“The 19th century was a century of empires, The 20th century was a century of nation states, The 21st century will be the century of cities”

Wellington E Webb – former Mayor of Denver Colorado
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CHAPTER ONE: BACKGROUND

1.1 INTRODUCTION

Cities exist as points of economic competitiveness within the global context with a diminished sense of geo-political boundaries. Decisions on capital and investment flows between cities and regions occur daily, based on information by global actors whose only knowledge of a locality is often in the form of fiscal digits. Yet, within such localities, as in the case of cities in the developing world, there exists poverty, joblessness and inequality. These are the faces of the economically disenfranchised, renounced by the cold hand of global markets.

There is a critical role for cities and regions to, on the one hand, enhance their competitiveness as economic hubs, while simultaneously creating the conditions for local actors to enter the stage and incorporate the unemployed to create a virtuous cycle of growth and prosperity. The OECD (2013) illustrated that economic growth in South Africa resulted in significantly greater employment than in other BRICS countries, concluding that growth should be a priority in the efforts to create jobs. However, income inequality remained stubbornly high. The World Bank defines that the purpose of local economic development “is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.” (World Bank, 2013)

This strategy seeks to; provide direction on the strategic issues and where large-scale investments are required to enhance the economy; to deal with the softer issues that improve competitiveness; to encompass spatial economic issues, and to address underdevelopment and neighbourhood level local economic development (LED). While the strategy proposes programmes aimed at poverty and underdevelopment to address the current problems, it also seeks to put in place programmes that are aimed at expanding the formal economy to increase the absorption of the formally employed. This strategy is a fundamental departure from the Economic Development Strategy (2008) as the global, national and local economic conditions have substantially changed as well as the policy environment. There is also greater urgency in addressing the persistent problems that cause unemployment.

The objective of this Economic Development and Job Creation Strategy is to set out a new growth path for the EMA, based on a long-term approach, but within an implementable time-scale of 5 years. It is intended that this strategy will feed into the IDP of the Municipality. This report presents the summary of key challenges and strategies to place the local economy on a new growth path in addressing unemployment, poverty and inequality. The national and provincial policy context as well as an analysis of the global to local economy has informed this report. This strategy report is aimed at being succinct and readable.
1.2 NATIONAL PROVINCIAL POLICY CONTEXT

This strategy has strong alignment to various policies and strategies at both national and provincial level. The fundamental priorities and approach draws from the National Development Plan while the focus areas of the New Growth Path are central to the strategy. The Industrial Policy Action Plan (IPAP) as well as its latest revisions have been key in informing the approach to industrial sectors of the economy as well as other sector strategies and the export strategy. The Provincial Growth and Development Strategy (PGDS) and plan (PGDP), the Provincial Spatial Economic Development Strategy (PSEDS) and Draft Provincial Industrial Development Strategy (PIDS) have also been incorporated. Key speeches such as the 2012 and 2013 State of the Nation Addresses, Budget Speeches and State of the Province Addresses, have all informed policy choices, while key policy approaches of the ruling party over the recent past, although not government policy, have also been used to inform particular issues.

1.3 GLOBAL, CONTINENTAL, NATIONAL, PROVINCIAL AND LOCAL OVERVIEWS.

Significant work was undertaken to draw out issues from a global to local perspective.

The world economy is still recovering from the financial crises of 2008 and the economic recession that followed. The Recession which impacted on the United States and then the European Union had a ripple effect around the world. Interventions such as quantitative easing have been targeted at stabilising financial markets and have not had negative impacts in terms of inflation. However, investor uncertainty remains high and business is generally reluctant to make significant investments. A strong and dynamic private sector has always been a dominant feature of the United States economy and remains resilient. The oil and gas sector has experienced significant growth adding 1.5 million jobs in the last 5 years, particularly related to shale gas. House prices also appear to be growing and it is expected that the US economy will record a growth of approximately 2% this year. In Europe, Greece, Spain, Italy and Portugal remain in recession while Germany (the strongest economy in Europe) remained buoyant. The high unemployment in the countries in recession pose the risk of social unrest and political radicalisation. The United Kingdom and France also remain in better financial and economic health than most other European countries, however, growth prospects are not significant. The ripple impact of the crises has also affected a number of eastern European countries.

IHS (2013)
In Asia, Japan is likely to experience a modest recovery driven largely by aggressive policies. Asian economies showing signs of sustained growth include Indonesia, Thailand, Malaysia and the Philippines. The BRICS countries have emerged as a strong economic and political force over the last 5 years and have recorded strong economic growth. However, the ability of these countries to lead the way in economic growth in future is questionable. China has shown the strongest growth over the last 10 years, which have gone into double digits. However, that level of growth is not considered sustainable and China’s growth in 2013 is anticipated to drop to 7.5% and then to 6% next year. China’s tightening of financial markets and efforts to subdue the growing housing market are some of the factors that have slowed growth. India and Brazil, both of which displayed strong economic growth since 2000 have more recently experienced a significant decline in the levels of growth. While such emerging markets took initiatives to improve their competitiveness in the 1990s and early 2000s, competitiveness assessments rate a number of fundamental challenges which still remain. Issues such as infrastructure, education, government bureaucracy and corruption still remain as significant barriers to growth in countries like India. In Russia government policies are considered to be a significant challenge for economic growth, and it is not expected that that country will be among the forerunners in economic growth. South Africa while having good fiscal management has experienced modest growth, and key challenges quoted in competitiveness reports highlight labour related issues and uncertainties as well as education and red tape. The high unemployment is not sustainable and poses the risk of social unrest and political radicalisation (as with many other countries in a similar position).

Growth in the Middle East and North Africa has been negatively impacted on by political factors. Sub-Saharan Africa has experienced significant growth, experiencing growth of on average 5%, although of a lower base. Challenges are related to power generation and infrastructure. Nonetheless, it has been the fastest growing region behind Asia. In general, currency markets in emerging markets have strengthened and inflation has been increasing, while currencies in older markets have softened and inflation has remained low. It is anticipated that growth in the medium term will largely be driven by the old markets such as the United States, UK, Germany and Japan, along with China. In term of South African exports, the country exports to Europe are dominated by manufactured goods while its exports to China are mainly in commodities. Hence a slow-down in the Chinese economy will impact greatest on the commodities sector, while the recession in Europe has had a negative impact on the local manufacturing sector. There is a need to diversify South African export markets in order to spread the risk.

A number of lessons and key issues were drawn from global trends such as the impact of global recession on manufacturing products exported to Europe and the USA; high youth unemployment; the recent success of some nations (particularly Ghana; Indonesia, etc.), the implications of South Africa’s membership to BRICS and so forth in relation to what they mean for the local area. The latest trends in Africa and particularly of growing investments into African economies were examined in the context of Africa’s

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2 IHS (2013)
3 The Economist (2013)
growing economic opportunities and challenges particularly in relation to the lessons for South Africa. The approach of such countries in going the extra mile to attract investment has been noted. However, these must also be considered in relation to South Africa’s stage of development which is far more advanced than other African countries. South Africa’s investments into Africa were identified as a significant factor. Trade agreements and the free trade zone being established among 26 African countries was also looked at, as well as the role of Durban as a gateway into this region. It was identified that a key barrier to growth in sub-Saharan Africa remained the lack of regional integration, particularly in terms of infrastructure that fosters economic growth. The development of new and modern logistics infrastructure such as port facilities remains untenable for many African countries. Durban continues to serve as a regional trade hub for many countries in Southern Africa and the potential for this role to be used to diversify and expand the local economy in the areas of trade, manufacturing and logistics was highlighted. It was identified that Durban is in a unique position to serve as the gateway to Southern Africa.

The South African Economy

The South African economy experienced fairly high growth rates during the 1930s and 1940s (in the 8.5% to 5.5% category) and continued to generally experience periods of growth above 5% until the early 1980s. During this period growth rates of about 3% were experienced for the first time since the great depression. The country’s main exports initially were in agriculture and mining products. During the World War the price of imports rose and between 1915 and 1945, there was the growth of manufacturing sector concentrated mainly in food and beverage and tobacco sectors. This later expanded into more diverse sectors such as clothing and textiles; building materials; paper, and so forth.

During the early period, state tariffs played a significant role in facilitating economic growth. In 1910-11 the Cullinan Commission on Trade and Industries highlighted the use of import tariffs as a development tool when it provided the rationale for such tariffs as (a) that a fair proportion of the raw material used is or can be obtained in South Africa; (b) that a fair proportion of White labour is employed and; (c) that there is a reasonable chance of the industry being established locally. Import tariffs were overhauled in 1925. However, by 1939; import duties amounted to about 14.25% of the value of imports. The state also played a developmental role by establishing SASOL and the IDC in 1928, which helped local businesses to raise capital. The manufacturing industry was still however, heavily dependent on imported raw material, while relatively low on exports.

During this period, the labour absorption rate grew mainly as a result of Black labour being brought into the mining sector and later in other sectors. This placed a threat to the White unskilled labour and resulted in the formation of labour brokers to find alternate employment. The Government developed employment schemes to incorporate
this labour into temporary employment on government undertakings. The Department of Labour increased spending on unemployment schemes and subsidies to employers which resulted in a great number of relief workers, and drastically reduced unemployment among that population group. In general this period was marked by a high degree of state interventionism and protectionism which buffered the local economy from external shocks and allowed the economy to grow rapidly in specific cycles.

The period from 1945 to 1970, saw a rapid growth in the manufacturing sector, which was the main engine driving economic growth in the country. The general government services sector, which had grown previously, now declined, with growth coming from the private sector. The economy diversified away from the primary sector (agriculture and mining), into manufacturing. During different sub-periods, growth was driven by capital intensive growth; labour intensive growth and total factor productivity growth (efficiency related gains). The Sharpeville massacre in 1960 was also a key economic event as a deficit rose on the capital (rather than trade) account, with rapid disinvestments in the country. This prompted the introduction of capital controls and strong political repression, which was successful in the short-term, in maintaining stability and allowing for continued growth which persisted until the early 1980s.

The period from 1970 to the early 1990s was a politically and economically turbulent period. The Durban strikes of 1973 signalled the re-emergence of African trade unionism, which was dormant since Sharpeville, and by 1979 the trade unions were officially sanctioned as part of the industrial relations system. However, more serious was the Soweto unrest of 1976. This was a period of substantial confrontation which set a precedent for political struggle over the next 18 years which had direct impact on confidence in the economy. Despite this, the economy grew by an average of 4% during the 1970s and also benefitted in the early 1980s from favourable gold prices. However, Oil price hikes during the 1970s and the later economic sanctions eventually slowed economic growth in the 1980s. Government revenues which were initially favourable began to suffer as the state increased spending to suppress political unrest. Between 1981 to 1994, real per capita income had declined by 18%, which was the largest decline recorded.

In the 1990s there was a declining rate of investment in fixed capital and in terms of the factors of production, levels of investment in capital and labour decreased, while there was an increasing investment in technology. Despite this trend, there are sectorial differences with technological innovation playing a relatively less important role in the manufacturing sector than in agriculture and mining. The period post 1994 to 2001 was marked by slow economic growth and capital outflows. The liberalization of the trade environment within South Africa further placed pressure on existing manufacturing firms, while there was slow recovery from the period of isolation that proceeded. This period also marked the period of integration into the global economy. From 2001 to 2010, many of the labour intensive manufacturing sectors came under pressure due to global competition as well as the rising cost of labour.
Economic analysis of the period post 1995 has shown the decreasing importance of labour towards output growth. It shows the increasing importance of rising costs of labour as a reason for the poor employment performance of the economy. This is particularly so for a number of labour intensive sectors of the economy, and for unskilled labour. “To find the culprit for the poor contribution of labour to South African output growth is thus not difficult. Wage moderation has been insufficiently practiced. Second, since technology has been labour saving in the South African labour market, the need for wage moderation is even more marked. Finally, the evidence does not support the notion that trade liberalization has been responsible for labour shedding in South Africa's manufacturing sector”.

The Department of Performance Monitoring in the Presidency released a report in March 2012 which highlights the key problems and actions needed. It attributed the declines in employment in the 1990s and early 2000s to the slow growth in mining and agriculture. This report states that the apartheid system was designed to provide the mines and farms with cheap labour. In the 1960s, when the growth of the mines slowed and employment on farms began to decrease, the apartheid system was too rigid to adjust. The modernisation of the economic system really only began in 1994, and had to deal with many legacies of apartheid, especially the legacy of “Bantu education”. Unfortunately, the nature of politics in South Africa makes effective cooperation between government, business and labour a challenge. As a result, reform has been slow, and unemployment remains high.

During 2003 to 2009 there were significant gains made in economic growth and job creation, however, unemployment did not dip below the 20% mark. In 2009 unemployment spiked and economic growth declined due to the impact of the global recession. The report identifies that “Unemployment is the main cause of high levels of inequality and poverty in South Africa. While poverty is less severe than in many developing countries, inequality is as extreme as in any other country measured, and contributes considerably to the national risk of instability and conflict. The alienation associated with unemployment also results in social problems. This is why addressing poverty and inequality through job creation remains an agreed and urgent priority for South Africans.”

In 2009 Government developed the New Growth Path (outlined earlier). The focus of this job strategy was on decent employment through inclusive growth. This entails faster sustainable growth, which in turn requires a coherent growth strategy (the New Growth Path), including a range of macroeconomic and microeconomic policy reforms. Government committed itself to increasing the labour-absorptive nature of growth and to addressing the singular problem of youth unemployment. The aim was to improve the percentage of people at work to 45%, to reduce the Gini coefficient of inequality from 0.70 to 0.59, and to increase the income of the poorest 40% to at least 6.4% of total income. Beyond this, the overall competitiveness of the economy had to be improved through sectorial and cross-cutting strategies, and the cost structure of the economy had to be reduced. Further, there are commitments to improve support to

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4 Fedderke (2004); Fedderke and Mariotti (2002); Fedderke and Pirouz (2002); Lewis (2001, 2002), Arndt and Lewis (2000), Nattrass (2000), and Fields (2000); Fedderke and SimkinsRoss (undated)
5 The Presidency, Performance Monitoring (2012)
small and medium businesses and to address youth unemployment. Finally, accepting that sustainable and productive jobs cannot solve unemployment in the short to medium term, there is a commitment to expand temporary public employment programmes.

High unemployment remains the single most critical challenge facing the country, with an estimated 4.5 million people jobless and another 2.3 million discouraged work seekers, bringing the broadly defined unemployment rate to 33.2%. Total employment is still 450 000 below the pre-crises levels.

The apartheid system also favoured the development of large monopolistic firms that were increasingly capital-intensive and less labour intensive. In addition, State monopoly firms also came to dominate the economy. Hence the national economy is characterised by large ‘players’ with a relatively weaker medium and small business sector.

In the recent past, consumer expenditure has been the key driver of growth in SA, and a marked absence of growth in other sectors, particularly the productive sectors. A key feature of growth driven by consumer expenditure is that it has a high import propensity, thus contributing to the widening current account deficit. The basic problem is that we spend more than we produce. Exports are currently struggling due to the high factor costs such as high logistics costs, export charges, increasing electricity prices and unreliability of supply, labour disputes, etc. Increasing interest rates usually dampen demand and reduce consumer expenditure; however this is negative for growth and is currently not the best option given the economic climate. The reserve bank has kept interest rates low, and is likely to leave it unchanged for the rest of 2013, unless inflation, induced mainly by the weakening rand, wage increases and fuel and electricity prices, increases beyond the upper target of 6%. The Reserve Bank recently downgraded its growth projections to 2% for 2013, which invariably implies that the country will fall far short of its job targets. The Reserve Bank has thus far been sensitive to growth imperatives, and given the approaching elections, there will be pressure to maintain or even reduce
interest rates. Thus, it is anticipated that there will be a significant degree of pressure to on the one hand increase interest rates should the factors mentioned above materialise, while on the other hand to balance the need for economic growth.

The current account deficit is a cause for concern as it implies the export of local capital. Increasing exports is often a remedy, however this has not materialised. The option of increasing borrowing is constraint by the low rates of savings within the country. The attraction of foreign direct investment is a more feasible method of financing the current account deficit while also improving economic growth and creating jobs. However, investment inflows have been mainly portfolio related which are short term in nature and more volatile to disinvestment and trade finance which is also considered short term. A more economically sound approach would be to attract fixed capital investment which is long term by nature. Currently most large investments are mergers and acquisitions which do not necessarily create new capital. The debt to GDP ratio has been rising and some economists have indicated that the ability to payback is worrying. With regard to consumer debt, a closer analysis of debt shows that the middle income population which has been steadily growing and is the main supporter of growth and consumption (they account for 68% of household consumption expenditure), is not any further in debt than they have been over the last 5 years.

Based on the foregoing, the two main thrusts of economic policy need to focus on increasing local production and the export thereof, (as well as import replacement), and attracting foreign (and domestic) fixed investment. While the country has experienced growth in the tertiary sector, this is not export generating. In terms of exports, Europe is the main market for manufactured goods while Asia is the main destination for commodities. The need for market diversification is also important. However, the low levels of productivity locally as well as the crises of confidence resulting from labour volatility are major challenges. This creates a mutually reinforcing trend where low confidence leads to slower investment which in turn leads to downgrades by rating and other agencies, which further impacts on confidence and further reduces investment.

South Africa has a relatively low labour force participation rate of 35%. A key feature of unemployment in South Africa has been the high levels of youth unemployment. While the overall unemployment is estimated at 25%, youth unemployment (between 15 – 24 years old) is 52%, which is double the national figure. When the broader definition of youth (15 – 34 year old) is used, 71% of the unemployed in South Africa are youth. However, youth unemployment is not only a South African problem. The same structural relationship exists in other OECD countries, i.e. youth unemployment is consistently double the overall rate of unemployment\(^6\). IHS in examining the structure of youth unemployment found that the basic structure of youth unemployment in South Africa is the same across race groups, gender and geographic location. However, the key structural factors that impact on youth unemployment are education and experience. Higher education levels and greater experience affect the fundamental structure of youth unemployment greater than any other variable.

\(^6\) IHS (2013)
A number of key features, (focussing to a greater extent on micro-economic factors) have a significant bearing to the local economy was identified, which include:-

- **The global financial crisis** has had a negative impacted on local manufacturing sector in particular.

- **The National Development Plan** prioritises the challenges of unemployment, poverty and inequality. While countries at a similar development stage as South Africa (such as Brazil) have made improvements in reducing the Gini Coefficient, South Africa has not made much progress in this regard. High levels of unemployment also persist. While there has been substantial gain made in reducing backlogs in terms of service delivery, this has not been supported by income growth.

- **High youth unemployment** - the population structure demonstrates that a substantial portion of the population is in the 15 to 30 age group, and unemployment is also highest within this segment. Support provided to young entrepreneurs has also been weak.

- **Under-investment in infrastructure** over the last 25 years has lead to infrastructure challenges around electricity, rail, road, ports, water, sanitation and public transport.

- **There is increasing competition as a result of globalisation**, particularly from emerging markets.

- **Cities have a critical role to play** in addressing the national challenges; however, they still suffer from the apartheid legacy. There is a high degree of spatial disintegration of South African cities, due to the apartheid policy which imposed a high cost of travel on the poor. Research also demonstrates that the high cost of travel is a barrier to the unemployed in seeking employment as areas of dense employment are located far from areas of poverty. Political discourse in South Africa has tended to place greater emphasis on rural development. However, it is estimated that the eight metro cities account for 62% of national GDP and 40% of the population (excluding secondary cities). While specific national programmes acknowledge the role and importance of cities in addressing the national challenges, the current systems and models in government do not place emphasis on the important role of cities in the national discourse. This is not in keeping with the international trends with regard to the emphasis and the status afforded to cities (e.g. in many successful countries, Mayors of metros have become president, and large cities are given significantly greater functions, etc).

Network theory, applied to the space economy posits that cities act as hubs of connectivity within the global space economy. They further integrate spaces (and people living within those spaces) that are less connected. Networked regions have been shown to be important in fostering innovation and creating markets. Manuel Castells (1992) has extensively examined cities and regions and shows that cities and the regions of the world are being transformed under the combined impact of

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8. Granovetter (1985)
a restructuring of the capitalist system and a technological revolution. He analyses the interaction between information technology, economic restructuring and socio-spatial change through the empirical observation of contemporary national, urban and regional processes. Throughout history, cities have been the generators of wealth and economic agglomeration. Cities have always been better generators and processors of information and technology and innovation. This is not a recent trend, however what is more recent is the growing importance of knowledge, information and technology in global society. Spatial agglomerations have always been the drivers of growth and advancement, and, due to advancements in the importance of knowledge and globalisation, the importance of spatial agglomerations as generators of wealth and knowledge have grown even more⁹. This argument should not be confused with an emphasis on a full metropolitianisation of society, as this is not considered environmentally sustainable, rather a balance in the focus of metropolitan development and rural development in the national discourse. Castells, as a foremost thinker in the area of urban-social theory, lays a sound basis for a focus on cities, particularly within capitalist countries¹⁰.

- **Logistics cost are high** - while the State of the Logistics Report (2011) has indicated that logistics in relation to GDP dropped from 13.5% in 2009 to 12.6% in 2010 (due mainly to fuel costs) it rose again to 12.8% in 2012. However the 2013 report states that when one examines the logistics costs purely in relation to primary and secondary economic activity (extraction, agriculture and manufacturing), the costs as a percentage of transportable goods goes up to 44% in 2011 and 46% in 2012. The increase is due mainly to the growth in volume on inland freight corridors (most notably on Durban to Gauteng corridor). The 2013 report notes a slight improvement in rails market share from 11.1% (2010) to 11.5% (2012). The heavy reliance on road based transport drives up costs in relation to other middle income countries.

- **There are numerous skills and education system challenges** - while South Africa has been successful in widening access to education, it has experienced a decline in

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⁹ Peter Hall (1988); Hall and Castells (1994)
¹⁰ Castells (1991; 1992)
education as a support to the economy, particularly in the areas of mathematics and science, and in deepening research capacity within the system. The number of math’s and science students with a matric pass has steadily declined. The issue of a mismatch between tertiary education and the needs of the economy has also been consistently raised. All of these issues impact negatively on the innovation propensity within the economy as well as its ability to be competitive and further drives up the cost of skilled labour, while contributing to the youth unemployment crisis.

- **Low levels of entrepreneurship and slow growth of SMMEs** have been consistently identified as an underachieving area of the economy with a high failure rate of small business. South Africa has relatively low levels of entrepreneurship with SMMEs accounting for 55% of employment, compared to 90% in China, India and Indonesia. There is also a high failure rate of SMMEs (estimated at between 70% to 80% in South Africa). The 2013 SBP SME Growth Index surveyed 500 established small and medium-sized businesses in the manufacturing and business services that employ 10 or more workers. Over 70% of firms reported that 2012 had been a difficult year, with a small average increase in turnover (9%) and declining employment. Over 25% of firms identified rising input costs (electricity prices, municipal rates and services) as constraints. Other challenges include poor work ethics, an increasing regulatory burden, and inadequate sources of finance and skills shortages. Concentrated product markets also inhibit SMME growth. The study also highlighted low levels of entrepreneurial intent by adult South Africans and an ageing population of SMME owners (e.g. in manufacturing 43% of SMME owners are older than 50 years and have no succession plan). Policy initiatives to support SMMEs – such as credit guarantee schemes, entrepreneurship training, business incubation and technology assistance – have not yet had the desired effect. The NDP identifies several ways to support SMMEs and new firm creation, including public and private procurement to stimulate demand, easing access to finance, regulatory simplification in areas such as business registration, tax and labour regulation as well as reforms to the skills training landscape.

- **Public sector wages** have been highlighted in the NDP as being both bad for growth and bad for job creation. Employment in the private sector has declined and has not yet reached the pre-crisis levels in 2008. However, public sector employment has steadily increased, significantly outstripping private sector employment since 2007\(^\text{11}\). Analysis has shown that public sector wages has also consistently increased despite shrinkages in the economy, and growth in public sector wages has been outstripping economic growth and inflation. This inevitably places a higher tax burden on a struggling economy and further places downward pressure. Government’s (National and Provincial Government) ability to spend has also been highlighted with only 67% of its budget being spent in the 2011/2012 financial year.

- **Labour and productivity** is a hurdle to employment creation and competitiveness. Research has shown that an inability to exercise moderation in wage increases has

\(^{11}\text{IHS (2013)}\)
contributed to a declining labour absorption rate and remains a factor driving unemployment and lower levels of competitiveness. Labour practices in general are a major factor impacting on the competitiveness of the national economy. The World Economic Forum in 2012 ranked South Africa 52nd in terms of competitiveness among 144 countries surveyed. However, it scored the worst (144th) for its labour market practices. This relates to tensions between labour and business as well as the inflexibility of labour laws related to the rigidity of its hiring and firing practices. However, it must also be noted that South African executives rank among the most highly paid in the world. In addition, productivity levels remain low, hence impacting negatively on both competitiveness as well as the attractiveness of the country as an investment destination.

- **Relatively low levels of fixed foreign investment** and declining investor rating.
  It has been highlighted earlier that fixed foreign investment is important in order to address the issue of the widening current account deficit.

- **Slow growth of the Productive sectors** - it is vital that South Africa takes the path of growth driven by the productive sectors of the economy. Growth currently is being driven by consumer expenditure which has a high import propensity and high levels of debt in relation to GDP. While tertiary sectors have shown growth, they do not improve exports and generally do not provide lower-level skilled jobs which are required to absorb large numbers of unskilled and semi-skilled labour. As discussed earlier, growth has been largely driven by consumer expenditure. It is estimated that 58.5%\(^{12}\) of household expenditure is accounted for by the metro cities.

- **Transformation** drives deeper than changing of ownership of companies, but implies a broad-based economic impact on the majority of citizens who were disenfranchised during Apartheid. The issue of economic transformation emerged as a key feature of the ANC’s 53rd Policy Conference.

\(^{12}\) IHS (2013)
The New Growth Path presents a holistic response to the economic challenges. The NGP and NDP are the fundamental guiding policies that inform the approach of this economic strategy. From the perspective of the NDP, fundamental to this report is the prioritisation nationally of the triple challenge of unemployment; poverty and inequality.

The Provincial Economy

Many of the challenges discussed under the national economy also relate to KZN province and these will not be repeated. The provincial economy was examined extensively with key trends informing the approach of the strategy. EThekwini accounts for 65% of provincial GDP; 51% of employment and 33% of the provincial population. Significantly it was identified that the eThekwini economy was the main driver of growth in the province. Districts that experienced the most growth were those around eThekwini, thought largely to be as a result of the spill-over of development. It is clear that the significance of the EThekwini economy is impacting positively on neighbouring municipal areas. From a wider ‘government’ perspective, agglomerated economies like EThekwini need to play the role of an economic stimulus for the wider area. This evidence reinforces the theories of Manuel Castells and Peter Hall, discussed later, all of which has informed the need for a regional approach to the space economy. This is both a provincial and local issue as local government actors need to be cognisant of the region while the Province must recognise the region as the key driver of growth in addressing the challenges.

The eThekwini Economy

The local (eThekwini) economy was extensively analysed from three perspectives:-

1. The Socio-economic Context
This included examining the socio-economic indicators and trends; a comparison between the eight metropolitan areas within the country; a focus on municipal finance; as well poverty; etc.

2. The Industrial Sector Analysis
This focussed on the structure of the local economy with emphasis on key industrial sectors from the perspective of trends and opportunities. Sectors were ranked and scored in relation to a number of criteria in order to inform sectorial choices.

3. Spatial-Economic Analysis
This consisted of an analysis of economic activity; property trends; the distribution of jobs; job losses and job creation; property rates, as well as poverty and infrastructure. The data was presented in GIS and this was used as a basis for drawing out trends and opportunities.

The summary of key challenges which follows is an outcome of this analysis, which includes a quantitative analysis as well as qualitative input from various engagements with stakeholders.
14 SUMMARY OF KEY CHALLENGES

while eThekwini is currently outperforming its metropolitan counterparts in key focus areas such as the rate of addressing its backlogs; crime and unemployment and boasts higher remuneration levels per job; as well as being the second most productive labour force (having a small labour force in comparison yet having the third largest economy); the Metro has some key challenges that require addressing as it aims to achieve a higher and accelerated growth path:

Key issue 1: Income and consumption
Remuneration spread amongst more household dependents is reducing purchasing power, quality and quantity of sales. EThekwini has high household sizes and higher labour dependents due to its relatively small labour force (as a proportion of its total population) and higher rural households living in poverty. In comparison to its Metro counterparts, eThekwini has the highest number of people receiving social grants, the highest ratio of informal traders to formal workers and the second highest labour dependency ratio where just over 4 people depend on 1 formal job per household. In addition a proportionally high (in comparison to other cities) percentage of income is spent on accommodation (residential property in the form of rent, rates, etc) as well as daily travel. The costs of transport and communications allocated to household expenditure have been reducing slower when compared to Metros such as Ekurhuleni, Johannesburg and Tshwane respectively. The resultant impact of the rising costs of living has further impacted on the attractiveness of the region as a labour centre whereby higher salaries and wages are required to retain or attract employment. This requirement has further shaped the business environment in the region and resulted in slow investment in services sector development. The spatial disintegration of the city further imposes high travel cost on the poor. In addition, the slow pace of investment impacts on city finances and places upward pressure on rates and services. The general reliance on consumer spending for growth, as opposed to the growth of productive sectors is a key challenge.

Key issue 2: Growth of fixed investment
While the concentration of labour intensive sectors is seen as a positive influence on unemployment, the reliance of business on labour for productive gains has impacted negatively on upgrading in eThekwini. There are signs of lagging investment in manufacturing and the primary sector in comparison to Metro counterparts. Additionally, there has been a general reduction in fixed investment in the primary sectors. However, there is a positive shift towards new industrial buildings and construction in the Metro. The key issue however is that while eThekwini is considered to be second choice
amongst Metro counterparts for industrial building investment, it ranks as the fifth most important Metro in attracting building investment within the tertiary sectors. Investment growth has been strongest in transport, storage and communication, followed by electricity and water. Building plan approvals shows negligible growth from 2010 but a sharp decrease between 2011 and 2012. While a number of investment proposals are currently being discussed, the approval processes are often very lengthy and feedback from business suggests that processes within the City are not conducive to attracting investment.

**Key issue 3: Production and trade development**

harbour provides a premier export service to the rest of Southern Africa and is an important import and export service for the eThekwini economy. A key challenge is that while the metro has the second largest and busiest container port in Africa, the region is a net importer of goods. Opportunities for export oriented investment have been slow to take off over the last five years. EThekwini is considered to be the fourth most important trade centre when compared with metro counterparts having one of the lowest export contributions to GDP amongst metros. Thus there is a danger of the EMA serving merely as a conduit for goods to Gauteng. It is critical that the city use its advantages of being the premier port and logistics gateway to diversify its own economy to increase the local production of goods and services. One of the challenges often identified is the lack of availability of serviced industrial land. Developing this region as a centre for trade and production should be a priority and will have a very significant impact on job creation. On the positive side, the City has relatively high diversity in its economy than other metros (measured through the TRESSS Index) and has the potential to capitalise on its manufacturing base to become the premier centre for export production within the country and the SADC. The growth of productive activities should be a priority for the local economy and the City could play a major facilitative role in unlocking land for development and creating improved platforms for attracting production and trade.

**Key issue 4: Government finances and the investment environment**

The potential for greater investment in catalytic infrastructure is severely constrained by the municipality’s key objectives to eradicate the basic infrastructure backlog, which includes housing projects, throughout the region. Additionally, according to National Treasury, the percentage of household income allocated to municipal property rates and services is rated as the highest amongst Metros in South Africa. However, this can be partly attributed to the comparatively higher household sizes relative to the lower formal jobs per household in the region. This further implies that there are proportionately fewer employed ratepayers in the region comparative to Metro counterparts. The rates charges and development costs within the city are high in comparison with other Metros.\(^{13}\)

\(^{13}\) South African Cities Network (October, 2009)
and this impacts negatively on the cost of doing business. However, the proportion of ‘subsidised’ rates and services through the City’s indigent policy is also higher than many of the other Metros. Municipal finances are also under pressure and local government is unable to carry the full cost of bulk infrastructure required to release development opportunities. In addition only 45% of households within the EMA contribute towards rates\textsuperscript{14}. However, the Municipality must be guarded against transferring the full cost of infrastructure onto the private sector as this could undermine the viability of investments. The traditional modes of funding have in some instances reached their limitations and new and more innovative forms of finance need to be explored.

**Key issue 5: Cost of Doing Business**

The Municipality faces an important balancing act in trying to maintain fiscal buoyancy on the one hand and creating a cost effective business proposition which will ensure its long-term economic (and ultimately, financial) well-being. The expenditure pattern of both Metro Cities and intermediary cities suggest that there is a positive relationship between good financial management and a city’s ability to spend appropriately in addressing priorities. National Treasury has set a benchmark of 40% of expenditure to be spent on maintenance (asset management). It is also good practice to achieve 20% of the total budget to be spent on capital investment. Mzunduzi Municipality’s financial distress has resulted in it committing just 6% of total budget towards capital, decreasing to 4.5% in 2013/14. ETekwini has been able to maintain capital investment at between 16% - 19% of its budget over a sustained period of time. Investment in asset management is another good measure of a healthy functioning city. The role of good financial management lays a foundation for addressing social and economic challenges, but is often overlooked.

The two greatest items of operating expenditure consist of bulk purchases and staff costs. While bulk purchases are largely externally driven, there is a need for greater fiscal prudence related particularly to issues such as a high wage bill. High salary increases during periods of business recession means that there is a greater tax burden on an industry already struggling. Research has shown that South African executives in both corporate and government sectors, receive remunerations at similar levels to the highest paid countries in the world. Labour movements identifying this, thus seek to narrow the wage gap.

Analysis has also shown that productivity has not kept pace with salary increases. Between 2001 and 2011, the community services sector experienced the strongest growth in labour remuneration. During this period remuneration levels outstripped output, particularly in 2008. In 2011, the community services sector had the highest share of labour remuneration (32%) with manufacturing lower (22%).

Between 2001 and 2011 the gap between remuneration and productivity has widened\textsuperscript{15}. In countries such as Germany, during periods of slow growth, civil servants have gone

\textsuperscript{14} South African Cities Network (October, 2009)

\textsuperscript{15} EDGE: Investment Report 2013
for years without salary increases, which avoid job losses. Fiscal discipline is required at all levels of the work force. A high public sector wage bill is identified by the National Development Plan as being both bad for jobs and bad for growth. The Municipality should be guarded against imposing new forms of taxation or cost recovery for bulk infrastructure before ensuring a high level of efficiency in its operations. The City has also traditionally viewed the offering of incentives for investment, as unsustainable. However, there is an increasing acknowledgement among investment promotion experts that while incentives are not the primary consideration when making investment decisions, they are useful as secondary considerations in securing key clients.

Another factor that contributes to the cost of doing business is government bureaucracy. Discussions have revealed that the municipal bureaucracy is perceived by local investors as business unfriendly, and adds significant time and cost to development. In addition, there are several challenges in the Municipality’s handling of investment applications as well as onerous approval requirements, particularly related to infrastructure and environmental approvals. At the heart of some of these issues lie the challenges in undertaking integrated planning. Plans are produced which speak to a particular issue. Often IDPs collate these into one document. However, these plans are not necessarily integrated. The Municipality must firstly prioritise its focus areas in order to achieve its objectives, and then develop an integrated approach to achieving them. Currently long-term planning in the Municipality treats economic growth and job creation as a lesser priority.

This is not in keeping with the NDP and such an approach will undermine the fabric of society as ultimately the inability to create demand for goods and services (including rates) will result in the growth of social transfers, and threaten the economic and financial viability of the local economy and the Municipality. The Municipality must act decisively to prioritise job creation within its IDP as well as its long-term planning. There are a number of development applications that hold much potential for local growth, which are either stalled within the approval process, or rejected on minor grounds, which could have been unblocked through a pro-active approach and a strategic rather than operational perspective.

**Key issue 6: Bulk Infrastructure and Natural Resources**

The Municipality and Government’s investment in bulk infrastructure over the last 20 years has declined and there has been a lack of investment in key services, which is impacting negatively on the ability of the city to grow its economy and its rates base. This will become even more prominent in the next 5 years unless the Municipality is able to find new ways of funding important infrastructure. Infrastructure challenges in roads, freight rail, public transport, sanitation and water, are among the most critical factors impacting negatively on the growth of the city. Water in particular is a finite resource and the long-term security of water supply is an area of concern and requires on-going monitoring.
It is also important to ensure that other spheres of government are performing their roles within the scope of planned developments as these could have fundamental impacts on the local economy. This relates particularly to water, freight rail, provincial and national roads, passenger rail as well as effective resource planning and management for the broader region. Resource plans should be driven provincially and nationally and monitored locally as resources are not constrained by administrative boundaries but impact on a locality. For example, the failure to implement effective waste water treatment at Mzunduzi or other inland districts, impacts negatively on water quality in lower catchments and along the coast. Poor or ageing infrastructure results in environmental degradation and ultimately compromises key natural resources. It is important that high quality infrastructure is developed within the key N3 and N2 corridors and that development does not threaten natural resources. With regard to bulk infrastructure, large-scale investments in such infrastructure are required along the key corridors if the City is to meet the job creation challenge.

**Key issue 7: Growth of the labour force**

The consequence of high cost of living and high dependencies in the region further impact on the retention of skilled labour in the EMA. Additionally, the high costs of business results in a narrow labour market orientation where job opportunities and choices are greater in competing Metros such as Cape Town, Johannesburg and Tshwane. The Municipality has the highest youth and age dependency ratios indicating a higher social burden as well as a high economically inactive population. More importantly, the region has one of the lowest turnovers of new bachelor’s degrees per annum when compared to Metro counterparts. The most attractive sectors for new jobs are skewed
towards the community services, manufacturing and transport services sectors, which in-turn are generally lower paid employment sectors with relatively lower barriers to entry in terms of the general workforce. The key challenge is retaining a quality workforce in the region.

The education system has consistently performed poorly in its ability to meet the requirements of a modern economy. In the area of basic education, despite having the largest proportion of the national budget, and significantly greater investment per learner than many other developing countries, the outcomes have been sub-optimal. However, the education system is not uniform, with well performing schools among both the public and private sector is noted. The poor performance among schools in formerly disadvantaged areas as well as rural areas is a cause for concern. The levels and quality of results in maths and science is a particular area which has seen declining results over a number of years and impacts negatively on the economy. Significant investments have also been made in Further Education and Training (FET) colleges with the aim of improving technical skills and provide a vocational alternative to traditional schools.

The FET’s also have a critical role to play in continuous training of the work-force; up-skilling; providing skills to the largely un-skilled or semi-skilled unemployed or under-employed. However, due to a number of reasons, these colleges have not had the desired impact. Given the fact that almost 80%\(^{16}\) of the unemployed in ETHekwini are under the age of 35 years, the role of FETs is critical. It is important that partnerships are built between industries/business, FETs as well as other tertiary education institutions to ensure, both the relevance of skills and the employability of people. The skills challenge is identified as part of the Micro-economic package in the New Growth Path (NGP). The need for Engineers; Artisans; improved workplace skills; further education and training; ICT skills and effective policy framework is outlined in the NGP.

**Key Issue 8: SMME development:**

NDP’s Vision 2030 envisages that the overwhelming majority of the new jobs in the next 20 years will be generated by “small and expanding firms.” In many developed and developing world economies, SMMEs have been shown to be at the heart of economic growth and job creation. However, recent studies show that South Africa does poorly on entrepreneurship. Our proportion of owner managers is among the lowest worldwide, and many new start-ups fail within the first two years. The critical challenges listed by SMMEs range from a lack of adequate support, access to finance, access to markets, government bureaucracy, a lack of appropriate skills, and high cost of doing business. Major regulatory barriers identified by the SBP SMME Growth Index are inflexible labour laws, onerous Broad Based Black Economic Empowerment (BBBEE) requirements (with little benefits) and SARS inefficiencies. Recently the Minister of Trade and Industries (Minister Rob Davies) called for reforms to SMME regulations at the municipal level. These include a number of procurement related reforms, such as the ease of registration on municipal data-bases; shortened time-frames for the payment of SMMEs, etc.

\(^{16}\) EDGE, QLFS report 2013
However, there are also a number of challenges internal to the firms, such as the levels of innovation and response to risk. Apart from the high failure rate of new business, the number of people with entrepreneurship intent is itself very low. The low rates of entrepreneurship also generally translate into fewer business start-ups. In order to meet job creation targets and increase the employed population, significant focus should be placed on addressing the challenges of SMMEs and creating an entrepreneurial culture.

Research has shown that most successful small and medium sized businesses have emerged from employees leaving a larger firm and starting his/her own business, rather than a business that has graduated from being an informal trader to a small business. New business owners need to understand the rules of business; the technical issues of their industry as well as having access to business networks. Targeted support to businesses that have the potential to succeed due to the entrepreneur understanding the nature of his/her business and having business acumen is critical in order to create a vibrant SMME sector.

**Key Issue 9: Poverty and inequity**

EThekwini has the highest percentage of people living in poverty among the eight metros as well as the highest percentage of people living on less than $2 p/day. However, the functional literacy rate of 87.1% is marginally better than Mangaung; Tshwane and Ekurhuleni. EThekwini also has the second lowest percentage of people living in formal dwelling (78.5% which is slightly better than Buffalo City). It has the second lowest percentage of households living with hygienic toilets (marginally better than Tshwane). However, in overall terms, it must be noted that the City started off with a large backlog
in infrastructure and has done well in certain infrastructure categories like housing and solid waste, but less so in other areas like sanitation. As part of the analysis, a poverty map was drawn-up which shows that the highest levels of poverty are concentrated in a northern cluster (Inanda/ Amaoti, Etafuleni); outer west (Hammarsdale/ Georgedale; greater KwaXimba); Southern (greater Malukazi and parts of Umlazi) and further south (Umnnini-Lovu). There are also pockets in other areas like Marianridge; etc.

The Gini Coefficient\textsuperscript{17} which measures economic inequality in society remains high within the EMA. While traditionally race is seen as a key element, the Gini Coefficient demonstrates that there are also growing discrepancies within race groups, for example, within the Black population, there has been a growing Gini coefficient indicating a growing gap between the have and the have-nots. Having a large middle class population usually brings greater equity to the Gini Coefficient. Of particular concern with regard to the inequity is the need for greater involvement within the economy by women and youth. Further, the need for Black economic empowerment is critical to balance the racial nature of economic production. The issues of economic equality also has a spatial dimension which is clearly visible in that the greatest numbers of the poor and those living below the poverty line are concentrated within the townships and peri-urban settlements. High levels of poverty and vulnerability are also noted within the rural areas.

While the initiatives of the Municipality have made a difference in bringing investment and jobs within certain areas, the vast nature of the challenge demands concerted and sustained efforts. Many of the economic projects delivered by the City within townships have been criticized due to the large number of chain stores, or high percentage of ‘outside capital’. Unfortunately this relates more to the investment capacity than the lack of intent to distribute wealth locally. At the Mpumalanga New Town Centre project a job-shop was established to ensure that labour for the construction and operational phases of the development were sourced locally. At the uMlazi Mega-City and KwaMyandu developments local stakeholders took up a stake in the development. Greater focus is required in ensuring that all future developments have maximum local benefit. The National Department of Performance Monitoring outlined that the key element of reducing poverty and inequality is through the creation of employment.

\textbf{Key Issue 10: Insular Approach vs Polycentric City}\textsuperscript{18}

The Municipality has operated largely with an insular view of the EMA, which has several negative impacts. The EMA is the key driver of economic growth in the province and has a major stimulating impact on neighbouring districts. This region needs to form the basis for planning where the priorities of the region inform the priorities of the EMA, as the growth of the EMA and that of the surrounding districts are intertwined.

Globalisation and urbanisation are intricately linked through networks of connected nodes. Manuel Castells notes that spatial concentration determines the structure of the planet. The major thinkers on urban sociology and planning have abandoned the notion

\textsuperscript{17}The Gini Coefficient is not a measure of poverty, only of inequality
\textsuperscript{18}This section draws extensively on the following: P Hall and M Castells (1994); P Hall and C Pain (2009); P. Hall, (1988); M Castells and E Elgar (2004); M Castells (1996; 2000; 2003).
that cities of today and of the future grow from a central point outwards in concentric layers, from a core to the periphery. In reality, nodes of spatial agglomeration are linked globally through varying networks linked through differing aspects. The networks maybe based on different technologies for example, cities may be linked into networks based on logistics or as airport cities or as centres of production. Nodes of higher concentration are linked to spaces of slightly lower concentration and not from metro to complete dispersion. In terms of the urban form of cities, the core and periphery model has in reality disappeared for metro cities. Peter Hall and Cathy Pain (2009) point out that metro cities are no longer single centred cities, but have rather grown as polycentric areas which encompass nodes of differing character within larger metropolitan regions. Hence a metropolitan area/city maybe only a part of the larger urban system called a metropolitan region. Such regions may have a dominant node which is often the historic centre, but are linked to secondary centres within the region, based on differing functional relationships. These nodes are linked spatially through high speed connections and corridors which form the basic structure of the metropolitan region. The result is a multi-sectorial region of a larger scale in which there are many centres/centralities distributed as activities are distributed.

In most fast growing metropolitan regions the real estate sector has grown faster than any other sector, supported by the construction and finance sectors. In many respects, the global financial crises had its roots in this model of growth. Increasing metropolitanisation is a reality which will remain for a long period of time. Apart from the developed countries which are already highly urbanised, developing countries are also experiencing phenomenal rates of urbanisation with Brazil currently at 85% urbanisation and Mexico at 75%. However, relentless urban growth poses a real threat
of environmental degradation. The environmental challenge relates to human liveability on the planet. It also concentrates poverty, social exclusion and the risk of ecological catastrophe, pandemics and the rise of defensible space. The continued reliance on the automobile also poses a problem, as continued growth based on the model of private vehicle ownership is not a sustainable approach.

However, an even greater risk is posed by the denial of urban growth through out-dated policies and the suppression of market forces. Growth is inevitable, yet the wrong approach poses the risk of inappropriate and unplanned responses. Suppressed market forces tend to manifest in unplanned forms. Directing of sectorally differentiated growth towards the individual cities and nodes within the region with interconnected corridors should form the basic structure for growth and densification. While providing smaller functional units of integrated towns would have reduced the need to travel, in reality, city planners cannot change the pattern of development, but seek to optimise and direct what is already happening. Providing dense mixed use nodes developed at a human scale with innovative forms of transport reduce the need to travel to and from work. The promotion of public transport, particularly for middle income families is a fundamental part of this strategy. High speed passenger rail links allow for more sustainable development within such metropolitan regions. Castells uses his home town of Barcelona as an example. Barcelona metro city has a population of about 4 million people, however, the wider Catalonia region has developed into a metropolitan region of about 7 million people and this urban area also crosses the Spanish-French border. Peter Taylor (2004) states that nodes are commonly not networked on all aspects. Manufacturing nodes may be differently networked to high technology nodes or cultural and entertainment nodes. Larger nodes tend to be networked on varying layers, e.g. the London CBD is networked on most aspects but the Buenos Aires CBD is networked on certain aspects but not from a technology point of view.

The polycentric model fits into the EMA pattern of development, which includes the Durban CBD which is the most networked node across different aspects, but other nodes include Umhlanga; Pinetown; etc. which are connected through corridors. The port adds other much higher levels of connectivity. The evidence which has demonstrated that the wider region, including iLembe, Mzunduzi and Ugu have reliance on the EMA for growth, supports the theory of an interlinked urban system with sectorial differentiation. Adopting a regional approach takes a strategic view that includes Mzunduzi, iLembe and the urban areas to the south as well as the interlinking corridors. Capital and technology are increasingly being directed to nodes of varying degrees of connectivity within an overall hierarchy.

However, within an ever increasing rate of urbanisation towards metropolitan regions globally there is an ever de-population of rural areas. Traditional theories have posited the trickle down of benefits from the urban centres of capital and power into the rural. This often formed the justification for the pursuit of prestige projects often focussed on international convention centres etc. However, such trickle down has seldom, if ever
materialised. Cities have also run the risk of developing dedicated visitor cities which are divorced from the citizen’s city. It is important that development models are based on direct and broad based impact on the poor through productive activity and which are built on the inclusion of citizen spaces, especially within leisure and cultural precincts. The inclusion of marginalised areas (such as townships) into the economy as well as creating more productive rural areas are important aspects.

The principle of a more regional approach is also important in managing and protecting natural resources. Key resources such as water, air and land need to be viewed within their regional context as a purely district view with conflicting management approaches will ultimately impact negatively on the whole system. This applies equally to issues of climate change. Climate change is not ETekwini specific and requires regional and provincial level monitoring and adaptations. The potential negative impacts of climate change should be factored into large-scale developments, particularly related to issues of sea-level rise. Adaptation and mitigation for climate change also presents a large economic opportunity in itself, in developing and rolling out new ‘green’ technologies.

The City can no longer afford to take an insular view focussed only on the core to the exclusion of other nodes and corridors. It must be focused on the growing metropolitan region and regional corridors. Changing the way in which we view the problems and the solutions will change the collective future of the region. This should not be confused with a uni-dimensional view that may serve purely a national or provincial purpose, but rather a recognition of the broader urban system and a common approach to making it work better for the residents of the region.

The time has come for ETekwini to optimize its resources and focus on its comparative and competitive advantages to move into a New Growth Path and within the next ten years become South Africa’s Most Attractive Investment Destination. To do this there must be a ‘step-change’ in its approach. This step-change will take the city from its current approach which does not prioritise job creation to a new approach which emphasises the economic agenda as central to the focus of leadership.
CHAPTER TWO: STRATEGY

2.1 LONG-TERM SCENARIOS

National Government has clearly articulated that the driving force behind poverty and inequality is unemployment. Hence the national strategy targets employment creation as the mechanism to address both poverty and inequality. This strategy goes further to also address the informal economy. It is clear that if the Municipality carries on, on a 'business as usual' path, performance will slowly slip and the city's relative importance in the national economy will reduce and, more importantly, the triple challenge of unemployment, poverty and inequality will remain and possibly even grow. This will result in social unrest and greater demand for services by a growing number of impoverished residents. What are our choices? We could stay as we are and wait for the eventuality and the hope that some turn of luck or interventions by national government will deliver the city from its challenges. Or, the Municipality, armed with the backing of business formations, could choose to make a 'step change'. Given the mandate of addressing unemployment, poverty and inequality, undertaking a step change is the key to the city's future. This implies moving from a conservative approach that is incremental in nature and insular in focus, to a New Path which is ambitious, articulates its priorities, and seeks a regional approach to growth.

Three scenarios have emerged through discussions and these are modelled below in terms of economic growth as well as job creation. There are certain large-scale projects/assumptions which are fundamental to all scenarios. A summary of the scenarios is presented below.
**SCENARIO 1: FLOAT**

This scenario assumes that there is a delay in the finalisation of the port expansion. The land is sterilized and growth occurs incrementally in the north of the city only. The Municipality and its partners do not proactively seek to improve the availability of industrial land and growth is driven by construction in the north and the services sectors, while manufacturing experiences little or no growth. Growth in the western corridor is hampered and the city does not adopt a pro-active or regional approach to development and continues to be insular in its focus. The Municipality continues with current sector based approach to planning and does not prioritise job creation. Growth is moderate and the Municipality’s finances are slowly degraded. Service delivery protests persist while some gains are made on an incremental basis. Political pressures increase. City economy grows at about 2.8%. This scenario is business as usual.

**SCENARIO 2: CHoke**

This scenario assumes that the dig-out port is developed, without adequate supporting infrastructure and relies heavily on road transport. The proposed dry-port is not developed and other potential supporting hubs that are prevalent to support most large ports around the world are not developed as the focus is driven purely by the State owned Enterprises (SOEs). EThekwini supports the development but does not produce its own plan on how to maximize on potentials, hence the port serves Gauteng mainly and EThekwini’s role as a conduit, rather than a destination, is entrenched. A growth spurt is experienced during construction which leads stakeholders to believe that the City will meet its long-term vision. However, there is decline in the long-term as the supporting infrastructure crumbles and the lifestyle and tourism appeal of EMA diminishes. The lifestyle focus shifts north towards Illembe as the south, central and western corridor are impacted greatly by the lack of good freight rail infrastructure as well as the presence of road infrastructure dedicated to freight. The areas around the port and along the western corridors experience a growth in logistics and warehousing operations. The N3 corridor is developed to sub-optimal levels as warehousing and logistics operations which have a lower dependency on infrastructure like waterborne sewage come to dominate the landscape. There may also be some growth on the borders of eThekwini due to proactive municipalities providing industrial premises, but there is an insular approach within the city. The old port becomes less competitive. The growth in the medium term leads stakeholders to believe that the city is doing well. This scenario is driven by a Transnet vision, but a lack of City vision.

**SCENARIO 3: FLY**

This scenario assumes that the dig-out port is developed with a high number of local suppliers and Transnet uses this opportunity to invest and re-configure the old port to become more competitive. Logistics costs decrease. Supporting infrastructure is developed including rail and a dedicated road based route and supporting logistics hubs (such as a dry-port in the western corridor). The agenda is driven from the perspective of what is good for the City. The Municipality pro-actively unlocks land for industrial growth and undertakes brownfield redevelopment in the back of port as well as successful SEZs –
and growth occurs along the 2 priority corridors (west and north). Manufacturing investment grows as the City export related investment seeking ‘supply chain optimisation’. Growth in the north around Dube Trade Port is catalysed by an SEZ which is characterised by a diverse range of sectors including technology sectors, green economy, agro-processing, advanced manufacturing as well as the services sectors. Growth in the western corridor is characterized by labour intensive manufacturing, capital intensive manufacturing and logistics. The region experiences a period of industrial growth supported by growth in the services sector. The city adopts a pro-development/investment stance and proactively attracts industries as well as firm head offices in key target sectors (such as logistics and export orientated manufacturing). The Municipality monitors closely the cost of doing business and reduces red-tape to facilitate investment as well as the growth of small business. A regional approach is adopted where Durban ultimately becomes the service centre for the region. Business tourism grows as well as leisure, particularly in the cruise industry. The region becomes integrated and employment and GDP grows. Growth peaks at about 7% and stabilizes at about 6%.

This scenario introduces a step change in economic leadership. It posits the prioritisation of job creation supported by an ambitious city vision and action plan that seek a new growth path. For this scenario to become likely, the Municipality must review its long-term planning and IDP to prioritise job creation across all sector plans.

In considering these three long-term scenarios, eThekwini Municipality acknowledges the interrelatedness of social, economic and environmental systems as a key element in ensuring a sustainable future. The Municipality also acknowledges the changing nature of global research and debate around environmental sustainability, which suggests that alternative and innovative ways of doing business are, required if the municipality is to develop in a way that remains within the thresholds of natural systems. As a city that is positioning itself as a global leader, engagement with these issues is critical. The Municipality commits to collaborating with relevant stakeholders in debates and discussions around these global issues to explore what they might mean for future planning in the city.
AT THE HEART OF ETHEKWINI’S ECONOMIC STRATEGY IS A ‘STEP CHANGE’ IN ECONOMIC LEADERSHIP

What does this step change mean in terms of decision making and the way in which the Municipality approaches its business? These are discussed in the table on the next page in terms of seven key areas. The approach under each scenario is outlined. It is important to note that these are key areas and the change will not be limited to this, but should ultimately filter through every business-process within the Municipality.

The change of focus to move from the Float to Fly scenario also requires support and a renewed focus from stakeholders external to the Municipality. It requires that Tertiary Education plays a very responsive and proactive role in the economy. It requires that all groups from business to civil society define how they will contribute to placing the EMA on a new path that seeks to address the problem of unemployment. Being a structural problem, it is embedded in the economy and changes will require a new focus at all levels such as business, youth, unions, etc. The fundamental point of departure for all groups is a self-assessment of their roles and how they can make the change.
<table>
<thead>
<tr>
<th>Key Area</th>
<th>Float</th>
<th>Choke</th>
<th>Fly</th>
<th>Step Change</th>
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<tbody>
<tr>
<td>Strategic Investment</td>
<td>Strategic decisions made operationally – “why should this not happen” approach</td>
<td>Driven by external forces</td>
<td>Strategic decisions made strategically – Forum to resolve issues and look at how can the right investments be made possible</td>
<td>From operational to strategic, from ‘can’t do’ to ‘can do’</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Address social backlogs. Lack of funding for economic infrastructure</td>
<td>No expansion, protect areas against development. Long-term phasing for infrastructure. Sweat existing assets only. Fixing problems.</td>
<td>PPPs for infrastructure provision. Expand base &amp; sweat infrastructure. New areas for expansion and develop regional approach e.g. PTN-Pmb development zone</td>
<td>From infrastructure driving decisions and strategic priorities to strategic decisions driving infrastructure priorities. Work through partnerships.</td>
</tr>
<tr>
<td>Economic Leadership</td>
<td>Uncertainty, delay in making decisions</td>
<td>Decisions to contain investments. Economic mandate gets sidetracked onto social and environmental issues</td>
<td>Well informed decision-making; city leadership is in touch with business &amp; thinkers and is responsive to challenges.</td>
<td>From uncertainty and officials driving policy – politicians well informed and driving policy in partnership with officials &amp; stakeholders like business.</td>
</tr>
<tr>
<td>Labour Market</td>
<td>Small-scale &amp; Ad hoc initiatives</td>
<td>Left to the market; focused only on construction gains</td>
<td>Targeted interventions with industry &amp; tertiary education; create better platforms and improve competitiveness</td>
<td>Fulfill the role of developmental state in the economy.</td>
</tr>
<tr>
<td>Strategic Planning</td>
<td>Insular focused and infrastructure constrained</td>
<td>Insular- and infrastructure constrained</td>
<td>Regional and ambitious; pro-growth and job creation</td>
<td>Insular and constrained to regional approach and solutions driven.</td>
</tr>
<tr>
<td>Prioritisation</td>
<td>Local priorities defined by officials/personal preferences</td>
<td>External priorities; local spectators and local driven by external priorities</td>
<td>National and provincial along with local priorities and implemented by departments</td>
<td>Ticking boxes to being driven by national priorities; provincial and local.</td>
</tr>
</tbody>
</table>
2.2 THE ECONOMIC VISION

The City’s brand related to investment and its overall approach to where it stands as a city, have been relatively unclear. Building on the advantages of having Africa’s busiest port and the Dube Trade Port platform, as well as infrastructure that links into Sub-Saharan Africa and its strategic role and position related to Gauteng, Durban needs to build on its gateway role, to attract investors and visitors. The gateway role also links to the Province’s branding and the potentially global role that Durban could play. The brand must also capture the role of the City as an investment destination for export manufacturing as well as in the services sector. Hence it is proposed that the economic vision for the city is “Africa’s leading and most liveable Southern Gateway destination for trade and travel”.

This presents us with four strategic choices:

1. Capitalising on the role of the port, international airport and potentially modern rail, road and ICT connectivity and infrastructure.

2. Promoting the city as a centre and destination for trade between Africa and the world; building on key sectors which show potential, including media and communications, financial services and the services sector in general.

3. Emphasising the potential of the city as the best location for manufacturing activity. This must be supplemented with on-the-ground opportunities for manufacturing and sophisticated support programmes. The manufacturing sector is capable of absorbing lower-skilled labour and creating and sustaining decent jobs, if promoted and supported correctly.

4. Marketing the lifestyle aspects of the area including its tourism potential, a destination for events as well as a preferred quality of life which supports investment choices. Importantly the lifestyle thrust is not simply about undertaking projects for tourists, but building a lifestyle city for residents, which in turn acts as a catalyst for tourism.
LEVERAGES

Some of the key tools that may be used to leverage change and achieve the objectives:

- Special Purpose Vehicles
- Partnerships and Relationship Building
- Leveraging external funding
- Unblocking existing development
- Mechanisms to reduce bureaucracy and fast-track investment approval
- Forums, etc to ensure strategic decisions are not made operationally
- Events and Sponsorships
- Marketing, Branding and Investment Promotion
- Facilitation and Support
- Lobbying and Advocacy
- Information and Research
- Prioritisation and Budgeting
- Monitoring and Impact Assessment
- Catalytic projects and Direct Interventions
- Joint Learning
- More fundamental than all other interventions is the introduction of a ‘can do’ approach and pro-investment mindset
- Vibrant and dynamic local political leadership
2.3 THE ECONOMIC FRAMEWORK

Economic Development Principles and Strategic Intent

In addition to the outcomes defined by the eThekwini Long Term Development Framework 2020, specific local economic development outcomes for the Metro which are aligned with the National outcomes contained in the New Growth Path (2010) are as follows:

Outcome 1: Leadership to drive a ‘business unusual’ path

- Urgency in tackling change to the current growth scenario
- Business formations that are best equipped to manage and fast track the removal bottlenecks and unlock opportunities
- Entrenched municipal vision and culture of embracing sustainable growth and development
- Rapid return on investment in quick-win project areas
- A regional approach focusing on the sub-region which includes the 3 adjoining districts

Outcome 2: High economic growth over the next 10 years

- Maintaining a well-developed enabling environment that allows for accelerated economic growth between 2011 and 2016 that contributes substantially towards achieving the national economic growth target of between 4% - 7% per annum (as indicated by the New Growth Path 2010)
- The proliferation of employment intensive sectors within eThekwini that contribute to ensuring that employment intensity of economic growth is between 0.5 and 0.8 (as indicated by the New Growth Plan 2010)

Outcome 3: Partnerships for sustainable economic development

- Establishing and maintaining strategic partnerships for economic development through collective action and integrated development agendas
- Partnership agreements and reciprocating approaches with the private sector and other government partners in unlocking catalytic developments in the region
- Installation of financial incentives and disincentives that encourages sustainable economic development in the region
- Growth of quality ratepayers that assist in funding and maintaining a quality lifestyle environment in the region
Outcome 4: Reduced income and spatial inequality, unemployment and poverty

- Improved access to employment for the citizens of eThekwini and in so doing reduce the number of people unemployed within the municipality
- Having employment that is borne out of decent working conditions to enhance the quality of work for the citizens of eThekwini
- Fostering the growth of sustainable economic development initiatives which have long-term effects on mitigating poverty and income inequality
- Implementing economic development initiatives in accordance with environmental sustainability standards and in doing so, also taking charge of new opportunities that enables the development of a green economy in eThekwini

Outcome 5: Being on track to become a Global Metropolis over the next 20 years

- Maintaining world class infrastructure and services to attract retain and grow business and labour
- Being the leading leisure and business tourism destination in Southern Africa for both international and domestic tourists
- Sustaining a quality lifestyle environment and ensure the material well-being of all citizens
- Focusing on growth in the greater city-region
- Growth driven by local and regional plans in conjunction with national, rather than only on the basis of SOEs

The Strategy is also underpinned by the following principles which are cross-cutting and inform the overall approach and programmes:

- Prioritising growth that is labour absorbing, particularly a focus on the productive sectors
- Promoting innovation as a key tool to tackle all challenges and in the economy in general
- Taking a regional approach to planning and development
- Promoting resource sustainability, ensuring that the natural resource base is protected
- Moving towards a green/ low carbon economy
- Fostering economic and industrial diversity and resilience
- Working towards an inclusive economy
- Pursuing greater industrialisation through prioritised industrial sectors
- Ensuring a competitive economy
- Promoting accelerated investment in a sustainable manner
EVOLUTION OF APPROACH

The approach over the next 20 years will evolve in accordance with the changing economy and local context. The focus of this strategy is the first 5 year phase of the overall framework. The diagram below only presents the key/dominant approaches per phase, but doesn’t reflect the full spectrum of work that will be done.

In the first 5 year phase, the fundamentals are put in place to drive growth in future phases. With regard to SMME’s, a better platform is put in place which then leads to growth in this area, and phases beyond 10 years will be around support. Significant planning and ground work is done in the first phase for large projects. However, there is also a need for some significant projects to be implemented in the first phase, including industrial land and focusing on innovation. Unblocking strategic developments will be a key feature of the first phase to enable quick-win benefits, as well as a focus on infrastructure investment.

Small-scale and social economy initiatives will also be pursued in addition to special focus areas like youth unemployment. Growth will be led by manufacturing, logistics and tourism. Other sectors such as the green economy, etc, are still in infancy and support will be provided for future growth. Although the green economy is not currently significant in terms of its economic contributions, significant attention will be paid to promoting this sector due to its future potential as well as its positive impact on climate change. The drive to improve the carbon efficiency of the economy will create significant spin-offs which need to be turned into local economic opportunities.

The approach in the second phase is centred on major/large-scale investments driven by the public sector, while the platform is laid for private sector investments. Both the N3 and N2 corridors are unlocked for growth and it will be a period of the most rapid growth. The current global economic context further places pressure on what can be achieved within the first phase. However, it is projected that this will improve in the second phase and the city should be in a state of readiness for rapid growth. The third phase reaps the benefit of the investments made during the previous 2 phases. It also sees the last phase of industrialization. There is consolidation and the process of densification gains momentum.

The last phase is geared towards the transition to a services economy, where services industries become dominant. Manufacturing activity has reached its peak and the focus in this phase is purely around promoting competitiveness and innovation. Large investments in infrastructure are required in the first 3 phases; while the bulk of the budget in the last phase will be focused on maintenance (the Municipality should avoid any future expansions of its municipal boundary). High and increasing levels of investment in skills are required throughout the phases as this is seen as the basis for long-term growth.
Key locations along N3 unlocked growth happens in Durban-PMB Corridor
Further growth around DTP
Infrastructure to unlock growth
Phase 1 DIA Digout
Construction of freight route
Unlocking land along freight route
Development of Logistics hubs begin
Industrial renewal work in SDB
SMME drive
Last industrial areas unlocked
Integration along Durban-PMB and Durban-Ilembe corridors
Promote development along freight route
Commercial and residential densification.

Unblocking key developments
Packaging of land in inner city
Implement industrial park projects
Township projects
Innovation centre and technology park developed
Trade centre under construction
Improved investment environment for large and small firms
DTP SEZ becomes operational and some growth around DTP
Large investments in bulk infrastructure
Groundwork geared to unlocking N3 corridor in future phase
Nodal developments and IRPTN
Special focus on youth, social economy and micro LED
Transformation
SMME drive

2013-2018
- Manufacturing Sectors; Innovation (and ICT); Logistics, Tourism

2018-2023
- Maritime Logistics, Manufacturing, Green Economy; Construction, Tourism

2023-2028
- Logistics, Manufacturing, ICT; Tourism, Green Economy

2028-2033
- Logistics, Tourism; Green Economy; ICT; Finance & Trade

High growth in services sectors (Logistics services; professional services; finance; ICT; Tourism)
Regional integration/City region
Green economy becomes major sector
Purely competitiveness and innovation focus on manufacturing
Densification

High investment in skills towards gearing of forthcoming phase
High investment in infrastructure to unlock growth

GROWTH TRAJECTORY PER 5 YEAR PHASE
3. CHAPTER THREE: ECONOMIC DEVELOPMENT AND JOB CREATION PROGRAMMES

The strategy is pegged on ten key programmes that address the need for change in the Municipality’s business processes; the need for transformation in terms of equity and the need for jobs and economic growth. Economic leadership is at the core of the strategy followed by investment in key infrastructure (which includes deriving maximum local benefits from these) and the facilitation of investment. These three form the platform of the strategy which is then supported by the following:-

- Enterprise development and sector support
- Expanding the labour market
- Providing support for social economy initiatives in rural and previously disadvantaged areas
- The prioritization of township development
- Promoting investment in priority nodes and corridors
- Developing a competitive tourism industry

The tenth programme is cross-cutting and focuses on ensuring maximum local benefit from infrastructure projects, particularly the large-scale projects driven by national and provincial government.

All of these are demonstrated in the figure below.
3.1 HIGH LEVEL PROGRAMMES AND STRATEGIES

Strategies are presented below in relation to each programme and are accompanied by explanatory notes.

ONE: ECONOMIC LEADERSHIP TO UNLOCK KEY DECISIONS.
‘Step Change in Economic Leadership’

This programme is premised on the Municipality’s leadership prioritizing the need for job creation and, in line with the national emphasis and mandate, takes a strong pro-investment stance and provides leadership that steers the city into a period of prosperity where unemployment is reduced and consequently the challenges of poverty and inequity are also reduced.

The strategies consist of:

1. Provide quality economic research and intelligence to guide decisions. This will include the provision of pertinent economic intelligence that helps decision makers in their decision-making processes. It also monitors progress and reports on issues such as job creation and investment inflows. Apart from information, there is the provision of economic analysis and opinions by experts as and when necessary.

2. Creating a global and national economic vision for the city and region. A vision has been suggested in this strategy. However, this still requires that politicians, officials, business and civil society buy-in to this notion. Strong emphasis should be placed on a global or outward looking vision that is not insular and unfolds the prosperity that the city seeks for its people.

3. Organizational/ change management expert to improve organizational culture towards investment and business. Changing the mind-set of officials within the Municipality is a difficult task which requires an understanding of organizational psychology and change management. The challenge has been identified, but the solutions will require in-depth focus by an expert in this field.

4. Develop a BEE strategy for the City. The Municipality requires a strategy that is orientated outward and that focuses on how it will promote BEE in its dealings with major projects and initiatives. This is intended to promote economic transformation and encourage particularly broad based Black economic empowerment.

5. Develop meaningful partnerships with business to foster collaboration. Business is responsible for creating employment and the City’s leadership should interact regularly with business formations and obtain opinions and advice on key decisions. Thus it is proposed that an active partnership be developed which is suitably resourced and empowered to start a process of regular engagement, such as an advisory council.
6. **Tackling decisions on urgent flagship projects.**
Many strategic decisions are either delayed in the bureaucracy or driven externally by external groups (other spheres of government/parastatals; etc.). Delayed projects include: the Automotive Supplier Park, Kings Estate, Finningley Estate, Cornubia, Digoout port, and Clairwood racecourse among others. The City leadership should be actively involved in these and other projects to unlock potential impasses. It is proposed that a quarterly report be developed to report on progress and blockages on such projects with the intention of seeking ways to make these developments happen. This report will be tabled at the DCM’s forum for decisions.

7. **Identify high impact quick wins.**
While some projects will take a long time to reach fruition, and consequently, a long time before job creation benefit accrues, there are specific projects that can yield quicker results. There are developments which have ‘been either delayed or refused, but which are strategic in nature. An example of such a development is the Kings Estate/Wewe Driefontien development. Other potential quick wins could be achieved by releasing key parcels of land within the inner city for strategic type developments which support inner city revitalization, while being specifically focused on job creation. Projects which are capital intensive, but are only geared towards prestige, with unclear gains in terms of job creation, should be avoided as they divert scarce capital spending away from the real challenge of job creation.

8. **Investigate the formation of a vehicle to drive partnership based, catalytic economic projects.**
Most successful cities have partnership based economic development agencies tasked with the delivery of catalytic type projects which include funding from various sources. Further investigations should be conducted in this regard with the emphasis on partnership based projects. This should occur in conjunction with the review of the Best Practice City Commission proposed later.

9. **Fast-Track the development of Special Economic Zones (SEZs) through a partnership with Province and the Department of Trade and Industry (DTI).**
SEZs have been viewed by the DTI as a key tool in achieving industrial growth objectives as contained in the IPAP. The debate on whether SEZs are primarily a tool for seeking spatial equity, or a tool that is to have maximum impact on job creation by focusing on regions where high impact could be felt by fostering globally competitive firms, is one that is still prevalent. Past experience in the regional decentralisation programme as well as international experience has shown that the latter approach is more effective in creating growth. In line with the regional approach adopted within this strategy, it is proposed that an SEZ in eThekwini be focused on achieving objectives for the greater eThekwini region which includes Umgungundlovu; UGu and ILeembe. The priority areas for further focus are around Dube Trade Port and the N3 Corridor (Durban to Pietermaritzburg).
This should include a freight corridor from the port to Camperdown (western boundary of the EMA) as well as the development of inland hubs or a dry port. As a large percentage of freight is not transferable to rail, the development of the freight route is important in ensuring that large vehicles don’t impact negatively on the city’s road infrastructure and congest the economic flows in the southern and western portion of the city. Apart from providing a logistics solution, the route should also be used to unlock new industrial areas to the south. A dedicated programme should be instituted to convert land for industrial use, particularly where it could have a positive impact on areas of poverty. Most large port cities around the world have a number of inland hubs which assist in the logistics chain as well as in reducing impacts on the city. The development of such hubs should not be considered from a purely, SoE perspective, but must be informed by what is good for the city. The principle of separation of freight and passenger traffic needs to be adopted.

11. Monitoring and Reporting
In order to continually monitor and assess the impact of investment as well as projects and events that the City invests funds into, there is a need for impact assessments to be undertaken, focusing particularly on job creation and economic impact. It is also proposed that as part of this strategy a job monitoring system is established which measures and reports on jobs created within the EMA and forms an early warning system of problem areas (where job losses are being experienced) which should inform interventions. The job monitoring system should also monitor and report on jobs created through the City’s capital budget as well as the Expanded Public Works Programme.
TWO: FACILITATE PRIVATE SECTOR INVESTMENT AND PARTNERSHIPS.

‘Pro-investment City’

A key change in the approach of the Municipality will be in the way it approaches and interacts with investors. This has been a major weakness in the current system where strategic investors are forced to follow queues, spend lengthy periods of time where applications are being processed and have applications refused on the basis of a comment by an official within a particular department at an operational level. Decisions on major investments must be made strategically, giving due consideration for technical issues.

1. Undertake an investment baseline study and review the Best Practice City Commission (BPCC).

The baseline study will examine investment trends over the last 10 years and identify the key strengths and weaknesses, as well as the cost of doing business. This will form part of the process of reviewing the BPCC. The BPCC was a well recognised process with key findings. Given the current challenges, it is thought that many of these recommendations are still relevant. Thus it is important to re-visit this initiative as part of the process of moving forward. The aim of this strategy is to improve business processes within the Municipality in order to improve the investment environment and business confidence. A moratorium should be placed on the introduction of any new tax or development levy until the completion of this study.

2. Develop an investment promotion strategy and investment protocol.

The Municipality requires such a strategy which spells out the investment sectors and earmarks firms for targeting as part of the investment promotion campaigns. The protocol will set out how investment applications will be treated. To prompt this process and avoid delays, this strategy spells out one aspect of such a protocol, below (see point 3). In addition, the Municipality must develop an incentive policy that seeks to attract key firms which are desirable from an employment and rates perspective.

3. Monitor and report to DCMs quarterly on investments >R50m and blockages.

No department or unit should unilaterally have the right of refusal for any investment over R50 million. All such projects will be referred to the DCMs forum, which may create a sub-working group dedicated to this, where necessary. The aim of this is to ensure that strategic investments that assist in meeting job creation targets are considered at a strategic level where choices can be made and budget priorities considered.
4. Undertake targeted investment promotion and marketing of the City.
In line with the investment strategy, investment promotion will be strategic and targeted.
In addition the approach will be to package either private or public sector led projects,
so as to present specific development or investment opportunities.

5. Provide targeted investment retention and expansion.
This strategy recognises the importance of business that is already located within the
EMA, and the strategic importance of maintaining and growing these firms. Many case
studies have demonstrated the economic potentials of providing the context for local
firms to unleash their productive capacity through inward investment, thereby creating
jobs. Programmes to support such firms typically include regular surveys/interactions
and addressing a range of issues from the cost of doing business to infrastructure
maintenance, etc. The clustering programmes within economic sectors (discussed later)
are also important. This aspect focuses on retaining and growing existing businesses
and will become a priority for the future.

6. Create partnerships for funding and investment with other levels of
government, parastatals as well as the private sector (PPPs) for infrastructure.
Three Metros in Gauteng issue municipal bonds as part of the alternate mechanisms
of infrastructure funding. There are also other private sector organizations as well as
developers that are willing to get involved in the funding of bulk infrastructure, particularly
where they stand to gain from this. Given the constraints of the municipal fiscus, this
strategy seeks to find alternate ways to fund bulk infrastructure through external
partnerships. It is proposed the specific projects be identified and a transaction advisor
appointed to facilitate partnerships that would benefit the Municipality and the need
to create a platform for investment.

7. Facilitate the development of a City brand in line with the gateway concept.
The promotion of the City brand, in line with the earlier proposal around the gateway
concept, will assist in investment promotion and avoid contradictions in messages being
promoted. Promoting the City’s economic vision as “Africa’s most leading and most
liveable Southern Gateway destination for trade and travel” will create consistency in
the messages conveyed to investors and local stakeholders.

8. Develop an investment project pipeline in partnership with the private sector.
The Municipality in partnership with the private sector will develop a list of key projects
which it needs to facilitate. Such a list will ensure that there are investment projects
being planned over the short, medium and long-term.
THREE: INVESTING IN KEY INFRASTRUCTURE.
‘Growing the infrastructure platform’

The historical under-investment in bulk infrastructure has necessitated the need for a more rapid investment in this area in order for accelerated growth and job creation. Projects that require bulk infrastructure, and which support the economic imperative include the following:

1. **Development of the Cornubia mixed use project.**
   This is a key project that will unlock significant investment in the north. The fast tracking the industrial component of this development is important as it will absorb some of the pent-up demand for industrial premises in the EMA.

2. **Support the further development of Dube Trade Port (DTP) and the Aerotropolis with the aim of leveraging maximum economic benefit.**
   DTP provides an integrated solution for time sensitive goods. Projects need to be put in place that takes advantage of this facility. In addition, the development around DTP needs to be supported. This area is identified as a potential SEZ and the Municipality needs to play a proactive role in ensuring infrastructure is provided to this area and its surrounds, as well as playing an active role in establishing the optimum mix of industries and firms to support job creation targets. A strategic view of this greater area needs to be taken in order to unlock areas including Kings Estate; Inyaninga as well as the DTP area itself.

3. **Development of the Integrated Rapid Public Transport Network (IRPTN).**
   Residents currently spend a large portion of income on transport. In addition, the current forms of private transport are not sustainable in the long-term and create negative environmental consequences. An efficient, safe and reliable system will assist in addressing these challenges. Furthermore, the modal interchanges present economic opportunities that will be exploited. The IRPTN, although limited in its initial roll-out needs to be flexible to respond to the growing city, and is vital in connecting areas of economic opportunity and residential areas. It forms a vital tool in restructuring the fractured nature of the apartheid city.

4. **Investigate the potential role of regional transport**
   Apart from the IRPTN, the need for high speed transport between regional centres needs to be investigated through partnerships with the Department of Transport. The growing metropolitan region includes fast developing regional corridors within interconnected nodes of provincial significance. There is a need to take a longer-term view of public transport to explore options along corridors such as Durban to Pietermaritzburg. The need for regional passenger movement needs to be assessed through a partnership with Province.
5. Phased provision of bulk infrastructure to support development in the North.

Supporting the development of the Northern Urban Development Corridor is critical to the future of the city. Bulk infrastructure should be prioritized for the area around DTP including Inyaninga and Wewe Driefontien. The development of Cornubia also supports this corridor.

6. Phased provision of bulk Infrastructure to support development in the N3 Corridor (Shongweni; Hammarsdale; Cato Ridge).

In line with the regional approach, the development of an integrated corridor from Pinetown to Pietermaritzburg is a priority development corridor. This area is a priority at a national, provincial and local level. The President’s State of the Nation Address, referred to this route as not just a freight corridor, but a development corridor. The accessibility routes between poles of growth provide the economic flows which should be used to achieve development that will address the socio-economic challenges of the outer-west as well as in the UMgungundlovu and uMzinyathi districts extending westwards to the Umgeni Municipality.

7. Investigate new industrial land opportunities.

The NGP and the IPAP (3) have identified land availability for new heavy, high-impact investments as an important constraint in economic growth and development. Industrial land prices and take-up has highlighted the shortage of serviced industrial land to promote economic development, particularly in the manufacturing sector which has been prioritised in this strategy. Given the scale of growth being planned to support the economic growth and job creation objectives, the City would need to ensure that there is a long-term supply of land to support on-going business investment and the future demand for land in the municipality. The phased/scheduled released of well located and serviced industrial land, the monitoring of demand and supply of land, land use management instruments, and sustainable land planning practices are vital in supporting business growth in the City. This would need to factor in the development of the freight route and potentials in the outer-west and north as proposed in this strategy.
8. Unblock existing applications for industrial development.
In order to get quick-win results related to this strategy, existing applications for industrial development that meet the developmental objectives of this strategy, should be facilitated with a view to unblocking these developments. Projects such as Finningley Estate, Kings Estate, the Inyaninga development and other projects that require municipal intervention in order to unlock development that will create a substantial number of jobs need to be prioritised for finding innovative solutions.

9. Promote IT Connectivity.
IT connectivity is a fundamental part of the way in which cities do business. Part of a city’s competitiveness is its level of global connectivity. This is particularly important for a city that positions itself as a gateway destination. The City must continue to roll-out its fibre optic network and create a high-speed and cost effective business platform. This should also be used to promote SMME development, e-government and skills and technology development. However, this needs to happen within the context of a well-structured and co-ordinated economic programme.
FOUR: LEVERAGE MAXIMUM LOCAL BENEFITS FROM INFRASTRUCTURE DEVELOPMENT.

‘Localisation’

There is substantial investment in infrastructure planned for the ETHekwini area. The aim of this programme is to ensure that there is maximum local benefit from this spend which will be driven by government and parastatals.

1. Investigate and pursue local economic opportunities arising from the development of e.g. the Dig-out Port; Cornubia; Freight Route; SEZ, etc.
   The infrastructure budget to be spent within the EMA is large and could have a substantial impact on jobs within the construction and related sectors. It is vital to ensure that local business and individuals benefit the most from this spend. This will include creating partnerships with business and tertiary education around skills development to support these key projects. It is anticipated that the maritime sector in particular will experience significant growth and has great potential for addressing youth unemployment. A dedicated programme with resources needs to be committed to ensuring that this is implemented.

2. Pursue local benefits of national and provincial government projects (e.g. redevelopment of King Edward hospital; etc.).
   Apart from the projects that the Municipality are involved in, there are other provincial projects, which include the development of new hospitals, etc., which the Municipality could assist with in order to unlock and reap rewards in terms of job creation.

3. Creating employment in construction through infrastructure projects (EPWP and related projects).
   The Municipality currently benefits from EPWP and significant work opportunities have been created which have contributed towards poverty alleviation and income generation for poor households. This programme needs to be expanded and better resourced. The Municipality will continue to promote EPWP opportunities.

4. Continually monitor the impact of key developments.
   The interventions made by the City, particularly in terms of large-scale capital projects, are funded by income from rate and tax payers. It is therefore paramount that all projects are able to demonstrate achievements against its stated objectives. The three critical criteria consist of job creation, having a catalysing effect on other/related industries and return on investment. In its current phase of development the city should avoid mega projects that are merely justified on the basis of improving its league standing among cities. Projects should be prioritised that are able to demonstrate real value in terms of jobs; economic linkages and return on investment. Impact studies (cost benefit analysis) should be undertaken prior to deciding on major projects (establish anticipated impact), as well as on projects already completed in order to assess the actual impact.
FIVE: PROMOTING INVESTMENT IN PRIORITY NODES AND CORRIDORS.
‘Efficient form’

The aim of this programme is to reinforce existing nodes and corridors that build an efficient urban form and which are responsive to the needs of the poor. Many of these nodes have developed over time and have a high degree of investment. In addition, nodes and corridors exist at different levels and this programme aims to take a differentiated approach by prioritizing firstly regional nodes and corridors, then city-wide and then nodes within key planning areas.

1. Inner-City revitalisation programme.

The inner city is an engine of the regional economy and requires significant investment. Over the past 10 years the levels of public sector investment have been much greater than private sector investment. The overall objective of the inner city revitalisation should be to create a 24 hour inner city which is safe, clean and is a centre for working, living, entertainment and culture. The following key points should inform the inner city revitalisation programme:

- The Municipality needs to package and facilitate private sector investment. Existing development application needs to be facilitated where appropriate.
- The Inner City forms the services hub for the economy of the region and needs to be promoted and supported to perform this function, including facilitating the development of tertiary sectors (such as Finance, Tourism, Knowledge Sectors and technology sectors and Professional Services).
- The approach should seek to develop or reinforce districts which have a particular focus (E.g. a tourism district; entertainment culture precinct; creative industries precinct; etc.). the Beachfront as a ‘special’ district, represents the face of Durban and requires a dedicated team.
- Key parcels of land within the Inner City should be unlocked for employment creating developments.
- Dedicated attention needs to be directed towards urban management, particularly maintenance; enforcement and safety/ policing.
- The current uncoordinated establishment of Priority Zones; UIPs, etc. needs to be reviewed in line with best practices which work towards a consolidated model. There is a need for an overarching structure (either within or outside the Municipality) which plays a co-ordinating and support role, and which promotes urban management, innovation, culture and the creative development of public spaces.
- Densification tools need to be innovatively used to promote greater residential development. The better buildings programme needs to be given further impetus and used where possible, to develop good quality and affordable housing within the inner city.
- Greater private sector investment needs to be facilitated towards the development of new visitor attractions in the inner city.
- Key districts such as the ‘back of beach’ along Mahatma Ghandi drive should be targeted for rejuvenation.
In the development of the dig-out port, the City should negotiate the dedication of the southern boundary of the inner city along the port, for leisure and recreation. This could be used to develop new leisure; retail and entertainment facilities.

The current Urban Development Zone (UDZ) incentives for the inner city need to be incorporated into a well-marketed programme. In addition, additional incentives should be applied as part of the City’s rates policy.

A key principle that needs to provide focus for all initiatives, especially when looking at tourists spaces, is to ensure that the precincts and inner city in general is focussed on improving the quality of life of citizens. When spaces are creative and work for citizens, they will attract tourists. Local pride in the city and local people living, working and playing in the inner city must be a priority in creating a 24-hour inner city.

2. Develop an overarching strategic approach to nodal regeneration

Based on a review of current approaches by other cities as well as past experience, the approach of eThekwini to revitalization of the inner city and secondary CBDs needs to be informed by an overarching strategic approach which identifies the strategic objectives/direction, the tools and methods as well as a system of measuring progress. This should be based on the key pillars of urban management, inward Investment and LED, and urban improvement. While a number of strategies within this overall programme identify the need for regeneration of specific nodes, this strategy seeks to establish an overarching approach and policy direction, which will form the framework for the other nodal regeneration initiatives. The overall approach needs to be reviewed and addressed within the context of partnerships with the private sector, civil society and other actors.

3. Targeted interventions in secondary CBDs (e.g. Pinetown; Isipingo; Tongaat; Verulam; Umhlanga; etc) focused on urban renewal and management.

These centres are important business nodes within specific planning areas and require dedicated attention as they serve a particular function within the overall hierarchy of nodes in the EMA. Over the last 8 years investments have been made in a number of secondary CBDs. Much of this investment has been made in the form of public realm upgrades and improvements; informal trading facilities and transport interventions. However, the levels of private sector investment have been generally poor. While further interventions in these areas are required, they must be directed towards the specific outcomes of improving business confidence and attracting private investments (either through existing business upgrade/expansions or through new investment). In this regard significantly greater attention will be paid towards the following:

- Public realm improvements
- Urban management
- releasing land for development
- introducing appropriate incentives through an incentives policy
- providing the context for ratepayers to invest into their assets
- Introducing where appropriate, projects that support specific industries that have a local footprint.
4. Implement sector economic projects as catalysts in key nodes in line with comparative advantages.

Historically, urban renewal initiatives and industry support programmes have largely operated in isolation of each other. However, there is an increasing acknowledgement of the link between industry and their location. This, at an aggregated level is a fundamental part of the overall space economy of the EMA. Linking renewal and industry programmes has a mutually beneficial role. Each node presents with advantages in particular sectors, e.g. Pinetown has comparative advantages in medium sized manufacturing activity related to specific sectors. As part of creating stronger economies within these nodes, sector projects will be targeted for relevant nodes. In essence, apart from urban renewal projects, projects that support economic sectors, directly provide economic opportunities, and act as local catalysts, should be initiated.

5. Pursue regional development and integration (sub-provincial level).

Due to the factors covered earlier, a key focus of this strategy is to understand and direct the region, which is a specific sub-provincial space economy. The future growth of the economy, particularly in terms of industrialisation and the ability to address issues of poverty and unemployment in the greater area will depend on the ability to capitalise on the development opportunities within key regional corridors and to connect nodes of regional and provincial significance. This strategy therefore proposes a focus on the Durban to Pietermaritzburg (and Umgeni) corridor as well as the Durban to iLembe corridor. EThekwini’s economy is the key influence driving growth in the province and our growth and the region’s growth is interlinked. The Municipality needs to move from an insular approach to a regional one, informed by regional priorities that support neighbouring districts to integrate into the greater eThekwini economy. The focus will be on enabling development through the Regional Corridors (identify and unlock the barriers to development in the corridors).
‘Address the past unlock the future’

Due to the apartheid legacy, the former township areas were developed as dormitory residential areas with in insular focus with minor retail activities and basic social services. As a result they have weak and under-developed economies and are not well integrated into the existing economy. This programme aims to improve the business environment within the township areas and create a conducive environment (through active facilitation and direct interventions) for growth.

1. Building on the momentum created through investment in key township nodes and corridors.

Extensive planning work has been undertaken in Umlazi-Malukazi; Inanda Ntuzuma and KwaMashu (INK); Clermont-KwaDabeka and Mpumalanga. The projects identified need to be fast-tracked for implementation through the Neighbourhood Development Partnership Grant (NDPG) programme. A key focus of this programme in the future will be the identification of partnership based investment opportunities in these township areas. Should future funding opportunities emerge through this programme, applications will be made to expand this programme to other priority township areas. Retail related projects which provide local shopping should be re-focused to increase local content among the tenant mix and a programme introduced to support local franchise opportunities.

2. Focus on sector projects which facilitate the development of opportunity sectors such as the furniture industry, motor repair, agro-processing, and ICT.

The overall aim of the township programme is to develop viable economies within these areas, to create employment opportunities without the burden of high travel costs, to facilitate economically viable communities and expand the future rates base, it is critical that economic opportunities go beyond retail and consumptive based opportunities. A key focus of this strategy is to improve the productive activities and the EMA. Hence it is important to target key sectors that show potentials within specific townships. This strategy therefore proposes a focus on sector-based business incubation for key sectors identified. In perusing such programmes, partnerships should be built with institutions like the IDC; iThala; SEDA technologies; etc, to deliver successful projects.

3. Expanding the Township Redevelopment Programme to other townships.

While the largest townships have been targeted for economic interventions, there are many other townships as well as dense peri-urban type settlements which are densely populated by people who are often living in conditions of poverty. Funding and resources should be identified in order that the township development programme could be expanded to other townships currently not receiving focus, such as Marian Ridge; etc.
4. Targeting rural nodes and corridors for public investment that provides a platform for private sector investment.

In the overall hierarchy of nodes in the EMA, rural nodes are service centres that provide basic economic and social services to the surrounding rural areas. These areas provide a platform for making government and basic economic and social services available to the poor. Significant work was undertaken by the rural ABM in identifying rural investment nodes. These nodes, as well as the planning undertaken for them are supported within this strategy. While planning has been undertaken, very little private investment has been directed towards these nodes. Public investments include providing libraries, clinics and pension pay points. The future approach will be to facilitate private sector investment into those nodes such as the KwaXimba, etc. This will be based on the priority nodes identified by the rural planning.

5. Develop and implement an LED programme for key impoverished neighbourhoods (particularly informal settlements).

Based on the funding provided for in terms of the Urban Settlements Development grant (USDG) work has begun on focusing on the most impoverished areas to undertake LED plans supported by action, to facilitate the new micro-level economic opportunities. This LED programmes will focus at the neighbourhood level to address the micro-level LED opportunities. Key informal settlements that are vulnerable and at risk in terms of poverty need to be identified and focused on.
6. Develop investment plans as part of plans for township areas and provide incentives for targeted investments in townships.

The barriers to entry and start-up within township areas have been higher than in other areas, resulting in low levels of economic activity. As part of the programme of intervening into the township areas it is important that there are concrete investment plans with identified opportunities in place. This needs to be supported through the overall incentives policy which identifies specific townships for targeted incentives. This will include identifying the nodes for investment, packaging sites and releasing for investors from within and outside of townships and developing financial incentives.

7. Taking steps to ensure that there is maximum local benefit and upliftment from new investments.

All interventions that occur within the township areas will place emphasis on the principle of localisation. This will include incorporating issues such as local franchising; job shops for key developments and encouraging ‘sell locally, source locally, and shop locally programme’. Such programmes encourage local pride while supporting local suppliers of chain supermarkets, etc. This could include certification for retailers that buy locally, while providing support to suppliers.
SEVEN: EXPANDING THE LABOUR MARKET.
‘A Larger and more Skilled Labour force’

The skills challenge outline earlier permeates through all facets of society and addressing it requires co-ordinated and targeted interventions from all spheres of government, the private sector and society. With regard to EThekwini’s role, this programme will aim to respond to the need for a larger and more skilled workforce, while encouraging young professionals, artisans, etc, to stay within the city. This is important in creating quality rate payers and in addressing the triple challenge of poverty; unemployment and inequality.

1. Create partnerships and invest in strategic skills development.
Partnerships will be created with the private sector and tertiary education institutions to support skills in key sectors such as the Maritime industry as well as to provide skills for key projects such as the development of the dig-out port. The development of the dig-out port will over a period of time, double the economic significance of maritime in the local economy. This sector holds particular significance for the youth who need to be trained for this future economy. Apart from the maritime industry, skills development programmes will be targeted for each of the sectors prioritised within this strategy. An important aspect of this strategy is to link skills development initiatives to industry development programmes in order that ensure that skills development is relevant, closely linked to industry and improves the employability of people. In order to implement these programmes, partnership will be established between the City, tertiary education institutions and industry formations.

2. Promote the green economy and other new sectors.
The green economy is no longer considered a new sector globally. However, it is still in its growth stage within South Africa and holds significant opportunities for the future. The focus of this strategy on improving the carbon efficiency of the economy presents opportunities for new products, processes and innovations. Durban in particular has developed a reputation as a green city and holds the possibility of furthering this reputation by developing, commercialising and marketing new and innovative technologies. Due to the high number of sunshine days, the EMA has potential for solar projects. Other initiatives include waste buy-back centres and innovative waste management, such as the current USE-IT initiative, hydro-power and research in ethanol and oil from algae. Programmes such as Shisa Solar and green buildings also need to be supported. There is scope to enhance current initiatives and explore numerous others in this innovative and dynamic sphere, particularly in attracting green investment within the EMA. There is a need to place all of these initiatives within the context of an overall strategy and implementation plan. In addition, green industries need to be given priority within the investment promotion initiatives as well as industry support. The development of a renewable energy technology park needs to be further investigated.
3. Develop a programme to ensure the integration of women into the economy. 
This should be pursued through the projects that are proposed in the various programmes, particularly in the area of entrepreneurship, informal sector support and industrial sector development.

4. Promoting a social environment for tertiary students.
The analysis has shown that there is a high rate of migration of skilled professionals, particularly young people, to Gauteng. As part of the efforts to maintain young skilled professionals the City needs to reinforce a positive environment that encourages young people at tertiary education institutions to remain in the city. The strength and attraction of lifestyle choices needs to be used to the advantage of the city. This could include investigating key precincts within the inner city and using the concept of clustering related or supporting uses to create a social environment, which should include residential accommodation for tertiary students.

5. Lifestyle and economic choices to retain skills.
Related to the above, as well as being supportive to the tourism industry is the need to build and improve quality of life choices that help retain skilled professionals. Fostering entertainment districts (such as Florida Road) form part of this, but needs to be developed in different forms in other areas of the city. The quality beach environment and good neighbourhoods also reinforce this concept. The promotion of culture and artistic expression in the built environment is an important part of creating a lifestyle city. A dedicated programme focussing on specific precincts needs to be developed under the overall approach of developing, managing and marketing key precincts.

6. Develop a youth employment programme through partnerships with industry and tertiary education around on-the-job training, apprenticeships and recognition programmes
It is estimated that about 80% of the unemployed are under the age of 35 years\(^{19}\). The success of job creation efforts depends largely on the ability to tackle the challenge of youth unemployment. The strategies related to skills development will play a major part in this, as will the key projects such as the dig-out-port. The role of FET colleges is considered critical and should form an integral part of this strategy. There is also a need to develop a dedicated programme focusing on youth employment. This could include recognising firms for their commitment to social contribution and to youth, and the youth themselves for participation. There are many graduates who are unemployed or under-employed. These interventions should also seek to give the youth practical on the job training through apprenticeships that will improve their ability to enter the job market.

\(^{19}\)EDGE, QLFS Analysis, 2013
The lifestyle concept will be an important part of Durban business proposition. The City has a comparative advantage in the tourism industry, particularly related to domestic tourism. The tourism sector is important in improving the consumer economy, rates base and quality job opportunities. This programme aims to strengthen and create a more competitive tourism sector, target high value markets and diversify the tourism products.

1. Promoting sports, events and Meetings Incentives Conferences and Exhibitions (M.I.C.E) as well as support for hallmark events and international events.

Events have become a key part of the tourism strategy of the city. The city has also developed skills as well as infrastructure that support the eventing industry. Hallmark events such as the Comrades Marathon, Durban July, Duzi Canoe Marathon, Indaba and Mr Price Pro, are the events that attract the largest number of foreign visitors and bring income into the city. Business tourism events, such as conferences, are also valuable. The city requires an events strategy that seeks to enhance specific events while nurturing new events with growth potential. With regard to the further development of facilities such as the ICC, this should not happen in isolation from the need to create a platform for international trade. In general, prestige projects considered merely for image purposes, should be avoided as the city can ill-afford scarce finances that could be used to create jobs and address social issues. Tourism interventions need to be carefully considered from the perspective of maximum impact through innovative methods, to decide where the City should make its large-scale investments.

2. Provide strategic tourism marketing (e.g. 3 cities initiative).

Tourism marketing through an appropriate vehicle funded by the City and the private sector needs to develop a clear marketing strategy based on Durban’s unique value proposition in relation to targeted markets. While Durban serves as the country’s foremost destination for domestic tourists, the scope for significantly growing this market has certain limitations. Significant effort needs to be placed in growing the international markets through targeted marketing. These initiatives need to be targeted through a tourism marketing strategy.

3. Facilitate direct flights and charters to eThekwini from key markets (including Africa).

As part of the initiatives to attract high value international tourists, there needs to be engagements with the actors within the tourism industry who are responsible for selling tourist experiences. In the absence of sufficient marketing by the large/global tour operators, the City should facilitate the introduction of chartered flights into Durban from targeted destinations. There is a direct link between the availability of direct flights and increases in tourism from those markets. Hence, the City needs to also support DTP in its efforts to attract direct flights between Durban and international destinations. Facilitating charter flights are an important part of tourism development and a stepping stone towards direct flights.
4. Rural and eco-tourism product development (Hazelmere Dam; Valley of 1000 Hills; Umgababa).

Durban is primarily a beach tourist destination and this emphasis will remain for a long time. However, beach tourism should be used as the platform upon which the city building in its attempts to diversify its offering of tourist attractions. There are potential opportunities within the rural areas, particularly in the 1000 Hills area, KwaXimba, Northern areas as well as on the South Coast, to encourage rural tourism. This could be used to foster economic opportunities in these areas. When the conceptualisation and initial work was being done to develop the Inanda Heritage Route, there was significant criticism due to this area being within a township, due to safety issues, etc, this would constitute a waste of funds. However, once the product was developed to an acceptable level, marketing initiatives were introduced and these have resulted in successes in bringing this route onto the list of tourist attractions within the city. Similarly, rural and eco-tourism products need to be developed through focussed programmes which are later attached to marketing initiatives. Rural tourism will add diversity to the product offering and hence requires a specific initiative.

5. Maintaining tourist facilities, services and infrastructure to world class standards.

The recent tourism strategy\textsuperscript{20} identified crime and grime as a negative feature of destination Durban. It is important the maintenance of tourist attractions and surrounding precincts require a high degree of management to ensure that they remain competitive. The Municipality should look at cost-effective ways of co-coordinating and monitoring urban management within such precincts. This will form part of an overall programme that looks at urban management and revitalisation, with a specific emphasis on tourism precincts.

\textsuperscript{20} PSIR & Durban Tourism, 2013 (Grant Thornton)
6. Promoting SMMEs through tourism.
SMMEs are most often locally owned and bring significant employment opportunities for people. Tourism should be used as one of the key areas in which SMMEs are targeted for support and inclusion into the mainstream industry. SMMEs need to be brought into the tourism system which is often dominated by large firms. The Municipality should provide assistance in this process and create business linkages, through a specific programme.

7. Developing cultural and heritage tourism (e.g. Inanda Heritage Route).
The rich cultural heritage of the EMA needs to be used to create economic opportunities for communities. This is mutually reinforcing as it provides funding for the protection and further development of these cultural assets. The inner city should be a hub of artistic and architectural expression, while the Inanda Heritage Route should be brought into the mainstream of tourism products visited by domestic and foreign tourists. Township tourism also needs to be pursued through a structured initiative.

8. Realising the full potential of coastal tourism products.
Coastal tourism is Durban’s main tourism draw card and will continue to play this role in the future. The coastline with its warm beaches is the biggest tourism asset and the Municipality needs to develop this in a differentiated way which caters for all sub-segments of the coastal tourism market from eco-tourist to urban tourist. In this regard areas such as the Inner City, Umhlanga, Kingsway corridor, Umgababa, Umkomaas; etc, are of importance and require a differentiated approach.

9. Adopt a regional approach to tourism marketing and development which includes the areas around EThekwini.
In line with the regional approach of this strategy, it should be recognized that tourists do not view municipal boundaries in isolation. Hence collaboration in marketing, eventing and product development is considered important.

10. Develop tourism strategy
In order to foster a diverse tourism offering and a more competitive sector, there is a need for an overall tourism strategy. The tourism strategy should address the need for sector support and development, incorporate a marketing strategy and include a dedicated focus on product development.
NINE: ENTERPRISE DEVELOPMENT, TRADE AND SECTOR SUPPORT.
‘Fostering Industry’

A key feature of this strategy, which is consistent with the NDP, is the industrialisation of the economy. This implies that the productive industries identified in this strategy will be prioritised and supported. The sectors were selected on the basis of size; performance; multipliers; attractiveness and growth potential. This programme seeks to improve employment by strengthening industries within key targeted sectors, while improving entrepreneurship and the number and quality of SMME businesses. This is a key aspect of job creation.

Priority Sectors for Support (not presented according to SIC names) :-

These sectors were identified using the methods outlined earlier and are in line with national and provincial priorities, but also respond to the local economy. Sector support programmes will include the use of SPVs/industry associations or clusters to strengthen business processes, skills, business linkages and benchmarking. In addition, sector specific projects will be undertaken to promote innovation as well as to provide facilities that may not be feasible for the market to provide by itself. Promoting SMME developments as well as transformation are also key issues to be addressed. Within this programme there will be specific projects to promote an industry/sector specific support for SMMEs. The sectors identified are targeted within the Manufacturing and Services sectors. However, the types of interventions targeted for each industry will not be the same.

There are broadly four categories of sectors which will receive different focus:

- **Priority job creating Sectors for catalytic interventions**: These sectors are typically large and apart from ‘soft’ interventions such as cluster formation and competitiveness enhancement. The interventions will include tangible projects which are catalytic in nature, in the sense that such interventions will have a ripple impact within the sector as well as into other sectors. There will be a targeted investment drive to attract large firms in these sectors, into the EMA. Each of these sectors has significant growth potential, and even a small percentage growth in the sector will result in significant job creation due to the size of the sector. The Maritime sector in particular is identified as particularly significant as in about 10 years, the development of a new port and growth in the sector will almost double the significance of the maritime industry. The economy, and the youth in particular should be made ready for this.

- **Niche- and Knowledge sectors**: These sectors are high-value and bring quality or skilled jobs, although they do not necessarily have a direct large-scale impact in job numbers. Nevertheless, these sectors are important as they are often innovative, produce new products or processes, and employ new technologies or processes which enhance the economy as a whole. They may also add to quality of life and enhance
the local area through the ‘expressive and creative industries’. Some of the interventions in this space may be physical projects as well as industry support and facilitation. Investment promotion campaigns in these sectors will be aimed at attracting investment within specific planned projects. These sectors will play an important part in ensuring that young skilled professionals are attracted to the city.

**Employment intensive sectors for protection and growth:** These sectors are large employers and require measures that ensure that they do not lose jobs. There are large numbers of semi-skilled jobs within these sectors and support must be provided which ensures that they become more competitive. All opportunities along the value chains need to be exploited and there also needs to be support to these sectors in gaining ground in the domestic market (which is a key focus as well as increasing local production and content). Assisting these sectors to grow towards exports is also an important element.

**Support and growth facilitation:** These sectors are not large but have potential for growth based on available skills or the local areas ability to produce labour with the relevant skills. Furthermore, they play an important role in the national or regional economy. Interventions will be typically small-scale and also include soft interventions. Investment facilitation and larger projects may be undertaken, but these will be driven from a demand perspective, for example an anchor investor willing to invest locally.

**KEY SECTORS FOR DIFFERENTIATED SUPPORT**

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<tr>
<th>Priority job creating sectors for catalytic interventions</th>
<th>Automotive (Transport Equipment - cars; tractors; trucks; components and linked industries)</th>
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<td>Chemicals</td>
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<td>Tourism</td>
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<td>Maritime Logistics and Trade</td>
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<th>Niche and Knowledge Sectors</th>
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<td>Creative Industries (Film &amp; Media; Crafts; Fashion)</td>
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<td>Finance and Professional Services</td>
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<th>Employment-intensive for protection and growth</th>
<th>Clothing and Textiles</th>
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<td>Foods and Beverages (including Agro-processing and other FMCG)</td>
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<th>Support and Growth Facilitation</th>
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1. Develop and implement targeted sector support programmes.
Within all of the sectors identified there will be programmes developed that are targeted and tailor-made for the specific objectives to be achieved within the relevant sector in line with the above. This will include the development of clusters. The overall sector support programme will form the framework for all interventions undertaken by any City departments in supporting the sector. The sector support programme will form the business plan to which all actors must align in delivering support to that particular sector.

2. Provide business support and enterprise development services.
There are a variety of challenges facing SMMEs in the EMA. These range from access to markets, access to finance, internal challenges, business skills and government red tape. In addition there are challenges which are sector specific. The Municipality will provide support appropriate to the business type and stage of development. The Business Fair has become an important tool in assisting these businesses. A central part of this is to create a dynamic SMME Strategy for the City, and to engage in partnerships. Where support is sector-based, this must occur within the framework of the overall sector support programme outlined above. Experience has also demonstrated that incubation initiatives yield greater success when they are linked to specific sectors.

3. Undertake international market linkages.
Market linkage programmes are important in creating mentorships and learning relationships as well as longer-term supplier relationships. Networks and support systems among businesses are important in facilitating business growth. Initiatives such as Trade Point provide an important role of linking local businesses with international clients and markets.

In order to capitalise on the logistics platform as well as the anticipated growth in the maritime industry, and in further pursuance of the objective of this strategy to increase the local productive activities and the levels of trade that occurs within the EMA, it is proposed that the City undertakes a detailed feasibility around the development of a world trade centre, based on an African theme. This could be linked with the ICC and should the city consider any further expansions of the ICC, it could be linked with the notion of providing a platform for international trade.

5. Promote a business and trade friendly environment.
This entails undertaking initiatives that improve the ease of doing business for SMMEs and the establishment of an SMME advisory committee/think tank, which includes the Municipality, business and academia. Further it is proposed that reforms are introduced in procurement processes in order to improve the registration process of SMMEs as well as ensuring that these service providers are paid within strict timeframes (14 days is suggested). The Municipality should also lobby for reforms to the regulatory environment at provincial and national government.
6. **Provide support to the informal economy.**

From the analysis it was clear that the informal sector provides employment to a large number of people. This part of the economy requires structured support that allows it to operate within a framework of support and management. Initiatives of the Municipality relating to areas where the informal sector is prominent need to incorporate the interests of these micro-businesses as well as survivalist operators. The entrepreneurs in the informal economy need to be provided with support that allows for growth while the survivalists need support that allows them to operate in an environment where they have security of operation. There is also a need to review the City’s Informal Economy Policy. There is also a need to protect the formal and informal economy from illegal operations that are being used as conduits to dump cheap foreign goods into the local economy.
TEN: SUPPORTING SOCIAL ECONOMY INITIATIVES IN RURAL AND HISTORICALLY DISADVANTAGED REGIONS.

'Supporting the poor'

This programme seeks to diversify the range of interventions for rural development while providing platforms for this development to occur. It also speaks to address the poorest within society to ensure that there is a co-ordinated response between all actors, to address issues of poverty where they exist. This includes targeting vulnerable groups.

1. Implement a Rural livelihoods development programme.
Vulnerable rural areas require a specific livelihoods focus which looks at the multifaceted methods that poor households in rural areas use in order to sustain a livelihood. This programme seeks to understand those methods and to provide support and foster these livelihoods. The City needs to develop a social package which may include the current indigent responses, but incorporates basic agriculture and skills development and the establishment of co-operatives. Where such initiatives emerge, these groups should then be channelled through to the other strategies which aim to provide support to small and micro business.

2. Provide financial assistance and planning support to key rural initiatives.
One of the key challenges experienced by actors in the rural development field, is the lack of funding for key initiatives. Key rural projects require funding and dedicated project management support. The Municipality will develop capacity in project management dedicated to implement specific priority rural projects identified through the rural LED strategy.

3. Adult Basic Education and Training (ABET), literacy and key development skills for women and youth from disadvantaged backgrounds.
Many discouraged work seekers are no longer in the job market as they are unemployable, due to the lack of basic education and skills. Basic skills are a pre-requisite for entering the jobs market. Marginalized groups need to be targeted for such programmes. Some programmes are provided by the Skills Development Unit. However the majority of such interventions are to be delivered through existing institutions, including NGOs and FETs. The Municipality should play a facilitative and monitoring role.

4. Recognising and supporting the role of NGOs and CBOs in fighting poverty and social ills.
There are many people that will continue to live on the fringes of the economy and will continue to do so despite interventions being put in place. The role of NGOs and CBOs should be recognized and encouraged. Some NGOs in Inanda as well as faith based organizations are undertaking initiatives that go beyond feeding schemes and incorporate skills development, support for abused women; etc. Grant in Aid allocations should be made to appropriate organizations as well as non-financial support. However, this must occur within a structured way, based on explicit priorities, rather than ad hoc decisions. A policy in this regard must be formulated.
5. Develop a servicing policy for rural areas.

One of the barriers to the development of rural nodes, is the level of uncertainty related to the provision of infrastructure. While it is economical to limit development within a defined urban edge/ servicing line, it cannot be ignored that a significant number of people reside in these areas. In line with the change in mind-set of the Municipality, instead if outlining what cannot be delivered to rural areas, policies must detail what can and will be provided. Investments into rural areas including nodes will not be possible until there is a policy on service delivery for rural areas. While service levels may not be to the level of urban infrastructure in the urban core, the levels of services to rural nodes need to be defined in order to create certainty. The basket of services that will be provided to rural areas need to be defined.


CSI programmes are currently undirected and do not necessarily respond to the priorities of communities expressed through the IDP. The City should establish a service that will link CSI with community needs.

7. Public and private investment facilitation into key rural nodes.

While a substantial amount of planning was undertaken by the Rural AMB, little investment has occurred. Public investment into rural areas should be channelled into the key nodes and should include services such as IT connectivity. Investment promotion should be undertaken to pursue and facilitate potential private sector investment within these nodes.
8. **Investigate the development of organised agriculture and provide support.**
While agriculture is a labour intensive sector, its significance in the local economy is negligible and has been further declining over the past 10 years. However, due to the importance of maintaining a local agricultural sector, the City should, through a partnership with the Ingonyama Trust and Department of Agriculture, undertake facilitative actions to ensure the development of organized agriculture. The approach should be based on a business case and targeted at a few priority projects.

9. **Package key tourism initiatives for private investment.**
Key tourism initiatives in rural areas including Hazelmere Dam, Umgababa visitor resort, Inanda Dam, and the like, should be packaged for private sector investments. Complicated government procedures often hamper these developments. The tourism development around Inanda and Hazelmere dams have experienced significant delays due to complicated government procedures related to PPPs and uncertainties within the Department of Water Affairs and Forestry. It is important the inter-governmental partnerships are formed that will unblock these developments.

10. **Prioritise areas of poverty for socio-economic interventions.**
LED interventions and social initiatives including the provision of facilities need to be prioritized within areas of poverty. Neighbourhood level LED programmes need to be implemented by LED officers with experience in implementing programmes in disadvantaged and underinvested areas. These areas have been identified through spatial-economic analysis. Municipal staff that are scattered throughout many municipal departments, but that are engaged in LED type work within vulnerable communities, need to be consolidated within an LED section and operate within a clear framework. This will address the current absence of LED officers that operate at a community level with a focus on promoting micro opportunities.
3.2 TARGETS

In order to meet the targets of the New Growth Path and National Development Plan, EThekwini must:-

- Create approximately 45000 jobs per annum. Currently the local economy creates approximately 21 726, leaving an additional 23 193 to be created. The detailed plan will illustrate how job numbers should be ramped up over time.
- Achieve an economic growth rate of between 4% to 7% per annum between 2013 to 2018.
- In order to reduce inequality, the Gini Coefficient should be reduced from 0.62 to 0.58 by 2018.

Job creation remains the key to reducing poverty and inequality.

3.3 IDENTIFYING CATALYTIC PROJECTS

Based on the strategies in the previous section, key catalytic projects are identified below. Some of these projects are in their initial stages of conceptualization while others are more advanced.

1. Bulk Infrastructure to unlock development along the N3 and N2 Corridors, with specific focus on Cato Ridge and the greater Dube Trade Port.
2. Developing a globally competitive Special Economic Zone/s focussed on the greater Dube Trade Port. This strategy supports the development of a logistics hub at Cato Ridge and proposes that a second special zone be investigated around the greater Cato Ridge area. This maybe an SEZ (as per Government designation) or a municipally and provincially incentivised zone, building on the logistics base, but attracting productive activities.
3. Development of a specialized Automotive Industrial Park and "Autotropolis"/Automotive Corridor along the southern (N2) corridor
4. Development of a specialised Renewable Energy Technology park
5. Development of a Centre for Innovation support: focused on a partnership between Tertiary education and industry to develop new products and processes to support key sectors of the economy. The two critical focus areas should be on Manufacturing and ICT.
6. Development of an African Trade Centre. In support of the role as the gateway for trade and travel and to ensure that the EMA increases its profile in trade, this project will seek to capitalise on the free trade zone among the 26 African countries and perform a platform for trade. A detailed feasibility study should be undertaken for this.
7. Inner City Revitalisation. The major elements of this project have been outlined within Programme 5 (1). It is important that as part of this, the City develops an overall approach to the revitalisation of the Inner City and other secondary CBDs, which
takes a more co-ordinated approach to the current priority zones and UIPs. This should include public private partnerships. New developments such as the redevelopment of the port-inner city southern interface (Margaret Mncadi/ Victoria Embankment) will be a key element of this and negotiations need to be undertaken with port authorities.

8. Industrial land release. This will emerge from the research and strategy outlined within programme 3. It is anticipated that this will result in tangible projects which may include the unlocking of new industrial areas. The City, along with province and the private sector need to be engaged in initiatives to unlock such opportunities.

Other Catalytic Projects that are key to the economy (these are projects already proposed or being implemented but which support this strategy):

1. Port expansion and the Dig-Out Port
2. Back of Port Renewal
3. Cornubia mixed use development
4. Freight Plan and Freight Route
5. Integrated Rapid Public Transport and supporting nodal developments
6. Ensuring implementation of key private sector projects such as Finningley Estate; Kings Estate, Clairwood industrial/logistics hub, Keystone Development; Inyaninga Industrial Estate and other projects that support the job creation targets and expand the rates base in a sustainable manner.
7. Smart City project

Sub-regional and community projects:
These projects are drawn from the strategies already presented earlier. It will entail the following:

1. Re-focusing the township development programme to package land for development; ensuring development has maximum local benefit and focusing on sector (industry) projects based on the relative strengths of each township (these may include sector-orientated incubators; ICT hubs; etc)
2. Re-focusing the nodal development programme to package land for catalytic development in relation to the comparative advantages of the location; investment attraction; focusing on sector projects; and renewal of specific precincts.
3. Industrial renewal. Many of the city's industrial areas are in a poor state and require focused intervention. It is thus proposed that a programme of industrial renewal be introduced which will look at physical upgrading while also developing partnerships with firms aimed at business retention and expansion.
4. Industrial sector projects will be aimed at improving industry competitiveness and employment through expansion and the establishment of new companies. Such interventions may include the development of a manufacturing centre of excellence; infrastructure to support specific sectors like electronics; etc. New small firms will also be supported to encourage their survival and growth. These projects will be
strategically located in nodes (where possible) to support nodal regeneration efforts.

5. The tourism development programme will be re-focused to relate to key areas and markets where gains can be achieved. The main focus will be on the coastal tourism products while bringing in new cultural; eco and sport tourism products.

6. The rural nodal development programme has had relatively little success due mainly to a lack of certainty around bulk infrastructure. A servicing policy will assist in creating certainty. Rural nodes identified by the Rural ABM through planning processes and an LED Strategy need to be prioritized auctioned through a project management approach.

7. The neighbourhood level LED programme will introduce a new layer of LED projects within the city by bringing focus on informal settlements where interim services are provided. This will be piloted in three areas and then rolled out to other areas depending on the level of success.

3.4 DEVELOPMENT OF AN ECONOMIC PLAN

The next step once the strategy has been accepted and finalized, is the development of an economic plan which will translate these higher-level programmes into implementable and funded programmes that are allocated responsibilities and timeframes. It would also need to be incorporated within the IDP and other city strategies and be supported by a monitoring mechanism.

The adequate resourcing of the plan and the monitoring component will be the litmus test of whether this strategy will bring meaningful change on the ground, or find a place on bookshelves used only to satisfy compliance requirements.

Every employee, business, ratepayer and manager, is a leader in their own right. How will you define your role in bringing about a step-change in addressing our mutual challenge of unemployment; poverty and inequality?

Unless there is a ‘Step-Change’ in economic leadership which facilitates a change in the way the Municipality seeks to address the challenges of unemployment, poverty and inequality, we will fail to reach the destination that we collectively desire.
“The future does not build itself.”
News from the Economic Development & Growth in eThekwini.