

FIRST DRAFT**KEYNOTE ADDRESS BY THE PREMIER OF THE PROVINCE OF KWAZULU-NATAL SENZO MCHUNU****ON THE OCCASION OF THE CO-OPERATIVE WORKSHOP HELD AT THE INTERNATIONAL CONVENTION CENTRE****07 FEB 2016****Keynote Address focus: Sustainable co-operatives and achieve radical economic transformation*****(Reflecting on the Contribution of the Co-operatives Sector in KwaZulu-Natal's Economy: Crafting a New Path Towards Informing the Province's Future Plans)***

Programme Director

His Worship, The Mayor of Ethekwini, Cllr. James Nxumalo

Honourable MEC of Economic Development, Tourism & Environmental Affairs:

Mr. Michael Mabuyakhulu

Honourable MEC for Cooperative Governance and Traditional Affairs: Ms Nomusa Dube-Ncube

Honourable Minister of Small Business Development: Ms Lindiwe Zulu

Distinguished Guests;

Ladies and Gentlemen, and the People of KwaZulu-Natal

Good-morning!

May I begin by congratulating the organisers for co-ordinating this all important Co-operative Summit.

As we are gathered this morning, it is important to remind ourselves that co-operatives have always been part of the African continent.

When Kwame Nkrumah of Ghana in the 1950`s spoke about the need for Africans to achieve economic independence, his ideas were rooted in creating and developing successful and viable cooperatives as a way of achieving the economic freedom he propagated.

In one of his addresses, Nkrumah pointed out: **“Thought without practice is empty: and action without thought is blind”**

I am sure delegates will put forward actionable ideas of how to strengthen the development of co-operatives thereby justifying the holding of this workshop at Inkosi Albert Luthuli International Convention Centre, named after the President of our illustrious movement, the African National Congress.

Freedom Charter and Presidency of Inkosi Albert Luthuli

The drafting of the Freedom Charter in 1955 took place during his tenure as the President of the current ruling party. This was an all-inclusive Congress of the People, bringing South Africans from all walks of life to chart their future.

We can proclaim today that progress has been made in achieving some of the tenets of the Freedom Charter except two clauses and these being the **economy and the land**.

We therefore called upon today to discuss ideas on how to translate the political freedom into economic freedom for our people.

I don't have to tell the delegates here how co-operatives have been successfully used in developing countries as building blocks of community development.

One of the primary objectives of the co-operatives programme not only in KwaZulu-Natal, but South Africa, is to contribute to the creation of sustainable communities through promoting food security and basic income opportunities.

The government of KwaZulu-Natal has endorsed the policy on co-operatives as a vital element of the province's poverty alleviation and de-racialisation of the economy. We are placing an emphasis on supporting the poor, who through our history of apartheid are locked in the vicious cycle of poverty.

We welcome Food Chains and Retailers

Ladies and gentlemen, this Summit must be viewed as part of ongoing efforts aimed at extricating our people from poverty. We cannot do this alone but together with our people, some of whom are in this conference room today.

We appreciate the presence of the representatives of food chains and retailers such as Massmart, Spar Group, Pick n Pay, Boxer Cash and Carry, Mr Price and Woolworths. We have invited you because we want to demonstrate our support to the co-operatives. Surely, you cannot be expected to buy from co-operatives if there is no commitment on the side of government in terms of ensuring their sustainability. We therefore want to extend a hand to all and other private companies that are not present this morning. Lets join hands and grow the economy of the province.

If we want to meet the objectives of achieving broad-based black economic empowerment (BBBEE), creating jobs and growing the economy, then things have to change. Even the issue of supply chain management must be embraced by both government and big business as our joint contribution to growing this sector.

Bulk Buying from Co-Operatives

A major concern for us is that co-operatives tend to lose out when it comes to making profit because production costs for would-be competitors are often better. On these bases we've embarked to create secondary co-operatives because then co-operatives with similar interests would benefit from the bulk buying opportunities this presents.

We say that if a person lives in a rural area, then business economic opportunities must become available there. Those days of people having to go to the cities to earn a living are over. In KwaZulu-Natal we have beautiful land which can be cultivated for crops; people in rural areas also need food, clothing, books and transport. In other words the potential for business is already there.

What you may ask is what government is doing to assist co-operatives in these areas?

Support to Co-operatives over the years

Ithala (millions allocated)

Ithala remains one of KwaZulu-Natal's unique facilities that we have used to support co-operatives. Ithala has sought to address issues of wealth distribution and creation of wealth at the bottom of the pyramid.

Critically, the provincial government has over the past years attempted to ensure that Ithala take the lead in driving the new developmental programmes of poverty alleviation through the development of the SMME and Cooperative sectors in particular. The Co-operatives Programme had two very specific objectives, namely to provide food security and to create economic activity at a very basic community level.

Ordinary people testified that following the introduction of this programme, they have been able to support their families. To date over 4,000 Co-Operatives received training and most of them worked with FET colleges to draw up business plans.

As of today over 2,000 Co-Operatives had received funding from Ithala and a few had made own savings and were operational without any funding from Ithala.

For instance, by 2010 more than R169, 6 million in loan capital had already been approved to fund Co-Operatives, contributing to the creation of more than 7,130 jobs in the province. I am highlighting these figures just to underpin the importance of Ithala in terms of fast-tracking the entry of people from previously disadvantaged communities into the mainstream economy. Importantly, I want to demonstrate to the private sector that government is paying closer attention to the co-operatives.

Our records show that more than 4 000 primary and 10 secondary co-operatives have been established in KwaZulu-Natal. Most of the co-operatives in this province are in rural areas. More than 50 percent are based on agriculture, and owned and managed by women. The sectors we are promoting in the co-operatives programme are agriculture, clothing and textiles, arts and crafts and tourism.

Government decided to convene this summit because there has been a huge interest and commitment shown by the ordinary people of this province towards the co-operative's programme. This clearly shows that with an enabling business environment created, people will grab the opportunity with both hands.

Training for Co-operatives (Partnerships with Tertiary institutions)

There are, however, challenges that we're grappling with in the roll out of co-operatives. Training and skills development is inadequate in some areas. It is for this reason that the provincial executive council took a decision in 2014 that the Department of Economic Development must focus on this matter. For the period between starting from 2014 more than R25.6 million was set aside for training.

To date, more than 127 students have been enrolled for a diploma in the management of co-operatives and 9 students enrolled in Bachelor Commerce through a partnership with the University of Zululand.

As government we are encouraged by the enduring partnership with Mangosuthu University of Technology, Durban University of Technology and the Department of Economic Development focusing on supporting Co-operatives. This partnership focuses on assisting co-operatives in the chemicals sector to produce commodities that can be branded and marketed both domestically and internationally. These include the provision of technical expertise in the production and branding of various chemicals products such as soaps, oils and perfumes.

In addition, I have been informed that more than 56 graduate students who have completed a diploma in the management of co-operatives have been employed under the internship program by the Department of Economic Development and are placed with co-operatives where they are providing administrative and management support. Our main objective is to strengthen the sector and ensure its long term sustainability.

Sustaining Co-operatives

Paying them on time

Programme Director, I was requested to focus my address on the topic "*Sustainable co-operatives and achieving radical economic transformation.*"

Allow me programme director to focus on one issue in relation to sustainability of co-operatives. Amongst the causes of high failure of co-operatives and SMMEs is the failure of government departments to pay on time.

Sometime late in 2014 we made a call as the executive council that Heads of Departments should face consequences for failing to ensure that their departments pay on time. We re-launched Operation Khokha Ngesikhathi (pay-on-time) as part of efforts aimed at dealing with this problem.

I want to assure all co-operatives who do business with government that I will personally follow up on this matter. The Acting Director General Mr Frikkie Brooks will work with the Provincial Treasury in order to give me regular reports.

KZN Small Business Development Agency (Bulk Buying, Warehouses etc)

In order to deal with the failure of co-operatives and to ensure their sustainability, the provincial executive council established KZN Small Business Development Agency. The KZN SBDA and Ithala provide holistic financial and non-financial supportive services to the co-operative sector.

These include using Ithala's network branches across the province to provide incubation services to co-operatives. Because Ithala owns many buildings across the country, we have taken a decision as government to ensure that we set up Warehouses for bulk-buying purposes for co-operatives and other small enterprises.

We are cutting off the middle-man and want these facilities to keep materials in bulk and be accessible in local municipalities where co-operatives are located.

The MEC for Co-operatives Governance Nomusa Dube-Ncube will elaborate more on an integrated plan which involve government departments in this regard. It is our view as government that co-operatives must benefit from government programmes such as the revival of townships and village trading centres.

Public Procurement Reform to support co-operatives

Programme Director, earlier on I called on the private sector to use their supply chain management systems for the benefit of co-operatives.

For our part as government we have taken a decision to use public procurement as an instrument to uplift the majority of our people especially women, youth and people with disability.

Its been reported that globally, public procurement represents on average 15% of Gross Domestic Product (GDP). Clear this is a strong indication that public administration is the lifeblood and a backbone of the country's economy.

By and large, government departments and public entities are at the centre of our efforts aimed at radically transforming our economy.

We have singled out public entities such as Dube Trade Port, Ithala, Richards Bay Industrial Development Zone, KZN Growth Fund, KZN Film Commission, Trade Investment KZN, Umjindi Farming, Ezemvelo Wildlife – to name but few.

At this stage I want to reflect on some of the figures especially the Infrastructure Spend in KZN in 2015.

- **Total KZN Provincial Budget : R 96 billion**
- **Goods and Services : R 14 billion**
- **Infrastructure : R 12 billion**

The largest portion of infrastructure expenditure went to the department of transport for road construction and maintenance as well as Human Settlement Department for the provision of decent houses and for the overall development of human settlements.

Public Works, COGTA, Education and Health departments received the bulk of money for the building of schools, clinics and hospitals. This however excludes *National Departments, Municipalities, and State Owned Enterprises such as Transnet, SANRAL, Umgeni Water, etc*

The department of public works set aside an amount of R110 million from the 2015/16 financial year budget for contractor development.

- Maintenance – R20 million targeting 15 women and 20 youth
- Storm damage – R58 million targeting 5 women 7 youth
- School fencing – R12 million targeting 3 women and 4 youth
- Repairs and renovation – R20 million targeting 35 women and 25 youth

When I was the MEC for Education, the Department of Education recorded contracts of R1.8 billion in the 2011/12 financial year were awarded to emerging contractors as part of its NSNP and LTSM initiative and infrastructure projects. (*National School Nutritional Programme and Learning, Teaching Support Material*)

The Department of Transport has databases for contractors that are part of the Vukuzakhe development. This is a poverty alleviation programmes which has assisted government to fast-track the entry of co-operatives and small contractors into the mainstream economy.

Co-Operatives to benefit from PDGP catalytic projects (billions for districts)

We are preparing these small players to take part in the implementation of infrastructure projects articulated in the Provincial Growth and Development Plan.

Our province will for the foreseeable future grow as a result of the combined investment of national departments and parastatals, provincial and local government and private sector.

The total pipeline investment directed to all the districts in KwaZulu-Natal ranges between R3-billion to R8-billion for each district. UThukela, UThungulu and eThekweni investment will be more than R20-billion because of special projects in those areas.

We have emphasized the need for co-operation between the Provincial Government and all 61 municipalities in the province for these funds to facilitate job creation. We have said that councilors must work together in municipalities to properly plan for all infrastructural needs of their communities. During the implementation of these plans, it is the local communities that must benefit especially Co-operatives.

We have established of a dedicated Infrastructure Co-ordination Workgroup to facilitate the speedy collective co-ordination of all Infrastructure Programmes and Projects in the Province. The Provincial Planning Commission has supported the Provincial Department of Public Works to establish this Work Group.

The Group has a mandate of engaging with the developers of specialized agriculture, industrial, tourism, mining and commercial facilities, to ensure that infrastructure development in the province is undertaken in such a manner that it supports employment creation whilst it enhances economic growth potential through the support for entrepreneurship.

This Workgroup is therefore intended to provide a platform for all national, provincial and key municipal infrastructure delivery agents to share information on and align long term infrastructure planning for the Province. The focus of this Work Group is on the co-ordination of all infrastructure development related to Airports, Harbours, Road, Rail, Electricity, Information and Communication Technologies, Water, Sanitation, Human Settlement, Health and Education.

Through this work group, Public Works has developed a KZN Infrastructure Master Plan which is aligned to the objectives of the PGDP - including that of ensuring inclusive economic growth.

As part of the implementation of the plan, there is a pilot programme focusing on the SMME development and this programme will be extended to co-operatives. This involves production and repairing of desks and the programme is expected to begin in April this year. Beneficiaries will receive training in carpentry and upholstery.

Procurement biased towards other races

Ladies and gentlemen, I want to reiterate our position as government that we are committed to redressing imbalances in our procurement system. We are steaming ahead with the implementation of the resolutions of the Procurement Indaba held in 2014.

We do acknowledge that Local economic and enterprise development is difficult to be attained within the current procurement regime. The current fragmented procurement regime makes it difficult for new businesses especially the Co-operatives sector to transact with government.

It is for this reason that we have called for the review of government procurement to ensure that Supply Chain Management practitioners are able to conceptualize and implement tenders aligned with government's developmental objectives.

We want to state unequivocally that we want to identify products and services to be provided by previously disadvantaged groups such as co-operatives. That is the only way of achieving radical economic transformation.

In examining public procurement spend as per race group as at the 2013/2014 financial year, we discovered that previously disadvantaged groups are not enjoying a major percentage of the budget spent.

- 34% whites
- 33% Indians
- 30% Africans
- 1% Asian
- And lastly coloured

SA Competition Commission must guide on anti competitive behaviour (companies colluding to exclude new entrants)

This Summit must therefore focus discussions on what should be done to reach a broad consensus among all social partners and stakeholders regarding a new radical approach to procurement, both in the private and public sector.

The presence of Minister of Small Business and Enterprise Lindiwe Zulu and other representatives of national governments is mostly welcomed. I am saying this because this is the matter that should involve all spheres of government.

We need a new public procurement policy framework that is standard and has a social impact at local level. This the only way of ensuring that the current skewed access to economic opportunities is reversed for the betterment of the majority of our people.

I do believe that the Competition Commission will assist us in dealing with the red tape in our procurement policies.

We need a bolder and decisive intervention to monopolistic and anticompetitive behavior that is preventing government from driving economic transformation using procurement. There is reported collusion of companies with the sole aim of marginalizing small players.

SA Competition Commission to guide on Co-Operative Bank

The commission and other experts must help this Summit to look into the future possibilities of establishing a Co-Operative Bank. As part of commitment to diversify the financial sector, the South African government introduced a new legislation, the Co-Operative Banks Act of 2007. It is unfortunate that we have not taken advantage of this act which can help co-operatives to manage their savings formally as co-operative banks are owned and controlled by communities and the workers.

In conclusion,

We are determined as government to create an environment that is conducive to broader economic participation. We are encouraged to continue with our efforts because of the response we get.

I wish all delegates at this Co-Operative Summit well.

Thank you!