With research support from:

# Economic Development in Municipalities

## Case Study Development

### eThekwini Metropolitan Municipality

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# 1. Introduction

The South African Cities Network (SACN) and the South African Local Government Association (SALGA) have commissioned a follow-on phase to an original study exploring the economic development function in municipalities. The first phase of the study highlighted that economic development is not an isolated function and not the sole responsibility of the Economic Development Department, or Local Economic Development unit, but rather serves as a transversal municipal function. In addition, the study identified that imbedding and economic development focus within the economic development-planning-skills nexus of municipal functions is central to the ability of local governments to facilitate economic growth across the formal and informal economy spectrum.

With a focus on inclusive economic development in metropolitan cities, the study objectives of this follow-on phase are described as follows:

- Understand the municipal economic development institutional status quo within each case study, with an emphasis on how inclusive economic development relates to the institutional status quo;
- Inform subsequent work in which comparative and individual City diagnostics can be undertaken towards a design process for establishing general and specific organisational and institutional guidance on optimising an inclusive economic development function in cities.

Where the previous study developed case studies of four municipalities representing different municipal typologies (i.e. metropolitan, secondary city, small town, and district municipality), this phase of the study has focussed exclusively on three metropolitan cities, namely: the City of Johannesburg (CoJ), the City of Cape Town (CoCT), and eThekwini Metropolitan Municipality. Comparing similar cities with each other allows for the identification of trends, and opportunities to take forward into subsequent work on optimising the inclusive economic development function on cities. This case study report is focused on eThekwini Metropolitan Municipality.

## 1.1. Case study approach

Due to the complexity of economic development and challenges around its definition, this case study aims to understand the municipal approach to inclusive economic development through developing an understanding of the direct function (i.e. institutional function), as well as the diffuse function (i.e. systems function), to understand where these metropolitan municipalities have successfully mainstreamed inclusive economic development across a range of municipal functions. To develop these case studies, the following approach was adopted:

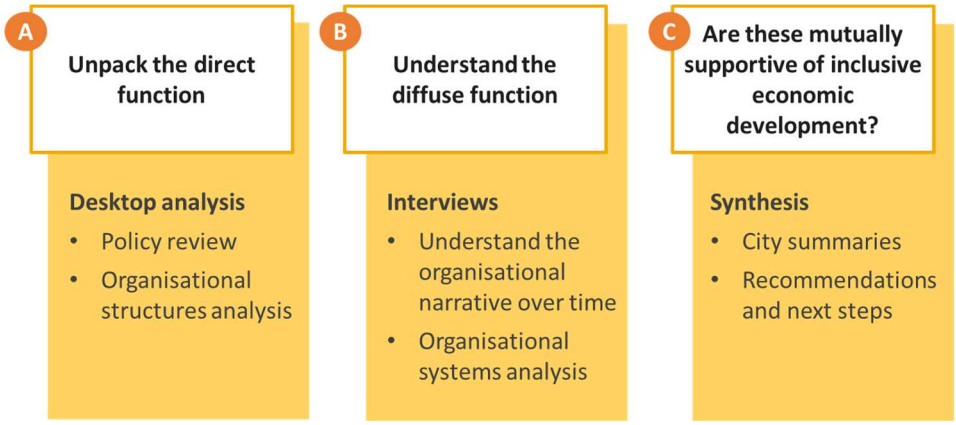


Figure 1: Study approach

In order to develop this understanding of how inclusive economic development is internalised within the municipality, this case study report presents a discussion of the following:

- Socio-economic profile: This chapter begins with a brief unpacking of the current status of the local economy and history of the spatial form of the region. This includes a description, the municipal socio-economic context (i.e. unemployment, education, demographics, etc.), the drivers of the local economy, and how the municipality fits in to the broader spatial economy of neighbouring regions and Kwa Zulu Natal more broadly.

- Municipal economic policy review: This chapter identifies local policies, frameworks, and studies which have been developed in response to the local economy, and should highlight the municipality's intentions regarding its economic development objectives. Through this discussion, this chapter provides insight into how the municipality articulates the strategic aspects of the inclusive economic development function.

- Organisational structures analysis: This chapter explores the organisational structures designed to implement the strategic policy response to economic development within the municipality. In addition, the historical narrative is explored to understand how the municipal interpretation of the economic development function as evolved over time and may potentially continue to evolve into the future.

- Towards institutional indicators for implementation: Based on the understanding of the municipality's objectives and organisational response, the institutional review aims to understand how the case study cities have successfully mainstreamed inclusive economic development within the municipal system, and the relationships or preconditions which support these successes. This closing chapter provides a closing summary of the key discussions and findings, providing a summary of where the city has successfully mainstreamed the inclusive economic development function within its organisation.

## 2. Socio-economic profile

The EThekwini Metropolitan Municipality is located on the east coast of South Africa in the Province of KwaZulu-Natal (KZN). The Municipality spans an area of approximately 2297km$^2$ and is home to approx. 3 442 361 million people (Census 2011). It consists of a diverse society which faces various social, economic, environmental and governance challenges (IDP, 2015: 24). The eThekwini Municipality spans an area of approximately 2300km² and is characterized by steep and dissected topography (IDP, 2015: 97).

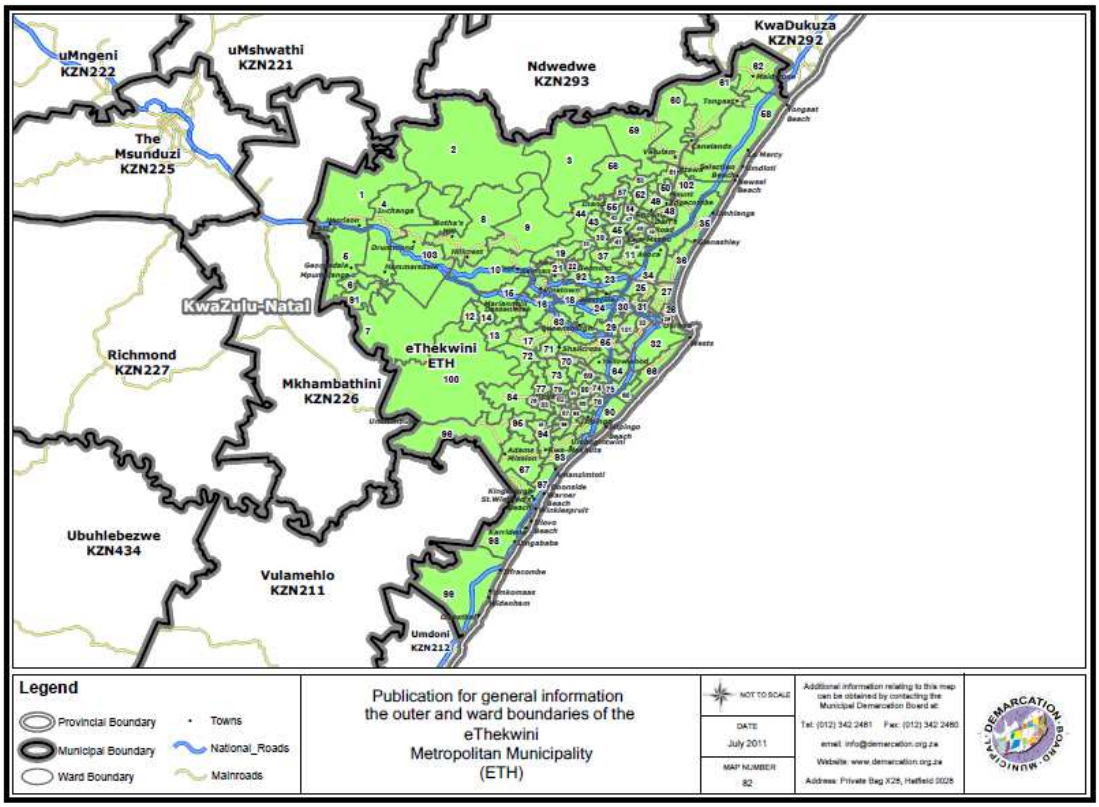


**Figure 2: EThekwini locality map (Demarcation Board, 2016)**

Migration of population to eThekwini is an important contributing factor to population growth. According to Census 2011 the province that provided most migrants to eThekwini was KwaZulu-Natal. Considering other sources besides KwaZulu-Natal, the largest source of migrants (39,500) was from outside the country. The next largest source was the Eastern Cape (38,500) followed by Gauteng (24,300). Many of the migrants are taking up residence in informal settlements and in the case of migrants from outside South Africa 15% reside in informal settlements and as many as 35% of the migrants from the Eastern Cape live in informal settlements. Migration has implications for the labour force, social services, infrastructure, housing and basic household services backlogs.

The greatest population concentrations occur in the central and north regions. The central region is the Urban Core of the municipality and is home to approximately 1.18 million people (34.54%). It is followed by the northern region which is home to approximately 1, 15 million people (33.61%). The south accommodates approximately 758 000 people (22.03%) and the outer west region accommodates the least number of people with a total population of approximately 338 000 people (9.82%) (Census 2011) (IDP, 2015: 26).

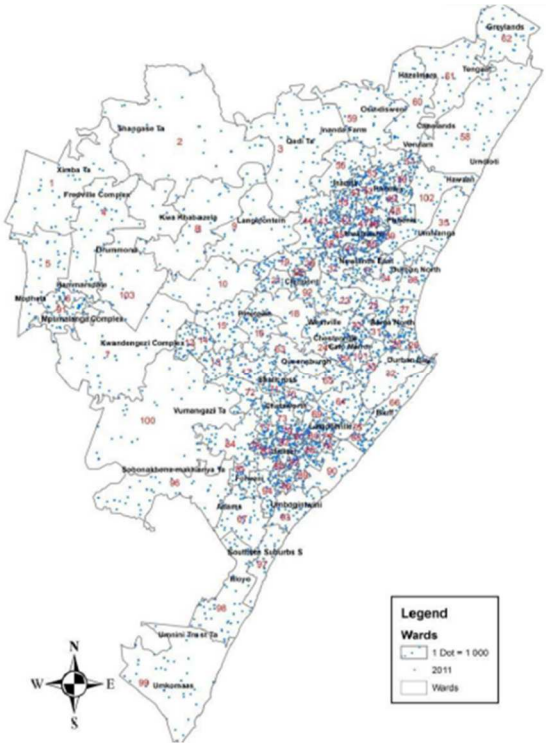


**Figure 3: Population distribution by ward, eThekwini (IDP, 2015: 27)**

The population of eThekwini is currently approximated at 3.4 million, just over one third of the population of KwaZulu-Natal province (Census, 2011). In terms of current population spread, the greatest population concentrations occur in the central and north planning regions with approximately 1.18 million people (34.4%) and 1.15 million people (33.6%) respectively. The South accommodates approximately 760 000 people (22%) and the Outer West region accommodates the least number of people with a total population of approximately 339 000 people (10%) (Northern Urban Development Corridor Study, 2012) (IDP, 2015: 97).

About 45% of the Municipal area is rural while the remainder of 30% is peri-urban and 25% urban. Comprising almost 90 % of the rural land, a situation unique to the eThekwini Metropolitan Municipality, the rural areas are largely defined by their geospatial features, such as hilly, rugged terrain, dispersed settlement patterns in traditional dwellings and communal land holdings under the Ingonyama Trust. This institutional arrangement presents a number of challenges particularly, with respect to land and urban management, service provision and the financial sustainability of the municipality a situation which is likely to be exacerbated with the incorporation of additional traditional areas anticipated through the demarcation process which becomes effective in 2016. The region therefore shares an urban and rural landscape with a wide range of settlement types ranging from formal urban to rural settlements, with the rural areas experiencing a significant amount of residential growth in the last few years (IDP, 2015: 97).

In addition, large numbers of informal settlements are scattered across the city, many in peripheral locations or on steep land or flood plains, placing them at higher risk of erosion and flood damage. This requires that urgent attention be given to addressing the housing backlog and a key spatial challenge is to identify residential opportunities on land that is well located, serviced and with good access to public transport as well as social and economic opportunities.

Given its high variability, extent, population size and mix of social and economic land uses, the eThekwini municipality can also be classified as one of the four city regions which plays an important role in contributing to the economy of the city, region and South Africa as a whole. Noting the high levels of poverty and unemployment (see economic situational analysis) the challenge for the eThekwini Municipality, is to find ways to reduce the increasing gap between rich and poor and to identify sustainable livelihoods and economic opportunities that will act as a catalyst for economic growth and job creation and ultimately, greater sustainability and urban resilience. The national focus on large infrastructure investments to support key national logistics corridors through the SIP programme, local economic development opportunities and the identification and packaging of industrial land are some of the municipal responses to this challenge. The spatial challenge is to ensure that the location of these economic opportunities, contribute to urban efficiencies (by locating such opportunities within or close to economic nodes and transport corridors and minimize the expansion of services), address rural needs, address historical inequities and benefit a large majority of the previously disadvantaged population (IDP, 2015: 98).

This spatial configuration of the city is largely a product of South Africa's history and there is no doubt that the Colonial and Apartheid legacy distorted the spatial patterns of our cities. This reverse mode of densification along with the business and residential expansion further out of the city centre has resulted in a spatial pattern and urban form that is inefficient, inequitable and contributes to urban sprawl. It also fails to recognise that land is a finite resource, results in long and costly commuting distances and undermines the development of a viable public transport system. It further lacks equity in terms of access to social and economic opportunities for a large and diverse cross section of eThekwini's population and is expensive in terms of service and infrastructure provision (City Densification Strategy, 2013).

# 3. Municipal economic policy review

The following high-level review of municipal strategies and plans relating to inclusive economic development are reviewed against the economic development-planning-skills nexus high-lighting the functions of the economic development, spatial planning and asset management, and social upliftment through skills development and training. From the perspective of seeking to mainstream inclusive economic development as a transversal function within metropolitan municipalities, the starting point and emphasis of this policy discussion is to what extent economic development, specifically inclusive economic development, is prioritised in municipal strategies and plans.

## 3.1. Integrated Development Plan

The eThekwini IDP (2015), it is important to note that Local Economic Development (LED) is a National Key Performance Area (IDP, 2015: 20). As a result, this influences reporting, organisational alignment, and project design. The key take home messages in the IDP are the eight-point delivery plan approach the BEPP catalytic projects, as discussed below.

The IDP is defined by eThekwini's eight-point delivery plan which aims to address the challenges listed above the Municipality's delivery plan is organised into eight separate but related plans. The plans, programmes and projects are supportive of each other, to ensure greater impact in delivery and, its goals and outcomes are achieved.

- Plan 1: Develop and Sustain our Spatial, Natural and Built Environment: The goal of this plan to lead, direct and manage the spatial, built and natural environment to ensure the sustainable and integrated growth and development of our Municipality for the benefit of all its citizens.
  Desired Outcome: Citizens will be able to access and use resources to meet their needs without compromising the amenity for others and the resource base of the Municipality in the present and in the future.

- Plan 2: Developing a Prosperous, Diverse Economy and Employment Creation: The goal of this plan is to develop the economic wealth of the eThekwini Region for the material well-being of all its citizens.
  Desired Outcome: Strong economic growth, sustainable job creation and poverty alleviation.

- Plan 3: Creating a Quality Living Environment: The goal of this plan is to promote access to equitable, appropriate and sustainable levels of household infrastructure and community services, and facilitate access to housing.
  Desired Outcome: Appropriately serviced and well maintained, quality living environments.

- Plan 4: Fostering a Socially Equitable Environment: The goal in this plan is to promote and create a safe, healthy and secure environment.
  Desired Outcome: All citizens living in a safe, healthy and secure environment.

- Plan 5: Creating a Platform for Growth, Empowerment and Skills Development: The goal is to establish eThekwini as a learning city which uses knowledge management techniques and processes to enhance the skills base of the citizenry as well as share good practice with other municipalities.

Desired Outcomes:

- A skilled and capable citizenry, within the eThekwini Municipal Area, that shares in and contributes to the economic expansion and growth of the region;
- A skilled work force that delivers effective and quality services to the citizens of eThekwini
- Municipality;
- A learning city.

- Plan 6: Embracing our cultural diversity, arts and heritage: To create a city where people interact creatively to stimulate economic growth, social cohesion and unity in diversity.
  Desired outcome: People living vibrantly and productively in an attractive and healthy environment.

- Plan 7: Good Governance and Responsive Local Government: The goal is to ensure a strong, caring and democratic institution to promote and support a consultative and participatory local government.
  Desired Outcomes: All citizens embracing, practising and benefiting from the concepts of Good Governance; A stronger, more efficient public service which is capable of developing and implementing policy and delivering better services to all people at all levels; Better and more transparent public management; More participative and responsive Municipality, particularly at all levels; A Municipality which prevents, and fights corruption and waste at all levels; A Municipality where all inequalities of the past are eradicated.

- Plan 8: Financially Accountable and Sustainable City: The goal is to maximise the Municipality's financial resources to ensure long-term financial viability and sustainability.
  Desired Outcomes:
  - Confidence of all internal and external stakeholders in municipal financial management;
  - Excellence in the service delivery of municipal financial services;
  - Compliance with prevailing municipal financial legislation.

While all these plans support economic development with the municipality, Plan 2 and 5 supported by Plan 1 and 8 are the most relevant to exploring the local interpretation of the economic development function with the metropolitan municipal context.

The Build Environment Performance Plan (BEPP), included in the IDP identifies a range of catalytic projects that influence the spatial and economic growth the metropolitan area. Several of these are driven by the municipality, while others are implemented and driven by other sectors.

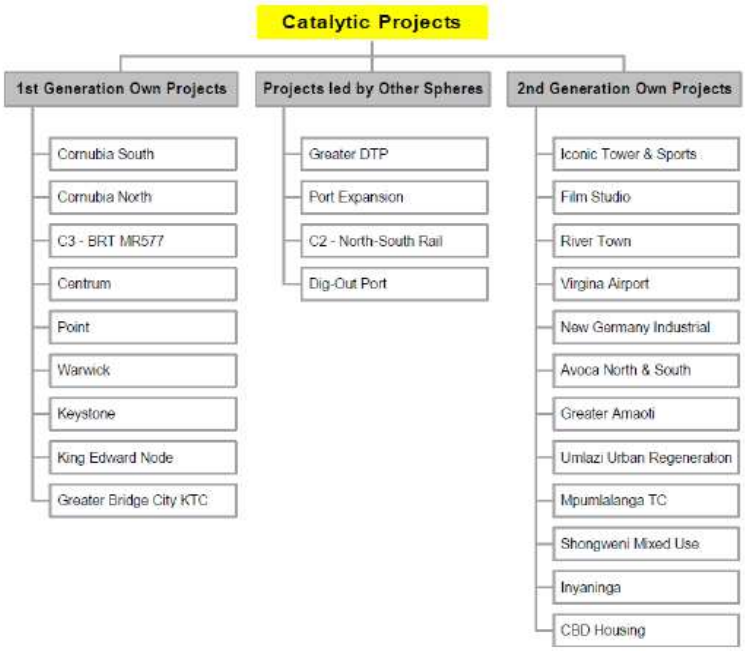


Figure 4: Catalytic projects, BEPP (IDP, 2015)

## 3.2. Radical Economic Transformation Framework

During May 2017, the eThekwini mayor launched the city's Radical Economic Transformation (RET) Framework. The leadership plans to work with the various sectors to provide guidance for the development of new businesses to create employment and growth in the city. The purpose of this framework document is to provide guidance to municipal officials and other state organs operating within the eThekwini Municipal environment on how to effectively, fairly and transparently contribute to the economic empowerment of communities through developmental initiatives. The framework seeks to provide channels of communication and reporting, forms of community economic empowerment, activity integration, ways of accessing opportunities, targeted groups and areas for potential partnerships or joint ventures.[1]

Figure 5: eThekwini's Radical Transformation Framework (RET) 2017

The level of unemployment in eThekwini Municipality is relatively high with most youth being unemployed. The national and provincial governments have all highlighted poverty as a challenge that needs to be eradicated through job creation and small business enterprise development. Infrastructure development is one fundamental pillar identified to boost economic growth. In the past three years, there has been growing concern

[1] http://www.durban.gov.za/Resource_Centre/retf/Documents/Radical%20Transformation.pdf

about lack of tangible economic empowerment of communities within eThekwini Municipality. Of major concern is that residents are not economically benefitting from infrastructure development projects that are being undertaken in their wards. The stoppage of projects has resulted in delayed service to communities, increased project costs and misalignment of interdependent projects. The municipality has a number of initiatives that seek to create opportunities for the local people that includes Vukuphile and EPWP programs. However, these programmes have not found their footprint in a structured manner in most infrastructure projects due to lack of knowledge and guidance on how this could be done. The RET seeks to provide simplified guidelines for dealing and ensuring economic empowerment of local communities through projects executed by the municipality post the August 2016 elections, the Mayor has prioritised job creation, small business support and community empowerment as one of her economic development thrust in the next five years. She highlighted the high rate of unemployment within the municipality as worrying especially the youth, disabled and women. The Mayor also identified the following challenges within eThekwini Municipal Area (eMA) as[2]:

- Need for poverty alleviation
- Rate of service delivery
- Disruption of projects
- Availability of skills and competencies
- Barriers to entry
- Capacity limitations
- Collusion
- Slow pace of economic transformation

The city's Economic Growth and Job-Creation Strategy will be updated during the 2017/18 financial year and will also include an RET footprint across all of the existing initiatives relating to the sector prioritisation and job creation. The summary version of the current Strategy is attached. Besides the RET Framework, there's no other processes in place to offer any institutional guidelines for optimising inclusive growth. Perhaps the Economic and Job Creation Strategy update may provide more direction in this regard. [3]

## 3.3. Economic Development Incentives Policy

Approved in 2016, the Economic Development Incentives Policy (EDIP) is not a new concept, as investment incentives have long been used at all levels of government from national to municipal. The common criticism of many of these incentives is that they may only serve the needs of some and create a loss of public revenue. The efficient allocation of resources can be distorted through government intervention but circumstances can justify the use of investment incentives. Incentives are commonly used to meet the objective of attracting and retaining increasingly mobile capital, create employment, and enhance exports. Governments may also wish to deepen investor's links with local businesses, thus allowing investors to create opportunities for local skills training and education.

The purpose of the eThekwini Municipality's Economic Development Incentive Policy includes the following:

[2] http://www.durban.gov.za/Resource_Centre/retf/Documents/Radical%20Transformation.pdf
[3] Interview, eThekwini Metropolitan Municipality

- To attract development to the City by offering incentives
- Creating an attractive and investor friendly environment;
- Encourage urban regeneration;
- Provide for inclusive investment;
- Stimulate local employment and local procurement
- Identify and implement different types of incentives;
- Establish processes and procedures for incentives
- Identify criteria for the spatial and sectoral targeting to ensure the City's broader economic goals are achieved;

In line with the intention and purpose of this policy, low density residential development is excluded from receiving benefits of the incentives (does not qualify). Residential developments that promote a gross residential density of greater than 80 dwelling units per hectare qualify to be considered in terms of this Policy.[4]

## 3.4. Economic and Job Creation Strategy

The Economic Development and Job-Creation Strategy 2013-2018 which was adopted by the eThekwini Municipality's Executive Council during October 2013 maps out a growth scenario over the next 20 years with an overall framework for the first 5 years. The purpose is to put in place a suite of fundamentals to drive the growth in the future phases. The growth opportunities over the next 20 years will focus on capitalizing on the role of the port, international airport and modern rail, road, infrastructure, information and communication technologies. It also includes promoting the city as a centre for trade between Africa and the world. From a tourism perspective, it will entail marketing the city as an events and tourism destination. In addition, it seeks to promote the city as the best location for manufacturing activities (IDP, 2015: 42).

The Strategy also seeks alignment and ensures it is homologous with the relevant Strategies amongst the three spheres of government – most notably the New Growth Path, National Development Plan and the Industrial Policy Action Plan from National government, all of which have identified specific sections of the economy with job-creation potential. The KwaZulu-Natal Provincial Industrial Development Framework and the Growth and Development Strategy also guide the local government initiatives. In compiling the Integrated Development Plan, the Spatial Development Framework and others, the eThekwini Municipality has ensured that the essential principles and focus areas resonate with these reports (IDP, 2015: 42).

The Strategy examines trends in the detailed sub sectors in manufacturing noting the comparative and competitive attributes for each after which a choice of industries are selected. These priority sectors include automotive, chemicals, clothing and textiles, food and beverage, furniture, metals, electronics and electrical machinery and green industries. In the services sector tourism, ICT, creative industries (Film and Media; Crafts; Fashion), finance and professional services and transport and logistics were identified.

[4] http://www.durban.gov.za/City_Services/Economic_Development/DIPA/Documents/Investment%20Incentive%20Policy%2022-01-2016.pdf

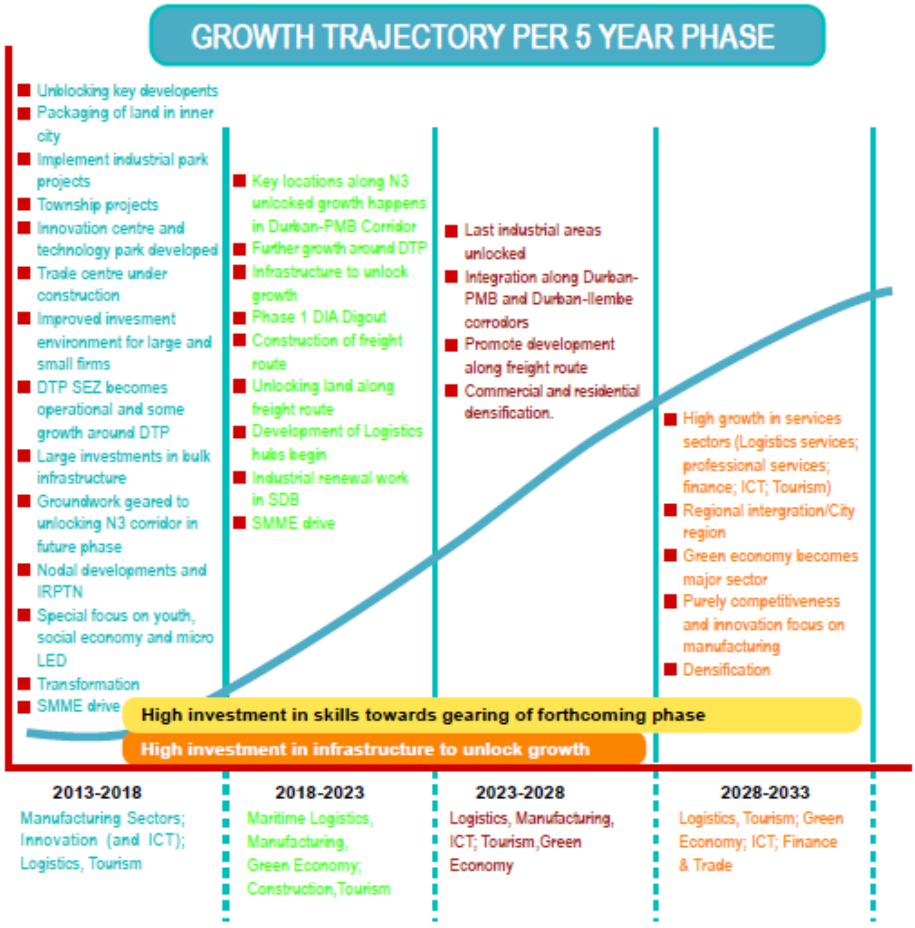


**Figure 6: Projected growth phases (ED&JCS, 2013: 41)**

The Strategy is the precursor to an economic development plan, and the policy outcomes are describes as follows:

- **Outcome 1:** Leadership to drive a 'business unusual' path
- **Outcome 2:** High economic growth over the next 10 years
- **Outcome 3:** Partnerships for sustainable economic development
- **Outcome 4:** Reduced income and spatial inequality, unemployment and poverty
- **Outcome 5:** Being on track to become a Global Metropolis over the next 20 years

The Economic Growth and Job-Creation Strategy's key principles are cross-cutting and require the involvement of several other departments and strategies, plans and programmes within relevant Clusters. These relate to innovation, spatial and industrial development, renewable energy, radical economic transformation (RET), ease of doing business, and resilient cities. The timeous updating of the economic strategy ensures that the goals and objectives of the other departments are aligned with the key principles.

## 3.5. Informal economy policy

The informal economy makes an important contribution to the economic and social life of Durban. In the past, there were strict rules controlling street trading and the establishment of built markets. Home based work was largely not in the domain of local government. The rapid deregulation at the beginning of the 1990s, as well as the transition in local government, led to a changed policy environment. Durban has committed itself to promoting economic development, but has had no comprehensive, written policy to guide the management and support of workers in the informal economy (Informal Economy Policy, 2001). Among related initiatives are the Central Business District (CBD) Revitalisation Strategy, the Best Practice City Commission, the Safer Cities Project, the Long Term Development Framework, as well as strategic work on *inter alia* Small, Medium and Micro Enterprises (SMMEs), area-based management, and transport planning (Informal Economy Policy, 2001: 2). The health of the entire economy is important. The economy does not divide neatly into 'formal sector' and 'informal sector'. Rather, the different sectors, such as manufacturing, tourism, services, and construction, are on a continuum which has a more formal end and a more informal end. The great challenge to local government, in its support for economic development, is to enable the creation of as many opportunities for work as possible, at different points long the continuum, while ensuring health and safety, orderly planning and management.

A long-term policy goal for some is to support the move of informal economy workers into the formal economy. However, it appears that the formal economy is informalising rapidly; the informal economy offers diverse opportunities for absorbing those who have lost their jobs, and for new entrants into the economy. The informal economy is here to stay, not only in Durban, but internationally (2001: 2). Further, the policy acknowledges that the formal and informal parts of the economy are mutually interdependent. To date, much of the support for the informal economy in South Africa, through national SMME policy, has been focused on medium size enterprises and has not been very successful. Not enough support has been given to the poorer segment - the very small operators in the SMME sector, sometimes called survivalists. At national level, the Department of Trade and Industry (DTI) acknowledges its lack of success overall in supporting SMMEs, and especially poorer ones. Private training and support providers in the city and region are nearly uniformly missing the poorer operators and survivalists.

Regarding the role of the municipality in influencing and supporting the informal economy, the Economic Development Cluster is responsible for policy development in relation to this sector. The Informal Trade Division has been responsible for managing and developing market facilities, such as Warwick Junction upgrading projects. The City Health has for five years had an active health education programme to upgrade the skills and working environment of street traders. Through a system of incentives traders are encouraged to attend, be accredited and be registered. It has also actively negotiated around specific issues such as relocation of *muthi* markets, and the sale of potentially hazardous plastic drums. The municipality should focus on research, and the monitoring and evaluation of investment made toward the informal economy.

In addition, it is acknowledged that supporting the informal sector involves the demarcation of trading areas, the issuing of permits, organising traders into area committees that feed into a citywide forum, and the ongoing collection of rentals. Coupled with this is the necessary enforcement of regulations and by-laws in conjunction with the Metro Police, as well as negotiations and dispute resolution where the interests of residents, traders and the formal economy come into conflict.

In order to provide a first step up for budding entrepreneurs and traders, a number of local incubator factories and storage facilities have been set up where workshop space or storage is available at a minimal rental. For entrepreneurs showing promise, there is a selection process whereby enterprises can advance to the entrepreneurial support centre, and where additional facilities are available, including training and support (SDF, 2015/16: 95).

## 3.6. Spatial Development Framework

The SDF emphasises the regional economic role of the municipality and connections with its neighbours, and international and domestic trading partners. The spatial distribution of economic activity in the eThekwini Municipal Area (EMA) is heavily skewed towards the Durban City Centre, the Durban South Basin, the Port of Durban and the Pinetown and New Germany areas. The EMA has uneven distribution of economic opportunities with most employment and consumption opportunities concentrated in the central core areas. Further, it emphasises the spatial implications of economic growth. Trends regarding commercialisation include the constraint on land in the Central Spatial Region which has led to a significant thrust of development outward toward the adjacent regions particularly toward the North and Western regions within the EMA. The decentralization of commercial development (including office and retail activities), particularly higher order activities, from the Durban and Pinetown CBDs to more affluent suburbs such as Umhlanga in the Northern Region has resulted in spatial restructuring (including the changing commercial role of these CBDs with the relative establishment of new nodes).

As a consequence of commercial and retail decentralization, these CBDs have experienced high vacancy rates as well as declining property values. (EThekwini Property Market Review 2006/2007, Viruly Consulting (Pty) Ltd) The loss of critical mass of economic activities within the core Durban and Pinetown CBD‟s in the form of decentralization to shopping malls as suburban models of development is being perpetuated. There is also a tendency towards expanding suburban office nodes and new office park developments which are attracting offices out of these CBDs (SDF, 2015/16: 95).

The SDF explore the spatial economy of eThekwini under the following categories:

- Industrial development
- Freight and Transportation Logistics
- Commercial / Retails and business development
- Informal economy
- Agricultural development
- Tourism and recreation

**Table 1: Summary of Economic Trends and Issues (SDF 2015/16: 96)**

| ISSUES | UNDERLYING CAUSE | SPATIAL IMPACT |
|---|---|---|
| Jobless growth in the formal economy | • Decline in labour intensive industrial sector, associated with shedding of jobs | • Decline and blight associated with closure of business in industrial areas<br>• Land demand for expansion, and associated infrastructure requirements |
| Infrastructure limitations to economic expansion | • Capacity limitations for port to expand<br>• Aging and obsolete industrial infrastructure | • Pressure upon interface between port and city<br>• Relocation of business from aging industrial areas to newly established areas<br>• Congested transportation routes, mixing of industrial and residential traffic |

| | | |
|---|---|---|
| | • Growth in road-based traffic, notably for container transport<br>• Poor transport linkage between certain economic zones and installations<br>• Infrastructure is inadequate to cater for growth | • Certain forms of development are precluded from economic zones where water, waste disposal, waste water treatment and energy supplies are inadequate to meet requirements of the Municipality<br>• Development is focused along North. South and west growth path with limited development in adjacent hinterland |
| **Changing locational patterns** | • Outward expansion of industry<br>• Growth in suburban retail markets<br>• Emergence of specialist, bulk retailing activities<br>• Growth in suburban high grade office space | • Relocation of service industry and light manufacturing to decentralized business parks along north, south and west growth path<br>• Relocation of higher income retailing functions to suburban locations<br>• Emergence of specialist/value retail parks outside CBDs<br>• Decentralization of office (especially A-Grade) to suburban office parks |
| **Changing nature of economic markets** | • Emergence of informal/small scale economy<br>• Transformation of mass tourism and leisure markets<br>• Emergence of niche tourism and hospitality industry | • Growth of economic activity around commuter hubs, public nodes and activity corridors<br>• Growth of street trading<br>• Growth of economic activity around commuter hubs, public nodes and activity corridors<br>• Growth in mass tourism and leisure focusing on seasonal utilization of the beachfront by day trippers<br>• Deepening of the niche tourism and leisure industry via growth of elite/coastal tourism, business and convention |

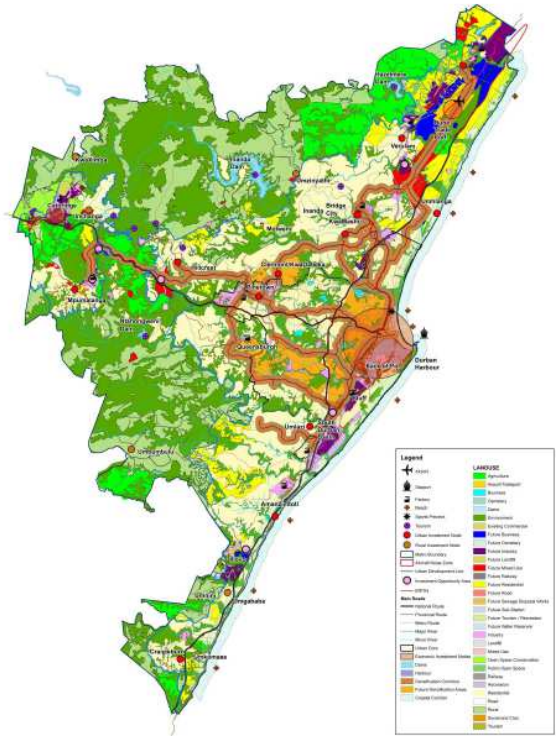

**Figure 7: Revised Spatial Development Framework 2015/16 (SDF, 2015/16: 294)**

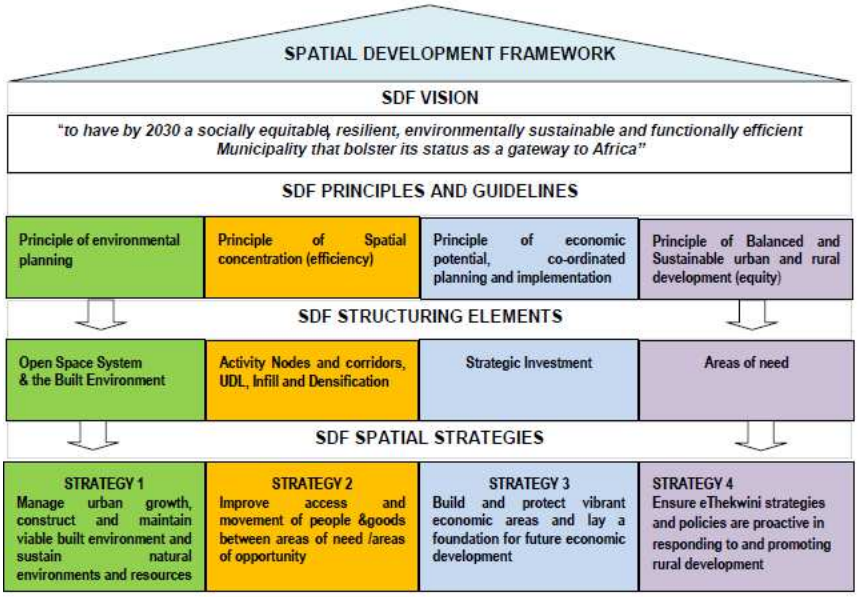


**Figure 8: SDF objectives and strategies (SDF, 2015/16: 191)**

The SDF identifies four strategies underpinning the spatial development strategy of the municipality, the Strategy 3 "Build and protect vibrant economic areas and lay a foundation for future economic development" is the most strongly related to the economic development function of the municipality. This strategy is informed by the principle of enhancing (or harnessing) economic potential, co-ordinated planning and implementation. The strategy aims to promote and enhance the economic role of the EMA within the KZN province. This could be achieved in several ways including:

- Revitalisation of existing economic areas. Examples include Greater Durban and Pinetown CBD;
- Developing new economies (e.g. Cornubia, Umhlanga, Bridge City and Shongweni) and former townships (e.g. Umlazi Megacity and Clermont/ KwaDabeka Regeneration Project and Mpumalanga Town Centre);
- Facilitating emerging and informal economic activity for example Warwick Junction;
- Identifying industrial and business expansion opportunities in areas such as Cato Ridge, Inyaninga / Tongaat and Dube Trade Port;
- Improving freight and passenger linkages (as per the Integrated Rapid Public Transportation Network study recommendations).

The discussion of this component of the spatial development strategy indicates the role of the municipality in strategically supporting certain economic sectors and catalytic projects.

## 3.7. Synthesis

The metropolitan municipality's strategy documents provide a high-level direction to the implementation of the economic development mandate within the municipality. The focus of these documents indicate that economic development should underpin the planning of all departments and be the city-wide focus of the municipality. However, it is noted that the high-level strategies are not well integrated as the chapters are essentially independent of each other, and the eight-point plan outlined in the IDP, essentially notes that all these issues are critical and

significant, without clearly prioritising. The lack of clarification around regarding prioritisation and alignment presents a challenge to the mainstreaming of inclusive economic development.

Due to the fragmented nature of the updates and the possible lack of alignment among the other strategies and plans – from all spheres of government, it may be useful to conduct a case study that looks at how aligned they really are. One of the constant gripes about the city's Integrated Development Plan (IDP) is that it is more 'collated' than 'integrated'. While each plan in the IDP may align with specific strategies from the three spheres of government and globally, the entire IDP document has not been scrutinised to identify contradictions within and amongst the different plans and chapters – herein may lie the various tensions between the departments and clusters and contribute varyingly to the silo mindset. [5]

However, the recently released Radical Economic Transformation Framework (RET, 2017) shows the eThekwini seeking to change the trajectory of initiatives such as the Vukuphile and EPWP programmes. The RET notes that "these programmes have not found their footprint in a structured manner in most infrastructure projects due to lack of knowledge and guidance on how this could be done". By leveraging the PPPFA regulations and BBBEE principles (i.e. ownership, management control, skills development, enterprise and supplier development, and socio-economic development), the municipality is taking a longer-term vision and seeking to practically mainstream economic development into infrastructure programmes. The RET is a good example of how metropolitan municipalities can leverage processes such as Supply Chain Management (SCM) to mainstream inclusive economic development in transversal municipal systems.

[5] Interview

# 4. Direct function: Organisational review

The following discussion of municipal organisational structures relating to inclusive economic development reviews these structures against the economic development-planning-skills nexus, highlighting where the functions of the economic development, spatial planning and asset management, and social upliftment through skills development and training are located within the municipal organisational structure. From the perspective of seeking to mainstream inclusive economic development as a transversal function within metropolitan municipalities, the starting point and emphasis of this organisational structures review is how the land management functions (i.e. spatial and land use planning, and land asset management), relate to direct economic development functions.

This chapter provides (1) an overview of the municipal organisational structure, highlighting functions that directly relate to inclusive economic development, (2) a deep-dive into the direct economic development structures to understand the scope of these, and (3) a review of how these direct economic development functions, or other departments, are structured to influence the mainstreaming of a transversal economic development function within the municipality. The chapter results in a synthesis which supports the development of institutional indicators for the successful implementation of inclusive economic development.

## 4.1. Organisational overview

The organisational transformation agenda of eThekwini Metropolitan Municipality has been driven by an analysis of both what will be delivered and how it will be delivered. In this new model, the city Manager heads the city management structure (clusters), assisted by seven Deputy City Managers, Chief Strategy Officer, Chief Operations Officer and a Chief Audit Executive. As per Figure, these clusters are:

- Community and Emergency Services;
- Corporate and Human Resources;
- Finance;
- Governance and International Relations;
- Economic Development and Planning;
- Human Settlements, Engineering and Transportation;
- Strategic Management;
- Trading Services (Electricity/Water & Sanitation/Cleansing & Solid Waste);
- Chief Operations; and
- Chief Audit.

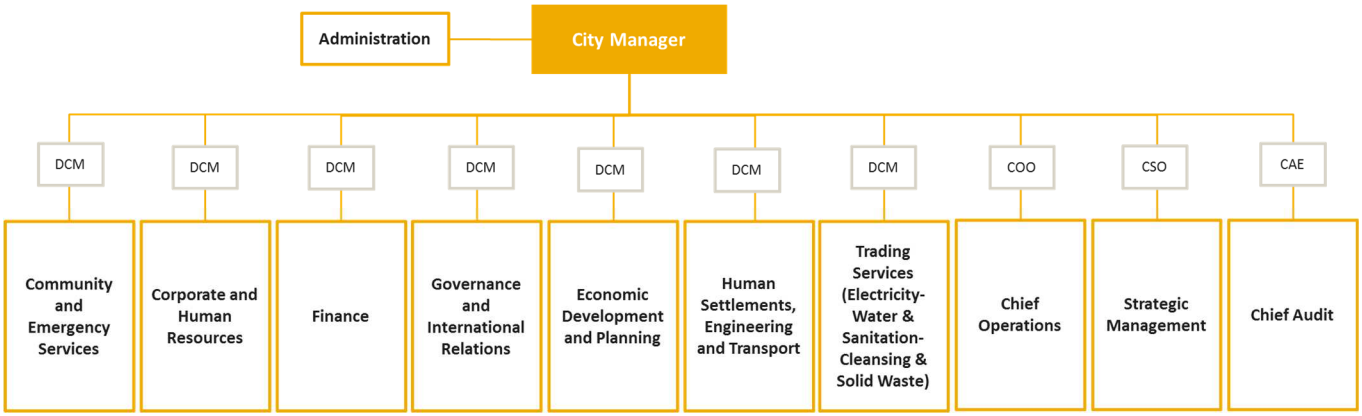


Figure 9: eThekwini organisation clusters (eThekwini, 2016)[6]

## 4.2. Economic development departmental overview

While the municipal functions overall contribute to economic development within the municipality, the Economic Development Cluster drives the Local Economic Development Strategy. The Economic Development and Investment Promotion Unit (EDIPU) comprising the following departments: Strategic Projects-, Business Support-, Markets- and Tourism Units, as well as the other relevant entities are mandated to execute Plan 2 of the IDP (as described in Chapter 2.1 of this report). The specific focus areas strive to address the economic injustices of the past, enhance the existing significant competitive assets in the City and ensure the region is resilient in its attempts to constantly absorb the shocks and stresses to social, economic, technical systems and infrastructure arising out of climate changes, energy scarcity and population changes.

As illustrated in Figure 10, the Economic Development Cluster is structured as follows:

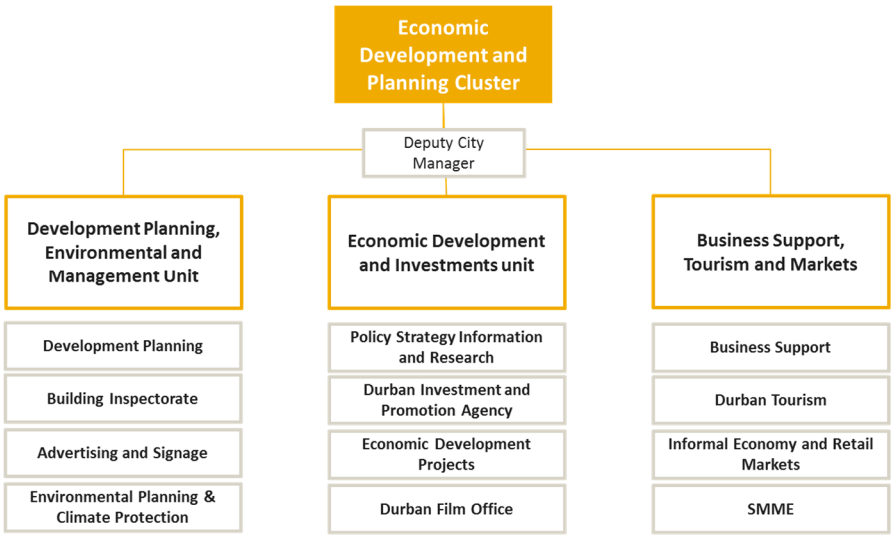


Figure 10: Economic Development and Planning Cluster organogram

[6] http://www.durban.gov.za/City_Government/Administration/Administrative%20Clusters/Pages/default.aspx

The eThekwini IDP emphasises Local Economic Development (LED) as key performance indicator, and reviewed the sector within eThekwini through a SWOT analysis summarised as per the table below (IDP, 2015/16):

**Table 2: LED SWOT Analysis**

| Strengths | Weaknesses |
|---|---|
| • Increased investment in LED opportunities<br>• Improved infrastructure to support LED<br>• Municipal entities that increase revenue base<br>• Effective economic development nodes identified and developed | • Implementation of LED programmes take long<br>• Shortage of skills and entrepreneurial models<br>• Over reliance to the municipality to provide the LED Opportunities<br>• LED opportunities centred in the urban areas<br>• Limited opportunities for LED in Rural Areas |
| **Opportunities** | **Threats** |
| • Effective funding instruments to provide economic benefits<br>• Skills transfer programs to build further LED opportunities<br>• Create access to employment and economic opportunities<br>• Implementation of the LED and Tourism Strategy<br>• Spatially redefine LED opportunities | • Increased unemployment<br>• Food insecurity<br>• Increase in crime, grime and poverty<br>• Poor investor confidence |

With this understanding of the direct economic development function and related organisational structures, Figure 11 illustrates the Economic Development and Planning Cluster as the key implementer of the economic development mandate, as per Plan 2 of the IDP, with the broader institutional responsibility for the economic development function, through the Economic Development and Planning Cluster, resting with the Economic Development and Planning Committee (ECOD) of the eThekwini Municipality.

### 4.2.1. Economic development-planning-nexus

In order to, understand how the case study cities, differ in their approach, a high-level review of the economic development-planning-skills nexus in each city was mapped. It is noted that while Development Planning (covering spatial and land use functions) lies within the same cluster as economic development, together with the skills development focussed SMME and Business Support functions, the property management function lies outside the department under the Finance Department under the Administrative Cluster. The function is exercised by the Real Estate unit. While these units and departments interact on a project basis, the strategic planning linkages are limited. The extent to which the drivers of the economic development function are able to influence these departments and maximise the inclusive economic development potential of the economic development-planning-skills nexus, is explored in the following chapter.

Figure 11: eThekwini direct function

## 4.3. Synthesis

To understand how the case study cities, differ in their organisational approach to facilitating inclusive economic development, a high-level review of the economic development-planning-skills nexus in each city was mapped. It is noted that while Development Planning (covering spatial and land use functions) lies within the same cluster as economic development, together with the skills development focussed SMME and Business Support functions, the property management function lies outside the department under the Finance Department under the Administrative Cluster. The function is exercised by the Real Estate unit. While these units and departments interact on a project basis, the strategic planning linkages are limited.

As eThekwini is the third largest economy in the country, it has seen several major projects since 1994 including the ICC arena, River Horse Valley, the Point Waterfront and other major residential, office and retail developments, in addition to considerable township redevelopment. However, more recently, in terms of inclusive economic development the current focus is on black empowerment, radical economic transformation and youth development, partly influenced by the Radical Economic Transformation Framework (RET). As such, it remains clear that eThekwini Metropolitan Municipality is focused on large scale development facilitation opportunities to achieve inclusive economic development.

# 5. Diffuse function: Systems review

This chapter seeks to understand the institutional drivers of the inclusive economic development agenda within the eThekwini Metropolitan Municipality and how these enable the diffuse, transversal aspects of the inclusive economic development function, through (1) a review of the evolution of the economic development function, (2) identifying key municipal drivers of the economic development function, (3) understanding perspectives of successful inclusive economic development approaches and initiatives.

## 5.1. Evolution of the economic development function

Understanding the evolution of the economic development function within municipal structures is a useful indicator of how the function has been interpreted and prioritised over time, and has the potential to provide insight and lessons into how cities could successfully implement the inclusive economic development function into the future.

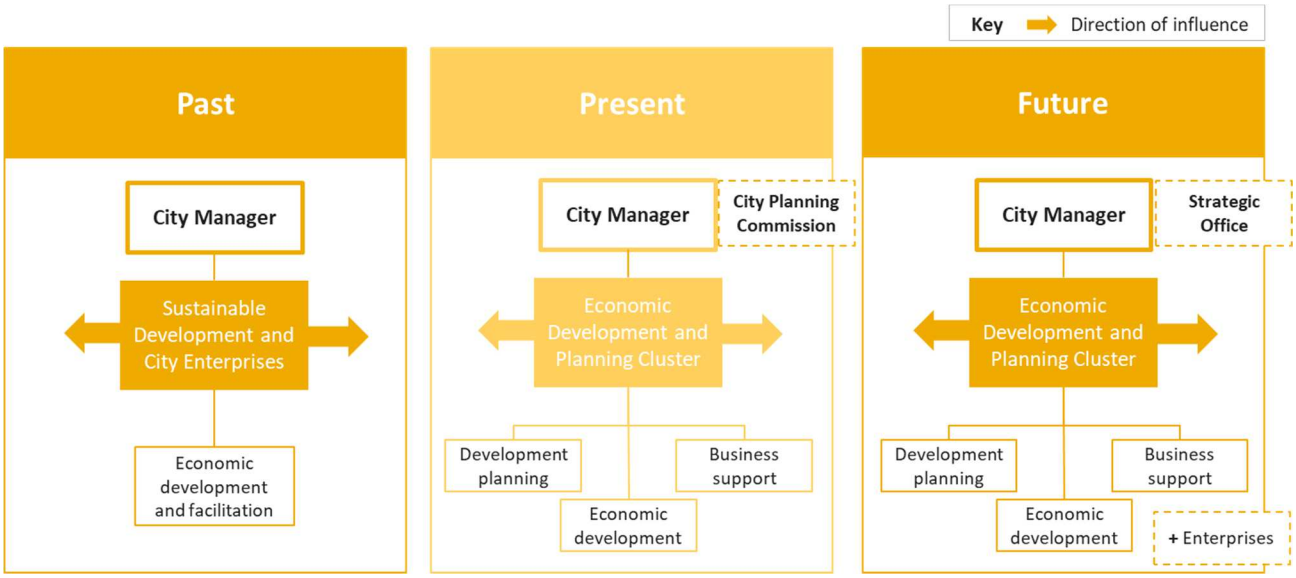


Figure 12: Evolution of the eThekwini economic development function

As per Figure 12 above the evolution of the economic development function can be described as follows:

- Past: The Sustainable Development and City Enterprises Department was established by the former Durban Metropolitan Council after the first democratic elections in 1996. Its role was to advise and guide the Council on how it should promote economic development, job creation and redistribution. The major focus areas at time were to assess the competitiveness of Durban as a place to invest; the growth of tourism, industry and small business; the economic regeneration of previously disadvantaged areas and the provision of economic information and advisory services.

- Present: Through the years the department evolved into the Economic Development and Investment Promotion Unit (EDIPU), now comprising several departments: PSIR (Policy, Strategy, Information and Research); Programmes (Sector Support); Projects (Town regeneration); and the Durban Film Office. As part of the Cluster, this includes Durban Tourism; Markets; Urban Renewal and the Small Business Unit. The Unit

was involved in some of the major development projects in the city such as the ICC expansion, River Horse Valley Business Estate and the Point Waterfront Development.

During the build-up to the 2010 FIFA World Cup Soccer event, the City Manager established another Unit (called Strategic Projects) which was responsible for the development of the new stadium and other infrastructure projects for the event – the EDIPU was not involved in these projects. This Unit is now overseeing a selection of major developments grouped under 'catalytic projects' one of which is the Cornubia development (presently supervised by the Acting Deputy City Manager for the Cluster). The EDIPU has not conceived or been involved in major developments in the past 10 years but plays a contributory role via economic development/planning input into the relevant steering committees.

In addition, the economic development function is supported by the City Planning Commission, established in 2014. The advisory commission's terms of reference indicate that the overarching strategic objective is to act as an advisory think-tank to the leadership and administration of eThekwini Municipality aimed at propelling long-term, holistic and catalytic socio-economic development of Durban and its people. Long-term planning must ensure that high economic growth rates are achieved, linked with the creation of decent and sustainable jobs and economic prosperity. The Economic Development Department is represented on the city's IDP, City Planning Commission and Resilience 100 Cities committees to provide relevant economic development input.

- Future: The potential appetite of the municipality to bring enterprises back into the Municipal structure has been indicated. Further, since early 2017, the IDP office, City Planning Commission function and 100 Resilient Cities initiative were merged into a unit named the Strategic Office. This could be a shift toward a more top-down approach to economic development mainstreaming. While the Economic Development and Investment Promotion function still exists as per the organogram, the city leadership is yet to outline the functions of the Strategic Office and reporting structures.

The evolution of the economic development is characterised by three key aspects, (1) the connection of spatial planning and economic development as practical functions clearly linked to IDP outcomes; (2) the impact of City enterprises and the location of these within the municipal structures; and (3) the establishment of the City Planning Commission, that served to offer strategic advice to City leadership on holistic integrated development considerations. The potential consolidation of strategic economic development functions into a Strategic Office highlights a shift in political approach to economic development, and may have significant potential realise the prioritisation and mainstreaming of inclusive economic development within the municipality.

## 5.2. Identifying the municipal drivers of the diffuse function

The discussion regarding the evolution of the economic development function in eThekwini Metropolitan Municipality highlights the significance on one hand of the plan and project implementation aspect of the economic development function, driven by the Economic Development Department and the Economic Development and Planning Cluster through their implementation of Plan 2 of the IDP. On the other, the more strategic city-wide Strategy Office, the scope of which is yet to be determined. The following discussion highlights the opportunities and challenges currently experienced

- Economic Development and Planning Cluster: Plan 2 in the IDP is not clearly built into the plans and projects for other departments, which limits the potential to ensure that economic development is considered as a transversal function. Further, the primary policy tool for driving the diffuse function is the Economic Development policy which requires a cross-cutting approach, but is not fully integrated into supporting departmental mandates. That said, the social accounting matrix (SAM) is useful tool to integrate economic development as diffuse function by emphasising inclusive economic development in decision-making processes. From an institutional perspective, the cluster model is used as a key integrated decision-making tool. However, despite these opportunities, comments from officials report that economic development is currently not a transversal function. For example, the economic development department struggles to motivate other departments to assist on economic development related projects. Influence of economic development is fully considered during decision making across the municipality, certain aspects are considered municipality wide (e.g. BBBEE, job creation, SAM, feasibility studies where available) others are limited to the economic and development planning cluster. However, cluster as competing demands regarding decision-making. Research is not always considered and political attempts to influence the research agenda. Other tools used by the EDPC to influence the broader understand of economic development the Economic Development and Growth in eThekwini (EDGE) publication.

- Strategy Office: It is noted that the latter has traditionally been more politically driven, an aspect which limits its potential to influence the diffuse function within the municipality. potential for top-down diffusion of inclusive economic development considerations, through the prioritisation of inclusive economic development positioning. Concerns have been raised that the current structure is too political and as a result not effective tool for diffusion of the function to the official structures. Potential that the next iteration of the strategic office will address these concerns. In light of the potential revision of the office, the 100 Resilient Cities initiative and urban sustainability, may prove a useful opportunity or driver to mainstream economic development into municipal decision-making, as well as monitoring and evaluation, due to the alignment between economic development and the resilience agenda[7]. However, concern exists this focus is more of a political than a strategic priority and will not filter down more broadly into municipal day to day decision making.

- Political structures: Leadership focus on economic development, strongly based on development facilitation and reinforced by the Radical Economic Transformation (RET) Framework. With the RET framework in place, equity stake in major developments. However, concerns exist that the RET focus could present an obstacle to attracting larger investors. In addition, the prioritisation of project location often skewed by party politics, highlighting the challenges presented by political structures and the impact on strategic inclusive economic development.

[7] https://www.ue.katowice.pl/fileadmin/_migrated/content_uploads/1_Drobniak_The_Urban_Resilience_%e2%80%93_Economic_Perspective.pdf

## 5.3. Municipal perspectives in successful inclusive economic development

The interpretation of success inclusive economic development is useful indicator to determine how inclusive economic development is interpreted as a concept and function. Key economic development successes identified by eThekwini Metropolitan Municipality are noted below:

- Municipal Institute of Learning (MILE)[8]: Established in 2009. MILE's objectives are to facilitate the enhancement of experiential learning for local government professionals across Africa while also positioning Durban as a centre of innovation, learning and sharing with other municipalities. More info may be obtained from their website.

- Innovate Durban Programme: the programme is designed to provide a support platform that highlights the importance of innovation in the economic and other disciplines within Council and the private sector.[9]

- Social Accounting Matrix (SAM): Durban was also the first city to compile a social accounting matrix (SAM) during 2000 which was designed to determine the success of government strategies and policies, shows how the economy is spread amongst the government, private sector and consumer. It is also utilized for cost benefit analyses when trying to determine the economic impacts of major projects in the city.

- Inkosi Albert Luthuli International Convention Centre: The city is noted for hosting major international conferences at its Convention Centre, and after it was expanded in 2003 it has become a popular venue for popular musicians and other world-renowned artists.

- River Horse Valley Business Estate: The city developed the River Horse Valley Business Estate as a joint venture with Tongaat-Hulett and has become a model for successful public-private commercial developments nationally.

[8] www.mile.org.za
[9] Innovatedurban.gov.za

# 6. Towards institutional indicators for implementation

Key considerations emerging from this case study on the mainstreaming of inclusive economic development in eThekwini include the following:

- The clustering model is useful because it provides a three-pronged approach to economic development, namely, spatial and environmental planning, investment, research and facilitation, and smaller business support. It is noted that Business Support exhibits a developmental approach, focussed on promoting access opportunities for businesses to the formal economy, while at the same time undertaking projects that enable the informal economy. In this way, the mandate of the department is well positioned to promote interventions across the range of approaches to economic development (i.e. pro-poor to pro-growth, or bottom-up to top-down approaches to development).
- The positive impact of the Integrated City Development grant (ICDG) regarding the alignment of inter-departmental projects, prioritisation, and clustering is noted. Despite the limited monetary contribution of that particular grant.