Final (May 2024)

HARRY GWALA BUSINESS RETENTION AND EXPANSION STRATEGY 2024/2025 to 2028/2029

HGDM Vision:
"By 2030 Harry Gwala District Municipality will be a leading water services provider in the whole of KZN with its communities benefitting from a vibrant agriculture and tourism sectors" (IDP 2021-2027)

"By 2050, sustainable Growth and Development in the Harry Gwala District Municipality will have significantly improved the quality of life of its people" (DDM, 2023)

HGDA Vision:

"A polycentric resource abundant investment Gateway, with absolute transformative regional growth and development by 2063"

Contents

1. Introduction

The business retention and expansion strategy (2024-2028) of the Harry Gwala District seeks to create a conducive environment for business to grow in the region. It addresses the macro and micro economic climate that affect new and existing businesses in the region. It also draws from the international, continental, SADC, national, provincial, district and local municipality economic contexts. Furthermore, it addresses the recent events that have shaped the performance of the local economy. Lastly, it contains a guiding implementation framework to inform local investment attraction, retention, and expansion strategies at local municipality level.

The approach followed and contents includes:

- Economic climate analysis
- From the Investment Summit 2023 and its resolutions
- The recoveries after COVID 19, July 2021 unrest, flooding events
- Internationally: the macro-economic conditions
- Nation-wide-the national strategies
- Provincial strategies
- Opportunities and constraints {pull & push factors}
- SWOT analysis
- Sectors performance
- Easing ways of doing business
- Comparative advantages
- Incentives for investment growth
- Open areas for new investments
- Retaining current investments strategies
- Innovation and skills for the economy

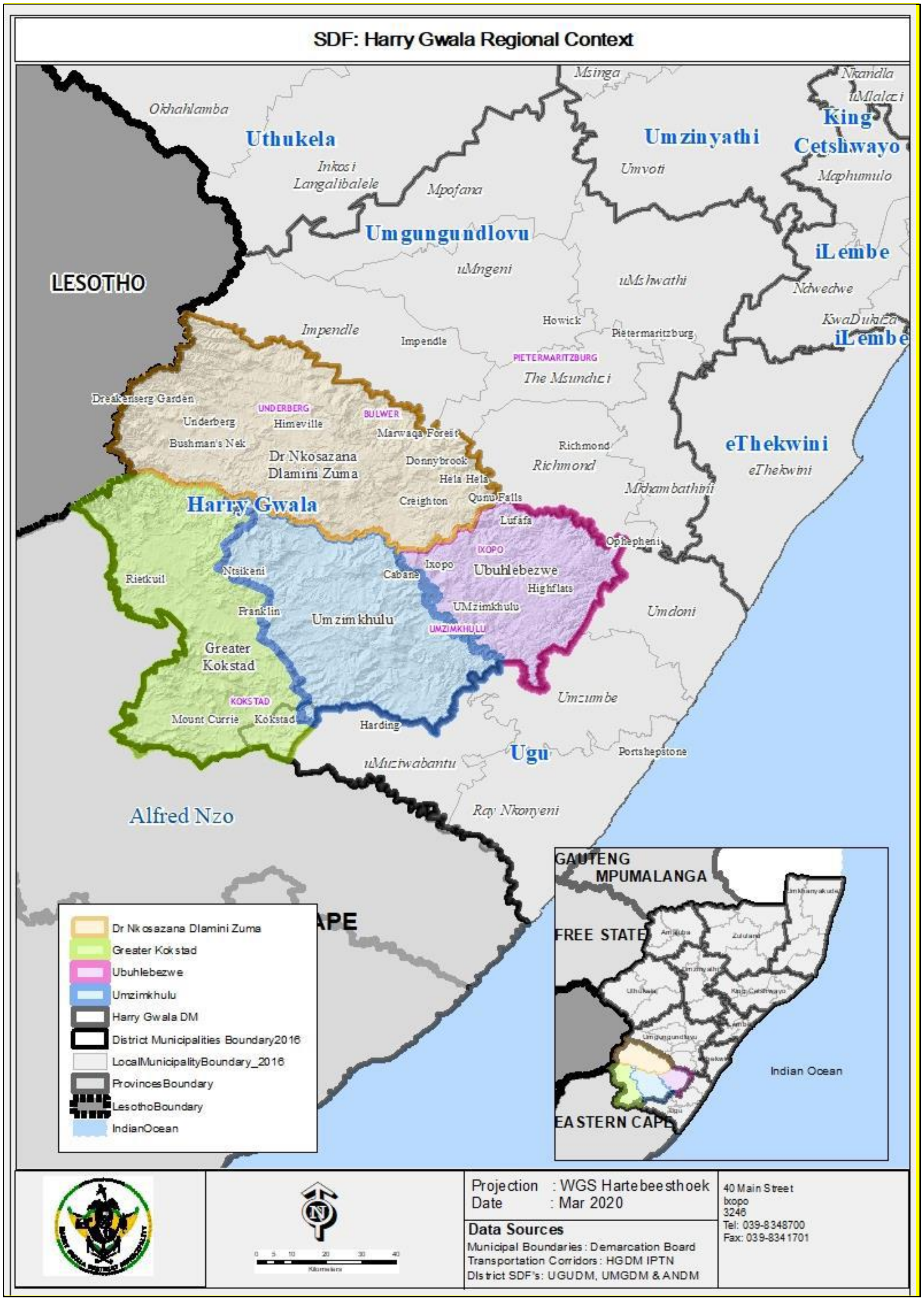
1.1. Vision of the HGDA as the implementers (with narratives of vision translations)-alignment with the NDP, PGDP, HGDM)

HGDM	HGDA	NDP	PGDS & PGDP
By 2030 Harry Gwala District Municipality will be a leading water services provider in the whole of KZN with its communities benefitting from a vibrant agriculture and tourism sectors.	A polycentric resource abundant investment Gateway, with absolute transformative regional growth and development by 2063”	The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the	“By 2035 KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population, living in dignity and harmony, acting as a gateway to Africa and the World.”

HGDM	HGDA	NDP	PGDS & PGDP
		state and leaders working together to solve complex	
Provision of clean, drinkable uninterrupted drinking and business water Vibrant agriculture and Tourism sectors that create employment. By 2030 an improved Socio-economic well-being of HGDM communities	Polycentric – polycentricity a governance system in which multiple governing bodies interact to make and enforce rules within a specific policy arena or location. polycentric planning that focuses on developing multi-urban poles that share nearly the same level of equity in most life aspects achieving what is known by urban equilibrium. Resource – Skilled human resource, water, energy, infrastructure Abundant – Financial – enough for everyone to share responsive to economic activity. Gateway – Tourism, Eastern Seaboard, bilateral-Kingdom of Lesotho, Maluti World Heritage Investment destination – Revenue enhancement,	By 2030 Raising economic growth, promoting exports, and making the economy more labour absorbing. Focusing on key capabilities of both people and the country	By 2035, the PROVINCE OF KWAZULU-NATAL should have maximized its position as a gateway to South and Southern Africa, as well as its human and natural resources so creating a safe, healthy, and sustainable living environment. Abject poverty, inequality, unemployment, and the current disease burden should be history, basic services must have reached all its people, domestic and foreign investors are attracted by world class infrastructure and a skilled labour force. The people will have options on where and how they opt to live, work and play, where the principle of putting people first, living together in dignity and harmony, and where leadership, partnership, and

HGDM	HGDA	NDP	PGDS & PGDP
	Investment attraction, Business Retention and Expansion 2063 – Measurable – aligned to African Union and SDG		prosperity in action, has become a normal way of life.

1.2. Spatial location of the District and its significance



Strategic position (spatial context)

The Harry Gwala District is strategically located, as it is abutted by the Ugu District Municipality, Eastern Cape Province, and uMgungundlovu District. The area is 11 127. 89997 hectares in extent. The terrain is undulating, with combination of savannah grasslands, bush /thorn vegetation and up to the mountainous sub-region of the Southern

Drakensberg plateau. The area is blessed with conducive climatic conditions for agricultural activities. Hence agriculture, among others, as a sector plays a pivotal role in the local economy across the four local municipalities. More information will be discussed under the Chapter that deals with “economic sectors and their performance”.

The recent proclamation of the Eastern Seaboard Development cross-border region by the Minister of Agriculture, Land Reform and Rural Development (DALR&RD) is seen as a game changer as it opens extra funding, which is needed to unlock the implementation of catalytic projects. The road network provides linkages, which facilitates intra and inter trade, especially the R56 route, which links the municipality with uMgungundlovu and Ethekwini, the R617 to southern Drakensberg, the R612 the South Coast and the N2 which links the District with the Dube Trade Port and KZN North Coast, the Eastern Cape, and Ugu District.

Other spatial linkages and cross-border alignments are facilitated through strategic plans such as the recently published draft Regional Spatial Development Framework of the Eastern Seaboard Development area.

2. Investment climate analysis

Macro

TIKZN have already analysed the international best practices and what investors look for when considering ‘investment destinations. These include:

> In 2018, the four most important factors for investment decisions were ‘regulatory transparency and lack of corruption’, followed by ‘tax rates and ease of tax payment’, ‘cost of labour’ and ‘general security environment’. Particularly important for the Strategy is to note that numerous factors are out of direct control of Provincial government (for example, the top two factors are under direct influence of national government), which indicates the importance that policy advocacy and lobbying will play in the context of creating a conducive environment. (TIKZN(2019), accessed on 01/02/2024).

The World Bank Group also releases a global and country-specific Doing Business Report on an annual basis. The report gathers detailed and objective data on 11 areas of business regulation, helping governments across the globe diagnose issues in administrative procedures to provide remedy. It measures complex regulatory processes in various countries and provides a comparison over time and across economies, also highlighting areas of reforms and improvements.

The 11 areas of the life of a business covered by the report include:

- starting a business;
- dealing with construction permits;
- getting electricity;

- registering property;
- getting credit;
- protecting minority investors;
- paying taxes;
- trading across borders;
- enforcing contracts;
- resolving insolvency; and
- labour market regulation (excluded in the rankings).

The inner loop of the image below provides a vivid display and understanding of what factors are considered in determining ‘Doing Business’ drivers.

Figure 1 From the Doing Business Report (2019) cited in TIKZN

According to TIKZN (2019) the KZN Province possesses a strong value proposition which is both beneficial to potential investors and exports alike. The value proposition includes:

- Large labour force with varied skill level;

- Excellent transport infrastructure – two ports, an international airport, and national roads;
- Access to markets, especially African markets;
- Large youth population;
- Large, entrenched industries with strong value chains;
- A good quality of life, including an ideal climate, diverse culture, and natural endowments;
- Available land at a competitive price; and
- Natural resource endowments.

Micro

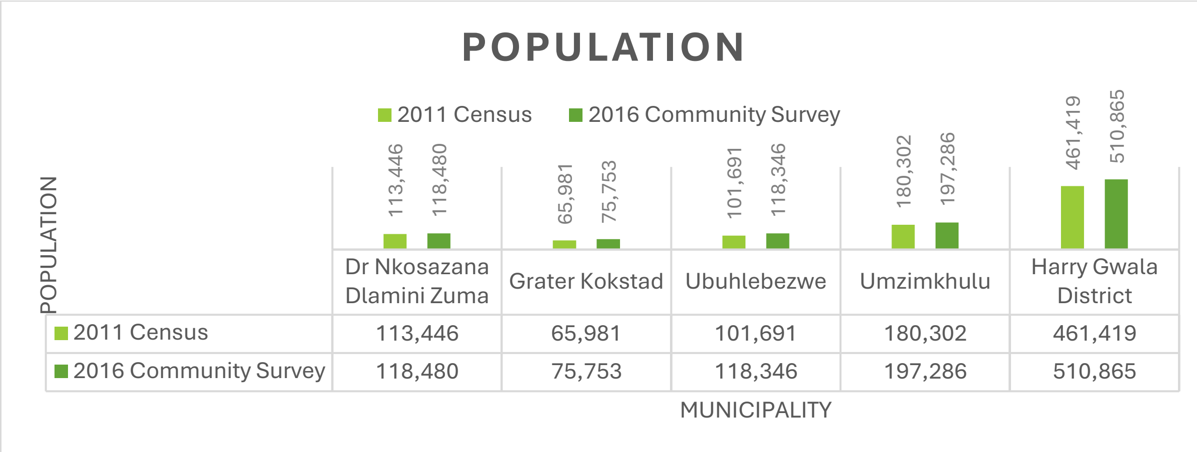
The Harry Gwala District needs to benchmark itself through the above-mentioned value proposition to enhance its investment competitiveness. There is a need to focus on skills development, which respond to the economy needs, especially on TVET colleges.

At the level of municipalities, the issues of incentives come into effect since investors are also looking at lowering the costs of doing business. Municipalities are to work hard in building resilient and competitive spaces for investments. Red tape reduction will be discussed later in the document is to be implemented.

2.1. Population dynamics of the Harry Gwala District shaping the economy

The following information presents the integrated indicators' approach where other indicators are presented at a 'high-level' with basic analysis, and whereas the economic analysis is in depth. This is because the document is about economic growth and development in the Harry Gwala District municipal area.

Population Dynamics



Census 2022

Municipal code	Municipality Name	Total population
DC43	Harry Gwala	563,893
KZN433	Greater Kokstad	81,676
KZN434	Ubuhlebezwe	133,032
KZN435	Umzimkhulu	220,620
KZN436	Dr Nkosazana Dlamini Zuma	128,565

The 2022 Census results that have been partially released and are being released during 2023 will assist towards ‘evidence-based’ planning and decision-making process both in the public and private sectors.

Figure 2 Population Comparison for the StatsSA 2011 Census and 2016 Community Survey, based on StatsSA.

The 2022 Census when fully released will assist towards ‘evidence-based’ planning and decision-making process both in the public and private sectors. As the HGDM population is expected to increase, Government and the private sector need to plan accordingly. The areas to experience most of the pressure are in the provision of bulk infrastructure services such as water, sanitation, and electricity. Also, in the provision of other municipal services such as domestic and commercial refuse removal. The IDPs of the District and its LMs elaborates on the quantification of services backlogs, planning and implementation. A need to plan for the businesses’ needs for infrastructure services.

The concentration of the population is at uMzimkhulu as it is the most populous municipality, whereas higher densities are at GKM.

2.2. The SWOT analysis

The following Matrix presents the SWOT analysis as it specifically relates to business growth, investment attraction and retention. The HGDA, the HGDM Family of Municipalities, Sector Departments, the private sector, Traditional Authorities, and other stakeholders are to work towards turning the weaknesses into strengths, the threats into opportunities.

Table 1 SWOT analysis (overall) from the DDM

Strengths	**Weaknesses**
• Conducive climate for agriculture • Natural and ecological capital • ecosystem services • Eco-system services, especially water • Sound governance policies. • New strategic documents are being compiled and reviewed. • A stable political environment	• Less or non-incentives to attract new investors. • Inadequate support for SMMEs • High unemployment, especially for youth • Low education and skills levels • Poor land use planning and control implementation • Unequal level of development between urban and rural areas • Lack of access to funding • Poor access to international and local markets • Low economic growth • Land reform process is slow & inadequate post-settlement support.
Opportunities	**Threats**
• Enabling National Economic Policies • Implementation of the District Development Model (DDM) • The HGDM is part of the Eastern Seaboard Development • Existing and new partnerships • Skills development and training as a potential economic driver • 4IR, access to information technology • Internationally renowned tourist attraction areas • Ukhahlamba Drakensberg Park a World Heritage is in the HGDM	• Loadshedding/ Power Outages • Vulnerability to climate change – unpredictable weather patterns, and natural disasters • Climate change and high reliance on unrenewable energy sources • Effects of July 2021 unrest • Effects of COVID 19 setbacks • Effects of the international economic downturn • Slow National economic growth and performance

Unreliable energy supply, characterized by sporadic power outages and scheduled load-shedding has been highlighted as one of the biggest threats to business growth and retention in the District, Province, and country. The SMMEs are the most hard-hit by the power outages since they heavily rely on the Eskom-supplied grid. Responsive strategies and projects are discussed in the strategies and projects /interventions chapters.

2.3. Socio-economic analysis

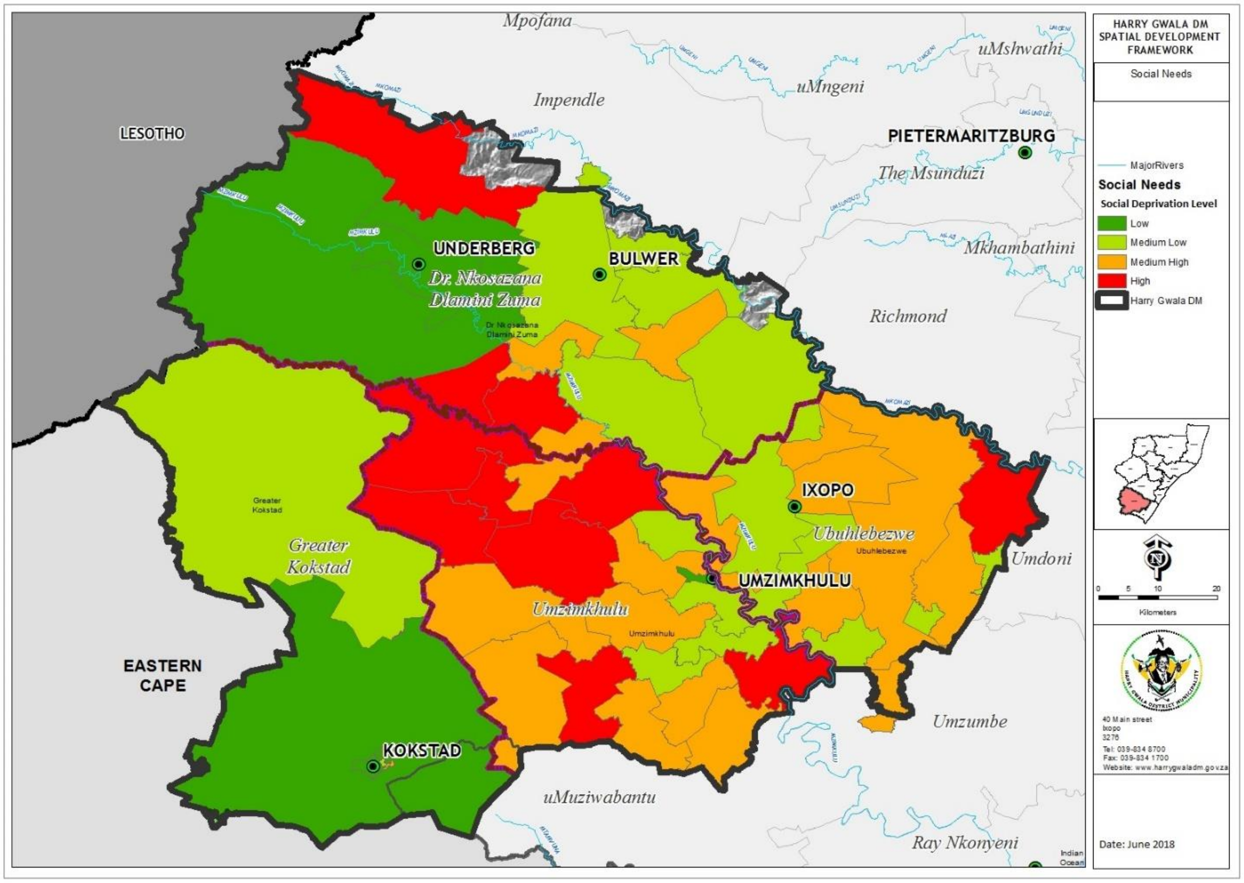


Figure 3 Social needs spatial expression, Source: HGDM: GIS-SDF 2018

From the above Map the areas within municipalities that are highlighted in red have the most social needs. The same Map is to be read with the Map on poverty concentrations below:

Table 2 GDP by Region (composite)

IHS Markit		Economic			
Regional eXplorer 2340 (2.6q)		Gross Domestic Product by Region (GDP-R)			
		Constant 2015 prices (R 1000)			
		2021	2022	2023	2024
Code		SGQX21	SGQX22	SGQX23	SGQX24

ATOT	National Total	4,504,292,296	4,591,428,752	4,656,538,065	4,740,794,748
Provinces (2016 boundaries)					
JP05	KwaZulu-Natal	729,508,328	742,834,865	753,656,611	767,043,115
KwaZulu-Natal					
JC43	DC43 Harry Gwala	11,895,119	12,077,970	12,307,951	12,549,727
DC43 Harry Gwala (KZN)					
J433	KZN433 Greater Kokstad	2,658,529	2,695,754	2,743,505	2,788,734
J434	KZN434 Ubuhlebezwe	2,433,587	2,468,792	2,529,826	2,591,201
J435	KZN435 uMzimkhulu	3,610,391	3,709,115	3,781,609	3,870,125
J436	KZN436 Nkosazana Dlamini-Zuma (Ingwe/Kwa Sani)	3,192,611	3,204,309	3,253,011	3,299,667

Source: Global Insight

The above Table provides a comparative analysis of the GDP at the various scales of national, provincial, and local levels. The rural-based municipalities contribute the most, due to the dairy and forestry industries. In contrast, the following Table indicates high levels of unemployment in these rural or highly agricultural municipalities.

Table 3 Unemployment

IHS Markit		Labour
Regional eXplorer 2340 (2.6q)		Unemployment Unemployment rate, official definition (%)
		2021
Code		LVRTTT21
ATOT	National Total	33.6%
Provinces (2016 boundaries)		
JP05	KwaZulu-Natal	30.6%
KwaZulu-Natal		
JC43	DC43 Harry Gwala District	40.3%
DC43 Harry Gwala (KZN)		

J433	KZN433 Greater Kokstad	35.3%
J434	KZN434 Ubuhlebezwe	38.8%
J435	KZN435 uMzimkhulu	48.8%
J436	KZN436 Nkosazana Dlamini-Zuma (Ingwe/Kwa Sani)	37.1%

Source: Global Insight 2021

Unemployment levels are of great concern in the Harry Gwala District since they are higher than the National and Provincial percentages. The Quarterly Labour Force Surveys by StatsSA are also tracked and show the same trend, which needs to be improved. uMzimkhulu Municipality is of greater concern when it comes to unemployment.

Table 4 Gini coecient (equality / inequality measure)

IHS Markit		Development
Regional eXplorer 2340 (2.6q)		Gini coefficient
		2021
		Total
Code		DGINIT21
ATOT	National Total	0.63
Provinces (2016 boundaries)		
JP05	KwaZulu-Natal	0.63
KwaZulu-Natal		
JC43	DC43 Harry Gwala (Sisonke)	0.58
DC43 Harry Gwala (KZN)		
J433	KZN433 Greater Kokstad	0.61
J434	KZN434 Ubuhlebezwe	0.56
J435	KZN435 uMzimkhulu	0.56
J436	KZN436 Nkosazana Dlamini-Zuma (Ingwe/Kwa Sani)	0.59

Source: Global Insight, 2021

Where the measure is close to 1 it shows that there is high inequality, South Africa is known as a highly unequal country. Although the inequality at HGDM is less than that of National and Province, it is still high.

Table 5 Human Development Index

IHS Markit		Development
Regional eXplorer 2340 (2.6q)		*Human Development Index (HDI)*
		2021
		Total
Code		DHDITT21
ATOT	National Total	0.64
Provinces (2016 boundaries)		
JP05	KwaZulu-Natal	0.60

KwaZulu-Natal		
JC43	DC43 Harry Gwala	0.52
DC43 Harry Gwala (KZN)		
J433	KZN433 Greater Kokstad	0.60
J434	KZN434 Ubuhlebezwe	0.49
J435	KZN435 uMzimkhulu	0.50
J436	KZN436 Nkosazana Dlamini-Zuma (Ingwe/Kwa Sani)	0.53

Source: Global Insight, 2021

The Human Development Index (HDI) measures each country's social and economic development by focusing on the following four factors: mean years of schooling, expected years of schooling, life expectancy at birth, and gross national income (GNI) per capita. (Investopedia, accessed on 08/03/2023). If the measure is close to 0 it means poor development and if it is close to 1 it signifies better development. The Harry Gwala's HDI is 0.52, which indicates that the area is still behind when measured through the socio-economic indicators. To turn around this status quo the District as whole needs to work speedily by implementing catalytic projects, other labour-intensive projects. Though EPWP and CW programmes are implemented, their impact is short term. The District needs to plan and work towards reducing the number of beneficiaries who receives the R350-00 grant among others.

3. How to respond as the District

In creating an environment that is conducive to doing business, retaining the existing ones and expansion, investment destinations need to have good quality and efficient infrastructure, optimal and stable government regulations, competitive business costs, stable politics, and an efficient investment promotion agency.

Other key requirements of investors include easy access to and competitively priced resources (such as raw materials, land, and labour), fair access to local economic resources, strong local demand for products and services and a skilled workforce.

A sound business environment is therefore critical to attracting investment. The role of the District and Local Municipality in this process is to:

- Reduce the time needed to register a new business.
- Reduce the time needed for development applications approvals
- Reduce the time it takes to be compliant as a business entity
- Make economic infrastructure as accessible and affordable as possible; and
- Attract and build key capabilities (education and skills) as a catalyst for investment.
- Identifying opportunities to make (small) but regular improvements to the local business environment;
- Focusing on making municipal costs more competitive; and offer incentives
- Engaging regularly with the local business community;

- Engaging with chambers of commerce to identify practical problems faced by companies doing business in the District and any adverse perceptions about the District's business climate;

The One Stop Shop is one of the initiatives to ensure that the above elements are implemented. All municipalities in the District Family are to create the requisite conducive environment for businesses to grow by implementing the above ideas.

Ease of doing business

Ease of doing business, also referred to as 'red tape reduction' is one of the pull factors in business attraction and retention. Government at all levels need to assist economic growth, which in turn results in job creation by easing the regulatory burden

Incentives schemes at Local Municipality level are recommended. Local Municipalities are encouraged to explore ways of incentivising current and future businesses in their respective areas.

4. STAKEHOLDER MANAGEMENT

As a municipal entity, the HGDA work with various stakeholders, interested, and affected parties through various platforms but not limited to the following:

- DDM: all clusters, the Technical and Political Hubs
- Chambers of Business: the District and the Local Municipalities
- Organized business associations
- Formal Council structures
- And others

4.1. Strategic partnerships

The HGDA as the growth and economic development champion of the Harry Gwala District has partnered with the following stakeholders among others:

No	Type of partnership with HGDA	Progress
1	TIKZN –with MOA	Collaborations on the HGDM Investment Summit, One Stop Shop, investment promotion
2	MKI-with MOA	Establishment of the Techno Hub and development of technical/digital skills
3	SUMITOMO-DUNLOP	Delivery of tyre fitment containers at LMs

No	Type of partnership with HGDA	Progress
4	Department of Small Business	Delivery of equipment to the disability chamber, as implementation of the Informal and Micro Enterprise Development Programme (IMEDP)
5	Ithala, EDTEA	Youth Owned Business Pitch competition
6	Ad Notes	HGDA premises are now a Free Wi-fi zone /internet connectivity
7	DTIC, DSBD, MISA and other stakeholders	On the implementation of the Eastern Seaboard Development, industrial development, SMME support -
8	EDTEA	Operation Vula Window 2-advertisements (19 May 2023 to 20 June 2023)
9	COGTA EDTEA	05 interns employed, 02 by the HGDA. 1 Tourism Intern
10	NYDA-with SLA	The NYDA uses office space at the HGDA premises and co-implementation in youth development
11	EDTEA	SMMEs data base, Mission tourism study
12	Infrastructure SA	Infrastructure projects from R1billion and over, HGDM and LMs opportunities to apply for funding
13	Private Sector	Co-planning and implementation of projects and economic growth. Government creating an enabling environment.

The HGDA continues to enter into new partnerships.

The Harry Gwala Chamber of Business is now housed in the HGDA's offices at Ixopo, this facilitates the engagements between the two structures, as the Chamber represents the interests of organized business, and the Agency ensures a conducive environment. The establishment of the One Stop Shop is one of the means of creating a conducive environment for business to thrive within the Harry Gwala district. The main purposed of the One Stop Shop has already been discussed under ‘red tape reduction’.

5. Comparative Advantage of the HGDM from a Provincial Perspective

At a Provincial scale, the following sectors have been highlighted as forming a comparative advantage in the Harry Gwala District:

- ❖ Forestry
- ❖ Agriculture
- ❖ Wood and wood products
- ❖ Education (private)
- ❖ Construction (Source: TIKZN, 2021)

Select investment opportunities include

- Tourism and Property development;
- Logistics Services;
- Medical and pharmaceutical production and distribution; (especially aloe beneficiation)
- Agriculture and agro-processing;
- Light industrial Parks
- Automotive parts and components;
- Arts and culture
- Metals beneficiation;
- ICT (techno parks and innovation hubs);
- Manufacturing;
- Renewable and clean energy (solar, fuel cells and biomass);
- Eco-tourism
- Healthcare (Pharmaceutical);

6. Local Municipalities of the HGDM with a high-level economic outlook

This Section of the strategy presents a high-level overview of each LM taking into cognizance the economic sectors, measuring advancements / challenges, outlining the value chain, and creating “a web of implementation” as standalone strategies within a strategy which will assist LMs in addressing MEC Comments and placing them within the overall context of the District. Overall, the following sectors drive the economy of the District being:

- Agriculture and agro industry
- Tourism
- Public Sector
- Strategic Infrastructure Delivery
- Manufacturing
- SMMEs
- Informal economy (hawkers)

To achieve growth in these areas four key objectives were filtered out which need to be implemented within all four key sectors and linkages across these areas identified and exploited:

- Skills development
- SMME development
- Spatial Restructuring
- Research and Innovation

The following discussion of each LM is partially sourced from the current IDP: 2021-2027 and the **new** economic analysis information.

As starters the overall economic performance of the District in the period is reflected the Table below:

Table 6 Gross Value Add per Local Municipality

Local Municipality	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020***	**2021***
Greater Kokstad	3.3%	3.1%	1.6%	2.2%	3.2%	-0.3%	-1.2%	4.6%	-0.3%	-1.7%	-6.9%	1.1%
Ubuhlebezwe	2.2%	4.8%	2.3%	2.0%	3.0%	-0.6%	-1.1%	6.5%	-1.0%	-0.6%	-5.6%	1.3%
uMzimkhulu	2.6%	4.3%	2.4%	1.8%	2.4%	0.6%	0.7%	2.4%	-0.5%	-1.3%	-6.5%	-0.1%
Nkosazana Dlamini-Zuma	3.7%	5.1%	2.7%	3.0%	4.0%	-0.5%	-1.3%	7.3%	-0.7%	-1.8%	-6.7%	0.4%

Figure 4 GVA of Harry Gwala LMs, Source KZN Treasury (2021)

From the period of about ten years (2010-2021) the GVA per LM indicates fluctuations, with a concerning downward trend showing a decline, especially from 2015 onwards. The trend is like that of the country, indicating a concerning and shrinking economy.

Limitations and identified gaps that needs to be plugged.

From studying the existing strategic documents in the District Family, there are limitations in terms of the SMART implementation plans, especially if they will be measured against the Provincial standards as contained in the PGDS being:

- Total output value of all sectors within the KZN economy.
- Total employment in all sectors within the KZN economy.
- KZN's GDP per capita
- Annual unemployment rate (narrow and broad) for KZN
- Percentage increase of youth (15-34) amongst economically active in employment (PGDS, 2021)

From the PGDS:

The lead sectors of the KZN Economy in terms of contribution to GDP, and which will require continued business retention and growth support are:

- Manufacturing 22%.
- Finance, Real Estate and Business Services 20%.
- Wholesale and retail trade, Catering and Accommodation 15 %.
- and Transport, Storage and Communications 14%.
- Although the Agriculture sector has a relatively low direct contribution to GDP at 4%, it remains a key growth sector with significant employment creation and radical socio-economic transformation opportunities. Unemployment remains one of the major structural constraints within the Province and contributes to high levels of poverty and inequality and deteriorates the overall quality of life of and the socio-economic prospects available to the people of the Province. Key sectors for job creation (and including the production value chain) are:
- Manufacturing.
- Agriculture.
- Tourism.
- Transport and logistics.
- Maritime.
- Green Economy.
- Services.

According to the DGDS (2019) and the DDM (2023) strategic documents the overall competitive advantage of the District is in terms of the domestic dairy industry with 10% of the milk consumed in SA coming from the district. Further expansion of the dairy industry is estimated to be 5% for the district. There are opportunities for value added milk products for local markets. Secondly, the growing demand for timber and timber products with most of the land that is arable for forestry is also a competitive advantage.

Strategically, it is critical for municipalities when developing L.E.D. strategies to include the following elements:

- Analysis of local economic sectors including the competitive and comparative advantages
- key issues /challenges emanating from the situational analysis (SWOT)
- Identification and analysis of base economic resources and economic infrastructure (Bulk services, Transportation, serviced industrial, commercial sites, productive agricultural land, etc.) of the Municipality.
- Value Chain analysis which indicates core economic activities, potential upstream and downstream opportunities in the economic sectors identified,
- Identification of opportunities in the Green Economy,
- Employment opportunities in key economic sectors (e.g., agriculture, tourism, mining, etc.)
- Guidance on the targeted support to the Informal Economy, SMMEs Co-operatives
- Outline economic empowerment / support initiatives for vulnerable groups (e.g., Women, Youth, Persons with disabilities, Military Veterans),
- Interventions for Township & Rural Economic development,
- Ease of Doing Business/Red Tape Reduction as a strategic intervention area.
- Identification of potential economic sectors where jobs can be created.

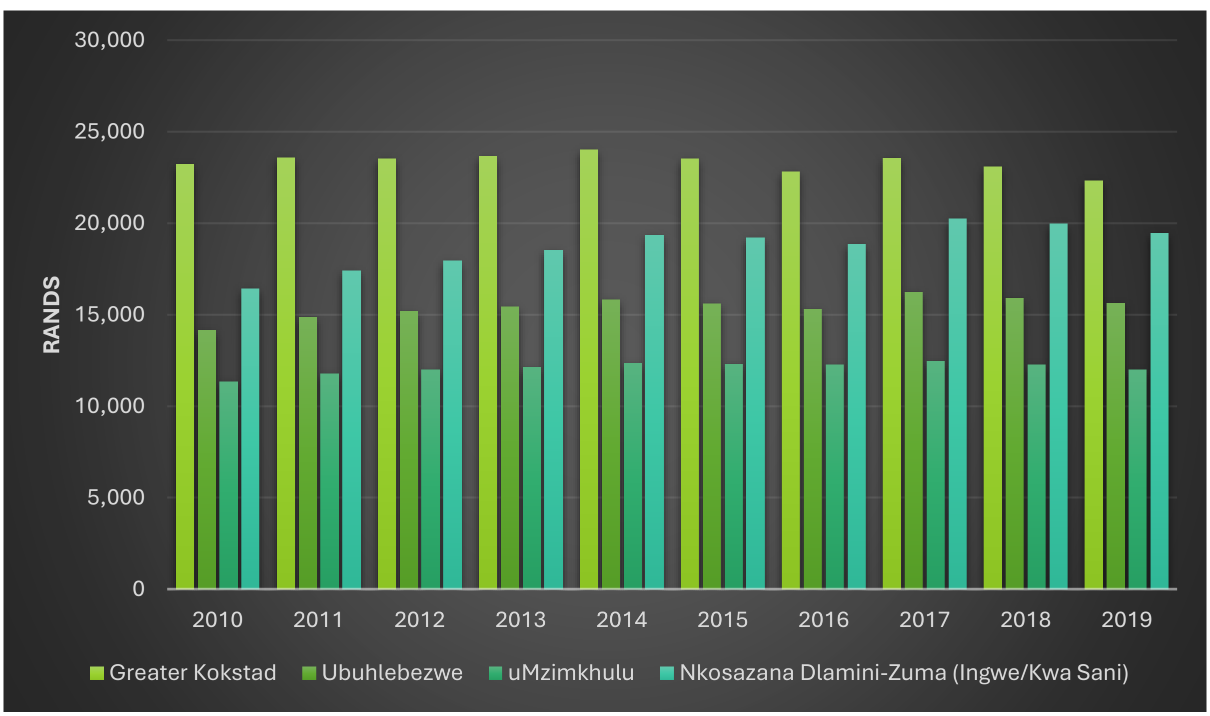


Figure 5 GVA Per Capita, Local Municipalities, 2010-2019, Global Insight 2020

The above graph is a course for concern since the desirable outcome of the developmental State (all three Spheres) is the improvement of lives of the population. The graph indicates that there is low “buying power” or higher levels of poverty in the population. It is to be read with the prevalence of unemployment and the data, which depicts the population living below the poverty line.

The following parts of the strategy will zoom-in to the individual LMs.

NB. The secondary data sources, which informs the following information include but not limited to “KZN top business, the L.E.D. strategies of LMs, IDPs, DGDP, DDM, District economic profiles by EDTEA and others, these inform the analysis and synthesis.

The GDS discusses the details of each LM’s comparative advantages, however, below is a summary of the sectors that are in the District economy:

7. Business and economic climate at Local Municipalities at a high-level

The Growth and Development Strategy discusses in detail the micro business environment at each local municipality (04) of the Harry Gwala District Family of Municipalities. The following section gives a glimpse of the local area economies of scale:

7.1. The Dr Nkosazana Dlamini Zuma Local Municipality

The strategic-comparative advantage of the DRNDZ Municipality is in agriculture and tourism. The main agricultural sectors are dairy and timber. On the tourism side, the main destination attractions are the southern Drakensberg up to Sani Pas border separating South Africa and Lesotho. Poor infrastructure development: roads, water, sanitation, electricity have been identified as the impediments to economic growth in the area. The nodal development of spatial nodes like Bulwer, Creighton, Donny Brook, Underberg and Himeville is one of the game changers for this municipality. There is limited economic activity like entrepreneurship and high levels of unemployment especially amongst the youth. There is a need to industrialize, create an enabling environment for manufacturing, increased commercialization. The agricultural sector needs to be transformed. Furthermore, a need to ensure a vibrant value chain by localization of agro processing.

Dr Nkosazana Dlamini Zuma Local Municipality in southern KwaZulu-Natal is 1 976 km^{2}in extent. With Bulwer town and its surroundings as a primary node, Underberg, Himeville, Creighton, Donny Brook as secondary, tertiary nodes and Ingonyama Trust land /Traditional Authorities, which forms a large proportion of the municipality.

Economy
Spatially

The municipality has planned nodal development catalytic projects, once implemented would facilitate further and new investments into the area. It is easy to identify that the DRNDZ LM’s economy needs to be diversified as it is a ‘traditional’ economy mainly supported by primary agriculture, tourism, and the services sectors. There is a dire need to identify and develop new industrial zones, commercial development sites, skills training centres, among others. The municipality has the necessary planning instruments to achieve this, now what is needed is detailed planning (business plans) for implementation.

Agriculture

The Municipality has a well-established commercial farming sector which is based on semi-intensive beef, dairying, potato production and a strong commercial forestry sector. The dairy sector is the largest in the DRNDZZLM, it contributes 56% to the HGDM's GDP annually, 12% to KZN's and 1% to the country's. According to the current L.E.D. strategy of the municipality, 79% of the HGDM's dairy farmers are from this municipality, producing over 400 000 litres of milk per day. The need to transform this industry is still there, there are some good stories of transformation mentioned like one farmer who used to produce less milk to sell it as a hawker, is now supplying higher volumes (litres) to the Creighton Dairies. The number of cows owned by each farmer and the capacities to produce more litres of milk per day is critical and is used to measure the performance in this industry. The dairy industry's value chain like the processed products like cheese, yoghurt, powdered milk, ghee or butter and other dairy products makes it to be one of the important sectors of the local economy.

Furthermore, the sub-district's competitive strengths in this sector are: bio-climatic conditions, proximity to markets, the existing cluster of skills, technology, and experience. Contrary, the disadvantages also exist, such as:

- Distance from Market, which is less favourably located such as KZN Midlands (N3).
- Access to Services, most services come from outside the area and are provided on a fragmented basis.
- Most inputs are coming from Pietermaritzburg or further away e.g. Meadow Feeds,
- Eskom Power Supply, while Eskom has national weaknesses, Harry Gwala's electricity supply problems exceed other districts
- Land Redistribution and Restitution's uncertainty, failed transfer of dairy farms, negatively affecting investment decisions.
- Processing of raw produce, which takes place outside the district.
- Specifically, for the Farmgate & Creighton Cheese Factory it is the poor quality of roads, which impacts negatively. There is also limited technical and other human resources' skills from the area.

Tourism

The tourism sector has the potential to grow as an adventure destination. The Southern Drakensberg attracts domestic and international tourists annually who enjoy the mountains and planned events. Avi-tourism, focused on sighting and observing birds in their natural habitats, has also been identified as a key competitive advantage in the Harry Gwala District Municipality. The strengths of the DRNDZLM in tourism are that the

Drakensberg is already an established destination. Throughout the municipality, partnerships between the State and CTOs in marketing of the tourism products will result in the increase of the industry. The results areas identified in the District tourism plan are applicable to the DRNDZLM, these are: marketing, product(s) development (include events, mission tourism, enabling infrastructure (roads, signage,), capacity building & training (including placement of tourism graduates) and established institutional arrangements.

Railway-tourism

Railway tourism has been chosen as a major avenue for economic development.

The small municipality has solved its office accommodation problems and created a potential tourist attraction by building a new R4.6-million railway station.

Part of the initiative will be for minibus taxi operators to offer tourist trips from the station, with stops every 12 km to view attractions. These will include a viewing platform at Indodeni Falls to see a colony of bald ibis, a craft centre at the historic Centocow Mission built in 1890, and access to school choirs and cultural experiences in traditional homesteads. Other plans include biannual steam train festivals that will be advertised internationally and will feature restored locomotives.

The old Creighton station – the planned refurbishment of the wood and iron colonial building and conversion into a museum will be a major game changer in the tourism industry in this municipality. The old post office, also on the station platform, will become a tourist information centre. A shaded boma and braai facilities for tourists are being constructed on the platform, and the whole vicinity will be attractively landscaped with indigenous trees and shrubs. This can be flagged as a “tourism precinct” area for further development.

Eco-tourism, events, and adventure tourism

Nature-based tourism is encouraged since the area is well endowed with attractive natural resources. The tourism space in general has several downstream opportunities like tour guiding, accommodation, dining, etc.

Avi (birding) tourism as a sub-sector is also one of the main contributors as observed in the natural as well as plantations, the sites are included in the Southern KZN Birding Route, which can be seen on the SA birdlife website http://birdingroutes.co.za/southern_kzn.

Other tourism sub products include events & adventure tourism with annual events such as canoeing on the Umkomaas and Umzimkhulu rivers. The propose Provincial Tourism Link Route involving the KZN and the Eastern Cape is planned to traverse this municipality as well.

Industrial

The municipality has plans to develop a light industrial incubation plant.

Proposed interventions and recommendations

During the compilation of this strategic document in 2023, the DrNDZ LM is currently in the process of reviewing its L.E.D. strategy due in September proposed interventions and recommendations 2023. Based on the current strategy, dated 2017, the following proposed interventions and recommendations are recorded:

Dairy sector-specific

a) Provide Secure and adequate access to basic production inputs together with risk coping mechanisms for natural disasters and price shocks.

(b) Dissemination of livestock market information to livestock producers.

(c) Develop strong relationships among various chain actors (including commitments from these actors to cooperate on mutually beneficial actions/investments) and strengthened farmers' organizations.

d) Policies and strategies to enhance the ability of smallholders and small-scale market agents to compete in livestock product markets.

(e) Standards and branding mechanisms to identify high-quality livestock products.

(f) Kick-starting of domestic markets to allow the poor to exploit market opportunities.

(g) Product differentiation to create niche markets; and

(h) Linking of emerging farmers to expanding urban markets. Empowerment In view of the constraints cited above, it is important to consider empowering small scale/emerging farmers, men, and women, so that they can provide high-quality, sustainable dairy production with an identified market destination (by assuring adequate access to basic production inputs, credit, capacity building, market-related information).

i) Implementation of the Spatial Development Plan Implementing the DR NKOSAZANA DLAMINI ZUMA MUNICIPALITY municipal Spatial Development Plan (SDP) will go a long way to create more opportunities for the dairy sector, in terms of value add. Prioritization of what the SDP has categorized as primary and secondary nodes is a progressive option to expand the dairy sector. But this process should be bundled with road infrastructure upgrade as a balanced target of strategic sectors such as the dairy sector.

j) Addressing Barriers to Entry for Emerging Farmers It is important that the municipality and the local large-scale dairy farmers look for ways to bring emerging farmers into the system. In the interim this can be done by looking for sectors within the primary industry in which emerging farmers can operate and gain experience without huge capital outlay and in which local operational farmers can assist with training and mentoring. Heifer replacement rearing, a vital sector of dairy farming, is such a sector. Dairy farmers, even without expansion, need to replace ± 20% of their herd annually. Dairy heifers must be raised from birth (Av mass 35kg) to first calving by ±30 months (Av mass 450-500kg).

Cannabis and hemp growing

The DrNDZ area is one of the municipalities, which the HGDA has earmarked for encouragement of the currently subsistence farmers in the ITB land to enter the growing of cannabis and hemp for the purposes of selling to processors for manufacturing of finished products (fiber) and for medicinal usage. There plans to train the identified, potential farmers for production.

Forestry and timber

Currently, the local farmers rely on private big players like SAPPI where they sub-contract as growers, however it is the farmers or landowners themselves who have mentioned challenges with the SAPPI programme since once contracted with SAPPI they are not allowed to enter other contracts for the purposes of marketing and selling their production.

The common challenge that needs a turnaround in the dairy sector and others is the slow progress in the transformation of the industries. Transformation, is necessary since the new or emergent farmers are currently excluded from what has been labelled as a “monopoly” of the current players in the market, being the large corporates.

In summary and cutting across the various sub-sectors of the DRNDZLM, the challenges to be addressed can be categorized as: infrastructural, knowledge & skills, meeting quality standards, limited access to market information and others including access to funding.

Overall, there is a need to diversify the economy.

Below are the proposed interventions.

7.2. The Greater Kokstad Local Municipality

The name is derived from the Dutch Adam Kok III, and it means "town of Kok". The Griquas trekked from Philippolis over the Drakensberg and settled at Mount Currie. Rev. William Dower and Rev. William Murray helped the Griquas in 1871 to have the town surveyed. This was done from the centre of the town, now known as the Market Square. In the middle of 1872 Adam Kok called a Volksraad meeting (at the larger) on the slopes of Mount Currie. After a brief review he had them all mount up with an order them to load all government property and they moved into town. At the Market Square each burger was told to build their houses in town. Mr. Charles Bisley then addressed the gathering and suggested that out of respect to Kaptein Adam Kok and with the approval of the council the new town should be named Kokstad. It shares boundaries with Matatiele Local Municipality and a border with Lesotho to the west. To the north is Dr Nkosazana Dlamini Zuma Local Municipality, uMzimkhulu Local Municipality to the south-east and Eastern

Cape to the east. Kokstad serves as the service centre and commercial hub for most of East Griqualand and nearby parts of the Eastern Cape, with which it shares borders.

IHS Markit		Economic			
Regional eXplorer 2340 (2.6q)		Gross Domestic Product by Region (GDP-R)			
		Constant 2015 prices (R 1000)			
		2021	2022	2023	2024
Code		SGQX21	SGQX22	SGQX23	SGQX24
J433	KZN433 Greater Kokstad	2,658,529	2,695,754	2,743,505	2,788,734

Source: Global Insight, 2021

The above table shows a slight increase in the GDP of GKM in terms of its projection. The local economy is characterized by commercial, community services, agriculture, and industry. A need to work towards diversification of the economy and for inclusive economy that incorporates township and rural economies.

The GKM is 2 680 km² in extent, located in the south-western tip of the KZN Province, it is strategically located as it is abutted by Matatiele Local Municipality and Lesotho to the west, DrNDZ Local Municipality to the north, Umziwabantu Local Municipality to the southeast and Eastern Cape to the east.

Challenges identified in other strategic documents include among others:

> Inefficiency in terms of providing health care, good infrastructure, fulfilling commercial requirement of the community due to its location as border to Eastern Cape and Lesotho. In particular, the enormous influx of people in search of job opportunities from the adjoining rural areas of Eastern Cape poses major challenges to planning and service delivery. Relative to population densities, Kokstad is comparatively well-off in terms of infrastructure. There are several informal housing areas in Bhongweni, which are densely settled and largely un-serviced. It is important that security of tenure be provided to residents so that they can access funding and develop further. (Top Business website, accessed in 2023)

Economy

GKM is said to have three potential economic growth pillars: **tourism, agriculture, industrial and manufacturing**. The municipality and its strategic partners are charged with the responsibility to ensure that all these sectors and their sub-sectors function optimally and exceptionally. GKM is one of the LMs that specifically makes the HGDM to be known as a “gateway” to the Eastern Cape and Lesotho. Kokstad as a town serves as the service centre and commercial hub for most of “East Griqualand” and some parts of the Eastern Cape. This has tremendous potential for the town to strengthen its commercial sector, develop SMMEs, the informal sector and expand its entire local economy. Another significant strategic location of Kokstad as a town is that it is on the major road networks (R56-joining the N2 and the interchange), in this way there is a captive market due to the on-transit money spenders who pass through the town and leave revenues. The commercial or services sector benefits largely from this strategic location. Another transport linkage is that of the rail stops.

Industrial and manufacturing

There is a need to identify and develop further industrial and light industrial sites or zones. To locate these sites closer to the communities, they can even be located at or near the townships. The existing industrial area is well located and easily accessible. Appropriate skills for the economy are necessary, hence one of the identified projects is a new educational precinct. The current planning tools can be used to effectively plan these zones.

Technological zone

As part of the “African smart city” concept, a technological zone is one of the planned possible developments for the area. The municipality has secured land. The project is at planning stages during 2023. Also, the green economy initiatives implemented as part of this proposed development include a solar energy generation farm and storage technologies.

Agriculture

Agriculture is said to be the most contributor is economic activities of the municipal area. It is categorized as commercial farming, and subsistence farming. Vegetable products, dairy products, forestry, and livestock are the main products produced. Livestock is a dominant activity in the area and supplies two abattoirs located in Kokstad and Cedarville.

Despite the identified challenges of access to land and opportunities, progressive farming methods, are still playing an important role in the prosperity of the area. Subsistence farming mainly occur in rural areas. Localization is an envisaged sub-strategy on ensuring significant growth in the local economy.

Maize, and other grain products need to be processed locally, so they can feed into the regional grain handling facility.

Tourism

The four types of tourism activities in the area include: Getaway tourism, eco-tourism, cultural tourism, and adventure tourism. It is necessary to promote tourism in Kokstad by developing a set of incentives to attract tourists and potential developers to maximize the potential of the Greater Kokstad Municipal area as a tourist destination.

Mount Currie Nature Reserve, the proposed Cultural Centre opposite Wimpy, and the Mission are primary tourist nodes in the Greater Kokstad Municipality. These have cultural and historical significance, which will enhance tourism in the Municipality. Potential also exists in the form of fly-fishing dams and sports facilities.

Other specific projects are the: Construction of more Market Stalls, Identification of vacant land for staging of Flea Markets, Identification of historical sites to be turn into heritage sites.

7.3. The Ubuhlebezwe Local Municipality

Ubuhlebezwe LM is strategically located at the intersection of four major provincial routes leading to Pietermaritzburg, the Drakensberg, the Eastern Cape, and the South Coast. The town of Ixopo forms the primary development node of the municipality and has also been selected as the seat of the Harry Gwala District Council. Ixopo is located approximately 85km south-east of Pietermaritzburg, the capital of KwaZulu-Natal. It is a major education and health centre as well as the primary base for the operation of many departments and service providers. The importance of Ixopo cannot be underestimated in the socio-economic development of the area. Ixopo plays an important role in terms of the possible location for industry, commerce, and other economic activity. The key economic drivers are agriculture, tourism, and business.

IHS Markit		Economic			
Regional eXplorer 2340 (2.6q)		Gross Domestic Product by Region (GDP-R)			
		Constant 2015 prices (R 1000)			
		2021	2022	2023	2024
Code		SGQX21	SGQX22	SGQX23	SGQX24
J434	KZN434 Ubuhlebezwe	2,433,587	2,468,792	2,529,826	2,591,201

Source: Global Insight, 2021

The above table indicates a trend of slight increase in the GDP contributions by Ubuhlebezwe Municipality.

As part of the District, the local economy of Ubuhlebezwe LM contributes towards an economically prosperous District. As an example, in tourism:

• Avi-Tourism – bird watching with local people being trained to be tour guides and community guest houses being developed along the birding trail

• Rail Tourism – Revitalization of railway lines and utilizing the steam train for

• Adventure tourism. This will be supplemented by rail bikes for tourist attraction.

• Mission Tourism –Revitalization of old mission station for economic development activities and to attract tourists.

Sector	**Ubuhlebezwe Sector GVA Share**
Agriculture	24.2%
Ubuhlebezwe Sector GVA Share Agriculture Mining Manufacturing Electricity Construction Trade Transport	
Mining	0.3%
Manufacturing	10.6%
Electricity	5.2%
Construction	4.2%
Trade	13.8%
Transport	8.2%
Finance	6.3%
Community services	18.4%
Total Industries	91.2%
Taxes less Subsidies on	
products	8.8%
Total (Gross Domestic	
Product - GDP)	100.0%

The Ubuhlebezwe Municipality is 1,604 km^2 in extent. In isiZulu language the name can be translated as meaning “the beauty of the land”. The opening sentences of the book 'Cry the Beloved Country', authored by Alan Paton, which made Ixopo to be famous internationally are quoted below:

> "There is a lovely road that runs from Ixopo into the hills. These hills are grass-covered and rolling, and they are lovely beyond any singing of it. The road climbs seven miles into them, to Carisbrooke; and from there, if there is no mist, you look down on one of the fairest valleys of Africa". (KZN Top business)

Ubuhlebezwe is well located from a regional perspective within southern KwaZulu-Natal between Pietermaritzburg, Kokstad and the Eastern Cape. Ixopo is located on the cross-roads linking Pietermaritzburg and the Eastern Cape and Highflats and the coastal towns with the Drakensberg. Ixopo is accessible from a good quality Provincial Main Road. The nearest airport is the regional airport at Pietermaritzburg, while international flights operate from Durban International Airport.

Economy

NB. The common limitation of the information contained in the strategic documents of ULM consulted is that as of October 2023 the information used is old i.e. up to 2015. The municipality needs to review the documents by using latest statistical data. The IDP of the ULM identifies four key drivers of growth in the Ubuhlebezwe Local Municipality being: agriculture and agro-industry, tourism, public sector, and strategic infrastructure delivery. From observation, the services (commercial: retail and banks) contributes a lot, especially in the urban centres of Ixopo town and secondary nodes like High Flats.

The IDP further mentions the following as key objectives to achieve growth in the above-mentioned sectors: skills development, SMME development, spatial restructuring, research, and innovation.

Furthermore, on the ULM's economy the IDP 2023 says that:

> The most prominent employment sectors are Agriculture including cattle, dairy, poultry, citrus, sugarcane, fruit, and forestry, followed by Community Services, Trade and Domestic Employment. Up to 10,6% of the working population in the District are involved in construction and small-scale manufacturing. It is interesting to note that despite male migrancy, males are dominant in local employment. The District is known for its progressive farming methods, which have resulted in a continually increasing output and consequent increasing prosperity.

According to the SDF (2022):

> Where economic development is concerned the strategies for rural development are noted to be Tourism, Manufacturing and Business & Commercial Services. *Tourism t*hrough unlocking Cultural and Heritage Tourism Potential, where Ubuhlebezwe is concerned there is the Mariathal Mission, and Buddhist Retreat Centre: unlocking the potential and ensure appropriate marketing strategies are implemented to boost these businesses. Secondly, economically speaking would be *manufacturing* – this would mean unlocking Agri-Processing Opportunities – that can be achieved through the provision of mini-factories at key rural nodes linked to R612, R56 and R617 road corridors for possible agro-processing activities. As laid out the exploration of Agri-Parks feasibility conducted with rural and semi-rural spaces. *Business and Commercial Services* – would be developing retail capacity through investigating the provision of zoned and serviced land to support commercial retail development. (ULM SDF, 2022)

Strategic partnerships are encouraged for the implementation of the L.E.D. programmes as the municipality cannot implement projects only from its own generated revenues. As an example, the Ubuhlebezwe Municipality in partnership EDTEA implements the Ubuhlebezwe Municipal Employment Initiative (MEI) whereby LED and /or SMME projects are identified, evaluated, approved, and implemented. The approved projects would range from carpentry, welding, block making, agric: poultry, piggery, crops, and others. There are also capacity building programmes for SMMEs and cooperatives.

The new nodal development proposals, once implemented as one of the catalytic projects will be a game changer. These projects are mentioned in the "catalytic projects section of this strategic document. They will result in new investments, ease congestion in the Ixopo CBD, create more jobs and local businesses opportunities.

Tourism

In terms of tourism, the IDP highlights the following:

- Avi Tourism – bird watching with local people being trained to be tour guides and community guest houses being developed along the birding trail.
- Rail Tourism – Revitalization of railway lines and utilizing the steam train for
- Adventure tourism. This will be supplemented by rail bikes for tourist attraction.
- Mission Tourism –Revitalization of old mission station for economic development activities and to attract tourists. [NB. This project is supported by the Provincial Government and is at advanced planning stages]
- Historical and other places of Interest like the Alan Paton Valley (Carisbrooke), Mariathal Mission, Alan Paton House,
- Qunu Falls, Umko White Water Adventures, Mats Art Studio (landscapes, seascapes, wildlife in water colours, oils and pastels), Tim Quirke Art Studio (portraits in oils and pastels), St. Isidore Mill Museum (antique mill equipment).
- Buddhist Retreat Centre, which is open to members of all religious faiths.

Attempts to create a unique tourism brand that will deviate tourism spend towards the district are approaching fruition. The following tourism activities or attractions are in the ULM: the narrow-gauge railway; conservation & game viewing; bed and breakfast establishments; hunting; fishing, and rafting.

A tourism association has been established to promote the region and a tourism route has been established to promote the attractions. The HGDA is currently in the process of forming CTOs in the district.

Agriculture

Sugar cane production and forestry are said to be the dominant agricultural activities in the ULM. Currently, sugar cane production is concentrated in the coastal areas to the east of Highflats, however it can be expanded. Sugar cane produced in these areas is delivered primarily to the new Eston Mill. Forestry is one of the major land-uses in the area. There is a need to develop the emerging citrus sub-industry. Currently the land adjacent to the Umzimkhulu River has been planted and a packaging plant for the local market and export established. A multi-million-rand scheme has been approved for the empowerment and development of previously disadvantaged farmers. Beef and dairy products are important contributors to agricultural production in the area. Subsistence agriculture, although having a limited potential to impact on future development in the area, is important in the context of sub-regional development. The crops typically grown by subsistence farmers and households are mielies, beans, potatoes, sweet potatoes, and madumbes. A variety of vegetables are also grown in these areas. Cash cropping activities also takes place. The municipality is encouraged to continue and expand on the following initiatives whilst observing the strategic goals and objectives under inclusive economic growth.

7.4. The uMzimkhulu Local Municipality

uMzimkhulu Municipality accounts for a quarter of the Harry Gwala District's geographical area. It derives its name from isiXhosa and isiZulu meaning "Big / Great house". The name is derived from the areas of cultural and multi - tribal richness where each small tribe is accommodated by the first three tribes, namely, the AmaBhaca, Inhlangwini and the Amachunu, which were joined by the Griquas later. The name assures all tribes that there is ample land to occupy following certain traditional principles and procedures. It is the most populated of the Harry Gwala municipalities. Households headed by women are in most of the population. There is a need to implement youth development programmes and, for the most part, to target women in stimulating nodal economic growth.

uMzimkhulu Town (and adjoining Clydesdale peri-urban area) is regarded as the primary node, both administrative and economic, in the municipal area. Rietvlei, Riversdale and Ibisi are regarded as secondary nodes as rural service centres.

Other settlements such as Mountain Home, Glengarry, Ntsikeni and Ncambele (Gowan Lea) can be regarded as minor service centres. The towns of Creighton and Franklin are accessible to the north-western part of the municipal area. The residents travel to Harding (located in the Ugu District) to access higher order services. The main economic activities are agriculture; forestry; community, social services; trade and tourism.

uMzimkhulu Municipality has the highest level of unemployment in the District, the planned catalytic projects, especially the nodal development, small towns rehabilitation, development of rural nodes and other major infrastructural developments should be speedily implemented to create jobs.

IHS Markit		Economic			
Regional eXplorer 2340 (2.6q)		Gross Domestic Product by Region (GDP-R)			
		Constant 2015 prices (R 1000)			
		2021	2022	2023	2024
Code		SGQX21	SGQX22	SGQX23	SGQX24
J435	KZN435 uMzimkhulu	3,610,391	3,709,115	3,781,609	3,870,125

Source: Global Insight, 2021

The above table shows an increasing trend in the local GDP associated with uMzimkhulu Municipality and its contribution in the district economy. Agriculture, agro processing are the main contributors.

Umzimkhulu Municipality covers a total area of 2436 km and has a population size of 243 242 and 43 545 households. Of the population, about 90,8% reside in rural areas, while the remaining 9,2% are urban based.

While efforts are centered on infrastructure provision and service delivery, backlogs remain vast. Umzimkhulu faces severe backlogs with respect to water, sanitation, and electricity provision. In addition, road infrastructure remains poor and provides only limited access to the area.

Economy

The GVA of ULM can be summed up as: the government is the main contributor to the municipal's GVA (34.9%), followed by wholesale (11.7%), community (11.7%), agriculture (9.7%) and manufacturing (8.6%). The agriculture sector is contributing very little despite the vast agriculture land. Other sectors that have potential for growth are the wholesale/retail, manufacturing, and the tourism sector. (ULMIDP:2022/2023)

However, agriculture, forestry and tourism have been identified as key economic growth drivers in Umzimkhulu Municipality.

High rainfall, good climate and rich soil give the area a high propensity for agricultural development. A wide variety of products are currently produced, including cattle, red meat and dairy, poultry, wool, maize, sugar cane, citrus, vegetables, and timber. Most farming operations are at subsistence level, despite the potential for commercial-scale ventures.

Forestry makes up most of the income generation in Umzimkhulu however most of these forests are privately owned. Singisi Forest is the biggest stakeholder of forestry in Umzimkhulu.

Challenges

Some of the challenges include access to funding. Based on the SWOT analysis and key issues identified in the status quo of the LED Strategy, the following are identified as key goals:

Goal 1: Promote and diversify the agriculture sector,

Goal 2: Promote agro-forestry sector,

Goal 3: Promote the tourism sector,

Goal 4: Support SMME & informal sector,

Goal 5: Support investment attraction and promotion,

Goal 6: Enhance rural / township economy,

Goal 7: Promote education and skills development,

Goal 8: Enhance the LED institutional framework.

Tourism

Tourism ranges from nature based, cultural, historical sites, and rail tourism. The following tourism attractions exist historical and other places of interest, Silahla Falls,

Chief Fodo Monument, Entsikeni Hills and Entsikeni Nature Reserve, Kok's Hill, and Khoisan paintings, Umdlansimbi indigenous forest and others. Ntsikeni Nature Reserve is located between the small towns of Creighton and Franklin in the south of KwaZulu-Natal, not far from the Eastern Province border. It covers an area of 9,200ha which contains one of the largest high altitude Ramsar wetlands in South Africa – roughly 1,800m above sea level. The Reserve is characterized by beautiful scenery including the wetland itself as well as surrounding mountains such as Mangeni, Tsawule, Elephant Hill and Ntsikeni Mountain.

This reserve offers tourists with activities such as birding, vulture hide, game viewing and rock art.

The tourism sector has declined but has a great potential for growth. Development of tourism around current initiative, like birding, rail and cycle tourism should focus on the tourism offer (accommodation, catering, and activities) at Ntsikeni Nature Reserve and maximize the planned Umzimkhulu Gateway through careful planning around location and offering.

Synthesis

Economic sectors and sub-sectors of the Umzimkhulu Local Municipality

According to the L.E.D. strategy (2019) there are 09 recorded economic sectors in the municipal economy,

Under agriculture, there is:

Wool Production

Wool production in uMzimkhulu is well organized and most wool farmers are under the uMzimkhulu Wool Farmers Association. There are 13 associations with only 4 shearing sheds. The association has over 100 members registered with the organization. Wool growers currently transported their produce to Port Elizabeth and thereafter to Russia. Wool farming has immense potential to transform the economic landscape of uMzimkhulu. Wool farmers lack wool pressers, shearing sheds, and transportation for wool bales. To support the wool farming sub-sector, the following programmes / projects / activities have been identified:

- Establish / construct fully equipped shearing shed,
- Facilitate provision of animal feeds,
- Facilitate access to commercial markets for communal and emerging farmers,
- Facilitate provision of transport facilities.

Livestock farming for Red Meat Processing and production.

Large areas of grass and bushland in uMzimkhulu are being used for livestock grazing, particularly for cattle, sheep, and goats. Livestock production can be one of the vibrant agricultural activities given its vast value chain opportunities. The current livestock production has not been exploited maximally, thereby bringing very little economic impact / benefits to the municipal economy. Most livestock farmers partake this type of farming as a traditional activity and not a business adventure.

There is a livestock association in uMzimkhulu that has approximately 4 000 registered members. The association provides business management support to its members and establishes relations between its members and relevant departments and agents.

Livestock / cattle farming is faced with challenges namely lack dipping tanks, water, access roads, indigenous animal rearing methods, etc. There is a need to instill interest and desire amongst the community to undertake livestock farming commercially.

Grain Production

The major grain production in the municipal area is maize production. It is also linked to the red meat value chain as it is a source of animal feed. uMzimkhulu is characterized by rich soil and pleasant weather conditions that are favorable for grain farming. Maize farming in uMzimkhulu is predominantly subsistence where many households plant the crop for food. There are no major maize commercial activities within the municipal area. KZN DARD implements planting seasons in the community and there is an identified need to convert many subsistence farmers of this product into commercial farmers in the long run. Access to land, skills development and other support becomes critical.

Vegetable Production

Vegetable production if well-developed has the potential of being one of the game changers in the municipal economy. Production becomes important beyond food security to business growth, employment creation and agro-processing in the value chain. The soil and weather conditions of uMzimkhulu are favorable for vegetable production.

Most of the fresh vegetables in supermarkets and informal traders in uMzimkhulu are imported from outside markets. Very little if any is sourced from farms within uMzimkhulu. The importation of vegetable undermines the economy of uMzimkhulu. These produce should be sourced from within the municipal boundary.

Plantations / forestry

Large areas of state land (more than 60,000ha) in uMzimkhulu are under commercial forestry in the higher lying wetter areas of uMzimkhulu. There is also a forestry plantation at Mabandla, which is community run,

Woodlots: There is evidence of smaller woodlots (up to 10ha) being near settlements. These woodlots are being used for fuel, housing, and general domestic use, Citrus production: It is understood that there is citrus being produced on a limited commercial basis in uMzimkhulu.

Deciduous fruit production: There was no evidence from the aerial assessment or survey of commercial deciduous production taking place in uMzimkhulu, even though there is widespread production for home consumption taking place.

Figure 24 below illustrates the percentage of all types of agricultural practices undertaken in uMzimkhulu.

Value Chain Opportunities

The value chain analysis describes the activities within a specific industry or industry sub-sector and links them to the competitive position of the industry. This report attempts to identify value chain opportunities in the common agricultural practices in uMzimkhulu namely maize, livestock, poultry, and vegetable farming.

Maize Value Chain Opportunities

The maize value chain can be summed up as beginning at inputs, production, local traders, storage, wholesaling, processing, marketing to consuming.

Beef Value Chain Opportunities

The analysis indicates that the South African beef industry needs to be transformed as to allow new and aspirant role players from production, to processing, packaging, marketing, and to logistics.

Vegetable

Crops, such as potatoes, tomatoes, onions, sweet corns, beetroots, apples, citrus, grapes, bananas, litchis, peaches, pineapples, and avocados are some of the major fruits and vegetable crops identified with great market growth potentials in South Africa according to a report by Mordor Intelligence 2018.

The soil and climate condition of uMzimkhulu is conducive to some of the above vegetable and fruits. In addition to the production of the fruits and vegetable, several value chain opportunities exist in the vegetable sub-sector that the community of uMzimkhulu can venture into. Figure 28 below illustrates the value chain opportunities in the vegetable sub-sector.

Such value chain opportunities can be summed up as: inputs (fertilizers, planting materials, water, skills), packaging materials, infrastructure & equipment, services, and support. Open field production, washing and grading, tunnel production and value adding. Traders, pension pay points, local sales, fresh produce markets, retailers like supermarkets, wholesalers, hospitality industry, feeding schemes and others.

The following challenges are identified in the agriculture sector:

The challenges in the agriculture sector range from inputs, means of production, land tenure and compliance, poor infrastructure, support from government and others as recorded in the L.E.D. strategy.

Forestry

Forestry is said to be the major income generation sector in UMzimkhulu however, most of these forests are privately owned. Singisi Forest is the biggest stakeholder in UMzimkhulu. Information obtained through interviews and engagement with forestry stakeholders indicate that almost 60 000 hectares of land within the municipality of uMzimkhulu is under forestry. Singisi Forests is looking at expanding to twice the current capacity. Currently they have three (3) sawmills and a mushroom plant. The mushroom plant deals with packaging and exportation of mushrooms that are found in all the pine forests.

These forests currently have pine, gumtree, and wattle as planted species. The pine is used for making furniture, building material, chemicals, and cosmetics (pine gel). The gumtree and wattle do not create jobs in the area as they are mostly used for paper manufacturing and UMzimkhulu does not have the plants to manufacture paper, so it is sent to manufacturers in Richards Bay as a raw product. There is also a forestry plantation at Mabandla, which is community run.

Challenges in the forestry sector

The challenges ranges from lack of title deeds, which hinders farmers to access funding, time consuming and costly EIA process, wild fires, poor condition of access roads to plantations, high transportation costs, lack of fencing, family / community disputes, lack of training (technical & business management), lack of government grants for forestry plantations, inconsistent of value chain, small growers prohibited to supply other companies while contracted to SAPPI, attached to SAPPI loan, slow transformation and alien invasive plants.

Value Chain Opportunities

The value chain opportunities include wood products, research, pulp, forestry management, tourism, etc. Figure 29 below reflects the value chain opportunities around the forestry sector.

The value chain can include bioethanol as green energy, wood pellets, pulp-to-paper, wood products harvested for timber, building materials, forest management, tourism, environmental management, and research. Pine specifically can be used for furniture making, building material, chemicals, and cosmetics (pine gel), none of these products are manufactured in uMzimkhulu despite the vast opportunities the forestry provides in uMzimkhulu. Furniture and coffin businesses are some of the businesses that should be encouraged in uMzimkhulu. Most of these products are currently imported from other municipalities.

Manufacturing

Manufacturing is among the major sectors in the uMzimkhulu economy that contribute to the municipal's GVA, employment opportunities and a source of income to the municipality's population. Manufacturing in uMzimkhulu Municipality is polarized between highly developed manufacturing enterprises and subsistence manufacturers. Majority of the manufacturing activities in the municipal area are in the form of cement blocks making, sawing garments, welding, honey production and baking breads.

Bricks and Blocks Manufacturing: There are several local black owned companies that manufacture bricks / blocks. Most of these companies use sand and water from rivers to make the bricks / blocks. Most of the produced bricks / blocks are sold to contractors, local hardware, and local community.

Manufacturing of Essential Oil: There is a plan to pursue production of essential oil. The municipality has undertaken a survey to identify the light scale industry where the production of essential oil will take place. The land still needs to be serviced with electricity, sanitation, and water.

Honey Production: Honey Production is a small-scale manufacturing project that produces honey and bee wax. As a small-scale manufacturing project, its productions are marketed mostly for the local consumptions. There is a plan underway to start a jam and honey processing plant in uMgano Mabandla in ward 18. However, this is a long-term plan, and its earnest commencement will only take place when there is serious support from government departments and other interested stakeholders.

Issues Impacting on Manufacturing

After consultative process es with industry players, the municipality identified the following key challenges in the manufacturing sector:

- Lack of market,
- High Competition,
- Lack of electricity supply,
- Skills shortage (welding, carpentry, etc.),
- Lack of water supply,
- Strict planning & zoning regulations,
- Lack of space,
- Limited access to information,
- Poor road conditions.

Retail / Commercial Sector

Commercial and retail trade is defined as resale of new and used untransformed goods to the public. A large number commercial / retail businesses are in uMzimkhulu Town in the main malls namely uMzimkhulu and Bruyn Malls. Most of the commercial activities located in these malls are retail clothing, household furniture/appliances, fast food / takeaways, banking institutions, general retailers, cellphone, and accessories sellers / repairers. There are also other commercial activities in other buildings spread all over the town hosts hardware stores, general stores, fast-food, clothing, medical services, etc. Other economic nodes in the likes of Clydesdale, Ibisi, Rietvlei and Riverside have lesser and smaller commercial activities in the form of Boxer store, hardware, and other general dealers.

Challenges in the Retail / Commercial Sector

1) Lack of retail / commercial space,

2) Lack of electricity supply,

3) Lack of water supply,

4) Poor road conditions.

SMME / Informal Sector

The informal economy makes an important contribution to the economic and social life of most South Africans, including most residents in uMzimkhulu. The sector is often characterized by its flexibility, creativity, resilience to absorb shocks, and its ability to adapt to changing external environments. However, by its very description it falls outside the regulatory environment in which all formal businesses and their workers operate. There is a wide range of trading categories in this sector. They include:

- Barbershops and hairdressers,
- Bead sellers,
- Cardboard collectors,
- Muthi traders,
- Live chicken seller,
- Tailors, dressmaker, and hatters,
- Fruit & vegetable seller,
- Mr. Phone dealer,
- Mealie cookers,
- Newspapers vendors,
- Secondhand clothes,
- Shoe repairer,
- Spaza shop with variety of goods,
- Street foods,
- *Tavern and shebeen.*

There are sheltered structures that have been established in various taxi / bus ranks within uMzimkhulu Town and Rietvlei. However, many informal traders are still operating on open air space which becomes harsh to operate on rainy days. The municipality is currently constructing an SMME facility that will house several traders.

Challenges in the Informal Sector

Lack of markets for Informal / SMMEs,

Lack of trading space / shelter,

Hard to secure business permit / license,

High rental rates,

Lack of storage facilities for good,

Lack of necessary skills to develop bankable business plans,

Lack of access to information on the existing municipal supports,

Many businesses are foreigner owned.

Aloe beneficiation

Aloe beneficiation is one of the identified game changers in the Umzimkhulu LM. The municipality wants to capitalize on the abundant aloe plants. These plants are normally used for medicinal purposes. The municipality received funding from KZN EDTEA to develop an aloe processing plant. However, a recent study by UKZN indicated that the current plants are not of good quality and quantity for the proposed processing plant. It is thus important that the municipality drives this initiative to ensure that the aloe plants within the municipality benefit the community economically.

The feasibility study in 2023 on the aloe beneficiation potential looks at the following:

- Facilitating the testing of Aloe leaves from ward 2 & 5 to identify and recommend possible primary and secondary processing products.
- Conduct an in-depth review and unpack the current situation in the Aloe Industry in South Africa, the review should unpack the analysis of industry trends, historical overview, and exports.
- Incorporate the above information in reviewing the structure of business plan.
- To conduct situational analysis of the uMzimkhulu Municipality and the District
- To review the availability of the Aloe in the district
- Review of possible business models including institutional arrangements
- Review of Marketing Plan in line with selected primary and/or secondary processing products
- Review of Financials including startup costs and 5yrs Projections
- Review Capacity and Training Model for local SMMEs and Cooperatives involved in various stages of the value chain.
- And, to develop the Riverside Aloe Festival.

8. Economic drivers in the District Family of Municipalities and comparative advantages

The economic drivers / sectors to the main are: Government sectors, dairy, beef, forestry & timber processing, and infrastructure services in the District. The following maps depicts the spatial spread of these sectors across the four municipalities in the District.

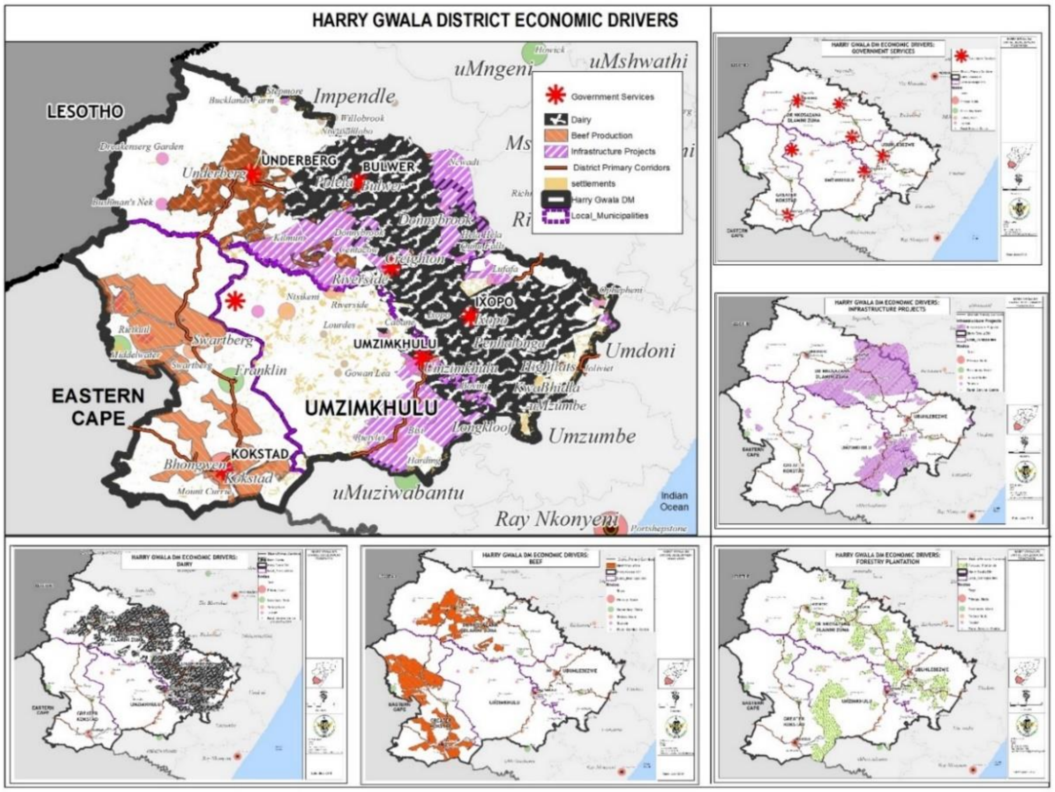


Figure 6 HGDM Economic Drivers

The spatial references below, presents the economic drivers per sector:

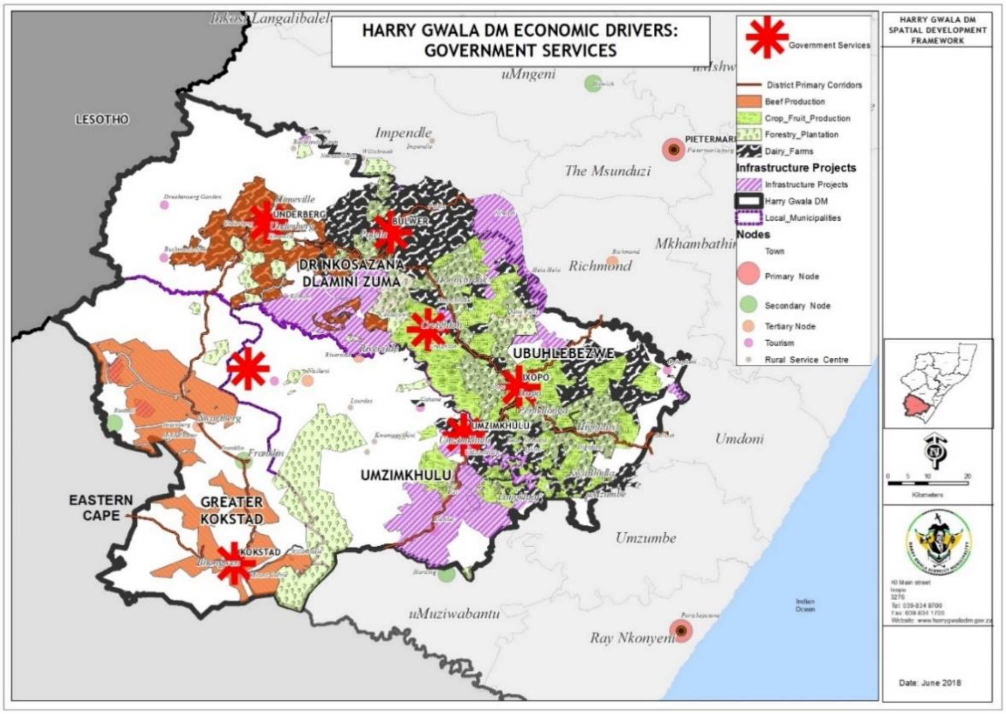


Figure 7 Government Services as economic driver, HGDM 2018

Dairy:

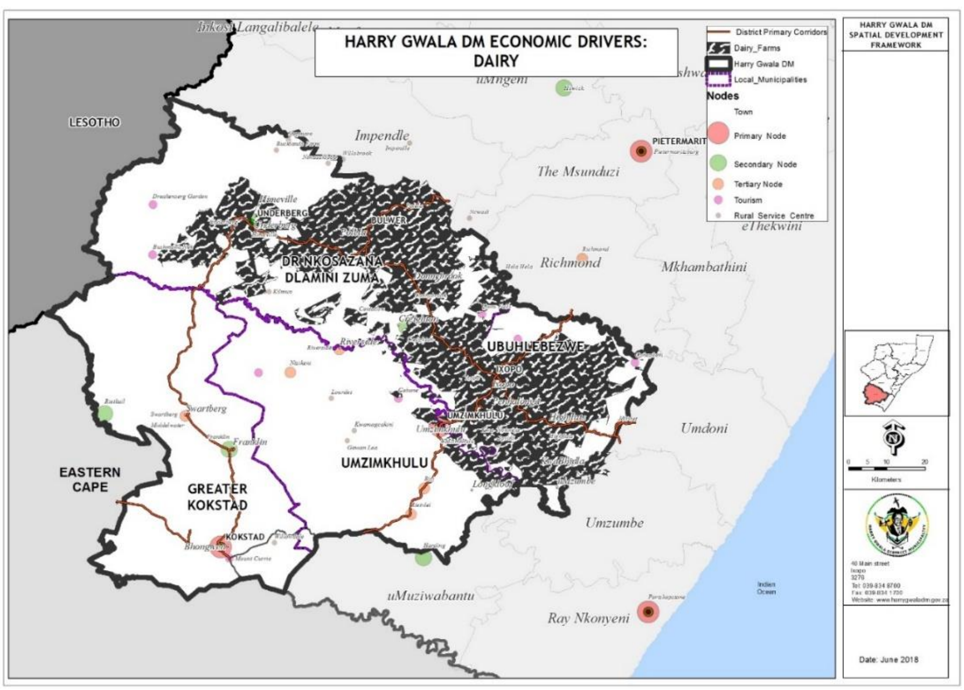


Figure 8 Dairy production and processing as economic driver, HGDM 2018

Beef production

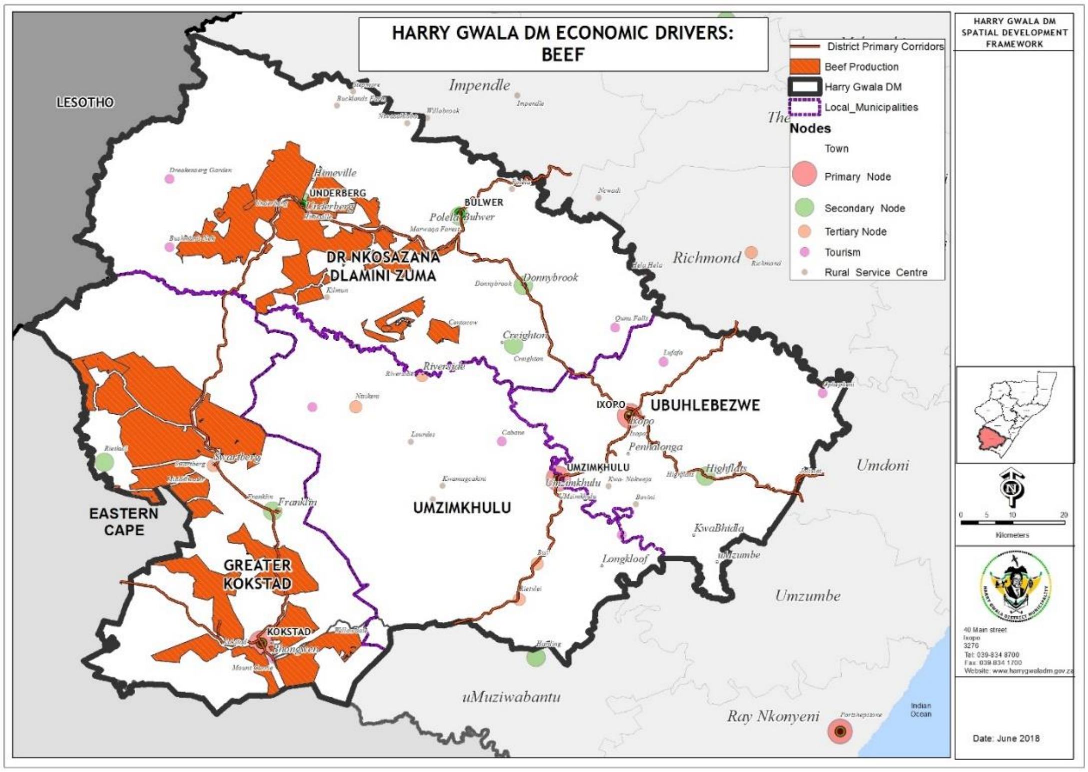


Figure 9 Beef production as economic driver, HGDM 2018

Forestry

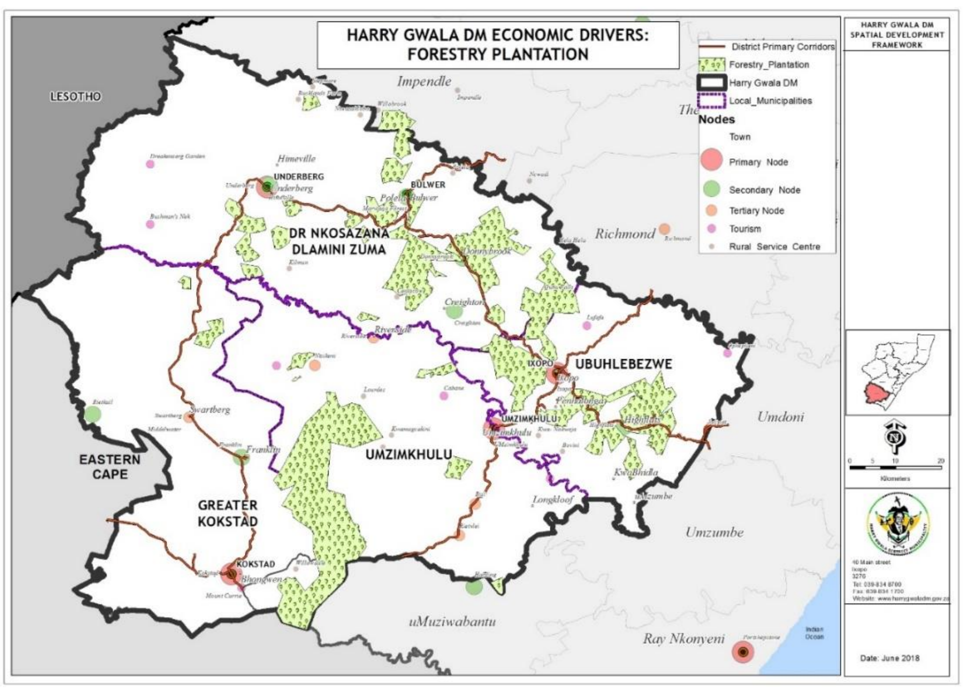


Figure 10 Forestry and timber as economic driver, HGDM 2018

Figure 11 Government Services as economic driver, HGDM 2018

Infrastructure projects

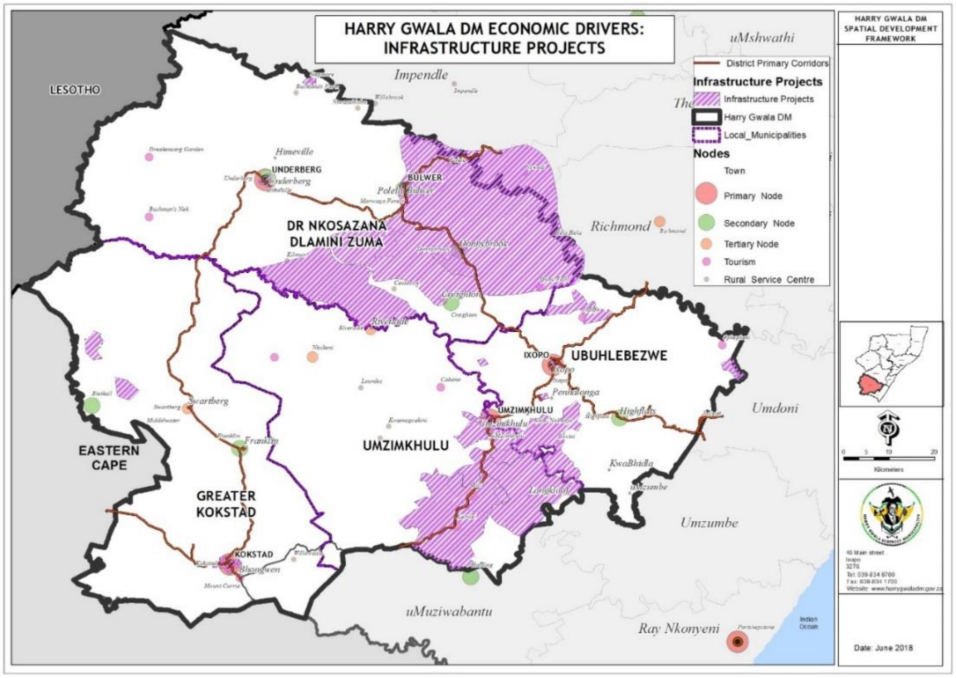


Figure 12 Infrastructure projects, HGDM 2018

9. Skills for the economy

The establishment of the Techno Hub in partnership with the MKI has already yielded positive results since youth from the District are already being trained in technical skills. At the writing of this strategy the Agency had already advertised for the youth's potential candidates to be trained in the repairs of cellphones. The further phases or windows of training opportunities will be in the areas of solar panels manufacturing in partnership with the CSIR.

10. Connectivity

The Internet and the internet of things have been identified as critical for the 4IR. The HGDA has positioned the HGDM for the 'digital economy' where information and communications technology (ICT) is used to develop the economy. Firstly, the HGDA offices are now a free WI-FI zone, this has ensured the optimal functioning of the Techno Hub and the Call Centre, which as from June 2023 employs about 30 youths from the District, the Techno Hub, the One Stop Shop, and the Agency's administration offices.

11. Towards a conducive local investment climate

Taking from the Investment Summit held in 2023, which presented a platform for the public and private sector role-players in the HGDM economic space to interact and share ideas. The Resolutions will be followed up for implementation and forms the implementation framework.

The HGDM offers a conducive climate for current and potential investors in various sectors of the economy. From a stable political environment, enabling ecological services like water resources, the labour force, there is potential for growth and development. More details are in the business expansion and retention strategy.

12. Local Municipalities in the District (comparative advantages)-specific

The following analysis has been reviewed from existing documents and is included in this strategic document as relevant.

GROSS VALUE ADD (GVA) PER MUNICIPALITY

Most sectors gross value add to the district economy have been negative in the year 2019 in all the local municipalities. The positive gross value add was witnessed in finance and community services. And positive value add of transport, manufacturing and trade was witnessed at Ubuhlebezwe local municipality, this is the only municipality which had many sectors with increased GVA.

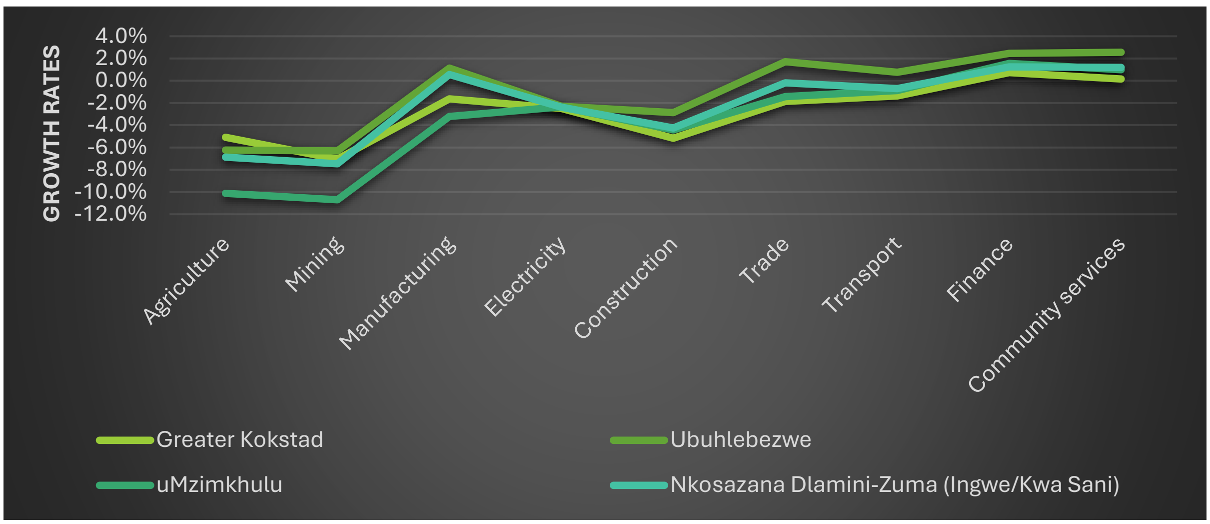


Figure 13 ***Gross Value Add by Economic Sectors per Local Municipality,*** *Source: Global Insight, 2020*

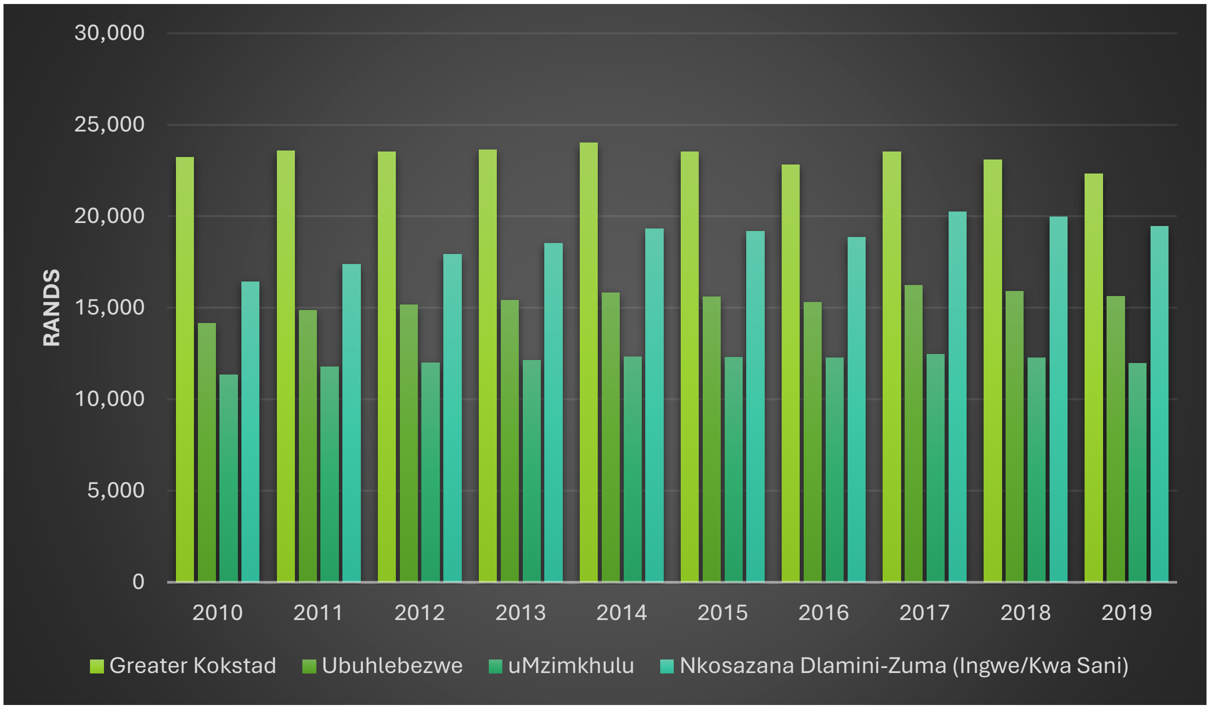


Figure 14 ***GVA per Capita, Local Municipalities, 2010-2019,*** *Source: Global Insight, 2020*

GROSS VALUE ADDED (GVA) PER MUNICIPALITY

The district has been challenged with economic growth, the contribution of each local municipality has declined in the year 2018 and 2019, despite a good economic growth in the year2017. The decrease gross value add is similar to the low economic growth that the country has experienced in 2018 and 2019, the national economy grew by 0,8% (2018) and 2,3% (2019).

Table 7 ***GVA growth for Harry Gwala Local Municipalities Source: Global Insight, 2020***

Local Municipality	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020**	*2021**
Greater Kokstad	*3.3%*	*3.1%*	*1.6%*	*2.2%*	*3.2%*	*-0.3%*	*-1.2%*	*4.6%*	*-0.3%*	*-1.7%*	*-6.9%*	*1.1%*
Ubuhlebezwe	*2.2%*	*4.8%*	*2.3%*	*2.0%*	*3.0%*	*-0.6%*	*-1.1%*	*6.5%*	*-1.0%*	*-0.6%*	*-5.6%*	*1.3%*
uMzimkhulu	*2.6%*	*4.3%*	*2.4%*	*1.8%*	*2.4%*	*0.6%*	*0.7%*	*2.4%*	*-0.5%*	*-1.3%*	*-6.5%*	*-0.1%*

Nkosazana Dlamini-Zuma (Ingwe/Kwa Sani)	*3.7%*	*5.1%*	*2.7%*	*3.0%*	*4.0%*	*-0.5%*	*-1.3%*	*7.3%*	*-0.7%*	*-1.8%*	*-6.7%*	*0.4%*

The Graph below presents the GVA Average Annual Growth of Local Municipalities

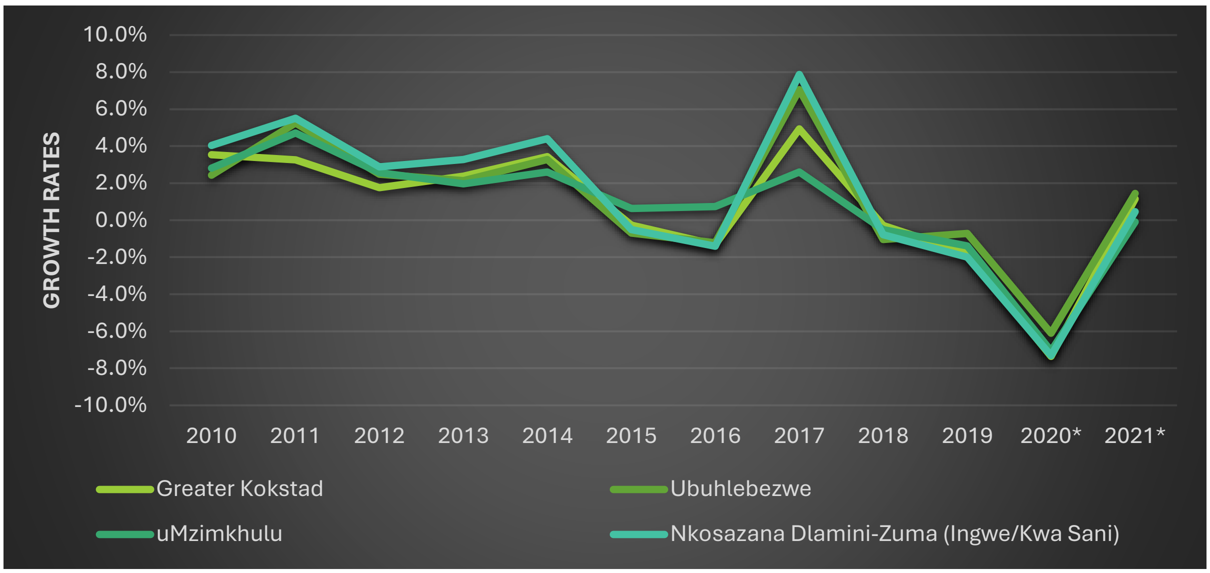


Figure 15 GVA Average Annual Growth, Local Municipalities, 2010-2021 Source: Global Insight, 2020

GROSS VALUE ADDED (GVA) PER SECTOR

The district has nine active economic sectors, indicated in the graph below and most of the sectors except for finance and community services has contributed negatively to the district Gross Value Add in the year 2019. The highest decline was in the mining, followed by agricultural, construction, manufacturing, and other sectors.

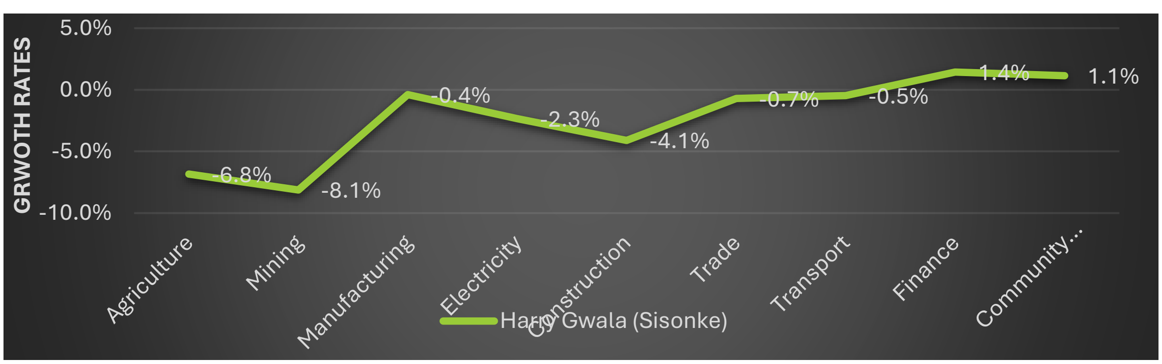


Figure 16 GVA per sector, Harry Gwala District 2019 Source: Global Insight, 2020

From the private sector perspective, several critical elements need to be in place if development (and by implication job creation) is to happen:

a. **Businesses need the right people.** This reverts back to the education issues. In an increasingly competitive job market, employers are seeking either people with a low level of education to do basic tasks (which pay little) or educated people to do more sophisticated work (which pays better). The problem with Harry Gwala District as it stands is that a lot of the businesses are agriculturally based requiring low skill levels (for the majority) or is increasingly becoming mechanised. This means that new skill sets are needed, or the economy needs to diversify. SMME's may be the key to diversification. Incentives for internship programmes and other forms of in-service training should be investigated.

b. **Adequate and maintained services need to be in place.** Having an agricultural and tourism-based economy means that issues such as access for transport (freight and passenger) and tourism is critical. A huge issue facing the District is relatively low levels of accessibility, with road conditions cited specifically as a constraint to development. Unreliable electrical supply is also problematic, especially for businesses. If agro-processing is seen as a potential growth sector, reliable electricity for refrigeration is an essential pre-condition.

c. **An enabling environment for development.** To attract business investment, government rules and regulations need to be streamlined and businesses need to have a level of confidence and certainty if they are to invest in an area. This relates both to point 2, having certainty of supply of water and electricity for example, and to certainty in terms of application procedures, costs, and timelines. The Business Chamber in Kokstad is of the opinion that the costs of doing business there is relatively high. This may also be true in the rest of the District.

d. **An environment that incentivises employment.** Within South Africa (not just Harry Gwala Municipality), the ability of businesses to hire and maintain staff can be affected by issues relating to employment regulations, strikes etc. Businesses are becoming increasingly wary of expanding and committing to staff due to these difficulties, however, this is not something that can be addressed by the District alone.

13. Opportunities and constraints

Generally, the District has opportunities offered by the abundance natural resources like water, which enhances a conducive climate for agriculture. However, the sector still needs to be transformed as already identified in the analysis. Historically, other constraints have been posed by overbearing need to comply with various pieces of Legislation. The SMMEs are the most challenged by this since they do not have the capacity, which larger corporates have. So, there's a need to ease ways of doing business, cut down the red tape in compliance or approvals like EIAs, WULA, SPLUMA and other approvals. There is a need to upgrade the road network's infrastructure.

The protected areas-restrict development, especially the buffer zone areas close to the UDP a WHS.

There are still backlogs in the provision of bulk infrastructure and other basic services being piped water, electricity, roads, waste management and human settlements (including housing).

From the SWOT analysis, there is a need to transform weaknesses into strengths, threats into opportunities.

The Goals, strategies, strategic objectives, and projects will respond.

Economic Opportunities

Agriculture, community services, and retail trade were identified as main economic drivers of the district municipality. Clearly community services and agriculture are the most significant sectors of the Harry Gwala District Municipality economy. Businesses have a major role to play in the South African economy in terms of employment creation, income generation and output growth.

There is need to expand and encourage agricultural activities through extension services, funding, and training of local residents.

- Abundance of natural resources and agricultural land and potential to establish forward linkages with manufacturing initiatives.
- Business support services
- Tourism potential.
- Agriculture contributes proportionately more towards employment in Harry Gwala District.
- Potential production indicates a significant percentage of farmland has not been developed to its fullest.
- Harry Gwala has a competitive advantage in terms of the domestic dairy industry with 10% of the milk consumed in SA coming from the district.
- Further expansion of the dairy industry is estimated to be 5% for the district.
- Opportunities for value added milk products for local markets due to import substitution.
- Growing demand for timber with most of the land that is arable for forestry.
- Business incubator programs for SMMEs in timber production

- Durban harbour provides access to local maize farmers in terms of exportation of produce.
- Products from citrus farming are among the highest in the world exports rankings in South Africa and great potential for improved returns if more farmers engage more in processing of fruits.
- The soil and climatic conditions in Harry Gwala are suitable for potato farming making 44% of gross value of vegetable production.
- There is an opportunity in making flour from sweet potatoes.
- There is an increase in demand for beef with many of cattle farmers owning their own abattoirs.
- Need for projects involving commercial cattle production.
- Increasing potential in eco-tourism, Avi-tourism (birding tourism for endangered species), rail tourism, mission tourism, and cultural tourism (crafts centre, museum, and coffee shops).
- Adequate investment in infrastructure, business networks and viable transport access will ensure a boom in agro processing and an increase in job creation.

Identified business activities and opportunities.

- Rehabilitation and beautification of the Creighton and Himeville Parks thereby contributing to the tourism of these areas.
- Ixopo Milk Procurement depot has a major capital expansion project.
- The district produces 10% of the milk consumed in South Africa and expected growth of the industry is 5%.
- Imports of value-added dairy products (import substitution), meaning that there are opportunities for value added dairy products for local markets.
- Forestry contributes over R331million to the district's GDP which is more than 8% of the district's economy.
- Timber is mainly produced by Sappi, Mondi, Mondi/Shanduka, Masonite, NTC and some private farmers.
- There are also value-added opportunities in pyro wood.
- A limited number of emerging farmers are engaged in timber production through SAPPI or government–supported grower's schemes.

- Harry Gwala District is ideally suited for field crop production rising consumer demand, international trade, and trade agreements.
- Maize is the most important grain crop in South Africa, with export capacity enhanced by the presence of the Durban harbour.
- Products from citrus farming are among the highest in world exports rankings in South Africa, with oranges ranking 3rd, lemon and lime ranking 7th, grapefruit ranking 4th. There is a high level of fruit production in many parts of Harry Gwala District Municipality, and great potential for improved returns if more farmers engage more in processing of fruits.
- Potatoes are the most important crop in SA and are prominent in Harry Gwala District Municipality; processed potatoes are exported while domestic demand for potatoes and potato-related products are increasing.
- Livestock farming has a very long history in the district beef farming in Harry Gwala is hindered by the lack of an abattoir in the area so there is need to set up an abattoir.
- Ecotourism is one of conservation's major economic engines Harry Gwala district alone, saw a 20% increase in employment from tourism between 2000 and 2010.
- The district also engages in Avi tourism, rail tourism, mission tourism, and cultural tourism.
- Adequate investment in infrastructure, business networks and viable transport access will ensure a boom in agro processing and an increase in the creation of employment.
- The services industry is thus a noteworthy economic driver, and the service industry has been growing rapidly in Harry Gwala District. Growth in employment in the services industry was also seen to be led by the retailing trade.

Constraints

- Vulnerability to climate change – unpredictable weather patterns, and natural disasters
- Corporatisation of agriculture – local benefits not optimised.
- Under skilled tourism sector
- Under-employment in agriculture sector
- Difficult and expensive business start ups
- Weak local markets

- Lack of co-ordination between spheres of government as well as between local municipalities
- Low economic growth
- Land reform process slow, lack of farming skills to take over production, creates uncertainty.
- Un-Integrated Nodes
- Un-planned/ad-hoc node development
- Unregulated and unplanned growth at nodes especially Ixopo
- Unregulated rural development, especially along corridors
- High public sector staff turn-over.
- High dependency on fossil fuel-based transport
- Shrinking private income value
- Land Reform uncertainties

The District's comparative and competitive advantages are outlined as follows:

- **Agriculture and Hunting** (stable existing sectors): The district is renowned as having fertile agricultural land and a good climate for dairy farming. The district's intensive focus on expanding the agricultural industry, together with the traditional importance of this sector to the economy should ensure that this remains a comparative advantage sector of the district. The further development of the agro-processing industry should also sustain the demand for raw agro-products.
- **Retail Trade and Services to Eastern Cape** (stable existing sectors): The Greater Kokstad Municipality is the major retail and services node for a vast Eastern Cape hinterland. Barring major new town developments in the Eastern Cape, the Municipality will retain this status. Even the re-routing of the N2 through the Wild Coast, is unlikely to substantially negatively affect the role this municipality plays in the region.
- **Forestry and Logging** (threatened and unstable): The closure of several sawmills in the district reflect serious structural problems in this industry. These include a mismatch between the type of trees farmers are willing to grow and the type that are sought by sawmills. Uncertainty surrounding extensive land claims, also means that few farmers are willing to invest in planting trees which take long to mature.
- **Agro-processing (**especially Dairy): While Food processing in general is not found to be a comparative advantage of the district, dairy processing certainly is.

The district is the home of Clover SA, and several other companies utilising dairy are looking to get involved in the district. Other agro-processing opportunities such as biofuel; animal feed and essential oils are currently being explored. The district has the agricultural resources to supply these processes, thus creating the opportunity for an integrated value chain for agricultural products.

- **Tourism:** Sani Pass offers the district several unique tourism-related opportunities, which have yet to be fully capitalised on. The potential paving of this route would make the route more accessible and could provide the opportunity for further collaborative tourism developments between KwaZulu-Natal and Lesotho. Steam train tourism in the district, if marketed and targeted effectively, also has good growth potential.
- **Gateway to the Eastern Cape**: The N2 highway exits the province into the Eastern Cape This is the primary route connecting the Eastern and Western Cape with KwaZulu-Natal and experiences high traffic volumes (Business, Logistics, Gateway to KZN for tourists)
- **Gateway to Lesotho** (Sani Pass): Sani Pass is the only formal route into Lesotho from the province and provides tourists with the opportunity to explore the Mountain Kingdom.
- Southern Drakensberg Escarpment (Natural/Resource Advantages): The district has access to the southern portion of the Drakensberg escarpment in the province, and as such has a comparative advantage in eco-tourism (especially mountain tourism) compared to most other districts.
- Relatively good agricultural land: good climatic conditions and a relative abundance of water, flowing from the Drakensberg catchment areas.

14. The comparative advantages from the Provincial analysis in 2022

The following sectors of the Harry Gwala District forms its comparative advantage, and their performance as expressed as ‘location quotient’ are presented below:

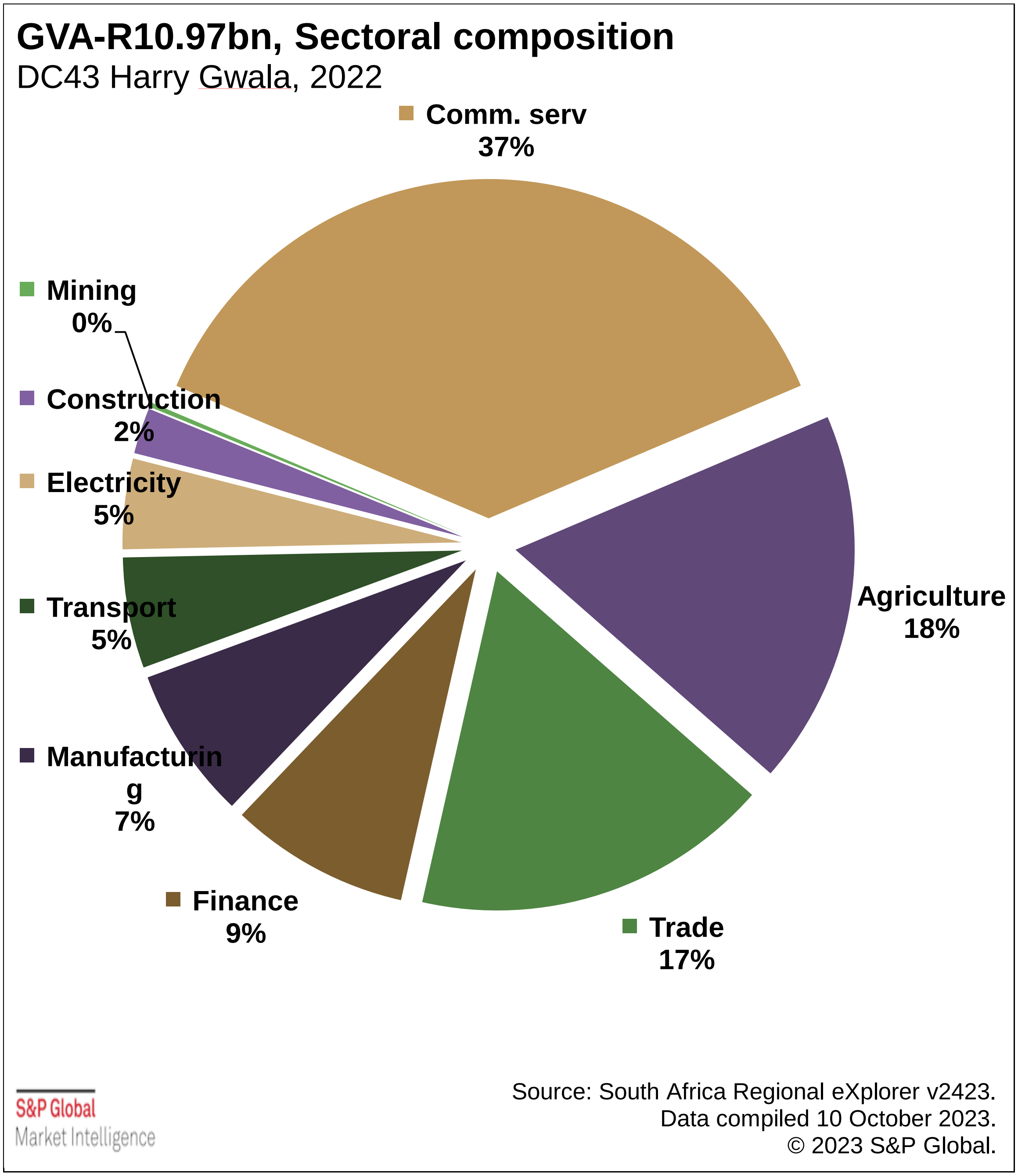
Table 8: Comparative advantages sectors / industry & their location quotient of the Harry Gwala District

Industry	Location quotient
Agriculture, forestry, and fishing	3.75
Agriculture	3.16
Forestry	5.71
Mining and quarrying	0.55

Industry	Location quotient
Manufacturing	0.47
Wood and paper; publishing and printing	1.64
Wood and wood products	4.72
Paper and paper products	0.39
Printing , recorded media	0.16
Electricity, gas, and water	0.80
Construction	1.07
Wholesale and retail trade, catering and accommodation	0.97
Transport, storage and communication	0.6
Finance, insurance, real estate, and business services	0.55
General government	1.58
Community, social and personal services	1.30

The above Table indicates the location quotient of the economic drivers and sectors, thus indicating the most contributing ones in terms of the GVA locally and where there needs to be more concentrated effort in the development of these sectors. Forestry has the highest LQ of 5.71, followed by wood and wood products with the LQ of 4.72, agriculture, forestry & fishing combined has and LQ of 3.75, agriculture when measured alone scored 3.16. Then the rest of the sectors as presented in the Table above, are important, as if they were presented as least contributing in 2023, then they need further support. Particularly it is of concern if the sub-sectors in the value chain of "forestry' like paper & paper products measured an LQ of 0.39 in 2023, as these sectors need to be opened for new investments and retention of the few players that are already in the District. During 2023, the HGDA with the L.E.D. officials in all the LMs met with the representative of the 'emerging forestry sector' in the Harry Gwala District, who expressed the following challenges:

- They are only recognized and have opportunities in the sector as sub-contractors.
- There is currently no local beneficiation of the wood products.



Further analysis on the GVA

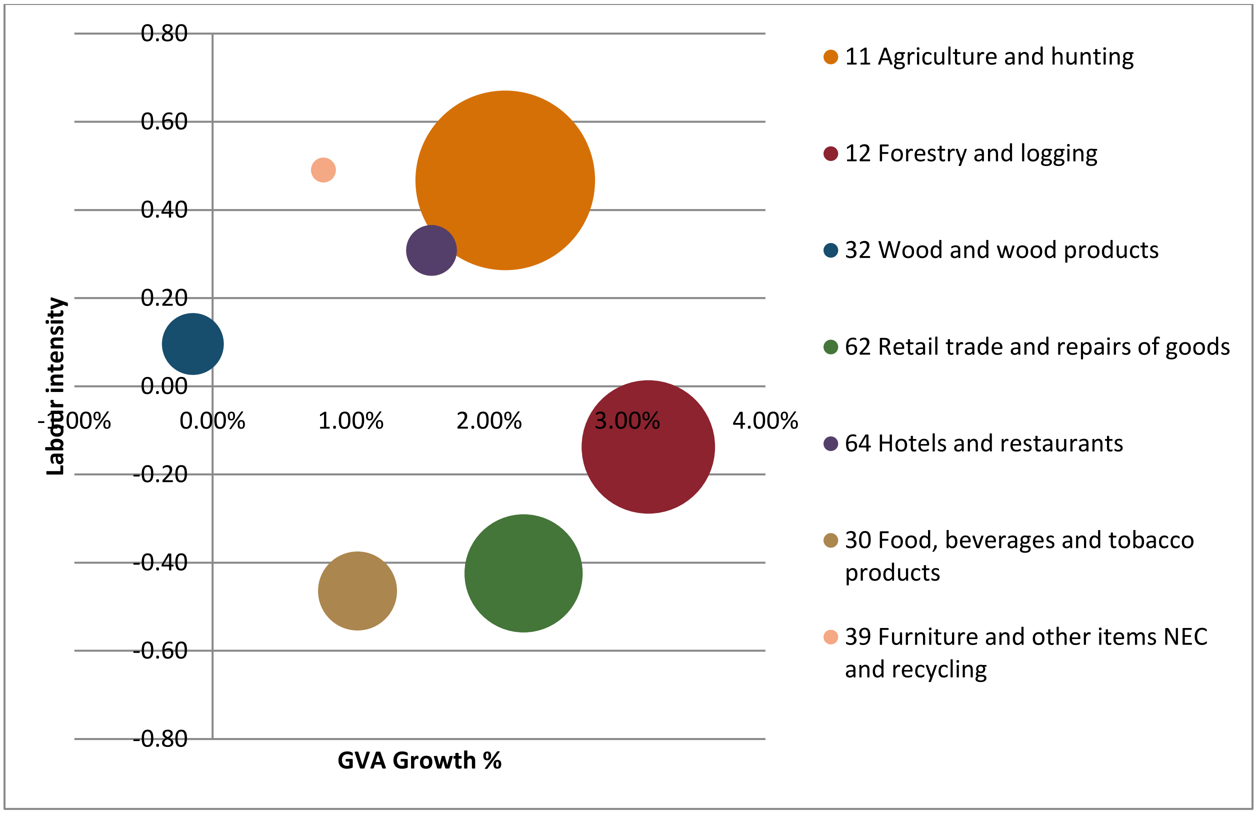


Figure 17 GVA sectors of the HGDA, source: EDTEA:2022

In 2022, EDTEA identified the following priority hubs for the HGDM, being:

-Forestry and agriculture, agro-processing (meats, crops, dairy)

-Eco and adventure tourism

-Upgrade Kokstad to larger town

-Dairy processing

Over and above the above listed hubs, the District in collaboration with other stakeholders through the DDM has as one of its catalytic projects the development of a grain handling facility, which is funded by the National Department of Agriculture.

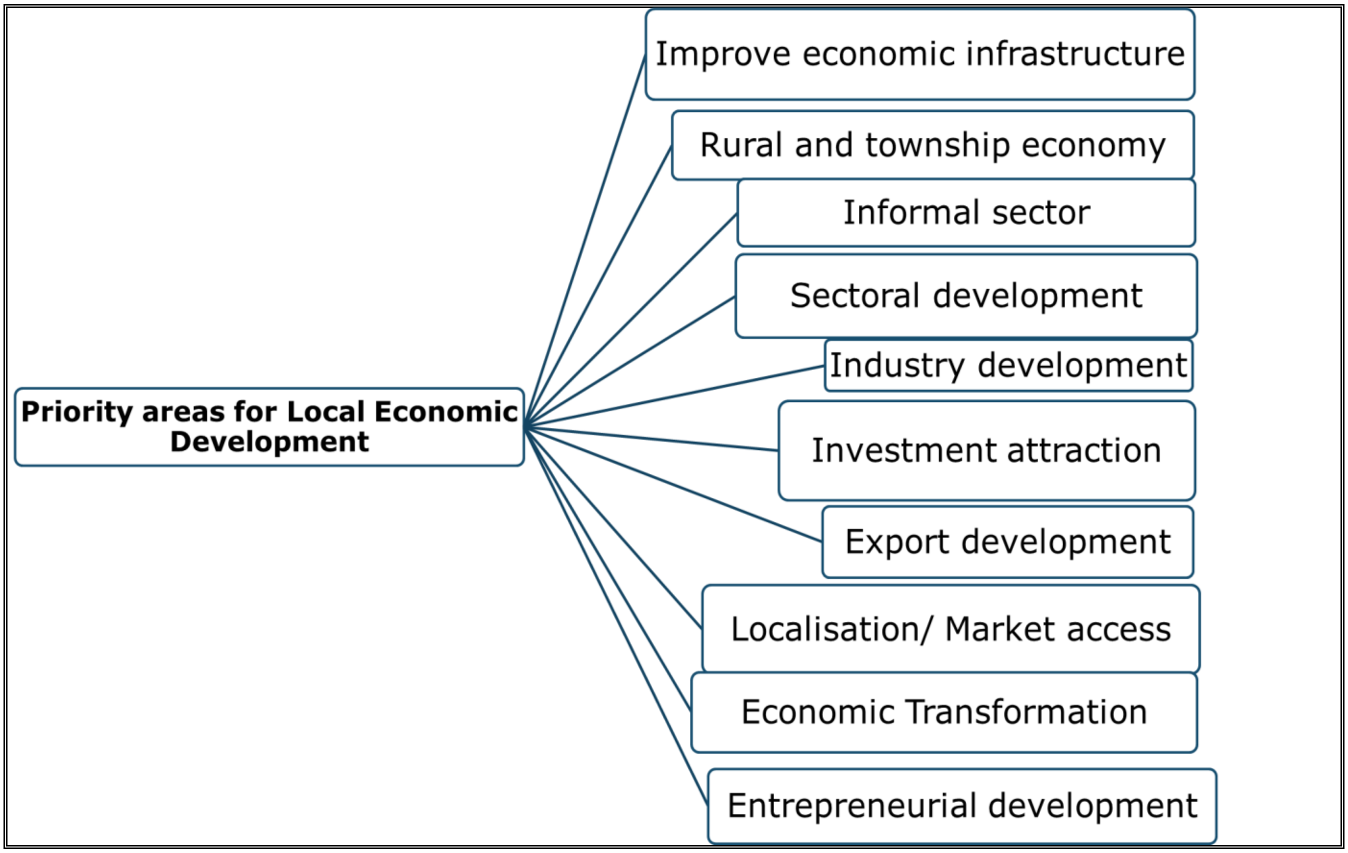


Figure 18 Priority areas for LED in KZN, Source: EDTEA (2023)

The following necessary conditions have been identified at Provincial level as prerequisites for local economic development and they have been analysed below as relevant to the creation of a conducive environment for local economic growth:

Budget: where there is adequate funding for programmes, skills: appropriate internal and external training, which is responsive to the growing economy, capacity: internal & external as responsive to the growing economy, red tape reduction or minimization, institutional excellence, and bureaucratic efficiency.

15. Strategic thrust

The private sector

We need to move from only articulating the saying that “Government is to create a conducive environment for business to thrive” into practical ways of creating the favourable environment for business growth. Through the DDM structures, one of the ways is through the Justice Cluster, which is constituted by the law enforcement agencies, emergency services where push factors like high levels of crime can be turned around.

The SMMEs and COOPs in the District

The important role played by the SMME sector in the local economy cannot be underestimated. Recently the HGDA embarked on district-wide roadshows on the Preferential Procurement Framework and Regulations to capacitate the local entrepreneurs, small business owners on how to benefit from locally procured goods and services by Government.

Enterprise development

There are also planned and implemented initiatives like the enterprise development fund, which calls SMMEs to apply for funding and support. This is achieved in partnership with

EDTEA. In this way, the HGDA is helping the District to implement one of the nationally identified strategic pillar on ensuring enterprise development.

Inclusivity

The pillar of inclusive economy, which is also Goal 1 in the PGDS can be achieved through for example the following: -

- ❖ Transformation of the existing sectors of the economy. For example, the L.E.D. strategy of the DRNDZ Municipality identifies the dairy sector as needing major transformation as it argues that it borders monopolization where the current major role players are dominating the market in this sector.
- ❖ Similarly, in the other economic sectors like forestry and timber there is also a trend of slow transformation.
- ❖ Emerging and entrant farmers need to be equipped with the necessary skills, supported financially and institutionally to grow.
- ❖ In the construction sector, the small constructors receive opportunities through programmes and projects that are implemented by municipalities, the DPW, SANRAL, DOT and other programmes.

Revitalization of Township economies

There is a standalone strategy addressing the revitalization of the township's economy. Geographically, there is a large segment of the South African population who lives in townships. Hence there is a need for a specialized focus on the revival of the townships-based economy.

Revitalization of old industrial zones

The identification of the old industrial sites to be revitalized through the existing spatial planning tools like land-use management plans and spatial development frameworks is encouraged at LM level. The DTIC as one of the strategic public partners in funding the development of these sites.

A need to diversify the economy

The need to diversify the economy has already been identified. Now the question is "how?" By attracting new investments into the less developed sectors like manufacturing, industrialization, and entrepreneurship especially amongst the youth. The opportunities mainly lie in the value chain propositions, especially in the forestry sector.

Skills for the economy

This is part of solving the youth unemployment crisis. On the implementation of the digital skills for the economy, it's encouraging that the HGDA has already implemented the Techno Hub facility based at its offices at Ixopo. This Hub will allow the youth to access the technology through the internet, training on robotics in partnership with the Moses Kotane Institute and on other technological skills like on solar panels in partnership with the CSIR.

Moving towards the 'smart city'

The planning and development of the smart city in the district one of the catalytic projects. The smart-city concept in a nutshell entails increased internet connectivity for a well-connected city, improved mobility, and better amenities. As an example, the improvements in the roads network, energy supply and connectivity make the Greater Kokstad Municipality as a candidate for the piloting of the smart city concept within the HGDM. Incrementally the smart-city concept will be implemented across the district.

Green economy

A separate green economy strategy will be compiled for implementation. The green economy encourages development that is not hostile to the natural environment. It also encourages energy sourcing that is climate friendly like use of solar, wind, hydro-generated power, geothermal, and biomass.

Cannabis and hemp

As mentioned in the SONA where the President highlighted the production and processing of cannabis and hemp for medicinal use as new sector of the economy, which Government has earmarked as one of the key sectors that will assist the country to achieve significant economic growth. During the Harry Gwala Investment Summit 2023 information was presented, which further highlighted that hemp has many uses like: fiber for carpet making, furniture making and other uses. Partnership with the private sector is encouraged. All the role-players (public and private) are to acquire additional land for cannabis and hemp cultivation; and, in training potential producers. The partnership will also assist in opening markets for raw materials.

The Department of Agriculture has also called for applications for funding to those who are interested into cannabis and hemp production.

Challenges and suggested solutions to a conducive environment for investment in the HGDM area

The following challenges/problems facing a conducive investment climate for economic growth within the HGDM arise from a status quo analysis through consulting of existing documentation, interactions with stakeholders and field observations. As analysis has already indicated that the main economic drivers are:

- Forestry sector and its value chain
- Agriculture and agro industry
- Tourism
- Public Sector
- Strategic Infrastructure Delivery
- Manufacturing
- SMMEs
- Informal economy (hawkers)

To achieve growth in these areas four key objectives were filtered out which need to be implemented within all four key sectors and linkages across these areas identified and exploited:

- Skills development
- SMME development
- Spatial Restructuring
- Research and Innovation

Since the agricultural sector is currently one of the major contributing sectors, it needs transformation in its value chain so that it can grow the local economy, create more jobs, and produce more emerging farmers.

Table 9 Problems/challenges facing a conducive investment climate in the HGDM Possible solutions

No.	Problems/challenges facing a conducive investment climate in the HGDM	Possible solutions
1	Least transformation in the sectors of the economy Dairy Forestry	Facilitation of transformative programs for new entrants and emerging entrepreneurs.
1	Less diversified economy	Diversification of the economy, include modernization, use of technology.
2	More reliance on primary production, especially in the agricultural sector	Encourage local investments in the value-chain
3	Lack of local beneficiation of raw production	Encourage local investments in the value-chain, including the identification of land for light and heavy industrialization.
4	Inadequate and unsustainable support for SMMEs	A structured approach to SMME development, partnerships with organizations that support SMMEs. Including access to funding, equipment, and skills

No.	Problems/challenges facing a conducive investment climate in the HGDM	Possible solutions
5	Poor support to the informal economy	Compilation or review and implementation of developmental by-laws that promote the informal businesses.
6	Lack of incentives to attract new investors and keep the existing ones	Development and implementation of incentive schemes at Local Municipality levels to attract new investors and keep the existing ones.
7	Red-tape in regulation of doing business: land-use, water use, compliance	Implement red-tape reduction mechanisms across the board. The OSS based at the HGDA is one of the progressive initiatives.

To elaborate on the above challenges and their possible solutions, the priority sectors are as follows:

- Forestry sector and its value-chain
- Wood and wood products
- Dairy and dairy products
- The green economy, especially on renewable energy
- And all the sectors that are currently contributing the least to the local GVA

Incentives for business retention and expansion

According to National Treasury on incentives for municipalities can use their own-revenue tools to steer economic development and spatial transformation. Examples include:

- Discounted property rates, to provide ongoing relief to firms with continued ownership.
- Discounted service charges on electricity, to provide ongoing relief to firms with high power consumption.
- Discounted or waived land use/building fees, as an upfront, once-off relief to property developers who require land-use rights/building and to small-scale developers.
- Discounted or waived development contributions, as an upfront, once-off relief both to property developers building new developments and contributing to the infrastructure, and to small-scale developers. City own revenue enables the city to fulfil its expenditure obligations. Therefore, it is important that a city compares the gains of an incentive with the foregone own revenue (i.e. the opportunity cost of local government expenditure). City financial/in-kind incentives Although

financial incentives tend to follow bespoke arrangements, transparent parameters can (and should) be set out in advance, such as the maximum magnitude and criteria of the incentive. These incentives include: z Grants towards or co-financing of infrastructure investment, to any firm that would benefit from improved infrastructure.

- Provision of free broadband through a third-party broadband provider, to any firm that would benefit from free Wi-Fi.
- Support to small, medium, and micro enterprises (e.g. to purchase machinery or equipment), to any firm that would benefit from such support.
- Load curtailments, i.e. offering guaranteed uninterrupted access to electricity (including during power cuts) and other services, to firms that require ongoing power for activities and are located within certain areas (e.g. in spatial priority areas)

16. Implementation Framework

This is a high-level implementation framework, the more detailed (SMART) implementation framework is contained in the comprehensive Growth and Development Strategy.

Table 10 Implementation Framework

Activity	Expected Outcome	Responsibility	Time-frame
Facilitation and support to the Harry Gwala Chamber of Commerce's projects and programmes	Improvement in the number of the Harry Gwala Chamber of Commerce programmes & projects supported. (Currently the Chamber has its offices at the HGDA premises)	HGDA: Growth & Development, HGDM: economic development champion (s) Chamber of Commerce	By June 2025 and annually (end of F/YR)
Establishment of District wide the Fund-raising Committee, with TORs and implementation framework	A functional fund-raising committee, with TORs and implementation framework With clearly defined deliverables.	HGDA and HGDM	By June 2025 and annually (end of F/YR)
Investment Summit hosting and facilitation	An Investment Summit with measurable resolutions and outcomes. Followed up investment commitments & pledges.	HGDA: OCEO, Growth & Development, HGDM& stakeholders	By June 2025 and annually (end of F/YR)
Marketing of the District, especially as a tourism destination	Professionally developed marketing materials (including for tourism), with implementation plans on	HGDA: Growth & Development LMs	By June 2025 and annually (end of F/YR)

Activity	Expected Outcome	Responsibility	Time-frame
	yearly programmes and projects.		
Compilation of the Investment Prospectus & its implementation plan	A comprehensive investment prospectus that inter alia has business directory, defines the economic sectors. Well packaged projects, including catalytic projects and deliverables.	HGDA: Growth & Development	Before 15 April 2024 & By June 2025 and annually (end of F/YR)
Investments Incentive Policies development	Formulated investment incentive policies at local municipality level. HGDA to provide guidelines to the LMs and identify other stakeholders	HGDA: Growth & Development, Local Municipalities: L.E.D. Sections	By 31 March 2025, & ongoing implementation
One Stop Shop for business and investments	The One Stop Shop for new business registrations, regulation of existing businesses-easing the way of doing business.	HGDA: Growth & Development and its partners mainly TIKZN	By June annually.
Investment Aftercare Services	Improved relationships with existing investors to encourage them to re-invest, expand and/or diversify their investments. A list of investors and follow-up reports	HGDA	By June annually.
Responsiveness to innovation and skills for the economy	A structured approach to relevant skills that are responsive to the growing and dynamic economy. A list of targeted skills that are responsive to the HGDM economic driver sectors, the digital economy, the SMART city principles & green economy	HGDA: Growth & Development, partners in the 'skills economy' like Institutions of learning, the MKI, CSIR, & others	By June annually.
Establishment of new and strengthening of existing partnerships	Working partnership to increase capacity for economic development in the District. See list of partnerships.	CEO, all internal departments of the HGDA, the HGDM and all LMs	By June annually.

Activity	Expected Outcome	Responsibility	Time-frame
Implementation of catalytic projects	Concept plans, business plans for the implementation of catalytic projects	The HGDA: Growth & Development, OCEO, and all stakeholders including the private sector	By June annually.
Support to the priority sectors of the HGDM's economy	Priority sectors such as Forestry, dairy, manufacturing supported	HGDA, LMs, Government partners, private sector	By June annually.
The above measurable deliverables are translated to SDBIPs & respective annual operational plans for monitoring and evaluation purposes.			

Furthermore, on the investment aftercare, municipalities are to maintain a close relationship with all the major investors in the area, the municipality will be aware of their businesses, how well or how poorly they are performing, their relationships with local suppliers or other companies, attitudes of their management towards local issues and further local investment. This is part of the investment incentives policies.

17. Conclusion

The Harry Gwala Business Retention and Expansion Strategy provides and analysis of the business-economic climate of the District. Its main purpose is to create a conducive environment for business to continue and expand in the HGDM area. Furthermore, to build an investment competitiveness of the HGDM.

18. References

TIKZN (2019), KZN Integrated Trade & Investment Strategy

EDTEA (2022) Districts Economic Profiles / Comparative Advantages Report

HGDA (2024) Draft Harry Gwala District Growth & Development Strategy

HGDM & LMs (2021-2027) IDPs and L.E.D. Sector Plans