

Address by KwaZulu-Natal MEC for Economic Development, Tourism & Environmental Affairs, Mr Michael Mabuyakhulu during Insaka Men's Network Business Breakfast held in Durban on 10 October 2014

Programme Director, Mr Mhlongo,
Head of this Congregation, Rev Dlomo,
Amecus CEO, Mr Nxumalo,
Fellow Cabinet Colleague, MEC for Health, Dr Dlomo,
All protocols observed,
Good morning.

On behalf of the Provincial Government of KwaZulu-Natal, we wish to express our appreciation for being invited to this function where we would be able to briefly reflected on the programmes we have committed ourselves to deliver to the people of this province in a quest to promote socio-economic transformation through the creation of business and employment opportunities essential in deletion of poverty in our communities. My portfolio, the Department of Economic Development, Tourism and Environmental Affairs had taken stock of what we have achieved over the 2009 – 2014 term of office as this was critical in shaping our new plans for the current mandate expiring in 2019. This process has therefore led to the revamping of our strategies that we intend to implement with vigor to be able to meet the expectations for a better life for all that had been generated on the ground in the past twenty years of our transitional period to a fully-fledged democratic state.

But we are mindful that as we attempt to execute our programmes, we require partnerships from all progressive sectors of our society and the church as we all know fits that category of role players that had been instrumental in addressing the socio-economic challenges facing ordinary citizens. The church as it was at the core of our liberation struggle against the apartheid system, it is still a viable and relevant partner in our collective effort to create an equitable and just society that is characterized by the rule of law that promotes civil liberties and provision of material and moral support to our people. As government we accept that we share a common constituency as members of the congregation are our voters that we had committed ourselves to serve their interest and assist them fulfill their socio-economic aspirations.

Church & Government as Natural Partners

Some people dismiss the view that there are parallels in what we do as government and services offered by churches and other houses of worship as drivers of economic development that contribute social stability. Apart from merchandise that is generated under the auspices of religious practices like gospel music that has become a popular genre in this country and associated apparels that define one's denomination, most business people are congregants that draw their entrepreneurial and moral strength and support from their association with the church.

Business is a highly competitive environment where the name of the game is the survival of the fittest, often characterized by diminishing moral values essential for humanity and the church therefore provides an ideal scope to heal its members from the cut-throat rigors of business through emphasis on business with human face. It is that reason that many successful business people attribute their successes in business to their uncompromising connection with divine spirits that continue to remind them that material gains shouldn't allow themselves to be corrupt by earthly benefits. Often churches remind them of their obligations to support the poor as part of their 10% contribution. Certain the church couldn't be extricated from the functions of the economy as it features in it in different forms – just government.

Good economic performance ensures stable society and healthy tax revenue for government while also guaranteeing the church less challenge to deal with social difficulties affecting the congregants that often lead to moral derailment. At the same time, for the church to be able to cater for the poor, infirm and indigent it needs steady contributions from members whose employment or business operations have to be stable enough to provide this essential revenue. This I would prefer to call it divine economy that is not based on profits and greed, but is designed to serve as the safety valve to cover areas where the state has limitations like in education, health and social welfare. Certainly, government and the church should continue appreciating their common interest to be able to complement each other. As we are in the process of continuous review and implementation of policies that could have an impact on the lives of the people, we value to guidance and inputs from the spiritual organization to ensure that what we do benefits our people. My portfolio is responsible for the management of the province's economy hence it has become our policy to engage with various stakeholders in business, communities, labour and of course faith organizations to solicit their wise counsel and support as we endeavor to empower communities that are our collective constituency.

In this address I would therefore like to reflect on the programmes of my portfolio which featured prominently in our Budget Policy Speech for 2014/2015 financial year. These programmes which are driven through business units of the department and designated specialist public entities are precisely directed at promoting the processes of industrialization, value addition, infrastructure development, skills development and acceleration of entrepreneurship development. The latter point is crucial as we want to instill an entrepreneurial culture amongst our people since successful nations are those that had developed a significant pool of business people as opposed to job seekers. The promotion and support of small scale business operations and social enterprises like co-operatives would be our primary focus as this has proved to be an ingredient for many successful economies. It is that reason that we have established the KwaZulu-Natal Small Business Development Agency that I will cover later.

We are mindful that since the 2008 financial crisis hit the entire globe, our economic performance has been struggling to register any significant growth and because we are symbiotically linked to global markets in Europe and US that were hard hit by recession and were equally battling to recover the lost ground. But we are pleased to note that despite subdued levels of growth, KwaZulu-Natal is steadily shaping up as last year for instance, our tame national growth average was just 1.9%, well below the target growth estimated at 3.0%. The province has surpassed the national growth average as it clocked around 2.1% which has also impacted positively on employment as joblessness figures dropped from 21.7% in 2008 to 20.8% in 2013 though little as it could be.

Small Scale & Social Enterprises as Levers of Sustainable Growth

But to be able to repel future global economic rigors we have to tighten our economic foundation through the expansion that favours the establishment and consolidation of small to medium scale enterprises since large multinational corporations tend to be more vulnerable to jittery economic conditions compared to their small counterparts. The American experience of the financial giant organisation, Lehman Brothers that was amongst the losers during the 2008 financial crisis represents a good example amid that some global players like Intel, Ford and Amazon recorded survival successes. But a mixture and diversification of sectors, business sizes and target markets are crucial in the reduction adversity when faced with recessionary conditions.

Traditionally we have positioned our export and import markets in favour of western economies and we had paid a price for this approach. However, we have acknowledged that the east with fast growing markets also offers significant advantages – as is the case with our own continent where six

of the ten fastest growing economies in the world are located. The growing middle class stimulated by significant growth of many African economies provides a fertile market for our products and services and we are currently encouraging our entrepreneurs to explore the African market to broaden their business horizon and shield themselves from stifling competition in the already saturated markets in the developed nations. Once again, this would take a concerted effort where we inculcate an entrepreneurial culture amongst our people.

The establishment of the KwaZulu-Natal Small Business Development Agency as mentioned above is expected to serve as a fillip for genuine industrial growth in this province where the emphasis would be on value-addition or manufacturing, maritime and renewable energy sources to complement other sectors like retail, financial services, tourism and telecommunication. Unveiled late last year, the agency would ensure full co-ordination and provision of a holistic, integrated and coherent business support system to SMMEs across the province. It will be a one stop shop to provide both financial and non-financial support services to small scale enterprises in all sectors of our economy.

With the advent of Ithala Development Finance Corporation as one of our strategic developmental entities, with established network of branches across all districts, SBDA services directed at ensuring sustainable growth amongst emerging enterprises would initially be incubated and groomed under the auspices of Ithala while the agency is still finding its foot to develop its own business service outlets. This will include the provision of information on how to manage finances, conduct marketing, acquisition of technical or production skills to guarantee sustainable development of enterprises.

Re-activation of Township & Rural Economies

The agency will further contribute to the revival of township economies and spearhead to activation of business operations in our rural communities by assisting a wide range of business projects in different sectors of the economy. The SMMEs and social enterprises would be the mainstay of the agency's focus as stressed in the preceding paragraphs. Interventions to bolster entrepreneurial activities in all parts of the province including formerly neglected township and rural settlements will include establishment of:

- *Business support centres*: that will be characterized by instillation of basic entrepreneurial traits amongst aspirant traders to be able to conceptualize and implement viable business

plans that ensure sustainable business operations and we are injecting R55 million as initial funding for this initiative that we target 2000 entrepreneurs to benefit from.

- *Business incubation centres:* where viable business proposal had been conceived it has to be translated into a living entity that is able to overcome teething challenges hence the agency would draw from Ithala experience to incubate and mentor traders to ensure their survival and growth in a competitive environment. Budding businesses would benefit from wise advice and guidance from their experienced counterparts and trainers that would serve as their mentors and R27 million for this initiative that would expose emerging traders to a 12 month experiential grooming.
- *Trade interventions:* these are incentives designed to support emerging entrepreneurs that would feature access to trade facilities at reasonable rental or purchase terms and as well as provision of bulk supplies like water and electricity. The objective for this interventions are based on our desire to motivate businesses to grow and expand which is essential for the creation of more business and employment opportunities for our people.

We are aware of a plethora of other organizations that provide similar support services at national level like SEDA hence we want to reach working partnership agreements that would ensure complementary relations with them to ensure proper co-ordination of our efforts to avoid wastage and duplication of state resources. At the same time, one of the critical aspects for business sustainability is the capacitation of role players with basic business and technical skills. We are currently exploring the prospect of establishing a Provincial Small Business Skills Development Academy that will cover skills needs for both SMMEs and co-operatives as we are serious about turning these sectors becoming key levers of our future growth and sustainability.

Our target is to have SBDA fully operational by the beginning of the 2015/2016 financial year though Ithala will continue providing grooming support to the agency.

Advent of Industrial Economic Hubs

The above-mentioned interventions would further be enhanced by decentralization of business development to cover the entire province in a spatial fashion. Each corner of KwaZulu-Natal has potential to contribute to socio-economic transformation by mobilizing all districts through designated sectors that could unleash considerable business and employment opportunities. We

have therefore initiated the programme called Industrial Economic Hubs where each district would focus on economic sectors that have potential to bring about tangible socio-economic development that would reduce exodus of people flocking to certain urban areas in search of opportunities.

We therefore believe that this spatial development would also help in locating business people in the correct districts where they would be able to pursue profitable entrepreneurial ventures in various sectors with prospects for profit making and expansion. The hubs will be well serviced industrial parks that favor manufacturing or value-addition for domestic, regional and global export markets and would be backed with a combination of concessions that could feature provision of bulk services like water and electricity at reasonable pricing. We therefore urge our people to seize the opportunities where they use structures like SBDA to secure funding to establish their business operations in the diverse sectors that would be dotted across all eleven districts of our province. Meanwhile feasibility investigations on these sectors' viability in the proposed districts were being conducted and seven have thus far proved positive as reflected below:

DISTRICT	INDUSTRIAL/SECTOR FOCUS
uMgungundlovu	This will be a leather products processing hub.
Ugu	With its good agricultural profile, this will focus on perishable food products.
uThukela	Strategically located along N3 that links Durban & Gauteng, uThukela is ideal for the manufacturing and testing of electronic components and gadgets.
Amajuba	This district has history of clothing and textile industry and as well as iron and steel materials.
Zululand	Rich arable land and towns with potential to become centres of agro-processing – with emphasis on value-addition to vegetable and meat products.
eThekweni	The province's economic nerve centre will increase its automotive business operations such as component manufacturing & vehicular assembly.
Ilembe	The terrain allows for renewable energy supplies that would also feature businesses that manufacture products and components essential for the generation & distribution of electricity from renewable sources.

We are currently assessing the other remaining areas to ascertain what would work better in their respective jurisdictions. It is crucial that our business people keep their eyes on the ball with respect to these potential investment locations to ensure that they don't get overtaken by outside traders that are willing to grab the opportunities.

Other Programmes

The Department comprises several statutory organisations that assist in the implementation of our strategic programmes to ensure that KwaZulu-Natal becomes a regional economic hub characterised by massive business and employment opportunities essential for the deletion of poverty. For this financial year we have been granted **R2 883 969 000** budget covering a wide range of operations executed by these entities as demonstrated in brief below:

- Dube Trade Port has become the province's jewel on the crown with investment projects expected to stream to the area that was this week officially declared by President Jacob Zuma as an IDZ that is destined to grow into an *aerotropolis* – with airport infrastructure influencing the industrial and residential development into a new aviation based metropolis.
- DTP has also attracted more than R700 million private sector investments and one of the world's respected electronics giants, Samsung had injected an initial budget of R200 billion for the establishment of television manufacturing centre and this has a prospect for growth as the second phase is estimated to be worth more than R1.2 billion.
- Our quest to become a global tourism mecca lives on and we are investing in new tourism products and attractions – with the proposed Cable Car on the majestic Drakensberg mountain becoming the new addition featuring in our overall Provincial Master Plan. We are also working on transforming King Shaka International Airport into a world class routes hub that would further add value to our investor recruitment campaign. Currently we are negotiating with several regional and international airlines with respect to direct flights to KwaZulu-Natal that would have positive spin-offs for both passenger figures and cargo tonnage passing through KSIA.
- KwaZulu-Natal is now known as a global capital for mega events and these gatherings in recent years included COP17, BRICS Summit and many more high profile sporting contests that have potential to stimulate new leisure tourism flows in that between 20% and 40% of delegates often get converted into our brand ambassadors and return as tourists with their friends and family. We therefore continue to bid for these functions as they certainly contribute in marketing the province as the tourism and investment destination of choice. We have just returned from World Routes Summit in Chicago which attracted more than 3000 delegates mainly representing tourism, airlines and airports organizations with massive

spend on local economy. We are delighted that this prestige function will be hosted right here in Durban in September 2015.

- In our endeavors to growth the film industry in the province, KZN Film Commission has been given R15 million to contribute towards the improvement of production in KwaZulu-Natal.
- Richards Bay Industrial Development Zone continues to attract investor attention to this north coast industrial hub and is currently having a project pipeline of R12-billion. Enjoying close proximity to a well-developed port facility, the IDZ is expected to draw considerable interest from investors especially export oriented manufacturers of various products.
- Those wishing to venture to high capital business operations could now accessing funding from the KZN Growth Fund Trust with R551 million in its books up to 2015/2016 financial year. Traders with credible business propositions can apply for funding ranging from R31 million upward.
- Through Trade & Investment KZN and other developmental agencies, the province is destined to attract more than R25 billion worth of new investment projects to trigger around 40 000 job opportunities. Besides enticing investors to our shores, we also want our own entrepreneurs securing export markets hence TIKZN is currently assisting more than 350 small and medium size companies in this regard which could translate into increased revenue obtained from export transaction at this level to more than R5 billion in the next five years.
- The integration of economic development and environmental affairs functions have provided another impetus to fast track development in the province as we would now be able to process applications for industrial project in an synergic fashion that reduces delays that had often led to some potential projects failing to materialize to do delays. We are now in the process of establishing coherence structures that would ensure streamlined and speedy processing of EIAs to deal with around 452 outstanding project applications estimated at R1.7 trillion it terms of investment value.

While government provides the framework for business to flourish through investment in basic infrastructure projects and introduction of investment-friendly policies, the real economic development should be accelerated by the private sector investments. It is that reason we continue to working closely with the industry to ensure proper alignment of our efforts for tangible socio-economic outcomes. The two players however, require additional partners in the form of other social partners representing diverse social groupings and the church as the provider of moral compass in the society would always be critical in the promotion of a fair and equitable socio-economic development.

The successful implementation of the country's developmental blue-print, the National Development Plan would therefore require our collective involvement – playing different roles that are all directed at a common goal – that of a prosperous and just South Africa. We have adopted a radical approach to our service delivery as we have acknowledged that our good policies would not yield any positive benefits for the majority of our people unless we make direct and results oriented interventions that guarantee visible change in our economy. Through that process we need the church to serve as our source of direction to ensure that our good intentions are not clouded by self-fish and corrupt acts that might end up undermining our constitutional obligation to bring about equitable transformation in this country.

I thank you,

Mr Michael Mabuyakhulu, MPP
MEC for Economic Development, Tourism & Environmental Affairs