

Remarks by Eastern Cape MEC for Economic Development, Environmental Affairs and Tourism Hon. Lubabalo Oscar Mabuyane at the Investment Conference held in Buffalo City Metro on February 12, 2019

Premier
Members of the Executive Council
Heads of Departments
Presidential Envoy
SOEs
Leadership of Business
Traditional leaders
Labour
Invited Guests
media
Ladies and gentlemen

Good morning to you all

Thank you very much for accepting our invitation to attend this Investment Conference. We have called this Investment Conference with the **aim of attracting investments into the province**, ensuring **localization of investments that were announced at the national investment conference** and to **solicit your inputs and support for the Provincial Investment Book**. In essence, this is a platform to gather our thoughts together as the Eastern Cape family to chart a new path for economic growth and job creation in our province.

The bleak state of our economy

Programme Director, it is a matter of fact that the economy of our country and by implication that of our province was growing at around 3.0 % per capita in the mid-2000s and was driven on the main by services, retail, construction, manufacturing, transport and communications sectors. It took a dreaded knock in the late 2000s due to the global economic downturn. Unfortunately, it has not recovered to acceptable levels since then. Our own goals in the form of policy uncertainty, corruption and a complete disregard for clean governance have also been a turn off to both domestic and international investors, thus our economy is confined at average growth rates of around 2 %. This state of affairs is not conducive for job creation, ending poverty and inequalities in our country and our province is the hardest hit by these realities.

One needs to look no further than the contribution of various sectors of our economy to the Gross Fixed Capital Formation, (**real investment**) to see that the state of our economy is not sound, hence the need to ramp up investments. For instance, General Government services to Gross Fixed Capital Formation is 26.4 %, followed by Finance at 18.9 % and Transport at 17.8 %.

Sadly, the sectors that should be contributing significantly on the Gross Fixed Capital Formation are performing poorly with Agriculture at 1.8 % and construction at 1.1 % respectively despite our stated comparative advantage of arable land and infrastructure backlogs. We are not the food basket of our nation and we are definitely not a full blown construction site. This is an up-side-down

economic pendulum with a potential to throw all of us off if we do not act now and take courageous actions to correct it.

Opportunities to chart a new economic growth path

During the Medium Term Budget Policy Statement, we announced our bold intentions to invest **R1.1 billion** over the MTEF as a stimulus to revive our economy focusing mainly on the sectors that we identified in our Investment Promotion Strategy which are:

- Automotive Manufacturing
- Renewable Energy
- Agriculture/ Agro-processing
- Capital Goods Manufacturing
- General Manufacturing
- Tourism
- Business Processing Outsourcing & Offshoring and
- Petrochemicals
- Blue / Oceans economy
- Arts / entertainment

These resources are meant to entice the private sector to partner with us as we embark on a new journey to Grow our Province. The catch though is job creation and beneficiation first. In the Budget Speech next month, we will announce projects that will receive funding from this stimulus fund.

We are also ready to submit bankable projects to benefit from the National Stimulus Package announced by the President in

September last year as it targets labour-intensive sectors that are not giving us the desired growth and job creation outcomes such as Agriculture, Infrastructure Development, Tourism and Lowering data costs.

A national effort to attract 1 trillion rand

Programme Director, late last year President Cyril Ramaphosa hosted an investment conference nationally as part of a grand plan to attract **R1.2 trillion** to revive the economy of our country. The business sector bought into the vision he placed on the table and committed to invest **R134 billion** into our economy over a five-year period.

Our Province netted a sizeable share of these investments. I can mention among these, the **R438 million** injection by SAB in their Nelson Mandela Bay plant, the **R10 billion** investment by Mercedes Benz SA in their East London plant, the **R3.4 billion** by Aspen Pharmacare in their Nelson Mandela Bay Plant, **R663 million** investment by Nestle, the **R1 billion** investment by Yekani Technologies through the Black Industrialist Programme and **R900 million** by MultiChoice at the ELSEZ. These investments were preceded by **R6.1 billion** VW capital expenditure in their facilities in Uitenhage, and the **R11 billion** investment by BAIC at the Coega SEZ.

All of these investments provide us with a solid foundation to grow our manufacturing sector and create jobs for our people. Our interest though is to see real jobs and real beneficiation in the value

chain from these investments. We must be able to point the SMMEs that are benefiting from them and ascertain whether they are representative of our demographics. These are the questions that linger in our minds which can be eased by the availability of detail on these investments.

But other than that this Investment Conference must also note the common factor in these investments. All of them are confined in the urban centres of our province and that is in the Buffalo City and Nelson Mandela Metros because that is where adequate infrastructure is available. We cannot blame investors for this. This is a social injustice of the past and fortunately we have an opportunity to change it.

An Investment Book for accelerated inclusive growth

The Investment Book we are consolidating, must on the main change the infrastructure development injustices of the past by attracting investments to the Eastern side of our province as much as it should attempt to grow and sustain investments in the urban areas of our province. This is an unprecedented opportunity in our democratic dispensation particularly for rural provinces such as the Eastern Cape, that were on the receiving end of infrastructure disinvestment by the apartheid regime.

I was more inspired to learn during the State of the Nation Address last week that our neighbors KZN, has already developed and delivered their Investment Book to the Presidency. There is a

lesson to learn from and that this new dawn era requires us to do away with laid-back attitudes in provincial government departments and municipalities or else our Province will be left behind by the inclusive economic development agenda that President Cyril Ramaphosa is driving. To me that would be the betrayal of the trust that the people of our province have bestowed in us and I hope none of us in this room wants to be counted among those who failed to rise to the occasion when an opportunity to change the face of our province presented itself.

Addressing obstacles for investments

Programme Director, as we strongly advocate for the funding of this Investment Book, our communities must assist us, because we do not get joy from seeing multitudes of our people leaving their homes in the rural hinterland to seek work opportunities in urban areas, where they live in inhumane conditions. We can come out of this conference with an incredible Investment Book and President Ramaphosa can say okay here is **material support** for Eastern Cape projects. However, our efforts would count for nothing when our own communities become the enemies of their own development.

There is a worrying new phenomenon that we must arrest in our province which is threatening to confine our people into a hole of under-development and joblessness, the protests against proposed projects.

This is a post democratic phenomenon which started when our government proposed to build the Coega SEZ. There are seemingly people who are ready to thwart any developmental plans we have in our province and this tendency is now creeping into the rural areas of our province that are in dire need of major infrastructure development. As I speak three major projects in the Eastern side of our province worth billions of rands and with a potential to create thousands of jobs have been delayed through a number of protests. I can mention Xolobeni, Mzimvubu Dam and N2 Wild Coast Mtentu Bridge.

This can't be right and it points to number of things. Leadership , integrated approach , social facilitation , the need for us to have a clear plan for localisation and beneficiation when such projects are initiated. If you listen carefully to the views of our people on these projects they are more about concerns on beneficiation and localisation than not being receptive to development. And our people have a right to demand answers on these critical factors as they are the owners of the land hence they have to benefit. But in doing so, they must not drive investors away by presenting excessive demands. Investors invest their money to make profits. In return they create jobs which are critical in our quest of a better life for all. **Makubekho intsebenziswano enesidima nentembeko kungenjalo uphuhliso namathuba emisebenzi ayohambela phaya kude kweliphondo lethu acele ithamsanqa.**

Programme Director, most of our Municipalities at times also pose a threat to our efforts of attracting investors. We are going to insist that they must develop incentives that are designed to attract investors and not chase them away. We are going to drive this from within the cooperative arrangement of government but if needs be,

we will use other avenues that will not tip toe around issues of none compliance with resolutions. Issues of municipal tariffs, long delays in processing applications for construction plans should be not be a deterrent for investment attraction in our province.

Building on the foundations of the fight term of government

That said, over the past few years our government has continued to invest massively on improving our roads network with a particular focus on trade routes in our province. SANRAL is on the ground working on the construction of the N2 Wild Coast and number of provincial roads as we speak. There is still plenty of work to do in this regard and we are pleased to inform you that our provincial mega projects such as Mzimvubu Dam which is critical for agricultural production in the East will finally get off the ground. We are not letting up our pursuit of Project Mthombo and we need as many voices as possible to net that investment .

A call to action

At times the voice of the business sector in our province on key economic development projects is frustratingly silent. If we are to claim our rightful place as an economic player in our country, we must sing from the same hymn book and loud enough for people to listen to us. Let us stop whispering when we are rightfully lobbying for the development of our province.

Leadership is about influencing change and people must understand that we are not in the Eastern Cape by accident, we are

not going to be in Gauteng too, economic development projects must come to where our people are.

This Investment Conference offers all of us an opportunity to set out a series of steps to ensure that this province benefits from the national programme but equally, it challenges the business sector in our province to expand its own investment in our economy.

There are thousands of young people out there with University Qualifications who are frustrated and despondent. What plan can we put together here and now with the business sector to address their plight? We must come out of this conference with a plan for them too, they are the most affected group by unemployment in our society. Last year they marched to the provincial government in their graduation gowns. It was a sad site and it is within both government and business to alleviate their plight. We should not get out of this conference without a plan for them.

As I descend the stage let me reiterate that this is a life time opportunity for the privileged few of us in this room to come out of this Investment Conference with a package of projects that we can realistically canvas capital funding for and implement during the sixth term of government. If we put our thinking caps on and make productive and frank inputs in this conference, we could look back

at this moment five year from now with pride knowing that we were part of this defining moment of developing an Investment Book which will serve as a blueprint to Grow our Province.

Enkosi.