

SPECIAL ECONOMIC ZONES



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

**NEDLAC MEETING
27 MARCH 2019**

PRESENTATION OUTLINE

1. Introduction
2. Key Highlights During the Year
3. Designations
4. Investments
5. SEZ Transitional Process
6. Operationalization of the Tax Incentives
7. Challenges and Opportunities
8. Priorities for the 2018/19 FY
9. Conclusion

INTRODUCTION

- The Implementation of the SEZ programme is progressing very well;
- Legislative frameworks are now in place and the focus now is on designation, investment promotion, capacity building and coordination;
- The number of designated zones has risen to 10;
- The number of both of operational and signed investors is increasing;
- However, the challenge remain with few of the designated zones that are still struggling to secure investors, i.e. Richards Bay, OR Tambo, Maluti A Phofung and Saldanah Bay SEZs;
- The work is under way to develop and implement the Turnaround / Acceleration Strategies for these zones.

KEY HIGHLIGHTS DURING THE YEAR

SEZ General Performance

- Total number of investors in the five operational SEZs increased to 115 investors, and have a total investment value of R16.87 billion;
- Number of total direct jobs in SEZs is 15 712.

SEZ Policy and Legislative Matters

- The Regulations that make provision for the combination of the SEZ Entity and operator are at the final stage.
- SADC draft Framework on SEZ Fiscal Incentives aimed at standardizing fiscal incentives.
- The SEZ Strategy is currently at early stages of development.
- Finalizing the SEZ Marketing and Communication Strategy.



SEZ Policy and Legislative matters (CONTINUED)

- SEZ Advisory Board reviewed the application of the OR Tambo SEZ on land expansion.
- National Treasury approved Tax Incentives in July 2018.
- Draft guidelines on the processes and procedures for the planning and establishment of the SEZs were gazette for public comment on March 2018.

KEY HIGHLIGHTS DURING THE YEAR

Designations

- Cabinet has ratified the minister's decision to designate Nkomazi SEZ;
- Atlantis SEZ Was launched by the president on 6 December 2018;
- The PMU's for the proposed Bojanala, Tubatse as well as Upington SEZs are currently in the process of finalising their SEZ application.

Capacity building and institutional coordination

- 49 South African SEZ Officials were trained and equipped by the Chinese Government on SEZ Capacity Building in May-June 2018 with skills to effectively manage South Africa's existing and planned SEZs.

Investment

- **Coega SEZ:** has over four (4) projects under construction, which include BAIC, Osho Cement, MM Engineering and the CCA Zone 1 accumulatively valued at R12 billion;
- **Or Tambo SEZ:** a food company has confirmed R219m investment into the Zone to establish a food processing factory for export of food products from South Africa;
- **East London SEZ:** Deputy Minister has recently launched two investments with the combined value of R502m. As part of the expansion of the Automotive Sector, the ELIDZ Board has already approved 7 new projects to the value of R2.1 billion. These projects

KEY HIGHLIGHTS DURING THE YEAR

Investment (CONTINUED)

- ***Richards Bay SEZ:*** The R300 million PVC- O pipe manufacturing plant has been established and operationalised
- ***Maluti-A-Phofung SEZ:*** Secured beef processing, Pork Abattoir and Chemical investments with the combined investment value of R440 million.

DESIGNATIONS

DESIGNATED
&
OPERATIONAL

- Coega SEZ (KZN)
- Dube TradePort SEZ (KZN)
- East London SEZ (EC)
- Richards Bay SEZ (KZN)
- Maluti-a-Phofung SEZ (FS)
- Atlantis SEZ (WC)

DESIGNATED
BUT
NON-OPERATIONAL

- Tubatse (LP)
- Bojanala (NW)
- Musina-Makhado SEZ (LP)
- Nkomazi SEZ (MP)

APPLICATIONS

- OR Tambo Airport SEZ (GP)
- Saldanha Bay SEZ (WC)
- Upington (NC)
- Wild Coast (EC)

INVESTMENTS

INVESTMENT PERFORMANCE OF OPERATIONAL SEZs

Name of SEZ	Year of designation	No. of operational investors	Value of operational investment (R)	Land allocation to date (Ha)	Value of secured, but not operational investment	Total direct employment created
Coega SEZ (EC)	2001	43	R9.93 billion	398	16.6 billion	8 210
ELIDZ (EC)	2002	31	R4.4402 billion	7.9	2.2 billion	3 839
RBIDZ (KZN)	2002	2	R 320 million	5.622	11.945 billion	93
DTPSEZ (KZN)	2016	35	1.5 billion	54.5	1.990 billion	3 246
Atlantis (WC)	2018	4	680 million	110	20 million	324
TOTAL		115	16.8702	576.022	32.755 billion	15 712

INVESTMENT

INVESTMENT PERFROMANCE OF DESIGNATED BUT NON-OPERATIONAL SEZs

Name of SEZ	Year of designation	Signed investors	Land utilized (Ha)	Estimated investment value
Saldanha Bay SEZ	2013	3	356	R3.8 billion
OR Tambo SEZ	2002	4	7.5	R361 million
Maluti-A-Phofung	2014	3	1039	R440 million
Musina-Makhado	2018	9	7262	\$14.1 billion
TOTAL		19	8664	

SEZ FUND DISBURSEMENTS					
SEZ	Feasibility Studies	Bulk Infrastructure	Top Structure	Skill Development	Total (R)
Coega	1, 800,000	409,548,932	1,039,765,696	-	1,451,114,628
East London	-	9,744,521	868,616,319	-	878,360,840
Richards Bay	84,872,560	445,777,959	-	-	530,650,519
Dube TradePort	-	200,498,093	-	-	200,498,093
Saldanha Bay	-	741,857,900	-	4,494,881	746,352,781
OR Tambo	-	208,707,694	270,898,520	-	479,606,214
Maluti-a-Phofung	-	294,332,481	47,989,567	-	342,322,048
TOTAL (R)		2,310,467,580	2,227,270,102	4,494,881	4,628,905,123

CHALLENGES AND OPPORTUNITIES

- Capacity constraints and inability to attract investors into the SEZs;
- The transition into SEZs by the previous IDZs pose a number of challenges;
- Poor investment climate in the country has resulted in slow investor uptake;
- Strength of the implementing institutions will have a direct bearing on the sustainability of SEZs;
- Water availability in some regions will have a direct bearing on the speed of industrialization;
- Approved SEZ incentives present an opportunity to strengthen our investment value proposition and promotion for the SEZ Programme;
- Development of technical skills, technicians and artisans, critical for the industrial development will determine whether host communities benefit or not;

PRIORITIES FOR 201/20 FY

Policy and Legislation

- Implement Governance and Management Regulations
- Finalise the 10 year SEZ Roadmap/Strategy
- Support on IDZ transition and compliance

Designation of new SEZ

- Bojanala (North-West)
- Turnaround plans for Maluti A Phofung, Richards Bay, O.R. Tambo and Saldanha Bay SEZs

SEZ Programme Marketing and Investment Promotion

- Marketing and promotion campaigns
- Outward Investment Missions
- SEZ Infrastructure and Investment Conference

PRIORITIES FOR THE 2019/20 FY

General Capacity and Institutional Development

- Continued engagement with Ministry of Commerce of the People's Republic of China to extend Capacity Building Training.

SEZ National Conference 2019

- Launch of the inaugural SEZ National Conference in Durban (April 2019).
The national conference aims to officially launch the South African SEZ Programme, to promote South Africa SEZ value proposition and amongst others, bring together SEZs, national governments, provincial governments, local governments a multi stakeholder platform to engage in a robust debate/discussion on SEZs.

CONCLUSION

- Significant progress is being made on SEZ Implementation;
- Some SEZs are showing massive growth (Coega, DTP and ELIDZ) while others require more support;
- Strengthening the implementing agencies (implementation capacity) is key to the success of the SEZ Programme;
- Intensive marketing and promotion needs to be intensified,
- Goal for 2019/20: Double the value of operational investments from R12.1 billion to R23 billion.



Thanks you



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

the dti Campus
77 Meintjies Street
Sunnyside
Pretoria, 0002

Customer Contact Centre: 0861 843 384
Website: www.thedti.gov.za