Issue 5 2013

ETHEKWINI MUNICIPALITY

EDGE

Economic Development & Growth in EThekwini

Focus on Investment in eThekwini

Quarterly Indices . BRICs Summit . Durban Film Office . New Afrox Campus

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Designed and edited by the Communication Factory.

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EDGE

Economic Development & Growth in EThekwini

1. Welcome to The EDGE

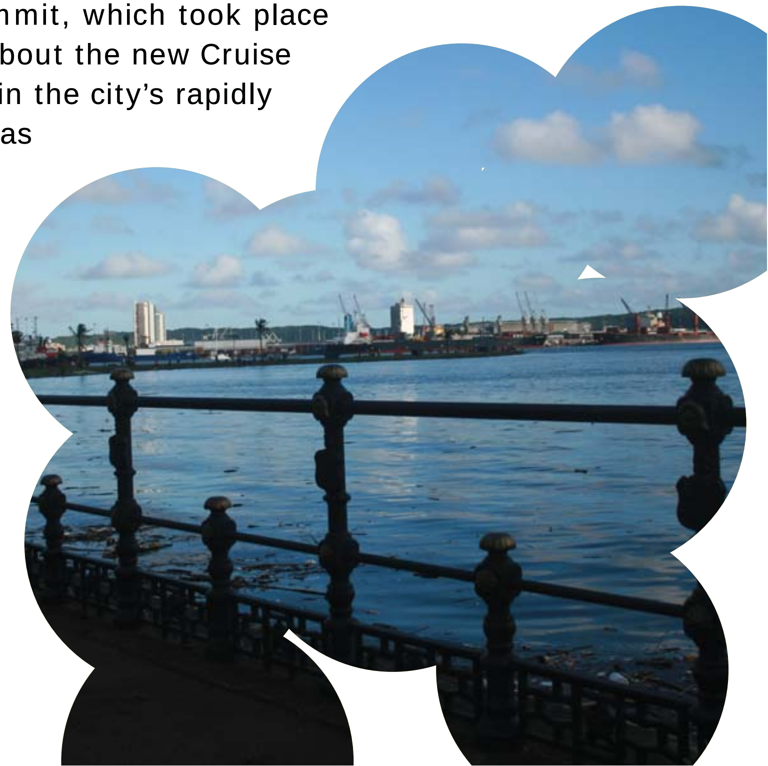
Welcome to the fifth edition of *The EDGE*, a quarterly economic bulletin that looks at the eThekwini economy, with a brief overview of the global and national context.

Published by the eThekwini Economic Development and Investment Promotion Unit, *The EDGE* aims to inform stakeholders of the latest developments and trends that are taking place in eThekwini.

The theme of this edition centres on investment in the City. We look at new developments, including King's estate and Afrox's massive investment in a R500 million centralised business campus, as well as providing a concise summary of eThekwini's Draft Investment Promotion Policy.

As usual, you'll find a wealth of economic indicators, as well as commentary on the global, national and local economies. We also take a look at the 5th BRICS Summit, which took place in Durban towards the end of March, and find out a little more about the new Cruise Terminal proposed for the harbour. And for those with interests in the city's rapidly expanding film industry, find out what the Durban Film Office has been up to in Rotterdam, Paris and beyond.

We hope you enjoy this issue of *The EDGE* and find the articles informative and useful in enhancing your understanding of the eThekwini economy and its context.



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Economic Development
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2. Foreword by Her Worship the Deputy Mayor, eThekwini Municipality, the Honourable Councillor Shabalala

2012 was an eventful year by any account. The labour unrest, which reached tragic proportions at Marikana, is still fresh in our minds, and the country emerges from a period of violent strikes in the agricultural and mining sectors. While neither of these sectors are particularly significant in eThekwini, they provide key inputs into manufacturing processes that are critical to eThekwini's economy. Politically, there were many challenges faced by the ruling party. However, the re-election of the President as the party's leader, as well as retention of senior leadership has ensured stability, both within the party and in government. Globally, the Eurozone crises deepened, eventually forcing a concerted response by European leaders. While the global debt crisis saw a number of countries – including South Africa – being downgraded by global rating agencies, the eThekwini Municipality received a credit rating of AA for long term and A1 for short term, softening the blow during this difficult period. The outcome of the American presidential elections also ensured that there was continuity in American plans for economic recovery.

The results of the National Census were released towards the later part of 2012, revealing interesting trends and highlighting key issues for the country. It was noted that the national population increased from 40.5 million in 1998 to 51.7 million in 2011. Of particular significance to eThekwini was the level of migration of young people from the city – to Gauteng in particular. As a result, KZN's share of the national population decreased from 21.4% in 2001 to 19.8% in 2011, while Gauteng's share increased from 18.8% in 1998 to 23.7% in 2011. The national level of unemployment was reported at 23.9% but this figure rises to 35.4% when measured in terms of the expanded definition of unemployment, which is highest amongst the country's youth.

It is also notable that most population growth has occurred in areas that are predominantly urban and where economic opportunities are most concentrated. National Treasury reported that the 27 largest towns and cities accounted for 52% of the country's population in 2007. This is projected to increase

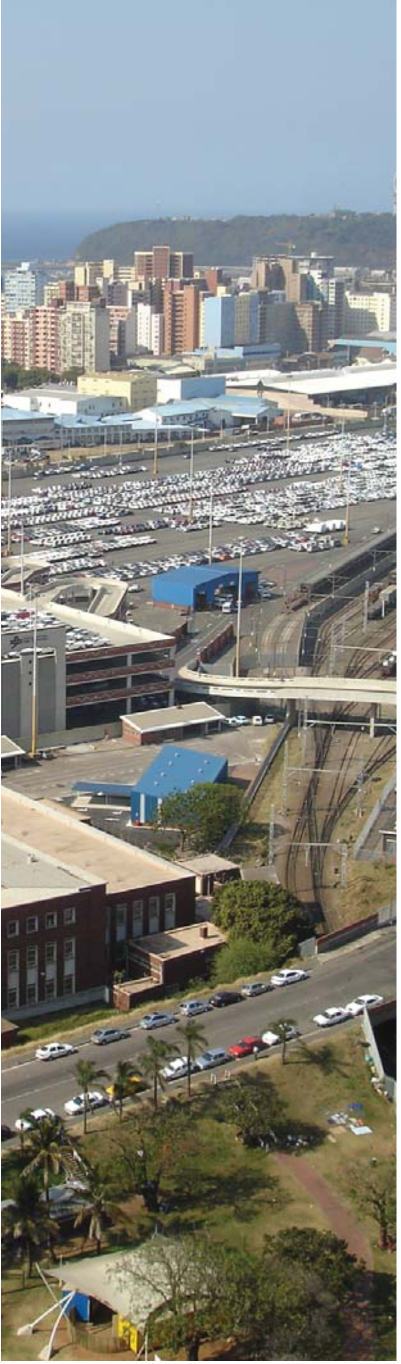
to 71% by 2030 and to 80% by 2050. Census 2011 showed that 62% of the national population live in urban areas. Metropolitan cities will come under increasing pressure as the number of urban poor increase as people migrate to these areas in search of work. While these areas represent centres of prosperity, they are also the areas where poverty and inequality are most concentrated. EThekwini, like the other metros in the country, will have to increase its rate of addressing social backlogs while simultaneously increasing its rates base and creating jobs. A key aspect of increasing rates and employment will be attracting increased levels of investment from the foreign and domestic environments.

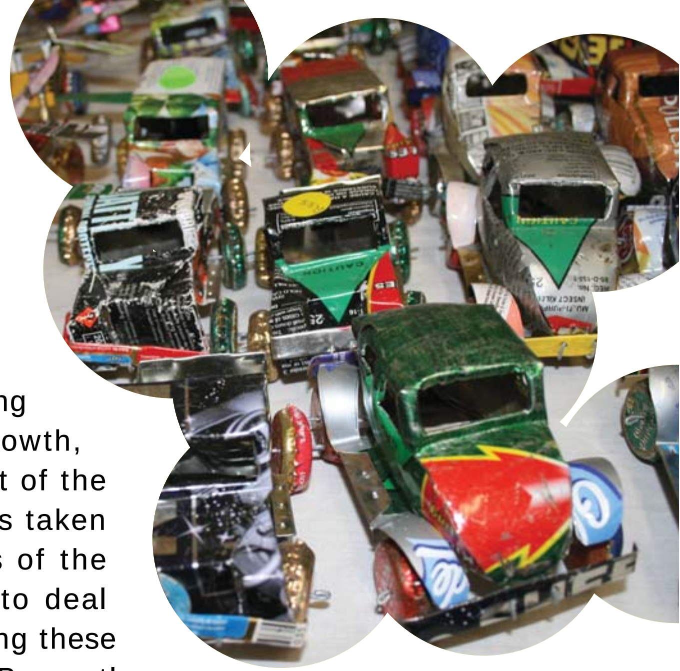
The census highlighted the many challenges still faced by metro areas in South Africa. eThekwini is home to 956 713 households and a population of 3.4 million. Yet 184 689 households do not have access to water in their yard and 26 815 households have no access at all to piped water. We cannot claim to be a caring city if our residents are still collecting untreated water from rivers and using unhygienic means of sanitation.

The year 2012 was also significant in that it marked the adoption of the National Development Plan (NDP). At the heart of the plan is the triple challenge of poverty, inequality and unemployment. Unemployment levels in South Africa remain unfeasibly high. The International Monetary Fund stated that “If not addressed, the stubbornly high unemployment rate is likely to become politically and socially unsustainable”. At the recent World Economic Forum In Davos, President Zuma emphasized the role of the NDP in setting a collective vision and providing an action platform for the country in order to move us towards a more prosperous future.

In building a prosperous city, the Municipality and its partners need to confront the challenge of unemployment in 2013 with fresh vigour. In order to align with the NDP, the Municipality’s plans for the future need to place poverty, inequality and unemployment at their centre. This requires an assessment of many of the Municipality’s many initiatives in order to ensure that there is appropriate focus and alignment. This year should be remembered as the year in which both the country and the city of eThekwini took up the challenge and began meaningfully and tangibly to implement the National Development Plan.

In closing, I would like to wish all EDGE readers and stakeholders a prosperous and productive 2013!





3. Global, National and Local Overview

The Global Economy

Of the many challenges confronting the global economy, the most pressing is the ongoing jobs crisis and unspectacular prospects for economic growth, particularly in developing countries. These effects are largely a result of the sovereign debt crisis still plaguing the Euro region, despite bold steps taken by the affected governments. Economic frailty in the powerhouses of the United States and the European Union, together with the failure to deal adequately with the crisis through effective policies, threatens to prolong these effects and has also given rise to widespread youth unemployment. Presently, a global employment deficit of 64 million jobs needs to be eliminated in order to restore the pre-crisis employment scenario. However, if global economic growth hovers at the current level of 2-3%, this deficit is expected to grow to about 71 million by 2015.

The United States economy is currently facing chronically high unemployment, with low levels of consumer and business confidence. Considering that the US and the Euro Zone represent two of the largest economies in the world, their problems could easily feed into each other and lead to another global recession. This would again affect developing countries through trade and financial channels. Still in recovery mode after the 2009 crisis, they remain vulnerable to downturns in the developed world a well as in other developing economies.

Global GDP was 2.6% in 2012 and is forecast at 3.2% in 2013 by the United Nation's World Economic Prospects report for 2012/13. This figure may be even lower if policymakers, particularly in Europe and the United States, fail to address the jobs crisis and prevent further sovereign debt and financial sector failures. This, however, would require much more forceful and internationally concerted action than is prescribed by current policy.

The unemployment rate among people between 15 and 24 years of age - while normally higher than the other age groupings in most economies – has now increased disproportionately in the wake of the global financial crisis. The jobless rate among young workers increased from an estimated 13% in 2007 to about 18% by the first quarter of 2011, and is particularly prevalent in many developed economies.

The National Economy

Statistics South Africa has stated that the annual real GDP growth rate for 2012 was 2.5%. This, along with sluggish employment and the continued rise of joblessness, mirrors global patterns. According to Global Insight, South Africa's GDP was R1.954 trillion in 2012 (a 2.9% increase over 2011) and will rise to R2.002 trillion in 2013 (a 3.5% increase over 2012). These figures are similar to the South African Reserve Bank's projections.

Another factor contributing to slowed GDP growth is the dampening of global growth and demand, especially among South Africa's key trading partners, and in particular the Eurozone, which accounts for about a third of the country's trade and is a major partner in trade agreements. Additionally, the country continues to be disrupted by labour action in various sectors – the latest being the agricultural sector where the recent wage agreement reached has threatened to push up food prices and cause further job losses. Combined with regular fuel-price hikes, this will present a substantial challenge for consumers.

On the political front, the State of the Nation Address, along with the Budget Speech, has reaffirmed a commitment to the goals and objectives of the National Development Plan (NDP) in the quest to eradicate poverty, reduce unemployment and eliminate inequality by 2030. Some of the key programmes of the NDP, such as a major infrastructure development programme and a state-led industrial policy, are already being implemented. The Infrastructure Development Plan has introduced national and central coordination of the building of dams, roads, bridges, power stations, schools and hospitals, as well as two new universities and other infrastructure that is expected to enhance the country's physical and economic landscape.

In his 2013 State of the Nation Address, President Zuma reaffirmed the NDP as government's driving strategy by emphasising infrastructure as a key intervention in addition to the five priorities of education, health, combating crime, creating decent employment opportunities and rural development and land reform.

The Local Economy

According to Global Insight, the value of the eThekwini economy was R185.9 billion in 2012, a 3% increase over the previous year. In 2013, the local economy is expected to grow by an additional 3.6% to R191.6 billion (Gross Value Added, in 2005 constant prices). The dominant sectors during 2013 are likely to to be finance, manufacturing, community services, trade and transport, as was the case last year.

According to the latest *Quarterly Labour Force Survey* released by Statistics South Africa for the fourth quarter of 2012, KZN experienced the biggest year-on-year increase in the unemployment rate of all the provinces in South Africa. The strict unemployment rate for KZN currently stands at 22.5%, with labour trends for the period showing decreases in both the labour force and in employment. Manufacturing, one of the most crucial sectors in KZN and eThekwini, experienced a dip in employment levels of 15.7%.

The 2013 Budget Speech and State of the Province Address: What is the impact on the eThekwini Economy?

This year's Budget prioritises economic growth as outlined in the State of the Nation Address and will be steered by the National Development Plan. One of the key challenges involved in drawing up the national budget is how to do more with a revenue pool that is not growing fast enough.

The Minister of Finance acknowledged that there are signs of global economic improvement but the South African economy is still experiencing growth at a much slower rate than originally anticipated – 2.5% in 2012 and an expected 2.7% in 2013. EThekwini's GDP is also lower than hoped – 2% for 2012 and an anticipated 3.1% for 2013, based on revised global and national forecasts. In the light of this low rate of growth, there is a renewed commitment to the massive infrastructure investment programme which has been recognised as a crucial requirement for economic growth.

Other measures to support growth include the Manufacturing Competitiveness Enhancement Programme (MCEP) which will consider grant requests for a total of R2.3bn. Then there is the Special Economic Zone (SEZ) programme, the Jobs Fund, which has already approved 65 projects and the facilitation of investments by South African corporates into Africa

In reviewing the expenditure involved in these programmes and the agencies involved, there needs to be a clear focus on both spending controls and value-for-money. It is also crucial to strengthen the capacity of the state to implement these plans. The improvement of civil servants' abilities to deliver services is also a core principle of the National Development Plan (NDP).

Government revenue relies on the performance of the economy and the best way to increase tax revenues is to grow the economy more rapidly. In order to do this, government has to be as productive as the private sector. If not, slow growth will persist.

In a similar vein, KwaZulu-Natal Premier, Zweli Mkhize's, State of the Province Address affirmed a commitment to improving the state of health and education in the province, as well as the roll-out of massive infrastructure programmes in order to stimulate growth. The transport sector will be boosted by the completion of the R60 million business express train that will ferry commuters between Pietermaritzburg and Durban.

The Address also acknowledged the challenge of creating 2.1 million jobs as part of the share of the NDP's target of 11m by 2030. In order to achieve this, the KwaZulu-Natal economy has to grow at an average rate of 4% per annum until 2030. If this is achieved,the current unemployment rate of 22.5% should fall to a more acceptable level.

Also included in the Provincial budget for 2013/14 is an estimated R13 billion to initiate new projects and maintain completed projects. This amount is part of the R3 trillion set aside in the national budget for Strategic Infrastructure Projects. The development of the Dig-Out Port and the Durban-Free State-Gauteng Logistics and Industrial Corridor forms part of the Strategic Integrated Projects for which R100 billion has been budgeted. As part of these programmes, the acquisition of land – involving the transfer of 641 hectares – is in progress. Transnet has allocated R131 billion for the national Ports Upgrade programme nationally, including a projected increase of capacity of the Durban Port from 2.7m to 30m TEUs by 2040. This increased capacity will go some way to improve the container handling rate. To further cope with the anticipated increase in container volumes, work is also underway to develop an inland port in the Cato Ridge area.

As part of the Regional Airport Strategy adopted by the KZN Cabinet in 2012, four of the regional airports are also being revamped in order to boost local economic development in the surrounding areas. These are Msunduzi, Margate, Prince Mangosuthu Buthelezi and Mkuze airports. An agreement has also been signed with an investor to partner in developing the Dube Tradeport Aerotropolis. An Indian conglomerate, Action Group, has signed a Memorandum of Understanding to develop a R2 billion

industrial park, to be located on a site adjacent to the Dube TradePort and would form part of the Aerotropolis.

The Passenger Rail Agency of South Africa (PRASA) has allocated over R900m in KZN through its capital program during 2012/13. Investments and infrastructure works include rolling stock upgrades, the Bridge City development, new access gates and CCTV cameras at stations. The R1.3 billion construction work on Bridge City, as well as a rail link to the Duffs Road Station is progressing as planned. Work on the turn-around facilities at Congella/Dalbridge have commenced and will be completed by August 2013 at a cost of R100 million. The Province will be allocated 936 new modern coaches, to be procured by PRASA as part of its Fleet Renewal Programme at an estimated cost of R123 billion over 20 years. A detailed feasibility study is being done regarding a permanent rail link to King Shaka Airport, including connectivity between various northern rail links, Cornubia and the CBD. The study will be completed by June 2013.

KZN has, to date, created 89 455 full-time equivalent employment (FTEs) and 324 951 work opportunities.

These long-term development plans bode well for the KZN province at large. If the other pressing challenges of education, housing and youth employment, as well as efficient bureaucracies to implement these projects, are adequately addressed, economic growth may well be shifted onto the required trajectory of 4% per annum until 2030.

Key Indicators

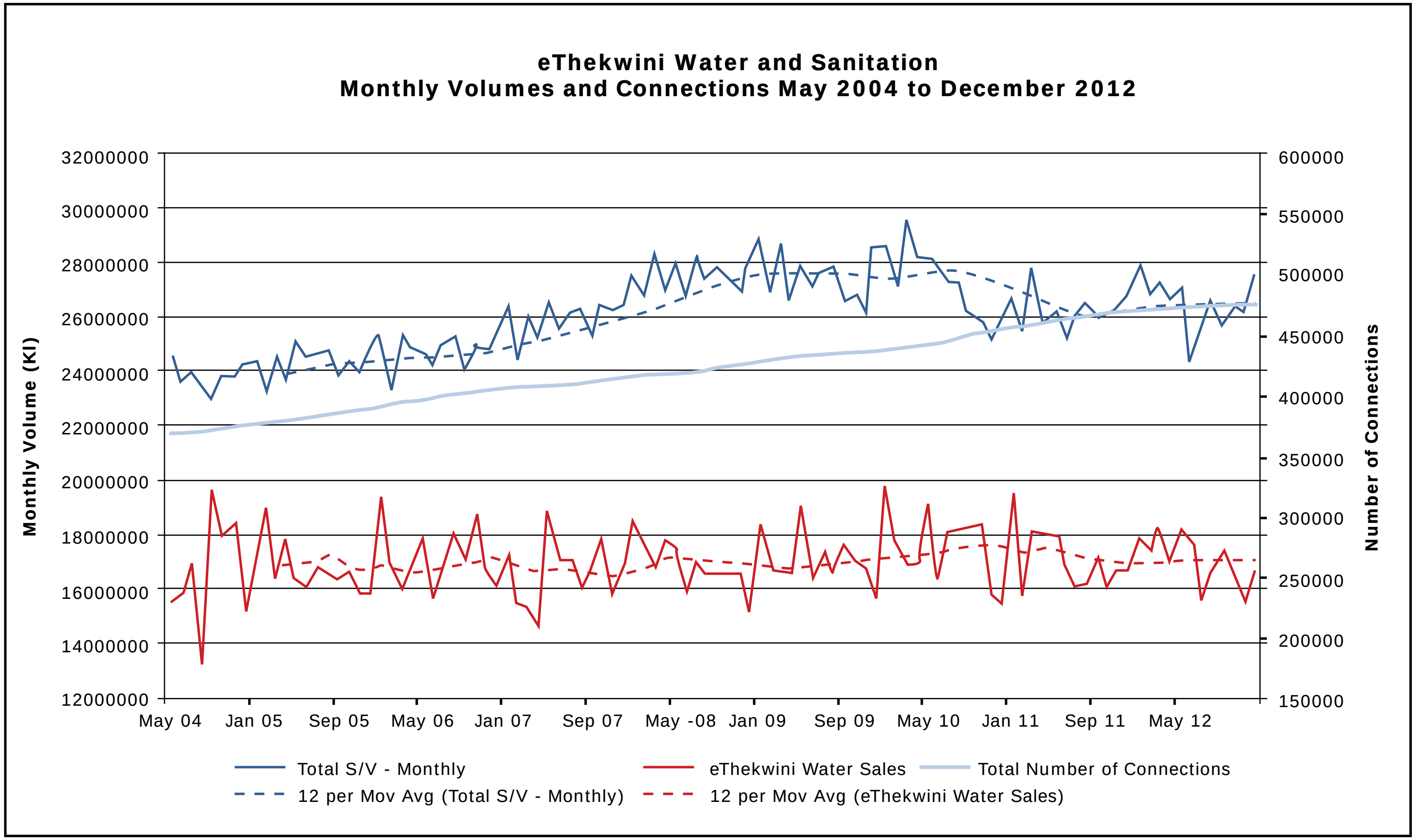
Indicators	2011	2012
Economic		
Gross Domestic Product (constant prices, R millions)	202 85	206 905
Annual average GDP growth	4.0%	2.0%
Gross Value Added (constant prices, R millions)	182 325	185 986
Annual average GVA growth	3.9%	2.0%
Labour		
Economically Active Population	1 320 369	
Unemployed (no of people)	269 383	
Formally employed	825 518	
Informally employed	262 055	
Demographics		
Population	3,442,361	
Population Growth Rate	0.8%	
Income and Expenditure		
Personal Income (current prices, R millions)	165 891	
Per Capita income (current prices, Rands)	47 457	
Per household income (current prices, Rands)	183 345	
Development		
Gini co-efficient	.61	
Number of people living in poverty	1 084 976	
Percentage of people living in poverty	31%	
Human Development Index (1=highest)	.62	
international Trade		
Merchandise Exports (current prices, R thousands)	44 268 564	
Merchandise Imports (current prices, R thousands)	71 230 652	

Source: IHS Global Insight and Census 2011

An updated list of key indicators containing the latest 2012 data will be released in our next edition.

Municipal Services – Water

Both the total number of water connections and monthly volumes have increased steadily from 2004 to 2012. Just over 2 100 new registered connections were added to the system in the second quarter of 2012/13 (October to December 2012).



Source: EThekwini Municipality: Water and Sanitation Department

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Building Plans

The number of building plans passed for both residential and non-residential sectors has dropped since 2011. The residential sector experienced the largest decline, falling by 67.3%. According to the ABSA Housing Price Index, average nominal house prices in KwaZulu-Natal fell by 11.3%, year-on-year, during the second quarter of 2012. Economic growth, employment, inflation, interest rates, household income and debt and consumer confidence are expected to remain key factors in the housing market.

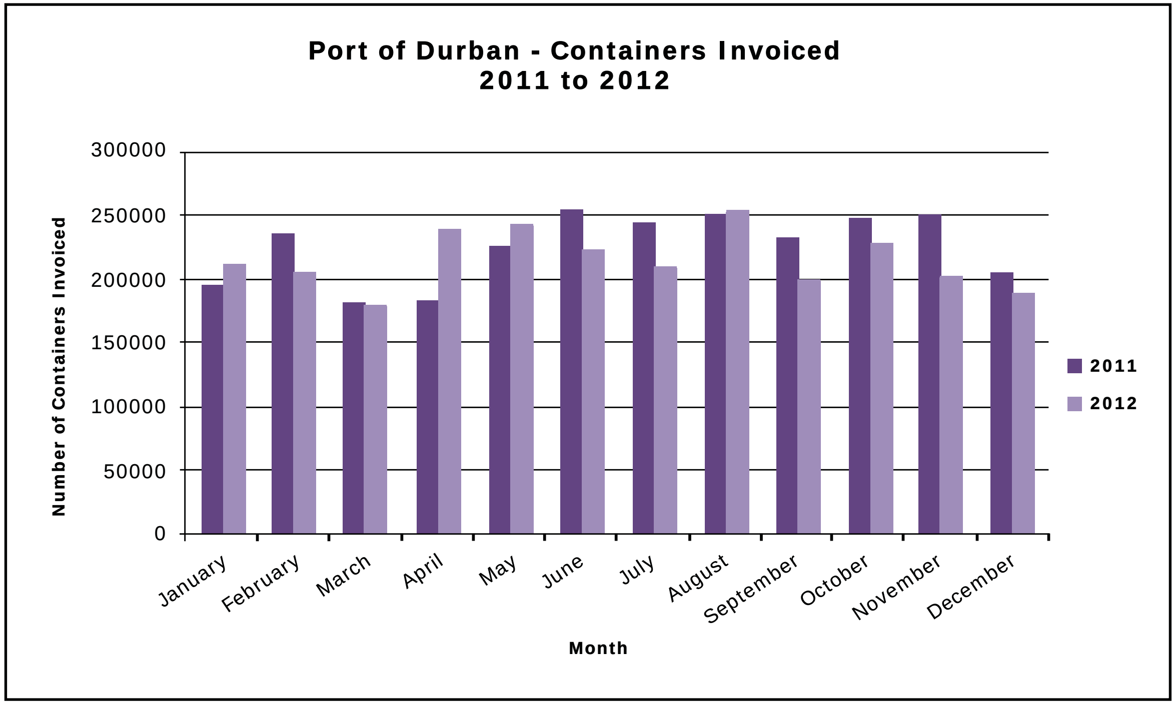
Building Plans

	Jan–June 2011	Jan–June 2012	Percentage Change
Residential	2,367	774	-67.3
Non-Residential	243	121	-50.2

Source: EThekwini Municipality: Corporate Policy Unit

Port of Durban

The graph below shows the number of containers invoiced at the Port of Durban during 2011 and 2012, with periods of peak activity occurring in April, May and August 2012. Import activity relating to containerised and dry bulk cargo decreased between 2011 and 2012. Vehicle movement showed annual increases of 4.1% for imports and 12.5% for exports. This confirms the automotive sector's reputation as one of the country's strongest globally competitive sectors. The decrease in exports of containerised, dry and break-bulk cargo is a reflection of the global drop in demand for goods and other commodities, especially from South Africa's key trading partners.



Source: Transnet National Ports Authority

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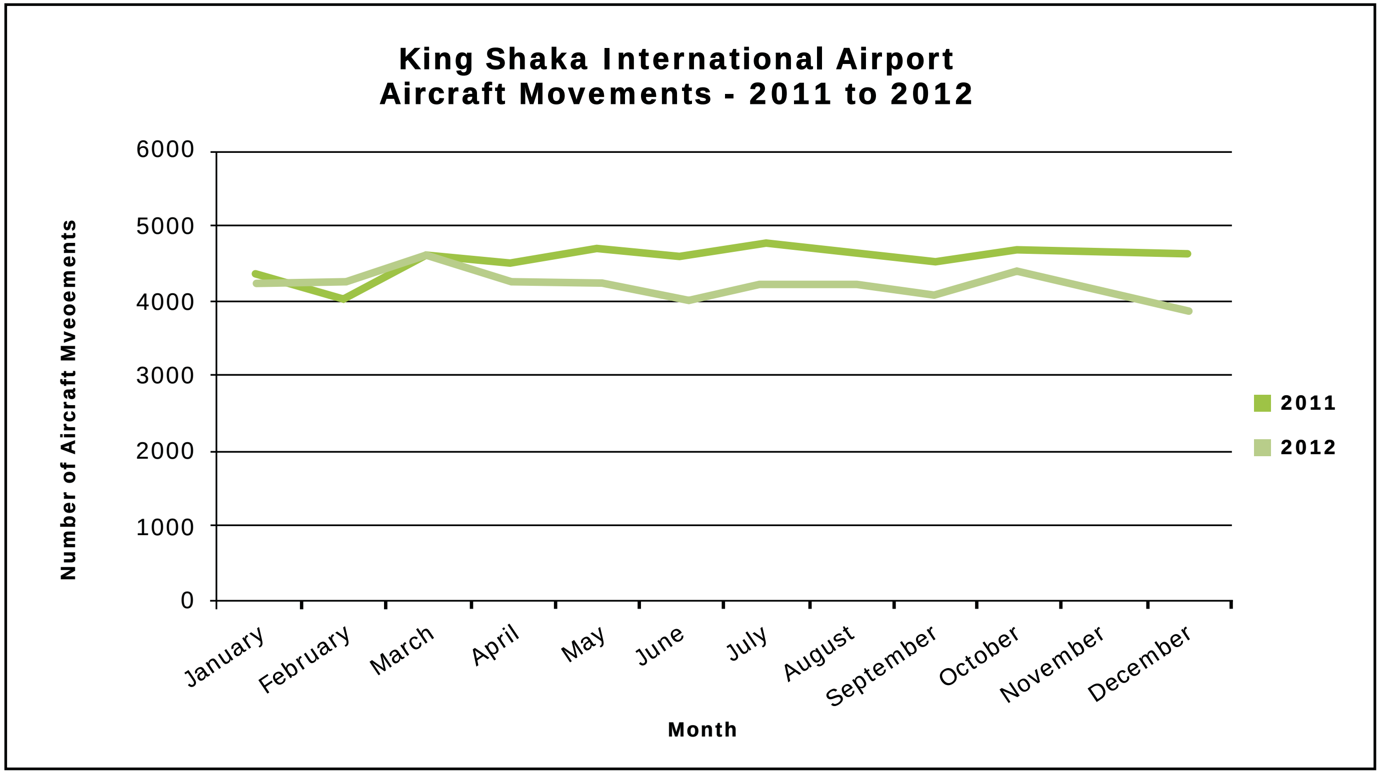
Aircraft Movements in eThekwini

The King Shaka International Airport is currently handling in excess of five million passengers annually. The general trend in terms of visitor numbers tends to mirror the city's tourism profile in that the airport hosts more domestic visitors than it does international tourists. At the same time, major international events at the City's International Conference Centre and Moses Mabhida Stadium continued to lead to an increase in international passengers during 2012.



Source: Airports Company South Africa

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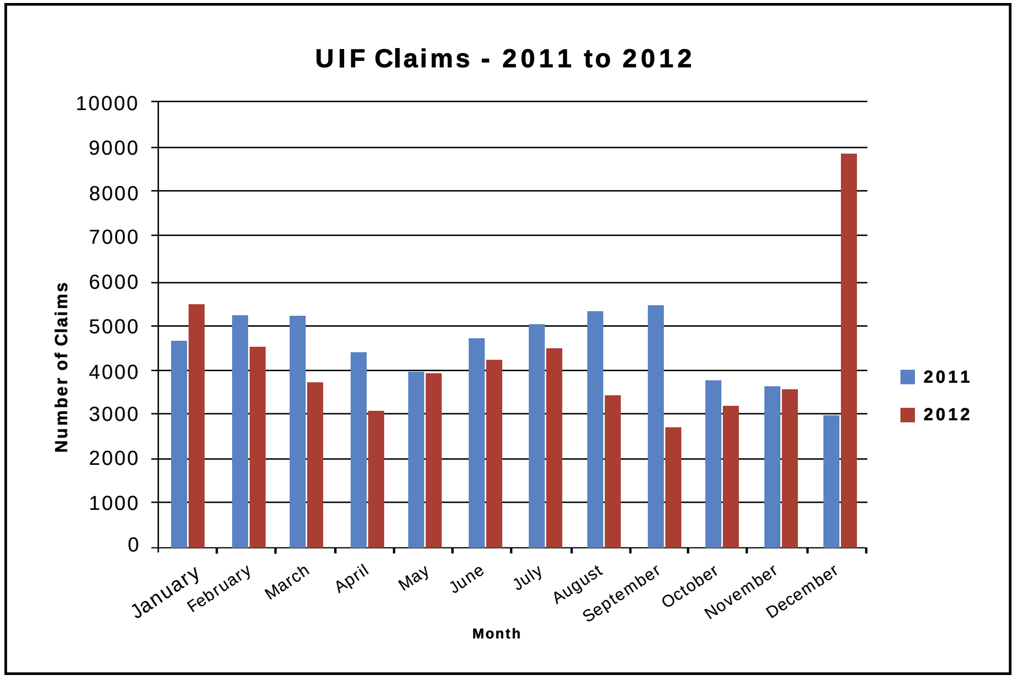
Unemployment Insurance Fund

While UIF claims for 2011 and 2012 followed the usual seasonal pattern, they decreased during 2012 when viewed on a month-to-month basis, with the exception of a significant jump in claims between November and December 2012 as can be seen in the graph below. This could be due to a number of factors, including a large drop in employment in KZN in the fourth quarter as shown in the latest Quarterly Labour Force Survey (QLFS), released by Statistics South Africa. The QLFS shows that the drop in employment was experienced mainly in the trade, manufacturing and transport sectors. The prolonged Eurozone crisis is another factor that could have influenced the rise in unemployment.



Source: Department of Labour

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4. Government News

5th BRICS Summit – Durban, South Africa

"Our geographical positions as regional business hubs and gateways into our respective regions provide us with the muscle to increase our economic and trade outcomes." - *Jacob Zuma, in his speech to the Members of the Abu Dhabi Business Chamber and South African Business Delegation at the Emirates Palace, United Arab Emirates*

BRICS is an acronym for the economic bloc consisting of Brazil, Russia, India, China and South Africa. This bloc of nations aims to achieve peace, security, development and cooperation with each other, while contributing greatly to the development of humanity. South Africa hosted the Fifth BRICS Summit on the 26 and 27 March 2013 at the Durban International Convention Centre (ICC). The theme for this year's summit, which completed the first cycle of BRICS summits, was 'BRICS and Africa – Partnerships for Integration and Industrialisation.'

Among the African nations present for the first time were the members of the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC). Their participation represented a new chapter in BRICS-Africa relations, and should help to generate economic integration between Africa and the rising powers. As the host country, South Africa wanted to show that it values its position in BRICS, while also expressing its camaraderie with its continental neighbours. In recent years, mutual trade between the continent and BRICS countries has increased significantly. Furthermore, Africa is increasingly percieved to be the fastest growing region after Asia and has the potential to offer high returns on investment. The continent also boasts rich energy and mineral resources, has 60% of the world's unused arable land and is home to some of the world's fastest growing economies.

The creation of the BRICS Business Council (BBC) was the key outcome of this year's summit. According to President Jacob Zuma, the BBC would serve as an avenue to promote and strengthen trade and investment between the business communities of the five countries. Some of the stated objectives of

the BBC are: to strengthen trade relations, ensure technology transfer, cooperation in the area of skills development, banking, the green economy, manufacturing and industrialisation.

There was general disappointment regarding the establishment of the BRICS Development Bank, with a lack of concrete details provided. Key questions relating to the bank's headquarters, capital contributions and legal and governance structures went unanswered. While finance ministers and governors of central banks all agreed that the concept was viable and feasible, key information and details of any progress made will only be announced in September.

Industrial Policy Action Plan 5 – 2013/14 to 2015/16

The fifth iteration of the Industrial Policy Action Plan (IPAP) has been approved by Cabinet and was unveiled on 4 April 2013, by Minister Rob Davies. Key highlights of IPAP 5 include a renewed focus on the manufacturing sector in terms of enhancing its competitiveness, growth and employment potential. Furthermore, the consumption sectors were identified as growing twice as fast as the productive sectors, directing a need to address imbalances relating to the high dependence on imports. IPAP 5 also looks at addressing procurement issues and encouraging localisation, thereby creating more opportunities for locally-based production companies. To download the full document, please click on the link at: http://www.durban.gov.za/City_Services/Economic_Development/PSIR/Pages/Media-Room.aspx

National Exporter Development Programme

The National Exporter Development Programme (NEDP) was developed with the purpose of increasing exports in general, but especially for those products and services that are value-adding and those that contribute to employment and the green economy. The target group for the NEDP is Small, Medium and Micro Enterprises, however the needs of more established exporters are also taken into account. For more information on the NEDP, please click on the link at:
http://www.durban.gov.za/City_Services/Economic_Development/PSIR/Pages/Media-Room.aspx

5. Industry Highlights

Sector News

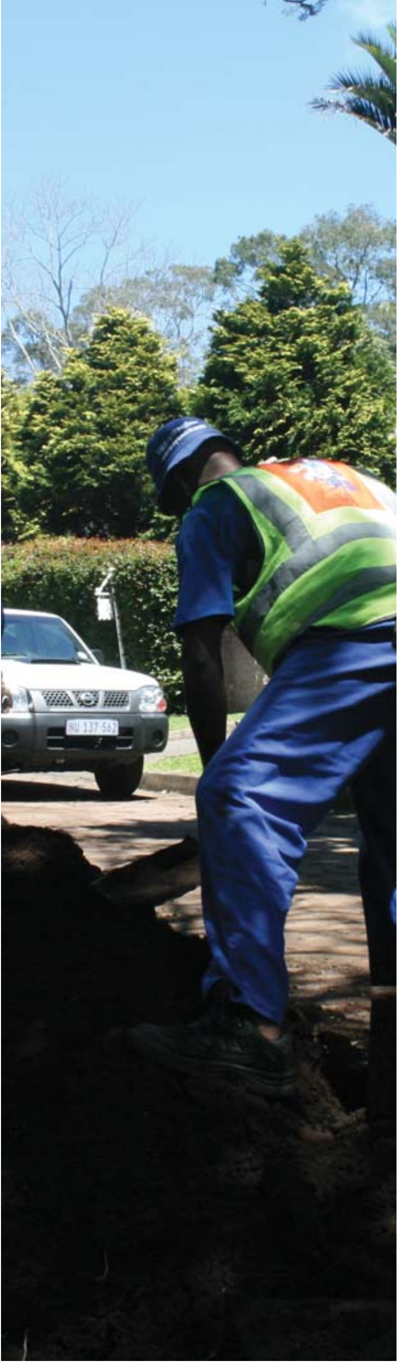
New Cruise Terminal for Durban

A world-class cruise ship terminal development is being planned for the city as part of the Durban Point Waterfront . Transnet National Ports Authority wants to establish cruise terminals in Durban and Cape Town by 2015, which will improve boarding for thousands of cruise tourism passengers who now use makeshift facilities at both ports. The preferred site for the new Durban cruise terminal, just inside the harbour and adjacent to the Point Waterfront, is seen as ideal, particularly because Transnet envisages the facility to be integrated with the waterfront project and tourist attractions such as uShaka Marine World.

According to Tau Morwe, Chief Executive of the ports authority, the plan needs to dovetail with planned development around the Waterfront and ultimately needs to be sustainable. Transnet envisions the presence of retail and entertainment facilities, including cafés, pubs and restaurants, a tourism kiosk, and possibly a curio or flea market as part of the project.

Morwe further indicated that the terminal will be operated on a seasonal basis in line with cruise liner schedules. In order to ensure an on-going stream of income during off-season, the terminal needs to be able to double up as a conference and exhibition venue.

According to Transnet spokeswoman Lunga Ngcobo, a maritime theme has been proposed for the cruise terminal and could incorporate historical maritime artifacts.



Industrial Clusters

Performance Evaluation and Impact Assessment of Nine Cluster Initiatives in eThekwini

What are Cluster Initiatives?

Cluster Initiatives (CI) are an important part of government's strategy to support private sector competitiveness, transformation and job creation. A cluster is a group of firms and institutions located in close proximity to each other, each of which specialise in different stages of the value chain. Essentially, it is a local production system made up of interdependent firms with overlapping networks of activity, learning and social links.

Cluster Initiatives Assessment in eThekwini

The general purpose of CIs is to promote economic development by improving the competitiveness and growth of one or several specific business sectors within the cluster.

The recent assessment of the nine CIs that currently operate in eThekwini took place in order to determine whether scarce resources are being used as effectively as possible, since the public sector expends significant funds to support the CIs. Importantly, because of their value-chain structure, investment in CIs tend to have a multiplier effect. For example, a skills improvement programme will enhance workers' productivity, thereby increasing turnover and competitiveness across the chain.

Since 2002, eThekwini Municipality's Economic Development and Investment Promotion Unit and the KwaZulu-Natal Department of Economic Development and Tourism have supported a number of CIs. In November 2012, a Performance Evaluation and Impact Assessment of the nine clusters were undertaken. More than 100 CI member firms and over 130 non-members from across the clusters were surveyed.

The Results

The assessment identified three main areas that need to be addressed – namely lack of an appropriate business environment, excessive red tape regulation and proper infrastructure provision.

As with many other studies and assessments, the lack of an appropriate business environment is seen to have hindered enterprise development in South Africa's economy. According to the assessment, a priority role for CIs in terms of promoting cluster growth is the lobbying of government to improve the business environment.

Excessive red-tape regulation was cited as the main weakness of the CIs since it affects goal-delivery and impacts on the performance of all firms participating in the initiative. More specifically, red-tape regulation affects decision-making processes as well as the time-frames set for projects. The National Development Plan prioritises efforts to support employment creation. It will strengthen and consolidate initiatives to support SMMEs and lays out a comprehensive strategy which includes a red-tape elimination campaign in order to simplify regulated procedures and remove any bias against smaller entities.

The third challenge, and one affects the country as a whole, is lack of infrastructure. The 2030 National Development Plan highlights the importance of physical infrastructure as a national characteristic that enhances competitiveness. Although plans are currently underway to implement an infrastructure investment programme, logistic costs still contribute significantly to the overall cost of products supplied by local manufacturers. Draft legislation and funding for Special Economic Zones creates a broader range of industrial parks and infrastructure for the effective clustering of value-adding and employment-enhancing manufacturing activities. Infrastructure remains a huge problem and all spheres of government are trying to resolve it. However, it is a challenge that will involve the collaboration of both the public and private sectors. In the interim, the provision of dedicated infrastructure to meet the needs of the clusters offers a short-term solution to accelerating cluster competitiveness and economic growth.

Durban Film Office – A New Strategic Partnership for Durban FilmMart

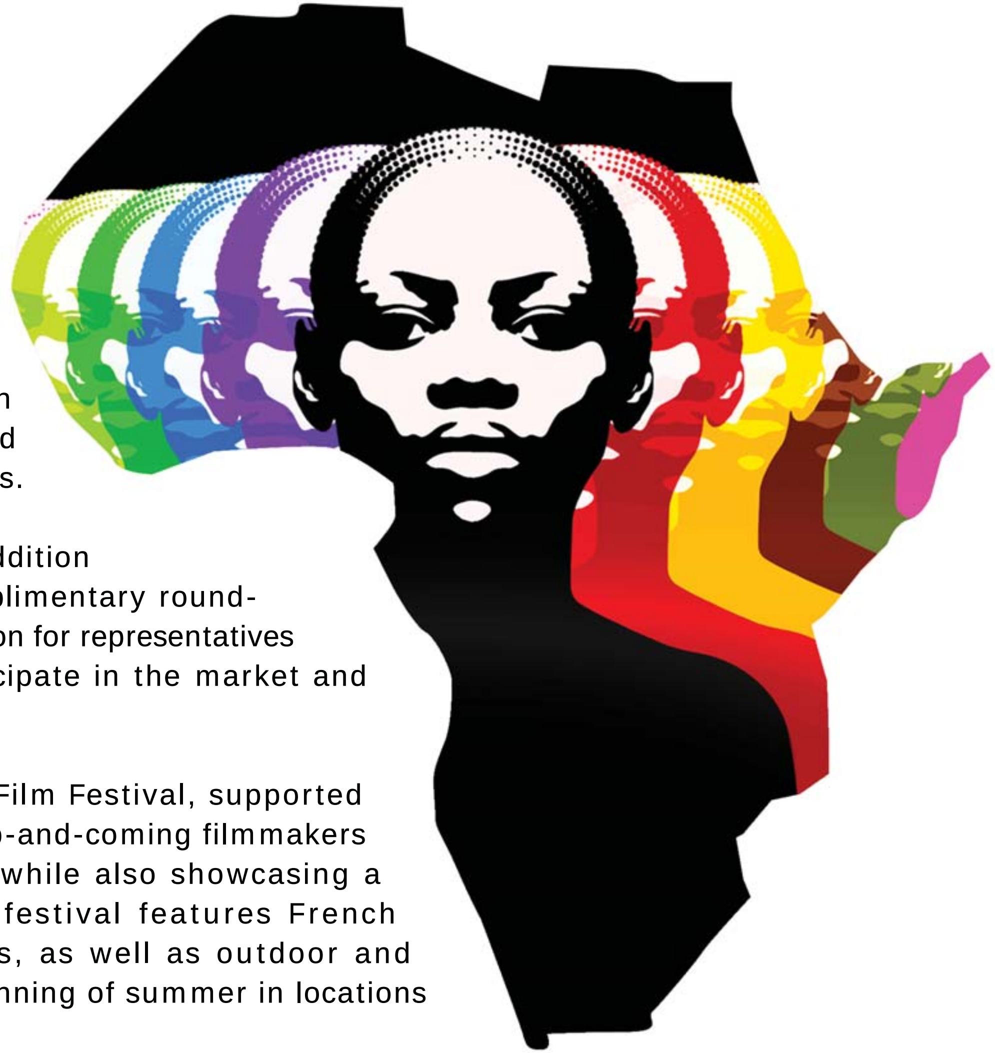
A glimpse of what the 4th Durban FilmMart has to offer

Over 300 delegates from all over the world attended the 3rd Durban FilmMart (DFM) in 2012. One hundred and ten project submissions (including 67 fiction films and 43 documentaries) were received from all over Africa – Burkina Faso, Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, Rwanda, Swaziland, Tunisia, Uganda and Zimbabwe, as well as South Africa. The official project selection for the Finance Forum has increased from 20 projects in 2011 to 23 projects in 2012. In addition, the prizes awarded to participants rose from five in 2011 to nine in 2012, with a combined value of well over €37 500. In addition, being awarded one of the DFM prizes provides invaluable in-kind support as well as a stamp of approval which boosts project marketability.

The Durban FilmMart aims to create partnerships and further the development and production of African content. This initiative is a joint venture between the Durban Film Office and the Durban International Film Festival. It facilitates creative platforms and economic opportunities for artists and related industries, as well as encouraging intercultural exchange and network development, training, audience development and strategic Pan-African and international cooperation in the cultural sectors. This collaboration brings growth to Africa, as well as recognition and the opportunity to develop strategic relationships between film financiers and African filmmakers. The Durban FilmMart continues to raise the visibility of African cinema, stimulate production and facilitate project collaboration between African filmmakers.

One of the key objectives of the DFM is to act as a valuable feeder stage in bringing African projects to other established co-production markets across the globe. Since its inception, DFM has been fortunate in securing valuable partners, sponsors and supporters, both locally and internationally, who have supported the development and growth of the programmes on offer. DFM aims to continue to build on this partnership base in order to ensure that it is able to offer participants a broad range of opportunities and market access points.

DOC Circle Pitching Forum at DFM



The New Year saw the DFM sign a new partnership with Paris Projects at the Rotterdam Cinemart in January. This partnership will see two DFM Projects selected to attend the prestigious annual Paris Cinema International Film Festival, a partnership that will strengthen strategic linkages between France and the next generation of African Filmmakers.

The Paris Project Award is a welcome addition to the DFM prize-list. It covers two complimentary round-trip air tickets and four nights accommodation for representatives of the awarded project in order to participate in the market and increase their links with global networks.

The annual Paris Cinema International Film Festival, supported by the Paris City Hall, aims to discover up-and-coming filmmakers through an international competition, while also showcasing a wide range of cinematic styles. The festival features French Premieres, retrospectives and tributes, as well as outdoor and special events. It takes place at the beginning of summer in locations all around the city.

It also provides an industry-friendly launch pad for new projects and directors with its well-established co-production platform: Paris Project. Paris Project is a three-day event (July 1-3 2013) that brings together key players in the French and European film industry around a worldwide selection of international projects that are not yet finalised and are seeking further financing. The filmmakers and producers of the 15 selected projects are invited to spend three days in Paris.

Personalized one-on-one meetings are organized with professionals who are likely to partner in co-productions, while practical workshops and panels are also provided.

The 4th Durban FilmMart will take place from the 19-22 July 2013 during the 34th edition of the Durban International Film Festival (18-28 July 2013) and will present an official selection of about 10 fiction projects and 10 documentary projects. For more information on the FilmMart visit www.durbanfilmmart.com.

The Durban Film Office (DFO) is the film industry development arm of the eThekwini Municipality, mandated to facilitate the development of the local film industry and position Durban as a world-class film destination. The DFO drives activity and development in the sector in order to boost tourism, job creation and the development of core skills and SMMEs in the region.
www.durbanfilmoffice.com

The Durban International Film Festival (DIFF) presents over 250 screenings from different countries and cultures across the world, with a special focus on Africa. It also includes development programmes such as Talent Campus Durban and Talent Press. DIFF is a flagship project of the Centre for Creative Arts (UKZN) which provides creative platforms and economic opportunities for artists and related industries. The centre facilitates intercultural exchanges and network development, training, audience development and strategic Pan-African and international cooperation in the cultural sectors.
www.cca.ukzn.ac.za

The International Documentary Festival of Amsterdam (IDFA) and the IDFA Fund present the two Most Promising Documentary Projects with the support of WorldView who awarded travel grant to the films **Devils Lair** *(South Africa) and* **Logs of War** *(Kenya). From Left: Director Riaan Hendricks (*Devil's Lair*), Producer Neil Brandt (*Devils Lair*), Isabel Arrate, Director, Anjali Nayar (*Logs of War*).*

Durban Tourism

Interim Report on the Socio-Economic Impact Assessment for the Festive Season: December 2012

Durban Tourism recently conducted a Socio-economic Impact Assessment of the Tourism sector for the summer period of December 2012. This concentrated on various products, including the City's tourist attractions and key events taking place during the main holiday season spanning the area from Umkomaas in the South to Tongaat in the North and Cato Ridge in the West.

During the primary research phase of the assessment, 900 tourists, both international and local, who were visiting key tourist attractions were interviewed in order to ascertain international and domestic tourist market characteristics, detailed spending, length of stay, key responses to and experiences of the various attractions on offer in eThekwini, key requirements in order to encourage them to return, and the effectiveness of various aspects of the marketing and media campaigns utilised by the City.

The secondary research consisted of interviewing key stakeholders. Stakeholders included accommodation establishments, restaurants, shopping malls and key tourist attractions, as well as the King Shaka International Airport. The purpose was to ascertain the total number of tourists that have visited eThekwini and to establish key market and marketing trends for the City.

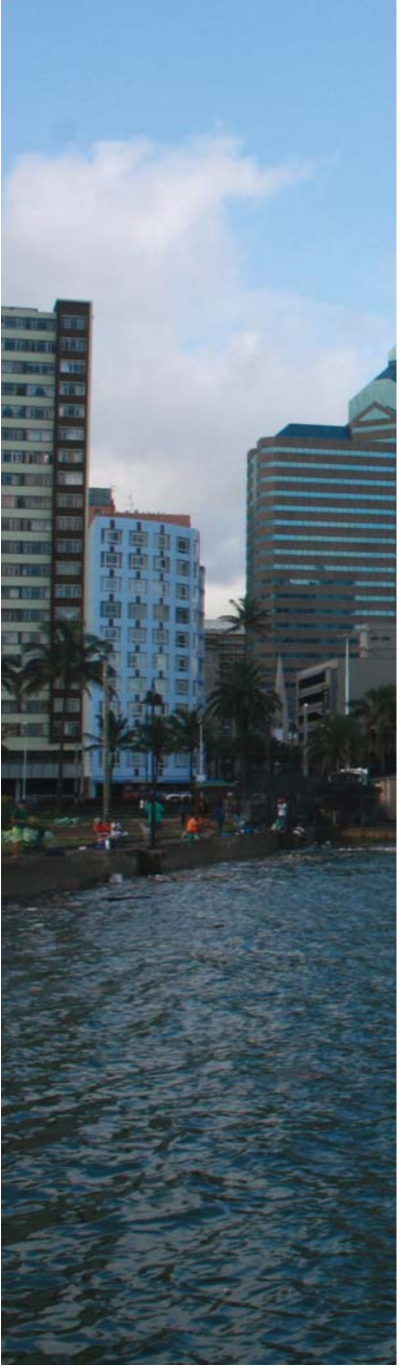
Spend: International Tourists spent R643 per day during the 2012/13 festive period, compared to R429 per day during the Winter Season of 2011/2012, while domestic tourists spent R478 during the 2012/2013 festive period, compared to R375 in the winter season of 2012. The 49.9% and 24.8% increases are indicative of either a more free-spending international and domestic tourist now starting to visit Durban during the summer season, or a higher leisure spend capacity in 2012 compared to 2011. From a fiscal

pespective, the research found that international tourists fell into the highest income brackets, followed by visitors from Gauteng and visitors from the rest of KwaZulu-Natal. The research also shows that there may not be a great benefit in targeting domestic tourists outside of Gauteng unless they fall into the higher-income, more free-spending category.

Number of visitors entering eThekwini in December 2012: International tourist numbers increased by 16% in 2012 while domestic tourism only rose by about 1%. Just under 40% of visitors were from Africa while 52.9% were overseas tourists visiting Durban for the first time. Forty-six percent of domestic tourists were from Gauteng, while 21.2% of tourists came from elsewhere in KZN. The overall number of tourists visiting eThekwini during the 2012/13 summer season was estimated to be 1 114 458, 1.3% higher than in 2011. Visitors' average length of stay was seven days, the same as the summer of 2011 but higher than during the winter season.

Age Profiles: International Tourists tended to be older than domestic visitors. It could be presumed that the older the tourist, the greater the income and willingness to spend. This is backed up by the fact that 46% of International tourists entering Durban were older than 40. Domestic tourists and tourists from Gauteng were predominantly over 30 years old (82.1%). With regards to the rest of KZN, the over-30-year-olds constituted 63.4%.

Events and Attractions: The main reason cited for tourists visiting Durban was "visiting family and friends" (74%), followed by "the beach experience" (45.7%), "relaxing" (25.3%) and "affordable prices" (23%). From a marketing and media perspective, media communication mechanisms did not sway their decision-making process. The majority of tourists were generally unaware of attractions other than the main tourist attractions. Responses to questions about holiday packages, which only 11.6% utilised, showed that these packages were not readily accessible. Tourists suggested that these would be utilised if they were well organised, provided good value for money and offered relaxation and entertainment.



6 .Research Features

Back to the Future: Re-examining the Best Practice City Commission

"To fulfil your vision, you must have hindsight, insight and foresight."
- Ifeanyi Enoch Onuoha (Nigerian educator, author and entrepreneur)

At present there is a lack of private and public sector investment in eThekwini and this is hindering the development agenda. The impacts from a low level of investment include low economic growth, the failure of businesses, a lack of job creation and possibly job losses, a lower rates base, insufficient reduction in poverty and inequality, a lack of economic diversity and the hampering of empowerment and innovation. It is thus vital that all stakeholders in the eThekwini Municipal Area focus more attention and resources on attracting and retaining sustainable investments in an equitable and efficient manner. A fundamental change is needed in the way that the City approaches investments, and, reiterating the sentiments of the quote above, a crucial element involves learning from the past, and critically examining City processes.

In the case of the City's approach to investment, a key starting point is the *Best Practice City Commission* (BPCC) report. Some of the suggested interventions from this 1999 report were successfully implemented while others faced challenges and some were not implemented at all. Fourteen years later, lessons can be learnt from each of these pathways. Now is an opportune time to do so, since the report will be revisited in a BPCC review being undertaken early this year and given a new full Council Resolution. With this in mind, it is useful to provide a brief background to the 1999 report and the 2013 review process.

BPCC report (1999): What you need to know

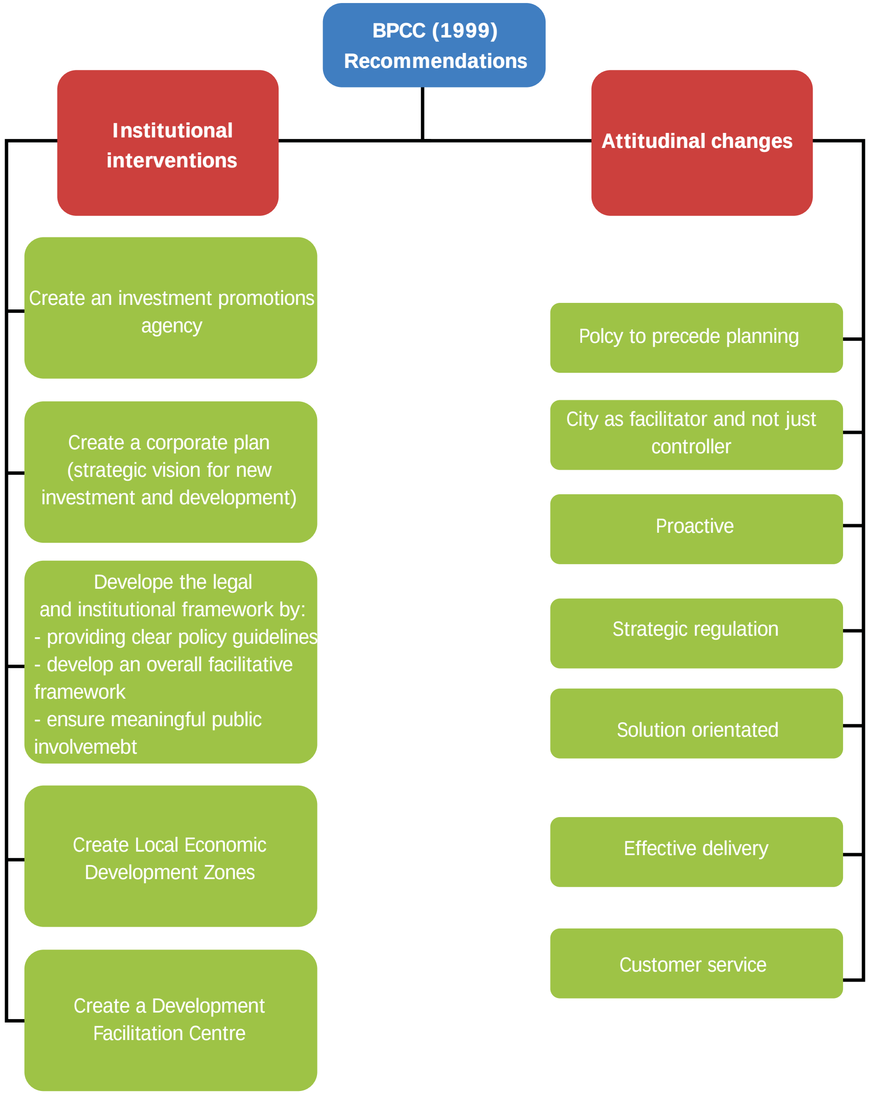
In 1999, amid the dramatic changes in local government involved in post-democracy consolidation, the Best Practice City Commission (BPCC) was formed and undertook a study in eThekwini on aspects which impede investment and development, with specific reference to the legal framework, the institutional framework, mechanisms and capacity, and professionalism and courtesy. This was one

of the largest city-led studies of investment patterns to take place in eThekwini. Three independent commissioners from the private sector were chosen to lead multiple studies from a variety of sources, analyse them and present an overarching view of investment in eThekwini and what can be done to accelerate it. A project manager drove the process, with Council providing insight, feedback, and the mandate to progress further.

A number of key findings and recommendations around promotion and marketing to investors, specific investment information and decision-making procedures were found. The 1999 Commission's final recommendations are detailed in the diagram on the right.

The 2013 BPCC Review

The purpose of the 2012/2013 BPCC review is to partner with key external stakeholders and objectively inform City leadership and officials about new and persistent obstacles to investment in the municipal area, as



well as providing up-to-date recommendations in terms of overcoming these challenges. Using the initial 1999 structure as a blueprint for this review, a project manager has been appointed to drive the process and a Steering Committee of municipal officials and other key stakeholders is being formed. A team of Commissioners is being set up and will be announced shortly, once approved by City leadership.

The Review process will entail an in-depth analysis of the 1999 BPCC report and an examination of the present investment environment in eThekwini in terms of economic governance (including appropriate organisational structure) and legal and attitudinal challenges. It will also involve fresh benchmarking of eThekwini against the practices of successful cities around the world. This process will involve extensive public participation through sector hearings and other avenues.

All of this will allow for:

- An assessment of the recommendations: which have/have not been achieved? Which are still relevant?
- The identification of any new barriers and recommendations for unlocking investment in the City.
- Scoping the need for an independent cost-of-doing-business review in the municipal area.
- A review of the current investment environment.
- Benchmarking eThekwini's current organisational structure and practices against those found in other cities in South Africa and around the world.
- An updated assessment of the current legislative and institutional environment.

By learning from the past in order to meaningfully engage with our present environment, the City aims to partner more effectively with business in order to accelerate sustainable investments and help to drive sustainable change in our municipal area and the surrounding regions. *The EDGE* will keep you informed of developments regarding this important project and how you can participate.

For further information, contact BPCC review Project Executive Mr Ndumiso Mlambo on 031 311 4311.

7. Focus on Investment

Afrox invests in R500 million centralised business campus

A key new investment in the eThekwini region is the relocation of the Durban operations of African Oxygen Limited (Afrox) to a centralised business campus that will be developed at Tongaat Hulett's new Cornubia Industrial and Business Estate, situated near Umhlanga and King Shaka International Airport.

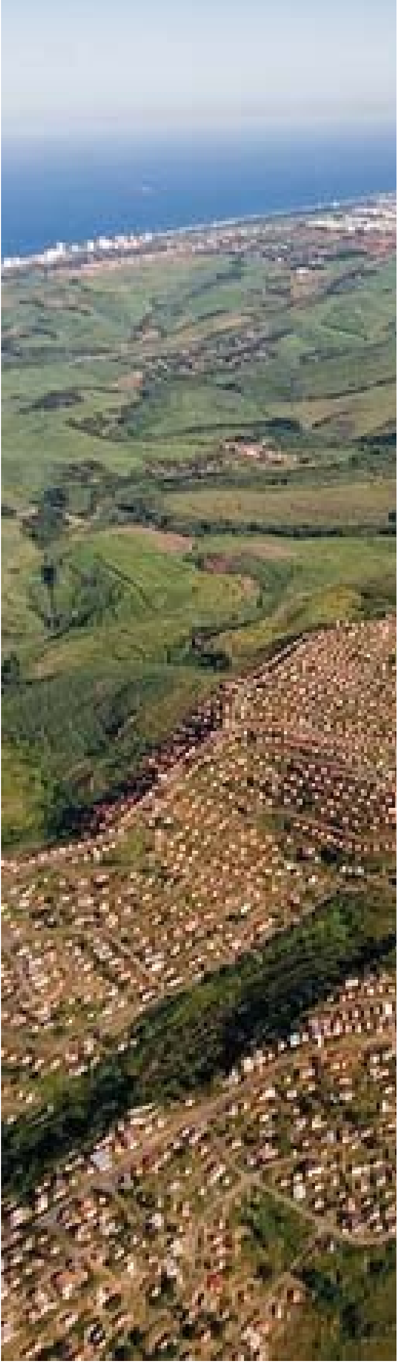
This project, with its 111 000 square metre site, will be the single biggest project that Afrox has undertaken in South Africa. Its parent company, The Linde Group, will use this as a benchmark for its industrial gases operations worldwide.

According to Brett Kimber, Afrox's Managing Director, the modern hi-tech design and process-flow of the site is geared specifically towards efficiency and cost effectiveness aimed at benefiting customers and market sectors. He further added that the project is about applying market trends that will benefit all stakeholders and will use eco-friendly designs and technologies.

The new facility will accommodate Afrox's existing industrial and medical gases filling operations, currently located at Maydon Wharf, as well as two other operations presently based in Pinetown and Seaview.

Kimber has indicated that a major factor that influenced the company's investment decision is the Port of Durban's infrastructure redevelopment, which includes major reconstruction activities at Maydon Wharf where Afrox has been conducting its industrial and medical gases filling activities for many years.

Due to the phased nature of the project, construction of the Afrox campus will take place over an extended period and as much labour and contracting services as possible will be recruited locally. The engineering, design and installation of the plant will be done in-house by Afrox, assisted by technical experts from The Linde Group.



The new plant will be the most advanced facility of its kind and will be Afrox's largest single filling site on the African continent, filling an average of 5 000 cylinders a day, with the capacity to increase production by up to 40%.

According to Kimber, the Cornubia Industrial and Business Estate is ideally located in an area that has seen steady growth in industrial activity. Durban is the second largest metropolitan area in South Africa and has grown consistently faster over the past five years than any other region. Afrox's new state-of-the-art facility, which consolidates their core industrial and medical gas products, will provide the ideal position from which to energetically pursue business growth in the local business sectors.

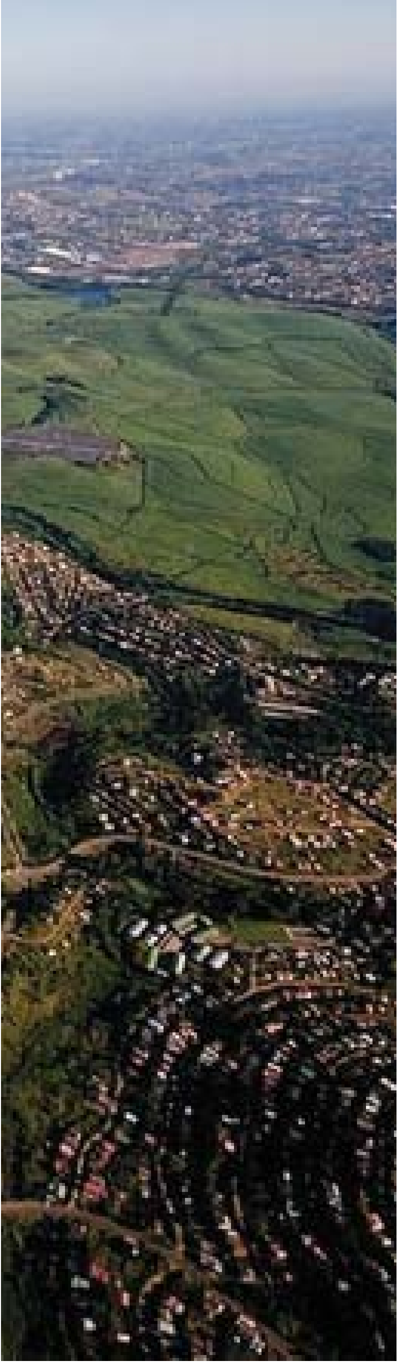
(Source: Afrox and Serendipity Events, Promotions & Exhibitions)

Kings Estate Development

The Kings Estate development aims to create an integrated, contemporary mixed-use development on a 623 hectare site comprised of a viable blend of industrial, commercial, retail, office, healthcare and residential products.

Located within the highly competitive environment of the King Shaka International Airport and Dube Tradeport, Kings Estate will consist of Industrial and Services Parks, with a combination of general and light industries. Key sectors that will receive focus include metals, metal products, machinery and equipment, as well as food, beverages and tobacco.

It is envisioned that residential and commercial components, including medical, retail and offices, will form part of the development. The dominant sub-sector for offices includes the business services sector, with medium density, mixed-use offices creating 2 963 possible employment opportunities. Kings Estate plans to include an integrated housing development of 4 000 residential units.



It is envisioned that the development will bring competitive land values and rentals to the market. Kings Estate will create an unparalleled mixed-use destination which will provide the opportunity to live, work and play in an integrated environment which embraces new urban design and green building principles.

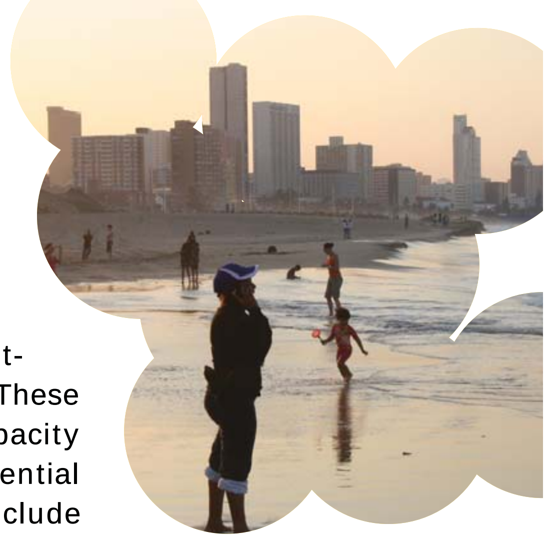
eThekwini Municipality's Draft Investment Promotion Policy: Summary

The Draft Investment Promotion Policy was developed in response to the growing importance of investment promotion as a driver for job creation and local government revenue within the eThekwini Municipal Area (EMA). The overall goal is to increase domestic and foreign investment in the City of Durban. An increase in investment will, in turn, stimulate economic growth and further job creation, while also assisting in reducing poverty in the metropolitan area.

The draft policy provides guidance to the City of Durban in order to ensure that investment promotion activities are undertaken in line with the City's Economic Development and Job Creation Strategy 2012-2017. It also provides a transparent framework to guide investment based on the size and socio-economic benefits of investments, targeted sectors, the origins of investments and intended investment locations. Furthermore, it specifies investment-promotion best practices, as well as the mechanisms that can be used to promote investment and create an enabling environment for investment. The draft policy defines the activities of the task team as well as a set of objective verifiable indicators (OVIs) designed to monitor the progress of this policy.

Purpose

The purpose of the draft policy is to increase private (domestic and foreign) and public investment in the eThekwini Municipal area, acknowledge the importance of investment promotion and give guidance to the activities of the Municipality in order to promote and attract investment. It will also assist the Department of Investment Promotion in undertaking its efforts in line with other national, provincial and local priorities and policies, while enhancing the proactive approach of current investment promotion practices.



Investment Promotion

eThekwini Municipality's Department of Investment Promotion, previously known as the Durban Investment Promotion Agency (DIPA), has a number of investment-promotion mechanisms available to promote investment in the municipal area. These mechanisms are currently not financial or fiscal based, but rather focus on capacity building and facilitating and enhancing the market expansion capabilities of potential investors. Some instruments at the immediate disposal of the department include the fast-tracking of regulatory approval processes and accelerating connections to utilities by coordinating with line departments, as well as facilitating incubation, skills development and training.

The draft policy also provides for the establishment of an Incentive Task Team whose main responsibility will be assessing potential investment opportunities and making decisions regarding the importance, impact and extent of investments. Investments greater than R200 million are presented to City Management who will help to ensure that the needs of investors are met in a timely manner.

The Policy intends to measure the value of private and public investment that has flowed into the Municipal Area on an annual basis, evaluate the effectiveness of activities undertaken as part of investment promotion, and ensure the alignment of investments with local priorities and policies.

The Policy's OVIs measure the number of new jobs created from investment, additional property rates income and other revenue generated from fixed capital investments, the types of new technology invested in the EMA, the number of days by which regulatory processes have been reducedy, new Public-Private Partnerships created for bulk infrastructure development, the amount of new investment directed into the priority sectors and the number of anchor projects that have received new investment.

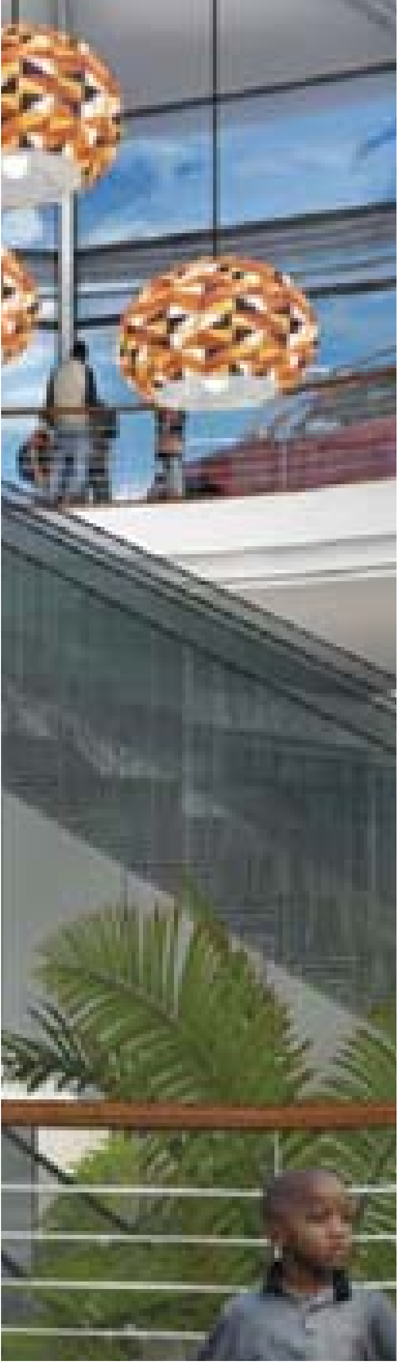
8. Profile on Economic Projects

KwaMnyandu Shopping Centre: A City within a City

The biggest township in the KwaZulu-Natal province is about to experience a R300m development boost and the transformation of its infrastructure, transport networks, shopping, social welfare and business experience. A partnership between PRASA, eThekwini Municipality and KwaMnyandu Shopping Centre (Pty) Ltd has resulted in the KwaMnyandu Shopping Centre and public realm upgrade project, due to be completed by April 2014. The project is set to facilitate economic growth and employment, benefiting an estimated 120 000 people in Umlazi (D section), South of Durban. The development consists of three nodes, namely the King Zwelithini Stadium upgrade, the KwaMnyandu Shopping Centre development and the Mangosuthu University of Technology upgrade.

Among the speakers present at the launch of the shopping centre development on 1 March at King Zwelithini Stadium, were eThekwini Municipality's Deputy Mayor and Chairperson of the Economic Development Committee, Cllr Nomvuzo Shabalala. Shabalala stated that the project is an opportunity for the local community to become active shareholders and retail entrepreneurs. He also confirmed that taxi owners and informal traders in Umlazi will be shareholders in the development in order to incorporate a sense of responsibility in safeguarding and protecting local infrastructural assets.

Carlos Correia is the developer and director of KwaMnyandu (Pty) Ltd, and his passion for developing disadvantaged regions has helped to earn him development rights from PRASA in order to help address the challenges faced by the Umlazi community, the second largest disadvantaged township in the country. In his speech, Correia stated, "We need to create a city within a city." Also present at the launch was the MEC for Economic Development, Mr Mike Mabuyakhulu, who envisions this model as a seachange in economic structures, and sees it as an expression of the private and public sector's confidence in the local economy.

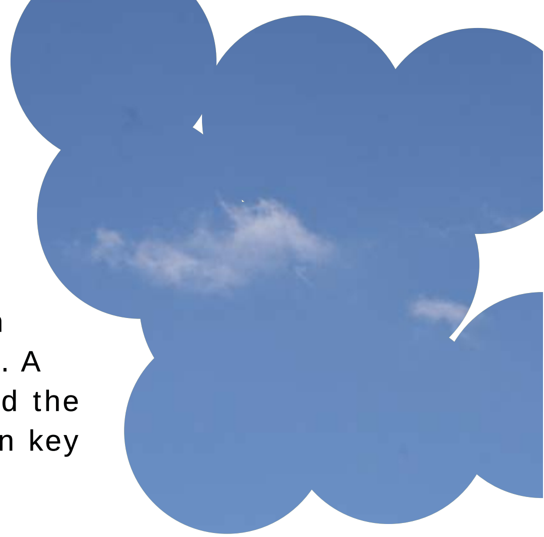


Nedbank Corporate Property Finance provided most of the funding for the project (R273m), which is expected to generate an estimated 1 800 jobs during the construction phase, with an additional 700 permanent and 250 part-time jobs on completion.

The project will also help catalyse further investment in the area and eliminate transport burdens. The construction of a new taxi rank and the eThekwini Bus Rapid Transport System is currently underway, together with the establishment of more than 700 private parking bays.

KwaMnyandu Shopping centre Pty (Ltd) is a Broad-Based Black Economic Community Empowerment organisation that aims to create retail, public transport, commercial, outdoor recreational and entertainment facilities, while providing convenient access to a wide range of opportunities to the Umlazi community.

- *For more information, please contact Themba Msomi, Project Manager, on (031) 311 4242 or Themba.Msomi@durban.gov.za*



9. Looking Ahead to the Next Edition

The EDGE looks at topical and current issues that affect decision-makers in eThekwini. Our next edition will focus on Small, Medium and Micro Enterprises. A range of articles will look at SMMEs as well as explore compex issues around the informal economy. As always, we will also feature the latest available data on key economic indicators.

The EDGE is produced by the eThekwini Economic Development and Investment Promotion Unit (Policy, Strategy, Information and Research Department).

- *For feedback or queries, email Aurelia Albert on Aurelia.Albert@durban.gov.za or phone 031 311 4015.*

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