

THE PLACE OF THE RISING SUN

MPUMALANGA **IS OPEN** FOR BUSINESS



Value Proposition for Investing in Mpumalanga



PRESENTATION OUTLINE



- ❖ Introduction
- ❖ Economic Overview of the Mpumalanga Province
- ❖ Key Economic Sectors
- ❖ Why Invest in Mpumalanga
- ❖ Select Strategic High Impact Projects
- ❖ Conclusion



ABOUT MEGA

- ❖ Established in terms of the MEGA Act 1, 2010
- ❖ Provincial Development Finance Institution and Trade and Investment Promotion Agency
- ❖ Our primary role is to foster the sustainable growth and development of the Mpumalanga economy by attracting, facilitating and maximizing the development impact of investment in the province, thereby reducing unemployment, poverty and inequality
- ❖ Scheduled 3D entity in terms of the PFMA – provincial government-owned business enterprise
- ❖ Funding (SMMEs, Agriculture, Housing), Property Investment, Infrastructure, Trade & Investment Promotion



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MPUMALANGA

THE PLACE OF THE RISING SUN

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PRESENTATION **OUTLINE**

With a commitment to continued growth, accelerated investment into new areas of economic development, the Place of the Rising Sun - South Africa's Mpumalanga Province is in business mode.

While the Mpumalanga Province offers modern infrastructure and innovative technology in South Africa, new strategies aim to grow the economy of one of the country's most picturesque provinces.

For this to happen, investment is critical. Mpumalanga through its economic growth agency, MEGA is spearheading several economic projects to contribute to the economic growth and development of the province.

The aim of this is to encourage more investors to build their businesses in our province.



Economic Overview

Mpumalanga is one of South Africa's most productive and important agricultural regions. It offers an ideal climate and topography for forests, major mineral resources, formidable manufacturing capacity and a sophisticated tourism sector.

Mpumalanga is the 5th-largest economy of South Africa, and has much to offer to local and international investors.

The province's key sectors include manufacturing, mining, energy and agriculture (which includes also forestry and fishing). A significant contributor to the economy is the power-generation industry, which is responsible for two thirds of the country's power generation.

The National Development Plan (NDP) and Provincial Vision 2030 targets average national GDP growth above 5 percent up to 2030. The annual average growth rates for South Africa and Mpumalanga, from 2014 to 2017 were at 1.0 per cent and 0.6 per cent, respectively. The forecast for both is 1.6 per cent for the 2017-2022 period,




PRESENTATION **OUTLINE**

- Transport infrastructure makes Mpumalanga an ideal province for investment.
- Mpumalanga Province is situated in the northeast of South Africa,
- It shares a common border with the independent Republics of Mozambique and Swaziland and has a population **of 4.5-million** people and a total area of 83 000km².
- In addition to its capital, the City Mbombela, the Province has several major cities/urban areas including eMalahleni, Middelburg and Secunda, which host some of the major industrial complexes of South Africa.
- The Gross Geographic Product (GGP) of the Mpumalanga Province is more than **US\$23-billion** (2017).
- Mpumalanga's position and resources makes it a valuable transport and logistics hub.




WHERE WE WANT TO BE IN 2030




Vision 2030 targets

- Growth of >5% pa
 - Unemployment rate of 6%
 - Poverty rate of 5%
 - Improve inequality to less than 0.60 Gini-coefficient
-



MTSF 2024 targets

- Growth of >5% pa
 - Unemployment rate of 20%
 - Poverty rate of 25%
 - Improve inequality to less than 0.60 Gini-coefficient
-



Status (2018/9)

- Low growth of <1% pa
 - High unemployment rate of 34.7%
 - High poverty rate of 46%
 - High level of inequality
-

2030

2024

2018/9

MPUMALANGA

Key Economic Sectors

MINING

- Mining has played a vital role in the economy of South Africa for over **100 years**.
- In 2018, the mining industry contributed R351 billion towards the South African GDP, representing **7.2% of GDP**.
- Mining directly contributed **R89.4 billion** to fixed investment, while **R3.7 billion** in royalties and **R12.5 billion** in taxes were paid to the South African Government in 2015/2016,.
- Mining dominates Mpumalanga's economy, mostly coal for the Eskom power plants that are also located in the province.
- The province has 11 coal-fired power stations and coal is the lifeblood of provincial economy.
- The mining sector accounts for a quarter of all economic activity in the province and is also the largest single sector, providing employment to **5.2%** of the province's workforce.
- * Second largest mining industry of the 9 provinces.
- The major mining activity in the province is centred on the coal and lignite industry.
- * Opportunities in the planned Mining and Metals Industrial Technology Park .



MINING

- Mpumalanga contributes **83%** of all coal produced in South Africa, making it the world's third-largest coal-exporting region.
- A significant percentage of the province's coal is exported to countries such as **China, India, South Korea, and Japan.**
- Mpumalanga's coal-mining industry is developing as a significant attractor of both foreign and local direct investment in the province.



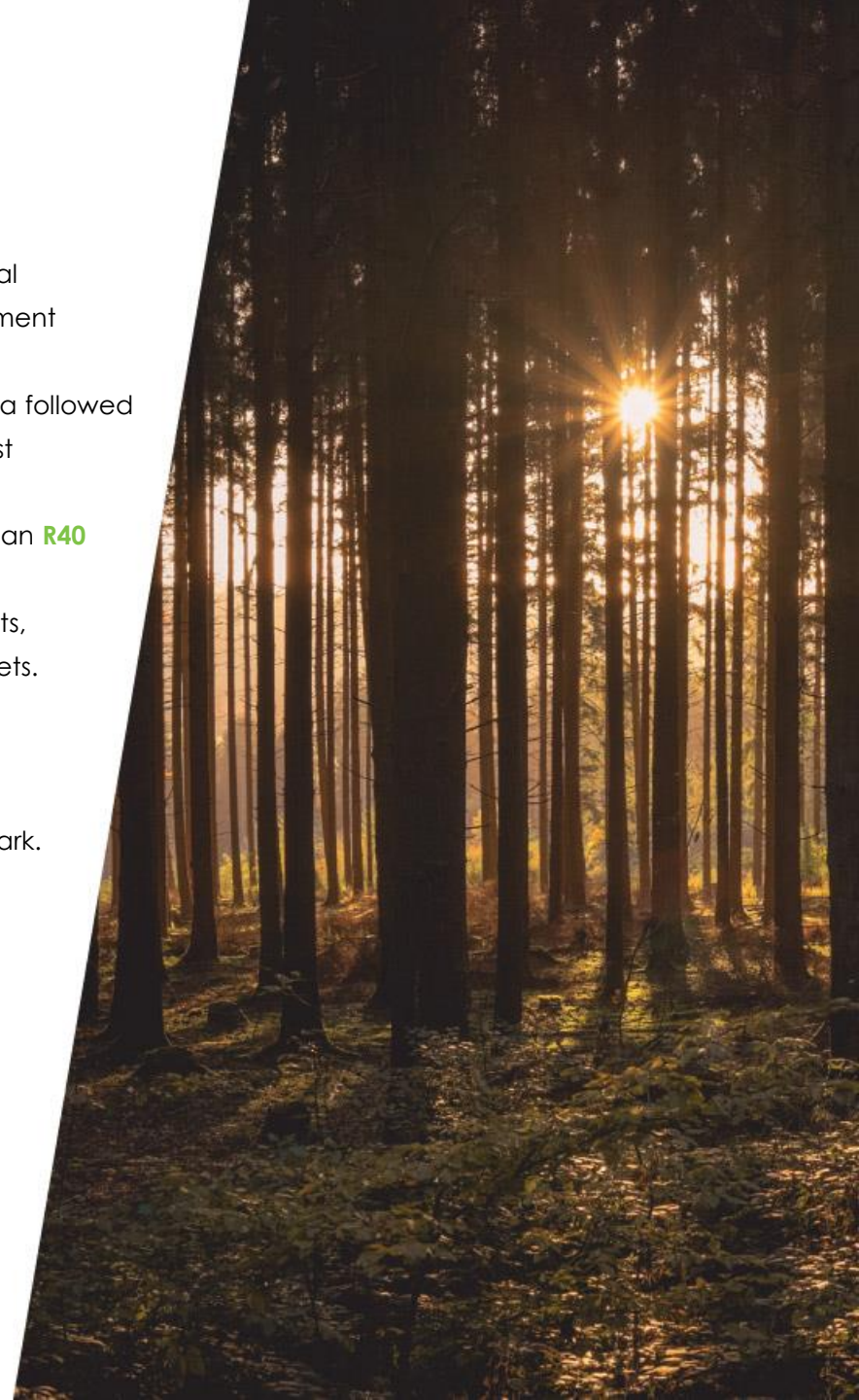
AGRICULTURE

- **About 14%** of the province's land area is natural grazing land which is used in the production of beef, mutton, poultry, dairy and wool.
- The City of Mbombela area in the Lowveld is South Africa's **second-biggest** producer of citrus fruit, while more than half of South Africa's soya bean crop is produced in the Mpumalanga's Highveld areas.
- The agriculture sector in Mpumalanga can be divided into two broad categories:
 - **Summer Cereals and Legumes** - This consists of maize, soya, canola, and sunflower that has – in the main – been cultivated in the Highveld region of the province.
 - **Tropical, subtropical and Citrus Fruits, Nuts, and Cane sugar** – These are mainly cultivated in the Lowveld region of the Province.
- Mpumalanga is one of South Africa's most productive and important agricultural regions and plays a key role in the export profile of South Africa, primarily in fruit and nuts. Also a labour intensive industry where the necessary jobs are created.



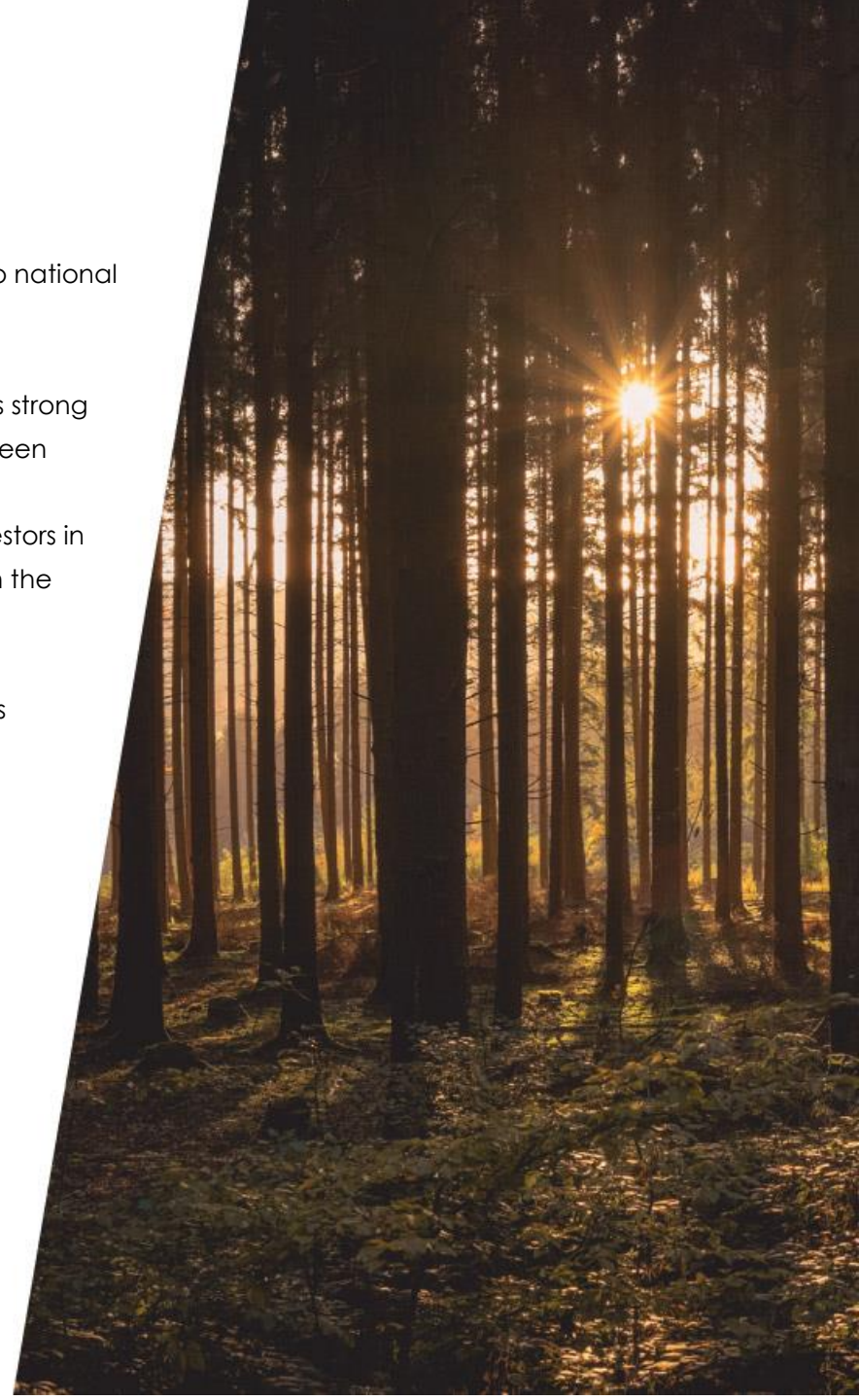
FORESTRY

- Forestry is a key driver for the development of South Africa's local economies, particularly in rural areas where the lack of employment opportunities compounds poverty.
- The bulk of South Africa's forestry plantations are in Mpumalanga followed by KwaZulu-Natal Province. Mpumalanga Province is the biggest producer of forest and wood products at more than **40%**.
- The annual value of the South African forestry industry is more than **R40 billion**.
- The forestry sector comprises logging, saw-milling, wood products, pulp, and paper as well as specialised cellulose for global markets.
- Pulp, paper, and specialised cellulose are the main exports, along with sawn lumber, wood chips and wattle extract.
- The industry is ideal for recycling initiatives.
- Investment opportunities of the planned Forestry Technology Park.



FORESTRY (CONTINUED)

- The forestry products sector continues to contribute about **1%** to national GDP, with the Far East, Europe and the UK making up its major export markets.
- The export market for pulp and paper from South Africa remains strong and, buoyed by better margins, pulp production figures have been on the rise since 2007.
- Global paper giants Sappi, Mondi and SAFCOL are biggest investors in the sector and have extensive plantations and mill operations in the province, which is home to **Africa's biggest** integrated pulp and paper mill.
- Attractive opportunities exist for small-scale growers, contractors and saw millers, while forested areas also lend themselves to beekeeping and honey-making.
- Mpumalanga's forestry sector accounts for almost **40%** of the provincial agricultural industry.
- Mpumalanga has the ideal climate and topography for forests, with South Africa's biggest sawmill and largest panel and board plant.



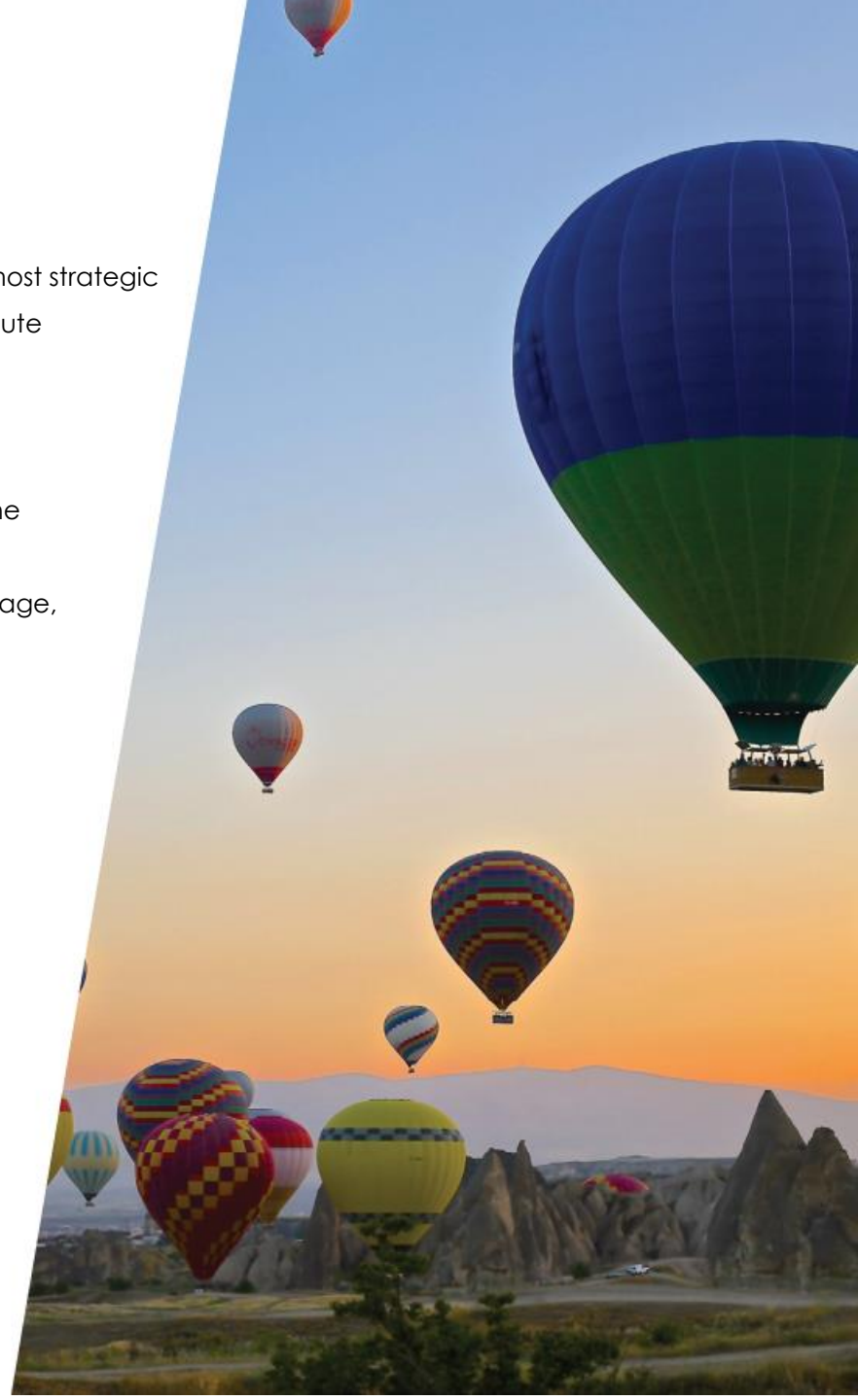
MANUFACTURING

- There are two primary pillars of the manufacturing sector in Mpumalanga, and these account for more than 60% of the output for this sector:
 - Fuel, petroleum, and chemical products
 - Metal, machinery, and appliances
- The fuel, petroleum and chemical products manufactured in Mpumalanga (Sasol in Secunda) are essentially synthetic fuel and its by-products, which are produced from coal in the Highveld region of the Province. The other major components of the manufacturing sector are the Ferro-Alloy, Steel and Stainless Steel industries based in eMalahleni (Witbank) and Middelburg in the Nkangala District.
- Agro-processing is centred primarily in the Lowveld region of Mpumalanga and it makes a valuable contribution to the provincial economy's manufacturing sector. Agro-processing is centred on processing the vast amounts of tropical and subtropical fruit and nuts cultivated in the Lowveld. Mpumalanga has a diverse manufacturing sector that accounts for 13% of provincial GGP, in addition to an expanding retail sector.
- Most of the nation's power stations are in Mpumalanga, and three previously mothballed power stations have recently been reopened.
- * Opportunities in terms of the roll-out of the Mpumalanga Investment Development Plan (MIDP) and the establishment of relevant Industrial Technology Parks in Mpumalanga such as the Petro-Chemical one in Secunda.



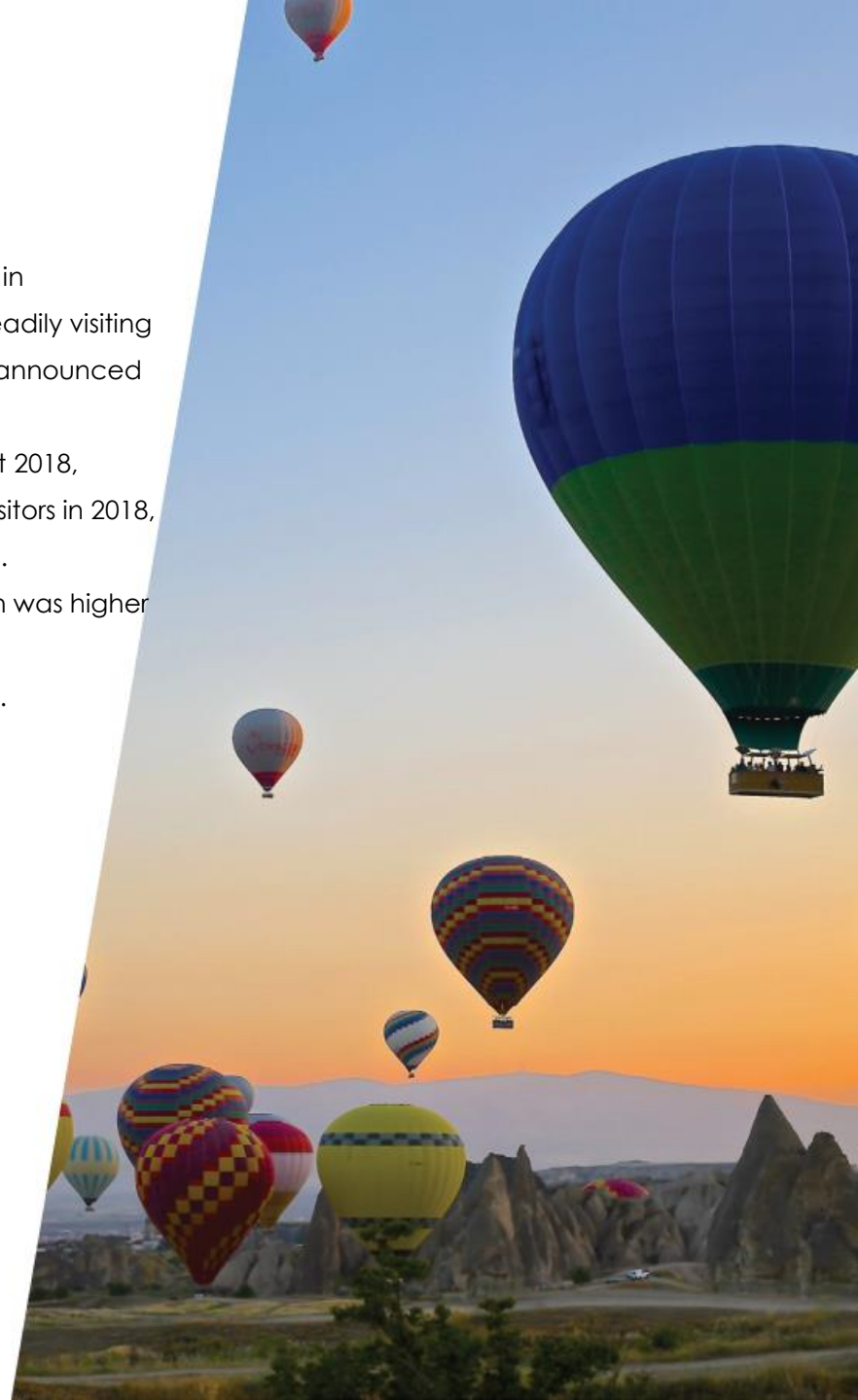
TOURISM

- The tourism industry in the Mpumalanga Province is one of the most strategic sectors and has the potential to grow the economy and contribute to job creation.
- Mpumalanga boasts world-class parks and reserves, astonishing botanical gardens, rivers, and lakes.
- Safaris are a major draw card, and the Kruger National Park is the jewel in South Africa's tourism crown, while subsectors such as business travel (including conference facilities), adventure, heritage, and cultural tourism all hold huge growth potential.
- Tourists have spent **R26 billion** in Mpumalanga in 2018.



TOURISM (CONTINUED)

- Despite the lacklustre global economic growth and the decline in disposable income, foreign and domestic tourists have been steadily visiting Mpumalanga's shores, Mpumalanga's Premier David Mabuza, announced with pride in his 2017 State of The Province Address.
- * According to Tourism South Africa's Tourism Performance Report 2018, Mpumalanga was the fourth most visited province by foreign visitors in 2018, with a share of 15.2% of total foreign arrivals visiting the province. Mpumalanga attracted 15.3% of domestic tourists in 2018, which was higher than the 12.0% recorded in 2017.
- Over **1.6million** international tourists visited Mpumalanga in 2018.
- The casino industry has enjoyed great growth and shows signs of further potential for additional investment.



MPUMALANGA

Why Invest in the Province

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WHY INVEST?

Economy

- ❖ Strategic location in the world market.
- ❖ Sound macro-economic policies and rapid liberalization of trade & investment market.
- ❖ Stable political environment & government commitment to investment facilitation.
- ❖ A large, growing domestic market and good access to African and Indian Ocean markets.

Infrastructure

- ❖ Modern infrastructure and transport.
- ❖ Cutting-edge technology and sophisticated financial markets.
- ❖ World-class telecommunications & ICT.
- ❖ Strategically located.

Corporate

- ❖ Modern banking and financial services.
- ❖ 100% ownership permitted.
- ❖ Liberal repatriation of profits.
- ❖ Large economically active population.

Resources & Opportunities

- ❖ Rich in natural resources.
- ❖ Self-sufficiency in agriculture.
- ❖ Diverse and cost-efficient mineral and agro-industry inputs.

Lifestyle

- ❖ Unparalleled quality of life.
- ❖ Good medical facilities.
- ❖ High-quality, well-priced residential housing.
- ❖ University of Mpumalanga.

MPUMALANGA

Selected Strategic High Impact Projects

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Blyde River Canyon Cable Car Project

MEGA is inviting interested investment partners to build the Blyde River Canyon Cable Car Project, which will transport tourists from the top of the Blyde River Canyon to the peninsula below in the middle of the Blyde Lake.

The cable car will provide an exciting experience and spectacular views over and around the Blyde Canyon to generate income for the Province.

This unique investment, **estimated at R300 million**, will be a major international tourist attraction and is seen to rival similar projects in the world.



Skywalk Project

The Blyde River Canyon is 25 kilometres in length and is, on average, around 750 metres deep with legendary viewing points such as the God's Window that provides some of the most spectacular views in South Africa.

The Skywalk at God's Window, **with an estimated R100 million investment**, is envisaged to be a glass walkway, viewing deck suspended off the edge of the Gods Window cliffs, offering 360 degree panoramic views with a 700 metres down through a glass floor.



Bourke's Luck Hotel

The proposed hotel is located along the Blyde River Canyon to take advantage of the tourist visits to the pot-holes, the "Three Rondavels". And "God's Window" sites. A pre-feasibility study has been completed. Investors are invited to partner with the province to realise this potential investment.



Nkomazi Special Economic Zone

MEGA has submitted an application to **the dti** for the designation of a Special Economic Zone within the Nkomazi Municipality. The 300ha SEZ is conveniently located along the N4 route providing easy access to the Maputo Corridor and the Port of Matola in Maputo. The SEZ will predominantly host agro-processing businesses supported by logistics operations.

MEGA is inviting potential investors to locate in the SEZ to take advantage of various tax incentives such as the 15% corporate tax rate.



Broadband and ICT Infrastructure Project

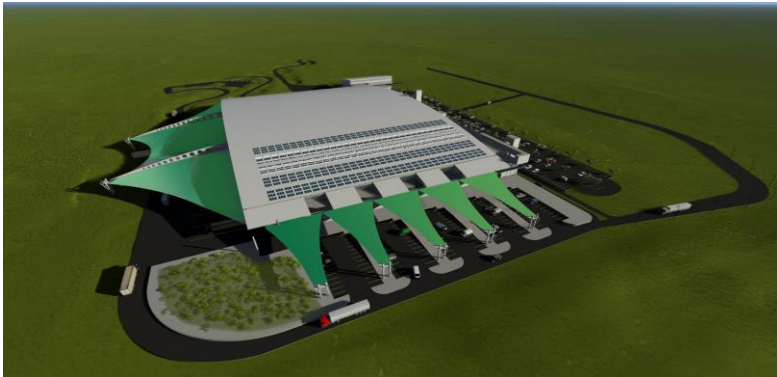
A broadband network service to provide connectivity to all provincial and local government buildings and other social facilities such as hospitals, clinics and schools.

The project has been registered with National Treasury as PPP to ensure the successful implementation of **the multi-billion rand investment**

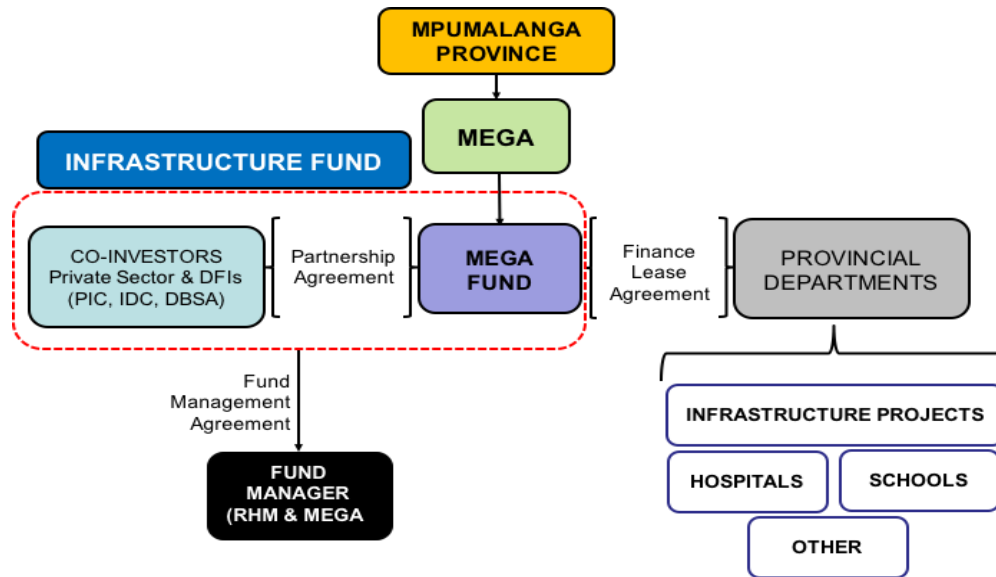


Mpumalanga International Fresh Produce Market

MEGA is establishing a R1.2 billion world-class fresh produce market facility located in Mbombela. The facility will give local farmers access to local, regional and internal fresh produce markets. To date the Province has invested in excess of R150 million into the project. By end March 2018, approximately R450 million will have been invested into the enabling Infrastructure of the project. **MEGA is inviting potential funders to invest approximately R700 million to complete the construction of the enabling infrastructure, support buildings and the main market facility.**



Provincial Infrastructure Fund



MEGA is in a process of establishing a R10 billion Provincial Infrastructure Fund aimed at crowding in private sector and institutional investor funds for financing the development of hospitals, schools, property developments and other specialist projects. **MEGA is inviting potential investors to participate in the Fund.**





MEGA SEEKS STRATEGIC PARTNERSHIP

BASED ON THE INVESTMENT OPPORTUNITIES PRESENTED, MEGA SEEKS STRATEGIC PARTNERSHIPS WITH THE FOLLOWING :

- **PROJECT DEVELOPERS**
- **EQUITY INVESTORS AND DEBT PROVIDERS**
- **PUBLIC PRIVATE PARTNERSHIP PARTICIPANTS**
- **OPERATORS**



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Mpumalanga Economic Growth Agency

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THANK YOU

