

INTRODUCTION

Local Economic Development (LED) is the process by which public, business and governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all. Practicing local economic development means working directly to build up economic capacity of a local area to improve its economic future. Prioritizing the local economy and increasing the productive capacity of local firms, entrepreneurs and workers is crucial if communities are to succeed in the fastchanging world. The ability of communities to improve the lives of their members today depends upon them being able to adapt to the fast changing and increasingly competitive market environment.

Each community has unique local conditions that help or hinder its economic development. These local attributes will form the basis for designing and implementing a local economic development strategy. To build a strong local economy, each community can undertake a collaborative process to understand and act on its own strengths, weaknesses, opportunities and threats. It will then make its local area more attractive to business, workers, and supporting institutions. Before a community can, however, develop policies for economic development, it needs to understand the nature of the local economy. Creating an inventory and profile by collecting data, then analysing 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, thus, depends on the availability of accurate, reliable and up-to-date information and statistics.

SOCIO ECONOMIC STUDY

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. Each household survey is a kind of "photo" of the population in demographic, geographic, socio-economic and cultural terms. The size, composition and living circumstances of the population can be learned about. Reliable data from population and housing surveys have become an indispensable tool for political policy and planning, research purposes enterprises and private persons.

Information from household surveys can easily be cross referenced to obtain a wide knowledge of whole fields of the economic and social life of civilians. 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.

QUALITY OF LIFE STUDY

Democratic governments around the world generally aim to raise the quality of life of their citizens. In South Africa, since democracy came into being in 1994, the democratically elected government brought issues of the quality of life of all citizens to the fore. In fact, the South African constitution (adopted in May 1996) states explicitly that it is guided by the imperative to "improve the quality of life of all citizens".

This imperative is also uMgungundlovu District Municipality's mission, aiming to be a vibrant economy where a high quality of life can be enjoyed by all its residents.

uMgungundlovu Mission

"uMgungundlovu District Municipality will evolve into a dynamic metropolitan area with a vibrant economy, integrated service delivery and improved quality of life for all its people."

Overall, the objective of both Quality of Life Studies is to gain a comprehensive understanding of the living and working conditions in the uMgungundlovu's district, and uncover what essentially affects the uMgungundlovu's resident's quality of life and contribute to the attainment of a high quality of life for all.

Statistical overview: uMgungundlovu District Municipality

The following Statistical Overview Report aims to quantify the economic, demographic and socio-economic environment of uMgungundlovu District Municipality in context of its neighbouring regions, the province and South Africa. A better understanding of the demographic, economic and socio-economic environment could inform stakeholders to implement and monitor plans and policies that will allow for a healthy, growing and inclusive economy and society.

Understanding the changes in the composition of the population with respect to population group, age and gender is vital in the face of growing pressure on food, energy, water, jobs and social support on the country's citizens. An understanding of how the total fertility rates, age-specific fertility rates, sex ratios at birth, life expectancies and international migration affect the respective population groups, ages and genders is essential for effective planning on a spatial level. The first section of the Statistical Overview Report will aim to disentangle the changes in the uMgungundlovu District Municipality demographics in context of other districts, the Province and South Africa.

The second section will provide insights into the economic environment of uMgungundlovu District Municipality in relation to the other district municipality in the region, the province and South Africa's performance. The analysis will also include the economic contribution of the regions within uMgungundlovu as well. The changing economic environment will subsequently affect the ability of the economy to create jobs. This section will therefore include analysis on the employment and subsequent income dynamics of uMgungundlovu District Municipality.

The third component of the Statistical Overview will investigate issues pertaining to the socio-economic environment of residents in uMgungundlovu District Municipality. Analysis will include a review of the Human Development Index (HDI), Gini, poverty, education, population

density, crime, bulk infrastructure, international trade and tourism indicators relative to that of the other districts, the Province and South Africa.

DEMOGRAPHY

"Demographics", or "population characteristics", includes analysis of the population of a region. Distributions of values within a demographic variable, and across households, as well as trends over time are of interest. In this section, an overview is provided of the demography of the uMgungundlovu District Municipality and all its neighbouring regions, the KwaZulu-Natal Province and South Africa as a whole.

TOTAL POPULATION

Population statistics is important when analysing an economy, as the population growth directly and indirectly impacts employment and unemployment, as well as other economic indicators such as economic growth and per capita income.

TABLE 1. TOTAL POPULATION - UMGUNGUNDOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2006-2016 [NUMBERS PERCENTAGE]

	uMgungundlovu	KwaZulu-Natal	National Total	uMgungundlovu as % of province	uMgungundlovu as % of national
2006	946,000	9,910,000	47,800,000	9.5%	1.98%
2007	958,000	9,970,000	48,400,000	9.6%	1.98%
2008	972,000	10,000,000	49,100,000	9.7%	1.98%
2009	988,000	10,100,000	49,800,000	9.8%	1.98%
2010	1,000,000	10,200,000	50,700,000	9.8%	1.98%
2011	1,020,000	10,300,000	51,500,000	9.8%	1.97%
2012	1,030,000	10,500,000	52,400,000	9.9%	1.97%
2013	1,050,000	10,600,000	53,200,000	9.9%	1.96%
2014	1,060,000	10,700,000	54,100,000	9.9%	1.96%
2015	1,080,000	10,900,000	54,900,000	9.9%	1.96%
2016	1,090,000	11,000,000	55,700,000	9.9%	1.96%
Average Annual growth 2006-2016	1.44%	1.05%	1.54%		

Source: Stats SA

With 1.09 million people, the uMgungundlovu District Municipality housed 2.0% of South Africa's total population in 2016. Between 2006 and 2016 the population growth averaged 1.44% per annum which is very similar than the growth rate of South Africa as a whole (1.54%). Compared to KwaZulu-Natal's average annual growth rate (1.05%), the growth rate in uMgungundlovu's population at 1.44% was slightly higher than that of the province.

When compared to other regions, uMgungundlovu District Municipality accounts for a total population of 1.09 million, or 9.9% of the total population in KwaZulu-Natal Province ranking as the most populous district municipality in 2016. The ranking in terms

of the size of uMgungundlovu compared to the other regions remained the same between 2006 and 2016. In terms of its share uMgungundlovu District Municipality was slightly larger in 2016 (9.9%) compared to what it was in 2006 (9.5%). When looking at the average annual growth rate, it is noted that uMgungundlovu ranked second (relative to its peers in terms of growth) with an average annual growth rate of 1.4% between 2006 and 2016.

TABLE 2. TOTAL POPULATION - LOCAL MUNICIPALITIES OF UMGUNGUNDLOVU DISTRICT MUNICIPALITY, 2006, 2011 AND 2016 [NUMBERS PERCENTAGE]

	2006	2011	2016	Average Annual growth
<u>uMshwathi</u>	103,000	107,000	110,000	0.65%
<u>uMngeni</u>	82,100	95,200	107,000	2.70%
<u>Mpofana</u>	37,300	34,700	36,500	-0.20%
<u>Impendle</u>	30,800	30,000	29,000	-0.58%
<u>Msunduzi</u>	576,000	630,000	682,000	1.70%
Mkhambathini	55,500	55,100	58,700	0.56%
Richmond	62,000	65,700	69,200	1.10%
uMgungundlovu	946,335	1,017,400	1,092,193	1.44%

Source: Stats SA

The uMngeni local municipality increased the most, in terms of population, with an average annual growth rate of 2.7%, the Msunduzi local municipality had the second highest growth in terms of its population, with an average annual growth rate of 1.7%. The Impendle local municipality had the lowest average annual growth rate of -0.58% relative to the other within uMgungundlovu District Municipality.

NUMBER OF HOUSEHOLDS BY POPULATION GROUP

Definition: A household is either a group of people who live together and provide themselves jointly with food and or other essentials for living or it is a single person living on his /her own, An individual is considered part of a household if he/she spends at least four nights a week within the household. To categorise a household according to population group, the population group to which the head of the household belongs, is used.

Relative to the province, the uMgungundlovu District Municipality had a higher average annual growth rate of 1.57% from 2006 to 2016. In contrast, South Africa had a total of 15.8 million households, with a growth rate of 2.02%, thus growing at a higher rate than the uMgungundlovu.

The composition of the households by population group consists of 81.8% which is ascribed to the African population group with the largest size of households by population group. The White population group had a total composition of 9.3% (ranking second). The Asian population group had a total composition of 6.9% of the total households. The smallest population group by households is the Coloured population group with only 2.0% in 2016.

The growth in the number of African headed households was on average 1.96% per annum between 2006 and 2016, which translates in the number of households increasing by 42 600 in the period. The average annual growth rate in the number of households for all the other population groups has decreased with -0.01%.

HIV AND AIDS ESTIMATES

HIV and AIDS can have a substantial impact on the growth of a population. However, there are many factors affecting the impact of the HIV virus on population progression: adult HIV prevalence rates; the speed at which the virus progresses; age distribution of the virus; the mother-to-child transmission; child treatment; adult treatment; and the percentage by which the virus decreases total fertility. ARV treatment can also prolong the lifespan of people that are HIV+. In the absence of any treatment, people diagnosed with HIV live for approximately 10 years before reaching the final stage of the disease (called AIDS). When patients reach this stage, recovery is highly unlikely.

HIV and AIDS estimates are defined as:

The HIV+ estimates are calculated by using the prevalence rates from the HIV/AIDS model built by the Actuarial Society of Southern Africa (ASSA-2008). These rates are used as base rates on a provincial level. IHS slightly adjusted the provincial ASSA-2008 data to more accurately reflect the national HIV Prevalence rate per population group as used in the national demographic models. The ASSA model in turn uses the prevalence rates from various primary data sets, particularly the HIV/AIDS surveys conducted by the Department of Health and the Antenatal clinic surveys. Their rates are further adjusted for over-reporting and then smoothed.

In 2016, 188 000 people in the uMgungundlovu District Municipality were infected with HIV. This reflects an increase at an average annual rate of 1.65% since 2006, and in 2016 represented 17.25% of the district municipality's total population. KwaZulu-Natal Province had an average annual growth rate of 1.29% from 2006 to 2016 in the number of people infected with HIV, which is lower than that of the uMgungundlovu District Municipality. When looking at South Africa as a whole it can be seen that the number of people that are infected increased from 2006 to 2016 with an average annual growth rate of 1.67%.

ECONOMY

The economic state of uMgungundlovu District Municipality is put in perspective by comparing it on a spatial level with its neighbouring district municipalities, KwaZulu-Natal Province and South Africa. The section will also allude to the economic composition and contribution of the regions within uMgungundlovu District Municipality.

The uMgungundlovu District Municipality does not function in isolation from KwaZulu-Natal, South Africa and the world and now, more than ever, it is crucial to have reliable information

on its economy for effective planning. Information is needed that will empower the municipality to plan and implement policies that will encourage the social development and economic growth of the people and industries in the municipality respectively.

GROSS DOMESTIC PRODUCT BY REGION (GDP-R)

The Gross Domestic Product (GDP), an important indicator of economic performance, is used to compare economies and economic states.

Definition: Gross Domestic Product by Region (GDP-R) represents the value of all goods and services produced within a region over a period of one year, plus taxes and minus subsidies.

GDP-R can be measured using either current or constant prices, where the current prices measures the economy in actual Rand, and constant prices measures the economy by removing the effect of inflation, and therefore captures the real growth in volumes, as if prices were fixed in a given base year.

With a GDP of R 77.1 billion in 2016 (up from R 29.5 billion in 2006), the uMgungundlovu District Municipality contributed 11.11% to the KwaZulu-Natal Province GDP of R 694 billion in 2016 increasing in the share of the KwaZulu-Natal from 9.83% in 2006. The uMgungundlovu District Municipality contributes 1.78% to the GDP of South Africa which had a total GDP of R 4.34 trillion in 2016 (as measured in nominal or current prices). Its contribution to the national economy stayed similar in importance from 2006 when it contributed 1.61% to South Africa.

In 2016, the uMgungundlovu District Municipality achieved an annual growth rate of 1.17% which is a significantly higher GDP growth than the KwaZulu-Natal Province's 0.44%, and is higher than that of South Africa, where the 2016 GDP growth rate was 0.28%. Similar to the short-term growth rate of 2016, the longer-term average growth rate for uMgungundlovu (3.70%) is also significantly higher than that of South Africa (2.12%). The economic growth in uMgungundlovu peaked in 2007 at 5.92%.

Second relative to all the regional economies to total KwaZulu-Natal Province GDP. This ranking in terms of size compared to other regions of uMgungundlovu remained the same since 2006. In terms of its share, it was in 2016 (11.1%) significantly larger compared to what it was in 2006 (9.8%). For the period 2006 to 2016, the average annual growth rate of 3.7% of uMgungundlovu was the highest relative to its peers in terms of growth in constant 2010 prices.

uMngeni had the highest average annual economic growth, averaging 6.21% between 2006 and 2016, when compared to the rest of the regions within the uMgungundlovu District Municipality. The Mpofana local municipality had the second highest average annual growth rate of 4.43%. Impendle local municipality had the lowest average annual growth rate of 1.12% between 2006 and 2016.

The greatest contributor to the uMgungundlovu District Municipality economy is the Msunduzi local municipality with a share of 67.08% or R 51.7 billion, increasing from R 20.8 billion in 2006. The economy with the lowest contribution is the Impendle local municipality with R 675 million growing from R 344 million in 2006.

ECONOMIC GROWTH FORECAST

It is expected that uMgungundlovu District Municipality will grow at an average annual rate of 2.25% from 2016 to 2021. The average annual growth rate of KwaZulu-Natal Province and South Africa is expected to grow at 1.92% and 1.84% respectively.

In 2021, uMgungundlovu's forecasted GDP will be an estimated R 61.2 billion (constant 2010 prices) or 11.4% of the total GDP of KwaZulu-Natal Province. The ranking in terms of size of the uMgungundlovu District Municipality will remain the same between 2016 and 2021, with a contribution to the KwaZulu-Natal Province GDP of 11.4% in 2021 compared to the 11.2% in 2016. At a 2.25% average annual GDP growth rate between 2016 and 2021, uMgungundlovu ranked the highest compared to the other regional economies.

TABLE 3 GROSS DOMESTIC PRODUCT (GDP) - LOCAL MUNICIPALITIES OF UMGUNGUNDLOVU DISTRICT MUNICIPALITY, 2016 TO 2021, SHARE AND GROWTH

	2021 (Current prices)	Share of district municipality	2016 (Constant prices)	2021 (Constant prices)	Average Annual growth
<u>Mshwathi</u>	7.55	12.34%	3.80	4.25	2.25%
<u>Mngeni</u>	16.56	27.06%	8.09	9.18	2.57%
<u>Mpofana</u>	3.53	5.76%	1.69	1.91	2.57%
<u>Impendie</u>	0.93	1.52%	0.51	0.55	1.37%
<u>Msunduzi</u>	74.32	121.47%	36.53	40.65	2.16%
Mkhambathini	4.06	6.64%	1.97	2.23	2.49%
Richmond	4.25	6.95%	2.17	2.42	2.24%
uMgungundlovu	111.21		54.74	61.19	

Source: Stats SA

When looking at the regions within the uMgungundlovu District Municipality it is expected that from 2016 to 2021 the Mpofana local municipality will achieve the highest average annual growth rate of 2.57%. The region that is expected to achieve the second highest average annual growth rate is that of uMngeni local municipality, averaging 2.57% between 2016 and 2021. On the other side the region that performed the poorest relative to the other regions within uMgungundlovu District Municipality was the Impendle local municipality with an average annual growth rate of 1.37%.

GROSS VALUE ADDED BY REGION (GVA-R)

The uMgungundlovu District Municipality's economy is made up of various industries. The GVA-R variable provides a sector breakdown, where each sector is measured in terms of its *value added* produced in the local economy

Definition: Gross Value Add (GVA) is a measure of output (total production) of a region in terms of the value that was created within the region. GVA can be broken down into various production sectors.

The summary table below puts the Gross Value Added (GVA) of all the regions in perspective to that of the uMgungundlovu District Municipality.

TABLE 4. GROSS VALUE ADDED (GVA) BY BROAD ECONOMIC SECTOR - UMGUNGUNDLOVU DISTRICT MUNICIPALITY, 2006, 2011 AND 2016 [R BILLIONS, 2010 CONSTANT PRICES]

	2006	2011	2016	Average Annual growth
Agriculture	2.61	3.65	4.04	4.48%
Mining	0.25	0.26	0.30	1.74%
Manufacturing	5.51	5.97	6.93	2.33%
Electricity	1.39	1.47	1.50	0.76%
Construction	1.30	1.84	2.31	5.93%
Trade	5.14	6.30	7.66	4.08%
Transport	3.80	4.56	5.55	3.88%
Finance	5.70	7.21	8.60	4.21%
Community services	9.11	11.14	13.52	4.03%
Total Industries	34.79	42.40	50.42	3.78%

Stats SA

In 2016, the community services sector is the largest within uMgungundlovu District Municipality accounting for R 18.8 billion or 26.8% of the total GVA in the district municipality's economy. The sector that contributes the second most to the GVA of the uMgungundlovu District Municipality is the finance sector at 15.8%, followed by the trade sector with 14.8%. The sector that contributes the least to the economy of uMgungundlovu District Municipality is the mining sector with a contribution of R 306 million or 0.44% of the total GVA.

The community sector, which includes the government services, is generally a large contributor towards GVA in smaller and more rural local municipalities. When looking at the regions within uMgungundlovu District Municipality it is clear that community services sector within the Msunduzi local municipality contributed 72.52% towards its own GVA. The Msunduzi local municipality contributed R 46.9 billion or 67.11% to the GVA of uMgungundlovu District Municipality. The region within uMgungundlovu District Municipality that contributes the most to the GVA of the district municipality was the Impendle local municipality with a total of R 599 million or 0.86%.

Historical economic growth

For the period 2016 and 2006, the GVA in the construction sector had the highest average annual growth rate in uMgungundlovu at 5.93%. The industry with the second highest average annual growth rate is the agriculture sector averaging at 4.48% per year. The mining sector had an average annual growth rate of 1.74%, while the electricity sector had the lowest average annual growth of 0.76%. Overall a positive growth existed for all the industries in 2016 with an annual growth rate of 1.21% since 2015.

TABLE 5. GROSS VALUE ADDED (GVA) BY BROAD ECONOMIC SECTOR - UMGUNGUNDOLOVU DISTRICT MUNICIPALITY, 2006, 2011 AND 2016 [R BILLIONS, 2010 CONSTANT PRICES]

	2006	2011	2016	Average Annual growth
Agriculture	2.61	3.65	4.04	4.48%
Mining	0.25	0.26	0.30	1.74%
Manufacturing	5.51	5.97	6.93	2.33%
Electricity	1.39	1.47	1.50	0.76%
Construction	1.30	1.84	2.31	5.93%
Trade	5.14	6.30	7.66	4.08%
Transport	3.80	4.56	5.55	3.88%
Finance	5.70	7.21	8.60	4.21%
Community services	9.11	11.14	13.52	4.03%
Total Industries	34.79	42.40	50.42	3.78%

The tertiary sector contributes the most to the Gross Value Added within the uMgungundlovu District Municipality at 69.3%. This is very similar than the national economy (68.6%). The secondary sector contributed a total of 23.5% (ranking second), while the primary sector contributed the least at 7.2%.

Primary Sector

The primary sector consists of two broad economic sectors namely the mining and the agricultural sector. The following chart represents the average growth rate in the GVA for both of these sectors in uMgungundlovu District Municipality from 2006 to 2016.

Between 2006 and 2016, the agriculture sector experienced the highest positive growth in 2008 with an average growth rate of 17.9%. The mining sector reached its highest point of growth of 15.7% in 2010. The agricultural sector experienced the lowest growth for the period during 2016 at -6.2%, while the mining sector also had the lowest growth rate in 2016 and it experiences a negative growth rate of -6.0% which is lower growth rate than that of the agricultural sector. Both the agriculture and mining sectors are generally characterised by volatility in growth over the period.

Secondary Sector

The secondary sector consists of three broad economic sectors namely the manufacturing, electricity and the construction sector. The following chart represents the average growth rates in the GVA for these sectors in uMgungundlovu District Municipality from 2006 to 2016.

Between 2006 and 2016, the manufacturing sector experienced the highest positive growth in 2010 with a growth rate of 7.6%. The construction sector reached its highest growth in 2007 at 16.0%. The manufacturing sector experienced its lowest growth in 2011 of -10.5%, while construction sector reached its lowest point of growth in 2011 a with -0.3% growth rate. The electricity sector experienced the highest growth in 2010 at 4.5%, while it recorded the lowest growth of -3.8% in 2008.

Tertiary Sector

The tertiary sector consists of four broad economic sectors namely the trade, transport, finance and the community services sector. The following chart represents the average growth rates in the GVA for these sectors in uMgungundlovu District Municipality from 2006 to 2016.

The trade sector experienced the highest positive growth in 2010 with a growth rate of 7.3%. The transport sector reached its highest point of growth in 2007 at 7.8%. The finance sector experienced the highest growth rate in 2007 when it grew by 7.6% and recorded the lowest growth rate in 2016 at 2.2%. The Trade sector also had the lowest growth rate in 2016 at 2.0%. The community services sector, which largely consists of government, experienced its highest positive growth in 2014 with 5.9% and the lowest growth rate in 2009 with 2.5%.

SECTOR GROWTH FORECAST

The GVA forecasts are based on forecasted growth rates derived from two sources: historical growth rate estimates and national level industry forecasts. The projections are therefore partly based on the notion that regions that have performed well in the recent past are likely to continue performing well (and vice versa) and partly on the notion that those regions that have prominent sectors that are forecast to grow rapidly in the national economy (e.g. finance and telecommunications) are likely to perform well (and vice versa). As the target year moves further from the base year (2010) so the emphasis moves from historical growth rates to national-level industry growth rates.

TABLE 6. GROSS VALUE ADDED (GVA) BY BROAD ECONOMIC SECTOR - UMGUNGUNDLOVU DISTRICT MUNICIPALITY, 2016-2021 [R BILLIONS, CONSTANT 2010 PRICES]

	2016	2017	2018	2019	2020	2021	Average Annual growth
Agriculture	4.04	4.21	4.29	4.37	4.45	4.53	2.32%
Mining	0.30	0.30	0.31	0.31	0.31	0.31	1.02%
Manufacturing	6.93	7.07	7.20	7.32	7.46	7.64	1.95%
Electricity	1.50	1.51	1.52	1.55	1.58	1.63	1.60%
Construction	2.31	2.36	2.42	2.48	2.54	2.62	2.57%
Trade	7.66	7.80	7.91	8.05	8.24	8.49	2.08%
Transport	5.55	5.64	5.79	5.94	6.13	6.35	2.72%
Finance	8.60	8.77	9.05	9.33	9.66	10.04	3.15%
Community services	13.52	13.70	13.83	14.06	14.35	14.68	1.65%
Total Industries	50.42	51.36	52.32	53.42	54.72	56.28	2.23%

The finance sector is expected to grow fastest at an average of 3.15% annually from R 8.6 billion in uMgungundlovu District Municipality to R 10 billion in 2021. The community services sector is estimated to be the largest sector within the uMgungundlovu District Municipality in 2021, with a total share of 26.1% of the total GVA (as measured in current prices), growing at an average annual rate of 1.6%. The sector that is estimated to grow the slowest is the mining sector with an average annual growth rate of 1.02%.

The Primary sector is expected to grow at an average annual rate of 2.24% between 2016 and 2021, with the Secondary sector growing at 2.04% on average annually. The Tertiary sector is expected to grow at an average annual rate of 2.28% for the same period.

TRESS INDEX

Definition: Tress index measure the degree of concentration on an area's economy on sector basis. A Tress Index value of 0 means that all economic sectors in the region contribute equally to GVA, whereas a Tress Index of 100 means that only one economic sector makes up the whole GVA of the region.

In 2016, uMgungundlovu Tress Index was estimated at 41.7 which are higher than the 40.7 of the province and higher than the 40.7 of South Africa as a whole. This implies that on average – uMgungundlovu District Municipality is less diversified in terms of its economic activity spread than the national's economy.

LOCATION QUOTIENT

Definition: A specific regional economy has a comparative advantage over other regional economies if it can more efficiently produce the same goods. The location quotient is one way of measuring this comparative advantage.

If the location quotient is larger than one for a specified sector within a region, then that region has a comparative advantage in that sector. This is because the share of that sector of the specified regional economy is greater than the same sector in the national economy. The location quotient is usually computed by taking the percentage share of the sector in the regional economy divided by the percentage share of that same sector in the national economy.

For 2016 uMgungundlovu District Municipality has a very large comparative advantage in the agriculture sector. The electricity sector has a comparative advantage. The transport also has a comparative advantage when comparing it to the South Africa economy as a whole, although less prominent. The uMgungundlovu District Municipality has a comparative disadvantage when it comes to the mining and finance sector which has a very large comparative disadvantage. In general mining is a very concentrated economic sector. Unfortunately the uMgungundlovu District Municipality area currently does not have a lot of mining activity, with an LQ of only 0.0556.

LABOUR

The labour force of a country consists of everyone of working age (above a certain age and below retirement) that are participating as workers, i.e. people who are actively employed or seeking employment. This is also called the economically active population (EAP). People not included are students, retired people, stay-at-home parents, people in prisons or similar

institutions, people employed in jobs or professions with unreported income, as well as discouraged workers who cannot find work.

TABLE 7. ECONOMICALLY ACTIVE POPULATION (EAP) - uMgungundlovu, KwaZulu-Natal AND NATIONAL TOTAL, 2006-2016 [NUMBER, PERCENTAGE]

	uMgungundlovu	KwaZulu-Natal	National Total	uMgungundlovu as % of province	uMgungundlovu as % of national
2006	366,000	3,260,000	17,500,000	11.2%	2.1%
2007	372,000	3,290,000	18,000,000	11.3%	2.1%
2008	374,000	3,280,000	18,400,000	11.4%	2.0%
2009	364,000	3,150,000	18,300,000	11.6%	2.0%
2010	350,000	3,000,000	18,100,000	11.7%	1.9%
2011	348,000	2,980,000	18,300,000	11.7%	1.9%
2012	355,000	3,030,000	18,700,000	11.7%	1.9%
2013	371,000	3,130,000	19,300,000	11.8%	1.9%
2014	393,000	3,260,000	20,100,000	12.1%	2.0%
2015	411,000	3,330,000	20,800,000	12.3%	2.0%
2016	417,000	3,360,000	21,200,000	12.4%	2.0%
Average Annual growth 2006-2016	1.31%	0.32%	1.92%		

The working age population in uMgungundlovu in 2016 was 726 000, increasing at an average annual rate of 1.58% since 2006. For the same period the working age population for KwaZulu-Natal Province increased at 1.12% annually, while that of South Africa increased at 1.55% annually.

ECONOMICALLY ACTIVE POPULATION (EAP)

The economically active population (EAP) is a good indicator of how many of the total working age population are in reality participating in the labour market of a region. If a person is economically active, he or she forms part of the labour force.

Definition: The economically active population is defined as the number of people (between the age of 1 and 65) who are able and willing to work and are actively looking for work. It includes both employed and unemployed people. People who recently have not taken active steps to find employment are not included in the measure, these people may consider themselves unemployed. They are counted as discouraged work seekers and thus form part of the non-economically active population.

TABLE 8. TOTAL EMPLOYMENT - UMGUNGUNDLOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2006-2016 [NUMBERS]

	uMgungundlovu	KwaZulu-Natal	National Total
2006	259,000	2,290,000	13,000,000
2007	272,000	2,410,000	13,500,000
2008	287,000	2,530,000	14,100,000
2009	286,000	2,490,000	14,000,000
2010	276,000	2,400,000	13,600,000
2011	275,000	2,390,000	13,800,000
2012	279,000	2,420,000	14,000,000
2013	289,000	2,480,000	14,500,000
2014	306,000	2,560,000	15,100,000
2015	324,000	2,610,000	15,500,000
2016	327,000	2,620,000	15,700,000
Average Annual growth			
2006-2016	2.38%	1.33%	1.87%

uMgungundlovu District Municipality EAP WAS 417 000 in 2016 which is 38.16% of its total population of 1.09 million and roughly 12.39% of the total EAP of the KwaZulu-Natal Province. From 2006 to 2016, the average annual increase in the EAP in the uMgungundlovu District Municipality was 1.31%, which is 0.991 percentage points higher than the growth in the EAP of KwaZulu-Natal's for the same period.

In 2006, 38.6% of the total population of uMgungundlovu District Municipality were classified as economically active which decrease to 38.2 in 2016. Compared to the other region in KwaZulu-Natal Province, eThekweni Metropolitan Municipality had the highest EAP as a percentage of the total population within its own region relative to the other regions. On the other hand, uMzinyathi district municipality had the lowest EAP with 17.4% people classified as economically active population in 2016.

TOTAL EMPLOYMENT

Employment data is a key element in the estimation of unemployment. In addition trends in employment within different sectors and industries normally indicate significant structural changes in the economy. Employment data is also used in the calculation of productivity, earnings per worker, and other economic indicators.

Definition: Total employment consist of two parts: : employment in the formal sector, and employment in the informal economy.

TABLE 9. UNEMPLOYMENT (OFFICIAL DEFINITION) - UMGUNGUNDLOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2006-2016 [NUMBER PERCENTAGE]

	uMgungundlovu	KwaZulu-Natal	National Total	uMgungundlovu as % of province	uMgungundlovu as % of national
2006	105,000	974,000	4,510,000	10.8%	2.3%
2007	97,500	895,000	4,460,000	10.9%	2.2%
2008	85,200	765,000	4,350,000	11.1%	2.0%
2009	77,000	672,000	4,370,000	11.5%	1.8%
2010	72,700	617,000	4,490,000	11.8%	1.6%
2011	72,000	600,000	4,570,000	12.0%	1.6%
2012	74,900	627,000	4,690,000	11.9%	1.6%
2013	80,800	669,000	4,850,000	12.1%	1.7%
2014	84,300	708,000	5,060,000	11.9%	1.7%
2015	82,600	732,000	5,290,000	11.3%	1.6%
2016	85,300	761,000	5,540,000	11.2%	1.5%
Average Annual growth 2006-2016	-2.04%	-2.44%	2.07%		

In 2016, uMgungundlovu employed 327 000 people which is 12.50% of the total employment in KwaZulu-Natal Province (2.62 million), 2.09% of total employment in South Africa (15.7 million). Employment within uMgungundlovu increased annually at an average rate of 2.38% from 2006 to 2016. The uMgungundlovu District Municipality average annual employment growth rate of 2.38% exceeds the average annual labour force growth rate of 1.31% resulting in unemployment decreasing from 28.65% in 2006 to 20.46% in 2016 in the district municipality.

uMgungundlovu District Municipality employs a total number of 327 000 people within its district municipality. The district municipality that employs the highest number of people relative to the other regions within KwaZulu-Natal Province is eThekweni district municipality with a total number of 1.3 million. The district municipality that employs the lowest number of people relative to the other regions within KwaZulu-Natal Province is uMzinyathi district municipality with a total number of 54 900 employed people.

In uMgungundlovu District Municipality the economic sectors that recorded the largest number of employment in 2016 were the community services sector with a total of 84 700 employed people or 25.9% of total employment in the district municipality. The trade sector with a total of 64 500 (19.7%) employs the second highest number of people relative to the rest of the sectors. The mining sector with 688 (0.2%) is the sector that employs the least number of people in uMgungundlovu District Municipality, followed by the electricity sector with 1 460 (0.4%) people employed.

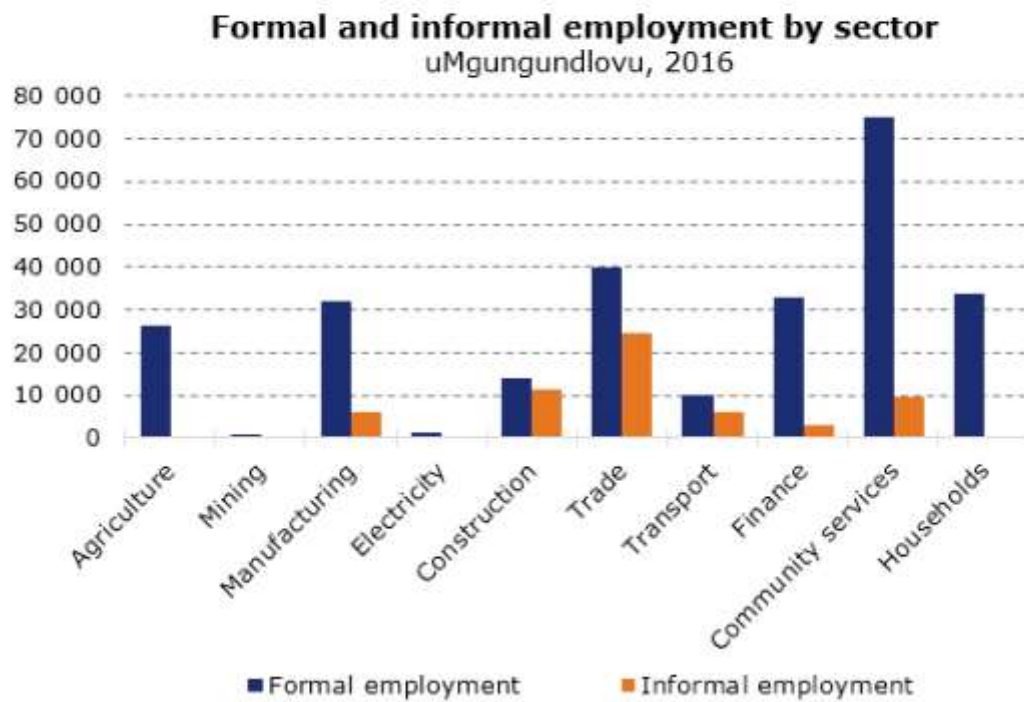
FORMAL AND INFORMAL EMPLOYMENT

Total employment can be broken down into formal and informal sector employment. Formal sector employment is measured from the formal business side, and the informal employment is measured from the household side where formal businesses have not been established.

Formal employment is much more stable than informal employment. Informal employment is much harder to measure and manage, simply because it cannot be tracked through the formal business side of the economy. Informal employment is however a reality in South Africa and cannot be ignored.

The number of formally employed people in uMgungundlovu District Municipality counted 266 000 in 2016, which is about 81.24% of total employment, while the number of people employed in the informal sector counted 61 400 or 18.76% of the total employment. Informal employment in uMgungundlovu increased from 43 300 in 2006 to an estimated 61 400 in 2016.

CHART 1. FROMAL AND INFORMAL EMPLOYMENT BY BROAD ECONOMIC SECTOR-uMGUNGUNDLOVU DISTRICT MUNICIPALITY



In 2016 the Trade sector recorded the highest number of informally employed, with a total of 24 500 employees or 39.95% of the total informal employment. This can be expected as the barriers to enter the Trade sector in terms of capital and skills required is less than with most of the other sectors. The Finance sector has the lowest informal employment with 3 230 and only contributes 5.27% to total informal employment.

TABLE 10. ANNUAL TOTAL PERSONAL INCOME - UMGUNGUNDLOVU, KWAZULU-NATAL AND NATIONAL TOTAL [CURRENT PRICES, R BILLIONS]

	uMgungundlovu	KwaZulu-Natal	National Total
2005	21.4	187.6	1,145.4
2006	23.2	202.3	1,259.4
2007	26.0	225.7	1,432.2
2008	28.8	247.7	1,587.9
2009	30.9	264.2	1,695.1
2010	33.6	285.4	1,843.3
2011	37.1	313.7	2,033.0
2012	41.6	346.1	2,226.5
2013	45.9	379.6	2,414.5
2014	49.3	416.5	2,596.7
2015	55.2	457.5	2,783.4
Average Annual growth			
2005-2015	9.93%	9.32%	9.28%

UNEMPLOYMENT

Definition: Unemployment includes all persons between 15 and 65 who are currently not working, but who are actively looking for work. It therefore excludes people who are not actively seeking work (discouraged work seekers).

The choice of definition for what constitutes being unemployed has a large impact on the final estimates for all measured labour force variables. The following definition was adopted by the Thirteenth International Conference of Labour Statisticians (Geneva, 1982): The "unemployed" comprise all persons above a specified age who during the reference period were:

- "Without work", i.e. not in paid employment or self-employment;
- "Currently available for work", i.e. were available for paid employment or self-employment during the reference period; and
- "Seeking work", i.e. had taken specific steps in a specified reference period to seek paid employment or self-employment. The specific steps may include registration at a public or private employment exchange; application to employers; checking at worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance of friends or relatives; looking for land.

In 2016, there were a total number of 85 200 people unemployed in uMgungundlovu, which is an decrease of -19 500 from 105 000 in 2006. The total number of unemployed people within uMgungundlovu constitutes 11.21% of the total number of unemployed people in KwaZulu-Natal Province. The uMgungundlovu District Municipality experienced an average annual decrease of -2.04% in the number of unemployed people, which is worse than that of the KwaZulu-Natal Province which had an average annual decrease in unemployment of -2.44%.

TABLE 11. ANNUAL TOTAL PERSONAL INCOME - UMSHWATHI, UMNGENI, MPOFANA, IMPENDLE, MSUNDUZI, MKHAMBATHINI AND RICHMOND LOCAL MUNICIPALITIES [CURRENT PRICES, R BILLIONS]

	uMshwathi	uMngeni	Mpofana	Impendle	Msunduzi	Mkhambathini	Richmond
2005	1.37	3.05	0.72	0.30	14.42	0.74	0.81
2006	1.48	3.33	0.76	0.32	15.61	0.79	0.87
2007	1.65	3.77	0.81	0.35	17.61	0.87	0.95
2008	1.84	4.21	0.83	0.38	19.54	0.94	1.05
2009	1.99	4.55	0.84	0.40	21.05	0.99	1.12
2010	2.15	4.99	0.86	0.42	22.93	1.05	1.19
2011	2.34	5.60	0.92	0.45	25.37	1.14	1.28
2012	2.64	6.18	1.02	0.50	28.57	1.26	1.40
2013	2.91	6.90	1.11	0.55	31.51	1.40	1.54
2014	3.29	7.65	1.24	0.59	33.15	1.58	1.77
2015	3.92	8.37	1.42	0.69	36.83	1.85	2.11
Average Annual growth							
2005-2015	11.07%	10.61%	7.10%	8.63%	9.83%	9.63%	9.96%

In 2016, the unemployment rate in uMgungundlovu District Municipality (based on the official definition of unemployment) was 20.46%, which is a decrease of -8.19 percentage points. The unemployment rate in uMgungundlovu District Municipality is lower than that of KwaZulu-Natal. The unemployment rate for South Africa was 26.15% in 2016, which is a increase of -0.381 percentage points from 25.77% in 2006.

When comparing unemployment rates among regions within uMgungundlovu District Municipality, Impendle local municipality has indicated the highest unemployment rate of 35.8%, which has decreased from 43.8% in 2006. uMngeni local municipality had the lowest unemployment rate of 14.8% in 2016, which decreased from 20.8% in 2006.

TABLE 12. UNEMPLOYMENT RATE (OFFICIAL DEFINITION) - UMGUNGUNDOLOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2006-2016 [PERCENTAGE]

	uMgungundlovu	KwaZulu-Natal	National Total
2006	28.6%	29.9%	25.8%
2007	26.3%	27.2%	24.8%
2008	22.8%	23.4%	23.6%
2009	21.1%	21.3%	23.8%
2010	20.8%	20.6%	24.8%
2011	20.7%	20.2%	24.9%
2012	21.1%	20.7%	25.0%
2013	21.8%	21.4%	25.1%
2014	21.5%	21.7%	25.1%
2015	20.1%	22.0%	25.5%
2016	20.5%	22.6%	26.1%

DEVELOPMENT

Indicators of development, like the Human Development Index (HDI), Gini Coefficient (income inequality), poverty and the poverty gap, and education, are used to estimate the level of development of a given region in South Africa relative to the rest of the country.

Another indicator that is widely used is the number (or percentage) of people living in poverty. Poverty is defined as the deprivation of those things that determine the quality of life, including food, clothing, shelter and safe drinking water. More than that, other "intangibles" is also included such as the opportunity to learn, and the privilege to enjoy the respect of fellow citizens. Curbing poverty and alleviating the effects thereof should be a premise in the compilation of all policies that aspire towards a better life for all.

HUMAN DEVELOPMENT INDEX (HDI)

Definition: Human Development Index (HDI) is a composite relative index used to compare human development across population group or region.

HDI is the combination of three basic dimensions of human development: A long and healthy life, knowledge and a decent standard of living. A long and healthy life is typically measured using life expectancy at birth. Knowledge is normally based on adult literacy and / or the combination of enrolment in primary, secondary and tertiary schools. In order to gauge a decent standard of living, we make use of GDP per capita. On a technical note, the HDI can have a maximum value of 1, indicating a very high level of human development, while the minimum value is 0, indicating no human development.

In 2015 uMgungundlovu District Municipality had an HDI of 0.622 compared to the KwaZulu-Natal with a HDI of 0.597 and 0.64 of National Total as a whole. Seeing that South Africa recorded a higher HDI in 2015 when compared to uMgungundlovu District Municipality which translates to worse human development for uMgungundlovu District Municipality compared to South Africa. South Africa's HDI increased at an average annual growth rate of 1.68% and this increase is lower than that of uMgungundlovu District Municipality (2.05%).

GINI COEFFICIENT

Definition: Gini coefficient is a summary statistics of income inequality, it varies from 0 to 1.

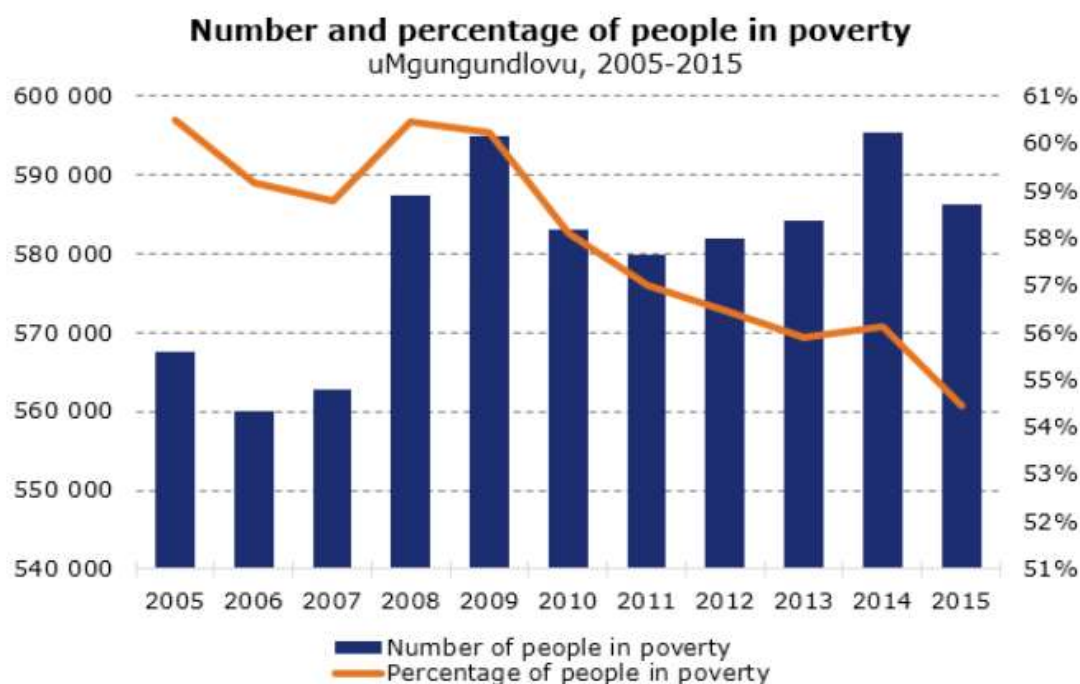
If the Gini coefficient is equal to zero, income is distributed in a perfectly equal manner, in other words there is no variance between the high and low income earners within the population. In contrast, if the Gini coefficient equals 1, income is completely inequitable, i.e. one individual in the population is earning all the income and the rest has no income. Generally this coefficient lies in the range between 0.25 and 0.70.

In 2015, the Gini coefficient in uMgungundlovu District Municipality was at 0.631, which reflects a decrease in the number over the ten-year period from 2005 to 2015. The KwaZulu-Natal Province and South Africa had a Gini coefficient of 0.628 and 0.63 respectively. uMgungundlovu District Municipality had the highest Gini Coefficient when comparing to KwaZulu-Natal Province and South Africa as a whole.

POVERTY

Definition: The upper poverty line is defined by StatsSA as the level of consumption at which individuals are able to purchase sufficient food and non- food items without sacrificing one for the other. The variable measures the number of people living below that level of particular consumption for the given area and is balanced directly to the official upper poverty rate as measured by StatsSA.

CHART 2. NUMBER AND PERCENTAGE OF PEOPLE LIVING IN POVERTY- UMGUNGUNDOLOVU DISTRICT MUNICIPALITY 2005-2015 (NUMBER PERCENTAGE)

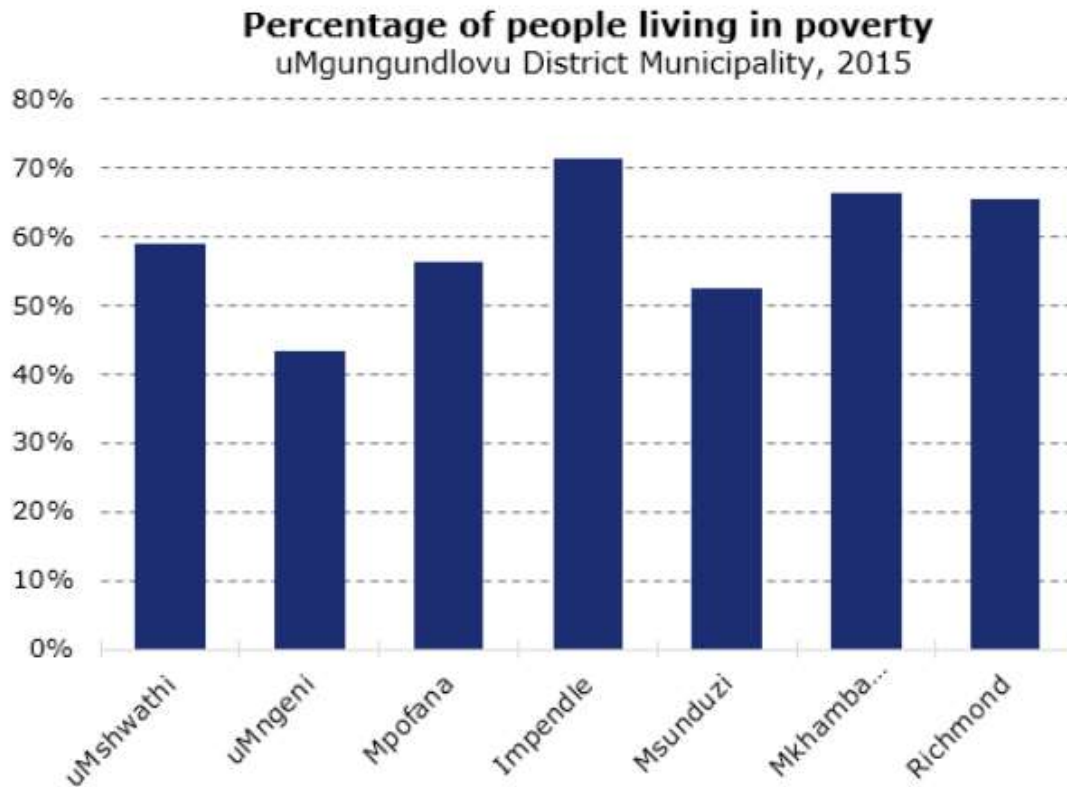


In 2015, there were 586 000 people living in poverty, using the upper poverty line definition, across uMgungundlovu District Municipality - this is 3.26% higher than the 568 000 in 2005. The percentage of people living in poverty has decreased from 60.48% in 2005 to 54.47% in 2015, which indicates a decrease of 6 percentage points.

TABLE 13. PERCENTAGE OF PEOPLE LIVING IN POVERTY BY POPULATION GROUP - UMGUNGUNDOLOVU, 2005-2015 [PERCENTAGE]

	African	White	Coloured	Asian
2005	70.5%	0.4%	31.9%	17.0%
2006	69.1%	0.4%	30.7%	14.3%
2007	68.5%	0.5%	28.2%	14.2%
2008	70.3%	0.9%	27.0%	14.5%
2009	70.2%	1.0%	24.4%	11.8%
2010	67.8%	0.7%	23.5%	8.3%
2011	66.5%	0.5%	23.3%	6.5%
2012	65.7%	0.4%	23.8%	6.3%
2013	64.9%	0.3%	24.0%	6.0%
2014	65.0%	0.3%	25.1%	6.0%
2015	63.0%	0.2%	24.7%	5.5%

In 2015, the population group with the highest percentage of people living in poverty was the White population group with a total of 0.4% people living in poverty, using the upper poverty line definition. The proportion of the White population group, living in poverty, decreased by 0.166 percentage points, as can be seen by the change from 0.40% in 2005 to 0.23% in 2015. In 2015 24.72% of the Coloured population group lived in poverty, as compared to the 31.94% in 2005. The African and the Asian population group saw a decrease in the percentage of people living in poverty, with a decrease of 7.58 and 11.6 percentage points respectively.



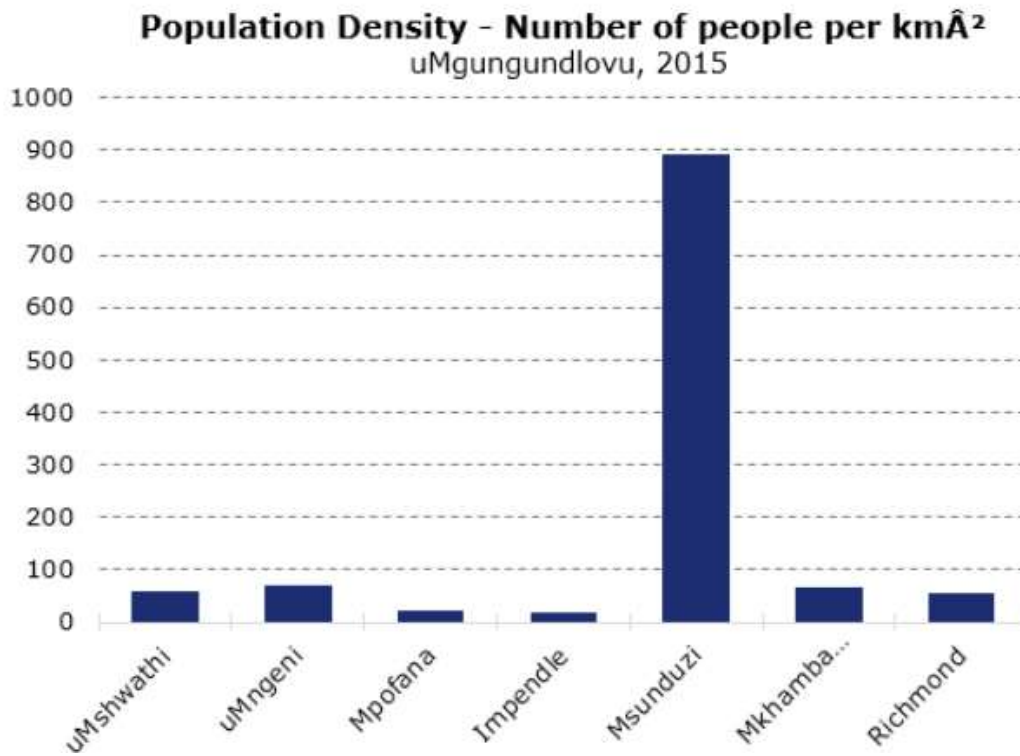
In terms of the percentage of people living in poverty for each of the regions within the uMgungundlovu District Municipality, Impendle local municipality has the highest percentage of people living in poverty, using the upper poverty line definition, with a total of 71.5%. The lowest percentage of people living in poverty can be observed in the uMngeni local municipality with a total of 43.5% living in poverty, using the upper poverty line definition.

POPULATION DENSITY

Population density measures the concentration of people in a region. To calculate this, the population of a region is divided by the area size of that region. The output is presented as the number of people per square kilometre. In 2015, with an average of 112 people per square kilometre, uMgungundlovu District Municipality had a lower population density than KwaZulu-Natal (115 people per square kilometre). Compared to South Africa (45 per square

kilometre) there are more people living per square kilometre in uMgungundlovu District Municipality than in South Africa.

CHART 4. POPULATION DENSITY-UMSHWATHI, UMNGENI, MPOFANA, IMPENDLE MSUNDUZI, MKHAMBATHINI, AND RICHMOND, 2015 [PERCENTAGE]



In terms of the population density for each of the regions within the uMgungundlovu District Municipality, Msunduzi local municipality had the highest density, with 893 people per square kilometre. The lowest population density can be observed in the Impendle local municipality with a total of 18.1 people per square kilometre.

TOURISM

Tourism can be defined as the non-commercial organisation plus operation of vacations and visits to a place of interest. Whether you visit a relative or friend, travel for business purposes, go on holiday or on medical and religious trips - these are all included in tourism.

PURPOSE OF TRIPS

Definition: As defined by the United Nations World Tourism Organisation (UNWTO), a trip refers to travel, by a person, from the time they leave their usual residence until they return to that residence. This is usually referred to as a round trip. IHS likes to narrow this definition

down to overnight trips only, and only those made by adult visitors (over 18 years). Also note that the number of "person" trips are measured, not household or "party trips".

The main purpose for an overnight trip is grouped into these categories:

- Leisure / Holiday
- Business
- Visits to friends and relatives
- Other (Medical, Religious, etc.)

TABLE 14. TOTAL NUMBER OF TRIPS BY ORIGIN TOURISTS - UMGUNGUNDLOVU DISTRICT MUNICIPALITY, 2005-2015 [NUMBER]

	Domestic tourists	International tourists	Total tourists
2005	715,000	51,300	766,000
2006	680,000	56,100	736,000
2007	654,000	56,900	711,000
2008	637,000	55,800	693,000
2009	619,000	54,200	673,000
2010	616,000	59,100	675,000
2011	629,000	58,700	688,000
2012	644,000	62,200	706,000
2013	698,000	62,100	760,000
2014	650,000	60,800	711,000
2015	645,000	54,500	699,000
Average Annual growth 2005-2015	-1.03%	0.60%	-0.91%

In uMgungundlovu District Municipality, the Leisure / Holiday, relative to the other tourism, recorded the highest average annual growth rate from 2005 (91 400) to 2015 (86 700) at -0.53%. Visits to friends and relatives recorded the highest number of visits in 2015 at 519 000, with an average annual growth rate of -0.93%. The tourism type that recorded the lowest growth was Business tourism with an average annual growth rate of -1.71% from 2005 (35 100) to 2015 (29 500).

The Visits to friends and relatives at 74.28% has largest share the total tourism within uMgungundlovu District Municipality. Leisure / Holiday tourism had the second highest share at 12.40%, followed by Other (Medical, Religious, etc) tourism at 9.10% and the Business tourism with the smallest share of 4.22% of the total tourism within uMgungundlovu District Municipality.

ORIGIN OF TOURISTS

In the following table, the number of tourists that visited uMgungundlovu District Municipality from both domestic origins, as well as those coming from international places, are listed.

TABLE 15. TOTAL TOURISM SPENDING - UMGUNGUNDLOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2005-2015 [R BILLIONS, CURRENT PRICES]

	uMgungundlovu	KwaZulu-Natal	National Total
2005	1.6	23.4	107.2
2006	1.8	27.4	126.9
2007	1.9	28.4	138.7
2008	2.0	30.3	152.5
2009	1.9	29.7	153.4
2010	2.1	31.9	167.2
2011	2.1	32.7	174.6
2012	2.3	36.6	199.9
2013	2.5	39.1	218.3
2014	2.6	41.8	238.7
2015	2.6	41.7	236.8
Average Annual growth			
2005-2015	5.21%	5.98%	8.25%

The number of trips by tourists visiting uMgungundlovu District Municipality from other regions in South Africa has decreased at an average annual rate of -1.03% from 2005 (715 000) to 2015 (645 000). The tourists visiting from other countries decreased at an average annual growth rate of 0.60% (from 51 300 in 2005 to 54 500). International tourists constitute 7.79% of the total number of trips, with domestic tourism representing the balance of 92.21%.

TABLE 16. TOTAL TOURISM SPENDING - UMGUNGUNDLOVU, KWAZULU-NATAL AND NATIONAL TOTAL, 2005-2015 [R BILLIONS, CURRENT PRICES]

	uMgungundlovu	KwaZulu-Natal	National Total
2005	1.6	23.4	107.2
2006	1.8	27.4	126.9
2007	1.9	28.4	138.7
2008	2.0	30.3	152.5
2009	1.9	29.7	153.4
2010	2.1	31.9	167.2
2011	2.1	32.7	174.6
2012	2.3	36.6	199.9
2013	2.5	39.1	218.3
2014	2.6	41.8	238.7
2015	2.6	41.7	236.8
Average Annual growth			
2005-2015	5.21%	5.98%	8.25%

uMgungundlovu District Municipality had a total tourism spending of R 2.58 billion in 2015 with an average annual growth rate of 5.2% since 2005 (R 1.55 billion). KwaZulu-Natal Province had a total tourism spending of R 41.7 billion in 2015 and an average annual growth rate of 6.0% over the period. Total tourism spending in South Africa increased from R 107 billion in 2005 to R 237 billion in 2015 at an average annual rate of 8.3%.

In 2015, uMgungundlovu District Municipality had a tourism spend per capita of R 2,400 and an average annual growth rate of 3.78%, uMgungundlovu District Municipality ranked seventh amongst all the regions within KwaZulu-Natal in terms of tourism spend per capita. The region within KwaZulu-Natal Province that ranked first in terms of tourism spend per capita is eThekweni district municipality with a total per capita spending of R 6,180 which reflects an average annual increase of 5.89% from 2005. The district municipality that ranked lowest in terms of tourism spend per capita is uMzinyathi with a total of R 1,050 which reflects an increase at an average annual rate of 1.90% from 2005.

POLICY ENVIRONMENT: LOCAL ECONOMIC DEVELOPMENT

National Policy Framework

ASGISA

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. Through ASGISA, the state and its agencies seek to become more focussed on accelerating growth leading to large scale social transformation.

The strategy aspires to reduce unemployment by investing billions of rands on infrastructure development and upgrade that will have a positive influence on LED throughout the country. Six broad strategies. One of the strategies is Joint Initiative on Priority Skills Acquisition (JIPSA). JIPSA identifies skills that are critical to grow the economy. JIPSA will maintain a database of skills need in the economy, including providing and understanding of patterns, trends and indicators or priority skills demand and supply.

National Local Economic Development Framework of 2018

The National Local Economic Development Framework of 2018 is a strategic coordinating, planning and implementation guide for LED in South Africa. That goes beyond the challenges of the National Framework of 2006. And determines how Science Technology Innovation (STI) and other innovation can be used to achieve better development outcomes and the performance of LED.

The aim is to provide strategic guidelines on the activities of agents and implementers of LED, to achieve innovative, competitive, sustainable and inclusive local economies that maximize local opportunities, address local needs, and contribute to national and provincial development objectives.

The Framework is based on the need to advance an understanding of LED, its function and covers national and regional level in the country. The mobilisation of stakeholders is emphasized. These stakeholders includes state owned enterprises, civil society, universities, science councils, innovation agents, informal sector, relevant government departments, private sector, donor funding agencies, non-government organisations, Small Medium and Micro Enterprises (SMMEs), cooperatives, and LED practitioners. These stakeholders must be mobilised around a common agenda, common response that stimulate competition, innovation, inclusiveness and territorial approach to local challenges.

Principles that underpin Local Economic Development programmes, projects and activities in South Africa are articulated in the framework. It is also a point of reference for stakeholders directly or indirectly involved in LED.

Strategic coordination of international best practice and learnings from previous policies forms part of the framework. There are Six Core Pillars that will provide guidelines to the design, development and implementation of LED for the next ten years.

- Building a diverse and innovation driven local economies.
- Developing inclusive economies.
- Developing learning and skilful economies
- Enterprise development and support
- Economic governance and infrastructure
- Strengthening local systems of innovation.

There are five implementation pillars that have been identified to assist the implementation of the core pillars.

- Research planning and strategy
- Funding and finance
- Human resource and capacity development
- Monitoring, evaluation and knowledge management
- Organisational and institutional arrangements

Policy linkages

The UMDM LED strategy acknowledges and is linked to the following policies.

The National Development Plan (NDP)

The NDP seeks to develop inclusive economy that creates jobs and growth that will be shared equally and eradicate poverty. The following is noted from the NDP.

- Integrated Development Plan (IDP) / Economic development Master plan that encourages economic diversification.
- The support and development of small business at municipal level
- The development of inclusive rural economy through local economic spatial planning, value chain, corridor development, green economy science and technology.

The New Growth Path

The strategy will address the following issues highlighted by the NGP.

- The creation of decent work, addressing inequality, poverty reduction, restructuring of the economy focusing on labour absorption capacity.
- Linking LED and IDP and investing on public infrastructure.
- LED must include other economic drivers such as state owned entities, green economy, innovation and science and technology.

Industrial Policy Action Plan (IPAP)

The policy focuses on 3 issues which are to promote industries that are labour intensive, economic transformation that broaden participation and promote competitive manufacturing as a development objective.

The following will be promoted by the strategy from IPAP.

- Strengthen government- business and labour engagement.
- Invest in skills development that are in demand
- Deepen sectoral and industrial cluster agenda of local economic development

Back to basic programme

- Putting people first and effective public participation
- Creating conditions conducive for decent living by providing municipal services of good quality and standard
- Providing good governance, accountability and efficient administration
- Revitalisation of declining towns and inner- city regeneration

Spatial Planning and Land use Management Act (SPLUMA)

Support the implementation of SPLUMA.

- Facilitate the incorporation of spatial planning in LED.
- Promote sustainable and efficient land use to increase its productivity
- Encourage inter-governmental relationship between national, provincial and local sphere of government on land reform use.

Enhance the role of Traditional Authority in Local Economic Development

- Explicitly define the role of traditional leaders in radical economic transformation
- Consult communities under traditional authority as a requisite for radical economic transformation
- Strengthen the role of traditional leaders in economic development and land matters
- Utilise land under traditional authority for socio-economic development and to capacitate rural communities
- Create economically and self -sustainable rural communities

Innovation for local economic development

Strengthen local science, technology capabilities, networks and exchanges within local systems to increase science and technology activities that contribute to inclusive local economic development.

Enable local government, LED agents and actors to foster innovation driven LED through capacity building, decision support tools and knowledge products.

National Industry Policy

The development of South Africa's national industrial policy was developed and concluded. But it uncovered the fact that many of South Africa's economic problems and potential solutions lie in the micro economics. The 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 was endorsed by government because it is believed that they could create job opportunities. These includes biofuels industrial strategy, that will contribute to the South Africa's renewable energy, the Motor Industries Development Programme (MIDP) and the Clothing and Textiles support programme to mention the few. Additional focus areas are:

- Focus on reduction of intermediary costs to downstream industry in value chains.
- Building of a competitive supplier community around governments, 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

The role of District Municipalities and Development Agencies

District Municipalities

- Undertake strategic planning through the IDP
- Formulate regional economic development strategies
- To do coordination, vertical and horizontal through the preparation of district economic plans and sectoral based cluster plans.
- Implementation of public sector process of economic intervention actions
- Initiation of economic development opportunities through special purpose vehicle created for the initiative
- Management and control of local economic initiatives in accordance with the expressed role and function of the municipality
- Monitoring and review of local economic initiative at local government level
- Direct and coordinate implementation by the establishment of district wide economic development organisations and agencies
- Support LED implementation by LMs.

Development Agencies

- Implement economic development plans as guided by the municipal framework and strategies
- Investment attraction and retention
- Identify economic development initiatives to be implemented as guided by the plans of the municipality

The role of Business

- Business support
- Finance investment opportunities
- Funding of economic development initiatives through the Corporate Social Investment (CSI)
- Job creation
- Provide business and economic development advice
- Commercialise innovation and technology
- Support innovation and entrepreneurship
- Enabling new markets and revenue growth
- Assist government in planning and delivery mechanism

The role of traditional Authority

- Support implementation of LED plans
- Participate in LED Forum
- Avail land for economic development
- Enhance community participation in the IDP and LED process
- Resource mobilisation and management

Provincial Policy Framework

Vision 2035 is that KZN will be a Prosperous province; with a healthy, secure and skilled population living in dignity and harmony, acting as a gateway to Africa and the world. The strategic goals of the Provincial Growth and Development Plan (PGDP) are:

- Inclusive economic growth
- Human resource development
- Human and community development
- Strategic infrastructure
- Environmental sustainability
- Governance and policy
- Spatial equity

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

Provincial Growth and Development Strategy

The key challenges outlined in the PGDS are as follows:

- The rural nature of the province with a limited natural resource base compared to the vastness of the province.
- Poor coordination, synergy and integration between departments, spheres of government and between municipalities and traditional councils.
- Insufficient legislative compliance and poor budget management performance.
- Service delivery backlogs.
- 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.
- 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.
- Elements of fraud and corruption and, general lack of a corporate culture of ethics, professionalism and accountability.

Provincial Spatial Economic Development Framework

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.

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.

Provincial Local Economic Development Plan

The National LED Framework authorise CoGTA to develop the provincial Local Economic Development Plan. The Plan seeks to assist Local municipalities in their LED Programmes and has its basis from both the National Development Plan and the Provincial Growth and Development Plan. Challenges identified by the National framework includes a coomn understanding of the meaning of LED, poor intergovernmental relations on LED, capacity constraints, different LED support, insufficient support of the second economy, lack of LED funding, location of LED units, the role of Development Agencies, lack of investment in economic information and many more.

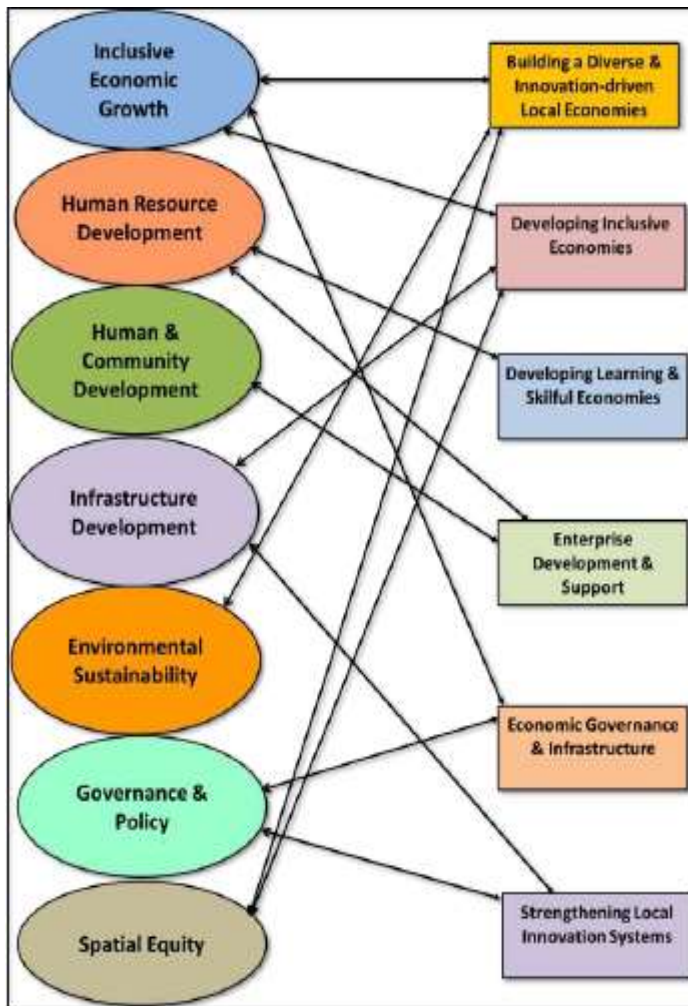
The Plan provides guidelines on how LED can be supported and directive on how LED can be addressed at local level by;

- Defining LED at provincial level.
- Outlining building blocks for LED.
- Providing a Toolkit for Municipal LED strategies.

This is in line with legislation and a number of policies and strategies that have the same objectives. This alignment can be summarised as follows; The Constitution, National Development Plan, White Paper on Local Government, Provincial Growth and Development Strategy, Draft Spatial Economic development Strategy of 2017, provincial eradication Master Plan, Municipal Systems Act and District development model.

The provincial definition is in line with the national framework definition which emphasize collaboration in order to achieve the desired outcome. However, the provincial Plan goes further and seeks to internalise the core pillars for LED as outlined in the National framework and the strategic objectives of the provincial Growth and Development Strategy to give direction to the support that is required at local government level using the enabling pillars.

The alignment is well reflected on Figure 1 below.



The role of stakeholders is emphasised on the National framework as well as the provincial Plan. This will include stakeholders such as different spheres of government and different departments, business, civil society and labour.

Different sectors are also critical as articulated in the National framework, and for the province of KwaZulu-Natal this includes, agriculture, manufacturing, tourism, small business and informal economy, green economy, industry development aerotropolis and many others.

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: increase arts & crafts resources & improve benefit to previously disadvantaged areas and land reform beneficiaries.
- Improve links of Midlands Meander route to Drakensburg
- Development of cultural tourism potential.

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

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 about. 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.

There is a need to consult extensively with municipalities on the identification of the lower order nodes. The development corridors have been identified for priority intervention and only those corridors which are identified as having the potential for greater economic growth potential. 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

Constraints to Growth in KZN

Major threats to economic growth in KwaZulu Natal are believed to be:

- **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. Even if land transfer delivery target is met, the resultant operations on this land are unsustainable, it 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.
- **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 in order to ensure that industrial development is sustainable and appropriate.

- **Municipalities:** Municipalities are faced with stagnation or collapse of their local industrial sector. It is imperative that municipalities allocate their funding in a way that promotes economic development.

uMGUNGUNDLOVU POLICY FRAMEWORK

uMgungundlovu Integrated Development Plan (IDP)

In its most recent IDP review 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 focus on 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
- Investment capital is concentrated where resources and returns are good, people from poorer areas will gravitate to urban cores this has particular reference to Msunduzi and uMngeni.
- 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.

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 acceptable 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 beneficiate 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 location could make more expanded agri- process activities a relatively possible.

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.

Socio Economic Overview and Implications

UMDM represents about 10% of the province in terms of a statistical norm. When compared to other important variables the following emerged:

- In terms of human development and poverty the district is performing marginally better than the province.
- In terms of education the district has out-performed the province.
- The district has a higher level of urbanization than the province - most likely because of Pietermaritzburg.
- 12% of the economic active population of the province resides in the district.
- Almost 20% of agricultural employment in the province can be found in the district.
- Personal income levels are marginally higher than in the rest of the province.
- Manufacturing activity lags behind the rest of the province.

Msunduzi dominates the district economy and about 80% of all registered business in the district can be found in the consumer related sectors. The primary and secondary sectors are marginal. When Msunduzi is removed from the equation, the agricultural sector is dominant throughout the district, followed by tourism.

Background of the 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 all 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 local stakeholders, LED implementation will remain ad hoc and entirely market driven.

LED Strategic Thrust

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 uMngeni, 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.

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, that people must be identified.

Technical support is needed for the small business owner, the household business and the self help group at varying levels (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.

The highest densities of poverty is located in Msunduzi. Urbanised poverty is established and will not relocate back to rural areas. It needs to be addressed in parallel with 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.

Recommended Sectors

Agriculture

The commercial agriculture sector is one of the important 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 Land Reform Programme is a key instruments for the achievement of these objective.

Tourism

The PSEDS notes that the primary tourism potential within the province is in the beach, cultural and eco-tourism markets. In 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
- Drakensberg region
- Zulu Heritage & Cultural Trail

Services

The service sector is the largest sector in the provincial economy, the biggest contributor to KZN's Gross Geographical Product (GDP) and it includes:

- Of particular interests 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.

Information and communication technology

The global economy today is becoming a network economy where access to global networks is a major factor in the ongoing competitive capability of a nation. Information and Communications Technology (ICT) has the potential to reduce product life cycles, eliminate distribution and inventory costs, and improve the competitive capability of every industry and service sector in South Africa. ICT enables many of the changes in business processes and innovation processes that help make other sectors more innovative. Economies are increasingly dependent on technological knowledge and skills, and ICT skills are particularly important.

Notwithstanding its status as an enabler of competitive capability for other sectors, the ICT industry is in and of itself an important industry. The contribution of the information economy to overall economic growth and performance is related to the amount of resources devoted to new information technologies, whether in terms of consumption, investment or innovative efforts. Investment in ICT establishes the infrastructure for the use of ICT and provides productive equipment and software to businesses, which helps raise labour productivity growth.

The ICT sector is very broad and cross cutting but underpins virtually every sector in terms of support for process, production and transactions, not to mention communications. The sector is growing at over 12% per annum in South Africa and is likely to continue to grow at this pace. However, a major constraint for South Africa and UMDM in terms of accessing some of the fastest growing sub sectors in ICT is the high and rising cost of telecommunications – which virtually precludes South Africa from realistic and competitive participation in certain areas. In UMDM, and in particular, in the more rural LMs, this problem is further exacerbated by huge inefficiencies in telecommunications services by virtue of very poor, very old and very unreliable Telkom infrastructure. This is true not only for the rural LMs, but also in significant areas within Msunduzi and uMngeni.

As a result, two sub sectors within ICT which are not dependent on telecommunications are recommended for implementation in UMDM. *The first sector is Business Process Outsourcing and Offshoring (B P O & O)* – but this is contingent upon an area being chosen for the location of a Business Park in Msunduzi or in uMngeni which has access to ongoing and reliable telecommunications capability. Without access to cheap and reliable broadband, this opportunity cannot be effectively realised. If all possible, UMDM should seek to link to the international underground telecommunications cable being developed to link Dube Trade Port to other international locations. This strategy is therefore longer term and requires the implementation of prior action to succeed.

The second sub sector, embedded software and electronics can be actioned immediately. KZN has a very vibrant informal cluster in Embedded Software and Electronics and also significant levels of competitive advantage. South Africa is a world leader in the development of embedded software, and most of the leading firms are in KZN, but have not yet formalised into a structured cluster – this represents a significant opportunity for the district.

This would enable KZN to become a centre of competence globally. The development of an appropriate location within Msunduzi or uMngeni for this emerging cluster of firms, would consolidate UMDM. An open discussions with the firms and UKZN in order to establish the needs of the firms and to create the appropriate relocation incentive package could be pursued.

Tourism

The number of domestic tourists to the region is greater but foreign visitors spend more. 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 tables below present a summary of the available tourism data for the UMDM.

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. 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. Strategies are in motion however within uMngeni to develop various scenic attractions in the LM such as Albert Falls, Howick Falls, Worlds View and a resort at the Midmar Dam. By attracting more tourists to these destinations, the municipality will optimize tourism spend.

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. These adventure and sporting options, but especially the sporting options, are well publicized as events, although more events and a wider range could be developed (biking, cycling, running, climbing, abseiling etc). It will be important to take these important tourism opportunities into account. However, two very important opportunity areas remain and it is on these that this LED strategy will focus as they are linked to other LED Strategy recommendations in this baseline LED Strategy.

Conference Tourism

Msunduzi is the capital city of the province and as such the centre of government. Currently, most conferences are being held in Durban, as the facilities in Msunduzi are deemed inadequate. There is a real commercial logic therefore in the development of appropriate hotel, conference and essential parliamentary facilities in the city. Msunduzi has a significant number of unused buildings in need of rehabilitation in the City which could, in partnership with the appropriate private sector developer, be rejuvenated along with others to create a parliamentary precinct and related hotel and conference facility. The creation of such a precinct would include the addition of good restaurants and high grade shopping and entertainment facilities. This type of development will additionally address issues of city centre regeneration.

Agri-Tourism

While many people will come to Msunduzi to engage with government, many others come in order to enjoy the natural surroundings of the other LMs and to engage in some kind of nature based activity as outlined above. These people should stay at bed and breakfast establishments in the rural LMs, 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.

Farming has become a world wide trend in developed and developing economies. It is recommended for UMDM as it is 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. 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 routes are communicated effectively to potential tourists and that the linkages between the current routes are significantly enhanced. Pony trekking in uMgeni, Mpofana and Impendle is one option. Development of a raptor rehabilitation centre where tourists can view the birds, perhaps in Boston, is another option.

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.

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 and currently many commute to and from Durban due to the inadequate supply of appropriate accommodation options.

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 some of the rural LMS which are well connected from a roads point of view, such as Richmond, uMshwathi and Mkambathini 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.

Logistics Goods and Services

An increase in economic growth represents an increase in freight movement. The increase in the number of vehicles using the N3 is likely to increase for the next five years. This suggests a need for repairs, maintenance and supply chain management services.

uMshwathi, Mpofana and Msunduzi are the most logical LMs to begin the development of specific logistics services and goods. This is linked to and reliant upon the development of specific fabrication of goods dealt with under the options for manufacturing. Mpofana in particular has an ideal location and a real level of potential advantage in terms of potential to develop a trucking one stop shop involving truck repair and maintenance, accommodation and eating facilities for truckers, and storage of particular items for on transfer at a later stage if required. For Mpofana, Blueprint recommends that a feasibility study be undertaken to assess the potential for the development of an assembly centre for large trucks or sub assemblies of large commercial vehicles (MHCVs) as well as large farm vehicles, plant and machinery on a site close to the N3. Mpofana should also consider the establishment of a long distance freight transport centre which would include cold storage/warehousing. Finally Mpofana should consider the development of a plant hire and maintenance centre.

Msunduzi, if it is able to overcome poor telecommunications reliability, has the potential to offer world class logistics and supply chain management services from coast to hinterland and from hinterland to coast, as well as storage, clearance (since it is the administrative centre) and handling services. Msunduzi should focus on cold chain supply chain services and storage. In particular, Msunduzi should develop a logistics and supply chain centre which establishes it as the primary logistics manager for access between the hinterland and Dube Trade Port, in both directions.

Health and education Services

It is a basic principle of LED to build on existing successful clusters. The health and education clusters in uMgeni and Msunduzi are singularly successful. Howick has a solid reputation for offering good medical care, especially to the older persons. Hilton, Balgovan, Nottingham Road and parts of Pietermaritzburg offer some of the best primary and secondary educational institutions in Southern Africa and attract people from all over the continent for education. Added to this is the presence of highly reputable tertiary institutions such as FET colleges, UKZN and various private sector educational firms located in this area.

A focus for uMgeni to expand and strengthen the existing medical cluster in the Howick area by attracting new investment and ensure that the full potential of this medical sector is realised, possibly through a focussed medical tourism strategy linked with availability of highly specialised equipment and services in the treatment of age related illnesses and conditions. Current investors should be consulted and their needs addressed with a flexible incentive package to encourage expansion. There may be potential for a medical park development but this should be tested. An R & D relationship between UKZN (PMB campus) and the private and public sector medical services suppliers should be facilitated and the Department of Science and Technology included. There may be potential within a Howick Medical Park also to develop the business of assembly of medical equipment.

Building and Construction

This sector should be a major focus for the development of SMMEs and government procurement and linkages between large and small firms, combined with creative microfinance services, should be structured to assist in this development.

Agriculture and Agri-process

Agriculture concept be formally adopted by UMDM and that every attempt be made to ensure that especially new farmers forms part of the 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 area. The first is commercial farming either of an intensive nature such as poultry farming and piggeries, as well as large scale crop, 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.

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 in order to ensure a smoother transition.

There is a need for a bridging support 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.

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.

Biofuel

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 uMhlatuze, means that fuel can be routed to both destinations, which are likely to consume fairly large quantities of fuel.

Wood and wood product

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 SA. 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.

The technology in use in the industry varies from a very few cases of cutting-edge technology with capacities larger than any others in local use to ancient machines with long set up times and non-existent maintenance programmes and spares. The throughput times and conversion rates of the local industry are significantly worse than international benchmarks, so radical investment is needed to put the production sectors of the industry in par with competitors. South Africa has certain advantages and disadvantages with respect to wood products however South Africa is at a relative disadvantage for all but input costs, which includes factors such as labour, electricity and raw materials. In terms of design, production capability and logistics KZN and South African overall are at a disadvantage in terms of global competition.

Areas of potential opportunity for KZN may be:

- Manufacture of timber products for construction, such as 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.

Implementation mechanism

There is no institutionalised capacity to implement LED in UMDM at its current state. Even in local municipalities including Msunduzi, capacity within the Municipality and the Pietermaritzburg Midlands Chamber is limited. There is a lack of human and financial resources required to implement LED. Unless necessary resources are found, LED strategies remain a pipe dream that will gather dust. The following mechanism are recommended for implementation:

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.
- Completion and upgrading of Impendle maize mill.
- Renewal and upgrade of Pietermaritzburg town centre with particular reference to architecture

Feasibility studies will be required for Mpofana and Impendle and the roll out renewal plans for the rejuvenation of PMB will be required. The regeneration of these areas will support the tourism strategies developed as well as improve the image of the areas and Msunduzi in particular. The development of the parliamentary precinct within the City in a PPP with a developer could be explored

UMDM also needs to identify specific areas within each LM 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-processing
- Biofuel
- Health and Medical Services
- Logistics and supply chain services
- Property development
- Telecommunication
- Tourism
- Wood and wood product

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 areas in uMngeni, Impendle, Msunduzi and Mpofana. By encouraging incremental investment UMDM will consolidate an active growth corridor linking richer and poorer areas thus reducing social and economic exclusion.

UMDM should consider the development and support of some informal markets. Impendle and Mpofana are good examples of locations where such markets would support the poor. In Mngeni, two such markets exist in Lion's River area and are working well. In Msunduzi, Edendale will be an additional candidate for such a market.

UMDM should consider the following for the deep rural areas in particular.

- Retraining of clothing and textile workers in Mpofana
- Development of a mentoring programme for small businesses (informal and formal)
- Entrepreneurship training and SME support programs
- Community programmes, arts and crafts initiatives

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. Some projects for UDM to consider include:

Business retention surveys: Particularly in Msunduzi and should be implemented annually. Surveys of existing firms can be used to help identify problems and determine how the business is performing, from where it sources its inputs, whether it is expanding, etc. The survey can be used to encourage local businesses to source more inputs locally, identify and finance training and skills needs, and contribute to LED strategy development. 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 expand their businesses

Technical support to business: All businesses in UMDM. 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. UMDM should implement at least one one-stop business service centre in each LM linked to a community based business services outlet with internet access.

Financial advice and support: 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.

Public procurement policy: UMDM and especially Msunduzi procurement policy must be local business friendly. Public sector organizations such as Eskom, Telkom and others should make their procurement accessible to local companies. An initiative is suggested which require UMDM and Msunduzi to host a quarterly procurement event for local businesses where procurement for the next quarter is tabled and announced.

Provision of land and premises: A list of industrial and commercial land and buildings owned by the LMs and DM should be developed and circulated to be used to encourage business investment and expansion. A study of the local property market should be commissioned to begin to plan for residential expansion and requirements.

Encouraging new enterprises

Provision of finance for new businesses: Refer above; project 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, TEFSA and other institutions should be approached. UMDM's role will be to identify needs and encourage institutions and private sector players to intervene.

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. Establishing A 'one stop shops' with access to market information is be extremely useful.

Conducting business mentoring programs: Good practice suggests 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. UMDM should, 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.

Integrating low income workers into the economy

Integrating disadvantaged groups is important in UMDM 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 UMDM are headed by women.

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 document, but some priorities are:

There is an urgent need to develop UMDM Infrastructure Plan that will be in line with available pieces of land for development and the nature of development required. Otherwise development will be determined by investors and their interests. Infrastructure plan that will include rural development to reduce unstructured development taking place in areas like Nkanyezini in Mkhambathini and along the Richmond road. Such developments are a source of service delivery protest for there is no infrastructure.

- Significant improvement of the public transport facilities within Msunduzi, between Msunduzi and outlying towns.
- The improvement, expansion or relocation of the Pietermaritzburg Airport need to be finalized.
- Identification and development of Industrial Parks
- Significant improvement in the telecommunications infrastructure and the recommended wireless broadband.
- Installation of CCTV in high risk areas.
- Infrastructure development is a hindrance to N3 Corridor Development particularly at Mkhambathini where there is a huge potential.
-

These projects all involve considerable expense, outside agencies and often national government departments and the private sector.

Developing industrial estates, business parks or science parks is normally undertaken by the private sector, however, UMDM can pave the way for the establishment of industrial estates and business parks. Facilitate and encourage an enabling environment within the local

authority. A partnering programme with developers is recommended to get this initiative off the ground.

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. Enterprise training should be targeted at these municipalities wherever possible. Training should be provided in response to employer skills needs as well as the sectors targeted for growth in UMDM.

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
- A welcoming environment
- Available sites and/or premises
- Appropriate, available and reliable infrastructure and services
- Available skilled workforce
- Available local suppliers and resources
- Incentive schemes

UMDM 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 and opportunities for local SMMEs .

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 UMDM. 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. A cluster initiative here could include developing a food supplier network to supply government catering needs. A logical cluster development initiative could be to encourage suppliers of basic food products to enter into some form of food processing. Cluster development activities could then move on to transportation, storage and packaging of food products. From there it is likely businesses could start retailing and producing processed foods for the private sector.

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 cluster 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 one way or another.

PROJECTS

Project/Intervention	Brief description	Partners	Budget