

COEGA IDZ

2.5 Read the following article on the Coega IDZ.

COEGA IS MAKING SIGNIFICANT PROGRESS TO IMPROVE THE EASTERN CAPE ECONOMY

The Coega IDZ (CIDZ) positively contributes to the Eastern Cape (EC) economy and spells signs of continued growth and improvement. The CIDZ performance during the 2017/18 financial year resulted in a contribution of approximately R3,9 billion to the Eastern Cape GDP. Latest results show contribution to economic income: R1,6 billion in national taxes; R1,38 billion in balance of payments; and R2,2 billion impact on households,” says Dr. Ayanda Vilakazi, CIDZ unit head for marketing, brand and communications.

“According to the independent Muffin Report, which examined the impact of the Coega IDZ on local markets, production chains, exports, employment and wages, most of the 45 operational investors in the IDZ and Nelson Mandela Bay Logistics Park, created more than 100 full-time jobs on average and 69% of investors reported that their workforce increased over the last five years. 86% of investors revealed plans to expand their businesses in the near future, while some of them are either on their second or third expansion, such as Coega Dairy,” says Dr. Vilakazi.

[Adapted from <https://www.coega.co.za/NewsArticle.aspx?objID=105&id=744>]

- 2.5.1 Define the term *Industrial Development Zone*. (1 x 2) (2)
- 2.5.2 In which province is the Coega IDZ located? (1 x 1) (1)
- 2.5.3 (a) What is meant by *the balance of payment*? (1 x 2) (2)
(b) Explain how the Coega IDZ contributed R1,38 billion to the balance of payment. (1 x 2) (2)
- 2.5.4 Evaluate the economic impact of the Coega IDZ on the local market. (2 x 2)(4)
- 2.5.5 Suggest strategies with which national government can motivate potential investors to invest in the Coega IDZ .(2 x 2)(4)

Marking Guideline

2.5.1 Define the term *Industrial Development Zone*.

The Industrial Development Zones (IDZs) are purpose-built industrial estates, linked to an international port or airport, which have been specifically designated for new investment by export-oriented industries and related services. (2)

[CONCEPT]

(1 x 2) (2)

2.5.2 In which province is the Coega IDZ located?

Eastern Cape (1)

(1 x 1) (1)

2.5.3 (a) What is the balance of payment?

The difference in the value between the invisible and the visible imports and exports in a country in one year (2)

or

A countries financial statements showing its transactions with the rest of the world (2)

[CONCEPT]

(1 x 2) (2)

(b) Explain how the Coega IDZ contributed R1,38 billion to the balance of payment.

The Coega IDZ focuses on export and import of goods through the international port or airport. (2)

(1 x 2) (2)

2.5.4 Evaluate the economic impact of the Coega IDZ on the local market.

Creates economic development and growth opportunities for the people of the Eastern Cape. (2)

The building/infrastructural development can be used for economic development. (2) (can give examples of infrastructure)

Better infrastructure increases export opportunities. (2) Creates jobs opportunities for local people. (2)

In-service training can empower people to earn a better income. (2) Creates opportunities for skills development for local people. (2) Higher income will increase the spending power on goods and services in the local market. (2)

Encourage entrepreneurship in local communities. (can give examples) (2)

Can draw more investment (local and foreign) in the local area (2)

Can result in the development of link industries. (can give examples) (2)

[Any TWO]

(2 x 2) (4)

- 2.5.5 Suggest strategies how national government can motivate potential investors to invest in the Coega IDZ.

Well-developed infrastructure (with international airports, railway lines and harbours) can attract investors. (2)

Well-developed national roads for transportation of goods (2) Well-developed harbours– linked to major shipping routes (2) Efficient access to import and export opportunities (2)

Access to markets in Africa and the rest of world as they are linked to harbours, airports, roads and railways (2)

Port of Port Elizabeth with well-developed storage facilities and harbour (container, car, breakbulk and bulk terminals) (2) Efficient/Alternative forms of energy (2)

Availability of water supply (for industrial processes) (2)

Well-developed existing industries (automotive), can attract more investments (2)

Linked industries (tyre manufacturing, paint production, steel industries etc.) are already existing in this area. (2) Availability of skilled and semi-skilled labour force (2)

Tax incentives for investors (2)

[Any TWO]

(2 x 2) (4)

2.4	Refer to the extract on the Coega Industrial Development Zone.
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Coega IDZ is a project funded by the government. It is located next to the modern deep water port facility of Ngqura Harbor in Nelson Mandela Bay in the Eastern Cape. Areas within the industrial development zone, are specially designed to support business investment. South Africa provides world-class industrial infrastructure at Coega, including transport links, cost-effective bulk services and serviced land available for industrial investors to start construction. Costs are reduced by sharing services.

Coega focuses on these investment sectors:

- Motor car manufactured products
- Agricultural processing
- Chemicals
- General manufacturing



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| 2.4.1 | Identify the main physical factor that determined the location of the IDZ. | (1 x 1) | (1) |
| 2.4.2 | Give TWO incentives that will attract industrial investors to develop in the Coega IDZ. | (2 x 1) | (2) |
| 2.4.3 | Suggest TWO initiatives that the Coega IDZ can undertake to improve social justice for the local people of the Eastern Cape. | (2 x 2) | (4) |
| 2.4.4 | In a paragraph of approximately EIGHT lines, discuss the importance of export-orientated industries in the Coega IDZ for the economy of the Eastern Cape and South Africa. | (4 x 2) | (8) |

Marking Guideline

2.4.1	The deep-water port facility (1)	(1 x 1)	(1)
2.4.2	World-class industrial infrastructure (1) Transport links (1) Cost-effective bulk services (1) Serviced land available (1) [Any TWO]	(2 x 1)	(2)
2.4.3	Improving services (accept explaining examples) (2) Scholarships for the community (2) Provide sports and leisure activities (2) Combating criminal activities (2) Nutrition scheme' for the community (2) Provision of medical services (2) Skill Development Programs (2) Improvement of infrastructure (2) Employment opportunities for the local population (2) Funding and upgrading of schools (2) Projects for cleaning up environments (2) [Any TWO]	(2 x 2)	(4)
2.4.4	Greater income on export manufactured products (2) Exporting large quantities of products with higher profits to international markets (2) Multiplier effect – will lead to the growth of various sectors (2) Exports bring more foreign currency into the country (2) Greater contribution to the GNP (2) Job creation improves the local markets (2) General standard of living in the Eastern Cape increased (2) Transport networks benefit trade (2) [Any FOUR]	(4 x 2)	(8)