



# MKHAMBATHINI LOCAL MUNICIPALITY (KZ226)

*The Final*

## Local Economic Development (LED) Strategic Plan, 2007



**(FINAL – MAY 2007)**

**PREPARED BY:**

**The Municipal Manager**  
uMgungundlovu District Municipality  
242 Langalibalele Street  
Pietermaritzburg -3201  
**Tel:** 033 897 6700  
**Fax:** 033 394 5561  
**Email:** [mpontshaneb@umdm.gov.za](mailto:mpontshaneb@umdm.gov.za)

**IN PARTNERSHIP WITH:**

**The Municipal Manager**  
Mkhambathini Local Municipality  
P/Bag x 321  
Camperdown, 3720  
**Tel:** 031 785 1184  
**Fax:** 031 785 1463  
**'mkhambamune@telkomsa.net'**



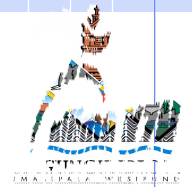


## Acknowledgements

Blueprint KZN (Pty) Ltd would like to thank and acknowledge the following persons and organizations for their contribution and support made to this work. Their remarks, critiques of the work, and information inputs were of enormous value in the preparation of this strategy and without these inputs this LED baseline strategic planning project could not have been developed.

Name	Entity
Jan van Der Vegtel	UDIDI
A.Ramnath	Umngeni Water
G.Edlumann	BEFA
B.Xaba	UMDM
T.Mngcabu	Mkhambathini Municipality
N.N.Khuzwayo	Mkhambathini Municipality
Sandile Ngcobo	DED
Nomali Zondi	Camperdown Welfare
Josie Rowe-Setz	Director- Blueprint
Joy Gumede	Director: Blueprint
Boxer Mpontshane	UMDM
Nathi Hlongwa	UMDM
Sandra Hlongwane	Mkhambathini Local Municipality

uMGUNGUNDLOVU  
U M A S I P A L A W E S I E U N D A  
D I S T R I C T M U N I C I P A L I T Y  
D I S T R I K M U N I S I P A L I T E I T



# A WORKING PARTNERSHIP



2

*This project was a joint effort by the uMgungundlovu District Municipality and the Gijima KZN Programme of the Department of Economic Development of KwaZulu Natal in partnership with uMngeni, uMshwathi, uMsunduzi, Mkhambathini, iMpendle, Richmond & Mpofana Local Municipalities and various local economic development (LED) stakeholders within the District geographical area.*



## Glossary of Terms

TERM	DEFINITION
ASGISA	Accelerated and Shared Growth Initiative of South Africa
BPO	Business Process Outsourcing
BRS	Business Retention Strategies
CSP	Customised Sector Programme
DED	Department of Economic Development
DM	District Municipality
DPLG	Department of Provincial and Local Government
DPLG	Department of Provincial and Local Government
EU	European Union
FDI	Foreign Direct Investment
GGP	Gross Geographic Product
IDP	Integrated Development Plan
ILO	International Labour Organisation
IMS	Integrated Manufacturing Strategy
IP	Intellectual Property
JIPSA	Joint Initiative on Priority Skills Acquisition
LED	Local Economic Development
LEDF	Local Economic Development Fund
LM	Local Municipality
LUMS	Land Use Management System
MFMA	Municipal Finance Management Act
NGDS	National Growth and Development Strategy
NIPF	National Industrial Policy Framework
PGDS	Provincial Growth and Development Strategy
PPC	Provincial Priority Cluster
PSEDS	Provincial Spatial Economic Development Strategy
SALGA	South African Local Government Association
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SEE	Survey of Employment and Earnings
SME	Small and Medium Enterprise
SMME	Small, Medium and Micro Enterprise
The dti	Department of Trade and Industry
UKZN	University of KwaZulu Natal
UMDM	uMgungundlovu District Municipality
UN	United Nations
UNIDO	United Nations Industrial Development Organisation



## Common LED Terms<sup>1</sup>

- **Additionality:** The principle that funding from a particular source is additional to that provided by national and local authorities. The additionality principle requires that funds awarded for a project should not be used merely to substitute or replace existing funds, but for additional projects and activities.
- **Brownfields:** This is a general term used for sites that have been developed in the past that may or may not be contaminated. Sustainable economic development strategies encourage the beneficial reuse of these sites, even though this may be more expensive than building or developing (new, to date undeveloped) Greenfield sites.
- **Business Incubators:** A business incubator is an economic development tool primarily designed to help create and grow new business in a community, within a specific building or location. Business incubators help emerging businesses by providing various support services such as assistance with: developing business and marketing plans, building management skills, obtaining capital and access to more specialized services. They also provide flexible space to rent, shared equipment and administrative services in managed workspace.
- **Business Retention Strategies (BRS):** BRS are systematic efforts designed to keep local companies content at their present locations within the city area. Strategies include helping companies cope with changing economic conditions, addressing new markets and even assisting with internal company problems. Business Start-up Support: Business support includes the full range of services available to people starting in business for the first time. Initiatives include: training, business advisory support, business networking and mentoring and financial assistance (grants, loans, interest rate subsidies are traditional methods; a more innovative approach to financial support is to try and attract as much private sector investment as possible, rather than public sector).
- **Clusters:** An industry cluster is a grouping of related industries and institutions in an area or region. The industries are inter-linked and connected in many different ways. Some industries in the cluster will be suppliers to others; some will be buyers from others; some will share labor or resources. The important thing about a cluster is that the industries within the cluster are economically linked, they both collaborate and compete and are, to some degree, dependant upon each other; and ideally, they take advantage of synergies.
- **Entrepreneurial Training:** Programs that provide guidance and instruction on business basics (such as accounting and marketing) so that businesses improve their chances of success.
- **Export Development Services:** Export assistance programs can help businesses to diversify their customer base, expand operations and become more profitable. Export services include: assessing company capacity for exporting; market research; information services (on exporting, trade regulations, transportation, etc.); international lead generation and trade shows/exhibitions or promotional marketing trips.
- **Foreign Direct Investment (FDI):** FDI is investment that is attracted from abroad. It can mean either Greenfield investment (i.e. investment in building new facilities on hitherto undeveloped sites) or portfolio investment (i.e. buying into an established business). Inward investment can take similar forms (either Greenfield or portfolio). However it could include investment from within the country as well as from abroad.

---

<sup>1</sup> Source: World Bank LED GLossary



- **Forward Strategy:** Is an arrangement to continue the life of projects after initial project funding stops and is sometimes described as an exit or succession strategy. This should be established at the outset of all projects that are likely to need ongoing capital or revenue resources after the initial period of establishing the project.
  - **Greenfields:** Refers to factories and offices being built on land that has hitherto not been developed. Greenfield investments also imply that facilities are designed and built for investors, rather than the investor buying a facility already built.
  - **Growth Node:** A physical location where industry and/or commercial development is deliberately directed; done either to reduce growth pressures elsewhere in the city or to redistribute growth within a city.
  - **Hard Infrastructure:** Hard infrastructure includes all the tangible physical assets that contribute to the economy of a city. For example, transport infrastructure (roads, railways, ports, airports), industrial and commercial buildings, water, waste disposal, energy, telecommunications etc. See also soft infrastructure below.
  - **High Road Techniques:** High road techniques stress the need to make more efficient use of resources and invest in processes, technological innovation and employee skills. It views labor as an important commodity and skill enhancement as a crucial, targeted investment. It entails the mobilization and upgrading of local resources and the maximization of local strengths and advantages to balance relatively higher wage rates.
  - **Indicators:** Proxy measures to provide operational definitions to the multidimensional components of LED. Indicators are expected to serve the function of defining policy problems and informing policy formulation. They should provide a basis for policy discussion and planning.
  - **Indigenous Businesses:** Local businesses, usually those that have developed in the community. Increasingly, the term refers to all businesses in an area whether they are 'locally grown' or not.
  - **Informal Sector:** Not within formal or legal sector and therefore not raised and not provided with services. Not able to use assets as collateral for new productive investment.
  - **Labor Market Information:** The body of data available on a particular labor market, including employment and unemployment statistics, occupational statistics, and average hours and earnings data.
  - **Local Economic Forum:** A coordinating mechanism set up to achieve the streamlining and improvement of local economic service delivery.
  - **Low Road Techniques:** Low road techniques promote an area economic position through the lowering of production costs, especially wage rates; this is not a sustainable approach.
  - **Mobile Manufacturing (or service sector) Investment:** Where manufacturing (or service) companies have a wide choice of location choices. Consequently they are in very strong negotiating positions when it comes to choosing where to locate their businesses.
- One-stop Business Service Centers:** Facilities where business persons can go to obtain advice and support to help them establish and expand their business. Sometimes these centers also issue licenses and permits needed by businesses to start-up, operate or expand. These centers improve the local business environment by reducing the number of separate agencies and offices a business may need to approach for advice or to apply for various licenses and permits. They save public and private time and improve efficiency as a result.
- **SMEs:** This is the acronym for 'small and medium-sized enterprises'. There is no definitive delineation between a small and medium sized business. As a general reference, small is often



from 5 to 20 employees, medium from 20 up to 200. Businesses with fewer than 5 employees are usually called micro-enterprises. This is a guide only.

- **Soft Infrastructure:** Soft infrastructure relates to the less tangible aspects of LED such as education and training provision, quality of life infrastructure such as park, leisure and library services, housing, business support, business networking and financing services etc.
- **Stakeholders:** Individuals and groups who have an interest in the issues in hand. They normally represent their own interests as stakeholders.
- **Supply Chains:** The products and processes that are essential to the production of a good or service. For example, to produce frozen fish, the supply chain inputs will extend from fish catching, handling, processing, and freezing to packaging, storing and distribution. These are all elements of a supply chain. Integrated LED strategies will try and capture as much as possible of the higher value end of the value chain in their area. In this case fish processing, packaging, storing and distribution will be adding value and therefore be seen at the higher end of the value chain. An industry cluster is a grouping of related industries and institutions in an area or region. The industries are inter-linked and connected in many different ways. Some industries in the cluster will be suppliers to others; some will be buyers from others; some will share labor or resources. The important thing about a cluster is that the industries within the cluster are economically linked, they both collaborate and compete and are, to some degree, dependant upon each other; and ideally, they take advantage of synergies.



## Table of Contents

<u>ACKNOWLEDGEMENTS.....</u>	<u>2</u>
<u>GLOSSARY OF TERMS.....</u>	<u>4</u>
<u>COMMON LED TERMS.....</u>	<u>5</u>
<u>TABLE OF CONTENTS.....</u>	<u>8</u>
<u>1. EXECUTIVE SUMMARY.....</u>	<u>11</u>
<u>2. BACKGROUND &amp; BRIEF.....</u>	<u>12</u>
<u>2.1 PROJECT RATIONALE.....</u>	<u>12</u>
<u>2.2 BRIEF AND SCOPE OF WORK .....</u>	<u>13</u>
<u>THE LED STRATEGY DEVELOPMENT PROJECT REQUIRED THAT THE FOLLOWING BE PRODUCED AND DELIVERED:.....</u>	<u>13</u>
<u>PHASE ONE- LED ASSESSMENT.....</u>	<u>13</u>
<u>A FULL SOCIO ECONOMIC SURVEY OF THE DISTRICT TO INCORPORATE THE FOLLOWING:.....</u>	<u>13</u>
<u>THIS DOCUMENT IS CONCERNED WITH PHASE TWO, ALTHOUGH A SUMMARY OF THE RELEVANT LED INFORMATION AS PRODUCED BY UKZN IS INCLUDED IN ORDER TO DEMONSTRATE THE RATIONALE BEHIND THE LED STRATEGIES TABLED.....</u>	<u>13</u>
<u>3. APPROACH AND METHODOLOGY.....</u>	<u>13</u>
3.1 APPROACH .....	13
3.2 METHODOLOGY .....	14
STAGE THREE- BUILDING THE STRATEGY.....	16
3.3 LIMITATIONS .....	18
<u>4. POLICY ENVIRONMENT: LOCAL ECONOMIC DEVELOPMENT.....</u>	<u>18</u>
4.1 NATIONAL POLICY FRAMEWORK.....	18
<u>4.1.2 ASGISA &amp; JIPSA.....</u>	<u>18</u>





4.1.3 NATIONAL SPATIAL DEVELOPMENT FRAMEWORK.....	19
4.1.4 NATIONAL INDUSTRIAL POLICY FRAMEWORK.....	20
4.1.5 NATIONAL VISION FOR LOCAL ECONOMIC DEVELOPMENT.....	21
<b>4.2 PROVINCIAL POLICY FRAMEWORK.....</b>	<b>22</b>
4.1.6 PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (PGDS).....	22
4.1.7 PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT FRAMEWORK (PSEDS).....	24
4.1.8 PSEDS AND uMGUNGUNDLOVU.....	25
<b>4.3 uMGUNGUNDLOVU DISTRICT POLICY FRAMEWORK.....</b>	<b>30</b>
4.3.1 uMGUNGUNDLOVU INTEGRATED DEVELOPMENT PLAN.....	30
4.3.2 uMGUNGUNDLOVU SPATIAL DEVELOPMENT FRAMEWORK.....	31
4.3.4 uMGUNGUNDLOVU LED ASSETS AND STATUS QUO.....	33
<b>5. MKHAMBATHINI PROFILE .....</b>	<b>36</b>
<b>5.1 MKHAMBATHINI IN uMGUNGUNDLOVU.....</b>	<b>36</b>
<b>5.2 MKHAMBATHINI- SOCIO ECONOMIC PROFILE.....</b>	<b>40</b>
5.2.1 SOCIO ECONOMIC SURVEY.....	40
5.2.2 QUALITY OF LIFE SURVEY- BUSINESS.....	42
5.2.3 FORMAL BUSINESS SURVEY.....	44
5.2.4 SMMEs IN MKHAMBATHINI.....	45
5.2.5 INFORMAL BUSINESS SURVEY.....	47
<b>5.3 MKHAMBATHINI- LOCAL ECONOMIC DEVELOPMENT STATUS.....</b>	<b>48</b>
5.3.1 MKHAMBATHINI VISION & MISSION.....	48
5.3.2 MKHAMBATHINI IDP.....	48
5.3.4 LED STRATEGY.....	49
<b>6. MKHAMBATHINI LOCAL ECONOMIC DEVELOPMENT STRATEGY- BASELINE .....</b>	<b>50</b>
<b>6.1 BACKGROUND TO THE MKHAMBATHINI LED STRATEGY.....</b>	<b>50</b>
<b>6.2 RECOMMENDED TARGET SECTORS.....</b>	<b>50</b>
<b><u>WHILE IT IS CLEAR FROM AN ANALYSIS OF THE POLICY ENVIRONMENT, THE SPATIAL DATA AND THE SOCIO ECONOMIC DATA PROVIDED BY UKZN THAT THERE ARE OPPORTUNITIES IN AGRICULTURE, AGRI-PROCESS, WOOD AND WOOD PRODUCTS, TOURISM, LOGISTICS, ICT AND MANUFACTURING FOR THE LMS TO VARYING DEGREES, IT IS IMPORTANT TO ASSESS SUCH THEORETICAL OPPORTUNITIES AGAINST MARKET DEMAND AND LOCAL CAPABILITIES. A DETAILED MARKET ANALYSIS FOR EACH OF THE SECTORS IDENTIFIED IS BEYOND THE SCOPE OF THIS PROJECT BUT A BOARD OVERVIEW OF THE MARKET SECTORS INVOLVED IS TABLED HERE TO OFFER SOME CONTEXT FOR OPPORTUNITY SELECTION ON THE PART OF THE LED UNIT TO BE FORMED. DETAILED OPPORTUNITIES ARE TABLED IN THE BASELINE LED PLAN LATER ON IN THIS REPORT.....</u></b>	<b>50</b>
<b><u>6.2.1 TOURISM.....</u></b>	<b>50</b>



<u>6.2.2 RESIDENTIAL PROPERTY DEVELOPMENT .....</u>	<u>53</u>
<u>6.2.3 LOGISTICS GOODS AND SERVICES.....</u>	<u>54</u>
<u>6.2.4 BUILDING AND CONSTRUCTION.....</u>	<u>54</u>
<u>6.2.5 AGRICULTURE AND AGRI-PROCESS.....</u>	<u>55</u>
<u>6.2.6 MANUFACTURING.....</u>	<u>56</u>
<b><u>7. LED STRATEGY THRUSTS.....</u></b>	<b><u>58</u></b>
<b>7.1 IMPLEMENTATION MECHANISM.....</b>	<b>60</b>
<u>7.1.2 AREA TARGETING/REGENERATION STRATEGIES.....</u>	<u>61</u>
<u>7.1.3 ENCOURAGING LOCAL BUSINESS GROWTH.....</u>	<u>62</u>
<u>7.1.5 INTEGRATING LOW INCOME WORKERS INTO THE ECONOMY: .....</u>	<u>64</u>
<u>7.1.6 INVESTING IN HARD STRATEGIC INFRASTRUCTURE.....</u>	<u>64</u>
<u>7.1.7 INVESTMENT IN SOFT INFRASTRUCTURE.....</u>	<u>65</u>
<u>7.1.8 PROMOTING INWARD INVESTMENT.....</u>	<u>65</u>
<u>7.1.9 SECTOR AND CLUSTER DEVELOPMENT.....</u>	<u>66</u>
<b><u>8. RECOMMENDED MKHAMBATHINI LED STRATEGY- BASELINE.....</u></b>	<b><u>1</u></b>
<b><u>9. REFERENCES .....</u></b>	<b><u>1</u></b>
<b>9.1 PAPERS AND REPORTS.....</b>	<b>1</b>
<b>9.2 WEBSITES.....</b>	<b>2</b>
<b>9.3 MAPS.....</b>	<b>3</b>
<b><u>10. TAX INCENTIVES OFFERED BY TREASURY/SARS.....</u></b>	<b><u>4</u></b>
<b><u>11. LIST OF SOUTH AFRICAN INCENTIVES .....</u></b>	<b><u>8</u></b>



## Executive Summary

### 1.

Mkhambathini has two particular challenges to face, unlike any of the other local municipalities. In the first instance, more than 60% of businesses, currently located in Mkhambathini would prefer to expand their businesses outside the municipality. This represents a priority issue for investigation and intervention by Mkhambathini local government. Secondly, (and the two may be linked), Mkhambathini is the only municipality in the district where businesses reported assault as the most common crime. This suggests that until the crime and security issues are resolved in the area, it will be difficult to attract or even keep existing businesses. For Mkhambathini, the first LED project to be implemented must therefore relate to safety and security. While there are real opportunities for Mkhambathini, there appears to be little motivation to invest on the part of existing businesses, and this means that there will be little hope of attracting new investment till this issue is resolved.

This project has established that there is significant potential for uMgungundlovu District Municipality (UMDM) to develop economically but that the capacity, institutions and budgets are not in place currently to implement Local Economic Development strategies, even in the dominant economy of Msunduzi. Economic activity in the uMgungundlovu (UMDM) District Municipality is increasing at a significant rate, driven by the growth in Msunduzi, the dominant economy in the district. Growth in Msunduzi has in turn been driven by the elevation of the city to provincial capital status, resulting in the structured move of government departments from eThekweni (Durban) to Msunduzi (Pietermaritzburg) this increasing the levels of service employees in the district, and the concomitant demands of people for accommodation, consumer goods and other services.

The economy of the rural local municipalities including Mkhambathini has not kept pace with that of Msunduzi. On the contrary, as a result of various factors, Mkhambathini has seen an increase in unemployment and a decrease in investment. Additionally, Mkhambathini is heavily dependent on agriculture, and due largely to the slow pace of land claims finalisation (resulting in an unpredictable investment climate for agriculture and agri-industry) there is effectively a stalemate in economic development in the most important economic activity in the municipality. This has resulted in an increase in poverty, a decrease in earnings and very little growth. Added to this is the vicious cycle of ever increasing need for services from the poor, excluded and vulnerable, demanded of Mkhambathini which has literally no resources of its own with which to meet these demands.

A review of the spatial assets of UMDM and Mkhambathini as well as a review of market forces, government policy and current capabilities has uncovered a number of solid new opportunities for LED as well as confirming existing thinking within the municipality. Focus must be on agriculture and agro process, nature based tourism (conservation and adventure and agri tourism) and Box Four Farming, with some specialised R & D centres and major training and mentoring initiatives within these important sectors. Special manufacturing and services opportunities, where advantage can be easily built, have also been identified for Mkhambathini. Finally, Mkhambathini has focussed abilities in terms of certain service offerings which can be developed and there is real potential for the development of mid to lower middle residential property development.

From an LED point of view, the data reviewed have allowed for the development of projects under the major LED headings of hard and soft infrastructure development, tackling of excluded groups,



building of better relationships and trust between business and government, improved planning and incentivisation, and the support of SMMEs.

Ultimately however, LED will remain organic in nature and will occur on an ad hoc basis, thus limiting the benefits that Mkhambathini can derive from current growth patterns, unless a concerted effort is made to implement in an organised manner. This is particularly so for Mkhambathini which has experienced no or negative growth. For LED implementation to happen, realistic budgets need to be allocated to the set up and population of an experienced and highly professional LED unit which will deliver against clear targets reviewed annually. The sheer scale of what needs to be done requires a high level of collaboration between Mkhambathini and the DM, as well as the Province and specific National Agencies. Action plans need to be developed with SMART goals and objectives for each LED trajectory and reviewed annually as part of the IDP review process. This report cannot include every opportunity available for LED, but it can provide a baseline case for LED activity in the district and hopefully the basis for ongoing refinement of the LED work in Mkhambathini.

## **2. Background & Brief**

### **2.1 Project Rationale**

In the context of regional growth and development as well as the context of shifting and deepening national and provincial government economic development policy, and subsequent to a review of all seven local municipalities Integrated Development Plans (IDPs) the Local Municipalities (LMs) and the uMgungundlovu District Municipality (UMDM) found that there was a need to produce a Local Economic Development (LED) strategy for each individual municipality and an integrated LED strategy for uMgungundlovu overall. At the same time, it was acknowledged that there was little locally relevant socio economic information available for use by decision makers and that as a result there is limited understanding of the realistic potential for economic development in UMDM and within the LMs.

UMDM subsequently approached the KZN Gijima Programme, funded by the European Union (EU) and a partnership between the Gijima Programme and UMDM was formed to produce the Terms of Reference and the funding for the development of seven LED strategies, one for each municipality, and one overall integrated LED strategy for the district. This document tables the integrated LED strategy, derived from the seven LMs and the IDP of UMDM. The overall objectives of this project were to develop an improved understanding of local resources and competitive advantages with respect to the local economy; to align the LED plans of local municipalities (where they existed) with that of UMDM and Province, to ensure coherence and synergy in economic development and; to develop programmes and projects which may attract new businesses to the district as well as encourage the retention and expansion of existing businesses and clusters.



## **2.2 Brief and scope of work**

The LED Strategy development project required that the following be produced and delivered:

### **Phase One- LED Assessment<sup>2</sup>**

**A full socio economic survey of the district to incorporate the following:**

- Socio Economic Survey - Each municipality and the DM overall
- Quality of Life Study – Households and Businesses for each municipality
- Formal Business Study- Each municipality
- Informal Business Study- Each municipality
- Assessment of the role of the uMgungundlovu District in the context of KwaZulu Natal Province
- Assessment of the role of each LM in the context of uMgungundlovu District

### **Phase Two- LED Strategy Formulation<sup>3</sup>**

- The development of LED strategies to incorporate the following:
- Consultation with LM stakeholders and LMs
- Literature review
- Analysis of the full socio economic survey data
- Development of seven LM LED strategies
- Development of one integrated DM strategy
- Ongoing presentations to the LED Project Steering Committee and Stakeholders

**This document is concerned with Phase Two, although a summary of the relevant LED information as produced by UKZN is included in order to demonstrate the rationale behind the LED strategies tabled.**

## **3. Approach and Methodology**

Blueprint works within the broad parameters of the World Bank approach to Local Economic Development and this approach was presented and agreed by the Umgungundlovu LED project team at the beginning of the LED Strategy Planning Process.

### **3.1 Approach**

Local Economic Development (LED) offers local government, the private sector, the not-for-profit sector and the local community the opportunity to work together to improve the local economy. It aims to enhance competitiveness and thus encourage sustainable growth that is inclusive. The purpose of local economic development (LED) 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 non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.

<sup>2</sup> Undertaken by the University of KwaZulu Natal under the direction of Professor Clive Coetzee

<sup>3</sup> Undertaken by Blueprint KZN (Pty) Ltd.



The approach taken is a five stage approach within which this scope of work falls. Overall the approach is as follows:

<b>Stage One-</b>	<b>Organising the Effort</b> (undertaken by the UMDM LED Steering Committee)
<b>Stage Two-</b>	<b>Local Economy Assessment</b> (undertaken by the University of KwaZulu Natal -UKZN)
<b>Stage Three-</b>	<b>Building the Strategy</b> (undertaken by Blueprint KZN and the focus of this report)
<b>Stage Four-</b>	<b>Implementing the Strategy</b> (undertaken by each LM and the DM)
<b>Stage Five-</b>	<b>Reviewing the Strategy</b> (undertaken by each LM and the DM as part of the IDP review process, annually)

### **3.2 Methodology**

#### **Stage One: [Organizing the LED Strategy Effort](#)**

This role was undertaken by the LED Steering Committee facilitated by the LED unit at uMgungundlovu District Municipality. Ideally, the development of an LED strategy should be an integral part of the broader strategic planning process for a sub-national region, city, town or rural area for example, the IDP process. Sound LED strategic planning ensures that priority issues are addressed and scarce resources are well targeted. The objectives of the UMDM LED Steering Committee are:

- To produce comprehensive LED Strategic Plans for the DM and all its constituent Local Municipalities based on detailed local economic research that will guide both LED planning and Implementation now and in the future
- To provide for a coordinated LED input into the DM and LM's IDP's and thus increase the strategic importance of LED within municipalities
- To facilitate the clarification of roles and responsibilities of various role-players involved in LED issues within the municipal areas
- To facilitate the establishment of LM and DM's LED Multi-Stakeholder Forums which will serve as one of the municipal instruments through which LED Stakeholder engagement & community participation can be facilitated within the District and its Local Municipalities
- To facilitate common understanding of LED legislation and implementation within the District
- To strengthen LED capacity and skills development among municipal LED practitioners and decision makers and thus contribute to increased participation in LED issues within municipalities – Repositioning LED.

The LED Steering Committee met at regular intervals, organised capacity development and managed this part of the project on an ongoing basis for quality and timeous delivery of results. The process implemented was consultative.

#### **Stage Two: Local Economy Assessment<sup>4</sup>**

<sup>4</sup> This work was undertaken by Clive Coetzee and his team at UKZN. For detailed report contact Mr Boxer Mpontshane on 033 897 6996



Each community has unique local conditions that help or hinder its economic development. Before a community can commence with economic development strategies it needs to understand the nature of the local economy. Creating an inventory and profile by collecting data, then analyzing the data by evaluating the profile and inventory, provides the factual basis for economic development goal setting and strategy development. The success rate of any LED strategy depends on the availability of accurate, reliable and up-to-date information and statistics. To develop an LED strategy, the community must be fully informed about their own town or city, their own region and their national economy. Conducting a local economy assessment involves collecting strategically important information.

Various methods were used but included household survey, business survey (formal and informal), extensive secondary research and statistical analysis. The survey covered all private, non-institutional households that resided permanently in municipal areas in the uMgungundlovu District at the time of the study. However, it excluded that part of the population living in transient hotels and rooming houses, hostels, boarding schools, temples, military barracks, prisons, welfare institutes, hospitals and other such institutions. It also excluded households of foreign diplomats and other temporary residents.

The population was divided into non-overlapping groups, or strata. Samples were drawn from each stratum separately and results pooled. A stratified sample design was adopted based on the population statistics for the district and each municipal area based on the 2001 Census. The private households were the ultimate sampling units.

Based on the population and race distribution percentages calculated based on the census 2001 data it was possible to calculate the number of households and race distribution per municipal area that was included in the sample as indicated in the figure below.

**Figure 3.1- Household Survey Sample Frame**

	<b>Total Households</b>	<b>African</b>	<b>Coloured</b>	<b>Indian</b>	<b>White</b>
Mkhambathini Households per race group	318	263	7	25	23
uMswathi Households per race group	582	481	13	46	42
uMngeni Households per race group	398	329	9	31	29
Mooi Mpofana Households per race group	198	164	4	16	14
Msunduzi Households per race group	2981	2465	66	235	216
Impendle Households per race group	181	150	4	14	13
Richmond Households per race group	341	282	8	27	25
<b>Total</b>	<b>5000</b>	<b>4134</b>	<b>110</b>	<b>394</b>	<b>362</b>

Source: UKZN (2006)

Five thousand household surveys and one hundred business surveys were conducted in the seven local municipalities making up the uMgungundlovu District. The household quality of life survey data were obtained through face-face interviews (June-Oct 2006). The business quality of life survey is an electronic survey completed October 2006 through face-face interviews, telephonic interviews and over the web (<http://www.surveyconsole.com>). The response rate was 85%.



The Informal Business Survey made use of a random geographical sample approach that covers 1000 private, non-institutional (not formally incorporated) businesses that are operational in the seven local municipal areas within the uMgungundlovu District. Due to logistical and administrative problems the overall response rate for the survey was 78.8% (788 completed surveys were collected). All municipalities, except Msunduzi (where previous studies have already been done), had a greater actual number of responses than was expected.

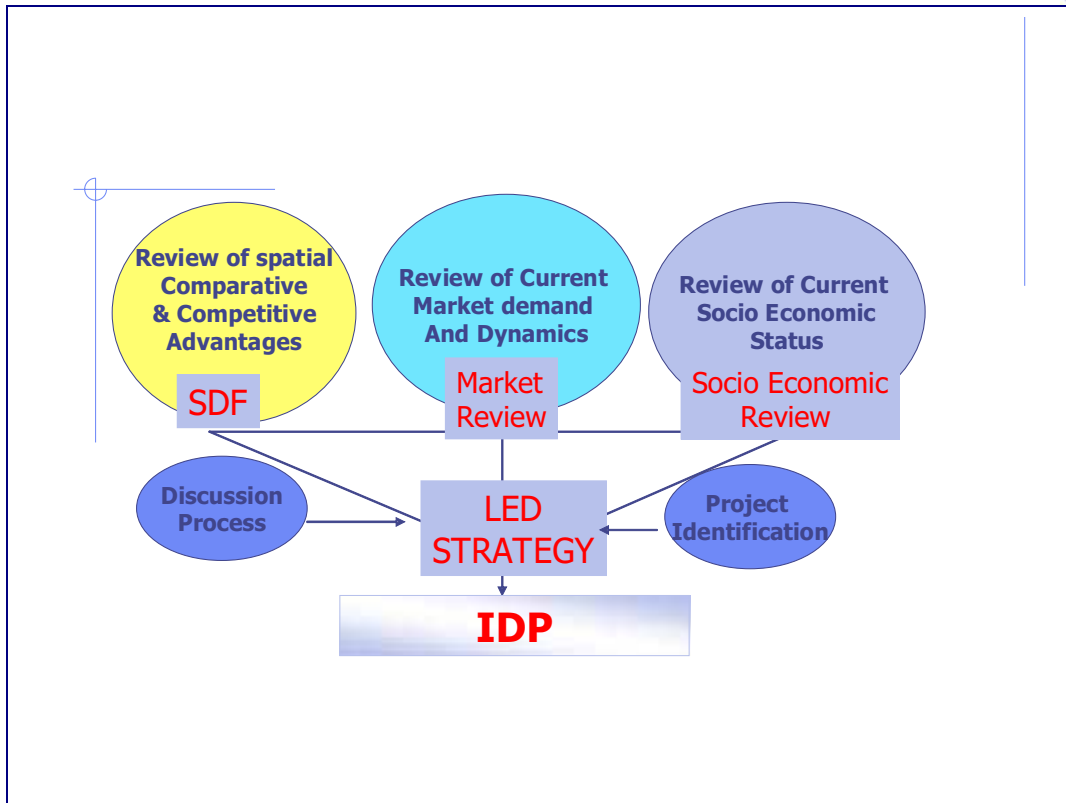
### ***Stage Three- Building the Strategy***

In order to build the LED strategy, statistical analysis, extensive secondary research and the strategic analysis of the UKZN data were implemented by the Blueprint team. The review of the information was conducted in the context of a consultative process with all seven LMs, as well as the various stakeholders within the District. The consultative process took the form of workshops, (two for each LM) and individual interviews with key actors from the private sector, the co-operatives, various government departments and civil society.

The IDPs for each LM and the DM were reviewed as were the Land Use Management Strategies (LUMS) (where they existed) and the Spatial Development Framework for each area (where they existed). An extensive review of national and provincial LED and related policies was undertaken as well as overall assessment of key market sectors. Finally, an LED Strategy template was developed for each LM and for the integrated DM LED strategies and all templates were populated and submitted for final review.

### **Figure 3.2- Blueprint LED Strategy Development Model**





Source: Blueprint © 2007

Blueprint has developed a model to inform strategy building which ensures that demand is taken into consideration as well as supply side measures. Review of data includes an assessment (preliminary and broad) of demand- it is not assume that because something is possible to do, that it will necessarily be viable in terms of market demand. Therefore market demand for possible products is reviewed as well current spatial assets and the level of advantage they confer, as well as finally, other assets within the region such as people, skills, educational institutions and the like, which are attractive to investors.



### **3.3 Limitations**

- Stages 4 (implementation) and 5 are not part of this scope of work and implementation and action planning are therefore not included. The next step will be action plan development for each LM and for the DM
- The viability or feasibility of projects identified is not part of the scope of this project and is not included. Where considerable investment of resources is planned in a particular project, we strongly recommend that the LMs and DM undertake a reliable feasibility study prior to allocating major resources.
- Given the resources and time frame of this project as well as the lack of any central holding body for LED information in KwaZulu Natal, indeed in South Africa, it has not been possible to ensure that every potential project has been included. These projects, if considered important and relevant, may be included at a later stage or in the next LED review.
- The process of workshopping and literature review has been extensive and as exhaustive as possible, but some documents were not made available to the study team, some were refused as they constitute confidential Intellectual Property (IP) and others were very out of date.
- There are serious questions regarding the reliability and validity of some of the 2001 census data, upon which a substantial portion of the UKZN demographic research is based. However, there is no other source of data to use in order to achieve the required outputs. Data emanating from this source should, however, be treated with some caution
- Finally, much has changed in the uMgungundlovu economy since 2004 (the most recent source of employment and other essential statistical data for analysis). This means that recent changes in the performance of the LM and DM economies are not taken into account by the UKZN research, and as a result, no cognisance of these changes can be taken by the Blueprint LED Strategy development team.

## **4. Policy Environment: Local Economic Development**

### **4.1 National Policy Framework**

#### **4.1.2 ASGISA & JIPSA**

The South African Government has adopted the Accelerated and Shared Growth Initiative of South Africa (ASGISA) to ensure that the South African economy achieves higher rates of growth and produces larger volumes of the wealth needed to meet the challenges of growth and development. Its success, says the ANC, is 'predicated on ensuring that this greater wealth is shared more equitably, consistent with the provision in the Freedom Charter that – The People Shall Share in the Country's Wealth!<sup>5</sup> Through ASGISA, the state and its agencies will become more focussed on accelerating growth leading to large scale social transformation.

ASGISA aims to raise economic growth to at least four and a half percent in the next years to 2010, and to approximately six percent between 2010 and 2014. Central is the government's

<sup>5</sup> African National Congress 2006, Statement of the National Executive Committee of the African National Congress on the occasion of the 94th anniversary of the ANC, [Online] Available from: <http://www.anc.org.za/ancdocs/pr/2006/pr0108.html>



commitment to reduce unemployment by 50 percent in the second decade of freedom. As a part of ASGISA, Government will spend R370-billion on infrastructure development to upgrade and build railway lines, harbours, ports and roads. This will have a positive influence on LED throughout the country. Additionally, ASGISA has chosen three priority sectors, specifically **tourism, business process outsourcing and offshoring (BPO & O)** and **biofuels**. Of late, Environmental Goods and Services has been added as a focus sector for South Africa.

ASGISA aims to counter the constraints to economic growth and transformation through six broad strategies.<sup>6</sup> One of these is skills and education. To oversee this, Government has launched the Joint Initiative on Priority Skills Acquisition (JIPSA). JIPSA identifies skills that are critical to growing the economy to six percent by 2014. Chaired by the Deputy President, the JIPSA Task Team comprises 23 members drawn from senior representatives of government, labour, business, youth, women, academic institutions, science councils and state-owned enterprises.<sup>7</sup> The JIPSA Task Team is mandated to identify urgent skills needs and advise on ways to respond to these challenges.

JIPSA will maintain a database of skills needs in the economy, including providing and understanding of patterns, trends and key indicators or priority skills demand and supply. Several stakeholders have also committed to place young university students in apprenticeships in order for them to graduate in their respective fields. Business has contributed about R2 million to the initial activities of the initiative.<sup>8</sup>

#### 4.1.3 National Spatial Development Framework

The National Spatial Development Framework (NSDF) aims to support the development of sustainable local economies through integrated government action. The NSDF is built on the following basic principles:

- Rapid economic growth that is sustained and inclusive is a pre-requisite for the achievement of poverty alleviation
- Government spending on fixed investment should be focused on the localities of economic growth and / or economic potential in order to gear up private sector investment, stimulate sustainable economic activities and create long-term employment opportunities.
- Where low economic potential exists investments should be directed at projects and programmes to address poverty and the provision of basic services in order to address past and current social inequalities
- In order to overcome the spatial distortions of Apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are

<sup>6</sup> (1) Macroeconomic issues; (2) Infrastructure programmes; (3) Sector investment strategies (or industrial strategies); (4) Skills and education initiatives; (5) Second economy interventions; and (6) Public administration issues.

<sup>7</sup> The general secretary of the National Union of Mineworkers, Gwede Mantashe, is chairing the JIPSA technical working group.

<sup>8</sup> Mantu, R. & Sakoana, T. 27 March 2006, *BuaNews Online: Government launches initiative to identify much needed skills*, [Online] Available from:  
<http://www.buanews.gov.za/view.php?ID=06032716021002&coll=buanew06>



adjacent to or link the main growth centres in order for them to become regional gateways to the global economy.

Enterprise development -and particularly broad-based black economic empowerment (BBBEE) - is the main immediate focus of LED policy. The drives of the NSDF are identified as national and provincial government and district and metropolitan municipalities together with local role players. Two broad kinds of measure are identified: supply-side and self-driven. Supply side measures are the policies and programmes pursued by national government with a particular emphasis on the Micro Economic Reform Strategy (MERS) as a key measure for sector development.<sup>7</sup> These policies, and the public resources deployed to implement them, should be co-ordinated at the local level to achieve maximum impact on economic development.

The role of district and metropolitan municipalities together with local role players is to mobilise local communities within metropolitan and district municipalities. Thus, the central focus of LED, in this approach, is to bring together central and provincial state policies and resources within the framework of locally conceived development actions. Additionally, the NSDF seeks to

- Build public and market confidence in municipalities
- Identify and exploit the comparative and competitive advantages of South African municipalities (52)
- Intensify enterprise support including support to co-operatives
- Introduce sustainable community investment programmes focussing on organising communities for development and maximising circulation of public spend in local economies

The NSDF seeks to create robust and inclusive local economies but equally there is a wide range of economic capability between municipalities especially in terms of: the size of the developed and low productivity economies; linkages to national and global economies; and potential for growth or further decline. In 2004, 20 of South Africa's 52 municipal regions accounted for over 82% of South Africa's Gross Value Added (GVA). Rural areas in particular require an approach to investment that speaks to sustainable rural economies.

#### **4.1.4 National Industrial Policy Framework**

The development of South Africa's national industrial policy has nearly been concluded and the date for formal announcement and implementation in April 2007. The process of development has uncovered the fact that many of South Africa's economic problems and potential solutions lie in the area of micro economics. The Industrial Policy to be announced draws from the Integrated Manufacturing Strategy (IMS) which focussed on a number of sectors as priority sectors, and used the Customised Sector Programme (CSP) within the dti as the implementing mechanism. The new industrial policy is a logical extension of ASGISA which seeks to build on South Africa's macroeconomic stability through targeted micro-economic interventions.

Sector development plans have already been endorsed by Cabinet for BPO& O and biofuels, as it is believed that these two new sectors could between them create more than 155,000 job opportunities in the next five years. Additionally, a tailored incentive for BPO&O is to be implemented which includes grant funding for first mover investors. The draft biofuels industrial strategy will be conclude by May 2007, and it is expected to attract over ZAR 6 billion worth of



investment and contribute up to 75% of South Africa's renewable energy by 2013. It is likely that the Motor Industries Development Programme (MIDP) and the Clothing and Textiles support programme will remain in place till at least 2012. More priority sectors will be chosen and announced by April 2007, but it is unlikely that more than 6 to 8 sectors will be selected. Additional focus areas of the impending NIPF are:

- Focus on reduction of intermediary costs to downstream industry in value chains (eg steel and chemicals)
- Building of a competitive supplier community around governments ZAR 409 billion infrastructure investment programme- where procurement from South African suppliers will be a key performance indicator for South African state officials.
- Significant emphasis on Local Content and the implementation of a Local Content Programme
- Incentives to upgrade old technology

#### **4.1.5 National Vision for Local Economic Development**

The National Framework for LED (DPLG, 2006) notes that the government has a clear vision for local economies which is stated as “ *Robust and inclusive local economies exploiting local opportunities, real potential and competitive advantages, addressing local needs and contributing to national development objectives*”.

This requires that the people in a local economy are willing and able to engage around LED, that local assets are effectively harnessed for the benefit of LED, that quality of life improves, and that the natural spaces are attractive. Most importantly that the income earned in an area, is mostly spent in that area.

The primary focus on municipalities must be the provision of infrastructure and quality and reliable services; the management of spatial policies; the management of land use regulation and development applications; the management of service tariff policies; the management of a progressive property tax system and; marketing the territory.

In order to support municipalities in their LED objectives, the State will implement a number of interventions, such as intensifying support to municipalities in terms of the Municipal Finance Management Act (MFMA) and the Property Rates Act; and the ongoing implementation of Project Consolidate- where support personnel are sent and deployed at local municipalities. Key strategic principles for LED are outlined as follows:

- Undertake analysis of the Municipal Economies
- Target Priority Growth Sectors
- Build capacity for a knowledge economy and innovation
- Market each municipal region (investment packaging)
- Establish Innovative Funding Instruments using national funds
- Intensify enterprise support
- Improve access to finance
- Develop local markets for local goods and services



The Small Enterprise Development Agency (SEDA) is a key vehicle for localised enterprise support and municipalities are expected to develop relationships with SEDA to assist them in enterprise support. Khula, Umsobomvu Youth Fund, Apex Fund, Ithala and NGO based micro finance programmes are all potential sources of easier access to funds. Additionally, and especially in Agriculture, the banking charter will in all probability result in an increased access to funds for black farmers. The development and strengthening of local markets is effected largely through procurement policy and the procurement from local enterprises by government and large businesses.

## 4.2 Provincial Policy Framework

The vision of KwaZulu Natal Province is to achieve a situation by 2014 where KZN is **“a province of opportunity, prosperity and quality of life”**. The Pillars of the KZN Provincial Spatial Economic Development Strategy (PSEDS) are:

- Increasing investment in the province
- Improving skills and capacity building
- Broadening participation in the economy
- Increasing competitiveness

### 4.1.6 Provincial Growth and Development Strategy (PGDS)

The key challenges and strategic responses outlined in the KZN PGDS (revised, 2005) are indicated in the figure below:

**Figure 4.1- KZN Challenges and Responses to Growth and Development**

Key Challenges based on Provincial Profile	PGDS Responses
The largely rural nature of the province with a limited natural resource base compared to the vastness of the province	Exploit what we have maximally
Poor coordination, synergy and integration between departments, spheres of government and between municipalities and traditional councils	Put systems in place to effect synergy and cooperation; Align IDPS with Departmental Strategic Plans
Insufficient legislative compliance and poor budget management performance	Strengthen and build government to facilitate sustainable development, popular participation in decision-making, implement performance-driven transformation and cooperative governance
Service delivery backlogs(2001 profile): Only 41% of households have flushable toilets; 35.1% use pit latrines; 10.2% of households have access to piped water; 62.4% of households use electricity ; generally poor infrastructure	Improve and integrate service delivery for better quality of life for all
Economic growth rate of 2.5%; Rigidity of financing institutions with regard to funding and loan capital to black SMMEs and entrepreneurs Existences of two economies and the widening of the gap	Implement economic development programmes to raise investment, increase exports and capitalise on provincial resources, strengths and synergies Engage the financing institutions to get buy in Address challenges of the second economy



Key Challenges based on Provincial Profile	PGDS Responses
32% of labour force classified as unemployed (official definition-2004)	Create programmes to increase employment opportunities, access to finance; build human capacity
28.2% of households earn less than R800/month	Create programmes to increase vulnerable groups' access to social security nets and services
General HIV/AIDS prevalence rate of 11.7% - the highest in the country (2002)	Comprehensively address the spread of the HIV and AIDS
Lack of sustainable environmental management programmes in the province	Manage, preserve and enhance natural environment and comprehensively address an environmental management system for sustainable development.
Human capacity problems – mismatch between supply and demand, illiteracy and low retention of appropriately trained and skilled staff in rural municipalities; limited development in innovation	Address human capacity challenges appropriately
Elements of fraud and corruption and, general lack of a corporate culture of ethics, professionalism and accountability	Revitalise- Batho Pele Principles – through Service Commitment Charters

Source: KZN PGDS (2005)

Key projects have been identified in Tourism, Agriculture and Agri-Processing for implementation throughout the province. Additionally the province has developed programmes under the Provincial Priority Clusters (PPCs). In terms of economic development the PGDS has set itself the following targets for 2009:

- Economic growth poised for above national average (5%).
- Increase levels of investment.
- Increase levels of exports.
- Significant increase in the levels of employment.
- Increase in the number of new sustainable SMMES. In terms of industrial development the PGDS focuses on key sectors within the province, in particular the clothing, ICT, wood and wood products sectors. Current provincial focus in terms of Agri-Processing is the establishment through research of the appropriate and competitive crops that can be grown and processed within the province.

Of particular interest to uMgungundlovu and Mkhambathini is the commitment on the part of province to the development and implementation of marketing and communication strategies initiated to boost the tourism sector, including fast-tracking brand roll-out programmes for destinations in KwaZulu-Natal, in partnership with the District Municipalities.



Also with the potential to have a major impact for uMgungundlovu and Mkhambathini is the provincial Trade Gateway strategy which includes the implementation of the Dube Trade Port, the concessioning of the Durban Container Terminal, and the acceleration of the Richards Bay Industrial Development Zone (including the development of the John Ross Highway), as well as supporting the implementation of recommendations of the Integrated Freight Rail Link Strategy.

Finally Province has committed to identifying new LED opportunities and the introduction of measures that will allow these opportunities to be exploited and providing resources and support for project development and strategy implementation to developing municipal capacity.

#### **4.1.7 Provincial Spatial Economic Development Framework (PSEDS)**

The PGDS provides a framework for public and private sector investment, indicating broad development opportunities and priorities. It addresses key issues of implementation blockages whilst providing strategic direction, all within the framework of a developmental approach to government. It does not however provide a detailed spatial perspective on where development should take place around the province. For this reason it was necessary for the provincial government to develop a spatially-based economic development strategy to give a spatial context to the provincial priorities and development programmes identified in the PGDS. Provincial spatial strategies must guide and inform:

- Spatial principles that will direct growth and development in the Province
- Identification of priority development areas, focussing on areas in which specific types of development should be encouraged or discouraged;
- Strengthening or development of major movement routes or corridors;
- Identification of areas that have to be protected for biodiversity and conservation purposes;
- The preparation of Municipal Spatial Development Frameworks, to ensure full alignment of national, provincial and municipal spatial visions;
- Budgeting processes of all spheres of government to ensure that government creates an environment conducive for development in the prioritised areas: and
- The investment decisions of the private sector, not only in pursuance of optimal returns, but also in support of a shared spatial vision for the Province.

The PSEDS therefore has been developed to focus government investment, capitalise on complementarities and increase strategic alignment.

#### **Agriculture**

The commercial agriculture sector is the major employer in the majority of municipalities and forms the economic anchor of these municipalities but subsistence agriculture is by far the most important source of sustenance for rural households. In order to achieve a reduction of unemployment and poverty the challenge is to grow and transform the commercial agricultural sector and improve the linkages between commercial agriculture and subsistence agriculture. The Agricultural Revolution and the Land Reform Programme are key instruments for the achievement of these objectives.





About 1 250 000 ha of the province's white-owned agricultural land is due to be transferred to black owners by 2014 and the Department of Land Affairs acknowledges that an integrated approach is needed to scale up delivery and maximize positive impact on poverty alleviation, job creation and economic growth. Significant latent potential is locked up in the Ingonyama Trust lands.

### **Industry**

The potential for industrial development in the province is anchored by the nodes of eThekweni and Umhlatuze. The corridors between these two nodes and extending up to Howick, form the primary zone of industrial development in the province. The cities of Newcastle, Ladysmith and Port Shepstone serve as important secondary nodes of industrial development potential.

### **Tourism**

The PSEDS notes that the primary tourism potential within the province is in the beach, cultural and eco-tourism markets. The areas of national tourism importance within the province are the Southern Zululand and Dolphin Coast, the Elephant Coast and surrounds, the greater Pietermaritzburg and Durban region, and the Drakensberg region. The tourism products of provincial importance are:

- Arts & crafts routes in Midlands Meander and Albert Falls Amble
- Durban, south coast and north coast beach tourism linked to cultural tourism in the interior
- Drakensberg region
- Greater St Lucia & surrounding big five reserves
- Zulu Heritage & Cultural Trail
- Battlefields Route

### **Services**

The service sector is the largest sector in the provincial economy, contributing 52,8% to KZN's Gross Geographical Product (GGP) and it includes:

- Wholesale/retail trade
- Transport/storage
- Communication
- Financial/insurance
- Real estate
- Business services
- Community/social/personal services
- Government services

Of particular interest is the participation of informal businesses in Wholesale and Retail Trade, and the growing importance of transport/storage, real estate, communications and business services to local economies. Logistics services overall represent a major opportunity for uMgungundlovu.

#### **4.1.8 PSEDS and uMgungundlovu**

The PSEDS outlines a particular set of generic options for uMgungundlovu DM as follows:



### **Agriculture and Land Reform**

- Development of agricultural potential in low income areas on the peri-urban fringe, in particular the Edendale Valley in Msunduzi
- The protection of high potential agricultural land for commercial production –including the Midlands Meander
- Support for land reform beneficiaries to increase agricultural production through supply linkages and possible joint ventures with major companies in Agri-Process

### **Tourism**

- Midlands Meander & Albert Falls Amble: increase arts & crafts resources & improve benefit to previously disadvantaged areas and land reform beneficiaries.
- Improve links of Midlands Meander route to Drakensburg
- Develop cultural tourism potential of Impendle & link to Drakensberg & Meander

### **Industry**

- Development of the Howick – Durban Corridor and deliver assistance to Msunduzi & uMngeni municipalities to provide world class infrastructure with which to support industrial development
- Development of the greater Edendale area – tenure upgrade, residential, commercial, industrial development, transport
- Securing of water resources – improve catchment management on Umgeni

### **Services**

- Formalise and plan Impendle to position for investment as a regional services centre
- Provide adequate affordable housing and related services in towns

An important part of the PSEDS overall strategic thrust is a focus on development corridors and nodes. The PSEDS asserts that settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres. The corridors are chosen to function as facilitative mechanisms for increasing growth of existing centres and economic development corridors and to ensure that the potential for economic development within very poor areas is optimised.

Corridors and nodes are classified according to their potential against the two basic functions outlined above. The classifications for the two major node levels are as follows:

- **Primary Node (PN):** An urban centre with very high existing economic growth and the potential for expansion thereof. Services international, national and/or provincial economies.
- **Secondary Node (SN):** An urban centre with good existing economic development and the potential for growth. Services the regional economy.

The first two levels of nodes have been identified for priority interventions of the cluster over the next five years. There is a need to consult extensively with municipalities on the identification of the lower order nodes. The primary and secondary nodes are summarised in figure 4.2 below



**Figure 4.2- Primary and Secondary Nodes in KZN**

<b>Node</b>	<b>Classification</b>	<b>Main Categories of Potential</b>
eThekwini	Primary Node	1, 3, 4, 5, 6
Richards Bay	Secondary Node	1, 3, 4, 5, 6
<b>Msunduzi</b>	<b>Secondary Node</b>	<b>1, 3, 4, 5, 6<sup>9</sup></b>
Newcastle	Secondary Node	1, 2, 4, 5, 6
Port Shepstone	Secondary Node	1, 4, 5, 6

Source: PSEDS (2006)

From the KZN PSEDS perspective, there are a number of priority nodes in uMgungundlovu District Municipality. The following have been identified as additional priority nodes by the province:

- Msunduzi
- Howick
- Impendle
- Mooi River
- New Hanover
- Richmond

The development corridors have been identified for priority interventions over the next five years. Only those corridors which are identified as having the potential for greatly impacting on economic growth and the development of impoverished areas have been prioritised. The corridors are defined as follows:

- **Primary Corridor (PC):** A corridor with very high economic growth potential within all three sectors which serves areas of high poverty densities.
- **Secondary Corridor (SC):** A corridor serving areas of high poverty levels with good economic development potential within one or two sectors

<sup>9</sup> The categories of potential set out in the NSDP are:

1. **Production of high value, differentiated goods** not strongly dependent on labour costs, focused on local & global niche markets – i.e. manufacturing
2. **Production of labour intensive, mass produced goods** more dependant on labour costs, affordable transport linkages – i.e. agriculture and mining
3. **Innovation and experimentation** – research and development
4. **Retail and private sector services** – large employer of skilled & semi skilled workers in advanced economies
5. **Tourism** – dependant on tourism attractions
6. **Public service and administration**



**Figure 4.3- Priority Corridors for Intervention**

Corridor	Classification	Categories of Potential
eThekwini - Umhlatuze	Primary Corridor	1, 2, 3, 4, 5
<b>eThekwini – Msunduzi - uMngeni</b>	<b>Primary Corridor</b>	<b>1, 2, 3, 4, 5, 6</b>
eThekwini – Ugu	Primary Corridor	1, 2, 4, 5, 6
Umhlatuze – Ulundi - Vryheid	Secondary Corridor	2, 4, 5, 6
<b>Kokstad – Umzimkulu – Msunduzi</b>	<b>Secondary Corridor</b>	<b>2, 4, 5, 6</b>
<b>Msunduzi – Nkandla - Ulundi</b>	<b>Secondary Corridor</b>	<b>2, 4, 5, 6</b>
Ulundi – Nongoma – Pongola	Secondary Corridor	2, 4, 5, 6
Lebombo SDI – Maputo	Secondary Corridor	2, 5
Port Shepstone – St Faiths - Ixopo	Secondary Corridor	2, 5
Maphumulo – Ndwedwe - Dube	Secondary Corridor	2, 5
Ukhahlamba corridor	Secondary Corridor	5
Weenen – Nkandla – Eshowe	Secondary Corridor	2, 4, 5, 6
Manguzi – Swaziland	Secondary Corridor	2, 5
Makhatini flats corridor	Secondary Corridor	2
Greytown – Msinga – Madadeni	Secondary Corridor	2, 4, 5, 6
Nkandla – Nqutu – Vryheid	Secondary Corridor	2, 4, 5
Mtubathuba – Nongoma	Secondary Corridor	2, 4, 5

Source: PSEDS (2006)

One of the primary corridors and two of the secondary corridors will impact on uMgungundlovu district municipality.

### **Constraints to Growth in KZN**

Major threats to the ongoing economic growth and health of KwaZulu Natal are believed to be as outlined here below:

- **Loss of productive commercial agricultural land to residential development:** the development of high income residential estates on prime agricultural land in proximity to the major urban areas is having a negative impact on the agricultural potential of the province. If allowed to continue on the current trend it would negatively impact on the contribution of agriculture to the provincial economy and job creation. It would also negatively impact on opportunities for transformation in the agricultural sector.
- **Loss of land with agricultural potential in poor rural areas:** the pattern of settlement within poor rural communities in the province is characterised by widely dispersed dwellings. Not only does this pattern of settlement make it extremely expensive to provide minimum basic services, it also ensures that it is only possible to undertake subsistence agriculture on the land. This pattern of settlement has negatively impacted on the ability of agriculture to reduce poverty and create jobs in the poorest areas. *It is important that government policies on housing and service provision support a more sustainable pattern of settlement which would support the development of viable agriculture.*
- **Land reform resulting in a loss of productive commercial agriculture:** Much of existing commercial agricultural land in the province is subject to land claims. Government has a target



that 30% of commercial agricultural land be transferred to black ownership by 2014 (this involves the transfer of 1 123 268 ha of white-owned commercial agricultural land). Even if this land transfer delivery target is met, if the resultant operations on this land are unsustainable it will not only destroy the agricultural sector in the province, resulting in massive unemployment and poverty and a lack of food security, but it will also cause the collapse of the local economies of many of the existing rural towns in the province which rely on commercial agriculture for their livelihood. *It is imperative that land reform creates the opportunity for an increase in agricultural production in order to ensure empowerment and economic prosperity in the province.*

- **Municipal rates on agricultural land:** Municipalities are empowered to levy rates against agricultural land. If the process of determining rates does not take account of the economic realities of the existing and emerging commercial agricultural sector it could damage the agricultural potential of the municipality and discourage investment in agriculture. In attempting to ensure the funding of their administration is adequate, municipalities may precipitate the collapse of their local economy. *It is imperative that municipalities obtain their funding in such a way that it promotes development.*
- **Provision of adequate water supplies:** Ensuring adequate and sustainable water supply is critical to the long term development of agriculture in the province. Threats to water supply in the province include changing weather patterns as a result of global warming, uncontrolled spread of alien vegetation, dispersed human settlements, increase use of water by industry and consumers, pollution and water loss due to ageing infrastructure. *It is essential to improve catchment management.*
- **Safety and security:** The extent of tourism growth in the province is integrally linked to the levels of risk and perceived levels of risk to a tourist's safety and security. In order for the areas of tourism potential within the province to achieve their full potential it is essential that levels of safety and security be increased and perceptions of safety and security be improved. Not only does this involve an increase or improvement in policing, it also includes improving road safety, the provision of adequate signage, the development of income generating agriculture in poor communities, and the creation of viable income opportunities for poor communities through tourism, amongst other measures.
- **Land invasion and illegal activities affecting tourism assets:** It is essential that the tourism resources of the province are protected from illegal activities. Such activities include land invasion and poaching, but also environmental pollution from industry, visual pollution from billboards and the destruction of historically or architecturally significant buildings. Failure to do this not only threatens the environment and heritage of the province, it also threatens the tourism potential that is built on that resource. *It is vital that government take decisive action to curb activities which threaten the potential inherent in the provinces natural, historical and cultural heritage.*
- **Reliability of services:** Industry is reliant on the provision of reliable and affordable services by government. Such services include the provision of water and electricity, reliable and competitive telecommunications, land, sea and air transport infrastructure. If industry cannot rely on any one of these services, or if they become too expensive, the industrial potential of the province will not be realised. *It is imperative that municipalities be empowered to adequately administer their provision of services. It is also essential that the logistics network of the province supports industrial development.*
- **Social support services:** The importance of affordable and appropriate housing, education, transport, health and leisure services for industrial development cannot be over-emphasised.



Not only does it ensure the health and wellbeing of workers it also determines where management decide to locate their industry. Industrial development cannot achieve its full potential when management do not find the environment suitable for themselves and their families. It will also not achieve its full potential where labour is costly, unhealthy and uneducated.

- **Destructive Inter-municipal competition:** There is a tendency within municipalities to try and attract development at all costs. This results in destructive competition between neighbouring municipalities which could negatively impact on the sustainability of development. It is essential that guidance and support be given to municipalities from the province in order to ensure that industrial development is sustainable and appropriate and that destructive competition between municipalities does not threaten the sustainability of development.
- **Municipal rates on Industrial and commercial development:** Municipalities are under-funded and are examining ways to increase their rates base. If the process of determining rates does not take account of the economic realities of the commercial and industrial sector it could discourage investment and even drive away investors. In attempting to ensure the financing of their administration is adequate, municipalities may precipitate the stagnation or collapse of their local industrial sector. *It is imperative that municipalities obtain their funding in such a way that it promotes development.*

### 4.3 uMgungundlovu District Policy Framework

#### 4.3.1 uMgungundlovu Integrated Development Plan

In its most recent IDP review (2006/7) UMDM confirms the major issues which need to be addressed by the District and Local municipalities. They are logically consistent with the national and provincial assessments and focussed in particular on the set of circumstances prevailing in the DM. They inform in a major way, the development of the integrated LED strategy for the district and they are listed as:

- Lack of development in the hinterlands as no new economic activity is stimulated whilst a vast potential exists for their development,- this refers particularly to LMs such as Mpofana, Impendle and Richmond, inter alia
- Investment capital will be concentrated where resources and returns are good, people from poorer areas will gravitate to urban cores- this has particular reference to Msunduzi and uMngeni inter alia
- Need to improve connectivity between nodes, between poorer areas and the urban core areas – transport, logistics, basic services, education and training- this is a district wide phenomenon and is particularly unsatisfactory given that reasonable road networks do exist.
- Need for sector focus e.g. agri-business, tourism, manufacturing- in this case, there is a need to be more precise about what the opportunities actually are for rural LMs, and what more sophisticated opportunities exist for Msunduzi which would have synergistic effects on the rural LMs as well. It will be important to link very small food security farming activities with commercial agriculture where possible.
- Need to adopt strategy to balance urban growth with plan for supporting decentralised industrial estates- and the current need for additional middle and low-middle income housing which represents opportunity for small towns with easy access to Msunduzi



- Need for accelerated LED support- especially in the creation and maintenance of a supportive and attractive business investment and expansion environment

#### **4.3.2 uMgungundlovu Spatial Development Framework**

The primary purpose of the spatial framework is to create a competent district spatial structure thus providing, in National Spatial Development Perspective (NSDP) terms, a framework within which to discuss future development of the district space economy in the context of the provincial and national space economies. Some of the main goals of an SDF include:

- To promote an improved system of access, this includes both, physical access in terms of physical connection, but more fundamentally, this includes providing for improved access to social and economic opportunity.
- To integrate district space and link various settlements / opportunities into a functional and meaningful whole
- To provide a framework for managing development which includes identifying areas for investment, rehabilitation and protection
- To maximise inherent opportunities and potentials within the district in a way which promotes growth and investment
- To create an overall system of opportunity which includes access to economic opportunity

Until 2003, the spatial economy of uMgungundlovu District was fairly predictable and static, but the decision to declare Msunduzi-Pietermaritzburg the capital of KZN and the accompanying transfer of KZN Government offices from Ulundi and Durban to Pietermaritzburg contributed to an upward surge in the local economy. Government spending in the region increased and property prices increased as more people sought houses in the area.

Lack of space for middle-income housing is an issue in UMDM. Mkhambathini and uMshwathi in particular appear to be ideally situated for property development in the middle to low income housing market. This implies the need for additional/improved infrastructure to be made available and this in turn will result in employment opportunities, although temporary in nature for the most part. It also represents an opportunity for some municipalities to invest in housing for rental purposes.

The main road infrastructure in UMDM is good but not always adequately maintained. Many agricultural products are moved from the hinterland and from local outlying areas, through to the coast or up to Johannesburg in particular. However, opportunities to benefit items in UMDM although present, are not often taken up- and incentives in this regard are needed. Mpofana and Impendle have specific opportunities in further processing of beef and dairy products, while Richmond can further process sugar, tea and timber and uMshwathi can process timber and sugar. uMngeni has significant dairy and crop assets which, given its close proximity to Msunduzi, could make more expanded agri-process activities a relatively easier option.

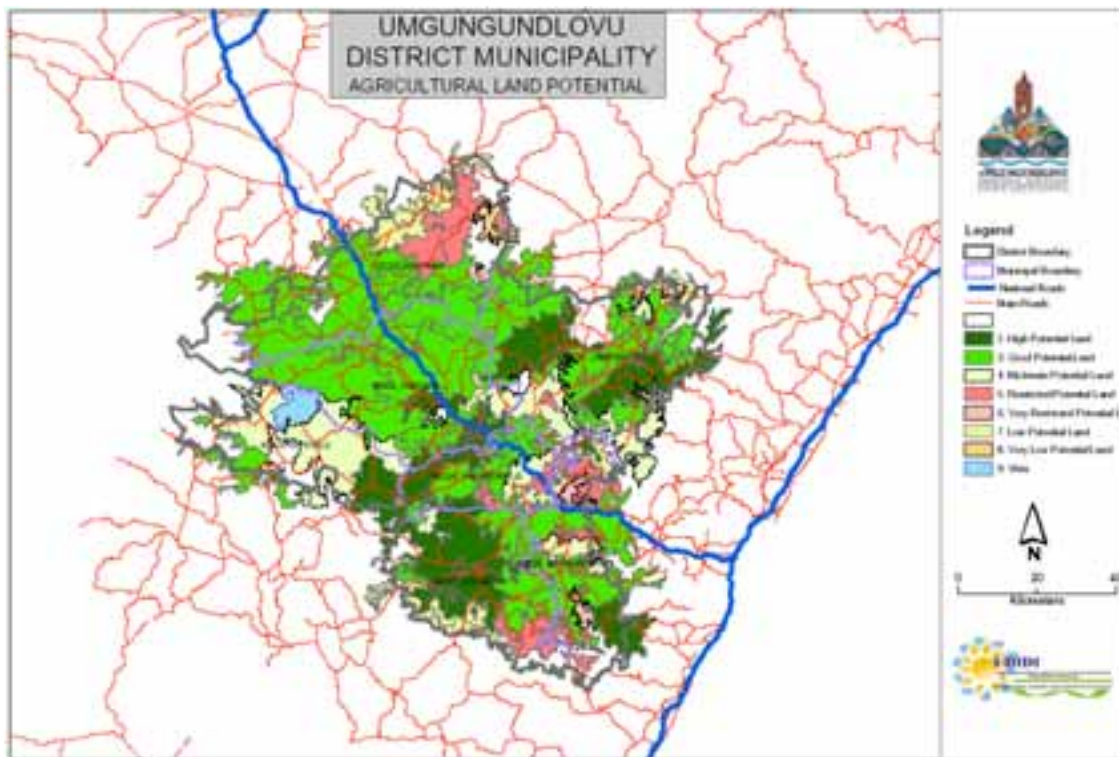
As a result of structural changes in the UMDM economy, the current Spatial Development Framework is under review and was not complete at the time of writing this report. However, some top line findings have been tabled by Udidi, the SDF consultants. In the first instance, the agricultural potential of the UMDM as well as the quality of the agricultural land, has been



confirmed as extremely high. Over 50% of Mkhambathini, over 72% of Msunduzi, over 69% of Mpofana, 98% of uMngeni and over 82% of Richmond have agricultural land potential which is either high or good.

This agricultural potential when combined with good road and rail networks, suggests a real competitive advantage within UMDM in agriculture certainly, but more importantly in Agri-Process. It becomes difficult to understand why more value is not added in the district and why more investors are not attracted to such positive conditions as good land, good infrastructure and access to large markets (eThekweni, Msunduzi and Gauteng). It is possible that the uncertainty regarding land claims is restricting investor appetite, and until the claims are resolved, it may be difficult to offer potential investors in Agri-Process an incentive to invest in the region.

**Figure 4.3- Agricultural Land -UMDM**



Source: UDIDI (2007)

Added to the potential for agriculture and linked agri process, the nature of the UMDM region indicates the presence of major nature based tourism assets. The C Plan (Source: EKZNW 2007) - an indication of the conservation value of an area, shows that significant portions of land in UMDM, in particular in uMngeni, Impendle and Mpofana, are home to a remarkable number and variety. This begins to explain why the Midlands Meander has worked as a successful tourist destination- it effectively combines nature based tourism with agriculture thus promoting conservation, increasing tourism and for many, providing a second income to that derived from small farming operations. The potential for this combination of nature based tourism, agriculture, agri process and linked





occupations such as arts and crafts production, and events development, is enormous and remains largely untapped in the region.

#### 4.3.4 uMgungundlovu LED Assets and Status Quo

##### **Background**

*The province of KwaZulu-Natal includes one metropolitan district, 10 district municipalities and 50 local municipalities, and uMgungundlovu district (UMDM) includes 7 local municipalities. The geographical area of the province is 92,303 square kilometres whereas the geographical area of UMDM is 8941 square kilometres, i.e., 9.6% of the surface area of the province. eThekweni is the largest municipality in terms of population size and economic activity in the province, but only covers 2,291 square kilometres or 2.5% of the surface area of the province. The provincial economy is dependent on the eThekweni economy for its size and direction. After eThekweni, uMgungundlovu is the second largest district in terms of population size, but in terms of earnings and wages and salaries, the uThungulu district is the second largest.*

Average quarterly provincial turnover increased from ZAR96 billion in 2003 to ZAR137 billion in the first two quarters of 2006. This represents an average quarterly nominal (not adjusted for inflation) increase of 4.7% from January 2003 to July 2006. When adjusted for inflation, growth was 1.2% per quarter from January 2003 to July 2006. Provincial wages increased in real terms by almost 2% per quarter from January 2003 to July 2006.

The Pietermaritzburg, Richards Bay and Durban economies contribute together about 74% and 83% of total provincial turnover and remuneration although they only cover 21% of the total surface area of the province. eThekweni's economy is by far the largest. uThungulu is a manufacturing dominated economy and hence earnings are higher, while uMgungundlovu is a consumer dominated economy.

The economic growth prospects for the province in the longer term appear positive. There is evidence that coastal regions can expect to be beneficiaries of some sector trends towards globalization. Global economic growth remains favourable with the Chinese and Indian economies growing at well over 10%. KZN has a relatively good infrastructure and harbours and is well placed to capitalize on opportunities. The growth of the province in terms of trade will mainly be concentrated in the Durban-Pinetown, Pietermaritzburg and Richards Bay/Empangeni regions. These three centres will experience an inflow of people from the rural areas where the remainder of the population will continue to be dependent on agriculture. On almost all measures, UMDM represents about 10% of the province.

UMDM has specific assets and challenges which must inform its LED plan. Some of the major issues are outlined here below:

- In terms of human development and poverty alleviation the district is performing marginally better than the province.
- In terms of education the district has outperformed the province.



- The district has a higher level of urbanization than the province, probably because of the presence of Pietermaritzburg.
- 12% of the economically active population of the province resides in UMDM
- UMDM employs approximately 20% of agricultural employment in the province
- Personal income levels are marginally higher than in the rest of the province.
- Manufacturing activity lags behind the rest of the province.

In terms of the constituents of the uMgungundlovu District Msunduzi is the dominant economy and accounts for between 75% and 80% of the district economy.

The number of people, especially women, in elementary occupations throughout the province, but especially in the less developed local municipalities, is a serious concern. These are very low paid occupations requiring very little education or skills levels and have very little opportunities for progress. The UMDM economy outside Msunduzi is heavily dependent on agriculture- which is not surprising as the region is known as the breadbasket of South Africa. From an LED point of view, the fact that females outnumber males throughout the district and sometimes in very significant numbers is important for LED planning.

Except for Msunduzi the primary sector (agriculture) is the dominant sector in terms of employment in the district. The dependence on agriculture especially in less developed local municipalities is again very evident. The wholesale and retail sectors in the non-Msunduzi municipalities are insignificant suggesting that the majority of consumers spend their income in Msunduzi or with informal traders.

Throughout UMDM, the number of people self-employed is significantly lower than the number of employees. This is very much a product of the national education system where learners are not educated in basic business skills. The very low levels of self employment suggest very low levels of entrepreneurial spirit and/or very little SMME support.

Unemployment is variable across the district but other than in uMngeni Municipality, is on or above the national average. Education statistics indicate that very few school leavers enter post educational institutions. This fact, combined with very limited employment opportunities and inadequate levels of SMME support contributes to unemployment. Large numbers of people in UMDM have chosen not to work at all.

#### **LED Opportunities in UMDM IDP**

Key statistics quoted in the IDP review of 2006/7 support the notion of thrusts in Tourism, Agriculture and Agri-Process ( this includes strategies for the consolidation of new operations, the expansion of existing operations, preferable down the value chain and the support of new entrants). UMDM has the second largest share of tourists in the Province after eThekweni (49%) at 17%. This represented (in 2006) ZAR 2.1 billion spend in the district by domestic tourists alone. International tourists spent ZAR 429 million in UMDM over the same period.

Agriculture is one of the main economic sectors in the district and plays a threefold role. It is of national significance in that it represents a major component of South Africa's food security overall; it represents food security at the household level in the district and; it represents a major

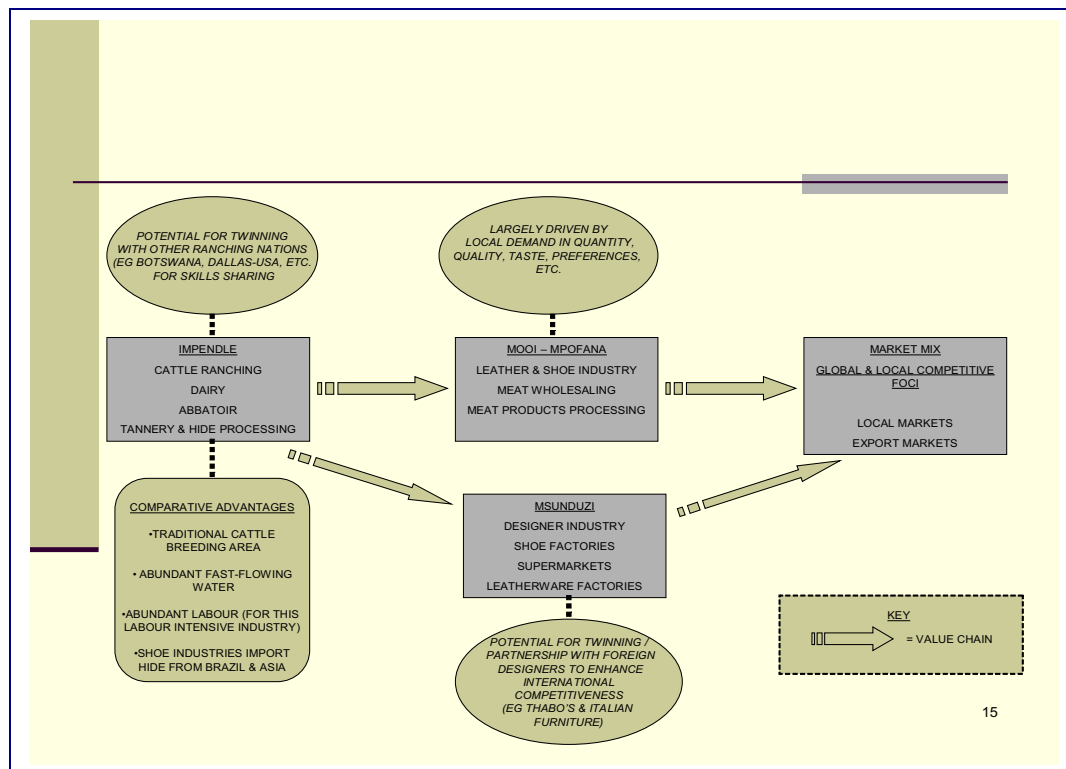


investment in commercial agriculture which contributes extensively to employment and revenue in the district. Significant commercial opportunity vests in the addition of value to local produce and the diversification of crops to add high value and intensive farming products.

The DMs links to eThekweni and Gauteng and its easy access to both the hinterland and the coastal ports offer a set of opportunities linked to manufacturing for export as well as the supply of logistics and other essential services. Msunduzi is particularly well located to attract investment in the six focus industries of national significance as well as those identified by the KZN PGDS, such as Business Process Outsourcing and specialized ICT services. For uMngeni, the specialised medical (health) cluster and the education clusters are both capable of profitable expansion and if appropriately incentivised will attract more investment and create sustainable and skilled employment

Finally the massive investments under way in infrastructure and the explosion in demand for housing in the district represent additional employment opportunities in building and construction.

**Figure 4.4- UMDM LED Opportunities (IDP Review 2006/7)**



Source: UMDM IDP Review Presentation (2006/7)

### LED Challenges in UMDM

The UMDM IDP acknowledges the challenges faced in the district, which effectively act as barriers for LED. Inter alia these are:



- Lack of development in the hinterlands as no new economic activity is stimulated whilst a vast potential exists for their development;
- Investment capital will be concentrated where resources and returns are good, people from poorer areas will gravitate to urban cores;
- Need to improve connectivity between nodes, between poorer areas and the urban core areas – transport, logistics, basic services, education and training;
- Need for sector Focus e.g. agri-business, tourism, manufacturing;
- Need to adopt strategy to balance urban growth with plan for supporting decentralised industrial estates; and
- Need for accelerated LED support

However, if linkages to the rural areas are to be meaningfully implemented in economically viable ways, it will be important for the DM to upgrade and fast track its public transport plan and implement new and significantly improved (and affordable) public transport systems from outlying areas to Msunduzi and major centres in the LMs.

## **5. Mkhambathini Profile**

Mkhambathini represents just over 6.7% of the population of UMDM. The projected population figure for the Mkhambathini area in 2004 is 71,541 with the majority of the population black South African. An overall population growth rate of 6.7% per annum for the Mkhambathini area is much higher than the estimated overall population growth rate for South Africa of 1.0% per annum over the period 2000 to 2010 (Barker, 2003: 49).

In 2001, 41% (31% in 1996) of the Mkhambathini population had some secondary, matriculation-level and/or higher education. The area had an unemployment rate of 44% in 2001 as opposed to 30% in 1996. The local Mkhambathini economy grew rapidly and at the same time experienced an important structural shift with the establishment of a new sugar mill in the area. The small catering and accommodation sector grew at a fast rate. The salary and wage bill also grew rapidly in the above period indicating a period of significant job creation. The number of people employed in the agricultural sector highlights the continued dependence of people resident in the Mkhambathini area on employment opportunities in the primary sector of the economy.

### **5.1 Mkhambathini in Umgungundlovu<sup>10</sup>**

Statistics for Mkhambathini Municipality were not provided by the UKZN research, However, their report noted that “*One can however assume that the statistics for the Mkhambathini municipality will not be that different from the statistics from the Richmond municipality*”. For this reason Richmond data as shown below were suggested by UKZN as a proxy for Mkhambathini.

---

<sup>10</sup> Data sourced primarily from UKZN Socio Economic report on UMDM 2006



**Figure 5.1- Richmond (proxy for Mkhambathini ) in 2006- Key Indicators**

INDICATOR	Richmond (Proxy)
Total Population in 1996	67,782
Total Population in 2004	75,860
Population growth rates in 1996	1.7%
Population growth rates in 2004	1.2%
Human Development Index (HDI) 1996	0.42
Human Development Index (HDI), 2004	0.46
Gini coefficient, 1996	0.60
Gini coefficient, 2004	0.64
Number of people in poverty, 1996	41.2%
Number of people in poverty, 2004	63.6%
Percentage of people living with less than \$1 per day, 1996	7.6%
Percentage of people living with less than \$1 per day, 2004	15.3%
Percentage of people living with less than \$2 per day, 1996	20.6%
Percentage of people living with less than \$2 per day, 2004	27.7%
Number of 15 + Pupils Less than Matric, 1996	503
Number of 15 + Pupils Less than Matric, 2004	308
Number of Pupils 15 + Matric Only, 1996	3,513
Number of Pupils 15 + Matric Only, 2004	6,279
Number of Pupils Matric and Masters, 1996	0
Number of Pupils Matric and Masters, 2004	0
Functional literacy: age 20+, completed grade 7 or higher, 1996	11,931
Functional literacy: age 20+, completed grade 7 or higher, 2004	22,721
Population density (number of people per km <sup>2</sup> ), 1996	50.56
Population density (number of people per km <sup>2</sup> ), 2004	56.59
Urbanization rate (% of people living in urban areas), 1996	6.0%
Urbanization rate (% of people living in urban areas), 2004	3.3%
Economically active population (EAP), 1996	17,973
Economically active population (EAP), 2004	24,393
Number of unemployed people, 1996	6,401
Number of unemployed people, 2004	10,467
Unemployment rate (%), 1996	35.6%
Unemployment rate (%), 2004	42.9%
Formally Employed People Agriculture, 1996	6,190
Formally Employed People Agriculture, 2004	6,970
Formally Employed People Mining, 1996	0
Formally Employed People Mining, 2004	0
Formally Employed People Manufacturing, 1996	473
Formally Employed People Manufacturing, 2004	375
Formally Employed People Electricity, 1996	31
Formally Employed People Electricity, 2004	31
Formally Employed People Construction, 1996	78
Formally Employed People Construction, 2004	68
Formally Employed People Trade, 1996	329
Formally Employed People Trade, 2004	370
Formally Employed People Transport, 1996	28
Formally Employed People Transport, 2004	19
Formally Employed People Finance, 1996	96
Formally Employed People Finance, 2004	118



INDICATOR	Richmond (Proxy)
Formally Employed People Community Services, 1996	674
Formally Employed People Community Services, 2004	910
Formally Employed People Households, 1996	581
Formally Employed People Households, 2004	547
Formally Employed People – Total, 1996	8,480
Formally Employed People – Total, 2004	9,408
Formally Employed People - % Agriculture, 1996	73.0%
Formally Employed People - % Agriculture, 2004	74.1%
Formally Employed People - % Mining, 1996	0.0%
Formally Employed People - % Mining, 2004	0.0%
Formally Employed People - % Manufacturing, 1996	5.6%
Formally Employed People - % Manufacturing, 2004	4.0%
Formally Employed People - % Electricity, 1996	0.4%
Formally Employed People - % Electricity, 2004	0.3%
Formally Employed People - % Construction, 1996	0.9%
Formally Employed People - % Construction, 2004	0.7%
Formally Employed People - % Trade, 1996	3.9%
Formally Employed People - % Trade, 2004	3.9%
Formally Employed People - % Transport, 1996	0.3%
Formally Employed People - % Transport, 2004	0.2%
Formally Employed People - % Finance, 1996	1.1%
Formally Employed People - % Finance, 2004	1.2%
Formally Employed People - % Community Services, 1996	8.0%
Formally Employed People - % Community Services, 2004	9.7%
Formally Employed People - % Households, 1996	6.8%
Formally Employed People - % Households, 2004	5.8%
Number of households by income category R0 - R2400, 1996	549
Number of households by income category R0 - R2400, 2004	1,550
Number of households by income category R360 000 +, 1996	196
Number of households by income category R360 000 +, 2004	290
Personal Income Annual, 1996 (R - million current prices)	415
Personal Income Annual, 2004 (R - million current prices)	756
Personal Income Annual per capita income (Rand, current prices), 1996	6,124
Personal Income Annual per capita income (Rand, current prices), 2004	9,971
Personal Income - Annual per Household, 1996	29,879
Personal Income - Annual per Household, 2004	41,253
Annual total disposable income (R million, current prices), 1996	366
Annual total disposable income (R million, current prices), 2004	687
Annual total disposable income (R million, constant 2000 prices), 1996	497
Annual total disposable income (R million, constant 2000 prices), 2004	538
Total Annual Expenditure, 1996 (R 1000)	414,058
Total Annual Expenditure, 2004 (R 1000)	782,288
Annual Retail Trade Sales, 1996 (R 1000)	150,039
Annual Retail Trade Sales, 2004 (R 1000)	290,056
Gross Value Added by Region (GVA-R), 1996 (Current Prices, R1 000)	219,483
Gross Value Added by Region (GVA-R), 2004 (Current Prices, R1 000)	385,573
Gross Value Added by Region (GVA-R), 1996 (Constant 2000 Prices, R1 000)	273,030



<b>INDICATOR</b>	<b>Richmond (Proxy)</b>
Gross Value Added by Region (GVA-R), 2004 (Constant 2000 Prices, R1 000)	285,910
Gross Value Added by Region (GVA-R), 1997 Average Annual Growth (Constant 2000 Prices)	0.8%
Gross Value Added by Region (GVA-R), 2004 Average Annual Growth (Constant 2000 Prices)	2.4%
GVA-R per Capita, 1996 (Constant 2000 Prices)	4,580
GVA-R per Capita, 2004 (Constant 2000 Prices)	4,192
Gross Domestic Product by Region (GDP-R), 1996 (Constant 2000 Prices, R1 000)	310,470
Gross Domestic Product by Region (GDP-R), 2004 (Constant 2000 Prices, R1 000)	318,038
Gross Domestic Product by Region (GDP-R), Average Annual growth 1997	1.2%
Gross Domestic Product by Region (GDP-R), Average Annual growth, 2004	2.1%
Gross Domestic Product by Region (GDP-R), Per Capita Current Prices, 1996 (Constant 2000 Prices)	3,592
Gross Domestic Product by Region (GDP-R), Per Capita Current Prices 2004 (Constant 2000 Prices)	5,745
Labour Remuneration, 1996 (Current prices, R 1000)	103,209
Labour Remuneration, 2004 (Current prices, R 1000)	188,497
Gross Operating Surplus, 1996 (Current prices, R 1000)	116,274
Gross Operating Surplus, 2004 (Current prices, R 1000)	197,075

Source: UKZN (2006)

However a closer review of the various survey data for Mkhambathini indicates that Richmond is not necessarily a close proxy for Mkhambathini on all issues, although it may be on many, and Blueprint recommends that this table be updated with UKZN as soon as possible for inclusion in the final LED Strategy report. For example, the Mkhambathini population growth rate of 6.7% per annum as reported in the UKZN socio economic survey (2006) is much higher than the rate indicated for Richmond above and is also much higher than the estimated overall population growth rate for South Africa of 1.0% per annum over the period 2000 to 2010 (Barker, 2003: 49).

The projected population figure for the Mkhambathini area in 2004 is estimated at 71541 and was extrapolated using a 6.7% per annum growth rate. All age groups grew extensively over the period 1996 to 2004 and population growth has outstripped economic growth and the capacity of the Mkhambathini municipality to support the people in the area.

There were approximately 12 551 households in the Mkhambathini area in 2001. The median household size for the Mkhambathini area is about three persons per house. The majority of households lived in formal and traditional dwellings. The area had an unemployment rate of 44% in 2001 as opposed to 30% in 1996 which is similar to that of Richmond. In real terms (i.e. the ACTUAL number of unemployed people) this indicates roughly a 103% increase. The overall unemployment level is higher than the current national estimates of unemployment, using the expanded definition, which is approximately 40%.



## 5.2 Mkhambathini- Socio Economic Profile

Mkhambathini represents just over 6.7% of the population of UMDM. The projected population figure for the Mkhambathini area in 2004 is 71,541 with the majority of the population black South African. The Mkhambathini population grew overall except in the age group 0 to 4. There were about 12,551 households in the Mkhambathini area in 2001 with a median household size of about three persons per house and the majority of households lived in formal and tradition dwellings. About 109 households were located in informal settlements. An overall population growth rate of 6.7% per annum for the Mkhambathini area is much higher than the estimated overall population growth rate for South Africa of 1.0% per annum over the period 2000 to 2010 (Barker, 2003: 49).

### 5.2.1 Socio Economic Survey

Household surveys are a useful source of information to receive a better knowledge of a specific society. They make it possible to make a socio-economic profile of a country or specific region. Household surveys are also an excellent tool for the analysis of society developments. As the series of various data have constantly been kept since 1996, it is possible to examine structural and long-term changes. In Mkhambathini the survey drew respondents from all the areas in a scientifically stratified sample as follows:

**Figure 5.2- Mkhambathini Sample Distribution**

Area	nuMBER OF AFRICAN HOUSEHOLDS
Eston	45
Maqongqo	50
Mpangisa	44
Mkhambathini	44
Ingilanyoni	50
Camperdown	30

Source: UKZN (2006)

In 2001, 41% (31% in 1996) of the Mkhambathini population had some secondary, matriculation-level and/or higher education. The area had an unemployment rate of 44% in 2001 as opposed to 30% in 1996. The number of people employed in the agricultural sector highlights the continued dependence of people resident in the Mkhambathini area on employment opportunities in the primary sector of the economy. Income per capita increased from R3783 per annum in 1996 to R5478 per annum in 2001 and to R5742 per annum in 2004 and is indicative of a low-income economy.

The local Mkhambathini economy grew rapidly and at the same time experienced an important structural shift with the establishment of a new sugar mill in the area. This seems to have stimulated other industrial activity with a consequent decline in the relative importance of actual farming activities as well as wholesale and retail trade and business services. The average real growth rate over 10 years was 13 percent but nearly all of this occurred from 1996 to 1999 when the sugar mill was built. The small catering and accommodation sector grew at a fast rate. The salary and wage bill also grew rapidly in the above period indicating a period of significant job creation. The number of people employed in the agricultural sector highlights the continued





dependence of people resident in the Mkhambathini area on employment opportunities in the primary sector of the economy.

**Figure 5.3- Education Levels, Mkhambathini Municipality**

Highest Education Levels Attained by Over 20 year olds	2004	2001	1996	% Change 1996 - 2001	% Of over 20 year olds, 1996	% Of over 20 year olds, 2004
No Schooling	9642	9016	8252	9.26	37.66	23.64
Some Primary	11425	8123	5268	54.20	24.04	28.00
Complete Primary	2840	2168	1534	41.33	7.00	6.96
Secondary	10987	7612	4784	59.11	21.83	26.93
Grade 12	4520	2884	1642	75.64	7.49	11.08
Higher	1382	823	432	90.51	1.97	3.39

Source: UKZN (2006)

The area had an unemployment rate of 44% in 2001 as opposed to 30% in 1996. In real terms (i.e. the ACTUAL number of unemployed people) indicates a roughly 103% increase. The overall unemployment level is higher than the current national estimates of unemployment, using the expanded definition, which is around 40%.

Employment by industry reveals a steady increase (per annum) in most of the economic sectors and sub-sectors, i.e., in the Agriculture/Forestry/Fishing, Community/Social/Personal, Construction, Financial/Insurance/Real Estate/Business, Wholesale and Retail and Transport/Storage/Communication. The dominant industry, in terms of employment, is the Agriculture, Forestry and Fishing sector. The number of people employed in the agricultural sector highlights the continued dependence of people resident in the Mkhambathini area on employment opportunities in the primary sector of the economy.

In terms of employment by occupation, there has been sound growth in all occupation categories, except in the professional category. The increase in the number of technicians employed indicating a possible upturn in the services and manufacturing sectors of the economy into the future. However, there has been noteworthy decline in professional occupations. A larger number of workers are still in elementary employment.

Total individual income for the Mkhambathini area increased from about R174m pa in 1996 to R324m pa in 2001 and to R409m pa in 2004. Annual household income indicates the same trend. Income per capita has increased from R3783 per annum in 1996 to R5478 per annum in 2001 and to R5742 per annum in 2004. This is lower than the national estimates of R18 000 per capita in 2004 and is indicative of a low income economy.



### 5.2.2 Quality of Life Survey- Business

Quality of life analysis involves measuring the level of a person or business's satisfaction with how life is for that person or business. It allows for an indication of the perceptions held regarding the quality of either business or personal life.

Measuring satisfaction, particularly overall life satisfaction, is a good indicator of the quality of life of citizens in an area. Quality of life as defined by the Massachusetts Institute of Technology (MIT) is "the ability to integrate a fulfilling and productive work life with a fulfilling personal and or family life." (MIT, 2002:5). It is generally accepted that an indication of a good quality of life is to have a formal dwelling with good access to basic services, to have good access to health care facilities, to feel safe at home and in the community, to have a secure job and income (a result of high education levels and skills) and to feel a sense of belonging and attachment to the community. The UKZN survey surveyed businesses and households and this report deals with the views of business- as an indicator of business satisfaction with the enabling environment within Mkhambathini.

Businesses in Mkhambathini are dissatisfied with the municipal markets, health services, public transport, municipal payout point, fire fighting services, and refuse removal. They are satisfied with the municipal airport, water supply, electricity supply and police services. A rather high (40%) but equal degree of total satisfaction and dissatisfaction is found with the municipal roads. Businesses in Mkhambathini (57%) indicated no change in the community and none of the businesses surveyed in Mkhambathini reported an improvement in their community. Those who perceived a deterioration in Mkhambathini (43%) assigned crime, HIV/AIDS, government inefficiency, the lack of maintenance, the lack of employment, businesses closing down or moving away, poor roads condition and the increased speed humps as possible contributors to its deterioration.

In Mkhambathini, businesses are dissatisfied with cost of living, current state of the CBD, commercial banks services, crime, unemployment and skills level in the area and local newspaper reporting. They are satisfied with the quality of environment, rates of taxes, relations with other businesses, noise level, cost of business premises and postal services. A rather high (33%) but equal degree of total satisfaction and dissatisfaction is found with the business chamber of commerce. In Mkhambathini a high proportion of businesses indicated **no change** in their present- (50%) economic situation. Regarding businesses perceived **future** economic outlook, Mkhambathini (50%) businesses indicated a possible worsening of their future economic situation.

One indication of the well-being of a business is its intent to expand its operations. The results of this survey indicate that over 50% of businesses in all municipalities have seriously considered expanding their business. *However in Mkhambathini 60% of local businesses would rather invest outside their municipal area.* In Mkhambathini the lack of skills, experience and education are also seen as major constraints to business growth.

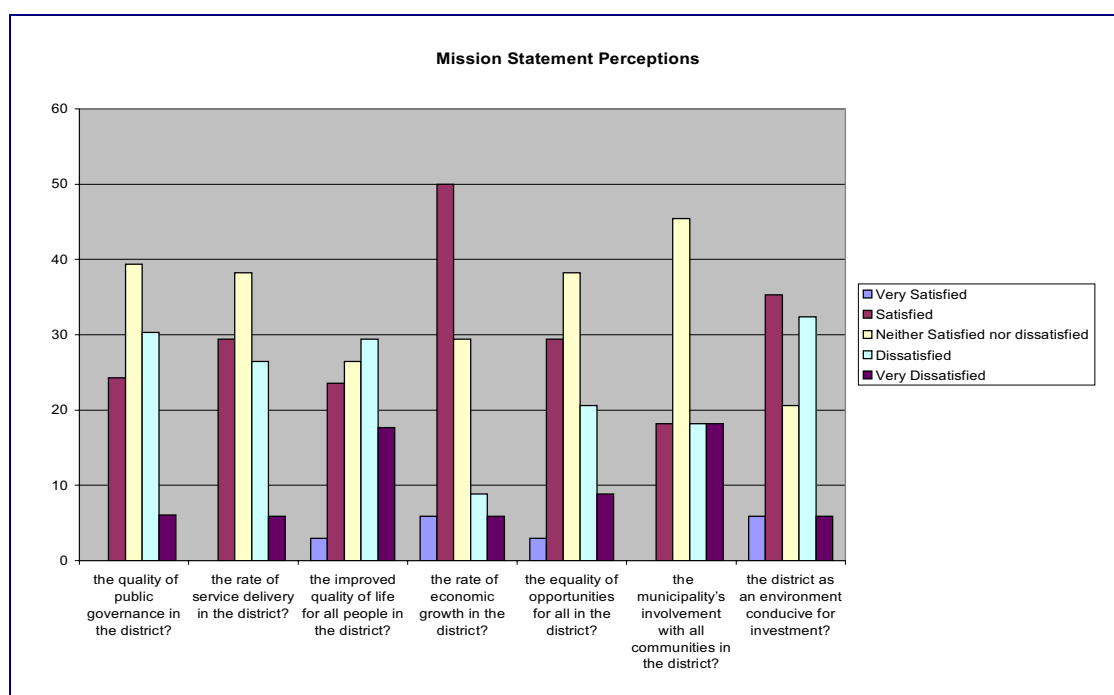
In the province of KwaZulu-Natal, there is concern among businesses about the effect of HIV/AIDS given the fact that the province has the highest prevalence rate in the country. The condition affects absenteeism and staff productivity and increases financial costs to businesses in hiring and retraining staff to replace those who cannot work or die. The results of this quality of life survey



indicate that there is overall a parallel relationship between the level of absenteeism due to illness and the loss of employee(s) from the virus that causes HIV/AIDS. In Mkhambathini, a high proportion of businesses - 66% - reported an increase in worker absenteeism and also a high number of businesses - 60%- have suffered the loss of employees from HIV/AIDS. 83% of Mkhambathini businesses believe that the health authorities are not doing enough to educate residents on HIV/AIDS and should be doing more.

Business's view of their area or region is a key determinant of a willingness to stay and invest. Businesses rated certain aspects of the Mkhambathini enabling environment and in terms of the UMDM mission as follows:

**Figure 5.4 – Mkhambathini- Business views of the district and municipality**



Source: UKZN (2006)

In Mkhambathini business people are not fully satisfied with the quality of public governance, the rate of service delivery, the delivery of an improved quality of life for all and the involvement of all communities in economic growth. Businesses are more satisfied with the rate of economic growth, they believe that there is an environment conducive to investment and that there is equality of opportunities for all.

Crime is one of the major concerns facing South Africans country-wide. In Mkhambathini an equal proportion (50%) of businesses indicated that the crime situation in their area has worsened in the last year. In addition, 90% of businesses in Mkhambathini have been a victim of some form of crime. Mkhambathini is the only municipality where assault was the most commonly reported crime by business. This has serious implications for any attempt to implement LED- businesses are



unwilling to invest in unsafe areas, and indeed, the preference of business to invest outside the municipality is proof of this.

### 5.2.3 Formal Business Survey

Mkhambathini has the fourth highest turnover in UMDM and has experienced growth in turnover between 1994 and 2004 of 2.6% with a growth in wages and salaries of 1.7%. In 2004 the average monthly turnover and wage bill were respectively R91 and R12 million. Agriculture (including the sugar mill) and farming contributes R53 million to turnover and nearly R8 million to remuneration. There is a manufacturing sector that generates R18 million in turnover and wage income of R1 million. Wholesale and retail trade has a monthly turnover of R10 million.

**Figure 5.5 –Mkhambathini Monthly Turnover, Wages & Salaries in 2004 (current)**

SECTOR	TURNOVER	WAGES & SALARIES
	(Rm)	(Rm)
AGRICULTURE	28.27	2.66
FARMING	25.06	5.26
MANUFACTURING	17.54	1.18
CONSTRUCTION	0.50	0.25
CATERING & ACCOMMODATION	1.13	0.14
WHOLESALE & RETAIL TRADE	10.00	0.80
BUSINESS & REAL ESTATE	4.50	0.97
FINANCE	1.51	0.33
GOVERNMENT	2.44	0.38
OTHER	90.95	11.98

Source: UKZN (2006)

The local economy is dominated by agriculture and farming but a reasonable proportion of earnings derived from manufacturing and wholesale/retail. The structure of the local economy has experienced a number of shifts in ten years. The shift between farming and agriculture is explained by the coming into operation of a sugar mill and administrative reclassifications. Manufacturing has also increased its share and as a consequence the shares of trade and business services have declined. The increase in manufacturing's share of salaries and wages was significantly less than that for turnover showing that large increases in manufacturing activity are needed to create employment.

**Figure 5.6 – Mkhambathini Local Economy Structure**

	TURNOVER (%)			WAGES & SALARIES (%)		
	1994	2004	SHIFT	1994	2004	SHIFT
AGRICULTURE	1.6	30.4	28.7	16.4	22.5	6.1
FARMING	59.1	27.8	-31.2	52.9	43.7	-9.2
MANUFACTURING	3.6	19.7	16.2	3.0	10.2	7.2
CONSTRUCTION	0.1	0.6	0.6	0.1	2.2	2.1
CATERING/ACCOMMOD	0.5	1.3	0.9	0.3	1.2	0.9



	TURNOVER (%)			WAGES & SALARIES (%)		
	1994	2004	SHIFT	1994	2004	SHIFT
WHOLESALE/RETAIL	21.2	11.0	-10.2	9.4	6.7	-2.7
BUSINESS/REAL EST.	12.2	5.0	-7.2	16.2	7.6	-8.6
FINANCE	0.3	1.4	1.1	0.6	2.8	2.1
GOVERNMENT	1.4	2.7	1.3	1.1	3.2	2.1
OTHER	100.0	100.0	0.0	100.0	100.0	0.0
TOTAL	1.6	30.4	28.7	16.4	22.5	6.1

Source: UKZN (2006)

Growth rates in the Mkhambathini municipal area are shown below. Over the nine year period economic activity grew rapidly at an average real rate of 13 percent. Nearly all of this growth occurred from 1996 to 1999 when a new sugar mill came into production. Agriculture, which includes farming and the sugar mill, grew at an average real rate of 35 percent during that time.

Manufacturing turnover has also grown at a fast rate of 31 per cent per annum. The exceptionally high figure for catering and accommodation may be partly due to some reclassifications of business services. Consequently, the growth rate for business services over the full period reflects as zero. Wholesale and retail trade grew at an average real rate of 5 percent. The high growth rates for salaries and wages for agriculture, manufacturing, catering and accommodation and government indicate that jobs must have been created in those areas but were to some extent offset by slow progress in business services.

**Figure 5.7- Mkhambathini Average Annual Growth Rates Turnover, Wages, Salaries**

SECTOR	TURNOVER			WAGES & SALARIES		
	1996-2004	1996-1999	2000-2004	1996-2004	1996-1999	2000-2004
AGRICULTURE	15	35	-1	7	13	1
MANUFACTURING	31	35	28	21	35	9
CONSTRUCTION	NA	NA	9	NA	NA	14
CATERING/ACCOMOD	56	15	89	34	19	45
WHOLESALE/RETAIL	5	7	4	5	-4	13
BUSINESS/REAL EST.	0	8	-6	-1	11	-10
FINANCE	102	1	183	29	29	29
GOVERNMENT	45	110	-7	43	87	7
OTHER	13	28	1	7	14	1
TOTAL	15	35	-1	7	13	1

Source: UKZN (2006)

#### 5.2.4 SMMEs in Mkhambathini

It has been generally acknowledged that the rate of growth and survival of SMMEs and the number of SMMEs in an area are indicators of growth. Many governments therefore make major efforts to assist new businesses to start up, and offer support to SMMEs to facilitate their growth. However, the UKZN research indicates that most SMMEs in Mkhambathini do not view the support measures



for enterprises offered by the District as being particularly effective. When asked to comment on measures that would be useful, the following emerged;

**Figure 5.8 –Measures needed to support SMEs<sup>11</sup>**

Q22: TYPE OF MEASURE	AVERAGE SCORE
PROVIDE INCENTIVES FOR INVESTMENT	2.0
IMPROVE BUSINESS SUPPORT	2.4
PROVIDE INFORMATION ON DEVELOPMENT	3.2
INCREASE LOCAL PURCHASING	3.4
PROMOTE PPP	3.5
ASSIST BUSINESS IN MARKETING	4.1

Source: UKZN (2006)

Incentives for investment in growth emerged as the most important intervention that the DM and Mkhambathini Municipality could offer, followed closely by an improvement in business support services, and the provision of information on development that could lead to business opportunities. Over 95% of businesses indicated that they had not been given an opportunity to input to the Mkhambathini Integrated Development Plan (IDP). Over 52% said that existing business forums were ineffective.

**Figure 5.9– Impact on Business of Public Services & Infrastructure**

Q26	MAJOR IMPACT	MODERATE IMPACT	MINOR IMPACT	NO IMPACT	TOTAL PERCENT	RANK
ELECTRICITY	85	4	1	9	100	1
TELEPHONES	67	16	5	12	100	2
ROADS	39	39	15	8	100	3
WATER	35	31	16	19	100	4
PREMISES	38	23	15	23	100	5
POLICE PROTECTION	27	36	19	19	100	6
INEFFICIENCY	37	19	20	24	100	7
CORRUPTION	35	21	20	24	100	8
QUALIFIED STAFF	27	29	21	23	100	9
TENDER AWARDS	37	16	12	35	100	10
LACK SUPPORT	24	28	25	23	100	11
MEDICAL CARE	20	25	23	32	100	12
ZONING	15	17	20	48	100	13
REGULATIONS	12	17	25	45	100	14
INFORMAL SECTOR	17	11	23	49	100	15
SCHOOLS	15	9	28	48	100	16
HOUSING	16	8	24	52	100	17
RECREATION	12	7	25	56	100	18

Source: UKZN (2006)

The importance of creating an enabling infrastructure environment for Mkhambathini business cannot be overstated. Electricity, telecommunications, water and roads are the fundamentals of

<sup>11</sup> Scale 1-6, where 1= most important and 6= least important



basic economic infrastructure. Existing local and regional economic incentives to invest or expand were regarded as poor by half of the businesses. As the provision of incentives as the most important measure municipalities could introduce to promote development. *However, the issue of the high incidence of criminal assault and the consequent trend of business to invest in expanding outside the municipality must be addressed first.*

### **5.2.5 Informal Business Survey**

The primary objective of this study was to collect, interpret and analyse information on a number of informal business sector characteristics within each local municipality. According to the Survey of Employment and Earnings (SEE) of Statistics South Africa (Statistical Release P0210) the informal sector consists of “*businesses or traders that are not registered (i.e. not formally registered as a sole-trader, partnership, close corporation or company and not registered for tax purposes).*” Informal businesses or traders are small in size and generally operate from homes, street pavements or any other informal-type arrangement (Barker, 2003: 98). Informal businesses are owned and operated by one person or an informal partnership and comprise self-employment activity (Verma, 1998).

Most informal businesses in UMDM and Mkhambathini are low-income generating operations that are typically survivalist. Retail trade (i.e. restaurant, bar, shebeen, tavern, accommodation, vehicle repair/cleaning, shoe repair, repair of personal and household goods, garage, spaza shops/tuck shops/hawker-type stands selling various goods etc.) and community services (i.e. health, communication (telephones), cell phones, catering, gardening, domestic/household services, funeral services, hair salon, social and personal services etc.) are the predominant sectors of informal sector activity.

In 2004, retail trade accounted for 49.2% of overall informal activity in UMDM and Mkhambathini. This percentage increases to approximately two-thirds of informal activity if community services are included in the calculation. Most of the informal businesses in Mkhambathini are survivalist and provide support for an average of 5.68 individuals, almost always family members and not part or full time employees. Most of these businesses also earn less than R 1,000.00 per month (68%). A major cost for these businesses is the cost of transport, usually getting to and from the work site. The cost of transport can be anything from R250.00/month to R1,000.00/month. When this is related to the average earnings of R 1,000.00/month the problem becomes obvious. The majority of traders are positive about the future and almost all traders want to grow their respective businesses into larger formal businesses in the future- 36% of all respondents reported that they specifically want to be self-employed.

Again, no data are supplied for Mkhambathini in the table below but the UKZN report on informal sector activity in the district suggests that Richmond may be used as a proxy indicator for Mkhambathini. For this reason, the table below is included in this report.



**Figure 5.10 - Informal Sector Activities in Richmond (proxy for Mkhambathini)**

Municipality	Manufacturing	Construction	Trade	Transport	Finance	Community Services	Total Informal
KN - DC22	3 778	4 780	18,311	3 389	2 061	4 926	37 244
<b>Richmond</b>	<b>268</b>	<b>382</b>	<b>1,419</b>	<b>177</b>	<b>188</b>	<b>207</b>	<b>2 640</b>
Pietermaritzburg (Msunduzi)	2,241	3 530	13,555	2,402	1,724	3,677	27,130
Impendle	0	56	176	37	17	34	320
Lions River (uMngeni)	241	504	1 638	351	18	474	3 225
Mooi River (Mpofana)	94	129	378	162	20	212	994
New Hanover (uMshwathi)	933	178	1 147	260	95	322	2 936

Source: UKZN (2006)

### **5.3 Mkhambathini- Local Economic Development Status**

#### **5.3.1 Mkhambathini Vision & Mission**

The Mkhambathini LED vision is currently ***“By the end of 2020, Mkhambathini will be a sustainable development municipality characterized by an improved quality of life for its entire people in areas of environmental, basic services, social, economic and environmental development”***. The stated mission is to ***“Facilitate provision of services through upholding leadership vision, protecting and enhancing the interests of clients, performing functions with transparency, honesty and dedication, responding promptly to the needs and subscribing to Batho Pele”***

#### **5.3.2 Mkhambathini IDP**

The Mkhambathini IDP (2006) notes a number of issues relevant to LED. The long term goal is stated as- ***“To create a conducive environment for a sustainable social and economic development”***.

Additionally, the municipality has as a goal to be independent, and to achieve this it needs to create its own sources of income through skilling and educating local small businesses and forging partnerships between the municipality and big businesses in the area. Mkhambathini sees funding as a problem that can be overcome by drawing in potential funders at an early stage to give guidance on the conditions of the funding. The municipality has decided to apply to Gijima KZN for funding and to draw in government departments to partner with private companies. Mkhambathini's key objectives are focussed largely on training for business support, forging partnerships with business, and resourcing LED in the municipality.





#### **5.3.4 LED Strategy**

The key projects that were identified at the Mkhambathini workshops focussed almost entirely on the need to set up an LED capability and mechanism within the municipality to focus on LED for the area. Opportunities were identified as follows and were primarily linked to tourism and agriculture- although they were non specific in nature.

- Game Reserve
- Rail and road transport infrastructure
- Tourism
- Accommodation (hotels, B&Bs) for daily commuters between Durban and Pietermaritzburg
- Agricultural projects( including sugar mill)
- Development of LED strategy for municipality
- Build on existing infrastructure
- 2010 world cup

The establishment of an LED unit within the municipality was seen as a key driver to the implementation of the programmes and projects to be put in place.



## 6. Mkhambathini Local Economic Development Strategy- Baseline

### 6.1 *Background to the Mkhambathini LED Strategy*

In all the LM and DM principles as well as those articulated by national and provincial policies the following are the underlying assumptions. These are the key components of activities on the part of the government at all levels:

- The quality of life for all must improve and also be equalised as far as possible
- Equality of opportunity must be promoted and delivered
- Poverty must be reduced significantly
- Unemployment must be reduced significantly

One way of addressing these issues is to stimulate economic development. If businesses grow (in certain sectors) this will begin to address the above fundamentals by providing jobs (and the dignity and spending power which goes with them) as well as reducing poverty. Government can intervene in specific ways to support business growth but also by undertaking tasks outside the realm of business- such as putting mechanisms in motion to equalise opportunity and incentivise business where appropriate. Making it easier to invest in designated nodes and corridors, and incentivising partnerships between emerging and established business, and small and large businesses, are examples of these interventions.

However, there is no major LED initiative where government can work alone and in all cases a strong and open bond between government and business must be the mechanism via which LED is planned, implemented and reviewed. Unless this mechanism is in place, properly resourced and has the commitment of all the local stakeholders, LED implementation will remain ad hoc and entirely market driven. As a result, an enhanced relationship building programme between business (large and small, formal and informal) and the LED unit is recommended.

### 6.2 *Recommended Target Sectors*

**While it is clear from an analysis of the policy environment, the spatial data and the socio economic data provided by UKZN that there are opportunities in agriculture, agri-process, wood and wood products, tourism, logistics, ICT and manufacturing for the LMs to varying degrees, it is important to assess such theoretical opportunities against market demand and local capabilities. A detailed market analysis for each of the sectors identified is beyond the scope of this project but a board overview of the market sectors involved is tabled here to offer some context for opportunity selection on the part of the LED unit to be formed. Detailed opportunities are tabled in the baseline LED plan later on in this report.**

#### 6.2.1 **Tourism**

The Haley Sharpe Final Draft Tourism Situational Analysis Report (2007) commissioned by UMDM offers a detailed and clear perspective of market demand for tourism in UMDM. The number of domestic tourists is greater but foreign visitors spend more (R2,025/average spend per day for foreign visitors as compared to R142/day for domestic visitors). The main domestic tourist market segments considered important for UMDM originate from Gauteng and KZN. Specific opportunities



are to be found in cultural heritage, adventure, nature and MICE (Meetings, Incentives, Conferences and Exhibitions / Events) tourists. The table below presents a summary of the available tourism data for the UMDM.

**Figure 6.1 – Tourism Arrivals in UMDM by Air and by Land**

<b>Foreign Air Arrivals</b>	
Total no. of tourists	137,597
Avg. Daily Spend	R1,548
Avg. Length of Stay	1.5 nights
<b>Total Economic Value</b>	<b>R320 million</b>
<b>Foreign Land Arrivals</b>	
Total no. of tourists	209,124
Avg. Daily Spend	R2,025
Avg. Length of Stay	6 nights.
<b>Total Economic Value</b>	<b>R423 million</b>
<b>Domestic Tourists</b>	
Total no. of tourists	1,109,565
Avg. Daily Spend	R142
Avg. Length of Stay	1.2 nights
<b>Total Economic Value</b>	<b>R190 million</b>

Source; Haley Sharpe (2007) Final Draft Tourism Report for UMDM

According to the Haley Sharpe report, the total number of tourists visiting UMDM in 2005 was estimated at 1,678,490 visitors of which 346,721 were foreign visitors. The value of this tourism UMDM was estimated to be approximately R 933 million. These statistics apply only to visitors to Msunduzi and the Midlands Meander and are considered to be conservative as they do not take account of any tourism in the LMs within UMDM other than Msunduzi and uMngeni. While the tourism strategy has not been developed in time for full incorporation to this report, a number of opportunities have been identified for further evaluation and are tabled here as important LED options.

**Figure 6.2- Major UMDM Tourism Nodes**



Source: uMgungundlovu District Municipality (2006)

Tourists visit the DM either as a destination in itself, or en route to somewhere else. *Existing tourism routes are not particularly well linked*, such as the Albert Falls Amble and the Boston Bulwer Beat with the Midlands Meander, and/or the Valley of 1000 Hills. It is important to attempt to ensure that tourists stay longer in the area and spend more where this is possible, It is also important that tourists visit the outlying areas to ensure some spend in rural areas heavily dependent on agriculture.

*Many tourists come to the area for its scenic beauty*, which is threatened by uncontrolled and inappropriate development. At the same time, *many also visit the area to view wildlife in all its aspects* and the DM has a high value in terms of conservation. Many such conservation and wildlife assets are not optimized or indeed, used or marketed at all. Mkhambathini has a number of unexploited tourism assets of this nature, such as Table Mountain, Nagle Dam, the Cycad Centre and Embo Hole.

*Many tourists visit the DM for adventure and sports*. The DM lends itself well to sporting activities from a number of points of view, and many such activities are undertaken by locals as well as visitors. More events should be developed (biking, cycling, running, climbing, abseiling etc) in Mkhambathini. It will be important in future LED reviews, once the final report Haley Sharpe report is concluded with recommendations, to take these important tourism opportunities into account. However, one very important opportunity area remains and this LED strategy will focus on this as it is linked to other LED Strategy recommendations in this baseline LED Strategy.

### **Agri-Tourism (Box Four Farming)<sup>12</sup>**

---

<sup>12</sup> Tom Bate, Chair: Midlands Meander: Ref Professor Tony Giles, head: Department Agricultural Economics, Reading University



Many visitors come in order to enjoy the natural surroundings of the rural midlands and to engage in some kind of nature based activity as outlined above. These people should stay at bed and breakfast establishments, or backpacker lodges, or some form of interesting village accommodation. This recommendation forms part of an overall recommendation of this LED baseline strategy, which is that instead of promoting only agriculture for smaller and emerging farmers, in all cases, agriculture should, with the exception of the very large commercial farms or highly intensive farms, be linked to tourism and agri-process in order to ensure the survival of the enterprise and to increase earning potential.

Box Four farming has become a world wide trend in developed and developing economies. It is recommended for UMDM local municipalities as it is a) consistent with the demand for nature based tourism in the area and b) is a real mechanism whereby smaller farms can stay viable and c) builds on the success of the Midlands Meander which is a successful example of Box Four Farming. Box Four Farming examples linked to tourism include the renting of cottages, access to fishing, craft shops at the farm, farm gate sales of various farm products (fresh produce stands), eco tourism and farm tourism. In UMDM, there is a significant demand for this kind of accommodation and the challenge is to spread demand out to the rural areas as far as possible. This requires ensuring that the attractions of the various LMs and Mkhambathini are communicated effectively to potential tourists and that the linkages between the current routes are significantly enhanced.

Box Four farming includes farm based agri-process opportunities which are a natural adjunct to agri-tourism, such as the making of home made produce (cheeses, meats, preserves and the like) and furniture, leatherwork and hand made jewellery. Currently in Mkhambathini for example, there are non municipal projects where strawberries are supplied to Woolworths by local farms and locals are partnering with Rainbow Chickens to supply poultry.

### **6.2.2 Residential Property Development**

The establishment of Msunduzi as provincial capital has meant the potential movement of large numbers of people to the district as it has become their place of work. Added to this is the easy access to excellent educational institutions, excellent health facilities and safe and beautiful natural surroundings. Consequently, the need has grown for residential property in the middle to lower income groups, and it is not being adequately met. Various government departments have not yet moved over to Msunduzi but their move is imminent- currently many commute to and from Durban due to the inadequate supply of appropriate accommodation options.

Most experts agree that in the lower and middle range property market demand is still be outstripping supply in Msunduzi. The steady economic growth of 5% annually (excluding agriculture<sup>13</sup>) is adding formal jobs and this creates a steady supply of first-time buyers and provides in turn a steady base load for formal housing demand (80m2 and over). According to the FNB Residential Property Barometer, first-time buyers are still of the order of 20%-25% of all property transactions. Domestic urbanization in South Africa is a growing trend. It is attracting half a million newcomers to the cities annually. Urbanisation is a structural phenomenon according to

---

<sup>13</sup> Cees Bruggemans, Chief Economist FNB March 2007



Bruggemans, and has 30 years to run. As a result, formal housing demand is driven by major forces.

Infrastructure problems represent a constraint to such development as do out of date by laws. Some municipalities are not able to connect appropriately to the water and electricity grids, or are not approving proposed building plans in reasonable time. There are real opportunities for Mkhambathini to begin to consider a policy of partnering with property developers to develop new suburbs to meet the growing demand for this kind of residential property. Blueprint recommends that the levels of potential demand for midlevel and low to mid level housing are assessed and that Mkhambathini, in partnership with developers and UMDM, begin the process of planning for this type of residential development

### **6.2.3 Logistics Goods and Services**

A 5% increase in economic growth represents a 15% increase in freight movement<sup>14</sup>. This has been demonstrated recently by the increase in the number of vehicles using the N3. Increases in freight movement can therefore be considered likely for the next five to six years at least. This suggests increased need for repair and maintenance, and supply chain management services inter alia. Mkhambathini is on a primary corridor and has good logistics access. Mkhambathini should partner with Msunduzi in the development of Cold Supply Chain management including storage and holding facilities. However, a review of available land contiguous to the N3 and with good link road access – for development of a cold chain industrial park- as well as a feasibility for the development of such a park, is a pre requisite for action.

### **6.2.4 Building and Construction**

The projected spend by National Government is over R500 billion over the next five years and most of this will be spent at the local municipal level. Of the amounts spent at the LM level, over 70% will be spent by the 10 largest municipalities in South Africa, and Pietermaritzburg is one of them. This suggests a large number of opportunities for small firms especially Black Owned Enterprises (BOEs) to develop SMMEs based on the demand for skilled builders. This sector should be a major focus for the development of SMMEs, and Blueprint recommends that government procurement and linkages between large and small firms, combined with creative microfinance services, be packaged to assist in this development. Mkhambathini should develop with BIFSA the co development with the private sector and SEDA of a building trades centre of excellence in Mkhambathini to serve the midlands area.

---

<sup>14</sup> Tak Hiemstra (2007) Imperial Group Strategist in Engineering News



### 6.2.5 Agriculture and Agri-Process

As noted above in the tourism section Blueprint recommends that the Box Four Farming concept be formally adopted by UMDM and Mkhambathini and that every attempt be made to ensure that especially new farmers adopt this strategy. Much value can be added to produce on farms, such as cheeses, yogurts and jams, leather work, berry punnets and the like. Wherever possible, agriculture should be accompanied by some form of value added strategy.

Essentially there are three kinds of agriculture occurring in the UMDM and Mkhambathini area. The first is commercial farming either of an intensive nature such as poultry farming and piggeries, as well as large scale crop (sugar) cattle and dairy farming. Some of this land is under claim and the slow pace of resolution of claims in KZN creates a highly unpredictable investment environment regardless of how the claim is resolved or in whose favour. Added to this is the need to ensure that commercial farming operations are not jeopardised in any way which might affect South Africa's food security.

The second is subsistence farming where families farm to eat. This vulnerable group requires a specific set of interventions to ensure that the crops are suitable, productive and ensure food security for the family and if possible, some ability to trade surplus. Community garden strategies are helpful in this regard as are attempts to build co-operative structures which invest in intensive farming such as poultry and pigs- supported by government procurement contracts for institutions such as prisons and hospitals.

The third is the small landowner/plot holder who cannot make a living via farming alone, but when this is combined with agri-tourism and low intensity agri processing as well as the creative industries. The Midlands Meander is a highly successful example of this type of farm, and as new black farmers with smaller land holdings join the current land owner population of this group, attempts to introduce Box Four farming will improve their chances of success.

Extreme concern has been expressed by the Department of Land Affairs (DLA) in UMDM regarding the imminent transfer of land to emerging farmers. The concern is that once the land has been transferred, there is no plan in place to offer bridging support to the new owners of the land and crops. Given the importance of this area to South African food supply, it may be essential that the Dm and the LMs require significantly higher levels of support from DAEA and National and Provincial government in order to ensure a smoother transition.

In Camperdown the DLA has gazetted claims that amount to 60,000 hectares for mostly sugarcane and wattle. It will be critical to the success of these new land owners and farmers that bridging mentoring is available and that earnings are diversified.

*Blueprint therefore recommends the immediate and urgent development of a bridging support strategy for new farmers.* This will require the fast tracking of assessment of potential of land, capabilities of new farmers, and the development of a farm use strategy for the new owners. Once this has been undertaken, a solid mentoring programme with the accompanying essential micro finance opportunities, ongoing technical training and support, and assistance in accessing markets,



local and non local where relevant. Specific opportunities for smaller farmers incorporating agri-industry are:

- **Small mill processing for local supply.** This is currently being implemented in KZN by Mfaniseni Buthelezi from Winterton who serves small scale farmers by processing an average of 50 tpm.
- **Berry growing, picking and processing.** : Berries are planted and people come and pick their own berries and bring their own buckets. The surplus is made into jam and berry liqueurs. This is an option for all the rural LMs. Only limited land is required, so other crops can also be grown ( 46 ha, Blackberries, blueberries, gooseberries, raspberries, Black and Red Currants, Elderberries, or 700 bushes. Partner with Kwanalu and the Midlands Meander
- **Dairy value added, especially home made ice cream for local sales.** Partner with the restaurants and B & Bs in UMDM. Mkhambathini will be an excellent location for this and it links well to the cold chain supply strategy option.
- **Soya-** used for vegetative hay, whole seeds used in baked products, soya oil in edible oils like margarine, mayonnaise, etc, also used in lubricants and waxes, and uses in edible derivatives as well as industrial uses. Also a raw material for biodiesel and bio ethanol. Partner with Kwanalu
- **Specialised vegetables-** Micro greens (Steve Botha, Porterville, Boland) is now the only supplier of micro greens in South Africa. A start up operation needs 5 ha. These veggies are sprouts of different veggies which are in high demand in smart restaurants around the world. Potential crops include species of shallots, tomatilloes, Welsh and Egyptian onions, Chives, various, Horse Radish, Lemon grass, Golden mustard cress, baby beetroot, Rocket, figs, salsify, Veggies must be organic. Partner with FNB farm support and finance programme, Cedara, Kwanalu and the Agricultural Business Chamber<sup>15</sup>
- **Growth of indigenous plants and trees for resale and testing and pilot station –** Impendle in partnership with Pharmaceutical industry interested in local remedy research.
- **Bees and Honey development-** in partnership with SAPPI/MONDI and Cedara can be implemented in Mkhambathini.
- **Potential for raising of exotic poultry such as pheasant, quail and guinea fowl** for exclusive restaurants, can be set up throughout Mkhambathini.

There are many more options, and Mkhambathini will need to consider its options and prioritise accordingly once the tourism strategy report is concluded. However, many of these projects will depend on getting the tourists into the district in ever increasing numbers and this marketing is at the heart of the potential success of any of these strategies

### 6.2.6 Manufacturing

Manufacturing is an extremely wide area and this LED baseline report cannot offer a full analysis of possible opportunities. However, based on current policies and capabilities and clear potential linkages between sectors, clusters, nodes and corridors, certain opportunities have emerged and may be considered as a starting point for further investigation or in some cases, immediate implementation.

---

<sup>15</sup> Kwanalu, Mr Rob Barnsley, Agricultural Business Chamber, Mr Tobias Dyer, FNB Mr Rick Dillon





## **Biofuels**

The National Government has announced major incentives for the production of bio fuels and major international and domestic investors have already entered the market to seek locations for plants. Government has announced grants for first movers. UMDM is extremely well placed to become a major biofuels centre for KZN, in part due to its location on the main route to the hinterland and coast, but also because it has a main centre (Msunduzi) with excellent infrastructure for the most part, surrounded by rural areas where the raw materials for the Bio Fuels plant can be grown. Additionally, again for the most part, the road network from Msunduzi to the rural LMS and vice versa, is in reasonable condition. Finally, proximity to eThekweni and the coast, especially uMhlathuze, means that fuel can be routed to both destinations, which are likely to consume fairly large quantities of fuel.

Currently one major focus is algae farming for bio fuels. A major investment by De Beers Fuel Ltd and US investor Grem Star Products International has been made in a plant in Naboomspruit and plants are planned for installation all over the country- the firm is searching for suitable sites. De Beers Fuel has plans to produce about 16 to 24 billion litres of bio fuel a year within the next five years and its initial investment has been R1,3 billion. The raw material algae- is supplied by Algae farms. Currently the firm has access to only 4000 hectares producing algae and it needs 300,000 hectares altogether. Half a hectare of algae will produce 92,000 litres of bio fuel compared to 350 litres from the same hectare of sunflower oil. The business model includes a franchising option for independent operators to participate. At the same time, there is potential for the development of a linked biotechnology testing centre preferably based in Impendle. The company, Namah-Chem is already testing in KZN.

Ethanol Africa is a second entity planning to build 8 biofuel plants, primarily in the maize belt. The firm has secured funding of over \$110 million to date and will build its first facility in Bothaville. The structure is BEE friendly and small local farmers share in the results of this agro-industry. Sterling Waterford is the international investor with the majority shareholding, but BEE investment is represented by Leroko Holdings (25%) and the farmers own 18% via a local farmer's cooperative called Grain Alcohol Investments. It is possible, but this will require full investigation, that bagasse, a by product derived from sugar cane, could be a cost efficient input to bio fuels development in KZN. Potential for success is high- national government has the stated objective by 2013 of ensuring that 4.5% of all fuel will be biofuels. This will contribute to reduced CO2 emissions and will reduce South Africa's dependence on imported oil.

## **Wood and Wood Products**

The wood and wood products industry in South Africa makes up a very small percentage of the global industry, with leaders in the global economy producing and exporting far greater amounts than South Africa. Within the furniture sub-sector, for example South Africa produces a mere 0.6% of the world total. Industrialised countries generally produce higher quality furniture because of the close proximity of well-informed markets. These highly developed markets are less price-sensitive and delivery, flexibility and service predominantly determine performance in those markets. Design, price and quality, however, determine entry. Mpumalanga produces the majority of South Africa's wood (about 40%). However most of this raw material is exported either to other provinces or international markets who perform most of the value-adding activities. The majority of wood products activities are found in KwaZulu-Natal, Gauteng and the Western Cape.



Some areas of potential opportunity for Mkhambathini may be:

- Manufacture of timber products for construction, eg trusses, doors, windows, flooring, skirting boards. These would be aimed at local and neighbouring markets.
- Manufacture of pallets (already occurring in uMgeni)
- Manufacture of poles (already occurring throughout UMDM on an agri process basis)
- Manufacture of a range of flat-pack furniture, possibly using solid woods as well as board. This would require a large investment and substantial incentives. In addition, design skills are critical, and these would have to be attracted (even if on a contract basis, or outsourced) and developed in the longer term.

*Blueprint recommends that the LED strategy focus on attempts to attract a kit furniture manufacturer from Scandinavia or the EU, to partner for export production.* It seems likely that a fact finding mission to major kit furniture production centres in the EU and Scandinavia should be undertaken. At the same time, discussions may be held with national agencies around relevant incentives for the upgrade of equipment in KZN operations- as it is likely that the current firms and farmers and cabinet makers in the area are unaware of the existence of any incentives at all. The DM could then facilitate access to the available incentives. Mkhambathini is a good location for mass production given its access to the primary corridor as well as access to timber.

## **7. LED Strategy Thrusts**

Development needs to be comprehensive and multi faceted- it will be important to develop and implement strategies to address poverty as well as to stimulate effective commercial growth. UMDM should explicitly target pro-poor development – it will not be enough to assume that overall commercial economic growth will trickle down to areas of extreme poverty. Evidence of this can be seen within UMDM- in spite of real economic growth in Msunduzi and uMgeni, the smaller municipalities have seen increases in poverty and increases in unemployment at the same time as growth has been experienced in the two lead municipalities (UKZN 2006).

Any LED framework to address commercial growth as well as poverty will need to address the building of assets as well as the building of skills, and nowhere is this more true than in UMDM. The National Programme for the Creation of Small Enterprises and Jobs in the Second Economy, which forms part of ASGISA, points out that the development of small enterprises in the second economy is the key mechanism to ensure that there is shared growth between the first and second economies. This means, according to their recent report (2006) that people must be identified who are already active, and these people in particular should be empowered. Those who are not active need to be encouraged, and opportunities need to be identified and created for such enterprises.



**Figure 7.1- Model for Developing Small Enterprises in the Second Economy**

Small Enterprises and Job Creation Model		
Phase 1	Attitude of Self Belief	1
	Collective Vision for mass empowerment	2
Phase 2	Target Sectors, Products and Markets	3
	Identify Advantages for Small Businesses	4
Phase 3	Greater Interface with the Mainstream Economy	5
	Increased investments by Government and Business	6
	Mass Learning and Up Scaling	7

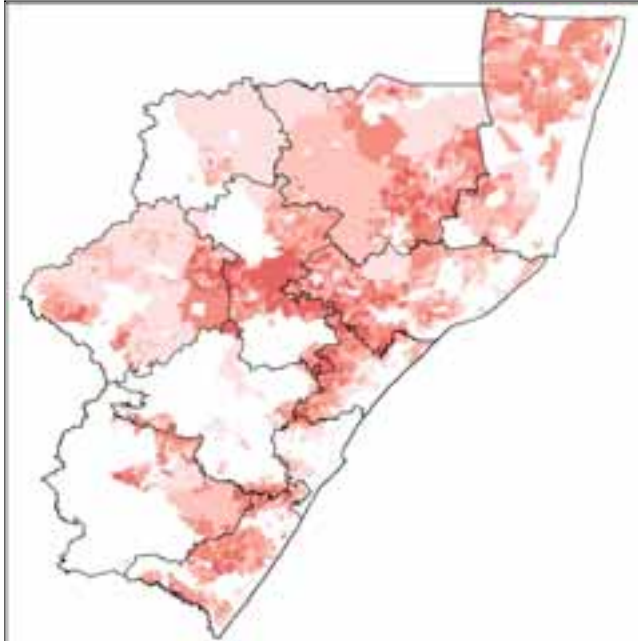
Source: Rukuni (2006) National Programme 2006a (adapted)

Technical support is needed for the small business owner, the household business and the self help group at varying levels (Stokvel, Cooperative etc). In particular, poor people need finance, and a variety of financial services. Micro finance is a powerful tool in the fight against poverty and can pay for itself. It is crucial that permanent local micro credit institutions are built. Poverty in KZN is most found in former homeland areas. The highest densities of poverty are located in eThekweni, Msunduzi Newcastle and uMhlatuze. The PSEDS notes that urbanised poverty is established and will not relocate back to rural areas. It needs to be addressed in parallel to rural poverty.

The recommendations which follow therefore, and the overall integrated LED strategy for UMDM, seek to address *both LED imperatives* in parallel – that of bringing the second economy closer to the first thus addressing poverty in meaningful ways and that of retaining, expanding and attracting fully commercial business in UMDM.



**Figure 7.2 – Poverty Levels in KZN and UMDM**



Source: PSEDS, DED (2007)

### **7.1 Implementation Mechanism**

There is no institutionalised capacity to implement LED in UMDM at this time. Even in Msunduzi, capacity within the Municipality and within the Chamber itself is limited and neither entity has the resources required to implement LED. Nonetheless, unless resources are found, LED strategies cannot be implemented. Blueprint recommends the following mechanism and next step forward for implementation:

- *That an LED implementation unit be set up at the DM level, but that an Exco consisting of business, civil society and government at the LM level will constitute the guiding board with responsibility for direction as well as facilitation (removing barriers to implementation). This board will also be responsible with the CEO for the allocation of municipal funds to LED projects and for access to provincial and national funds as well as donor funds, for implementation of agreed LED strategies. The Exco will finally be responsible for ensuring that collaboration rather than destructive competition becomes the underlying principle for LED in the District.*
- *That an overarching LED programme should be implemented by this body in a Public Private Partnership (PPP)*
- *That a highly qualified and highly experienced CEO be appointed who is able to deliver against the targets and goals of the integrated strategy. A clear and sufficient budget for the LED unit and task teams operations must be developed as a first priority, and the CEO will, as her/his first task raise the funds to ensure the unequivocal functioning of the unit over a five year period.*
- *That the CEO is in turn supported by a qualified and experienced technical team chosen for competence in the target programme areas. Essentially this represents an interdepartmental, PPP initiative with task teams focussed on particular aspects of the programme and tasked with the implementation of specific projects.*



- *That a series of bi annual stakeholder briefing sessions be held to speak to all stakeholders to brief them about progress. This should be sector focussed and not generic in nature. Overall the LED Unit should announce progress once a year against clear goals, in the local media and via email to all stakeholder groups.*

This programme will be very similar to that of Joburg Metro's Blue IQ but tailored for UMDM conditions, advantages and goals. We believe the budget for a five year period will be in the order of approximately Rands 2 to 5 Billion, but this includes hard infrastructure programmes and projects for which there is an existing budget. We have tentatively outlined a possible shared vision and a programme name for the DM and the LMs which is consistent with the various local and district municipal visions, but which is specific to LED. This vision and programme name will need to be ratified by the LED project team. The rationale for an overarching programme rather than a series of independent strategies is as follows:

- It is easier to rally funding around a large, flagship programme
- It is easier to resource such a programme with a central programme office
- It is more efficient and cost effective to work with a central project office - especially when it comes to scarce skills
- It is a more effective integration mechanism and will support more vulnerable and less well resourced municipalities by ensuring that the correct value chain and sector and infrastructure linkages are made and work for all LMs in the district.
- There are extremely limited resources in some LMs
- It is much easier to communicate a single programme and motivate participation rather than a plethora of smaller programmes

Key programme trajectories will be as follows:

### **7.1.2 Area Targeting/Regeneration Strategies**

In UMDM, key area targeting strategies are required to address specific area based problems and issues as well as specific opportunities. Possible projects include:

- Renewal of the Mpofana town centre
- Specific development of Edendale
- Upgrading of Impendle town centre facilities
- Renewal and upgrade of Pietermaritzburg town centre with particular reference to architecture
- Upgrade of connections between Camperdown and other areas in Mkhambathini to improve road connectivity in the municipality.

The regeneration of these areas will support the tourism strategies developed as well as improve the image of the areas. Specific areas within Mkhambathini should be identified where certain types of businesses will be encouraged to locate. District growth nodes may then act as the centre for planned growth and employment. Where possible, this should be built upon an existing agglomeration of firms showing high potential. Specific areas are (the list is not exhaustive):



- |   |  |
|---|--|
| • Agri-Process                                    | All  |
| • Bio Fuels                                       | All – raw inputs from rural LMs and processing in Msunduzi |
| • Automotive components & metal work              | Msunduzi   |
| • BP O & O  | Msunduzi   |
| • Education services-                             | uMngeni and Msunduzi                                       |
| • Health and Medical Services :                   | uMngeni, Msunduzi  |
| • Logistics and Supply Chain Services             | Mpofana, Mkhambathini, Richmond, uMshwathi                 |
| • Property Development Services                   | uMngeni/Msunduzi/  |
| • Research (conservation)                         | Impendle   |
| • Telecommunications                              | Msunduzi   |
| • Tourism<br>(nature based, events, agri tourism) | All  |
| • Wood and wood products                          | All  |

UMDM will need to additionally encourage investment into the designated corridors. Growth can be encouraged to strengthen linkages between LMs but also expansion from an area of promising economic activity out towards a more challenging area, such as for example, from uMngeni to Impendle, and from Msunduzi to Mpofana. By encouraging incremental investment UMDM will consolidate an active growth corridor linking richer and poorer areas thus reducing social and economic exclusion.

Mkhambathini should consider the development and support of some informal markets to support the poor. In uMngeni, two such markets exist in the Lion's River area already and are working well. Mkhambathini should consider the following in particular

- Development of a farm equipment assembly and repair unit/park in Mkhambathini
- Development of a mentoring programme for small businesses (informal and formal) using retired people with skills;
- Job search and employment outreach. Job search programs can be very effective and can involve everything from confidence building, resume writing, interview skills to matching the unemployed with potential employers;
- Entrepreneurship training and SME support programs;
- Community confidence building programme such as promoting local success stories and developing arts and crafts initiatives;

### **7.1.3 Encouraging Local Business Growth**

Most local economic growth is generated by small and medium-sized businesses that are already established in the community. Encouraging local business growth involves providing advice, support and resources to enable these existing local businesses to grow. These strategies are sometimes called business retention and expansion strategies. Mkhambathini is challenged in this regard as the research indicates that businesses do not wish to expand inside the municipality and



there is evidence of a culture of violence and assault within the municipality more so than in any other LM in UMDM.

**Business retention survey:** This is particularly relevant to Mkhambathini given the business survey results and should be implemented immediately. The first survey should be very comprehensive and should investigate the perceptions of Mkhambathini business people further and attempt to find interventions to turn the negative perceptions of business around. Additionally, action working groups on a focused sector basis should be gathered together to brief the Chamber and Municipality on the type and nature of incentives needed to stay, or expand their businesses or attract new businesses in the focus target sectors.

**Technical assistance to business:** This can include broad-based management and marketing programs, quality standards training and advice and possibly some support in terms of the provision of market information and access facilitation. Mkhambathini should implement a one-stop business service centre linked to a community based business services outlet with internet access.

**Financial advice and assistance:** One of the hardest issues for businesses is to access capital. (A list of all financial incentives and tax breaks is provided at the back of this report) UMDM should ensure that each LM has access to this information and that the business support centres in each LM can facilitate meetings for interested businesses. An appropriate financial support program will be able to give advice and training on financial planning, access to capital and credit, and so on.

**Public procurement policy:** As noted earlier, this is national and provincial policy and UMDM should follow suit. UMDM and especially Msunduzi procurement policy must be local business friendly where the LMs and local public sector organizations (such as Eskom, Telkom) and larger local businesses make their procurement accessible to local companies. An initiative is suggested which requires UMDM and Msunduzi to host a quarterly procurement event for local businesses where procurement for the next quarter is tabled and announced

**Provision of sites and premises:** A roster of industrial and commercial land and buildings owned by Mkhambathini should be developed and circulated to be used to encourage business investment and expansion. Similarly a study of the local property market should be commissioned to begin to plan for residential expansion and requirements.

#### **7.1.4 Encouraging New Enterprise**

**Provision of finance for new businesses:** Refer above project re business advisory and support centres. Micro-enterprise financial support is key to enabling businesses to start up as they usually cannot access traditional lending and investment institutions. Micro-enterprise financing is a specialist area and is well documented. UMDM should become involved in these schemes by meeting with micro-enterprise institutions to assess the forms of support needed and ways of collaboration. Ithala, Khula and other institutions should be approached. UMDM's role will be to identify needs and encourage institutions and private sector players to intervene. Mkhambathini's role will be to ensure that local business is linked with the institutions identified by UMDM.



**Providing technical advice on business management:** Someone establishing a business for the first time needs to know how to produce his or her product. They must also understand finance, business planning, marketing, some aspects of the law including employment, taxation, safety at work, environmental legislation and so on. The provision of access to training and support in these areas meets a basic need and can be provided through 'one stop shops' or independent advisers and financed by the SETAs, which are struggling to access SMMEs. Establishing the recommended one stop shop with access to market information will be an essential support mechanism for Mkhambathini businesses.

**Conducting business mentoring programs:** Good practice suggests that by linking new and small business owners with established businesses, significant benefits can result for both businesses. These need not be formal networks. In addition, informal networks of mentors and new businesses can create further benefits by developing supplier linkages, establishing critical mass for specialist training and so on. Mkhambathini should, with UMDM and in partnership with the Msunduzi Chamber, sponsor district wide but sector focussed informal but organised networking forums. This can be linked to the procurement event tabled earlier.

#### **7.1.5 Integrating Low Income Workers into the economy:**

Integrating disadvantaged groups is important in Mkhambathini and in particular this means rural women and young people. Specific projects should be implemented to ensure an increase in access to the economy for both groups, as many households in Mkhambathini are headed by women.

- **Skills training:** Skills training should be done using a demand-led approach and businesses need to be involved in articulating the skills needs for Mkhambathini and the DM. There should be total focus on skills development in target sectors and this should include metal work and building and construction skills.
- **Raising educational achievement:** UMDM and Mkhambathini should initiate a structured retired teacher volunteer programme whereby volunteers assist at under resourced schools.
- **Work experience:** Mkhambathini should, in partnership with the FET colleges, the SETAs and the private sector, implement a work experience programme for young pre-matriculants. Students will work for short periods of time in businesses to gain work experience and work ethic skills.

#### **7.1.6 Investing in hard strategic infrastructure**

Investment in hard infrastructure involves investing in improving the physical environment for businesses thereby making it more attractive for business retention, expansion and recruitment. The detailed prioritization of what needs to be undertaken is beyond the scope of this work, but some priorities are:

- Significant improvement of the public transport facilities between Mkhambathini and Msunduzi and within Mkhambathini
- Identification and development of Industrial Parks for farm equipment assembly and repair and cold chain supply management.
- Installation of CCTV in all areas of risk in Mkhambathini and an improvement in business security and visible policing.





Developing industrial estates, business parks or science parks is normally undertaken by the private sector, however, UMDM and Mkhambathini can pave the way by establishing a demand for such a facility and encouraging an enabling environment within the local authority. A partnering programme with developers is recommended to get this initiative off the ground.

### **7.1.7 Investment in Soft Infrastructure**

Investment in soft infrastructure involves investing in improving the commercial environment for businesses. In UMDM this will largely mean the fast track development of essential skills for business. Possible projects include:

**Enabling or providing skills training:** In all LMs except uMngeni and Msunduzi, as the UKZN research indicates, the development of new enterprise has not been a key priority. Enterprise training should be targeted at these municipalities. Wherever possible this should be linked to education programs in schools. Training should be provided in response to employer skills needs as well as the sectors targeted for growth as outlined above.

### **7.1.8 Promoting Inward Investment**

The promotion of inward investment means to attract businesses to an area from elsewhere in the country and from other countries. Attracting large manufacturing and service sector employers into communities is one of the most difficult, frustrating and riskiest of all LED strategies. This is partly because there are far fewer investors than there are communities seeking to attract them and many communities are prepared to offer massive incentives to inward investors. Foreign direct investors often prefer Greenfield, edge-of-town sites. To accommodate these wishes, communities often over-ride their planning policies in order to attract the investment. This may bring with it considerable problems and may contribute to urban sprawl and transportation problems. Careful consideration should be given to the costs and benefits of attracting inward investors. When locating a business, inward investors seek:

- A stable macro-economic climate
- A stable political and regulatory environment
- Market access and open competition
- A welcoming environment
- Available sites and/or premises
- Appropriate, available and reliable utilities and transportation
- Available skilled workforce
- Available local suppliers and resources
- Appropriate education, training and research facilities
- A good quality of life, especially when bringing ex-patriots
- Manageable regulation and taxation systems
- Incentive schemes



UMDM and Mkhambathini together should develop specific and competitive packages for the target sectors to stimulate investment in the required areas, regions, sites, corridors and nodes. Professional assistance should be sought in the development of these packages. We recommend beginning with existing successful clusters in health, education and tourism via a structured marketing campaign combined with the appropriate incentive package. We also recommend that professional feasibility studies on what to package in order to attract NEW sectors be implemented prior to engaging in any marketing activity. There is insufficient information on the markets for special crops and these studies are also required. The benefits of getting this right are direct employment, an increase in the tax base and indirect employment, up-skilling of the workforce, increases in wages, and opportunities for local SMEs .

### 7.1.9 Sector and Cluster Development

Cluster development means that LED initiatives are concentrated on encouraging and supporting inter-firm collaboration, institutional development and support in targeted industrial sectors. These are quite sophisticated LED strategies and may only be undertaken following in-depth research. The development is targeted at those sectors that offer the most local economic development potential as outlined above for Mkhambathini. Apart from the essential research, additional initiatives are:

- **Developing cluster-focused public procurement and local purchasing agreements:** The public sector is often the largest buyer in a city and as such there are opportunities to enable local businesses to access tender processes more easily. It is often difficult for small businesses, in a cluster or not, to bid for large government contracts.
- **Providing cluster specific information:** One of the most effective ways of developing a cluster is to gather information about businesses and institutional support systems in the cluster and then produce it so that it can be shared. Thereafter, with a small amount of effort, supplier linkages can be developed. These do not need to be sophisticated.
- **Developing cluster related marketing efforts:** Once a cluster has been identified and it starts developing, there are opportunities to promote it and attract supporting investment as well as promoting business opportunities externally for cluster members.

Please refer to the section above on target sectors for detail on which sectors and clusters should be the targets of all efforts. Ultimately every action and project of the LED Strategy should contribute to the support of one or more of these sectors in some way.

## 8. Recommended Mkhambathini LED Strategy- Baseline

GROWTH, PEACE AND PROSPERITY FOR ALL										
STAGE	LED VISION	Develop LED Mechanisms for Implementation	Develop and strengthen hard and soft infrastructure	Strengthen SMMEs and existing businesses	Create employment in target sectors	Overcome economic exclusion	Improve the local business climate	Promote inward investment in target sectors	Urban and Rural renaissance	Relationship Management, Communication and Consultation
<b>OBJECTIVES</b>	<ul style="list-style-type: none"> <li>To implement all LED projects</li> <li>To manage the LED Programme for UMDM and the LMs</li> <li>To access resources for LED activities</li> </ul>	<ul style="list-style-type: none"> <li>To provide the essential hard infrastructure for business growth and development</li> <li>To provide functional road linkages along corridors and between nodes</li> <li>To significantly upgrade telecommunications infrastructure and performance</li> <li>To significantly improve public transport facilities and infrastructure</li> <li>To upgrade skills for target sectors and clusters</li> </ul>	<ul style="list-style-type: none"> <li>Implement specific support programmes for SMMEs including improved access to government procurement, improved access to tender support, improved access to microfinance and improved access to large partners.</li> </ul>	<p><b>Manufacturing:</b></p> <ul style="list-style-type: none"> <li>Wood and Wood Products</li> <li>Bio Fuels</li> <li>Farm Irrigation Equipment</li> <li>Assembly of sub systems for farm plant</li> </ul> <p><b>Services:</b></p> <ul style="list-style-type: none"> <li>Logistics</li> <li>Plant hire and servicing</li> <li>Cold supply Chain management</li> </ul> <p><b>Property Development</b></p> <ul style="list-style-type: none"> <li>Mid and mid level residential</li> </ul>	<ul style="list-style-type: none"> <li>Develop specific projects in target sectors and areas for young people and for women</li> <li>Ensure a high percentage of women and young people retrained for new industries</li> <li>Allocate a % of non core</li> </ul>	<ul style="list-style-type: none"> <li>Retain existing businesses</li> <li>Motivate business expansion</li> <li>Attract new businesses</li> </ul>	<ul style="list-style-type: none"> <li>Increase the level of inward investment in target sectors by 200%</li> </ul>	<ul style="list-style-type: none"> <li>Improve linkages between rural LMs and Msunduzi and uMngeni</li> <li>Identify priority areas for regeneration</li> </ul>	<ul style="list-style-type: none"> <li>Initiate and maintain communication and relationship building between relevant municipal officials, the private sector and civil society (NGOs)</li> <li>Use a sector based task team approach to generate practical solutions and build trust</li> </ul>	



GROWTH, PEACE AND PROSPERITY FOR ALL										
STAGE	LED VISION	Develop LED Mechanisms for Implementation	Develop and strengthen hard and soft infrastructure	Strengthen SMMEs and existing businesses	Create employment in target sectors	Overcome economic exclusion	Improve the local business climate	Promote inward investment in target sectors	Urban and Rural renaissance	Relationship Management, Communication and Consultation
PROJECTS					<p><b>Tourism:</b></p> <ul style="list-style-type: none"> <li>• Agro-tourism (box Four)</li> <li>• Meander linkages expansion</li> </ul> <p><b>Agriculture &amp; Agri-Process</b></p> <ul style="list-style-type: none"> <li>• Assist in bridging the digital divide in rural areas.</li> <li>• Critical to immediately develop support programme for new farmers. See detail above</li> <li>• Link to agri tourism</li> <li>• Link to bio fuels</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that 60-% of all places on retraining programme are given to women</li> </ul>	<ul style="list-style-type: none"> <li>• Immediate and urgent business survey, in depth to develop interventions to mitigate against the</li> </ul>	<ul style="list-style-type: none"> <li>• Create a series of inward fact finding missions for target sectors by end</li> </ul>	<ul style="list-style-type: none"> <li>• Use the Treasury Neighbourhood regeneration funding to achieve regeneration where</li> </ul>	<ul style="list-style-type: none"> <li>• Set up a task oriented decision makers for each target sector under the auspices of the LED</li> </ul>
		<ul style="list-style-type: none"> <li>• By September 2006, set up the LED implementation mechanism outlined above</li> <li>• By November 2007, CEO</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a roster of all government owned land, buildings and other assets Mkhambathini by mid 2008. This includes comments on</li> </ul>	<ul style="list-style-type: none"> <li>• Consolidate informal traders in an informal markets as outlined above. First market set up by</li> </ul>	<ul style="list-style-type: none"> <li>• By mid 2008 for each target sector, develop a detailed plan for retention, expansion or attraction, or all three.</li> </ul>					



GROWTH, PEACE AND PROSPERITY FOR ALL										
STAGE	LED VISION	Develop LED Mechanisms for Implementation	Develop and strengthen hard and soft infrastructure	Strengthen SMMEs and existing businesses	Create employment in target sectors	Overcome economic exclusion	Improve the local business climate	Promote inward investment in target sectors	Urban and Rural renaissance	Relationship Management, Communication and Consultation
		<p>appointed</p> <ul style="list-style-type: none"> <li>By January 2007, business plan for LED unit approved, and Exco appointed</li> <li>By March 2007, have secured from various agencies and entities, funding of at least 50 million to finance the unit for the first two years</li> <li>By March 2008 have begun implementation of a relevant project in each LM and for each target sector</li> </ul>	<p>state of repair as well as potential uses and broad cost of rehabilitation where necessary</p> <ul style="list-style-type: none"> <li>Review road, rail, water, energy and telecommunication infrastructure in the light of each target sector requirements and needs.</li> <li>Bring businesses and utilities service providers together in a series of small focused working sessions at City Hall within 2008 and report on essential needs by target sector.</li> <li>Engage immediately with</li> </ul>	<p>end 207.</p> <ul style="list-style-type: none"> <li>Support cooperative farming, agri-process, tourism and crafts through government procurement and linkages with corridors and nodes. By end 2008 at least one such project by target sector</li> <li>Facilitate access to micro finance in partnership with Ithala</li> </ul>	<p>This should include employment and revenue targets as well as exact incentive packages and a cost benefit and break even analysis of incentive versus expected gains.</p> <ul style="list-style-type: none"> <li>By end 2008, prioritise sectors and develop action plans.</li> <li>Review annually achievements against targets.</li> <li>Implement a lasting tourism</li> </ul>	<p>and 60% to people under 30 years old. This can be time bound only once retraining programmes have been finalised</p> <ul style="list-style-type: none"> <li>Implement the upliftment of Greater Edendale and develop final action plan by end 2007 for M &amp; E annually thereafter.</li> <li>Urgently implement</li> </ul>	<p>negative image of Mkhambathi and to deal with violent crime.</p> <ul style="list-style-type: none"> <li>Action research in focus groups in partnership with UKZN each sector annually. Begin immediately</li> </ul>	<ul style="list-style-type: none"> <li>By mid 2008 have identified sites and correct incentive packages for target sectors</li> </ul>	<p>required in Mkhambathi but first, develop a conceptual development plan by end 2007 for tabling with Treasury<sup>16</sup></p>	<p>Exco as tabled in detail above. End 2007</p> <ul style="list-style-type: none"> <li>Use email for news flashes</li> </ul>

<sup>16</sup> Contact Ms Li Pernegger, National Treasury



GROWTH, PEACE AND PROSPERITY FOR ALL										
STAGE	LED VISION	Develop LED Mechanisms for Implementation	Develop and strengthen hard and soft infrastructure	Strengthen SMMEs and existing businesses	Create employment in target sectors	Overcome economic exclusion	Improve the local business climate	Promote inward investment in target sectors	Urban and Rural renaissance	Relationship Management, Communication and Consultation
			<p>up satellite training centre for metal workers in partnership with FETs currently, and ensure that a re training programme is implemented in Mkhambathini (mid 2007)</p> <ul style="list-style-type: none"> <li>Upgrade Oribi to be able to handle               <ol style="list-style-type: none"> <li>Large Freight Planes (perishables destined for Dube and export, as well as large passenger planes. Add cold storage facilities. By end 2009 in time for World Cup</li> </ol> </li> <li>With the Chamber develop mentoring programmes where required</li> </ul>	<p>internet and digital communication centres combined with SMME service centres in a one stop shop by end 2008 all LMs will have at least one such centre</p> <ul style="list-style-type: none"> <li>Implement public procurement events quarterly as discussed above and by type of procurement to which SMMEs can come, register to bid for any work/service</li> </ul>	•					



GROWTH, PEACE AND PROSPERITY FOR ALL										
STAGE	LED VISION	Develop LED Mechanisms for Implementation	Develop and strengthen hard and soft infrastructure	Strengthen SMMEs and existing businesses	Create employment in target sectors	Overcome economic exclusion	Improve the local business climate	Promote inward investment in target sectors	Urban and Rural renaissance	Relationship Management, Communication and Consultation
			and work experience programmes where possible. \ develop action plan by end 2007.	e they wish to offer and where they can be offered support in tendering, and potentially partnering with larger firms. This could take place in the Royal Showground and be linked to publicity and marketing by large firms to attract small partners						









## 9. References

### 9.1 *Papers and Reports*

- African National Congress (2006), Statement of the National Executive Committee of the African National Congress on the occasion of the 94th anniversary of the ANC,
- Asomba. E (2007) Why does entrepreneurship flourish in some countries and struggle in others?
- D'Amico, G (2007) Heritage Cities; the Contribution of Heritage to Sustainable Development
- D'Amico, G (2007) U.S. Metro Economies- GMP – The Engines of America's Growth
- Department of Economic Development KZN (2005) A New Industrial Strategy for KZN
- Department of Economic Development KZN (2005) Provincial Growth and Development Strategy
- Department of Economic Development KZN (2006) Provincial Spatial Economic Development Strategy
- Department of Agriculture and Environmental Affairs Project List 2006/7
- Department of Development Planning KZN (2006) Spatial Presentation of the KZN Provincial Profile
- Department of Provincial and Local Government (2006) Stimulating and Sustaining Local Economies- Discussion Paper
- Department of Provincial and Local Government (2005) Policy Guidelines for Implementing Local Economic Development in South Africa
- **DG Development Unit B2 (2007) Advancing African Agriculture: Proposal for continental and regional level co-operation on agricultural development in Africa (2007)**
- Engelbrecht, C (2005) People and Places- An overview of Urban Renewal (South African Cities Network)
- Haley Sharpe Southern Africa (2007). Final Draft Situational Analysis Tourism Report.
- Hindson D, Vicente V (2005) Whither LED in South Africa?
- Impendle IDP (2003)
- Local Economic Development (LED) in South Africa (2005) Stimulating Municipal Economies
- McIntosh, Xaba & Associates (2005) Good LED Practice in KZN and Proposals on the Provision of LED support by the KZN DED
- Meso Partner Local Economic Delivery (2005) The Compass of Local Competitiveness
- Meyer-Stamer, J. (2004) The Hexagon of Local Economic Development
- Mkhambathini IDP (2006)
- Mpofana IDP (2006)
- Msunduzi IDP (2006/7)
- National Framework for
- National Resources Institute (2006) Pro-poor Rural Economic and Enterprise Development: A framework for analysis and action (REED)
- Nel E, Goldman, I (2006) Investigation of Pro Poor Local Economic Development in South Africa (report available <http://www.khanya-aicdd.org>)



- Ngcobo, R (2006) Mpofana Growth and Development Strategy
- Reynolds, N (2006) A Draft Handbook for Periodic Markets, prepared for Developing Local Economies Conference
- Reynolds, N, The Peoples Agenda & Woz'obona (2006) The Community Investment Programme. Early Childhood, Community and Local Economic Development
- Richmond IDP Review (2006/7)
- Rowe-Setz, J (2005) A Framework for the Development of a Regional Structural Fund for South Africa
- Swinborne G, Murphy F, (2006) Local Economic Development Strategic Planning and Practice Casebook
- The European Consultative Forum on Environment and Sustainable Development (2003) Comments and recommendations from the European Consultative Forum on the Environment and Sustainable Development
- The National Programme for the Creation of Small Enterprises and Jobs in the Second Economy (2006) Local Credit Committees Orientation Manual
- Uddi (2007) uMngeni Draft IDP Review
- Uddi (2007) uMngeni SDF
- UKZN (2006) Business Confidence Survey
- UKZN (2006) Economic & Business Report- Durban and eThekweni Metropolitan Area
- UKZN (2006) Richmond, Preliminary Economic Review
- UKZN (2006) UMDM LED Situational Analysis
- uMgungundlovu IDP 2006 (2006)
- uMgungundlovu IDP Review 2006/7 (2007)
- Umhlathuze (2006) IDP 2006
- Umhlathuze (2007) IDP Review
- uMshwathi IDP Final Report (2007)
- Urban Econ (2004) Benchmarking of Municipal Incentive Schemes in KwaZulu Natal
- Weir, A (2007) Software system for small farmer microfinance (Kenya) with capability for global roll-out
- World Bank (2006), Local Economic Development Assessment and Implementation

## 9.2 Websites

- Association of Cambodian Local Economic Development Agencies  
<http://gdrc.org/icm/country/acleda.html>
- City Development Options for Haiphon -Charting a Path to 2020 [http://www.ucl.ac.uk/dpu--rojects/drivers\\_urb\\_change/urb\\_economy/pdf\\_urban\\_dev\\_finance/Urban\\_Partnership\\_TWU\\_Campbell\\_City\\_Dvlp.pdf](http://www.ucl.ac.uk/dpu--rojects/drivers_urb_change/urb_economy/pdf_urban_dev_finance/Urban_Partnership_TWU_Campbell_City_Dvlp.pdf) (Vietnam)
- City of Smolyan Local Economic Development Strategy  
<http://siteresources.worldbank.org/EXTLED/Resources/smolyan-led-strategy-may-27-04.pdf>
- Incheon Free Economic Zone Authority (Korea) <http://www.ifez.go.kr/eng/>
- Peru Villa el Salvadore <http://web.worldbank.org/servlets/ECR>
- Prijedor Entrepreneurship and SME Development Strategy  
<http://siteresources.worldbank.org/EXTLED/Resources/prijedor-sme-strategy.pdf>



- Promoting LED in a War Affected Country – The ILO experience in Cambodia  
<http://www.ilo.org/public/english/employment/skills/training/publ/pub10.htm>
- Singapore Economic Development Board  
[http://www.sedb.com/edbcorp/sg/en\\_uk/index.html?loc=home](http://www.sedb.com/edbcorp/sg/en_uk/index.html?loc=home)
- Small Businesses in the Informal Economy <http://www.smallbusinesscouncil.org/>
- South African Cities Network <http://www.sacities.net/>
- Targeting Disadvantaged Groups in Ireland <http://web.worldbank.org/servlets/ECR>
- The Informal Economy, a fact finding study <http://www.sida.se/>
- The Rural Non Farm Economy Project <http://www.nri.org/>
- Vietnam Competitiveness Initiative  
<http://www.vnci.org/showdoc.asp?catid=71&inchannel=on&Lang=0&navigation=off>
- <http://devplan.kzntl.gov.za>

### 9.3 Maps

(All Maps supplied by uMgungundlovu unless otherwise stated)

- Agricultural Land – Ratings (Udidi)
- Base Map- UMDM
- Environmental Wetlands
- Important ecosystems communities- UMDM
- Important landscapes- UMDM
- Indigenous Forestry
- Indigenous Grasslands
- Land Use- Commercial Agriculture
- Land Use- Industrial
- Land Use- Subsistence Farming
- Settlements and Population Density
- Species- Amphibians and Crustaceans
- Species- Birds
- Species- Invertebrates
- Species- Mammals
- Species- Medicinal Plants
- Species- Reptiles
- Species- Threatened Plants
- Tourism Extent uMngeni (2007) Udidi
- uMngeni Agricultural Land (2006/7) Udidi
- uMngeni Land Claims & Labour Tenants (2006/7) Udidi
- uMngeni Land Use IDP (2006/7) Udidi



## 10. Tax Incentives offered by Treasury/SARS

Expenditure subsidies (cash payments)	Objective	Details
Research and Development	Stimulate R&D Investment	100% write-off on direct expense and intangible assets  Accelerated depreciation of capital expenditure 40-20-20-20
Farming Equipment	Stimulate farming Investment	Allows a 50-30-20 depreciation schedule for tax purposes
Manufacturing	Stimulate manufacturing investment and Hotel equipment	Allowance to write off manufacturing asset over 4 years. +40% for cost in first year and + 20% for next 3. Assets acquired after 1 March 2002
Permanent Structures (Pipelines, Rail-lines, telcom-lines and electricity cables)	Bring permanent structures in line with other manufacturing incentives	10% depreciation allowance per annum for tax purposes for pipelines.  5% per annum for all other structures
Small Business Incentive	Assistance to SMME cash flows  Alleviate tax burden  Promote investment in fixed assets	Graduated rate structure; <ul style="list-style-type: none"> <li>• R0 to R35 000 of taxable income-0%</li> <li>• R35 001 to R250 000 of taxable income-10%</li> <li>• R250 001 and over-29%</li> </ul> Accelerated depreciation for all assets.50-30-20  Manufacturing assets have a 100% immediate write -off
Aircraft Hangers, Aprons, Runways	Incentives investment in airports	5% annual depreciation for tax purposes
Strategic Investment	Stimulate investment in projects	Double deduction depreciation allowance-



Expenditure subsidies (cash payments)	Objective	Details
Program	that have a significant direct and indirect benefits for South African economy	<p>over and above existing allowances-is provided for investment in industrial assets (over R50 mil). To qualify for the allowance a project must be regarded as a strategic project.</p> <p><b>Lapsed in July 2005</b> in accordance to the sunset clause provisions</p>
Buildings and improvements	Stimulate new building and improvements in certain sectors	<p>Five percent depreciation allowance is allowed annually on cost of buildings (and improvements) where the building is used in a manufacturing or similar process and the building or improvement is commenced after 1 January 1989.</p> <p>Manufacturing and hotel building (new and improvements) depreciate at 5% per annum.</p> <p>Housing Projects (defined as &gt;5 dwellings) receive (10-2-2) depreciation schedule.</p> <p>Hotel improvements: 20% p.a. allowance (internal), 5%(external).</p> <p>Employee Housing 50% deductible, up to R6000 per dwelling</p>
(Accelerated depreciation for) Urban Development Zones	Counter inner city decay and stimulate urban regeneration	<p>Accelerated depreciation allowance for new and renovated construction in designated UDZs.</p> <p>Refurbishments or improvements on an existing building will receive a 20</p>



Expenditure subsidies (cash payments)	Objective	Details
		<p>percent straight-line depreciation write-off over a 5-year period once the building is brought into use.</p> <p>New building (or extending or adding to the expense of a building) receives a 17-year write-off period. This write-off allows for a deduction of 20 percent for the first year the building is brought into use and annual deductions of 5 percent for each the following 16 years.</p>
Refining Film Industry	Stimulate SA film industry	<p>75% of the total amount of production costs and post production costs must be incurred and paid/payable in SA</p> <p>Production and post production expenses incurred by film owners in respect of approved co productions entered into by South Africans are deductible</p>
Specific Tax treatment for the Mining Sector	<p>Encourage exploration and opening –up of new mining opportunities.</p> <p>Ensure the non- renewable resources of South Africa are fairly taxed</p>	<p>Gold mining companies not exempted from STC,new formula for gold miming income: <math>Y=35-175/\text{profit margin}</math>.</p> <p>Gold mining companies opting to be exempted from STC: New formula: <math>Y=45-225/\text{profit margin}</math>.</p> <p>The rate for non-mining income is reduced from 38 percent to 37 percent.</p>





Expenditure subsidies (cash payments)	Objective	Details
Tonnage Tax	To Stimulate the SA shipping Industry	Introduced in 2005 and to be legislated in 2006  Taxes shipping companies at a fixed rate according to net tonnage and not according to business income results
Industrial development Zones (IDZ)	Encourage international competitiveness in South Africa's manufacturing sector	Duty-free importation of production-related raw materials and inputs. A zero rate of VAT on supplies procured from South African sources.
Learnership Allowance		A R25 000 deduction is allowed to an employer when a learnership agreement is signed and a further R25 000 deduction is allowed when the learner successfully completes the learnership.
Bio-diesel and bio-fuels	Stimulate investment in renewable energy	A tax depreciation write-of of 50-30-20
Machinery and Equipment		Annual capital allowance over 4 years at a ratio of 40:20:20:20 per annum in respect of the cost of machinery and equipment used for the first time in a manufacturing or similar process.  Annual wear-and-tear allowance for machinery, equipment, utensils and articles which do not qualify for the above 4-year capital allowance. Rates are prescribed on the straight-line basis, ranging between 10% and 50%.

Source: Blueprint (2005) adapted from various



## 11. List of South African Incentives <sup>17</sup>

Number	Name of Incentive	Objective	Eligibility	Benefit
1	Foreign direct investment research:	The aim of this scheme is to partially compensate companies for specified costs incurred in recruiting new foreign direct investment into South Africa through personal contact by visiting potential investors in foreign countries.		
2	Preferential Rate for small business corporations	Support small business development and job creation	Companies and Close Corporations with gross revenue less than R1 million	First R100,000 of taxable income is taxed at a reduced rate of 15%
3	Accelerated depreciation allowance	An accelerated tax deduction enabling manufacturing companies to write off the manufacturing assets over a reduced number of years, with a greater percentage of the cost of such assets being written off in the first year.	All manufacturing business investing in new plant and machinery, acquired from 1 March 2002.	An accelerated depreciation allowance to write off the manufacturing assets over 4 years as follows: <ul style="list-style-type: none"> <li>• 40% of the cost of the 1<sup>st</sup> year, and</li> <li>• 20% of the cost for the subsequent three years.</li> </ul>
4	Agro-industries development finance	Development and expansion of the agricultural, food, beverage and marine sectors.	An economically viable business plan and a minimum financing requirement of R1 million.	Competitive and risk related interest rate. Medium-term to be in the form of loans, suspensive sales, equity and quasi-equity.
5	Bridging finance	Providing short-term financing to entrepreneurs that have secured firm contracts with Government and the private sector.	Entrepreneurs who have been awarded Government tenders already or have secured contracts to provide services/products to established companies. Minimum financing requirement of R500 000 and have a turnover greater than R1 million.	Competitive and risk related interest rate. Short-term loans, maximum of 18 months.
6	Business loans for retail financial intermediaries	To provide business loans to RFI with funding for or lending to small, medium	Retail lending organisations involved in the small, medium and	Less experienced RFI qualify for loans ranging between R1 million

<sup>17</sup> PLEASE NOTE- Some of the above incentives will shortly be discontinued and the approach to incentivisation is likely to change



Number	Name of Incentive	Objective	Eligibility	Benefit
	(RFI)	micro enterprises.	micro enterprises market that meets Khula's development and institution criteria.	to R10 million, whilst experienced retail financial intermediaries qualify for loans ranging between R5 million to R100 million.
7	Competitiveness Fund (CF)	Encourages South African companies to become more competitive in the local or foreign markets.	All South African registered, private companies, close corporations and partnerships.	The Fund supports competitive enhancement by services/activities provided by an external party and takes the form of a 50% reimbursement grant with a limit of R600 000 per legal entity.
8	Critical Infrastructure Programme (CIP)	Encourages infrastructural development where the immediate requirements are not in place.	Local authorities and private sector investment in infrastructure where the infrastructure investment is key to significant industrial development. Available to municipalities and private companies.	It supplements the infrastructure provided by existing public sector or private sector providers by funding a top-up grant between 10% and 30% of total capital costs incurred.
9	Customs rebate and drawback provisions	Promote the manufacture and export of manufactured goods.	All manufacturers, importers and exporters.	Rebate or drawback of customs duties on imported goods, raw materials and components used in manufacturing and processing for domestic sale or export.
10	Danida business to business programme	To develop and strengthen business opportunities and create jobs for eligible entrepreneurs for previously disadvantaged communities.	Support will be given to commercially viable businesses for development, based on information of business partnerships between South Africa and Danish companies. The long-term objective is for private partners to continue with the partnership when the support is discontinued.	The support will cover expenses connected with the transfer of management, business skills and technology from Danish to South African companies and provided access to financing for the South African company. A 100% Khula Guarantee to a financial company will be considered for loans aimed exclusively at



Number	Name of Incentive	Objective	Eligibility	Benefit
				procurement of shares, purchasing of machinery and capital equipment essential for the business to succeed.
11	Depreciation (accelerated)	To stimulate investments in capital assets.	<ul style="list-style-type: none"> <li>• Plant and machinery:               <ul style="list-style-type: none"> <li>– Manufacturing or similar process: New and used</li> <li>– Hotel equipment</li> <li>– Farming.</li> </ul> </li> <li>• Buildings:               <ul style="list-style-type: none"> <li>– Industrial (manufacturing or similar process)</li> <li>– Hotels</li> <li>– Hotel refurbishments</li> </ul> </li> <li>• Non-manufacturing fixed assets</li> </ul>	<ul style="list-style-type: none"> <li>• Depreciation Rates</li> <li>• Plant and machinery:               <ul style="list-style-type: none"> <li>– New and used (40% per annum 1<sup>st</sup> year, 20% per annum 2<sup>nd</sup> to 4<sup>th</sup> year)</li> <li>– Hotel equipment (20% per annum)</li> <li>– Farming (50% 1st year; 30% 2nd year; 20% 3rd year)</li> </ul> </li> <li>• Manufacturing buildings (10% per annum)</li> <li>• Hotel refurbishments (8% to 20% per annum)</li> <li>• Non-manufacturing fixed assets (10% to 33.33% per annum)</li> </ul>
12	Duty Credit Certificate Scheme (DCCS)	Promotion of investment in and exports from the textile industry.	To manufacturers and exporters of qualifying textiles and clothing/apparel products.	Reduction of the overall customs duty liability through Duty Credit Certificates earned from exports of qualifying textile goods.
13	Emerging entrepreneur scheme	To increase access to finance for SMMEs through banks.	Accessible to independently owned SMMEs with assets of less than R2 million before financing. SMMEs must meet the bank's normal lending criteria.	To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion or acquisition of a new or existing business. The maximum indemnity is 60–70% and the maximum facility is



Number	Name of Incentive	Objective	Eligibility	Benefit
				R75 000.
14	Employee housing allowance	Promoting the erection of employee housing (Income Tax Act based).	A tax deduction is available for the erection of houses for employees.	The allowance is an amount equal to 50% of expenditure incurred relating to the cost of erecting housing for an employee or his household, limited to R6 000.
15	Empowerment finance	Assistance to emerging industrialists/entrepreneurs to acquire an empowerment stake in the formal business.	Emerging industrialists/entrepreneurs. Business must be acquired as a going concern and have economic merit. The entrepreneur should play a meaningful role in the management of the concern. The minimum deal size is R1 million and the maximum R100 million. A minimum cash contribution of 10% of the purchase price is required from the entrepreneur.	Medium-term financing in the form of loans, equity and quasi-equity for management buy-outs or leveraged buy-outs and strategic equity partnership.
16	Entrepreneurial mining and beneficiation finance	Development of small and medium sized mining and beneficiation activities and jewellery manufacturing.	An economically viable business plan and a minimum financing requirement of R1 million.	Medium-term financing in the form of loans, suspensive sales, equity and quasi-equity to establish or expand junior mining houses; acquire mining assets by Historically Disadvantaged People (HDP). To finance the establishment or expansion of jewellery manufacturing activities.
17	Export credit and foreign investment reinsurance scheme (ECRS)	To make provision for reinsurance with the South African Government of insurance contracts in connection with export transactions and export credit loans or similar facilities in coherence with suchlike transactions.	There are five facilities available.	Dependant on the facility used, of which there are five different facilities available namely: <ul style="list-style-type: none"> <li>• Short-term insurance</li> <li>• Medium/long-term insurance</li> </ul>



Number	Name of Incentive	Objective	Eligibility	Benefit
				<ul style="list-style-type: none"> <li>• Export finance for capital goods or projects</li> <li>• Foreign investment guarantees</li> <li>• Export finance guarantees for small- and medium sized enterprises.</li> </ul> <p><i>Short-term insurance:</i> Insurance cover is provided for the payment of risk associated with export transactions where credit terms normally do not exceed 180-days, and where the cause of the loss may be either political or commercial. The types of cover available are: pre-shipment cover, post-shipment cover. In certain cases of selected products, repayment over periods longer than 180-days can be permitted.</p> <p><i>Medium/long-term insurance:</i> Insurance cover is provided for the repayment risks where credit terms generally exceed two years and up to 10 years, as well making provision for foreign exchange risk cover, foreign investment and the unfair calling of performance bond guarantees.</p> <p><i>Export finance for capital goods and projects:</i> This facility enables South African exporters to offer quotations/tenders denominated in US</p>



Number	Name of Incentive	Objective	Eligibility	Benefit
				<p>Dollars. In addition, foreign exchange cover is also available to exporters of capital goods insuring the latter against fluctuations of foreign exchange rates over the delivery period of the contract. As capital goods are delivered over periods of six months to three or longer, guarantee exchange rates are determined for specific delivery dates in the future.</p> <p><i>Foreign investment guarantees:</i> The objective is to provide South Africa investors in foreign countries with sufficient cover against political risks such as expropriation, confiscation and nationalisation.</p> <p><i>Export finance guarantees for small- and medium sized enterprises:</i> The facility enables South African exporters who have obtained export orders to apply for finance for a participating bank. The finance is guaranteed by Credit Guarantee and reinsured by the Department of Trade and Industry. There are a number of eligible criteria that need to be met.</p>
18	Export finance	To assist the promotion of exports of capital goods and services by providing competitive US Dollar (US\$) and South African Rand (Rand) financing to prospective foreign buyers	Industrialists and exporters	Credit facilities for capital goods and services exported from South Africa. Payment terms at related interest rates for facilities



Number	Name of Incentive	Objective	Eligibility	Benefit
		of equipment.		denominated in US\$ or Rand.
19	Export marketing and investment assistance (EMIA) scheme	Promote exports of South African products by the establishment of export markets for their products and to attract investment into South Africa.	Enterprises registered as exporters with the Department of Trade and Industry (DTI).	<p>A portion of specified costs relating to:</p> <ul style="list-style-type: none"> <li>• Primary export market research</li> <li>• Outward selling trade missions</li> <li>• Inward buying trade missions</li> <li>• Exhibition assistance</li> <li>• Assistance to specific industry sectors</li> <li>• Outward investment recruitment missions</li> <li>• Inward investment missions</li> <li>• Foreign direct investment research.</li> </ul> <p><i>Primary market research:</i> The aim of this scheme is to partially compensate exporters for specified costs incurred in developing new export markets. Assistance provided under this scheme is restricted to exporters or export agents as well as for export of value added products.</p> <p><i>Outward selling trade missions:</i> To assist South African exporters who intend to undertake overseas visits to potential clients in an effort to promote their products to such clients. Such missions can be undertaken by individual companies or as part of a trade mission arranged</p>





Number	Name of Incentive	Objective	Eligibility	Benefit
				<p>by the Department of Trade and Industry, export councils or chambers of commerce.</p> <p><i>Inward buying missions:</i> Assisting South African companies or organisers such as export councils or chambers of commerce to invite and cover the expenses of potential overseas clients to visit South Africa with the aim of concluding export orders.</p> <p><i>Exhibition assistance:</i> The Department of Trade and Industry is represented at a number of annual international exhibitions by means of a national pavilion. This scheme aims to assist South African exporters to attend either individual exhibitions or the national pavilions.</p> <p><i>Assistance to industry specific sector:</i> The aim of this scheme is to assist in the creation of export councils for industries with a view of developing new markets. During the course of the last few years a number of export councils have been established as well as the National Export Advisory Council (NEAC) which meets with the Minister of Trade and Industry on a quarterly</p>



Number	Name of Incentive	Objective	Eligibility	Benefit
				<p>basis.  <i>Outward investment recruitment missions:</i> To assist South African companies who intend to undertake overseas visit to potential clients with a view to attract foreign direct investment into South Africa. Such missions can be undertaken by individual companies or part of a trade mission arranged by the Department of Trade and Industry or chamber of commerce.  <i>Inward investment missions:</i> Assisting South African companies or organisers such as chambers of commerce to invite and cover the expenses of potential overseas investors to visit South Africa with the aim of attracting foreign direct investment into South Africa.</p>
20	Finance for the textiles, clothing, leather and footwear industries	Development and expansion of the sector by providing finance for the creation of new or additional production capacity; setting up distribution channels, working capital and pre- and post shipment finance for exports.	A meaningful financial contribution of at least 35–50% (depending on the nature of the business) by the promoters (10% to 20% for HDP). Minimum financing requirement of R500 000.	Medium-term finance in the form of loans, suspensive sales, equity and quasi-equity.
21	Financing for the expansion of the manufacturing sector	Development and expansion of the manufacturing sector by providing finance for the creation of new or additional capacity.	An economically viable business plan from the client will be needed and a meaningful financial contribution of at least 33% by the promoters (10% to	Medium-term finance in the form of loans, suspensive sales, equity and quasi-equity for the creation of new or additional production



Number	Name of Incentive	Objective	Eligibility	Benefit
			20% in the case of HDP). The minimum financing requirement of R1 million.	capacity.
22	Foreign Investment Grant (FIG)	To encourage foreign entrepreneurs to invest in manufacturing companies in South Africa, compensating the foreign entrepreneur for qualifying costs in transporting new machinery and equipment (vehicles excluded) from abroad.	South African incorporated companies with a foreign direct shareholding of at least 50%. FIG is conditional on the approval of a project under the SMEDP.	Qualifying costs associated with transporting new machinery and equipment from abroad. The FIG will be the owner of the actual qualifying cost or 15% of the value of new machinery.
23	Generalised System of Preferences (GSP)	Provide preferential access ie at reduced customs duty or duty free, for exported products.	The exported products must be of South African origin as defined in the rules of origin (RoO) provisions.	22 countries presently provided exports of South African origin with preferential market access to their markets.
24	Import finance	Provision of medium to long dated import credit facilities to local importers of capital goods.	Industrialists and importers	Credit and guarantee facilities available in US\$ and other foreign currencies to local industrialists for the medium to long-term financing of imported capital goods and services.
25	Industrial development zones (IDZ)	To promote manufacturing and increase the competitiveness of South African exports.	All manufacturers and exporters allocated in designated zones.	Drawback of customs duties on imported goods, raw materials and components used in manufacturing, processing for export or domestic sale.
26	Innovation Fund	Promote technological innovation within the research community and cross-sectoral collaboration.	Companies who undertake research and development in the following areas: <ul style="list-style-type: none"> <li>• Promotion of IT</li> <li>• Biotechnology</li> <li>• Value added processes.</li> </ul>	Grant between R1 million to R5 million for maximum of 3 years.
27	International Tourism Marketing Assistance Scheme (ITMAS)	To partially compensate businesses for certain costs incurred in respect of activities aimed at promoting tourism to South Africa.	Businesses trading for commercial gain that are a registered member of an official tourism trade organisation.	A portion of specified costs relating to individual sales/marketing trips, outward selling tourism missions,



Number	Name of Incentive	Objective	Eligibility	Benefit
				workshops and outward investment recruitment missions, exhibition assistance, production and distribution of international tourism marketing material.
28	Khula credit guarantees	Where banks require companies to provide guarantees to secure a loan, Khula will furnish these guarantees to approved applicants in respect of individual, institutional or portfolio guarantees.	To RFI or (SMMEs) that are independently owned, with assets of less than R2 million before financing. SMMEs must meet the bank's normal lending criteria.	Dependant on the type of guarantee. Individual guarantees an amount limited to a maximum of R600 000 for a 3-year period. In respect of institutional guarantees Khula will provide the bank with the appropriate guarantees for the approved retail financial intermediary. For the portfolio guarantees Khula will be prepared to indemnify the retail intermediary for up to 80% of its irrecoverable losses.
29	Khula Equity Fund	To fund joint ventures, expansions, recapitalisation of the company buying out of existing shareholders.	Accessible to SMMEs with a net asset value of not less than R500 000. Applicants must be able to demonstrate that they are viable in the medium to long-term, and that the investors can anticipate an adequate rate of return.	Provides for SMMEs that need to expand their activities, enter into joint ventures, recapitalise the company and those who want to buy-out the existing shareholders. The share that fund will take in the company will not exceed 49% and it would be expected to disinvest within seven years.
30	Khula start	To promote greater access to micro credit by rural communities in South Africa.	Accessible to existing Non-Governmental Organisations (NGOs) and Community Based	The group solidarity methodology applies, with individuals selecting



Number	Name of Incentive	Objective	Eligibility	Benefit
			Organisations (CBO) in rural areas involved in small, medium and micro enterprise activities such as business training and advice.	themselves into groups of three to ten members. Loans are disbursed on an incremental basis from R300 to R3 500 per member within a group. The group decides based on the activity of the individual business how much each member has to receive.
31	MIDP – productive asset allowance (PAA)	To encourage fixed capital investment and rationalization of model ranges by manufacturers of specified light motor vehicles.	Motor vehicle assemblers and component manufacturers (if associated to motor vehicle assemblers).	Duty credit calculated at 20% of the value of the investment in productive assets spread equally over a 5-year period to be applied against customs duties and imported fully built up light motor vehicles.
32	Motor Industry Development Programme (MIDP)	Increase productivity and competitiveness of this sector by providing incentives for increased local content in exported products.	Motor vehicle assembly and component manufacturers and exporters.	Import Rebate Credit Certificates (IRCC) based on export performance, and duty free allowance to motor vehicle assemblers. The MIDP enables local motor vehicle and component manufacturers to increase production runs and encourages rationalization of the number of models manufactured by way of exports and complementing imports of motor vehicles and components.
33	Partnership in industrial innovation (PII)	Stimulate industrial research and innovation in the technological development of products and processes that have a high market	All private sector companies in the manufacturing or IT industries.	Government matches company's funds up to 50%, if development expenditure



Number	Name of Incentive	Objective	Eligibility	Benefit
		potential.		exceeds R3 million, of the pre-competitive development. It has a payback mechanism based on the commercial success of the product/process development.
34	Preferential corporate tax rate for small business corporations	To encourage small/medium business development in South Africa.	Qualifying small/medium businesses with an annual turnover of less than R3 million are eligible.	The 15% graduated tax rate is applicable to small/medium businesses and is applied to the first R150 000 of taxable income earned, while the normal corporate tax rate is applied to taxable income earned over this threshold. The previous threshold was R100 000.
35	Research and development (R&D)	To stimulate scientific research.	A deduction under section 11(p) or 11(q) under the Income Tax Act for scientific research operating expenditure and approved capital expenditure.	Tax deduction of 25% of the cost of capital expenditure for scientific research approved on an annual basis by the Council for Scientific and Industrial Research (CSIR). If the research is discontinued there will be a recoupment of the deductions allowed.
36	Sector Partnership Fund (SPF)	To support sustainable economic growth and the job creation needs of South Africa by providing financial assistance to partnership firms in the manufacturing and agro-processing industries; to define and implement collaborative projects related to production and marketing that will enhance their productivity and international competitiveness.	The Fund will support an eligible partnership of 5 or more companies in the development and execution of collaborative projects.	Up to 65% of costs incurred in the preparation of technical and marketing training programmes limited to R1 million.
37	Seed loans for retail financial intermediaries	To provide initial capital to new RFI to establish their portfolio and to fund	Any legally constituted RFI which is under	Khula will consider advancing loans in a range from R50



Number	Name of Incentive	Objective	Eligibility	Benefit
	(RFI)	operational expenses over a predetermined period.	capitalised and which has targeted the small, medium and micro enterprises (SMME) for the provision of loan finance.	R0 to R20 million. These loans can be converted to grants once mutually agreed upon performance criteria are met.
38	Skills Support Programme (SSP)	To encourage greater investment in training, improve industrial training systems, create opportunities for the introduction of new advanced skills and facilitates employment promotion.	New or expanding companies qualifying for benefits in terms of the SMEDP, providing approved training programmes to employees related to the SMEDP approved project.	A cash grant for skills development to enable investors and large expansions to prepare their workforce. 50% of eligible training costs associated with SMEDP not exceeding 30% of annual wage bill.
39	Small Medium Enterprise Development Programme (SMEDP) – Manufacturing	To create wealth, generate employment, develop entrepreneurship, promote employment, utilise domestic raw materials, ensure sustainability of projects receiving incentives in the long run, reduce investment lost for small and medium investors.	Enterprising investing in capital in land, buildings, plant and equipment in new projects or expanding in existing projects. Legal entities as well as sole proprietors and partnerships (excluding Trusts) engaged in qualifying manufacturing, high value agricultural projects and agro-processing, aquaculture, biotechnology, tourism information and communication technology investments, recycling, culture industry and business service may apply.	A 2-year cash incentive on qualifying assets and 3rd year (bonus) if labour requirements have been met. Benefits range from 10% to 1% on a regressive scale depending on the size of the investment, up to a maximum of R100 million, in plant and machinery, building and commercial vehicles and research and development assets. The incentives are tax-exempted in terms of section 10(zH) of the Income Tax Act No 58 of 1982 as amended.
40	Small Medium Enterprise Development Programme (SMEDP) – Tourism	To encourage local and foreign investment in the tourism industry up to R100 million in specified small and medium operations, thereby creating employment and wealth.	Enterprises investing in capital for new or expansion of existing projects for short-term accommodation, tour operators, funicular railway and water-transport.	A 2-year cash incentive on qualifying assets owned/leased land and building, furniture, equipment and motor vehicles. The benefit ranges from 10% to 1% on a regressive scale, depending on the



Number	Name of Incentive	Objective	Eligibility	Benefit
				size of the investment.
41	Southern African Development Community (SADC) Free Trade Area	To create a FTA between South Africa and the 14-member SADC by the year 2008.	All exports from South African origin and imports from the SADC will gain preferential markets access to each other's market.	The customs duty on 95% of South African exports and SADC imports will be phased down to free of duty by the year 2008.
42	Steel rebates and steel concessions	Promotion of beneficiated steel product exports, where South African steel is used in the manufacture of steel products.	Exporters of fabricated steel products where 20% value has been added.	Rebates based on the value of exports.
43	Strategic Investment Programme (SIP)	To encourage investment in strategic industrial projects by granting an additional Industrial Incentive Allowance (IIA) in respect of industrial assets used in such projects.	Companies investing in new projects or expansions of an existing operation, where the cost of such assets exceeds R50 million, meeting specific point scoring criteria. Qualifying industries include manufacturing, IT and R&D.	An additional tax allowance of 50% or 100% of the cost of the productive assets, to be brought into use within 3 years from receiving approval from the DTI.
44	Support Programme for Industrial Innovation (SPII)	Promote the development of local innovative products or processes by private sector companies. It should represent a significant technological advance and have a commercial advantage over existing products, and thus have a potential to be successfully marketed.	All private sector enterprises in the manufacturing or IT industries.	A grant of 50% of actual direct cost incurred in pre-competitive development activity up to a maximum of R1.5 million per project. <i>The SPII Programme offers two schemes namely:</i> <ul style="list-style-type: none"> <li>• Matching scheme</li> <li>• Feasibility scheme.</li> </ul> <i>Matching scheme:</i> The proposed product/process should represent a significant technological advance and have a commercial advantage over existing products. The Matching Scheme gives a grant of 50% of the actual direct cost





Number	Name of Incentive	Objective	Eligibility	Benefit
				<p>incurred in development activity, up to a maximum grant amount of R1.5 million per project.</p> <p><i>Feasibility scheme:</i> Supports the preparation of a feasibility study for potentially innovative projects by means of a grant of 50% of the costs of a consultant. The grant is limited to R30 000 and only small, medium or micro enterprises qualify for support.</p>
45	Techno-industry development finance	Development and expansion of technology intensive businesses in information technology (IT), telecommunication, electronic and electrical industries.	IT, telecommunication, electronic and electrical industries. Minimum financing requirement of R1 million.	Equity, equity-related and loan finance for techno businesses that are expanding; new techno ventures with strong local or foreign technology partners and proven technology; takeovers; buy-ins and management buy-outs.
46	Technology and Human Resources for Industry Programme (THRIP)	Enhance competitiveness of the South African industry through the development of appropriately skilled people and of technology and encourages long-term strategic partnerships between industry, research and educational institutions and government.	Research groups in the natural sciences, engineering and technology within educational institutions can participate in collaboration with any private company or consortium of companies.	Contributions provided by industry and Government to finance the research effort of the academic partners, provided that research projects involve training of students. R1 for every R2 from industry, and if certain criteria are met R1 for every R1 from industry could be granted.
47	Technology Transfer Guarantee Fund (TTGF)	To provide loan guarantees for SMMEs for the sole purpose of acquiring manufacturing technology, which could be from South Africa or a	Available to SMMEs with an approval certificate from the Council for Scientific and Industrial Research (CSIR) for a	The TTGF will guarantee 90% of the technology transfer transaction expenses to a maximum of R1 million for a period



Number	Name of Incentive	Objective	Eligibility	Benefit
		foreign country.	technology evaluation on the proposed technology to be transferred before applying to a financial institution for a TTGT guarantee.	of 5 years. Khula will levy the standard indemnity fee of 3% per annum on the facility as guaranteed, payable annually in advance.
48	The African Growth and Opportunity Act (AGOA)	Provide exported products with customs duty free and quota free access to the United States of America (USA).	The exported products must be of South African origin as defined in the RoO provisions.	6487 products currently qualify for customs duty free and quota free access to the USA.
49	The bumble bee programme	This is a sub-component of the Competitiveness Fund, which provides free consulting services to micro-manufacturers with less than 20 employees.		
50	The Business Linkage Challenge Fund (BLCF)	The Fund supports sustainable entrepreneurship linkages that improve competitiveness and bring clear benefits to the poor. The linkages that enable the transfer of technology, skills, information and market access, necessary to compete in the global markets will be favoured.	All bids must involve a partner from the private sector in a key role and linkages partners are expected to match the BLCF-funding.	The Fund is operated on a competitive basis and projects compete on a global basis for available funding. Grants range between 50 000 and 1 million.
51	The Financial Deepening Challenge Fund (FDCF)	The Fund supports the development of capacity of the financial services sector in target markets.	The Fund covers costs associated with expanding financial service products, improve efficiency of intermediation and extending services to the poor.	The cost-sharing grant ranges between 50 000 and 1 million.
52	The land reform credit facility	To assist in the financing of commercially viable land transfer projects to historically disadvantaged people (HDP).	Involving individual households becoming owners of productive land, or the establishment of joint venture (share equity) partnerships between farm workers and commercial farmers.	It offers loans with deferred repayments to banks or investors who wish to finance land or shares for emerging farmers or farm workers in commercial farming enterprises.
53	The National Industrial Participation Programme	To leverage economic benefits and to support the development of South African industry by effectively utilising the	All Government and parastatal purchases or lease contracts with an imported content	Industrial participation proposals must be profitable for the seller and



Number	Name of Incentive	Objective	Eligibility	Benefit
	(IPP)	instrument of Government Procurement.	equal to or exceeding US\$ 10 million are subject to an industrial participation obligation.	beneficial for the South African economy. Suppliers to the Government will be subject to an industrial participation obligation of 30% of the imported content.
54	Tourism development finance	Development and expansion of the tourism industry by providing finance for commercial projects in the medium to large sectors of the tourism industry.	Tourism industry. Minimum financing requirement of R1 million.	Medium-term finance in the form of loans, suspensive sales, equity and quasi-equity for the creation of new or the upgrading and renovation of tourist facilities including hotels, guest houses, lodges, cultural villages, conference and convention centres.
55	Trade Development and Co-operation Agreement (TDCA)	To create a Free Trade Area (FTA) between South Africa and the 15-member European Union (EU) by the year 2012.	Exports from South African origin and imports from the EU will gain preferential markets access to each other's market.	The customs duty on 95% of South African exports and EU imports will be phased down to free of duty by the year 2012.
56	Value added tax (VAT) export incentive scheme	Encourage exports from, and investment in South Africa.	To exporters, registered as VAT vendors in South Africa.	A vendor may supply movable goods at the zero rate, where the goods are consigned or delivered to an address outside South Africa.
57	Wage incentive	To encourage South African employers to promote training and education in South African industries.	All employers that offer approved learnership programmes (consisting of one level of the National Qualification Framework (NQF) of at least 120 credits). This is available for all learnerships entered into from 1 October 2001.	A tax deduction of R25 000 will be allowed on signature of the learnership agreement. A further R25 000 tax deduction is allowed upon the learner's successful completion of the learnership.



Number	Name of Incentive	Objective	Eligibility	Benefit
58	Wholesale finance	Wholesale funding to intermediaries for on lending to individual entrepreneurs.	Entrepreneurs, eg franchisors. It is required that the applicant submits a good record of business development, a strong financial position. The applicant should have developed and/or acquired a training and mentorship programme. Require financing for onlending to at least 10 projects (at least 60% HDP) and a minimum financing requirement of R1 million.	Medium-term loan (maximum 6 years) at competitive interest rate.
59	Work place challenge	To improve South Africa's competitiveness and employment creation.	Available to South African firms of all sizes.	To enhance co-operation between workers and management to boost South Africa's competitiveness and employment creation by improving industrial performance and productivity.

Source: Blueprint (2005) adapted from various



## **The Mkhambathini Local Municipality's Local Economic Development (LED) Strategic Plan' 2007**

### **Published by**

the uMgungundlovu District Municipality in partnership with the Gijima KZN LED Support Programme of the Department of Economic Development of KwaZulu Natal  
&  
the seven constituent municipalities of Msunduzi, uMngeni, Mpofana, Richmond, iMpendle, **Mkhambathini** and uMshwathi Local Municipalities respectively.

### **Assisted by**

**Ms. Josie Rowe-Setz – Group CEO**

Blueprint KZN (Pty) Ltd.

55 Forest Drive; La Lucia - 4051

Postnet Suite 305, Bag x 10,

Musgrave, 4062

Tel: +27 82 903 6150; Fax: 0865 157 694

Email: [Josie@blueprintgroup.co.za](mailto:Josie@blueprintgroup.co.za)

Copyright (c) 2007

uMgungundlovu District Municipality

**Local Economic Development (LED) Division**

### *Key Contact:*

**Mr. Boxer L. Mpontshane**

Manager: Local Economic Development

uMgungundlovu District Municipality

P.O. Box 3235

Pietermaritzburg – 3200

242 Langalibalele Street

Pietermaritzburg – 3201

KwaZulu Natal - Republic of South Africa

Tel: 033 897 6700 – Ext: 6996

Fax: 033 394 5561

Email: [mpontshaneb@umdm.gov.za](mailto:mpontshaneb@umdm.gov.za)

&

**Ms. Sandra Hlongwane**

**LED Coordinator**

Mkhambathini Local Municipality

P/Bag x 321

Camperdown, 3720

Tel: 031 785 1184

Fax: 031 785 1463

Email: [mkhambamune@telkomsa.net](mailto:mkhambamune@telkomsa.net)



## **The Mkhambathini Local Municipality's Local Economic Development (LED) Strategic Plan' 2007**

### **Published by**

the uMgungundlovu District Municipality in partnership with the Gijima KZN LED Support Programme of the Department of Economic Development of KwaZulu Natal  
&  
the seven constituent municipalities of Msunduzi, uMngeni, Mpofana, Richmond, iMpendle, **Mkhambathini** and uMshwathi Local Municipalities respectively.

### **Assisted by**

**Ms. Josie Rowe-Setz – Group CEO**

Blueprint KZN (Pty) Ltd.

55 Forest Drive; La Lucia - 4051

Postnet Suite 305, Bag x 10,

Musgrave, 4062

Tel: +27 82 903 6150; Fax: 0865 157 694

Email: [Josie@blueprintgroup.co.za](mailto:Josie@blueprintgroup.co.za)

Copyright (c) 2007

uMgungundlovu District Municipality

**Local Economic Development (LED) Division**

### *Key Contact:*

**Mr. Boxer L. Mpontshane**

Manager: Local Economic Development

uMgungundlovu District Municipality

P.O. Box 3235

Pietermaritzburg – 3200

242 Langalibalele Street

Pietermaritzburg – 3201

KwaZulu Natal - Republic of South Africa

Tel: 033 897 6700 – Ext: 6996

Fax: 033 394 5561

Email: [mpontshaneb@umdm.gov.za](mailto:mpontshaneb@umdm.gov.za)

&

**Ms. Sandra Hlongwane**

**LED Coordinator**

Mkhambathini Local Municipality

P/Bag x 321

Camperdown, 3720

Tel: 031 785 1184

Fax: 031 785 1463

Email: [mkhambamune@telkomsa.net](mailto:mkhambamune@telkomsa.net)