



POLICY SPEECH

2022-23

**DEPARTMENT OF ECONOMIC DEVELOPMENT, ENVIRONMENTAL AFFAIRS AND
TOURISM 2022/23 POLICY SPEECH**

Honourable MEC Mlungisi Mvoko

16 March 2022

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

Good Afternoon,

In the times of our days, we have been blessed with many interesting moments and sometimes disappointing ones. Ours is always to marshal the forces of change, development and growth with a sense of positive hope to build a credible vision and to meticulously implement the destiny we seek to build together as a country and a province.

We set sail from the advent of our democratic breakthrough to build an equitable, democratic order based on non-racialism, non-sexism and achieving a prosperous society. Our belief to realize that vision has needed more than mere faith but well-calculated measures to restore our dignities and sustain sound livelihoods for all.

Efforts and initiatives to be implemented during this year, obviously derived and aligned from the SONA, SOPA and 2022 budget tabling will reflect our collective respect to our electorate and the rest of the country, that the vision charted for

the better life for all is still as balanced as was before and is gaining traction over the successive installations of democratic governments up to this very day.

Even during the current tough economic times, we remain resolute to our goal of a '*better life for all*', and we shall act with dedication, integrity and purpose, utilizing all funding at our disposal in the most prudent manner.

Siya koyisa!

STATE OF THE EASTERN CAPE ECONOMY

Honourable Speaker, the Province observed a stronger than anticipated economic growth recovery in 1st and 2nd quarter of 2021. However, a deceleration in provincial economy's pace prevailed during the third quarter of 2021, as the Eastern Cape gross domestic product contracted by 6.9 per cent.

This contraction was reflective of the reality that path to a full economic recovery remained plagued by the continued prevalence of Covid-19. The secondary sector was hardest hit by the third quarter deceleration. Six sectors of the economy contracted in this period - agriculture, forestry and fishing (43.7%), manufacturing (15,3%), electricity, gas and water (2.4%), construction (1%), wholesale, retail trade catering and accommodation (24.3), and transport, storage, and communication (11%). Only four sectors enjoyed growth - mining and quarry at 7.5%, finance, real estate, and business services at 3.3%, personal services at 1.6% and general government at 1.5%.

Similarly, the third quarter provincial labour performance worsened, leading to the increase in the unemployment rate to an all-time high of 47.4%.

Despite this, we were encouraged by the reported growth in the 1st and 2nd quarter of 2021/22, despite the 3rd quarter economic performance having declined. We are consequently optimistic of the growth trajectory as we forge ahead.

Nationally, the Real GDP growth of 2.1% is projected for 2022. Over the next three years, GDP growth is expected to average 1.8%. Correspondingly, the Eastern Cape economy is projected to moderately grow at 1.8% in 2022.

HIGH IMPACT PROGRAMMES FOR 2022/23

Honourable Members, in line with our mandate, the department has identified three high impact programmes to anchor the work of the department for the 2022/23 financial year, and these are: township and rural economy, revitalisation of industrial parks and climate change support.

We believe that these programmes will play a significant role towards supporting the development of the Eastern Cape we all want and strive for.

TOWNSHIP AND RURAL ECONOMY

Honourable Members, the implantation of the Township and Rural Economy programme is critical for economic development, reduced unemployment and eradication of poverty in our Province, especially in a rural province such as the Eastern Cape.

To fulfill this objective, work is underway for the development of the Eastern Cape Township and Rural Economy policy and legislation. A policy document has been developed for inputs by stakeholders in an endeavour to develop a green paper that will be gazetted by the first quarter of the financial year. This will be followed by a white paper as we drive policy towards the development of a legislative framework for Township and Rural Economy for the Province. To ensure effective support to township and rural enterprises a Provincial Township and Rural Economy strategic framework will be developed to provide support for the needs of the Micro, Small & Medium Enterprises (MSME's) located in these areas by pursuing an integrated strategy across all spheres of government to tackle the challenges of infrastructure development, market access, financial support, technology and institutional support.

To ensure a successful rollout of this programme, the Department will strengthen collaborations and partnerships with key role players such as

municipalities, COGTA, Department of Public Works and Infrastructure and DRDAR, to mention but a few.

Honourable Speaker, we are at advanced stages of the rollout of the Informal Business Support Programme that we initiated last year. With a budget of R40 million, the Programme focused on four identified sectors namely: clothing and textile, manufacturing, automotive aftermarket support interventions and the services sector. This Programme will see about 1,000 micro and informal business supported with equipment, machinery and inputs of approximately R30 000 per successful applicant. The disbursements are currently being processed by the ECDC to all the successful applicants.

The need for support for the micro and informal businesses is growing as demonstrated by the number of applications received, and it will be important to continue with financial and non-financial support to this sector as it is the most vulnerable compared to the formal sector.

We are, in this regard, partnering with the Department of Small Business Development to implement the informal business support programmes through its agency, focusing on training and capacity building programmes.

Effective implementation of the Township and Rural Economy will go a long way in alleviating disparities and bring about hope to our people who are found at the peripherals of our mainstream economy.

REVITALISATION OF STATE-OWNED INDUSTRIAL PARKS

Honourable Members, the State-Owned Industrial Parks are critical for economic development, job creation and as well serving as hubs of economic activities across the Province.

These parks will play a pivotal role in the integration of various regions in the economic mainstream. These parks need to be upgraded to have 'world class' infrastructure and services, in order to retain and attract current and future industrial investors in the province. We have been following a phased approach towards the development of these parks. Through support from the Department

of Trade, Infrastructure and Competition and allocations from the Province through the provincial economic stimulus fund, significant work has been done at Vulindlela Industrial Park, Komani, Dimbaza, Fort Jackson, Wild Coast (Mthatha) and Somerset East Industrial Park for the critical upgrading of infrastructure at these parks.

It is pleasing to report that the 1st phase of upgrades at Dimbaza, Somerset East, Komani, Vulindlela and Mthatha Industrial park have been concluded. As each of these parks are at different stages of development, work is continuing for Phase 2 on Bulk infrastructure upgrades in Dimbaza and Mthatha, while Phase 2 on building refurbishments has been completed for Vulindlela. Thus far, a total of 478 construction jobs have been created and 24 local SMMEs have been supported. On the 24 March 2022, the contractor will be handing over, to the Department, phase one, which is the Bulk Civil and Electrical Infrastructure, of the Somerset Industrial Park.

Honourable Speaker, the level of government investment has been substantial, however, these industrial parks must be fully functional and ready for investors. The province will ensure the needed attention is provided on the infrastructure to conclude these investments.

Alongside the development of the industrial park master plans we will work on packaging investment value chains and engaging with private sector partners to attract investors to these parks.

CLIMATE CHANGE SUPPORT PROGRAMME

Honourable Speaker, there has been an outcry from the municipalities for assistance on awareness, mitigation and leading the climate change efforts across the province.

The Eastern Cape is an area of convergence of eight of the country's nine biomes, making it the most diverse of South Africa's provinces. It is known that the protected area system is inadequate to conserve the Eastern Cape's internationally recognised natural capital and the protected area estate needs to be expanded. "Stewardship" is the primary mechanism at our disposal for

expansion of the protected area estate. This involves the declaration of land owned by the private and community sectors for conservation purposes. The ECPTA's stewardship programme has been responsible for increasing the proportion of provincial land under conservation from only 3.9% (658 485 hectares) in 2000 to 7.1% (1.2 million hectares) in 2020. Ongoing expansion efforts are a vital component of the Eastern Cape's efforts to combat and mitigate climate change.

Honourable Speaker, we are pleased to report that the Coega Development Corporation (CDC) and Nelson Mandela Bay Municipality are in the process of developing a 15 Mega Litres per day desalination plant. As you know, dam levels are critically low, and the desalination plant will assist the NMBM in diversifying its water supply to the Coega SEZ, Businesses and households in the Nelson Mandela Bay Municipality.

The Department will, in the forthcoming financial year embark on the development of a Climate Change Programme in the OR Tambo Region focusing on Disaster Risk Reduction and Ecosystem Based Adaptation. An amount of R7.6 Million has been set aside for this programme, which will will prioritize the following:

- a) Greenhouse gas (GHG) mitigation with a focus on Waste and Air Quality Management.
- b) The water sector, specifically ecosystem-based adaptation to ensure disaster risk reduction.
- c) Environmental Education in support of community empowerment and raising awareness on climate change impacts and opportunities.
- d) Building community resilience with a core principle to co-create projects with communities.

As climate change escalates in priority, it becomes even more important to support our economy with reliable low-carbon sources of energy.

Over the next few years we expect significant new investments in wind and solar farms, embedded- and self-generation, green hydrogen and other low carbon sources. Through its Independent Power Producer support programme the Department will continue the work of supporting new energy projects and

additional electricity infrastructure. Together with the SEZs and ECDC the Department will work to ensure that our Province harnesses even more value chain and socio-economic opportunities in this growing sector.

For example, plans are ahead to attract renewable energy investments into the ELIDZ. In this regard, the ELIDZ is looking at developing infrastructure for solar energy generation on its Phase 1 precinct to enable global competitiveness of its precinct in line with sustainability requirements of various multi-national investors.

The ELIDZ continues to look at implementation partners for its Wind Farm to be located in Ntabozuko and is further courting an investor for the development of a photovoltaic energy generation plant, also in Ntabozuko.

Honourable Speaker, the three flagship high impact programmes that I have highlighted above are earmarked to drive and advance our work.

We will, Honourable Members, continue with the work that we had started to achieve economic reconstruction and recovery, and job creation, but this work cannot be done independently or within our own efforts. The attainment of our goals will require us to work together as government departments, the private sector and our social partners.

ENABLING ECONOMIC RECOVERY AND GROWTH

Honourable Speaker after a tumultuous two years, we will continue to soldier on in our efforts to enable economic growth and job creation in the Eastern Cape, through sharpening our focus on investment attraction, economic infrastructure development, support to SMMEs, and priority sectors as some of the drivers and enablers in this long and hard journey of economic recovery and growth.

ENABLING INVESTMENT ATTRACTION

Our SEZs and the ECDC continue to be at the forefront of our investment attraction efforts.

Honourable Speaker, we can proudly announce that the ELIDZ has attracted six new investors with an investment value of R958 million. Over and above this, the Zone opened and operationalised 12 new factories, creating much needed economic activity in our province. In addition, the CDC has secured 7 new investors with an investment value of over R160 million. These investments brought a combined total private sector investment of more than R3 billion, mainly on plant and machinery. To ensure increased impetus in its investment attraction activities, the ELIDZ will be strengthening market intelligence on value propositions, research, and lobbying for initiatives that will improve regional sector competitiveness and strengthen local value chains. Specific focus will be placed on high impact investment opportunities in the ICT and renewable energy sectors.

Honourable Speaker, we will be allocating R81 million to the ECDC in support of the implementation of their turnaround strategy, focused primarily on their property portfolio, which will support their property modernisation and development programme. An amount of R32 million is allocated for loan recapitalisation for the benefit of SMMEs and Co-operatives.

Our investments in the EC Film Industry are continuing to reap economic rewards. The ECDC will be receiving R5 million worth of investment for the film industry to continue attracting productions as they expose the Eastern Cape as both a film and a tourism destination of choice. Honourable Speaker, we are excited that, in partnership with a South African Film Production company, we are planning to commence with the establishment of a Film Studio in the Buffalo City area. In order to create a platform to promote film productions from the Eastern Cape, the ECDC will be adding a Film Festival chapter to the Grahamstown Arts Festival in 2022/23. We believe that the EC Film Fund is a catalyst for high return and a high job creating investment.

Through a partnership with DTIC, and through the ECDC, the Department will operationalise the *Invest SA One Stop Shop* in order to streamline services to investors and reduce red tape. The centre is marked to host relevant government departments and state-owned entities to help investors and exporters negotiate the regulations and administration to obtain various approvals, licenses, authorizations, registrations, and/or permits. The Eastern

Cape One Stop Shop is part of the government's drive to become investor-friendly by improving the business environment, lowering the cost of doing business, and making the process easier. Implementation is already at an advanced stage.

SUPPORTING SMMES

Honourable Members, there is consensus that broad based economic growth and empowerment can only be achieved through a strong SMME sector. To develop this potential, the Province has established a Development Fund whose objective is to stimulate SMME development through access to capital. This fund will further target large scale commercially sound projects in partnership with the private sector.

The Fund, which will be administered by the ECDC, will be a vehicle for leveraging both local and international investments. The fund has been allocated R35 million for 2022/23.

Within the context of a shrinking fiscus, the Department is tasked to ensure it drives partnerships with other funding institutions so as to ensure that there are shared resources and more impact. As such, we will be embarking on co-funding opportunities with other funders for more support to the SMME sector to enable employment opportunities.

The emergence of COVID19 has fast tracked the process of digitization to ensure connectivity, efficiency and quick turnaround times. In light of this, the department will implement an online LRED application system to automate and fast-track the application process. .

We have taken note of various global supply chain challenges in the auto sector, and through ELIDZ, we are looking at developing strategic interventions that will help lower the vulnerability of this sector in the next year. We will work with the ELIDZ towards the establishment of a manufacturing incubator that will play a key role in the following 5-year cycle in realising new automotive component manufacturers and driving for increased localisation of the sectoral value chain. In partnership with the Department of Trade, Industry and Competition, we are allocating a combined funding of R74 million for this initiative.

SUPPORTING COVID-19 BUSINESS RECOVERY

Honourable Speaker, the COVID-19 pandemic and its affect is not yet over. Businesses are still recovering and for the past year, the Department maintained the **support programme** to distress businesses in the province through the manufacturing support centre, COVID-19 business support portal and the Job stimulus fund. Through these platforms, the Department supported 321 companies with financial and non-financial support which impacted a total of 9,063 jobs. Additionally, the job stimulus fund has approved support to 42 companies to the value of R26 million and is set to save 1,239 jobs. The department will continue with these interventions in the new financial year.

Honourable Members, despite **tourism** being one of the economic sectors that was hardest hit by the COVID-19 pandemic, it is still one of the enablers for economic growth and job creation in the Province.

The Eastern Cape took full advantage of the lull in tourism to re-organise and re-orientate the sector. The Provincial Tourism Recovery Plan augmented the COVID-19 Tourism Relief Fund offered by the National Department of Tourism (NDT). A total 484 tourism SMMEs received just over R24 million to prevent closure. A further 164 tourism businesses and 329 tourist guides were supported to achieve compliance with government regulations. Our investments paid off as the Eastern Cape had some of the highest tourist numbers in the country. This demonstrates that our approach not only promotes business sustainability, but also ensures readiness for future funding opportunities. As such, it will consequently be maintained as the backbone of tourism development efforts in the 2022/23 financial year.

Honourable Speaker, we are encouraged and commend the efforts made by the ECPTA, to source funding from the NDT for upgrading of our tourism infrastructure. In this regard, to mention a few, NDT has made a total investment of R21 million for the construction of four hikers sites - Hluleka Nature Reserve, Mpande, Mngazana and Mngcibe and includes the refurbishment of the Port Alfred and Wild Coast beaches. This is in addition to a further R41.9 million for the construction of the new tourist accommodation facility and office space in Cape Morgan Nature Reserve. The Double Drift

Community Nature Reserve received an investment of R13.3 million from the NDT for the construction of an abattoir and access roads.

We are also investing in technology to increase access to information and tourist sites.

The **manufacturing** sector remains significantly hit with the impact of COVID19 in the province. The sector through the reduction of COVID19 restrictions have noticed increased activities in the Automotive and Non-Automotive manufacturing sectors in the province. As you may be aware, the EC manufacturing makes up a significant portion of the provincial economy and is primarily driven by the needs of the automotive sector, which is the biggest manufacturing sector in the Eastern Cape. To ensure that there's ongoing engagements between the automotive sector and the provincial government, a Provincial Automotive Advisory Council has been established as a non-statutory body to facilitate such engagements.

The Department is embracing global developments in the automotive sector and has, as such, submitted inputs to the dtic on the white paper the advancement of new energy vehicles. To support the automotive industry, an amount of R93.6 million is allocated over 3 years to assist with enhancing engineering skills for the youth, supporting supplier competitiveness, and supporting the aftermarket sub-sector in order to ensure that we retain and attract much needed investments by the sector.

ENVIRONMENTAL SUSTAINABILITY

IMPROVING CAPACITY FOR BIODIVERSITY CONSERVATION AND ENFORCEMENT

Honourable Speaker, despite severe capacity challenges our biodiversity conservation and compliance and enforcement teams have done sterling work in ensuring the protection of our natural environment. In the past year, the Department has made a concerted effort to fill vacant posts in these critical directorates. The Department will be continue filling these critical vacancies in

the year ahead, thereby ensuring that the compliance and enforcement unit is at 90% capacity and biodiversity conservation at 85%. This will auger well for the protection of the natural environment in the province.

INTEGRATED WASTE MANAGEMENT

Honourable Speaker, in the last year we initiated an Expanded Public Work Programme, working with seven identified local municipalities across the Province, for the preservation of the environment in those localities. We invested R35.9 million for the rollout of this programme, creating 1,272 work opportunities. For 2022/23, we have set aside R24.6 million to continue with this Programme, targeting to create a total of 670 work opportunities.

Through the implementation of the Eastern Cape Provincial Integrated Waste Management Plan, together with the implementation of the EPWP, we will be playing a crucial role in supporting municipalities in the delivery of effective waste management services. Coupled with this we will enhance our efforts to develop a recycling sector in which SMMEs can gainfully participate and create job opportunities.

BIODIVERSITY ECONOMY

ECPTA has been able to provide opportunities for communities in the vicinity of reserves to provide guest services for leisure activities. Co-operatives have variously been supported to establish kayaking, massage and trail guiding businesses.

Honourable Speaker, we are pleased to announce that the ECPTA and the Likhayaletu CPA have entered into a Custodianship Agreement in terms of which 95 head of game have been translocated from ECPTA-managed reserves to Brakfontein. Work is currently underway at the Brakfontein Community Nature Reserve to construct hunters' facilities and accommodation.

Biodiversity Management Plans for Aloe Ferox have been approved for implementation. The Department will be the lead agent in the implementation. Rural communities utilise Aloe Ferox for their livelihoods. The utilisation of this

plant also contributes towards the growth of the Bioprospecting Industry in the Province.

RESEARCH AND BUSINESS INTELLIGENCE

Through collaboration with other institutions the Department will enhance research on the Foundational Biodiversity Information Programme (FBIP) for the purpose of documenting undescribed species of plants and animals from inland and coastal ecosystems for conservation. Both wetland mapping and FBIP research will mainly target the Amathole, O.R. Tambo, Alfred Nzo and Joe Gqabi regions.

BUSINESS REGULATION AND GOVERNANCE

LEGISLATIVE REVIEW

To further enhance the work of the Department and its entities, we are in the process of reviewing several pieces of legislation. These are:

- The Eastern Cape Environmental Management Bill
- The Eastern Cape Parks and Tourism Bill
- The Eastern Cape Development Corporation Act
- Gambling Regulations
- Liquor Regulations

PUBLIC ENTITY OVERSIGHT

Honourable Speaker, as part of the rationalisation of public entities, the Department will continue with the merging of the Eastern Cape Gambling Board (ECGB) and the Eastern Cape Liquor Board (ECLB) to increase efficiencies, modernize procedures and practices, reduce "red tape" and achieve cost-saving, while continuing with improved revenue collection and regulation of the industry.

Furthermore, the Department will continue to exercise oversight responsibilities relating to governance, financial oversight and operational oversight. Engagements and partnership with the Chairpersons and the Executive Officers

to ensure collaboration and oversight of our public entities will continue as a priority.

CONCLUSION

Former President Tata Nelson Rolihlahla Mandela once remarked that “*After climbing a great hill, one finds that there are many more hills to climb*”.

Honourable Speaker, whilst we have done so much to transform our society, we must tirelessly continue in pursuit of achieving our goal of an inclusive, growing and sustainable economy.

In our budget allocations, we have ensured that funds are allocated to key service delivery areas aligned to our mandate and priorities. Accordingly, the budget allocations are as follows:

- Administration: R 248.9 million
- Economic Development and Tourism: R747.2 million
- Environmental Affairs: R342.2 million

I would like to thank all the Members of the Executive Council of the Eastern Cape for their support, led by the Honourable Premier Mr. Oscar Mabuyane.

Same gratitude goes to the oversight committee members who have ensured that we execute our mandate optimally.

I would also like to extend a word of gratitude to the Head of Department, Ms. Mickey Mama, her senior management and the entire staff in the Department, supported by our public entities, for their excellent work in discharging our mandate.

A special word of gratitude to the citizens of the Eastern Cape (whom we strive to serve with respect and humility), the business community and all our key

stakeholders who have contributed towards the shaping of our plans and priorities.

I hereby table the Annual Performance Plans of the Department and our 3C entities, the Corporate Plans of our 3D enterprises and the Operational Plan for the Department.

Ndiyabulela. Thank you. Baie dankie.

Hon. (MPL) M. Mvoko

Executive Authority Finance, Economic Development, Environmental Affairs & Tourism