

DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENTAL AFFAIRS AND TOURISM 2018/19 POLICY SPEECH

Honourable MEC Sakhumzi Somyo

15 March 2018

Honourable Speaker

Honourable Premier

Members of the Executive Council

Honourable Members of the Provincial Legislature

Heads of Departments

Chief Executive Officers of our Public Entities

Distinguished Guests

Ladies and Gentlemen

Honourable Speaker, thank you for affording us an opportunity to come and present our Policy Statement for the 2018/19 financial year. We come before you with a purse of **R1.1 billion** which we commit to use prudently and efficiently to effect positive change in the lives of our people who are yearning for jobs and better quality of life.

As we all know our government has dedicated this year to celebrate the centenary of one of the founding fathers of our democracy, uTata Nelson Rolihlahla Mandela. We will therefore throughout this year use Madiba's teachings to rekindle a sense of hope in our people and renewal in ourselves as public servants.

Speaking in Parliament in 1994 President Nelson Mandela said: "*The yardstick that we shall all be judged by is one and one only: and that is, are we, through our endeavours, creating the basis to better the lives of all South Africans.*"



Honourable Speaker, despite a subdued economic environment in the year under review, we made tremendous strides towards the attainment of a Better Life for All by implementing programmes that would derive economic growth and job creation in our province.

Transforming the Economy to create Jobs

In his State of the Nation Address, President Cyril Ramaphosa re-emphasized the importance of Special Economic Zones as vehicles through which the country must intensify economic growth. Our two flagship SEZs, the COEGA SEZ and East London SEZ are at the centre of our industrialization ambitions wherein existing industrial sectors are harnessed, strengthened and protected; while new technological capabilities are perfected to create meaningful work opportunities for our people.

In the current financial year, both our SEZs have cemented their place as hubs for job creation, with more than 9,000 additional construction jobs and over 7,000 accumulative operational jobs created in the Coega SEZ, while 3,000 job opportunities with a salary value of R400 million have been realized in the East London SEZ.

Honourable Speaker, the 2018/19 financial year promises to be yet another productive year for both our SEZs. The East London SEZ has been awarded funding to the value of **R450 million** by the DTI's SEZ fund to build 4 new factories this year. Five new investors will also become operational during 2018. These investors are in the general manufacturing, pharmaceutical, diamond processing, renewable energy, ICT and electronics sectors. Without a doubt this will increase the number of active jobs in the zone.

On the other hand, the Coega SEZ continues to meet the expectations of investors by delivering complex mega projects on time. **Sithetha nje kuyaqhuma e Coega**. Construction for 4 projects which include the BAIC Factory, Osho Cement, MM Engineering and the Customs Control Area

Zone with an accumulative investment value of **R12 billion** is under way. We are positive that by this time next year all these investors will start their operations in the Coega SEZ.

Honourable Speaker, we must applaud the visionary leadership of our two SEZs that has seen them being reference points for the establishment of other SEZs in the country. **Ngenene sililo ikhaya le Ngqwelwe noba uthetha ngezopolitiko, incuba buchopho zemfundo, incakuba zoshishino, okanye ezemindlalo.**

The East London IDZ's Science and Technology Park has become a catalyst for innovation and growth and has assisted young black innovators such as Sandiswa Qayi of Amahlathi Eco Tech, to refine, patent, prototype, and market and commercialize their innovations. Sandiswa is here with us today. **Sithi makwande kuwe qobokazana, uyibambe ngolohlobo.**

In the current financial year, the ELIDZ has helped train 154 beneficiaries as part of its mandate to empower, nurture and grow innovative businesses.

We are also overjoyed by the developments at the Coega SEZ where 85% of investors have increased their workforce since opening in the SEZ, 62% percent have expanded their factories; while more than 90% of operational investors describe the SEZ and its Logistics Park as the ideal location for industries.

Somlomo, uRhulumente owawukhokhelwa ngu Mongameli Nelson Mandela, no Mongameli Thabo Mbeki wasishiya nelifa eliyi Coega ne East London SEZs. Okwethu kukuliphatha kakuhle ukuze iziqhamo zalo zingcanyulwe zizizukulwana ngezi zukulwana kweli phondo lethu.

We are therefore allocating approximately R211 million in 2018/19 and R604 million over the MTEF to support the work of our Special Economic Zones.

Energy as a driver for economic growth

Honourable Speaker, the supply of reliable energy is key to ensuring effective operations in our SEZs and other industries including the provision of government services. We are now past the era of load shedding, and this moment affords us another window of opportunity to continue with our pursuit of a cleaner energy mix. Thus we looked forward to the signing of a **R56 billion** investment for 27 new renewable energy projects by the Minister of Energy, Honourable Jeff Radebe, this past Tuesday. We were disappointed, however, that NUMSA and Transform RSA approached the courts to put a hold on this process. Our province had been awarded four of these projects with an investment value of **R8 billion** and a potential to create thousands of work opportunities in the value chain for our people. One of these projects will be in the Ngqushwa Municipality and we are hopeful that the Ngqamakhwe wind farm will be announced as a preferred bidder in the expedited round. This brings to reality our commitment to spread economic development initiatives to the areas in the Province where the socio-economic need is the greatest. We are optimistic that these contracts will ultimately go forward.

Over the next 2 to 3 years we will be seized with the implementation of these projects which will contribute to economic growth in our province with more emphasis on ensuring the participation of black enterprises not just in ownership but also in the construction and operations of these energy plants.

This renewable energy windfall, fits in perfectly within the bigger puzzle of our energy regimen. In this regard, we will continue to facilitate initiatives towards the development of a gas market, while exploring both indigenous and imported resources, as well as the related investment in infrastructure. At the centre of this work will be the implementation of a

readiness programme for the participation of SMMEs and Black industrialists in the value chain.

Agro-Industry Development

Honourable Speaker, recent results by Statistics South Africa indicate that the Agricultural Sector recorded a 37.5% quarter-on-quarter rise in production. This confirms our long stated belief that agriculture is a sector through which economic growth and job creation could be fast-tracked in our province. As DEDEAT we are working jointly with DRDAR to develop the agro industry with the aim of building local value chains and accrue all its associated benefits in terms of jobs and economic contribution to the provincial GDP.

We are therefore working closely with the industry to ensure increased investments in the red meat, grain, and horticulture industry value chains, together with the development of the Forestry and aquaculture industries.

The Department is already, in partnership with the DTI and ECRDA, working towards the commercialization of the small-scale saw-millers in the OR Tambo and Alfred Nzo Districts as the feasibility study and business plan has been funded by the DTI during the last financial year.

Furthermore, the Agro Industrial Manufacturing (AIM) Cluster was established successfully during the 2017/18 financial year with the focus on food manufacturers and natural fibres. The cluster will strengthen cooperation and collaboration between government and industry, especially the processors and suppliers.

In addition, Honourable Speaker, we have funded the establishment of a Provincial Agro Industry Market Intelligence Portal in partnership with SITA, as a platform where milling companies, fruit and vegetable processors and the meat processors as well as the retailers can share plans for local and regional economic development. The direct benefit we seek to derive from this initiative is the reduction in the import of

agricultural products that can be produced in the Province. We have the land, we have the best weather and we should be net exporters of agricultural products to the rest of the country, the continent and the world markets.

Honourable Speaker, we are complementing our long term plans for the Agro industry with the provision of financial support for agro processing projects that are mainly owned by women and the youth in our communities. Through our LRED programme, we funded a number of agro processing projects, including Ivili Loboya in Mnquma with a **R3 million** investment, and the Ideal Vege in King Sabata Dalindyebo with an investment of **R1.2 million**. These two projects have created 50 fulltime job opportunities. We view these investments as critical interventions for the development of local value chains providing an opportunity for inclusive economic participation and transformation as these companies are 100% black owned and sourcing raw materials from the local producers.

Going forward, we are planning to conduct an investigation into establishing District Multi User Fresh Produce Processing facilities under one roof with the intention of strengthening the local economy; especially in OR Tambo, Alfred Nzo, Chris Hani and Joe Gqabi. This will ensure that there is meaningful participation of the local producers in the fresh produce value chain.

Tourism

Honourable Speaker, Tourism, just like the agriculture sector, is a key piece in the economic growth and job creation puzzle that we are solving. According to a survey by Price Waterhouse Coopers titled “African Insights” the 15.5 million tourist figures of 2016 are forecast to reach 18.5 million by 2021. SA Tourism projects that our province will retain its 3.3% share of the international tourists visiting our shores.

The Department will prepare for the anticipated increase in tourists by strengthening our efforts in building the domestic tourism sector. Our conviction is that a strong domestic tourism sector is a necessary precursor to strengthening the Province's standing internationally.

Honourable Speaker we are proud that our deliberate efforts to increase the scale of support to small and medium tourism enterprises is paying dividends. There has been an increase in the number of black owned enterprises participating in enterprise development initiatives, illustrated by an overwhelming increase in the number of black owned enterprises that participated in the 2017 Lilizela Tourism Awards. Our focus is on the sustainability of these enterprises.

Through Operation Phakisa we have elevated Coastal and Marine Tourism, with beach development receiving our utmost attention. So far, Honourable Speaker, seven beaches have been awarded a Blue Flag status whilst nine are still on a pilot phase. Our work in this regard will continue into the coming year.

Accommodation in our Provincial Nature Reserves remains reasonably priced and this has resulted in the reserves becoming increasingly popular, with revenue generated from gate fees and accommodation exceeding the annual target of **R5.2 million** by the end of the third quarter.

We remain committed to the development of the tourism infrastructure in our province including roads to our nature reserves and accommodation establishments. We will leverage on the **R60 million** conditional grant from the National Department of Tourism to support the development of an interpretive centre within the Baviaanskloof World Heritage Site. We will continue to work together with the Department of Roads and Transport to prioritise the upgrade and maintenance of rural access roads for ease of access to our Nature Reserves.



Ocean Economy

Honourable Speaker, our 800 kilometre coastline presents us with enormous economic potential and job prospects in the areas of offshore oil and gas exploration, marine transport and manufacturing, aquaculture and other maritime sectors.

Last year we mentioned that the South African Maritime Safety Authority (SAMSA) and Transnet contributed to the development of Operation Phakisa in our province, by licensing “Aegean Bunkering Marine Services” to supply passing ships with bunker fuel and other products in Algoa Bay. We have since undertaken a bunkering localisation and opportunities analysis and, together with Coega, we will be initiating a support process for local participation. Honourable Speaker, the Province has the opportunity to be the largest bunkering facility on the continent. We will do all we can to seize this opportunity.

On the Maritime Manufacturing front, we aim to develop a strategic framework for this sector and assist relevant entities, such as our SEZs, on an integrated approach towards the development of this sector.

In terms of our support to the Ocean’s Economy, we are working together with Transnet to make improvements in our port infrastructure. The first phase of refurbishment of the graving dock at the East London Port is still in progress. Additional infrastructure upgrades are planned in 2018 for the Port of Port Elizabeth.

Auto Sector

The Auto Industry remains the pillar of our provincial economy. The addition of BAIC and Isuzu to our Auto manufacturing family bodes well for our economic growth and job creation aspirations. Through our partnership with the Eastern Cape Automotive Industry Forum we are developing a pool of black suppliers to participate in the automotive value chain.



Furthermore, our partnership with the Automotive Industry Development Centre (AIDC) is delivering great results with 137 graduates employed in the auto industry. Twenty-six of these graduates have been promoted to middle management level. This demonstrates the quality of training this programme is imparting to our youth to improve our local skills base against over reliance on and dominance of foreign skills.

Light manufacturing

Honourable Speaker, the manufacturing sector in our province has since late 2008 been affected negatively by the subdued economic environment. This led to many companies closing shop and shedding much needed jobs. Through the job stimulus fund 7 companies in distress were supported in our province saving 768 jobs. We have designed a web-based manufacturing support system to curb the closure of manufacturing and agro-processing enterprises across the province and prevent job losses.

Manufacturing companies are already utilizing this platform to interact with the Department and in the 2018/19 financial year we aim to create more awareness in various regions to ensure maximum participation in this initiative.

We will also continue with the revitalization of Industrial Parks Programme as these centres are key to our industrial evolution. Security upgrades at Fort Jackson have been completed, while similar work will resume in the Dimbaza Industrial Park with an investment of **R12.6 million** set aside for this purpose. We are also allocating **R7 million** to upgrade electricity in Queendustria to ease the burden of power cuts that are affecting operations at that site.

While we invest these resources for manufacturing we are also making a concerted effort to revive township economies. We have allocated **R7 million** for the Mdantsane Mall project to change the face of that Mall.



Providing Support for SMMEs

Honourable Speaker, I can safely say that entities under the DEDEAT Group understand the role they must play to transform the economy of our province. All of them are responsive to government's policies on SMMEs. At the beginning of this financial year, the ELIDZ set a target of ensuring that 30% of its total expenditure would be with local enterprises. As at the end of December 2017, 84% of all ELIDZ contracts are locally based. The ELIDZ has awarded contracts to the value of R297 million since April 2017, of these, 60% (R179 million) was awarded to SMMEs.

In the first three quarters of the 2017/18 financial year, the Coega Development Corporation achieved 30% SMME involvement as a percentage of the organisation's overall procurement spend. In total, 95 SMME's in the construction sector were appointed on projects with a total SMME value of over R163 million.

The Eastern Cape Development Corporation whose mandate includes provision of financial and non-financial support to SMMEs has disbursed **R65 million** to 98 SMMEs and facilitated 1 288 work opportunities by the end of quarter 2. In the same period 176 SMMEs were assisted with non-financial support. Through the Imvaba Co-operatives Fund the ECDC has also approved funding for 13 cooperatives to the value of **R15.4 million**. We expect these cooperatives to create 49 job opportunities for our people.

We have engaged the ECDC to improve on the turnaround times for support of the SMME's and Cooperatives who have benefited from the Government procurement opportunities.

Honourable Speaker, in 2011 we launched the Local and Regional Economic Development Fund (LRED) with the objective of supporting rural SMME's. Over the past few years we have seen phenomenal manufacturing projects flourish that are managed by our people. These

include Ikusasa Green, Pro-Gloves and Red Ribbon Paper among others. In the period under review we funded two 100% women owned chemical manufacturing projects, one in OR Tambo District and another in the Amathole District. Let me highlight that the one in OR Tambo is also 100% youth owned.

We have also funded a project which is 90% woman-owned that processes honey for local retailers in the rural town of Willowvale. We believe that these projects have a potential of driving economic emancipation in these rural areas by creating local job opportunities.

Honourable Speaker, we believe we can do more on the implementation of the LRED policy, however we continue to receive poorly packaged business proposals from the targeted SMMEs.

We have now entered into a collaboration agreement with the Small Enterprise development Agency (SEDA) for business plan development support. We envisage that this arrangement will yield positive results in getting bankable business plans in response to this fund. An amount of **R21 million** is available for bankable projects in 2018/19.

Gambling and liquor regulation

Honourable Speaker, the Eastern Cape Gambling Board (ECGB) and the Eastern Cape Liquor Board (ECLB) are contributing immensely to the provincial fiscus. By the end of the 3rd quarter these entities had contributed approximately **R170 million** to the provincial revenue fund.

In the 2018 MTEF the ECGB aims to collect **R183 million** in gambling taxes whilst also intensifying collaboration with key stakeholders to implement intervention programmes to mitigate against the effects of excessive and irresponsible gambling. We are allocating **R55.8 million** and **R176 million** over the MTEF to the ECGB to regulate gambling within the province.

Its sister company, the ECLB, aims to intensify its license fee collections on existing outlets whilst also implementing programmes that aim at empowerment of marginalised liquor traders to acquire knowledge and business skills to grow their businesses and move up the value chain in the liquor industry and trade responsibly.

The National Treasury-initiated review of Development Finance Institutions (DFI's) found that many DFI's are not adequately balanced between development and sustainability, and their mandates too diverse. In support of this review, the Department is currently reviewing the Eastern Cape Development Corporation Act, and, in this regard, a White Paper and Bill will be developed to ensure that the work of the ECDC aligns with the Companies Act and policy direction of the province.

Management and Protection of the Natural Environment

Honourable Speaker, the passion and energy we are investing in pursuit of economic development is equally matched by our resolve to manage and protect the natural environment in our province. We have seen a significant improvement in the processing of Environmental Impact Assessment (EIA) applications. Thus far all EIA applications have been finalized within the legislated timeframe and we will continue to seek ways of improving efficiency in EIA implementation.

We are highly concerned by the illegal developments along the Wild Coast where pristine sites outside the declared development nodes are being occupied by outsiders. We want to warn all those that are involved in these illegal activities to desist from their acts. In the 2018/19 financial year we plan to demolish buildings at Lubanzi as the Minister of Environmental Affairs has upheld the S60 removal notices. We have also won a court case to remove unlawful buildings that were erected without permits at Nqabarha, near the Dwesa Nature Reserve.

When we were here last year we shared with the house a worrying trend of rhino poaching in the province which saw 19 animals poached in the province in 2016. Collaborative efforts by the Department, SAPS, ECPTA and SANParks have reduced that number to 12 in 2017, and led to the arrest of 23 poachers. Indeed, the work of our cooperative governance structures is paying dividends.

Honourable Speaker, we are concerned by the actions of farmers in the Sarah Baartman District who are unlawfully clearing indigenous forests and thicket vegetation, which is only unique to our province. The conservation of these biomes is critical for the protection of water catchment and biodiversity as well as meeting climate change objectives. We are taking action to prevent further unauthorized clearing and have put in place plans to rehabilitate the impacted areas.

In addition, Honourable Speaker, in the 2018/19 financial year we plan to expand the protected area estate by adding approximately 18 000 hectares of land under conservation.

We must add that ECPTA is contracted by SANRAL as the implementing partner for the biodiversity offsets on the Wild Coast N2 project and will ensure the relocation of key species into nurseries.

Honourable Speaker in the coming financial year we seek to drive job creation in the conservation space through reserve infrastructure maintenance and development projects targeting 125 local labourers and 18 Black-owned construction SMMEs, while creating 200 Expanded Public Works Programme jobs and 260 seasonal tourism safety jobs. In addition, we will, through the ECPTA, promote local procurement to increase domestic production by spending **R2 million** acquiring goods and services from SMMEs to clear alien vegetation from targeted reserves.



In addition, we are allocating **R11 million** to implement the Environmental Expanded Public Works Programme projects that are focused on waste management and alien species eradication in partnership with the Emalahleni, Great Kei, Intsika Yethu and Port St Johns Local Municipalities. During the implementation, youth, women and the disabled will be targeted as we are developing a cadre of environmental conscious people.

Honourable Speaker, there are very few black people who are participating in the conservation space. In partnership with the ECPTA we are implementing a game farming incubation programme to change the demographics in the conservation industry. This programme involves agreements for the loan sharing of game with a commitment to sharing offspring with potential farmers. The ECPTA have pledged to loan 1 500 herd of game over four years in support of the Province's game transformation programme that was initiated in the 2017/18 financial year. We are proud to share with the House that the Double Drift community, who are landowners as a result of the land restitution process, are now proud owners of 10 Burchell Zebra and 20 Red Hartebeest that were released on 7 March 2018 in their 1 200ha of fenced area. More than 60 locals are now employed in this area.

Honourable Speaker we recently took part in the Chemicals and Waste Economy Phakisa wherein participants articulated aspirations for 20 initiatives that will have an estimated impact of achieving a direct GDP contribution of **R11.5 billion** through 4 300 SMME's contributing 127,000 jobs to national GDP by 2023. This will be achieved through the processing of 20 million tonnes of waste diverted from going to landfill. All these opportunities are targeted at recognising the contribution from the informal waste sector and will improve the working conditions and value of their efforts.

The Province is willing and ready to seize this opportunity through the establishment of Material Recovery Facilities (MRFs), Recycling Centres

and other associated infrastructure. The Department is currently leading a process of developing an Eastern Cape Provincial Recycling Strategy wherein practical targets and appropriate infrastructure would be identified for implementation to support municipal waste management services. Waste Flagship projects are already being piloted in Buffalo City Metropolitan Municipality and KSD Municipality to scale-up the diversion of waste away from landfill sites.

Honourable Speaker we are encouraged that the private sector is already on board and a R290 million factory is currently under construction in the ELIDZ which will turn plastic waste gathered locally into industrial solvents such as oils and waxes. Expected to be completed by the second half of this year, it will create 50 direct jobs for those highly skilled in mechanics and chemical engineering, as well as a number of indirect jobs through sub-contractors involved in the plastic waste supply chain.

The factory, which will recycle about 80 tons of plastic waste each month, will be the first to globally showcase methodology which has been developed over the past decade by a multinational team at a pilot plant in Poland.

Last week we co-hosted the Biodiversity Economy Indaba in East London. The Indaba showcased the various products derived from the plants and animals and the economic potential that exists. Honourable Speaker it is a known fact that the Eastern Cape will become a bioprospecting hub as plants like *Perlagonium*, *Aloe Ferox*, and *Honeybush*, that require Access Benefit Sharing Agreements, are found in abundance in the Province. It is important that harvesters With indigenous knowledge must be protected and royalties should flow to those communities so that the sustainable harvesting of these plants can be a catalyst for sustainable local economic development within these communities. We are working together with DEA in this regard.



Governance and Administration

Honourable Speaker, the DEDEAT Group continues to improve on its good governance obligations. Three member entities of the group, which are: ECPTA, ECGB, and ELIDZ, received clean audits while the rest maintained their unqualified status. For the 2018/19 financial year we plan to get more of our entities into the clean audit space.

We are pleased to announce that the Minister for Public Service and Administration has endorsed the revised Organogram of the Department. This will enable the Department to realign its workforce to be more responsive to its mandate.

Honourable Speaker, we are responsive to the needs of our people. As we all know, March is Consumer Rights Month. In light of the nationwide product recall in relation to listeriosis, the Office of the Consumer Protector has issued information on the departmental website and social media to ensure the rights of consumers within the Province are protected. All Districts Officials in the Office of the Consumer Protector are communicating the information to Municipalities and are available to assist consumers should they require information or assistance to return the listed products.

Conclusion

Honourable Speaker, the year 2018 promises to be a productive year in terms of economic growth and job creation in our province. Already signs of growth are emerging in the national economy with Statistics South Africa reporting a growth of 1,3% in 2017, exceeding National Treasury's expectation of 1,0% growth announced during the National Budget Speech last month. This will have a direct influence on our provincial economy as we anticipate an increase on agriculture and manufacturing exports.

We must ride this wave of positivity and build on the success we have achieved in the 2017/18 financial year. The new financial year presents us with an opportunity to address our challenges and exploit new opportunities. We are up to this task.

As I conclude let me recite the words of Madiba when he addressed Parliament and said: *“There is no doubt that we have the capacity as a nation to realise our objectives. The people want real change for the better, and they are prepared to work for it. They expect of representatives in community structures and in parliament and government, leadership that meets the requirements of the times we live in. They have elected us into office because they trust that we will meet their aspirations. Let us harness the nation's energies to more rapidly develop and reconstruct our country.”*

Makubenjalo.

Honourable Speaker, let me present the budget allocations which will drive our programmes in the 2018/19 financial year. The Department has been allocated approximately R1.1 billion and, as earlier stated, we will use these resources sparingly to finance the following programmes:

- Administration: R234.7 million
- Economic Development and Tourism: R591.5 million
- Environmental Affairs: R319.8 million

Honourable Speaker, I herewith table the Annual Performance Plans for the department and the six public entities for which we are responsible, and the Service Delivery Improvement Plan for the department.

Thank you.





