

PROVINCE OF THE EASTERN CAPE

2009/10 POLICY STATEMENT

Honourable MEC Mcebisi Jonas

June 2009

Honourable Speaker

Honourable Premier

Members of the Executive Council

Honourable Members of the Provincial Legislature

Heads of Departments

Distinguished Guests

Ladies and Gentlemen

1. Introduction

- 1.1. Albert Einstein stated in one of his lectures that “We can't solve problems by using the same kind of thinking we used when we created them.” Honourable Speaker this quotation is an excellent illustration of the thinking and new policy direction that we intend taking in the Department of Economic Development and Environmental Affairs (DEDEA).
- 1.2. We, Honourable Speaker, as you can surmise from the quotation intend to rethink and implement a number of new policy initiatives aimed at improving the performance of the Department as well as relevant public entities and their respective accounting authorities which report to the Department. At the same time, we intend to expand and enhance existing initiatives, which have achieved clearly measurable successes (an issue which was raised by the Honourable Premier in her State of the Province Speech.)
- 1.3. In addition Honourable Speaker, it is clear that the current unprecedented global economic challenges confronting us will require a substantial rethink of the way in which we approach and conduct business. In our case, these challenges require the achievement and maintenance of a fine balance between the nexus that exists between advancing rapid economic development whilst ensuring sustainable environmental management.

2. The Current Challenges Confronting the Department

- 2.1. Honourable Speaker we begin this policy speech, with an appreciation that times have changed. On the one hand we as the elected government have acknowledged that in spite of significant gains and improvements in the quality of life of our citizens, the reality is that ineffectiveness and inefficiencies in the operations of government have resulted in service delivery that is not in line with the expectations and demands of our people. In both the Fifteen-Year Review and in our own analysis we acknowledged that this perception is amongst the reasons for restlessness and discontent among the populace with respect to service delivery. It is a situation we intend to remedy.
- 2.2. Clearly, Honourable Speaker, the subjective and objective factors in our country and in our Province necessitate that we deliver on our election promise. We cannot and will not fail South African voters who have trusted us with the execution of this important mandate.
- 2.3 The above-mentioned imperative is compounded by the fact that we have entered into our first recession in fourteen years, the impact of which was highlighted in detail in the Policy Statement by the Provincial Treasury.
- 2.4 It is however important to emphasise and highlight some of the issues raised in the Provincial Treasury Policy Statement. In this regard it should be noted that the Eastern Cape economy has not been insulated from the impact of the global economic crisis, to the degree that the provincial economy is expected to contract markedly. In fact some studies have shown that the Eastern Cape's Economy has contracted the most of all Provinces.
- 2.5 Expectations are that if current trends continue, the Eastern Cape Province could lose between 14 000 and 39 000 jobs this year. Such massive losses of jobs will weaken consumer demand, reducing the economic growth rate of the province, which will have a negative impact on the fiscus and the financial resources available for service delivery in terms of our mandate.
- 2.6 All indicators therefore point to the fact that additional pressure will come to bear on us as government to provide appropriate support and to introduce mechanisms that will facilitate sustainable economic development and rapid economic growth in an effort to mitigate the impact of the global crisis.

- 2.7 We recognise that these pressures are compounded by a unique triple challenge confronting the Province. The first component of this triple challenge refers to the high demand for the provision of services to an estimated 4.8 million people living below the Minimum Living Level in the Province. The high number of people living below the Minimum Living Level means that the Eastern Cape Province is home to the second highest concentration of people living below the Minimum Living Level in the country. This immediately turns the provision of basic service delivery into a combined human rights and economic imperative.
- 2.8 Secondly the rural character, wide geographical distribution of poverty and historical backlogs, make it more difficult and expensive to provide services in the Province.
- 2.9 Thirdly, high poverty levels compounded by the global economic crisis have resulted in the reduction of provincial government revenue which in turn has reduced available resources required to meet the needs of our people.
- 2.10 Clearly, this has major implications for the Department of Economic Development and Environmental Affairs (DEDEA). Primary among these is the fact we will have to produce more with fewer resources. This has necessitated the development of policy responses in seven focal areas, each of which is discussed in more details later in this Policy Statement.
- 2.11 The first policy dimension deals with the realignment and streamlining of the Department and related public entities to increase effectiveness and efficiencies. In other words, enabling us to produce more high impact interventions with fewer resources. This also necessitates strong coordination with local and district municipalities to ensure synchronisation of programmes.
- 2.12 The second focuses on the contribution that DEDEA can make within existing frameworks and interventions for the rapid advancement of rural development, in order to address the spatial distortions and high levels of poverty brought about by Apartheid economic and spatial planning distortions. In this regard we refer specifically to the situation of underdevelopment in the former Bantustans.
- 2.13 The third policy dimension focuses on the protection, diversification and expansion of our manufacturing sector, whilst the fourth will focus on the expansion of the services sector, as a means to fast-track economic

development. Key in this regard are efforts to find new opportunities for economic development, whilst ensuring that existing enterprises are able to absorb and survive the impacts of the global economic crisis.

- 2.14 We believe that by formulating key policy responses within these four policy dimensions, the Department will be able to address a substantial number of socio-economic challenges, which have been highlighted both in the State of the Province as well as the Policy Statement by the Provincial Treasury.
- 2.15 The fifth policy dimension focuses on sustainable natural resource and land-use management, to achieve a balance between economic growth and sustainable use of natural resources.
- 2.16 The sixth policy dimension deals with creating an enabling regulatory function that would ensure legal and regulatory compliance.
- 2.17 The seventh policy dimension deals with the creation of an enabling environment to support enterprise development.

3. Policy Dimensions

3.1. Streamlining Operations of the Department

3.1.1. Honourable Speaker, let us start by dealing with the **first dimension**, namely to streamline our operations for improved effectiveness and efficiency. When considering and developing a number of appropriate policy responses to deal with this challenge, we based our responses on the premise that 76% of the Department's budget is channelled to, and spent by public entities under the Department's ambit. With 76% of our budget going to these entities we expect them to produce high returns on our investment in them. To this effect we view public entities as our primary implementation mechanism.

3.1.2 The logic behind utilising our public entities as our primary implementation mechanism is based on their high degree of flexibility and ability to respond faster and more efficiently to emerging implementation challenges. In addition our public entities are by design better geared to

attract technical resources required to meet these challenges and ensure the achievement of the mandate of the Department.

- 3.1.3 On the other hand the Department is better located within the policy, regulatory, monitoring and evaluation environment to provide guidance and resources to our public entities. In terms of this understanding, Honourable Speaker, we have decided that the Department will therefore take responsibility to formulate policy and strategic interventions, whilst maintaining its' regulatory, monitoring and evaluation function.
- 3.1.4 In turn public entities will be expected to act primarily as implementing agencies. This effectively reduces the involvement of the Department in the management and implementation of projects, but will rather focus on the provision of strategic and policy direction, supported by regulatory, monitoring and evaluation functions.
- 3.1.5 To this effect we envision a Department that will constitute the centre of economic policy development and planning in the province, in cooperation with and in support of the Provincial Planning Commission and other key stakeholders.
- 3.1.6 The regional spread of capacity within the Department itself should be geared to respond to spatially distinguished economic realities. A one-size-fits-all approach has failed to deliver the results we seek.
- 3.1.7 The **second policy** area that we have taken, within the context of streamlining government operations, is to give effect the long overdue amalgamation of the Eastern Cape Tourism Board with the Eastern Cape Parks Board to form a single integrated entity. The amalgamation of these two entities will be completed, including the development of enabling legislation and integrated budgets and processes before the start of the 2010/2011 financial year and relevant planning and budget cycles, in order to ensure that implementation of our policy intentions are not delayed.
- 3.1.8 Honourable Speaker, we believe that the newly established Eastern Cape Tourism and Parks Board will allow for better integration between the marketing of our province as a preferred tourist destination and the sustainable management of tourism and associated natural resources.

The consolidation of the conservation management within reserves with tourism management will enhance the uniqueness of the Eastern Cape as a destination, and is informed principally by a desire to grow a tourism economy that creates sustainable jobs, alleviates poverty and protects the environment.

3.1.9 The **third policy area** which we intend to implement is the streamlining of the numerous investment promotion functions and operations in the province. To this effect we will create an investment forum that will manage and coordinate all investment promotion activities which are currently fragmented across the span of our public entities. This includes the development of a secretariat to integrate all investment promotion activities.

3.1.10 The **fourth policy area** that we have taken relates to improving the effectiveness and efficiency of the Eastern Cape Liquor Board (ECLB). In this regard the implementation of a new licensing system to eliminate backlogs caused by delays in the administrative processes must be concluded.

3.1.11 The **fifth policy area** relates to the creation of a monitoring and evaluation capacity that will monitor the performance of public entities in terms of their mandates, governance and performance plans.

3.1.12 The **sixth policy area** refers to the conclusion of the EIA turnaround intervention. This intervention aims to eradicate backlogs in the processing and review of EIA applications, in an effort to balance rapid economic development with environmental sustainability. This includes the development of an implementation plan to increase the efficiency of the EIA appeal process.

3.2. Rural Development and Agrarian Transformation

3.2.1 Honourable Members, as indicated in the State of the Province Address, growing our economy in a sustainable and equitable manner is the primary means to improve the lives of our people. Rapid sustainable economic growth will reduce poverty, increase the revenue base of the Provincial Government, and thus enhance service delivery. In the current

context, this will also provide us with a mechanism to mitigate the impact of the global economic crisis. Central to this approach is the ability to leverage government spending as a catalyst for rural development and agrarian transformation.

- 3.2.2 We therefore have to focus government spending towards meeting the needs of our people whilst simultaneously unlocking the development potential in our provincial spatial economy. Critical in this regard is a drive to increase rural incomes and create decent work opportunities. Central to this is the ability to ensure optimal synergy between all aspects of rural development, agrarian transformation and industrial development. To this effect we are taking a holistic view of the total value chain, spanning across and ultimately linking the two existing urban nodes of economic development with rural areas in our province.
- 3.2.3 We would strive to develop an intelligent management information system for medium and long term economic planning. This will be for the benefit of officials and external users of government information.
- 3.2.4 Based on our understanding of poverty distribution patterns in the province there is a clear need for the Department to work towards greater collaboration with the Department of Agriculture and Rural Development. A critical dimension of such collaboration would be the promotion of agro-industry to support sustainable economic development. This requires the broadening and deepening of primary agricultural production in order to create a base for sustainable agro-processing. To this effect we have identified the following potential high impact priority programmes.
- 3.2.5 The first will relate to enhancing meat and food processing capacity. In this regard 1 000 commercial livestock units will be purchased through the AsgiSA Eastern Cape programme. This is done in partnership with the Department of Agriculture and Rural Development, National Development Agency and the Chris Hani District Municipality in support of 86 farms in the Sakhisizwe Municipality. A second commercial livestock programme will be piloted in the Nyandeni Municipality and linked to existing initiatives led by the Department of Agriculture and Rural Development. A due diligence and feasibility study on the currently dysfunctional meat

processing plant in Mthatha to address the current regional leakages is part of the commercial livestock programme.

- 3.2.6 The second priority programme, which is closely related to the first, is the establishment of storage and packing facilities in support of highly effective logistics networks which will strengthen economic development in the rural areas. Enhancing the current primary production initiatives related to the AsgiSA Eastern Cape initiative will result in the development of 20 000 hectares under commercial production (grain and fruit) targeting mostly unused agricultural lands. In the current financial year this will provide us with the opportunity to add value, install storage facilities (such as silos) and packing sheds. To achieve these there is an urgent need to improve road networks linking farm and non-farm activities in strategic rural locations.
- 3.2.7 As indicated, all these efforts will require high level co-ordination and integration by exploiting existing and potential synergies amongst the various government departments as well as reinterpreting and revitalising existing policies and interventions such as the Integrated Sustainable Rural Development Programme (ISRDP). In this regard, attention to effectively utilise the Intergovernmental Relations (IGR) tools is crucial.
- 3.2.8 Thirdly, the expansion of the forestry and timber industry will be advanced. A major bottleneck that impedes implementation of the forestry action plan is the issuing of forestry licences. I am pleased to announce that efforts to streamline these processes are at an advanced stage. Amongst others, one of the key interventions that have been made includes an agreement on reserve determination and the finalisation of forestry protocols. More work, however, is still required to fast track licensing processes and the integration of category B and C plantations with the new afforestation programme. In this regard we will enhance our efforts to lobby national government on these areas, including ensuring co-ordinated funding.
- 3.2.9 Lastly, the development of the Mzimvubu Catchment area remains a major priority for the province. This area is considered one of the most underdeveloped and yet rich in natural endowments which could be catalysts for development.

A business and development case for multi purpose use of the catchment area (options being explored include irrigation, domestic use, fishing, tourism, forestry, etc.) has been commissioned and will be completed within the next five months. This process will also involve consultation with all the relevant parties.

- 3.2.10 Building institutional capacity at local entity level is a critical area of focus. In this regard, 60 co-operatives will be registered through the AsgiSA Eastern Cape initiated programmes. These co-operatives, along with Small, Medium and Micro Enterprises (SMMEs) will be capacitated and linked to funded programmes. Community investment programming is necessary to address current institutional weaknesses and to ensure sustainability of the identified programmes focussing on agro-processing. The viability of vehicles such as Public Private Partnerships (PPPs) will also be enhanced as a result of such investment.
- 3.2.11 Key in facilitating the above-mentioned will be a refocus of the activities of public entities and their budgets towards the development of rural economies, including establishing and exploiting local markets, identifying and developing robust economic multipliers and strengthening linkages with urban nodes of economic development.
- 3.2.12 Ultimately we would like to get to a place where the individual value-chains of rural and urban economies will be so integrated that the need for differentiation between rural and urban value chains would disappear.
- 3.2.13 This will amongst other aspects require the fast-tracking of the construction of both social and economic infrastructure that will enhance the unlocking of economic potential and the development of substantial comparative and competitive advantages in our provincial economy. In this regard comprehensive attention to the long-term development, modernization and capacity expansion of regional enabling infrastructure have been identified as a critical success factor for growth in the region. Simultaneous attention to the delivery of basic services is non-negotiable.
- 3.2.14 Key infrastructural concerns include the development and capacity expansion planning of the Port of East London. A soundly based, collective lobbying action by local and provincial organizations will be vital

if we are to surmount the reluctance to date to incur major new Port investment expenditure.

3.2.15 Guided by the objectives of the ANC Election Manifesto, Honourable Speaker, we believe that the implementation of our focused interventions, as detailed above, will serve as a catalyst for the creation of sustainable economic development and livelihoods for our people.

3.3. Diversifying, Protecting and Expanding the Manufacturing Sector

3.3.1. Finalisation of the Provincial Industrial Development Strategy and the conclusion of consultation with stakeholders and social partners are of paramount importance. The implementation of the Industrial Development Strategy will be supported by the development of the relevant sector plans. In addition a capability will be developed to monitor and respond to the impact of the global economic crisis on the provincial manufacturing base.

3.3.2 Initiatives will also be developed to diversify business development and investment portfolio activities aimed at agri-related sectors that offer more extensive labour absorption potential, plus direct, stimulatory linkages to rural economic activity.

3.3.3 The establishment of manufacturing product research and development capacity to investigate additional and/or extending of existing product ranges is a key priority. This will be supported by extensive economic research and market profiling intervention.

3.3.4 The East London Industrial Development Zone (ELIDZ) plans to establish a "Science" or Techno-Park, where a culture of innovation and competitiveness of its associated business and knowledge based institutions will be enhanced. The Science Park will draw intellectual resources from all four universities in the region (Rhodes, Walter Sisulu University (WSU), Fort Hare and Nelson Mandela Metropolitan University (NMMU). It is essentially a partnership between WSU and the (ELIDZ). This is part of our drive to support innovation and knowledge generation.

3.3.6 In addition planning has reached an advanced stage for the production of a South African electric automobile and extensive consultation has taken place with a view to securing related investment for the ELIDZ. This would be a prestigious achievement in view of the 'clean' and 'technologically futuristic' nature of this industrial investment and the fact that its location in the ELIDZ would further diversify and strengthen the region's reputation and ability to sustain auto manufacturing.

3.3.7 We also intend to support a number of key interventions to enhance the performance of Coega, including linkages with a number of logistic interventions in the Nelson Mandela area. Despite the economic downturn we expect Coega to secure at least eight new investors to the tune of R 5.1 billion over the next financial year. In addition the diversification and application of surplus skills in Coega will be used to provide training and re-training of individuals, thus mitigating the impact of the global crisis.

3.4. Expanding the Services Sector

3.4.1 Honourable Speaker, the fourth dimension of our proposed approach relates to expanding the services sector. As stated above we are sure that the amalgamation of the Parks and Tourism Boards will go a long way towards ensuring that the full potential of this sector will be realised.

3.4.2 Closely associated to this is the need to explore alternatives for expanding the gaming and gambling industry in the Eastern Cape. Currently the Eastern Cape Gambling and Betting Board (ECGBB) is making a substantial contribution towards the fiscus in a very effective and efficient manner. We believe that the expansion and optimal regulation of a number of potential new gambling activities such as traditional horse racing and the development of the on-line gaming industry in the province, will lead to an increase in the revenue base of the province. This will also support and facilitate both direct and indirect economic development.

3.4.3 Growing the gaming and gambling industry should however be balanced with the social needs of the communities within which these operations take place. In this regard we are going to intensify efforts to ensure that licence holders meet their corporate social and environmental responsibility commitments in a clearly measurable manner as per the

conditions of their licences. This would include proactive efforts to mitigate the negative effects of addiction, particularly in already impoverished communities.

3.4.4 In order to fully utilise the spending power of the Provincial Government as a catalyst for the development of the services sector, we will be conducting a detailed assessment of the services sector to identify areas where we can assist in developing an enabling environment for sector growth. In this regard, particular emphasis will be placed on ensuring alignment between procurement protocols and Local Economic Development interventions.

3.4.5 We also plan to assist the services sector in the current economic climate, by ensuring that all outstanding payments to suppliers, who have met their contractual commitments in terms of delivery of services and products, will be paid within thirty days. The standard for payment turnaround will be strictly adhered to thereafter.

3.4.6 Honourable Speaker, we also intend to support where possible the use of labour-intensive methods in the procurement of goods and services that fall within our mandate as well as the advancement of ICT business development services.

3.5. Sustainable Resource and Land-use Management

3.5.1 We will enhance land-use planning capacity and coordination, as well as marine and aquaculture development.

3.5.2 Through linkages with the Expanded Public Works Programme we will be making use of labour-intensive methods to clear alien vegetation and resettle indigenous species, thus restoring the original bio-diversity of the province and countering soil erosion. Attention to restoring and / or protecting bio-cultural diversity for the ongoing responsible use of medicinal and traditional herbs and plants will be prioritised.

3.5.3 We will as a matter of great urgency draft guidelines for the development and management of the Wild Coast which supports and links into the existing spatial development and planning frameworks.

3.6 Regulatory Functions

3.6.1 The consultative process with the National Liquor Authority in the DTI regarding the policy on licensing and regulation of liquor trading during the 2010 World Cup Soccer event will also be completed. This will involve the licensing of special events and the applicable registration fees. In addition inspections and actions against illegal liquor outlets will be increased to ensure total regulatory compliance and zero tolerance for illegal operations.

3.6.2 We also envisage that the Eastern Cape Gambling Board will increase its review and assessment of the degree of compliance of licence holders with the conditions of their licences.

3.6.3 The compliance and enforcement unit within the department will increase its operations to reduce the illegal operations within the environmental functions. This includes the inspection of compliance with Records of Decisions (ROD) obtained through extensive Environmental Impact Assessment (EIA) evaluations.

3.7 Enterprise Development and Support

3.7.1 The Department intends to consolidate its Small Medium and Micro Enterprises (SMME) development support initiatives into a single comprehensive programme. This will reduce duplication whilst creating a better focus and enhance the impact of our work. A key part of our intervention would be to ensure better integration between our provincial initiatives and national ones. In this regard we will explore ways to develop better integration with the DTI's agencies.

3.7.2 Generally our work in this area can be categorised as follows:

- ◆ Non-financial support directed at enhancing management capacity of SMMEs, access to markets and other forms of support.
- ◆ Financial support encapsulated in the development finance function of Eastern Cape Development Corporation (ECDC). Whilst this covers small

business finance its essential focus is on medium scale enterprises and cooperatives.

- ◆ Part our work is to develop a tracking system on black economic empowerment through public procurement.

3.7.3 The Department will consolidate its work in line with the identified sector formations of the Province. These include the Business Process Outsourcing (BPO), aquaculture, agro-processing, and manufacturing among others. A BPO value proposition will be developed to support this high growth and job creation sector.

3.7.4 The other leg of the programme is the development and support of cooperatives within the framework for cooperative development. To this effect a cooperative fund to the value of R50 million is currently in operation. The challenge in the following months will be to enhance the efficiency and smooth functioning of the cooperatives programme.

3.7.5 The finalisation of the Provincial Local and Regional Economic Development Strategy will be completed in this financial year. This will enable us to upscale the Local Economic Development (LED) programme. The Department will provide LED planning support to municipalities. An allocation of R33 million has been set aside for local economic development projects. Our inclination with LED projects will be towards rural development. In addition, the Department will be strengthening monitoring of LED projects in partnership with municipalities to realise visible impacts.

3.8 Delivery Framework

3.8.1 The table below reflects our commitment toward the implementation of the policy priorities mentioned above.

Budget 2009/10

Programme 1	Allocation
Administration	166,537
Programme 2	
Economic Dev	83,827
EC Tourism Board	40,050
EC Gambling & Betting Board	22,017
Coega	140,000
EL IDZ	127,601
EC Development Corp	332,899
EC Liquor Board	24,621
Total	771,015
Programme 3	
Environmental Affairs	74,973
EC Parks Board	102,500
Total	177,473
GRAND TOTAL	1,115,025

3.9 Other Strategic Issues:

- 3.9.1 The need to increase the logistic capability of the Province cannot be overstated. Central to that will be to ensure that the Ports of Ngqura and East London are functional. We need to continue with current engagements with all stakeholders on this issue.
- 3.9.2 Rail connectivity of the Eastern Cape to Gauteng is crucial for the two main urban centres of the Eastern Cape. Again there is need for continued engagement with those involved.
- 3.9.3 We will continue with systematic engagement to increase economic participation and commitments by national public entities such as PETROSA, ESKOM and TELKOM. They are critical for all mega projects that we are planning to implement.
- 3.9.4 The Department will be attending to the financial model of the two IDZs for viability. The dti and other role players will be engaged in this regard.

3.9.5 Telecommunications capability of the Province is another crucial area worth our attention. We need to explore this in order to increase the competitive capability of the Province.

3.9.6 The Eastern Cape is a net importer of goods and services. An in-depth analysis of total provincial consumption patterns is required in order to intelligently explore localisation of production.

3.10 Conclusion

3.10.1 In conclusion Honourable Speaker, our intention is clear: we are determined to emphatically enhance the course of economic development of the Eastern Cape. The direction for coherent economic advancement must be determined through consistent, far-reaching, yet realistic government thinking and programmes. In the Eastern Cape, this lead must be taken by DEDEA.

3.10.2 A key ingredient to the successful achievement of our intentions is continuous, rigorous action-research. We must establish a culture of "informed flexibility" in which regular reflection and analysis provides the platform for ongoing adjustments and enhancements on our policies.

3.10.3 We are confident that this package of commitments can only be attained through well-co-ordinated inter (and intra)-governmental co-operation, inter-sectoral integration, public-private collaboration and focused teamwork. These partnerships will form the bedrock of all future economic development initiatives.

3.10.4 Also find tabled with this Policy Statement, the 2009/10 – 11/12 Annual Performance Plan (APP) and Service Delivery Improvement Plan (SDIP) of the Department.

I thank you.



Honourable MEC Mcebisi Jonas