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Department :

Economic Development, Tourism and
Environmental Affairs

PROVINCE OF KWAZULU-NATAL

BUDGET POLICY SPEECH 2017/2018

VOTE FOUR



Mr Sihle Zikalala, MPL
MEC for Economic Development, Tourism & Environmental Affairs

5th May 2017

"ATTAINMENT OF A RADICALLY TRANSFORMED, INCLUSIVE & SUSTAINABLE ECONOMIC GROWTH FOR KWAZULU-NATAL"





DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM & ENVIRONMENTAL AFFAIRS VOTE FOUR

BUDGET POLICY SPEECH 2017/2018 DELIVERED TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE BY MEC FOR ECONOMIC DEVELOPMENT, TOURISM & ENVIRONMENTAL AFFAIRS, MR SIHLE ZIKALALA ON 5th MAY 2017

THEME: Attainment of a Radically Transformed, Inclusive and Sustainable Economic Growth for KwaZulu-Natal!

1. RECOGNITION OF DIGNITARIES

Madam Speaker, Honourable Ms L Johnson;

Deputy Speaker, Honourable Dr M Hadebe;

The Premier of the Province of KwaZulu-Natal, Honourable Mr TW Mchunu;

The Honourable Members of the KwaZulu-Natal Executive Council;

Honourable Members of this House;

Representatives of all of our Social Partner Formations;

Members of the Diplomatic Corps;

Your Worships, the Mayors;

The Leadership of our Province;

Distinguished Guests;

Members of the Media Present;

Ladies and Gentlemen

2. SCENE SETTING

Honourable Chairperson, it is an honour and privilege to present the 2017/2018 Budget Vote for the Department of Economic Development, Tourism and Environmental Affairs.

We meet as our country celebrates the centenary of one of the outstanding Presidents of the African National Congress and a colossus of our struggle for liberation, Cde Oliver Reginald Tambo.

President Oliver Tambo is one of the many heroes and heroines of our struggle against imperialism, colonialism and, latterly, apartheid. His was a struggle for global justice; self-determination, equality and, importantly, a struggle for economic freedom.

The budget policy speech that we rise to present today is not solely about the allocation of resources to various programmes. It is definitely not about espousing heavy developmental philosophies. Our budget today is about taking forward the struggle of those who laid the foundation for our democratic project and to build a National Democratic Society – a society that is non-racial, non-





sexist, democratic, united and prosperous. The journey to the National Democratic Society will be retarded without economic liberation of the majority of the people.

We, therefore, agree with President Oliver Tambo when he said that *“It is inconceivable for the liberation to have meaning without a return of the wealth of the country to the people as a whole. To allow the existing economic forces to retain their interests intact is to feed the roots of racial supremacy and exploitation, and does not represent even the shadow of liberation. It is therefore a fundamental feature of our strategy that victory must embrace more than formal political democracy; and our drive towards national emancipation must include economic emancipation.”*

Honourable Chairperson, twenty three years into democracy and freedom, the persisting challenges that confront the historically disadvantaged demands that we pay urgent and sufficient attention in restoring wealth to the majority of the people – hence our call for radical economic transformation.

As eloquently explained by His Excellency, President Zuma in his State of the Nation Address early this year, by radical economic transformation we mean *“a fundamental change in the structure, systems, institutions and patterns of ownership, management and control of the economy in favour of all South Africans, especially the poor, the majority of whom are African and female, as defined by the governing party which makes policy for the democratic government.”*

The Honourable Premier during his State of the Province Address further amplified the essence of radical economic transformation. The Premier asserted that, *“As we work tirelessly, to grow a diverse economy, we will do so with a firm eye on ensuring greater inclusivity. We are keen to see the following sectors contributing to this objective – manufacturing, tourism, automotive, mining, clothing and textile, maritime and township economy”.*

In our province, we have designed targeted programmes aimed at practicalising radical economic transformation which we will share with you today. We have also established energetic coalitions with social partners that include labour, business and civil society. Collectively, we have committed ourselves to the eradication of the high levels of inequalities, poverty and unemployment that continue to deprive the majority of our people any sense of freedom.

It is for this reason that we are delivering this budget speech under the theme: ***“Attainment of a Radically Transformed, Inclusive and Sustainable Economic Growth for KwaZulu-Natal.”***

3. GLOBAL ECONOMIC DEVELOPMENTS

Honourable Chairperson, the global economy is still considerably constrained by a number of headwinds which continue to restrain sustainable and equitable economic growth. In our case, we further face a challenge of ensuring that, as the growth picks up; its benefits are equitably enjoyed by all citizens. Global economic growth is expected to remain around the 3.5% mark over the next year or two. Advanced economies such as the United States of America (US), Japan, the Euro area and the United Kingdom (UK) are not going to post sizable economic growth over this period.

In the US, the initial optimism following the election in November 2016 has been eroded somewhat after economic indicators remained lackluster. Global manufacturing as measured the Purchasing Manager’s Index is set to move sideways around the 52 points while world trade volumes (exports) are viewed positively, especially for developing economies. Inflation projections for 2017 have been revised higher in some emerging economies including China, Turkey, Venezuela and Nigeria. These developments





are likely to dampen trade in our traditional export markets and are a firm reminder to diversify our trade.

In the UK, uncertainty about future relations with the European Union after the BREXIT vote is keeping the pound under pressure and weighing on fixed investment decisions. The UK is among the top 10 trading partners for South Africa and for us the interest is on the impact of BREXIT on our trade with both the UK and EU. The BREXIT process is going to take a while to be finalised and the envisaged disturbance for us is minimal.

The greatest challenge for most developing economies remains adjusting to the adverse impact of China's gradual slowdown and rebalancing on global commodity prices. Although the acute phase of the commodity price shock is probably over, most developing countries still face challenges of fiscal vulnerabilities, slow progress with much-needed structural reforms, domestic strife, political discord and geo-political tensions.

4. DOMESTIC ECONOMIC DEVELOPMENTS

Domestically, a fall in mining and manufacturing production in the final quarter of 2016 threw the South African economic growth into negative territory as the economy contracted by 0.3% quarter-on-quarter in the fourth quarter of 2016. The mining industry's 11.5% drop in production was the main contributor to the economy's slowdown that was brought about by a fall in production of coal, gold and other metal ores, such as platinum and iron materials.

Besides the international environment, a number of domestic developments compounded the growth prospects for 2016. The widespread drought shaved off growth potential for the 2016 GDP – courtesy of an estimated double-digit decline in agricultural value added. Against this backdrop, annual real GDP is projected to grow marginally at subdued 1.5% in 2017.

From the demand side, the consumer is faced with weak employment outlook, higher inflation, restrictive fiscal and monetary policies as well as reduced wealth effects. The latter reflects the likely subdued performance of the local stock market and real house prices. KwaZulu-Natal, as the second largest provincial economy, has remained resilient and has on average outperformed the national economy in recent times. Agriculture, manufacturing, tourism, construction and logistics have been the key drivers of the provincial economy. The provincial GDP is likely to deviate marginally on the upside in 2017 from the current 1.0% or so.

Honourable Chairperson, we are well aware that the economic rating agency, Standard & Poor Global acted swiftly to downgrade South Africa's long-term foreign currency rating to sub-investment grade following the recent realignment of the cabinet by the President. The rating is now at BB+. Similarly, Fitch Ratings has downgraded us from BBB- to BB+. The revised ratings have resulted in a negative outlook, implying that further downgrades may be on the cards in the next 12 to 18 months. It is our firm conviction that any change breeds temporary anxiety that is bound to subside with time.

However, we must make the point that our downgrade was not as a result of a structural or policy shift in our economy, but was based on the forecasts by ratings agencies who felt that, at some point, we might not achieve our economic goals due to changes in our policy approach and that this may not be good for the economy.

We take the pronouncements by the ratings agencies seriously, but equally we want to stress that our economic policies remain the same and that we are still a constitutional democracy that is also awake to the fact that our very stability depends on how quickly and how widely we distribute economic benefits.





5. REVIEW OF SOME PREVIOUS BUDGET SPEECH COMMITMENTS

Honourable Chairperson, allow us to briefly take the house through how we have fared on the commitments we made in the previous budget speech.

Fast Tracking of EIAs and Water Use Licences

We committed to engaging with relevant National Departments on Environmental Impact Assessments (EIAs) and Water Use Licences to co-ordinate systems to facilitate speedy statutory approvals in relation to the activation of catalytic projects.

The department had an obligation to finalise 98% of EIA applications within legislated time frames. In its performance, for the period 01 April 2016 to 31 December 2016 the Environmental Impact Assessment Section of the Department has finalised 100% of its EIA applications within the stipulated legislated time frames. In total 164 applications for authorisation were finalised within time frames.

Information provided by the project promoters indicates that the total capital value of the projects authorised equates to approximately R11 billion. These 164 projects will lead to approximately 18 778 construction related employment opportunities once commenced and approximately 6 184 operational related opportunities once commissioned.

KwaZulu-Natal Mineral Beneficiation Strategy

We made a commitment to wrap up work on developing the Provincial Minerals Beneficiation Strategy. This plan focuses on putting together interventions that promote the beneficiation and value addition to minerals as opposed to exportation of raw materials. We are happy to report that the strategy was concluded and would be presented to the various government clusters for adoption by the provincial executive before the end of May 2017.

KwaZulu-Natal Environmental Summit

In June last year, we held a successful Environmental Summit. We are now implementing the resolutions of the Summit, including, among other resolutions, having EIA specialists as permanent members of the KZN Project Brokering Unit which facilitates investments and development into the province.

Halaal Hub

The process for the establishment of the Halaal Manufacturing Park is underway with key stakeholders that include, EDTEA, Ithala, the South African National Halaal Authority and Chambers of Commerce. The next step is to identify a suitable investor location and key project driver. A number of site options have been identified. The Hub would ideally be located on a more than 50 hectare estate preferably along the N2 highway, within less than 100 km of the Port of Durban.

Economic Stakeholders Management

The Department leads the coordination of multi-sectoral forum of Economic Council which is composed of Government, Labour, Business and Civil Society. The KwaZulu-Natal Economic Council provides a platform for all social partners to develop seamless approaches to various issues in society. The Department also has a dedicated rolling engagement with the business sector through the Growth Coalition.

The eight-a-side engagement between certain municipalities and their business communities, co-ordinated through the Growth Coalition, also provide a much needed platform to discuss economic issues.





Drakensberg Cable Car International Investment Conference

In pursuing the implementation of strategic priorities from the Provincial Tourism Master Plan, we successfully hosted the International Cable Car Conference in June 2016 to interact with investors and establish business linkages amongst key business and government decision makers.

A comprehensive investigation was done on the possibilities of the cable way projects resulting in the finalisation of thirteen technical reports pertaining to the envisaged development. The government now needs partners who can invest and take the implementation process forward.

Tourism Events Financing Fund

Consultations were held with key tourism industry role players as part of the study towards the development of an events funding model. Findings and recommendations of the current study will be concluded during the current financial year. This will assist in guiding further engagements with industry role players towards finding the best possible model for the province.

6. DEPARTMENTAL SERVICE DELIVERY PROGRAMMES

• ENTERPRISE DEVELOPMENT

Honourable Chairperson, we continue to support residents and enterprises to advance potential for entrepreneurial spirit in our communities as we want to strengthen our competitiveness and innovation. Our support is inclusive of programmes directed at empowering people with skills to have sustainable participation in the economy. In this regard, we have a contract with Coastal KZN TVET College to train co-operatives in various industry skills. As a result, a total of 1 800 Co-operatives and SMMEs were trained which resulted in the creation of some 2 400 jobs.

• ECONOMIC EMPOWERMENT

We have devised specific programmes of action to give practical expression to the economic objectives directed at emancipating the historically disadvantaged sections of our society. The *attainment of a radically transformed, inclusive and sustainable economic growth for KwaZulu-Natal* will hinge on the implementation of the programme designed to foster tangible socio-economic change.

Youth Economic Empowerment

We have a three year plan valued at R94 million towards training 3 425 young people on various technical skills such as diesel mechanics, boiler making, fitter and turning, plumbing, steel works, brick-laying and concrete work.

The training programme is linked to placements so that the skills do not deplete after training because of lack of practicality on the work experience. A total of 1 050 young people were trained in 2015 and the following year 1 125 received similar skills training. The target for 2017 is to train 1 250 and also ensure that they get employment placement.

Women Economic Empowerment

We have concluded a partnership with the Durban Chamber of Commerce on Women Economic Empowerment. As a result, the KwaZulu-Natal Directory of Women owned businesses and business information has been finalised.

In line with its commitment to the implementation of the women empowerment resolutions, the department will be mobilising





women in various districts to ensure that they are capacitated to claim their 30% procurement spend as agreed in various gatherings, in particular the Provincial Procurement Indaba of 2015. We are, therefore, directing women to a number of sector specific opportunities as we want to broaden their participation in the economy.

Black Industrialists' Programme

As government, we are serious about changing the economic landscape in our country to accommodate the historically excluded sections of our society in a meaningful way, hence our department is strategically partnering with national departments such as the Department of Trade and Industry to support the establishment of black owned enterprises that would claim their slice in mining and manufacturing under the auspices of the Black Industrialists' Programme.

Thirteen enterprises have been identified for this initiative and have since been forwarded to government for appropriate business support. Seven of these business operations had their projects approved for grant funding by the Department of Trade and Industry with a total grant of R116.5 million. We will reflect more on this programme under announcements.

B-BBEE Policy Compliance

Strategic partnerships were concluded with the National B-BBEE Commission, South African National Accreditation System and the department's Business Regulation to look at B-BBEE Policy compliance matters across KwaZulu-Natal. This necessitated the roll-out of BBB-EE Policy advocacy, awareness and information dissemination workshops across KwaZulu-Natal.

Government departments and state owned entities participated in a series of BBB-EE Policy training programmes hosted by the Department to enforce compliance. These sessions featured capacitation on understanding and implementation of the Codes of Good Practice and the accreditation processes related to the South African National Accreditation System that approves BEE Verification organisations. This is because we want to crack down on anti-empowerment activities such as fronting.

• SECTOR DEVELOPMENT

Automotive Industry

For the past years we have embarked on the establishment of the Automotive Supplier Park (ASP) which will ensure that we have a complete automotive industry where spare parts will be manufactured and packaged. We have therefore secured 1 013 hectares of land that has been transferred to Dube Trade Port Corporation at a cost of R178 million. Around R11.5 billion will be invested in the establishment of the park. This amount will be split into R4.2 billion for Phase One; R3.5 billion for Phase Two and R3.8 billion for Phase Three respectively.

Aerotropolis

The KwaZulu-Natal Government has made huge progress towards the development of the Durban Aerotropolis around King Shaka International Airport. The Aerotropolis initiative entails the development of a modern 21st century city centred on King Shaka International Airport. The Department, in collaboration with Dube Trade Port Corporation, is currently finalising the formulation of the Durban Aerotropolis Master plan.

The Aerotropolis Institute Africa is one of the programmes that we have identified to support the Durban Aerotropolis in terms of skills development. The Department has also entered into an agreement with the University of KwaZulu-Natal to develop the Aerotropolis Institute. A draft feasibility study and a business plan have since been developed.





Regional Airports Strategy

The Department is working with provincial stakeholders to implement the KwaZulu-Natal Regional Airports Strategy. To date, the department has invested R11.5 million towards the upgrade of the Mkhuze Airport in uMkhanyakude. About R5.5 million has already been spent on security perimeter fencing of the airport and a further R6 million towards the runway upgrade. The department has also allocated R2 million to Alfred Duma Municipality for the initial development of the Ladysmith Airport.

Industrial Economic Hubs (IEHs)

Industrial development remains an apex priority for economic development in the province and in the country at large. The department has over the years endeavoured to develop industry oriented interventions to stimulate local economies. These interventions have taken a form of District Industrial Hubs informed by the comparative advantage of each district. The following industrial hubs have been identified:

- Clothing and Textiles: *Amajuba District*
- Leather Processing: *uMgungundlovu District*
- Renewable Energy: *Ilembe District*
- Auto Supplier Park: *eThekweni Metro*
- Agro-processing: *Zululand District*
- Electronics: *uThukela District*
- Perishables Processing: *Ugu District*
- Wood Processing: *Harry Gwala*

We are working with uMzinyathi and uMkhanyakude municipalities to finalise comparative sectors that should be developed in these areas. These above Industrial Hubs have been subjected to intensive feasibility studies and we are hoping to finalize related processes during this financial year.

• BUSINESS GOVERNANCE

Informal Trader Registration

In the past year, we committed to ensuring an improved business licencing and permitting system. A preliminary database of existing permit holders has been captured and the system is now ready for testing and implementation with the municipalities.

The department also facilitated the enrolment of the National Department of Small Business Development Informal and Micro Enterprises Development Programme. The programme is a 100% grant offered to informal and micro-enterprises through the provision of developmental support to informal and micro-businesses operating in the townships and rural areas – owned by historically disadvantaged individuals. A total of 1 300 informal economy traders representing all eleven districts participated in this programme.

• REGIONAL AND LOCAL ECONOMIC DEVELOPMENT

We have seen tremendous value in forging partnerships with other organisations to create opportunities for growth in our regional communities.





Swiss Funded Local Economic Development Programme in Ilembe

The government of the Swiss Confederation represented by the State Secretariat of Economic Affairs and the government of the Republic of South Africa represented by the National Treasury entered into a bilateral agreement for the Swiss government to fund the LED Support Programme to build financial management capacity and to stimulate economic activities in the Ilembe District. The programme's total value is estimated at R90 million.

This project had experienced some delays due to internal procurement processes. We can confirm that the department is now ready to move with speed on the implementation of this project. We are hopeful that before the end of June 2017, final consultations with all stakeholders would be completed on the implementation.

Skills Development Partnership with University of KwaZulu-Natal

We have signed a renewed a partnership funding agreement with the University KwaZulu-Natal's Graduate School of Business and Leadership to provide capacity building and training for the period 2016 to 2019 for R22.4 million. The department's contribution to this initiative will be R18.9 million and the university's share will be R3.5 million.

Gijima KZN Local Competitiveness Fund

With the re-launch of the Gijima KZN LCF, following the conclusion of European Union funding in 2010 and using provincial budget from the 2011/2012 financial year, various projects have been funded albeit at a smaller scale. The total amount of funding awarded and contracted over the period 2011 to 2017 has been in the range of R54.7 million, with the department's contribution of R32.1 million (59%) and own (applicants) cash contributions of R22.5 million (41%) excluding applicant in-kind equity contributions.

The eight projects which were funded have created more than 283 full time equivalent employment opportunities (excluding multipliers), a number which is expected to rise as projects mature and are completed.

• ENVIRONMENTAL MANAGEMENT

Air Quality Management

The Department currently owns six Ambient Air Quality Monitoring Stations that are located in Newcastle, Estcourt, Pietermaritzburg, Port Shepstone, Stanger and Empangeni. The air pollution monitoring stations are used for the following: Compliance to the National Ambient Air Quality Standards; collection of air quality data and to assess pollution trends in the various towns in KwaZulu-Natal.

In terms of Environmental Compliance Monitoring and Enforcement, we have done four high level audits; namely; Mondi Richards Bay, Mondi Merebank, SAPREF and ENGEN.

Expanded Public Works Programme

Our plan was to create 8 000 opportunities through the EPWP to remove invasive and alien species and we were able to meet this target despite the fact that the targeted area had to be decreased from 160 000 hectares to 112 000 hectares due to budget cuts. We would like to bring to the attention of this House the fact that there is a new threat within the Invasive and Alien Species Programme which is called parthenium that needs serious attention because of the damage it causes both to livestock and human. In response to this threat, we are mapping the affected areas and we will be sending teams to deal with this challenge.





• ECONOMIC PLANNING

Our Economic Planning Division undertakes research initiatives to measure the global and local economic behaviour which is crucial in the process of influencing our own planning. These studies are initiated jointly with other players in the economic field or the academia and research fraternity.

Poultry Study, Symbiosis Programme, Technology Transfer, Bioenergy Research Partnership, Ezomnotho Publication, KwaZulu-Natal Innovation Strategy and the Mineral Beneficiation Strategy were some of the projects that fell within the scope of this division

7. PUBLIC ENTITIES

Honourable Chairperson, because of time limitations, we intend providing a summarised report on our public entities that will highlight the key indicators on their performance.

• Ithala Development Finance Corporation

Ithala has been the most reliable source of funding for small scale emerging enterprises, especially in the township and remote rural areas that often hit snags when seeking support from the mainstream banks. This is reflected in the number of SMMEs and co-operatives that are financed by this institution.

In 2015/2016 Ithala financed 336 businesses and co-operatives, estimated to enable the creation of 2 618 jobs. As at the end of December 2016, about 3 838 jobs were facilitated against a target of 367, mainly in the agricultural sector. During the same period, a total of 129 businesses were financed by Ithala against a target of 45.

Ithala SOC Limited (Retail Banking Services)

The process of acquiring a permanent banking licence by Ithala SOC Limited is in full swing. Together with the entity, we are working to meet all the South African Reserve Bank's permanent banking licence requirements. As part of this process, the SA Reserve Bank team recently visited Ithala SOC Limited to check our readiness for the full banking licence. We are also working closely with both Provincial and National Treasuries to expedite this matter. Our aim is to ensure that Ithala has a licence by the end of this year.

Ithala Properties:

Ithala has committed in excess of R200 million over the next three years to refurbish its industrial assets. This is critical, especially at Isithebe and Ezakheni properties, given their strategic position in relation to identified zones for Industrial Economic Hubs.

• KwaZulu-Natal Growth Fund

The KwaZulu-Natal Growth Fund Trust currently operates both a Debt Fund and Equity Fund with a total of R1.1 billion assets under its management. The organisation has successfully approved, and committed a total of R997 million to 10 projects. This funding has unlocked projects with a total value over R5 billion and created more than 14 000 job opportunities.

• Trade and Investment KwaZulu-Natal

Trade and Investment KwaZulu-Natal attracted more than R10 billion worth of investment into the province during the 2016/2017 financial year – resulting in the creation of more than 5 000 jobs.





• Dube Trade Port

Dube Trade Port has made very strong and significant progress during the past financial year and this included achieving growth in revenue, investment, airline passenger and air cargo volumes. In addition, a major milestone towards the re-industrialisation of the KwaZulu-Natal economy was achieved when Dube Trade Port was officially declared a Special Economic Zone on 23 December 2016. This has added more investor interest to this fast growing industrial node. Close to 5 000 jobs have been created in the Dube Trade Port since the 2011/2012 financial year. To date, we have secured investment to the tune of R2.7 billion for Phase One, with a target of R10 billion being secured for Phase Two.

• Richards Bay Industrial Development Zone

Richards Bay Industrial Development Zone has been inundated with enquiries for business development sites. Very soon, Richards Bay will be home to an estimated R45 billion liquefied natural gas plant to produce 2 000 megawatts. The project will create massive employment opportunities in the value chain.

Just recently, we presided over the official launch of the R4.5 billion titanium oxide plant situated within the RBIDZ. The project is a partnership between Nyaza Light Metals, a local company, and the New Zealand strategic partner Avertan Limited. The project will create about 550 permanent jobs and between 800 and 1 200 temporary employment spaces during the construction phase.

• Tourism KwaZulu-Natal

Tourism is one of the sectors we have earmarked for the creation of decent jobs and fostering greater economic inclusivity. This industry continues to grow above world average, making it an important contributor to the provincial economy.

We will, therefore, continue utilising a host of domestic and international marketing platforms to position KwaZulu-Natal as the preferred tourist destination. As we are gathered here today, we have been part of the World Economic Forum Africa which has been a great success so far and has enhanced the profile of our province both as a province with a capacity to host mega events and as a tourism destination.

Coupled with that, the annual Tourism Indaba would be held at Inkosi Albert Luthuli on 16 – 18 May 2017 where 10 000 delegates, exhibitors and buyers will continue serving as our strategic platform to showcase the province's hospitality business to the regional and global audiences.

Tourism KZN continues to boost tourism efforts. We have resolved to redirect our focus towards ensuring the transformation of the tourism industry. Both the department and Tourism KZN will, from this financial year, be redirecting their focus to supporting small and emerging tour operators while at the same time maintaining efforts of keeping KwaZulu-Natal a destination of choice.

• KwaZulu-Natal Sharks Board

KwaZulu-Natal Sharks Board continues to ensure the protection of bathers along the coastline of our province. This has ensured safety of our citizens and tourists in all beaches.

As part of Operation Phakisa, the Sharks Board established the KwaZulu-Natal Sharks Board Maritime Centre of Excellence. The centre supports the Oceans Economy Lab of Operation Phakisa by promoting coastal tourism and job creation. The centre further





creates new technologies for international markets, and fosters environmental protection in the marine environment. More than 1 300 learners have been trained by the centre since 2012.

- **KwaZulu-Natal Film Commission**

We are glad to report that the KwaZulu-Natal Film Commission, now in the fourth year of operation, has to date provided training to over 90 filmmakers focusing on script writing, producing, and finance. These are critical film related skills that we are short of in the province.

The Film Commission has also supported cinema and television productions that have done exceptionally and further unearthed new talent in the province. These include productions such as *Keeping Up with the Kandasamys*, *Kalushi* and *uZalo*, with the latter production wholly shot and produced at KwaMashu and currently one of the most watched dramas on television.

- **KwaZulu-Natal Liquor Authority**

We are fully cognisant of the risks an inadequately regulated liquor industry can have on the social and moral fabric of our society. The liquor authority has been instrumental in ensuring licencing and ensuring adherence to the laws regulating the sale of alcohol in the province.

Licencing

To date, the Liquor Authority has 8 137 licensed premises in the province. In collaboration with key law enforcement stakeholders, the entity conducted 63 blitz operations which saw 170 illegal liquor outlets identified, closed down and charged with the assistance of SAPS for trading without liquor licenses. We are continuing to intensify our efforts in dealing with the scourge of illegal liquor trading in our province.

Meanwhile, we have 8 142 licences in the Province which illustrates the impact of this business in the province's economy and this financial year we will be undertaking a quantitative research that would illustrate the exact share of the industry with respect to the GDP.

- **Ezemvelo KZN Wildlife**

We remain committed to safeguarding the nation's biodiversity capital which contributes immensely to our economy especially in the tourism sector. Notwithstanding budgetary constraints, during the 2016/2017 financial year we acquired two additional sites estimated at 18 872 hectares for formal nature conservation purposes which were then approved by the Board for proclamation as part of expansion in the protected areas.

Campaigns against Rhino poaching will also be upscaled through collaboration with the Premier's Office, Department of Finance and Department of Community Safety and Liaison

The new board of Ezemvelo KZN Wildlife has been mandated to examine the proposed commercialisation strategy. In this regard, none of government facilities will be sold but the considerable approach is the development of the Public-Private Partnership on running the operations while the full ownership remains with Ezemvelo KZN Wildlife.





- **Moses Kotane Institute**

In our quest to broaden technical and management skills base, we have partnered with different sector-specific skills training organisations such as Transport SETA, National Skills Fund and Local Government SETA where around six hundred (600) youth have been trained in areas such as terrestrial television installation (293), information technology (50), municipal finance management programme (186), radio production (22) and recognition of prior learning (48).

8. NEW ANNOUNCEMENTS

- **Radical Economic Transformation**

Honourable Chairperson, as you would acknowledge, we have provided the definition of radical economic transformation right at the beginning and might help to reiterate how this concept fits into our economic system. In a nutshell, *Radical Economic Transformation* is a macro-economic growth policy at par with other such growth policies like Reconstruction and Development Programme; Accelerated and Shared Growth Initiative for South Africa and the New Growth Path.

Together all these macro-economic policies resonate with the National Development Plan vision to reflect cohesion among our fiscal, monetary, industrial and social policies. Here in KwaZulu-Natal the implementation of radical economic transformation finds expression in broader multi-sectoral programme, Operation Vula that we are about to define for the benefit of some Members of House and our guests.

- **Operation Vula**

In the 2014 general elections manifesto, the governing party committed to promote local procurement to increase domestic production through, amongst others, the following:

- Boosting local manufacturing and creating job by directing the state to progressively implementing the target of buying at least 75% of its goods and services from South African producers,
- Using the state buying power to support small enterprises, cooperatives and Broad Base Black Economic Empowerment,
- Ensure that public entities buy specified goods for the infrastructure build programme locally.

As the province of KwaZulu-Natal, we have moved with speed in putting these commitments into practice within the broader context of Radical Economic Transformation which we defined in detail earlier on. With Operation Vula, we aim at promoting localization of the economy by exploiting the government buying power to buy from SMMEs and co-operatives.

We have identified the following commodities to be procured from local small businesses as part of piloting Operation Vula: school and prison uniforms; protective clothing; school and government furniture; bakery; infrastructure material; cleaning material; and agricultural produce.

Using government buying power to procure from SMMEs and co-operatives, we will be eradicating the problems that are faced by these small businesses which include lack of access to the markets, lack of access to finances and low bargaining power with companies and buyers as well as stiff competition from well-established businesses.





We are also hard at work in mobilising the private sector to also procure some of its goods and services from the local producers through Operation Vula. The details of the implementation model will be unveiled when we officially launch Operation Vula at the beginning of the third quarter of this year.

Once all details of Operation Vula are approved by the Executive Council, all government departments and state entities will procure those goods and services that are part of targeted set-asides through Operation Vula.

- **Radical Agrarian Socio-Economic Transformation (RASET)**

As we speak, work on the Radical Agrarian Socio-Economic Transformation (RASET) as reported by the Premier in his State of the Province Address is already underway. This programme aims to transform the agricultural value chain by including the previously disadvantaged people into meaningful production and control of agricultural produce.

Through RASET, many ordinary people of KwaZulu-Natal will have an opportunity to participate meaningfully in the entire value chain of agricultural produce, with the market guaranteed by government and other private sector institutions that have expressed interest in participating in this programme.

- **The Activation of the Black Industrialists' Programme**

In line with strategic Memorandum of Understanding that has been signed with the Department of Trade and Industry (dti), our Department shall intensify implementation of the Black Industrialists' Programme. In this regard, we shall launch the Black Industrialists' Programme in the Province and further establish the Project Management Unit within the two special economic zones and Dube Trade Port and the Richards Bay Industrial Development Zone respectively.

An amount of R15 million has been set aside in this regard. This amount will not fund projects, but will provide the necessary support for local project promoters to stand a better chance when sending their bids. We will officially launch the Black Industrialists programme on 2nd of June 2017.

- **Provincial One Stop Shop**

Following the State of the Nation Address in 2015, the province engaged the process to establish the Provincial One-Stop-Shop to fast-track all the regulatory processes required by investors. The One-Stop-Shop will house services from SARS, Water Affairs, Home Affairs and other regulatory services. It will also include representatives from SALGA, uMsunduzi Municipality, uMhlatuze Municipality and eThekweni Metro

The process is underway to secure a building that will house the One-Stop-Shop

- **Government Auto-Service Park (Government Garage)**

This programme aims at recruiting and skilling of backyard mechanics and young people. The government will then build auto-service parks where all government vehicles will be serviced and repaired. These government auto-service parks will be run by government and will be duly registered so that even insured private cars can utilize these services.

The department will soon sign an MOU with Department of Labour which is providing funding for training and TETA which will be running training.





• KZN Economic Transformation Monitoring Council

In our quest to drive the radical economic transformation agenda, we have decided to establish the KwaZulu-Natal Economic Transformation Monitoring Council whose task is to augment efforts of existing regulatory bodies including, for example, the newly-established B-BBEE Commission.

The Council will be established under the Department's Integrated Economic Development Services and its members will be co-opted from other sister departments as well as various entities tasked with implementing economic transformation. The Council will act both as a whistle blower and also monitor adherence to economic transformation initiatives. It will produce a bi-annual report which will inform the people of KwaZulu-Natal about our province's performance when it comes to implementing radical economic transformation.

• Operation Sakhinzuzo

Agriculture remains one of the key sectors in our economy, hence we are committed to partnering with Tongaat Hulett Sugar South Africa Limited to support small scale growers in various parts of the province such as Felixton, Darnall, Amatikulu and Maidstone. We are delighted that this partnership we call "Operation Sakhinzuzo" will be for a period of three years to support small scale growers in the targeted areas mentioned above.

We have set aside over R50 million for this programme. Operation Sakhinzuzo will deliberately be inclusive and will see black and African farmers as well as producers playing an integral role with regard to this project. The project aims to plant 3 000 hectares of land and to create an estimated 1 100 jobs.

• Rationalisation of Public Entities

We take this opportunity to report to this House that the initial process of the rationalisation of public entities has been completed. The process is now in full swing and will be finalised before the end of this financial year. As a result, all new boards that are currently appointed are given a mandate of one year to allow the completion of the rationalisation process.

• KwaZulu-Natal Investment Conference

In order to improve our attractiveness as an investment destination, we will be hosting a KwaZulu-Natal Investment Conference to communicate the message that we are open for business and that we remain one of the world's most competitive investment destinations. We will hold this Conference by the month of November 2017.

9. CONCLUSION

In conclusion, I wish to thank the Honourable Premier, Mr TW Mchunu for his continued support and guidance. I would also like to thank my esteemed colleagues in cabinet, our social partners in the province for their continued resolve to see the entire Province of KwaZulu-Natal being extracted from the shackles of poverty.

I would like to thank the Acting Head of Department and his team in the department who are always ready and willing to go the extra mile. With this budget we are giving them yet another tool to expand the opportunities for economic prosperity to every resident in this province.





Importantly, I would like to thank the African National Congress for entrusting me with the task of contributing to the noble struggle of ushering in economic freedom in our lifetime. It is both an honour and a privilege that I do not take lightly.

It will be remiss of me if I do not express my sincere appreciation to both portfolio committees, the Economic Development and Environmental Affairs Portfolio Committees. We thank Chairpersons Honourable Mr N Ntombela and Ms Z Ludidi as well as all members for ensuring that as the department we remain accountable to this House.

I equally wish to extend my appreciation to Chairpersons and CEOs of all public entities for their outrivaling service and commitment. We pledge our commitment to remain accountable, fight wastage of government resources and ensure effectiveness and efficiency within the department.

Lastly, I reserve the most special word of gratitude to the greater Khuzeni family, my wife uMaZondi, our children and all members of my family who have allowed me to serve our people, often-times at the expense of not being able to spend time with them.

Let us not allow the carnival to remain monopolised by a handful of wealthy men and women while the majority of our people toil for crumbs falling off the master's table. Indeed the case for radical economic transformation is a compelling one and cannot be postponed.

Now is the time to change our fortunes, now is the time to empower our people, and now is the time to act.

I now table the Department of Economic Development, Tourism and Environmental Affairs for consideration by this august House.

PROGRAMME	2017/2018 (R'000)
1. Administration	243 655
2. Integrated Economic Development Services	358 053
3. Trade & Industry Development	842 563
4. Business Regulation & Governance	112 662
5. Economic Planning	39 507
6. Tourism Development	231 549
7. Environmental Management	956 414
TOTAL ALLOCATION	R 2 784 403

I now move the budget of **R2.784 billion** for the 2017/2018 financial year, I so move.

I thank you,

Mr Sihle Zikalala, MPL
MEC for Economic Development, Tourism & Environmental Affairs

