which are likely to improve our competitiveness whilst contributing to investment and employment creation.

These are projects that include the re-commissioning of the three Eskom power stations, Sasol's Project Turbo, the recently announced Xstrata and Anglo-Plat joint venture, commitments to the province by Forever Resorts and other tourism players, amongst others.

Nevertheless, as a provincial government we will seek to ensure that that the regional economy prospers in a broad-based and inclusive manner.

As a result we look forward to an improved relationship with the private sector community, which will allow us to build the necessary partnership for implementing broad-based black economic empowerment in our province.

At the same time we are eager to embrace a more enlightened black business sector in our province that will seek to contribute its share to addressing the challenges that we face and ensuring that the development path that the province enters is one that will be inclusive, ethical, and sustainable.

Allow me to leave you with the poignant words of the eminent economist, Jeffrey Sachs, whose eloquence and conviction on matters relating to the ending of global poverty should be a source of inspiration to us all :

"Let the future say of our generation that we sent forth mighty currents of hope, and that we worked together to heal the world"

**I thank you**