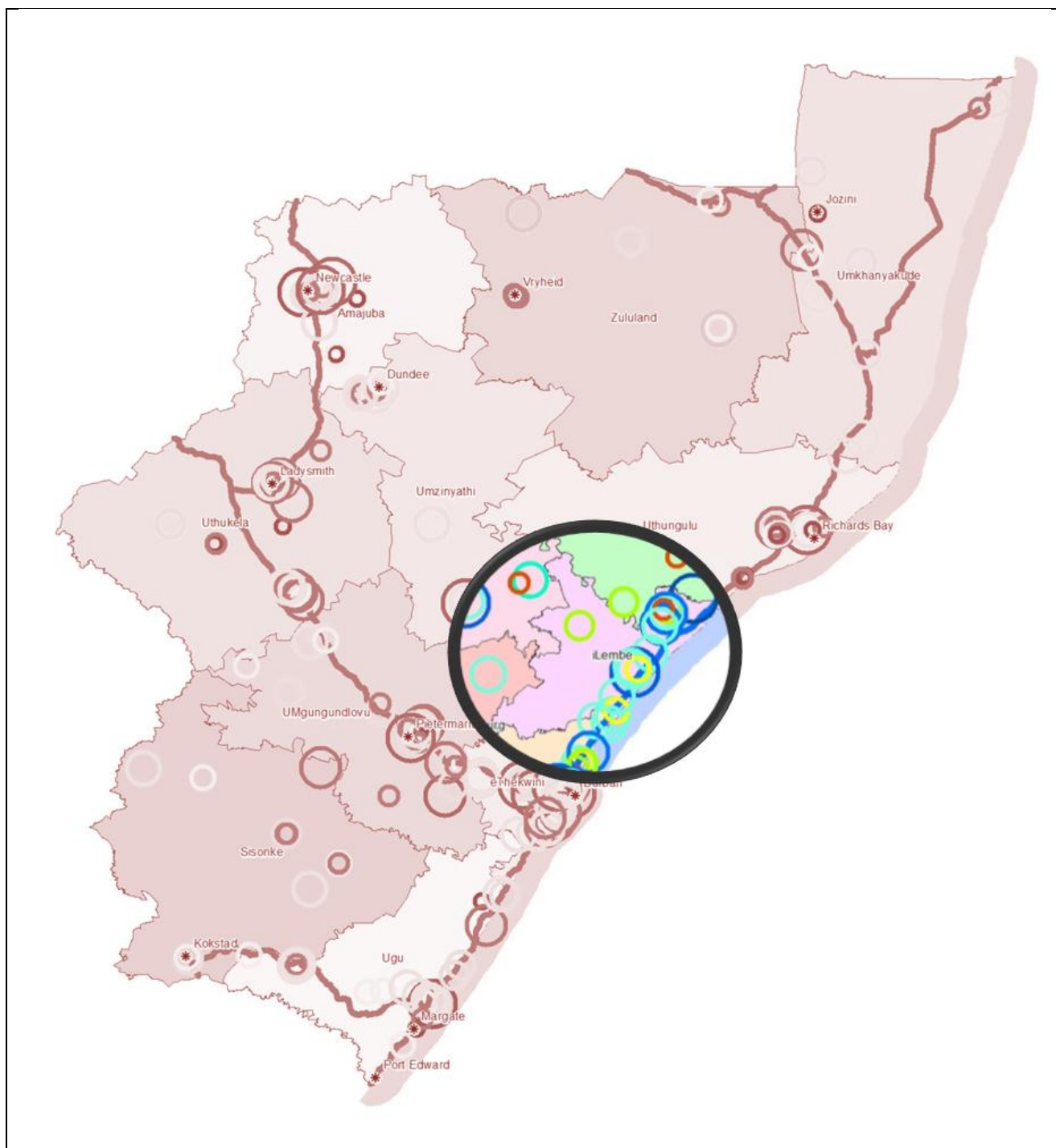


KZN PSEDS

PROFILING DISTRICT ECONOMIC DRIVERS



iLEMBE DISTRICT MUNICIPALITY A SPATIAL ECONOMIC OVERVIEW

MARCH 2012

**KZN DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM
PROFILING DISTRICT ECONOMIC DRIVERS**

**PHASE 5 – SPATIAL ECONOMIC OVERVIEW
iLEMBE DISTRICT MUNICIPALITY**

MARCH 2012

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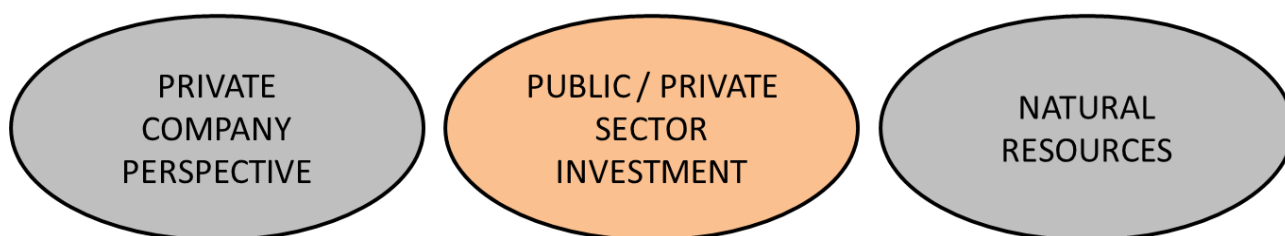
1. BACKGROUND AND APPROACH

1.1. OBJECTIVES FOR REPORT

The overall vision for this project is to provide reliable data at district municipal level to inform and update the provincial PSEDS as the basis for planning future economic development and growth in the province. The linkage between economic development, spatial development frameworks and natural resource availability is fundamental to future sustainable development.

The overarching objective of this project, as contained in the terms of reference for this brief, is “...to extensively profile the economic drivers and resource endowments (natural capital) of the ten KwaZulu-Natal Districts plus the eThekweni Metro”. As noted above this will be undertaken with the view to updating the PSEDS and informing planning and decision making in government.

Economic drivers are considered from three perspectives:



1.2. APPROACHES TO COMPILING THE REPORT

The information in this report was compiled using different approaches:

For the Private Company perspective:

- The identification of companies viewed as drivers or potential drivers by stakeholders;
- The refinement of the list of major companies in the province;
- A survey that included a total of 510 firms identified; and
- The analysis of information from the survey (and location of companies on GIS).

For the Public / Private Sector Investment perspective:

- An assessment of the strategic planning of municipalities;
- A survey of municipalities to identify economic development challenges and significant historic, current and future initiatives; and
- A series of workshops with municipalities to share findings and obtain spatial planning inputs.

For the Natural Resources perspective:

- Using land cover as a base an expert panel was requested to consider the potential of each land cover type to produce and/or deliver different categories of ecoservices and score this; and
- The assessment outcomes were considered using the recommendations emanating from other components of the assessment.



2. DISTRICT ECONOMIC OVERVIEW

2.1. INTRODUCTION

An initial overview of the district economy is provided in this section of the report. The aim is to provide a contrast within which the sample survey of companies was undertaken. The District economy is considered in terms of the following:

- Spatial Economic Features
- District Economic Contribution
- District Economic Structure

2.2. SPATIAL ECONOMIC FEATURES

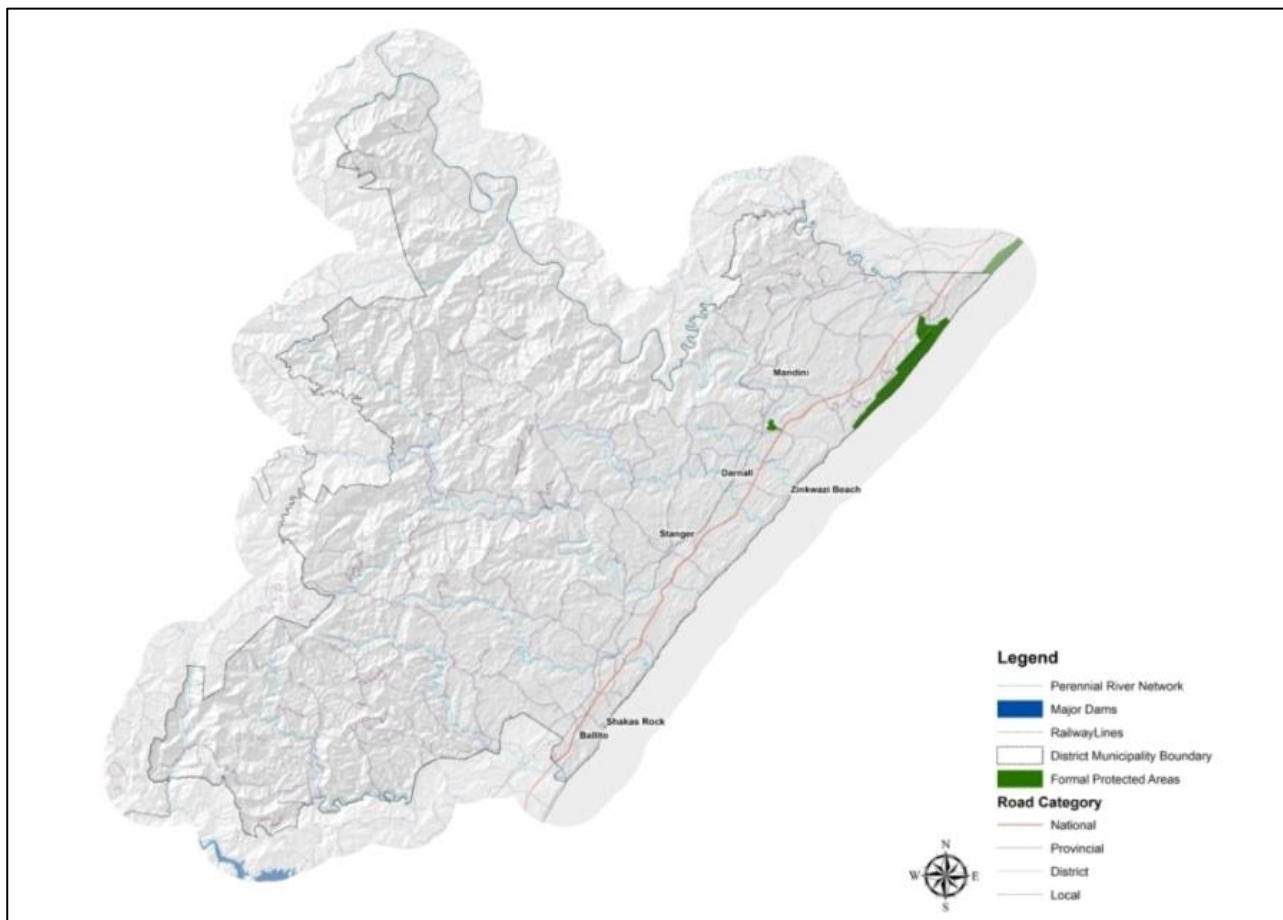
Key spatial features of the iLembe District impacting on economic development include:

- A 2009 assessment of post-1994 urban growth confirmed that comparatively KwaDukuza experienced the most significant urban growth in KwaZulu-Natal during the period, focussed around KwaDukuza and Ballito.
- The Dube Tradeport development, including the King Shaka International Airport, is located just to the south of iLembe in the eThekweni Municipality. The Dube Tradeport is viewed as a future driver of development in the region.
- iLembe is located on the eThekweni-Umhlathuze Corridor, a corridor which is viewed, in terms of the 2006 PSEDS, as a priority development corridor in KwaZulu-Natal. The N2 route, the major transport linkage on the east coast, stretches through iLembe, from north to south and forms the backbone of this Corridor.
- Transport routes linking the neighbouring uMswathi and Umvoti Municipality to the coast stretches through the area from west to east. The surfacing of the P100 in the early 2000s also provided Ndwedwe with an all weather access route linking back to Verulam in eThekweni.
- The District includes four municipalities KwaDukuza (urbanised population and commercial agriculture), Mandeni (substantial urban areas, but with traditional settlement areas and agriculture), Maphumulo (substantially traditional settlement), and Ndwedwe (substantially traditional settlement with some commercial farming).
- Major formal commercial centres in the District includes KwaDukuza, Ballito and Mandeni / Sundumbili, with industrial activity in the District historically concentrated in Stanger and Isithebe, as well as at the various sugar and paper mills.
- The rural nodes of the Ndwedwe and Maphumulo Municipalities are underdeveloped. Both the Ndwedwe and Maphumulo Villages have received regeneration planning attention in the past, but experienced limited implementation to date.
- Agriculture in the area is dominated by sugar cane production in the coastal strip and small cane farming activities in inland areas. In recent years the vegetable production capacity of the area has grown and tunnel farming has been promoted.

The map overleaf reflects the location of major roads and transport infrastructure, as well as topographic and key natural features.



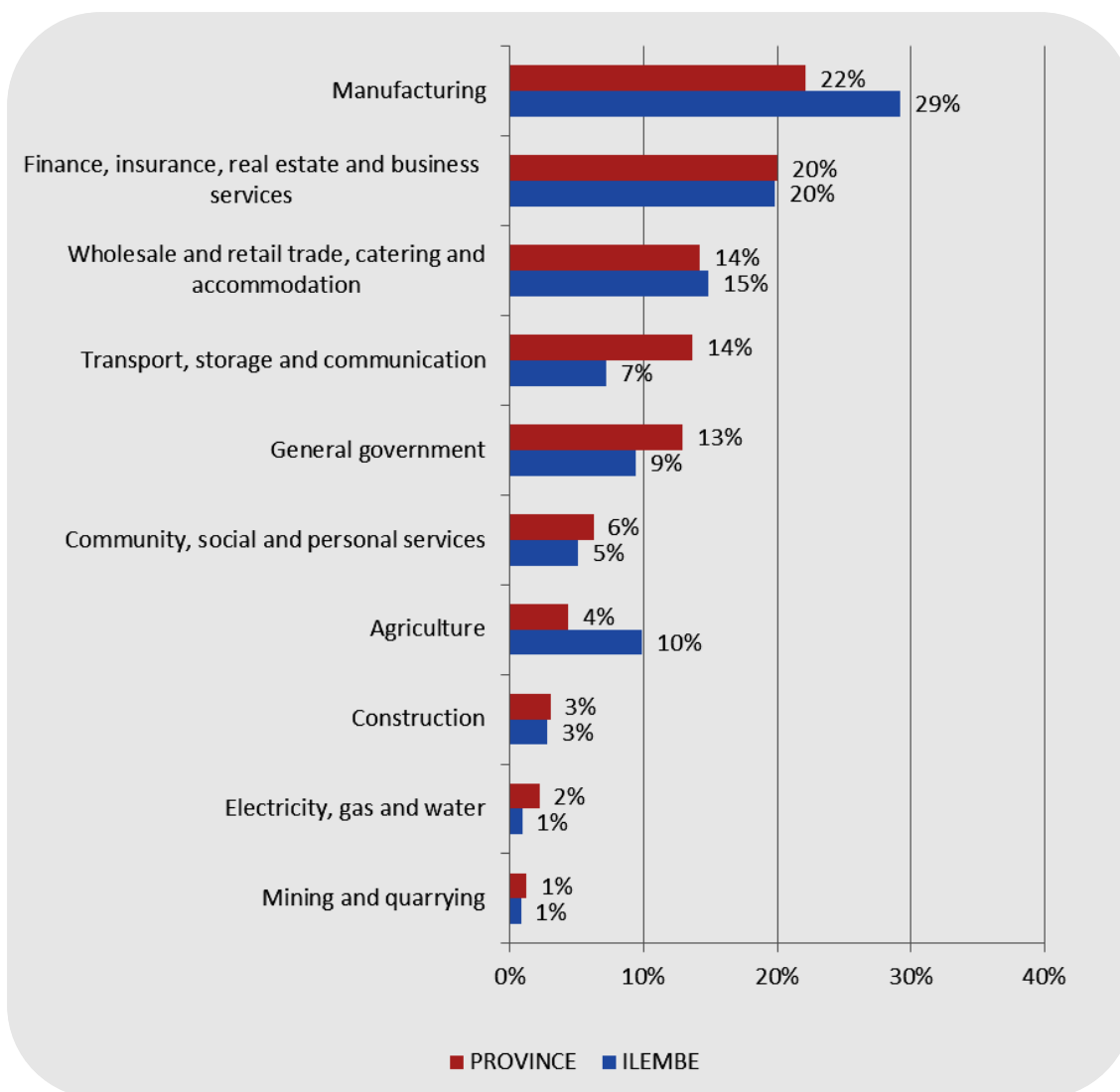
MAP 2.1: SPATIAL ECONOMIC FEATURES



2.3. DISTRICT ECONOMIC CONTRIBUTION

- In overall terms the iLembe District still makes a limited contribution to the economy of KwaZulu-Natal. A total of R10.241 billion gross value added (GVA) of a provincial total of R267 billion. This translates to 3.8% of the provincial economy.
- The manufacturing sector makes a 29% contribution to the GVA of the district reflecting the importance of this sector in the District economy.
- It is noted that the contribution of the agricultural sector to the District economy is substantially higher than the contribution of the sector to the provincial economy.

DIAGRAM 2.1: 2010 GROSS VALUE ADDED



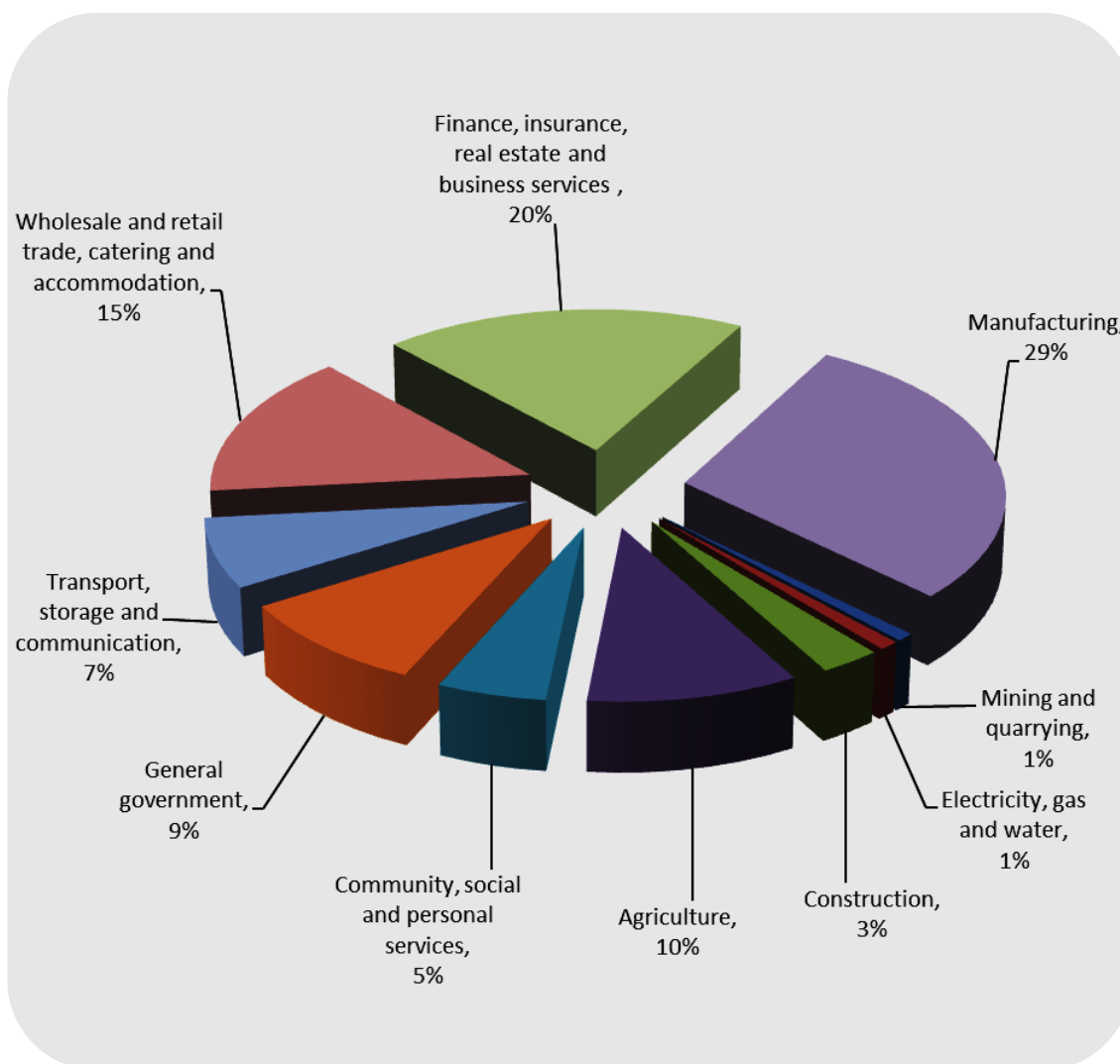
Source: Quantec 2010



2.4. DISTRICT ECONOMIC STRUCTURE

- The diagram reflects the economic structure of the iLembe District based on 2010 GVA figures.
- Two sectors, viz. manufacturing and finance / business services contributes nearly 50% of the gross value added to the economy of the District.
- Wholesale and retail (including tourism accommodation) at 15%, general government (9%), services (6%) and agriculture (10%) all make a contribution to the District economy.
- Despite continued urban and tourism growth it is important to note the low 3% contribution of the construction sector to the District economy.

DIAGRAM 2.2: 2010 GROSS VALUE ADDED TOTAL GVA OF R10.241BN



Source: Quantec 2010

It should be noted that the GVA data (above) does not necessarily have a bearing on companies in the sample which were identified as drivers. The criteria used to identify drivers was different to the method used to formulate the GVA. This must be born in mind when analysing key sectors and companies that drive the economy. For example, agriculture, and tourism companies dominate the “top companies” of the sample whilst manufacturing and services dominate the GVA sectors.

3. A MAJOR COMPANY OVERVIEW

3.1. INTRODUCTION

The basis of the major company interviews was a comprehensive questionnaire that extracted a range of information from companies deemed to be drivers, or companies belonging to sectors driving the economy. It must be noted that a number of companies perceived to be potential drivers chose not to participate in the survey. This District report reflects on the following information relating to major companies in order to provide a basis for future spatial economic development planning in the District:

- A general perspective of the economic sectors
- Companies Interviewed
- Sectors and Products
- Spatial Distribution of Companies
- Key Characteristics of Companies
- Major Companies
- Companies Exporting
- Infrastructure and Other Challenges
- Interviewee Comments

Based on the above information a “major company perspective” of economic drivers is provided.

3.2. SECTORS AND PRODUCTS – A GENERAL PERSPECTIVE

3.2.1. MANUFACTURING SECTOR

- The manufacturing sector makes a significant, nearly 30% contribution, to District GVA.
- The District has a number of industrial areas including the Ballito Business Park, Shaka’s Head Industrial Park (Ballito), Shaka’s Kraal Industrial Development, Stanger Industrial Development (Extension 15), Stanger Moolla Industrial Park, Stanger Mixed Use Area and Mandeni/Isithebe Industrial Area.
- The District also has a number of agriprocessing related industrial complexes, viz. Darnall Sugar Mill, Mandeni Tugela Mill - Sappi Craft, Stanger Gledhow Sugar Mill - Illovo Owned, Stanger Mill - Sappi Fine Paper.
- A 2007 industry assessment established that nearly 45% of the 262 manufacturers in the District identified at the time were located in Isithebe, with a further 25% located in Stanger.
- 17% of manufacturing firms in the District related to the textiles and clothing industry, with 11% involved in furniture manufacturing and a further 10% in timber related manufacturing. Plastics, metal and cement related manufacturing also featured high on the list of number of firms.
- The majority of firms produce only for the local market.



3.2.2. AGRICULTURAL SECTOR

- Commercial farming contributed 10% of the 2010 GVA of the District economy.
- Commercial farming areas are located in the eastern parts of the Municipality but extends to the west of Stanger and Groutville. Small cane growing is supported in Ndwedwe and Maphumulo.
- Sugar is the main commercial crop in the District, but farmers are diversifying into other crops, especially sub tropical fruit and macadamia nut crops. Livestock is limited.
- Other specialised agricultural activities in the District includes aquaculture at Amatikhulu, essential oils related projects and cut flower production.
- As a result of the proximity of the area to the Dube Tradeport and eThekweni there is substantial focus in current agricultural planning for projects addressing these markets with a focus on vegetable production.

3.2.3. TOURISM SECTOR

- Most of the iLembe tourism sector falls, in terms of the products as established by KZN Tourism, into the “North Coast Region”. It is suggested that the “...Zulu Kingdom's North Coast also known as the Dolphin Coast, stretches from Zimbali to the mighty Thukela River. This is the playground of the bottlenose dolphins which frolic in the waters close to shore and are visible all year round. The North Coast offers luxury, beauty, sport and history”.
- The tourism activity is generally concentrated along the coast in nodes such as Ballito and Salt Rock. The tourism product of the District outside the KwaDukuza Municipality is limited. There are two nature reserves in the area, viz. the Harold Johnson and Amatikhulu Nature Reserves.
- Substantial private sector investment has occurred in tourism/residential related development along the coast over the past two decades, with landmark developments such as Zimbali, Simbithi and Blythedale Beach. This sector has continued to compete with agriculture, and specifically sugar cane, for access to land.
- The King Shaka tourism route through the area has been promoted and the Albert Luthuli Museum, Shaka’s Monument and other sites of historical significance form an integral part of this tourism product.

3.2.4. COMMERCIAL SECTOR

Note: The commercial sector in this context is used as a generic term for most businesses included the following sectors (as defined by the Standard Industrial Classification): (1) financial intermediation, insurance, real estate, and business services, (2) wholesale and retail trade (excl. Hotels and restaurants), (3) community, social and personal services.

- The commercial/business sector, including finance and wholesale/retail contributed approximately 35% of the 2011 GVA to the District economy, making these sectors, if considered jointly, the most significant contributor to GVA in the District.
- The business sector is currently concentrated in KwaDukuza, Ballito and Mandeni/Sundumbili.
- The development of the sector in rural service nodes such as Maphumulo and Ndwedwe has been limited considering the potential catchments of these nodes.



- A future spatial development strategy for the District and its constituent municipalities must provide clear guidelines as to the revitalisation and expansion of the commercial sector.
- There is an unequal distribution of the sector with rural residents facing various obstacles, such as distance to nodes, road conditions, cost and time, in accessing commercial services.
- The redistribution of commercial services in the District presents one opportunity for the growth of the commercial sector.

3.2.5. GOVERNMENT SECTOR

- The government sector is estimated to make a contribution of around 9% of GVA to the District economy.
- On a local municipal level it is generally experienced that the contribution of this sector varies greatly between municipalities. In the case of rural areas, such as Ndwedwe and Maphumulo, the government sector is often the only significant contributor to GVA.
- The government sector is a stable employer, but does not at present offer much potential for growth.
- From local economic assessments in rural areas, similar to those in the iLembe District, it has become apparent that money earned in this sector almost immediately exits the rural area in which it was “earned”.
- The provision of well-located housing and supporting facilities in rural areas will contribute to improving levels of rural service delivery, as well as impact directly on improving local income circulation in such areas.

3.3. COMPANIES INTERVIEWED

A total of 45 companies were interviewed in the iLembe District in order to obtain a better understanding of the types of major firms, their characteristics and challenges faced by them. The list below reflects the name of the company interviewed, the annual turnover, employment, product/service delivered and the sector to which it relates (in terms of the Standard Industrial Classification [SIC]). This list should serve as a basis for the District to develop and maintain a major company database. The following categorisations were used:

- Company Turnover categorised in terms of: Small (less than R5m), Medium (R5m to R100m) and Large (R100m+);
- Company Employment categorised in terms of: Small (less than 20 people), Medium (21 to 100 people) and Large (100+ people).

TABLE 3.1: COMPANIES INTERVIEWED (SEE ANNEXURE A FOR DETAIL ON DISTRIBUTION OF SAMPLE IN LOCAL MUNICIPALITIES)

COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Agriculture, hunting, forestry and fishing			
Kwa-Linda Estate	Small	Small	Sugar and Related
Romac Farms	Medium	Medium	Agricultural Commodities
Community, social and personal services			
Alberlito Netcare Hospital	Not provided	Not confirmed	Medical Services
Dolphin Coast Waste Management	Medium	Large	Waste Management Services
Construction			
Rapid Builders and Contractors cc	Large	Large	Construction Services
Financial intermediation, insurance, real estate and business services			
Princess Grant Coastal Golf Estate	Medium	Medium	Residential Accommodation
SSI - iLembe	Medium	Small	Engineering Consulting
Comprop	Small	Small	Property Services
Zimbali Coastal Resort	Not provided	Not confirmed	Residential Accommodation
Manufacturing			
Sappi Paper and Paper Packaging - Stanger Mill	Large	Large	Paper and Pulp
Evernu Plastics	Medium	Large	Plastic Products
Nampak Liquid	Large	Large	Packaging Products
ITB Manufacturing	Large	Large	Plastic Products
Inkunzi Foundry (Pty) Ltd	Medium	Medium	Metal Products



COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Sappi Kraft (pty) ltd - Tugela Mill	Medium	Large	Paper and Board
Tongaat Hulett's Sugar - Maidstone Mill	Large	Large	Sugar and Related
Tongaat Hulett's Darnall Mill	Large	Large	Sugar and Related
Metso Minerals (South Africa) Pty Ltd	Large	Large	Equipment Manufacturing
Hesto Harnesses	Large	Large	Harnesses
Whirlpool SA	Large	Large	White Goods
Isolite Moulding (PTY) LTD	Medium	Small	Insulation Packaging
Tailormade Joinery	Not provided	Medium	Timber Products
Glendale Distilling Company	Not provided	Medium	Cane Spirit
Sasko Stanger	Large	Large	Bread and Confectionary
Magic Tissues Pty LTD	Medium	Medium	Tissue Products
Impact Engineering cc	Large	Large	Steel Products
Associated Spinners	Not provided	Not confirmed	Textiles
Caronessa Industrial cc	Not provided	Medium	Polypropylene Bags
Chin Lung Electron	Medium	Small	Electric Goods
De Grande Windows and Doors	Medium	Large	Timber Products
Forgeweld	Medium	Medium	Engineering for Industry
Impilo Drugs (Pty) Ltd	Not provided	Not confirmed	Medicines
Lufil Packaging (Pty) Ltd	Not provided	Large	Packaging Products
Niran Clothing Manufacturers (Pty) Ltd	Medium	Medium	Clothing



COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Okapi South Africa (Pty) Ltd	Medium	Large	Metal Products
Oyster Plastics (Pty)Ltd	Not provided	Large	Plastic Products
Rosati Manufacturing cc	Medium	Medium	Metal Products
Zikiza Joinery cc	Not provided	Not confirmed	Timber Products
Mining and quarrying			
RHI Isithebe (Pty) Ltd.	Large	Large	Refractories
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants			
KwaMaphumulo Spar	Medium	Medium	Retail
Fairmont Zimbali Resort	Large	Large	Tourism Accommodation +
Lifestyle Superspar Ballito	Large	Large	Retail
KwaDukuza Spar	Large	Large	Retail
Boxer Cash & Carry	Not provided	Medium	Retail
Renckens Spar	Not provided	Large	Retail



3.4. SECTORS AND PRODUCTS – A SURVEYED COMPANY PERSPECTIVE

Considering the approach adopted in identifying major companies, i.e. through consultation with local level stakeholders, there is a high level of certainty that the majority of the larger companies in the District has been identified and interviewed. The table below indicates the number of companies identified per sector and sub-sector and then provides an indication of the extent of “clustering” that occurs in sub-sectors of the economy.

From the table below, and the more detailed information obtained through the questionnaire, it is suggested that based on an assessment of the surveyed companies the key sub-sectors in which major companies are located are:

- Agriculture, hunting, forestry and fishing (specifically forestry and sugar)
- Manufacture of basic metals, fabricated metal products, machinery and equipment and of office, accounting and computing machinery
- Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials; manufacture of paper and paper products; publishing, printing and reproduction of recorded media
- Manufacture of coke, refined petroleum products and nuclear fuel; manufacture of chemicals and chemical products; manufacture of rubber and plastic products
- Manufacture of food products, beverages and tobacco products
- Hotels and restaurants



TABLE 3.2: STRUCTURE OF SAMPLE PER SECTOR AND SUB-SECTOR

SECTOR AND SUB-SECTOR	NO. OF COMPANIES
Agriculture, hunting, forestry and fishing	2
Agriculture, hunting and related services	2
Community, social and personal services	2
Sewerage and refuse disposal, sanitation and similar activities	1
Health and social work	1
Construction	1
Construction	1
Financial intermediation, insurance, real estate and business services	4
Real estate activities	3
Other business activities	1
Manufacturing	29
Manufacture of basic metals, fabricated metal products, machinery and equipment and of office, accounting and computing machinery	7
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials; manufacture of paper and paper products; publishing, printing and reproduction of recorded media	6
Manufacture of coke, refined petroleum products and nuclear fuel; manufacture of chemicals and chemical products; manufacture of rubber and plastic products	5
Manufacture of food products, beverages and tobacco products	4
Manufacture of textiles, clothing and leather goods	2
Manufacture of transport equipment	1
Manufacture of electrical machinery and apparatus n.e.c.	1
Manufacture of furniture; manufacturing n.e.c.; recycling	1
Manufacture of other non-metallic mineral products	1
Other	1
Mining and quarrying	1
Services activities incidental to mining of minerals	1
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	6
Retail trade, except of motor vehicles and motor cycles; repair of personal household goods	5
Hotels and restaurants	1
TOTAL	45

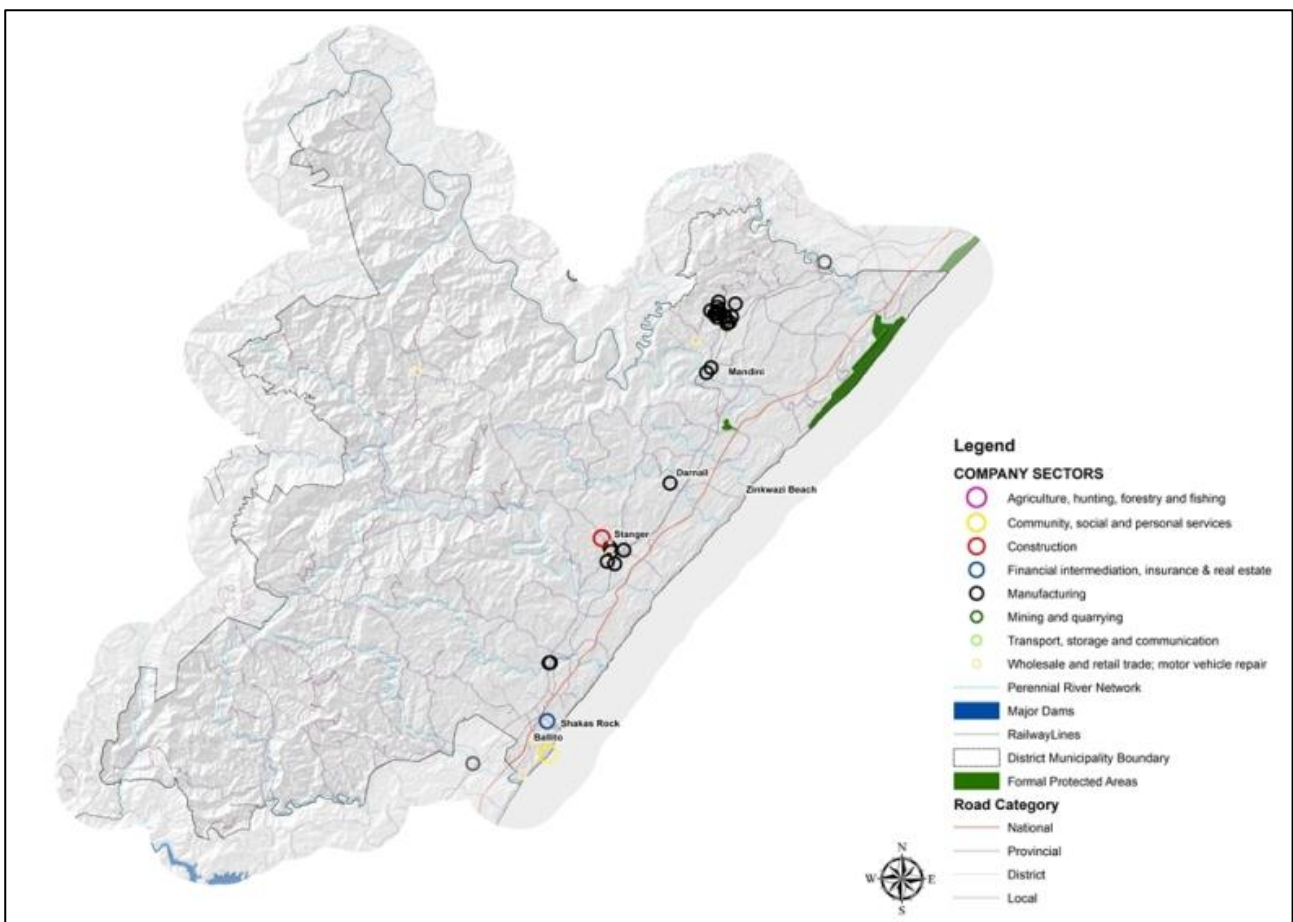


3.5. SPATIAL DISTRIBUTION OF SURVEYED COMPANIES

SECTORS

- The map serves to confirm the concentration of businesses in the Ballito, Stanger and Isithebe areas.
- The identified major businesses are generally in the manufacturing industry and located in the Isithebe Industrial Park. It is noted that the number of larger businesses outside of the three major centra are limited. A manufacturing business in Shakas Kraal being one of the exceptions.
- Larger businesses in Ballito relates to the services and retail / wholesale sectors.

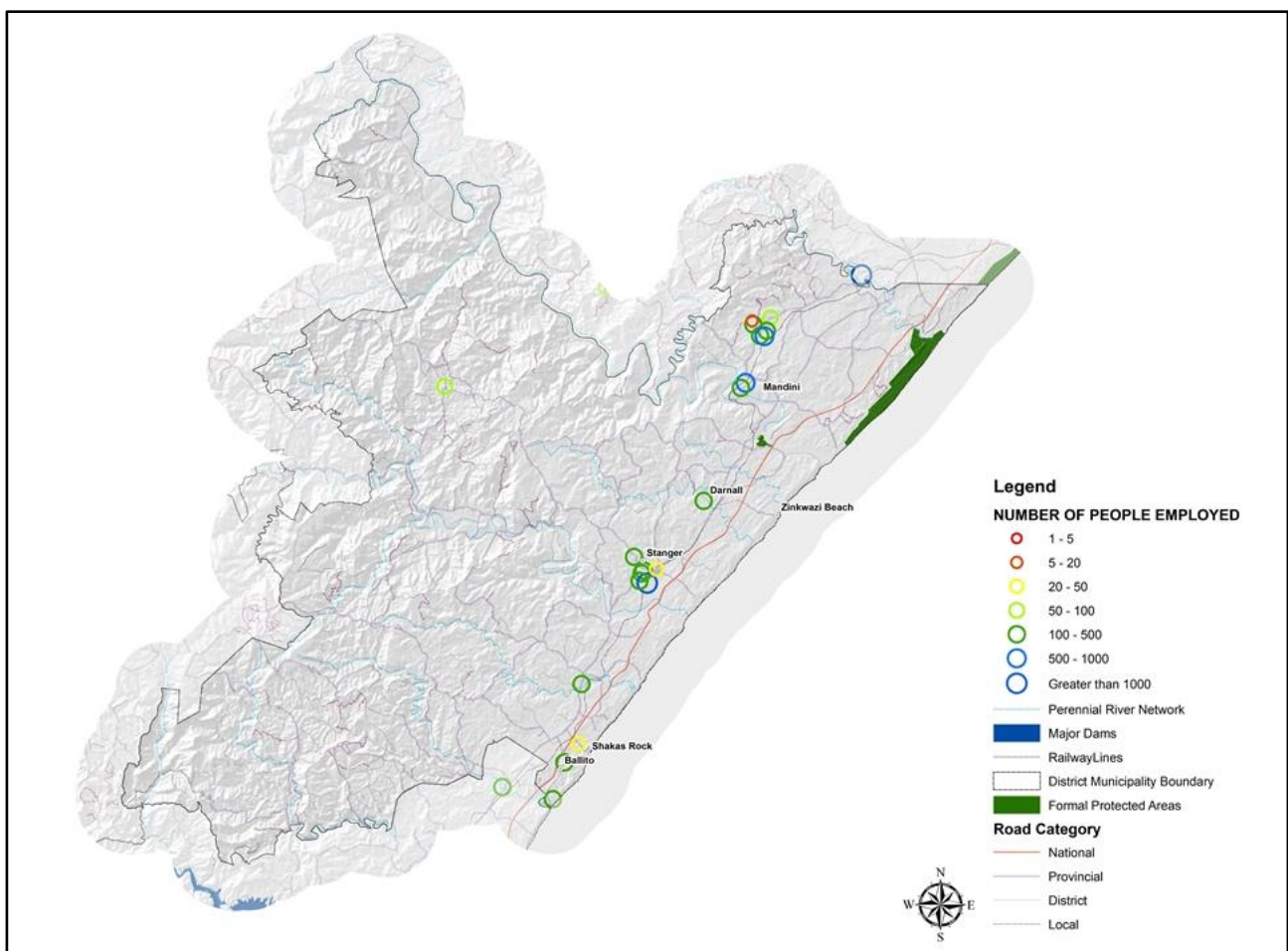
MAP 3.1: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY ECONOMIC SECTORS



EMPLOYMENT

- The majority of the companies identified employs between 100 and 500 people, however, in Isithebe, Mandeni and Stanger there are also a number of companies employing more than 500 people.
- Only a handful of companies interviewed employs less than 100 people.
- Considering a total estimated 2010 formal sector employment of 77 848 (Quantec 2010) people in the District, the 40 companies in the iLembe District that supplied the information on number of people employed (the sample), employs an estimated 9 345 people representing 12% of the formal employment of the District.

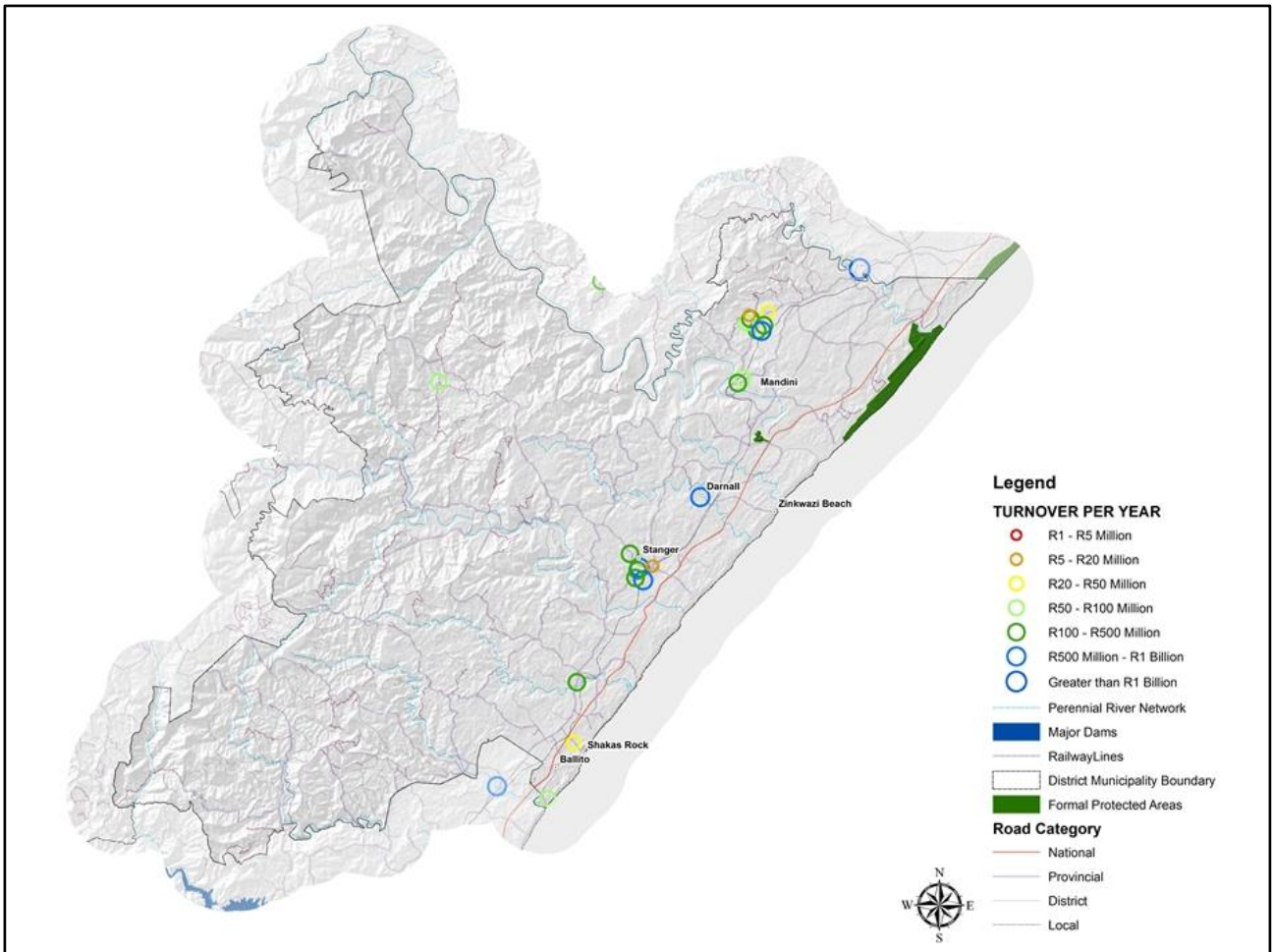
MAP 3.2: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY NUMBER OF PEOPLE EMPLOYED



TURNOVER

- The paper, timber and sugar mills located in Mandeni, Darnall and Stanger all have an annual turnover of more than R500 million.
- The reported turnover of the majority of other companies range between R50 million and R500 million.

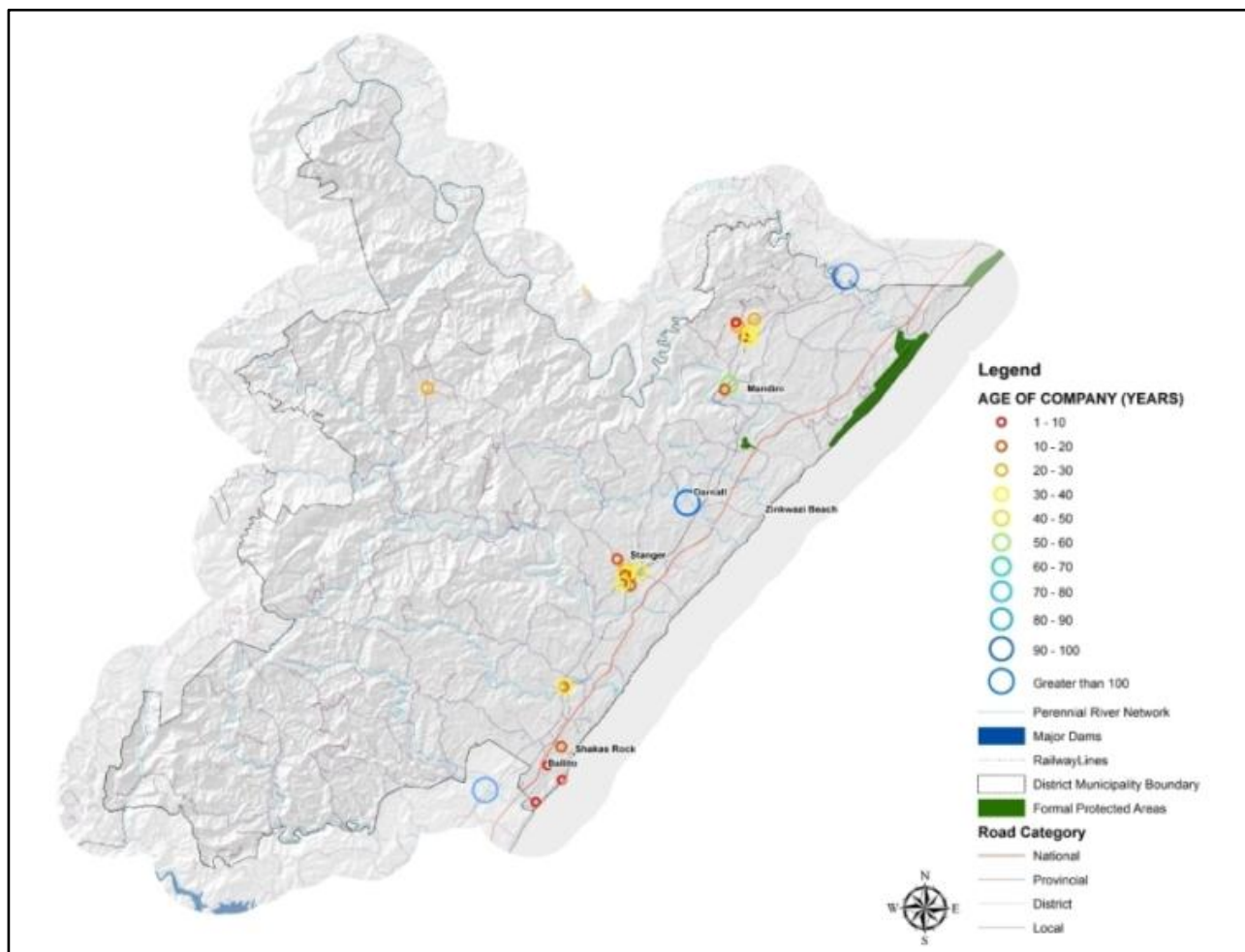
MAP 3.3: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY TURNOVER PER YEAR



COMPANY AGE

- The businesses interviewed are relatively young with most having been established in the past 30 to 40 years. As in other areas the exception would be the timber / paper and sugar mills, some which have been existence for more than a century.
- Encouraging in the case of iLembe is that a large number of companies have been established over the past 20 years, confirming a relatively young and vibrant economy.

MAP 3.4: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY AGE OF COMPANY (YEAR)

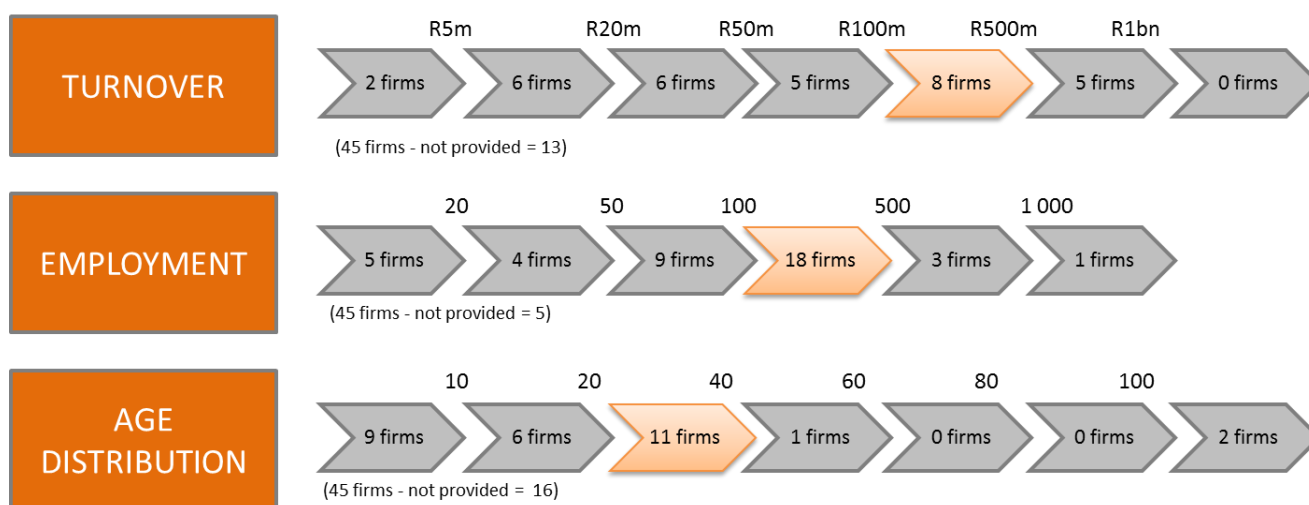


3.6. KEY CHARACTERISTICS OF INTERVIEWED COMPANIES

OBSERVATIONS:

- Nearly 60% of the companies that provided annual turnover information falls within the over R50 million turnover category.
- The majority of major firms identified employ more than 100 persons.
- Of the 29 firms that provided an indication of when they were established 15 or just over 50% was established over the past 20 years. Nearly 30 % of companies were established in the past 10 years.

DIAGRAM 3.1: KEY CHARACTERISTICS OF INTERVIEWED COMPANIES



3.7. MAJOR COMPANIES SURVEYED

The table below lists the major companies in iLembe based primarily on number of people employed.

TABLE 3.3: MAJOR COMPANIES SURVEYED BASED ON NUMBER OF PEOPLE EMPLOYED

COMPANIES LISTED EMPLOY BETWEEN 1 800 AND 150 PEOPLE		
NO	COMPANY	OVERVIEW
1	Hesto Harnesses	iLembe is often viewed only in terms of its future growth potential ignoring the fact that a strong, but possibly neglected, industrial sector dominated the economy for an extended period. Hesto Harnesses, with links to Toyota, is one of the major employers and produces for the national and international markets illustrating that decentralised production can work. Agriprocessing of both timber and sugar cane still dominates with four mills of multinational companies located in Mandeni, Darnall and Stanger. The presence of Whirlpool, De Grande, Lufil and Evernu Plastics in Isithebe, all employing a substantial number of people, still indicates the important of this industrial estate in the regional economy – one of the only decentralisation points
2	Whirlpool SA	
3	Sappi Kraft (Pty) Ltd - Tugela Mill	
4	Sappi Paper and Paper Packaging - Stanger Mill	
5	Sasko Stanger	
6	Metso Minerals (South Africa) Pty Ltd	
7	De Grande Windows and Doors	
8	Fairmont Zimbali Resort	
9	Tongaat Huletts Sugar - Maidstone Mill	
10	ITB Manufacturing	
11	Tongaat Huletts Darnall Mill	



12	Lufil Packaging (Pty) Ltd	that made and impact. The Fairmont Zimbali and the presence of major retailers on the list confirms the growth being experienced also in the tertiary sector on the North Coast of KwaZulu-Natal.
13	Renckens Spar	
14	Rapid Builders and Contractors cc	
15	Evernu Plastics	
16	Lifestyle Superspar Ballito	
17	Impact Engineering cc	

3.8. ILEMBE COMPANIES EXPORTING

PRODUCTS EXPORTED:

Thirteen companies indicated that they are exporting products. The products exported include:

- Mining equipment;
- Plastic products;
- Metal and steel products;
- Packaging products;
- Engineering products;
- Tissue products;
- Engineering services;
- Sugar and related; and
- Refractories.

Five of the companies indicated that they currently export more than 50% of their production.

TABLE 3.4: ILEMBE EXPORTING IN THE PROVINCIAL CONTEXT

DISTRICT	EXPORTERS	COMPANIES	% EXPORTERS
uMgungundlovu	21	63	33%
uMzinyathi	6	18	33%
uThukela	14	42	33%
Zululand	7	23	30%
uThungulu	11	38	29%
iLembe	13	45	20%
Amajuba	11	41	27%
eThekwini	29	119	24%
Ugu	4	48	8%
uMkhanyakude	1	17	6%
Sisonke	1	20	5%
KZN Province	118	474	25%



3.9. INFRASTRUCTURE CHALLENGES

UTILITY CHALLENGES

Incl. Water, electricity, sanitation.

- The companies interviewed collectively mentioned 34 challenges experienced with utility services.
- It is significant that in one of the economic growth areas of the province 41% of the challenges mentioned related to electricity supply being erratic, with in total 50% of issues highlighted relating in some way to electricity supply.
- Inadequate water supply was mentioned by only seven of the companies interviewed. Considering the major challenges anticipated in this regard it is interesting to note that awareness of water supply constraints appears to be limited.

TABLE 3.5: UTILITY CHALLENGES

UTILITY CHALLENGES	MENTIONS	%
Electricity erratic	14	41%
Water supply	7	21%
Telecommunications	5	15%
Electricity limitations	2	6%
Theft of electricity cables and equipment	2	6%
Water quality	1	3%
Electricity costs	1	3%
Internet Access	1	3%
Coal supply	1	3%
TOTAL	34	100%

TRANSPORT CHALLENGES

Only 12 transport challenges were mentioned by the 29 companies that responded to this query suggesting that transport does not present a significant challenge for companies in the iLembe District. Of the challenges highlighted by those interviewed there was no single issue that received more than 2 mentions i.e. there is no particular challenge requiring greater priority.

TABLE 3.6: TRANSPORT CHALLENGES

TRANSPORT CHALLENGES	MENTIONS	%
Road maintenance	2	17%
Fuel / transport costs	2	17%
Durban harbour delays	2	17%
Rail unreliable	1	8%
Negative impact of strikes	1	8%
Rural areas not serviced	1	8%
Rural areas not serviced / Harbour delays	1	8%
Specific high traffic areas identified	1	8%
Public transport for workers	1	8%
TOTAL	12	100%

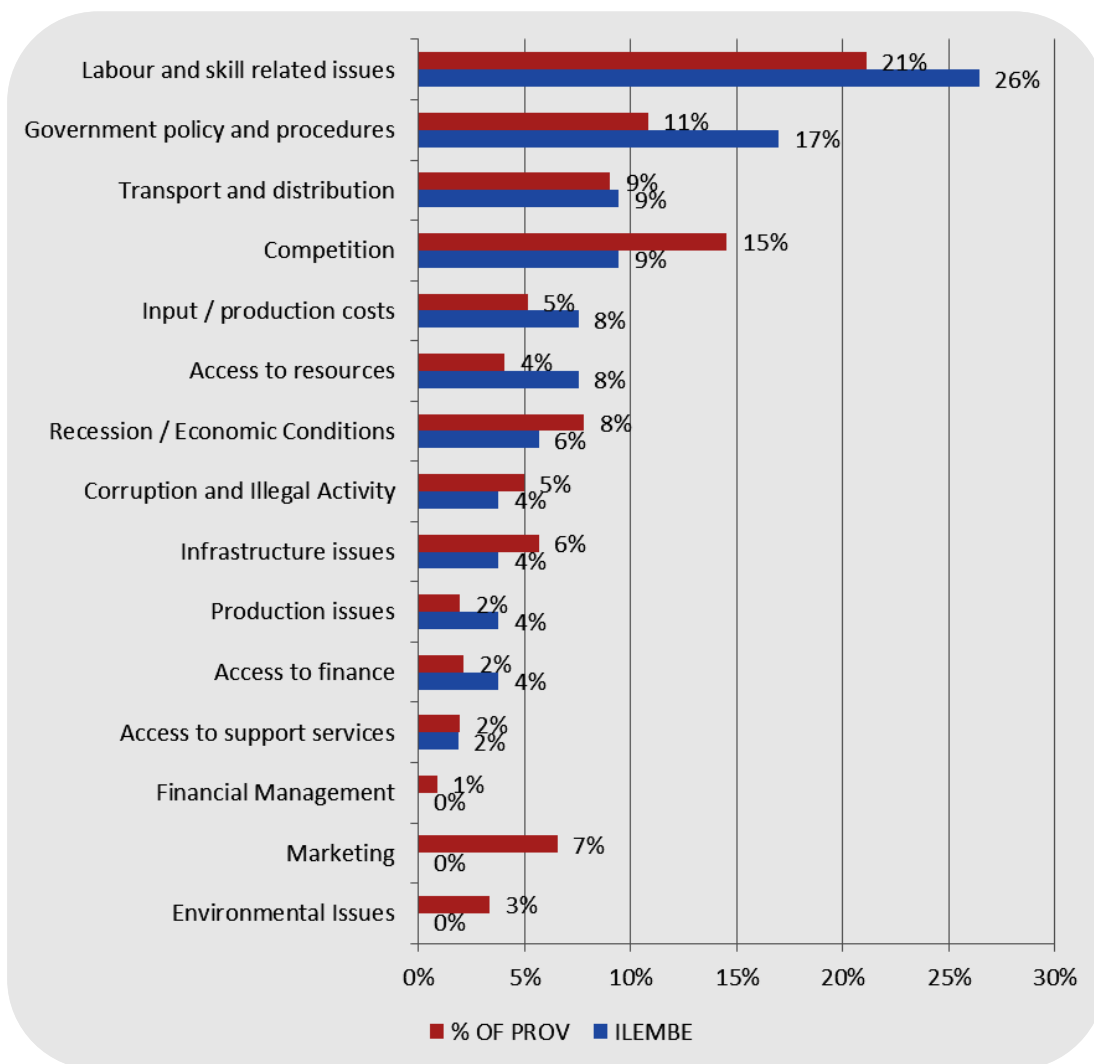


3.10. OTHER CHALLENGES

Companies interviewed were asked to highlight up to three general challenges they experience in doing business in the District. A total of 53 general issues were highlighted by respondents. Diagram 3.1 compares the issues raised with those raised on a provincial level. The following is noted in this regard:

- Labour and skills related issues, the priority issues on a provincial level, are also the most mentioned issue in the iLembe District (receiving 5% more mentions than on a provincial level).
- Government policy and procedures also attracted more mentions, at 17% of challenges mentioned, compared to the 11% for the province as a whole.
- Competition, transport and distribution, access to resources and input / production costs were all prioritised as challenges faced by companies in iLembe.

DIAGRAM 3.2: OTHER CHALLENGES



3.11. INTERVIEWEE COMMENTS

Some of the general observations made by respondents regarding the District economy included:

- The economy of the District now appears to be stable; the iLembe Chamber of Commerce has a positive impact.
- The general understanding of productivity is low.
- It is difficult doing business in the area, specifically the provision of water and electricity is of great concern.
- Ballito is viewed as a dormitory town due to lack on industries, a manufacturing centre based at Ballito is needed.
- Economic outlook for the area is positive, considering specifically the establishment of new estates and resorts.
- Economy is stagnant in the Stanger area. No interaction or interest shown from the KwaDukuza Local Municipality (KDM) to secure major manufacturer in area, this despite visits by the manufacturer to the Municipality. KDM does not see it fit to provide pavements, maintained roads etc. in industrial areas.
- Good growth potential in the District but the global economy is not that great and that influences the local economy.
- Isithebe is the main centre for heavy industry in the District, the local chamber is trying to support economic development in the Maphumulo and Ndwedwe local municipalities but need support from government.
- Sectors that drive the economy are retailers, manufacturers, agriculture and SMMEs. Sugar cane farming and manufacturing is the principle economic activities.
- Positive spin-offs from the Airport is taking longer to be realised than anticipated. The residential property market has however been positively impacted on. Many business people from Gauteng has relocated to the area and commute to Johannesburg during the week but reside here.
- There seems to be constant growth in the economy, with substantial industrial and retail development in and around Ballito.
- The economy has been down since the FIFA World Cup but it appears to be improving now.
- The majority of the consumers of products of local businesses are “financially unstable”. There is very little economic growth in the rural areas. Richards Bay, Durban and the areas to the south of Stanger are growing. Stanger (Kwadukuza) seems to be stagnating or contracting.
- Unemployment is very high and that has a negative effect on the economy.



3.12. A PERSPECTIVE OF ECONOMIC DRIVERS BASED ON COMPANY SURVEY

Based on the Quantec figures, and through the identification of major companies in the iLembe District, it is evident that the major sector driving the District economy is the manufacturing sector.

On the basis of the findings of this project, the following sectors have been identified as being the key economic drivers in the iLembe District. Following the categorisation of companies provided by McCarthy in the introduction to the provincial report on this project the following is noted:

- Older more established companies with a sizeable number of employees and annual turnover in the iLembe context. These companies are located in the following sectors:
 - Agriculture:
 - Farming relating to various agricultural commodities, but primarily sugar cane and timber;
 - Manufacturing :
 - Processing of agricultural products
 - Manufacturing of equipment / metal products
 - Tourism:
 - Established large scale tourism facilities
- The newer smaller perhaps more dynamic companies creating a 'churn' effect in the district (i.e. having an impact) include those located in the following sectors:
 - Manufacturing:
 - Clothing
 - Wood products
 - Chemical and chemical products
 - Food processing and packaging
 - Services:
 - Medical services
 - Trade:
 - Wholesale and retail
 - Tourism and hospitality (newer smaller boutique hotels, B&Bs, restaurants, etc)
 - Finance and property
 - Property management

It is noted by McCarthy that companies in these sectors are important for the future economic growth of the economy of iLembe in that they are often recent entrants into the market outside of the 'traditional box'. In a sense they are therefore 'testing the economic waters' and if they succeed will be the forerunners of a range of new sectors in the district.

4. A MUNICIPAL CAPITAL INVESTMENT PERSPECTIVE

4.1. INTRODUCTION

In order to consider District drivers from the perspective of municipalities a questionnaire was issued to each municipality. The information gathered through these interviews and presented in this section includes:

- A Project Based Perspective
 - Historic and Current Projects
 - Future Projects
- Municipality Identified Challenges
- Addressing the Challenges
- A Public Sector Investment Perspective

4.2. CAPITAL INVESTMENT IN THE DISTRICT

For this initiative the focus was on identifying major (focus on R20m plus) capital investment projects in the District falling in the following categories:

- New nodes / developments: including tourism, commercial and industrial nodes;
- Bulk infrastructure supporting economic development: including bulk infrastructure (excluding reticulation) for water and electricity and other infrastructure related to solid waste;
- Link and major access infrastructure supporting economic development including roads, airports and taxi ranks amongst others; and
- Facilities supporting economic development including sport stadiums, markets, trading centres and the like.



From the table of historic, current and future projects (overleaf) the following general comments can be made:

- A distinctive feature of investment in this District over the past decade has been the strong interest of the private sector in specifically the development of residential estates, tourism accommodation and commercial development. The majority of this investment has been concentrated around the Ballito area. From the list of future investments presented below it is evident that there is a growing interest from the private sector and that further major private sector tourism and commercial developments are planned for the area (mainly focussed in the KwaDukuza and Mandeni Municipalities).
- Historically the District has placed substantial emphasis on investment in the agricultural sector and projects already implemented in this regard are the agric processing hubs in the various municipal centres, the biodiesel production facility and the vineyards and winery project.
- The project list also suggests a focus on addressing water supply to the various areas of the municipality, both urban and rural areas. Water supply is viewed as one of the potential impediments to strong economic growth in the area and the District reported that it is also investigating alternative approaches to water provision through the establishment of for example, salt water desalination plants.
- The need for access to land for industrial development in the District is acknowledged and various opportunities for increasing the land available for this purpose are being investigated. Industrial development at Compensation Flats and growing the Isithebe industrial area are currently being investigated. There is also a focus in this district on establishing a business park specifically accommodating green industries.



TABLE 4.1: HISTORIC, CURRENT AND FUTURE INVESTMENTS IN DISTRICT ECONOMIC DEVELOPMENT

LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
	Bulk infrastructure	Ngcebo BWS Scheme Phase 1	Historic		R15,240,000
Ndwedwe, Maphumulu, Mandeni, KwaDukuza	Facilities supporting econ. dev.	Agric processing hub incubator project	Historic		R8,000,000
	Other	Biodiesel Production Facility	Historic		R2,000,000
	Other	North Coast Vineyards and Cooperative Winery	Historic		R4,000,000
Maphumulo	Bulk infrastructure	Maphumulo Bulk Water Supply Scheme Phase 1	Current		R16,588,000
Maphumulo	Bulk infrastructure	Maphumulo Bulk Water Supply Scheme Phase 2	Current		R2,907,000
	Bulk infrastructure	Avondale to Honolulu Pipeline Phase 1	Current		R66,915,000
Ndwedwe	Establish new nodes	Bhamshela Town Regeneration	Current	Cogta Urban and new renewal	R1,200,000
	Facilities supporting econ. dev.	Honolulu to Mvoti Balancing Reservoir Pipeline	Current		R54,241,000
Ndwedwe	Facilities supporting econ. dev.	Ndwedwe CBD Development	Current	NDPG	R2,300,000
Ndwedwe	Facilities supporting econ. dev.	Ndwedwe Mini Factories	Current	Cogta	R3,500,000
Ndwedwe	Facilities supporting econ. dev.	Ndwedwe Reservoir 2 Upgrade	Current		R2,200,000
KwaDukuza	Other	KwaDukuza CBD Regeneration	Current	DEDT	R500,000,000
	Bulk infrastructure	Lower Thukela Bulk Water Supply Scheme	Future		R5,000,000
	Bulk infrastructure	Ozwathini Bulk Water Supply Scheme	Future		R1,620,000
KwaDukuza	Facilities supporting econ. dev.	Ushaka Shopping Mall	Future		R145,000,000
KwaDukuza	Facilities supporting econ. dev.	Blythedale Coastal Resort	Future		R2,500,000,000
KwaDukuza	Facilities supporting econ. dev.	Nonoti Resort	Future		R400,000,000
Mandeni	Facilities supporting econ. dev.	Thompsons Mall	Future	Private Investor	R100,000,000



LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
Mandeni	Facilities supporting econ. dev.	Tugela Mouth Resort Development	Future	Private Investor	R2,000,000,000
Mandeni	Facilities supporting econ. dev.	Tugela Tides Retirement Village	Future	Private Investor	R500,000,000
Mandeni	Facilities supporting econ. dev.	Thukela Lifestyle Resort	Future		R1,300,000,000
Mandeni	Facilities supporting econ. dev.	Macambini Resort	Future		
Ndwedwe	Facilities supporting econ. dev.	Compensation Industrial Node	Future		R1,000,000,000
KwaDukuza	Facilities supporting econ. dev.	Peaking Power Plants	Future		R2,000,000,000
KwaDukuza	Link / access infrastructure	Upgrade of P445	Future		R110,000,000
Ndwedwe	Link / access infrastructure	Mbambatha Heritage Route	Future	Dwaf	R5,600,000
Maphumulo	Other	Development of KwaShushu Hot Spring	Future	Cogta (Corridor Fund)	R9,000,000



4.3. MUNICIPALITY IDENTIFIED CHALLENGES

ECONOMIC DEVELOPMENT CHALLENGES IDENTIFIED BY MUNICIPAL SECTOR

- The LED practitioners interviewed in iLembe confirmed that lack of appropriate infrastructure to support economic development is one of the major challenges for economic development in this District. This is in line with the rest of the province where this was also identified as the major challenge.
- Unemployment, skills migration and land issues were further highlighted as challenges to be addressed in this district.
- It is interesting to note that the challenges relating to the implementation of LED plans did not feature in this District, whereas it was the second most mentioned challenge on a provincial level.

TABLE 4.2: MUNICIPALITY CHALLENGES

CATEGORIES OF CHALLENGES	iLEMBE		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
Infrastructure	5	29%	35	22%
Unemployment	4	24%	16	10%
Skills Migration	3	18%	15	10%
Land Issues	3	18%	17	11%
Education	1	6%	8	5%
Implementation of LED Strategy/ Plans	1	6%	22	14%
Health		0%	2	1%
Other		0%	11	7%
Planning		0%	5	3%
Recession		0%	5	3%
Rates and Services Availability and Cost		0%	9	6%
Institutional/ Communication		0%	11	7%
Legislation		0%	1	1%
TOTAL	17	100%	157	100%



4.4. ADDRESSING THE CHALLENGES

MUNICIPAL REQUIREMENTS FOR ADDRESSING THE CHALLENGES

- Nearly 50% of the proposals for addressing the challenges to economic development related to accessing funding for infrastructure development and LED implementation.
- No other approaches of note to addressing the challenges were identified.

TABLE 4.3: ADDRESSING THE CHALLENGES

REQUIREMENTS FOR ADDRESSING THE CHALLENGES	ILEMBE		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
Infrastructure/Utilities Required and Funding	5	31%	33	24%
LED and LED Funding	3	19%	33	24%
Land Issues	2	13%	10	7%
Institutional	1	6%	15	11%
Capacity Building & Skills Development	1	6%	9	7%
Planning	1	6%	8	6%
Economic Opportunities	1	6%	7	5%
Communications, Coordination & Consultation	1	6%	6	4%
Cost Of Services: Municipal Incentives	1	6%	5	4%
Policy Support		0%	11	8%
TOTAL	16	100%	137	100%

4.5. A PUBLIC SECTOR INVESTMENT PERSPECTIVE

The severe development pressure on this District in terms of rural and urban residential development, commercial development and general economic development is acknowledged and actively responded to by the public sector, and specifically local government, in the iLembe District. There is a general acknowledgement that the lack of infrastructure to support new economic development may in future be the key limiting factor in the growth of this strategic region. The pressure for development has been brought about by both historic settlement patterns and current investments in the Dube Tradeport and various residential estates along the coast.



5. A NATURAL RESOURCES OVERVIEW

5.1. INTRODUCTION

There exists a strategic link between the state of the District's natural capital, its ability to deliver ecoservices and the extent to which this provides resilience to the economy and/or makes it vulnerable. The interviews with major companies in the district confirmed that most of them (economic drivers) are ignorant of this strategic link and that they are operating under the assumption that the natural resources upon which they depend, either directly or indirectly, are infinitely available. Also, it needs to be highlighted that many economic drivers are ignorant of the societal costs caused by the generation of environmental externalities for which they are not taking responsibility. In addition to this, there are also opportunity costs as a result of lost opportunities, e.g. blue flag beach status lost or unattainable due to polluted estuaries, or viewsheds that have become compromised due to poor land management practices and which are now no longer attractive to tourists.

With the above as background this section:

- Considers the condition of the District's natural capital and the quality of related ecosystem goods and services;
- Provides an overview of ecosystem resources (including allocating a value to the ecosystem resources);
- Illustrate the ecosystem resource linkages between this District and neighbouring Districts; and
- Provides some insight into the economic opportunities and constraints emanating from the future utilisation of ecosystem resources.

5.2. CONDITIONS OF NATURAL CAPITAL AND THE QUALITY OF ECOSYSTEM SERVICES

The condition of natural capital in the iLembe District is reported on here with the aid of a number of tables and maps. The first of the tables presents a breakdown of the biodiversity value in real monetary terms in relation to the proportional contribution to the Provincial value and the surface area covered by the District. Thereafter summary tables showing the ecoservice and the land cover values are presented. These are followed by maps which illustrate this spatially with land cover being followed by ecoservices.

Ezemvelo KZN Wildlife completed an exercise, reported on in detail in the Provincial report, which used the values derived for the ecoservices produced and delivered from a variety of natural habitat types in the Province (EKZNW, 2011). The outputs of this exercise were then used to extract the value for each of the Districts and these are presented in table format below. This value for iLembe equates to 2.33% of the total value for the Province which must be considered in the context of the District making up 3.46% of the Province's surface area. It must be noted that these figures provide an indicative value for the District having been derived from figures at a Provincial scale. Any assumptions and related errors made at the Provincial scale are therefore somewhat greater at the District level. A more refined exercise would need to be done for each District in order to provide a more accurate picture.



TABLE 5.1: NATURAL HABITAT TYPES

HABITAT TYPE	ECOSERVICE VALUE
Coastal and dune vegetation	R 67 390 908
Coastal grassland and thickets	R 247 676 478
Estuaries and mangroves	R 214 475 329
Forests	R 53 873 693
Grasslands	R 214 319 334
Nearshore environments and reefs	R 619 713 033
Riparian and floodplain veg and swamp forests	R 439 506 820
Sandy beach, rocky shores and surf zone	R 35 821 689
Savannas	R 469 232 438
Wetlands	R 139 529 727
Rivers	R 982 282 307
TOTAL	R 3 483 821 760

In addition to the information provided above this discussion is supported by the two tables provided below and which illustrate the quantitative distribution of ecoservice score categories and land cover types respectively. The two maps that follow provide a spatial illustration of these values and features.

TABLE 5.2: ECOSERVICE CATEGORY SCORES

Extent of cover	ECOSERVICE CATEGORY SCORES									
	-3	-2	-1.5	-1	-0.5	0	1	1.5	2	3
Hectares	179	90740	3195	283	4933	141	1753	51937	157984	0
%	0.05%	27.76%	0.98%	0.09%	1.51%	0.04%	5.36%	15.89%	48.32%	0.00%

iLembe has the third lowest proportion of cover on the positive side of the ecoservice scores of the 11 Districts and the with the split between the positive and negative being 70/30. The significant aspect of this is that the bulk of the negative score allocation, i.e. almost 28%, is at -2 which indicates a significant implication in terms of the loss of ecosystem goods and the production and delivery of dis-services. Most of the land cover transformation relates to agriculture and more specifically sugar cane plantations, which are concentrated along the coastal belt.

Almost 50% of the District is considered untransformed natural cover which relates to the 48% of the surface area which has an ecoservice score of +2. Immediately adjacent to this portion of the District are areas within the uMgungundlovu and uMzinyathi Districts that carry commercial sugar plantations. These areas are distributing related externalities into the untransformed natural cover of the iLembe District. This natural cover is thus playing an extremely crucial role in absorbing and attenuating these externalities to some degree. In the absence of this cover, or if it is allowed to be transformed and/or degrade in any way, this buffer effect will be lost and societal costs will increase significantly.

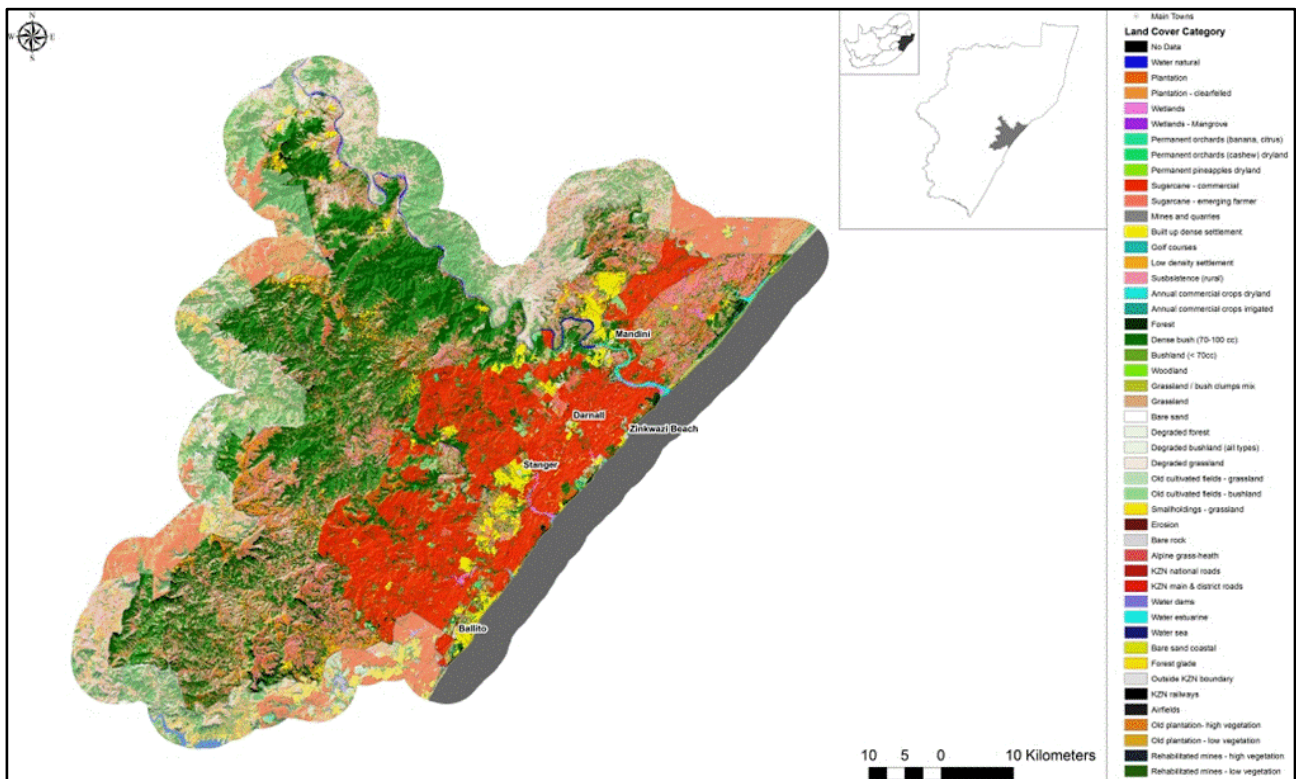


TABLE 5.3: LAND COVER CATERGORY

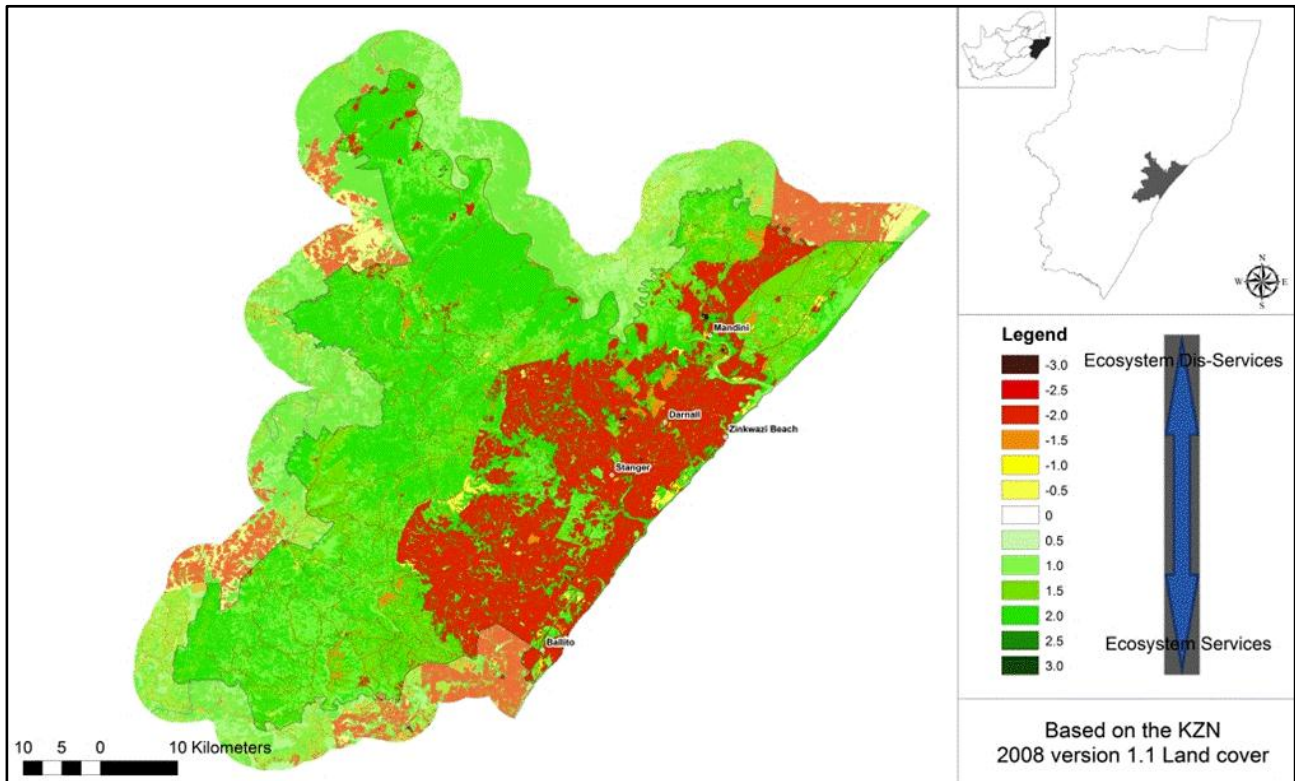
LAND COVER CATEGORY	% COVER
Natural - freshwater	0.73%
Natural - marine	0.28%
Natural terrestrial	49.27%
Natural terrestrial degraded	3.95%
Agriculture - active including commercial and subsistence	34.53%
Agriculture - fallow including commercial and subsistence	0.58%
Mining	0.04%
Settlement (including recreation and infrastructure)	10.62%

The significance of the above is of particular relevance when considering the proportion of land cover that falls under settlement. iLembe, together with eThekweni and Ugu, has the greatest proportion of land cover under this category, i.e. they are the most densely populated Districts in the Province. In addition to the externalities and loss of ecoservices and production of dis-services from settlement areas, these are vulnerable to the ramifications of land cover changes discussed above.

MAP 5.1: ILEMBE DISTRICT LAND COVER



MAP 5.2: ILEMBE DISTRICT POTENTIAL TO DELIVER ECOSYSTEM GOODS AND SERVICES



5.3. ECOSYSTEM RESOURCE LINKAGES

iLembe is unique in relation to the other five coastal Districts in that its links to the Drakensberg are not as clear as the others. The primary ecosystem linkage is the Mvoti River which has its source in the uMzinyathi District in the vicinity of Greytown and the Karkloof which are in the midlands of the Province. However, much of its northern boundary is the uThukela River which does enter and flows through the District for the last approximately 30 kilometres of its journey to the sea. The other important linkage forms a portion of the District’s southern boundary and that is the Mdloti River which flows into the Hazelmere Dam. The rest of this southern boundary then follows the watershed between this system and the uMngeni. Although the link with the Drakensberg is not as marked as the others, water still plays a crucial role in defining the value of the ecosystem linkages in this District.

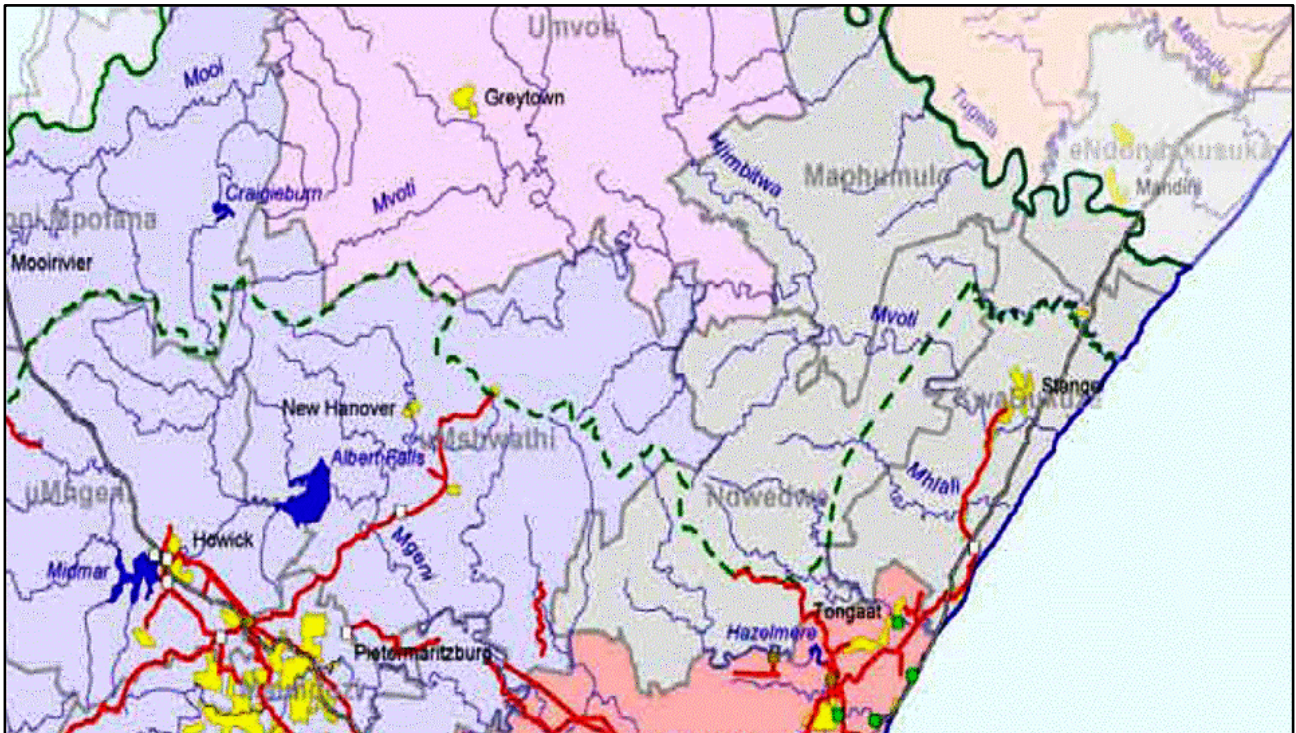
Inserted below is an extract from the DWA (2009) water reconciliation study done for the KZN coastal metropolitan areas which includes iLembe. In this extract the uThukela and Mvoti systems can be seen, while the Mdloti system is identifiable by virtue of the Hazelmere Dam just to the south west of Tongaat. The District boundary can be picked up in this map if one follows the portion that is to the north of the uThukela River as it enters the reconciliation study area. It then joins the eThekweni boundary where the latter is shown in pink.

The relevance of these observations are that the District is relatively less vulnerable than the others to unsustainable land management practices in neighbouring areas, and it can influence the quality of these systems more so than the other coastal Districts. This observation is borne out through the spatial data provided by the national Dept. of Environmental Affairs (DEA) Directorate of Natural Resource

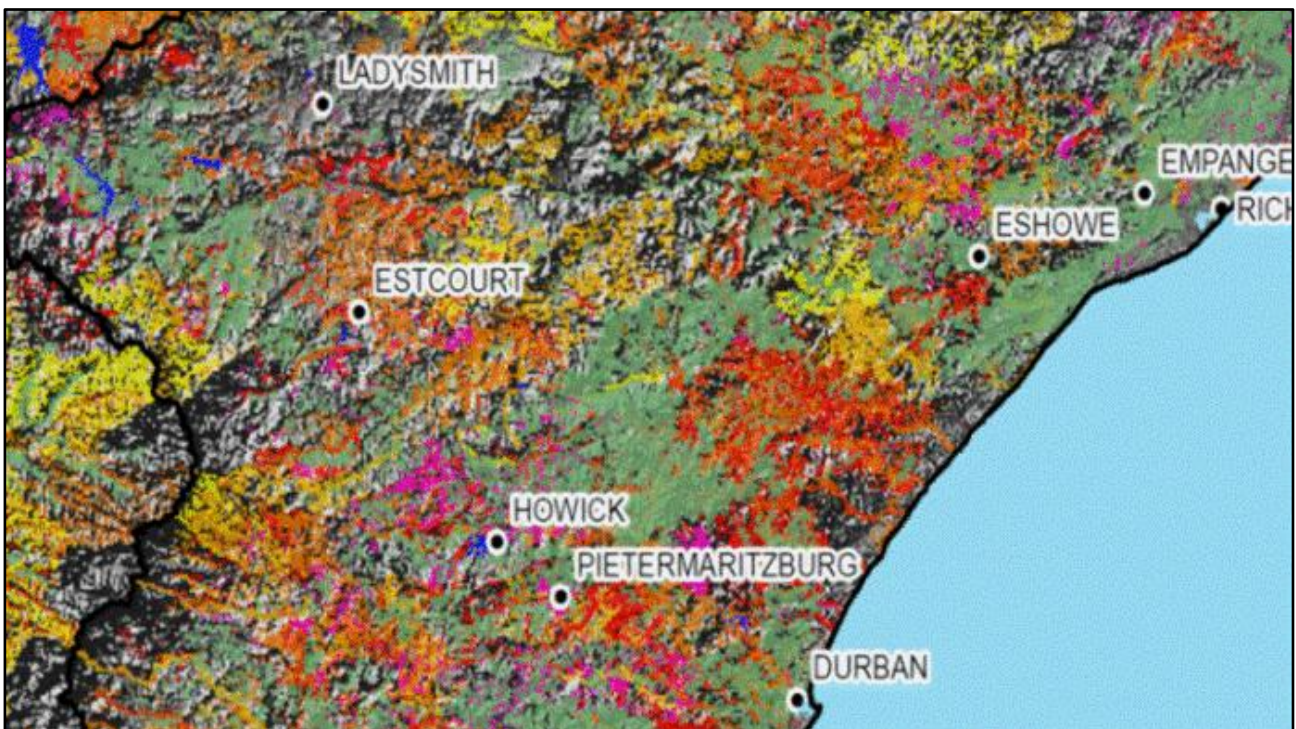


Management (NRM) as illustrated in the next figure. This figure is an extract from a national map which illustrates the spread of alien invasive plants in the country. From this it can be seen that this problem is relatively isolated within iLembe limited influences from upstream sources. Therefore, iLembe has a much greater chance of controlling alien invasive plants than its coastal neighbours.

MAP 5.3: AN EXTRACT FROM THE DWA KZN WATER RECONCILIATION STRATEGY ILLUSTRATING THE AQUATIC ECOSYSTEM LINKAGES RELEVANT TO ILEMBE

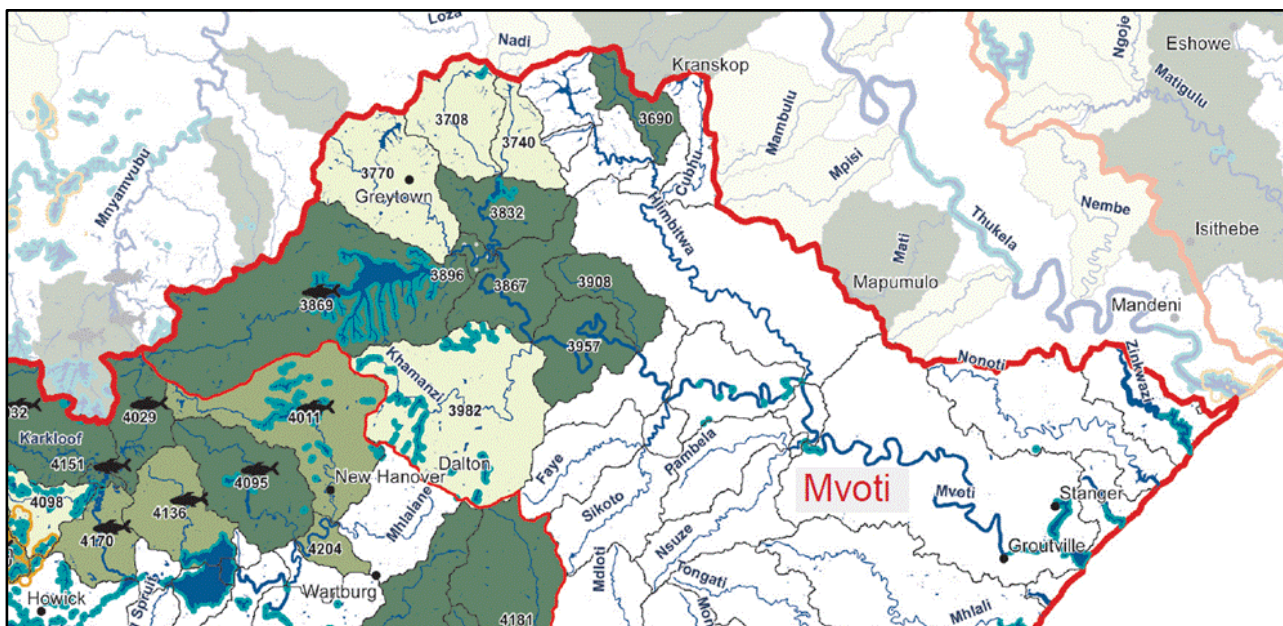


MAP 5.4: AN EXTRACT FROM THE DEA NRM NATIONAL MAP OF ALIEN INVASIVE PLANT INFESTATIONS AS OF 2011 ILLUSTRATING THE ISOLATED CONCENTRATION OF INFESTATION WITHIN ILEMBE



Despite iLembe’s relative independence of neighbouring Districts, the Mvoti River system’s source in the Karkloof and the fact that it flows through the Mvoti Wetland near Greytown, does indicate an important ecosystem linkage that goes beyond iLembe’s boundaries, and which does require co-operative efforts to ensure maintenance of this natural capital. Work carried out by the CSIR, the Water Research Commission and the South African National Biodiversity Institute (SANBI) produced a series of maps for each of the country’s water management areas (WMA) which highlight fresh water ecosystem priority areas, i.e. National Freshwater Ecosystems Priority Areas (NFEPA) (CSIR, 2010). An extract from the map for the Mvoti to Umzimkulu WMA is provided below as a further illustration of the linkages between iLembe and uMzinyathi.

MAP 5.5: AN EXTRACT FROM THE NFEPA MAP SHOWING THE LINK BETWEEN THE KARKLOOF AND MVOTI VLEI IN UMZINYATHI AS IT FLOWS INTO ILEMBE



Source: CSIR, 2010

As already stated in Section 5.2 the untransformed portion of iLembe is strategically positioned between the transformed portions of uMgungundlovu and uMzinyathi and the transformed portion along the coast in iLembe. This portion of the District is currently playing a crucial role to absorb and minimise the externalities emanating from the neighbouring transformed areas. This point is reiterated here within the context of ecosystem connectivity as it is crucial that the integrity of this area is maintained and even improved in order to ensure that these vital ecoservices are sustained. It must be noted though that this portion of land is primarily under communal land tenure which includes a significant portion of subsistence agriculture which translates into a loss of natural capital integrity. It can therefore not be taken for granted that the absorption and mitigation role suggested here, is being fulfilled to any substantial measure.

5.4. THE RESILIENCE OR VULNERABILITY OF ECONOMIC DRIVERS AND THE OPPORTUNITIES AND CONSTRAINTS TO GROWTH

As discussed in Section 3.12 the primary economic drivers in the District are as follows:

- Agriculture:
 - Farming relating to various agricultural commodities, but primarily sugar cane and timber;
- Manufacturing :
 - Processing of agricultural products
 - Manufacturing of equipment / metal products
- Tourism:
 - Established large scale tourism facilities.

This discussion provides an indication of the extent to which these drivers are facing constraints as a result of the condition of the District's natural capital, or if there are related opportunities. The extent to which there are constraints translates into vulnerability, whereas opportunities suggest resilience.

For more detail see annexure B.



6. FINDINGS AND RECOMMENDATIONS

6.1. CORE FINDINGS

The iLembe District has been experiencing strong population and economic growth over the past two decades both as a result of urbanisation and a unique set of economic opportunities. The economic growth has, however, not kept pace with the population growth and whilst the population growth has been centred around KwaDukuza (Stanger) and the Groutville area, the economic growth has primarily been in Ballito and surrounding areas.

The interviews with larger businesses confirmed that the major concentration of economic activity is around Isithebe, Stanger and Ballito. Agriculture is the dominant land use in the coastal strip, whereas the rural hinterland is dominated by traditional settlement areas. At present the economic linkages between the coastal strip and the traditional settlement areas appears to be limited. The District and Local Municipalities intends to strengthen these linkages by upgrading key transport corridors.

The public sector, on both a district and local municipality level, is undertaking spatial planning in preparation for receiving the large private sector investment anticipated to result from the establishment of the Dube Tradeport and the King Shaka International Airport. This includes planning for the development of further residential estates, industrial estates and business parks. The strengthening of the coastal and hinterland tourism products are also receiving attention.

6.2. A CHANGING SPATIAL ECONOMIC DEVELOPMENT STRUCTURE

Key spatial economic features of the municipality to be considered in future provincial spatial economic planning include:

- The District is located centrally on the eThekweni-Umhlathuze Primary Economic development corridor which have been identified and supported in spatial planning policies for more than a decade.
- Isithebe, despite being created in terms of the failed decentralisation policies of the apartheid government, still appears to be a vibrant industrial estate with new companies locating in the node together with other larger established companies.
- The spatial focus for new development is currently on the southern portions of the District with direct linkages to the successful developments of Durban North and the Dube Trade Port. It is anticipated that development pressures in terms of land will be highest in these areas over the next decade.
- The “separation” between the developed coastal strip and the underdeveloped rural hinterland is strong and with the economy of the area set to grow it is anticipated that development in rural areas closest to the coastal strip will continue to densify at a rapid pace.
- The “tension” between the various land uses will in future contribute to shaping spatial development, viz. (1) the take up of high potential sugar cane (agriculture) land for low density residential developments, (2) the potential conflict between tourism on the coast and the introduction of major industrial development areas, and others.



6.3. RECOMMENDATIONS ON GOVERNMENT INTERVENTIONS

6.3.1. SUPPORT CATALYTIC PROJECTS

Facilitate further initiatives around the established economic drivers and support the establishment of new (or as a first step confirming the potential impact of those drivers). The identified and potential drivers are reflected on the diagrams overleaf.

6.3.2. PLAN FOR LONG TERM GROWTH

Government should support planning for the long term growth of the economy of the area. This long term planning should include:

- A clear indication of the opportunities for specifically future large scale industrial development;
- The identification of boundaries for urban expansion and development ensuring adequate provision is made for residential, as well as tourism development;
- An indication of how the economic growth on the coastal strip can be better integrated with rural development to support job creation and business development in these regions of the District.



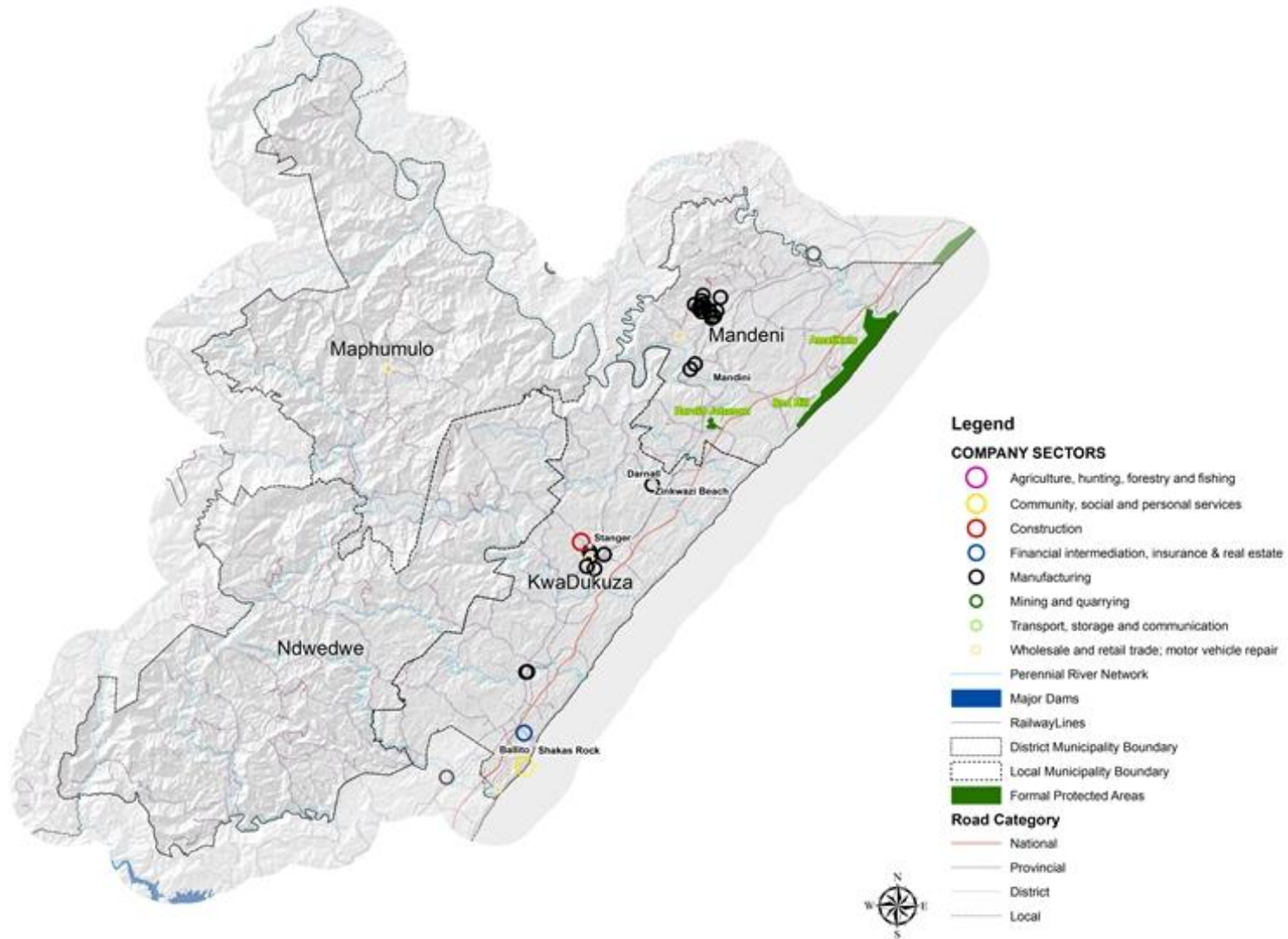
DIAGRAM 6.1: ILEMBE ECONOMIC DRIVERS

ECONOMIC DRIVERS		CERTAIN DRIVER	POSSIBLE DRIVER	UNCERTAIN
COMPANIES / SECTOR	Company	Hesto Harnesses, Whirlpool, Sappi, Sasko, Fairmont Zimbali etc		
	Sector/Sub-sector/Cluster	Agri-processing Tourism/Property Development Manufacturing		
DEVELOPMENTS	Strategic Developments	North Coast Vineyards Various Residential Estates Macambini Resort	Bhamsela Town Regeneration Ndwedwe Mini Factories KwaDukuza CBD Revitalisation Mbambatha Heritage Route KwaShushu Hot Spring Ndwedwe Village Redevelop	Thomsons Mall Blythedale Coastal Resort Nonoti Resort Tugela Mouth Resort Thukela Lifestyle Resort Tugela Tides Retirement
	Supporting Facility	Agric processing hub incubator		
INFRASTRUCTURE	Special Economic Zones	Ushaka Shopping Mall Compensation Industrial Node		
	Link Infrastructure	Upgrade of P445	P711 Maphumulo – airport link road	
	Other Infrastructure	Peaking Power Plant	Various bulk + res water	

Key to text colours: Green = established / Orange = partially established / Red = Concept



ANNEXURE A: ILEMBE DISTRICT - COMPANY DISTRIBUTION BY SECTOR IN LOCAL MUNICIPALITIES



LIST: COMPANY DISTRIBUTION IN LOCAL MUNICIPALITIES

COMPANY NAME	LOCAL	PRODUCT CATEGORY
Alberlito Netcare Hospital	KwaDukuza	Medical Services
Boxer Cash & Carry	KwaDukuza	Retail
Caronessa Industrial cc	KwaDukuza	Polypropylene Bags
Comprop	KwaDukuza	Property Services
Dolphin Coast Waste Management	KwaDukuza	Waste Management Services
Fairmont Zimbali Resort	KwaDukuza	Tourism Accommodation +
Glendale Distilling Company	KwaDukuza	Cane Spirit
Hesto Harnesses	KwaDukuza	Harnesses
Impact Engineering cc	KwaDukuza	Steel Products
Impilo Drugs (Pty) Ltd	KwaDukuza	Medicines
KwaDukuza Spar	KwaDukuza	Retail
Kwa-Linda Estate	KwaDukuza	Sugar and Related
Lifestyle Superspar Ballito	KwaDukuza	Retail
Magic Tissues Pty LTD	KwaDukuza	Tissue Products
Princess Grant Coastal Golf Estate	KwaDukuza	Residential Accommodation
Rapid Builders and Constructors cc	KwaDukuza	Construction Services
Romac Farms	KwaDukuza	Agricultural Commodities
Sappi Paper and Paper Packaging - Stanger Mill	KwaDukuza	Paper and Pulp
Sasko Stanger	KwaDukuza	Bread and Confectionary
SSI - Ilembe	KwaDukuza	Engineering Consulting
Tailormade Joinery	KwaDukuza	Timber Products
Tongaat Hulett's Darnall Mill	KwaDukuza	Sugar and Related



COMPANY NAME	LOCAL	PRODUCT CATEGORY
Tongaat Hulett's Sugar - Maidstone Mill	KwaDukuza	Sugar and Related
Zimbali Coastal Resort	KwaDukuza	Residential Accommodation
Associated Spinners	Mandeni	Textiles
Chin Lung Electron	Mandeni	Electric Goods
De Grande Windows and Doors	Mandeni	Timber Products
Evernu Plastics	Mandeni	Plastic Products
Forgeweld	Mandeni	Engineering for Industry
Inkunzi Foundry (Pty) Ltd	Mandeni	Metal Products
Isolite Moulding (PTY) LTD	Mandeni	Insulation Packaging
ITB Manufacturing	Mandeni	Plastic Products
Lufil Packaging (Pty) Ltd	Mandeni	Packaging Products
Metso Minerals (South Africa) Pty Ltd	Mandeni	Equipment Manufacturing
Nampak Liquid	Mandeni	Packaging Products
Niran Clothing Manufacturers (Pty) Ltd	Mandeni	Clothing
Okapi South Africa (Pty) Ltd	Mandeni	Metal Products
Oyster Plastics (Pty)Ltd	Mandeni	Plastic Products
Renckens Spar	Mandeni	Retail
RHI Isithebe (Pty) Ltd.	Mandeni	Refractories
Rosati Manufacturing cc	Mandeni	Metal Products
Sappi Kraft (pty) ltd - Tugela Mill	Mandeni	Paper and Board
Whirlpool SA	Mandeni	White Goods
Zikiza Joinery cc	Mandeni	Timber Products
KwaMaphumulo Spar	Maphumulo	Retail



ANNEXURE B: ECONOMIC DRIVERS AND THE ENVIRONMENTAL OPPORTUNITIES AND CONSTRAINTS TO GROWTH

RETAILERS – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Embrace the opportunities inherent in the 'green economy' in terms of; <ul style="list-style-type: none"> ○ Ensuring that their own operations are sustainable, and ○ Offering products and services that meet the objective of the development of a 'green economy'. ▪ Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits. ▪ Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province's natural capital to increase resilience and decrease vulnerability. 	<ul style="list-style-type: none"> ▪ Increasing operating costs based on the increasing costs of accessing potable water. ▪ Infrastructure failure due to flood damage resulting in transportation limitations for the movement of stock as well as the inability of staff to get to work. ▪ Increased staff sick leave due to increasing health problems related to water quality issues. ▪ Increased costs of imports and exports through the Durban Harbour through increased costs associated with Transnet having to invest more in dredging sediments and managing water quality problems. ▪ Limits to growth due to current levels of over-exploitation of natural capital and increased value of that which remains untransformed.

BANKING AND FINANCIAL SERVICES – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Embrace the opportunities inherent in the 'green economy' in terms of; <ul style="list-style-type: none"> ○ Ensuring that their own operations are sustainable, and ○ Offering products and services that meet the objective of the development of a 'green economy'. ▪ Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits. ▪ Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province's natural capital to increase resilience and decrease vulnerability. ▪ Ensure the integration of sustainability principles in to developments through insisting on full risk assessment and sustainable management in all development funding applications 	<ul style="list-style-type: none"> ▪ Failure to understand the risk that depleted natural capital places on the sustainability of developments increases the risk associated with the financing of such. ▪ Failure to embrace the need to engage with the 'green economy' will result in lost marketing benefits as well as increased operating costs. ▪ Financing un-sustainable developments.



MANUFACTURING – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Emergence of the green economy presents an abundance of new technology that can assist manufacturing plants to become more efficient and sustainable. ▪ Sustainable operations offer improved marketing profiles that provide a competitive advantage. ▪ Reduced operational footprint in terms of energy, water and waste will increase the lifespan of manufacturing operations. 	<ul style="list-style-type: none"> ▪ Declining access to water of an adequate quality. ▪ Reduced water quantity decreases systems ability to dilute manufacturing related effluents and increases the risk of liabilities. ▪ Reduced catchment integrity increases the risk of flooding for those manufacturing plants adjacent to large systems like the uThukela. ▪ Agri-processing plants are vulnerable to declining productivity associated with unsustainable farming practices. ▪ Movement of processed goods is dependent on the absence of flood damage to the many river crossings, either moving north to Richards Bay or south to eThekweni. The loss of catchment integrity in the inland sections of the District, as well as in uMgungundlovu and uMzinyathi, places this infrastructure at increased risk.

PETROLEUM COMPANIES – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Off-set impacts emanating from the off-shore buoy on the marine and coastal environment by investing in conservation projects of equal or greater value than the damaged that has been caused in the past and that could be caused in the future. Such conservation projects should be directly related to the enhancement of natural capital capacity to deal with potential spillages from this facility. ▪ Invest in R&D associated with alternative and renewable energy generation. ▪ Invest in technologies that ensure that all externalities from the refining process are internalised. 	<ul style="list-style-type: none"> ▪ The predicted impacts of climate change, particularly the rise in sea level and an increased occurrence of extreme weather events increases the vulnerability of the off-shore buoy and the position of the refineries. ▪ Road and rail routes are vulnerable to extreme weather events which have the potential of disrupting the distribution of petroleum products. To a certain extent, the NMPP may also be compromised if the crossing of drainage lines has not been sufficiently adequate to ensure no damage during times of flooding. ▪ Increased awareness of the environmental externalities associated with the production and use of petroleum products especially if this sector continues to drive ‘business as usual’.



AGRI-PROCESSING – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Embrace the opportunities inherent in the ‘green economy’ in terms of; <ul style="list-style-type: none"> ○ Ensuring that their own operations are sustainable, and ○ Offering products and services that meet the objective of the development of a ‘green economy’. ▪ Engage with agencies that promote sustainability and enhance operational efficiencies which will reduce operating costs while providing marketing benefits. ▪ Collectively put pressure on the relevant provincial government agencies to enhance the condition of the province’s natural capital to increase resilience and decrease vulnerability. 	<ul style="list-style-type: none"> ▪ Increasing operating costs based on the increasing costs of accessing potable water. ▪ Infrastructure failure due to flood damage resulting in transportation limitations for the movement of stock as well as the inability of staff to get to work. ▪ Increased staff sick leave due to increasing health problems related to water quality issues. ▪ Increased costs of imports and exports through the Durban Harbour through increased costs associated with Transnet having to invest more in dredging sediments and managing water quality problems. ▪ Limits to growth due to current levels of over-exploitation of natural capital and increased value of that which remains untransformed.

AGRICULTURE – OPPORTUNITIES AND CONTRAINTS

OPPORTUNITIES	CONSTRAINTS
SUGAR	
<ul style="list-style-type: none"> ▪ Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants, reclamation of wetlands, and natural rehabilitation of soils, i.e. reinstating the organic matter content. ▪ The removal and rehabilitation of areas currently under unpermitted plantations. ▪ The release of water, previously consumed by plantations, to alternative uses (including the ecological reserve) downstream, especially estuaries. ▪ Through the introduction of more sustainable operations, agro-chemical loads leached into river systems will decline. ▪ Decreased production costs through the implementation of sustainable farming principles. ▪ Improved marketing opportunities through association and implementation of sustainable farming programmes. 	<ul style="list-style-type: none"> ▪ Unsustainable change to natural soil characteristics, e.g. loss of nutrients, loss of soil fauna, change in chemical composition and structure, leading to the loss of opportunities for alternative productive land use and rehabilitation potential. ▪ Upstream water reduction activities, i.e. timber and sugar plantations, are placing constraints on downstream capacity for economic expansion. ▪ Stream reduction decreases dilution capacity of river systems and therefore exacerbates downstream water quality issues which translates into increased health risks and treatment costs. ▪ Reduced water quantity limits downstream abstraction opportunities. ▪ Increased sediment loads from cleared compartments and road networks resulting in loss of natural capital integrity. ▪ No further land available for expansion of the industry.



OPPORTUNITIES	CONSTRAINTS
TIMBER	
<ul style="list-style-type: none"> ▪ Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants. ▪ The removal and rehabilitation of areas currently under unpermitted plantations. ▪ The release of water, previously consumed by plantations, to alternative uses (including the ecological reserve) downstream. 	<ul style="list-style-type: none"> ▪ Unsustainable change to natural soil characteristics by timber species, e.g. loss of nutrients, loss of soil fauna, change in chemical composition and structure, leading to the loss of opportunities for alternative productive land use and rehabilitation potential. ▪ Upstream water reduction activities, i.e. timber plantations, are placing constraints on downstream capacity for economic expansion. ▪ Stream reduction decreases dilution capacity of river systems and therefore exacerbates downstream water quality issues which translates into increased health risks and treatment costs. ▪ Reduced water quantity limits downstream abstraction opportunities. ▪ Increased sediment loads from cleared compartments and road networks resulting into loss of water storage capacity in downstream raw water storage and reticulation systems. ▪ No further land available for expansion of the industry – closed catchment.
LIVESTOCK (primarily cattle on extensive natural pastures)	
<ul style="list-style-type: none"> ▪ Sustainability certification increasingly required by retail outlets provides livestock farmers with an opportunity to enhance the marketability of their products. ▪ Extensive livestock farming is the land use that is most compatible with biodiversity conservation which provides opportunities for recognition for sustainable practices through the KZN Stewardship Programme. ▪ Extensive livestock farming provides a landscape that is conducive to tourism and with many such farms being in close proximity to the uKhahlamba Drakensberg Park, favourable marketing opportunities are present. ▪ This land use has the least impact on the potential for the delivery of ecoservices and farmers can market these to consumers to substantially increase the revenue that can be earned from their land, e.g. sale of watershed services, carbon storage, access to genetic material, etc. 	<ul style="list-style-type: none"> ▪ The only constraints that are imposed on the livestock farmers are those created by themselves through the implementation of unsustainable land use practices such as overstocking and the injudicious use of fire as a management tool. ▪ Directly related to the above is a loss of land cover integrity which predisposes the land to alien plant infestations. ▪ However, even the best managed properties are impacted by alien invasive plants and collaborative efforts are required eradicate these.



OPPORTUNITIES	CONSTRAINTS
DAIRY	
<ul style="list-style-type: none"> ▪ Generation of energy from waste, e.g. biogas. ▪ Rural nature of the operation lends itself to a diversification through the introduction of farm-based tourism opportunities. ▪ Enhanced operation efficiencies lend themselves to recognition and certification thus providing improved marketability and access to discerning and sustainable markets 	<ul style="list-style-type: none"> ▪ Reduced access to water for irrigation of pastures as well as for the milking process through the loss catchment integrity. ▪ Potential liability for impacts on water quality downstream of farm based on the leaching of agro-chemicals from irrigated pastures, as well as from the dairy operations themselves, i.e. eutrophication.
COMMERCIAL CROPS (Irrigated and dryland)	
<ul style="list-style-type: none"> ▪ Job creation through natural capital restoration work, particularly regarding the eradication of alien invasive plants, reclamation of wetlands, and natural rehabilitation of soils, i.e. reinstating the organic matter content. ▪ The removal and rehabilitation of areas currently under unpermitted crops. ▪ The release of water, previously consumed by crops, to alternative uses (including the ecological reserve) downstream. ▪ Through the introduction of more sustainable operations, agro-chemical loads leached into river systems will decline. ▪ Decreased production costs through the implementation of sustainable farming principles. 	<ul style="list-style-type: none"> ▪ Access to water through reduced catchment integrity upstream of farms. ▪ Loss of arable land through accelerated erosion and the spread of alien invasive plants. ▪ Reduced soil fertility through excessive crop production leading to a reduction in productivity and increased operating costs. ▪ Reduced water holding capacity of the soil due to unsustainable farming practices
SUBSISTENCE AGRICULTURE	
<ul style="list-style-type: none"> ▪ Carefully selected portions of Ingonyama Trust land which have the potential to support both subsistence and small holder commercial production. ▪ The high levels of unemployment need to be converted into high levels of occupation related to food production, processing and marketing. ▪ The enhancement of current communal land management systems by introducing value to different types of land use (PDA). ▪ Well managed communal lands will present an attractive landscape that has the potential to host a variety of tourism operations, e.g. the Umgano Project. 	<ul style="list-style-type: none"> ▪ Communal tenure and unplanned land allocation systems. ▪ Concentration of existing subsistence agriculture and settlement activities within inappropriate locations, e.g. wetlands and flood plains. ▪ Poor land use practices leading to accelerated soil loss, the spread of alien invasive plants and the loss of natural capital. ▪ The overriding cultural significance of the cultural value of livestock which prevents sustainable management thereof with resultant over-grazing and associated impacts.



TOURISM – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Environmental accreditation programmes such as the ‘Blue Flag Beach’ programme offers significant benefits by acting as an added attraction to a market that is becoming increasingly aware of environmental issues and standards. ▪ Reinstate natural capital along the coastline such as dune, flood plain and estuarine vegetation to increase the diversity of attractions and the resilience of the coastline and associated infrastructure. 	<ul style="list-style-type: none"> ▪ The coastline has been significantly transformed by linear urban development and has lost much of natural features which cause the loss of appeal and well as increased vulnerability to extreme weather events. ▪ The concentration of industry, commerce and residential developments along the coast and rivers increases the threat of water quality issues and the loss of tourism revenues. ▪ Unchecked land transformation and degradation continues to impact on catchment integrity with resultant loss of watershed services and reduced viability for the maintenance of standards required to meet accreditation standards. ▪ Predicted climate change related impacts such as the rise in sea level and increased incidents of extreme weather events places significant constraints on both existing and potential new tourism infrastructure.
OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ Proximity to the uKhahlamba Drakensberg Park World Heritage Site. ▪ Linkages with Lesotho through the Maloti Drakensberg Transfrontier Project and the Maloti Drakensberg Route. ▪ The bulk of the landscape still untransformed or hosting agricultural activities which lend themselves to an aesthetic appeal for a diversity of tourism attractions. ▪ Extreme topography, clean air and relatively clean water make the area attractive to major sporting events such as the Drak Challenge and the Sani2Sea. ▪ Cultural Heritage features such as the Reichenau Mission add to the diversity of attractions. 	<ul style="list-style-type: none"> ▪ Unsustainable land management outside of the uKhahlamba Drakensberg Park World Heritage Site quickly reduces the quality of natural capital and its ability to deliver ecoservices such as clean water. ▪ The virulent spread of alien invasive plants. ▪ Cross-border crime detracts from an enabling and attractive environment to accommodate tourism activities and operations.



GOVERNMENT – OPPORTUNITIES AND CONTRAINTS

OPPORTUNITIES	CONSTRAINTS
<ul style="list-style-type: none"> ▪ The application of NRM and EPWP (Extended Public Work Programme) funds to address threats to natural capital integrity such as the eradication of alien invasive plants and the restoration of erosion gullies, thus generating ‘green jobs’. ▪ The creation of an enabling environment for and facilitating the implementation of green technologies such as rain water harvesting and biogas generation for both disadvantaged communities as well as commercial operations. ▪ Increased ability to deliver basic services through improved condition of natural capital and the delivery of ecoservices such as clean water, increased winter base flows, reduced flood risk, access to medicinal plants natural building material and fuel wood. ▪ Decreased health risks through improved catchment integrity as discussed above, as well as improved air quality. 	<ul style="list-style-type: none"> ▪ Local government capacity in terms of natural capital management. ▪ Limited cooperative governance capacity required across local government boundaries, across Depts. as well as across sectors. ▪ The virulent spread of alien invasive plants. ▪ Unsustainable land use practices that dominate the District. ▪ Cross-border crime, primarily the theft of livestock places this land use in jeopardy and in danger of being replaced by more unsustainable options, as well as impacting on tourism and sound natural capital management.

MINING - OPPORTUNITIES AND CONTRAINTS

OPPORTUNITIES	CONSTRAINTS
IDWALA CARBONATES	
<ul style="list-style-type: none"> ▪ The mine has the opportunity of engaging with upstream land owners and users with a view to improving catchment integrity that will increase winter base flow in both river systems and decrease potential liability from pollution caused by storm water runoff from their site. 	<ul style="list-style-type: none"> ▪ Loss of catchment integrity upstream from their operation makes them vulnerable to flooding considering their position immediately adjacent to and within the floodplain for the Umzimkulwana River. ▪ Close proximity to the mouth of the river system increases the risk of liability for water quality issues associated with their operations. ▪ The loss of riparian vegetation translates into the loss of an important buffer between their operations and the river.

