EASTERN CAPE INVESTMENT CONFERENCE

RAMPING UP INVESTMENT
FOREWORD

It is a matter of fact that the South Africa economy and by implication that of the Eastern Cape, was growing at around 3.0% per capita in the mid-2000s; driven mainly by services, retail, construction, manufacturing, transport and communications sectors. Due to the global economic downturn in the late 2000s, it took a knock from which it has not completely recovered.

Policy uncertainty, corruption and a complete disregard for clean governance has turned off both domestic and international investors confining our economy to a 2% growth rate. This state of affairs is not conducive for job creation, ending poverty and inequalities in our country.

But, not all is lost and under the leadership of President Cyril Ramaphosa, our country is getting back on track to becoming a prosperous country. Late last year, President Cyril Ramaphosa hosted an investment conference nationally as part of a grand plan to attract R1.2 trillion to revive our country’s economy, to wide success in the form of R134 billion worth of investments into our economy over a five-year period.

Our Province netted a sizeable share of these investments. Among these is, the R438 million injection by SAB in their Nelson Mandela Bay plant, the R10 billion investment by Mercedes Benz SA in their East London plant, the R3.4 billion by Aspen Pharmacare in their Nelson Mandela Bay Plant, R663 million investment by Nestle, the R1 billion investment by Yekani Technologies through the Black Industrialist Programme and R900 million by MultiChoice at the ELSEZ. These investments were preceded by R6.1 billion VW capital expenditure in their facilities in Uitenhage, and the R11 billion investment by BAIC at the Coega SEZ. Despite almost all of these investments being confined to the Buffalo City and Nelson Mandela Metros, these investments provide us with a sound platform to grow our manufacturing sector and create jobs for our people.

Today, we want to present a proposed Investment Book on which we want to solicit your inputs so that together we can rally behind it and use it to attract investments in our province.

To a large degree, our proposed Investment Book, which will be tabled in detail by officials, seeks to attract investments to the East of our province as much as it attempts to grow and sustain investments in the urban areas of our province in an effort to diversify a historically skewed economy that has depended too much on the auto sector for more than five decades.

Our Provincial Economic Development Strategy is clear; we must pursue to grow our economy and we have identified the ocean economy, agro-processing, manufacturing, automotive and components sector, light manufacturing,
renewable energy and tourism as game changers to doing just that. All these sectors have an abundance of investment opportunities and their potential is not yet fully realised.

As a Province, we have announced our bold intentions to invest R1.1 billion over the MTEF as a stimulus to revive our economy focusing mainly on the identified sectors. These resources are meant to entice the private sector to partner with us as we embark on a new journey to grow our province. But, we insist on job creation and beneficiation first. In the Budget Speech next month, we will announce projects that will receive funding from this stimulus fund.

This incredible Investment Booklet is a living document that should attract trillions of rands to our province. Our efforts could all come to nothing if we do not have an environment that is conducive for businesses to thrive. Crucial among what makes a conducive environment is adequate infrastructure.

Protests against potential projects are a post democratic phenomenon which started when our government proposed to build the Coega SEZ. There are seemingly people who are ready to thwart any developmental plans we have in our province and this tendency is now creeping into the rural areas of our province that are in dire need of major infrastructure development. The delay of three billion rand worth projects in the Eastern side of our province isn’t right and points to an urgent need to have a Social Facilitation structure which should include all critical stakeholders in our communities.

That said, our government is hard at work and has continued make strides improving the roads. There is still plenty of work to do in this regard but we are pleased to inform you that our provincial mega project, Mzimvubu Dam, which is critical for agricultural production in the East will finally get off the ground with R20 billion being invested in the Ntabelanga Dam with related infrastructure as phase 1 of the Project with Elalini Dam still being scoped by the Department of Energy. We are not letting up our pursuit for the realisation of Project Mthombo.

If we are to claim our rightful place as an economic player in our country, both the business and public sector voice must sing from the same hymn and loud enough for people to listen to us. Let us stop whispering as if we are stealing something, when we are rightfully lobbying for the development of our province.

This Investment Conference is the first major step that offers all of us an opportunity to set out a series of steps to ensure that this province benefits from the national programme but equally, it challenges the business sector in our province to expand its own investment in our economy. There are thousands of young people out there with University qualifications who are frustrated and despondent. As the group most affected by unemployment in our society, we must come out of this Conference with a plan for them too; it is within both government and business to alleviate their plight. The set asides for youth are non-negotiable.
As I invite your inputs, allow me to reiterate that this is a lifetime opportunity for the privileged few of us in this room. We have an opportunity to come out of this Investment Conference with a package of projects that we can realistically canvas capital funding for and implement during the sixth term of government. If we put our thinking caps on and make productive and frank inputs in this conference, we could look back at this moment five years from now with pride knowing that we were part of this defining moment of developing an Investment Book which will serve as a blueprint to Grow our Province.

Let us grow South Africa and Eastern Cape together, Enkosi.

MEC Lubabalo Oscar Mabuyane
MEC for Economic Development, Environmental Affairs and Tourism
INTRODUCTION

This booklet is intended to inform discussions at the Eastern Cape Investment Conference being held on February 12, 2019.

The main question being addressed by the investment conference is:

“How can we ramp up the quantity and quality of real investment in the Province in the near future?”

The aim is to identify and agree on practical steps that must be taken in the next few months to strengthen investment activity.

The booklet is divided into three main parts:

1. Investment concepts and basic statistics
2. The five pillars of a short-term investment programme
3. Some sector investment highlights

In summary:

PART ONE unpacks the concepts of: “investment”, “investment pipeline” and “investment quality”; explains why investment is so crucial to economic growth and employment creation; presents some statistics on investment activity in our Province; and presents an investment narrative titled, Why invest in the Eastern Cape?

PART TWO outlines the five pillars of a short-term investment programme. These are:

1. Optimising the investments in the Province flowing from the Presidential investment initiative.
2. Kick-starting stalled or slow-moving mega-projects.
3. Operationalising the Eastern Cape Provincial Economic Stimulus Package.
4. Tackling the “investment enablers”.
5. Strengthening SMME support initiatives.

PART THREE highlights recent sector-level investment activities, opportunities and enabling issues.
What is investment?

Real investment refers to expenditure on new productive assets such as buildings, infrastructure, machinery, transport equipment, information and communication equipment, research and development (R&D) etc. Real investments are made by both the public and private sectors.

Real investment is referred to in national (and subnational) statistics as Gross Fixed Capital Formation (GFCF).

What is an investment pipeline?

Investments do not just happen. They require hard work and expertise.

The process of making fixed investments involves several stages, takes time and incurs costs. Mega-investment projects typically take many years from project conception to completion.

A large investment may typically require the following eight stages:

1. **Scanning** the economy to identify possible investment opportunities (conceptual stage).
2. **Scoping**: Desk-top study to determine if there is a potential business case.
3. **Pre-feasibility**: Investigate different options, choose the best one and build a business case for it.
4. **Bankable feasibility**: Improve the business case; finalise financial structure; secure required land etc. The investment project is now “investment ready”. Stages 1 through to 4 are called “investment packaging”.
5. **Market** the investment opportunity to get investors and funding.
6. Sign investment **deals** with respect to ownership, funding, land etc.
7. **Implementation**: Construction of plant and commissioning; hire and train employees etc.
8. **Commence** productive use of the new investment asset.

This sequence of stages is called the “investment pipeline”. Investment projects are progressed along the pipeline. Investment promotion agencies (the two Special Economic Zones [SEZs], ECDC, etc.) typically manage a portfolio of investment opportunities at different stages of the pipeline.
For example, prior to the South Africa Investment Conference in October 2018, InvestSA prepared an investment pipeline database. This can be viewed at:


Some development agencies (such as the two SEZs and Buffalo City Metropolitan Development Agency) have systematic investment project pipelines and others do not.

**What is meant by the expression “quality of investment”?**

Different investments with the same monetary value can have widely differing benefits for the people of the Province. Poor quality investments might be characterised by: excessively priced investment assets; employment reduction rather than creation; few upstream or downstream linkages; technical failures; environmental blight; community division; and uncompetitive products and financial unviability leading to the closure of the investment project. Good quality investments have the opposite characteristics.

**The importance of investment:**

Real investment (or Gross Fixed Capital Formation) is essential to increase the productive capacity of an economy, embody competitive new technologies, grow GDP and increase employment. The goals of the Provincial Economic Development Strategy (PEDS) and Provincial development Plan (PDP) can only be achieved through a major ramp-up in investment activity.
Provincial Economic Development Strategy (2017): conceptual summary

PDP Goal 1:
A Growing, inclusive and equitable economy

Economic Enablers

High-Potential Sectors

Institutional Capacity:
- Good Governance
- Coordination
- Partnership
- Brokerage

Economic Enablers
- Finance
- Innovation, R&D
- Investment Attraction and Promotion
- Business Enterprise Support
- Economic Infrastructure
- Critical Skills Supply
- Broadband Ecosystems
- Environmental Protection and Management

High-Potential Sectors
- Agri-Industry
- Sustainable Energy
- Automotive
- Light Manufacturing
- Tourism
- Oceans Economy
### Provincial Development Plan (2018): Vision 2030 Goals and strategic objectives

<table>
<thead>
<tr>
<th>Goal</th>
<th>Strategic Objectives</th>
</tr>
</thead>
</table>
| **Goal 1: Innovative and inclusive growing economy** | 0.1 Stronger industry/enterprise support  
0.2 Rapid development of high-potential economic sectors.  
0.3 Spatially balanced economic development, Urban Development and Small-Town Revitalization  
0.4 Drive digital transformation and development of ICT sector |
| **Goal 2: An enabling infrastructure network** | 1.1 Build resilient economic infrastructure that promotes economic activity.  
1.2 Universal access to basic infrastructure  
1.3 Sustainable Energy and electricity provision  
1.4 Develop sustainable and integrated settlements  
1.5 Improve infrastructure planning, delivery, operations and maintenance |
| **GOAL 3: Rural development and an innovative and high-value agriculture sector** | 2.1 Sustainable community agriculture and diversified livelihoods  
2.2 Development of agricultural value chains  
2.3 Land reform and land rehabilitation programmes |
| **Goal 4: Human Development** | 3.1 Early childhood development  
3.2 Improved quality of primary and secondary education  
3.3 Skills development for economic development  
3.4 Improved health profile  
3.5 All people feel safe and secure  
3.6 Promotion of Social Cohesion and moral regeneration  
3.7 Social protection and transformation of designated groups. |
| **Goal 5: Environmental sustainability** | 4.1 Safeguarding ecosystems and existing natural resources  
4.2 Respond to climate change and green technology innovations  
4.3 Environmental governance |
| **Goal 6: Capable democratic institutions** | 5.1 Building the Capability of the State to deliver  
5.2 Transformed, Integrated and Innovative Service Delivery  
5.3 Instilling a culture of good corporate governance  
5.4 Transforming organisational culture  
5.5 Build local, African and international multi-agency partnerships |
**Some investment statistics:**

In 2017 real investment (GFCF) in the Eastern Cape amounted to R58 billion. It is interesting to note that the total value of the provincial investment pipeline is probably about ten times this figure.

As a percentage of GDP, investment is about 17.5% of GDP in the Eastern Cape. For South Africa as a whole, this ratio is about 20%. So the Eastern Cape under-invests compared to South Africa, and even 20% is low by international standards. Fast-growing and dynamic economies typically invest more than 30% of GDP.

**Fixed capital formation as % of Gross Domestic Product (GDP)**

![Graph showing fixed capital formation as % of GDP for South Africa (SA) and the Eastern Cape (EC) from 2007 to 2017.](image)

Source: StatsSA, ECSECC & Quantec, 2019
Since 2007 GFCF (in constant prices) in the Eastern Cape increased by 9%, compared to 18% for South Africa as a whole.

**Gross fixed capital formation Index, 2007 – 2017**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SA</td>
<td>100</td>
<td>113</td>
<td>105</td>
<td>101</td>
<td>107</td>
<td>110</td>
<td>117</td>
<td>118</td>
<td>122</td>
<td>117</td>
<td>118</td>
</tr>
<tr>
<td>WC</td>
<td>100</td>
<td>109</td>
<td>99</td>
<td>94</td>
<td>100</td>
<td>102</td>
<td>110</td>
<td>111</td>
<td>116</td>
<td>113</td>
<td>111</td>
</tr>
<tr>
<td>EC</td>
<td>100</td>
<td>109</td>
<td>99</td>
<td>94</td>
<td>99</td>
<td>102</td>
<td>107</td>
<td>107</td>
<td>114</td>
<td>109</td>
<td>109</td>
</tr>
<tr>
<td>NC</td>
<td>100</td>
<td>117</td>
<td>120</td>
<td>111</td>
<td>118</td>
<td>125</td>
<td>134</td>
<td>138</td>
<td>133</td>
<td>129</td>
<td>130</td>
</tr>
<tr>
<td>FS</td>
<td>100</td>
<td>116</td>
<td>109</td>
<td>106</td>
<td>110</td>
<td>116</td>
<td>125</td>
<td>125</td>
<td>129</td>
<td>123</td>
<td>125</td>
</tr>
<tr>
<td>KZN</td>
<td>100</td>
<td>113</td>
<td>103</td>
<td>100</td>
<td>107</td>
<td>111</td>
<td>119</td>
<td>119</td>
<td>124</td>
<td>119</td>
<td>119</td>
</tr>
<tr>
<td>NW</td>
<td>100</td>
<td>118</td>
<td>118</td>
<td>112</td>
<td>119</td>
<td>116</td>
<td>121</td>
<td>116</td>
<td>116</td>
<td>107</td>
<td>111</td>
</tr>
<tr>
<td>GP</td>
<td>100</td>
<td>112</td>
<td>101</td>
<td>98</td>
<td>103</td>
<td>106</td>
<td>113</td>
<td>115</td>
<td>120</td>
<td>116</td>
<td>115</td>
</tr>
<tr>
<td>MP</td>
<td>100</td>
<td>117</td>
<td>116</td>
<td>114</td>
<td>118</td>
<td>122</td>
<td>136</td>
<td>136</td>
<td>139</td>
<td>133</td>
<td>137</td>
</tr>
<tr>
<td>LP</td>
<td>100</td>
<td>117</td>
<td>118</td>
<td>110</td>
<td>116</td>
<td>118</td>
<td>125</td>
<td>128</td>
<td>126</td>
<td>121</td>
<td>124</td>
</tr>
</tbody>
</table>

In the Eastern Cape about 46% of GFCF is new buildings and construction works, 26% is machinery, 13% is transport equipment, 9% is information and communications equipment and 4% is R&D. These figures are very similar for South Africa as a whole.

In 2017 Nelson Mandela Bay accounted for 38% of provincial GFCF, Buffalo City accounted for 20%, OR Tambo District accounted for 10%, Sarah Baartman District for 9%, Chris Hani District for 8%, Alfred Nzo District for 5% and Joe Gqabi District for 3%.
The graphic below shows the sector contributions to GFCF (Source: Quantec):

**Eastern Cape GFCF sector contribution (%) 2017**

- General government (26,4)
- Personal services (2,5)
- Agriculture (1,8)
- Mining (0,3)
- Manufacturing (12,2)
- Electricity (8,3)
- Construction (1,1)
- Trade and accommodation (10,7)
- Transport (17,8)
- Finance (18,9)

The above chart indicates the following:

- General government investment (national, provincial and local) is high, relative to South Africa as a whole.
- The rest is fixed investment that is divided between public entities and private business enterprises:
  - Electricity sector investment: Eskom and renewables.
  - Transport: investment by transport companies, ports and Sanral.
  - Agriculture is very small – significant in a largely rural province.
  - Construction is also small and mostly covers investment in construction equipment only.
  - Finance is large because it includes investment in property and other development by finance houses.
  - Manufacturing investment is dominated by the automotive sector.

There is no published data on GFCF by type of organisation at provincial (or sub-provincial) level. However, the following estimates (prepared by ECSECC) are consistent with official statistics (and notably StatsSA's Capital Expenditure by the Public Sector for 2017, P9101):
### Ramping up Investment

<table>
<thead>
<tr>
<th>Type of organisation</th>
<th>% total GFCF in SA in 2017</th>
<th>% total GFCF in EC in 2017</th>
<th>GFCF in EC in 2017: R billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private business enterprises</td>
<td>60</td>
<td>57</td>
<td>33</td>
</tr>
<tr>
<td>Public corporations</td>
<td>20</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>National government departments</td>
<td>4</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Provincial government departments</td>
<td>5</td>
<td>8</td>
<td>4.5</td>
</tr>
<tr>
<td>Municipalities</td>
<td>11</td>
<td>13</td>
<td>7.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100</td>
<td>58</td>
</tr>
</tbody>
</table>

Compared to South Africa as a whole, the Eastern Cape has a higher proportion of GFCF made by general government (national, provincial and municipal) and a correspondingly lower proportion made by private business enterprises and public corporations (Eskom, SANRAL and Transnet etc).

A small proportion of GFCF in our six rural districts is made by private business enterprises.

At the national level, private business enterprises accounted for over 70% of GFCF in the 2000s, when total GFCF was growing rapidly (over 9% a year in real terms). Since the North Atlantic financial crisis of 2008, real GFCF grew very slowly, with static or declining private sector GFCF (the “investment strike”) being offset by continued growth of investment by public corporations. However, public sector GFCF also declined in real terms in 2017 (the first decline in many years) and probably declined further in 2018.

**Why invest in the Eastern Cape?**

Our investment narrative is a simple one:

“The Eastern Cape possesses an abundance of attractive investment opportunities, based on:

1. 800 kilometres of coastline.
2. Under-utilised land and water for agricultural development.
3. Some good infrastructure: roads, three ports, and two SEZs etc.
4. An existing manufacturing base, built around the automotive industry.
5. Four universities and eight TVET colleges.
6. Talented, energetic and innovative people in all parts of society.
7. A large and resourced public sector system that is committed to supporting high levels of good quality private and public investment.”
PART TWO
THE FIVE Pillars OF A SHORT-TERM INVESTMENT PROGRAMME

1. Optimising the investments in the Province flowing from the Presidential investment initiative

Four major investments have been announced so far:

- Volkswagen SA: R6.1 billion investment in the Uitenhage plant.
- Aspen: R3.6 billion investment in the Port Elizabeth plant (and elsewhere).
- Nestle SA: R663 million investment.
- Multichoice: R900 million investment in manufacturing decoders at East London SEZ.

We need to understand the details of these major investments: What are the benefits to our Province (jobs, skills, local procurement, supplier development etc)?

2. Kick-starting stalled or slow-moving mega-projects

Initially four investment-ready mega projects are being targeted for kick-starting:

- **Project Mthombo**: R80 billion oil refinery at Coega SEZ. Possible investment by Saudi Arabia. Investment might be lost to Richards Bay (near to existing Durban-Gauteng oil pipeline).
- **Mzimvubu Dam**: R20 billion investment in the development Ntabelanga Dam and related infrastructure as part of the phase 1 of the project.
- **Cradock Biofuels**: R5.1 billion investment in the bio ethanol plant by IDC / ECRDA and the central energy fund is expressing interest.
- **Rural Agro-Industries Finance Initiative (RAFI)**: R20 billion investment in mainly communal land for crop production using Argentinian minimum-tillage approach. Land Bank has expressed interest to issue the guarantee.

There are other mega-projects in the provincial investment pipeline, such as:

- **Wild Coast Agro-Industrial SEZ**: DTI requires credible investment projects and traditional leaders are supporting the project.
- **Wild Coast N2**: phase 1 of the project, which includes two bridges, is under construction.
- **Wild Coast Meander**: road from Port St John’s to Kei Mouth (provincial Department of Roads).
• **Shale Gas:** Nelson Mandela University is doing R&D (a long-term prospect).
• **Port Elizabeth Waterfront:** Mandela Bay Development Agency (MBDA) (a multi-billion property development being stalled by Transnet not moving the manganese depot and tank farm to Ngqura Port).
• **Coega SEZ Liquid Natural Gas to Power project:** this project has bankable status and is valued at R40 billion.
• **Coega SEZ Stainless Steel Smelter:** this project is also bankable and has a value of R174 billion (the highest value of any project in the provincial investment pipeline).
• **Wind Farms:** the EC is presently about three quarters of the way through a R33.4 billion Renewable Energy Independent Power Producer Procurement Programme (REIPPPP)

The following table lists the top ten Coega SEZ priority bankable projects:

<table>
<thead>
<tr>
<th>Rank</th>
<th>Project Name</th>
<th>Sector</th>
<th>Investment Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coega Abalone Farm 1</td>
<td>Aquaculture</td>
<td>R200 million</td>
</tr>
<tr>
<td>2</td>
<td>Coega Abalone Farm 2</td>
<td>Aquaculture</td>
<td>R500 million</td>
</tr>
<tr>
<td>3</td>
<td>Maize Processing</td>
<td>Agro-processing</td>
<td>R600 million</td>
</tr>
<tr>
<td>4</td>
<td>Animal Feed</td>
<td>Agro-processing</td>
<td>R150 million</td>
</tr>
<tr>
<td>5</td>
<td>Gas to Power</td>
<td>Energy</td>
<td>R40 billion</td>
</tr>
<tr>
<td>7</td>
<td>Renewable Energy Components</td>
<td>Energy</td>
<td>R310 million</td>
</tr>
<tr>
<td>8</td>
<td>Solar Rooftop Project</td>
<td>Energy</td>
<td>R950 million</td>
</tr>
<tr>
<td>9</td>
<td>Stainless Steel Precision Strip Mill</td>
<td>Automotive</td>
<td>R620 million</td>
</tr>
<tr>
<td>10</td>
<td>Stainless Steel Smelter</td>
<td>Metals &amp; Metallurgical</td>
<td>R174 billion</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td></td>
<td><strong>R 217.33 billion</strong></td>
</tr>
</tbody>
</table>
The following table lists the East London SEZ packaged investment projects:

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>PROJECT</th>
<th>CAPEX &amp; IRR</th>
<th>CONTACT PERSON</th>
</tr>
</thead>
</table>
| AGRO-PROCESSING      | Blueberry Production & Processing            | • CAPEX = R 24.5 million  
• IRR = 30% (10 year)                                               | Mr Ntobeko Bacela          |
|                      | Tannery                                      | • CAPEX = R 50 million (approx.)                                            | Ntobeko@elidz.co.za     |
|                      | Hydroponic Vegetable Production and Packaging| • CAPEX = Greenhouses: R 24 million  
• IRR = 33%  
• CAPEX = Greenhouses: R 48.5 million  
• IRR = 25%  
• Packaging facility: R 6 million |                         |
|                      | Berry Puree                                   | • CAPEX = R 16.4 million                                                  |                         |
|                      | Pomegranate Production and Processing         | • CAPEX = R 30.8 million                                                 |                         |
|                      | Irrigated Pasture Dairy Farm - 30,000 litres per day | • CAPEX = R 101.7 million                                               |                         |
| AQUACULTURE          | Aquaculture incubator:  
- 200 tons - pilot phase  
- 1000 tons - commercial phase | • CAPEX = R 43 million (24 months)                                        |                         |
|                      | Farming Yellowtail Kingfish                  | • CAPEX = EUR 14,060,000 million                                          |                         |
|                      | Farming & Processing – Dusky Kob             | • CAPEX = R 201 million                                                   |                         |
| RENEWABLE ENERGY     | Waste Wood Gasifier                          | • CAPEX = R 4.7 million                                                   | Dr Chris Ettmayr        |
|                      | Municipal Waste to Energy                    | • CAPEX = Phase 1: Municipal landfill gas to energy - R 58.6 million  
• IRR = 22%  
• CAPEX = Phase 2: Biogas energy from municipal wastewater, sewage sludge and bio-waste - R 196.1 million  
• IRR = 21% | chris@elidz.co.za          |
|                      | Agriculture Biogas                           | • CAPEX = R 116.2 million                                                 |                         |
| ICT & BPO            | 3000 Seat BPO Facility                       | • CAPEX = R 701 million                                                  |                         |
|                      | 1000 Seat Business Continuity and ICT Training Facility | • CAPEX = R 701 million      |                         |
|                      | Document Scanning, Printing and Storage Facility | • CAPEX = R 247 million      |                         |
|                      | Scalable Data Centre                         | • CAPEX = Phase 1: R 178 million  
Phase 2: R 60 million  
Phase 3: R 67 million  
Phase 4: R 74 million |                         |
3. Operationalising the Provincial Economic Stimulus Package

In the latter part of 2018 there was a Provincial Cabinet resolution to top-slice the provincial budget to create a fund to catalyse investment-ready investment projects.

This fund is expected to have a budget of R1.1 billion over the coming three-year Medium-Term Expenditure Framework (MTEF) (R340 million in 2019-20). The fund will be managed by Provincial Treasury.

DEDEAT has compiled a preliminary list of 29 investment projects. The projects are mainly drawn from Coega SEZ and the Eastern Cape Parks and Tourism Authority (ECPTA).

The intention is not to fully fund investment projects, but to use the fund to leverage funding from third parties (the private sector, DFIs etc).

The table below is a provisional list of projects to be funded under the Provincial Economic Stimulus Package.

### Provincial Economic Stimulus Package project list

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Department / Public Entity</th>
<th>Sector</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure and Capacity Development at Port of East London</td>
<td>DEDEAT &amp; Transnet Port Authority</td>
<td>Infrastructure</td>
<td>East London, Buffalo City</td>
</tr>
<tr>
<td>1000 MW Liquid Natural Gas to Power at Coega</td>
<td>DEDEAT/ Coega SEZ</td>
<td>Energy</td>
<td>Port Elizabeth, Nelson Mandela Bay</td>
</tr>
<tr>
<td>Umzimvubu Dam</td>
<td>ECSECC &amp; DWS</td>
<td>Infrastructure/Water/Energy</td>
<td>OR Tambo &amp; Alfred Nzo Districts</td>
</tr>
<tr>
<td>Dimbaza Industrial Park</td>
<td>DEDEAT &amp; ECDC</td>
<td>Infrastructure/ Township Economy</td>
<td>Dimbaza, BCM</td>
</tr>
<tr>
<td>Craddock Biofuels</td>
<td>IDC &amp; DRDAR</td>
<td>Energy</td>
<td>Craddock</td>
</tr>
<tr>
<td>Youth-In-Infrastructure Development Programme</td>
<td>Office of the Premier</td>
<td>Skills Development</td>
<td>Provincial</td>
</tr>
<tr>
<td>Youth Marine Development Programme</td>
<td>Office of the Premier &amp; SAMSA</td>
<td>Maritime</td>
<td>Provincial</td>
</tr>
<tr>
<td>Construction and upgrade of facilities at Dwesa-Cwebe</td>
<td>ECPTA</td>
<td>Tourism</td>
<td>Dwesa, Mbashe LM</td>
</tr>
<tr>
<td>Construction and upgrade of facilities at Hluleka</td>
<td>ECPTA</td>
<td>Tourism</td>
<td>Hluleka, KSD LM</td>
</tr>
<tr>
<td>Main Camp-Msikaba Estuary Precinct at Mkhambathi Nature Reserve</td>
<td>ECPTA</td>
<td>Tourism</td>
<td>Hluleka, KSD LM</td>
</tr>
<tr>
<td>Construction and upgrade of facilities at Silaka Nature Reserve</td>
<td>ECPTA</td>
<td>Tourism</td>
<td>Port St Johns</td>
</tr>
<tr>
<td>Project Name</td>
<td>Department / Public Entity</td>
<td>Sector</td>
<td>Location</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------</td>
<td>----------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Upgrade – Interpretive Centre at Baviaans World Heritage Site</td>
<td>ECPTA</td>
<td>Tourism</td>
<td>Baviaans, Sarah Baartman District</td>
</tr>
<tr>
<td>Coega Abalone Farm</td>
<td>COEGA &amp; Mamjoli Marine Enterprise &amp; Abalone</td>
<td>Aquaculture</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>Maize Mill and Processing Project</td>
<td>COEGA &amp; Dennis Connect and Humansdorp Co-op</td>
<td>Agro-Processing</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>New Hope – Animal Feed Production Plant</td>
<td>COEGA &amp; New Hope (Chengdu, China)</td>
<td>Manufacturing</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>SAMRT Stainless Steel Thin Strip Mill</td>
<td>COEGA &amp; SAMRT</td>
<td>Manufacturing</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>Enabling Infrastructure for Renewable Energy Manufacturing Facility</td>
<td>COEGA</td>
<td>Manufacturing</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>Lamergye Alloys Limited – Coega Stainless Steel Smelter</td>
<td>COEGA</td>
<td>Manufacturing</td>
<td>COEGA SEZ</td>
</tr>
<tr>
<td>Hole in the Wall Resort</td>
<td>KSD/ECPTA?</td>
<td>Infrastructure / Tourism</td>
<td>Coffee Bay, KSD</td>
</tr>
<tr>
<td>Water World Upgrade</td>
<td>Buffalo City Development Agency</td>
<td>Infrastructure / Tourism</td>
<td>East London, Buffalo City</td>
</tr>
<tr>
<td>Positioning Eastern Cape as a Film Destination</td>
<td>DEDEAT &amp; ECDC</td>
<td>Infrastructure / Tourism</td>
<td>Provincial</td>
</tr>
<tr>
<td>Middleburg Integrated Traffic Control Center</td>
<td>DoT</td>
<td>Infrastructure</td>
<td>Middleburg</td>
</tr>
<tr>
<td>Middleburg University for ICT Energy</td>
<td>DoT</td>
<td>Infrastructure</td>
<td>Middleburg</td>
</tr>
<tr>
<td>Port St John's Maritime University</td>
<td>DoT</td>
<td>Infrastructure</td>
<td>Port St Johns</td>
</tr>
<tr>
<td>Mthatha Airport Office Park</td>
<td>KSD</td>
<td>Mthatha, KSD</td>
<td>Mthatha, KSD</td>
</tr>
<tr>
<td>Revitalisation of Bhisho Airport</td>
<td>BCM</td>
<td>Bulembu, BCM</td>
<td>OR Tambo District</td>
</tr>
<tr>
<td>Rural Agro-Industries Finance Initiative (RAFI)</td>
<td>OR Tambo DM</td>
<td>Agriculture and Agro-Processing</td>
<td>OR Tambo District</td>
</tr>
<tr>
<td>Automotive Industry and Incubation</td>
<td>ECDC</td>
<td>Automotive</td>
<td>Mthatha, KSD</td>
</tr>
<tr>
<td>Ngangelizwe Township Development</td>
<td>KSD</td>
<td>Infrastructure / Township Economy</td>
<td>Mthatha, KSD</td>
</tr>
</tbody>
</table>

Total of 29 projects
4. **Tackling the “investment enablers”**

There are six sets of investment enabling issues briefly reviewed below. The key question for the Conference is: What can be practically done in the short-term?

- Macro political economy
- Regulatory issues
- Land issues
- Skills issues
- Municipal services and infrastructure maintenance
- Investment promotion capabilities

**Macro political economy:**

The macro political economy conditions are critical for ramping up provincial GFCF. Private sector investment in the Province is influenced by global economic conditions, national rates of economic growth and national business sentiment. Public sector investment is mainly determined by the national fiscal climate.

The global economic prospects are presently not good, with economic slow-downs reported in China, USA and Germany, and reports of excessive corporate debt.

SA’s tight fiscal climate is well known. Does this imply that we should put less emphasis on increasing public sector investment? Should we be putting more focus on increasing investment by private business enterprises?

**Regulatory issues:**

Regulatory issues can hinder private sector investment. It is reported that there are labyrinthine regulatory regimes for, for example, wind farms and fish farm investments.

Municipal building plan approvals can slow down new investments. For example, it is reported that there are 14 investments in Komani/Queenstown that are not proceeding because of the absence of these approvals over a number of years. Also, the large hotel construction at the Beacon Bay N2 interchange has been halted due to a building plan approval issue. These are matters within our control.

InvestSA, with the assistance of ECDC is establishing “One Stop Shops” in East London and Port Elizabeth, which will help address regulatory issues for investors.

**Land tenure issues:**

Land tenure issues are very serious issues for increasing private sector investment in the former homeland areas. Obviously private land-based sector investments require long-term secure/legal tenure.
In 2009 there was an investment conference held by OR Tambo District and a booklet of over 50 investment opportunities was prepared. Only one private investment materialised (Mkambati Ecolodge) and this deal was only finalised last year. Similarly, the Wild Coast Agro-Industrial SEZ is being held up by land tenure (quitrent) issues.

Should we be allocating more attention and resources to resolve this issue and be planning, for example, many “investment precincts” on prime sites where long-term secure tenure can be offered to private investors (using Interim Protection of Informal Land Rights Act [IPILRA], etc)?

**Skill issues:**

Any major ramp-up of investment will increase the demand for skilled labour. Even at the quite modest levels of present investment there are skills shortages, mainly science, technology, engineering and mathematics (STEM) related professionals, technicians and artisans. How can we strengthen our skilling system?

**Municipal services and infrastructure maintenance:**

Problem areas include water, electricity and roads, as well as a large number of ongoing service delivery protests. These can disrupt local business/industry and cause faltering business confidence, closures and relocations. Recent examples include Enoch Mgijima (Komani) and Amahlathi (Stutterheim). These are also matters within our control.

**Investment promotion capabilities:**

Experienced and professional experts are needed to drive successful investment promotion efforts. Our Province has such expertise, located mainly in the two SEZs.

District and Local Economic Development Agencies are generally not capacitated to promote private sector investment. We should be allocating more attention and resources to strengthening our investment promotion capabilities.

5. Strengthening SMME support initiatives

Any investment programme in our Province must include the promotion of small black business. We cannot just focus on big investments. We need to identify robust and practical short-term interventions in this regard.

All our growth sectors require both the promotion of big investments and stronger support systems for small business.
PART THREE
SOME SECTOR-LEVEL INVESTMENT HIGHLIGHTS

In this part of the booklet there are highlights for:

- Agriculture Value Chains
- Ocean Economy
- Energy
- Manufacturing
- Tourism
- Infrastructure
- Real Estate Development

Agricultural value chains

Agriculture accounts for a very small proportion of GFCF in our Province, but the SEZs have significant agro-processing investments in their pipelines.

The Willowvale macadamia project demonstrates what can be achieved by successful community-private partnership.

Surprisingly, there have been no experimental pilot community-private investments in high value products on homestead gardens (*isitiya*) (irrigated using rainwater harvesting). There are half a million homestead gardens in our Province.

Agricultural value chains (including the food economy) are generally recognised as having good potential for inclusive and innovative investment and growth in our Province. The sector is diverse and complex. Main features include:

- Major exports: citrus and deciduous fruits; wool and mohair.
- Major national suppliers: milk and young cattle.
- Multinational and JSE-quoted food and drink manufacturers.
- Large food economy including supermarket chains, warehousing, logistics (including cold chains), fresh produce markets, and informal traders.
- Informal producers: about half a million households reporting agricultural activities including food gardens and animal husbandry. The informal cattle market and informal cannabis growing are both estimated to be worth billions of Rands.
- Most value chains are dominated by big business.
Both the Department of Rural Development and Agrarian Reform (DRDAR) and the Department of Economic Development, Environmental Affairs and Tourism (DEDEAT), have made encouraging progress in supporting small black business in the sector in recent years, and collaboration between the two departments has improved.

DRDAR is implementing its Agricultural Economic Transformation Strategy (AETS 2016), which has a strong partnership approach. Partnerships are already operating with McCain’s, Unilever, Spar Supermarkets and Grain SA. DRDAR is busy establishing a Partnership Fund designed to encourage more partnerships between big business and small business/farmers.

New DEDEAT initiatives include:

- Agro-industrial Manufacturing (AIM) Cluster
- Provincial Agro Industry Market Intelligence Portal (with SITA)
- District Multi-User Fresh Produce Processing Facilities
- Game-farming incubation programme (ECPTA)
- Small saw-millers programme (with DTI and ECRDA)

Strategic priorities include:

- Implementation of the Agricultural Economic Transformation Strategy (AETS) and the DRDAR Partnership Fund.
- Raising the value of production of communal farmers: high-value crops etc.
- More focus on irrigation: rainwater harvesting (hafir: see www.themicrofarm.com).
- Grow existing fruit industry with partnerships (and high-value nuts).
- Urban periphery fresh produce (for the large urban food economies).
- More integration of livestock and animal feed (feedlots). Major investments need to be promoted here.
- Agri-food Science Park and incubators.
- Interventions to develop urban informal food traders.
- Partnership interventions to address land, skills and infrastructural enablers.
- Investments being promoted by the Eastern Cape Rural Development Agency (ECRDA) including investors for Magwa and Majola Tea, and forestry.
**Oceans economy**

The ocean economy is a major new focus area for the province. The Eastern Cape has an 800km coastline along the Indian Ocean. Under the United Nations Convention on the law of the sea (1982), South Africa has an exclusive economic zone extending 200 nautical miles (370km) into the ocean from the coast. The exclusive economic zone off the Eastern Cape coast is larger than its landmass (296,000km² against a landmass of 169,000km²).

The ocean economy has strong institutional support in the form of Nelson Mandela University’s new Ocean Sciences Campus and the South African Maritime Safety Authority (SAMSA).

The ocean economy is defined by multi-sector economic activities that relate to the ocean, including:

- Marine transport (shipping, ports and logistics; marine manufacturing and repair)
- Fisheries and mariculture
- Maritime and coastal tourism
- Offshore oil and gas (and other offshore mining)
- Marine renewable energies (offshore wind, tidal and wave energy)
- Marine biotechnology
- Ocean monitoring and protection
- Ocean knowledge economy (training and R&D)
### Ocean-related activities and opportunities

<table>
<thead>
<tr>
<th>Activity type</th>
<th>Existing activities</th>
<th>Possible new activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ports and logistics</td>
<td>Three major ports</td>
<td>Ngqura transhipment hub; Increased coastal shipping; Tambo Springs gateway project</td>
</tr>
<tr>
<td>Ship and boat repairs</td>
<td>Dry-dock at East London harbour; boat repairs at Port Alfred</td>
<td>Dry-dock at Ngqura; green ship recycling</td>
</tr>
<tr>
<td>Fisheries and mariculture</td>
<td>Small fishing industry (such as chokka); a few mariculture projects</td>
<td>Community fishing; new mariculture projects</td>
</tr>
<tr>
<td>Tourism</td>
<td>About 70 percent of Eastern Cape tourism is coastal; surfing, sailing, diving.</td>
<td>Marina development (Port Elizabeth waterfront; East London and Port St Johns); increased cruise tourism; increased Wild Coast tourism; whale/dolphin watching boats; game fishing; marine archaeological expeditions; thalassotherapy</td>
</tr>
<tr>
<td>Offshore oil and gas</td>
<td>Exploration in Algoa Bay</td>
<td>Increased exploration activities</td>
</tr>
<tr>
<td>Ocean monitoring and protection</td>
<td>SA Maritime Safety Authority; Department of Environmental Affairs activities</td>
<td>Better environmental protection</td>
</tr>
<tr>
<td>Knowledge economy</td>
<td>Nelson Mandela Metropolitan University and Rhodes University offer marine-related studies.</td>
<td>National Institute of Coastal and Ocean Studies of SA (at Nelson Mandela Metropolitan University)</td>
</tr>
</tbody>
</table>

A key question was asked by Derrick Swartz last year: “How can we move these government-led initiatives into sustainable community and industry/business ventures on the ground?” This question is relevant to all our priority sectors.

### Energy investments

The Eastern Cape has been awarded 16 wind farms and one solar farm, in four procurement rounds, at an estimated value of R33.4 billion. The draft National Integrated Resources Plan indicates significant growth in the wind and solar farm sector. The Eastern Cape is well positioned to add more wind farms to the current provincial allocation. This could translate into many more billions of Rands in investment.

In respect to Liquid Natural Gas (LNG), the Coega-Ngqura complex is one of three ports in South Africa technically capable of importing LNG. The Coega-Ngqura complex is in a high state of readiness for a proposed Liquid Natural Gas to Power project valued at R25 billion.
Manufacturing

It is notable that all four major investments for the Eastern Cape secured by the national investment envoys, are in the manufacturing sector. The automotive sector continues to dominate, thanks mainly to the huge state subsidy in the form of the Automotive Production and Development Programme (APDP).

Despite competition from cheap Asian producers, manufacturing has the potential for innovative and inclusive investment and growth, such as:

- Development of black manufacturing companies in the automotive and general manufacturing sector. DEDEAT-industry partnerships include the Eastern Cape Automotive Industry Forum and Non-Automotive Manufacturing Cluster.
- Implementation of skills development programmes aligned to automotive and non-automotive sector requirements, also via the above DEDEAT-industry partnerships.
- Developing of the composite manufacturing sector through DEDEAT’s partnership with Mandela Bay Composite Cluster (MBCC).
- Development of local tooling companies through localisation of imported Automotive Production and Development Programme (APDP) tooling for the manufacturing sector.
- Growing the SEZs though increased foreign direct investment.
- Innovative technologies (industry 4.0) e.g. 3-D printing, artificial intelligence (AI), prototyping facilities and implementation of smart academies to incubate new start-up companies (EC Automotive Industry Development Centre and NAM Cluster).
- Clothing, including cultural aspects and design.
- Providing institutional support though DEDEAT’s web-based manufacturing support system.
- Implementation of industrial infrastructure programmes to support start-ups and existing companies (revitalisation of state-owned industrial parks, namely Dimbaza, Vulindlela, Fort Jackson and Butterworth).

DEDEAT considers partnerships with industry to be pivotal in ensuring that investments materialise and the sector remains sustainable and competitive.

Tourism

Tourism has significant investment potential, particularly in the development of accommodation facilities (see also under Property Development, below).

Recent tourism-related investments include: Mkambati Ecolodge (R250 million) and the large, stalled new hotel at Beacon Bay, East London.

ECPTA is planning several new investments to upgrade facilities at provincial nature reserves.
**Infrastructure**

The Eastern Cape has seen major infrastructure investments since 1994, including:

- Basic services to households: water, sanitation and electricity.
- New classrooms and clinics.
- Nelson Mandela Academic Hospital in Mthatha.
- Mthatha Airport upgrade.
- Upgrades of N2, N6 etc. (SANRAL).
- New port of Ngqura.
- Two new industrial zones at Coega and West Bank, East London.
- Wind-powered electricity generation and upgrade of transmission lines.

Major investments in the pipeline:

- Wild Coast N2,
- Wild Coast Meander,
- Wild Coast SEZ,
- Buffalo City N2-R76 bypass,
- Fibre-optic cabling of urban centres,
- Ngqura LNG terminal, and
- East London Harbour upgrade.

**Real estate development**

This sector has high potential for investment related to human settlements, housing, commercial and tourism facilities etc. Key regional catalytic projects and “development precincts” would boost the sector. It is necessary to create enabling conditions for property development and to build the skills base, including broadening participation in the sector.

Investment priorities:

- Contractor development programmes,
- Regional catalytic projects and precincts,
- Buffalo City Metropolitan Municipality City to Ocean Boulevard, and
- Port Elizabeth Waterfront.
The following table lists the current projects planned by Buffalo City Metropolitan Development Agency:

<table>
<thead>
<tr>
<th>Name</th>
<th>Value</th>
<th>Project Aim</th>
<th>Budget</th>
<th>Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Court Crescent</td>
<td>R 50 000 000</td>
<td>Develop interactive recreational park to enhance tourism</td>
<td>R 10 000 000 (2018-19)</td>
<td>Process of appointing project management consultant &amp; contractor for implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>R 20 000 000 (2019-20)</td>
<td></td>
</tr>
<tr>
<td>2. Marina Glen A</td>
<td>Turn-key Project</td>
<td>Mixed Development use (accommodation, retail and office space)</td>
<td>Turn-key Project (In discussion with Housing Development Agency)</td>
<td>Contracting (Memorandum of Understanding)</td>
</tr>
<tr>
<td>3. Marina Glen B</td>
<td>R 5 000 000</td>
<td>Environmental Enhancement for improved quality entertainment use</td>
<td>R 5 000 000 (19-2020) proposed</td>
<td>Budget finalisation</td>
</tr>
<tr>
<td>4. Sea View Terrace</td>
<td>Turn-key Project</td>
<td>Mixed use: hotel development</td>
<td>Cost to be determined by investor (Turn-key project)</td>
<td>In discussion with Fund Originators to locate investors</td>
</tr>
<tr>
<td>5. Sleeper Site</td>
<td>Turn-key Project</td>
<td>Establish a municipal civic precinct of mixed use</td>
<td>Cost to be determined PIC (Turn-key project)</td>
<td>Pre-engagement</td>
</tr>
<tr>
<td>6. Victoria Grounds</td>
<td>Turn-key Project</td>
<td>Mixed use development changing public space for private and public use.</td>
<td>Cost to be determined by investor</td>
<td>Council Approval</td>
</tr>
<tr>
<td>7. Water Front (Latimer's Landing)</td>
<td>Turn-key Project</td>
<td>To develop business case for mixed development use (accommodation, retail and office space)</td>
<td>Cost to be determined by investor</td>
<td>Business case development in process</td>
</tr>
<tr>
<td>8. Water World (Camp site)</td>
<td>R 20 000 000</td>
<td>Provide 2-star accommodation for tourists</td>
<td>R 20 000 000 (2018-19)</td>
<td>Concluding finalisation of MOU with DEA</td>
</tr>
<tr>
<td>9. Water World (Water Park)</td>
<td>R 70 000 000</td>
<td>Upgrading &amp; expanding of current water park for tourism attraction</td>
<td>R 10 000 000 (2018-19)</td>
<td>Process of appointing project management consultant &amp; contractor for implementation</td>
</tr>
<tr>
<td>10. Water World (Vacant Plot)</td>
<td>Turn-key Project</td>
<td>Mixed Development use (accommodation, retail and office space)</td>
<td>Cost to be determined by investor</td>
<td>Pre-engagement</td>
</tr>
</tbody>
</table>
CONCLUSION

The Eastern Cape has a very large investment pipeline. But it is slow moving. Investment projects tend to get stuck at the planning stage.

There is probably an over-reliance on public sector project funding and public investment (particularly in the former homelands), and surely, we need to put much more focus on making investment-ready a diverse range of high-yield investment opportunities that will attract private sector investments.

The success of our industries in export markets (citrus, wool and mohair, automotives, cannabis) is indicative of some inherent global competitiveness.

Our provincial economy boasts an extensive and modern infrastructure network, which is being expanded further as a massive investment programme is rolled out by the public sector.

The focus on entrenching a business-friendly and investor-supportive environment will attract investor interest and increase capital spending, from both domestic and foreign sources.

Conditions are favourable for a major ramp-up in both private sector and public sector investment in our Province.

The success of the short-term Provincial Investment Programme outlined in part two of this booklet requires the commitment and hard work of all the relevant individuals, organisations and stakeholders, over the next few months and well into the future.

Let us all strive to achieve a 30% ratio of GFCF to GDP in our sixth democratic term of government!
The Eastern Cape Development Corporation (ECDC) is the official provincial investment promotion agency. For more information and web links please contact:

**Mlamli Nodada**
mnodada@ecdc.co.za
083 451 2187
www.ecdc.co.za