

## ADDRESS BY THE GAUTENG MEC, HON. PARKS TAU, FOR ECONOMIC DEVELOPMENT DURING HIS 2021/22 BUDGET VOTE SPEECH, GAUTENG LEGISLATURE

18 June 2021

Salutations

Madam Speaker,  
Honourable Premier of the Province,  
Chairperson and Members of the Portfolio Committee for Economic Development  
Fellow Members of the House,  
Members of the Media, and  
The Citizens and Communities of our Province:

### 1. Introduction

It is my singular honour to present this 2021/2022 Budget Vote on Youth Month and in a year dedicated to honour the living memory of the Mother of Black Freedom, Mme Charlotte Mannye-Maxeke, under the rallying theme of “**Growing Youth Employment for an Inclusive and Transformed Society**”.

This Budget Vote is presented in perhaps the most difficult period for democratic South Africa mainly due to the cumulative effects of Covid-19 as a global health and economic emergency. In fact, Covid-19 has exposed and exacerbated the structural deficiencies of our economy reflected in South Africa’s record-high inequality, poverty and unemployment.

The impact of Covid-19 is even dire in townships and rural areas. The SMME sector has suffered worst in our townships since research in Gauteng alone, shows that 42% of SMMEs are likely to have closed their doors permanently.

Nevertheless, the Gauteng Department of Economic Development or GDED has not resigned itself to this jeremiad status quo.

*Honourable Speaker,*

We are turning the corner to ensure we implement pragmatic policies and actionable programmes in townships and rural areas to become diverse commercial and industrial zones, where high growth sectors are widely represented, and financial instruments are made available to open capital markets to township businesses.

The DED is turning the corner to facilitate the creation of opportunities for young people to become employable and self-employed through new businesses that will grow as we combine an aggressive focus on high-growth sectors with a disciplined enabling of township industrialization.

There is hope in action in the implementation of the Growing Gauteng Together 2030 (GGT2030) which encourages, amongst others, smart collaboration and partnerships between government, business and social partners. There is hope in action in the GDED and its Agencies leading on the Apex Economic Initiatives that underpin the GGT2030.

*Honourable Speaker and Fellow Compatriots,*

Allow me to explain how we are leveraging public resources, allocated under this Budget Vote, to bring to life the GGT2030 across the Gauteng City Region.

## **2. Building the Capabilities of GDED and its Agencies**

Over the past few months, we have taken decisive steps to build the capacity of the GDED Family by, for example, reconfiguring the Gauteng Enterprise Propeller (GEP) Agency into a fit-for-purpose vehicle for blended financing, enterprise and supplier development.

We opened recruitment for all the senior management positions and are now shortlisting suitable candidates to assist us turn GDED into an institution worthy of its task. At the same time, we are working closely with organised labour to solve internal challenges and institutionalise the best possible labour practices at all levels of the organisation.

But the enhancement of internal human capital is only the beginning. Through public-private partnerships we are forging on special programmes for our high growth sectors, we are setting up a War Room, for instance, with the Development Bank of South Africa (DBSA) to drive the GGT2030 apex initiatives.

This War Room will focus, for the current financial year, on running the special programmes covering e.g., the green energy, ICT and broadband connectivity, transportation and logistics.

For the 2021/22 financial year, the allocation to the GDED amounts to R1.5-billion and decreases to R1.4-billion over the Medium Term Expenditure Framework (MTEF). In simple terms, this means we have to do more with less. This implies, spending our resources efficiently in order to aggregate all our collective efforts and to leverage from existing policy instrument and tools. Alone we will achieve less. We need to work with the private sector to build strong partnerships that move GGT2030 forward.

While the GDED and its Agencies remain poised to contribute to the realisation of the GGT2030 and the ERRP, championed by Premier Makhura and President Ramaphosa respectively, I hope I have made it clear that this allocation is best seen as the Gauteng Provincial Government contribution to a network of institutional and private sector partnerships that span across our regions.

*Honourable Speaker,*

### 3. Multi-tier SEZs and High Growth Sector Programme

Reindustrializing Gauteng for the 21<sup>st</sup> century is taking shape through the build phase of the Tshwane Automotive Special Economic Zone (TASEZ), which is the first stage of a now confirmed R15.18-billion investment by the Ford Motor Company. It is matched by R3.7-billion in allocated public investment to create a supplier park that will produce at least 200,000 cars a year by 2022. The bulk of which is intended for the export market.

As part of the Tshwane SEZ, several work packages for SMMEs are processed and assigned to benefit local businesses. The project has set a new high water mark for community-level contracting, with 47% or R1.7 billion committed as contracting prioritised for companies at CIDB levels 1 through 7 from the Mamelodi and surrounds.

Moreover, it is encouraging that R531-million in SMME packages will be allocated in the coming months as part of the build programme to construct the first set of critical factories. This will include the first 4,890 of the 8,000-plus construction jobs this project will create, with set-asides for youth, women and people with disabilities at every level.

GEP has partnered with the AIDC, to provide support Business Development Support to thirty (30) automotive small enterprises in the AIDC Supplier Development Programme. This builds on AIDCs experience incubating companies in the value chain of the new Nissan Navarra under a new of partnership between Nissan Japan, Nissan SA and the South African government, spearheaded by GPG.

***Ladies and Gentlemen,***

As you know, the President of the Republic has pronounced on the rollout of the Gauteng-Eastern Cape High Capacity Freight Rail Corridor. It will be fully operational by 2025 in partnership with Transnet, DTIC, the Eastern Cape Provincial Government, and the Presidency Office. This Freight Rail Corridor will upgrade the whole South-Core line to enable movement of much higher volumes of vehicles in and out of the Tshwane SEZ.

We are partnering with Airports Company South Africa (ACSA) and the City of Ekurhuleni to fully realise the potential of the OR Tambo SEZ as an anchor of the broader aerotropolis vision. Part of our partnership is to work on an Air Access Initiative aimed at enhancing air service connectivity between the global gateways and Gauteng province via OR Tambo International Airport (ORTIA).

In addition, the Vaal SEZ management company has been established in partnership with DTIC and it is currently securing expert support staff that will equip the SEZ to operate along the lines of a Vaal Regional Economic Development Agency.

We are in advanced negotiations with the clusters of private sector investors that have formally put themselves forward as the future anchor tenants of the Western Corridor Special Economic Zone, including Sibanye-Stillwater and Busmark. We will be using this SEZ to build a green energy and agro-processing ecosystem along the N12 corridor.

Throughout the life of these SEZs processes and projects, we are explicitly tying in the upgrade of township industrial estates and using the SEZs the way legislation intended, i.e., as levers for scaling industrialisation and investment into new and revitalised industrial clusters.

The SEZ & High Growth Sector programme – including industrial parks revitalization – is being serviced from the side of the GDED group through the budget allocated to Trade and Sector Development. The allocation decreases from R852-million in 2021/22 to R780-million in 2023/24. This demands of us to do more with less. The budget under this programme is mainly for the GGDA, GTA, the Cradle of Humankind and Dinokeng.

This budget also caters for tourism infrastructure and destination promotion, tourism SMME development tourism routes implementation, and probity audits.

It is this this budget that allows for our contribution to a critical institutional partnership with DTIC and the Industrial Development Corporation (IDC). This includes co-funding and direct operational collaboration amongst others the Township Economic Partnership Fund where we are finalizing term sheets for co-funding of wholesale lending to non-bank intermediaries.

*Honourable Speaker.*

#### 4. Township Economic Revitalization Programme

In support of this Township Partnership Fund, the GDED has allocated R250-million to be deployed via the Gauteng Enterprise Propeller (GEP) Agency for wholesale lending into blended finance pools. We will be focusing our efforts on working capital, stock credit and purchase order financing supporting the full diversity of township- based businesses targeting the taxi economy, township property sector and umbrella groupings of township retailers.

In this regard, we are proudly partnering with Toyota to drive taxi rank commercialisation and components supply businesses with equity ownership by Taxi associations.

We are working closely with the Black Business Council (BBC); the National African Federated Chamber of Commerce (NAFCOC) and their various affiliates to ensure these new blended finance channels will also be used to build enterprise and supplier development pipelines into our 10 high growth sectors.

But Honourable Members, we cannot enable this innovative financing mechanism to work its magic without a paradigm shift in how we cut red tape for township based enterprises and reform regulations to support the full diversification and massification of the township economy.

This very legislature is now processing the draft Township Economic Development Bill which has a number of far-reaching objectives, which include:

- Change how townships are **regulated and governed to transform** them into zones of widespread job-creating commercial activity,
- **Set up procurement rules and programmatic support** which will allow government and its main contractors to buy from large groups of township-based firms,
- Deploy a dedicated financing mechanism for firms engaged in TER activities through **legal framework establishes an SME fund to provide wholesale, blended finance** to intermediaries that can de-risk lending to township-based firms, including community banks,

- Provide **legal framing for the Taxi Economy Initiatives**, to set up investment vehicles to commercialise taxi ranks and other taxi economy nodes,
- Provide **legal framing for Commercial Rapid Land Release Initiative** to release publicly-owned land for developmental-use in township areas, and
- Provide **legal framing for the Township Backyard Real Estate Initiative** to build out a property sector which already houses 4 million people across GCR so that it provides quality accommodation at broadly the same rentals by adding 2 or 3 stories to properties, and creates township high streets by accommodating stores and services at ground level.

This Township Economic Revitalisation or TER is resourced through our Integrated Economic Development Services, under which allocation to the Gauteng Enterprise Propeller (GEP) decreases from R219-million in 2021/22 to R203-million in 2023/24.

The work on the Township Economic Development Act is being led by the Economic Planning Programme, where the budget is reduced from R153-million in 2021/22 to R146-million in 2023/24. Once again, we have to do more with less. In the same vein, we cannot compromise our transformation agenda.

The township revitalisation work also impacts our Business Regulation and Governance function, where the allocation decreases from R75.6-million in 2021/22 to R70.7-million in 2023/24.

***Madame Speaker,***

The TER strategy is a critical enabler of spatial economic justice that will hyper-charge the broadest base of our economy. But as we do so for our townships and under-developed areas, we are also applying the same logic to the Gauteng City Region as a whole.

As we build new urban development nodes, as foreseen by GGT2030, we are creating the enabling conditions for a high-growth economy through our catalytic infrastructure programme.

## 5. Critical Infrastructure Programme

The Master Planning Process is complete for the New Smart City in Lanseria. It is projected that this will ultimately be home to over 3.5-million people. The Masterplan is key to designing a special purpose vehicle (SPV) for bulk-infrastructure, through which a DBSA-enabled blended finance package will cover the costs of bulk and be recovered through claiming a percentage of the future service charges developers and residents will pay.

This will directly tie in with our programme to consolidate and expand our tourism and heritage assets managed by Cradle of Humankind World Heritage Site (COHWHS), which connects with the western boundary of the new Smart City. The same institution manages the Dinokeng Projects, which will be expanding the Dinokeng, Roodeplaat and Cullinan hubs as leisure nodes in their own right.

The Lanseria approach will be used to deploy bulk financing SPVs to unlock the N12 corridor – working in partnership with of the Office of the Premier – and the development pipeline in the Vaal where the DBSA has already committed a R1-billion committed credit line.

The Gauteng Gambling Board (GGB) is in the process of reviewing its legislation and regulations governing the gambling industry. All these effort are geared to transform the sector. We project that the gambling industry is bound to grow by at least R2,2-billion and gambling tax by R200-million. By giving gaming a role in these new development nodes, we can increase that number substantially, creating tens of thousands of leisure industry jobs in the process.

### *Fellow Compatriots,*

As our War Room drives implementation of these apex economic initiatives, spotlight is laser focused on developing youth opportunities from industrial and economic policy initiatives.

## 6. Tshepo 1Million

We are systematically confronting youth economic exclusion through the Tshepo 1Million and the Youth Workforce Development Programme by wedding our GGT2030 economic apex programmes with the Tshepo 1Million clearing house. The modality here is matching youth to opportunities based on their experience, their location and a range of data-points interpreted by cutting edge algorithms. It is this very platform that served as the template for – and integrates directly with – the Youth Employment Pathway Management system announced by President Ramaphosa on Youth Day.

The task is now to scale Tshepo 1Million by plugging in opportunities generated by our SEZs, the High Growth Sector programme, Catalytic Infrastructure and Township Economy Programmes. In this regard, the following is already happening:

- The Action lab programme, which was initiated as part of Tshepo 1Million in 2017 successfully grew employment in the Global Business Services sector by 31% since 2016, due in large part to interventions like the Tshepo 1Million Vodacom academy.
- The GPG efforts to drive connectivity in townships and the redeployment of the Ekasi Labs as hubs for hot-desking directly supports the emergence of a digital gig economy as a new frontier of opportunity for young people.
- Constitution Hill is in the process of reinventing itself as a creative industries aggregator focused on youth self-employment, as a compliment to its role as the anchor of a redeveloped inner city precinct that will be spearheaded by GGDA.

*Honourable Members,*

## 7. Tourism

The Gauteng Tourism Authority (GTA) is at the center of our development agenda. To demonstrate our efforts, we are spearheading the 'Working For Tourism Programme' which is a community based youth driven initiative aimed at refurbishing key tourism attractions in our provinces starting with gvt owned facilities and those in our townships.

Working together with the Innovation Hub we will introduce digital and virtual tourism technologies to keep the destination top of mind driven by the tourism recovery plan as we prepare for future visitation into the province.

We will incorporate the objectives of the tourism equity fund into our bigger picture approach and through partnerships with GEP and other DFI's seek to broaden the reach and impact of this transformation initiative to support black industrialists in the visitor economy

## 8. Conclusion

Allow me to conclude that, indeed, there is hope in action to craft and implement policies and programmes working closely with business and civil society to expand markets and value chains in the sectors that have the best potential for growth.

We are turning the corner to engender a genuinely empowered and high capacity pipelines of suppliers in the sectors mentioned previously.

There is hope in action to engender broad-based development and opening up of opportunities across value chains for consumers, contractors and businesses that throng the streets of our townships and rural areas.

With colleagues we are working closely with the Gauteng Provincial Government, we are turning the corner to confront and transcend these extraordinary times precipitated by the Covid-19 global health and economic pandemic.

These are challenging times filled with opportunities to do things differently. As the Gauteng Premier stated in his 2021 state of the province address:

***“We need to stop thinking that we will return to the old ways of doing things. We have to build pandemic-proof and disaster-ready institutions as we embrace ‘the new normal’.”***

The GDED and its Agencies is maximising economic outputs from present policy prescripts. We are striking a balance between individual, sector and institutional partnerships. We are on a right path in implementing pragmatic programmes and projects that seek to deliver shared prosperity for the citizens and communities of the Gauteng City Region.

The Chairperson of the DBSA, Ntate Enoch Godongwana, reminded us that learning is a two way process. We are an exciting experimnet on the ground. We are here to learn from each other. We are here to change lives. Let us continue to be the change we want to see.

I thank you.