

PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT STRATEGY

Development of an Economic Cluster Programme of Action

Provincial Spatial Economic Development Strategy (PSEDS)

Development of an Economic Cluster Programme of Action

1 THE POLICY FRAMEWORK FOR AN ECONOMIC DEVELOPMENT STRATEGY

International and national context

While South Africa's per capita income places our country among the middle-income countries, our income disparities are among the most extreme in the world. Reducing inequality and poverty, and tackling unemployment and underemployment, are the key challenges faced by the South African government. The two major challenges, namely poverty and unemployment, are a world phenomenon. Against this background, it is important to view the development challenges confronting the Province of KwaZulu-Natal in both an international and national context.

The concept of a developmental state – which applies both to the country and the province – is rooted in the Millennium Development Goals (MDGs) adopted by the United Nations. Indeed both the national and provincial government's development strategies and interventions should be viewed in the context of, and measured against, these international development goals which apply to all countries across the globe. The MDGs are:

- Eradication of extreme poverty and hunger;
- Achievement of universal primary education;
- Promotion of gender equality and empowerment of women;
- Reduction in child mortality;
- Improvement of maternal health;
- Combating HIV/AIDS, malaria and other diseases;
- Ensuring environmental sustainability; and
- Developing a global partnership for development.

Within this framework, the national government has announced specific development goals and targets for the next decade, as announced on various occasions by the President and encapsulated in the 2005 Election Manifesto. These are:

- By 2008 all households will have access to clean water;
- By 2010 all households will have decent sanitation facilities; and
- By 2012 every household will have access to electricity

The Accelerated and Shared Growth Initiative (ASGI-SA), for its part, was formally announced by government in February 2006. The overall goal of this initiative is to place the SA economy on a permanently higher growth path of more than 4.5% in the period to 2009, and more than 6% from 2010 to 2014. The ASGI-SA strategy builds on the principles underpinning the Medium Term Strategic Framework (MTSF), which guides the national, provincial and local planning and budgeting processes over the medium term. These principles, or broad national goals, are to:

- accelerate growth in the economy
- reduce the gap between the first and second economies, and
- ensure that social security reaches all who are eligible

The overall goal of ASGI-SA is to halve poverty and unemployment by 2014. The KZN government for its part has fully committed itself to these ASGI-SA goals.

The Provincial Growth and Development Strategy (PGDS) - alignment with the MDGs

The provincial Government has developed its own Growth and Development Strategy, which is closely aligned to both the Millennium Development Goals and national development goals. The PGDS is essentially a tool through which the provincial government can address the legacies of the apartheid space economy, promote sustainable development and ensure poverty eradication and employment creation.

The key challenge government faces is to effectively align and harmonise the MDGs and PGDS; and to harness and align the fiscal, financial and human resources at its disposal towards eradicating poverty, creating employment and laying the foundations for accelerated economic growth.

Inequalities exist in our economy and there is a legacy of inequitable spatial development. This has had a negative impact on public sector investment as highlighted by the National Spatial Development Perspective (NSDP). This is evident in the lopsided economic and social costs for poor communities in locations far from employment and other opportunities. The PGDS consequently provides a framework for public and private sector investment, indicating areas of opportunities and development priorities. It addresses key issues of implementation blockages whilst providing strategic direction. The PGDS implies a developmental approach to government. This implies a pro-active and facilitative approach to development and not one based on formulating and applying regulations and restrictions.

Provincial Government approach to development

The progression of the province from a violence-plagued region to a normalised, peaceful area has paved the way for the provincial government to focus all its efforts, energies and resources on growth and development. In tackling the legacy of apartheid and service backlogs in the province, the government has adopted a comprehensive approach aimed at addressing underdevelopment and poverty in all its manifestations and dimensions.

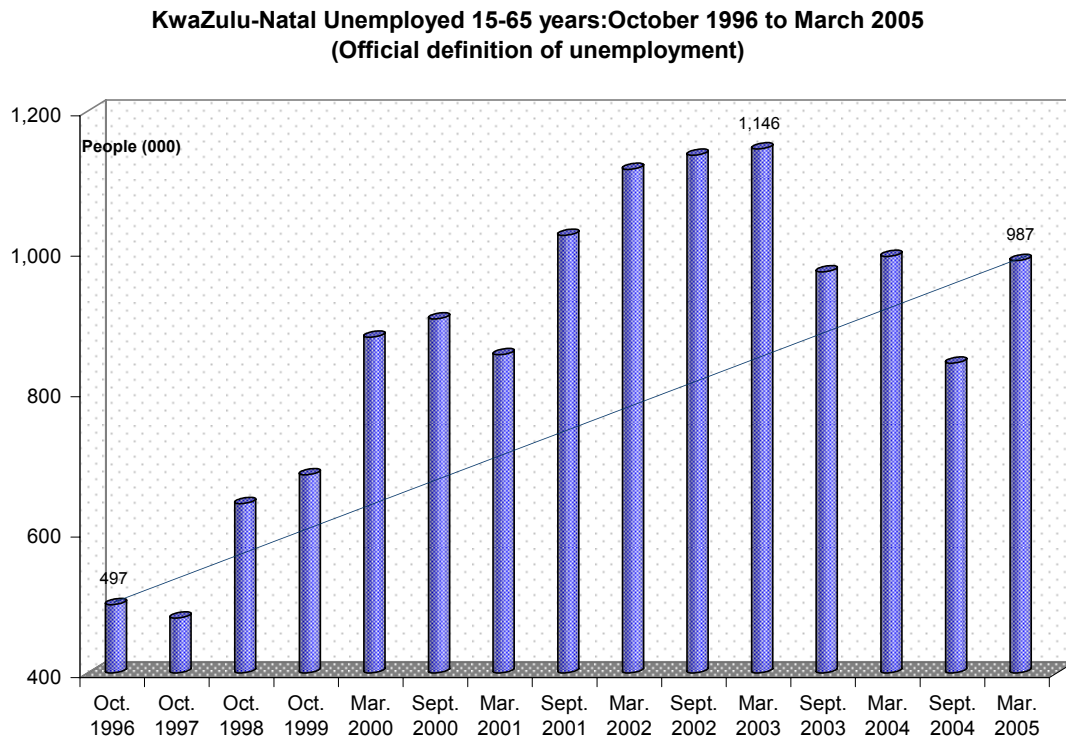
Underdevelopment and deprivation are legacies affecting most provinces in the country, KwaZulu-Natal being no exception. This situation calls for an aggressive *integrated and targeted approach* to promote growth and development to address the consequential issues of poverty, deprivation and inequality which afflict our society. If we are to succeed in this task, however, it is vital to understand the dimensions of the socio-economic challenges we face.

2 POVERTY, INEQUALITY AND UNEMPLOYMENT IN KWAZULU-NATAL

Despite the concerted efforts of the Provincial Government to address the twin challenges of poverty and unemployment in the first decade of democracy, poverty and unemployment rates have remained chronic and rising. Looking at the KZN labour market in 2005¹, it is estimated that:

- 9.8 million people lived in KwaZulu-Natal, of which:
- 6.0 million were potential workers (labour force). Of these potential workers, only
- 2.1 million were employed,
- 2.9 million were not economically active, and
- 0.9 million were unemployed (31.7 per cent unemployment rate)

¹ Statistics South Africa, Labour Force Survey PO210, March 2005



Source: Statistics South Africa, Labour Force Survey, 2005

Unemployment is a significant contributor to poverty. Unemployed poor people in KwaZulu-Natal are concentrated among Africans, in rural areas, among women and the youth. Global Insight, Poverty indicators reveal for 2005 that in KwaZulu-Natal,

- 5.3 million people were living in poverty and 1.2 million people were living on less than US\$1 a day (R6.5 a day or R200 a month),
- the estimated poverty gap is Rbn18.3 (the amount required to raise the income of these 5.3 million people to the poverty line),
- 1.5 million people lived with HIV and Aids (15 per cent of the population in 2005), and
- Life expectancy dropped to 45 years.
- 15 per cent of the population, 20 years or older had no schooling, 41 per cent had no secondary schooling, and 73 per cent had not completed grade 12 (Stats SA, Census 2001).

3 THE 2014 GOALS

In broad terms, both the national and provincial goals are thus to halve poverty and unemployment by 2014. What does this mean precisely in the case of KwaZulu-Natal?

Taking into account four major poverty and inequality indicators, the 2014 goals for KwaZulu-Natal can be presented as follows in Table 1:

Table 1: 2014 Forecast

Indicator *	2004 Baseline	Growth rate (pa)	2014 Future value	Target 2014
People in poverty (2004)	5,315,491	1.5	6,168,844	3,084,422
Illiteracy (2001)	1,100,291	3.0	1,615,814	807,907
HIV prevalence (2004)	1,364,030	2.3	1,712,302	856,151
Unemployment (2004)	987,000	-0.6	929,354	464,677

* Where no figure for immediately preceding year was available, average growth rate for the years apart was used, otherwise the most recent year-on-year rates were used. The present value (used to determine the future value of the particular indicator) is the value in the reference year (given in brackets).

To these four basic indicators the following socio-economic indicators can be added:

Indicator	Baseline 2004	Target 2014
Economic growth rate **	4.9%	7.5%
Urbanisation rate*	47.5%	65%
Gini Co-efficient*	0.65	0.40
Access to computer (Census 2001)**	148 315 people	400 000 people
HDI*	0.57	0.78
Number of SMME's		
Regional share of exports ***	18%	25%

Source: *Global Insight, 2005; ** Statistics South Africa; *** Quantec Research, 2005

4 THE PROVINCIAL GOVERNMENT'S ECONOMIC DEVELOPMENT STRATEGY

To achieve the above-mentioned goals and objectives will require a coordinated provincial development strategy, namely the PGDS, comprising *governance, human development, social* and *economic* interventions. The Governance and Administration and Social Clusters of government have an equally important role to play in the achieving the broad developmental goals of the Province. This paper however confines itself to articulating the economic development strategy of the province.

The provincial government launched a new phase of its economic growth and development strategy in 2005 shortly after the elections. The strategy is aimed at transforming the structure of the economy and narrowing and eventually eliminating the gap between the first and second economies. The four pillars on which this strategy rests are as follows:

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

Government Investment in Sustainable Economic Development

The Provincial Government has initiated several programmes and strategic interventions in the regional economy aimed at boosting growth rates to a higher level on a sustainable basis in line with the ASGI-SA objectives. The main programmes and interventions are the following:

- (a) *Promotion and attraction of Foreign Direct Investment*
- (b) *Investment in infrastructure:*
 - Dube Trade Port*
 - Provincial Growth Fund*
 - 2010 Soccer World Cup – Investment in supporting infrastructure*
- (c) *Sector Development*
- (d) *Corridor development*

Promotion of SMMEs and Black Economic Empowerment

Linked to these programmes aimed specifically at stimulating economic growth and job creation, the Provincial Government has developed a comprehensive strategy to address the issues of poverty and joblessness for the millions of our citizens trapped in the impoverished second economy. The provincial government's Black Economic Empowerment strategy consists of the "stepwise rise to prosperity" concept and focused programmes aimed at supporting and empowering small businesses and black entrepreneurs in the Province. Key features of this approach are:

- The creation of a dedicated fund to support the establishment of cooperatives to effect local food security and household income improvements;
- The creation of several funds to support the establishment and development of SMMEs;
- Mechanisms to assist Cooperatives and SMMEs in terms of training and skills development through the provincial FET colleges;

- Facilitating access to affordable financing through use of Ithala Development and Finance Corporation;
- Reform of supply chain management (procurement) in the provincial government to support BEE and to position government procurement spend as a market for cooperatives and black-owned SMMEs; and
- The agrarian revolution programme, including coordinated land reform and restitution, aimed at exploiting the province's enormous latent agricultural potential and comparative advantages to the full as a means to create basic income and food security and to stimulate growth, employment creation and the eradication of poverty in rural areas.

In summary, the aim of these second economy interventions is to:

- narrow and eventually eliminate the gap between the first and second economies;
- address the issues of income poverty, past racial discrimination and spatial disparities in the provision of public goods, services and infrastructure; and
- create employment, fight poverty and support black economic empowerment

Both the first and second economy interventions summarised above necessarily have to take place within a spatial context. Indeed, one of the key gaps in the current version of the PGDS is that it lacks a spatial context. The PGDS provides a framework for public and private sector investment, indicating broad development opportunities and priorities. It addresses key issues of implementation blockages whilst providing strategic direction, all within the framework of a developmental approach to government. It does not however provide a detailed spatial perspective on where development should take place around the province. For this reason it has become necessary for the provincial government to develop a spatially-based economic development strategy to give a spatial context to the provincial priorities and development programmes identified in the PGDS. It must be emphasised that this spatially-based economic development strategy will not be developed independently of the PGDS – on the contrary it can be regarded as the spatial representation of the PGDS.

5 ALIGNING APPROACHES TO SPATIAL DEVELOPMENT – THE PROBLEM STATEMENT

Within the South African context and in terms of section 40 of the South African Constitution “... government is constituted as national, provincial and local spheres of government which are distinctive, interdependent and interrelated”. The implication of this is that provincial development strategies must take cognisance of and clearly reflect national strategic developmental and spatial imperatives and priorities, whilst at the same time providing a

framework for the development of municipal spatial development strategies. The implication of this is that although each sphere of government has its own set of Constitutional mandates and assigned powers and functions, these spheres all share the same geographical or physical space. Although each sphere can plan for development within its portion of the shared space, it has to do so with the interest of the larger good in mind. This implies that the principles and imperatives of the National Spatial Development Perspective (NSDP), as well as the Accelerated and Shared Growth-South Africa (ASGISA) must form the basis of any provincial development strategy.

Provincial strategies aimed at promoting growth and development must be developed on the basis of a thorough understanding of the existing profile of the province and an analysis of the strengths, weaknesses, opportunities and threats of the current situation. This implies that strategies, programmes and plans would be developed to build on the strengths, eliminate the weaknesses, explore the opportunities, and to mitigate the threats. Provincial strategies for growth and development must therefore also make clear pronouncements on specific geographic areas of focus for the phased implementation of Province's strategic objectives and priorities in achieving the vision of the Province. This will require a thorough understanding of the physical, demographic, social, economic and institutional profile and the state of the environment of the Province. It will further require a careful analysis of historic and current development trends, as well as a projection of future anticipated trends within the local and global environment.

It is then in relation to the scope of these provincial priorities, and within the context of the NSDP principles of sustainable development and the imperatives of at least 6% shared economic growth, that provincial spatial strategies must guide and inform the:

- Spatial principles that will direct growth and development in the Province, such as inter alia, principles of sustainability, the need to address historic spatial imbalances, curbing urban sprawl and differentiated levels of infrastructure provision;
- Identification of priority development areas, focussing on areas in which specific types of development should be encouraged or discouraged;
- Strengthening or development of major movement routes or corridors;
- Identification of areas that have to be protected for biodiversity and conservation purposes;
- The preparation of Municipal Spatial Development Frameworks, to ensure full alignment of national, provincial and municipal spatial visions;
- Budgeting processes of all spheres of government to ensure that government creates an environment conducive for development in the prioritised areas: and

- The investment decisions of the private sector, not only in pursuance of optimal returns, but also in support of a shared spatial vision for the Province.

This positive scenario translates into situations where adequate levels of infrastructure are provided. Whilst all communities are being provided with at least a basic level of service in a structured and programmed manner, areas targeted for economic growth and development are provided with appropriate levels of infrastructure to attract investment interest, not only to address the immediate need, but also to provide for reliable expansion and growth trends. It translates into a situation where developers are actively encouraged and supported to invest in pre-identified focus areas in promotion of both the first and second economy and where environmental impact can be managed. In short, it projects a Province that has considered its options and has developed a well defined and supported plan how to achieve set targets.

6 NATIONAL SPATIAL DEVELOPMENT PERSPECTIVE

The National Spatial Development Perspective (NSDP) guides government in implementing its programmes in order to achieve the objectives of ASGISA of halving poverty and unemployment by 2014. The NSDP is built on four basic principles. These are:

- Principle 1: Rapid economic growth that is sustained and inclusive is a pre-requisite for the achievement of poverty alleviation
- Principle 2: Government spending on fixed investment should be focused on localities of economic growth and / or economic potential in order to gear up private sector investment, stimulate sustainable economic activities and create long-term employment opportunities
- Principle 3: Where low economic potential exists investments should be directed at projects and programmes to address poverty and the provision of basic services in order to address past and current social inequalities
- Principle 4: In order to overcome the spatial distortions of Apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres in order for them to become regional gateways to the global economy.

The Provincial Spatial Economic Development Strategy has been developed in order to achieve the objectives of ASGISA within the framework of the NSDP and the PGDS. The Provincial Spatial Economic Development Strategy (PSEDS) sets out to:

- Focus where government directs its investment and development initiatives to ensure sustainable and maximum impact (Massification)
- Capitalise on complementarities and facilitate consistent and focused decision making
- Act as a tool to help government to move beyond mere focusing on integration & coordination procedures to establishing processes & mechanisms to bring about strategic coordination, interaction and alignment.

Both the NSDP and PGDS recognise that social and economic development is never evenly distributed and spatial disparities will always exist due to the spatial distribution of natural resources, historical imperatives and cultural factors. These spatial disparities have been aggravated by apartheid spatial planning. This has resulted in a disjuncture between where people live and where social and economic opportunities are concentrated. This spatial marginalization from economic opportunities of the majority of the population needs to be addressed in order to reduce poverty and inequality and ensure shared growth.

In recognition of the above it is imperative that Government spatially references the programmes and plans contained in the PGDS. This ensures that plans take account of the inevitable spatial disparities and ensure that optimal investment decisions are made. It is towards this end that the PSEDS has been developed.

The PSEDS focuses fixed infrastructure investments in areas of economic development potential (whether realised or dormant), and prioritises areas of greatest need based on poverty densities. This does not imply that other areas, with lower economic growth potential, will be neglected. All areas in the Province will receive investments in development and the provision of basic services.

7 CLASSIFICATION OF POTENTIAL AND NEED

In order to undertake a rigorous analysis of the space economy the province has been examined to ascertain the categories of economic potential and the categories of poverty or need as recommended in the NSDP. Economic potential was categorised so as to:

- Identify areas of significant economic significance;

- Enable comparison among areas;
- Highlight key characteristics of the space economy; and
- Identify requirements to capitalise on economic potential.

Poverty and need was categorised so as to:

- Identify absolute numbers and spatial distribution of people in poverty/need;
- Enable comparison among areas; and
- Identify requirements to address poverty.

A comprehensive overview of the provincial space economy, complete with a socio-economic profile of each district, is attached as Annexure A.

7.1 Classification of Economic Potential

The sectors of the provincial economy which will drive the growth of the province and address unemployment and poverty are the following sectors:

- Agriculture – including agri-industry (with opportunities to impact considerably on the economic needs of the poor through Land Reform)
- Industry, including heavy and light industry and manufacturing
- Tourism, including domestic and foreign tourism²
- Service sector including financial, social, transport, retail and government

Supporting all these sectors is of course the critical issue of water and energy provision. Water and electrification were identified as critical levers for the province's economic and social development during the Didima Cabinet Indaba in August 2005. For this reason water and electricity will form an integral part of the PSEDS.

The logistics and transport sector (including rail) in the services sector are also important sub-sectors underpinning growth in all four sectors. In this respect there will be a need to develop a comprehensive rail transport strategy for the province within the overall framework of the PSEDS.

² Although strictly speaking tourism is part of the services sector, for the purposes of this paper it is dealt with as a separate sector.

An analysis of the areas of potential within these sectors follows.

7.1.1 *Agriculture and agri-processing and Land Reform*

This sector is key to addressing poverty in the province since most areas of poverty are rural. Its contribution to the provincial economy is currently small but it has the potential to increase this contribution significantly if its full potential were realised. The commercial agriculture sector is the major employer in the majority of municipalities and forms the economic anchor of these municipalities. Subsistence agriculture is by far the most important source of sustenance for rural households. In order to achieve a reduction of unemployment and poverty the challenge is to grow and transform the commercial agricultural sector and improve the linkages between the First Economy commercial agriculture and the Second Economy subsistence agriculture in order to develop such subsistence agriculture into small scale commercial agriculture. The Agricultural Revolution and the Land Reform Programme are key instruments for the achievement of these objectives and they need to be aligned. A summarised version of the Department of Agriculture's agrarian revolution programme is attached as Annexure B

The Provincial Department of Agriculture and Environmental Affairs Agrarian Revolution programme and Land Reform's New Strategic Framework, focusing on integrated development models based on, areas based plans, partnership, and empowerment of beneficiaries at a local level, are both aimed at making a positive impact on commercial agriculture. With about 1 250 000 ha of the province's white-owned agricultural land due to be transferred to black owners by 2014, the Department of Land Affairs acknowledges that an integrated approach is needed to scale up delivery and maximize positive impact on poverty alleviation, job creation and economic growth. An economic strategy that links land reform projects to key provincial agrarian revolution programmes and projects will capitalise the transfer of the 30% of white-owned agricultural land into an economic growth opportunity for the province.

In spatially locating areas of agricultural potential in the province emphasis is placed on the need to release latent potential which mostly exists in the Ingonyama Trust lands, and the support of the land reform initiatives in the province.

7.1.2 Industrial development

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

For an overview of the main areas of industrial and manufacturing development in the province, see Annexure A.

7.1.3 Tourism

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

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

An overview of the tourism projects currently being prioritized by The Department of Arts, Culture and Tourism is currently finalizing the schedule of tourism projects it is prioritizing in the current MTEF.

7.1.4 Services sector

Analysis of the respective contribution of the various sectors to the economies of the districts in the province indicates that with the exception of two districts the service sector, which includes government services, is the largest contributor to district economies. The service sector is in fact the largest sector in the provincial economy, contributing 52,8% to GGP. The sector comprises the following:

- Wholesale/retail trade
- Transport/storage
- Communication

- Financial/insurance
- Real estate
- Business services
- Community/social/personal services
- Government services

The Provincial Spatial Economic Development Strategy takes the implications of the importance of the service sector in most districts into account. Many of the smaller rural centres and towns represent important centres of service, and particularly government activity. The PSEDS builds on the concept of developing a comprehensive network of centres throughout the province which would support the delivery of services. Services delivered would be determined by various nodes according to a hierarchy of places. In identifying the hierarchy of places existing service centres are strengthened but, more importantly, new or emerging service centres are developed.

The principle of shared service centres in the smaller rural centres and town across the province is supported. In time growth and development in these rural service centres may lead to the realisation of further economic development and activity, justifying additional government investment in the three sectors already discussed. The hierarchy of nodes is illustrated in chapter 6.

7.1.5 *Water and energy*

The national service delivery targets with regard to water, sanitation and electrification are as follows:

- By 2008 all households will have access to clean water;
- By 2010 all households will have decent sanitation facilities; and
- By 2012 every household will have access to electricity

These are extremely ambitious targets, and arising from the Cabinet's concern that the targets might not be met in KwaZulu-Natal, the Department of Local Government and Traditional Affairs has been tasked to coordinate the compilation of a provincial service delivery plan in all these areas for the next 5 years.

In respect of water and sanitation it is generally accepted that a 'special intervention' will be required in the province of KwaZulu-Natal in order to eliminate the water services backlogs and to extend the level of service within acceptable timeframes. The DLGTA has accordingly prepared a proposal aimed at providing a strategic concept and intervention plan aimed at contributing substantially to the eradication of the water services backlog by 2010. The estimated capital investment required in order to achieve this objective amounts to R20 billion. Poverty alleviation and reduction in unemployment levels will be boosted tremendously with an estimated minimum of 50,000 jobs to be created through this intervention.

The KZN water services targets will be accurately assessed during the initiation stages of the intervention and are currently estimated from census and other information sources as follows:

- By 2007 – eradication of an estimated 25,000 “bucket toilets”
- By 2010 – an additional 800,000 households will have access to clean running water and decent sanitation

Although the primary objective of this intervention is focused on water services, the intended integrated development approach will present various opportunities to include selected bulk and household electrification programmes aimed at eradication of the estimated 38% household electricity backlogs.

It must be emphasised that while not neglecting the need for the provision of basic services in the form of electricity and water, there is also a need to focus on the provision of affordable bulk water and electricity to support growth in the four priority sectors in the respective nodes and corridors. The provincial government needs to develop a bulk water and electricity strategy for the province within the framework of the PSEDs.

With regard to the provincial electrification programme, the electricity distribution industry is currently in the process of restructuring, with major implications for the way in which electricity is developed and distributed in the province.

In discussing the provincial water and electrification roll-out programme, it must be emphasised that it is not only the provision of the service and elimination of backlogs that needs to be considered, but also the *cost* of services to both the individual consumer and, in terms of this PSEDs, the end-user in terms of the various identified sectors. This is an issue which the provincial government will need to engage the service providers on as a matter of urgency, as it impacts on the ability of the province to attract investors and remain competitive both nationally and internationally.

7.2 Classification of Poverty and Need

The spatial representation of population numbers and poverty levels is based on the population statistics issued by Statistics South Africa from the 2001 census. The maps showing levels of poverty, population size and poverty densities are attached. In comparing poverty and need poverty densities were used. In summary the analysis identified the following:

Poverty levels measure the proportion of persons living below a certain living standard. Areas of high poverty thus have a large proportion of their population living below the poverty level. The highest levels of poverty and need are mainly concentrated within those areas previously forming part of the KwaZulu homeland. The poverty levels in the province are illustrated in Figure 2.

The following local municipalities contain wards which constitute the 50 most deprived areas in the province:

- Nkandla
- Ulundi
- Nqutu
- Indaka
- Msinga
- Umlalazi
- Ingwe
- Okhahlamba
- Nongoma
- Ndwedwe
- Maphumulo
- Umzumbe
- Abaqulusi
- Umzimkhulu

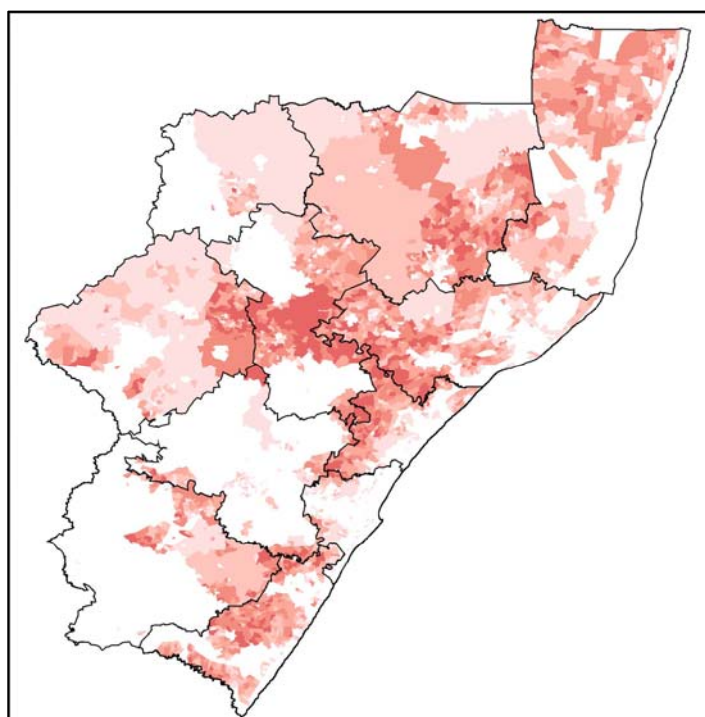


Figure 2: Poverty Levels (2001 census)

Poverty density is a measure of the numbers of people within an area below the poverty level. These municipalities are concentrated around the major economic centres of the province.

The poverty densities in the province are illustrated in Figure 3. The 10 local municipalities with the highest number of people living in poverty are:

1. eThekweni
2. Msunduzi
3. Newcastle
4. Umhlatuze
5. Jozini
6. Emnambithi
7. Hibiscus Coast
8. Abaqulusi
9. Ulundi
10. KwaDukuza

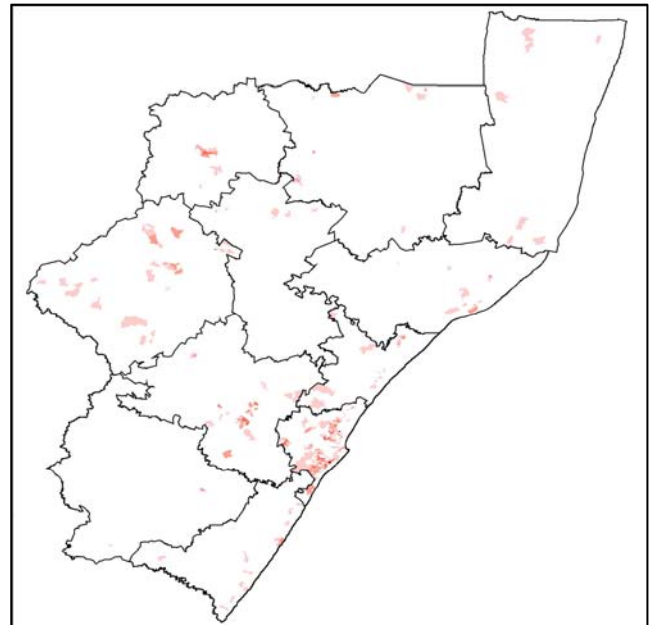


Figure 3: Poverty Densities (2001 census)

In pursuing the goal of halving poverty and unemployment by 2014 it is essential that both poverty levels and poverty densities be examined when prioritising interventions. Although it is essential to direct investment to areas with high poverty levels, it is essential to also prioritise areas with high poverty densities. Addressing the latter is essential in order to achieve the goal of halving poverty since it targets areas where most poor people reside. Addressing the former is vital not only for ensuring equity, but also for ensuring that the population growth in urban centres does not exceed the economic growth, thus making it more possible to address poverty in these areas of high poverty densities. It is thus clear that it is essential to have a two pronged approach to addressing poverty by ensuring that areas of high poverty levels and areas of high poverty densities are prioritised for investment. The type of investment, whether fixed investment or investment in people, depends upon the economic development potential of the area.

8 NODES AND ACTIVITY CORRIDORS

The fourth principle of the NSDP is that settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent to or link the main growth centres. Having considered the strengths, weaknesses, opportunities and threats associated with the Profile of the Province, the KwaZulu-Natal Cabinet resolved in July 2005 to pursue the concept of “corridor development” as a stimulus to economic growth in the Province. To this end the PSEDs endeavours to identify such main growth centres and the related nodes and corridors.

It is important to emphasise the difference between transport or logistics corridors and activity or development corridors. Whilst activity/development corridors would naturally be located in close proximity to logistics corridors not all logistics corridors are appropriate as activity corridors. This is due to the fact that development activity could negatively impact on the transport function of corridor. In addition, the transport logistics function of a route does not necessarily make it appropriate as an activity corridor since there may be limited economic development potential along the corridor.

The PSEDs thus does not attempt to identify a functional hierarchy of transport logistics corridors or routes throughout the province. Instead it focuses its attention on activity/development corridors. These development corridors are not intended to be the basis for a transport logistics network. It is however essential that the development corridors are adequately served by appropriate transport and logistics infrastructure.

From the classification of economic potential and the classification of poverty a matrix of development corridors and nodes has been identified which will serve to serve two functions. These functions are:

- To facilitate the increased growth of existing centres and corridors of economic development in the province; and
- To ensure that the potential for economic development within areas of high poverty is realised.

For this reason the nodes and development corridors include both existing well established nodes and corridors, as well as nodes and corridors which currently don't exist or are very weak. The nodes and activity corridors identified are illustrated on the attached maps.

The categories of potential set out in the NSDP are:

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

The nodes are defined as follows:

Primary Node (PN): An urban centre with very high existing economic growth and the potential for expansion thereof. Provides service to the national and provincial economy.

Secondary Node (SN): An urban centre with good existing economic development and the potential for growth. Services the regional economy.

Tertiary Node (TN): A centre which should provide service to the sub-regional economy.

Quaternary Node (QN): A centre which should provide service to the localised economy

5th level Node (5N): A centre which provides service to a ward

The first two levels of nodes have been identified for priority interventions of the cluster over the next five years. There is a need to consult extensively with municipalities on the identification of the lower order nodes. The primary and secondary nodes are summarised in the table below and illustrated in figure 4:

No.	Node	Classification	Main Categories of Potential
PN1	eThekwini	Primary Node	1, 3, 4, 5, 6
SN1	Richards Bay	Secondary Node	1, 3, 4, 5, 6
SN2	Msunduzi	Secondary Node	1, 3, 4, 5, 6
SN3	Newcastle	Secondary Node	1, 2, 4, 5, 6
SN4	Port Shepstone	Secondary Node	1, 4, 5, 6

The development corridors have been identified for priority interventions of the cluster over the next five years. The corridors identified do not include all existing corridors within the province. Only those corridors which are identified as having the potential for greatly impacting on economic growth and the development of impoverished areas have been prioritised. Those corridors not prioritised will still form an important part of the provincial economy and will not be neglected.

The corridors are defined as follows:

Primary Corridor (PC): A corridor with very high economic growth potential within all three sectors which serves areas of high poverty densities.

Secondary Corridor (SC): A corridor serving areas of high poverty levels with good economic development potential within one or two sectors

The priority corridors identified are listed in the table below and illustrated in Figure 5.

No.	Corridor	Classification	Categories of Potential
PC1	eThekwini - Umhlatuze	Primary Corridor	1, 2, 3, 4, 5
PC2	eThekwini – Msunduzi - uMngeni	Primary Corridor	1, 2, 3, 4, 5, 6
PC3	eThekwini – Ugu	Primary Corridor	1, 2, 4, 5, 6
SC1	Umhlatuze – Ulundi - Vryheid	Secondary Corridor	2, 4, 5, 6
SC2	Kokstad – Umzimkulu – Msunduzi	Secondary Corridor	2, 4, 5, 6
SC3	Msunduzi – Nkandla - Ulundi	Secondary Corridor	2, 4, 5, 6
SC4	Ulundi – Nongoma – Pongola	Secondary Corridor	2, 4, 5, 6
SC5	Lebombo SDI – Maputo	Secondary Corridor	2, 5
SC6	Port Shepstone – St Faiths - Ixopo	Secondary Corridor	2, 5
SC7	Maphumulo – Ndwedwe - Dube	Secondary Corridor	2, 5
SC8	Ukhahlamba corridor	Secondary Corridor	5
SC9	Weenen – Nkandla – Eshowe	Secondary Corridor	2, 4, 5, 6
SC10	Manguzi – Swaziland	Secondary Corridor	2, 5
SC11	Makhatini flats corridor	Secondary Corridor	2
SC12	Greytown – Msinga – Madadeni	Secondary Corridor	2, 4, 5, 6
SC13	Nkandla – Nqutu – Vryheid	Secondary Corridor	2, 4, 5
SC14	Mtubathuba – Nongoma	Secondary Corridor	2, 4, 5

Again it is important to emphasise that these nodes and corridors do not constitute a logistics network for the province. It is imperative however that these corridors and nodes are supported by an adequate and appropriate network of services including transport, electricity, water, housing, health, education and community safety, amongst others. Further planning is required in order to detail projects required to ensure the successful implementation of the PSEDS.

Figure 4: Hierarchy of Nodes

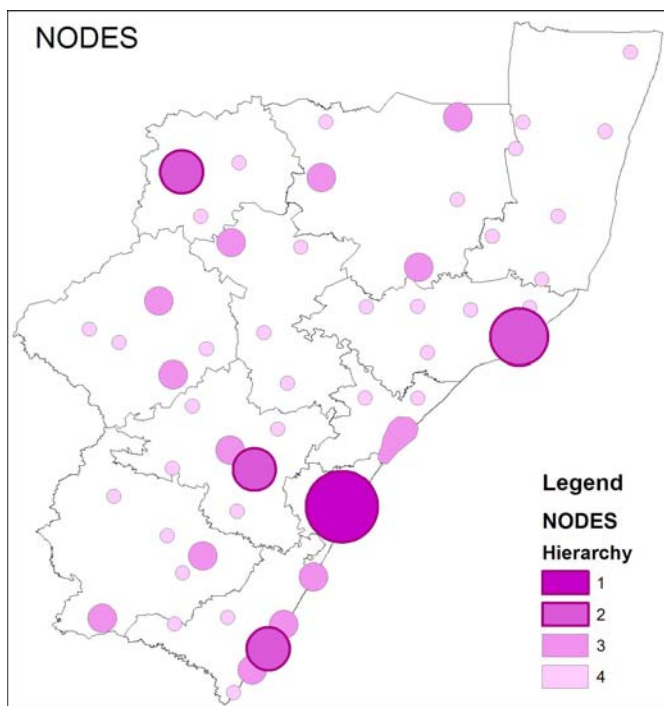
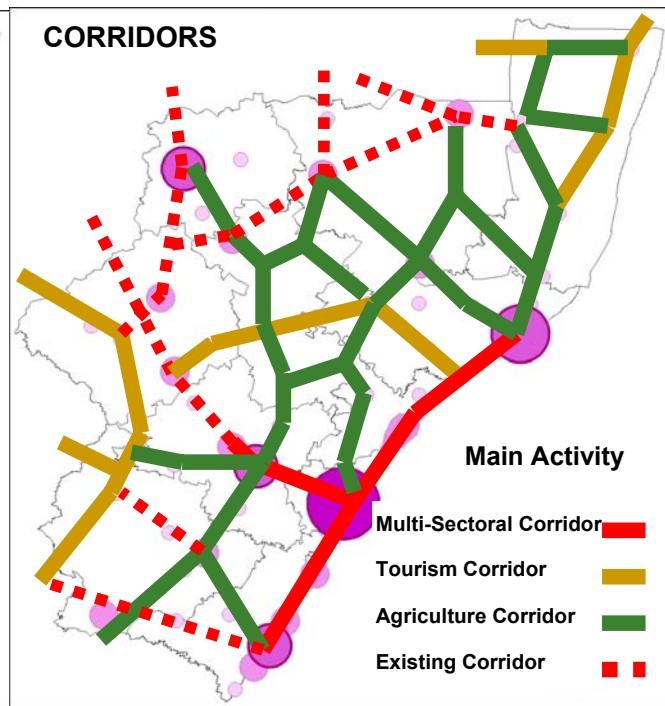


Figure 5: Activity Corridors



Within the province there are critical threats that must be addressed in order to ensure that these key sectors can play the role required to bring about growth, job creation and poverty reduction. These threats are cross cutting issues which affect the whole province and require visionary leadership and decisive action in order to ensure that they don't derail the growth of the province. These threats are summarised by sector.

Agriculture and Land Reform

- **Loss of productive commercial agricultural land to residential development:** the development of high income residential estates on prime agricultural land in proximity to the major urban areas is having a negative impact on the agricultural potential of the province. If allowed to continue on the current trend it would negatively impact on the contribution of agriculture to the provincial economy and job creation. It would also negatively impact on opportunities for transformation in the agricultural sector.

- **Loss of land with agricultural potential in poor rural areas:** the pattern of settlement within poor rural communities in the province is characterised by widely dispersed dwellings. Not only does this pattern of settlement make it extremely expensive to provide minimum basic services, it also ensures that it is only possible to undertake subsistence agriculture on the land. This pattern of settlement has negatively impacted on the ability of agriculture to reduce poverty and create jobs in the poorest areas. It is important that government policies on housing and service provision support a more sustainable pattern of settlement which would support the development of viable agriculture.
- **Land reform resulting in a loss of productive commercial agriculture:** Most of existing commercial agricultural land in the province is subject to land claims. Government has a target that 30% of commercial agricultural land be transferred to black ownership by 2014 (this involves the transfer of 1 123 268 ha of white-owned commercial agricultural land). Even if this massive land transfer delivery target is met, if the resultant operations on this land are unsustainable it will not only virtually destroy the agricultural sector in the province, resulting in massive unemployment and poverty and a lack of food security, but it will also cause the collapse of the local economies of many of the existing rural towns in the province which rely on commercial agriculture for their livelihood. It is imperative that land reform creates the opportunity for an increase in agricultural production in order to ensure empowerment and economic prosperity in the province.
- **Municipal rates on agricultural land:** Municipalities are empowered to levy rates against agricultural land. If the process of determining rates does not take account of the economic realities of the existing and emerging commercial agricultural sector it could damage the agricultural potential of the municipality and discourage investment in agriculture. In attempting to ensure the funding of their administration is adequate, municipalities may precipitate the collapse of their local economy. It is imperative that municipalities obtain their funding in such a way that it promotes development.
- **Provision of adequate water supplies:** Ensuring adequate and sustainable water supply is critical to the long term development of agriculture in the province. Threats to water supply in the province include changing weather patterns as a result of global warming, uncontrolled spread of alien vegetation, dispersed human settlements, increase use of water by industry and consumers, pollution and water loss due to ageing infrastructure.

Tourism

- **Safety and security:** The extent of tourism growth in the province is integrally linked to the levels of risk and perceived levels of risk to a tourists safety and security. In order for the areas of tourism potential within the province to achieve their full potential it is essential that levels of safety and security be increased and perceptions of safety and security be improved. Not only does this involve an increase or improvement in policing, it also includes improving road safety, the provision of adequate signage, the development of income generating agriculture in poor communities, and the creation of viable income opportunities for poor communities through tourism, amongst other measures. (In this regard, a draft Tourism Safety and Security Initiative Implementation Plan is attached as Annexure F to this document).
- **Land invasion and illegal activities affecting tourism assets:** It is essential that the tourism resources of the province are protected from illegal activities. Such activities include activities related to high levels of poverty such as land invasion and poaching, but also to development such as environmental pollution from industry, visual pollution from billboards and the destruction of historically or architecturally significant buildings. Failure to do this not only threatens the environment and heritage of the province, it also threatens the tourism potential that is built on that resource. It is vital that government take decisive action to curb activities which threaten the potential inherent in the provinces natural, historical and cultural heritage.

Industry

- **Reliability of services:** Industry is reliant on the provision of reliable and affordable services by government. Such services include the provision of water and electricity, land, sea and air transport infrastructure. If industry cannot rely on any one of these services, or if they become too expensive, the industrial potential of the province will not be realised. It is thus imperative that municipalities be empowered to adequately administer their provision of services. It is also essential that the logistics network of the province supports industrial development.

- **Social support services:** The importance of affordable and appropriate housing, education, transport, health and leisure services for industrial development cannot be over-emphasised. Not only does it ensure the health and wellbeing of workers it also determines where management decide to locate their industry. Industrial development cannot achieve its full potential when management do not find the environment suitable for themselves and their families. It will also not achieve its full potential where labour is costly, unhealthy and uneducated.
- **Destructive Inter-municipal competition:** There is a tendency within municipalities to try and attract development at all costs. This results in destructive competition between neighbouring municipalities which could negatively impact on the sustainability of development. It is essential that guidance and support be given to municipalities from the province in order to ensure that industrial development is sustainable and appropriate and that destructive competition between municipalities does not threaten the sustainability of development.
- **Municipal rates on Industrial and commercial development:** Municipalities are under-funded and are examining ways to increase their rates base. If the process of determining rates does not take account of the economic realities of the commercial and industrial sector it could discourage investment and even drive away investors. In attempting to ensure the financing of their administration is adequate, municipalities may precipitate the stagnation or collapse of their local industrial sector. It is imperative that municipalities obtain their funding in such a way that it promotes development.

Summary

It is essential that all the above-mentioned threats receive priority attention from the cluster departments in their strategic planning and budgeting processes as they develop sectoral plans to implement the PSEDS. Indeed, in determining budget priorities, departments must take into consideration that unless the threats are adequately addressed, their programmes and projects in the various districts could be undermined and even collapse as a result of the identified threats not being addressed.

9 IMPLEMENTATION STRATEGY

The implementation strategy for the PSEDS sets out the key interventions for the Cluster over the next five years (2007/2008 – 2012/2013) in each district municipality in order to achieve the ASGISA objectives in alignment with the NSDP. These Cluster Interventions can only be successful through the integrated implementation of several sector department projects. These projects are critical to the success of the Cluster Interventions and must be implemented in a coordinated and integrated fashion in order to maximise synergies and minimise costs.

Taking into account the classification of potential and need and the nodes and activity corridors identified, a Cluster implementation strategy, highlighting the actions required in terms of the cluster priority sectors described above, has been developed for each District Municipality. The municipal Integrated Development Plan and Spatial Development Framework were examined to ensure that the Provincial Spatial Economic Development Strategy takes account of, and compliments, municipal planning – there will however be a need to further engage with District Municipalities to ensure alignment in the new planning cycle commencing for the 2007/08 financial year. It is planned to engage with municipalities in this regard during a series of Growth and Development summits in November and December 2006.

In examining the District Municipalities the province has highlighted key areas of potential which need to be addressed in order to bring about economic growth, address poverty, and/or create jobs. They are not the only areas of potential within the municipalities but are those areas which will have the greatest impact on bringing about growth, creating jobs, and / or reducing poverty. These areas of potential have been listed as cluster “programmes” which are spatially referenced in the attached maps. This forms the Cluster implementation strategy which can only be successfully implemented through an integrated implementation programme of multiple departments. The cluster programmes would thus consist of several departmental projects which would need to be implemented in order for the potential to be realised.

The list of cluster programmes/objectives presented below therefore represents the high level cluster implementation strategy. These high level interventions will need to be translated into detailed programmes and projects in the identified nodes and corridors traversing each District Municipality. The programmes and projects should reflect all three spheres of government.

10 SUMMARY OF HIGH LEVEL CLUSTER PRIORITIES AND OBJECTIVES PER DISTRICT MUNICIPALITY

10.1 Ethekwini

ETH: Agriculture and Land Reform

- Protection of high potential agricultural land for commercial production of high value perishable produce destined for export through airport – Umhlanga - Ballito
- Develop agricultural potential in low income peri-urban fringe (Umbumbulu, Hammarsdale, Valley of 1000 hills, Ndwedwe) to benefit from opportunities created by Dube Trade Port

ETH: Tourism

- Improvement of security on all major beaches
- Development of cultural tourism in low income peri-urban fringe (Umbumbulu, Hammarsdale, Valley of 1000 hills, Ndwedwe)
- 2010 infrastructure including stadiums, transport, public space, etc.

ETH: Industry

- Dube Trade Port: fast track the development of Trade Port
- Durban – Stanger Corridor: Ensure sustainable management of industrial and residential land development between eThekweni and Kwadukuza municipalities
- Southern Industrial basin: Plan the eventual migration of Durban International to King Shaka & develop a strategy for development of Automotive Cluster
- Umgeni – Durban Corridor: Plan for development in corridor and secure land for industrial, commercial and residential development
- Address land tenure issues and housing backlog
- Secure water resources – improve catchment management on Umgeni
- Provide adequate affordable housing and related services

10.2 Umgungundlovu

DC22: Agriculture and Land Reform

- Develop agricultural potential in low income peri-urban fringe (Edendale Valley)
- Protection of high potential agricultural land for commercial production – Midlands Meander
- Support land reform beneficiaries to increase agricultural production (consider supply linkages and possible joint ventures with major companies such as Rainbow Chickens, Uni-pork etc.)

DC22: Tourism

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

DC22: Industry

- uMngeni – Durban Corridor: Assist Msunduzi & Mgeni municipalities to provide world class infrastructure support industrial development
- Support development of greater Edendale area – tenure upgrade, residential, commercial, industrial development, transport
- Secure water resources – improve catchment management on Umgeni

DC22: Services

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

10.3 Uthungulu

DC28: Agriculture and Land Reform

- Nkwalini valley land reform beneficiaries – citrus production & processing
- Expansion of tea production & processing in Nkandla
- Support and expansion of land reform initiatives (e.g. Ntonjaneni land reform initiative – timber and cane production)
- Development of agricultural potential along P700 route
- Develop sugar cane production opportunities on land with potential on Trust land

DC28: Tourism

- Zulu Heritage Trail
- Cruise tourism – creation of luxury cruise liner terminal at Richards Bay Harbour
- Forestry tourism – improve tourism opportunities related to Nkandla, Qudeni, Entumeni, Ngoye & Dlinza forests

DC28: Industry

- Richards Bay IDZ: provide world class infrastructure, address issues related to: land ownership; designation as an IDZ; relationship with municipality and SARS; roles of province & national.
- Empangeni industrial townships: Assist municipality to provide world class infrastructure support industrial development
- Provide adequate affordable housing and related services

DC28: Services

- Formalise and plan Nkandla & Ntonjaneni to position for investment
- Provide adequate affordable housing and related services in towns

10.4 Ilembe

DC29: Agriculture and Land Reform

- Maphumulo – Ndwedwe corridor: develop agricultural potential along corridor. Strengthen nodes of Ndwedwe & Maphumulo as service and agri-processing nodes linked to Dube opportunities
- Purchase of some of the high potential agricultural land for commercial production (high value perishable produce) destined for export through King Shaka airport for land reform beneficiaries
- Protection of high potential agricultural land for commercial production – Umhlanga – Ballito
- Bio-fuels production

DC29: Tourism

- Zulu Heritage Trail: development of cultural & eco tourism opportunities inland & link to beach tourism market
- Beach tourism: development of upmarket (6 star) resorts, development of mid range package tourism beach resort
- Improve security at all major beaches

DC29: Industry

- Mandeni & Stanger Industrial townships: provision of world class infrastructure
- Provide adequate affordable housing and related services
- Centre of Innovation – creation of centre of innovation & required support infrastructure & services
- Link to Dube Trade Port: Plan & manage development related to Dube

DC29: Services

- Formalise and plan Maphumulo, Ndwedwe and Mandeni to position for investment
- Provide adequate affordable housing and related services in towns

10.5 Amajuba

DC25: Agriculture and Land Reform

- Livestock farming – develop livestock farming opportunities in Trust land
- Support land reform beneficiaries – livestock, game farming & explore others
- Develop Chelmsford Dam agricultural complex (serviced by Vryheid node)

DC25: Tourism

- Battle fields routes: development of linkages to benefit previously disadvantaged
- Drakensberg eco-tourism: develop cultural tourism opportunities with bordering communities

DC25: Industry

- Newcastle Industrial townships: provision of world class infrastructure, improve linkages to ports
- Provide adequate affordable housing and related services
- Bio-diesel production
- Coal mining – extension of life of mines and/or development of alternative opportunities

DC25: Services

- Plan Dannhauser and Utrecht to position for investment
- Provide adequate affordable housing and related services in towns

10.6 Ugu

DC21: Agriculture and Land Reform

- Development of sugar cane & banana production potential on Trust land
- Alignment of land reform initiative with opportunities presented by Fresh Produce Market

- Expand agri-processing capabilities and capacities to allow for new entrants to commercial agriculture
- Development of further agri-processing capabilities in Port Shepstone – bio fuels, bananas

DC21: Tourism

- Beach tourism: develop mid range package tourism destinations, upscale beach resorts
- Improve security at all major beaches
- Golf tourism: upgrading and maintaining status of existing courses & related infrastructure
- Expand on adventure & eco-tourism opportunities: Oribi Gorge & Aliwal Shoal
- New N2 Wild Coast route: assess impact of this and develop strategy to access opportunities
- Develop opportunities related to Margate Airport

DC21: Industry

- Port Shepstone Industrial townships: provision of world class infrastructure
- Provide adequate affordable housing and related services

DC23: Services

- Formalise and plan St Faiths and Harding to position for investment
- Provide adequate affordable housing and related services in towns

10.7 Uthukela

DC23: Agriculture and Land Reform

- Support land reform beneficiaries – Weenen & Winterton
- Support for land reform cluster projects across Uthukela – Besters, Ladysmith and Weenen (with a special focus on maize and beef farming)

DC23: Tourism

- Battle fields routes: development of linkages to benefit previously disadvantaged
- Drakensberg eco-tourism: develop cultural tourism opportunities with bordering communities

DC23: Industry

- Emnambithi Industrial Area: provision of world class infrastructure
- Provide adequate affordable housing and related services

DC23: Services

- Plan Weenen to position for investment
- Provide adequate affordable housing and related services in towns

10.8 Zululand**DC26: Agriculture and Land Reform**

- Development of agriculture along Ulundi – Richards Bay corridor
- Support land reform beneficiaries – Pongola Port dam (Gumbi claim)
- Support for existing and potential land reform cluster projects across Zululand with respect to livestock, maize, biofuels, green beans etc.
- Development of livestock and game farming potential on Trust land & land acquired by land reform beneficiaries
- Develop Ulundi, Nongoma & Vryheid as agricultural service and agri-processing centres

DC26: Tourism

- Zulu heritage route: expansion of this & improve road links
- Amakosini eco-tourism hub
- Ulundi Airport: improve use for charter tourism – link to eco & cultural tourism
- Improved linkages between eco-tourism opportunities (Ithala) and Mpumalanga

DC26: Services

- Formalise and plan Nongoma & Ulundi to position for investment
- Provide adequate affordable housing and related services in towns

10.9 Umkhanyakude**DC27: Agriculture and Land Reform**

- Makhatini Flats: improve roads, free up water from Pongola Poort dam
- Develop Mkhuze, Mbazwane, Jozini, Manguzi & Hluhluwe as agricultural service centres
- Support for existing and potential land reform cluster projects across Umkhanyakude with respect to livestock, maize, biofuels, nuts etc.
- Develop Mkhuze airstrip for agricultural exports
- Development of livestock and game farming potential on Trust land
- Develop agri-processing in Mkhuze & Jozini linked to Makatini flats

DC27: Tourism

- St Lucia & Cape Vidal: unlock potential of sites for tourism
- Ndumo & Thembe reserves: improve access
- Mkhuze airstrip for tourism – need regular scheduled flights
- Swaziland – Mbaswana – GSLWP corridor
- Development of tourism opportunities on Pongola Poort Dam
- SDI route: ensure linking of route to Maputo
- Reduce risk of malaria

DC27: Services

- Formalise and plan Mtubatuba, Hlabisa, Mbazwana, Jozini & Manguzi to position for investment
- Provide adequate affordable housing and related services in towns

10.10 Umzinyathi

DC24: Agriculture and Land Reform

- Tugela & Mooi river valleys: develop small scale intensive agriculture
- Develop land and support land reform projects concerning livestock farming and the development of an abattoir
- Development of livestock and game farming potential on Trust land
- Develop agri-processing in Tugela Ferry – vegetables & fish

DC24: Tourism

- Zulu heritage route: Develop cultural potential of Msinga, provide road links between Weenen, Msinga & Nkandla, improve R33.
- Battle fields routes: development of linkages to benefit previously disadvantaged

DC24: Services

- Formalise and plan Msinga & Nqutu to position for investment
- Provide adequate affordable housing and related services in nodes

10.11 Sisonke

DC43: Agriculture and Land Reform

- Development of livestock, game, timber & vegetable farming potential on Trust land: address stock theft
- Support land reform beneficiaries: this requires a farm worker strategy for the area, and consider opportunities for land reform beneficiaries in agri-tourism
- Improve road linkages across Umzimkhulu
- Develop Umzimkhulu as agricultural service centres
- Develop Ixopo, Underberg, Kokstad as agricultural service and agri-processing centres

DC43: Tourism

- Drakensberg: ensure adequate control of land use, improve direct road link between Central & Southern Berg, link to Midlands Meander through Impendle & Nottingham Road
- Ingwe / Paton tourism development

DC43: Services

- Formalise and plan Umzimkulu to position for investment
- Provide adequate affordable housing and related services in nodes

11 CRITICAL SUCCESS FACTORS IN IMPLEMENTING THE PSEDS

The successful implementation of the PSEDS will be dependent on a number of factors. These can be summarised as follows:

- **Centralised coordination and full time support.** There will be a need for ongoing coordination and support from the implementing departments. It is recommended indeed that a provincial coordinating team, with GIS capability, be appointed from the Economic Cluster departments, to drive the implementation strategy on a full-time basis – resources will need to be identified and dedicated for this purpose. There will also need to be coordinating teams of departmental planning and project managers for each district – these should be convened by the District Municipalities themselves to ensure alignment between the government spheres.
- **Clustering of packages.** When the detailed planning processes commence, there will be a need to package clusters of projects in specific nodes and corridors with a view to:
 - attracting both domestic and international investors;
 - marketing the various nodes and corridors in a coordinated manner;
 - avoiding unnecessary duplication and competition between Districts; and
 - contributing to the strategic objectives of the PSEDS.

- **Investment protocol.** The packaging and clustering of projects for investors will need to be supplemented by investment protocols which will make the total investment process easier and faster, from issues of regulatory and planning approvals to service provision. The objective will be to provide investors with a “one-stop shop” service to facilitate entry into the province.

- **Impact measurement - monitoring and evaluation mechanisms.** As the PGDS emphasises, no economic development strategy can be implemented effectively unless there are monitoring and evaluation systems to track progress during the implementation process. It is essential therefore that each department should set itself clear service delivery targets and timeframes in each district in which it implements programmes and projects. The targets should be both specific in terms of service delivery (i.e. kms of road constructed, number of temporary and permanent jobs created, as well as outcome or impact orientated – i.e. in the case of the Department of Agriculture, it would be necessary to measure the contribution of the Department’s programmes in a given district to gross agricultural output in the district). Each department should establish its own monitoring mechanisms, such as nutritional surveillance systems, which can be very effective as a general measure of the impact of socio-economic programmes on the health of poor communities.

- **Common planning boundaries.** It is axiomatic that a coherent spatial economic development strategy involving several implementing agencies should be underpinned by common planning boundaries – again this is an underlying principle of the PGDS. The District Municipal boundaries should form the common building blocks of all department’s spatial planning activities, and the boundaries of regional/district offices in departments should be aligned to the District boundaries (allowing for Regional offices to comprise of one or more District Municipalities)

- **Rural settlement patterns.** In identifying the various threats to the successful implementation of the PSEDS, the issue of dispersed settlement patterns was emphasised. This issue is indeed a critical success factor in implementing the PSEDS, and requires hard political decisions to be taken. The fact is that the increasingly unplanned and uncontrolled nature of the rural settlement patterns in the province is placing severe limitations on the ability of departments to provide

affordable services of an acceptable standard. At the same time, prime land suitable for commercial agriculture or other economic activities is being lost rural settlements become ever more dispersed. This issue is an extremely emotive one given the country's history of apartheid-style forced removals. Nevertheless, the government will have to take hard political decisions on the level and affordability of providing services to remote rural settlements if it is going to be in a position to deploy resources effectively and in a focused, and concentrated manner in areas of high economic growth potential. The point has already been made that government simply does not have the resources to be able to provide equal levels of services to communities throughout the province regardless of economic development potential.

- **Safety and security issues.** All government's economic development strategies and programmes are influenced to varying degrees by safety and security considerations. The tourism priorities and programmes in particular are vulnerable to both the perception and reality of high crime levels across the province. As the province's strategy for hosting the 2010 SWC in particular unfolds, it will be necessary to place increasing emphasis on tourism safety and security issues. In this regard it is encouraging to note that the provincial Department of Community Safety and Security has already compiled a draft Tourism Safety and Security Implementation Plan, which is attached as Annexure D to this document.

12 RECOMMENDED DECISIONS TO FAST-TRACK IMPLEMENTATION OF PSEDS

In order to fast track the implementation of the Provincial Spatial Economic Development Strategy a number of critical decisions and actions need to be taken by the provincial government.

It is recommended that the Cabinet should support the following PSEDs implementation strategy:

- The PSEDs will be presented to the Cabinet Indaba (10-12 October 2006) for approval in principle. In particular the Cabinet will be requested to support the following recommended courses of action in implementing the PSEDs:
 - The establishment of inter-departmental coordinating teams at both the provincial and district level to manage the implementation of PSEDs programmes in conjunction with District Municipalities;
 - The packaging of projects along spatial nodes and corridors and compilation of a generic investment protocol (by the Department of Economic Development) to assist investors in locating to the province;
 - The establishment of detailed programme projects, targets, timeframes and impact measurement monitoring mechanisms by each department involved in implementing the PSEDs – this M&E system must be aligned to the system being developed by national government;
 - Agreement by all provincial departments to use the District Municipal boundaries in their spatial planning and organizational structures;
 - Agreement in principle to review the implications of the continued dispersed nature of rural settlement patterns on cost-effective service delivery and spatial planning; and
 - The compilation and implementation of a comprehensive safety and security strategy for the province as an integral part of the PSEDs.
- Departments must align their MTEF budgets in order to support the PSEDs. This would include Departments doing the following:
 - Identify programs & projects to support PSEDs and cost these
 - Develop departmental strategies to address threats
 - Develop targets & indicators of impact for monitoring & evaluation

- The Economic Cluster will present the PSEDS to other clusters in order to promote their alignment with the economic development strategy for the province
- In order to ensure that Municipalities buy into the provincial strategy and align their planning with it the PSEDS will be tabled at the forthcoming provincial Local Economic Development Summit (6-7 November 2006)
- Emanating from this the PSEDS will be presented at the District Growth & Development Summits in order to ensure extensive consultation with government's social partners
- A Provincial Growth and Development Summit will subsequently be convened, with the participation of the private sector, to finalise the Provincial Spatial Economic Development Plan (2007 – 2012).

There is a need for urgency in the programme of action in order to ensure that government's programme of delivery in the province is aligned. The province has suffered for too long from a lack of a spatial perspective on the development strategies of government. The citizens of the province need government to be visionary and decisive in order to save them from poverty and unemployment.

13 CONCLUSION

In order to ensure that the province achieves economic development, addresses unemployment and contributes meaningfully to poverty reduction it is essential that the province prioritises and integrates investment. The Provincial Spatial Economic Development Strategy is a tool for this coordination. It will ensure that the synergies that exist within the cluster are exploited to their full potential in order to ensure that the investments of government have the maximum impact possible.

The PSEDS does not negate the need for investment by government to ensure social development and poverty throughout the province. It is vital that government ensure that all citizens are given the opportunity to develop and live lives free of poverty.

The PSEDS does however recognise the fact that government's resources are finite. It is thus vital that government ensure that it makes the best use possible of its resources in achieving its objectives. The PSEDS therefore directs the investments of government into areas with potential for shared economic growth. Not all areas of potential are located within historically advantaged areas. There are vast areas of unutilised potential in historically disadvantaged areas of the province. The PSEDS ensures that there are adequate linkages between the first and second economies in order to ensure that the realisation of potential will ensure the development of the second economy and the eventual amalgamation into one economy.

The development plans of this province will come to nothing if the threats to economic development are not addressed. Failure to act against these threats will slow economic growth and reduce the extent to which poverty and unemployment can be addressed. It is vital that government be decisive in dealing with the threats identified. Dealing with these threats will require visionary political leadership and courage. It will require political will to consider the needs of the citizens of the province above all others.

ECONOMIC PROFILE OF DISTRICTS IN KWAZULU- NATAL AND OVERVIEW OF PROVINCIAL ECONOMY

1 Economic Profile of Districts

Amajuba District Municipality

The Amajuba District Municipality is located in the northwestern corner of KwaZulu-Natal and comprises the three local municipalities of Newcastle (KZ252), Utrecht (KZ253) and Dannhauser (KZ254). According to Census 2001 data the area has 468037 people who make up 5% of the total population of KwaZulu-Natal. The majority of people live in the Newcastle Municipality (71%) with Dannhauser hosting a further 22% of the population and Utrecht accounting for the remaining 7%. As a large portion of the population is within the Newcastle Local Municipality 57% of the population is considered as urbanised. GDP per capita within Amajuba for 2004 was R14703 which is nearly half that of the average for inland urban economies



The GDP of Amajuba relies heavily upon the manufacturing sector that in 2004 contributed to 38% of total district output. The Newcastle LM is home to some large manufacturing companies, which centre GDP around this LM. Research has shown that Newcastle has a competitive edge for the manufacture of:

- aluminum-based products
- high quality leather goods
- textiles and textile products
- clothing
- automotive components
- metal products and machinery

Industrial giants Karbochem and Iscor dominate manufacturing in the area. Alongside this there has been investment of more than R400 million in medium sized factories since 1988. Government Services (14%), Wholesale, Retail and Accommodation (12%) and Finance and Business Services (10%) account for the largest remaining share in Amajuba's GDP output. Agriculture and Fishing plays a small part in GDP output for the district at just 2%.

uMgungundlovu District Municipality

General Characteristics

The uMgungundlovu District Municipality (DC22) is situated in the central portion of the province of KwaZulu-Natal. It consists of 7 Local Municipalities. These are:

- Mooi-Mpofana
- uMngeni
- uMshwathi
- Impendle
- Msunduzi
- Richmond
- Mkhambathini

Of these the Msunduzi LM is highly urbanized and contributes significantly to the GGP of the DM. The geographical area of the province is 8941.7159 square kilometres. The DM has a population of just over 925 000 people. The population is predominately rural with 75% of people classified as such, according to the census 2001. This compares to an average of 78% in similar rural-inland districts in South Africa). Listed below are the District's development priorities:



Priority Issues

- Infrastructure and Services, including access to water and sanitation, as well as to electricity and solid waste services.
- Social Development, including land reform, housing, land use management, gender equity, education, addressing HIV and AIDS, and arts and crafts.
- Economic Development, including local economic development, tourism promotion, investment promotion, poverty alleviation and agricultural development.
- Democracy and Governance.
- Institutional Transformation
- Financial Management

At present the Dm has an annual per capita GDP of R 23 099. This compares to R28 075 for inland DMs of a similar nature. As such the DM might be classified as somewhat more marginal than others of a similar nature, although within the context of KwaZulu-Natal it is somewhat more wealthy than the norm. Africa. The DM has a very high rate of unemployment - 43% of the broad labour force is unemployed. The average unemployment rate in urban -inland district municipalities outside KZN is comparably high 37%. The people of uMgungundlovu District Municipality have relatively poor access to basic services when compared with people living in similar urban - inland districts, with 22% of people having access to piped water (on or off site).

The economy of the DM is largely dependent on Manufacturing (22%), Government Services (16%), Finance and Business Services (15%), Wholesale, Retail and Tourism (14%), Agriculture, Forestry and Fisheries (11%), and Transport and Communication (11%).

Sisonke District Municipality

General Characteristics

Sisonke is an inland district municipality situated in the south of KwaZulu-Natal. The District includes the southernmost part of the Ukhahlamba Drakensberg National Park (adjacent to Lesotho) and borders the Eastern Cape province in the West. Five local municipalities (identified in the map to the right) are located within the Sisonke District Boundaries, namely:

- Ingwe
- Umzimkhulu
- Ubuhlebezwe
- KwaSani
- Greater Kokstad

Sisonke has the smallest population of all District Municipalities in KwaZulu-Natal – approximately 304 000 people, two thirds of which live in Ubuhlebezwe and Ingwe. The vast

majority of the population live in rural areas (81% according to the census 2001 as compared to an average of 78% in similar rural-inland districts in South Africa). In 2004 annual per capita income in Sisonke was an estimated R9920 compared with R16460 average for 16 rural-inland districts outside KwaZulu-Natal. These figures suggest that the population of Sisonke is significantly poorer, in economic terms, than populations in other rural-inland districts in South Africa. Sisonke has a very high rate of unemployment - 53% of the broad labour force³ is unemployed. However, the average unemployment rate in rural-inland district municipalities outside KZN is comparably high – 51%. Given low employment levels, it is unsurprising that an estimated 53% of the population is reliant (directly or indirectly) on income from state pensions and remittances. The people of Sisonke District Municipality have relatively poor access to basic services when compared with people living in similar rural-inland districts; only 33% of people living in Sisonke have access to piped water (on or off site), 57% rely on candles for lighting, 74% are reliant either paraffin or wood for cooking and only 22% have access to good sanitation (flush or chemical toilets) (see Appendix B for a comparison with the 'average rural-inland district').



Economic output or GDP generated in Sisonke in 2004 totalled R3.01 billion, 1.49% of total GDP generated in KwaZulu-Natal. On the basis of 2004 GDP figures, Sisonke ranks as the second-smallest district economy in the province. Agriculture is by far the largest economic sector in Sisonke (38% of GDP) followed by Wholesale/Retail trade (15%) and Government Services (15%). Agriculture contributes more than twice as much to the Sisonke economy as it does to any other district economy in KZN (see table to the right). The predominance of the agricultural sector in Sisonke is striking, but not surprising considering the strong rural characteristic of the area and the fact that the district has a very small and undiversified economy. According to Labour Force Survey estimates, agriculture is also the most important source of employment in Sisonke, roughly 6741 people are employed in formal sector (29% of total formal employment) agriculture while a further 8711 are employed in the informal agriculture sector (44% of informal sector employment).

³ The broad labour force is defined as all individuals who are employed or who want to work and would be available to start work within two weeks. Labour Force Survey - Statistics South Africa September 2004.

UThukela District Municipality

General Information

The UThukela District Municipality (DC23) is situated in the west of the province of KwaZulu-Natal. The service area of DC23 (UThukela District Municipality) includes the towns of Bergville, Colenso, Estcourt, Ladysmith, Weenen and Winterton. It consists of 5 Local Municipalities. These are:

- Okhahlamba
- Umtshezi
- Indaka
- Imbabazane
- Emnambithi-Ladysmith

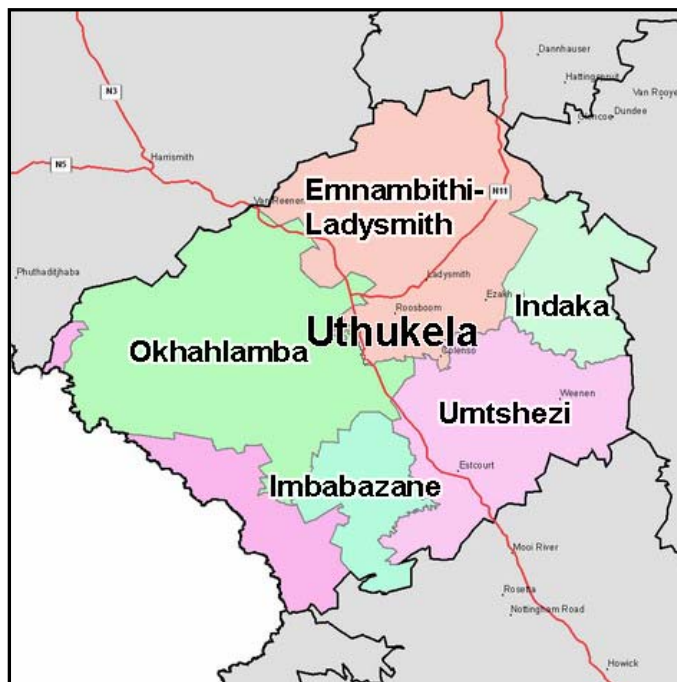
The geographical area of the district is 11329.0652 square kilometres. uThukela DM has a population of just under 700'000 people. Only 15% of the population is classified as urban (as compared to an average of 22% in similar rural-inland districts in South Africa). As such the DM has focused on the rural sector of its population in terms of its priority service and development goals. Listed below are the District's development priorities.

Priority Issues:

- Backlogs in infrastructural services
- The impact of HIV/ AIDS
- Public safety and security
- Job creation
- LED
- Cholera
- Tenure security and shelter
- Backlog in the provision of social services
- Addressing the injustices of the apartheid past
- Enhancing administrative capacity within the region

At present the uThukela DM has an annual per capita GDP of R 10 641. This compares to R16 459 for inland DM's of a similar nature. As such the DM might be classified as more marginal than others of a similar nature. These figures suggest that the population of uThukela is significantly poorer, in economic terms, than populations in other rural-inland districts in South Africa. uThukela has a high rate of unemployment - 49% of the broad labour force is unemployed. However, the average unemployment rate in rural-inland district municipalities outside KZN is actually higher - 51%. Given low employment levels, it is unsurprising that an estimated 45% of the population is reliant (directly or indirectly) on income from state pensions and remittances. The people of uThukela District Municipality have relatively poor access to basic services when compared with people living in similar rural-inland districts; only 46% of people living in uThukela have access to piped water (on or off site), 36% rely on candles for lighting, 54% are reliant either paraffin or wood for cooking and only 34% have access to good sanitation (flush or chemical toilets) (see Appendix B for a comparison with the 'average rural-inland district').

The economy of the DM is largely dependent on Manufacturing (27%), Government Services (14%), Finance and Business Services (12%), Transport and Communication (11%), Wholesale, Retail and Tourism (11%) and Agriculture, Forestry and Fisheries (6%).



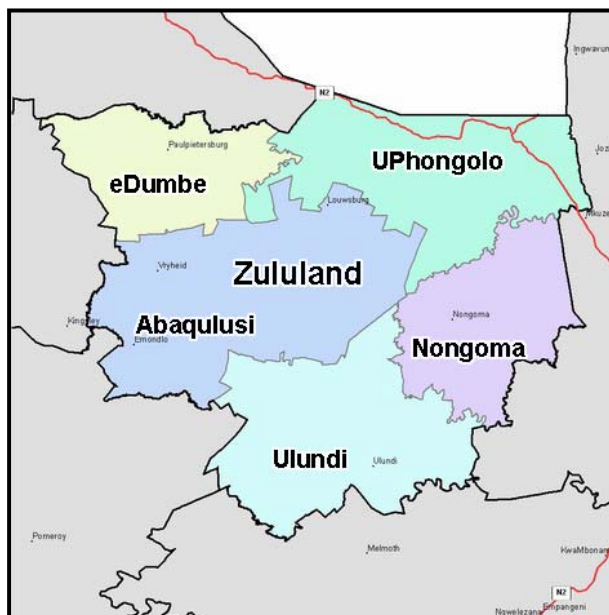
Zululand District Municipality

General Characteristics

The Zululand District is situated in the relatively remote North-East of KwaZulu-Natal. The District has two major towns, Ulundi and Vryheid but its population of roughly 816145 (Quantec, 2004) live almost entirely in rural settlements (86% according to census 2001 estimates). The Zululand DM encompasses five local municipal council areas, namely:

- eDumbe
- Abaqulusi
- Nongoma
- Ulundi
- Uphongolo

Approximately half the 15307 km² of land in Zululand falls under the jurisdiction of traditional authorities while the other half is divided between commercially-owned farms and conservation areas (Zululand IDP Review, 2005/6). The area was defined as a 'homeland' area during apartheid and as such was deliberately deprived of infrastructure investment and other economic incentives. Subsequent to the 1994 election Ulundi became the administrative capital of the provincial legislature. However when the ANC took Control of the province from the IFP in May 2004, the administrative capital was moved from Ulundi to Pietermaritzburg. Zululand remains one of the poorest regions in the country; in 2004 it had a GDP per capita⁴ of only R7085 as compared to an average GDP per capita of R16459 across 16 other rural-inland districts in South Africa (see Appendix B). The unemployment rate in Zululand in 2004 was 56% as compared to an average of 37% across the group of 16 similar rural-inland DMs.



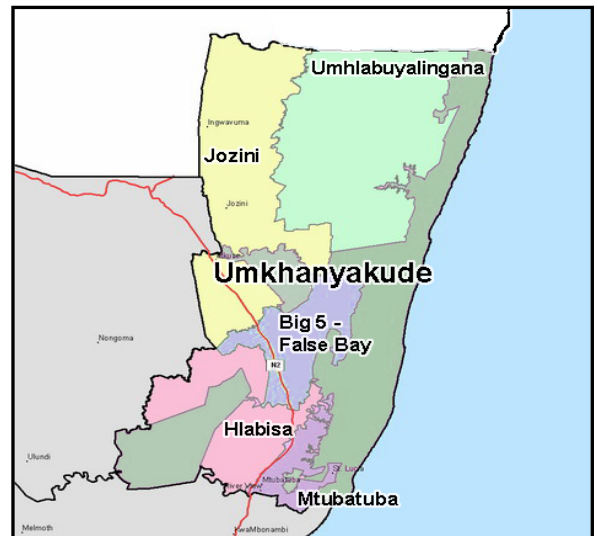
Economic output or GDP generated in Ilembe in 2004 totalled R5.78 billion, 2.86% of total GDP generated in KwaZulu-Natal. In 2004 Government services were the single largest economic in the Zululand District accounting for 25% of the district's total economic output. The government services sector has almost certainly declined in both absolute and relative terms since 2004 when Ulundi lost its role as the administrative arm of provincial government. Government services also generated the largest share of formal sector employment in the district, 16195 people were employed in the sector in 2004. The largest non-governmental sectors in the district are finance and business services (15%) and agriculture (13%). However, it seems likely that the finance and business sector chiefly serviced the administrative capital and one would therefore expect that the sector has suffered a similarly devastating decline since 2004. Informal sector activity provides the majority of employment in the Zululand District (58% in 2004), of the 51443 jobs in the informal sector, 20071 are in agriculture and a further 16773 in wholesale and retail activities (see Appendix B).

⁴ GDP per capita – The Total Economic Output/Income of an area in a given year divided by the total population – average income per person

Umkhanyakude District Municipality

General Characteristics

The Umkhanyakude District Municipality (DC27) is situated in the Northeastern part of the KwaZulu-Natal province. It consists of 5 local municipalities, namely Umhlabuyalingana, Jozini, Hlabisa, Hluhluwe Big five and Mtubatuba. The district has a total population of 503,874 made up of 73,219 households hence an average family size of about 7. This municipality sits on the borders of neighbouring countries of Swaziland with Lubombo Mountains as boundary in the east and Mozambique is in the North. The population of this region is spread almost evenly through out. This region has a lot of cultural history, and some natural resources for example St Lucia wetlands that is a world heritage site. This municipality has flat land and rich soils, suitable for agricultural production and has one of the 2nd biggest dams in the southern Africa, Jozini Dam. Commercial farming has invaded the inland region of Makhathini. The majority of the population is involved in agriculture and tourism.



Low education levels (65% have none or only a primary level of education) together with a young population profile supports the need for a greater focus on education and related activities. 54% of the population is female. Thus, future planning should give consideration to the needs of women specifically the provision of health and welfare services, economic development and job creation strategies. 57% of the population is under 19 years. This suggests high dependency rates and pressure to provide employment opportunities for school leavers. Focus on AIDS awareness is necessary. Economic strategies should promote more opportunities for unskilled labourers to combat the high unemployment rate (53.7%). The development of all sectors should receive attention with a specific focus on agriculture and tourism.

It is known for having the highest malaria incidence in South Africa, which is aggravated by the poorly controlled malaria in neighbouring Mozambique. There are large numbers of orphans and households run by young children due to the high incidence of HIV/AIDS in this area. The district is mainly rural with the only formalised town being Mtubatuba in the south. However, several towns are growing rapidly, such as Manguzi, Jozini, Mkuze and Mbazwana. There are severe backlogs regarding infrastructure, services and institutional capacity. The uncontrolled sprawl of residential settlements will result in the inefficient provision of services. At present the Umkhanyakude DM has an annual per capita GDP of R10 million. The economy of the DM is largely dependant on agriculture and tourism.

Ilembe District Municipality

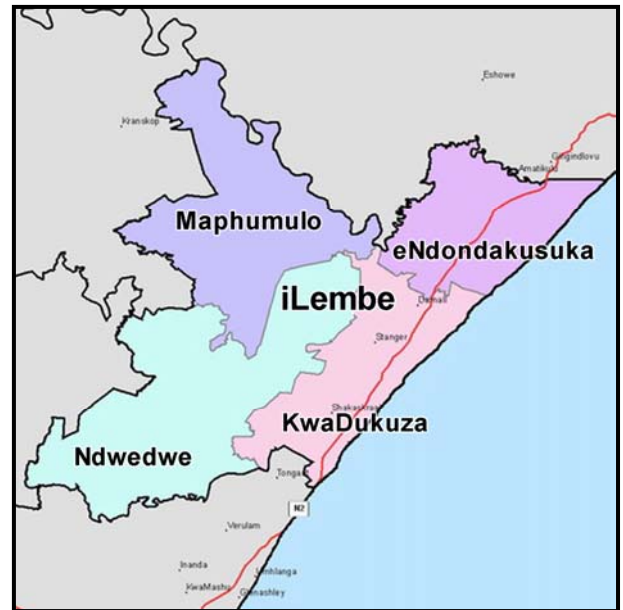
General Characteristics

Ilembe is situated in the coast of KwaZulu-Natal and falls between two of the province's major economic centres the Durban Metropolitan Area – eThekweni in the south and uThungulu (the Richard Bay area) to the North. The Municipal area encompasses four local municipal council areas, namely:

- eNdondakusuka
- Ndwedwe,
- Maphumulo
- KwaDukuza

Geographically, Ilembe District is the smallest of the ten District Councils of KwaZulu-Natal and has a population of roughly 570 314 people (Quantec, 2004). The majority of the population, an estimated 73% (census 2001), live in rural areas. The district has fantastic natural endowments, pristine beaches and warm waters for the length of its coastline, which attracts a large number of holidaymakers. As a result, the coastline of Ilembe is currently experiencing a development boom largely in the form of upmarket housing and holiday estates. In sharp contrast to the increasingly prosperous coastline, the two inland municipalities in Ilembe, Ndwedwe and Maphumulo are rural and impoverished. The GDP per capita of KwaDukuza was ten times that of Maphumulo, which generated only R2163 per person in 2004 (see graph below). The unemployment rate in Ilembe in 2004 was 30.6%, the lowest unemployment rate of all ten non-metropolitan districts KwaZulu-Natal, however this aggregate figure is almost certainly masks the large differences in the unemployment rate within Ilembe. While recent unemployment estimates at the LM level are not available the Ilembe 2005/6 IDP reports that unemployment rates within Maphumulo and Ndwedwe are as high as 81% and 70% respectively.

Economic output or GDP generated in Ilembe in 2004 totalled R6.65 billion, 3.28% of total GDP generated in KwaZulu-Natal. Manufacturing is the largest sector in economic terms (35% of GDP) followed by Agriculture (15%) and Government Services (12%). Manufacturing is also the largest source of formal sector employment (24 325 jobs) and generates an additional 1793 jobs in the informal sector. Agriculture however, is the single largest source of employment in Ilembe generating 15790 jobs in the formal sector and a further 27429 jobs in the informal sector.



Ugu District Municipality

General Characteristics

The Ugu District Municipality (DC21) is situated along the coastline in the southern portion of KwaZulu-Natal. It consists of 6 Local Municipalities. These are:

- Vulamehlo
- Umzumbe
- Umdoni
- Ezigoleni
- UMuziwabantu
- Hibiscus Coast

The geographical area of the province is 5046 square kilometres. Ugu DM has a population of just over 700 000 people. Only 16% of the population is classified as urban. As such the DM has focused on the rural sector of its population in terms of its priority service and development goals.



Listed below are the District's development priorities:

- Provision of basic services and infrastructure
- Refurbishment and expansion of existing infrastructure (focus on development pressure in the coastal strip)
- Promoting and enhancing local economic development
- Ensuring sustainable integrated rural development (including local agenda 21 issues)
- HIV & AIDS, TB and STDs
- Tourism development and marketing and broadening access in the industry
- Speeding land reform
- Institutional development
- Programmes for youth, women and the disabled

At present the UGU Dm has an annual per capita GDP of R 9,452. This compares to R11, 075 for coastal DM's of a similar nature. As such the DM might be classified as somewhat more marginal than others of a similar nature. These figures suggest that the population of Sisonke is significantly poorer, in economic terms, than populations in other rural-inland districts in South Africa. Ugu has a high rate of unemployment - 51% of the broad labour force is unemployed.

However, the average unemployment rate in rural-coastal district municipalities outside KZN is comparably high - 49%. Given low employment levels, it is unsurprising that an estimated 49% of the population is reliant (directly or indirectly) on income from state pensions and remittances. The people of Ugu District Municipality have relatively poor access to basic services when compared with people living in similar rural-inland districts; only 29% of people living in Ugu have access to piped water (on or off site), 39% rely on candles for lighting, 57% are reliant either paraffin or wood for cooking and only 26% have access to good sanitation (flush or chemical toilets) (see Appendix B for a comparison with the 'average rural-inland district').

The economy of the DM is largely dependant on Finance and Business Services (16%), Manufacturing (15%), Government Services (15%), Wholesale, Retail and Tourism (15%) and Agriculture, Forestry and Fisheries (13%).

uThungulu District Municipality

The uThungulu District Municipality (DC21) stretches from the coastline surrounding Richards Bay on the North Coast of KwaZulu-Natal inland past Empangeni and includes the towns of Melmoth and Eshowe. It is the third most populous district in KwaZulu-Natal with 762 791 people. It consists of 6 Local Municipalities. uThungulu DM is dominated by the Umhlatuze DM, in which the port of Richards Bay is located. Richards Bay is an economic powerhouse in a region that is otherwise very poor. It is home to just 33% of the population yet contributes to 75% of the districts GDP output. In comparison Nkandla is home to 15% of the population yet accounts for a meagre 2,2% of GDP output. Per capita GDP is significantly higher in uThungulu DM at R16 241 than the national average for rural coastal districts (R 11 075). This is due to the industrial output of Richards Bay and does paint a fair picture of the state of poverty in the region. The district pays for a comprehensive annual Quality of Life Survey highlights the issues of inequality across the various LMs.



The region is dominated by large industry in Richards Bay. Manufacturing output contributes to 32% of total GDP output for the uThungulu region. However manufacturing only provides 10% of total employment. Given the fact that Richards Bay is South Africa's largest port it is no surprise that transport & communication is the second largest contributor to GDP in uThungulu (12%).

The uThungulu District Municipality has laid out its key development issues as:

- Poverty
- Settlement pattern of the district
- Health, including HIV/AIDS, malaria and cholera
- Land reform and housing
- Education and training
- Land use management

Key issues towards greater economic development were listed as:

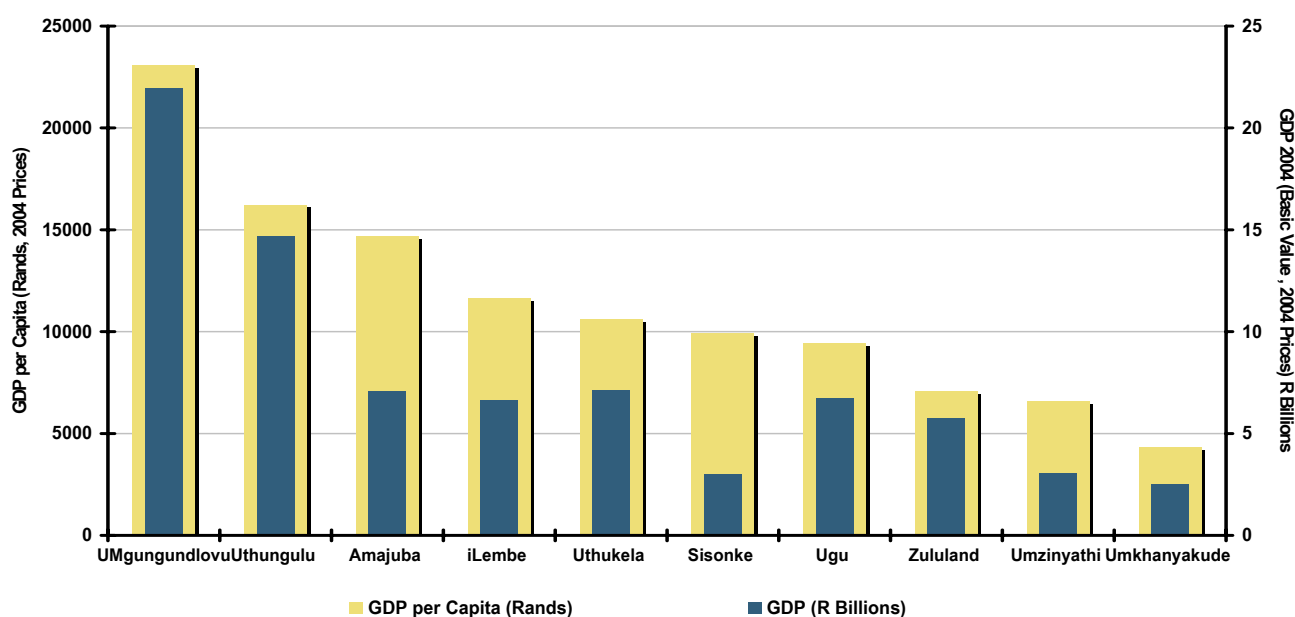
- The development of commercial agriculture
- Under-utilisation of the agricultural potential of traditional areas
- Tourism development
- Assisting the strong manufacturing sector
- Decentralising trade
- LED development and SMME creation and development
- Access to technology

Population

uMgungundlovu is the most populous of the ten non-metropolitan districts in KwaZulu-Natal, 55% of its 950 000 strong population live in urban areas including the city of Pietermaritzburg, administrative and legislative capital of provincial government. uThungulu and Zululand are also heavily populated districts but the majority of their populations (85 and 96% respectively) live in rural settlements. Sisonke, the least populated district in KwaZulu-Natal its largely rural population of 303585 is less than a third of size of that in uMgungundlovu.

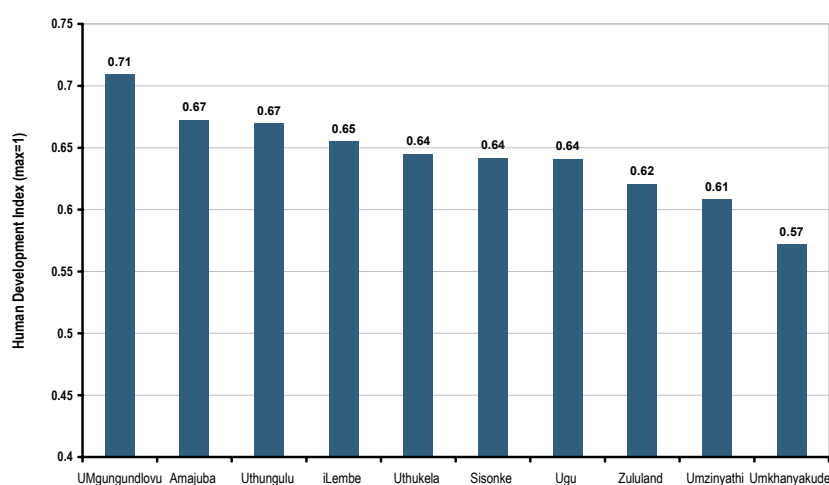
2 Economic Output and Per Capita Income

Figure 1: A comparison of GDP & GDP per Capita across KZN Districts (excl, eThekweni), 2004



Source: Own calculations based on Quantec standardised GDP and population series, 2004

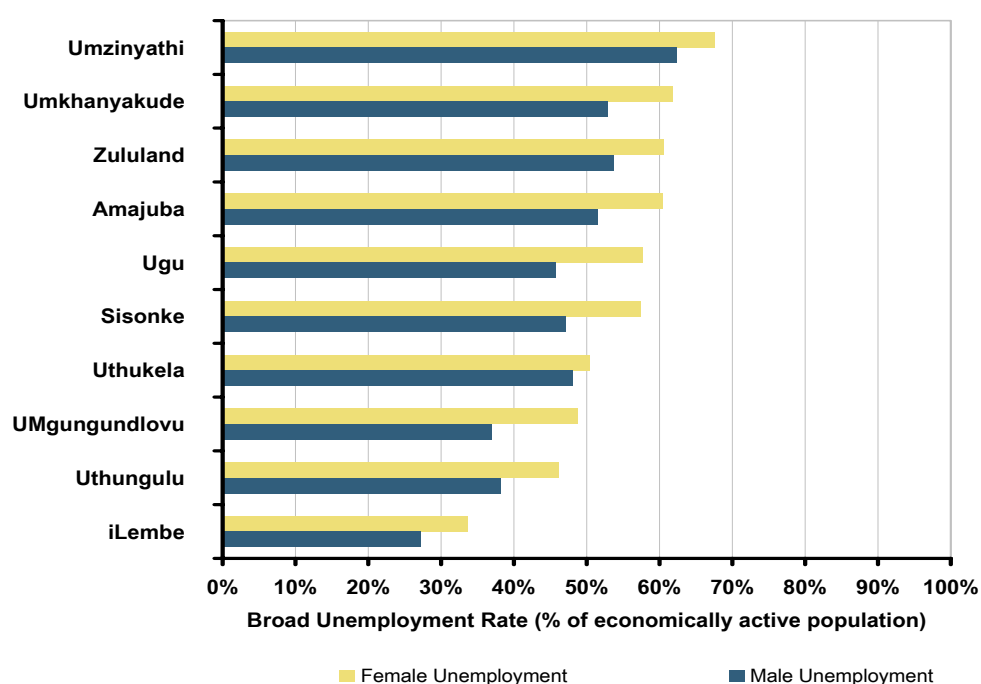
uMgungundlovu and uThungulu stand out as the large economic centres in non-metropolitan KwaZulu-Natal. uMgungundlovu generated GDP to the tune of R22 billion in 2004 and is home to a diverse range of economic activity with good representation in most sectors, including manufacturing, tourism, transport, government services, wholesale and retail trade and finance and business services. Economic output in uThungulu was R15 billion in 2004 and was generated largely by activities in manufacturing (32%), mining (9%), transport and communication (12%) and supporting services. The remaining eight district economies are all less than a third of the size of uMgungundlovu and half the size of uThungulu. Umkhanyakude generated R2.5million in 2004 mainly through services (government, tourism, wholesale/retail and transport) and agriculture making it the smallest district economy in the province.



Per capita income or GDP per capita⁵ is a rough, but widely used indicator of poverty. However, GDP *per capita* as an indicator of poverty is regarded as fundamentally flawed because it assumes that the wealth of a region is divided equally across its population.⁶ Nevertheless it is useful because it gives a better indication of the relative prosperity of a region than GDP alone. On the basis of *per capita* income in 2004 Umkhanyakude, Umzinyathi and Zululand have the poorest populations in the province while uMgungundlovu, uThungulu and Amajuba are the most affluent.

Broad unemployment rates are extremely high across all non-metropolitan districts in KwaZulu-Natal and are consistently higher amongst the female population. Umzinyathi experiences the highest unemployment rates in both its female and male populations (68% and 62% respectively). The total broad unemployment rate is also above 50% in 6 out of 10 districts, including Umzinyathi, Umkhanyakude, Zululand, Amajuba, Ugu and Sisonke. According to Labour Force Survey estimates Ilembe has the lowest broad unemployment rate at 30.6%, however this figure is an anomaly and the accuracy of the estimate is questionable given that a large proportion of the Ilembe population are living in the impoverished local municipalities of Ndwedwe and Maphumulo.

Figure 2: A comparison of broad male and female unemployment rates across KZN, 2004



Source: This Study, based on Labour Force Survey estimates, September 2004

⁵ GDP *per capita* – The Total Economic Output / Income of an area in a given year divided by the total population – average income per person

⁶ A GINI co-efficient is used to measure inequities in wealth. However data on individual household income is required to generate the GINI co-efficient.

3 Sector Analysis – A Broad Overview

In Figure (a), the broad structures of KwaZulu-Natal and South African economies are compared. The tertiary or services sector is by far the largest; in 2004 tertiary activities generated approximately 53% of the total output in both the KwaZulu-Natal and national economies. The clear predominance of the service sector in KwaZulu-Natal unsurprising – the province is the trade and logistics hub of the Southern Africa and of all the provinces, it attracts the largest number of tourists in the country's sizable tourism market (SATourism, 2004a and 200b). The total tourism spend in KwaZulu-Natal was an estimated R21.1 billion in 2003 (SATourism, 2004a and 200b). Although the service sector makes an equally large contribution the national economy, the composition of the sector at a national level is more heavily weighted towards finance and business services, with transport services featuring less prominently than in the KwaZulu-Natal economy. The structure of the KwaZulu-Natal economy differs from that of the national economy in that it has a proportionately larger manufacturing sector (24% of GDP as opposed to 18% of GDP nationally) and relatively smaller primary and government services sectors (Figure (a)).

Table (a) GDP growth and contributions by sector for KwaZulu-Natal, 1995-2004

Sector	% Contribution to KZN GDP			% Average Annual Growth	
	1995	2000	2004	1995-1999	2000-2004
Primary	7.8	7.6	6.8	2.3	0.2
Secondary	31.1	30.3	28.5	1.0	1.6
Tertiary	45.9	48.9	52.8	3.8	5.0
Government	15.2	13.1	11.9	-0.1	0.6

Source: EIM calculations based on Quantec Research regional database.

3.1 Top Ten Manufacturing Industries in KwaZulu-Natal

In order to facilitate a detailed analysis of the trends and performance of manufacturing industries in the province, the top ten manufacturing industries (in terms of contribution to output) have been isolated. These are listed in from largest to smallest in Table (b). Average growth rates have calculated for each industry for the five-year periods 1995-1999 and 2000-2004. A striking contrast

The picture in terms of employment in KwaZulu-Natal over the past decade is less encouraging. The only gains in formal employment⁷ have been made in the tertiary and government services sectors. The most dramatic job losses were in the secondary sector where formal employment declined at an average rate of -3.1% over the period 1995-1999 and continued to decline, albeit less rapidly at an average rate of -1.2% of the last five years (2000-2004) (Table (c)). The primary sector has shed jobs at a fairly consistent rate of -1.3% *per annum* over the past decade. Overall, total formal employment has grown at the inadequate average annual rate of 0.3% (1995-2004), as the sizable jobs losses in the primary and secondary sectors were offset by modest gains in employment in the larger tertiary and government sectors. Combined, the tertiary and government sectors provided 65% of total formal employment in KwaZulu-Natal in 2004 (Table (c)). Formal employment by broad sector is plotted in Figure (c), a total of 1.33 million people were formally employed in KwaZulu-Natal in 2004. A crude comparison of Figures a and b reveals that by-and-large, the gains in output over the past decade have not been matched by gains in formal employment.

⁷ The formal employment sector excludes workers who are employed in domestic service and in the informal sector.

Table (b) Top ten manufacturing industries by contribution to output, 2004

		% of Total Manufacturing Output	% Average Annual Growth	
		2004	1995-1999	2000-2004
1	Non-ferrous metals	11.5	36.6	1.3
2	Paper & paper products	10.9	6.1	3.1
3	Food & food products	9.6	-1.1	3.5
4	Other chemical products	8.8	16.9	4.5
5	Clothing	5.3	-1.2	2.1
6	Industrial chemicals	4.6	-8.0	3.5
7	Textiles	3.8	-10.3	2.0
8	Fabricated metal products	3.6	1.8	1.0
9	Motor vehicles, parts	3.5	11.2	1.2
10	Beverages	3.4	3.1	4.0

Source: EIM calculations based on Econometrix estimates of manufacturing output 3-digit (SIC)

Table (c) Employment growth and contribution by sector for KwaZulu-Natal, 1995-2004

Sector	% Contribution to Employment			% Average Annual Growth	
	1995	1999	2004	1995-1999	2000-2004
Primary	10.7	10.2	9.3	-1.2	-1.4
Secondary	31.1	27.2	25.0	-3.1	-1.2
Tertiary	41.6	46.0	48.7	2.2	2.2
Government	16.6	16.6	17.0	0.7	1.3

Source: EIM calculations based on Quantec Research regional database

4 The Spatial Distribution of Economic Activity in KwaZulu-Natal

“South Africa is characterised by significant inequality in the spatial distribution of economic activity. Most places produce little (more than 70% of South Africa’s GDP is produced in only 19 urban areas) (Krugell and Naude, 2005:103).”

Economic activity in KwaZulu-Natal, measured as gross domestic product generated in 2004, has been mapped according to local and district municipality borders in Figure 3. As is the case in the broader South African context, economic activity in KwaZulu-Natal is geographically concentrated in the urban district municipality of Ethekewini which generates almost two-thirds (61.2%) of GDP in the province. The other areas of concentrated economic activity in the province are more closely identified in the map of local municipalities where they are shaded in dark blue (Figure 3). They include the port city of Richards Bay and its immediate surrounds, the city of Pietermaritzburg- a manufacturing hub along the major N3 corridor and the cities of Ladysmith and Newcastle near the border of the province with the Free State and Mpumalanga.

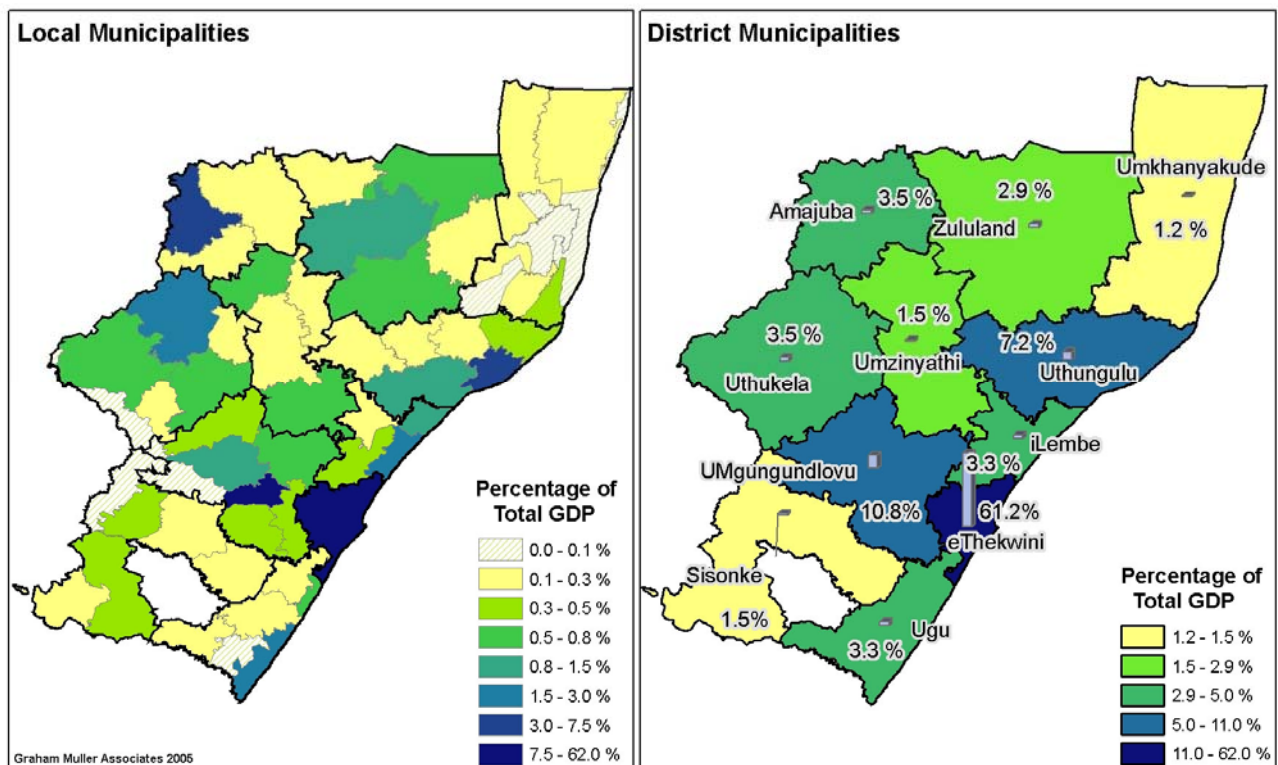


Figure 3 The spatial distribution of GDP in KwaZulu-Natal, 2004

Source: This Study based on Quantec Research Provincial Database

The increasing concentration of economic activity in urban centres, and especially in coastal centres, is a worldwide phenomenon. It is also widely recognised that major gains in productivity are realised from the increasing concentration of economic activity in major centres. In fact, a paper by Krugell and Naude (2005) on the geographical economy of South Africa suggested that given the importance of agglomerations, transport costs and market access, coastal cities in South Africa could be expected to grow much faster than inland locations. This would suggest that in the future economic activity in KwaZulu-Natal will become even more spatially concentrated around the coastal centres of Durban and Richards Bay which currently generate 70% of the provincial GDP.

While economic activity is likely to become increasingly concentrated it is important to note that the population of the province remains extremely dispersed. In 2001, when the most recent census was conducted, 48% of the population of KwaZulu-Natal were living in local municipalities which contribute less than 1.5% to total provincial GDP (all areas shaded in yellow and green in the local municipality map, Figure 3). The recognition that the population of KwaZulu-Natal remains highly dispersed lends support to local economic development policies that aim to stimulate and grow the smaller centres of economic activity in poorer municipal districts.

In terms of the spatial dimension of poverty, the poor are not only unevenly distributed across the provinces but also within them. Figure 4 maps the percentage of households in each local and district municipality in KwaZulu-Natal that were living on less than R400 earned income per month in 2001 (2001 prices). This map was produced on the basis of household income data from the 2001 census. It is important to note that household income as recorded in the census did not capture the value of unearned sources of income such as income from interest bearing assets, pensions and child and other social grants and non-monetary resources such as produce from subsistence agriculture. The figures reported in the map are therefore misleading because they overstate the extent of poverty in each region. However, Figure 4 has been included because it

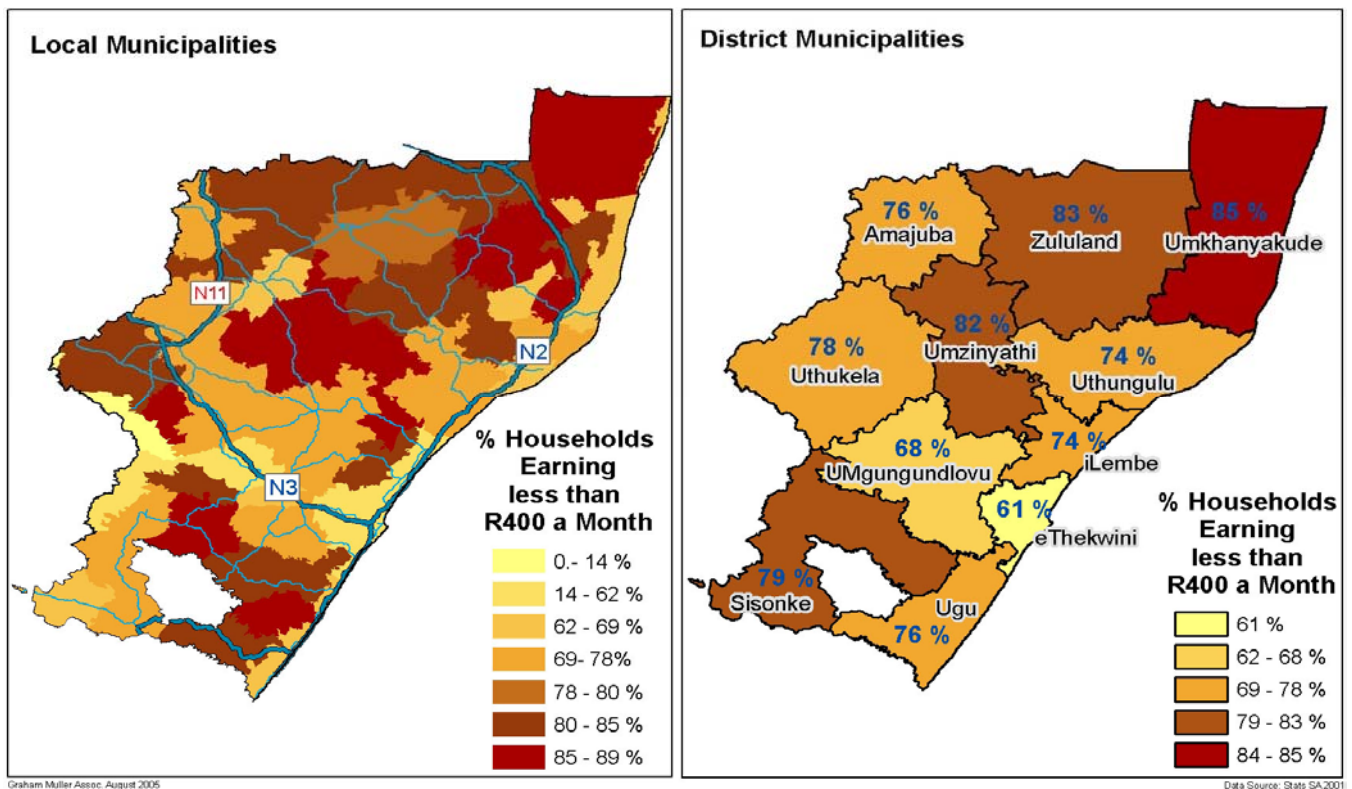


Figure 4 The Spatial Distribution of poor households within KwaZulu-Natal, 2001

Source: This study based on 2001 census data from Statssa.

usefully illustrates that the geographic distribution of poor households in KwaZulu-Natal is uneven. The district municipality that has the greatest proportion of poor households is Umkhanyakude followed by Zululand, Umzinyathi and Sisonke. The economic centre of KwaZulu-Natal, Ethekewini has the lowest proportion of poor households.

As mentioned in an earlier discussion, one is unable to gauge the depth of poverty using the headcount method. To overcome this limitation, researchers frequently employ the 'poverty gap' measure which amounts to the sum of the differences between each poor household's income and a defined poverty line. This is equivalent to the total amount that would be required to bring all poor households out of poverty and up to a minimum accepted standard of living (Cameron, 2005).

KWAZULU-NATAL PROVINCIAL

DEPARTMENT OF AGRICULTURE & ENVIRONMENTAL AFFAIRS

**AGRARIAN REVOLUTION
STRATEGY & PROGRAMME
SUMMARY**

AGRARIAN REVOLUTION PROGRAMME AND STRATEGY

One of the areas in which KwaZulu-Natal is widely recognised to enjoy a comparative advantage is of course in Agriculture, given its strategic "gateway" position on the eastern seaboard, and favourable climate and rainfall. As is demonstrated in the economic profile of the Province, the agricultural sector has traditionally been an underperformer, and has never achieved anything like its true potential. Agriculture is a lead sector, being relatively labour intensive, which has major potential to contribute to economic growth in a given country or Province such as KwaZulu-Natal.

For this reason, the Provincial Government has correctly identified the need to exponentially increase the level of Agricultural output in the Province – this will be achieved through a veritable "Agrarian Revolution".

The aim of the Agrarian Revolution is to change the reliance on importation of basic food and to bring down food prices. The focus will be on quality production that will contribute to exportation of KZN produce to Africa and Europe. This will involve several major tasks, including:

- The question of access to markets,
- research on better production processes,
- reduction of input costs, and
- provision of access to land for agriculture production.

The Agrarian Revolution concept is based on two broad programmes: "*empowerment for food security*" and the "*Siyavuna Programme*". A key objective of the Agrarian Revolution is envisaged to take place in the Province is to utilise high potential fallow land to the maximum extent possible. Features of this programme include:

- Alien weed eradication, fencing, improving soil fertility, and ploughing and mechanization programmes.
- Markets, marketing and branding.
- Mentorship and capacity building (primary production and business skills development).
- On-farm infrastructure programmes.
- The Nguni Livestock Project.
- Increase in vertical Agricultural production – to increase production per hectare.
- Tunnels, hydroponics, aquaculture, production of niche products (cherries, essential oils), mushroom and dry-land rice.
- Agri-business (value adding) – close to point of production
- Biofuel from plant oils, sawdust, sugar cane, alien weed residues.

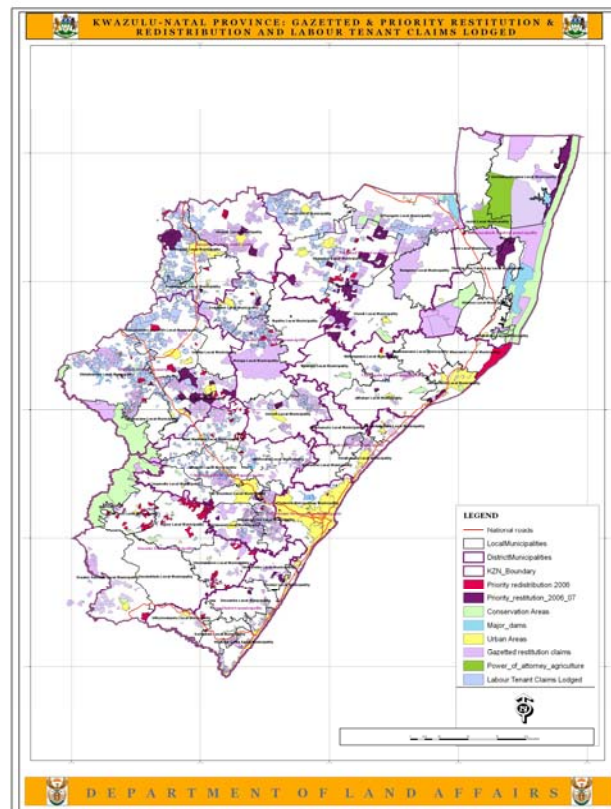
The **Food Security Programme** is focussed on the whole Province, with an initial emphasis on the three District Municipalities of Ugu, Zululand and Umgungundlovu, and around the Greater St Lucia Wetland Park. The Siyavuna Programme is also geared to encompass the whole Province, with initial projects focussed in areas of high agricultural potential, such as Makhatini, Tugela basin etc.

The Agrarian Revolution strategy is aligned to the national objective and MDG of halving poverty and unemployment levels by 2014. It incorporates the following National Support Programmes and interventions:

- National Comprehensive Agricultural Support Programme (CASP),
- National Land Re-distribution Programme for Agriculture (LRAD).

In terms of project status, the Agrarian Revolution Programme is in the first year of a five year implementation cycle.

An important aspect of the Agrarian Revolution Programme is the need to make land available for sustainable farming by emergent farmers and land claimants in terms of the **National Land Redistribution and Restitution Programmes**. Under this programme, accordingly, the Provincial Land Reform Office of the Department of Land Affairs is currently implementing a fast-track option to settle labour tenant claims with a view to unlocking agricultural opportunities.



AGRARIAN REVOLUTION CHALLENGES

Poverty, unemployment, inadequate access to municipal services and ageing infrastructure are just some of the challenges faced by the country and the Province. More specifically in terms of the dualism approach, the Province is split by “two economies”, namely:

- First Economy: the modern sector of capital-intensive industries and commercial Agriculture which produces for the wider market with a capital-intensive mode of production and high division of labour; and
- Second Economy: the traditional subsistence sector consisting of small scale Agriculture, and handicraft, which has a high degree of labour intensity but low capital intensity and little division of labour.

Under this scenario there is a vicious circle of poverty in the ‘subsistence economy’ where low income leads to low savings, and low investment leads to low productivity. The adoption of the Provincial Growth and Development Strategy (PGDS) has therefore aimed at:

- Narrowing and eventually eliminating the gap between the first and second economies;
- Addressing the issues of income poverty, past racial discrimination and spatial

- disparities in the provision of public goods, services and infrastructure; and
- Creating employment, fighting poverty and supporting black economic empowerment.

The Provincial Government has therefore decided to advance the technological and skills base of the subsistence economy, and to improve productivity and output in the sector so that the gap between the “economies” narrows and more and more enterprises “migrate” upwards into the first economy.

AGRARIAN REVOLUTION AND INTER-GOVERNMENTAL PROGRAMMES

An “Agrarian Revolution” is therefore being championed by the Department of Agriculture and Environmental Affairs in order to move subsistence farmers upwards towards the first economy.

The Province is widely recognized as enjoying a “comparative advantage” in agriculture, and given its strategic “gateway” position on the eastern sea board and the plans for the Dube Trade Port, agriculture in the Province can also be developed into a “competitive advantage” if the Province utilizes all of its 590 Bio-resource regions to produce export quality vegetables, fruit and meat products for export to Europe, USA, Middle East and Asia.

The aim of the “Agrarian Revolution” is to also change the reliance on the importation of basic food stuffs and to bring down food prices through a comprehensive support programme for emerging farmers which will address:

- (1) access to urban markets,
- (2) dramatic reduction in farming input costs,
- (3) provision of access to support for land reform beneficiaries, and
- (4) access to research on better production processes.

The “Agrarian Revolution” concept is therefore based on the combination of strategies including the “African Renaissance Road Upgrading Programme” (ARRUP) which provides access to markets, the “Siyavuna Programme”, and “Empowerment for Food Security” Programmes which aim to dramatically reduce the input costs of emerging farmers.

Working in close co-operation, the Departments of Transport and Agriculture and Environmental Affairs are;

- (1) opening up access to markets through strategic Rural Corridors such as the P700/P701, and
- (2) taking our rural and impoverished farmers through a “ladder of agricultural development” in a step-wise approach that will comprehensively address their various needs as they cross from the second subsistence economy to the first commercial export-led economy.

Ladder of Agricultural Development

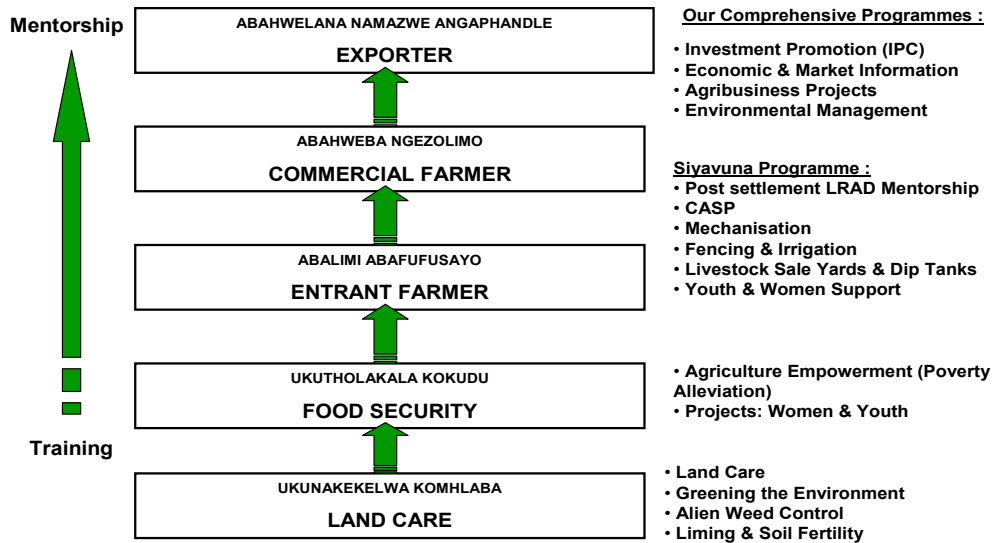


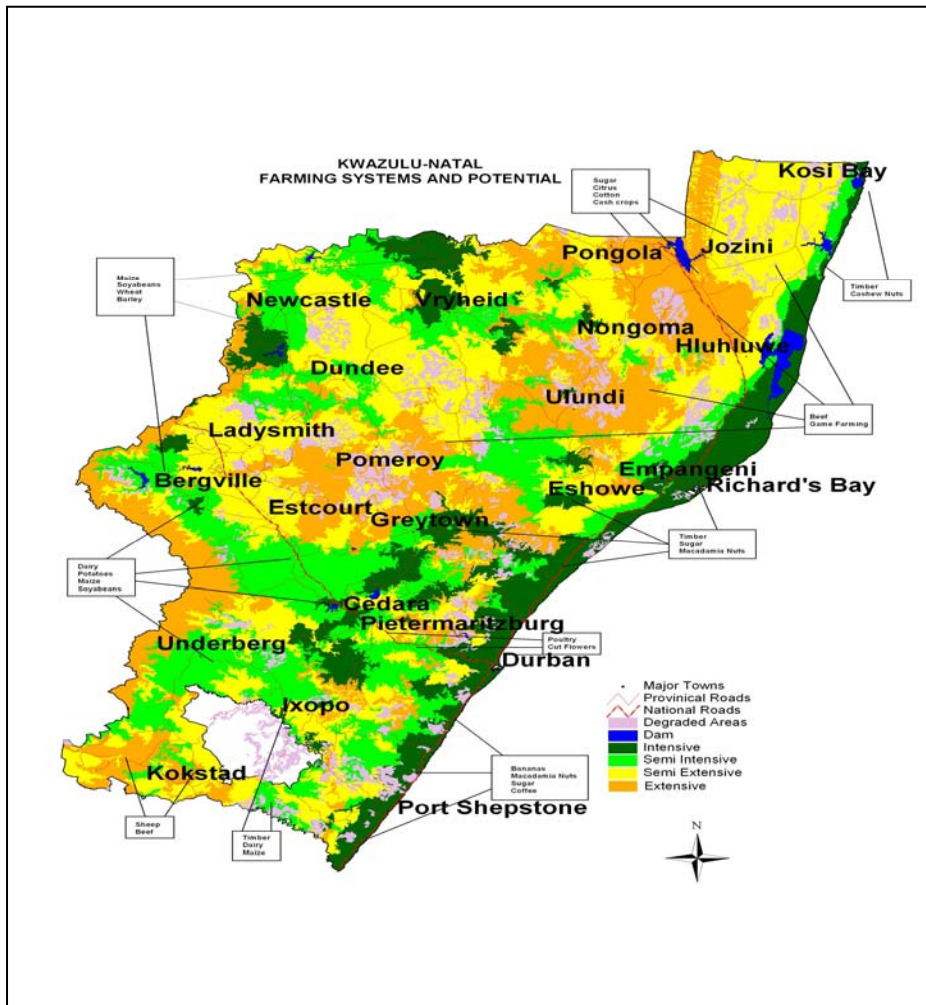
Diagram 1: Ladder of Agricultural Development (integrating Siyavuna Programs)

As indicated above in the “Ladder”, the Department has committed itself to a *comprehensive* programme to support agricultural development. The “Siyavuna Programme” combines CASP Funding with Department Funds. Some R100m was committed in 2004/5 and R244m has been committed in 2005/6. It is anticipated that R1bn will be spent after 5 years.

PROVINCIAL AGRICULTURAL FRAMEWORK

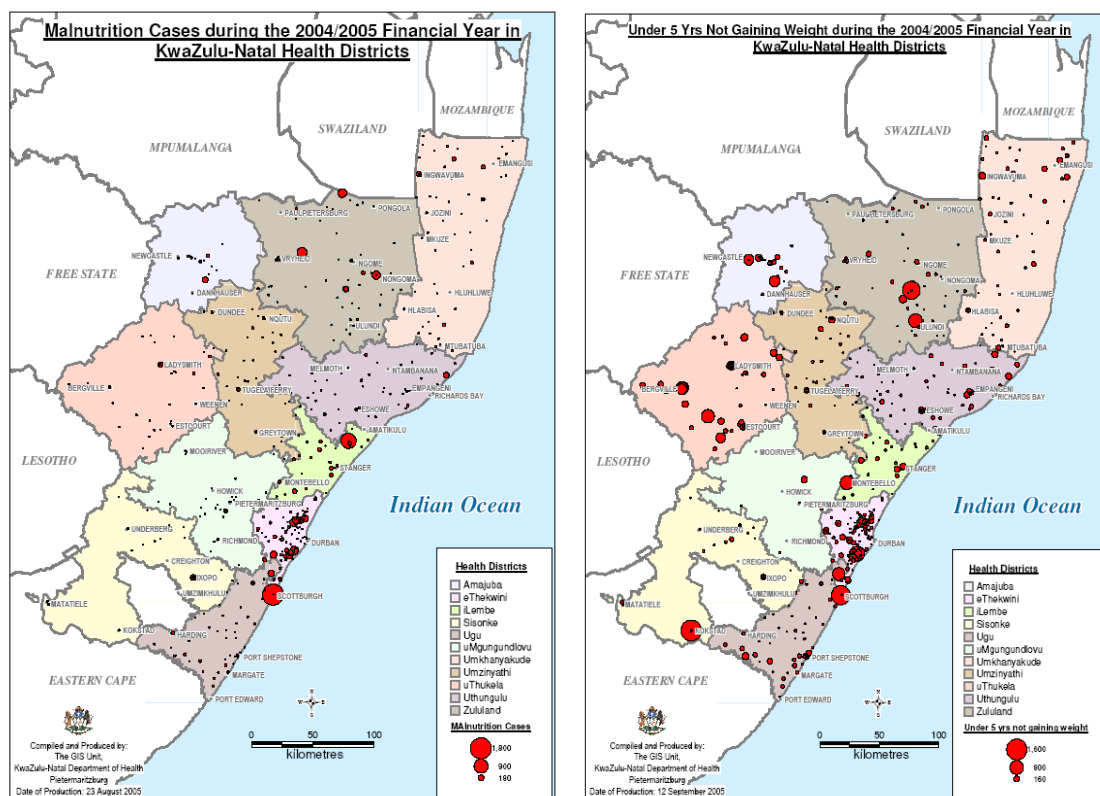
The food security programme will be focused on the entire province with an initial focus on poverty stricken areas like the Ugu, Zululand and Umgungundlovu Districts. However, with the support of the Department’s Natural Resources Section and Agricultural Economists, the Operations Branch has adopted a Spatial Framework for Agricultural Development that will guide the identification of additional high priority areas.

The framework outlines areas suitable for various intensities of agricultural development as well as those agricultural commodities which show the most promise in each region.



The Provincial Agricultural Framework will be a very useful tool in both directing Siyavuna Flagship projects, as well as providing Municipalities with a clear guideline for the Development of their Integrated Development Plans (IDPs) and District Agricultural Plans. In addition, the Department has undertaken to restructure its flagging extension corps along commodity lines and to engage in a massive programme of professionalizing and retraining extension technicians to meet the challenges of the Siyavuna Programme and the "Empowerment for Food Security" Programme.

Additional mapping from the Department of Health also provides valuable insight into 'where' the Department should be focusing its mass food security projects and more specifically, "Empowerment for Food Security".



Maps 2 & 3 : Locations of *de facto* Hunger in the Province

With the above information clearly showing where hunger exists in the Province, the Department is in a situation to properly, professionally and accurately respond to the agricultural growth potential and food security needs of the Province. These focus areas will establish an important baseline from which the province can contribute to rooting out hunger and filling the stomachs of the most vulnerable i.e. children and the elderly.

With the support of the Flemish Government over a five year period, and it's flagship projects like the Chinese Government's Mushroom and Dryland Rice Programme, the Department of Agriculture and Environmental Affairs aims to increase agricultural production, food diversity and improved food utilization and assimilation.

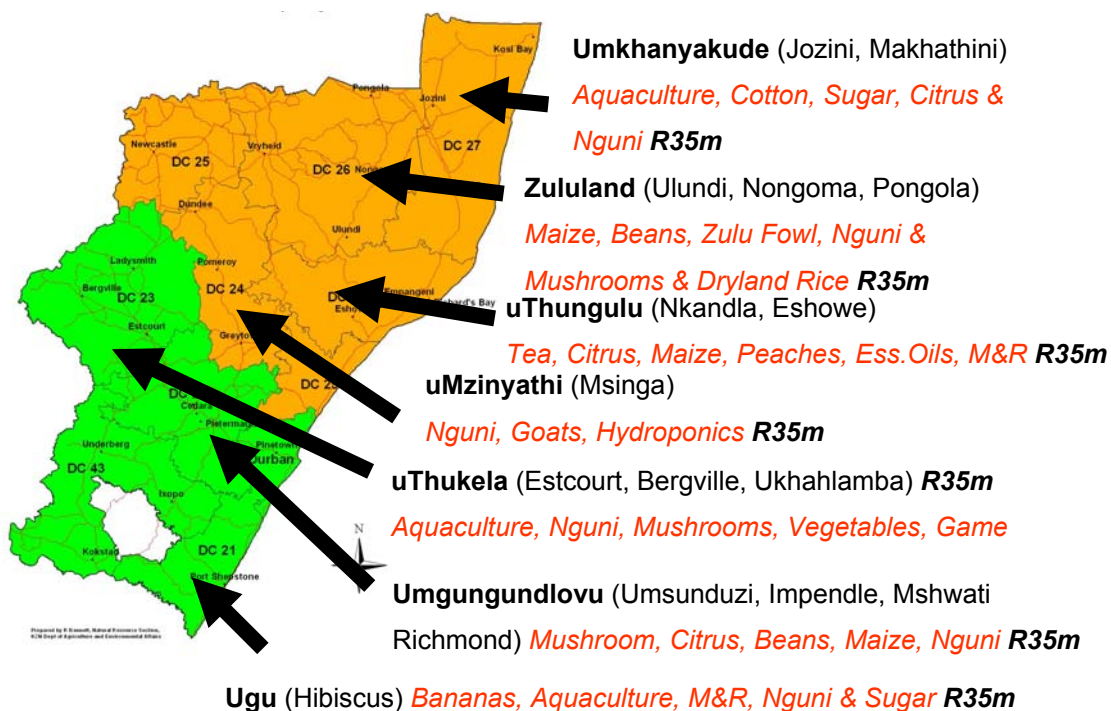
AGRARIAN REVOLUTION TARGET AREAS (2006/7)

Finally, the **Agrarian Revolution Strategy** has clearly identified targeted Districts for **2006/7** which should each receive approximately R35m of Siyavuna funding⁸. Each district will have specific targeted commodity focus areas that respond to the Provincial Agricultural Framework, areas of identified Hunger, and the priority areas identified by the Provincial Government and the Premier for 2006/7 specifically.

⁸ This budget would include funds allocated for the various Siyavuna Programmes including Liming and Fencing, Nguni Revitalisation, Land Reform, Greening, Land Care etc.

These districts and their Agrarian Revolution focus areas include following :

Map 4 : Targeted Districts, Commodities & Budgets for the Agrarian Revolution Strategy 2006/7



NORTH REGION

Umkhanyakude (focus on Jozini, Makhathini)

- Supporting existing Sugar and Cotton initiatives
- Implement projects according to the Integrated Makhathini Development Plan i.e. Nguni Development, intensive Citrus and vegetable production along the Pongola River, and Cotton, Groundnut and Cashew Nut Development in drier eastern areas
- Supporting targeted Research into the potential for Aquaculture projects via the Makhathini Research Station
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

Zululand (Ulundi, Nongoma & Pongola)

- Implement 'massified' / high impact Maize and Bean projects in conjunction with market / processing facilities, mechanisation fund and sustainable irrigation infrastructure
- Establish Mushroom production and distribution sites at all hospitals and clinics with high malnutrition records and seriously low levels of child growth rates (in conjunction with Vitamin supplementation programmes) i.e. His Majesty's Farms, Black Umfolozi, Ulundi
- Implement Nguni projects in partnership with Livestock Associations established under the Siyavuna Diptank Programme and the ARRUP Corridors (using Zimbambele Savings Clubs)
- Implement Citrus and Peaches project at Bululwane Irrigation scheme in partnership with local communities and Zululand District
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

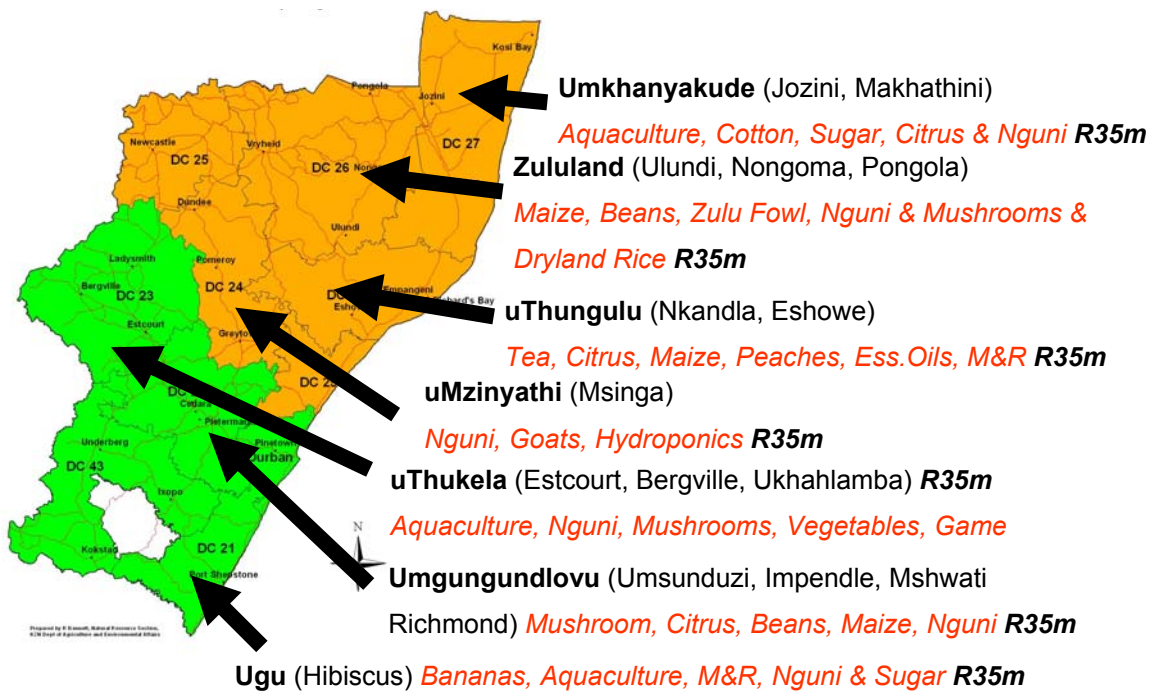
uThungulu (Nkandla, Eshowe)

- Support expansion of Ntingwe Tea Out-grower development
- Implement household Greening (Citrus and Peaches) projects in partnership Nkweleni Valley commercial farmers
- Support essential oils (Rose geranium) projects in partnership with Nkandla communities and uThungulu District
- Establish Mushroom production and distribution sites at all hospitals and clinics with high malnutrition records and seriously low levels of child growth rates (in conjunction with Vitamin supplementation programmes)
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

uMzinyathi (Msinga)

- Implement 'massified' / high impact Maize and Bean projects in conjunction with market / processing facilities, mechanisation fund and sustainable irrigation infrastructure
- Implement Nguni projects and construct basic abattoir (see Utrecht Game facility) in partnership with Livestock Associations established under the Siyavuna Diptank Programme and the ARRUP Corridors (using Zimbambele Savings Clubs)
- Facilitate the resuscitation of defunct Vegetable Packhouse at Msinga
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

**Map 4 : Targeted Districts, Commodities & Budgets for the Agrarian Revolution
Strategy 2006/7**



SOUTH REGION

uThukela (focus on Estcourt, Bergeville & Ukhahlamba)

- Supporting targeted Research into the potential for Aquaculture projects via the Tugela Estates Aquaculture facility
- Facilitate resuscitation of Vegetable production at Tugela Estates in partnership with social partners (CORD)
- Implement 'massified' / high impact Maize and Bean projects in conjunction with market / processing facilities, mechanisation fund and sustainable irrigation infrastructure
- Establish Mushroom production and distribution sites at all hospitals and clinics with high malnutrition records and seriously low levels of child growth rates (in conjunction with Vitamin supplementation programmes) i.e. Bergville and Estcourt areas
- Implement Nguni projects in partnership with Livestock Associations established under the Siyavuna Diptank Programme and the ARRUP Corridors (using Zimbabwe Savings Clubs)
- Implement Greening projects (Pecans) in partnership with Department of Economic Development
- Support Land Reform initiatives (e.g. Besters)
- Support Land Care and Alien Weed Control Initiatives

Umgungundlovu (Umsunduzi, Impendle, Mshwati)

- Implement 'massified' / high impact Maize and Bean projects in conjunction with market / processing facilities, mechanisation fund and sustainable irrigation infrastructure

- Establish Mushroom production and distribution sites at all hospitals and clinics with high malnutrition records and seriously low levels of child growth rates (in conjunction with Vitamin supplementation programmes)
- Implement Nguni projects in partnership with Livestock Associations established under the Siyavuna Diptank Programme and the ARRUP Corridors (using Zimbabwe Savings Clubs)
- Implement infrastructural support to PDI Cut Flower growers in partnership with Umgungundlovu District and Department of Economic Development
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

Ugu

- Establish Banana Outgrowers in partnership with Ugu District, commercial farmers and the ARRUP Corridors (using Zimbabwe Savings Clubs)
- Establish Mushroom production and distribution sites at all hospitals and clinics with high malnutrition records and seriously low levels of child growth rates (in conjunction with Vitamin supplementation programmes) i.e. Kokstad, Vulamehlo
- Supporting existing Macadamia Nut and Sugar Out-grower initiatives
- Support Land Reform initiatives
- Support Land Care and Alien Weed Control Initiatives

IMPACT AND BENEFITS

The impact of the Agrarian Revolution concept on the regional economy is potentially enormous. The impact can be summarised as follows:

Number of Jobs

- Self employment opportunity for all households
- Approximately 150,000 sustainable jobs.

Agricultural Production

- A 500% increase in agricultural production
- Food diversity
- Improved land utilization and assimilation of good agricultural practices.
- Potential to increase the agricultural contribution to the Provincial GGP from the current R6 billion per annum to R30 billion per annum plus.
- Quality, quantity and constant supply will enhance global competitiveness. Exports will increase.

Target market

- Food markets – vegetables, fruit, cash crops and livestock products
- New markets developed

SUMMARY

In summary, the Provincial Government is placing an extremely high priority on stimulating an Agrarian Revolution on the Province, aimed at exploiting the Province's enormous latent agricultural potential and comparative advantages to the full as a means to create basic income and food security and to stimulate growth, employment creation and the eradication of poverty in rural areas.

For this programme to succeed, however, it will require careful management and innovative approaches. For example, agricultural cooperatives and agri-processing SMMEs will never become sustainable businesses in their own right unless they receive intensive training in business skills, have access to affordable financing on an ongoing basis, and most importantly, have access to markets. It may well be necessary for the Provincial Government to establish processing plants and marketing companies (either in its own right or through intermediaries such as Ithala) to provide cooperatives and SMMEs with secure supply contracts for their produce, otherwise the vision of penetrating sophisticated foreign markets such as the European Union is likely to remain just a dream.

- In addition to the above, the agri-business unit in the Department has conceptualized and packaged key interventions in the essential oil, marula and cut flower industries in the Province. Area specific feasibilities for interventions in the agri-processing and the pecan nut industry have identified excellent pilot projects for implementation in partnership with Local Government. Inter-organisational relations with the Department of Agriculture and Environmental Affairs, DTI and Trade and Investment KZN have been strengthened through the formation and operationalisation of the Agri-business Forum and joint projects undertaken, such as the Jaggery market study and Amadumbe Business and Market Plan.

PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT STRATEGY

IMPLEMENTATION STRATEGY

The implementation strategy for the PSEDS sets out the key interventions for the Cluster over the next five years (2007/2008 – 2012/2013) in order to achieve the ASGISA objectives in alignment with the NSDP. These Cluster Interventions can only be successful through the integrated implementation of several sector department projects.

These projects are critical to the success of the Cluster Interventions and must be implemented in a coordinated and integrated fashion in order to maximise synergies and minimise costs. Taking into account the classification of potential and need and the nodes and activity corridors identified a detailed Cluster implementation strategy has been developed for each District Municipality. The municipal Integrated Development Plan and Spatial Development Framework were examined to ensure that the Provincial Spatial Economic Development Strategy takes account of, and compliments, municipal planning.

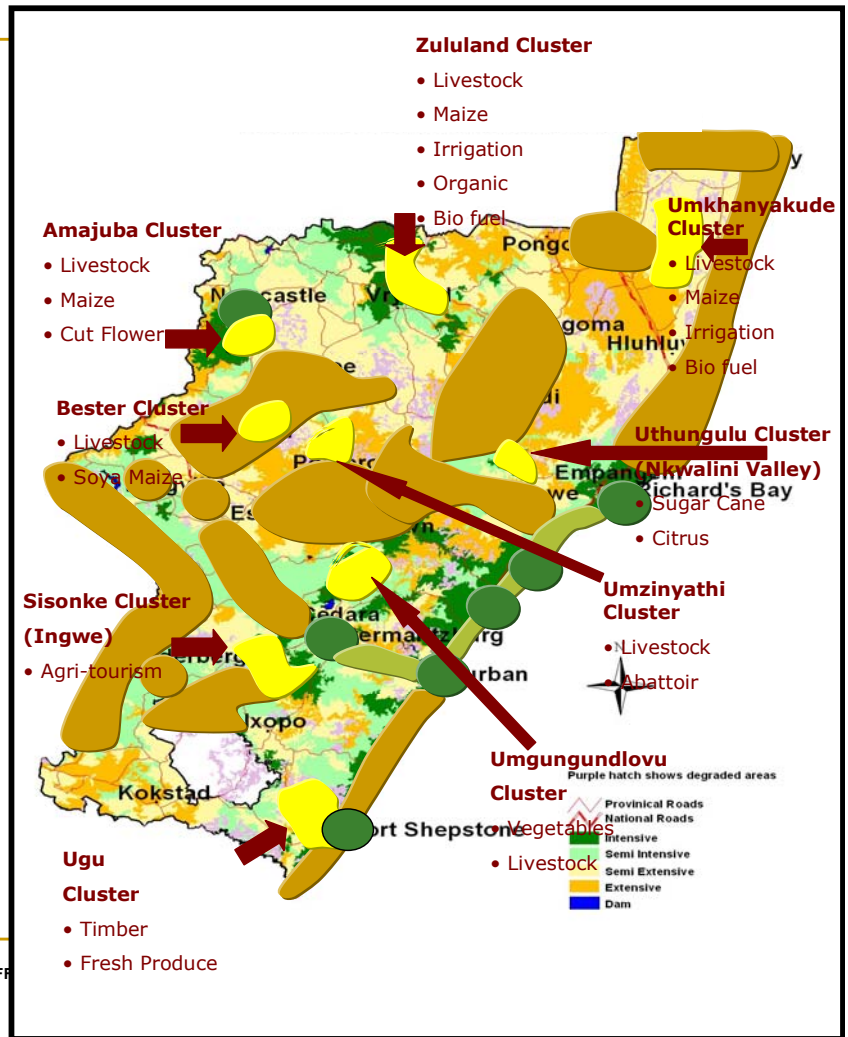
In examining the District Municipalities the province has highlighted key areas of potential which need to be addressed in order to bring about economic growth, address poverty, and/or create jobs. They are not the only areas of potential within the municipalities but are those areas which will have the greatest impact on bringing about growth, creating jobs, and / or reducing poverty. These areas of potential have been listed as cluster “programmes” which are spatially referenced in the attached maps.

This forms the Cluster implementation strategy which can only be successfully implemented through an integrated implementation programme of multiple departments. The cluster programmes would thus consist of several departmental projects which would need to be implemented in order for the potential to be realised.

ECONOMIC CLUSTER PROGRAMME OF ACTION:
DEPARTMENT OF AGRICULTURE AND ENVIRONMENTAL AFFAIRS

LAND REFORM GROWTH INITIATIVES

ECONOMIC CLUSTER PROGRAMME OF ACTION:
DEPARTMENT OF AGRICULTURE AND ENVIRONMENTAL AFFAIRS



PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT STRATEGY

DISTRICT MUNICIPAL / CLUSTER AREA	DEA / DLA / LCC CLUSTER INITIATIVE	2007/2008 Rm= ADD FUNDING
UGU	Fresh produce, timber, game, livestock production, value adding and management	51,580
U-MGUNGUNDLOVU	Development of vegetable, livestock and processing facilities in Howick ~ Mooi River, Impendle, Mpophomeni & Edendale Valley	92,000
U-THUKELA	Development of soya maize, livestock and processing facilities for Bester land restitution and redistribution claims	8,500
U-MZINYATHI	Development of livestock and processing facilities for Umzinyathi cluster land restitution and redistribution claims	45,000
AMAJUBA	Development of maize, livestock and processing facilities for Amajuba cluster land restitution and redistribution claims	4,191
ZULULAND	Development of organic vegetables, maize, livestock, irrigation and processing facilities for Zululand cluster land restitution and redistribution claims	14,786
UMKHANYAKUDE	Development of organic vegetables, maize, livestock, irrigation and processing facilities for Umkhanyakude cluster land restitution and redistribution claims	123,800
UTHUNGULU	Development of sugar cane, citrus, pasture management and value adding facilities	62,000
SISONKE	Development of Agricultural tourism / services and processing facilities in Underberg / Ingwe	82,000
TOTAL ADDITIONAL FUNDING REQUIRED TO SUPPORT LAND REFORM TO ANCHOR ECONOMIC GROWTH / CORRIDOR DEVELOPMENT / AGRARIAN REVOLUTION STRATEGY		483,857

ECONOMIC CLUSTER PROGRAMME OF ACTION:
DEPARTMENT OF AGRICULTURE AND ENVIRONMENTAL AFFAIRS

PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT STRATEGY

Provincial Spatial Economic Development Strategy Agricultural Centers



Reprioritised Medium Term

2007/08	2008/09	2009/10
341,849	492,366	661,900

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

PROVINCIAL SPATIAL ECONOMIC DEVELOPMENT STRATEGY

DISTRICT MUNICIPAL AREA	2007/2008 Rm= ADD FUNDING	2008/2009 Rm= ADD FUNDING	2009/2010 Rm= ADD FUNDING
E-THEKWINI	11,200	18,666	56,000
UGU	29,520	41,666	55,600
U-MGUNGUNDLOVU	39,040	53,734	71,400
U-THUKELA	28,209	27,334	42,000
U-MZINYATHI	41,600	69,334	78,000
AMAJUBA	16,200	18,334	31,000
ZULULAND	45,880	72,966	90,900
UMKHANYAKUDE	59,200	65,334	86,00
UTHUNGULU	24,200	47,000	55,000
ILEMBE	16,000	26,666	35,000
SISONKE	30,800	51,334	64,000
TOTAL ADD FUNDING	341,849	492,368	664,900

ECONOMIC CLUSTER PROGRAMME OF ACTION:
DEPARTMENT OF AGRICULTURE AND ENVIRONMENTAL AFFAIRS