JSC RAPID ACTION PROGRAMME

ECONOMIC DEVELOPMENT

Report prepared by the Urban Strategy Economic Unit and local council officials for the Joint Steering Committee

October 1996
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SECTION 1: GENERAL OVERVIEW AND SUMMARY

1.1 Background

Local government in the Durban Metro Area (DMA) is faced with the considerable task of redressing the inequalities of the past and improving the quality of life of the people it serves. A healthy, growing economy is central to these endeavours. It provides people with jobs and economic opportunities, and also provides a healthy financial base for the operation of local government itself. This importance is captured in the Metro Vision:

“In 20 years metropolitan Durban will be a thriving industrial and commercial centre, an attractive tourist destination and the gateway to KwaZulu-Natal and southern Africa. It will be a clean and safe environment with less than 10% unemployment; more than 90% of residents living in acceptably serviced housing; and with a generally high quality of life that can be sustained. Democracy and tolerance will be an established way of life.”

1.2 Purpose of this paper

The purpose of this paper is to examine how local government in the Durban Metropolitan Area can most effectively contribute to the economic challenges of the Metro Vision, and in particular to the need for economic growth, redistribution and sustainable development. In so doing the paper aims to provide an informed basis for the development of local government strategy to guide its central role in the attainment of the Metro Vision.

1.3 Structure

The paper begins with a general overview and summary (Section 1). It then examines the current, highly fluid, economic context in the DMA (Section 2) and the past impact of local government on the local economy (Section 3). On this basis, a new and more appropriate role for local government is suggested which meets the challenges of the changing economic environment and works towards achieving the goals of the Metro Vision (Section 4).

1.4 Summary

**Economic nature of the DMA**

The Durban Metro Area has a diverse and vibrant local economy.

- The DMA is South Africa’s second largest industrial hub (after Gauteng) and has a larger concentration of manufacturing employment than the East Rand.

- At the centre of the local economy is the Durban port, which is Africa’s busiest and links the DMA directly with international markets. This port confers on the DMA the status of SA’s key trading gateway - the main entry and exit point for imports and exports with its access to important trading routes to the east and its promixity to the Gauteng mineral-industrial complex.
• Durban continues to be South Africa’s premier tourist destination despite the loss of international market share to Cape Town.

• In common with South Africa’s other metropolitan areas, the DMA is a major and growing commercial and financial hub.

However, the DMA is characterised by high levels of poverty and unemployment, with black communities in particular having a low quality of life. This reflects the impact of apartheid on the DMA and on the political economy of the region. Apartheid planning is also reflected in the concentration of economic activity in the urban core, in a few major development nodes and along particular transport corridors. The result of this is that little economic development occurred in peri-urban and township areas and little effort was made to ensure these areas had easy access to economic opportunities in the core or in the various nodes. The length of time and level of resources people from disadvantaged communities have to spend in getting to and from work is evidence of this.

Although the DMA has a generally well-developed infrastructural system, it is largely concentrated within the urban core and its principal development corridors. This system needs to be extended, maintained and upgraded, if the core and periphery areas of the DMA are to become integrated, support internationally competitive business and attract new investment.

The strengths and weaknesses that characterise the economy of the DMA may be summarised as follows:

**Strengths**
- diversity of economic activity
- extensive and well maintained infrastructure
- strategic geographic location and physical attributes (east coast trading route, beaches)
- international class port
- diverse cultures
- large population with mix of skills
- natural environment with pleasant climate, good supply of water

**Weaknesses**
- Unequal access to economic opportunities
- Poverty and unemployment
- Low skills level
- Violence and crime
- Uncompetitive manufacturing sector

The key economic challenge for the DMA is to build on its diverse and vibrant economy in a way which promotes economic growth, while addressing the considerable economic inequities. This needs to be achieved in a manner which ensures a sustainable basis for urban development.

**Key pressures on the DMA economy**

There are a number of key pressures which have a major impact on the future potential of the DMA economy:

• **Urbanisation**, the breakdown of apartheid controls and increased mobility have led to increased proximity between disparate sectors in the DMA, which had previously been separated. This change has the potential to generate new interconnections and strengths or alternatively conflict and destruction. The increasing DMA population will continue to result in
more and more pressure being placed on local resources.

- Increased labour and community organisation and democratisation of government has led to increasing demands for the widening of economic opportunities and participation to include those historically disadvantaged.

- The high levels of poverty and unemployment need to be dealt with as the future of the DMA depends on the extent which the quality of life of its citizens is improved.

- International competition, and the removal of tariff barriers and government industry support, has resulted in a restructuring process in some key industries such as textiles, clothing and motor vehicle assembly, resulting in significant job losses and plant closures. However, at the same time, it has also opened up the possibility of vastly increased trading opportunities.

- Crime and violence continue to undermine efforts to boost the economy. Investment is scared off and local businesses suffer.

- The DMA has suffered considerable environmental degradation. This threatens the long term sustainability of the region and will undermine economic development initiatives unless it is addressed.

**Past economic impact of DMA local government**

The various local government actors, which operated in the DMA in the past, had an impact on economic development through planning, limited facilitation (eg tourism), regulations and as economic actors (employers, consumers etc). However, these activities were not undertaken within an explicit economic development framework and tended to be undermined by institutional separation across the DMA area. In fact, in some cases it could be said that economic development was hindered rather than promoted. This is particularly true when considering the impact of apartheid policies on local planning. Local government has in general been excessively bureaucratic, and has operated in an un-coordinated manner. Furthermore, there has been little capacity developed to undertake effective economic development functions.

**Reasons for an enhanced economic role for local government**

The key reasons why local government should play an enlarged role in local economic policy are to do with the fact that in many instances it is local government that is best placed to respond to the impacts of national and international dynamics on the local economy.

It is in cities and metros where global forces impact on key economic activities. This has been shown in the change at a local level brought on by the increasing openness of local economies to national and international pressures. The private sector is at the coal face of these changes and needs to adapt to become more flexible and competitive. Local government, too needs to respond so as to ensure that the economic environment, meets the standards of the best investment locations in the world.

Furthermore, new demands for economic access and opportunities by disadvantaged communities will not be met by the private sector and national government alone. Local government, as a key local actor, needs to spearhead changes in this regard. This expanded role for local government is supported by the DMA Strategic Plan, in which a role for local government in economic development is prioritised.

In addition, local government has explicit economic development responsibilities which have been allocated to it by national and provincial government. These responsibilities relate to the need for local government to respond to the challenges of creating economic growth and employment.
Failure to confront these challenges will result in a decline in the quality of life of the DMA’s residents.

**Key areas of action for local government**

By drawing on an understanding of past weaknesses, the new and changing environment and international experience, the following key action areas are identified:

- Local government in the DMA needs the capacity to coordinate and plan strategically to achieve its economic development objectives outlined in the Metro vision.
- DMA local government needs to act to build a world class, competitive economic environment.
- Actions must be undertaken to improve access of disadvantaged groups to economic opportunities.
- Local government in the DMA needs to recognise its responsibility to ensure that development is sustainable in the long term.

These action areas require local government in the DMA to reorientate and refocus existing local government activities which impact on economic development. Furthermore, there is a need to engage in strategic institutional restructuring to ensure that the Metro and local councils are able to respond, plan and implement programmes in a flexible and dynamic way. Finally, local government needs to identify new areas of activity for itself and and work in partnerships with other role players so that the economic development challenges facing the region can be confronted in a collective manner.

The two areas in which economic capacity needs to be built are strategic planning and co-ordination at a metropolitan level, and support and facilitation at a local council level. At metropolitan level, there is need for such a capacity to be located in a position that enables the economic entity to have a complete overview of the DMA economy and the economic implications of local government’s operations. At a local council level too there needs to be economic capacity located within each local council at a similar high level to ensure activities reflect the economic development priorities.
Priority economic development actions for the Durban Metro Council

<table>
<thead>
<tr>
<th>1. CREATE THE NECESSARY CAPACITY</th>
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<tbody>
<tr>
<td>• Task a high profile official with responsibility for Economic Development and provide back-up strategic support for this official</td>
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<tr>
<td>• Establish economic planning and policy capacity at metropolitan level</td>
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<tr>
<td>• Establish economic implementation capacity at local government level</td>
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<tr>
<td>• Establish networks between departments and service units that perform economic functions so as to facilitate the co-ordination of activities</td>
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<tr>
<th>2. BUILD A WORLD CLASS METRO</th>
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<tr>
<td>2.1 Work towards an efficient urban system</td>
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<tr>
<td>• Develop an integrated spatial planning framework for the DMA</td>
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<td>• Support the development of a world class port</td>
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<td>• Support the development of international passenger and cargo airport facilities for the DMA</td>
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<td>• Facilitate joint airport - port - city planning</td>
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<tr>
<td>• Target the development of certain key corridors in the DMA</td>
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<td>• Reduce the level of crime in the DMA and work to create crime free zones</td>
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<table>
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<tr>
<th>2.2 Make the DMA attractive to local and international business</th>
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<tr>
<td>• Maintain fiscal discipline in the DMA</td>
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<tr>
<td>• Establish an efficient investor service in the DMA with up-to-date information and guaranteed responses to investors within specified time frames</td>
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<tr>
<td>• Undertake flagship infrastructure investment projects to boost investor confidence and leverage private sector investment (eg ICC)</td>
</tr>
<tr>
<td>• Enhance the Metro’s tourism potential through planning and coordination with other stakeholders</td>
</tr>
<tr>
<td>• Target the CBDs for development and upgrading</td>
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<tr>
<th>3. EXTEND ACCESS OF DISADVANTAGED COMMUNITIES TO ECONOMIC OPPORTUNITIES</th>
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<tr>
<td>• Redesign procurement policies to encourage small business</td>
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<td>• Redesign employment policies to encourage labour intensive activities</td>
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<td>• Implement small business support programme (eg street trader infrastructure, Local Business Service Centre)</td>
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<td>• Support economic development in disadvantaged communities</td>
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<tr>
<td>• Identify infrastructure and service projects which improve access of township and peri-urban communities to the economic core</td>
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<th>4. ENSURE THAT ECONOMIC DEVELOPMENT IS SUSTAINABLE</th>
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<td>• Develop regulatory and incentives packages to promote sustainability</td>
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SECTION 2: ANALYSIS OF THE DMA ECONOMY

This section situates the economy of the DMA in the international, national and provincial contexts. It then describes the characteristics of the DMA economy, identifying its strengths and weaknesses and the major opportunities and threats, as a basis for economic policy development. Normally, analyses of this sort would have started with an examination of the conditions in the local economy. However, this paper suggests that in order to fully grasp the economic role of cities it is crucial that an understanding is gained of the global context in which they operate. This is particularly true of the DMA which is more closely connected to global economic processes than some of South Africa’s other major urban areas because of the centrality of the port in its economy.

2.1 The DMA economy in the international context

The advent of democracy in SA has brought with it a new era of integration into the world economy. In line with global trends, the government is opening South Africa up to international competition by moving rapidly to lower tariff barriers and normalising the exchange rate (which have been used to protect the SA economy from international competition). This has profound implications, both for local business, and for key investment locations in the country such as cities. For local business the challenge is to restructure production along more flexible and productive lines. The challenge for the major cities is to become world class investment locations. The issues thus now less how Durban compares to Johannesburg or Cape Town, but rather how Durban compares to Sydney or Singapore as a place in which to do business. Within this context there has been a shift by the successful international cities away from a reactive, regulatory approach by government towards an entrepreneurial approach characterised by a search for public-private partnerships, inter-urban competition and promotional efforts to attract investment.

An entrepreneurial local government is one which constantly seeks to build on local comparative advantage and actively seeks for new opportunities in a changing international environment. This means constantly keeping abreast of international trends. Some of the major international economic trends that will impact on increasingly open local economies are:

- the growing importance of Asian and Indian Ocean Rim economies in international trade (India, South Korea, Malaysia, Indonesia, Mauritius);
- the growing importance of trade in the world economy;
- the rapid international growth in tourism over the past decade; and
- the increasing importance of communication and transport networks to facilitate global integration, trade and tourism.

The DMA has many advantages in this context:

- it faces the East;
- it has significant trading infrastructure; and
- it has significant tourist infrastructure.

However, none of these advantages have been deliberately marshalled to promote their greatly enhanced economic potential. Local government should therefore identify what it can do to create competitive advantages for the DMA in relation to other cities the world over.

2.2 The DMA economy in the national context

The South African economy is slowly recovering from a prolonged recession. This recovery is made more difficult by the need to overcome the distortions caused by apartheid policies including protection from imports, exclusion from technological advancements, limited availability of skilled workers, a distorted labour market, low productivity, at times autocratic and bureaucratic management styles and highly concentrated ownership. A close look at the DMA economy reveals
that many of these national trends have been reproduced at a local level.

The importance of industry and commerce in South Africa’s economy is clear from their relative contributions to Gross Domestic Product (GDP). Manufacturing and commercial activities are seen as the major driving force behind the attainment of the 6% growth rate in the Government’s Growth and Development Strategy (July 1996). Many of the dominant manufacturing sub-sectors of the DMA produce goods for the national economy. Production and employment in the local economy is therefore strongly affected by national business cycle trends. This suggests the need to establish a more diversified and stable market for the DMA’s goods and services, which can be achieved through an improved export performance.

The national government’s programme of tariff reform has exposed sectors such as clothing, textiles, auto components and assembly to increased competition from foreign producers. These sectors make a significant contribution to the DMA economy and are undergoing a very difficult restructuring phase which has seen many job losses and firm closures. However a range of sectors should benefit from the tariff reform including trade, services, aspects of metalwork, industrial chemicals and food.

The national government is also phasing out demand-side interventions such as subsidies, price controls and export incentives in favour of more neutral supply-side schemes such as training and innovation support. Considerable emphasis is being placed on small business development in this process and this national government support needs to be harnessed for the benefit of small business in the DMA.

2.3 The DMA economy in the provincial context

Within KwaZulu-Natal (KZN), manufacturing is the largest contributor to the region’s Gross Geographic Product (GGP) with a 28% share. Growth areas have included wood products, non-ferrous metals, plastic products, beverages, food and chemicals (including petroleum). Manufacturing employment in the province has traditionally been concentrated in food, textiles, clothing, metal products and footwear. In addition to manufacturing, commercial, financial and community and social services are important elements of the economy.

The DMA plays a vital role in the KZN economy. In 1991, 59% of the province’s economic output and over 50,6% of its formal employment occurred in the DMA. There are strong links between the DMA and its rural hinterland both through employment for migrant workers and as a market for natural resources (such as water, sugar cane, trees, and other agricultural produce). The future development of the DMA economy will therefore have a significant impact on development in the province.

2.4 Characteristics of the DMA economy

This section will give a brief overview of the major sectors in the DMA economy before looking at overall economic trends including growth, employment, distribution and sustainability trends. It is important to note here that presenting an accurate and up-to-date picture of the DMA economy is highly problematic considering the poor state of information resources available. This problem can be attributed to the following:

- The national government has collected information on a basis which does not match the needs of local government (eg there is little information on individual townships and the informal sector).
- The data which is available is very out of date.
- Little information is available on trends.
2.4.1 Major sectors

Economic activities in the DMA are fairly diverse, with the major contributor being manufacturing which provided 32.5% of the DMA’s total GGP in 1991. Manufacturing’s share in the DMA economy has declined over the last decade, reflecting the recession in the national economy. However, there has been growth in trade and catering (18.8% of GGP) as well as in government services (15.6% of GGP).

Manufacturing
The DMA is South Africa’s second largest industrial hub (after Gauteng) and has the largest concentration of manufacturing employment in the country. In terms of net output (based on 1988 figures) chemicals are the dominant manufacturers, contributing 19.5% of the manufacturing total, with food processing contributing 13.3%, textiles 9.2% and clothing 6.5%. Some manufacturing sub-sectors have suffered heavily in the recession and have been unable to face up to the growing international competition. The most notable of these have been textiles and clothing where many firms have ceased operating and job losses have occurred in the tens of thousands.

Tourism
Over time the growth of tourism has become central to the prosperity of local commercial activities within the Durban CBD area. The development of Durban as a national tourist centre has also led to tourism growth up and down the coast and to a limited extent inland. However tourism in the DMA declined overall through the 1980s and early 1990s, largely due to the economic recession, sanctions, bad publicity regarding crime, violence and overcrowding on Durban’s beaches, and the aggressive marketing of other centres (especially Cape Town to which Durban has been losing market share). There are signs that this trend is reversing. In 1995 Durban received 1.7m visitors who spent approximately R2.5bn suggesting that Durban may have regained its status as SA’s premier holiday destination.

The nature of the DMA’s domestic tourist market has changed in line with national trends. The historically white Gauteng market has declined and the number of middle class black tourists has increased. A black working class segment has developed which has given rise to sporadic tourist activity especially in central Durban on weekends. The international tourist market is also changing with a growing interest in historical, cultural and ecological experiences rather than just ‘sun and sea’ holidays. The development of tourist infrastructure and promotional strategies needs to take account of these changing markets. Planning needs to take account of conventions, exhibitions and sport which are important in today’s tourist market.

Commerce
Commercial services such as banking, insurance and other financial activities are well developed. They are also heavily concentrated in the Durban CBD, although there is some evidence of relocation to areas outside the CBD. The DMA also has significant wholesale and retail activities with linkages into the substantial DMA informal economy. The City of Durban, in particular, has played an important national role as a commercial hub as well as in servicing trading links between SA and other nations.

Transport
Transport is an important sector (contributing 12.25% to GGP), reflecting the centrality of the port in the local economy, as well as the connection between the DMA and other urban centres. The port has become Africa’s busiest and one of the world’s fastest growing. Through the operation of the port the DMA continues to play a crucial service role for the national economy, being a major access point not only for exports, but for imports which are essential for South Africa’s industrial expansion.
Although Durban’s port is owned and managed by the national government through Transnet, resulting in profits (estimated to be over R1 billion annually) being channelled back to the national level, the port continues to influence, either directly or indirectly, much of the economic development in the DMA and its immediate hinterland. The relationship between the port and the rest of the DMA’s economy is therefore of considerable importance. The lack of joint planning between the port authorities and local government, in the past, has meant that many of the opportunities inherent in the relationship between the two have not been optimised.

Informal economy
Although not reflected in the above figures, the informal economy plays an important role in the DMA. The size of the informal economy in the DMA is unknown but it is estimated nationally to contribute 6.7% of GDP. The sector is critical in providing livelihoods for a large number of people in the DMA and has large scale involvement from the black population.

This economic diversity, with strongly developed manufacturing, trade, service and tourism sectors, is a major strength of the DMA which needs to be developed and built on.

2.5 Trends in the DMA economy

2.5.1 Growth

Levels of economic growth in the DMA have been very low over the past decade, averaging 1.2% per annum (between 1980 and 1991), being slightly below the national average of 1.3%. With population growth at over 2%, levels of poverty in marginalised communities are likely to show a continued increase.

Manufacturing has declined in absolute terms and at a greater rate than the national average. However, more recently, significant investment has been attracted to the region and strong growth in the SMME sector has been witnessed. Initiatives such as the Regional Industrial Development Programme (RIDP) and activities by the KwaZulu Finance and Investment Corporation (KFC), KwaZulu-Natal Marketing Initiative (KMI) and Industrial Development Corporation (IDC) have contributed significantly to this. Investment growth in the province has been at 0.1% compared to the national average of -0.1%. A substantial proportion of this has accrued to the DMA.

Economic growth in the DMA needs to be significantly increased if the quality of life of historically disadvantaged residents in the DMA is to be improved in a meaningful way.

2.5.2 Employment generation

The national economy has been associated with high capital intensities and relatively low levels of capital and labour productivity. This has resulted in high levels of unemployment, nationally and in major urban areas. In 1991, formal employment in the DMA stood at 471 000 with the informal sector employment estimated to be 270 000, or comprising more than half of the total of the formally employed. With a potential labour force in 1990 of 918 000, this indicates that almost 50% of the DMA labour force is outside the formal workforce, either unemployed or engaged in the informal sector. Unemployment is greatest in peri-urban areas and informal settlements.

In 1991, the service sector provided the largest number of the DMA’s jobs (with 30.5% of the total) followed closely by manufacturing (29.3%) and trade and catering (16.1%). Within manufacturing, 1988 figures show that clothing is the largest employer with 18.3% of total manufacturing employment, closely followed by textiles (13.9%) and food (11.2%). Clothing and textiles, along with footwear, are the most ‘job-rich’ sectors of manufacturing in terms jobs provided in relation to output.
However, over the last decade, manufacturing has shed jobs. The key manufacturing sectors of chemicals, textiles, food stuffs and clothing have been through a particularly difficult economic period and have experienced a decline in employment creation. The negative impact of increased competition from imports on textiles, clothing and footwear is of much concern to policy makers given their significance in providing jobs in the DMA.

The only sectors to increase employment between 1980 and 1991 were finance/real estate followed by services, trade/catering and construction. Where significant new employment has been created, it is thought to have occurred in the growing small business sector.

In order to foster job growth and retention in the DMA it will be important to support major job-rich industrial sectors, tourism and the small business sector.

### 2.5.3 Distribution trends

**Skills**

The DMA, in common with the rest of SA, has a history of high levels of racial inequality in education, and as a result there are generally low levels of formal education qualifications amongst the black population. In contrast the white and Indian population have a higher level of formal education with significant administrative and managerial capacity.

**Incomes**

The racial and class structure of the DMA coincides with extremes of affluence and poverty. More than one third of African households in the DMA have incomes below the household subsistence level of R800 per month. These low incomes not only result in extreme personal hardship but reduce the size of the local market on which economic development can be based. Economic opportunities for these low income households need to be widened.

**Ownership**

As with incomes and skills, there is a highly unequal distribution of business and property ownership amongst different population groups. This problem is exacerbated by the fact that many local firms are managed and owned by Gauteng based corporations. At the small business and property ownership level, past government policies restricted ownership by black people. However, there is some evidence of a relatively thriving small business sector in Durban, especially in the clothing sector.

**Democratisation**

Democratisation of local government has led to demands for the redressing of past inequalities and the widening of access to economic opportunities. The demands are unlikely to be met without carefully targeted policy interventions. These interventions cannot simply be reduced to affirmative action in the workplace since the bulk of the workforce is unemployed. Instead they must be aimed at increasing job creation and economic opportunities for small black business.

### 2.5.4 Spatial distribution of economic activity

New local government in the DMA has inherited an economic landscape with spatial features which reflect its apartheid past. The main spatial features are as follows:

**The disconnection between place of residence and work**

The DMA inherits a social system shaped by decades of apartheid planning and the more recent effects of failed reforms, rapid urbanisation and class differentiation. Apartheid produced an urban structure in the DMA where class, race and residential location largely coincided. Affluent whites retained the urban core and suburban areas, middle income and working class Indians and
coloureds were relocated to the inner periphery, and working class and unemployed Africans were removed to the far periphery or confined to hostels in the core. This racially segregated spatial structure resulted in few economic opportunities being available near black residential areas on the periphery and black workers having to travel large distances to work. These problems are aggravated by the DMA’s undulating topography and the existence of river valleys which make transport infrastructure very costly.

Concentration of economic activity
There is an uneven distribution of economic activity within the DMA. It is estimated that over 70% is located in the old Durban magisterial area. Of the remainder, an estimated 10% is located in Pinetown/New Germany. It is expected that more recent figures would show a trend of faster growth in the Inner West and North Central local council areas than in the past.

Formal GGP by magisterial district for 1980 and 1991 in 1990 prices

<table>
<thead>
<tr>
<th>Magisterial District</th>
<th>Substructure Area (not precise)</th>
<th>1980 GGP (R'000)</th>
<th>%</th>
<th>1991 GGP (R'000)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camperdown</td>
<td>Outer West</td>
<td>426 896</td>
<td>2,26</td>
<td>680 304</td>
<td>3,18</td>
</tr>
<tr>
<td>Chatsworth</td>
<td>South Central</td>
<td>1 003 758</td>
<td>5,32</td>
<td>216 630</td>
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<tr>
<td>Durban</td>
<td>S/N Central, South</td>
<td>14 555 885</td>
<td>77,19</td>
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<td>Inanda</td>
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<td>Lower Tugela</td>
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<td>Ndlovale</td>
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<td>33 939</td>
<td>0,18</td>
<td>255 855</td>
<td>1,20</td>
</tr>
<tr>
<td>Pinetown</td>
<td>Inner West</td>
<td>1 402 357</td>
<td>7,44</td>
<td>2 343 962</td>
<td>10,95</td>
</tr>
<tr>
<td>Umbumbulu</td>
<td>South</td>
<td>138 748</td>
<td>0,74</td>
<td>199 154</td>
<td>0,93</td>
</tr>
<tr>
<td>Umlazi</td>
<td>S/Central, South</td>
<td>203 015</td>
<td>1,08</td>
<td>356 034</td>
<td>1,66</td>
</tr>
<tr>
<td><strong>Total DMA</strong></td>
<td></td>
<td><strong>18 857 119</strong></td>
<td>100,00</td>
<td><strong>21 399 604</strong></td>
<td>100,00</td>
</tr>
</tbody>
</table>

Source: Peart (1996) and Meintjies (1985)

Industry is concentrated in a number of nodes. It is estimated that over 60% of industry is located south of the Bay in the Southern Industrial Basin. These industries are located at considerable distance from a major concentration of workers north of the Umgeni River. There is another large concentration of industry in the Pinetown/New Germany area. There is also some industry located in Hammarsdale in the Outer-West local council.

Considerable growth is however forecast in the north of the CBD with the development of the new airport at La Mercy on land owned by Tongaat-Hulett. This will bring jobs closer to the significant labour force resident in KwaMashu, Ntuzuma and Inanda.

Activities in areas outside the DMA such as Pietermaritzburg, Richards Bay, Isithebe and Port Shepstone often have close links to activities within the DMA. The corridors between these main centres are important in terms of economic opportunities and their development should be supported.

While retail and commerce have traditionally been concentrated in the Durban CBD, a number of factors are contributing to the development of other commercial nodes. Market demand is growing for such developments along the northern and western corridors which have not
traditionally been well serviced with a range of easily accessible commercial activities. The changing nature of the CBD, reflected in unregulated informal trading, traffic and crime problems, has also diverted retail and office demand elsewhere. Growth areas that have been identified include those to the north and those to the west. New growth nodes are however, concentrated in areas which have been relatively privileged under apartheid, while there have been few developments in areas where the greatest population concentrations are located. Significant relocation of business outside the Durban CBD might benefit suburban areas, but could have adverse effects on the economic heart and the area may begin to experience similar problems to those faced by Johannesburg.

**Rapid Urbanisation**

Rapid urbanisation and the breakdown of apartheid controls has led to increased proximity between disparate sectors in the DMA. This has produced a range of conflicts impacting on the economy which need to be mediated by local government, as well as economic opportunities which need to be harnessed. For example, the establishment of informal traders in the Durban CBD has led to conflict between formal and informal traders and also a reduction in the attractiveness of the area for some people.

However this situation also creates significant opportunities. The expanding informal and small business trading sector in the city core could be supported and developed as a significant provider of economic opportunities for historically disadvantaged residents. The presence of informal traders also has considerable potential to increase the tourist attractiveness of the Durban CBD through the development of thriving colourful markets and the production and sale of traditional goods such as crafts and muti.

2.5.5 Crime and violence

The DMA is characterised by high levels of crime and violence and in 1994 had the second highest rate of criminal violence in the country after Johannesburg and Soweto. Crime and violence has resulted not only in human injury, suffering and insecurity but has also significantly reduced the DMA’s attractiveness to both potential visitors and investors. Urgent action is needed to address crime. The DMA pioneered peace pacts and development negotiation and this experience needs to be built on.

2.5.6 Economic activity and sustainability

The DMA’s natural systems, which have been heavily transformed by human settlement and economic activities, are under severe pressure and face breakdown. Industry, commerce and transport have had major impacts through port dredging, river canalisation, infilling of wetlands, land reclamation and the construction of transport infrastructure. Industrial growth in the DMA has been heavily based on the use of non-renewable resources - for example in the petro-chemicals industry - and on coal based energy sources. It has also been heavily based on scarce renewable resources such as water and timber. At the other end of the production cycle, large amounts of waste are produced which are burdening the assimilative powers of the DMA’s air,
fresh water and marine systems. Disposal of industrial solid waste, particularly hazardous waste, is becoming particularly problematic. These problems have been accentuated by planning approaches that have concentrated industries in areas which make assimilation of waste products difficult - such as the industrial concentration in the Southern Industrial Basin which has poor air circulation patterns.

Increasing awareness that economic growth in the DMA is only sustainable in the long term, if it does not degrade the natural systems on which it is based, is prompting a search for ways towards more environmentally friendly production. Several firms in the DMA are proposing significant investments to reduce discharges of waste products including Sappi-Saiccor, Tioxide SA and Sapref. In addition, the DMA’s natural environment provides the underpinning for the growing tourism industry, and this has motivated concerns, for example, over the further development of Durban Bay for port use. The economic development of the DMA needs to be carefully managed to ensure that it does not degrade or destroy the very natural environment on which its long term survival is based.

**Summary of strengths and weaknesses of DMA economy**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Physical attributes and location</td>
<td>• Uncompetitive manufacturing sector which has been stagnating</td>
</tr>
<tr>
<td>• Large and diversified manufacturing sector</td>
<td>• Increasing capital intensity</td>
</tr>
<tr>
<td>• International port and development of new/improved airport</td>
<td>• Unequal access to economic opportunity resulting in unequal distribution of wealth and business ownership</td>
</tr>
<tr>
<td>• Sophisticated commercial sector</td>
<td>• Large unskilled labour force</td>
</tr>
<tr>
<td>• Significant tourist infrastructure</td>
<td>• High levels of poverty and unemployment</td>
</tr>
<tr>
<td>• Significant pool of semi-skilled and skilled labour</td>
<td>• Lack of connection between the port and the city</td>
</tr>
</tbody>
</table>

2.6 **Key economic challenges**

Emerging from this section are a number of key challenges facing the DMA. These are as follows:
- **A globally competitive Metro is necessary to attract investment**
- **Substantial and sustained creation of economic opportunities and jobs is required**
- **The uneven spatial distribution of economic activity must be addressed**
- **The need for economic growth must be balanced with environmentally sustainable resource use**

The most appropriate role of local government in confronting these challenges will be dealt with in section 4.
SECTION 3: THE HISTORICAL IMPACT OF LOCAL GOVERNMENT ACTIVITIES

3.1 Introduction

Drawing lessons from the past provides a guide for current and future efforts by local government to play a more effective role in facilitating sustainable economic development in the DMA. This section provides a brief overview and assessment of the following:

• the context within which local government operated and the kind of economic environment which this spawned;
• the manner in which local government activities impacted on economic development in the DMA; and
• the developments leading to the formation of the Metro council and six local councils.

3.2 The context of local governments’ past operations in the DMA

Urban environments in South Africa have been characterised as apartheid cities. Not only were people physically separated on the basis of race, but within this context a highly uneven and fragmented system of government emerged which further entrenched the inequalities inherent in the apartheid system. The legacy of this inheritance was, and in most cases still is, reflected in the following key characteristics of the DMA:

• Institutional fragmentation: Local government activities were in the hands of approximately 60 different authorities in the DMA. These ranged from the Durban City Council, to the KwaZulu government authorities. This institutional fragmentation resulted in little co-operation in the greater urban area amongst local authorities, a skewed allocation of resources, and was geared towards maintaining racial segregation.
• Institutional unevenness: While local authorities such as that in Durban had substantial resources, these contrasted with authorities managing townships which did very little to upgrade or develop the areas in which black communities lived.
• Restrictions on economic activity by black people: Racial restrictions on location of economic activity, land ownership and type of business activity all contributed to the undermining of the economic life of black communities.
• Urban sprawl: Urban planning based on racial segregation contributed to urban sprawl in South Africa. The main victims of this were black people who were forced to live in townships located at a distance from the city itself and far from areas of economic opportunity.
• Spatial fragmentation: Not only are SA cities characterised by urban sprawl, but there is also a high level of spatial fragmentation with townships not connected adequately to transport routes.

The urban form characteristics referred to above have had, and continue to have, substantial economic impacts. Apart from those mentioned in relation to black people being denied access to economic opportunity, there are also increased production and retail costs arising from transport (both for people and products) costs being high because of urban sprawl. This has been further exacerbated by the high level of spatial fragmentation referred to above. Further impacts are reflected in the following inherited problems:

• The location of the poorest people far from zones of economic activity.
• Inefficient and costly infrastructure and transport system linking urban peripheries to cores.
• Inappropriate location of some industry.
• Racially exclusive residential areas with poor services to areas reserved for black people.
• An unacceptable mix of residential and industrial areas with poor environmental and health effects in some areas.
• An unequal distribution of skills and largely unskilled work force.
• Exclusion of the majority of the population from engaging in entrepreneurial activities.
• Lack of institutional integration and communication.

3.3 Local government activities and their impact on economic development

The powers and functions of local government in South Africa were not only racially fragmented, but many were also taken over by central government under apartheid. The result of the twin processes of racial fragmentation and centralisation was the creation of a highly fragmented local government system, with an uneven distribution of powers and resources. The power of local governments to effectively carry out functions with economic impacts was diminished, with significant differences between areas in the types of functions performed.

The Durban City Council was the dominant local government actor in the DMA. Other important centres such as Pinetown, New Germany, Queensburgh, Amanzimtoti, Tongaat, Verulam, Umhlanga and Westville also played an important role. Durban City Council had its own planning powers, while a local authority such as that of Pinetown would have to work through the structures of the Natal Provincial Authority (NPA).

Due to the fact that there were numerous local authorities operating in what is today the DMA, it is not easy to paint a single picture of the impact of local government on economic development. This section aims to provide some general comments about the manner in which the dominant players operated and the impact their operations had on the DMA economy.

3.3.1 Local government activities with direct economic impacts

Local government in the DMA has had a major impact on the development of the local economy through the exercising of a wide range of functions. However, this impact has not been clearly recognised and assessed in terms of their economic impact. Since there has been very little in terms of explicit local government economic programmes, most of what is covered here refers to the economic consequences of various local government actions. The functions which had an impact on the economy can be categorised into four main areas:

• **Planner** - In the past planning occurred within the framework of racial policy, which made coherent planning impossible across the different racially structured local government systems in the DMA. Planning within the white urban core was inhibited by the existence of different local authorities. Planning was informed by the principles of land use zoning and the ideal of suburban residential development based on apartheid residential patterns.

• **Regulator** - Local government has traditionally exercised a wide range of functions as watchdog or custodian of public interest, many of which impact directly or indirectly on the economy. This function is performed through the application of regulations and by-laws designed to secure public health and safety, standards of building, infrastructure and services and environmental protection. Many of these controls are applied through zoning regulations which govern the types of activity allowed in different kinds of areas such as industrial, commercial and residential areas.

• **Employer and consumer** - Local governments have played a major role as employers and consumers in the DMA. The scale and nature of local government as an economic actor means that the way in which the city is managed as an economic entity can have a major impact on the economy of the urban area.

• **Service provider** - Local government has traditionally engaged in basic service provision (electricity, waste and water). However, within the DMA this role has also involved other services such as those of Durban City’s Informal Trade and Small Business Department in facilitating street trading activities, and the tourist marketing efforts of Tourism Durban.
Another can be found in Pinetown Council’s efforts to attract industrial development through working with the KwaZulu Finance Corporation and the KwaZulu-Natal Marketing Initiative. This service role has also included provision of basic infrastructure and other developments important to the local economy such as the ICC in Durban.

The table below summarises the key areas of action traditionally undertaken by local government in the DMA, or by agencies acting behalf of local government.

**Past local government functions with direct economic consequences**

<table>
<thead>
<tr>
<th>Planning</th>
<th>Regulator</th>
<th>Employer and consumer</th>
<th>Service provider</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Planning within framework of racial policy</td>
<td>• Racial residential and movement controls</td>
<td>• Approx. 17 000 employees of local government in DMA</td>
<td>• Provider of bulk services (water, waste, electricity)</td>
</tr>
<tr>
<td>• Planning based on land use zoning and suburbanisation</td>
<td>• Health, environment controls</td>
<td>• Substantial budgets with major procurement</td>
<td>• Provider of infrastructure (roads, transport, tourism facilities)</td>
</tr>
<tr>
<td></td>
<td>• Planning regulations</td>
<td>• Revenue collection and expenditure</td>
<td>• Housing provision</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Owner of assets including land and buildings</td>
<td>• Fresh produce market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Tourist promotion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Facilitator of property developments</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• SMME support and informal markets facilitation (Street traders and LBSC)</td>
</tr>
</tbody>
</table>

**3.3.2 Evaluation of DMA local government’s impact on economic development**

**Major strengths**
In broad terms, the strengths of local government lie in the concentration of financial, institutional, technical and managerial resources within the core of the DMA. In some areas major development activities have been designed to build on the comparative advantages of the local economy. The prime example of this is the beachfront development undertaken by the Durban City Council to enhance the tourist potential of the city. Both Durban and Pinetown have been successful in facilitating a range of property developments in their areas. In Pinetown success has been achieved in attracting new industrial investment through the provision of effective services and offering of incentives to potential investors.

**Major weaknesses**

The major weaknesses in local governments’ performance of their economic functions lie in failure to plan economic interventions within a coherent policy framework, failure to address infrastructural and service needs on the metropolitan peripheries and overly bureaucratic application of planning criteria and regulations. In general the way in which local government has functioned has not been guided by clear policy with respect to the economic system and its sustainability.

Furthermore, local governments did little to address distributional issues. Beyond limited charity work, provision of some services such as health etc, local governments did not see a role for themselves in working to address problems of poverty in the DMA.
The key institutional weaknesses were, and remain, the lack of an economic policy capacity and the lack of institutional mechanisms to enable co-ordination between different service departments. The numerous agencies and institutions which undertook activities with economic impacts did so in isolation from one another. This prevented local government from responding rapidly and effectively to changing pressures on the economy.

In addition the continuing concentration of powers over key local economic activities in provincial and central government departments remains a barrier to local economic development co-ordination. Prime examples are the control of the port and airport being in the hands of national government and their lack of proper integration into the local economy. Furthermore, the performance of local government was inhibited by a failure to explicitly recognise the economic development impact of local government actions and by the reliance on bureaucratic forms of control to regulate economic activity.

3.4 Opportunities for the future

The establishment of new local government structures, and in particular the formation of a metropolitan authority, provides for the first time the opportunity for the development of genuinely integrated administration and service provision for all residents. However, the legacy of historical fragmentation and unevenness is evident in the differing capacities within and between the new local government structures. The formation of a Metro does not guarantee that the problems will be addressed, especially considering the sluggish nature of institutional change. Efforts to transform local government so that it addresses the imperatives of growth and redistribution need to receive more attention than they have in the past, and must then be acted on within a clear economic framework.
SECTION 4: THE ROLE OF LOCAL GOVERNMENT

4.1 Introduction

This section examines the role of local government in terms of government policy and the economic challenges that face the Durbam Metropolitan Area. It includes a schedule of suggested actions that would need to be undertaken in accordance with this new role.

4.2 Policy framework

The key economic challenges facing local government are summarised above, as are points outlining past weaknesses in DMA local government action with regard to economic development. The following discussion draws on these challenges and outlines the reasons for, and possible focus of, an enhanced economic role for DMA local government.

4.2.1 Metropolitan government’s constitutional and legislative responsibilities

Recognition of local government’s role in economic development has been expressed in the new constitution (May 1996) as well as in a range of acts of parliament and in various government department policy papers. Furthermore, current trends in policy thinking strongly endorse an enhanced role for local government in local economic development. Former Minister Without Portfolio in charge of the RDP, Jay Naidoo, described local government as the ‘hands and feet’ of national RDP administration. Similar sentiments were expressed by the Premier of KwaZulu-Natal, Frank Mdlalose, at the Provincial Economic Development Summit (April, 1996).

The Local Government Transition Act (1993) took a step towards specifying the range of responsibilities of the transitional local government councils. Schedule 2 of the Act identifies the following areas of metropolitan competence that include the promotion of tourism, economic development and job creation. Other functions include land and transport planning, environmental conservation and the provision of infrastructural services.

The White Paper on the role of local government specifies the following areas of responsibility for local government in relation specifically to economic development:

0 Economic development strategies for local government
1 Local economic development
2 Public/private partnerships

In addition to these roles which relate directly to economic development, the White Paper sets out more traditional functions and responsibilities such as land-use planning, development control, service provision and zoning. Local government has also recently taken over major responsibilities for housing development.

4.2.2 The Durban Metropolitan strategic plan

The need for more focused and effective economic action by local government was recently confirmed at the Durban Metro Strategic Planning Workshop (February, 1996) in relation to the goals of the Metro vision statement:

“In 20 years metropolitan Durban will be a thriving industrial and commercial centre, an attractive tourist destination and the gateway to KwaZulu-Natal and Southern Africa. It will be a clean and safe environment with less than 10% unemployment, more than 90% of residents living in acceptably serviced..."
The response of local government in the DMA to this challenge is expected to emerge through the Rapid Action Planning Programme which has followed the Strategic Planning Workshop.

**4.2.3 Meeting the DMA’s economic challenges**

It is not only because of changing government legislative frameworks and a new democratic political focus in local government that this paper argues for a greater economic development role by local government in the DMA. Section 2 of the paper referred to the changed economic circumstances within which developing country urban regions, such as the DMA, find themselves. These changed circumstances present major challenges to local governments, especially those responsible for cities. The key challenges which need a response from local government are outlined below.

**Challenge no 1: Increasing international competition**

The opening up of the country’s economy to international competition means that cities will have to increasingly compete with foreign cities to become locations for both local and foreign investment.

*Role for local government:*

- Local government is one of the key agencies that shapes the local investment environment. It needs to keep abreast of international trends to ensure that it delivers world class service, incentives and marketing. Critical to all of this will not only be the development of new institutional mechanisms, but a total mind shift by all in local government from a bureaucratic, regulatory approach to a more facilitatory, entrepreneurial focus. All local government’s functions need to be carried out more efficiently in order to use limited resources more effectively, to maximise the benefits to the population serviced, and to deliberately promote economic activity.

- Competitive and well maintained port, airport, road, rail and communications infrastructure is critical to the DMA’s success as a tourism, commercial and industrial hub. Despite national and provincial control of much of this infrastructure, local government is the only institution with an overview of the whole DMA and the mandate to act in the interests of the DMA. Local government needs to monitor and react to national or provincial government initiatives with regard to infrastructure that might impact on the DMA’s competitiveness.

- Local government has the financial capacity to undertake flagship investments to boost investor confidence in the area.

- Local government can use its extensive foreign exposure (both through trips abroad and through the visits of foreign delegations to the DMA) to develop relations with potential investors.

- The Durban CBD, and to a lesser extent the other CBDs, are the investment face of the DMA. The appearance and efficiency of the Durban CBD will make a lasting impression on the potential investor. Local government needs to use its full local powers and resources to ensure the smooth functioning of the CBDs.

- The international trend is for competitive advantage to be created through organised local
efforts, rather than based on unchanging natural assets. Local government is best placed to organise local actors to create comparative advantages and to identify changes in the competitive environment. This is particularly the case for small scale enterprises which do not have their own international networks.

• The point above also applies to tourism. Local government is a key actor in the tourism industry, which by its nature has many diverse role players. To be successful, tourism requires a very high level of communication and cooperation of these actors. There is wide agreement internationally that local government needs to facilitate the process of partnership building and the adoption of focused policy to build competitive advantage.

<table>
<thead>
<tr>
<th>MAKING THE DMA ATTRACTIVE TO LOCAL AND INTERNATIONAL BUSINESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maintain fiscal discipline in the DMA</td>
</tr>
<tr>
<td>• Establish an efficient investor service in the DMA with up-to-date information and guaranteed responses to investors within specified time frames</td>
</tr>
<tr>
<td>• Undertake flagship infrastructure investment projects to boost investor confidence and leverage private sector investment (eg ICC)</td>
</tr>
<tr>
<td>• Enhance the Metro’s tourism potential through planning and coordination with other stakeholders</td>
</tr>
<tr>
<td>• Target the CBDs for development and upgrading</td>
</tr>
</tbody>
</table>

Challenge no 2: Demands for jobs and economic opportunities

Rapid urbanisation and the new democratic dispensation have placed a huge amount of pressure on cities to provide jobs and services. Demands for increasing access to economic opportunities are being increasingly directed towards local government as the level of government most accessible to communities.

Role for local government:

• Local government is the only agency at a local level which has the potential capacity to co-ordinate and drive a major job creation initiative. It needs to constantly monitor both the external and internal environment for any potential threats to and opportunities for job creation. The private sector cannot be expected to undertake this monitoring or initiating function. However, it can be invited into a partnership with the public sector once a particular possibility has been identified. Local government, working in partnership with central and provincial government on large projects, can also contribute towards a more systematic approach to the use of local labour.

• Local government has the responsibility to ensure that as an employer and as a procurer of goods and services, it extends opportunities to disadvantaged communities and to emerging small business.

• Local government is the level of government with the most direct contact with small, medium and micro enterprises, including those involved in survival activities. Local government can play a key role in facilitating the access of small business to information and advice, the development of adequate infrastructure (eg marketplaces) and stimulating business linkages. It is also the task of local government to attempt to mediate the interests of formal and informal traders in the CBDs through proper planning and controls.
Internationally, many local governments are involved in training and education. Local government in the DMA should investigate precisely what potential role it could play in this area.

**EXTENDING ACCESS OF DISADVANTAGED COMMUNITIES TO ECONOMIC OPPORTUNITIES**

- Redesign procurement policies to encourage small business
- Redesign employment policies to encourage labour intensive activities
- Implement small business support programme (e.g., street trader infrastructure, Local Business Service Centre)
- Support economic development in disadvantaged communities
- Identify infrastructure and service projects which improve access of township and peri-urban communities to the economic core

**Role of local government:**

- Local government is the level of government responsible for developing a spatial framework for the Metro area. It can use this power to identify infrastructure and service projects which improve the access of township and peri-urban communities to the economic core. A better understanding of the link between economic development and spatial trends in the DMA will also contribute to improved policy proposals.

- The DMA’s current urban form presents major opportunities for corridor development, both inland and along its coastline. There are currently both national and provincial initiatives with regard to corridors. Local government needs to be involved in these initiatives to maximise their potential to spread economic opportunities in the area.

- The lack of co-ordination between different transport modes and authorities is one of the major obstacles to the efficient functioning of the Metro area. Local government is well placed to facilitate better communication and planning between sea, air, road and rail transport.

- Economic criteria should also be introduced in assessments of land use regulations and other planning systems. The possibility of flexible, mixed-use zoning should be considered where appropriate.

**WORKING TOWARDS AN EFFICIENT URBAN SYSTEM**

- Develop an integrated spatial planning framework for the DMA
- Support the development of a world class port
- Support the development of international passenger and cargo airport facilities for the DMA
- Facilitate joint airport - port - city planning
- Target the development of certain key corridors in the DMA
- Reduce the level of crime in the DMA and work to create crime free zones
Challenge no 4: Environmental degradation

Development demands from business and communities are placing pressure on local resources. Short term abuse of these resources could undermine long term development prospects in the DMA.

Role for local government:

- Local government is best placed to monitor and regulate the use of local resources, especially natural and built resources, to ensure long term sustainability. Controls need to be oriented more towards performance standards rather than based on broad land-use zoning. They also need to be more uniformly and effectively implemented. An incentive system geared at promoting self-regulation is also critical.

**ENSURING THAT ECONOMIC DEVELOPMENT IS SUSTAINABLE**

- Develop regulatory and incentives packages to promote sustainability

4.3 How to enable DMA local government to meet economic development challenges

A range of complex contextual issues can be narrowed down to three central reasons why local government’s economic development role in the DMA needs to be comprehensively redefined.

- Local government has a mandate from national, provincial and DMA structures to be actively involved in promoting growth and employment.
- The location of the DMA at the intersection of national and international economic forces, together with the increasing importance of cities in the global economy, requires that local government plays an active role in the region so as to maximise the benefits from these influences.
- Local government must take the initiative in addressing problems of poverty in the DMA as it is the level of government closest to the people.

4.3.1 Developing the capacity to plan and act strategically

The first key priority of Metropolitan local government in this new context is to ensure that it develops the capacity to plan and act strategically so as to maximise the economic opportunities of this new era. This will require that it acknowledges at every level its potential economic impact and coordinates its activities for maximum effect. It also requires the timely collection and analysis of information on the local economy and on international trends. Furthermore, the expanded economic development demands facing local government require the establishment of capacity at the local council level to undertake the range of activities expected by communities.

Strategic planning and co-ordination is indispensable for any meaningful economic policy to be developed and implemented by local government. This requires the establishment of an economic entity with the capacity and authority to:
Gather and analyse information in a timely manner and to feed this into a strategic planning framework.

If local government is going to be a policy maker rather than simply being a recipient of national and regional policy initiatives it is going to need to do the following:

• Monitor international, national and regional policy initiatives, assess their possible impact and propose appropriate interventions by local government.
• Develop an extensive information data base on the local economy in order to monitor and analyse trends.
• Monitor the actions of all major economic role players at a local level.
• Monitor the impact of local government actions on economic development.

Play a major role in facilitating the co-ordination of activities of other local government departments which impact on the economy.

If local government’s approach to economic development is going to shift from a bureaucratic approach to an entrepreneurial approach, senior officials and councillors will need to be kept constantly informed of strategic opportunities. Another important role would be to actively participate in the reformulation of the regulatory framework to support sustainable development.

Interact with senior policy makers at a national, provincial and local level.

Increasingly, national policy is recognising the importance of the country’s metros. Both councillors and officials need to be adequately informed in order to be able to contribute constructively towards government partnerships.

Propose appropriate projects and programmes.

Economic development projects range from local community initiatives to complex, resource intensive developments. Local government officials need to be able to contribute towards economic development planning in relation to the full scope of possible projects.

At metropolitan level, there is need for such economic capacity to be located in a position that enables it to have a complete overview of the DMA economy and local government’s economic operations. In addition, this economic capacity needs to be located in a position that enables it to influence overall local government policy and co-ordinate economic activities. This implies that such an economic unit should be attached to the office of the CEO where it would provide support and advice to key officials.

In order to effectively utilise this economic capacity at a local government level, there needs to be economic capacity located within each local council at a similar high level. This capacity would draw on the economic strategic framework and support provided at metropolitan level and co-ordinate implementation within the local government area.

<table>
<thead>
<tr>
<th>CREATING THE NECESSARY CAPACITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Task a high profile official with responsibility for economic development and provide back-up strategic support for this official</td>
</tr>
<tr>
<td>• Establish economic planning and policy capacity at metropolitan level</td>
</tr>
<tr>
<td>• Establish economic implementation capacity at local council level</td>
</tr>
<tr>
<td>• Establish networks between departments and service units that perform functions with economic impacts so as to facilitate the co-ordination of these activities</td>
</tr>
</tbody>
</table>
4.4 The way forward

This paper has presented a case for the reorientation of local government to deal with the challenges of redistribution and growth. If the key arguments of this paper are accepted, each council needs then to develop an appropriate programme of action which will move the DMA closer to the goals outlined in the Metro Vision.
### Appendix 1: Geographic, demographic and economic information on the DMA

<table>
<thead>
<tr>
<th>DMA areas</th>
<th>Area (k m²)</th>
<th>Population 1995</th>
<th>Pop. (%)</th>
<th>GGP¹ 1991 Rbn</th>
<th>GGP 1991 %</th>
<th>HDI index 1994⁶</th>
<th>Key economic activities</th>
<th>Commercial nodes</th>
<th>Industrial nods</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>209</td>
<td>121 842</td>
<td>5.39</td>
<td>0.9²</td>
<td></td>
<td></td>
<td>Agriculture (Sugar cane); Light industry; (Engineering, wood products, paper &amp; packaging); Tourism</td>
<td>Tongaat; Verulam; Umhlanga; Mt Edgecombe</td>
<td>Ottawa; Mt Edgecomb Phoenix; Tongaat; Vl</td>
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<tr>
<td>North Central</td>
<td>210</td>
<td>778 837</td>
<td>34.47</td>
<td>17.5³</td>
<td>82</td>
<td></td>
<td>Light indus. (Clothing, engineering, chemicals, wood products); Wholesale &amp; retail; Finance; Tourism; Service; Transport; Commerce</td>
<td>Durban CBD; North Coast Rd</td>
<td>Umgenti Rd; Springfile North Coast Rd; Pho South</td>
</tr>
<tr>
<td>South Central</td>
<td>204</td>
<td>658 457</td>
<td>29.14</td>
<td></td>
<td>11</td>
<td>Light indus. (Engineering, food, clothing, motor parts/assembly, plastics, packaging, furniture); Wholesale &amp; retail; Finance; Tourism; Service; Transport; Commerce; Heavy indus. (Paper, pulp, oil, chemical, metals); Port</td>
<td>Durban CBD; Chatsworth; South Coast Rd</td>
<td>Congella; Umbilo Rd/ Jacobs; Mobeni; Clan Merebank</td>
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<tr>
<td>South</td>
<td>89</td>
<td>119 082</td>
<td>5.27</td>
<td></td>
<td></td>
<td></td>
<td>Airport; Heavy indus. (Oil, chemicals)</td>
<td>Amanzimloti; Isipingo; Kingsburgh</td>
<td>Umbogintwini; Illovo</td>
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<tr>
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<td>203</td>
<td>321 608</td>
<td>14.23</td>
<td>2.3⁴</td>
<td>11</td>
<td>Light indus. (Textile, clothing, plastics, engineering, food); Wholesale &amp; retail; Finance; Service; Transport; Commerce</td>
<td>Pinetown; Queensburgh; Westville</td>
<td>Pinetown; New Germ</td>
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<tr>
<td>Outer West</td>
<td>451</td>
<td>259 478</td>
<td>11.48</td>
<td>0.7⁵</td>
<td>3</td>
<td>Agriculture (Chickens, abattoir); Industry (Textiles, clothing); Tourism; Retail</td>
<td>Kloof; Hillcrest; Camperdown/ Cato Ridge; Shongweni/Assagay</td>
<td>Hammarsdale; Cato F</td>
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</table>

1. Gross Geographic Product for magisterial districts approximating DMA boundaries. These should not be taken as precise, but only reflect trends where adequate information is available.
2. Magisterial districts of Lower Tugela and Ndwedwe.
3. Magisterial districts of Umlazi, Inanda, Durban, Chatsworth and Umbumbulu - due to the magisterial districts not matching local council boundaries, it is not useful in the case of the South, North Central and South Central to use GGP by magisterial district to give an estimate of GGP by local council.
5. Magisterial district of Camperdown.
6. HDI - Human Development Index from study by Urban Strategy Department (1994). HDI measures life expectancy, literacy and GDP per capita. The average HDI for SA in 1991 was 0.73. A figure closer to 0 reflects poverty, while closer to 1 reflects communities with a good quality of life.
### DMA facts and figures

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<td>1366</td>
<td>2 359 787</td>
<td>18,857</td>
<td>21,399</td>
<td>1,15%</td>
<td>471 000</td>
<td>270 000</td>
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### Geographic and demographic information on the DMA (1996)

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<td>214 302</td>
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<td>323</td>
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<td>1 283 580</td>
<td>605 333</td>
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(Source: Urban Strategy Department)