

Launch of Richards Bay Industrial Development Zone (RBIDZ) Techno Hub

(22 July 2016)

Address by the Honourable Ms Belinda Scott, MEC of Finance in the Province of KwaZulu-Natal

Programme Director

My colleague, Mr Sihle Zikalala, MEC for Economic Development Tourism and Environmental Affairs, KwaZulu-Natal

Councillor Thembeke Mchunu, Mayor of uThungulu District

Councillor Mduduzi Mhlongo, Mayor of City of uMhlathuze

Mr Mel Clark, Chairman of the Richards Bay Industrial Development Zone

Board Members of Richards Bay Industrial Development Zone

Representatives of officials from all spheres of government

Invited guests

Ladies and gentlemen,

It is with great pleasure that I stand before you on this historic occasion – the launch of the Richards Bay Industrial Development Zone Techno Hub in the City of uMhlathuze. Among others, the city is unequivocally renowned as a centre for trade, coastal recreation, commerce and industry. It is therefore no surprise that this city is the third largest municipality in KwaZulu-Natal in terms of economic performance.

Programme director, global evidence has clearly demonstrated that techno hubs represent a new and exciting model for supporting entrepreneurs in emerging economies, particularly in an inspiring economy such as that of the city of uMhlathuze.

One of the most interesting features about techno hubs is that they aim to convene like-minded individuals as well as business people and investors, who focus on and emphasize adaptation to local context while, at the same time, forming part of a global movement.

Most importantly, techno hubs cannot be established in a top-down manner; they always emerge from the “*grassroots*” initiatives of innovators and entrepreneurs. Thus, as provincial government, we are not here to impose but to support ideas that are in line with the needs of the people of the city of uMhlathuze Municipality.

It is therefore within this thinking that we, the government of KZN, in collaboration with national departments, believe that the Richards Bay Techno Hub will regard itself as an enabler of innovators and entrepreneurs, rather than a creator or implementer of innovations and projects. Our long term goal is that entrepreneurs will have a real-world impact on the people of this municipality in terms of economic growth, job creation and improving the standards of living of all.

Working together with all stakeholders, we are determined that the Richards Bay Techno Hub will be inclusive, efficient and innovative in promoting economic development – not only in uMhlathuze, but in all municipalities within the district.

As indicated by the World Bank, based on a survey early this year of 117 techno hubs across Africa, including SA, the aggregate impact of techno hubs has fallen short and is unevenly distributed.

In order to mitigate this risk, we therefore call upon the co-operation of all stakeholders in the Richards Bay Industrial Development Zone, municipalities, provincial and national government departments, institutes of higher learning, as well as entrepreneurs. As provincial government, we thus commit ourselves to strengthen regulations that ensure competition among businesses, adapting workers’ skills to the demands of the new economy, and ensuring that institutions are accountable.

The World Bank further warned that, of the 102 techno hubs initially documented in its 2013 stock-taking of African techno hubs, 27 have closed. The Bank's research findings suggest that techno hubs often fail because of disconnect – either between the organization's goals or its business structure, or between its goals and the needs of its operating environment.

Ladies and gentlemen, guided by the World Bank's findings, we need to ensure that this techno hub does not fail. This can be achieved by exploring ways of distributing digital dividends equitably, rather than entrenching them among an elite few. We need to work as a team to ensure that, firstly, there is a link between the goals of innovation entities and their organizational and governance structures.

Secondly, the degree of public sector involvement, which may be an asset for sustainability, but not necessarily for organic growth, should be minimal. The proven global track record shows that entrepreneurship and innovation are mainly demand and market driven, and do not necessarily revolve around public sector management. However, a balanced partnership with stakeholders from each sector will boost the sustainability of a techno hub. Finally, there must value-added provided by different stakeholders operating at the techno hub.

Thus, similar to the global trend, the Richards Bay Techno Hub needs to intensify its effort to partner with institutes of higher learning. This will assist in providing support for tech innovation, and in maximizing mutual gains without distorting hub-to-hub competition.

The global evidence also suggests that tech innovation practitioners associated with universities make use of networks to strengthen connections with other techno hubs and incubators and to support the overall tech entrepreneurship ecosystem, rather than propping up the assets of certain hubs and incubators over others.

It is therefore by no default that Mangosuthu University of Technology (MUT) and the Richards Bay IDZ have entered into a Memorandum of Understanding regarding involvement within the techno hub. MUT will play a supportive role at the techno hub with Technical Vocational Education and Training (TVET).

The TVET and Richards Bay IDZ have also entered into a Recognition Agreement and lease documents have been prepared for signature by both parties. Infrastructure requirements within the techno hub site for the TVET/MUT Technology Campus will be formulated for approval by a Provincial Steering Committee.

Ladies and gentlemen, it is in light of this background that we, the government of KZN, are working tirelessly to ensure that techno hub projects deliver world class facilities. If you are a high-tech entrepreneur, researcher, property developer, or are involved in business or academia, the four KZN techno hubs, including this one, present ideal opportunities for creating jobs and attracting investment.

Distinguished guests, I must further remind you that the techno hubs idea is in line with KZN's Provincial Growth and Development Plan, which identifies a number of economic activities and projects with significant economic growth and employment creation opportunities.

We are therefore committed to this project, simply because we are mindful of the fact that successful economies are economies that are internationally competitive and have the ability to continuously adapt and adjust to the changing global environment. Such economies have an ability to internalize change in order to produce goods and services that are internationally desirable, market leaders and competitive.

We are therefore of the view that, similar to other global and national experiences, this techno hub will generate the much desired innovation. It will further stimulate and

manage the flow of knowledge and technology among universities, research and development institutions, companies and markets. It is further expected that the techno hub will provide value-added services, together with high quality space and facilities.

Ladies and gentlemen, according to the Cost Benefit Analysis report which we, as Provincial Treasury, conducted in 2013, the total cost of developing four comprehensive and fully occupied techno hubs in KZN is estimated at R5.4 billion over a 15-year period. The associated operational costs are estimated at R6 billion over the 15-year period.

To ensure that the four techno hub projects in KZN are successful, we, as Provincial Treasury, have since secured funding of R120 million through the General Budget Support Programme over the 2015/16 to 2017/18 Medium Term Expenditure Framework (MTEF).

The current funding will **ONLY** support the development of phases 1 at each of the four locations. Phase 1 refers to the provision of bulk infrastructure, some top structures to initiate the projects, and development facilitation and planning. However, funding applications will continue to be submitted to enhance the current R120 million.

The four techno hubs, namely the three municipalities in Newcastle, Port Shepstone, Pietermaritzburg and the Richards Bay IDZ, will be the owners and will have to put operations and maintenance budgets and plans forward. Each hub host has put forward an incentive policy for prospective tenants and investors.

It therefore should be noted that the R120 million will first and foremost be used to make each site development ready – i.e. for planning approvals, designs, engineering, regulatory approvals, bulk infrastructure, precinct plans, etc. This will be very much the case at Pietermaritzburg and Port Shepstone. Since the Richards Bay and Newcastle sites already have all the necessary approvals and the majority of the bulk infrastructure

in place, some top structures will be built – but only very general top structures, such as admin buildings and laboratories.

Given the funding limitations, it is envisaged that the private sector will develop each hub to its full capacity, based on long term lease agreements with each of the hub hosts. The current existing funding will thus be used to facilitate the private sector investment into these four hubs.

Ladies and gentlemen, I must conclude by reaffirming that the techno hubs initiative places inclusive economic growth at the centre of our efforts to build a better society in KZN. There is little doubt that today's successful individuals, companies and even countries have one thing in common: a strong focus on innovation and technology.

As one of the largest economies in SA, it was only a matter of time before KZN took its rightful place alongside technologically advanced cities throughout the world. It was with this in mind that a landmark provincial initiative – techno hubs – has been developed.

I thank you.