



national treasury

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SPEECH BY IGR DDG MALIJENG NGQALENI AT THE NATIONAL INDUSTRIAL PARKS SUMMIT 20 APRIL 2023

DM Nomalungelo Gina, the Programme Director and panelists, ladies and gentlemen,

It is with much optimism that I am participating in this National Industrial Parks Summit, as I am excited about the possibilities of utilizing these national and regional economic assets to drive the country's economic growth and recovery.

We have a collective responsibility to be bold, selfless, and decisive about what it will take to sweat every industrial space in the country to yield its full job and productivity potential. Fortunately, the "why and how to do this" is clear after years of effort in these spaces, we just need the demonstration of political and administrative will to do what needs to be done to unlock the potential of these spaces.

South Africa's economic recovery post-COVID has been uneven, the economy has contracted by 1.3% in the 4th quarter of 2022. The poorly performing growth is a result of ongoing domestic shocks including natural disasters, civil unrest, high levels of criminality and the energy crisis as well as an uncertain global economic and geo-political outlook. The weak economic recovery is unable to address the high cost of living and unemployment within communities resulting in growing social tensions, mistrust, and more crime.

Whilst government is fighting hard to provide a stable macro-economic policy framework and a sustainable fiscal policy to encourage investment, the slow pace of reforms and the debilitating impact of persistent load shedding is undermining business confidence, negatively impacting business performance and discouraging new investment.

Within this context of national economic crisis, there is a need to step back, reflect and refocus public sector efforts where we can gain the quickest and greatest economic and social returns to inject some growth and provide desperately needed work opportunities. One of the quick wins for the country lies in retaining our existing jobs and firms within our many under-performing industrial spaces.

Constraining factors in industrial parks/spaces



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Factors such as unreliable service delivery, lack of maintenance, weak park management, unresolved land governance issues, crime and safety, inadequate public transport and service delivery protests in surrounding communities are impacting negatively on their performance. Many of the worst performing parks are unfortunately publicly owned or managed. As a result, these parks are job and firm-shedding with growing vacancy levels and higher incidences of criminality.

In a context where South Africa is battling to attract new investment, the country cannot afford to be losing firms and jobs. National Treasury and the HSRC collaborate on a spatial tax data project, which allows South Africa, for the first time, to understand what is happening within specific economic and social spaces within our metros, and across all non-metro municipalities.

What the data shows us is that in the period 2014 to 2021, 17 of our top 30 manufacturing spaces in the country were job-shedding. Ten of these 17 spaces lost over 20% of their jobs, one as many as 40%. As a country, we cannot afford this and we as the public sector need to be held to account.

Public Sector does not demonstrate value of these assets.

In many instances, the public sector entities responsible for overseeing and managing these spaces – national and provincial economic sector departments, provincial-owned entities, and municipalities – appear not to value the economic, social, and financial contributions of these spaces as governance and other issues remain unresolved for years. Part of the problem is the difficulty the organs of state have to work together and collaborate rather to compete and duplicate efforts.

Wasteful Revitalization of Infrastructure

Public sector infrastructure investment programmes are being delivered into some of these spaces, with the goal of revitalization, but without addressing the fundamental factors that are undermining the performance of these spaces. This has resulted in low returns on investment and an inability to halt their decline.

Involvement of National Treasury

Over the past three years, National Treasury has been partnering with the Metros, DTIC and its agencies such as the National Cleaner Production Centre, Productivity South Africa, the



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Global Eco Industrial Partnership Programme and provincial investment agencies to pilot new and collaborative approaches to industrial park revitalization.

Lessons Learnt from the pilots.

From this experience, various lessons have been learnt that I hope will influence our future efforts in revitalizing our industrial spaces:

- The greatest return on public sector investment will be in targeted spaces where we will have the strongest impact in terms of job and firm retention and expansion.
- Given limited public sector finances, the focus should be on brownfield as opposed to greenfield industrial developments.
- Getting the basics right in these spaces in terms of reliable and quality service provision, business and community safety, and proper land and space governance, is the fundamental building block to turning around these spaces.
- Partnerships within the public sector and with the private sector and civil society are critical to driving innovation and productivity within these spaces.
- Capital investment within the industrial spaces must be linked to demonstrated commitment by the relevant management authorities to getting the basics right.
- The outstanding issue of land governance in cross border parks must be urgently resolved to unlock public and private economic investment within these spaces; and
- Public sector performance in these spaces must be measured through firm and job retention.

I appreciate that in this conference hall – both in person and virtually – holds an enormous amount of knowledge and experience that needs to be shared and reflected on, so that we can jointly craft a new approach to industrial space revitalization in our country that reflects the boldness, selflessness, urgency and focus on making these spaces sustainable, productive, and competitive to recover lost jobs and create more.

I look forward to the resolutions of this engagement that will demonstrate alignment and our collective commitment to service delivery in these spaces which will shift our economic trajectory upward and building our social and economic solidarity.

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