

**DEPARTMENT OF ECONOMIC DEVELOPMENT AND TOURISM – VOTE FOUR  
BUDGET POLICY SPEECH 2012/2013 DELIVERED TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE,  
BY  
MEC FOR ECONOMIC DEVELOPMENT AND TOURISM, MR MICHEAL MABUYAKHULU, MPP  
12 JUNE 2012**

***“This Time is Different”***

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Madam Speaker, Honourable P.Nkonyeni;  
Deputy Speaker, Honourable M.Mthimkhulu;  
Honourable Premier of the Province of KwaZulu-Natal, Dr Z.L. Mkhize;  
Honourable Members of this House;  
Distinguished guests;  
Members of the media present;  
Friends;  
Ladies and Gentlemen

***This Time is Different...***

Chairperson,

In one of his oft-quoted compositions, musical genius, Bob Dylan counsels that all of us have a responsibility to constantly observe the shifting balance of forces and make consummate adjustments to our approaches in order to ensure that we remain competitive and at the cusp of all new developments.

The first verse from Bob Dylan’s, **“The Times They’re a Changing”** goes:

Come gather 'round people,  
Wherever you roam,  
And admit that the waters,  
Around you have grown,  
And accept it that soon,  
You'll be drenched to the bone,  
If your time to you,  
Is worth savin'  
Then you better start swimmin'

Or you'll sink like a stone  
For the times they are a-changin'

As we rise to table the Department of Economic Development and Tourism's Budget Policy Speech, we are acutely aware of the need for us to, in the first instance, acknowledge that the current global economic epoch is different to any we have seen in past century and, secondly, as Bob Dylan suggests, we "...better start swimmin', or we will sink like a stone for the times they're a changing". It is for this reason that we have themed our presentation as "This Time is Different", for we understand that the terrain in which we operate has completely changed and, as such, we need to adopt new approaches to ensure that, in the medium-to-long term, we are able to respond to the identified triple challenges of inequality, poverty and unemployment. In order to deal with these challenges, we understand that the eyes of the people of our province are rightfully trained on what our department does to build an economy that creates opportunities for all and to make tourism work for us all.

Before we report on the progress made in implementing the undertakings we made during the previous budget speech; the challenges encountered as well as the new approach we will be taking in fulfilling our mandate, allow us to share with you the global, national and provincial context in which we have to undertake the task of building a prosperous, democratic and equal society.

## **GLOBAL ECONOMIC OUTLOOK**

Chairperson, the risks posed to the global and domestic economy from the crisis in Europe have intensified. The mounting speculation about a possible Greek exit from the Euro zone has shaken financial markets as the dangers of contagion effects translating into a global crisis escalate. These developments have the potential to further undermine the fragile recovery in the advanced economies, and reinforce the current slowdown seen in some of the major emerging market economies. The global uncertainties impart a downside risk to the domestic economic growth outlook which remains relatively subdued.

The Eurozone debt crisis coupled with fiscal imbalances in a number of industrialized countries was the main challenge facing the global economy in 2011 till today. Compounding this phenomenon was slow growth in a number of industrialized countries, especially Germany, France, and Italy and Japan. As a result, global economic growth in 2011 was relatively weak (averaging 3.8%) compared to the 5.8% recorded in 2010 and pre-recession period. In addition, unemployment in a number of countries has continued to rise against a backdrop of dwindling output in these countries. Preliminary GDP statistics for the first quarter of 2012 show that the United Kingdom and German economies, some of South Africa's major trading and investment partners, contracted during the period under review.

Whilst economic growth in industrialized countries remained subdued in 2011, emerging countries especially those in Asia (China and India) continue to be the drivers of global growth. The Chinese economy has continued to cool off since the beginning of 2010, as authorities intervened to prevent the overheating of the economy. Declining trade and growth deceleration in the Chinese economy provides anecdotal evidence on the impact of the Euro debt crisis on the economy. Against this backdrop, growth prospects in emerging markets will depend on the stability in the Euro zone.

Meanwhile the global growth is projected to grow at 3.5% in 2012, then accelerate somewhat to 3.6% from 2013 to 2016, and then show a further slowdown to 2.7% from 2017 to 2025. At 3%, on average,

global growth will still be somewhat higher than the period 1980-1995 but between half and a full percentage point below the growth rate from 1995 to 2008.

Advanced economic growth is expected to slow down from an already meagre 1.6% in 2011 to 1.3% in 2012. For 2013 to 2016, the outlook suggests some recovery in advanced economies – bringing these countries back to the pre-recession growth trend of a little more than 2%.

In 2012 emerging economies will slow in growth by 0.7 percentage points on average – going from 6.3% growth in 2011 to 5.6% in 2012, partly as a result of slower export growth. From 2017 to 2025 emerging and developing countries are projected to grow at 3.3% as they will begin to show signs of maturing.

## **DOMESTIC ECONOMIC OUTLOOK**

*Chairperson, this 'Time is Different' as the South African government has taken its rightful place as a major player in the global economy through its participation in the BRICS family of nations and other global forums.*

Chairperson, economic growth in KwaZulu-Natal remains subdued as a result of factors such as the Euro debt crisis, low global consumer confidence and slow domestic investment. The province posted a growth rate of 3.3% in the fourth quarter of 2011 following a growth rate of 2.3% (revised from 2.0%) in the third quarter. The provincial growth rate is slightly above the national growth rate of 3.2%. The average quarterly growth rate for KwaZulu-Natal in 2011 was 2.8% which is too low to sustain the extent of job creation which the province aims to pursue. In order to meet the New Growth Path's job creation targets, the province needs to consistently achieve growth rates in excess of 6%.

It's therefore worrying to note that the subdued growth rates were more pronounced in our traditional employment drivers, namely, manufacturing, agriculture and mining. In KwaZulu-Natal, agriculture and manufacturing are strategically important given their labour intensiveness and contribution to GDP. Working with other stakeholders in the province, the Department needs to play an active role in stimulating growth in these sectors.

## **LABOUR MARKET OUTLOOK**

*Chairperson, 'This time is Different' as our resolve to create more jobs is not deterred by major turbulences in the domestic labour market.*

Chairperson, following post-global economic recession in 2009, the South African labour market continues to be very volatile. Compared to the growth of 179,000 jobs in the fourth quarter of 2011, employment in South Africa has shrunk by 75,000 in the first quarter of 2012. There were also additions of 207,000 people in the labour force, compounded by graduates coming from secondary and tertiary institutions. These additions exerted pressure in the labour market – resulting in unemployment rising from 23.9% in the fourth quarter of 2011 to 25.2% in the first quarter of 2012. It is noteworthy that the number of discouraged work seekers also grew by 20,000 during the period under review owing to declining opportunities.

Ladies and gentlemen, the current slow employment growth depicts an economy struggling to sustain employment creation after the recession – and the effects of the Euro zone debt crisis also have a bearing on this situation. This demonstrates that South Africa’s employment and growth patterns are linked to the global economic trends.

Chairperson, KwaZulu-Natal has followed a labour market trend similar to the one observed at a national level. In the fourth quarter of 2011, KwaZulu-Natal created 52,000 jobs, while in the first quarter of 2012 this situation has witnessed a reversal with job losses estimated at 43,000 in the first quarter and the province was only second to the Eastern Cape which shed 47,000 jobs. This has happened against diminishing labour force which contracted by 8,000 attributed to people who are migrating out of the province in search of better opportunities in other provinces. Against this backdrop, KwaZulu-Natal unemployment rate grew from 19.3% in the fourth quarter to 20.5% in the first quarter. Despite this worrying environment, encouragingly, on an annual basis, the provincial economy created about 90,000 jobs.

## **POLICY REVIEWS**

*Chairperson, ‘This Time is Different’ as our focus is not only on formulating economic strategies and policies, but on vigorously implementing them to achieve our developmental goals.*

The global recession has taught governments around the world new lessons about the unintended consequences of the free market and the role of the public sector in stabilizing the economy. The South African government has put in place various stimulus packages to assist the economy to pull out of the recession. Some of these programmes include the Jobs Fund and the Industrial Development Corporation driven manufacturing support initiatives. In addition, a number of strategies has been drafted which are aimed at amongst other things, to develop the capacity of the economy to create jobs through infrastructural development and other key sectors in the province. Chief amongst these strategies is the New Growth Path (NGP), the Industrial Policy Action Plan (IPAP2) and the National Development Plan (NDP).

In response, KwaZulu-Natal has developed a number of strategies to grow the economy and contribute to the national vision of creating 5 million jobs by 2020. The initiatives also provide an alignment framework with the national economic policies such as the New Growth Path (NGP) and the National Development Plan as stated above. Serving as the blue print for the province’s socio-economic advancement is the Provincial Growth and Development Strategy (PGDS) which is an overarching strategy articulating government’s 20 year vision for sustainable growth. The PGDS has identified a number of catalytic infrastructural development initiatives which are aimed at transforming KwaZulu-Natal into South Africa’s vibrant economic gateway to the African continent and the world over.

Part of the vision of our Provincial Growth and Development Strategy states that, ‘by 2030, the province of KwaZulu-Natal should have maximized its position as a GATEWAY to South and Southern Africa’. It is clear in this vision that the province aspires to act increasingly as a transmission belt between global and regional markets and production facilities. The PGDS identifies infrastructure development projects as key to fulfill this vision and some of these initiatives include, inter-alia, the dugout port in Durban, Dry Port Development and dedicated road/rail link, Aerotropolis, Durban-Gauteng Rail Upgrade and regional airport development. The implementation of these projects will inevitably position the province as a major trade gateway into Southern Africa and the rest of the world. There are already action plans

illustrating how these initiatives should be implemented to unlock a wave of socio-economic opportunities.

## **KEY ACHIEVEMENTS OF 2011/2012**

*Chairperson, 'This Time is Different' as we measure our achievements through outcomes not outputs delivered.*

In this regard Chairperson, the Department of Economic Development and Tourism key achievements during the period under review includes the following:

### **(a) Job Creation Initiatives**

#### Renewable Energy Development (RED) Hub Project

The RED Hub-KZN Project is a private initiative by the German based company IKD-International and ARDOR SA Limited supported by WISTA-Adlershof, City of Science, Technology and Media, the most innovative Techno Hub in Europe, leading German Companies in the Renewable Energy Technology, Universities and Institutes from Berlin/Brandenburg, partnering with Durban University, Anglo American Platinum and South Korean Technology Partners and Investors. The initiative was created through partnership with the eThekweni Municipality and supported by the KwaZulu-Natal Government.

In a nutshell, the expected economic impact is planned as follows:

- **Private Investment**

<b>2011-2012</b>	<b>Project Start</b>	<b>R400 million</b>
<b>2012- 2016</b>	<b>First project phase</b>	<b>R3.8 billion</b>
<b>2016 -2020</b>	<b>Second project phase</b>	<b>R5 billion</b>
- **R2 billion additional investment from local and international private companies,**
- **Return of the project investment in 8 years/annual profit of 11 % of the net investment,**
- **Direct international investment return with an annual profit of 7.2%,**
- **4000 + sustainable jobs up from 2016,**
- **2100 additional project related jobs during installation phase 1 – 2012-2016,**
- **800 additional project related jobs during installation phase 2 – 2016-2020,**
- **R10.5 billion addition to GDP of RSA in 2020,**
- **R2 billion additional to GDP to SADCC countries in 2020,**
- **Additional Tax revenue for the government of around R1.5 billion (constant at 2011 prices).**

The project will provide a remarkable support for the Energy Industry in KwaZulu-Natal based on renewable sources and will establish the platform for the Renewable Energy Industry in the province with an impact in the Southern African Region.

The project will plan, build and run the following components:

**1. Renewable Energy Business Development Hub**

A Centre of Excellence for Renewable Energy with three clusters:

- Renewable Energy and Energy Efficiency;
- Integrated Energy- and Infrastructure Networks
- Sustainable Development and Biodiversity.

**2. Academy for Renewable Energy “T.W.Kambule”**

Research and Development in applied technology solutions, capacity building, skills transfer, scientific and technical co-operation with German and International Institutes.

**3. 260MWp Hybrid Renewable Energy Power Plant**

Based on the local Renewable Energy Sources and Applied Solutions at the Hub:

Importantly, German, South African and South Korean private Companies are involved in the planning, technology transfer and investment

*Gijima Local Competitive Fund*

The House will recall that the Gijima programme funds catalytic local economic development initiatives in the province to assist municipalities realize their socio-economic potential. Under the Gijima Local Competitive Fund Two, the Department funded Opus 1 & Mooi River Textiles in Tongaat. The project was successfully implemented and completed last year. As a result of our investment 78 permanent jobs were created, and registered a 100 percent turnover as the products were supplied to most leading retailers.

*Ifihlile Youth Placement Project*

Youth unemployment in the province inspired us to focus on skills training and placement of young people with various employers. About R31 million was injected into short technical skills training of 340 youth of which 98-100% of them got employed thereafter. A further group of 500 Graduates were trained in soft skills with 452 referred to employment. These skills range from plumbing, carpentry, electrical, air-conditioning, fire-fighting, information technology, security, agriculture, human resources management and hospitality.

*DEDT-Tongaat Hullet Partnership*

In partnership with Tongaat Hullet, the Department has supported the cultivation of 964 hectares of sugar cane— resulting in 61 permanent and 341 temporary jobs being created. The Department has invested R54 million against Tongaat Hullet’s R12 million.

*SMME Support*

About 169 SMMEs were funded through Ithala and ABSA's KZN Joint SMME Fund – totaling R270million spread across various sectors that included agricultural, manufacturing, construction, trade and services. Our intervention featured non-financial initiatives such as the provision of pre-finance technical and management skills training – where SEDA joined forces with the Department to capacitate 505 SMMEs.

#### KZN Music House

Honorable Members, you will recall that the Department has established the KZN Music House with the objective of unleashing the artistic and creative potential of young and upcoming musicians in the province. We are delighted to announce that this unique institution has recorded and vigorously marketed more than 30 new artists during the period under review.

#### Business Processing & Outsourcing (BPO)

With growing interconnectedness amongst businesses for improved customer service and business operations across the world, there has been a significant increase in demand for the Business Processing and Outsourcing services. This has resulted in growing employment opportunities and hence the province is seizing the opportunity by encouraging entrepreneurs to venture into this sector. Meanwhile, 160 BPO agents were trained and eventually employed in several companies.

### **(b) Infrastructure Development Initiatives**

#### Digital Community Hubs

In our quest to bridge the digital divide in the province we have established and operationalized Digital Community Hubs to serve as centres to stimulate growth in the information technology sector in KwaZulu-Natal.

#### Trading Centres

We have allocated R14 million for the construction of the trading centres in different municipalities that will offer decent trading facilities for the SMMEs and co-operatives. This investment will go towards the construction of Eshowe Taxi Rank, Sondela Markets in Melmoth, Okhahlamba Enterprise Development and Mandela Hawkers Shelters. The facilities are serving as springboards to ignite entrepreneurial passion amongst ordinary members of our communities which is critical in combating joblessness and poverty.

#### Leather Processing

We have also continued to provide strategic and technical support to the development of the leather processing industry in Amajuba District in partnership with the district municipality. Moreover, financial support has also been leveraged with the Department of Rural Development and Land Reform for the establishment of a leather processing centre in Danhauser. Linked to this about 200 unemployed women and youth will be trained in leather processing skills to be able to establish tanneries and leather processing hubs in their respective localities.

#### Maize Milling Facilities

The Department through its Agribusiness unit is also providing strategic and technical support to iMpendle Municipality and uMzinyathi District to establish small-scale commercial maize milling facilities. The construction of the facility is already underway at iMpendle while the business plan is being finalised for the Msinga Maize Mill within uMzinyathi jurisdiction.

### **(c) Research & Policy Initiatives**

#### Investment Strategy

In order to address the structural factors inhibiting growth and development in the province, the Department in line with the New Growth Path had initiated the formulation of a provincial Investment Strategy. The strategy is meant to outline stimulation measures for increased domestic and foreign investment amongst varied sectors. We are proud to report that the formulation process is complete and the KwaZulu-Natal Investment Strategy was endorsed by Cabinet in June last year – setting the province on the pedestal to attract investment opportunities essential to the creation of jobs.

#### Tourism Master Plan

For a co-ordinated approach for tourism planning, development and management in KwaZulu-Natal, we have developed a Provincial Tourism Master Plan which is aligned to the Provincial Growth and Development Strategy that sets targets up to 2030. The plan provides for a scope to set targets that are measured to gauge tourism growth in all tourism related sub-sectors. These targets include R65,2 billion contribution to the GDP, 183 820 direct jobs to be created by 2020, increase the number of domestic arrivals to 24, 17 million by 2030 – which is a significant leap of almost 50% from current figures. The targets set in the Master Plan are also aligned to the National Tourism Sector Strategy. One of the iconic tourism projects identified in the plan is the Drakensberg Cable Car which is set to change the tourism landscape in the province. We are in the process of appointing a service provider to develop a feasibility study and a business plan for the Drakensberg Cable Car and we are confident that this additional landmark to our list of tourism products would have unparalleled spin-offs.

#### Provincial Beach Tourism Policy

The Department developed the Provincial Beach Tourism Policy to rally all tourism stakeholders – both public and private sector around a common goal of ensuring that KwaZulu-Natal continues to be the preferred destination for tourists wishing to enjoy bathing on the clean and pristine beaches. The policy adopted the Blue Flag as an environmental management tool to ensure that we conform to international trends in terms of bathing water quality. We have therefore selected the South Port Beach on the South Coast and the Alkanstrand Beach in uMhlathuze as pilot marine sites to be enrolled in the Blue Flag programme. Partnerships have been forged with Hibiscus Coast and the City of uMhlathuze local authorities to ensure a co-ordinated beach tourism development and management approach.

#### Green Economy Studies

Our collaboration with the University of KwaZulu-Natal has resulted in several Green Economy research studies that culminated in the draft Green Economy Strategy for the province. The shift to a green



economy is congruent to sustainable development as it calls for amongst other things transition to utilization of renewable energy as opposed to current fossil generated power. This would further guarantee protection of environment for the benefit of future generations whilst halting global warming that has led to tragic natural disasters.

Having hosted the COP17 event late last year, the province is positioning itself as the renewable energy hub not only for the country but for the whole African continent.

#### Award Winning BEE Verification Initiative

In line with national B-BBEE Policy, ten Provincial Government Departments were verified and issued with BEE Verification Certificates during the 2011/2012 financial year. Our resolve to enforce compliance with regard to the promotion socio-economic transformation, couldn't have taken a better route than subjecting the state's own entities to scrutiny which we believe was essential in demonstrating that government was practicing what it preached – compliance with the empowerment laws. The exercise attracted the attention of our partners in the private sector hence we were humbled when the Durban Chamber of Commerce & Industry conferred the Department with the Alec Rogoff B-BBEE Award as an acknowledgement that we had set the precedence for country.

#### **(d) Institutional Support & Development**

##### Cut-Flower Project

The cut-flower project assisted in the establishment of four cut-flower production enterprises owned by four co-operatives which are all led by women. The success of these projects would contribute to business operations of the Dube Trade Port and further motivate for more emerging farmers into the cut-flower industry.

##### KZN Economic Council

In November last year the KwaZulu-Natal Economic Council was successfully launched. The Council would be a vehicle to encourage business, government and labour partnerships for sustainable growth and job creation in the province. It will further serve as a think-tank for inclusive economic ideas that would influence the province's economic strategic direction.

##### Broad-Based Black Economic Empowerment

The Department continues to provide economic support to the historically disadvantaged individuals and groups across the province. One of the highlights of the B-BBEE achievements was the provincial Cabinet's decision to implement the adjusted public sector score-card for preferential targets which means that from now on the province will spend 70% of its budget on goods and services secured from B-BBEE compliant companies.

We are at an advanced stage in terms of establishing the B-BBEE Ombudsman Office with the draft bill having been completed and we have become the first department in the province to establish the BEE equity fund.

### KwaZulu-Natal Tooling Initiative (KZNTI)

In response to industrial diversification and growing need for skilled artisans we have aligned ourselves with private sector to help establish a reliable pool of competent tool makers which will ensure that critical industrial production materials are manufactured here in the province. The KwaZulu-Natal Tooling Initiative (KZNTI) that was launched in 2010 had since spear-headed several initiatives as reflected below:

- KZNTI benchmarked 40 companies using the UNIDO tools and additional ten companies will be completed during the 2012/13 financial year.
- About four of the benchmarked companies have been linked to localization initiatives with Transnet and Eskom.
- The TDM Programme trained 75 students which include a combination of pre-apprenticeship and apprenticeship candidates that would be expected to move to the next level of the pilot programme this year. Short courses based on the advanced training needs of industry have been developed and aligned with Merseta for quality assurance.

### KZN Liquor Entity

The establishment of the Liquor Entity in terms of the promulgated KwaZulu-Natal Liquor Act 6 of 2010 is currently underway. Activities pertaining to organizational structure and office facilities, transition of current staff to the proposed entity, appointment of the Chief Executive Officer and senior executive managers have been finalized. We are also finalizing a technical amendment with the Department of Trade and Industry which should be completed by the end of this quarter.

The new legislation addresses critical aspects within the industry and seeks to provide mechanisms to protect society and individuals from potential negative effects associated with reckless distribution and consumption of alcohol products. At the same time the level of public participation in this sector of the economy has been enhanced with members of the communities now having a greater say on the issuing of liquor trade permits.

Current license holders are now expected to convert their permits in line with the requirements of the new Act. The KZN Liquor Authority will communicate with all licensed premises and provide detailed information on the conversion process within twelve months. We therefore urge all license holders to comply with their current license conditions. With regard to the renewal of licenses, once the new legislation has kicked in all licenses will be subjected to review and an inspector will have to provide a report whether a permit can be renewed or not.

However, we would like to assure stakeholders that the Liquor Act, 1989 is still in operation until notices regarding the implementation of the new regime are issued. This means that the status-quo in processing all applications will continue in terms of the Liquor Act, 1989 that provides for applications to be sent to district magistrates.

### Consumer Protection

The area of consumer protection is one of concurrent competencies between the National as well as the Provincial governments in terms of the constitution.

It is because of this reason that last year saw the passing of the Consumer Protection Act. Since the inception of the CPA we have conducted a total of 358 inspections across the Province, 235 on the enforcement of the Merchandise Marks Act as well as 123 on parallel goods. We have discovered that from April to end of March 2012, about 95% of all businesses inspected are complying with the labeling requirements in terms of the parallel goods prohibition as well as the Merchandise Marks Act.

We have also seen an increase in the number of complaints received. A total of 11 269 complaints made of 7886 telephonic enquiries, 1731 walk-ins as well as 1652 written complaints were recorded. We have managed to resolve 1503 complaints which amounts to a 90% success rate within an average turn-around time of 48 days saving consumers an amount of R4 046 824.00

We have also managed to strengthen our partnerships with various stakeholders in the Regulatory environment, which include:

The Provincial Consumer Protection Bill has been presented before cluster and Cabinet and was approved. The Bill has been prepared to be tabled before the legislature in the first quarter of the 2012/13 financial year. Once the Bill has been promulgated, then the Provincial Consumer Tribunal will be established to adjudicate on all matter which could not be resolved using alternative dispute resolution mechanisms.

#### Informal Economy Chambers

The process of establishing the Local and District Informal Economy Chambers has been finalized. All the Municipal and District Informal Economy Chambers are fully functional. And the Provincial Chamber has also been established with representatives from all eleven (11) districts and sits once a quarter. The informal economy plays a critical role in the economy of the province. At least 19% of KZN workforce operated in the informal economy in 2010.

The Department is pleased to announce a partnership with two commercial banks (ABSA and Standard) in providing special financial assistance geared for the Informal Economy actors. The Absa Siza Loan and the Standard Bank Thuthuka Fund (R600 million) are the new financial interventions offered to the Informal Economy Sector. About 50% of the Municipalities in the Province have been visited and more than 1000 traders through municipalities have been offered training and are currently being assessed if they qualify for the funding. This intervention has been hugely accepted by all relevant stakeholders and more important it is playing a crucial role in bridging the gap between first and second economy in the province.

#### Business Licensing Authorities

The Department has successfully facilitated the process of ensuring that all municipalities in the province have full authority to issue or refuse business licensing.

### Film Commission

The institutionalization of the Film Commission is currently under way and should be up and running before the end of the second quarter of this financial year.

#### **(d) Capacity Building Initiatives**

- Seventy (70) students studying towards a three year Diploma in Co-operatives Management received scholarship from the Department and are enrolling with UNIZULU. Furthermore, District Co-operative Trainers were also enrolled by the UK College in partnership with local FET on Train – the – Trainer Course,
- Investment on Mentorship programme targeting schools nutrition programme and poultry has started showing successes. The Feasibility Study and Business Plan for establishing the Co-operatives Academy has been completed and ready for roll out,
- The Gijima KZN LED Postgraduate programme aimed at building competency in LED in the province has been established as a first of its kind in the country. The DEDT in partnership with UKZN played a major role in providing such an opportunity for LED Practitioners. The Programme consist of a postgraduate Diploma and Masters in LED specialization. The first pilot group of students graduated for Masters and Postgraduate diploma in LED specialization in 2012. R17, 4m has been set aside for this programme for the next four years,
- In partnership with UKZN, the department continued to conduct the Emerging Researchers Capacity Enhancement Programme targeted at junior researchers from the public, private and civil society sectors,
- About 1675 SMMEs were trained on business management, basic computer skills and technical skills. The technical skills and knowledge acquired adds value in small enterprises as it assists in improving business operations, diversification and new business startups,
- Three hundred and thirty two (332) ICT people completed their training at the Software Engineering Centres established by the department,
- Thirteen (13) students completed their internship at BPO companies in India and returned to the province in 2012
- Three hundred and fifty (350) BPO agents completed training in the BPO training centres established by the department at the FET Colleges

#### **SECTOR DEVELOPMENT**

- **Automotive Sector**

The automotive industry within KZN contributes significantly towards the retention and growth of sustainable jobs and as part of DEDT's commitment to continuously support this priority sector, the

Department will facilitate the development of an Automotive Supplier Park to retain local business whilst attracting local and foreign direct investment.

The establishment of this world class facility will ensure that the KZN auto industry remains globally competitive and increase the responsiveness of manufacturers and suppliers to international demands.

- **Chemicals**

The Chemicals, Plastic Fabrication and Pharmaceutical Sector is one of the four major leading sectors identified in the IPAP. This sector is highly integrated into almost all other sectors of the economy and the basis of almost every manufacturing activity in South Africa. The impact of this sector is often underestimated or not properly recognized as it plays a critical role through the provision of basic necessities and key agricultural and pharmaceutical inputs and products. Major opportunities exist to increase local beneficiation of polymers, particularly for the automotive and packaging applications, including the potential to leverage state procurement for local production of pharmaceuticals.

The Department is in the final stages of concluding a feasibility study that focuses on the identification of a suitable site for the Development of a Chemical Industrial Park (CIP). This CIP will offer investors the opportunity to reduce cost through synergies such as shared facilities and consolidated logistics or transport activities. The study will further identify potential companies who are willing to establish manufacturing or service delivery facilities for the chemical industry.

- **Clothing & Textile**

The fashion industry has been less recognized as part of the value chain that adds value to the industry, particularly to the economy. It has been neglected when it comes to development. As an intervention, the KZN Fashion Council has been established to organize and develop the fashion, jewellery, textile, shoe and accessories (belts, hand bags, etc.) designers. A business certificate programme to assist designers to manage their businesses effectively is being tailored. In addition, fashion hubs will be established in eThekweni, Amajuba and uMhlatuze districts to support designers in the province. The project will focus on product development and feed into manufacturing medium to higher end apparel to counter the inflow of cheap products currently flooding the local markets. .

- **Furniture Sector**

Chairperson, this sector is a key sector in terms of job creation. Over the past year our focus has been on developing the KwaZulu-Natal Furniture Initiative which will benefit more than 200 furniture businesses. Our focus for 2012/2013 will be to respond to challenges highlighted by furniture manufacturers, one of them being the inability to purchase the high-tech equipment that will enable them to produce high quality furniture. This will enable them to meet economies of scale and become globally competitive.

## **PUBLIC ENTITIES & STATE OWNED ENTERPRISES**

*Chairperson, 'This Time is Different' as our public entities are geared towards achieving the vision and strategic mandate of the department which is to sustainably grow the economy and create decent jobs.*

### **1. Richards Bay Industrial Development Zone (RBIDZ)**

The separation of the entity from Ithala Development Finance Corporation (60%) as the holding company and taking over the City of uMhlathuze's 40% shareholding was concluded in the previous financial year. We are proud to announce that RBIDZ is now 100% owned by the Department of Economic Development and Tourism on behalf of the Province of KwaZulu-Natal Government.

To re-activate the zone and heighten investments to the Greater uMhlathuze, the Richards Bay Industrial Development Zone during the recent trip to Oman by President Jacob Zuma managed to sign a Memorandum of Understanding (MoU) with the Port of Sohar. The MoU will amongst other objectives, help create agro-processing zones in both countries – with the RBIDZ exporting fresh produce to Oman through our existing infrastructure linking with Dube Trade Port. We are in the process of identifying relevant business people to establish the agro-processing zone within RBIDZ, and also partner with their Omani counterparts with a similar facility within the Sohar Free Zone (SFZ).

Meanwhile, phase 1A has been prioritized for rollout of infrastructure – with over R40 million having been invested in the facilitation of this phase while an additional R36 million was put aside for the provision of a 10 MVA Electrical Sub-station by uMhlathuze municipality.

The entity also commissioned a Master Plan Study to help identify potential economic nodes that could benefit from the Special Economic Zones Bill and possibly expand the footprint of the RBIDZ in all local municipalities within uThungulu District. Honorable Members we are delighted to notice that the Richards Bay Industrial Development Zone is now in full swing to contribute towards the acceleration of growth in the province through facilitation of investments to this fast growing industrial hub in our province while also assisting unlocking export opportunities for local products in the global market.

### **2. Tourism KwaZulu-Natal**

Endowed with exceptional topographic beauty, favorable weather conditions, wealth of cultural diversity, advanced hospitality and leisure facilities and top drawer customer service, KwaZulu-Natal has curved its name in the minds of domestic and global travelers. The advent of 2010 FIFA World Cup served as a crucial space for the province to showcase itself to the global market whilst relentless marketing campaigns were breeding positive results.

The evidence of this claim is reflected in the increasing number of high profile international events hosted in this province last year alone. Topping the list was the International Olympics Congress (IOC) and UN sponsored COP 17 in July and December respectively. These events saw overall hotel occupancy for the province hitting 76% which exceeded the national average of 67%. The positive trend prevailed amid tough economic conditions as a result of strained global economic conditions. More pleasing was that the domestic market was largely the major driver of growth in our tourism arrivals – with King Shaka International Airport recording more than 5 million passengers between January and December 2011.

According to South African Tourism's latest statistics, about 8,3 million international tourists visited South Africa of which 908 000 landed to KwaZulu-Natal – leading total foreign direct tourism spend estimate to R7,1 billion compared to R6,2 billion achieved in 2009. Once again, the province is still enjoying the lion's share of the domestic tourism inflows at 27% of the 7, 1 million domestic trips recorded in the country last year. Building on this popularity, we have launched the market campaign of encouraging folks from up-country provinces to come and experience KwaZulu-Natal with its year long warm weather conditions. We used the popular Gauteng's Rand Easter Show to drum up this initiative which would be replicated in other hinterland provinces.

Tourism KZN would also be targeting potential visitors from the BRICS countries which will be integrated with similar initiatives by other public entities such as Trade & Investment KZN that focuses on facilitating investments with all BRICS states. Meanwhile, 2012 will feature the Travel Agency Federation of India's (TAFI) Congress – with more than 1000 agents which account for about 70% of India's outbound tourism expected to partake in the gathering scheduled for October. As a prelude to the forthcoming TAFI programme the province hosted fifteen pre-eminent members of the agency's executive committee during the recent Tourism Indaba. We are therefore grateful to the Southern African Tourism Services Association (SATSA) for assisting us secure the privilege of hosting of this prestigious event.

However, we are mindful that delegates to these events, do want to experience the province beyond the parameters of conference venues. In this regard, we are working closely with leisure establishments and organizers of side functions to ensure a complete integrated package of what the province could offer to the domestic and international travelers. Such a complementary approach assists in setting customer service standards across the tourism and travel business community. We therefore believe that the growing preference of KwaZulu-Natal by global events organizers is indicative of their satisfaction with the quality of our facilities, service and wider choice of tourism products that make the province a real home away from home and indeed, the world in one.

As a demonstration that our tourism star is on the rise, this month we are hosting the famed motor racing extravaganza, Top Gear Festival at the iconic Moses Mabhida Stadium that would be broadcast on the British Broadcast Corporation prime time which will certainly elevate the image of the province.

With King Shaka International Airport now accommodating direct flights between Durban and Dubai, the Emirates Airlines has added a bigger aircraft to accommodate the increasing number of passengers

traveling between KwaZulu-Natal and Asia. We have no doubt that this will go a long way towards boosting confidence in the viability of our airline.

Tourism KZN has stretched its tentacles to forge joint marketing agreements with key outbound tour operators in key source markets. This has allowed us to create KZN dedicated itineraries to introduce new routes to grow the number of arrivals and forward bookings for the province. This financial year our target is to have at least 10 joint marketing agreements and also to retain our General Sales Agency in the core markets.

Recently, we hosted a highly successful Tourism Indaba that serves as a good platform to enhance our engagements with both local and international tour operators. More than 12 000 delegates and exhibitors graced the event which featured the 2012 Hotel Investment Conference Africa as one of the crucial side functions. To strengthen the brand image of the Tourism Indaba we had a partnership with renowned broadcasting network, CNBC Africa to highlight investment opportunities in the hotel sector.

To diversify tourism product options, the province intends harnessing its maritime industry as one of the key components of our tourism offerings. Collaborating with Transnet's Ports Authority, we have initiated the development of cruise passenger terminal in Durban to capitalize on our strategic position and well developed ports' infrastructure. We are heartened by MSC Cruises' announcement that they will be bringing the "MSC Opera" – a bigger cruise liner for the 2012/2013 season. During the period under review more than 120 000 cruise passengers graced our shores.

### **3. KZN Growth Fund**

Chairperson, during the 2011/2012 financial year, the KwaZulu-Natal Growth Fund approved project loans amounting to R123 million and resulted in the creation of 640 jobs. This meant 31% of the existing fund being committed and meanwhile the entity expects to fund projects to the value of R505 million this financial year.

To ensure stability and improved delivery in the organization, the Chief Executive Officer has been appointed. We are confident that with a wealth of experience, especially in the public service and suitable qualifications, Mr Siddiq Adam will ensure that this organization becomes an effective instrument to help accelerate growth in the province.

Currently the Growth Fund is re-engineering and repositioning its business processes to ensure improved project turnaround times and speedy facilitation of deals. We are in the process of recapitalizing the Growth Fund for increased concessionary capital proportion and reduced cost of financing projects.

### **4. Ithala Development Finance Corporation**

Chairperson, Ithala has over the last few years experienced significant challenges across the spectrum of its business and development facilitation activities. These related to stability and effectiveness of the management structures – both at Board and at senior management level, market positioning, the adequacy and relevance of products and services, diminishing profitability, high cost overheads, and general empowerment of the people of this province. However, we are happy to report that Ithala has now turned the corner.



Last year the Provincial Government as the shareholder brought in stability by appointing new Board Members and later in the year the Board appointed full time Group Chief Executive Officer. Meanwhile the organization is finalizing a comprehensive turnaround strategy that will enable it to deliver effectively on its mandate. The turnaround strategy is already bearing some fruit. Ithala is now having decreased the ratio of non performing loans in its loan book having brought the bad debt figures down to 41%.

While this amount still seems high, we are happy about the strides made considering until recently it hovered at 80%. This means that R181 million in debts collected can once again be channeled back to its intended recipients – the fledgling co-operatives and SMMEs that require special attention. In line with its strategic objectives of enhancing the province's socio-economic development, Ithala has disbursed more than R260 million to co-operatives and SMMEs. The direct spin-offs from this initiative was the creation of 1 959 jobs in communities that were previously disconnected from the entrepreneurial activity.

Effectively, Ithala is taking a fundamental break with a “business as usual” approach to its operations, and is currently putting together a repositioning proposal for the Group which will engender optimal efficiency and performance excellence, including acceleration of access to capital, particularly the SMMES. With improved debtors book through aggressive collections, it Ithala is expected to play an active role in the facilitation of development initiatives as identified within Special Economic Zones (SEZs).

#### **5. *Agribusiness Development Agency (ADA)***

Launched as a vehicle to promote a dynamic agri-industry in the province, Agribusiness Development Agency is currently entrenching itself as a viable developmental force which we believe given time and appropriate support to live up to expectations, the agency will position KwaZulu-Natal as a sustainable modern food basket in the region. The favorable climatic conditions and advancements being applied in the farming business are the key pillars that the agency would rest on moving forward.

However, one of the challenges that the agency has to address to ensure that entrant commercial farmers are not only afforded financial support, but are equipped with necessary technical and business skills to produce materials that could stand the test of time in a highly competitive global market. ADA has therefore identified focus areas of agribusiness in the initial two years of its existence which are directed at increased productivity in all arable land based on market demand for specific products.

Beef production is one of the areas being prioritized. With the midlands and Highveld of the province having a historical strength for animal husbandry, ADA has been working with various farmers that included projects such as Besters in Ladysmith to revive beef production. Meanwhile infrastructure and grazing land assessments have been completed which included refurbishment of facilities to ensure high quality value-added meat products.

Dairy farming is also central to the agency's activities as several projects including Amakhoba Dairy and Bayonne farms are receiving attention. The former is collectively owned by a community of 1412 households – with 7 500 liters of milk produced to generate a monthly revenue of R1 137 000. In partnership with Amadlelo, we are working on the expansion of production capacity to meet market demand and job creation objectives. About R6 million has been put aside for this project this financial

year which will cover 500 rotary units and maize products. Moreover, at Bayonne construction of dairy and other facilities has improved milk production efficiencies from seven hours to three hours a day.

In the efforts to revive the sugar cane industry in the province, about 2284 hectares of sugarcane land was cultivated during the initial year of ADA's operation and last year the number of cane farmers increased from 42 to 180. This financial year, the agency will be helping with replanting of 818 hectares of sugarcane. This will certainly results in the creation of job opportunities, especially in the poverty stricken rural communities.

Various crop production projects are being carried out to ensure that the agribusiness becomes one of the major contributors to job creation and poverty alleviation in the province. ADA has identified products such as soya, beans, maize and essential oils as some of the items that require special attention. Amongst interventions undertaken was to assist with refurbishment of irrigation schemes and provision of basic agricultural inputs to emerging farmers. These included hydroponics facilities, pack and storage houses, and as well as boreholes construction to supplement water provision. About 176 hectares of vegetable farms; 909 hectares of soya; 45 hectares of essential oils and 160 hectares of yellow maize.

With agribusiness being labour intensive, implies that its expansion which would be responding to increased market demand will certainly lead to the creation of jobs. Since its launch the agency's activities have generated around 600 employment opportunities. We are confident that the implementation of the province's catalytic projects will further breed more opportunities.

Honourable Members, you will acknowledge that for strategic purposes, Agribusiness Development Agency will be relocating to the Department of Agriculture, Environmental Affairs & Rural Development. But as members of the economic cluster, the two departments will be working closely to ensure that the agency delivers effectively on its mandate.

## **6. Dube Trade Port (DTP)**

Chairperson, in March this year, our President, Mr. Jacob Zuma officiated in the opening of Dube Trade Port. The occasion marked the realization of a dream that has opened the new chapter in the socio-economic development of this province and the country as a whole. Meanwhile Dube Trade Port has fully completed the first phase of its implementation programme – featuring the Cargo Terminal, Trade House, 29°South, Dube Square, Trade Zone, Dube City, AgriZone , and the information technology and telecommunications platform. This project which became operational for the past two years will now be moving to second level of implementation that will unleash further investment opportunities.

### Dube City

Dube City is the first purpose-planned aviation related city on the African continent and is an urban green hub – located south of the passenger terminal and provides a secure, world-class, cosmopolitan, 24-hour business, trade and retail experience.

Dube Trade Port's own headquarters, known as 29° South, is situated at the heart of Dube City and has set the standard for a minimum four-star green rating by the Green Building Council of South Africa. In its first phase of development, Dube City comprises a 12-hectare site that will double when completed to incorporate state of the art office, hospitality, entertainment, and retail facilities.

The project is spoilt for land space for long term leases that feature flexible deal structures, low costs and access to transport and other telecommunication networks.

### TradeZone

The specialist freight oriented precinct offers manufacturers, assemblers, warehouse users and distributors of aviation related cargo a distinct competitive advantage through reduced transit time and reliable goods handling which curtails potential stock losses whilst improving efficiencies in the supply chain processes.

The zone is home to the Trade House that provides for integrated warehousing and office space for freight forwarders and air logistics suppliers. The project was fully occupied soon after its completion and houses eighteen companies that enjoy direct on-site access to the service industries that facilitate air imports and exports. For easy mobility, the Trade House is strategically link to the Cargo Terminal for a seamless flow of cargo between the warehouse and the terminal.

Moreover, Trade Zone sites are fully serviced are connected to a multiple access road system – linked to major routes from the North and South that include N2 and the R102 freeways. With low entry costs including no upfront land purchase, flexible deal structures and excellent rental rates, companies looking to develop or expand their air freight related businesses have the choice of locating in one of the finest purpose built zones of its type in the world. We are delighted to report that there has been an increase in the interest amongst potential tenants and presently six companies that include national and international operations mainly in the manufacturing and logistics have expressed desire to settle in this prime facility.

Eighteen sites that cover 85 000 m<sup>2</sup> space have already been let to Shree Property Holdings – a division of the Shree Group that will be building a 48 000m<sup>2</sup> facility – consisting of logistics and distribution warehouse, cold storage facility and offices. This group is a leader in integrated import and export services in the country.

The investment will transform their business portfolio as they will become sea and airfreight integrated logistics provider are to inject R300 million to generate 1 648 employment opportunities during construction while 750 people are destined to be fully employed when business becomes operational in the first half of 2013. Around 34% of the work force will be unskilled people that would be exposed to skills transfer. With such strong interest in the TradeZone, phase 1 is expected to be fully developed in three years time and rezoning for phase 2 has been initiated.

Further more, a R28 million state of the art flight kitchen facility, will be built to allow DTPC to provide a comprehensive set of services to airlines wishing to operate from the King Shaka International Airport.

Chairperson our country has captured global attention with its capacity to provide a wide range of humanitarian service to various parts of the world exposed to various calamities. In this regard, the Dube Trade Port, through its cargo terminal facility, has established Air Mercy Services to assist humanitarian organizations with warehousing space for supplies destined to areas humanitarian intervention. About R15 million has been put aside for the construction of a warehouse facility to be leased to 'The Gift of the Givers' under the auspices of Air Mercy Services. This will be an ideal logistics base to help humanitarian agencies reduce response time to crisis situations.

### Dube Cargo Terminal

Building large cargo volumes in the terminal will take some time and hence in the year ahead, focus will be to attend to the needs of shippers, with a view of repricing their lift out of Dube Cargo Terminal. Last year, the terminal handled a throughput of about 5 060 tons of international materials and 11 000 tons of domestic cargo.

#### Dube Agri Zone

In line with the DTP's strategic objective of becoming the key freight gateway for time sensitive products, including fresh produce, six additional hectares of greenhouses for various types of fresh produce are now operational. The 12 hectares glass covered space houses three produce types that include specialty tomatoes, red and yellow peppers and cucumbers. During the period under review, 1,627 tons of fresh produce was grown in the greenhouses while the area's administrative offices were also completed. However, we are aware that there some small scale farmers that have ventilated their concerns that the advent of the agrizone was adversely affecting their market.

We have therefore requested DTP to undertake a study and quantify the impacts on the local market if any. Once we have thoroughly researched details we will be able devise a strategy that would ensure that all involved in this sub-sector of the economy to benefit and complement each other in meeting the expectations of growing domestic and local markets.

#### **7. KZN Sharks Board**

Chairperson, we are pleased to announce that KwaZulu-Natal Sharks Board has been awarded the rights to host the next Sharks International Conference in 2014. This will provide a unique platform for the province to attract the world's leading shark researchers to our shores for enhanced scientific collaboration with peers.

The entity as we all know is more than just protecting bathers from shark attacks. It's a scientific centre for marine life to bolster its capacity to continue studying changing life profile of marine species KZNSB will be employing another scientist – with a special focus on fields such as the biochemistry of shark reproduction. Meanwhile, the entity extends its services beyond provincial borders as our scientists were involved in drafting the National Shark Conservation Plan. Global liaisons include collaboration with marine researchers, in countries such as Australia, North America and Europe where projects like examination of the genetic structure of shark populations were undertaken.

We are also working closely with research institutions such as the University of KwaZulu-Natal and the CSIR to monitor patterns in the marine biodiversity in line with increasing concerns about the impact of global warming – threatening some of the vulnerable fish species such as sawfish. Meanwhile the national government has assigned KwaZulu-Natal Sharks Board to conduct research into the occurrence of large shark species at Port St Johns where most fatal shark attacks had occurred in recent years.

#### **8. Trade & Investment KwaZulu-Natal (TIKZN)**

The dawn of democracy helped to carve a significant trade space for South Africa in the global market. Being endowed with massive reserved of natural resources, incomparable topographic beauty and blossoming entrepreneurial attributes, the country has since moved to top gear in terms of its participation in the international trade. KwaZulu-Natal responded to the winds of change by sharpening

its trade mechanism which included the establishment of Trade & Investment KZN to serve as a platform for our entrepreneurs and their global counterparts. Since it was launched more than ten years ago TIKZN has attracted and facilitated investment opportunities that are contributing to socio-economic transformation in our province. Amid slow recovery from recessionary conditions, the agency managed to clinch seven major projects with a combined value of R1.591 billion.

Besides its strategic location which is boosted by two world class ports in Durban and Richards Bay and now the multi-modal logistics platform, the Dube Trade Port, KwaZulu-Natal has developed trade mechanisms that help potential investors quickly understand the level and scope of opportunities available in the province. The publication of Investment Protocol Handbook which stipulates the legislative and incentive frameworks for traders and investors wishing to do business in the province has added value to the campaign of positioning the province as an ideal location for investment. The document has become a key feature in the grand marketing initiatives directed at ensuring the province's sustained visibility in the minds of global business community. Meanwhile, the 2011/2012 financial year was characterized by TIKZN's active participation in and initiation of world class trade forums.

In Dubai late last year, TIKZN joined forces with Aura Events International to host Arab Africa Investment Seminar to strengthen province's trade profile in the Middle East and the Gulf States. This offered potential investors from this oil rich region the platform to access a wide range of information about investment and partnership opportunities available in our coastal province. In view of the hotel and travel sector being symbiotically linked to growth in the trade and investment fields, the agency further funded the hosting of the Hotel Investment Conference Africa 2012 which attracted high caliber role players in the industry whose inputs helped us compare the standard in our province's hotel sector against the world market. The gathering further served as a marketing avenue for the province's hotel and conferencing facilities.

Chairperson, in addition to KwaZulu-Natal Investment Protocol, we have also developed the KZN Investment Strategy directed at stimulating investor confidence in the province as it serves as an instrument for better co-ordination between all stakeholders with regard to investment promotion efforts in the province.

Charity starts at home! One of the ingredients for Trade & Investment KwaZulu-Natal's is the agency's ability to maintain a health co-operation with the province's municipalities in turn benefit from investments secured locally and globally. Among local authorities that we have forged fruitful partnerships with are Ladysmith-Emnambithi Municipality where we supported the formation of the Calibra Motor Corporation (CMC) joint-venture that features local BEE partners, the South African Taxi Association and Chinese entrepreneur, Mr. King Long. This is a direct foreign investment that manufactures and assembles vehicles used in the taxi industries. The project is estimated at R1-billion with the prospect of 15 000 job opportunities being created.

The campaign to revive regional airports to make traveling within the province cost-effective for business people has already taken off – and TIKZN is playing a major role in the initiative as we believe these aviation facilities are critical in the whole business value chain. As we are pursuing an aloe-waste to energy project in Ulundi and exploring the potential of Cengeni Gate, we have participated in encouraging Federal Air to consider deploying daily flights between Ulundi and Pietermaritzburg to make business travel more convenient. This initiative will be extended to other regional airports as it would help unlock economic potential of the entire province.

In the uThungulu District, TIKZN facilitated a water reticulation project. Funded by the Bill & Melinda Gates Foundation, the initiative will be providing 200 households with clean domestic consumption water.

The 2012/2013 financial year, will see broadening its portfolio of investment activities whilst continuing with the promotion of beneficiation of raw materials to boost the province's export market for finished products. Value added products are crucial in increasing sales and tapping into new niche markets while also helping reduce risk of depending heavily on imports for economic growth. However, to be able to have a competitive edge in the export market, our businesses have to innovative and prepared to invest in skills development and acquisition of new production technologies.

With the province's growing stature in the global market, TIKZN will this year host the "Export Week" that will become an annual trade feature to contribute in growing the province's export industries. The event will serve as platform to showcase growth sectors with export inclination and this is scheduled for October this year. A practical guide for export oriented traders has been developed to help them identify market opportunities and areas of product diversification.

#### **9. Mosses Kotane Institute (MKI)**

Chairperson, Moses Kotane Institute was established to help broaden the pool of scientists and new technology experts that would contribute to growth of our diverse industrial sectors. It was further initiated to undertake pertinent research in an integrated fashion that would further contribute to maximisation of highly skilled and knowledgeable citizenry. Since its establishment, the institute has made significant strides in meeting its obligations. One of the most recent projects the MKI has been involved in was the organisation of boot camps for educators in maths and science for twelve districts and collaborated with the KwaZulu-Natal Department of Education in this initiative that has led to an improvement in maths and science results in matric.

The institute also built partnerships beyond the country's borders as it sent twenty six students to India for training in business process outsourcing (BPO) – capitalising on India's growth in this sector and its inclination towards information technology field.

As part of on going process, the institute plans to review the curriculum in order to target mainly out of school learners to be exposed to various skills development opportunities and science, maths and technology. It will also collaborate with local and overseas universities on maritime studies and engineering. The role of traditional leadership is still critical in the developing nations and with KwaZulu-Natal being one of the most rural provinces in the country, skills training for traditional leaders becomes paramount in ensuring that they play positive role in their respective communities. MKI will therefore be conducting training programmes for traditional leaders and councillors as they are expected to complement each other in the process of developing their communities.

The curriculum will be revamped to infuse social consciousness so that our graduates become citizens who are ready and prepared to make a difference in their respective communities. We want to produce scientists with a social conscience. A programme will be instituted for Saturday maths and science intervention programme for low achieving students in maths and science.

## NEW ANNOUNCEMENTS

Chairperson, *'This Time is Different'* as we announce initiatives that will propel us to achieve our vision with speed, agility and resolve.

### **i. Special Economic Zones (SEZs)**

Chairperson, *This Time is Different* as we signal the departure from industrialization that is concentrated in few areas of our regions. Inspired by the recently released Special Economic Zones (SEZ) Bill, we are proactively exploring opportunities to decentralize industrialization in our province.

The House will be aware that the Department of Trade and Industry released the Special Economic Zones Bill in 2011 and the province welcomes the Bill as it firmly believes that SEZs are essential instruments to decentralize industrialization in the country. In the light of spatial inequalities that exist between regions, the introduction of SEZs will play a crucial role in advancing government's strategic objectives of broad based industrialization, regional development and job creation. If properly planned spatially, SEZs can act as catalyst for the advancement of the government's rural economic development. Whilst assisting the government's employment drive as stated above, SEZs can also assist in addressing chronic rural-urban migration – a phenomenon characterizing most rural areas in South Africa.

Chairperson, in KwaZulu-Natal we have an experience of hosting Richards Bay Industrial Development Zone (RBIDZ) which is one form of an SEZ. It is common cause that SEZs are more broadly defined in scope than Industrial Development Zones (IDZs). The latter have traditionally needed to be located adjacent to a sea-port or international airport as they have targeted the development of value-added export industries. This approach to industrial development excludes other areas in the province which may nonetheless benefit from the designation of an economic zone in which special incentives are utilized to promote development.

In partnership with our social partners we have started a process of identifying potential areas for locating special economic zones in all the districts of KwaZulu-Natal and outline their key focus areas. The exercise has been informed by the detailed assessment of district economies in terms of their comparative advantages; industrial capacity, available infrastructure, sectors of dominance, locational advantages, and local skills. This is important, because international experience cautions that SEZs are not suitable instruments to uplift poor regions as massive subsidies, incentives and infrastructure investments injected will render the SEZs not economically viable.

Chairperson, the proposed SEZs framework for KwaZulu-Natal is centred on the following:

- *eThekweni Metro:*

The KwaZulu-Natal's major economic hub which boasts world class infrastructure and logistics will be positioned as an auto supplier park zone. As we all know, eThekweni already has a major investor in the giant vehicle manufacturer, Toyota and there are good prospects of attracting other investors such as Mercedes Benz. Furthermore, the size of the metro allows it to host

multi-SEZ sites with value chain linkages. It is in this regard that it is also considered as a centre of excellence hub in techno parks (solar, wind turbines and biofuels).

- *uMgungundlovu:*

Chairperson, uMgungundlovu with its well-developed agricultural sector will be positioned as a Leather and Creative Industry hub. This district already has existing renowned leather producers and there is abundant local expertise and capacity in this sector. This has very strong backward (such as skin acquisition and preparation) and forward (such as leather users) linkages with other sectors. These value chain linkages will be maximized to create massive employment opportunities in the district and there are massive opportunities to be secured by various leather users that could also be linked with creative industries.

- *uThukela:*

Chairperson, uThukela is proposed as a hub focusing on electronics which will lead the migration process from analogue to digital. The positioning of uThukela along the N3 corridor and the availability of eZakheni Industrial/Manufacturing Park that is also owned by Ithala which has fully serviced land, waste removal, roads, and building units makes this district suitably located for the development of electronics industries. Partnerships with countries such as Korea to learn from their best practices will be crucial.

- *Amajuba:*

It will come as no surprise that Amajuba is proposed as a Clothing and Textile hub for the province as we know that Newcastle already has a number of established textile operations and its close proximity with Gauteng makes a strong business case for this hub focus. *This Time is Different* as we are moving away from the saturated cheaper clothing, that is dominated by imports, to medium and higher end clothing. To achieve competitiveness we will partner with international best practice countries such as Italy, Spain and Turkey. The district also possesses some comparative advantage in the form of industrial capacity found in the Madadeni Light Industrial/Manufacturing Park that is owned by DEDT Public Entity (Ithala) which has fully serviced land, waste removal, roads, and building units.

- *uMkhanyakude:*

Chairperson, uMkhanyakude will focus on agricultural mechanization hub. The agricultural mechanization products will range from affordable basic to technologically sophisticated implements. This is envisaged to be the feeder for stimulation of agriculture in the region and the province as a whole. This district already is endowed with numerous comparative advantages to succeed in this focus area. It has strong economic ties with Swaziland and Mozambique; close to the biggest dam in the province in the form of Pongola Dam; high fertile land in the Makhathini flats and is home to Mkhuze light Industrial/Manufacturing Park which is



also owned by Ithala. The park has fully serviced land, waste removal, connecting roads, and industrial building units.

- *Ilembe:*

Chairperson, iLembe is proposed as home to industries interested in the renewable energy (solar, wind turbines). To achieve competitiveness we will partner with international best practice countries such as Korea and Germany. The district already contains a number of 'green' real estate developments and its close proximity to the Dube Trade Port and King Shaka International Airport makes it an ideal location to host the renewable energy industries. Furthermore, one of the province's well known industrial parks, Sithebe Industrial/Manufacturing Park is within Ilembe district and belongs to Ithala that had ensured that the site features fully serviced land, waste removal, roads, and building units.

- *Zululand:*

Zululand District will focus on agro-processing and value-adding industries and the area is reputed for a vibrant farming community that mainly focuses on agricultural products destined for export market. Plans are at an advanced stage to establish biggest abattoir in the province which will amongst other things process pork, lamb, beef and dairy products. To ensure this sector is able to withstand competition in the world market, we will partner with the experienced global players in this field – the member countries of the Gulf Corporation Council (GCC).

- *uMzinyathi:*

We are all aware that coal mining is associated with uMzinyathi – “*Amalahle awabuyeli eDundee*” is a Zulu idiom pointing to the abundance of coal products in Dundee. It is for this reason that the district is proposed as a coal deposit and mining hub for the province. However, the initiative will further include downstream processing of coal materials to produce biofuels and expensive paper products. There are opportunities to partner with small scale miners that have to seize a wide range of opportunities available in this value chain. Already there are potential investors from India wanting several billion tons of coal.

- *Ugu*

Chairperson, Ugu is proposed as a centre for perishable products as it will focus on commodities geared towards the Indian markets (high value materials such as dried grains – lentils, peas, etc). The district has the ability to grow these perishable products and has established macademia nut plantations and is well positioned to link up our province with the Eastern Cape through the Wild Coast.

- *Sisonke*

Sisonke is renowned for its extensive forestry operations particularly around Harding. There are numerous functional saw mills hence this district becomes an ideal choice for timber related industries. The wood industry has very strong backward (such as forestry plantation) and forward (such as furniture and paper making) linkages with other sectors. These value chain linkages will be maximized to create employment opportunities in the district. This implies that there is a good prospect for growth for diverse enterprises especially those focusing on furniture and paper products.

- *uThungulu*

Chairperson, the Richards Bay Industrial Development Zone has already been established and will be incorporated as an SEZ to broaden its industrial developmental scope. The Master Plan has been commissioned to provide guidance on its effective incorporation.

### **Common Feature of SEZs**

Chairperson, *This Time is Different* as we fully appreciate that the success of this ambitious initiative will mainly hinge on a number of pertinent factors such as the following:

#### ***Research & Development***

It is acknowledged that for the effective implementation of SEZs, research and development will be crucial to aid innovation and effective planning. The universal feature of all these hubs is that Research and Development will be fundamental for sustainable productivity and provision of quality products and services within these operations. In this regard, we will enter into partnerships with the tertiary and research institutions to ensure continuous innovations and competitiveness.

#### ***Incentives***

Chairperson, we recognize the importance of incentives in making SEZs a success and as such we have already started engaging relevant municipalities especially around incentives such as water, electricity, and availability of serviced industrial land. Furthermore, we intend utilizing available instruments such as the IDC Job Creation Fund to bolster the scope of incentives. These, together with tax incentives proposed in the bill will enhance the attractiveness of our hubs to potential investors and we are also mindful that incentives can nurture investments or become market distortions if not properly managed.

#### ***Availability of Industrial Land***

The success of Special Economic Zones rests with the availability of hub property and land. In KwaZulu-Natal, Ithala, already owns various fully serviced industrial parks in the province as stated earlier on. Furthermore, Ithala will be capitalized to provide credit line funding (bridging finance) to Special Economic Zones as part of various incentive interventions.

#### ***Partnerships***

In rolling out the SEZs project in the province, the Department recognizes that collaboration with various provincial stakeholders is paramount for effective implementation of the programme. We therefore believe that the establishment of the KZN Economic Council which is an institutional vehicle to mobilize and marshal all social partners that include, business, labour and community - towards achievement of common developmental goals will be vital in the activation of SEZs.

### ***Private Sector***

Chairperson, securing private anchor investors and locators is critical for the success of these hubs and there has to be a strong business involvement for SEZs concept to succeed. We therefore urge the private sector to invest in the operation of the SEZs as we are confident that would have positive spin-offs for enterprises and socio-economic development in the province generally.

### ***Technology & Empowerment***

As illustrated above, the SEZs will boost the major technological advancements which will support the effective and efficient functioning of the hubs. The zones will be the breeding grounds for learning, innovation and empowerment and hence skills transfer through mentorship, incubation and training will be vigorously promoted and championed.

During this financial year we will be engaging with municipalities and other stakeholders to undertake feasibility studies to enable effective implementation of these industrial hubs. Furthermore, we will establish multi-disciplinary project teams at district levels to guide the operationalization of SEZs across the province. The Department is going through a reprioritization process as SEZs are going to be the number one priority in our efforts to transform KwaZulu-Natal into an active player in the global economy. This reprioritization will see around R70 million, being set aside to activate the implementation of SEZs across the province. Each district will be allocated approximately R7 million as an annual budget for its project team. Although the RBIDZ already has its own funding, this however, has not been included in this reprioritization process. This means that the Department has to re-table a revised 2012/13 Annual Performance Plan that incorporates the new priorities.

### **ii. Aerotropolis Strategic Infrastructure**

Aerotropolis is the post-modern mega urban development imperative. This new wave of airport centric development facilitates growth, investment, tourism fiscal revenue and job creation. The airport is core in this multi-nodal and multifunctional interlock which attract investments in retail, rail, hotel, office park, industrial development zones, manufacturing nodes and entertainment.

Studies have shown that government must be at the centre of these developments through integrated urban planning, working with the private sector, developers, and communities. The wider context and long term strategic objective of the Dube Trade Port Project which includes the airport is the establishment of an Aerotropolis in the north of Durban stretching from Umhlanga to Ballito. This new Airport City will create a world-class physical and operational environment geared towards attracting trade, investment and infrastructure built in the Kwazulu-Natal economy. This will require mass investment by both government and the private sector, with government in the lead.

Government's role in this regard is to invest in appropriate strategic infrastructure and facilities within the framework of the long term Aerotropolis Master Plan. The Economic Sector and Infrastructure Cluster have established a Provincial Task Team which will facilitate an integrated and comprehensive strategy on aerotropolis strategic in the province.

A new road will be constructed to link the Trade Zone to the Watson Highway. This road will provide an additional level of access for the Cargo Terminal and Trade Zone to the N2 and R102 highways. As a logistics hub this is a critical requirement as it ensures long term connectivity to transport routes for businesses operating in the northern area of the precinct. The road will also open up new property development opportunities within the Herwood precinct targeting companies who can take advantage of the locational and logistics environment created.

Work on the road will begin in June 2012 and it will be opened in October 2013. The value of this investment is R250 million.

A R35 million sewer pipe will be constructed to create a permanent connection between DTP and the Tongaat regional sewer works providing long term infrastructure sustainability. Construction will start in April 2012 and be completed within 5 months.

Dube Trade Port has over the last two years pursued investment in the highly strategic aircraft Maintenance, Repair and Overhaul (MRO) business. The objective is to position DTP as the hub for aircraft maintenance in Africa. The construction of the Watson Highway link road provides the opportunity to utilize the fill generated during construction to create a level platform to the north of the Trade Zone on which an MRO will be built. The site will be purpose designed and have direct runway access for aircraft making it the most operationally and functionally advanced MRO facility on the continent.

Earthworks on the platform will begin in June 2012 and be completed by May 2013 after which aircraft hangers, support buildings and bulk infrastructure to the value of R120 million will be undertaken. The MRO will be operational in mid-2014.

However, the long term success of the aerotropolis will depend on a far greater level of investment in transport connectivity. Strong and sustainable development corridors must be established to link DTP to eThekweni in the South and Ballito in the North. To achieve this DTPC assessed the feasibility of building a north to south light rail link. As a result of this investigation, a viable physical route has been identified which will ultimately link Ballito to Moses Mabhida Stadium to the south.

At an estimated value of R15 billion, this project will be the single largest investment in public transport infrastructure in the history of Durban with enormous long term positive implications for the sustainability and competitiveness of Durban as a global city long into the future. The light rail link will create a spine along which vast investment and development opportunities can be opened up.

Government is fully aware that a project of this scale requires a lengthy period of regulatory approvals, technical design work, land assembly, procurement and construction similar to the time it took to build Dube Trade Port and King Shaka International Airport. As a priority project government has set the realistic objective of moving this project into implementation within five to seven years.

Construction activities at Dube Trade Port between 2007 and 2012 have been estimated to have created more than 16 500 direct employment opportunities, although the total impact on employment is closer to 64 500. Importantly, too, such construction activities during the past five years have contributed a

significant R11 billion to GDP across South Africa. Of this amount, an estimated R2, 4 billion was as a direct consequence of construction activity at Dube Trade Port.

Apart from such direct operational impacts, a number of indirect and induced impacts may also be associated with Dube Trade Port. A high-level assessment of increased international passenger arrivals at King Shaka International Airport indicates that a total of 3 736 additional employment opportunities have been created and sustained since the introduction direct international flights, while the direct impact on the City's economy has been estimated at R396,1 million per annum.

### **iii. Maritime Centre of Excellence**

The concept of developing the Maritime Institute or Academy in Durban is supported by a review of a number of national and international models, such as Antwerp, Rotterdam and Singapore for achieving a reputation for excellence in maritime education, training and research. In such cases, a major port city becomes home to a number of respected education, training and research institutions which, for the most part, are complementary to one-another; and which receive support from the education, government and private sectors; and which make steady progress over time in the number and quality of their offerings.

The 2050 Vision for the Durban Gauteng Freight Corridor envisages three major phases of port development at a total cost of R 150 billion, including a dig-out port at the site of the old Durban port with a cargo logistics management platform to re-enforce its potential as a centre for maritime education, training and research.

It was for this reason that DEDT partnered with eThekweni through the eThekweni Maritime Cluster to undertake a business case that explored an industry needs analysis for the establishment of a Maritime Institute in Durban. The vision is for Durban to join the great port cities of the world and become a recognized centre of excellence for maritime education, training and research, with a particular focus on Africa.

Durban has the elements and, most importantly, the comparative advantages necessary to become regarded as a centre of excellence in maritime education, training and research. In this regards, the KZN Sharks Board has secured from the Panama Maritime Authority, an accreditation for 40 modules to be offered at the centre. The KZN Sharks Board has also secured R2,5 million initial funding from the Transport Education and Training Authority (TETA) which will be used as part of start up costs. Over and above this the KZN Sharks Board has secured the services of the South African Maritime Authority accredited lectures, mentors, facilitators, examiners and moderators. We will in due course be announcing the date of the launch of the centre.

### **iv. Investment Approach**

The department has made an undertaking to broaden the provincial investment agenda, in an effort to propel investment efforts at grassroots level across the province. In order to further the investment drive within local municipalities, measures are underway to capacitate the districts to fully utilize their competitive and comparative advantages. Accordingly in the 2012/2013 financial year the department will embark on a programme to assist each district municipality in devising its own tailor made investment strategy. This will aim to fully utilize the specific endowments of the different districts as a

means of attracting investment. Furthermore, efforts to accelerate investment and export promotion within the province will see the unveiling of KZN’s inaugural international trade fair. This will be an annual event predominantly aimed at attracting international investors to the province as well as creating markets for local businesses. It will provide a platform for KZN businesses of all sizes and from all sectors to showcase their products and services to both local and international participants.

**v. Agribusiness Forum**

During the 2012/2013 financial year the Department will facilitate the establishment of a Provincial Agribusiness Forum. This forum will work as a provincial coordinating mechanism to ensure inter-stakeholder collaboration and coordination within the agribusiness industry. Through this forum all relevant role players from government to private sector will now have a platform to plan together and discuss strategic and policy issues affecting the growth of the agribusiness industry as well as facilitating implementation of high impact agribusiness investment projects in the province. The Forum will also be the sectoral contact point for the KZN Economic Council.

**vi. Capital Investment into KwaZulu-Natal**

Chairperson, in fulfilling its role as a developmental state, government has injected billions of rands into the country’s infrastructure as means for the attainment of global-competitiveness of our economy. For the Province of KwaZulu-Natal, a total of 2923 projects will be implemented over the next seven to eleven years. The total investment into these projects is R566, 024 billion. Of this investment, 66 projects are expected to emanate from the private sector as well as the R362 billion needed to fund them. Indeed, *This Time is Different* because this injection is not only about improving and adding new infrastructure, but should also be seen, from a business perspective – as an opportunity for businesses in our province to participate and benefit from this ground-breaking initiative. This investment will be distributed amongst various districts as following:

DISTRICT	NO OF PROJECTS	PROJECT BUDGET (BILLION)
Ugu	247	R 4, 056
uMgungundlovu	279	R 8, 145
uThukela	235	R24, 088
uMzinyathi	129	R 2, 480
Amajuba	130	R 4, 657
Zululand	187	R 3, 350
uMkhanyakude	184	R 4, 536

uThungulu	242	R23, 277
Ilembe	210	R 7, 366
Sisonke	199	R 2, 970
eThekwini	331	R43, 622

This list excludes the multi-jurisdictional projects which cannot be tallied against a specific district municipality. These projects will focus on, but are not limited to, economic infrastructure; social services; roads; agriculture and human settlements.

#### **vii. Leveraging on the Jobs Fund**

We will continue providing support to provincial stakeholders to aggressively access a slew of job creation funds that have been made available by government. In this regard, we have appointed a specialist investment team (SIT) lead by Deloitte to assist KwaZulu-Natal based project promoters to raise funding for catalytic investment projects that will create employment opportunities and contribute to the economic growth and prosperity of our province.

A key focus of the mandate of STI is to maximize the impact of the Jobs Fund in the province. The response from the province's market participants to the service offered by SIT has been very positive. Many project promoters have lauded this DEDT initiative as a unique and pro-active step taken by government in providing valuable and unique support to KwaZulu-Natal's economy – which is the only province that offers such a service.

The SIT has during its first year of operation created a comprehensive funding database that details all sources of government support and funding available to project promoters. The team has also prepared the economic sectoral review of the province to understand what should be the key focus areas of development for the provincial economy.

The team also promoted this initiative within the province's business chambers, local and provincial government departments. Going forward, we want to actively market the SIT offering. In due course, we are planning to host a forum for all KwaZulu-Natal project promoters to meet face to face with funders. We therefore encourage all business people and project promoters who have sound and bankable business propositions to come forward and utilize our specialized investment team to help them package their proposals for the Jobs Fund and other funds offered by government.

#### **viii. Tourism & Trade Imperatives**

For KZN to fulfil its potential as a Tourist Gateway to Africa, the following is being addressed:

- *More direct (long-haul) international flights need to be attracted to the province*– For the province to be a gateway to Africa it has to become a more prominent first Port of entry. Since the withdrawal of direct flights by Air Mauritius, Emirates remains as the only airline offering direct international flights to and from King Shaka International. King Shaka International should look to position itself as a viable alternative to OR Tambo for direct international flights. This, in

part, must be an exercise in increasing tourism demand by improving our tourism product and our marketing initiatives.

- *Flight linkages between KZN and other African countries need to be improved. KZN should act as a regional hub*– A second critical feature of a ‘tourism gateway’ is the strength of the linkages between our province and other African countries. Currently KZN has very limited air linkages to other African countries. This is set to change, however, as the State President, at the opening of Dube Trade Port, announced that SA Express would use Durban as a base to, “establish a connection network to Southern African Development Community countries for both passenger and cargo carriers”. This will entail offering direct return flights to Zimbabwe; Zambia; Botswana and Mozambique, and conditional upon the success of these routes, further flights to; Namibia; Malawi; Angola and the Democratic Republic of Congo. The importance of this development cannot be underestimated as it allows KZN to truly begin to act as a gatekeeper to other African destinations.
- *Cruise tourism should be further developed through the development of the requisite infrastructure*– both Durban and Richards Bay are significant cruise destinations in South Africa, yet neither of them have a dedicated passenger terminal. The lack of these facilities detracts from the attractiveness of the respective ports as major international cruise destinations and limits further growth in this area. The notion of the need to develop a passenger liner terminal has been recognised for a long time but has yet to be followed through with.

#### **ix. Durban-Free State-Gauteng Corridor**

In his 2012 State of the Nation Address, the President announced five major infrastructural projects around the country. In relation to KwaZulu-Natal, the Durban – Free State – Gauteng Transport Corridor (DFGTC) was announced as the five infrastructural developments to be prioritized by government in the short, medium and long term medium term period. The DFGTC will connect the major economic centres of Gauteng and Durban/Pinetown, and at the same time, link these centres with the rest of the world through an improved export capacity through our sea ports and improved railway lines making South Africa a regional trans-shipment hub for Sub-Saharan Africa and enable the country to deliver on NEPAD’s regional integration agenda.

In line with the National Freight Logistics Strategy (NFLS), the DFGTC was identified as the corridor with the highest economic value not only in South Africa but as a gateway to the entire Southern Africa region. The DFGTC is a critical and strategic infrastructural development in the province as it will go a long way in unlocking the gateway status of the province and South Africa at large. The project was announced at a time when the provincial government has just adopted a new Provincial Growth and Development Strategy (PGDS), whose vision is partly to strengthen the gateway status of the province. The implementation of the DFGTC corridor project will go a long way in reducing the cost of doing business in KwaZulu-Natal. Currently, a number of infrastructure related challenges continue to afflict the provincial economy, which include among others, port capacity constraints, inefficient rail system and congestion in N3.

Other infrastructural projects proposed in the setting up of the DFGTC include:

- The development of Cato Ridge as a dry port
- The sale of the Durban International Airport to Transnet for setting up a dig out port
- The extension of commuter rail to reach Pietermaritzburg



- The development of Harrismith as a logistics hub
- The setting up of several logistics hubs in Gauteng

These projects will inevitably bolster the provincial economy in the next few years of implementation. The government has already allocated an investment of R200 billion over the next seven years for the implementation of rail projects country wide. A further R100 billion has been allocated, over the same period, for projects in the ports throughout the country. The implementation of the DFGTC is envisaged to massive economic spin-offs to the province in terms of trade facilitation; improve productivity, economic growth, investment attraction and sustainable job creation. The DFGTC will also improve transportation efficiency along the corridor and integrate the KwaZulu-Natal with the national economy at large.

The Provincial Task Teams in this regard have been created to facilitate the realization of this strategic imperative.

#### **x. Strategic Major Events**

As part of repositioning the province as a destination for major projects and events, the Province has been able to secure national and international major events. These events are fundamental for tourism attraction, investment stimulation and injection, local economic empowerment and job creation.

The following major events for this year and outer years will be hosted:

- Top Gear Festival
- World Rally Championship
- North Sea Jazz International Festival
- MTV Africa Music Awards
- Tourism Railway Fun Train (a. Tshwane to Durban; b. Durban Mbabane and Maputo – East 3 Route; AFCON Tourism Train).

#### **xi. SADC Tour Operators Workshop**

It is an undisputable fact that most of international arrivals into our province come from African countries, particularly those within the Southern African Development Community (SADC) region. With Africa emerging as a serious market for various products, including tourism goods, it is imperative that we build on our existing good standing and increase the numbers of African tourists into our province. To this end, we will be convening a SADC Tour Operators Workshop in the second of the financial year, a platform we aim to use to re-introduce our destination to targeted SADC markets and to harness the expertise of SADC tour operators towards the enhancement of our destination marketing initiatives. This workshop should contribute meaningfully towards filling the flights that fly directly from King Shaka International Airport to various SADC destinations.

#### **xvi. Township Tourism Strategy**

For tourism to thrive and, critically, for its massification to take place, there is a need for us to think outside the box and transform those attractions and routes which we may have neglected into star-

attractions of our province. Many townships in our province have, within them, hundreds of dormant and prospective routes which just need to be properly marketed and financed.

In Malaysia, for example, they have developed a concept of home stays where visitors stay with a particular family in order for them to get an authentic feel of the destination. Likewise, we need to revisit our strategies to develop townships into more than just places which offer lifestyle experiences but fully-fledged tourism offerings. This, we believe, will go a long way towards helping to change the image of our townships and engender social cohesion. This revamped strategy must be ready within the third quarter of the current financial year.

Chairperson, this renewed thinking seeks to reposition and rekindle our functional efficiencies, accelerate service delivery, enhance organizational excellence, and inject new performance energy.

As I conclude, I would like to reiterate that we will continue to ensure that our core mandate supports the principles and ethos of our developmental state. This Department will continue to put people first in its service delivery ethos.

We will continue to turn around the operational mode on how we conduct our business, and realign our outputs to our strategic national outcomes. This we do, fully aware that it would be a long, arduous struggle which would require vision, determination and commitment.

It is incumbent upon us to work in unison, to construct a social compact with all stakeholders that will harness our collective resolve, underpinned by our shared values and common vision.

### ***“This Time is Different”***

As I conclude, I wish to thank the Chairperson of the Portfolio Committee on Economic Development and Tourism, the Honourable Mr. Nhlakanipho Ntombela and the members for the support throughout the year. The staff of the Department which ensures that the grinding mill continues to produce the products and supply, as we make government work faster, harder and smarter with less.

I wish to thank my beloved wife uMaDlamini and my children for the unstinting support and understanding of my ever busy schedule as we deliver a better life for our people.

Now I wish to move the Budget for Vote Four, which is the Department of Economic Development and Tourism for the year 2012/2013 according to the following programmes:

<b>PROGRAMME</b>	<b>2012/2013 (R'000)</b>
1. Administration	189,139
2. Integrated Economic Development Services	502,236
3. Trade and Sector Development	772,918
4. Business Regulation and Governance	77,968
5. Economic Planning	19,258
<b>TOTAL PROVINCIAL ALLOCATION</b>	<b>1,561,519</b>

I now wish move the budget of R1, 561, 519, 000 for the 2012/2013 financial year, I so move....

Thank you.

**Mr. Michael Mabuyakhulu, MPP**

**MEC for Economic Development & Tourism**