

**REPORT TO THE KWAZULU-NATAL LEGISLATURE BY THE MEC FOR ECONOMIC  
DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS, MR RAVI PILLAY  
ON THE PROGRESS MADE IN ECONOMIC RECOVERY EFFORTS AND  
INDUSTRIAL PLAN TO SUPPORT LOCALIZATION WHILE INVESTING IN THE  
ECONOMY FOR INCLUSIVE GROWTH**

**3 June 2021**

Honourable Speaker

Honourable Members

**1. INTRODUCTION**

We present this report during a week in which the country moved into Adjusted Alert Level 2, a decision precipitated by the threat of a third wave engulfing the country as four of the nine provinces are already battling a third wave of infections.

Despite that threat we are encouraged by the way in which the vaccination programme, which offers a glimmer of hope especially to the vulnerable citizens, is being rolled out. By the 31 May, a total of **181 948** people, over 60 years of age, had been vaccinated across the province's 108 vaccination sites. I am happy to be among those who took advantage of this opportunity and encourage others to do so as well.

Defeating Covid-19 remains our overriding priority. It is the single biggest impediment to economic recovery.

**2. ECONOMIC SITUATION**

Also this week, on Tuesday Statistics SA released the Quarterly Labour Force Survey results for the first Quarter of 2021. The report shows that official unemployment rate increased by 0,1% from 32.5% in the fourth quarter of 2020 to 32,6% in the first quarter of 2021. The official unemployment rate increased in six provinces.

The largest increase was recorded in the Free State (by 2,2%), followed by Limpopo (by 2,1%), Western Cape (by 1,2%), KwaZulu-Natal (by 0.9%), Mpumalanga (by 0.5%) and Gauteng (by 0.3%). During the same period unemployment has decreased in three provinces, namely Northern Cape, Eastern Cape and North West (by 5.3%, 4.1% and 1.1% respectively).

### **3. SOCIAL COMPACT**

The severity of the impact that Covid-19 has had on our economy, as reflected in the unemployment figures, required that we develop a practical plan for recovery. After consultation with stakeholders the Provincial Executive Council adopted the Economic Reconstruction and Transformation Plan in September last year. As the name suggests, the plan, which disaggregates our economy into fourteen sectors, is not only focused on reigniting economic growth but it also seeks to ensure that we achieve a more inclusive economy.

We are encouraged by the fact that Labour, Business and Civil Society formations have not only endorsed the plan but they have made a set of commitments towards making the plan work.

The social compact, signed by all four partners on 30 April 2021, commits all of us to work together to grow the economy and protect jobs; to find solutions to unblock bottlenecks in the implementation of catalytic projects and also to create a resilient economy.

Some cross-cutting commitments are:

- Reviving and growing rural and township economies,
- Boosting sector performance through localisation;
- Implementing transformation measures generally, and empowerment for women, youth, military veterans and people with disability specifically; and
- Entrepreneurship development

In pledging support for the plan, all social partners emphasized the importance of having a clear monitoring and evaluation mechanism and the process to put that in place is already underway.

#### 4. INTERVENTIONS AND PROGRESS PER SECTOR

Honourable Speaker allow me to outline a few of the interventions per sector. These are not exhaustive and regular reports will be made to the Legislature *inter alia* via the Portfolio Committee.

- **Agriculture and Agro-Processing:** Agriculture was always an essential service and has proved resilient as a sector. In addition, 285 jobs have been facilitated through the RASET programme as follows: UGu (37 Jobs) uMgungundlovu (41 Jobs), iLembe (55 jobs), eThekweni (16 Jobs), King Cetshwayo (20 Jobs), uMkhanyakude (77 Jobs); and, Harry Gwala (39 Jobs). A total of 217 farmers have been supported with agro-logistic support to transport produce to their destination of choice (market) and to the market secured by and through RASET PMU. The Department of Agriculture continues to build its capacity to extend its programs throughout the province.
- **Clothing and Textiles:** Investment worth R780m has been secured to fast-track the implementation of the Clothing and Textile SEZ. DTPC and Ithala will meet this week to discuss the working relationship. The business case development including land use and financial implications is completed and presented to the political leadership as well as strategic partners for final approval. This exercise was completed successfully. The nationally crafted Clothing and Textile Masterplan is already yielding results with major chain stores committing to increase local content significantly.
- **Creative Industries:** A total of R4,625,000 has been paid to 722 beneficiaries for COVID19 Provincial Relief Fund to assist athletes, coaches, technical personnel, sport federations, recreational entities.
- **Finance and Services:** The financial sector is crucial to economic recovery. We have engaged with all the major banks with regard to the implementation of the Credit Guarantee Scheme. We have expressed our unhappiness at the rate of implementation and the lack of transparency. There may well be problems with the conceptualisation of the scheme and a common understanding of the risk management policies. But the less than 10% uptake through the scheme is disappointing to say the least. We will continue to engage directly with the banks provincially and lobby our relevant national structures on this matter.

We will also work towards achieving a co-ordinated cumulative effect through our Developmental Financial Institutions, provincially and nationally, viz. Ithala, KwaZulu-Natal Growth Fund, Industrial Development Corporation, Land Bank and Development Bank of South Africa.

- **Fourth Industrial Revolution (4IR), ICT and Innovation:** ICT Hubs have been established in Bergville, Kokstad and Umfolozi. Uphongolo, Umdoni and Richmond are work in progress. The private sector continues with an aggressive broadband roll out in the major cities and towns.
- **Industrial Development:** Our interventions in this sector include the revitalisation of the Industrial Estates in Isithebe, Madadeni, and Ezakheni. The DTIC and DBSA have appointed a contractor to undertake Phase 2 of the revitalisation of Isithebe. The contractor was introduced to the stakeholders in February 2021 and the IDFC is discussing the inclusion of local SMMEs. In respect of Ezakheni and Madadeni an application for revitalization was submitted to DTIC in 2020/2021 financial year. The decision to approve funding for Ezakheni and Madadeni is still in process within the DTIC. It is expected to be completed at the end of the 2<sup>nd</sup> Quarter of 2021/22 financial year.
- **Informal Sector:** We will be incrementally working with all municipalities to develop and implement effective responses to the needs of this sector. A transfer to the Msunduzi Municipality for the provision of 250 new informal trader stalls, storage, bins and ablution facilities in different areas in the Pietermaritzburg CBD and Freedom Square Taxi Rank was concluded in March. The service provider has been appointed and the project is set to be concluded in November 2021.

On Friday, 4 June 2021, we will do a handover of site to the contractor for a R 6 million Informal Market Hub in Kokstad.

- **Infrastructure Development:** These are in the main Public Sector Projects. The focus is on projects with the highest job creation opportunities and includes water, sanitation, roads and bridges, as well as human settlements funded by all three spheres of government.

- **Trade and Investment:** As part of the strategy to aggressively market KwaZulu-Natal investment projects Twelve (12) Online Projects and Destination Marketing sessions have been conducted to date in countries such as Germany, China, India, Indonesia, London and Turkey. Some of the new investments secured are set out later in this report. Major effort is also put into the business retention aspect of the work of EDTEA and TIKZN.
- **Manufacturing:** Automotive, Paper and Pulp are among the major manufacturing sectors. We are working with Toyota SA on a potential major expansion. Discussions with Transnet are advanced on the possible use of the old Durban airport site as part of an Automobile Supplier Park. Mondi and Sappi are part of engagements in relation to the expansion of the Durban Port.

The construction of shared production and business incubation facility for small enterprises in the Detergents and Chemical cleaning products has been completed in KwaMashu and is currently being operationalised.

- **Mining and Mineral Beneficiation:** A number of projects are being facilitated that will seek to focus on value addition/beneficiation of aluminium: Engine blocks, mag-wheels, slugs and extrusions.

The R 6,9 billion expansion of titanium mining by Richards Bay Minerals is being pursued vigorously. This project called Zulti South is being held back by subjective shareholder and community issues. This is receiving priority attention.

More conscious commitment to localisation and beneficiation could lead to companies such as Bell Equipment maximising production and job creation.

- **Oceans Economy:** Bayhead Precinct in Durban harbour has been identified as a suitable site to pilot the Boat or ship building park project. An amount of R3,564 million has been transferred to IThala to commission the assessment study. EDTEA and DARD are working towards implementation of Fisheries Support Pilot projects in various areas.
- **Tourism:** With a large number of countries still blocking travel to South Africa, international tourism recovery will take a while. It is for this reason that our efforts have been and continue to be on reviving

the domestic tourism market. Tourism KwaZulu-Natal has been hard at work rolling out its destination marketing campaign to encourage South Africans to travel to the province. The campaign largely contributed to tourism performance during the December and Easter seasons of 62.3% and 50% respectively.

This year we will focus more attention on African markets through tourism trade partnerships including airlines and tour operators. Internationally, we are engaging a number of trade partners to run destination training for tour operators and travel agents, directly and through collaboration with South African Tourism.

On the tourism development front, we are working on a number of tourism infrastructure projects across the province as outlined in the Vote 4 budget speech tabled last month, which are focused on boosting rural tourism while empowering small black owned businesses, with a particular focus on women and youth. Paramount to our recovery is providing assistance to small tourism businesses in the form of the R20m KwaZulu-Natal Tourism Relief Fund. Applications are currently being screened and the outcome of the independent assessment will be submitted by the Independent Assessor on Monday, the 7th June 2021, with disbursements planned for later in the month. It is anticipated that 400 businesses will benefit from this fund. This is in addition to the 609 businesses who benefitted from the National Tourism Relief Fund. We are hopeful that the legal issues around the R 1.2 billion National Equity Fund will be resolved soon.

## 5. NEW INVESTMENTS

Despite the constrained environment, we are encouraged by the recent investments taking shape in the province. As we reported when we tabled the EDTEA budget these investments include, but are not limited to, the following:

- **Nyanza Light Metals:** The construction of the first phase of the Nyanza Light Metals titanium dioxide (TiO<sub>2</sub>) pigment production plant commenced in March this year. The Nyanza Light Metals project will be rolled out in three phases. The total investment value of the project is R4.5bn.
- **Wilmar Processing:** The construction of the R1.3 billion crude vegetable oil refining facility at RBIDZ commenced in October 2020.

Currently civil engineering works are underway with piling and earthworks nearing completion. Once completed, the facility is set to create 202 permanent jobs.

- **Pepkor Logistics Facility:** The R1.5 billion facility based at the Keystone Business Park in Hammarsdale was launched on 11 May 2021 by the Premier. Construction of the facility is currently underway and once operational, the facility will create 2200 jobs.
- **Defy Warehousing and Distribution Centre:** On 19 May 2021, Defy South Africa officially opened a R170 million warehousing and distribution Centre at Danskraal in Ladysmith. The facility has the capability of loading/unloading in excess of 200 trucks per day and a storage capacity of 100,000 cubic metre of products. It will create 130 new jobs.
- **Business Process Outsourcing (BPO) (Call Centres):** The growth of the business processing sector has been phenomenal. South Africa was recently named as the best Top Global Business Services Sector location. Almost 15,000 jobs have already been created with the potential for a further 55,000 in the medium term.
- **Port Expansion:** The R100 billion investment over the medium term into the expansion of the Durban port will not only reduce congestion and increase capacity of the port but will lead to job creation and a massive injection into the economy of the province.

Our social compact will be central to efforts at ushering in a growing and inclusive provincial economy.

Rebuilding confidence is key. Trust and accountability between the social partners is essential for sustainable confidence.

## 6. MoU WITH AFREXIM BANK

On the 27 May 2021, the KwaZulu-Natal government signed a Memorandum of Understanding with the African Export-Import (Afrexim) Bank. The Pan African development financier which is headquartered in Cairo, Egypt is already funding some multi-million rand developments within the country including the construction of the Nyanza Light Metals plant at the RIBDZ.

We believe that this MoU will herald a new era of investments in KwaZulu-Natal. The province has presented R20 billion worth of projects for consideration for funding by the bank.

As the Premier stated during the signing, the MoU will also ensure that there is support for manufacturers who are based in the province but further it will also ensure that those manufacturers based in this province have access to the African markets.

## **7. THE AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT**

Through Trade and Investment KwaZulu-Natal we recently held a session on the African Continental Free Trade Area agreement (AfCFTA) opportunities. This is in recognition of the possibilities for cross-country trade and companies in the KwaZulu-Natal region are encouraged to export directly or indirectly.

The agreement will ultimately bring together all 54 member states of the African Union covering a market of more than 1.2 billion people, bringing together the world's largest working-age population with a combined gross domestic product (GDP) of more than US\$ 3.4 trillion.

Africa lags behind other regions of the world in terms of intra-regional trade. According to the African Development Bank (ADB), intra-Africa exports amount to only 16.6% of total trade. This compares very unfavourably to Europe where 60% of European trade happens amongst European countries, and within the ASEAN countries where it is over 30%.

## **8. INDUSTRIAL PLAN TO SUPPORT LOCALIZATION WHILE INVESTING IN THE ECONOMY FOR INCLUSIVE GROWTH**

In KwaZulu-Natal the struggle for opportunities has recently led to the emergence of various militant business forums in most parts of the province. Although the principle of advocating for economic transformation is noble, the aggressive nature of the forums often leads to disruption of high value catalytic infrastructural projects and closure of business operations. This is unacceptable. Our provincial government has drawn a clear line against those who engage in unlawful activities including blatant intimidation. These elements must face the full might of the law. Mafia style protection rackets will be fought tooth and nail. We will however work with all formations genuinely interested in lawful and sustainable transformation.



We have thus developed a localisation framework which takes into account the unique challenges affecting different sectors such as mining, automotive and construction, among others. The framework is anchored on:

- **Enterprise development** to ensure the development of local businesses/ SMMEs including assistance with starting and sustaining the businesses;
- **Economic Transformation** in industrial activities by supporting both the local servicing sector and the participation of women, youth, people with disabilities and inclusion of other target groups in the workforce, thereby maximising the multiplier effect of such operations on local economies;
- **Supplier Development Initiatives** to ensure empowerment of local companies and rapid skills transfer. Empowerment will include twinning arrangements between main contractors and local companies, sub-contracting, shareholding, joint venture and partnerships;
- The Department is pleased to report that R250m was disbursed to over 953 **SMMEs** thereby creating 1 285 jobs through the Enterprise Development Fund. A further 217 jobs were created through the cooperatives support programme.
- **Operation Vula Fund** is meant to enable KwaZulu-Natal entrepreneurs and enterprises with innovative and employment creating business ventures, to access grant funding from the department. A total of 1025 applications with a value of R322,319 million were approved for funding. Honourable Members, 178 of these have already received business instruments to the value of R29.7 million. These SMMEs are located throughout the province in various sectors of the economy.

It is encouraging to note that approved applications are equitably distributed across all the 11 districts of the province. 4229 applications were received. Putting in appropriate due diligence checks and balances meant a significant delay in concluding. We have now broken the back of this challenge. Roll out will be completed by the end of July this year.

## **9. LOCAL GOVERNMENT**

Local government is quite key to a recovered, transformed and sustainable economy. Water and electricity are key economic issues as are basic planning and approval processes. COGTA has already begun the work of getting local authorities to prioritise this work and building institutional capacity.

We must take the social compact down to district and local levels: In this regard, eThekweni is leading the way and have accepted the challenge to become an example of best practice which can be used as a benchmark by other municipalities.

## **10. CONCLUSION**

There is no magic wand. The road to economic recovery and job creation will be long and hard. We are inspired by the many examples of patriotic endeavour of all our social partners. Let us unite behind this plan. The immediate task is to build trust and confidence as we implement our programmes.