

Budget Policy Speech 2011/2012 delivered by KwaZulu-Natal MEC for Economic Development and Tourism, Mr Michael Mabuyakhulu in the KwaZulu-Natal Legislature on 25th March 2011

THEME: "NOW IS THE PALPABLE SEASON OF SHARED GROWTH"

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

Chairperson, I rise to table the budget policy speech of the Department of Economic Development and Tourism for the year 2011/2012.

There is unanimity among all political parties that growing the economy and ensuring its competitiveness globally, is essential in addressing the socio-economic ills afflicting our people. In this regard, we are convinced of the myriad of opportunities that are just waiting to be tapped, both globally and regionally, for the growth and development of our province. However, we are acutely aware that an opportunity that is not exploited becomes a bane for those who failed to seek it, see it and seize it. As we enter this palpable season of shared growth, we invite our people to take the journey with us and to comprehend the task of the moment. Our presentation today is about showing that, as a province, we stand on the verge of achieving great things if we seize the existing opportunities.

Chairperson, the recent global economic meltdown has altered the face of the global economic landscape and this should be transformed into an opportunity to advance our agenda of positioning and entrenching our economy in the world map. Our government, Chairperson, is today presenting a blueprint to ensure that we benefit from these opportunities. Only those who understand that the palpable season of shared growth has arrived, will be able to benefit from these opportunities

Global Economic Developments:

Chairperson, before I report on the work done over the past financial year, let me paint the global economic scenario in comparison with our own situation. Global economic activity gained momentum in 2010 – benefiting largely from the monetary and fiscal stimulus that continued in most parts of the world. Global economic growth continued to be characterised by a two-speed recovery where in advanced economies it remained subdued whilst in emerging and developing countries there was robust upturn. International Monetary Fund (IMF) therefore reported global economic growth of 5, 0% last year.

Domestic Economic Developments:

a) South Africa

In this country, growth accelerated by 4, 4% in the fourth quarter of 2010. This follows a 2, 7% (revised from 2, 6%) growth rate in the preceding quarter. The robust fourth quarter growth rate was the 6th consecutive positive quarterly growth rate recorded since the end of recession in 2009. On an annual basis, the economy grew by 2, 8% compared to a decline of 1, 7% in 2009. The major drivers of 2010 economic recovery were strong commodity prices, low interest rates and faster global growth. Despite notable economic growth in 2010, our country's growth trajectory lags behind other emerging economies. However, National Treasury expects economic growth at 3, 4% in 2011, 4, 1% in 2012 and 4, 4% in 2013. This year, economic growth prospects will depend on strong consumer confidence and increased investment.

b) KwaZulu-Natal

KwaZulu-Natal's economy posted a growth rate of 3, 9% in the fourth quarter of 2010. This compares to the 1, 4% registered in the third quarter. The drivers of the 3, 9% quarter-on-quarter growth were mining (11, 5%), agriculture (10, 2%), general government services (5, 4%), manufacturing (4, 2%), electricity and water (4, 1%) wholesale and retail trade (3, 9%) and transport and communication (3, 9%). In the fourth quarter, the province's growth lagged behind national trend. This was because the national growth rate of 4, 4% was anchored largely by the mining sector which grew by 17, 1% and contributed to 0, 9% points to growth. The province's mining sector contributes an infinitesimal 1, 1% to provincial GDP as compared to an average of 5, 3% for the country as a whole. On an annual basis, our province registered a 2, 6% growth rate following a decline of 1, 8% in 2009. Increased consumer spending, 2010 World Cup were amongst factors behind the province's growth.

c) Labour Market Developments

The labour market remained subdued despite the recent economic recovery in the country. The number of unemployed people in the province **increased** from 588,000 in the third quarter to 601,000 people in the fourth quarter. This has been sadly coupled with rising number of discouraged work seekers, increasing from an average of 460,000 in 2009 to 530,000 in 2010. This has happened despite the reduction in the unemployment rate to an average of 19, 8% compared to 20, 6% in 2009. In terms of employment, KwaZulu-Natal **created 38, 000 jobs** in the fourth quarter irrespective of a marginal rise of 0, 1% in the unemployment rate. On an annual basis, employment in the province shrank by 37,000 jobs from a total employment of 2, 476 million recorded in the fourth quarter of 2009. These figures clearly demonstrate the need for a public private partnership to ensure that we stimulate economic growth with job absorption capabilities.

d) Economic Policy Reviews

The South African policy environment has undergone considerable changes during the past year. The development of the New Growth Path, Industrial Policy Action Plan 2 (IPAP2) and the **Trade Policy** were among the new policy directives. These policies are emphasizing sustainable economic growth which addresses the twin economic woes of unemployment and poverty. To operationalize these policies in the province, the Department undertook to review a number of provincial strategies in an endeavour to improve the efficacy of government initiatives and interventions. The Department, under the auspices of the Economic Sectors and Infrastructure Development Cluster, is currently reviewing its economic strategies such as the Provincial Spatial Economic Development Strategy (PSEDS) and the KwaZulu-Natal Industrial Development Strategy.

Furthermore, the Department is finalizing the development of the Provincial Export and Investment Strategies. These strategies are aimed at unlocking the province's export potential and attracting investment onto our shores in a focused and co-ordinated fashion. The development of these two strategies is a direct response to the 2009 Economic Recovery and Job Summit which resolved that the Department should develop these strategies. However, all these policy initiatives are aligned with the national economic imperatives and priorities.

The department has, including its entities and its social partners, through its strategic programmes, created an estimated **5, 500** direct jobs in the 2010/2011 financial year. It is anticipated that with the budget of R1,

5 billion for 2011/2012 a further 20, 000 jobs will be generated by leveraging resources with the private sector.

KEY ACHIEVEMENTS OF 2010/2011:

We would like to now turn to some of the key achievements of the Department and its entities during the past financial year. However, before reflecting on some of this portfolio's programmes, let me briefly touch base on the role of the Department during last year's world cup tournament.

2010 FIFA World Cup:

As part of its contribution to the successful hosting of the 2010 FIFA World Cup my Department had two key responsibilities, namely that of marketing the province through various local, national and international platforms as well as ensuring participation of our citizens through the provision of Public Viewing Areas (PVAs) in the 10 districts whilst enhancing business opportunities for small entrepreneurs. A total of 439, 224 people attended the PVAs as compared to the estimated 436, 000 attending the seven games hosted by Moses Mabhida Stadium.

When considering the entire PVA Programme from 2008 to 2010 over 824 SMMEs and co-operative traders benefited by selling their products to the fans. Moreover, over 1, 414 artists participated in the PVA programme and more than 120 crafters were able to make more than R3 million worth of sales – an average of R25, 000 per crafter during the tournament.

1. INTEGRATED ECONOMIC DEVELOPMENT SERVICES:

a) KwaZulu-Natal Economic Council (KZNEC)

The Council provides the provincial government and its social partners, with a conducive forum where high profile economic policy issues and decisions can be reviewed and debated collectively to identify actionable priorities while ensuring monitoring and evaluation of progress made. While it is yet to be launched, meetings of the partners who make up the Council have been taking place. The three biggest trade union federations in the country i.e COSATU, FEDUSA and NACTU, are represented in the Council. Government and business, including women and the youth, also feature in this structure. The formal launch of the

Council will be attended by all social partners and will take place before the end of June. The Council's operations, when it has been formally launched, will be integrated with the Provincial Planning Commission's programme.

b) Broad-Based Black Economic Empowerment Advisory Council

In our last speech, we announced the Cabinet approval of nineteen members of the Provincial B-BBEE Advisory Council. The Council was launched in August 2010 and as part of implementing the B-BBEE Strategy, we are currently verifying the B-BBEE compliance of all government departments and industries in order to benchmark government's position while measuring progress in critical areas of the scorecard. Departments and entities will be required to develop action plans to meet the requirements of the public sector scorecard over a specific period. This is a first for the country and the Council will be closely monitoring this. The departments and entities identified for the first phase have been completed and the results will be announced soon.

Meanwhile the process of establishing the Ombudsperson's Office to confront various malpractices in the implementation of B-BBEE is now at an advanced stage as the Ombuds Bill would be submitted for Cabinet approval soon. However, presently the Department handles all complaints relating to B-BBEE matters.

Out of the 45 complaints received from the public in 2010/2011 financial year, 22 cases were resolved. On serious cases the Department works closely with the SAPF Commercial Crime Unit.

c) Women Economic Empowerment

We are aggressively going to be pursuing the equitable representation and participation of women in all sectors of the economy. We will also practically be pursuing an agenda of linking women-led companies with established businesses for growth. For example, in order to bring more women into the economic mainstream, we entered a partnership with the International Labour Organisation (ILO) to ensure quality business management skills training for women entrepreneurs, especially in the tourism and construction sectors. Over 565 women have benefitted from this initiative.

d) Youth Economic Empowerment

A total of 5, 000 youth from previously disadvantaged communities were trained in various technical skills and were all expected to seize employment opportunities during the 2011/2012 financial year. An additional 3000 youth will also under go skills training in areas such as boiler-making, construction and electrical engineering in the new financial year. We will also be ensuring that youth-owned companies should have a sizeable share of public sector work. This applies to both province and local levels

e) Local Economic Empowerment

Our partnership with Tongaat Hulett (PTY) LTD through *Operation Vuselela* to support small scale sugar cane farmers is yielding results. Since its inception in 2009 about 242 permanent jobs have been created while 1, 100 seasonal opportunities were created.

The EU-funded Gijima KZN LED Support Programme that started in 2005 ended in December last year having supported 200 projects through grant funding – creating more than 4, 300 jobs (of which 925 were permanent and the balance seasonal). Over R50 million was leveraged in the form of debt and equity and approximately 2, 000 people were recipients of formal and informal training while several research studies were completed that gave rise to new projects now funded by the Department.

Following the success of the Gijima initiative, the Gijima KZN Local Competitiveness Fund II which is 100% funded by government was re-launched in the province. We are currently reviewing our selection criteria in order to ensure that we take on board as many qualifying projects as possible. Meanwhile R59 million has been set aside for this programme for the next three year.

Moreover about R10, 596, 699 was spent on the establishment of four trading centres in Umlalazi, Okhahlamba, Mandeni and Nyoni.

f) Enterprise Development

SMME Development

In the 2010/2011 financial year 488 SMMEs received training in business management and basic computer skills under the existing partnership with Further Education Colleges (FETs). A total of 34 SMMEs were trained in technical skills in the Technology Demonstration–cum–Training Centres in Hammarsdale and

Pietermaritzburg. Furthermore, 219 SMMEs received loans from our partner financial institutions such as Standard Bank, ABSA and Ithala. These organizations are also signatories to the KZN Risk Sharing Agreements for the SMME Funds. The total loan amount was R337 million which helped create 995 jobs in various sectors, including construction, agribusiness, manufacturing, services and tourism.

In the new financial year 1, 842 SMMEs will be trained on technical skills, business management and basic computing while R184 million has been put side for loan financing.

- The entrepreneurship conference which we announced last year will now be held in June and its focus will be altered as to also incorporate investment promotion into our province. The gathering now dubbed as KZN Investment & Entrepreneurship Conference will be a must attend for all those who are or want to become serious economic players within the SADC region.

Co-operatives Development

About 550 individuals from different sectors, mainly savings and credit co-operatives were trained in co-operative governance, business management and technical skills. This was collaboration with the Department of Transport (DOT) which resulted in capacitating 81 staff with skills to help them drive the Zibambele and Vukuzakhe Programmes. In addition, 36 members of the Taxi Associations affiliated to the KZN Taxi Council were trained to be able to establish Savings and Credit Co-operatives as well.

Co-operation with the University of Zululand continues and we have sponsored 70 students enrolled for the Certificates and Diplomas in Co-operative Management.

2. TRADE & SECTOR DEVELOPMENT:

a) Sector Development

Late last year the Department launched the KwaZulu-Natal Tooling Initiative (KZNTI) which is the second initiative in the country to establish its own tooling and foundry office in line with IPAP recommendations.

The Tool, Die and Mould (TDM) industry is an integral component of the manufacturing sector that we want to broaden and make it competitive in this province. This initiative will be linked to the skills development efforts to ensure that the sector remains sustainable.

Clothing & Textiles

The Clothing and Textile sector has been in decline in the province mainly as a result of the influx of illegal imports and under invoicing. To reverse the tide, R16 million was injected in the Clothing & Textile Revitalisation project that included the establishment of eighteen hubs around the province and a central warehouse that supports 500 co-operative members with a R2, 505, 264 annual turnover.

Due to the low level of skills in the industry and high levels of external competition, a partnership with the Technical University of Liberec in the Czech Republic was established to train high end skills and industry employees. Eight students have completed their two year MSC in Textile Technology while seven are doing their second year. Twelve are in their first year of study and seventy two (72) industry employees have also been sent to the Czech Republic for six weeks Continuous Professional Development training.

Information Communication Technology & Electronics (ICTe)

Twelve digital community hubs were established in areas such as Chesterville, Hammarsdale, Umzumbe, Mandeni, Ladysmith, Vryheid, Chatsworth, Edendale, KwaMashu and Maphumulo. The hubs are essential in bridging the digital divide especially in the historically marginalized communities.

Film Commission Act

Meanwhile the Film Commission Act has been enacted and we will be very soon announcing the names of commissioners to serve on this commission which is expected to position the province as an ideal location for film makers which is crucial in boosting the tourism sector.

KwaZulu-Natal Music House

The establishment of the KZN Music House in recent years has started paying dividends. In 2010, two of the KZN Music House artists - Mfiliseni Magubane and Afro-Soul were nominated for the South African Traditional Music Awards (SATMA) and Afro-Soul won the best African group category. Through their talent search programme Vezikhono talent search, KZN Music House has identified more than 26 budding artists.

b) Tourism Development

The New Growth Path puts a target of 250, 000 jobs to be created by 2020. By 2009 tourism was employing 100, 000 people and it is envisaged based on the World Travel and Tourism Council (WTTC)

9,2% annual job increase, that 163, 298 jobs will be generated in the province by 2020 to contribute towards the national target.

KZN Beach Tourism Policy

In pursuit of fully exploiting one of the biggest selling points, we are developing a proactive Beach Tourism Policy that will bring together all the role players to respond to the new beach tourism trends thus eventually employing a single marketing mechanism that will be used by coastal cities and destinations when selling the province domestically and throughout the world. The KZN Beach Tourism Policy has been adopted after extensive consultation which led to the approval of the Policy by the Tourism Council in February 2011. The policy gives consideration to the different coastline sensitivities which gives rise to the phased approach in the implementation of the Policy. We will shortly be unveiling the policy to our stakeholders and ensuring that all partners are fully aware of their responsibilities regarding the policy.

c) Business Regulation & Governance

Liquor Administration

Chairperson, the KwaZulu-Natal Liquor Bill was passed by the provincial legislature and has since been promulgated into law by the Premier and will be implemented into two parts that will include the enactment of the provisions of the Act which will facilitate the establishment of the Provincial Liquor Entity and its operations. Secondly the focus will be provisions relating to retail licensing – expected to be effective after twelve months from date of commencement. This approach is directed at facilitating the transition and handover of current licenses to the new regime provisions. In the interim, the Department will continue to derive its legislative functions from the Liquor Act 1989.

Consumer Protection Services

In our budget speech, we made a commitment that the Department through the Consumer Protection Services will launch an aggressive consumer education drive to empower consumers about their rights. We have therefore joined forces with a number of regulators including the National Consumer Forum, Ombudsman for Banking Services, Estate Agency Affairs Board and others to address the challenges faced by the consumers.

During 2010/2011 we dealt with 3, 841 telephonic queries and 928 walk-in complaints with an average success rate of 83%. We further provided redress to consumers by finalizing 820 written complaints of the 1, 173 (867 new complaints and 306 brought forward from the previous year) and recovered R2, 574, 486 for consumers with an average turn around time of 56 days.

Informal Trade Policy

The Informal Trade Policy has been developed and approved by Cabinet. The Department together with Municipalities are in the process of developing a guideline implementation document to be rolled out during the forthcoming financial year. We have urged municipalities to align the policy with their IDP provisions. We will be embarking on a massive campaign that brings all stakeholders, particularly with informal traders, so that we can try and create more space to conduct their business at local level.

3. ADMINISTRATION:

The Department is committed to improved turn-around time in the payment of service providers which has to be within the 30 days as per the PFMA. The introduction of the computerized workflow system to track down the supply chain process from requisition to payments is one of the initiatives to improve service delivery. This kind of system will be transposed to other operations such as Human Resources Management. Following the enactment of the Dube TradePort (DTP) and Trade and Investment KZN (TIKZN) Acts, we are finalising the process of appointing new boards who will provide the required strategic support to the CEOs in line with the new legislation.

4. PUBLIC ENTITIES:

Of the Department's budget for 2011/2012, an amount of R967 million will be transferred to nine entities under its statutory purview. To ensure good returns for these funds, systems to maintain good corporate governance in these statutory bodies are in place. These include quarterly meetings with CEOs involving myself as an Executive Authority and my team of senior managers to review progress made. These systems further enhance the integration of strategies to maximize the value derived from the services of our collective budget.

a) Dube Trade Port

We achieved a major milestone on the 1st of May 2010 with the opening and operations of the Dube TradePort and King Shaka International Airport. We are now best placed to prepare a comprehensive and competitive bid for Durban to be the host city for the 2020 or 2024 Summer Olympic Games.

Meanwhile the King Shaka International Airport has processed more than 4, 5 million passengers since opening and this is projected to grow in the year ahead by 7, 5%. The cargo terminal handled more than 6, 300 tons of cargo up to the end of February 2011 and 4, 550 tons were imports valued in excess of R180 million and 1, 750 tons were exports valued at approximately R60 million. At the same time more than 8, 000 tonnage of domestic baggage was also processed. The cargo terminal received its first full 747 Boeing flight in September 2009 – carrying 100 tons of special equipment for ship repairs.

The trade zone's warehouse facility is also fully operational and for the first time houses the local airfreight logistics industry under one roof. The overhead conveyor system, one of few such facilities globally, will be commissioned next month. This will ensure that DTP stays at the leading edge of cargo security and will improve cargo movement between the terminal and the Trade House. In May this year, World Freight Services the cargo terminal operator and DTP will launch a trucking service to widen DTPs catchment area nationally. Air cargo road feeder services will be started on the Johannesburg-Durban route and will then be expanded to include other airports in South Africa. DTP will also open a twenty foot container handling facility in July while the Valuable Cargo Facility resumes operations next month as it will be operated by Brinks – the world's largest operator of valuable goods. All of these developments form the key elements the Dube TradePort requires to become the premier air cargo facility in Southern Africa to increase our regional and international air connectivity.

My colleague the MEC for Agriculture, Rural Development and Environmental Affairs, will announce further measures that her department is developing to boost the volumes of the DTP.

Currently, we continue with efforts to attract more international carriers from Europe and, India, South East Asia and the Middle East. The airliner to declare its alliance with our airport, the Emirates Airlines will be introducing a double daily service in October. This means a flight in the morning and in the afternoon and this will be preceded by the Emirates and DTP hosting of the first World Air Cargo Africa Conference in

Durban in which global airlines, local manufacturers and the logistics industry would share ideas on the improved role of airlines in the competitive global market. The event will also showcase the DTP's integrated cargo offerings to various airfreight companies whose business is dependant on the entire value chain of airfreight.

We are also confident that in the course of this year a second Middle Eastern carrier will provide a daily service to King Shaka International Airport. They have already secured daily frequencies in the bi-lateral agreement for Durban and have applied for all regulatory approvals required from the aviation authorities.

While casting our net wide for global international airlines we are also determined to seize opportunities offered by the increasingly integrating SADC economy as we are targeting destinations such as Luanda, Harare, Lusaka; Dar es Salaam, Nairobi, Windhoek; Lilongwe and Mbabane. We are in discussions with local carriers including BA Comair, SA Express, SA Airlink, 1 time and Mango. I am also confident that in the course of this year, we will be in position to announce a service to one of these regional destinations.

I would also like to take this opportunity to congratulate our new start up airline Velvet Sky and wish them everything of the best in their venture.

Chairperson, the performance of the DTP has been phenomenal and this augurs well for our province and the country as we want to consolidate our position in the global market. Apart from the above-mentioned developments, the port has been an oasis for jobs created during the construction period as around 37, 367 direct, indirect and induced opportunities were generated.

We have noted the substantial decrease in funding over the coming financial year and the MTEF. In this regard, I have taken up the matter with my colleague in Finance and both of us have put together a process that is currently reviewing the DTP funding.

b) KZN Sharks Board

The KwaZulu-Natal Sharks Board remains a reliable protector of bathers against potential shark attacks as no incidents were reported during the 2010/2011 financial year. Besides concentrating on sharks as a single marine species, the board is actively involved in ensuring that the fast growing hype around the June to July sardine run becomes fully integrated to tourism activities. Sharks nets are controlled to enable free movement of the silver fish while reducing the prospect of sharks and whales getting entangled in the nets.

Then, one of the important operations of the board is to undertake scientific research on various sharks species and their relationship to the overall marine life and as well as looking at possible new technology to repel sharks without nets in the future. The continuing research therefore requires additional allocation of funds.

c) Richards Bay Industrial Development Zone

The board has been restructured to take into consideration the requirements of King 3 as well as the conditions related to the granting of the operators' permit. The year has seen the resolution of land purchase and the completion of the drawings for bulk infrastructure and engineering design. The New Year will see the beginning of the long awaited earthworks finally taking place at the IDZ. Significant interest has been shown by investors to become established in the IDZ and hence the priority of the IDZ will be to ensure that serviced land is available within very specific timeframes.

d) Ithala Development Finance Corporation

Ithala funded 128 SMMEs to the tune of R239, 2 million in the past financial year – creating over 1, 100 jobs in various sectors such as agri-business, manufacturing, construction and tourism. This happened amid adverse business conditions relating to the recent recession and hence the institution had to assist enterprises struggling to keep their heads above the tide of a strained economy. Following the establishment of the Agribusiness Development Agency (ADA), Ithala has forged partnership with the new entities in assisting distressed agribusinesses.

In response to the ever changing economic and developmental imperatives, Ithala will continue adjusting its operational strategies to remain relevant to its developmental mandate. To drive this change within this developmental institution a grant funding of R184 million has been earmarked towards supporting SMMEs and co-operatives – especially in ensuring their sustenance and competitiveness. Meanwhile, in the new financial year Ithala has projected 2, 538 jobs to be created through the funding of 265 businesses to be split into 165 SMMEs and 100 co-operatives.

e) Trade & Investment KwaZulu-Natal

Trade and Investment KwaZulu-Natal is celebrating its tenth anniversary this year having clinched many accolades as an effective investment promotion agency. In strengthening and defining the role of this organization, the KwaZulu-Natal Trade and Investment Agency Bill was promulgated into Act no.5 of 2010 implying that TIKZN is now a fully fledged public entity and new board members would be announced soon.

To promote ethical business and investment in the province, the provincial Cabinet had approved the Investment Protocol – detailing all regulations, processes and procedures required in starting a business in this province. This is the ‘road map’ for all potential investors in the province as it states acceptable trading norms while illustrating channels to be followed in addressing potential impediments when setting business operations in the province.

TIKZN has been synonymous with smashing its delivery targets since its birth a decade ago and it’s already on course to exceed its annual target of R750 million worth of projects that would translate into more than 800 jobs. These initiatives are in water infrastructure upgrade, coal mining, business processing and call centre industries.

f) Moses Kotane Institute

The Moses Kotane Institute has increased the number of software engineering laboratories from four (4) to eight (8) to cover the majority of the KZN Districts. The number of learners enrolled for Science Education at University increased from 200 to 400, with a target of 225 set for 2011. The number of adult youth enrolled for BPO and ICT is about 2, 000 (1980). This number is in line with the target of 10 000 unemployed matriculants to be trained in BPO and ICT in a period of five years. To prepare the youth for meaningful employment about 25 BPO trainees who have finished their studies have been sent to India for an internship programme with TSS (Indian Total Soft Solutions) another 25 will be preparing receiving their internships with WTC (World Trade Consortium). The Moses Kotane Institute is finalising plans to provide internships for the learners who completed a one-year training in BPO. The remainder of the learners is currently completing a two-year qualification in BPO and ICT.

One of the major achievements of the institute was the launch of the programme for Parliamentarians and Government Officials which is expected to yield positive results in conjunction with the very successful Ubuntu annual conference.

g) Tourism KZN

KZN continues to analyse the performance of sectors to assess changing trends. The province continues to recognize the tourism sector as having tremendous potential for future growth.

South Africa has seen a 15, 1% increase in tourist arrivals in the 2010 year which is well above the global norm of 6, 7%. This amounts to an additional 1, 1 million people coming into the country. The 2010 FIFA World Cup accounts for approximately 4% of the increase, thereby demonstrating that even without the World Cup the country's growth rate exceeded that of global trends. While there was growth from all markets in 2010, long-haul markets grew the fastest at 21%. This growth was driven by growth from all regions. However, the Americas and Asia & Australasia grew the fastest in 2010 with growth of 37, 4% and 34, 6% respectively. These results bode well for the country and have seen the development of a vigorous marketing campaign to retain the captured market.

The latest domestic tourism statistics for South Africa indicate that some 30, 3 million domestic trips were undertaken in 2009. The value of this market was approximately R22, 4 billion. KwaZulu-Natal's share of this market in terms of domestic trips was approximately 29, 1% and 28, 4% in terms of value.

The estimated total economic impact of the tourism impact on the provincial economy is about R32 billion and about 133, 000 total jobs.

As a country, we had projected an estimate of between 300, 000 and 400, 000 long haul visitors during the world cup. However, we achieved an estimate of 83, 819 visitors that came to KZN with an average spend of R1, 090 per person per day.

Durban had performed extremely well compared to other provinces, in match and fan park attendance due to excellent weather. We had estimated a total spend of R907, 000 000 in KZN. We had about 62, 000 – 65, 000 attendance per KZN match and 766, 412 attendance at Durban FIFA fan fest.

Following the successful hosting of the World Cup, we have begun the process of reviewing our market segmentation to ensure that gains made during the World Cup are not lost. Arising out of this, new tourism source markets are being identified for future focus.

KZN Tourism Buddies

A total of 1, 329 volunteer 'tourism buddies' were trained from over 312 participating KZN companies. The success of this programme has resulted in a legacy programme wherein we have secured R28 million from

the National Department of Tourism wherein 758 youth will be employed for a period of 12 months coupled with extensive training in tourism.

The Tourism Indaba established in 1979, is Africa's biggest tourism exhibition. It has been hosted in the province 21 times. Again, following a successful bid, the event will be hosted in the province for the next five years i.e. 2011 to 2015. Our objective is for this event to be permanently hosted in KwaZulu-Natal. It is expected that this event will again attract over 12, 000 delegates. This year's event will also be special as we expect an increase in the number of international buyers who are interested in packaging and selling our destination, following the awareness created by the hosting of the FIFA World Cup in 2010. Furthermore, two more new events have been added on either side of the Indaba 2011. These are the Hospitality Investment Conference Africa and the Seatrade Africa Cruise Forum to the Province will bring approximately 400 attendees.

Business tourism has been identified as a major pillar of sustaining tourism particularly during the low seasons as well as in the current economic climate. As a result, a dedicated Durban-KwaZulu-Natal Convention Bureau (i.e. partnership between Provincial government, eThekweni Municipality, Inkosi Albert Luthuli ICC, Durban Chamber of Commerce and Industries) was established in July 2011. This convention Bureau will also allow us to spread these conventions and meetings across the province in a very structured marketing approach. To this end the following events have been secured:

- International Olympics Committee Executive Committee Meeting;
- The United Nations Climate Change Conference;
- International Confederation of Midwives;
- World Methodist Council;
- World Federation of Deaf Congress;
- Disabled People International;

These events will bring at least 50, 000 delegates to the Province and there are many more other events that have been secured for the upcoming years. With so much activity it is anticipated that our City's ICCA ranking will improve drastically.

We are pleased to report that the Durban KwaZulu-Natal Convention Bureau's application to join the Future Convention Cities Alliance has been successful. This will provide us with exposure to the activities of the

CBs and possible joint marketing ventures with the cities of Sydney, London, San Francisco, Toronto, Seoul and Abu Dabi.

As part of our drive for transformation, a collective marketing brand for black owned SMME accommodation was launched during Indaba 2010. This brand “Afri-Portico” seeks to create more access to market and link these establishments to international tour operators through the consolidation of their projects and services. More resources will be made available to roll-out the marketing plan.

h) Agribusiness Development Agency

The year 2010/2011 saw the establishment of the Agribusiness Development Agency (ADA). The department provides financial support for operations while the Department of Agriculture, Environmental Affairs and Rural Development provided R103 million to assist 100 Black Commercial farms. The commodities which these farms produce are classified as follows:

- 42 farms producing sugarcane to revive 4, 146 hectares with ratoon management and replanting,
- 4 farms producing citrus to rehabilitate pack-houses and provision of production inputs, in preparing these farms to be export ready,
- 4 farms on dairy production to rehabilitate milking parlours and establishment of pastures for feed supplement in order to increase the litres of milk per day per cow,
- 12 farms on grain production to provide production infrastructure and production inputs, linked to viable markets under commercial mentorship programme,
- 17 farms on livestock production to improve and provide livestock handling facilities, production infrastructure and livestock improvement programme, to improve the breed genetics of the animals,
- 6 farms producing vegetables to refurbish irrigation infrastructure and provision of production inputs, linked with variable markets.

All the above projects are implemented in partnership with the Commercial Sector through their commodity groups or individual successful farmers and mentors.

In terms of support to financially distressed farmers, the ADA supported seven large Land Bank Projects directly. Other distressed farmers were assisted by facilitating recapitalization funding or private partnerships with Milling Companies. ADA supported 10 of the larger Ithala Bank Projects in 2010/2011.

In addition to the above, technical assistance was provided in the form of developing business plans, due diligence, farm infrastructure design and implementation, capacity building, mentorship and management support.

A total of 523 farmers have been assisted. It is estimated that 301 permanent jobs have been created or retained and 534 seasonal or temporary jobs have been created. This excludes the 14, 000 man-day temporary employment opportunities in the sugar cane industry and the 70 small scale sugar growers assisted.

The ADA and the Department of Agriculture are concluding the joint planning for the 2010/2011 financial year. Current projections indicate that a total 58 projects to the value of R85 million will be transferred for project implementation. This will involve 860 farmers on farms with a total area of 14, 000 hectares. It is estimated that 945 permanent employment opportunities and 327 temporary & seasonal employment opportunities will be created. Highlights of the proposed interventions include-

- R10 million towards a joint DRDLR livestock value chain intervention in uThukela.
- Supporting the development of the Agripark in Sisonke. The dairy sector will be a particular focus area.
- Supporting the production through-put for the Dube TradePort.
- There is a focus on fresh produce with 10 individual projects and 3 clusters being supported.
- A joint project with Potato SA involving 150 hectares will be initiated.
- The support for the chicory project in Weenen will continue.
- The support for the joint venture involving six irrigated vegetable projects in Middelrus area will continue.

i) Growth Fund

Although the history of the KZN Growth Fund Trust has been challenging, it is with pride that that we can announce that this is the first private/public sector partnership of its kind in SA that is working to the benefit of the people of KZN. The KZN Growth Fund Trust approved three projects in the Maritime, ICTe and Health sectors financial year to the value of R222 million creating 840 jobs in a period of severe economic stress which has seen the postponement of capital expenditure and infrastructure projects. We are cautiously optimistic that the economic growth projection will result in a further improvement in the deal pipeline which will result in a further job creation of 400 jobs for the 2011/2012 financial year.

5. NEW ANNOUNCEMENTS:

a) New Legislation

As national policy developments take place in the country, the province is required to align its legislation and strategies. In this regard the following legislation will be presented by no later than the second quarter of the New Year to the legislature: the Consumer Protection Bill, Ombudsman Bill, Tourism Bill, Agri-Business Development Agency Bill. Significant work has already been undertaken in this regard. The Province has already developed its own provincial Consumer Protection Bill, which has been approved in principle by the Provincial Executive and will be undergoing the applicable legislative processes during the course of the 2011/2012 financial year. This Bill has been aligned to the provisions of the National Consumer Protection Act.

The establishment of a fully-fledged compliance section within the consumer affairs directorate and throughout the districts will ensure that enforcement of consumer legislation is regularly monitored and to improve compliance of business towards consumers. Our envisaged partnerships with various enforcement stakeholders viz SARS, Customs and Excise, SAPS, NPA etc will contribute to ensuring that parallel import products as well as pirated/counterfeited goods do not enter the province and our ports of entry which have a negative effect on KZN businesses and the general economy. This improvement measure contributes directly to our strategic goals of job creation, good governance and the growth of our economy within the province.

b) Consumer Protection

On the 1st April 2011, the new Consumer Protection Act comes into operation. In this regard, we have begun an intensive campaign to educate all stakeholders about their rights and responsibilities as stipulated by the Act.

Since consumers are the lifeblood of our economy, it is imperative that, both the consumers and sellers need be empowered with information to ensure that our trade is harmonious and contributes to economic growth. As part of this campaign we have set a deadline that by the 31st March 2011, all those service providers who continue with illegal practice of taking vulnerable consumers' debit cards and identity

documents as security for loans and other services, should return these documents to their rightful owners or face the full might of the law. We will mobilize all our partners including fellow government departments, regulators, NGOs, religious formations and the police to engage in a drive to retrieve these documents which are being illegally held-on-to by these unscrupulous service providers and business people.

We have also, as part of the campaign, set a deadline of the 31st August 2011 that all businesses should within their premises prominently display posters, pamphlets and other means of mass communication media informing consumers about their rights. We believe that it becomes easier for business people to hold the consumers to their responsibilities regarding various individual transactions, if consumers have been fully informed about both their rights and their responsibilities. The customer must indeed be the king in KwaZulu-Natal.

c) Integrated Provincial Planning Framework

As the Economic Sector and Infrastructure Cluster, we understand that in order to meet the job growth targets in the province by 2015, the private sector will be the key driver in achieving this outcome. Therefore government must provide the enabling environment which encourages expansion by industry through the provision of supportive infrastructure and streamlined administrative processes. In this regard critical infrastructure projects have been identified which will receive co-ordinated support from the respective cluster departments. This process will also require integrated planning of national, provincial and local spheres of government. In this regard we are in the process of finalizing the integrated planning framework which will enhance the effectiveness of government services not only to its citizens but to increase investor confidence.

d) Broad-Based Black Economic Empowerment (B-BBEE) Equity Fund

The Broad-Based Black Economic Empowerment (B-BBEE) initiative continues to be the one of the critical levers for accelerated economic transformation in our country. In the natural course of the evolution of this policy, informed by our observations; practical experiences and best practices internationally, it has come to light that access to funding for new B-BBEE ventures continues to be a challenge. This has meant that the rate of economic transformation and getting more players to participate in the economy is unbearably-slow. Even when project promoters have presented economically-viable and financially-bankable projects, they still are unable to get their projects to succeed because those project promoters are not able to raise their equity into the projects.

We are now announcing that we are creating the B-BBEE Equity Fund and in the process we have consulted with the financing development institutions such as the Industrial Development Corporation (IDC), National Empowerment Fund (NEF), Ithala, and Growth Fund. The Fund will work on the basis of a capped threshold in order to assist as many project promoters as possible. The Fund should be operational from the 1st June 2011.

An amount of R80 million has been set aside for this Fund.

e) Micro-financing

The importance of small enterprises and informal trading in creating jobs and stimulating growth is well documented. The packaging of appropriate financing mechanisms for various forms of enterprises has been developing for the past few years. A niche which we do not believe has been adequately explored is in the area of micro-financing. The department has reviewed various funding models and is in the final stages of adapting an existing model which has been tried and tested in various districts of the province. The success of the model rests on the foundation of the community involvement in the screening of applicants from communities as well as monitoring repayments of their members. This “community” micro financing fund is managed by the community appointed committee with our financial partner in providing administrative and systems support. We have earmarked an amount of R60 million for this purpose and will be opening the fund for business in July of this year.

g) Tourism Route Development

The air arrivals at the Durban/King Shaka International Airport for the period between January 2010 and November 2010 showed a 10, 5% increase when compared to the same period in 2009. This also marked a period of just over a year since the Emirates Airlines commenced a daily service between Durban and Dubai. It is encouraging that it is reported that this route, on its first year achieved an average load factor of above 70%, which is very good by global standards for a newly established route.

Air Mauritius, who had previously served Durban with one weekly flight, has also increased their frequencies to two per week. More collaboration work is being done with Air Mauritius to grow traffic into the province. As part of our effort to attract more airlines, the province also hosted the annual conference

of the Board for Airlines Representatives of South Africa (BARSA) whose members comprise of the international airlines that fly into South Africa.

This provided an opportunity to further position our destination as well as the airport infrastructure. There are ongoing engagements with a number of other airlines with a view to positioning possible routes to and from King Shaka International Airport.

- Direct air access has been identified as critical in growing inbound tourism. This is important for both regional and long-haul routes. It is for this reason that the province is finalizing a “Route Development Programme” to support airlines with start-up regional and long-haul route into King Shaka International. This programme is aimed at providing support in various forms in order to ensure that these start-up routes are sustained.

Once this programme has been finalized, it will be communicated broadly to all interested parties as well as terms and conditions thereof.

h) Integrated Access to National Funding

There have been a number of funds that have been announced to support and sustain economic growth including the R9 billion Job Creation Fund and the R10 billion IDC fund which looks at, among other things, revitalization of the manufacturing sector. These funds are not earmarked fund. These are funds that, among other things should help to attract, even investors from outside our province to set up their factories in KwaZulu-Natal and foster expansionary growth. It is our intention to ensure that KZN gets its fair share from these funds.

We will only succeed in this mission if we are adequately prepared with well-structured projects based on sound business principles of financial viability and significant potential for job growth. In this regard, we are in the process of establishing a highly-specialized unit made up of key experts to, among other things, advise on guidelines regarding accessing the funds; link people to business opportunities and generally ensure that our projects benefit from these funds. The unit will also assist to identify, package and promote significant investment programmes for this province based on a thorough sector analysis which clearly demonstrate areas for potential growth linked to the corridors of the PSEDS. Without this direct intervention, we as a province could potentially forfeit accessing funding for catalytic initiatives to drive

economic growth above national norms. The province has the capability with its advanced technology and infrastructure to achieve much higher levels of growth. This programme will only succeed with the partnership of the private sector who will be a key member in the team to be established. This highly-specialized team will be up and running by the 1st May 2011.

6. CONCLUSION:

The KwaZulu-Natal economy must grab the opportunity which the New Growth Path; the post-recession global economic realignment; the regional economic integration initiative and other developments present to us. How we exploit these opportunities will determine whether we build the economy that is a practical expression of our huge potential or we become a mediocre economy, happy to do enough just to get by. We say this because we understand that, particularly in our case as developing state, nothing would be more expensive than missing this opportunity for economic growth and development. Now is the palpable season for shared growth. We are moving beyond the recessionary edifice into this new palpable season of shared growth, where growth is pulsating.

Chairperson, we will ensure that we have a focused and co-ordinated approach to extracting all benefits being presented through the opportunities detailed in the National Budget Speech. Significant resources are available in private sector investors and we need to ensure that we leverage the government fiscus to achieve maximum growth and thereby impacting directly on job growth.

I would like to conclude my presentation by thanking the Chairperson of the Economic Development and Tourism and his committee for their support throughout the year. I would also like to take this opportunity of thanking all the employees of the Department and our entities for their continued efforts during the year in ensuring that we were able to deliver on our targets and our mandate of facilitating economic growth in the province. We continually strive to improve our services and the impact our budget has on the citizens and businesses of this province.

To my family, particularly my wife uMaDlamini, for being supportive at all times in my endeavour to deliver against the expectations of our people.

Now I wish to move the Budget for Vote Four, which is the Department of Economic Development and Tourism for the year 2011/2012 according to the following programmes:

PROGRAMME	BUDGET ALLOCATION (R'000)
Administration	185 610
Integrated Economic Development Services	491 932
Trade and Sector Development	715 471
Business Regulation and Governance	75 222
Economic Planning	18 715
TOTAL	1 486 950

I now move the budget of **R1, 486, 950, 000** for the 2011/2012 financial year, I so move....

Michael Mabuyakhulu, MPP
KZN MEC for Economic Development and Tourism
Date: 25th March 2011