

**DEPARTMENT OF ECONOMIC DEVELOPMENT, TOURISM AND
ENVIRONMENTAL AFFAIRS**

PROVINCE OF KWAZULU-NATAL

STRATEGIC PLAN

2020 - 2025

MARCH 2020



edtea

Department:
Economic Development, Tourism and
Environmental Affairs
PROVINCE OF KWAZULU-NATAL

Executive Authority Statement

Ms Nomusa Dube-Ncube, MPL

MEC for Economic Development, Tourism and Environmental Affairs



The spread of the coronavirus has already hurt economic activity in the world's second largest economy China. Whilst the full impact of the Coronavirus is yet to be known, already there is global economic and social pandemonium caused by the pandemic. Infections in the rest of the world are multiplying and causing unprecedented uncertainties and market instability. Due to a fall in global consumption as factories are closed in China, Italy imposed a lockdown for the entire country and the US markets closed due to the sudden drop and global mayhem. In South Africa the advent of Corona virus is beginning to hurt our key economic sectors such as tourism and trade. It is not all doom and gloom as we are experienced increased interest from Chinese manufacturing companies who are interested in relocating their manufacturing plants to our country.

Our economy has been trapped in a low growth cycle. The South African economy entered into a technical recession in the last half of 2019; following a 1.4% contraction of the economy in the fourth quarter, after the economy shrank by 0.8% (revised) in the third quarter. The poor growth performance has manifested itself in atrocious levels of poverty and unemployment. Unemployment figures released recently paint a grim picture of our economy where 29.1% of the working age people remain unemployed at a time when the workforce continues to expand. These latest numbers stress the need for government to speedily implement policies that will inspire confidence and encourage investment spending. We are putting in place concrete and comprehensive instruments towards perching the KZN economy on an inclusive growth path.

To unlock the growth potential of the SMME sector, government will be bolstering programmes such as enterprise development, tourism, maritime, agri-processing, operation vula fund, RASET, bulk-buying, youth empowerment, good green deeds and black industrialists. Over the years exports have contributed significantly to the economic fortunes

of this province. Sadly, the province's manufactured exports have been going down. Government will thus strengthen export promotion, business retention & expansion, and industrialisation drive to boost the competitiveness of the local industry.

The digital economy will increasingly become a driver of growth and creator of employment in the face of the Fourth Industrial Revolution. Government has put in place programmes to rollout telecommunication infrastructure including broadband network and digital innovation hubs, particularly in indigent communities to expand access and reliability. Our people mainly in the rural areas remain detached from the rest of the connected world depriving them from actively participating in the development of the province. The province is working with Broadband Infraco to provide layer 2 network services that will be used by Dube Trade Port to provide over 810 Wi-Fi hotspots at 405 selected sites across all the provincial districts.

This pilot project to be implemented over a period of three months is projected to create a number of job opportunities especially for the youth who are disproportionately affected by the scourge of unemployment in the province. Our Province holds a unique position in that we have one of the main Internet Exchange Point of Presence for South Africa and neighbouring countries. We also have the Dube TradePort, a world-class state-owned data centre that has the capability to deliver internet to the entire province of KwaZulu-Natal and beyond. Over the next 5 years, the provincial government has committed resources to ensure that substantial rural communities are digitally connected.

An efficient port is a very important asset for any country as it acts as a conduit for global and intra-regional trade. Government is cognisant of the congestion at our ports, especially the Port of Durban, costing the country billions of revenue. Buoyed by the Operation Phakisa initiative, we are determined to invest in the development of quality infrastructure to decongest our ports through various interventions including digitization of port processes, expansion of access roads, investing in rail, port expansion, planning for the dig out port, supporting the development of the Cato Ridge Dry Port, as well as fast tracking and leverage private sector assistance. This in turn will help in dealing with long ship waiting times to ensure that we are on par with other port systems around the world.

We were disappointed by the recent decision to stop SAA flight to Durban. We are engaging through appropriate channels to argue the case for SAA to continue flying to Durban. The passenger and cargo growth in King Shaka International Airport has been phenomenal and we believe that the performance of our airport on its own provides a compelling case for SAA to continue flying to Durban.

The need to grow the economy remains our top priority as the Government in order to substantially increase the number of new jobs while sustaining existing jobs in KwaZulu-Natal. We will be directing considerable effort on high growth sectors and new industries that have the potential to create new jobs. One such new industry is in the beneficiation of cannabis into various valued added products. A feasibility study to identify and seize opportunities in the production of cannabis and downstream beneficiation for local people has been completed. A Cannabis Investor Protocol has been developed and launched. A dedicated staffed Cannabis unit has been established within the Moses Kotane Institute (MKI) to begin to assist emerging cultivators and entrepreneurs with infrastructure assistance, funding and licencing.

The Department has forged various partnerships with social partners, institutions of higher learning and the business fraternity. It is critical now more than ever to build and strengthened these relationships in order for us to achieve the vision of a better life for all and to successfully implement the departmental strategy. The Department has undertaken a significant shift in the implementation of its programmes to a more grass root level focused approach. This will be effectively achieved through the District Development Model. Direct interaction with the communities most affected by poverty and unemployment are undertaken through extensive public interaction workshops and meetings. This will improve the work of the Department and ensure that it is responsive to the needs of the people.

The departmental organisational structure is currently under review to ensure alignment to the current strategy and its imperatives. Accountability and performance will be the core area of managing our human resources and the bill associated with it. Focusing on improved and automated systems will significantly contribute to the efficiency of the Department whilst improving records management and the overall control environment and risk management, resulting in clean audit outcomes and improved service delivery.

The work of streamlining and rationalising the public entities of the Department is on-going. The impact of this process will be a more efficient, impactful and economical government. Impact assessments of public entities will be undertaken to evaluate the value for money and confirm their effectiveness on an on-going basis.

Signature: _____

Ms Nomusa Dube-Ncube

Executive Authority of Economic Development, Tourism and Environmental Affairs

Accounting Officer Statement

Recent editions of the *Global Risks Report* warned of downward pressure on the global economy from macroeconomic fragilities and financial inequality. These pressures continued to intensify in 2019, increasing the risk of economic stagnation. South Africa's competitiveness remains restrained due to low business dynamism which is caused regulatory and administrative burdens to start a business, to mention a few. As a response to this, government is determined to drive economic transformation that will result into job creation. Another critical element that affects our competitiveness is poor government's adaptability to change, hence our first national priority is about building capable workforce in the public sector that is innovative in bringing about the desired change.

The previous planning cycle was admittedly faced with some challenges which have resulted in subdued economic growth thus reducing the tax base and increasing unemployment and widening the inequality gap. While our department has made some strides over the past 5 years in addressing the three ills of the past, many of the citizens remain on the outer edges of economic activity in our province because of our economy which was structured to benefit only a few. The provincial economy experienced a decline of 3.4% on the back of poor performance in the agriculture and manufacturing sectors. The depressed economic growth outlook continues to weigh down on job creation in the province.

Despite the aforementioned challenges, the department successfully implemented programmes that have had a positive impact on small businesses, particularly those that are operating in the townships and rural areas, through the Operation Vula Programme. Working with the Ithala Development Finance Corporation, a bulk-buying warehouse was established in Mandeni for the sale of retail inventory to tavern, township and rural shop owners. This has provided shop owners access to competitive prices, economies of scale and elimination of extended lead times for the purchasing of their stock items. There is on-going engagement of local business formations to address teething challenges with the programme.

We have continued in earnest to implement the Radical Agrarian Socio-Economic Transformation (RASET) model which has opened up opportunities along food production value chain including farm produce supply by under privileged farmers and emerging agro-businesses. In doing so an alternative value chain has been created in order to bypass structural barriers associated with the existing value chain. The programme has been anchored through public procurement programmes like the school nutrition programme by the Department of Education.

Against this backdrop, EDTEA needs to address pressing national and provincial concerns such as climate change, sustainable development and economic inclusion based on our mandate. Hence, our vision:

"Attainment of a radically transformed, growing, inclusive, innovative and sustainable economy, thereby optimizing employment in KwaZulu-Natal".

We have witnessed climate threats and accelerated biodiversity loss in the recent past which is striking harder and more rapidly than expected. In the past five years weather patterns are changing, high temperatures, natural disasters are becoming more intense and more frequent, and last year witnessed unprecedented extreme weather in the province. In fact, it is for the first time in the history of the Global Risks Perception Survey, environmental concerns dominate the top long-term risks by likelihood among members of the World Economic Forum's multi-stakeholder community. "Failure of climate change mitigation and adaption" is the number one risk by impact and number two by likelihood over the next 10 years, according to our survey. As a result, environmental issues are at the

core of our strategic focus to avoid the most severe economic, social and environmental consequences.

While digital technology is bringing tremendous economic and societal benefits to much of our population, issues such as unequal access to the internet and issues of cyber insecurity all pose significant risk. One of our entities is leading us in terms of seizing opportunities presented by the rapid advancement of technology to enable small businesses to adapt quicker and not left behind. Most of our beneficiaries now own a mobile device and it is important for us to take advantage of that going forward and make it easier for businesses to access our services but most importantly using technology to improve their business inefficiencies.

Expectations for the department to deliver on its mandate have increased immense and this reinforces our close and unified working relationship with our public entities. Our partners, constituencies and external stakeholders look to us to actively bring about economic transformation and address social and economic exclusion in our province. EDTEA continues to commit its resources to re-ignite the economy and offer better opportunities to a larger share of our population. Therefore, departmental management and public entities, we commit ourselves to forge strategic networks, leverage required resources and take advantage of the digital era to support national, regional and local initiatives that generate positive impact for all citizens in KwaZulu-Natal to achieve a more inclusive, transformed and sustainable economy.

Signature 
Mr Sihle Mkhize

Accounting Officer of Economic Development, Tourism and Environmental Affairs

Official Sign-Off

It is hereby certified that this Strategic Plan:

- Was developed by the management of the Department of Economic Development Tourism and Environmental Affairs under the guidance of MEC Nomusa Dube-Ncube.
- Considers all the relevant policies, legislation and other mandates for which the Department of Economic Development, Tourism and Environmental Affairs is responsible.
- Accurately reflects the strategic outcome orientated goals and objectives which the Department of Economic Development, Tourism and Environmental Affairs will endeavour to achieve over the period 2020-2025.

Ms Siphumelele Nowele
Chief Director: Environmental Management

Signature:



Mr Sibonelo Nzimande
Chief Director: Tourism Development

Signature:



Mr Fezile Mbuli
Chief Director: Corporate Services

Signature:



Ms Fikiswa Pupuma
ADDG: Industrial Development and Business Regulations

Signature:



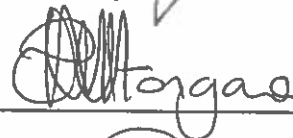
Mr Sibusiso Myeza
DDG: Integrated Economic Development Services

Signature:



Ms Zamasomi Mtongana
Chief Financial Officer

Signature:



Ms Babalwa Mapisa
CD: Executive Support and Strategic Planning Management

Signature:



Mr Sihle Mkhize
Acting Accounting Officer

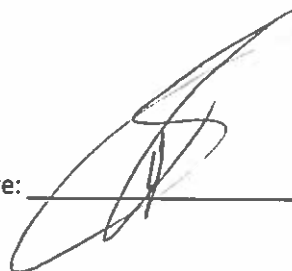
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Approved by:

Ms Nomusa Dube-Ncube
Executive Authority

Signature:



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ACRONYMS

ADDG	-	Acting Deputy Director General
ADR	-	Alternative Dispute Resolution
AHOD	-	Acting Head of the Department
AOP	-	Annual Operational Plan
APP	-	Annual Performance Plan
AQMPs	-	Air Quality Management Plans
AWG	-	Action Work Group
B-BBEE	-	Broad-Based Black Economic Empowerment
BPO	-	Business Process Outsourcing
BRICS	-	Brazil, Russia, India, China and South Africa
CARC	-	Cluster, Audit and Risk Committee
CATHSSETA	-	Culture, Art, Tourism, Hospitality, and Sport Sector Education and Training Authority
CCIs	-	Cultural and Creative Industries
CD	-	Chief Director
CFO	-	Chief Financial Officer
CMT	-	Cut, Make and Trim
COGTA	-	Department of Cooperative Governance and Traditional Affairs
DDG	-	Deputy Director General
DPSA	-	Department of Public Service and Administration
DTI	-	Department of Trade and Industry
DTP IDZ	-	Dube Trade-Port Industrial Development Zone
DTP	-	Dube Trade Port
DTPC	-	Dube Trade-Port Corporation
DUT	-	Durban University of Technology
EDTEA	-	Department of Economic Development, Tourism and Environmental Affairs
EIA	-	Environmental Impact Assessment
EOR	-	Environment Outlook Report
EKZNW	-	Ezemvelo KwaZulu-Natal Wildlife
EPMDs	-	Employee Performance Management and Development System
GDP	-	Gross Domestic Product
GDPR	-	Gross Domestic Product Regional
HR	-	Human Resources
IASP	-	Invasive Alien Species Programme
ICT	-	Information and Communications Technology
ICTE	-	Information and Communication Technology and Electronics
IDFC	-	Ithala Development Finance Corporation
IDZ	-	Industrial Development Zone
IGR	-	International and Intergovernmental Relations
IPP	-	Independent Power Producers
IT	-	Information Technology

KSIA	-	King-Shaka International Airport
KZN IE	-	KwaZulu-Natal Informal Economy
KZN PPC	-	KwaZulu-Natal Provincial Planning Commission
KZNFC	-	KwaZulu-Natal Film Commission
KZNGBB	-	KwaZulu-Natal Gaming and Betting Board
KZNLA	-	KwaZulu-Natal Liquor Authority
LED	-	Local Economic Development
LMs	-	Local Municipalities
METT	-	Management Effectiveness Tracking Tool
MKI	-	Moses Kotane Institute
MoA	-	Memorandum of Agreement
MoU	-	Memorandum of Understanding
MPAs	-	Marine Protected Areas
MRO	-	Maintenance, Repair and Overhaul
MTEF	-	Medium-Term Expenditure Framework
MTSF	-	Medium-Term Strategic Framework
NDP	-	National Development Plan
NGP	-	New Growth Path
OVF	-	Operation Vula Fund
PERSAL	-	Personnel and Salary System
PFMA	-	Public Finance Management Act
PGDP	-	Provincial Growth and Development Plan
PMU	-	Programme Management Unit
PPPFA	-	Preferential Procurement Policy Framework Act
PSEDS	-	Provincial Spatial Economic Development Strategy
RASET	-	Radical Agrarian Socio-Economic Transformation
RBIDZ	-	Richards Bay Industrial Development Zone
RLED	-	Regional and Local Economic Development
SALGA	-	South African Local Government Association
SECO	-	Swiss State Secretariat for Economic Affairs
SLA	-	Service Level Agreements
SMME	-	Small Medium and Micro Enterprise
SMS	-	Senior Management Service
SP	-	Strategic Plan
SPLUMA	-	The Spatial Planning and Land Use Management Act 16 of 2013
SSGs	-	Small-Scale Sugarcane Growers
THS	-	Tongaat Hulett Sugar
TIKZN	-	Trade & Investment KwaZulu-Natal
TVET	-	Technical and Vocational Education and Training
UKZN	-	University of KwaZulu-Natal

PART A: OUR MANDATE

1 CONSTITUTIONAL MANDATE

The Constitution of the Republic of South Africa, 1996, (particularly Schedules 4 and 5, which stipulate the competence of the provincial government on matters of economic development, environmental management and conservation).

Schedule 4 A:

- Airports other than international and national airports;
- Casinos, racing, gambling and wagering, excluding lotteries and sports pools;
- Consumer protection;
- Environment;
- Industrial promotion;
- Nature conservation, excluding national parks, national botanical gardens and marine resources;
- Pollution control;
- Soil conservation;
- Tourism; and
- Trade.

Schedule 5 A:

- Liquor licences

2 LEGISLATIVE AND POLICY MANDATE

The Department operates within National Legislative, Policy and Strategic Frameworks, which can be summarized as follows:

- 1 the Public Service Act of 1994 amended in 2007.
- 2 the Public Service Regulations, 2016
- 3 the Public Finance Management Act, 1999 (Act No. 1 of 1999) and the Treasury Regulations, 2005.
- 4 the National Small Enterprise Act, 1996 (Act No. 102 of 1996).
- 5 the Co-operative Act, 2005 (Act No. 14 of 2005).
- 6 the National Environmental Management Act, 1998 (Act No. 107 of 1998).
- 7 the National Environmental Management: Air Quality Act, 2004 (Act No. 39 of 2004).
- 8 the National Environmental Management: Biodiversity Act, 2004 (Act No. 10 of 2004).
- 9 the National Environmental Management: Integrated Coastal Management Act, 2008 (Act No. 24 of 2008).
- 10 the National Environmental Management: Protected Areas Act, 2003 (Act No. 57 of 2003).
- 11 the National Environmental Management: Waste Act, 2008 (Act No. 59 of 2008).
- 12 the Tourism Act, 2014 (Act No. 3 of 2014).
- 13 the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003).
- 14 the Special Economic Zones Act, 2014 (Act No. 16 of 2014).
- 15 the Integrated National B-BBEE Strategy and KZN B-BBEE Strategy.
- 16 the B-BBEE Codes of Good Practice.

- 17 the National Development Plan, the New Growth Path, and the Industrial Policy Action Plan.
- 18 Local Economic Development Policy Guideline.
- 19 the South Africa Trade Policy Framework.
- 20 the Green Economy Framework.
- 21 the Mining Beneficiation Strategy.
- 22 the National Spatial Economic Development Perspective.
- 23 the Special Economic Zones Policy.
- 24 the National Framework for Sustainable Development.
- 25 the National Climate Change Response Strategy.
- 26 the National Air Quality Management Strategy.
- 27 the National Waste Management Strategy.
- 28 the White Paper on the Development and Promotion of Tourism.
- 29 the National Integrated Coastal Management Strategy.
- 30 the White Paper on Environmental Management Policy.
- 31 National Biofuels Framework
- 32 Integrated Resource Plan
- 33 the Industrial Policy Action Plan; and
- 34 the Informal Economic Policy.

The Department's mandate is further guided by, amongst others, the following Provincial Legislative, Policy and Strategic Frameworks:

- (a) the Ithala Development Finance Corporation Act, 2013 (Act No. 5 of 2013).
- (b) the Nature Conservation Ordinance, 1974 (Ordinance No. 15 of 1974),
- (c) the KwaZulu-Natal Nature Conservation Management Act, 1997 (Act No. 9 of 1997).
- (d) the KwaZulu-Natal Tourism Act, 1996 (Act No. 11 of 1996).
- (e) the KwaZulu-Natal Gaming and Betting Act, 2010 (Act No. 8 of 2010).
- (f) the KwaZulu-Natal Gaming and Betting Tax Act, 2010 (Act No. 9 of 2010); KwaZulu-Natal Liquor Licensing Act, 2010 (Act No. 6 of 2010).
- (g) the Businesses Act, 1991 (Act No. 71 of 1991).
- (h) the KwaZulu-Natal Dube Tradeport Corporation Act, 2010 (Act No. 2 of 2010).
- (i) the KwaZulu-Natal Film Commission Act, 2010 (Act No. 3 of 2010).
- (j) the KwaZulu-Natal Trade and Investment Agency Act, 2010 (Act No. 5 of 2010).
- (k) the KwaZulu-Natal Consumer Protection Act, 2013 (Act No. 4 of 2013).
- (l) the KwaZulu-Natal Provincial Growth and Development Strategy.
- (m) the KwaZulu-Natal Provincial Spatial Economic Development Strategy.
- (n) the Draft KwaZulu-Natal Export Strategy.
- (o) the KwaZulu-Natal Industrial Development Strategy.
- (p) the KwaZulu-Natal Investment Promotion Strategy.
- (q) the Draft KwaZulu-Natal Green Economy Strategy.
- (r) the KwaZulu-Natal Airport Strategy.
- (s) the KwaZulu-Natal Small Enterprise Development Strategy.
- (t) the KwaZulu-Natal Cooperative Developments Strategy.
- (u) the KwaZulu-Natal Youth Economic Empowerment Strategy.
- (v) the KwaZulu-Natal Informal Economic Policy; and
- (w) the KwaZulu-Natal Tourism Master Plan.

- (x) Aerotropolis strategy;
- (y) Oceans Economy Strategy; and
- (z) RASET

The emphasis in most of the current policies and provincial strategies is the issue of addressing the triple challenges of poverty, unemployment and inequality, and the main policy discussions are currently centred on the following:

- Job creation.
- Special economic zones and industrial economic hubs.
- Beneficiation and value addition.
- Infrastructure development.
- Rural economic development.
- Skills development.
- Economic transformation.
- Economic Growth with sustainable small enterprises participating in the mainstream economy
- The Kwazulu-Natal beach tourism policy
- Trade Policy.
- Spatial economic development.
- Black industrialization; and
- The revitalization of township and rural economies.

The above Acts, Policies and Strategies are critical to direct the vision and mandate of the Department. It is only through efficiency in the implementation of the legislation, policies and strategies that the Department can meaningfully contribute to the fight against the triple challenges of development.

3 INSTITUTIONAL POLICIES AND STRATEGIES OVER THE FIVE-YEAR PLANNING PERIOD

There are two key medium-term policy frameworks that guide EDTEA's 5-year Strategic Plan and its Annual Performance Plans for alignment purposes which bolster our 5-Year strategic focus. These are the Medium-Term Strategic Framework (MTSF) and the Provincial Growth and Development Strategy (PGDS). In addition, Priority 2 of the MTSF 2024, i.e. Economic transformation and job creation; and strategic goal 1 of the PGDS, i.e. inclusive economic growth are specifically applicable. It is from these strategic priorities that EDTEA's Strategic Plan and APPs responds. In addition to the above-mentioned economic growth and employment imperatives, the Department is also key driver of the MTSF Enablers related to supportive infrastructure, as well as managing and mitigating Climate Change. This is directly aligned to the PGDS Goals related to strategic Infrastructure and environmental sustainability. The Situation Analysis section that follows also provides an overview of the external and internal environment's strengths, weaknesses, opportunities and constraints. Highlighting both internal and external environments that influence how we operate. The imperative to align to National, Provincial priorities, tempered by our own analysis and context, informs EDTEA's Strategic Focus over the next 5 Years.

3.1 Medium Term Strategic Framework (MTSF) Priorities

The adopted Medium-Term Strategic Framework 2019-2024, affirms that:

"The MTSF 2019-2024 aims to address the challenges of unemployment, inequality and poverty through three pillars:

- *Achieving a more capable state;*
- *Driving a strong and inclusive economy; and*
- *Building and strengthening the capabilities of South Africans.*

The MTSF 2019–2024 translates the ruling party's electoral mandate into government's priorities over a five-year period. The three pillars set out above underpin the seven priorities of this strategic framework. These priorities, which will be achieved through the joint efforts of government, the private sector and civil society, are as follows:

Priority 1: A capable, ethical and developmental state

Priority 2: Economic transformation and job creation

Priority 3: Education, skills and health

Priority 4: Consolidating the social wage through reliable and quality basic services

Priority 5: Spatial integration, human settlements and local government

Priority 6: Social cohesion and safe communities

Priority 7: A better Africa and world"

KZN EDTEA prioritises its strategic alignment to the following MTSF Pillar, Priority and associated Outcomes:

PILLAR 2: DRIVING A STRONG AND INCLUSIVE ECONOMY	
Priority 2	<i>Economic transformation and job creation</i>
Outcome	More decent jobs created and sustained, with youth, women and persons with disabilities prioritised.
Output Indicators	No. of jobs created per year through Job Summit initiatives No. of Jobs created through Operation Phakisa No. of youth NEET absorbed in employment
Outcome Sub-Outcome	Investing for accelerated inclusive growth - Increased Ownership and Participation by Historically Disadvantaged Individuals - Reduced illicit Activity and Improved Tax Collection
Output Indicators	(KZN specific indicator TBD based on contribution – e.g. One Stop Shops) PGDP Strategic Objective 1.2 (AWG2)
Outcome	Industrialization, localization and exports
Output Indicators	However, KZN contribution? AWG2 Masterplans developed National priority sectors grow contribution to GDP growth of 3% and exports increase by 4% Complete the revitalisation of industrialisation parks Percentage compliance of government spend on designated products and services
Outcome	Improve competitiveness through ICT adoption
Output Indicators	Gross expenditure on research and development as a percentage of GDP PGDP Strategic Object 1.6 Intervention – EDTEA AWG5
	No. of disclosures which are licensed annually however, note PGDP Strategic Object 1.6 Intervention – EDTEA:AWG5)
Outcome	Reduce concentration and monopolies and expanded small business sector
Output Indicators	No. of competitive small businesses and cooperatives supported Improved access to affordable finance for SMMEs and cooperatives No. of incubation centres and digital hubs established Provisions made in accords and interventions for SMMEs (PGDP Strategic Object 1.4 Intervention EDTEA AWG2) No. of youth start-ups (New indicator) – OTP AND EDTEA

Outcome	Supply of energy secured
Output Indicators (NEW)	Additional megawatts commissioned Share of alternative energy sources Regulator's role and responsibility reviewed PGDP Strategic Objective 4.5 and 5.2 (COGTA and EDTEA, AWG 14 and 15)
Outcome	Increased economic participation, ownership, access to resources, opportunities and wage equality for women, youth and persons with disabilities
Output Indicators (NEW)	Percentage preferential procurement spend by sex/gender, age and disability Percentage funding by sex/gender, age and disability, industry/sector
Environmental Management and Climate Change	
Priority 5	Spatial Integration, Human Settlements and Local Government
Outcome	GHG Emission reduction (mitigation)
Output Indicators	Percentage reduction in total GHG emissions by 2024 (EDTEA AWG16) Percentage reduction of losses (human life; livestock/crop yield; houses/shelter; infrastructure; species) due to climate change disasters
Outcome	Municipal preparedness to deal with climate change/adaptation
Output Indicators	% of municipalities with capacity to fund and implement climate change programmes and adaptation measure
Outcome	State of ecological infrastructure improved
Output Indicators	Hectares of land under rehabilitation/ restoration No. of wetlands under rehabilitation/ restoration No. of ecologically sensitive areas spatially mapped (NEW) No. of Stewardship sites added to increase Biodiversity conservation areas Percentage increase in conservation estate Percentage increase in conservation estate Percentage of areas of state-managed protected areas assessed with a METT score above 67% No. of water resources classified No. of main stem rivers monitored for implementation of Resource Directed Measures (i.e. classification, resource quality objectives and the reserve) by 2024 (NEW) No. of river sites with ecological status monitoring (NEW) Percentage level of compliance Compliance with National Annual Ambient Air Quality Standards

Outcome	Agriculture transformation
Output Indicators	Hectares of degraded land rehabilitated No. of agri-hubs No. of agro-processing facilities
Outcome	Improved capacity to deliver basic services, quality infrastructure and integrated public transport to increase household access to basic services
Output Indicators	No. of wastewater treatment works assessed No. of non-compliant wastewater systems monitored against the regulatory standards
Outcome	Equal opportunities, inclusion and redress
Output Indicators	No. of films and documentaries, including those telling the South African story
Outcome	Increased FDI
Output Indicators	Increased FDI into South Africa PGDP Goal 1 and Strat Ob 1.2 EDTEA AWG2
Outcome	Growth in tourism sector resulting in economic growth
Output Indicators	Brand Strategy Index Percentage increase in the value of international tourist spend PGDP Goal 1 and Strat Ob 1.2 EDTEA AWG2

3.2 Provincial Growth and Development

2016 PGDS STRATEGIC GOALS and OBJECTIVES		
STRATEGIC GOAL	No	STRATEGIC OBJECTIVE 2016
1 INCLUSIVE ECONOMIC GROWTH	1.1	Develop and promote the agricultural potential of KZN
	1.2	Enhance sectoral development through trade investment and business retention
	1.3	Enhance spatial economic development
	1.4	Improve the efficiency, innovation and variety of government-led job creation programmes
	1.5	Promote SMME and entrepreneurial development
	1.6	Enhance the Knowledge Economy
2 HUMAN RESOURCE DEVELOPMENT	2.1	Improve early childhood development, primary and secondary education
	2.2	Support skills development to support economic growth
	2.3	Enhance youth and adult skills development and life-long learning
3 HUMAN AND COMMUNITY DEVELOPMENT	3.1	Eradicate poverty and improve social welfare services
	3.2	Enhance health of communities and citizens
	3.3	Safeguard and enhance sustainable livelihoods and food security
	3.4	Promote sustainable human settlements
	3.5	Enhance safety and security
	3.6	Advance social cohesion and social capital
	3.7	Promote youth, gender and disability advocacy and the advancement of women

2016 PGDS STRATEGIC GOALS and OBJECTIVES		
STRATEGIC GOAL	No	STRATEGIC OBJECTIVE 2016
4  STRATEGIC INFRASTRUCTURE	4.1	Development of seaports and airports 
	4.2	Develop road and rail networks 
	4.3	Develop ICT infrastructure 
	4.4	Ensure availability and sustainable management of water and sanitation for all 
	4.5	Ensure access to affordable, reliable, sustainable and modern energy for all 
	4.6	Enhance KZN waste management capacity 
5  ENVIRONMENTAL SUSTAINABILITY	5.1	Enhance resilience of ecosystem services 
	5.2	Expand the application of green technologies 
	5.3	Adapt and respond to climate change 
6 GOVERNANCE AND POLICY	6.1	Strengthen policy, strategy coordination and IGR
	6.2	Build government capacity
	6.3	Eradicate fraud and corruption
	6.4	Promote participative, facilitative and accountable governance
7  SPATIAL EQUITY	7.1	Enhance the resilience of new and existing cities, towns and rural nodes, ensuring equitable access to resources, social and economic opportunities 
	7.2	Ensure integrated land management use across the Province, ensuring equitable access to goods and services, attracting social and financial investment



= Indicates areas of EDTEA's direct responsibility



= Indicates areas of EDTEA's direct responsibility

3.3 Departmental Policies and Strategies

Operation Vula Policy, 2019

Departmental Graduate Development Policy, 2019

Disability Strategy, 2020 (draft)

Departmental Strategy on Women and Gender Empowerment, 2020 (draft)

3.4 Relevant Court Rulings

Abbott Judgement on the Management of Estuaries in KwaZulu-Natal

PART B: OUR STRATEGIC FOCUS

4 VISION

Attainment of a radically transformed, growing, inclusive, innovative and sustainable economy, thereby optimizing employment in KwaZulu-Natal.

5 MISSION

To provide creative and innovative leadership towards:

- Facilitating integrated economic planning and growth.
- Being a catalyst for economic transformation, job creation and sustainable development.
- Implementing strategies that drive economic growth and promote sound environmental management and climate resilience.
- Creating a conducive environment for trade, investment and tourism; and
- Developing, monitoring and enforcing a sound business, environmental and consumer protection regulatory framework.

6 VALUES

The Department commits itself to adhere to the Batho Pele Principles in the execution of the 2020-2025 strategic plan including the following values:

Ubuntu	<i>In the spirit of "Ubuntu", place citizens at the centre of public service planning and operations, and foster citizen participation through services and programmes of a democratic nature.</i>
Professionalism	<i>Work in a professional manner and attitude by treating others with respect; keeping your word; being loyal and exceeding expectations.</i>
Exponential, innovative and visionary leadership	<i>Display Exponential, innovative and visionary leadership by, pacing with the ever changing times, not settling for less than the very best of ourselves, regardless of the circumstances; influencing one another to produce creative ideas, products, and services; and being resolute to achieve our collective vision.</i>
Accountability and responsibility.	<i>Be Responsible for our corporate and individual mandates, and Accountable for the manner in which they are discharged, and the outputs achieved or not achieved.</i>
Efficiency	<i>Promote Efficiency through professional planning and implementation of interventions, thereby optimising the ratio of input costs to outputs achieved.</i>
Service Excellence	<i>Embody service excellence by delivering commitments and responding well</i>

	<i>with any issues, questions and challenges that arise.</i>
Ethical Conduct	<p><i>Embrace the values and principles set out in Chapter 10 (section 195) of the South Africa Constitution, namely:</i></p> <ul style="list-style-type: none"> • <i>"A high standard of professional ethics must be promoted and maintained;</i> • <i>Services must be provided impartially, fairly, equitably and without a bias;</i> • <i>Public administration must be accountable; and</i> • <i>Transparency must be fostered by providing the public with timely, accessible and accurate information."</i>
Integrity	<i>Demonstrate integrity through sound moral and ethical principles at work, with zero tolerance for corruption.</i>
Commitment	<i>Demonstrate commitment to Work through by diligently taking responsibility for the goals, mission, and vision of EDTEA and South African Government.</i>
Passion	<i>Display passion, through enthusiastically discharging each task at hand.</i>

Implementation of the Batho Pele Principles is critical to the improvement of service delivery for the Department. Feedback from the periodic customer satisfaction surveys will assist the department to improve the quality and level of services provided.

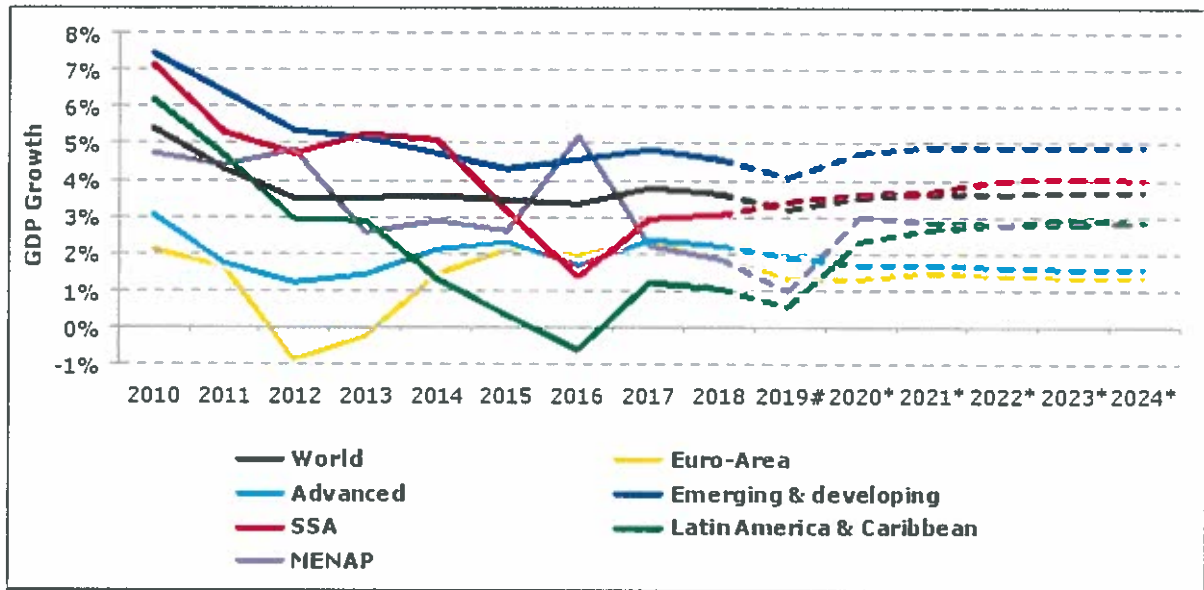
7 SITUATIONAL ANALYSIS

7.1 Global Economic Developments and Outlook

KwaZulu-Natal is connected to the global sphere through various economic linkages and activities and as such it is susceptible to changes in the global economic environment. Understanding Global, National and Local economic trends can help authorities, policy makers, private sector and citizens to make informed economic and financial decisions. This knowledge is vital for planning, implementing and devising strategies to respond to external or exogenous factors that pose downside risks to the provincial economy. While economic prospects at the global level have improved over the past two years, a build-up of short-term risks are threatening global growth prospects. There are a number of concerns over global economic growth as a confluence of risks are converging that could severely disrupt economic global economic activity and inflict significant damage on longer-term development prospects. These risks include an escalation of trade disputes (particularly between the United States and China that have led to heightened tension and imposition of tariffs), an abrupt tightening of global financial conditions, both industrial production and trade volume growth have slowed down sharply and there is intensifying climate risks at hand. The macroeconomic conditions have led to a weaker economic outlook, and as a small open economy such as South Africa and subsequent province are impacted by events on the global economic stage.

Whilst the full impact of the Coronavirus is yet to be known, already there is global economic and social pandemonium caused by the pandemic. Infections in the rest of the world are multiplying and causing unprecedented uncertainties and market instability. Due to a fall in global consumption as factories are closed in China (though production is beginning to pick up in most provinces), Italy imposed a lockdown for the entire country and the US markets closed due to the sudden drop and global mayhem. Saudi Arabia and Russia, two of the world's oil superpowers have embarked on a price war following Russia's refusal to cut production that saw Saudi Arabia cutting oil prices and causing Brent Crude price falling from US\$50 to US\$32 in early March 2020, heightening fears of yet another global financial crisis.

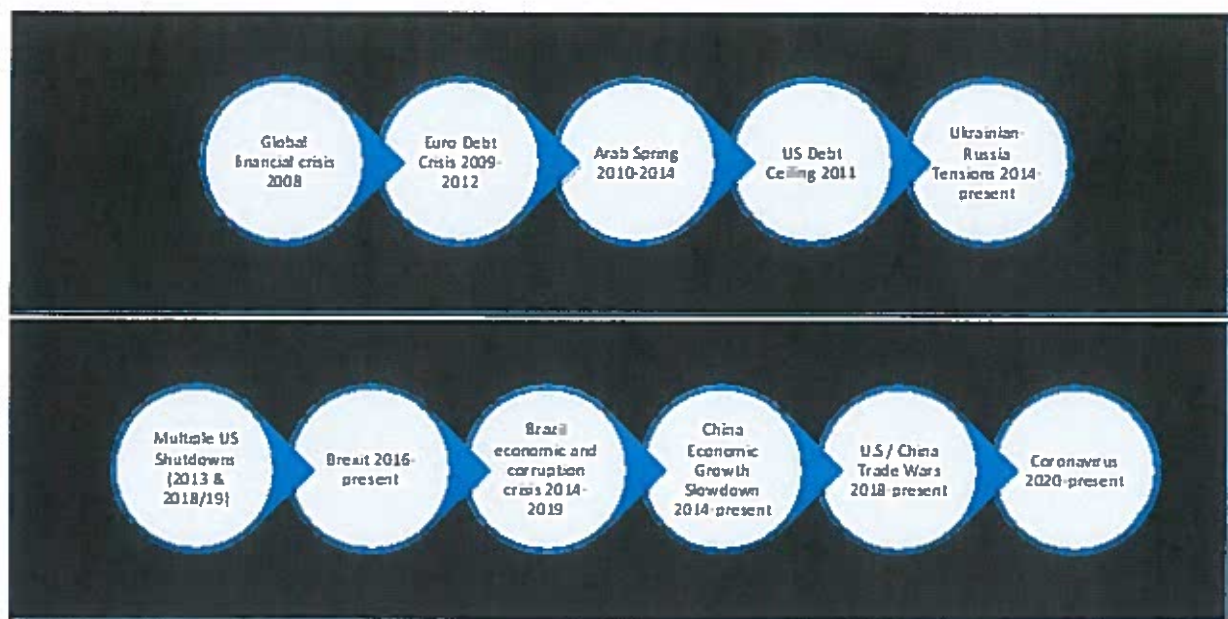
Figure 1: Global Economic Growth, Selected Economic Blocks, 2010-2024*



Source: IMF WEO, 2019 Note: # indicates estimates and # forecast

On a more positive note, South African exporters can plan ahead with confidence in the period ahead in anticipation of a new trade deal between South Africa and the United Kingdom (UK); a new trade deal with the UK is a favourable factor that could possibly give rise to more trade with the UK and engender economic growth. Furthermore, the implementation of the African Continental Free Trade Area (AfCFTA) on the 1st of July is expected to provide South African exporters a wider continental market of over 1.2 billion people. Export promotion programmes that target increased intra-African trade are expected to buoy economic growth.

Over the years following global financial crisis, the world faced difficulties in many fronts and is still grappling with prolonged challenges. Amongst many interruptible economic catastrophes on the world stage, the following events have a long-term profound effect on our economic prosperity:



There has been a greater push by number of countries to instil more protective sovereign policies around the globe. The slowdown and continued pull back in economic growth in China albeit above 6% GDP growth led to the Global Commodity price dip in 2016. However, it must be borne in mind that economic crises' also present opportunities. For example, Russia imports much of its agricultural products from the EU, if tensions escalate with the EU it provides South African agricultural companies an opportunity to supply the Russian Market. The current US-China trade wars might present investment opportunities for Foreign Direct Investment into other countries by channelling goods via them and can give the competitive advantage for particular products. Country such as India could capitalise on the current trade disputes. However, it requires a strategic approach to convert this opportunity into a major gain. India needs to focus on becoming a new powerhouse as a global hub for exports.

Following a broad-based upswing in global cyclical growth that lasted nearly two years, the global economic expansion decelerated in the second half of 2018. The impact of Covid-19 will, undoubtedly, frustrate investment plans and this has plunged manufacturing and tourism sectors. At this stage it is almost impossible to quantify the full economic impact of Covid-19 because China is entwined with so many industries. Against this backdrop, the global economy is projected to grow at 2.9% in 2019 and 3.3% 2020 amidst economic risks mentioned above. This could have dire consequences for global labour markets. The International Labour Organisation (ILO)'s, 2019 World Employment and Social Outlook points to some progress in the global labour markets, but reveals the persistence of significant decent work deficits, with the various regions facing challenges of many different kinds.

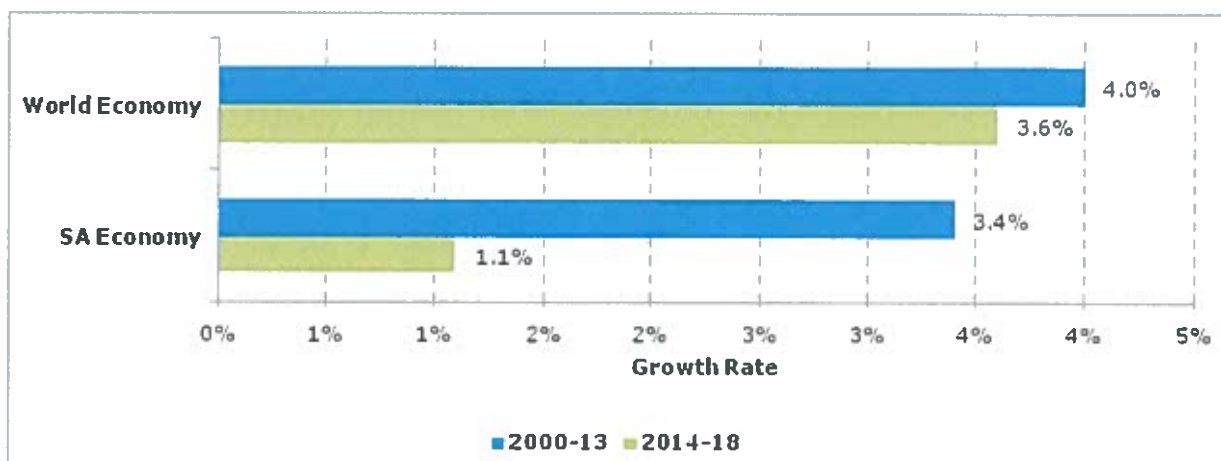
The global population was estimated at 7.6 billion people in 2018 (United Nations, 2017). An estimated 5.7 billion or 75% of the people fell within the working ages of 15 to 64 years. Out of these, 3.3 billion people, or 58.4%, were employed and 172 million were unemployed. Taken together the two groups

constitute the estimated 3.5 billion global labour force in 2018, implying a labour force participation rate of 61.4%.

Going forward, it will remain to be seen what the impact of the 4th Industrial Revolution will have on many sectors of the economy and shift in labour markets. It is likely that the Covid-19 pandemic and in particular the social distancing and lockdown response thereto, will accelerate the application of 4IR technologies. What the future of work might hold is both a concern and an opportunity that resonates broadly and that has fuelled extensive discussion among policymakers, business leaders and individual workers. Common to these recent debates is an awareness that, as technological breakthroughs rapidly shift the frontier between the work tasks performed by humans and those performed by machines and algorithms, global labour markets are likely to undergo major transformations. For example, there is a significant push for autonomous electric vehicles and this segment of the market is growing rapidly on a global scale. What does this mean for the traditional petroleum market as we know it, what does this mean for taxes such as the fuel levy, Road Accident Fund and impact on government fiscus, is Africa going to become a dumping ground for combustion driven engines and what about labour within the automotive manufacturing sectors?

These transformations, if managed wisely, could lead to a new age of good work, good jobs and improved quality of life for all, but if managed poorly, pose the risk of widening skills gaps, greater inequality and broader polarization. As digital technologies advance, the threat of automation grows. It will eliminate a broad swath of jobs across the economies, aggravating the risk of unemployment. As digital technologies become ever more sophisticated, more waves of job displacement will almost certainly occur. At the same time, technology is creating opportunities, paving the way for new and altered jobs, increasing productivity, and improving the delivery of public services. There is a significant innovative push on a global scale, and this provides an important opportunity for South Africa and KwaZulu-Natal province, in particular, to explore the opportunities presented by the digital economy and the fourth industrial revolution.

Figure 2: Average Economic Growth, World & SA, 2000-2013 VS 2014-2018



Source: IMF WEO, 2019

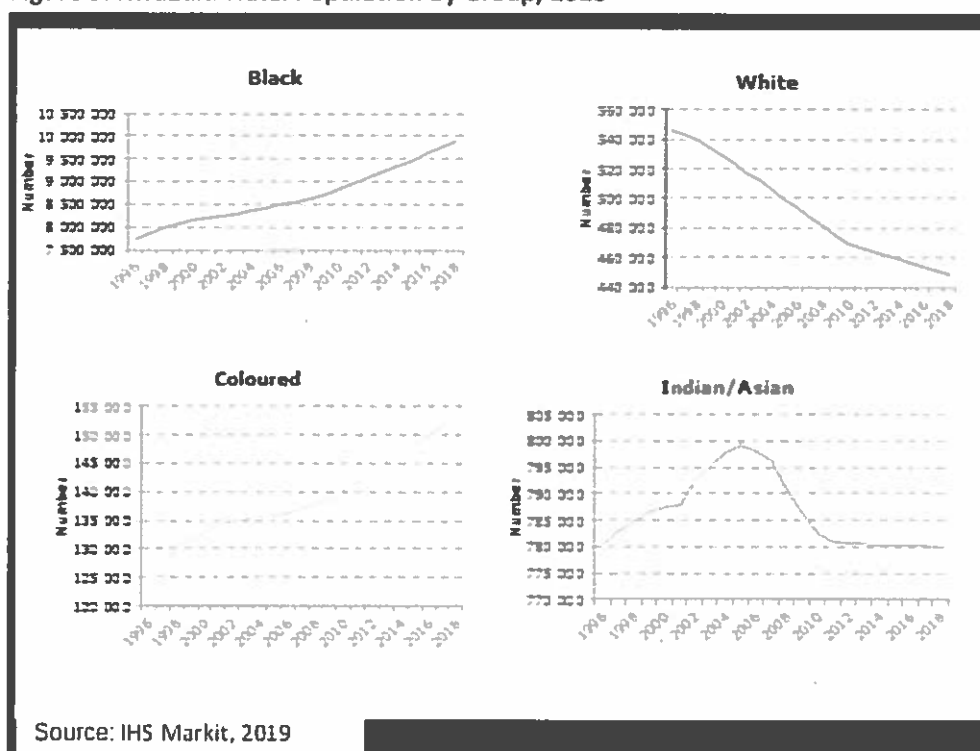
If we compare the global economic performance to the South African economic growth, we see that over the past 5 years (2014-18) World GDP growth slowed to 3.6% pa from 4% during period from 2000 to 2013 mainly due to slower growth in the advanced economies. Over the period 2000-2013, SA's real GDP growth was more or less equivalent to World GDP growth, i.e. 4% vs 3.4% pa. However, South African economy slowed more drastically from 2014 to 2018 suggesting a decoupling from the world economy as domestic challenges seem to exert more influence locally.

7.2 External Environmental Analysis

7.2.1 Demographics

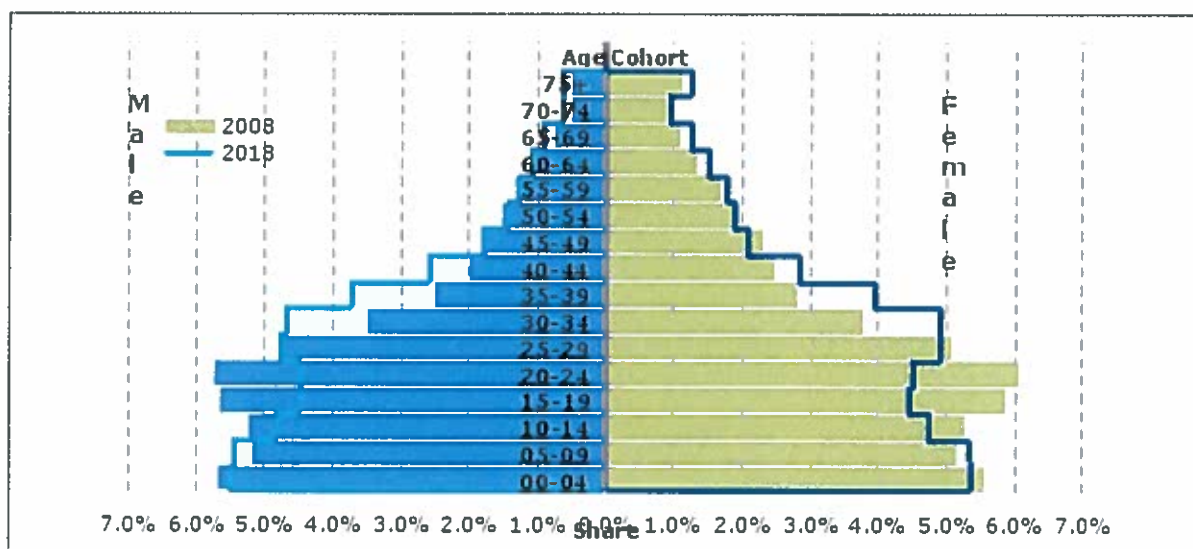
Demographic statistics are an important indicator to direct the economic policy within the province in order to properly ascertain the demand for goods and services and align to the provincial budget and direction of resources. It is vital, therefore, to review population trends and migration patterns. Climate Change is one of the major forces that could affect migration patterns. Environmentalists are expecting the Western side of South Africa to become dryer and the eastern side wetter causing shift in population. In 2019, it was estimated that South Africa had a population of 58,775,022, increasing additionally by over R1 million persons from 2018 when the population was estimated to be 57,725,600. The province of KwaZulu-Natal represents 19.2% of country's population in 2019, the second highest in the country at 11,289,086 after Gauteng. Of particular concern is that the population growth is outpacing economic growth. This will place additional strain on resources on the economy and labour markets.

Figure 3: KwaZulu-Natal Population by Group, 2018



Population trends show significant changes to composition of the province's groups, with both the Black and Coloured groups increasing while the White group is contracting and the Indian/Asian group initially increasing peaking in 2004 before reducing and stagnating near 780,000.

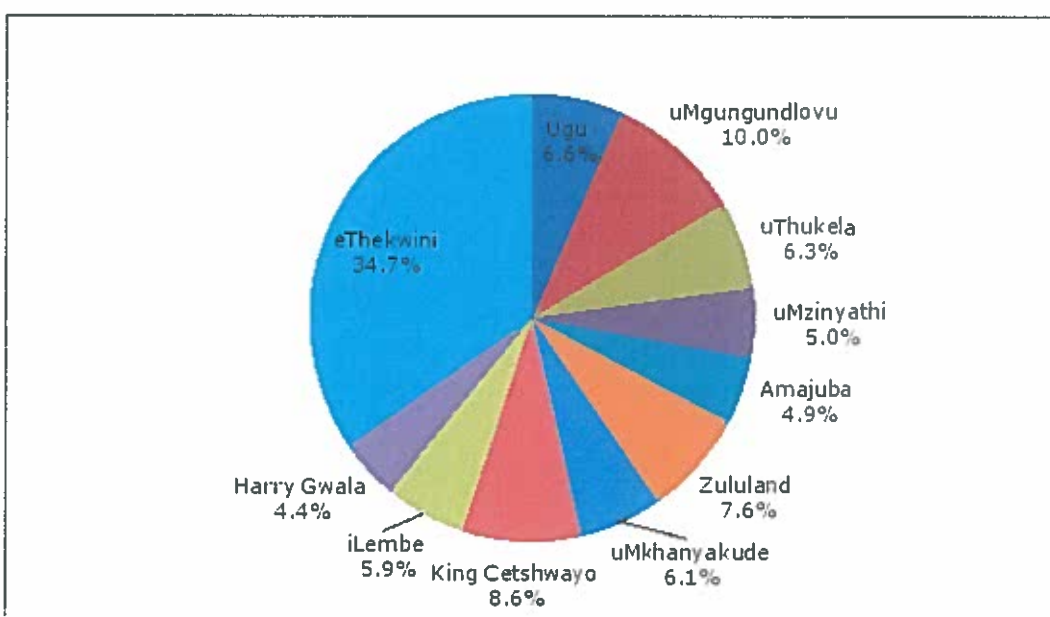
Figure 4: KwaZulu-Natal Population Structure by Age Cohort and Gender, 2008 vs 2018



Source: IHS Markit, 2019

Comparing the structure of the province population by age cohort and gender shows those youth between age of 30-34 has swelled proportionally and those age group entering middle age groups, the 35-39 and 40-44's. This is significant bearing on target groups in terms of labour market developments and initiatives.

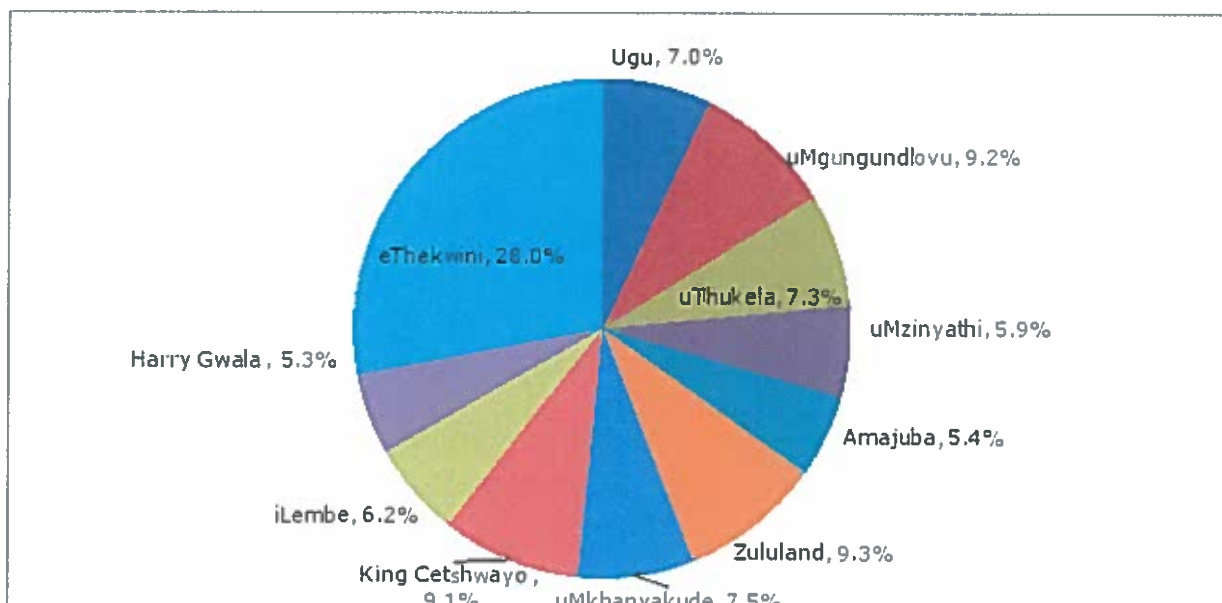
Figure 5: Population Distribution, KZN District Municipalities, 2018



Source: IHS Markit, 2019

The districts in the Province and the single Metropolitan, eThekweni, population proportions tend to be higher within the more urbanized regions. Of the 11,289,086 people in KwaZulu-Natal, eThekweni has the highest share at 34.7% equating to 3,918,929. uMgungundlovu district municipality has the second largest population at 10% representing 1,124,048 followed by King Cetshwayo at 8.6% (970,289).

Figure 6: Distribution of People Below the Upper Poverty Line, KZN District Municipalities, 2018



Source: IHS Markit, 2019

One of the challenges facing the KwaZulu-Natal Province is spatial inequality in the levels of economic development where much of the attention is directed to places in which there is already a high agglomeration of economic activities. The agglomeration of economic activities in megacities, such as Durban (eThekweni), Richards Bay (uMhlathuze) and Pietermaritzburg (uMsunduzi) vis-à-vis rural development, this creates unbalanced migration patterns within the province from rural areas to areas of economic opportunities. Therefore, it is expected that high levels of poverty also exist within the more urbanised towns and cities such as Durban, Pietermaritzburg and Richards Bay. eThekweni has the highest share of people who live below the upper poverty line at 28% followed by uMgungundlovu (9.2%) and King Cetshwayo (9.1%) in 2018. Most of the predominantly rural local municipalities collectively contribute a minuscule amount in terms of GDP contribution.

Whilst the statistics are difficult to source, it is important to note that South Africa continues to face rural-urban migration. Before national census of 2011, KwaZulu-Natal used to be the largest province by population. This situation changed in 2011, when the province was overtaken by Gauteng. Statistics South Africa attributed this shift to migration of people into Gauteng province from predominantly rural province such as KwaZulu-Natal and many others. It is also important to note that within KwaZulu-Natal,

there is a high migration of people from rural areas into the economic centres of Durban, Pietermaritzburg, Richards Bay, and Newcastle amongst other cities.

To contribute towards the redress of spatial inequality KZN EDTEA has developed the Provincial Spatial Economic Development Strategy (PSEDS). The main objective of the PSEDS is to achieve spatial economic development and transformation in the province and to address rampant spatial inequalities in levels of economic development through decentralization.

Table 1: Proportion of Population Below Poverty Lines, KZN District Municipalities, 2002, 2010, 2018

Districts	Share below the food poverty line (%)			Share below the lower poverty line (%)			Share below the upper poverty line (%)		
	2002	2010	2018	2002	2010	2018	2002	2010	2018
Ugu	47.7	34.9	39.2	71.9	52.7	55.8	83.7	70.0	70.8
uMgungundlovu	36.0	27.8	30.9	59.5	43.6	46.1	73.7	60.7	61.3
uThukela	51.5	40.3	45.7	74.8	58.4	62.9	86.1	75.2	77.3
uMzinyathi	56.6	41.3	46.5	79.3	60.7	64.5	89.1	78.1	79.4
Amajuba	46.9	37.6	42.5	70.2	54.8	59.1	82.1	71.4	73.5
Zululand	54.9	42.3	49.5	78.0	61.3	67.3	88.3	78.2	81.4
uMkhanyakude	57.0	44.4	51.0	79.8	63.1	68.6	89.9	79.4	82.5
King Cetshwayo	45.4	35.5	39.1	69.7	53.0	55.7	81.9	69.9	70.4
iLembe	45.4	32.6	36.0	70.3	50.6	52.9	83.6	69.3	69.2
Harry Gwala	54.1	39.6	45.7	78.4	58.8	64.0	89.3	76.7	79.6
eThekweni	26.8	23.0	26.0	46.4	36.2	39.1	62.3	51.8	53.6
KZN	41.5	32.2	36.3	63.8	48.5	51.9	76.9	65.1	66.6¹

Source: IHS Markit & Stats SA, 2019

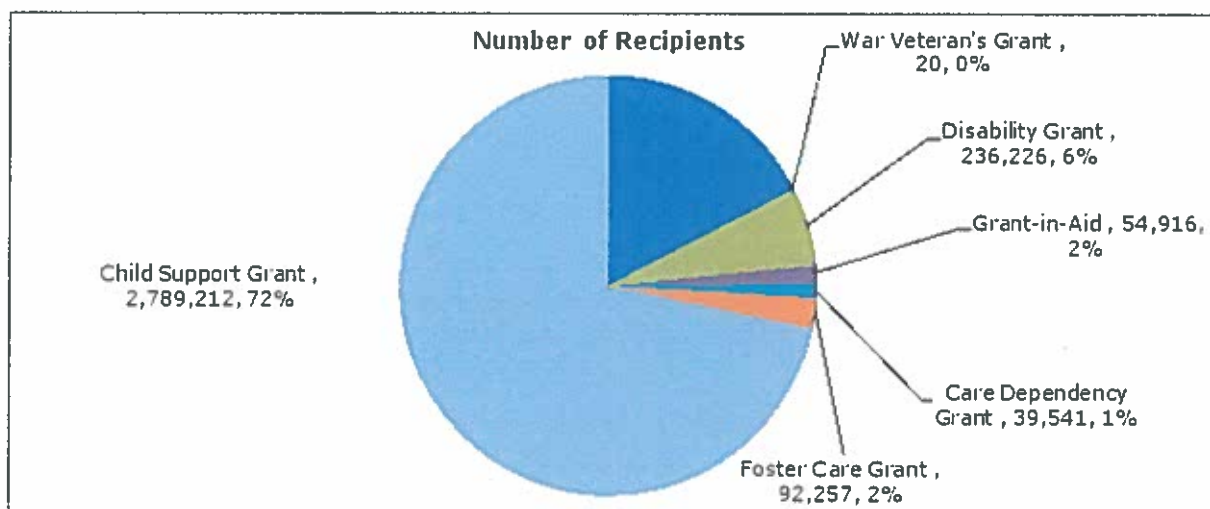
It is evident that while poverty levels as defined by Stats SA for all three categories show that in every district within KwaZulu-Natal poverty slowed during the period from 2002 to 2010. However, Poverty levels have increased in the period from 2010 to 2018 which is reminiscent of poor economic conditions as outlined below. Poverty, as a share of each district's local population, is more prevalent in the following regions: uMkhanyakude, Zululand uMzinyathi, uThukela, Harry Gwala and Amajuba.

¹ The food poverty line is defined by Stats SA as the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. This is equivalent to R547 per month (April 2018 Prices)

The lower poverty line is defined by Stats SA as the level of consumption that includes both food and essential non-food items, but requires that individuals sacrifice some food items in order to obtain the non-food items. This is equivalent to R785 per month (April 2018 Prices)

The upper poverty line is defined by Stats SA as the level of consumption that includes both food and essential non-food items, but requires that individuals sacrifice some food items in order to obtain the non-food items. This is equivalent to R785 per month (April 2018 Prices)

Figure 7: Number of Grant Recipients by Type, KZN, 2018



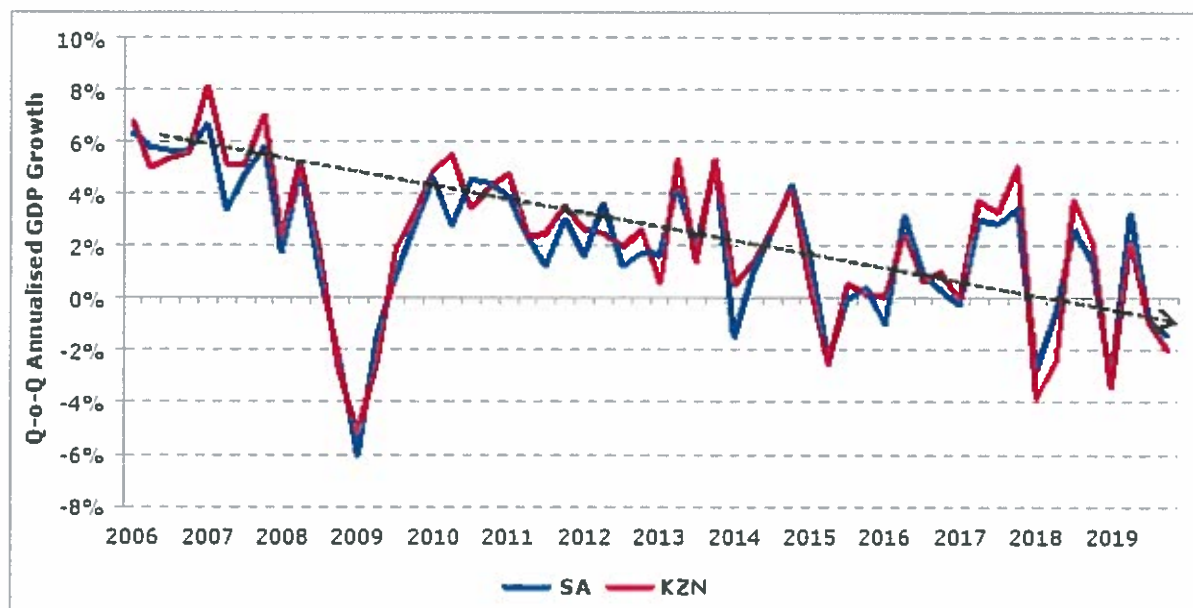
Source Quantec Research, 2019

To provide some relief from the pains of poverty, the Province received approximately 22.3% of total grants by population numbers in 2018 in South Africa. In total, approximately 3,886,278 receive some sort of grant, this equates to 34.4% of the total provincial population. Within the grant system, the majority goes towards Child Support Grants representing 72% of all grant recipients followed by Old Age Grant at 17%. Disability prevalence in the province has approximately 8.4% (948,000) of its population who are disabled; this is above the national average at 7.5%. The disability grant which was paid out in 2018 was approximately 236,226 individuals.

7.3 Economic Performance

The low economic growth environment is placing strain on all sectors of the economy including government and this is negatively affecting service delivery and job creation. Employment growth will be limited by the lacklustre economic activity and difficult operating conditions in the local business environment - including higher input costs, taxes and unreliable electricity supply. The fiscus is adversely affected by the poor economic performance in lowered revenue collection, constraining the fiscal environment and the country has become highly indebted.

Figure 8: Quarterly Annualised Seasonally Adjust GDP Growth, SA and KZN, 2006: Q1 – 2019: Q4



Source: Stats SA and Quantec Research, 2019

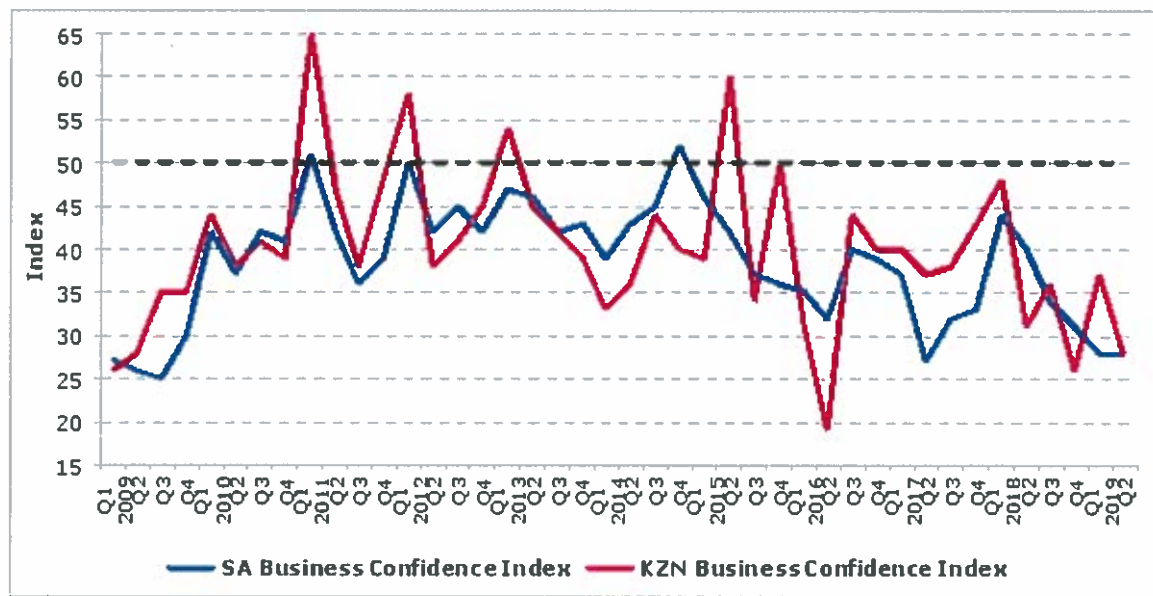
Quarterly economic growth has trended downwards even during the period leading prior to the global financial crisis (2008/2009) creating too much credit and liquidity in the market hence higher GDP growth rates of up to 8% were experienced. However, when it came time to pay back the overextended credit, much of the liquidity and circulation of money dried up leading to downward trend of the South African and Provincial economy. Although the Global Financial Crisis significantly impacted the economy negatively, it was already at a period when economic activity was slowing and trending downwards and seemed almost a type of an anomaly or with continued dwindling growth post this economic catastrophe.

The KwaZulu-Natal Economy closely matches the South African Economy and is fortunate in that it has one of the most diversified provincial economies shielding it from sector specific shocks. However, its economy is unequal in levels of development and investment with high urban density areas such as eThekwin, Msunduzi and uMhlathuze receiving the bulk of attention. This issue is addressed by the Provincial Spatial Economic Development Strategy (PSEDS) outlining where investment should take place and what investment should take place across the province.

In 2018, the province experienced a technical recession, contracting in the first and second quarter by -3.9% and -2.4% respectively. The economic horror show continued through into 2019; the country's economic growth contracted in the first, third and fourth quarters. The Province of KwaZulu-Natal fared worse due to its exposure to troubling sectors contracting also in the first, third and fourth quarters. Annual GDP growth for 2018 for KwaZulu-Natal was 0.8% and 0.0% for 2019, far below what is need in order to create jobs and tackle high level of poverty. In addition, Gross fixed capital formation for the country decreased by -4.5%, its fifth consecutive decline in the first quarter of 2019. Furthermore, the

South African economy entered into a technical recession in the last half of 2019; following a 1.4% contraction of the economy in the fourth quarter, after the economy shrank by 0.8% (revised) in the third quarter. This is the country's third recession since 1994, with the worst economic recession during the period 2009/10.

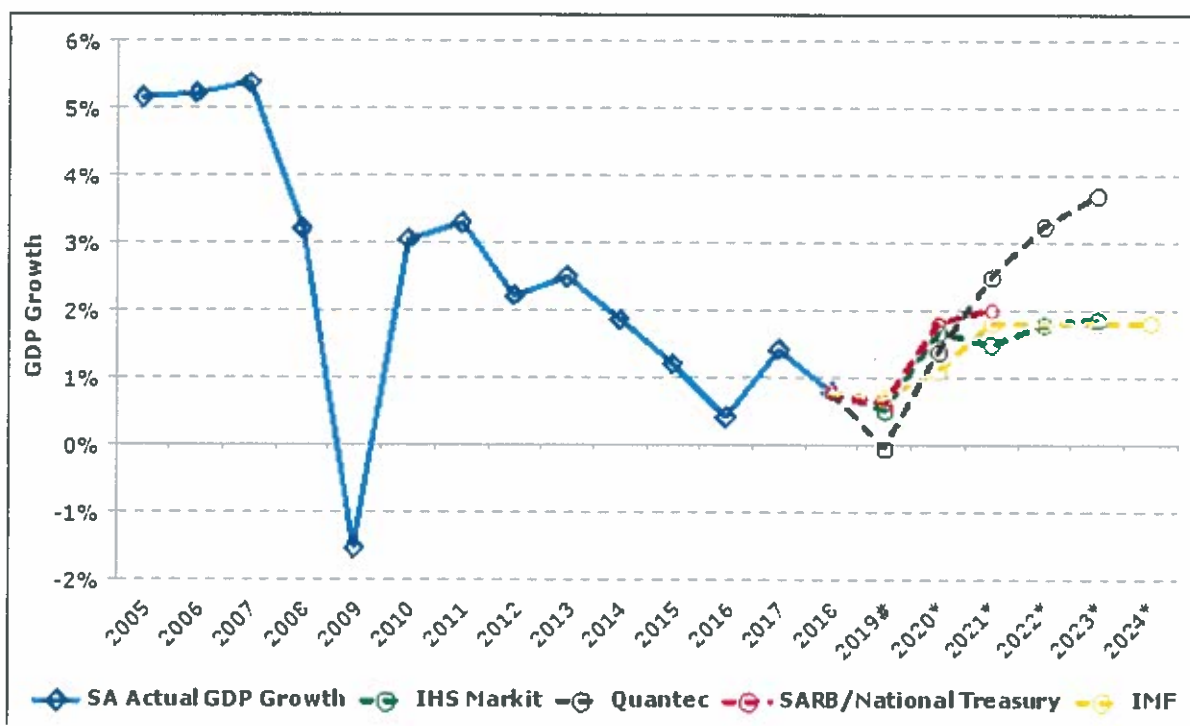
Figure 9: SA & KZN Business Confidence Index, Q1:2009 – Q2:2019



Source: BER, 2019

The South African and KwaZulu-Natal Business confidence index, where the index can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality and 100 extreme confidence, shows the stubbornly low South African business confidence. Current levels show the index is close to where they were during the global financial crisis 12 years ago.

Figure 10: Annual GDP Growth and Forecasts by Various Institutions, SA, 2005– 2024*

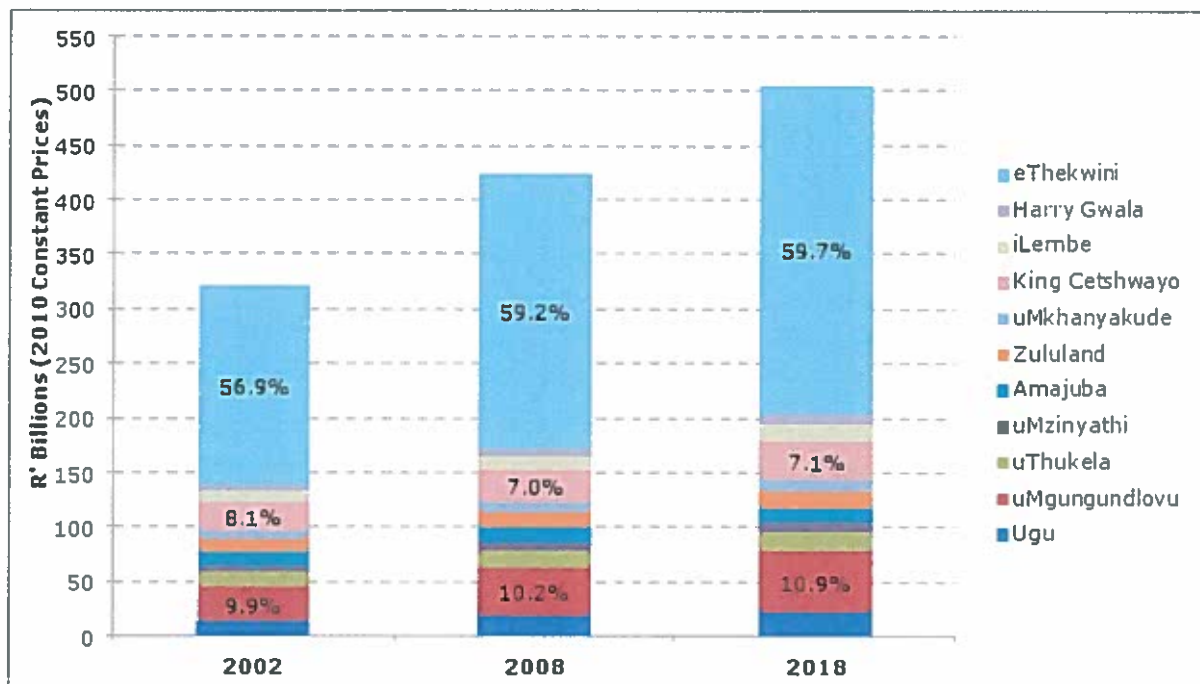


Source: Stats SA, Quantec Research, IMF, SARB/National Treasury and IHS Markit, 2019

Future behaviour of economic variables such as GDP growth rates is difficult to predict beyond a three-year period and as in the past, we tend to be overzealous at beginning of each new calendar year only to revise downwards as reality of economic situation sinks in. With the 2019 elections over, there is much need to focus on a turnaround plan to our economic misfortunes and addressing structural challenges we are faced with. Credit Rating agencies will be watching us closely and much intervention and hard choices will be required to improve the performance of our State-Owned Enterprises. A number of Ratings agencies have cited weaker growth and heightened debt as key risks facing the economy.

The International Monetary Fund (IMF) estimates that South Africa will expand by 0.7% in 2019 and is forecast to grow by 1.1% in 2020, 1.8% in 2021. Compared to the SARB/National Treasury prediction, the economy is expected to grow by 0.6% in 2019 (revised figure), 1.8% in 2020 and 2.0% in 2021. Quantec predicts South Africa will have 0% growth for 2019 and 1.4% in 2020. IHS Markit projects South Africa to grow by 0.5% in 2019, 1.7% in 2020, 1.5% in 2021 and 1.8% in 2022. For KwaZulu-Natal, IHS Markit expects growth to be the same as the country for 2019 at 0.5%, for 2020 at 1.6%, for 2021 at 1.4% and for 2022 at 1.7%. It is therefore assumed that it is expected that our economy would not expand beyond 2% in the near future in a sustainable manner.

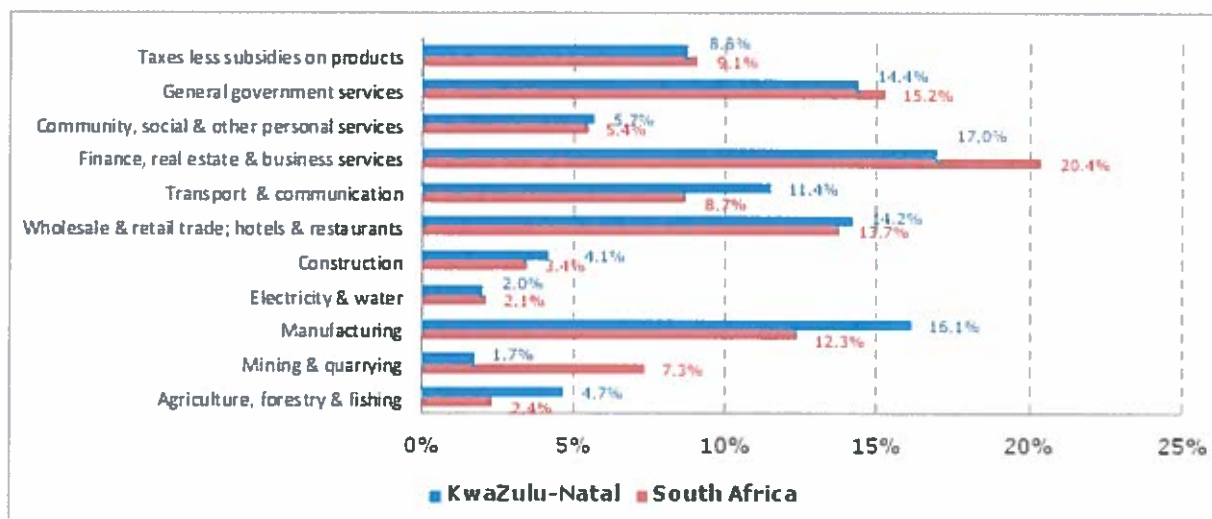
Figure 11: GDP Contribution, KZN District Municipalities, 2002, 2008 & 2018



Source: IHS Markit, 2019

In terms of economic distribution amongst the districts of the province, the three major centres of economic activity, namely eThekweni, uMgungundlovu and King Cetshwayo, dominate the provincial regional share. Both eThekweni and uMgungundlovu have in fact increased their proportion compared to rest of the KZN districts with the metropolitan having a share of 56.9% in 2002 increasing to 59.7% by 2018 (over R300 billion) and the capital district increasing from 9.9% in 2002 to 10.9% in 2018 (R55 Billion). These increases are reminiscent of the unequal economic attraction and levels of development alluded to earlier. King Cetshwayo's economic share became less from 8.1% in 2002 to 7.1% by 2018.

Figure 12: Sectoral Contribution (%) to GDP-R, SA & KZN, 2018



Source: Quantec Research, 2019

As mentioned earlier, KwaZulu-Natal has one of the most diversified economies, making it more resilient to major fluctuations or disruptions in a particular sector. The Provincial Growth and Development Strategy and Plan (PGDS/P) targets five main broad sectors:

- **Agriculture, forestry and fishing:** Although the Agriculture sector has a relatively low direct contribution to GDP at 4%, it still remains a key growth sector with significant employment creation and radical socio-economic transformation opportunities and food security.
- **Manufacturing:** This sector contributes significantly to the GDP of the provincial economy. Manufacturing has several strong linkages with Agricultural sector such as 'food, beverages and tobacco', and 'wood and paper' industries that are very important for the provincial economy through employment and export activities. There is a need for re-industrialisation and create industry support measures for sector
- **Wholesale and retail trade; hotels & restaurants:** The sector plays pivotal role in Tourism sub-sector. High household debt to disposable income and low consumer confidence has put pressure on consumerism. Several traditionally strong manufacturing bases or areas in the province have transitioned into retail hubs such as Newcastle which services areas such as Vryheid and also neighbouring southern Mpumalanga. However, the is a need for supporting, purchasing and procuring local products.
- **Transport and communication:** Sea Port throughput and greater route connectivity at King Shaka International Airport is paramount to supporting this sector. Public transportation, and its predominant reliance on taxi services, remains an area of concern. This trend is placing enormous pressure on road networks and traffic congestions. The completion of the new bridge and tarring of road in Mozambique near Kosi Bay Border offers a new and more efficient opportunity to trade with the country and other southern African countries. Opportunities will arise from the new proposed Cruise Ship Terminal at the Port of Durban bolstering foreign tourism and increasing the product offering strengthening relations between the Sea Port of Durban and King Shaka International Airport. The under-sea cables

and broadband roll out in province provide opportunity to ride 4th Industrial revolution and develop data centres in province.

- **Finance, real estate and business services:** Sector offers new access to finance, markets, trading facilities and infrastructure with linked services. The sector share has gradually increased over time in the province due to White Collar occupations becoming more attractive to new graduates over the Blue-Collar profession. There has been a significant drive to develop SMME, Cooperatives and Entrepreneurship to support absorption of youth and women and there is a greater need to support priority groups who want to participate in the work and business sphere.

Sector growth shows broadly the under-performing sectors of the South African and KwaZulu-Natal economy. The largest losers for the country when comparing the average Gross Value Added (GVA) growth from 2000 to 2013 with 2014 to 2018 was 'Manufacturing', 'Electricity & Water' and 'Construction'. Following the hosting of the 2010 FIFA Soccer World Cup, construction has been under severe pressure with little large projects coming on board, sought with a number of corruption scandals and with a number of companies filing for business rescue and liquidation. Activity was also affected by Eskom's electricity supply disruptions as it faces generation challenges. The introduction of new technologies and Independent Power Producers (IPP) is set to bolster this segment.

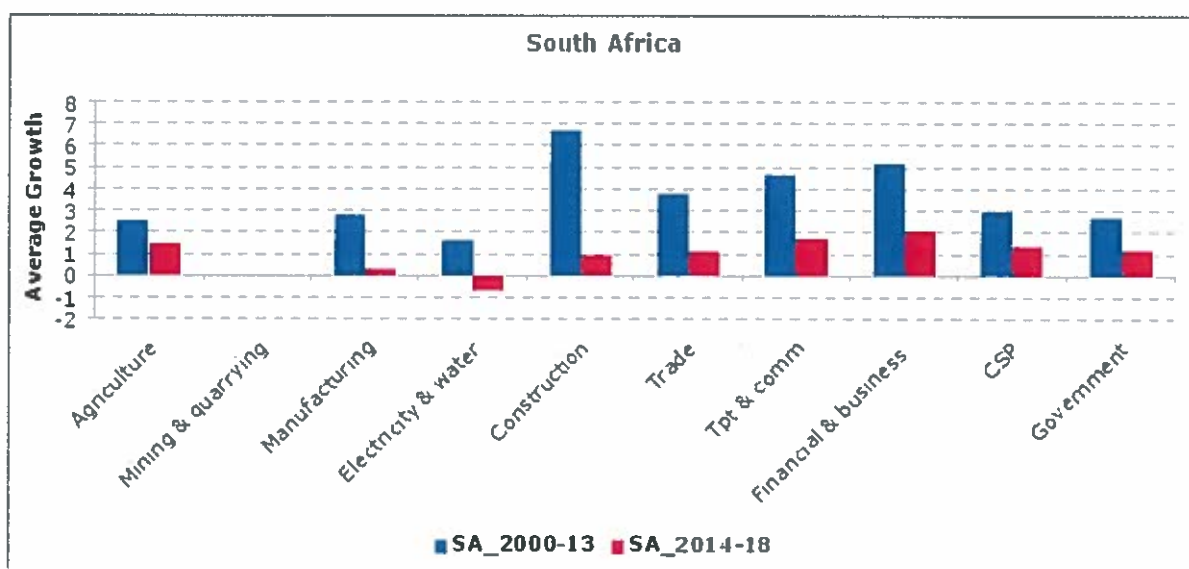
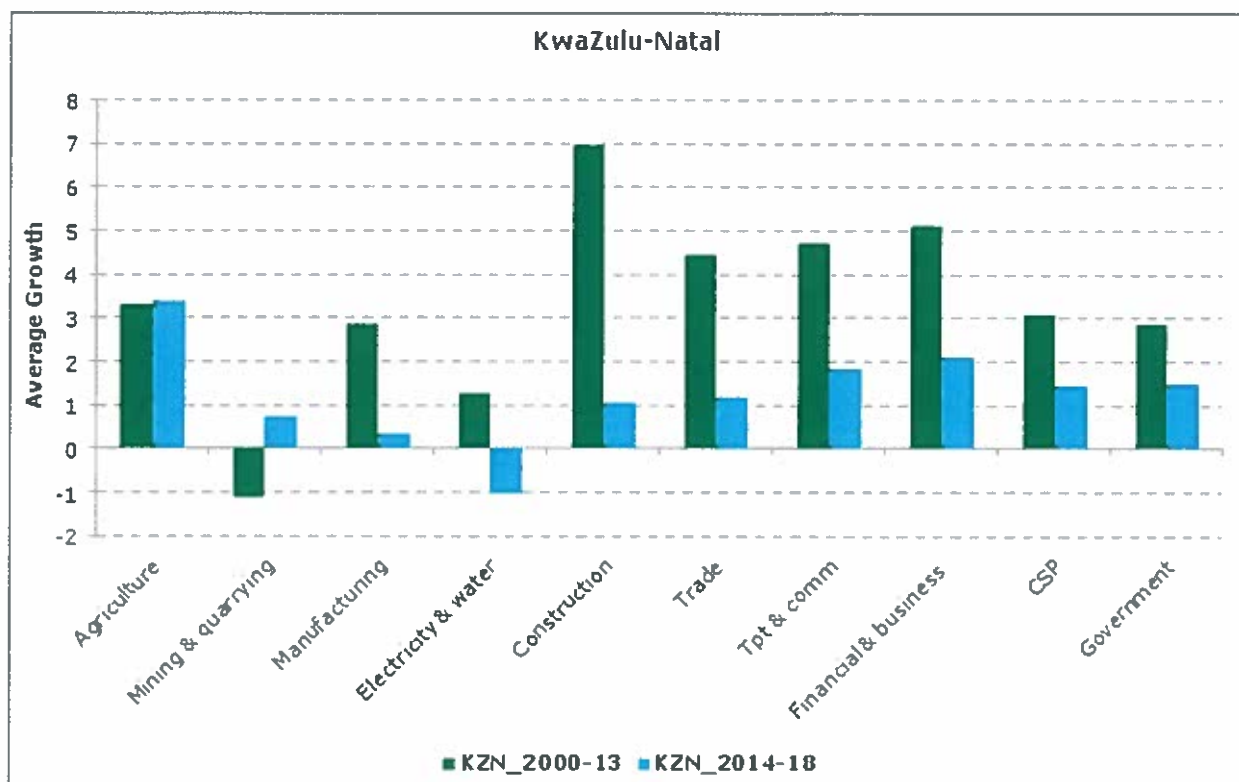


Figure 13: Average GVA Growth by Broad Economic Sector, SA & KZN, 2000-2013 Vs 2014-2018



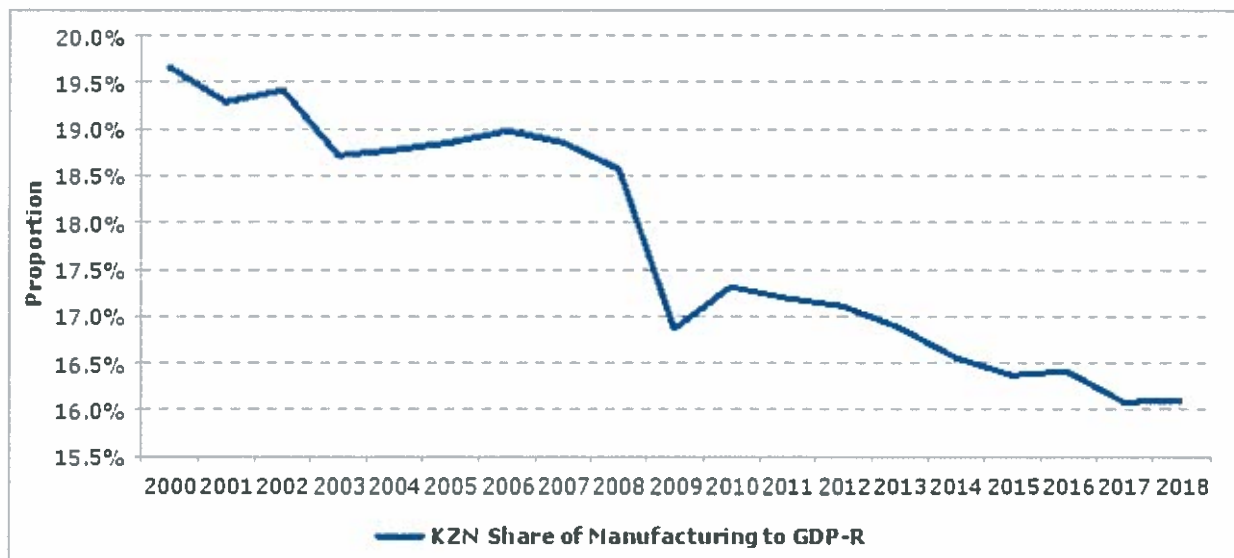
Source: Quantec Research, 2019

Note: Tpt represents Transport and Communications Sector and CSP represents Community Services

Reviewing the previous 5-year cycle to the long-term average shows that all except Agriculture and Mining sectors are performing below their long-term average. The province contributes the highest proportion toward Agricultural sector in the country and is highly diversified. While the drought of 2015 and 2016 put much strain on the sector. However, this growth was marginally better than the average growth experience from 2000 to 2013. Of great concern is that the Manufacturing output slowed significantly along with construction, following the same trend as the country. Manufacturing has been declining as a percentage of GDP-R due to a number of reasons amongst others including:

- Cost of Energy
- Cost of Transport
- Low Rates of Economic Growth
- Exchange Rate Volatility and Rand Depreciation
- Crime and Theft
- Low Skill Workforce

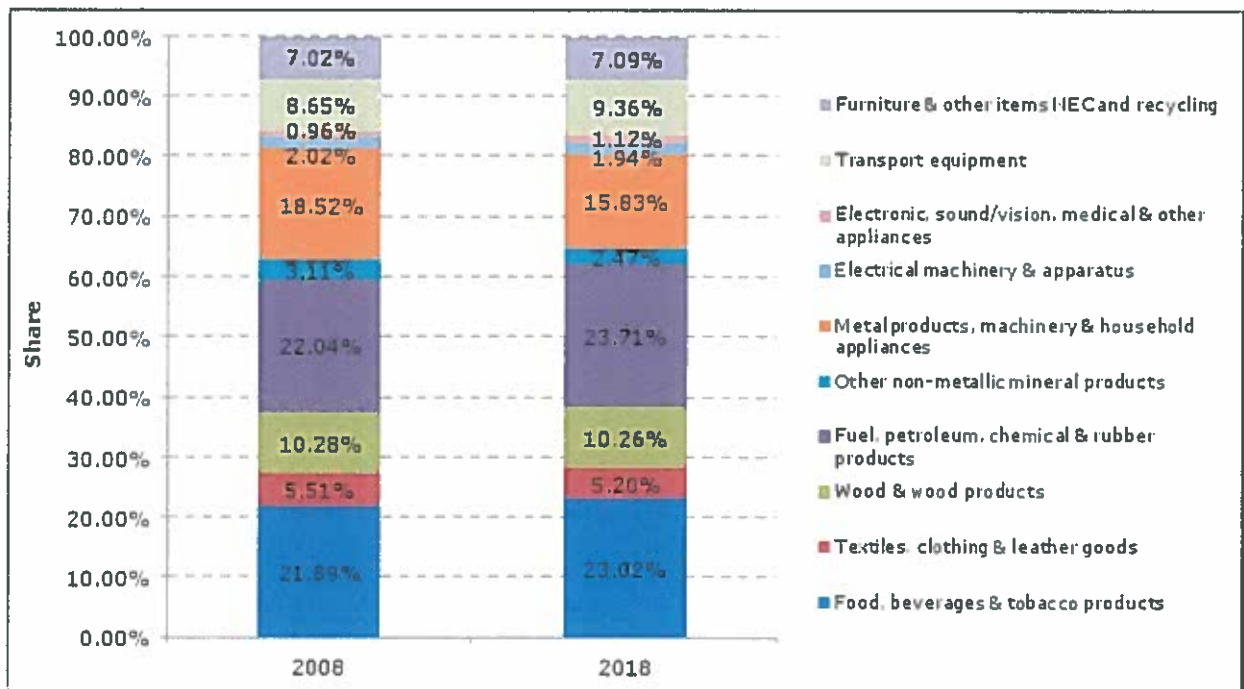
Figure 14: Contribution of Manufacturing to GDP, KZN, 2000-2018



Source: Quantec research, 2019

While it has been observed that the share of Manufacturing to GDP has been declining in the province and is also evident in the Country, doesn't mean that the sector hasn't been growing, but means that it hasn't been growing as fast as other sectors in the economy such as 'Finance & Business Services' and 'Wholesale & Retail Trade'. Manufacturing firms have changed their nature of business over time with some moving up or down the value chain, others becoming importers themselves and some becoming consultants advising other manufacturers on their operations.

Figure 15: Proportion of Sub-Sectors to Manufacturing, KZN, 2008 Vs 2018



Source: IHS Markit, 2019

A more detailed sub-sectors of Manufacturing when comparing 2008 to 2018, shows increased proportion of manufactured agricultural products (agro-processing) from 21.9% to 23.0% and 'Fuel, petroleum, chemical & rubber products' from 22.0% to 23.7%. 'Transport equipment' also showed a notable increase from 8.7% in 2008 to 9.4% in 2018. This was displaced by reductions in 'Metal products, machinery & household appliances' from 18.5% to 15.8% and 'Other non-metallic mineral products' from 3.1% to 2.5%.

7.3.1 Key Industries to unlock the provincial economy

To support the provincial priorities, EDTEA has identified a number of high-performance industries that bode well for the provincial economy and that support the provincial ambitions. Some of which much investment and work has already been undertaken and some of which have been identified as potential sectoral opportunities that should be explored.

- Pharmaceuticals:** KwaZulu-Natal has potential to become a Pharmaceuticals hub in Southern Africa and Dube Trade Port Special Economic Zone, Supported by EDTEA, is already developing a pharmaceuticals cluster. To date R1.4 billion worth of investment in the Pharmaceutical sector has been secured.

- **Electronics:** Potential to turn KZN into an Electronics hub for South Africa bolstered by the R584 million investment in the electronics & communication sectors are currently operational within Dube Trade Port Corporation (DTPC)
- **Innovation and Industry 4.0:** The Fourth Industrial Revolution is synonymous with uncharted growth in digitisation and internet connectivity. It has the potential to drive Africa forward like never before, enabling innovation, spurring new business models and improving the delivery of public services. In KwaZulu-Natal, EDTEA runs a Technology Transfer (Innovation Fund) to support development of innovative technologies. It also has three completed Technology Hubs, one at Port Shepstone, one at Newcastle Airport and one at Richards Bay Industrial Development Zone. Plans are underway to develop another at Pietermaritzburg Airport and construction has begun for one at Dube Trade Port.
- **Aerotropolis Development, Aviation & Regional Airports:** Anchored by King Shaka International Airport (KSIA), the Durban Aerotropolis will enhance urban and national competitiveness through improved multi-modal transport access and planned, coordinated, aviation-linked commercial development. It has 50-year implementation horizon leveraging Existing Assets: Airport, Seaport, SEZ, Land, Environment, People, Culture, Climate, Broadband. Priorities include growing Route Development and critical infrastructure such as Water & Sanitation and Public Transportation and for the development of Maintenance, repair and Overhaul (MRO) facility at Dube Trade Port. There are a number of KZN Regional Airports that can support King Shaka International Airport. The Regional Airports can support many other sectors of economy including tourism sector, high value light cargo, services sector, pilot and maintenance training and Fire and rescue services. Many of airports have developable land available for non-aviation activities.
- **Tourism:** Tourism is regarded as a modern-day engine of growth and is one of the largest industries globally. There is a need to increase KwaZulu-Natal tourism competitiveness through technological innovation. Priorities include a) Attract Investment for Tourism Resorts, b) Cultural Tourism, c) Increase innovation in Gastronomic/ Food tourism, d) thrive for Blue status for provincial beaches, e) Medical tourism and f) Drakensberg cable car. The development of the New Cruise Ship Terminal at the Port of Durban will also present the opportunity to offer offshore activities.
- **Maritime:** KwaZulu-Natal Province has the unique value offering of two of the busiest ports in Africa and has 600 kilometres of unspoilt coastline and inland waterways. Key sub-sectors include Oil & Gas exploration and subsequently the development of a Hub, Aquaculture & Fisheries and Boat & Ship manufacturing.
- **Automotive Industry:** The Automotive sector in KwaZulu-Natal is well developed with a potential to grow. This is needed to leverage off existing automotive value and supply chains and increase competitiveness close to Port of Durban by placing both automotive manufacturers and suppliers in a single park and support current industrial growth. Initiatives include the Auto Supplier Park and the Auto Service Hubs (Township Government Garages)
- **Clothing & Textile:** The Textile and Clothing Industry in South Africa, particularly KwaZulu-Natal has been challenged with several issues recently. These have adversely impacted the employment potential leading to social implications. These businesses employ a substantial

workforce but many of them are informal and even home based. iThala in support by EDTEA has appointed it as the implementation Agency who have begun with the implementation of the Clothing and Textiles hub in Amajuba.

- **Leather Processing:** Being an agricultural region, KwaZulu-Natal has a comparative advantage in the value chain of leather processing, i.e. Livestock production, leather processing and product development. Currently, South Africa is net importer of leather products, particularly from Brazil and China. Plans are afoot to develop The Leather Processing Hub in uMsunduzi Local Municipality designed to develop leather processing and manufacturing of leather products using animal skins and hides.
- **Agro-Processing:** KwaZulu-Natal has the highest contribution by Agriculture in the Country and presents enormous opportunities for agro-processing. Products include the likes of Fish Farming (Mozambique tilapia), vegetables (English cucumber), fresh horticultural products and fresh cut flowers produced and delivered to local and international markets and essential oils. This sector bodes well to drive the Radical Economic Transformation Programme (RASET).
- **Renewable Energy:** The largest current risk facing the economy is unreliable electricity supply. The economy is more than 90% dependent on electricity and in light of climate change concerns KwaZulu-Natal has the enormous potential to produce renewable energy especially biofuels using Sugar cane biproducts. EDTEA is exploring renewable energy opportunities such Bioethanol, Biodiesel, Biogas. Value Added Products include animal feed, fertilizer and glycerine.
- **Mineral Beneficiation:** Despite the huge mineral endowments in South Africa, only around 11% of minerals produced in the country are beneficiated. The following 4 mineral groups are relevant to KZN: 'Mineral Sands', 'Ferroalloys; Iron & Steel; Aluminium; Phosphorous', 'Coal; Gold', and 'Dimension stone; Clay & brick; Refractories; Sand & aggregate'. The Richards Bay IDZ has set up Metals beneficiation hub focusing on Aluminium mid-stream processing.
- **Creative Industries:** Sometimes referred to as Africa's untapped market, the cultural and creative industries (CCIs) have become a prominent element of economic strategy and policy dialogue globally and in South Africa over the past several decades. There is enormous potential to develop arts and craft, film and music industries in the province. KwaZulu-Natal also recognizes the importance of cultural and creative industry in economic development and job creation.
- **Drone Industry and 3D Printing:** The extensive development in Drone technology offers an exciting and useful new tool and has revolutionised in the how businesses operate and how services can be delivered. Global sales have seen exponential growth. Traditionally drones have been used for Military purposes but have now expanded to into areas across many sectors presenting new job opportunities across the board. Amongst the many uses, these include drones such as Ambulances, Medication, Blood & Organ delivery, Sea Rescue Drones, Farming Drones, Anti-poaching, Game counting and Species monitoring, Filming & Photography, Property Market Sales, Safety & Security, Infrastructure inspections, Surveying and Monitoring, sports events etc. Ezemvelo-Wildlife has its own Drone pilot and is in need

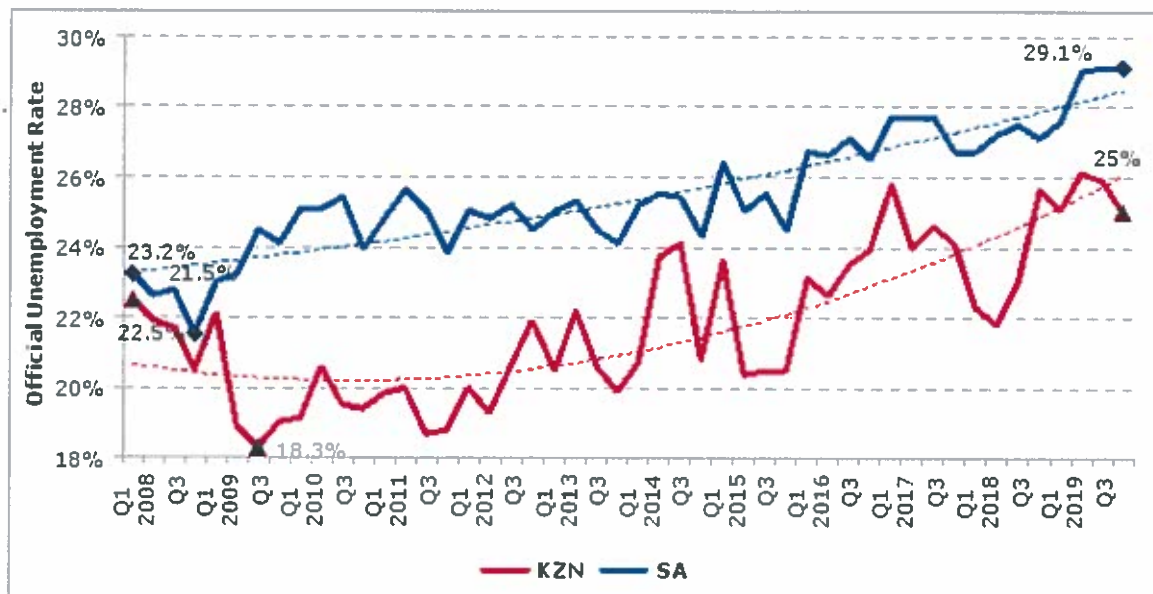
to expand its capacity using this new technology in conducting its operations. The opportunity for the province is to explore the establishment of a Pilot-to-drone Port and apprentice program and develop a drone industry investment plan.

- 3D Printing also known as additive manufacturing offers immense possibilities for future development. 3D printing will effectively change the way we manufacture most products, whether it consists of metal, polymer, concrete or even human tissue. South African surgeons used 3D printing to restore the hearing of a 35-year-old man whose ear was severely damaged in a car crash. The technology may revolutionise organ replacement and prosthetics and many other medical procedures in the future. Mass customization and support for configure-to-order and engineer-to-order product strategies also continue to be a high priority across the globe i.e. musical instruments, specialized shaped cakes, individual glasses frames, jewellery and even quick and economical home construction. Airbus adopted 3D printing technology for plane parts a few years ago and in 2016 it began using titanium for engine components. The opportunities seem endless and can be developed to provide youth and SMME start-ups with an avenue to become innovative to create custom products for the South African Market.

7.4 Labour Markets

Overall, weak performance in output growth remains evident in the long-term trends of key labour market aggregates. In KwaZulu-Natal province, employment has been declining gradually from its peak of 2.58 million in fourth quarter of 2008. The provincial employment remained below pre-recession level for 9 years rising above the pre-crisis level for the first time in fourth quarter of 2017. In other words, it took more than 9 years to overcome the remnants of a crisis which lasted just over a year.

Figure 16: Official Unemployment Rate, SA & KZN, 2008: Q1–2019: Q4

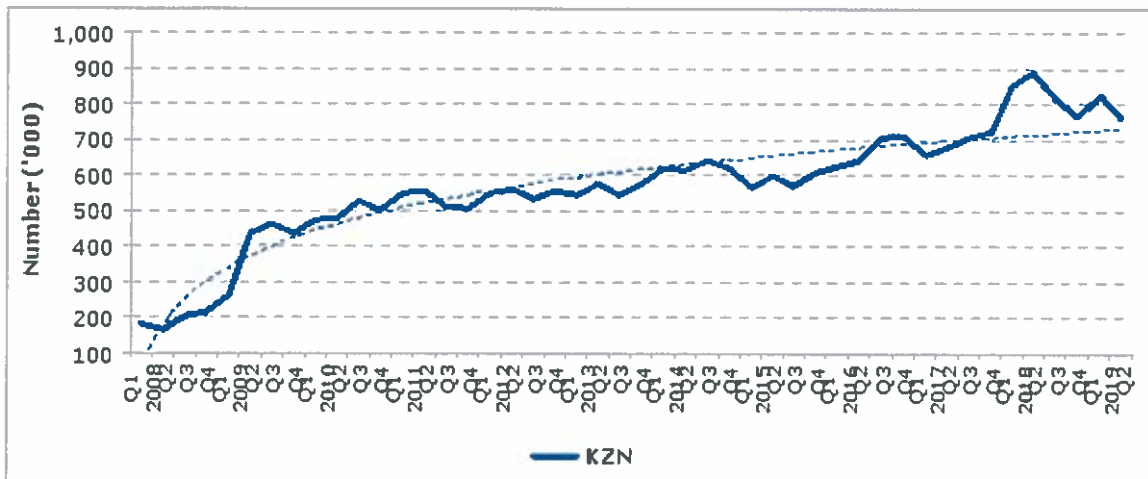


Source: Stats SA, 2019

South Africa's official unemployment rate soured to 29.1% in the fourth quarter of 2019, this is the highest jobless rate since the start of 2008. The number of unemployed persons increased by 455,000 in the second quarter of 2019 following an increase of 62,000 in the previous quarter (Q1:2019). This is the highest increase in the number of unemployed persons in the second quarter of the year since 2013. The only other increases in the second quarters of the year were recorded in Q2:2013 (up by 110,000), followed by those in Q2:2018 (up by 102,000) and Q2:2014 (up by 87,000). The official unemployment rate increased by 1.5 percentage points in the fourth quarter of 2019 compared to the first quarter of 2019. In KwaZulu-Natal, the official unemployment rate stood at 25.0% in the fourth quarter of 2019, slightly down from 25.1% in the first quarter of 2019.

At the same time, both levels and rates of unemployment have gradually increased. Narrow unemployment, which excludes the non-searching unemployed or discouraged work seekers, is estimated at 929,000. The trend for official unemployment rate for South Africa and KwaZulu-Natal has been converging.

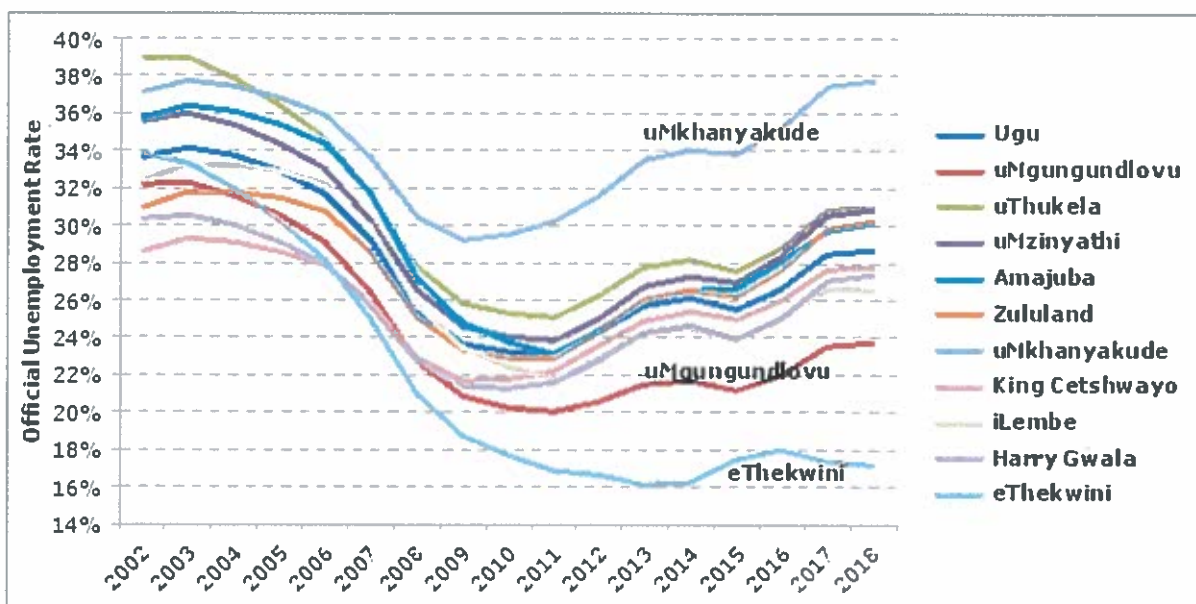
Figure 17: Number of Discouraged Work Seekers, KZN, 2008: Q1 – 2018:Q4



Source: Stats SA, 2019

This estimate understates the extent of unemployment in the province considering the high rate of discouragement, estimated at approximately 829,000 individuals for 2018. The official unemployment rate for 2018 is, thus, 23.2%, whilst the broadly defined unemployment rate is 41.0%.

Figure 18: Official Unemployment Rate, KZN District Municipalities, 2002-2018

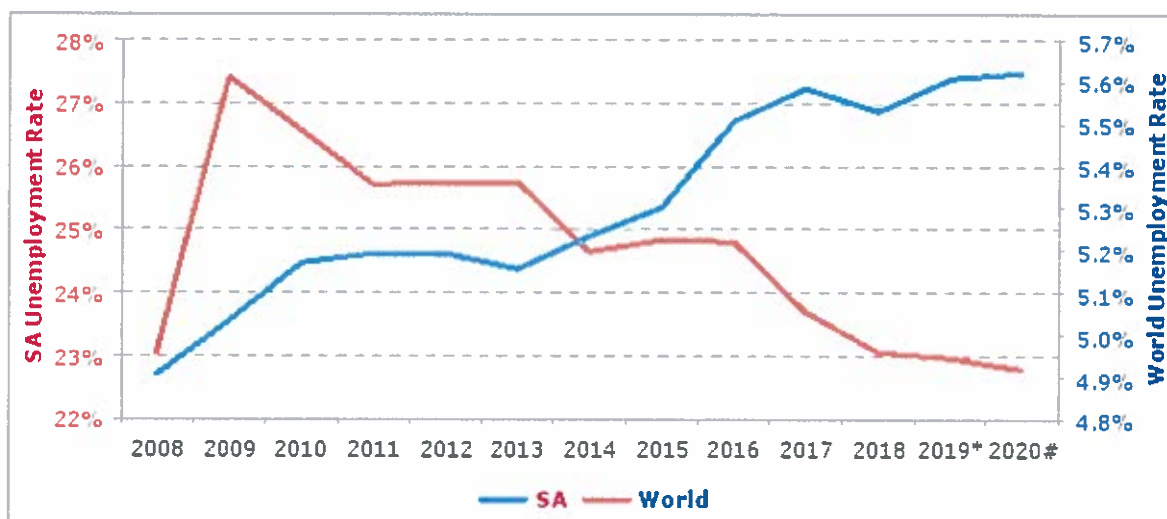


Source: IHS Markit, 2019

Unemployment across KwaZulu-Natal regional economies is a function of various factors amongst others economic development, economic opportunities, levels of urbanization, population densities, migration patterns, skills and levels of education. While eThekweni has the lowest official unemployment rates, it does have the highest absolute number of unemployed job seekers in relation to its labour force. As alluded to earlier, uMkhanyakude District has the highest levels of poverty in the province and therefore unemployment rates as illustrated are exceptionally high. Therefore, poverty and job creation type interventions are crucial to this area.

The trends shown above for the country and the KwaZulu-Natal Province go against the trends shown by World Labour Markets where unemployment is slowing.

Figure 19: Annual Unemployment of World Vs South Africa, 2008-2020#

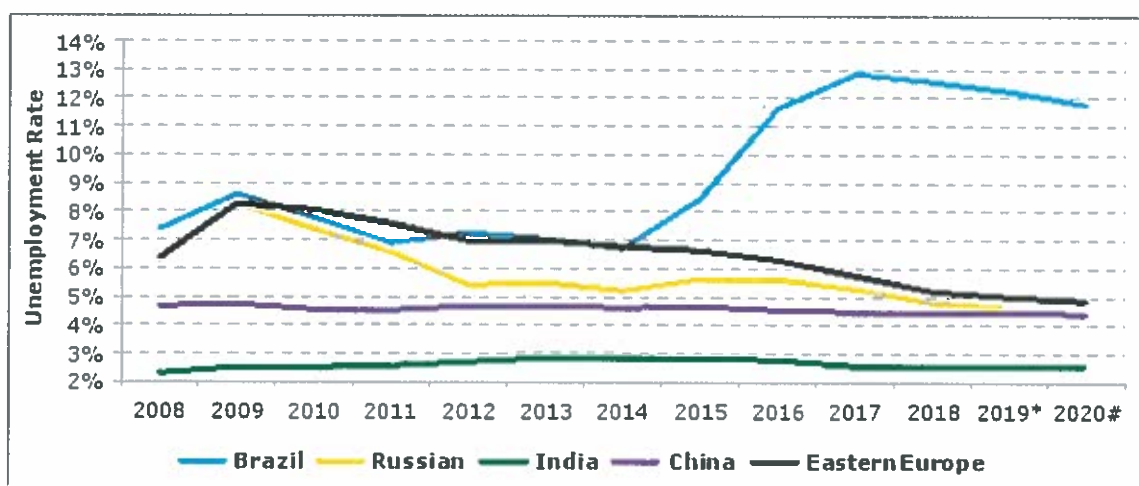


Source: ILO, 2019 Note: * indicates estimates and # forecasts

Following the catastrophic negative impact of the Global Financial Crisis of 2008, annual unemployment for South Africa has trended upwards going against the grain experienced by global

markets. While the effects of the Global Financial crisis were felt worldwide, global unemployment has slowed from 5.5% in 2010 to 5% in 2019 and is expected to slow further in 2020. Strong economic growth in China and the recovery of the US and European economies have led the lower unemployment rates.

Figure 20: BRIC & Eastern European Unemployment Rates, 2008–2020#



Source: ILO, 2019 Note: * indicates estimates and # forecasts

When comparing to the BRICS economic block, it can be witnessed that there is a strong slowing in unemployment in Russia with slight decrease in China. India has trended slightly downwards since 2016 while Brazil experienced significant jump in unemployment in 2015 and 2016 due to the economic and political crisis felt in 2014. In 2015, Brazil's Gross Domestic Product (GDP) fell by -3.9% due to a drop in salaries, restrictions on credit and a rise in the basic interest rate. However, since 2017 it has begun to trend downwards following the ending of the recession in the first quarter of 2017.

In summary, labour market developments provide a mirror image of changes in the productive sector of the economy. The outlook for the productive side going forward points to subdued economic activity. By extension, the forecast for the job market remains muted in the short term. Employment growth will be limited by the lacklustre economic activity and difficult operating conditions in the local business environment - including higher input costs, taxes and unreliable electricity supply. This, together with spare capacity, affects expansionary drives by the private firms and weighs down on investments. Future employment growth will also be affected by structural changes brought about by technological changes, the interplay of capital and labour and major consumer trends such as premiumisation, middle class retreat, shopping reinvented, connectivity, ethical and health living.

Table 2: Comparison Summary of 5-year cycles, SA & KZN, 2002 - 2019

Cycle	Average Population	Average Population Growth (%)	Average Unemployment Rate (%)	Average GDP (%)
South Africa				
2002-2007	47 000 769	1.17	27.1	4.39
2008-2013	51 126 747	1.58	24.5	2.11
2014-2019*	55 720 782	1.50	26.3	1.14
KwaZulu-Natal				
2002-2007	9 829 900	0.55	31.3	4.38
2008-2013	10 297 761	1.01	21.3	2.48
2014-2019*	11 006 470	1.29	22.8	1.28

Note: * indicates that forecasts for 2019 were used in cycle average.

In summary, it is worth noting that population growth has expanded more rapidly in the province in the last 5 years placing additional demand for goods and services on government to deliver. While unemployment rate in comparison to previous cycles seems favourable, its trend is on the rise and the number of discourage workers is also swelling. Subdued economic activity is hampering tax collection negatively affecting service delivery and dampening employment growth. Output growth remains a key policy challenge.

7.5 Tourism

The table below provides a summary of tourism performance in KwaZulu-Natal over the period 2014-2018.

Note: The selected measures are aimed at providing an understanding of tourism performance at a provincial level, and are aligned with the indicators used by the United Nations World Tourism Organisation (UNWTO) and the World Travel and Tourism Council (WTTC), as well as other organisations, such as the Travel and Tourism Research Association.

The measures are also in line with what is measured by the South African National Tourism Sector Strategy and the KZN Tourism Master Plan. Data is sourced from a variety of organisations in order to provide a detailed picture of the state of the tourism economy in KwaZulu-Natal.

Figure 17: KZN Tourism performance over the period 2014-2018

MACRO GOALS AND TARGETS – KWAZULU-NATAL						
Measure	2014	2015	2016	2017*	2018*	T
Domestic trips (m)	5,2	4,98	4,1	4,26	4,43	↑
Foreign tourists	768 228	743 615	753 617	783 962	815 112	↑
Domestic spend per person per trip	R979	R1 108	R1 086	R1 052	R1 105	↑
Foreign spend per person per trip	R8 350	R6 638	R5 877	R6 171	R6 480	↑
Direct contribution to GGP (bn)	R17,6	R10,2	R10,0	R10,2	R10,5	↑
Total contribution to GGP (bn)	R35,1	R20,4	R19,8	R21,0	R23,0	↑
Direct employment	105 322	87 670	90 300	93 009	95 799	↑
Geographic spread (foreign)	1,3	1,3	1,2	1,2	1,2	=
KZN hotel occupancy	62,7%	65,0%	66,1%	66,2%	66,6%	↑
Air passenger movements	4,0%	5,9%	8,9%	6,1%	6,3%	↑
Road traffic arrivals	5,0%	6,4%	0,8%	1,2%	1,3%	↑

* = Estimated, T = trend; N/D = data not yet available

The performance trends include:

- 1) The overall domestic trips trend reflects a significant decline from the high of 5.2 million trips in 2014. However, there has been a year-on-year increase since 2016:
 - KwaZulu-Natal receives domestic tourists from all provinces, with the main sources of domestic tourists being Gauteng and KwaZulu-Natal, followed by Mpumalanga and Limpopo;
 - By comparison, Limpopo only has two main sources of domestic tourists – Gauteng and Limpopo, with minimal domestic trips from Mpumalanga and the Western Cape;
 - Visitors travel to Limpopo for visiting friends and relatives (VFR) reasons, with Gauteng as the source market. Travel to KwaZulu-Natal for holiday purposes has been consistent. In 2018, Limpopo only had 300 000 holidaying trips, compared to 700 000 to and in KwaZulu-Natal.
- 2) Notwithstanding the dip in the number of foreign visitors to the Province in 2015 and 2016, the overall trend is upwards, with 6% more international visitors in 2018 as compared to 2014.
- 3) Domestic spend per trip has remained relatively flat at ±R1 100 per person since 2015, and foreign spend per person per trip has reduced from R8 350 per person in 2014 to just under R6 500 per person per trip in 2018.
- 4) Contribution to GGP has trended downwards over the period. Direct employment within the tourism sector was 9% lower in 2018 as compared to 2014.

- 5) KZN hotel occupancy appears to be trending upwards, very slightly.
- 6) While air passenger movements have grown from 4% in 2014 to 6.3% in 2018, road traffic arrivals have decreased from 5% in 2014 to 1.3% in 2018. A significant trend.

KwaZulu-Natal International Tourism Market Analysis:

The table below presents the KwaZulu-Natal international visitor trends over the past five years, reflecting that eSwatini remains the biggest foreign tourism market, followed by the UK, that has seen an 11% growth over the period. Germany, the USA, Netherlands and France have all recorded significant growth in tourist numbers over the period, while the number of Indian visitors has reduced by 50% in the last five years. This is significant, in light of the country's focus on increasing the number of visitors from BRICS countries, particularly India and China. China does not even feature as a significant international tourist to KZN.

The numbers reveal that, generally, there has been a reduction in the number of tourists from African countries visiting KwaZulu-Natal.

Figure 18: Number of tourists from African countries visiting KwaZulu-Natal

Country	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	Percentage Difference
eSwatini	297 591	279 894	293 511	292 038	297 163	-0,10%
UK	45 638	52 219	48 341	54 644	50 464	11%
Lesotho	48 822	31 534	44 543	48 922	44 796	-8,25%
Germany	39 267	44 755	48 835	50 636	48 385	23%
USA	35 667	43 914	45 095	45 602	44 181	24%
Zimbabwe	45 619	49 305	38 618	40 799	36 879	-19%
Netherlands	20 349	20 503	25 550	30 647	24 407	20%
France	24 196	20 504	22 159	36 683	33 210	37%
India	20 639	17 259	19 340	15 080	10 209	-50,10%
Australia	18 017	14 885	15 364	15 113	16 594	-8%
Mozambique	11 547	27 182	11 598	6 696	8 041	-30%

KwaZulu-Natal Tourism Product Development and Investment Promotion:

Tourism product development is mainly driven by the private sector, with some efforts by national, provincial and local governments, though these have been largely unsuccessful. There are a number of rural and township areas within the Province that have the potential to be turned into tourism destinations, but many of these are not being developed. Such areas present opportunities to develop new and different tourism products to address the changing requirements of the market –

hence the need to also recognise rural and township tourism as an element or part of the niche-product development.

Poor quality, poor management and the lack of maintenance of cultural and heritage attractions often detract from visitors' experience, and damage the image of the KZN destination. There is a need to develop products and experiences that would improve and expand the current offerings, utilise new high-potential tourism areas, and meet domestic and foreign market needs.

In general, funding for preparation of tourism projects falls short in both the public and private sector and, in most cases, funding institutions do not have funding available to prepare projects up to investment stage. Project preparation support includes financial support to create the capacity and guidance to prepare projects for investment by public and private sector, or a combination thereof. Preparation activities start with the confirmation or development of an enabling environment; pre-feasibility and preparation of bankable feasibility studies that inform the project investment structure, modelling, designs and related activities to prepare an investment business plan. This should result in complete project information, which will be presented to the participating DFI's and other potential debt and equity investors. Many black communities and individuals with an interest in developing tourism products in the Province, providing either accommodation or tourism attractions, are hindered by a lack of funding for project preparatory support.

The commercial banks regard the tourism sector as risky and unattractive, due to the relatively small scale of business loans in this sector. The tourism sector also has no access to venture capital with an appetite for risk that could be utilised to fund projects that are unattractive to banks. Incentives that have been put in place to encourage tourism investment are difficult to access, and have very complex application procedures. Certain required procedures, such as environmental impact assessments and rezoning, are often cumbersome and filled with red tape, which further limits tourism investments.

Though tourism investment opportunities are being promoted by the provincial investment promotion agency, tourism investment promotion at a provincial level is insufficient to drive the tourism development agenda. Government intervention to fund project preparation support should be provided to disadvantaged communities and individuals, in order to unlock potential investments and funding opportunities. The drive for tourism investment promotions should be increased in order to attract both foreign and domestic investments for high-potential tourism projects.

KwaZulu-Natal Tourism Sector Transformation:

Transformation is a critical success factor, without which the growth and development of the industry is not guaranteed. However, the rate of transformation in the tourism sector has been very slow, with few black entrants in the market, and large and small businesses are still largely dominated by white people. Significant effort is required not only to transform existing businesses in

the tourism sector, but also to grow the sector as a whole to allow for more mainstream black-owned tourism businesses of all sizes to be established.

Constraints in transforming the tourism sector are attributed to multiple factors, including, but not limited to:

- Challenging economic circumstances are leading to high levels of competition and challenges in maximising efficiencies in different subsectors;
- Limited access to funding and financing adversely affecting the operations of tourism enterprises;
- Lack of best practice business management skills are limiting the potential of tourism enterprises to function effectively; and
- Lack of access to tourism markets results in the collapse of tourism enterprises.

New entrants (black tourism enterprises) in the market lack best practice business management skills, which in turn affects the longevity of their businesses. New business owners are sometimes unaware of the opportunities that are present in their environment. The cost and difficulty of accessing and engaging international travel buyers serves as a major barrier to unlocking the growth potential of small tourism product owners and inbound operators. Interventions are required to reduce the cost burden for small tourism enterprises to participate in selected international trade platforms, thereby improving their access to buyers in new and growth markets to unlock demand growth and allow market penetration.

However, opportunities do exist. Large tourism enterprises are willing to provide enterprise and skills mentorship programmes, alongside financial assistance and programme facilitation from government. There is also an opportunity for collaborative supplier development programmes to be implemented, thus promoting a sharing economy within multiple business networks and destinations. A variety of market access platforms, both domestic and international, present opportunities for small tourism enterprises to engage with travel buyers.

Therefore, the tourism sector needs to transform through collaborative efforts from both private and public interventions. The successful transformation of the sector in the next few years requires intensive monitoring efforts, awareness programmes, facilitation of black-owned enterprises to reach maturity and the promotion of black empowerment in the existing private sector.

7.6 Environmental Management

State of Environment Outlook report for the KwaZulu-Natal province 2018

The purpose of the KZN Environmental Outlook Report (EOR) is to take stock of the current state of environment and provide recommendations for responses to mitigate negative changes and where possible, improve the state of the environment, and the lives of people living in it. The EOR provides several examples of interactions between people and the environment and demonstrates how these interactions can be negative or positive. Highlighting such examples will enhance people's understanding of the interconnectedness between humans and the environment they depend on. Moreover, the information in the EOR promotes an integrated and long-term perspective and response for the sustainable use of natural resources as well as the improvement of quality of life for the people in KZN.

The EOR guides future planning and informs decision-making by all role-players in their quest to ensure sustainable economic development and create a habitable urban and rural environment for the people in KZN. Together with similar provincial initiatives, the KZN EOR will ultimately inform national planning and decision-making processes aimed at securing a more sustainable future for people living in the Province and South Africa in general.

The overarching methodological framework used to compile and structure the KZN EOR is the internationally accepted Driver-Pressure-State-Impact-Response (DPSIR) Model to measure environmental issues. To measure and monitor these key environmental issues, a set of indicators was identified per theme or adapted from existing national and provincial indicators. Where possible, indicators were amended to be more Specific, Measurable, Accurate, Replicable and Time-bound (SMART). These indicators form part of the reporting framework. Using existing indicators developed in 2004, environmental trends were assessed over a period of more than a decade to align with the data in the KZN State of Environment Report of 2004 and to allow for future projections. Although rigorous data are not always available, broad trends can often be detected through qualitative data analysis and extrapolations.

7.6.1 Climate Change

The integration and effective implementation of climate change into sectoral departments remain a major challenge. The main climate-related concerns in KZN are floods, rainfall variability, increased temperatures and sea level rise. The KZN coast is particularly vulnerable to climate change impacts such as erosion and flooding as a result of sea level rise and an increase in frequency and intensity of heavy storms. For the near term (2016–2035), all climate models predict a warming of 0.5°C to 1.0°C, with the coastal areas being closer to 0.5°C. For the long term (2080–2100), predicted temperature

increases range from 2°C to 5°C, depending on emission scenarios. This will consequently result in an increase of heat waves and very hot days. Such heat waves and high temperatures will most likely have severe impacts on agriculture, water security, biodiversity and human health. Population growth and changes in land use for housing, development and agriculture are leading to a modification of native forests, grasslands and savannas primarily. The rates of loss and degradation of these grasslands consequently leads to an increase in CO₂ levels. Moreover, the intensification of livestock production puts pressure on existing grassland as overgrazing and poor livestock management practices can lead to degradation of grasslands. Furthermore, the continued increase in coal and wood fuel for energy use contributes considerably to the CO₂ levels in KZN. The industries using coal for energy are therefore drivers of climate change and contribute to air pollution. In addition, methane gas (CH₄) is a GHG emanating from livestock and is 23 times more potent than CO₂. To address the issue of climate change several measures have to be put in place. These include arresting current levels of habitat degradation and loss, and maintenance of critical ecological infrastructure, maintenance of food security through the resilience of functioning ecosystems and their ability to adapt to climate change, implementation of ecosystem-based adaptation measures such as urban greening or rehabilitation of wetlands, greenhouse gas emission inventories and emission reduction.

7.6.2 Air Quality and Atmosphere

An Air Quality Management Plan (AQMP) is a fundamental tool for air quality management in National Environment Management Air Quality Act (NEMAQA) and the National Framework for Air Quality Management. Slow progress in this area seriously hampers the province's ability to effectively deal with Air Quality Management. Sugarcane cultivation is a major agricultural activity in the Province and the burning of it is an issue. In addition, domestic fuel burning is most common in low income and informal residential areas and contributes to poor indoor and ambient air quality through emissions of SO₂, NO₂, CO₂, PM₁₀ and several VOC matters. The combustion of fuels for cooking, heating and lighting in residential areas presents an on-going challenge to air quality in the Province. Elevated PM₁₀ concentrations are observed in most urban centres and background sites in KZN. According to the Department of Environment (DEA) (2016), "PM₁₀ is still the greatest national cause for concern in terms of air quality. Continued and increased national, provincial as well as local action is required to bring particulate matter concentrations down to acceptable levels". The Department has air quality monitoring

stations in various air quality hotspots. However there is a need to enhance this network and to conduct more health studies to determine the human impacts of poor air quality.

7.6.3 Biodiversity and Ecosystem Health

An increasing population and high levels of poverty and unemployment have led to an increasing demand for natural resources, land for agricultural, urban and industrial development, mining and plantation forestry. Reduced grasslands and wetlands compromise the provision of freshwater. The inability to maintain this function results in an increase in floods and sedimentation during high rainfall periods and a lack of flow during low rainfall periods. There are sufficient tools to enable informed decision-making and ensure that critically important components of habitats are protected and are appropriately developed. The challenges lie in ensuring that these planning instruments and environmental authorisation processes are implemented and adhered to. Within government and society, there is limited understanding of the environment and the role it plays in sustaining human livelihoods. As a result, efforts to achieve economic development are often at odds with protection of the environment. The rate of loss of natural habitat, species richness and ecosystem function in KZN is one of the most alarming issues related to the Province's biodiversity. This will ultimately lead to species extinction and the complete loss of critical ecosystem functions. Also, there are a number of invasive alien plant species in KZN that have significant economic implications in terms of the loss of productive land, impacts on ecosystem function and the costs to control and eradicate them. Key interventions to curb ecosystem and biodiversity loss include the incorporation of biodiversity concerns and decision-making processes, the expansion of protected areas on private and communal land that contributes significantly to rural economic development and job creation and improved protection of wildlife and biodiversity.

7.6.4 Marine and Coastal Resources

Effects of climate change in the coastal zone are becoming increasingly evident, for example coral bleaching as a result of increased sea surface temperatures. As a consequence of increased sea surface temperatures, oxygen levels in water will decline, resulting in losses or changes to species distribution. The removal of keystone species, such as sharks and turtles, is likely to have a profound effect on ecosystems functioning. The interconnectivity of species and systems could mean that the loss of one species or habitat results in the dropping effect of a loss of multiple species or habitats. In addition, humans inadvertently introduce alien and invasive species that may out-compete their

indigenous counterparts, thereby reducing ecological functioning. Marine and coastal habitats provide a range of vital goods and services that depend on healthy and functioning ecosystems.

Aquaculture has been identified by the government as having potential for economic growth. While potentially beneficial, aquaculture can increase environmental impacts and risks and should be closely monitored in the future. Coastal habitats are under pressure from anthropogenic activities such as coastal development, resource extraction and mining. Continued population growth and demand for development along the coast is likely to result in these pressures continuing to grow. Sand mining in the coastal zone often occurs illegally within estuaries, resulting in further degradation of already negatively impacted environments. Pollution is also a key concern in the marine and coastal environment. Increased sewage storm water and other waste flow to the coastal environment in high volumes of polluted water that cannot be adequately treated. The waste then enters the marine environment through coastal outfall, streams or estuaries, typically characterised by high nutrient loads, which can have a severe negative impact on water quality and ecosystem functioning. The primary source of litter in KZN is poor waste disposal resulting in litter being washed down rivers and streams before entering the marine environment. This concerns particularly plastics. Aside from the visual impact, the economic impacts caused by having to remove litter and the potential loss of tourism can be significant. Protection of key habitats that provide spawning and nursery areas for fisheries should be promoted through the establishment of Marine Protected Areas (MPAs) and effective estuary management systems.

7.6.5 Waste

The expansion of waste services and cost recovery for municipalities is a challenge. Although solid waste is relatively well-managed in the cities, there is a lack of priority for waste management outside the main cities. Another challenge is that in many local communities, disposable nappies are a common concern. These nappies are not recyclable or biodegradable, and in rural areas are frequently illegally dumped in unlicensed community facilities because no alternative services are available. This contributes greatly to an increase in infections, potential disease vectors, and raises other potential health issues related to water pollution. Limited monitoring of received and recycled waste exists and systematic permitting, record keeping, and reporting remains a challenge. Waste management in South Africa has traditionally suffered from pervasive under-pricing, meaning that the costs of waste management are not fully internalised, and waste disposal is preferred over other methods, such as recycling. This has resulted in a market failure that waste and recyclable materials are undervalued, resulting in more waste ending up in landfills and dumping sites. There is currently

limited and fragmented legislation as well as ineffective enforcement to monitor and enforce waste management. The challenge with adopting Integrated Waste Management Plans (IWMPs) at a local municipal level is that there is no full cost recovery for the waste management service provided. Slow adoption of IWMPs by municipalities is a pervasive issue, and as a result municipalities experience difficulties to find additional revenue sources to fund and implement the plan.

Poorly managed disposal of waste causes pollution and degradation of the natural environment pose risks to human health. In addition, there are unacceptable safety, health and environmental practices. Electronic waste is considered hazardous and its generation is increasing. Electronic waste is produced by a more affluent population and creates more pressure on the government to have appropriate disposal systems in place or recycling/reuse facilities installed. To improve the current situation significant improvements in waste reduction through improved production processes and packaging is necessary. Development and implementation of a provincial and municipal Integrated Waste Management Plans (IWMP) must also be prioritized. The promotion of the waste hierarchy as and waste economy should also be intensified.

7.6.6 Governance

Inadequate cooperative governance has resulted in conflicting priorities within government

The prioritization of other land uses over environmental sustainability leads to unnecessary negative impacts on strategic water resources, ecological processes, habitats, species, and other more appropriate economic activities. There is limited integrated planning between government departments as well as with the traditional authorities. Opportunities for more appropriate and sustainable land uses are consequently being excluded. Non-prioritisation of environment and biodiversity within government policy also leads to inappropriate land use decisions that are largely unsustainable. In addition, inappropriate land use planning within district and local government as well as land administered by traditional authorities, results in urban sprawl that contributes to accelerated habitat loss, land degradation and pollution of the environment. Effective environmental governance at all levels is critical for finding solutions to these challenges. Environmental governance comprises the policies, rules, practices, institutions and enforcement systems, traditional or otherwise, that shape how humans interact with the environment. Good environmental governance considers the role of all actors that affect the environment. Across all spheres of society, from governments to non-governmental organisations, the private sector and

civil society, co-operation is critical to achieving effective governance that can help us move towards a more sustainable future.

In KZN Province, the groundwork has been laid for good environmental governance. While there is room for improvement in the groundwork, there is much progress to be made in the practice and implementation, enforcement and public education in general. The Environment Outlook Report provides a good basis upon which to proceed for the foreseeable future. The EOR should now be taken note of at all levels, and its findings and recommendation be mainstreamed in government departments, the private sector and communities without delay.

8 EDTEA INTERNAL ENVIRONMENT

8.1 Lessons from the Evaluation studies

In the past Five-years the department attempted to fulfill its mandate to oversee socio-economic transformation in the province by developing a number of policies and strategies. This required responsive planning, continuous monitoring and periodic impact assessments of the implemented programmes and projects. The department had undertaken a number of vast of diverse economic development initiatives aligned to national and provincial priorities, with the scope and scale of its activities increasing over the past recent financial years. In order to account for allocated resources for service delivery, the need for evaluation of the impact of various strategies and programmes was greater to provide credible evidence for achievement of desired outcomes.

Evaluations are important to inform lessons learnt and decision-making in order to improve organisations. The End-year (2014/15 – 2018/19) evaluation illustrated the basics such as the vision and mission were consistent throughout the Strategic plan and Annual Performance Plan. The Evaluation pointed out several inconsistencies between the strategic plan and the Annual Performance Plans over the MTSF period. Therefore, an evaluative assessment was undertaken to ascertain the impact of key programmes and interventions. The two pertinent questions were asked during this process: *“what are we doing?”*, *“are we achieving what we set out to achieve”*. Evaluations undertaken assessed whether policies and programmes contributed towards achieving intended results and identified areas that needed improvement in policy and programme design.

Specifically, on the coherent relationship between the Annual plans and the Strategic plan, it was found that there were certain discrepancies. For an example, there was no correlation between goals and objectives in order to achieve the strategic outcomes. This could result in the failure to implement the strategic plan. The inconsistencies identified referred to, again, on the use of performance indicators and targets for activities which the department has no responsibility for implementing or control over. It was also found that some of the performance indicators were broadly defined and not clearly articulated following the SMART principle. The inclusion of performance indicators in department’s performance plans that are also listed in public entities’ APPs i.e. where targets/indicators being reported on by KZN EDTEA Public entities, were also included in sub-programme performance plans. Again, some Strategic goals of the department, some goal statements were not linked to the strategic objective of some sub-programmes.

The evaluation noted that most of the public entities strategic planning documents do not refer to the department or articulate their alignment to KZN EDTEA’s strategic goals. The lessons learnt from the end year evaluation demonstrate how important is it for the department to effectively refer to guidelines, requirements and definitions set out in the National Treasury’s framework for Managing Programme Performance information and the Framework for Strategic Plans and Annual

Performance Plan in developing suitable indicators to track programme performance. Over the MTSP the performance of the department has fairly been achieved with some indicators with at time limited human capital and resources. These are some of the issues that the department will have to carefully consider in the next planning cycle.

8.2 Internal Performance and Challenges

The KwaZulu-Natal Department of Economic Development and Environmental Affairs is mandated to oversee the socio-economic transformation in the province and it therefore leads the policy and strategic initiatives directed at promoting development and growth in various sectors of the economy. For the Department to be able to cost-effectively implement its mandatory policies and strategies is made up of various programmes that constitute distinct but complementary functions that are related to the basic strategic mandate of the organisation. These include functions that are actively involved in the implementation of strategy and those focusing on the provision of corporate support services to ensure compliance and governance of the resources deployed for the delivery of services.

Taking into cognizance the above economic review and outlook, one of the pertinent questions we should ask ourselves as a department is how much KwaZulu-Natal Provincial Government can grow its economy without needing permission from National Government and what assets can we influence given our budgetary constraints and sphere of influence. The two largest seaports, Durban and Richards Bay, in the province fall under and are governed by Transnet, a National Entity of the Department of Public Enterprises. The main freeway corridors of the Province are reliant on the South African National Roads Agency SANRAL an Entity of the National Department of Transport. Electricity supply falls under a National entity, Eskom, new dams and water supply is controlled primarily by National Department of Water and Sanitation. Air route connectivity development at King Shaka International Airport requires permission from the Airports Company of South Africa and the National Department of Transport. International Trade tariffs for the country are set by the Department of Trade and Industry. An example is the devastating impact on the poultry industry has had on the Province which we are unable to control. These National assets are extremely important for us to provide interventions and interjection to boost economic growth in the province.

This also raises the question as to whether or not our economy is over regulated? In other words, while we intended to regulate a certain section of the economy to solve a problem or behaviour in the market but in doing so have created multiple other issues. This is made apparent by globally recognised reports amongst others such as the Ease of Doing Business Report, the Global Competitiveness Report, the World Economic Freedom Report and the Global Entrepreneurship Index Report. These reports give us a high-level view on the elements which we are doing well in and

where we are failing. They form the basis of international discussion and shows us how the rest world and many international investors view us.

Table 3: KZN Provincial Government and EDTEA Budget as Percentage of Provincial GDP, 2010-2019*

R'000 Value (Current Prices)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019*
KZN Provincial Government budget	61 906 779	71 205 662	78 387 035	86 007 002	91 285 290	96 713 071	104 691 909	109 827 562	116 640 980	123 704 779
EDTEA Budget	2 492 401	1 724 798	1 577 558	1 789 685	1 979 851	3 013 455	2 997 119	2 604 611	2 796 453	3 018 588
KZN GDP	433 845 688	480 068 970	520 390 920	563 941 449	609 665 222	650 522 238	697 025 337	746 359 716	781 171 917	817 574 528
Share of KZN GDP										
KZN Provincial Government Budget	14.27%	14.83%	15.06%	15.25%	14.97%	14.87%	15.02%	14.72%	14.93%	15.13%
EDTEA Budget	0.57%	0.36%	0.30%	0.32%	0.32%	0.46%	0.43%	0.35%	0.36%	0.37%

Source: KZN Provincial Treasury, 2019

Note: * indicates * Unadjusted Budget and GDP estimate

From a budgetary point of view, the KZN Provincial Governments equates to approximately 15% of the KwaZulu-Natal's GDP. For EDTEA this represents approximately 0.37% of provincial GDP. Is this sufficient to create change in the provincial economy? In doing so we need to distinguish between reality versus an ideal economic environment and descend between political statements and a realistic outcome. Are we drivers or leaders of the KwaZulu-Natal economy? An internal inspection is required and is answer where should we strengthen and reengineer the Department to deliver on its mandate in a more efficient and streamlined manner

8.3 EDTEA Challenges

The advent of the sixth administrations has triggered the review of operations/structure within the Office of the Executive Authority and the department at large as per the Guide for Members of the Executive, Public Service Regulations 2016 as amended and Provincial circular no.05 of 2019 with the aim to provide administrative and support assistance to Members of Executive Counsel in ensuring good governance with due regard to cost effectiveness and efficiency.

The MEC for the Department of Economic Development, Tourism and Environmental affairs plays a critical role in implementing government priorities in growing the inclusive economic growth as articulated by both the President of the Republic and the Premier of the Province. These priorities are to ensure that employment, poverty and inequalities are eradicated in the Republic of South Africa. These priorities should be in line with the theme as articulated by the Honourable MEC in the budget speech which stipulates that *“Positioning KwaZulu-Natal as a technological Hub to harness the 4th Industrial Revolution for Economic Growth, Development and Job creation”*.

It is also imperative to note that the MEC is presiding over thirteen Public Entities in the Province as well responsible for being a Leader of Government Business. Therefore, the organizational structure of the department should be suitably capacitated with sufficient human capital to ensure that the Executive Authority can deliver on the crucial mandate and responsibilities as set out in the Constitution of the Republic.

The Department is in the process of aligning its organisational structure with the strategic plan (2021/2024) and the following are some of the strategic changes that have taken place:

Operation Vula: As part of the broader commitment to promote local procurement in order to increase domestic production, Operation Vula aims to promote the localisation of KZN’s economy by exploiting government buying power from SMMEs and co-operatives, we will be eradicating the problems that are faced by small business which include lack of access to the market, lack of access to finance and low bargaining power with companies and buyers as well as stiff competition from well-established businesses. The following commodities will now be procured from local small businesses as part of piloting Operation Vula: school and prison uniform, protective clothing, school and government furniture, bakery, infrastructure materials, cleaning materials and agricultural produce. The key announcements and developments in the department are:

- **Radical Agrarian Socio-Economic Transformation (RASET)**
- **Activation of Black Industrialist Programme**
- **Maritime**
- **Business Retention and Expansion**
- **Investment Conference**
- **Rationalization of Public Entities**
- **KwaZulu-Natal Investment Conference.**

The department is redefining some units under industry development to accommodate Maritime, Aerotropolis and Industrial Economic Hubs. The challenges on filling of post in the province have had tremendous strain in the departmental operations. The austerity measures introduced for the provincial government have necessitated that we prioritise our initiatives and be more focused on our mandate.

8.4 EDTEA Catalytic Projects

Table 4: EDTEA Catalytic Projects

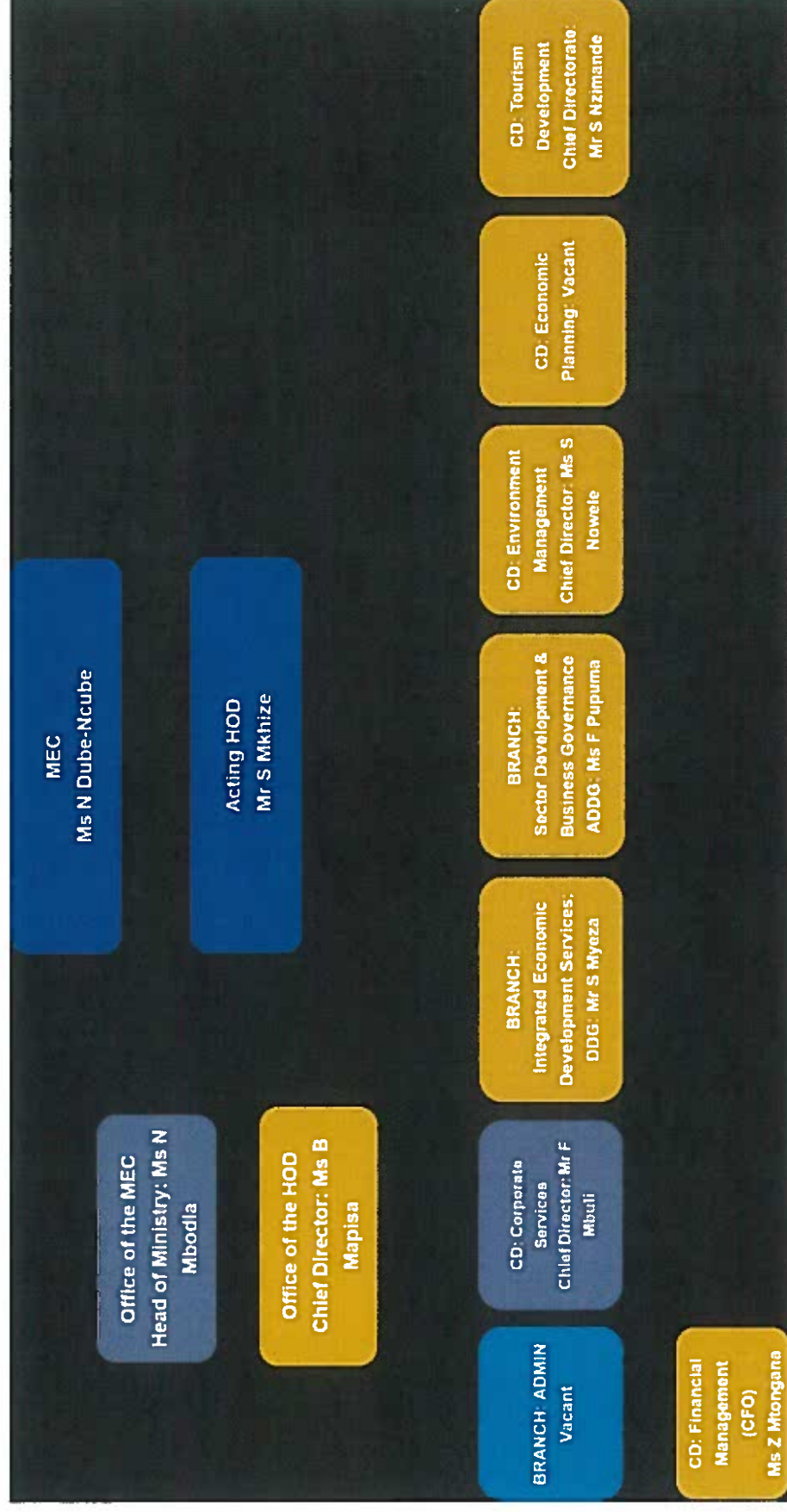
Programme	Project Programme	Sub Project
Two	Integrated Economic Development Services	Colenso Power Station
Three	Durban Aerotropolis	King Shaka International Airport Public Transport Solution
	KZN Regional Airports	Mkhuze, Margate, Newcastle, Pietermaritzburg, Ulundi, Richards Bay airports
	Industrial Economic Hubs	Auto Supplier Park
		Clothing & Textile Hub
		Renewable Energy Park
		Cato Ridge Multi-Modal Freight and Logistics Hub
	Technology Hubs	Port Shepstone
		Newcastle
		Richards Bay IDZ
		Pietermaritzburg
		Dube Trade Port
Five	Economic Planning	Kosi Bay Border
Six	Tourism Development	Drakensburg Cable Car
		Thukela Medical Tourism Lifestyle Resort

8.5 Organisational Environment

The department's ability to implement its strategic plan is largely determined by its human resource capacity. It is therefore critical for the department to provide an account of its internal organisational environment in the strategic plan.

Organization Environment:

HIGH LEVEL ORGANISATIONAL STRUCTURE OF EDTA



PART C: MEASURING OUR PERFORMANCE

9 INSTITUTIONAL PERFORMANCE INFORMATION

9.1 IMPACT STATEMENT

Impact Statement	Vibrant Economy ²
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9.2 MEASURING OUTCOMES

MTSF Priority 1	Building a capable, ethical and developmental state		
Outcome	Outcome Indicator	Baseline	Five-year target
Institutional Excellence	State of Corporate governance	New	Improved state of corporate governance in the department
	Financially unqualified audit opinion with no findings on other matters	New	Financially unqualified audit opinion with no findings on other matters
MTSF Priority 2	Economic transformation and job creation		
Outcome	Outcome Indicator	Baseline	Five-year target
Inclusive and Transformed Economic Growth	Percentage of small enterprises participating in the global value chains	New	20%
	Percentage of set asides for Women, Youth and SMMEs	New	30%
	Number employment opportunities supported	200	1000
	Number of jobs created through Trade and Industry	1734	26000
	Number of businesses transformed through compliance	2217	3660
	Percentage contribution of the Tourism sector to GDP	New	2.5%
MTSF Priority 5	Spatial integration, Human settlement and Local Government		
Problem statement	A declining state of environment characterised by climate vulnerability and unsustainable resource use.		
Outcome statement	An improving state of environment that is climate resilient and sustainably supporting the radically transformed economy		

² characterised by dynamic changes in terms of rapid technological advances in the process of production in KwaZulu-Natal

Outcome	Outcome Indicator	Baseline	Five-year target
Environmental sustainability and resilience	Number of work opportunities created through environmental programmes	45015 jobs	35000 jobs
	State of the KwaZulu-Natal environment	2017 Environment Outlook Report	Improved Environmental trends in the Environment Outlook Report

Explanation of planned performance over the 5-year planning period

The MTSF 2019-2024 is built on three foundational pillars: a strong and inclusive economy, capable South Africans and a capable developmental state. EDTEA seeks to rebuild and restore public confidence in the province through catalysing economic development opportunities in order to address structural impediments to equality, employment and wealth.

A capable, ethical and developmental state: EDTEA is committed to contribute towards building a capable developmental state by making sure that management and staff conduct their duties in an ethical and professional manner. The department will put in place systems and processes for accountability purposes. The underpinning values for this strategic plan are embedded in the Batho Pele principles with an added emphasis on the *Spirit of "Ubuntu"*, placing citizens at the centre of public service planning and operations, and foster citizen participation through services and programmes of a democratic nature.

Economic Transformation and Job Creation

As part of building a non-racial society, EDTEA has introduced Operation Vula in order to achieve economic transformation in the Province. Operation Vula is centred on strengthening local economies and reorienting them to become effective centres of production, information processing and spatial development. As part of this initiative, EDTEAs strategic objective is to prolong money circulation in townships and rural areas by plucking money leakages thus forcing money to exchange more hands before it leaves the community. This will be achieved by increasing the local provision of a variety of services to local community by local enterprises. Therefore Government will support and promote local economic development and local small scale industries. Operation Vula will be realised through revitalisation of township and rural economies, Public Procurement, Radical Agrarian Socio-Economic Transformation (RASET) and the KZN Black Industrialists Programmes. We

have identified the following commodities for this programme: infrastructure development, agriculture produce i.e. fertilizers, bakery, furniture, and paper & toilet papers

Description of enablers

A capable workforce requires commitment in resources and overcoming fraud and corruption. The department will ensure that there is a monitoring and evaluation system to link what each programme does and expenditure for early warning mechanism to alert management about problematic areas that need urgent corrective action. Most importantly, proper coordination is required within the department as well as with our external stakeholders to ensure we deliver services as expected. Where there are vacancies, the department has already initiated a process of filling those posts and again other alternatives are being explored such as shared services to augment capacity constraints. The department is also aware of the urgent need for automation of systems and processes to increase efficiency and mechanisms to achieve this are being considered. Re-skilling and training of staff will be instituted in respect of the rapid operational environment.

A number of strategies and interventions are deployed to achieve this mandate.

These, inter-alia, include:

Investment Attraction, Export Promotion, Business Retention, SMME development, Informal Economy support, Economic Infrastructure development, Industrial Development, Special Economic Zones, Sector Development, Environmental Management, Tourism Attraction, Township and Rural Revitalisation and Business Regulations. EDTEA is implementing the above initiatives in partnership with its social partners – Business, Labour, other government entities and Civil Society.

Environmental sustainability and resilience

Environmental management remains a weak area of core policy and implementation. Part of the challenge is capacity to manage intersecting environmental crises, mounting resource pressures, climate change and environmental degradation, and the transition to a growth path in a manner that lessens our environmental impact and resource use. Moreover, the effects of climate change are increasingly being felt through changes in rainfall patterns (drought and floods), floods and infrastructure damage. This exacerbates the vulnerability of communities, especially the poor. Environmental management must be embedded across our economy and infrastructure systems to safeguard the quality of our water, air and land. EDTEA will ensure that there are targeted actions to safeguard our unique natural resource base and mitigate risks related to climate change. To achieve

this, EDTEA will focus on interrelated environmental outcomes: • GHG emission reduction. •
Municipal preparedness to deal with climate change and a just transition to a low carbon economy

10 KEY RISKS AND MITIGATION

Outcome	Key Risk	Risk Mitigation
Institutional excellence	Financial constraints	Mobilization of funds through partnerships
	Lack of adequate financial and human resource capacity	Develop and implement retention strategy, Reprioritization of departmental budget, Develop revenue maximization strategy
	Inadequate performance management	Enforcement of performance management systems
	Fraud and corruption	Enforcement fraud prevention plan
	Ineffective oversight structures	Strengthen capacity of internal audit, risk management, ICT and public entity oversight
	Irregular expenditure	Consequence management
	Material misstatement of financial statements	Adherence to deadline for submission of financial information Adequate review of financial statements
	Lack of cooperation from stakeholders Inadequate communication	Develop and implement stakeholder engagement policy
	Possible litigation	Proper consultation and negotiations. Conduct change management Compliance with legal agreements;
Inclusive and Transformed Economic Growth	Untransformed policies	Seek Political Intervention
Environmental sustainability and resilience	Failing intergovernmental cooperation and environmental governance	Improve, through formalisation, intergovernmental cooperation and environmental governance

11 Public Entities

Name of Public Entity	Mandate	Outcomes
Ithala Development Finance Corporation (IDFC)	Ithala is a provincial development finance institution that focuses on economic development through the provision of financial and non-financial services to businesses and individuals.	Inclusive and Transformed Economic Growth
KwaZulu-Natal Sharks Board (KZNSB)	The core function of the KZNSB is the protection of bathers against shark attacks at designated protected beaches along the KwaZulu-Natal coastline. This mandate is fulfilled through the installation and maintenance of shark safety gear deployed to prevent shark attacks at 37 protected beaches. The KZNSB maintained 22.12 km of shark netting and 107 drumlines off the KwaZulu-Natal coast. The KZNSB continued with research on the biodiversity of sharks and non-lethal shark repellent cable technology. The shark repellent prototype cable was successfully tested against white sharks at Mossel Bay.	Inclusive and Transformed Economic Growth
KwaZulu-Natal Tourism Authority (TKZN)	The KwaZulu-Natal Tourism Authority's mandate is the promotion and marketing of the Province of KwaZulu-Natal as a preferred leisure and business tourism destination in Africa.	Inclusive and Transformed Economic Growth
Dube Trade Port Corporation (DTPC)	Dube Trade Port Corporation is mandated to facilitate economic growth by developing the Dube Trade Port industrial precinct, by attracting domestic and foreign direct investment to the province and facilitating imports and exports. The entity plays a multi-faceted role in both enabling and driving the development of air logistics businesses and creating a physical environment for the implementation of the re-industrialisation policy. In 2016/2017, the DTP IDZ was converted to a SEZ, with the adoption of the	Inclusive and Transformed Economic Growth

Name of Public Entity	Mandate	Outcomes
	SEZ Regulations.	
Trade and Investment KwaZulu-Natal (TIK)	Trade and Investment KwaZulu-Natal's mandate is to attract foreign and domestic investment, and to promote exports and export capacity. Trade and Investment KZN continued to focus on the promotion of key investment opportunities through marketing and project packaging efforts, particularly within the mining, construction, agriculture, automotive and metal sectors of the economy.	Inclusive and Transformed Economic Growth
Richards Bay Industrial Development Zone (RBIDZ)	Richards Bay Industrial Development Zone is a public entity established to undertake the development of industrial land in the Richards Bay area, in line with a 50-year Master Plan.	Inclusive and Transformed Economic Growth
KZN Liquor Authority (KZNLA)	The KwaZulu-Natal Liquor Authority is responsible for the regulation of the production and commercial resale of liquor in the province.	Enhanced social responsibility and Protecting the public against socio-economic and other effects of alcohol abuse Integrated Regulatory compliance leveraging on the power of technology advancements
Ezemvelo KZN Wildlife (EKZNW)	Ezemvelo KZN Wildlife is a public entity that directs the management of biodiversity conservation within KwaZulu-Natal, including protected areas. This encompasses the development and promotion of eco-tourism facilities within protected areas, as well as establishing good relationships with various communities residing adjacent to the protected areas.	A transformed, resilient, inclusive and no nett loss State of Biodiversity
KwaZulu-Natal Film Commission (KZNFC)	To promote and market the province as a global destination of film production and to facilitate investment in the film industry in the province	Inclusive and Transformed Economic Growth

Name of Public Entity	Mandate	Outcomes
KwaZulu-Natal Growth Fund Trust (KZNGFT)	The KwaZulu-Natal Growth Fund Trust was established to provide competitive and innovative solutions to private sector investment that propel socio-economic growth in KwaZulu-Natal.	Inclusive and Transformed Economic Growth
KwaZulu Natal Gaming and Betting Board (KZNGB)	The KwaZulu-Natal Gaming and Betting Board is to protect the interests of the public by ensuring the integrity of legalised gambling through strict enforcement of applicable legislation, the licensing of qualified entities and individuals, and fulfilling the objectives of the provincial government to deliver a significant source of revenue, enhance tourism, develop and transform the gaming and horse racing industry, whilst promoting broad socio-economic and employment opportunities.	Inclusive and Transformed Economic Growth
Moses Kotane Institute	Research into diverse skills required to respond to the needs of the provincial economy. Facilitate cooperation between training institutions and government to address skills required to transform provincial economy (departments, government training institutions, tertiary institutions, and external training providers) delivery and create employment opportunities for others.	Inclusive and Transformed Economic Growth

PART D: TECHNICAL INDICATOR DESCRIPTIONS (TIDS)

12 TECHNICAL INDICATOR DESCRIPTIONS

MTSF Priority	A capable, ethical and developmental state
Outcome	Institutional Excellence
Indicator Title	State of Corporate governance
Definition	The processes of disclosure and transparency followed to provide stakeholders as well as the general public with precise and accurate information about the financial, operational and other aspects of the department.
Source of data	Reports submitted to governance committees
Method of Calculation / Assessment	Actual numbers set as targets versus the actual achievements.
Means of verification	Minutes of governance committees
Assumptions	Compliance with relevant prescripts
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	N/A
Calculation Type	Both Cumulative (Year-to-Date) and Non-Cumulative Year-end
Reporting Cycle	Quarterly
Desired performance	Institutional excellence
Indicator Responsibility	Head of Department

MTSF Priority	A capable, ethical and developmental state
Outcome	Institutional Excellence
Indicator Title	Financially unqualified audit opinion with no findings on other matters
Definition	The purpose of this indicate is to ensure that the department strive towards clean governance by ensuring that all transactions performed are free of material findings from the Auditor General
Source of data	Financial Planning Reports Internal Control Plan Contract Management Report Report on invoices paid Report on budget spent on BBBEE
Method of Calculation / Assessment	Actual reports submitted to relevant authorities on a monthly basis.
Means of verification	Actual monthly reports submitted Actual Final Report from Auditor-General
Assumptions	The methodology wholly relies on each Team member understanding the need for the department to achieve a financially unqualified audit opinion and working towards it.
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not applicable
Calculation Type	Quantitative
Reporting Cycle	Monthly
Desired performance	To achieve a financially unqualified audit opinion with no findings,
Indicator Responsibility	Chief Financial Officer

Integrated Economic Development Services

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Percentage of small enterprises participating in the global value chains
Definition	This indicator is concerned with economic transformation and inclusion of SMMEs and Cooperatives in the global value chains.
Source of data	BBBEE verification reports Statistics SA Labour Force Survey
Method of Calculation / Assessment	Actual achievements (Statistics SA Labour Force Survey)
Assumptions	Economic growth rate will be maintained
Disaggregation of Beneficiaries (where applicable)	Not applicable
Spatial Transformation (where applicable)	Not Applicable
Reporting Cycle	Five yearly
Desired performance	20 % participation of small enterprises in the global value chains
Indicator Responsibility	Chief Director: Enterprise Development

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Percentage of set asides for Women, Youth and SMMEs
Definition	This indicator measures the extent to which department is addressing access and inclusion of Women, Youth and SMMEs to resources and opportunities
Source of data	Departmental Procurement Reports
Method of Calculation / Assessment	Actual procurement expenditure on Women, Youth and SMMEs /total departmental allocated budget X 100
Assumptions	Supportive Legislation and regulations
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Province wide
Reporting Cycle	Five yearly
Desired performance	30 % government procurement spend for Women, Youth and SMMEs
Indicator Responsibility	Chief Director: Economic Empowerment

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Number of employment opportunities created
Definition	Measures the number of employment opportunities as a result of projects implemented in both urban and rural areas
Source of data	Contracts, pictures and Monitoring report
Method of Calculation / Assessment	Quantitative method through a simple count
Assumptions	Global, SA and KZN economy grows creating appropriate demand and supply conditions for business prosperity Entrepreneurs and employees are capable and skilled Expenditure by Department indirectly supports employment opportunities in the private sector.
Disaggregation of Beneficiaries (where applicable)	<ul style="list-style-type: none"> • Target for Women: • Target for Youth: • Target for People with Disabilities: To Be Determined per project implemented
Spatial Transformation (where applicable)	Not Applicable
Reporting Cycle	Quarterly progress against the annual target
Desired performance	Increase in the number of projects supported for employment opportunities contributing towards improved household incomes, improved socio-economic welfare and improved livelihoods.
Indicator Responsibility	Director: RLED

Trade and Industry Development

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Number of jobs created through Trade and Industry Development
Definition	Number of jobs created through industrial interventions such as Aerotropolis, Maritime and Special Economic Zones and infrastructure projects
Source of data	Progress Reports
Method of Calculation / Assessment	Count the number of jobs (quantitative)
Means of verification	Reports
Assumptions	Timeous availability of report
Disaggregation of Beneficiaries (where applicable)	Target for Women: 30% Target for Youth: 60% Target for PDI: 10%
Spatial Transformation (where applicable)	Not Applicable
Calculation Type	Cumulative (Year-End)
Reporting Cycle	Annual
Desired performance	Achieve full target at the end of the financial year
Indicator Responsibility	Chief Director: Trade and Industry Development

Business Regulations

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Number of businesses transformed through compliance
Definition	To conducting business compliance inspections under the KZN Integrated Compliance and Enforcement Forum (ICOREF).
Source of data	Inspection Reports and attendance registers
Method of Calculation / Assessment	Normal count of number of business premises inspected
Assumptions	The inspections will result to full compliance by businesses to application legislations and practices
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Not Applicable
Reporting Cycle	Quarterly
Desired performance	Produced 100 Inspection reports
Indicator Responsibility	Senior Manager: Regulation Services

Programme 6: Tourism Development

MTSF Priority	Economic Transformation and Job Creation
Outcome	Inclusive and Transformed Economic Growth
Indicator Title	Percentage growth in the tourism sector
Definition	Measures the extent to which Tourism sector has performed as a contribution to GDP
Source of data	Statistical SA reports
Method of Calculation / Assessment	Statistical reports from secondary sources:Statsa
Assumptions	<p>Transformative and progressive policy environment for Tourism sector</p> <p>Strong Research and Development component for the sector</p> <p>KZN is branded and marketed widely as a preferred tourist destination</p> <p>Incentives are in place to attract international tourists and encourage domestic tourism</p>
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Province wide
Reporting Cycle	Annual Reports
Desired performance	KwaZulu Natal is ranked higher as a preferred Tourist destination
Indicator Responsibility	Chief Director: Tourism Development

Programme 7: Environmental Management

MTSF Priority 5	Spatial integration, Human settlement and Local Government
Outcome	Environmental sustainability and resilience
Indicator title	Number of work opportunities created through environmental programmes
Definition	To facilitate creation of work opportunities with a focus on women, youth and people with disabilities through environmental programmes and may include internship, learnerships, volunteer programmes, CBNRM, recycling and buy-back centres, nurseries, etc.)
Assumption	Job opportunities created will be tracked in the environment sector and to assessed the extent to which they improve socio-economic benefits within the environmental sector
Source of data	Beneficiaries copy of ID, signed contract, daily time sheets; data base of beneficiaries.
Method of calculation	Actual number of work opportunities that can be traced, contract files, beneficiary data, time sheets
Data limitations	Accuracy of the data depends on reliability of reported data
Disaggregation of Beneficiaries (where applicable)	N/A
Spatial Transformation (where applicable)	Province wide
Reporting cycle	Quarterly
Desired performance	Improved socio-economic benefits within the environmental sector
Indicator responsibility	Director: IASP & EES

MTSF Priority 5	Spatial integration, Human settlement and Local Government
Outcome	Environmental sustainability and resilience
Indicator title	State of the KwaZulu-Natal environment
Definition	Measures the quality of the environment in the province
Source of data	Environmental Outlook Report
Method of calculation/Assessment	Environmental Outlook Report: Qualitative Assessment
Assumptions	Environmental data is collected and analysed to produce the state of the environment Report
Disaggregation of Beneficiaries (where applicable)	Not Applicable
Spatial Transformation (where applicable)	Province wide
Reporting cycle	Every Five years
Desired performance	Improved socio-economic benefits within the environmental sector
Indicator responsibility	Chief Director: Environmental Management

13 ANNEXURES TO THE STRATEGIC PLAN

13.1 ANNEXURE A: DISTRICT DELIVERY MODEL

PROGRAMME 2: INTEGRATED ECONOMIC DEVELOPMENT SERVICES

Area of Intervention	Five-year Planning Period		
	Project Description and Budget Allocation	District Municipality and Specific Location / GPS Coordinates	Responsibility/ Project Leader and Project / Social Partners
Support for Operation Vula	Support of Bakeries	Whole Province	EDTEA
Support for Operation Vula	Support for Clothing & Textile	Whole Province	EDTEA
Training for Youth and Women	Youth Technical Placements	Whole Province	EDTEA
B-BBEE Compliance	B-BBEE Verification	Whole Province	EDTEA
Black Industrialists Programme	Support the KZN Black Industrialists with application, access to opportunities	Whole Province	EDTEA

Area of Intervention (Below examples)	Five Year Planning Period		
	Project Description and Budget Allocation	District Municipality and Specific Location / GPS Coordinates	Responsibility/ Project Leader and Project / Social Partners
Infrastructure	KwaMajomela Light Manufacturing Centre	Zululand	EDTEA, Zululand District Municipality and Nongoma Local Municipality
Infrastructure	Informal Economy Development Initiative	Province wide (District to be confirmed upon approval of projects)	EDTEA, District Municipality, Local Municipality, District Development Agents
Support for SSG's in the Sugar Industry	Operation Sakhinzuzo	Thekwini, King Cetshwayo and Ilembe districts	EDTEA/THS
Support for Agro-processing business	Lusizo Vegetables	Umgungundlovu, Msunduzi	EDTEA/Lusizo
Skills and Capacity Building	DUT – e learning	Province wide- district and ward to be confirmed after the intervention	EDTEA/ Durban University of Technology (DUT)

Skills and Capacity	UKZN – RLEDI programme	Province wide- district and ward to be confirmed after the intervention	EDTEA/ UKZN's Graduate School of Business and Leadership
Infrastructure	Municipal Innovation Economic Infrastructure Support	Province wide (District and Local Municipality to be confirmed)	EDTEA, District Municipality, Local Municipality, District Development Agencies

PROGRAMME 4: BUSINESS REGULATIONS

Area of Intervention	Five Year Planning Period		
	Project Description and Budget Allocation	District Municipality and Specific Location / GPS Coordinates	Responsibility/ Project Leader and Project / Social Partners
Online automated business application and information management system (e Permits)	R892 000 Digitisation of Business licencing and informal permitting. Tool developed for implementation by municipalities with province having a dashboard view and assisting municipalities with implementation - overall intention is to fast track processes to enable economic activity	Whole of KZN	NAVLENE THAVAR / SANELE NGUBANE / SITA
Case Management System (e Complaints)	R1.3m Digitisation of management of consumer complaints and enabling online access by consumers	Whole of KZN	NAVLENE THAVAR / TSHEPISO SELEPE / SITA
Project Management Unit (PMU)	R1.5 m Capacity building for municipalities which do not have capacity to execute processing of business licenses and informal traders permits	Whole of KZN	NAVLENE THAVAR / SANELE NGUBANE / MUNICIPALITIES

PROGRAMME 7: ENVIRONMENTAL MANAGEMENT

Area of Intervention	Long Term (5 Years - 2024)		
	Project Description and Budget Allocation	District Municipality and Specific Location / GPS Coordinates	Responsibility/ Project Leader and Project / Social Partners
EDTEA Environmental Management Commitments	Invasive alien species program R65'000'000 per annum	TBD	EDTEA Biodiversity Management EK2NW Biodiversity Management DPW EPWP
			EDTEA Pollution and Waste Management Climate Change
	Integrated Environmental Management Tools Development Program estimated at R1 000 000	Declared special economic zones, industrial development zones, industrial hubs and such-like	EDTEA Environmental Planning and Coordination
			EDTEA Air quality and climate change management
	KZN-Ambient Air Quality Monitoring Programme R 500 000 per annum	KZN-Industrial Zones	EDTEA Air quality and climate change management

(Available on the departmental website www.kznedtea.gov.za)

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