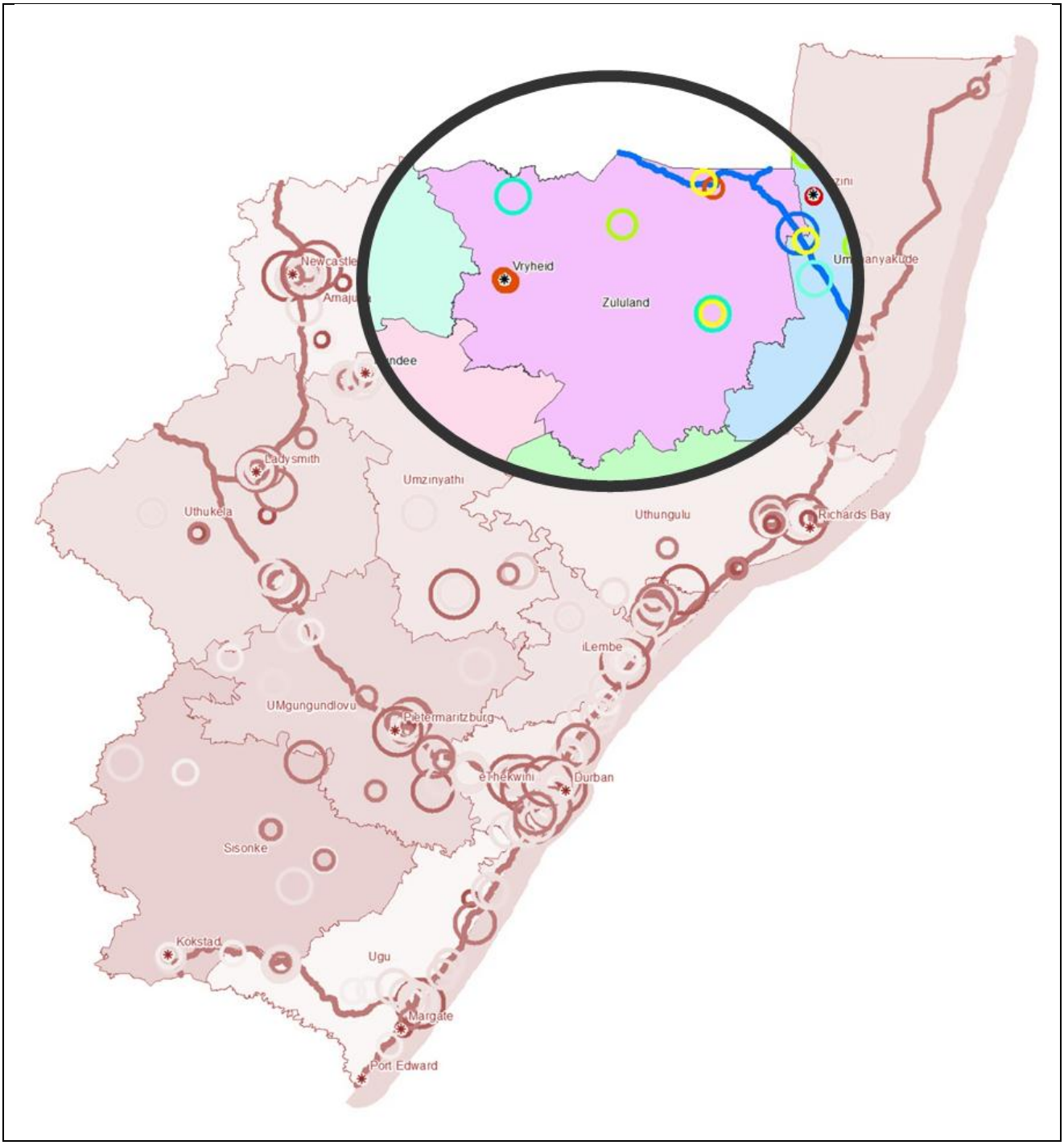
KZN PSEDS

PROFILING DISTRICT ECONOMIC DRIVERS



ZULULAND DISTRICT MUNICIPALITY

A SPATIAL ECONOMIC OVERVIEW

MARCH 2012

KZN DEPARTMENT OF ECONOMIC DEVELOPMENT & TOURISM
PROFILING DISTRICT ECONOMIC DRIVERS

PHASE 5 - SPATIAL ECONOMIC OVERVIEW
ZULULAND DISTRICT MUNICIPALITY

MARCH 2012

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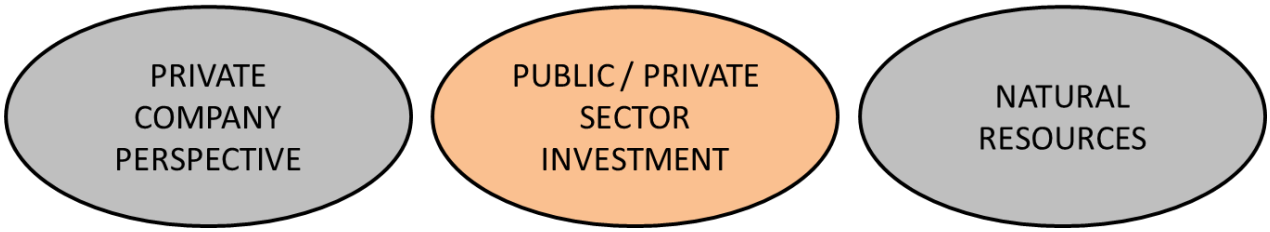
1. BACKGROUND AND APPROACH

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 eThekwini 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

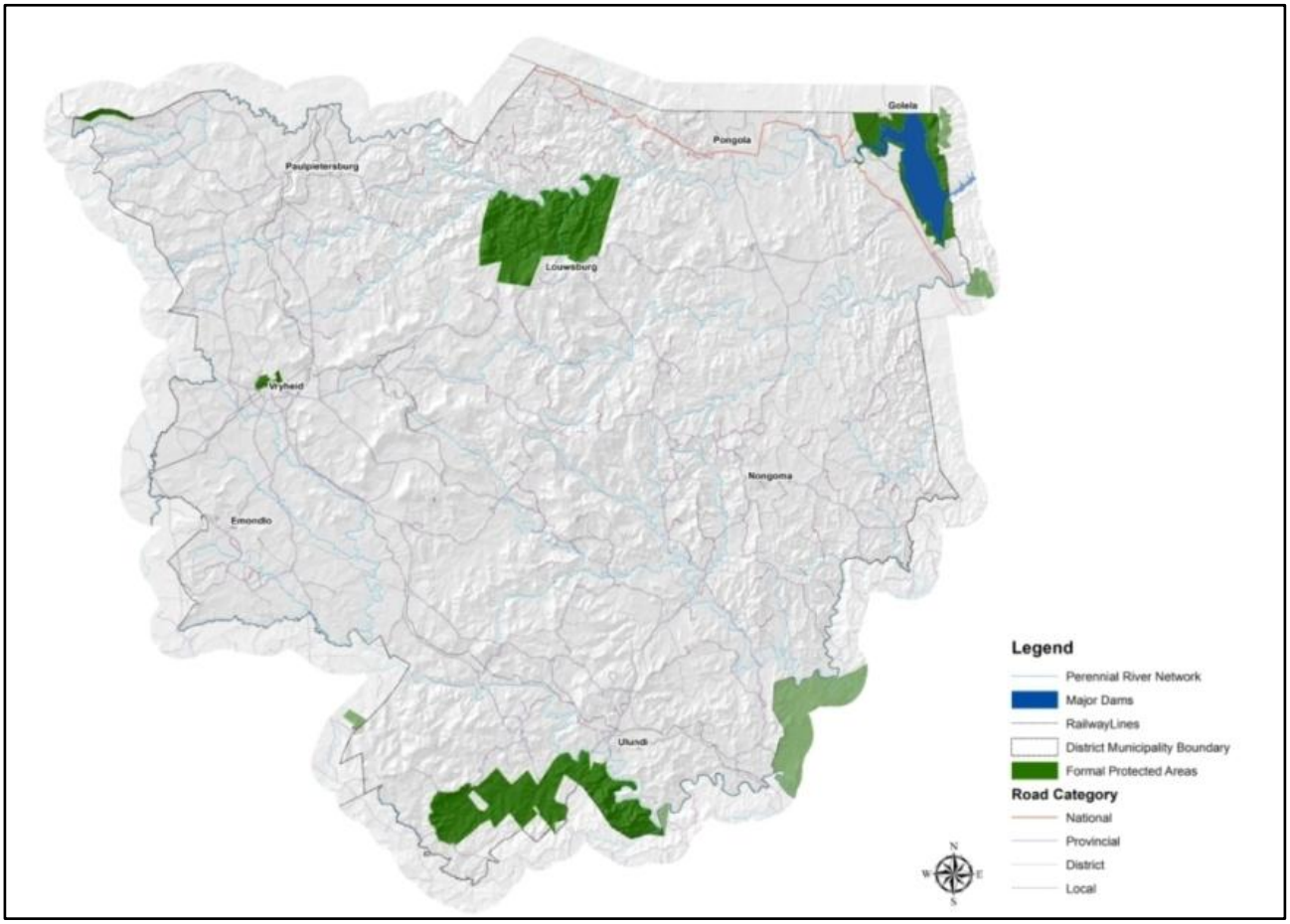
2.2. SPATIAL ECONOMIC FEATURES

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

- Zululand includes five local municipalities, viz. Nongoma, Ulundi, Abaqulusi, eDumbe and uPhongolo. Of the approximately one million people in the municipality more than 50% resides in Nongoma and Ulundi in mainly traditional settlement areas (Ulundi town being the one exception).
- The Ulundi and Nongoma Municipalities are regarded as two of the poorest rural municipalities in South Africa.
- In terms of land-use the District is divided nearly equally between commercial agriculture (west and north) and traditional settlement areas (mainly to the east).
- Historically the Zululand District has been isolated, in some respects referred to as a *cul-de-sac*, because of limited linkages to both the coast and the north. This relative isolation is being addressed by the development of the P700/701 rural link road between Ulundi and Empangeni, the establishment of a surfaced link road between Nongoma and Hlabisa, and the current (albeit delayed) construction of the link road between Nongoma and uPhongolo.
- Within the Zululand District Municipality key road infrastructure includes:(1) the N2 stretching from Piet Retief through Pongola south towards Richards Bay, (2) the R33 entering Zululand north of Paulpietersburg, passes through Vryheid and links up to Dundee (associated with the Coal Line Corridor), (3) the R34 entering Zululand to the west of Vryheid, passes through Vryheid and links up to Melmoth in the south (associated with the Coal Line Corridor), (4) the R66 linking Ulundi with the R34 stretching northwards through Pongola, and (5) P700 linking Ulundi with the Umfolozi Nature Reserve.
- The Coal Line, the railway line transporting coal from Mpumalanga mines to the Richards Bay Harbour, runs through the District in a north south direction passing through Vryheid and Ulundi.
- A key spatial feature of the District is its location relative to key nature and heritage areas in the province. This includes the Ithala Game Reserve, the Pongolapoort Dam and Reserve, the Hhuhluwe-Umfolozi Game Reserve and the eMakhosini Heritage Park.

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

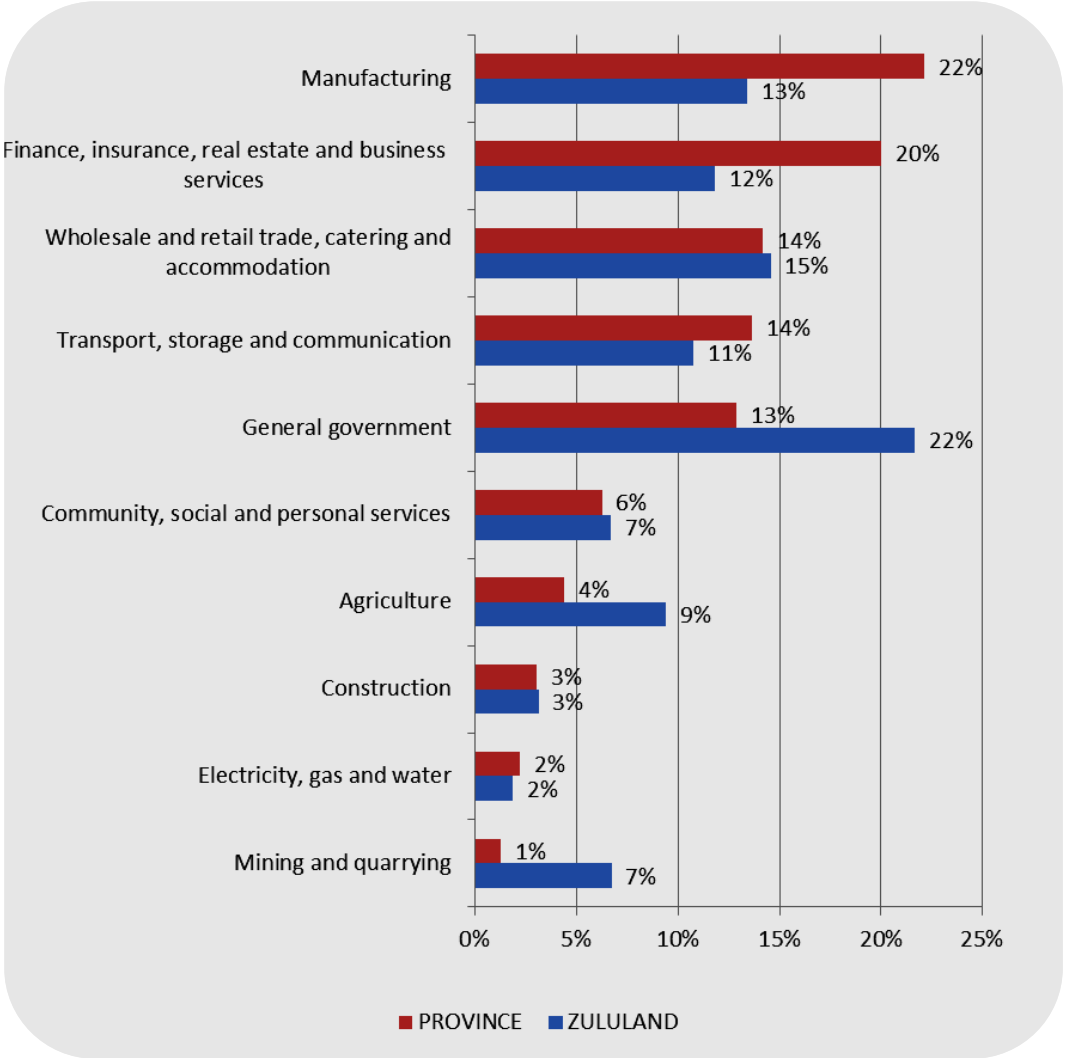
MAP 2.1: SPATIAL ECONOMIC FEATURES



2.3. DISTRICT ECONOMIC CONTRIBUTION

- In overall terms the Zululand District makes a limited contribution to the economy of KwaZulu-Natal, i.e. R10.9 billion of a total of R267 billion or 4.1% of the provincial economy. It is interesting to note that it is more than the 2010 Quantec GVA for iLembe and Amajuba, and only slightly less than the figures for Ugu and uThukela.
- The structure of the District economy, based on the 2010 Quantec GVA figures, differs from the structure of the provincial economy.
- The government sector contributed 22% to the 2010 GVA as opposed to the 13% on the provincial level.
- Manufacturing and finance / business services makes a comparatively smaller contribution to the District economy, viz. 9% and 8% respectively smaller.
- Agriculture and mining then makes substantially larger contributions than in other areas of the province with agriculture making a 9% contribution (as opposed to 4% provincially) and mining a 7% contribution (as opposed to 1% provincially).

DIAGRAM 2.1: 2010 GROSS VALUES ADDED

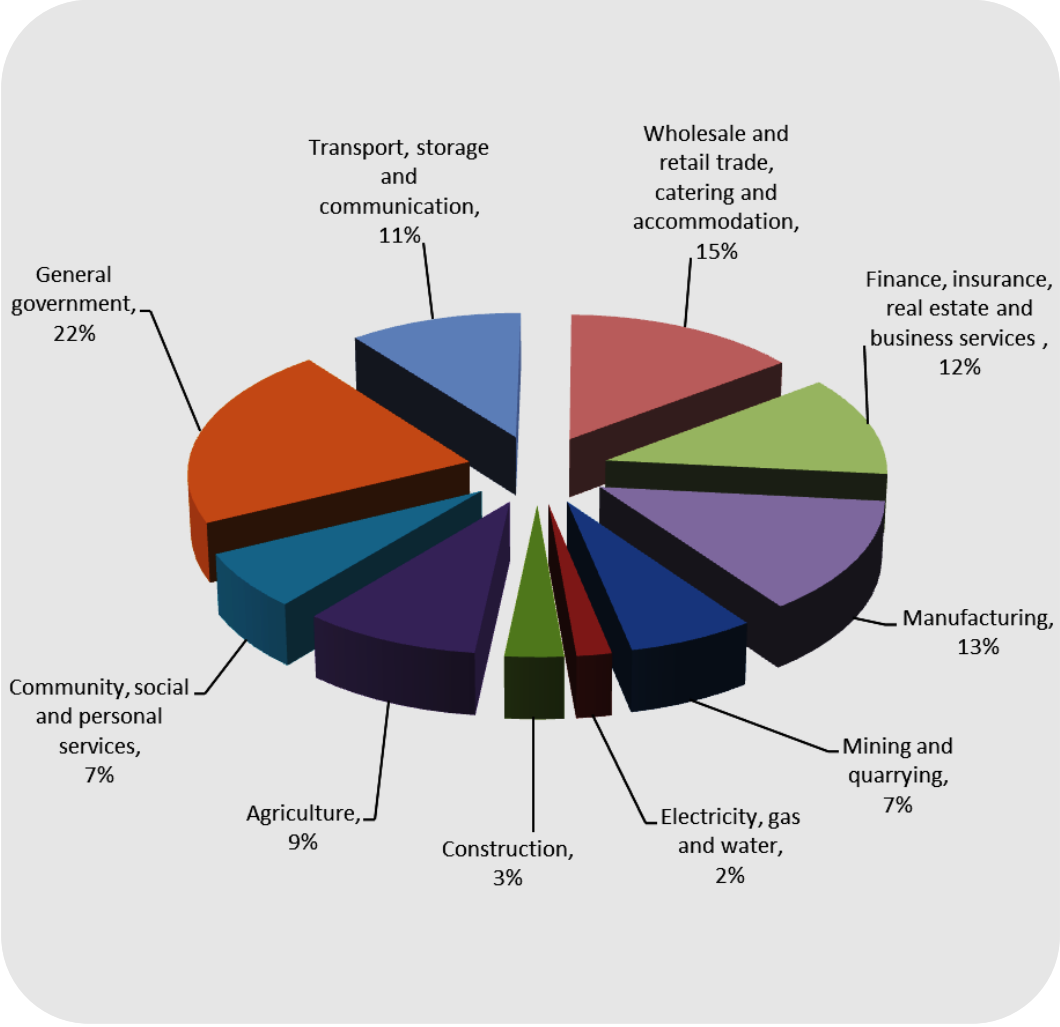


Source: Quantec 2010

2.4. DISTRICT ECONOMIC STRUCTURE

- The diagram reflects the economic structure of the Zululand District based on 2010 GVA figures.
- Nearly a quarter of the GVA in the District is made up by the general government sector.
- Despite this being a rural municipality where primary and secondary production should dominate, only 32% of the total GVA is generated by the primary and secondary sectors. The remaining 68% is generated by the tertiary sector, including personal services, government, transport, trade and business.

DIAGRAM 2.2: 2010 GROSS VALUE ADDED TOTAL GVA OF R10,939 M



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 differed from the method used to formulate the GVA. This must be bourne 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. GOVERNMENT SECTOR

It is noted that the government sector has a strong presence in the District and makes a major contribution the Gross Value Added (GVA). This sector is best represented in the Ulundi and Nongoma Municipalities where various regional offices and facilities of provincial government are located. It is assumed that the contribution of this sector would have been negatively impacted on by Ulundi losing its status as Provincial Capital in the last decade.

3.2.2. AGRICULTURAL SECTOR

The land cover of the Zululand District Municipality area is almost equally split between communal areas and privately owned commercial farming land. Generally speaking there is not a large quantity of high potential land available for cultivation in the district. However, the area is characterised by a diverse range of habitats which lend themselves to a wide range of agricultural and conservation enterprises.

In general terms good agricultural potential exists in the western highlands including the eDumbe and most of the Abaqulusi municipalities. High potential in the Pongola valley is as a result of irrigation opportunities that have been developed in this area. Current land cover reflects the potentials.

The communal areas of Ulundi and Nongoma are however not as fortunate and the agricultural potential (cultivation) is marginal to poor except for to high lying plateaus in each district, but these make up a small portion of the total area. Selected locations in the two Umfolozi river valleys provide potential for the development of irrigation schemes. Given the high temperatures in these valleys and the moderate winters, these areas are perfectly suited for the production of vegetables in the winter or off-season. In the drier valley bushveld areas livestock and game production are high value enterprises provided this type of activity is accompanied by careful veld management.

Given the medium quality and mixed resources in the district there is however considerable opportunities to expand production, investigate alternative production systems, transform the industry and improve cooperation between farmers.

Features of the agricultural economy include:

- Historically a strong beef sector with a conversion of substantial areas to game farming (specifically in the Louwsburg-Magudu-Pongolapoort Corridor);
- Sugar cane production in the north-eastern parts of the District around Pongola; and
- Timber production in the southern parts of Ulundi and in eDumbe.

3.2.3. TOURISM SECTOR

The Zululand area is home to a wide range of historical, cultural and natural assets being uniquely located in the “heart of the ZuluKingdom”. These assets provide the District with good tourism potential.

In certain areas of the District substantial work has been done to develop the tourism sector and its assets, however, much still remains to be done for the benefits of the sector to impact significantly on the socio-economic conditions of the communities of Zululand. The area faces major challenges in achieving this. Some of the key challenges include the distance of Zululand from major centres, the ceasing of regular flights to the Ulundi airport (it is understood this will be resumed in March 2012), the quality of road infrastructure in the District, the lack of coordination in tourism marketing and others.

It has long been contended that the development of key anchor projects and access routes will open up opportunities in an underdeveloped tourism sector. This includes finalising the construction of the Nongoma – Pongola link road and the large scale development of the Pongola Poort Dam area and the eMakhosini Heritage Park.

3.2.4. COMMERCIAL SECTOR

Established urban centres exist within the Zululand District Municipality. The municipalities and the urban centres relating to them include:

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.

- Ulundi Municipality – Ulundi town: Ulundi as a town fulfils a major administrative function in the Provincial and District context and is also home to a large urban based population.

- Nongoma Municipality – Nongoma town: Nongoma town is the only urban centre within the Nongoma Municipality which has a population of approximately 230 000 people. Nongoma town is home to a range of public sector and formal and informal commercial sector activities.

- uPhongola Municipality – Pongola: The town has a well-developed commercial sector and CBD which straddles the N2. A comprehensive range of businesses in the town serves the population of the town, the commercial farming sector and the rural population of the municipality, as well as the wider region and the through traffic on the N2.

- Abaqulusi Municipality – Vryheid: The town of Vryheid operates as a service centre for a large rural population, including areas such as eMondlo, Hlobane, and Coronation and areas further afield such as Ulundi and eDumbe. However, its economic base and reason for existence is as a service centre for the primary sector activities of mining and agriculture. This economic base has, however, been eroded in the past two decades with the closure of major mines in Hlobane and Coronation, as well as elsewhere in the District.

- eDumbe Municipality – Paulpietersburg: The local economy of Paulpietersburg is based on the provision of services to the agricultural sector and the surrounding rural population. The town offers a range of commercial and social services, but retains a strong rural town character.

Each of the towns differ substantially in terms of size, functions and character. A small number of other less developed centres are also located throughout the region, but have no significant impact on the spatial economy.

3.2.5. MINING SECTOR

The mining sector has traditionally been a key driver of the economy in the Zululand District Municipality, and it's current contribution to the District GVA is considered substantially less than the 7% indicated in the Quantec data.

Most of the major coal mines in the Abaqulusi and eDumbe Municipality ceased operations in the 1990s as a result of the economics of extraction processes. Over the past decade there has, however, been interest by international and smaller South African mining companies wanting to extract remaining reserves.

In Ulundi the Zululand Anthracite Colliery continues to operate and in Nongoma the exploitation of the Somkhele seam has been a focus in recent years.

This mining activity has implications for future economic and spatial planning pment of the area.

3.3. COMPANIES INTERVIEWED

A total of 23 companies were interviewed in the Zululand 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			
Sugar Cane Farm	Medium	Large	Sugar and Related
Mvutshini Farm	Medium	Large	Sugar and Related
Mvutshini Estate	Medium	Large	Sugar and Related
Zululand Hunters	Medium	Medium	Tourism Services
Community, social and personal services			
Ithala Game Reserve (KZN Wildlife)	Medium	Medium	Wildlife Tourism
Construction			
Cranes & Hydraulics	Not provided	Medium	Cranes and Hydraulics
Space Construction	Large	Large	Construction Services
Financial intermediation, insurance, real estate and business services			
Legalwise	Not provided	Not confirmed	Financial Services

COMPANY NAME	2010 ANNUAL T/O (REVENUE OR SALES)	EMPLOYEES RANGE	PRODUCT CATEGORY
Manufacturing			
Val Aqua	Large	Large	Mineral water
Vryheid Central Workshop	Small	Small	Engineering Services
Arthurs Woodcraft	Medium	Small	Timber Products
GNG Pine Products CC	Not provided	Not confirmed	Coffins
TSB SUGAR	Not provided	Not confirmed	Sugar and Related
Vryheid Burglar Bars & Gates	Not provided	Small	Metal Products
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants			
Pongola Toyota	Large	Medium	Vehicles Sales and Services
Nongoma Lodge & Inn	Medium	Medium	Tourism Accommodation +
KwaMngandi Group	Large	Large	Hardware
Build-It	Medium	Medium	Hardware
Morkels Furniture	Medium	Small	Furniture Retail
Natal Spa & Hot Springs	Medium	Medium	Tourism Accommodation +
Pongola Country Lodge	Small	Medium	Tourism Accommodation +
Shayamoya Game Lodge	Not provided	Not confirmed	Tourism Accommodation +
White Elephant Safari Lodge	Small	Medium	Tourism Accommodation +

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 have 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 include:

- Agriculture, hunting, forestry and fishing (specifically forestry and sugar)
- Wholesale and retail trade
- Hotels and restaurants

Not reflected in the sample is the the government sector and its substantial contribution to the District economy.

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

SECTOR AND SUB-SECTORS	NO. OF COMPANIES
Agriculture, hunting, forestry and fishing	**4**
Agriculture, hunting and related services	4
Community, social and personal services	**1**
Recreational, cultural and sporting activities	1
Construction	**2**
Construction	2
Financial intermediation, insurance, real estate and business services	**1**
Financial intermediation, except insurance and pension funding	1
Manufacturing	**6**
Manufacture of basic metals, fabricated metal products, machinery and equipment and of office, accounting and computing machinery	2
Manufacture of food products, beverages and tobacco products	2
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	1
Manufacture of furniture; manufacturing n.e.c.; recycling	1
Wholesale and retail trade; repair of motor vehicles, motor cycles and personal and household goods; hotels and restaurants	**9**
Hotels and restaurants	5
Retail trade, except of motor vehicles and motor cycles; repair of personal household goods	2
Wholesale and commission trade, except of motor vehicles and motor cycles	1
Sale, maintenance and repair of motor vehicles and motor cycles; retail trade in automotive fuel	1
TOTAL	**23**

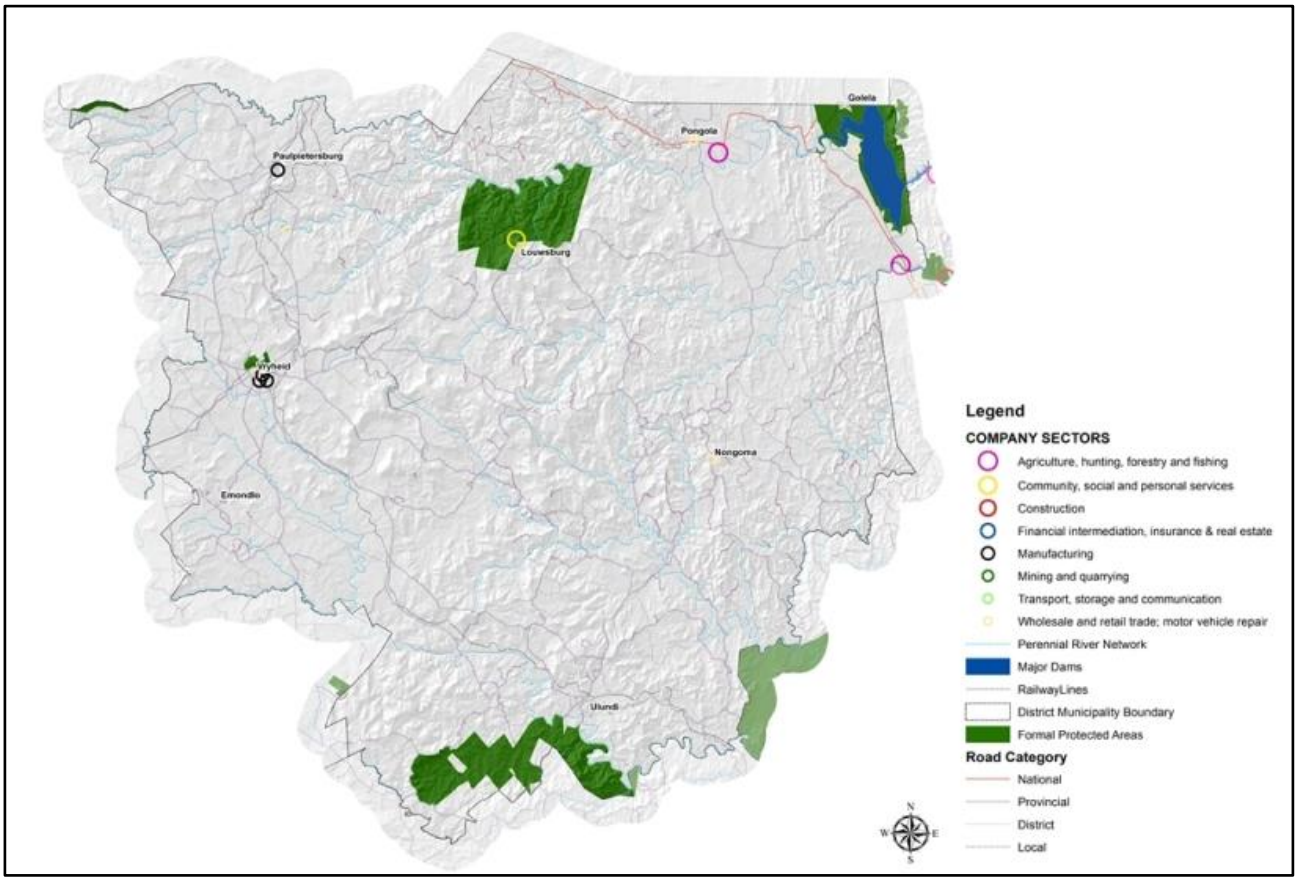
3.5. SPATIAL DISTRIBUTION OF SURVEYED COMPANIES

SECTORS

The map reflects primarily on the small number of large non-agricultural businesses located in the Zululand District. Those companies identified are generally located in Vryheid, Paulpietersburg and Pongola. The manufacturing companies identified are located primarily in Vryheid.

It is important to also note what is not reflected on the map, viz. the extensive private sector agriculture in the region and the wide range of wholesale and retail businesses in each of the major towns in the District, including Ulundi, Nongoma, Vryheid, Paulpietersburg and Pongola.

MAP 3.1: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY COMPANY SECTORS

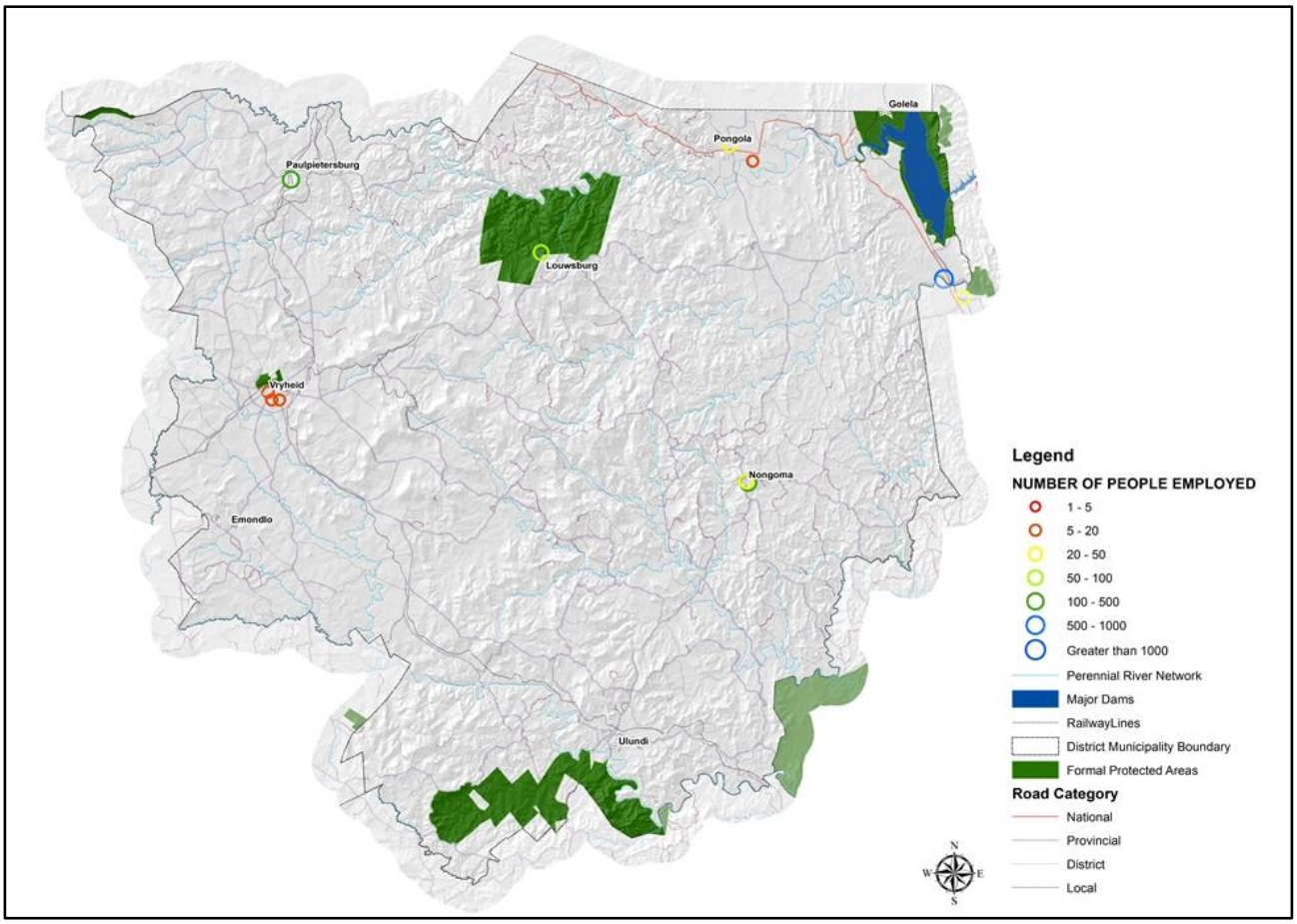


EMPLOYMENT

Employment levels at the larger companies in the Zululand District are generally low, well below 500 people per company. The only business interviewed employing more than 1000 people is an agricultural business.

Considering a total estimated 2010 formal sector employment of 82 048 (Quantec 2010) people in the District, the 19 companies in the Zululand District that supplied the information on number of people employed (the sample), employs an estimated 2 113 people representing 2.6% of the formal employment of the District. An average of 6% of the formally employed has been achieved in the provincial sample.

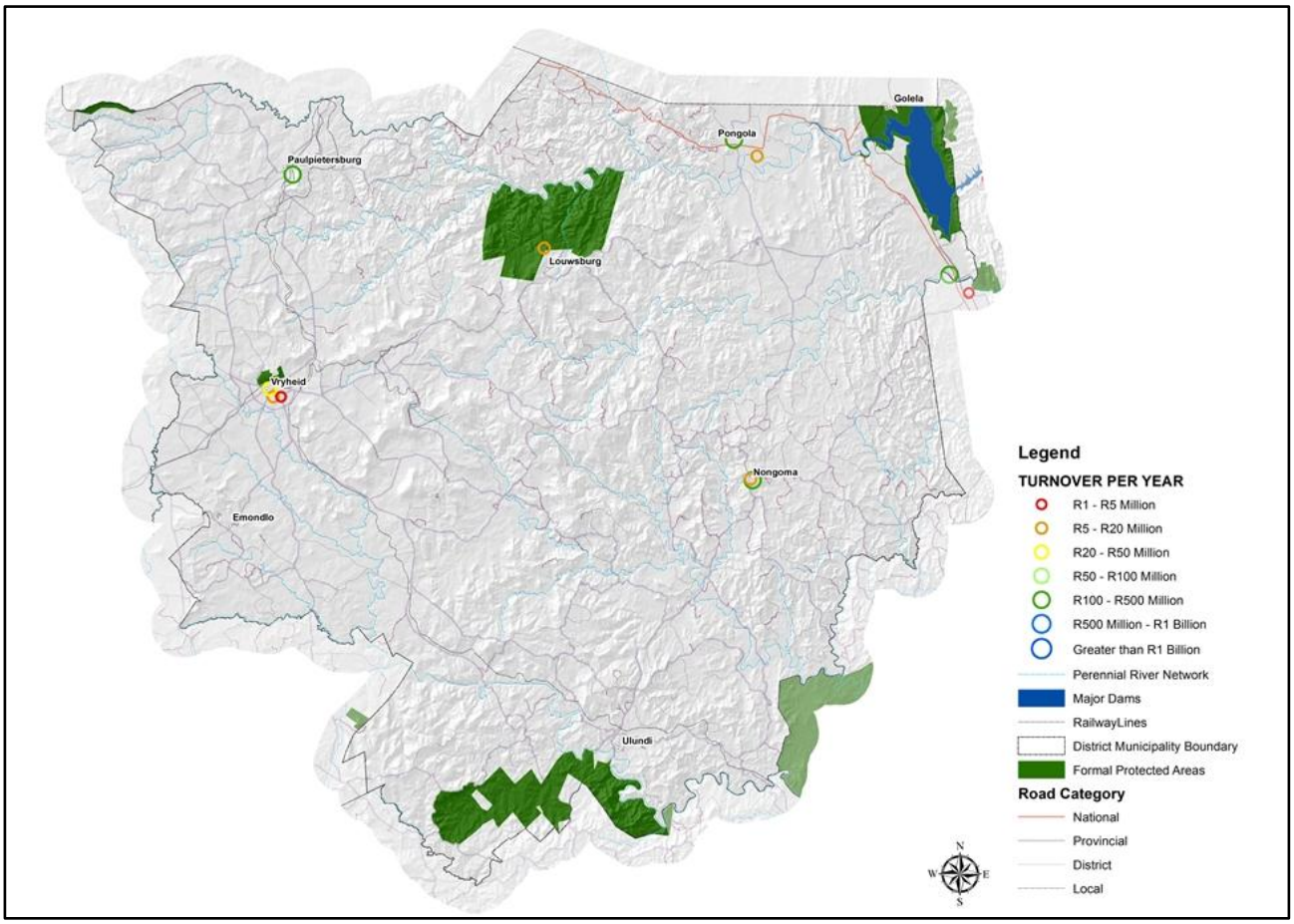
MAP 3.2: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY NUMBER OF PEOPLE EMPLOYED



TURNOVER

Compared to other Districts, the annual turnover of companies is comparatively low with only three of the companies interviewed confirming a turnover of between R100 and R500 million.

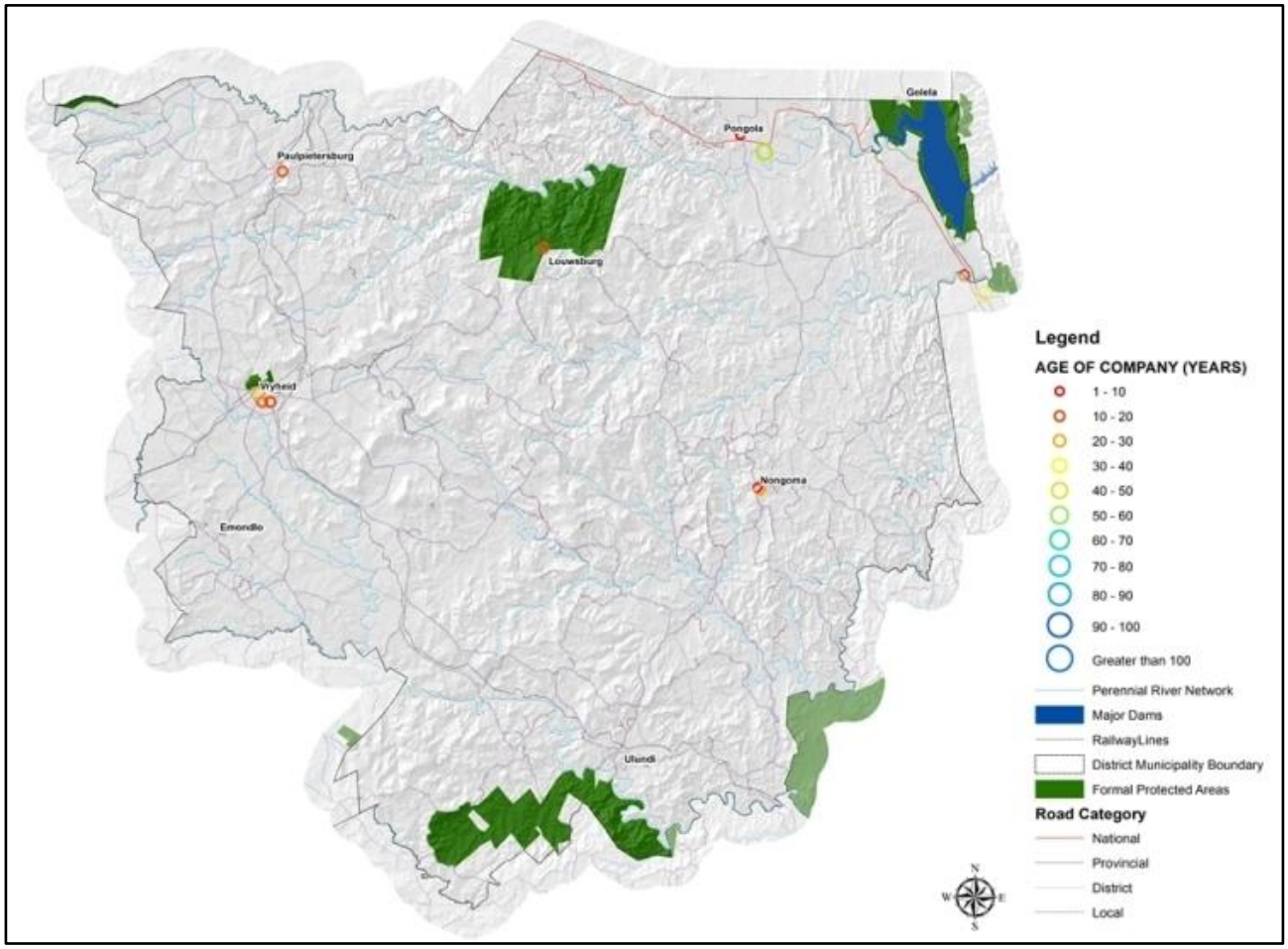
MAP 3.3: SPATIAL DISTRIBUTION OF SURVEYED COMPANIES BY TURNOVER PER YEAR



COMPANY AGE

The companies interviewed are not older than 60 years and generally appear to be less than 20 years old.

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

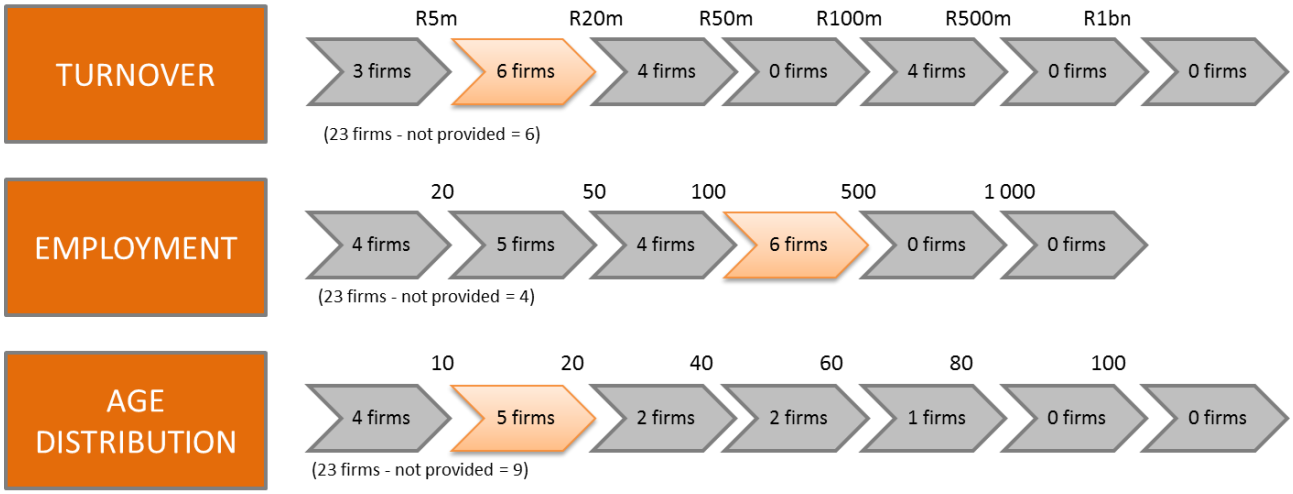


3.6. KEY CHARACTERISTICS OF INTERVIEWED COMPANIES

OBSERVATIONS:

- Compared to most other Districts in the province the companies interviewed in Zululand generally have a smaller annual turnover and employs a smaller number of people.
- Nearly a third of the companies interviewed employ between 100 to 500 people.
- The majority of firms interviewed (9 of 14) have been established in the past 20 years.

DIAGRAM 3.1: KEY CHARACTERISTICS OF INTERVIEWED COMPANIES



3.7. MAJOR COMPANIES SURVEYED

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

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

COMPANIES LISTED EMPLOY BETWEEN 460 AND 60 PEOPLE		
NO	**COMPANY**	**OVERVIEW**
1	Mvutshini Farm	As is the case in Umkhanyakude, agriculture is a major employer in the Zululand District, specifically on those estates producing sugar cane and fruits (in this case citrus). TSB Sugar in Pongola represents the only major agri-processing facility in the District, but confirms the importance of sugar cane production in the north eastern parts of the District. The tourism sector also already makes a major contribution to employment, and there is substantial potential for this contribution to be increased with the appropriate development of the natural and cultural assets of the region.
2	Space Construction	
3	Mvutshini Estate	
4	Sugar Cane Farm	
5	Kwa Mngandi Group	
6	Val Aqua	
7	TSB SUGAR	
8	Natal Spa & Hot Springs	
9	Ithala Game Reserve (KZN Wildlife)	
10	Zululand Hunters	

3.8. ZULULANDCOMPANIES EXPORTING

PRODUCTS EXPORTED:

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

- Sugar and Related;
- Tourism Services;
- Cranes and Hydraulics; and
- Coffins.

The agricultural and hunting businesses interviewed indicated that they are exporting in excess of 50% of their production, but other companies export a very low percentage.

TABLE 3.4: ZULULAND EXPORTS

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.

- 17 challenges relating the utility infrastructure were mentioned by the 23 companies interviewed.
- In total 48% or 8 of the challenges raised related to electricity provision.
- Solid waste removal and water supply/quality were also raised as challenges.

TABLE 3.5: UTILITY CHALLENGES

UTILITY CHALLENGES	MENTIONS	%
Electricity erratic	3	18%
Solid waste removal	3	18%
Water supply	2	12%
Electricity limitations	2	12%
Telecommunications	2	12%
Electricity costs	2	12%
Water quality	2	12%
Electricity	1	6%
TOTAL	**17**	**100%**

TRANSPORT CHALLENGES

Only 9 transport challenges were raised by the 23 companies. From this it is concluded that despite the distance from major markets transport infrastructure does not present a major challenge.for companies included in the sample.

The key transport challenges mentioned related to:

- Road maintenance
- Rural areas not serviced

TABLE 3.6: TRANSPORT CHALLENGES

TRANSPORT CHALLENGES	MENTIONS	%
Road maintenance	4	44%
Rural areas not serviced	3	33%
Contractor related transport delays	1	11%
Road congestion	1	11%
TOTAL	**9**	**100%**

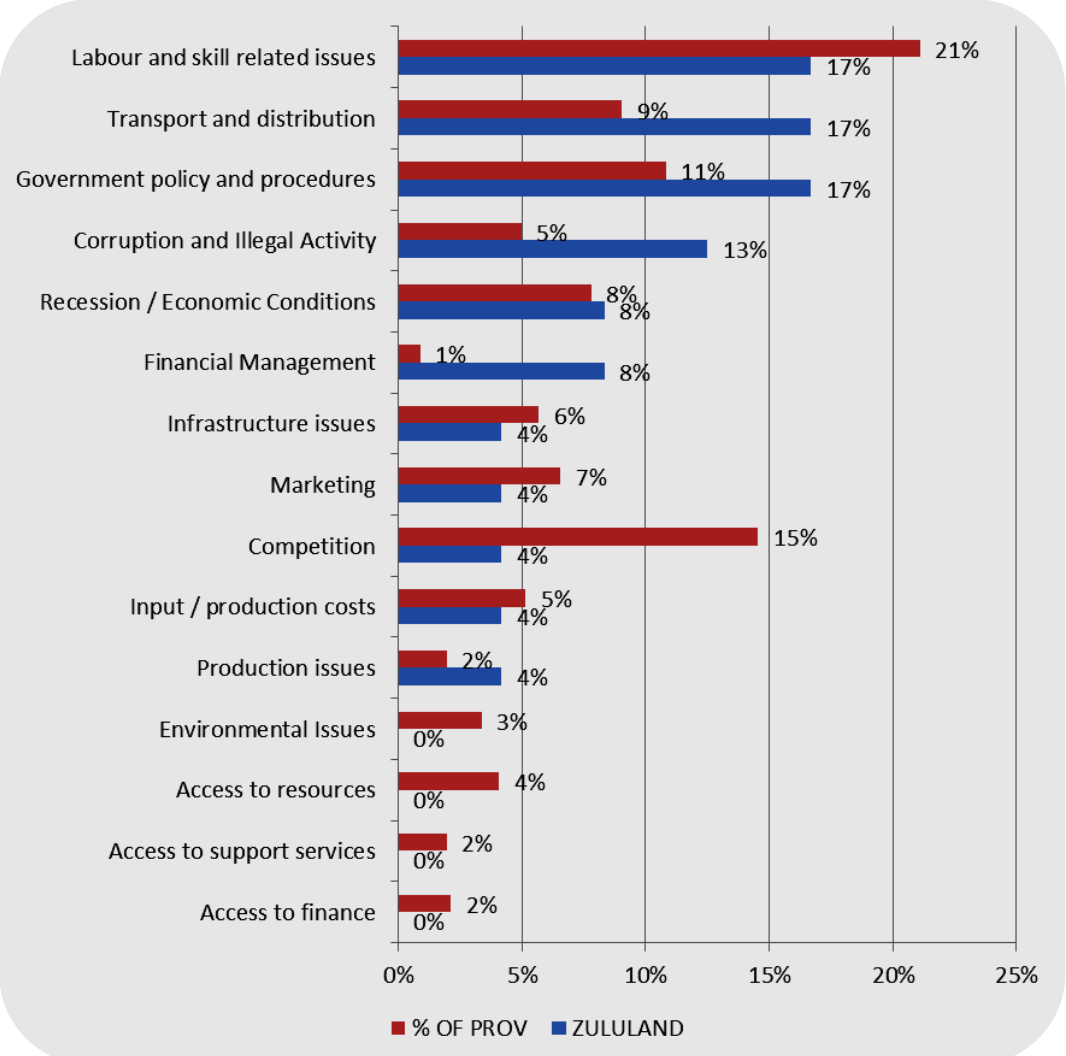
3.10. OTHER CHALLENGES

In asking respondents to highlight other challenges they experience when doing business in Zululand it was noted that the issues receiving prominence were different from thoseidentified on a provincial level.

Three issues received the same number of mentions, i.e. 17%, in the interviews including:

- Labour and skills related issues;
- Transport and distribution; and
- Government policy and procedures.

DIAGRAM 3.2: OTHER CHALLENGES



3.11. INTERVIEWEE COMMENTS

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

- Zululand is a poor community with very little infrastructure or opportunity for employment. An area poorly maintained and without adequate "drivers" to uplift the community to create new life.
- Agriculture is the main sector in the Zululand economy. Sugar cane, fruit and vegetable farming are the main products.
- There appears to be potential for businesses growth and development in the district, but this is not being supported by strategic government investment.
- The Zululand economy is good, stable and promising.
- The Zululand economy is picking up.

3.12. A PERSPECTIVE OF ECONOMIC DRIVERS BASED ON COMPANY SERVEY

Based on the Quantec figures, and through the identification of major companies in the Zululand District, it is evident that the major sector driving the District economy is the government sector (major private sector companies are limited). Agriculture makes a strong contribution to the economy together with wholesale and retail services.

On the basis of the findings of this project, the following sectors have been identified as being the key economic drivers in the Zululand 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 Zululand context. These companies are located in the following sectors:
    - Agriculture:
        - Farming relating to various agricultural commodities
    - Tourism:
        - Established large scale tourism facilities
- There are also newer smaller companies establishing in the District, but their impact on economic development at this stage is limited (i.e. they are relatively small). The smaller companies are in the wholesale and retail sectors i.e.
    - Wholesale and retail businesses.
    - Tourism and hospitality (newer smaller boutique hotels, B&Bs, restaurants, SPAs, game reserves etc).

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 located 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 the following general observations can be made:

- As a basic observation it is noted that the Nongoma and Ulundi Municipalities have to date mainly benefitted from government investment, whereas the investment in uPhongolo, eDumbe and Abaqulusi was generally more private sector orientated.

- There has, in this District been, as is the case in many of the other Districts, a strong focus on providing specifically rural communities with access to water and this has been done with some success, but often at the expense of upgrading and maintaining urban infrastructure (eg serious leakage factor in all the main towns in the district).

- The establishment or upgrading of important link infrastructure is also a key feature of historic investment with improved road linkages being developed between Hlabisa and Nongoma, Nongoma and Pongola (not completed) and Empangeni and Ulundi (not completed). The redevelopment of the Airport and the substantial effort made to provide scheduled links to the Ulundi airport is also aimed at providing better linkages between Zululand and other economies. The intermodal transport facility in Ulundi also improves economic linkages.

- Other than in eDumbe the current focus of local government is on the tourism and agricultural sectors although it would appear as if these activities are not generally coordinated. A range of projects has been identified in these sectors, but implementation successes have been limited. eDumbe has identified a project focussing on future industrial development.

- Both the Nongoma and the Ulundi Municipalities have benefitted substantiallyfrom investment respectively from the Neighbourhood Development Project Grant (NDPG) of National Treasury for the redevelopment of the Nongoma CBD and the development of the P700/701 route between Ulundi and Empangeni funded by the KZN Department of Transport.

In general a large number of future strategic projects for the Zululand District have been identified. Accessing funding for the implementation of these project remains a key challenge.

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

LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
eDumbe	Bulk infrastructure	Development of a Provincial road P1670	Historic	0	R25,000,000
Nongoma	Bulk infrastructure	Usuthu & Mandlakazi bulk water schemes	Historic	0	no info
Ulundi	Bulk infrastructure	P700	Historic	0	no info
Ulundi	Facilities supporting econ. dev.	Ulundi inter modal taxi rank	Historic	0	R30,000,000
eDumbe	Other	Ophuzane Masfication (Agricultural project)	Historic	Department of agriculture	R9,100,000
eDumbe	Bulk infrastructure	Hydro electrification	Current	Private company	R1,600,000
eDumbe	Bulk infrastructure	Simdlagentsha water scheme	Current	Zululand District	R35,000,000
Ulundi	Bulk infrastructure	Enyokeni power station	Current	Eskom & DOE	R23,000,000
Ulundi	Bulk infrastructure	P700 Nodal Development, Cengeni Gate - HIP	Current	0	R9,000,000
Nongoma	Establish new nodes	Nongoma Town Regeneration	Current	Neighbourhood grant	R103,000,000
Regional	Establish new nodes	P700 Node - Commercial	Current	0	R35,000,000
Nongoma	Facilities supporting econ. dev.	Revitalization of Mona Market	Current	0	R6,000,000
Ulundi	Facilities supporting econ. dev.	Ulundi Airport Redevelopment	Current	Provincial Treasury	R30,000,000
Ulundi	Facilities supporting econ. dev.	Ulundi Intermodal Transport Facility	Current	0	no info
Regional	Mining and quarrying	Private sector coal mining initiatives	Current	0	R20,000,000
eDumbe	Other	eDumbe Poultry Production	Current	Private company	R7,000,000
Regional	Tourism	Emakhosini-Opathe Heritage Park	Current	0	R20,000,000
Regional	Agric processing	Venison Abattoir and other game related products	Future	0	R16,000,000
uPhongolo	Agric processing	EMKHWAKHWENI Chicken abattoir	Future	0	R8,000,000
eDumbe	Establish new nodes	eDumbe Industrial Development	Future	DBSA	R54,000,000
uPhongolo	Establish new nodes	Golela Corridor Development	Future	0	R3,000,000
uPhongolo	Establish new nodes	uPhongolo Town beautification project	Future	0	R3,600,000
eDumbe	Facilities supporting econ. dev.	eDumbe Shopping Mall	Future	Private company	R200,000,000

LOCAL MUNICIPALITY	SECTOR	PROJECT NAME	PROJECT STATUS	FUNDING SOURCE(S)	BUDGET
Ulundi	Facilities supporting econ. dev.	Waste to Energy Recycling Ph1: Buy-back Centre	Future	Private and government	R6,300,000
Ulundi	Facilities supporting econ. dev.	Waste to Energy Recycling Ph2: Energy Plant	Future	Private and government	R25,000,000
Ulundi	Facilities supporting econ. dev.	Tourism Hub and Legacy Village construction earthworks	Future	0	R10,000,000
Ulundi	Facilities supporting econ. dev.	Ulundi 19 Filling Station and Tourism Centre Development	Future	0	no info
uPhongolo	Facilities supporting econ. dev.	Pongola Fruit & Vegetable Canning Factory	Future	0	R10,000,000
uPhongolo	Facilities supporting econ. dev.	Belgrade Filling Station Development	Future	0	no info
uPhongolo	Facilities supporting econ. dev.	Truck Stop Development	Future	0	R10,000,000
uPhongolo	Facilities supporting econ. dev.	"Branding" included in the Marketing Plan for Lebombo and St Lucia the Pongolapoort Dam	Future	0	R18,000,000
uPhongolo	Facilities supporting econ. dev.	Pongolapoort Dam: Water Based Public- Private Partnerships	Future	0	R80,000,000
Abaqulusi	Other	Support for Land Redistribution and Restitution Initiatives in Zululand	Future	0	R20,000,000
uPhongolo	Other	Godlwayo Cultural village	Future	Applied for	R5,000,000
uPhongolo	Other	uPhongolo Fleamarket opposite Junk Shop	Future	0	R3,600,000
uPhongolo	Other	Pongola Multi Art Centre	Future	0	R15,000,000
uPhongolo	Other	Ncotshane recreational centre	Future	0	R9,000,000
uPhongolo	Other	Tannery Project	Future	0	R10,000,000
uPhongolo	Other	Candover Market Stalls – DFA Application	Future	0	R13,000,000
Abaqulusi	Tourism	Abaqulusi Cultural Village	Future	0	R1,200,000

4.3. MUNICIPALITY IDENTIFIED CHALLENGES

ECONOMIC DEVELOPMENT CHALLENGES IDENTIFIED BY MUNICIPAL SECTOR

- The LED practitioners interviewed in Zululand confirmed that access to infrastructure and the lack of LED implementation remains the major challenges to economic development in the District.
- It is interesting to note that land issues did not feature as an important challenge. The reality is that land issues do exist and need to be resolved.

TABLE 4.2: MUNICIPALITY CHALLENGES

CATEGORIES OF CHALLENGES	ZULULAND		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
INFRASTRUCTURE	4	27%	35	22%
IMPLEMENTATION OF LED STRATEGY/ PLANS	4	27%	22	14%
SKILLS MIGRATION	2	13%	15	10%
UNEMPLOYMENT	2	13%	16	10%
RATES AND SERVICES AVAILABILITY AND COST	2	13%	9	6%
INSTITUTIONAL/ COMMUNICATION	1	7%	11	7%
OTHER		0%	11	7%
EDUCATION		0%	8	5%
LAND ISSUES		0%	17	11%
RECESSION		0%	5	3%
PLANNING		0%	5	3%
LEGISLATION		0%	1	1%
HEALTH		0%	2	1%
TOTAL	**15**	**100%**	**157**	**100%**

4.4. ADDRESSING THE CHALLENGES

MUNICIPAL REQUIREMENTS FOR ADDRESSING THE CHALLENGES

In the responses as to how the challenges can be addressed the majority of respondents suggested that making funding available for the provision of infrastructure / utilities will address the identified challenges.

TABLE 4.3: ADDRESSING THE CHALLENGES

REQUIREMENTS FOR ADDRESSING THE CHALLENGES	ZULULAND		KWAZULU-NATAL	
	NO OF RESPONSE	% OF RESPONSES	NO OF RESPONSE	% OF RESPONSES
LED and LED Funding	6	40%	33	24%
Infrastructure/Utilities Required and Funding	4	27%	33	24%
Institutional	2	13%	15	11%
Capacity Building & Skills Development	1	7%	9	7%
Planning	1	7%	8	6%
Economic Opportunities	1	7%	7	5%
Communications, Coordination & Consultation		0%	6	4%
Policy Support		0%	11	8%
Cost Of Services: Municipal Incentives		0%	5	4%
Land Issues		0%	10	7%
TOTAL	**15**	**100%**	**137**	**100%**

4.5. A PUBLIC SECTOR INVESTMENT PERSPECTIVE

The focus of public sector investment in Zululand has generally been on improving the accessibility of this region through the provision of various link roads.

The upgrading and renewal of both Nongoma and Ulundi towns have also received substantial attention over the past decade. The wholesale and retail sector is anticipated to remain one of the driving sectors in the local economy and the public and private sector investment, or anticipated investment, in this sector in most centres in the District will support this.

Despite the major tourism potential and the many identified investment opportunities it is suggested that the tourism sector has to date not been able to deliver on the anticipated or promised job and business opportunities. The same is then true for the agriculture sector where a number of catalytic projects have been identified and investigated, but implementation successes have been limited.

Mining appears to have some potential in the District, but local and provincial government has done little to date to support the development of this sector.

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 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. sewer outfalls and the pollution of river systems in an area where water is of critical importance for downstream users.

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);
- Illustrates 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 Zululand 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 Zululand equates to 9.6% of the total value for the Province which must be considered in the context of the District making up 15.68% of the Provinces 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
Forests	R 153 452 111
Grasslands	R 1 400 418 950
Riparian and floodplain veg and swamp forests	R 4 872 371 397
Savannas	R 4 390 727 833
Wetlands	R 704 009 877
Rivers	R 2 846 806 836
TOTAL	R 14 367 787 007

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: ECOSYSTEM CATEGORY SCORES

Extent of cover	ECOSERVICE CATEGORY SCORES									
	-3	-2	-1.5	-1	-0.5	0	1	1.5	2	3
Hectares	20346	740734	43602	208	100989	40	297492	154159	789065	0
%	1.37%	5.01%	2.95%	0.01%	6.82%	0.00%	20.10%	10.42%	53.32%	0.00%

The Zululand District hosts the catchment of the Phongola River which supports commercial irrigation farming around the town of Pongola, as well as the Pongolapoort Dam which was built to support similar activities on the Makhathini Flats. A small portion of this land has been transformed for irrigated crop production and plans are in place to expand this with a cane to ethanol project. Otherwise the upper reaches of the catchment and mid portions of the District host plantation forestry with the overall coverage for agriculture being just over 20%.

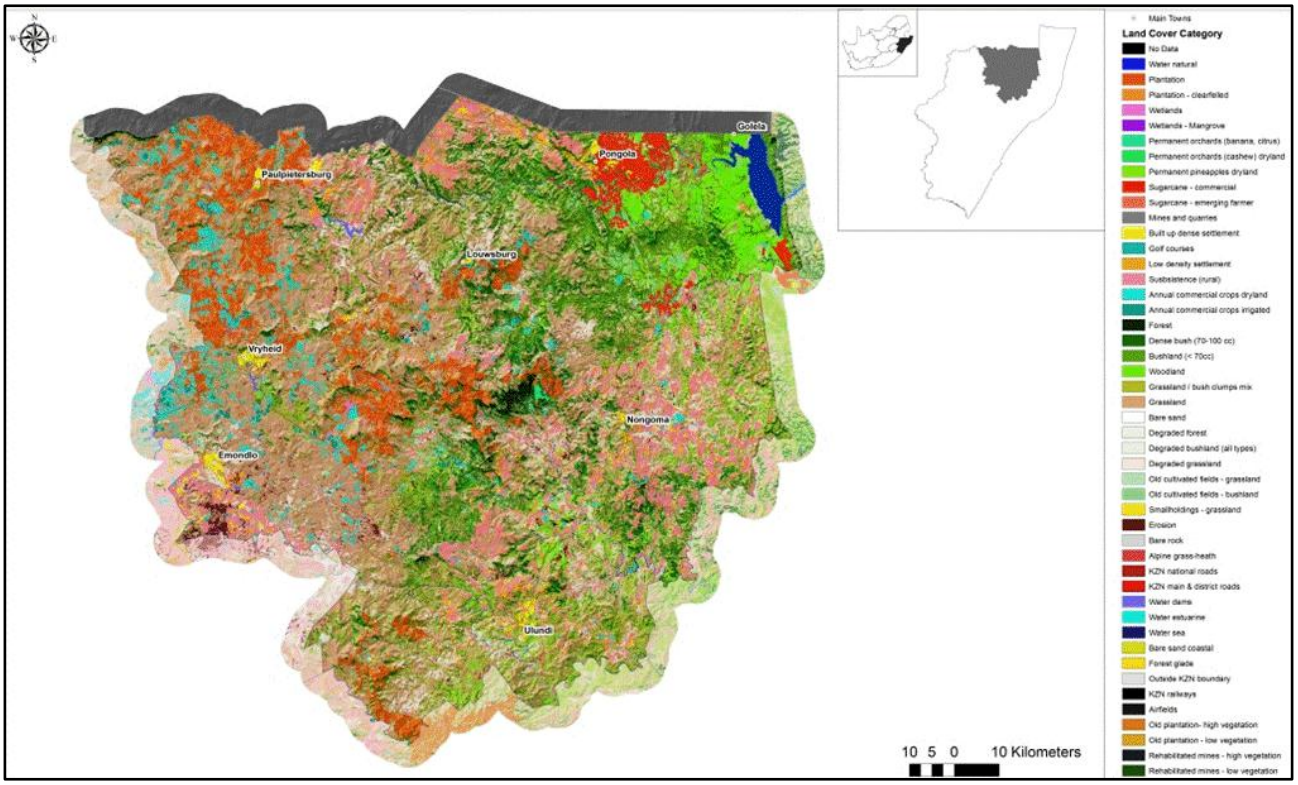
Mining has a relatively small footprint at present, but the potential exists for this to grow with the resultant threat of decreased integrity of the natural capital, specifically as the mining interests are in the upper regions of the catchment and the District. The externalities from such activities would need to be internalised to ensure that the flow of ecoservices is not compromised beyond the current level, although this is relatively good with just more than 53% of the area being allocated a +2 ecoservice score.

The District has the second highest proportion of degraded natural capital at 11.33% which highlights an opportunity for job creation related for the restoration of natural capital.

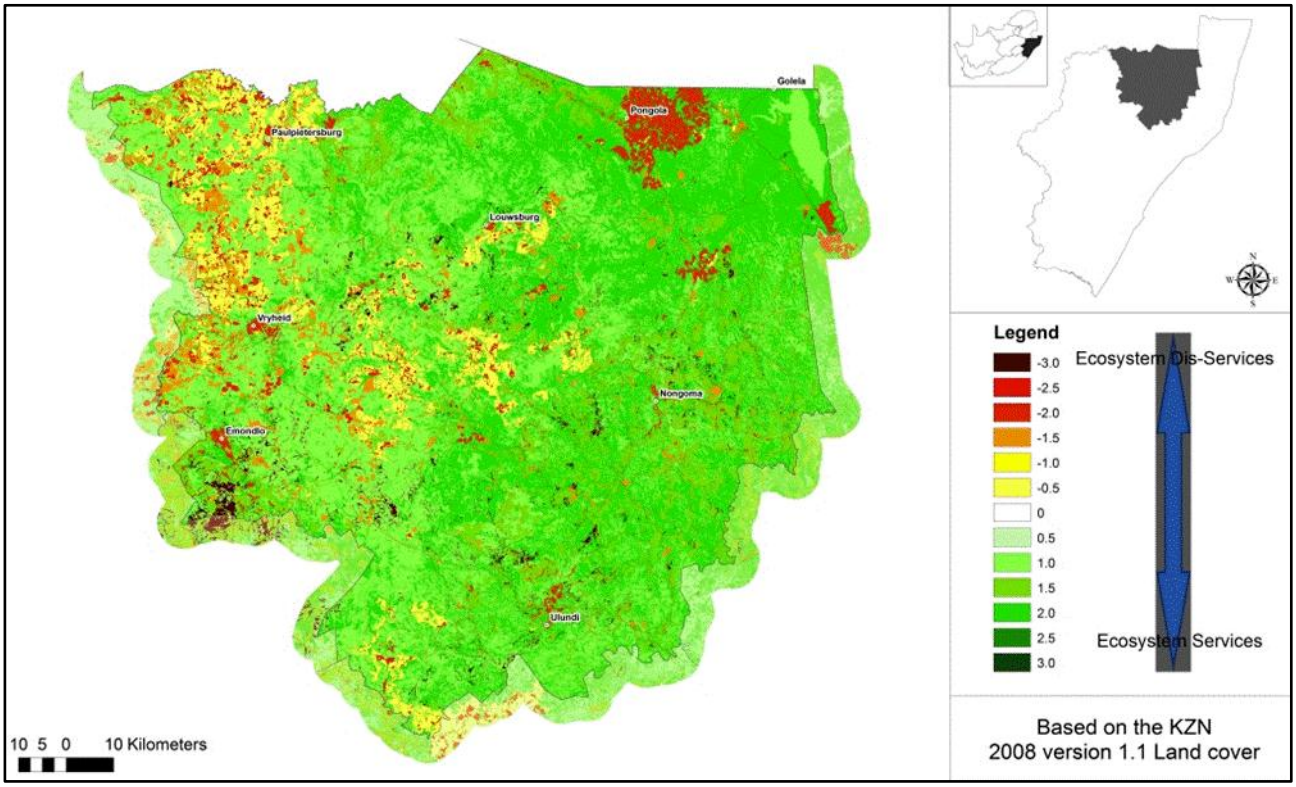
TABLE 5.3: THE EXTENT OF BROAD LAND COVER CATEGORIES AS A PERCENTAGE OF THE ZULULAND DISTRICT

LAND COVER CATEGORY	% COVER
Natural - freshwater	0.64%
Natural - marine	0.00%
Natural terrestrial	62.07%
Natural terrestrial degraded	11.33%
Agriculture - active including commercial and subsistence	20.08%
Agriculture - fallow including commercial and subsistence	0.69%
Mining	0.05%
Settlement (including recreation and infrastructure)	5.13%

MAP 5.1: ZULULAND DISTRICT LAND COVER



MAP 5.2: ZULULAND POTENTIAL TO DELIVER ECOSYSTEM GOODS AND SERVICES



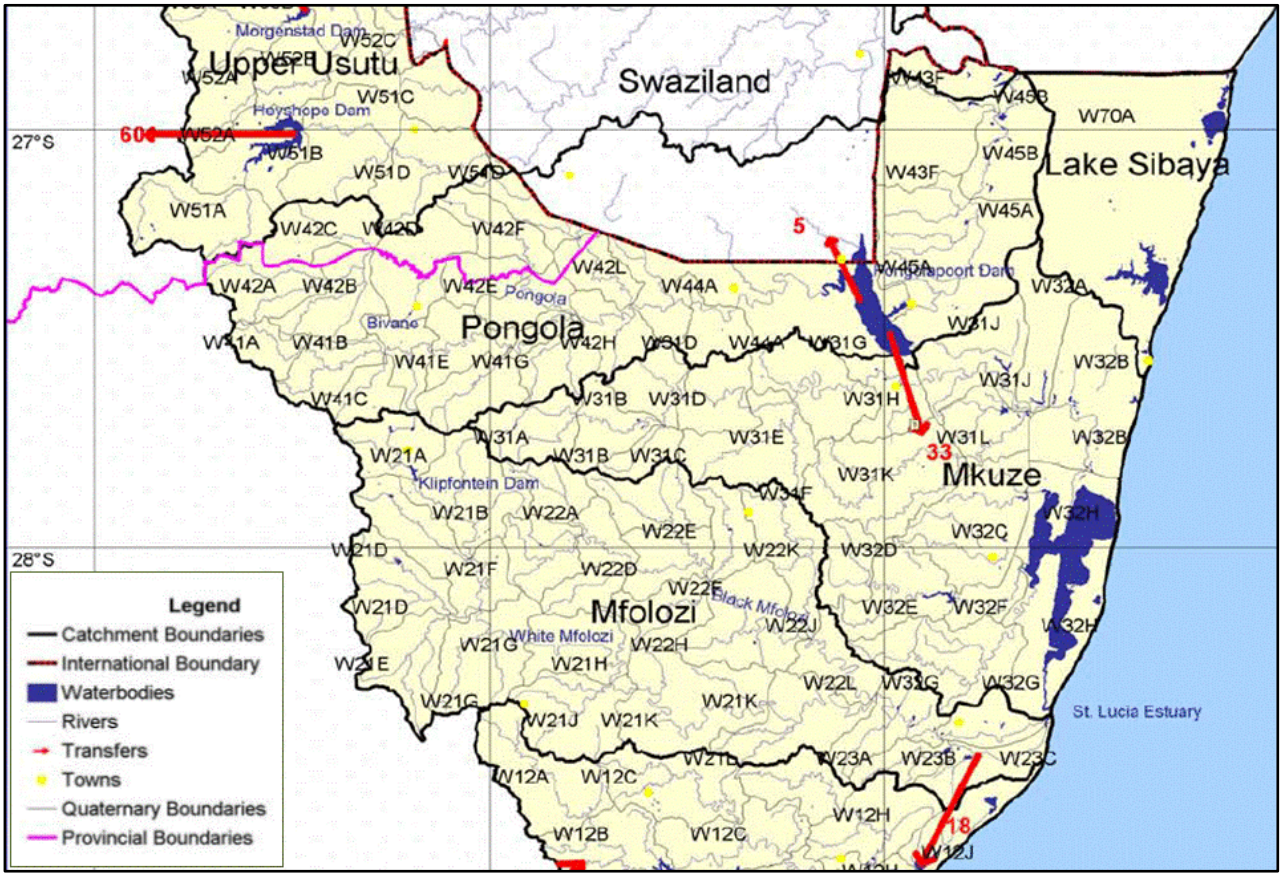
5.3. ECOSYSTEM RESOURCE LINKAGES

The Zululand District is similar to the Drakensberg group as it has as its boundary with Mpumalanga and Swaziland, which is the watershed of significant drainage systems, i.e. the Usutu and Phongola systems respectively. It is thus relatively well suited to deliver ecoservices as it lacks the complications of managing natural capital across additional institutional boundaries.

It is important to note the relationship of this District with that of the uMkhanyakude District. The flow of the Phongola River system has already been alluded to, but in addition to this system there are also the Mkuze and iMfolozi systems, as well as the coastal lakes such as iSimangaliso Wetland Park World Heritage Site, which are significant assets from the perspective of generating livelihoods from tourism. Sound natural capital management in the Zululand District is thus crucial to ensure that the natural capital of the uMkhanyakude District is not compromised, in addition to its own.

A clear illustration of the strategic ecosystem linkages between the Zululand and uMkhanyakude Districts can be seen when viewed from the perspective of the Usutu to the Mhalthuze Water Management Area. Here it can be seen that the flow of catchment related ecoservices are a key aspect related to the condition of natural capital in the Zululand District. In the map below which is an extract from the Usutu to Mhlathuze Water Management Area: Internal Strategic Perspective (DWAF, 2004), it can be seen that the origin of the three major systems mentioned above, i.e. the Pongola, Mkuze and iMfolozi Rivers, are all within this District and their exit to the Indian Ocean is through uMkhanyakude.

MAP 5.3: USUTU TO MHLATHUZE WATER MANAGEMENT AREA



Source: DWAF, 2004

Further to the picture provided above the Internal Strategic Perspective for the WMA provides an indication of the water balance for each of the catchments as illustrated in the table below. It must be noted that the figures in the table are based on the year 2000 and are therefore out dated. Whereas there was a positive water balance at this time, it is highly likely that this has decreased or even become a negative figure. The implications of this scenario are that the demand for water catchment ecoservices is increasing and the need for sustainable land management in the majority of the District is of strategic significance.

DIAGRAM 5.1: RECONCILIATION OF WATER REQUIREMENTS/ALLOCATIONS AND AVAILABLE WATER FOR THE YEAR 2000 (MILLION M3/ANNUM)

Sector/ Sub-area	Available water			Water requirements/allocations			Balance
	Local yield	Transfers In	Total	Local requirements	Transfers out	Total	
Upper Usutu	202	0	202	69	131	200	2
Pongola	645	0	645	255	38	293	352
Mkuze	33	33	33	78	0	78	(45)
Mfolozi	51	0	51	52	18	70	(19)
Mhlathuze	178	80	258	342	3	345	(85)
W11& W13	49	3	52	20	0	20	32
TOTAL	1 158	62	1 220	816	136	952	268

SOURCE: DWAF, 2004

Of relevance here are the Pongola, Mkuze and Mfolozi catchments of which the first mentioned has a positive water balance of 352 million m3/annum and is transferring water into the Mkuze system. The Mfolozi has a negative balance but is also transferring water and this is into the Mhlalthuze system. This significance of this information is in the relationship between the Zululand and uMkhanyakude Districts with the former reliance on agriculture as a key economic driver while the latter has nature-based tourism playing a significant role. Agriculture places huge demands on natural capital in order to ensure production and at the same time produces significant negative externalities which are currently not being internalised; e.g. stream flow reduction through direct abstractions and indirect demand by timber plantations, the leaching of agro-chemicals into natural drainage systems causing decreased water quality issues, and modified hydrological regimes through large and small impoundments. All of these ramifications are currently evident in the wetlands, estuaries and lake systems that are major tourism attractions in uMkhanyakude.

The most obvious example of this situation is that of the Pongolapoort Dam and its impact on the Phongola River floodplain and the Ndumo wetland system. Artificial floods are now governed by socio-economic needs expressed by subsistence land users on the floodplain. Although detailed in stream flow requirements were determined for the system, these have been ignored. The result is that many of the ecoservices previously used by the people in this area have diminished or have been lost, and the altered hydrology is also having a negative impact on the Ndumo wetland system which is recognised as a wetland of international significance (Lankford et al, 2010).

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

The position of the Zululand District against the escarpment implies that its economic drivers should be relatively resilient in relation to their dependence on natural capital and ecoservices. The reason for this is that they are not dependent on neighbouring Districts, or even Provinces to manage natural capital sustainably and ensure delivery of ecoservices. In other words, the Zululand District has the ability to influence the resilience and/or vulnerability of its economic sectors and therefore stands alone in terms of its responsibility for the situation as it stands. The preceding discussions have provided a clear picture of the condition of natural capital in the District and that relative to the other Districts in the Province it has the greatest proportion of cover with a +2 ecoservice allocation and the third highest accumulative positive score allocation with this being almost 84%. This implies a high level of resilience still remains and therefore there should be opportunities to sustain current economic activities while providing room for growth, and at the same time ensuring a good flow of ecoservices to uMkhanyakude downstream.

According to Sections 3.12 the main economic drivers in the District are agriculture and tourism and yet after further discussions Section 6.3.1 suggests that these are “possible drivers”, together with coal. This discussion will thus focus on the relationship between natural capital and these three economic sectors. Coal mining will be discussed as a single entity while agriculture will be discussed according to the sub-sectors of timber, sugar cane, other commercial crops, and subsistence farming. In addition to these it is noted that the conversion of extensive livestock farming operations into game farms is a practice that is prevalent in the District. This practice is considered as part of agriculture, although there may be a tourism aspect associated with it. Tourism in the District is mostly based on natural capital although cultural

heritage does play a role. In this discussion it is the nature-based tourism operations that will be addressed and these will be inclusive of those managed by the state through Ezemvelo KZN Wildlife, and those on private and communal land.

For more detail see Annexure B.

6. FINDINGS AND RECOMMENDATIONS

6.1. CORE FINDINGS

The District has a fairly stable economy linked primarily to the agriculture, tourism and government sectors. However, it has experienced the "loss" of two sectors that historically drove the economy, viz. the mining sector, with the withdrawal of major mining companies from the area, and the government sector, with Ulundi losing its Provincial Capital status. Despite this, the government sector remains a major contributor to GVA in the District. It would appear in the light of the current energy crisis that there is still some potential for the growth of the coal mining industry in the District.

In terms of agriculture there has been a gradual shift from cattle farming to game farming and this has also provided additional impetus to the eco-tourism industry in the District. Value adding to the agricultural produce of the area includes: game meat (venison), fruit and vegetables. Other products and associated projects have date been considered in the district, but have not been implemented.

The three tourism anchors of the District have not been able to draw the investment envisaged over the past decade despite continued interest. These include the Pongolapoort Dam, the Emakhosini Heritage Park and the Ithala Game Reserve.

Improved access to the region, through the development of key link roads and transport infrastructure (including the Ulundi Airport) has the potential to support the development of the tourism, agriculture, wholesale and retail, and mining sectors in the District and should therefore be viewed as a driver (infrastructure).

Although a number of companies, specifically those dependent on natural resources such as spring water, timber for charcoal and farming are well established in the District it would not appear as if any of these companies can be viewed as a future driver of the economy. However, the high levels of dependence of companies in the key sectors (agriculture, tourism, manufacturing) suggests that natural resources should be viewed as the basis of a number of drivers of the economy in the District and consequently should be appropriately managed.

6.2. KEY SPATIAL ECONOMIC FEATURES

A number of key spatial economic features of the Zululand District must be acknowledged, viz:

- The District offers at least two alternative road linkages between the Ports of Durban and Richards Bay on the one hand and Gauteng and Mpumalanga on the other. The future development and exploitation of the location in relation to the linkages should be investigated.

- On a provincial level it has been established that most major companies, specifically in the manufacturing sector, are located in proximity to a National Route. In the case of Zululand only the uPhongolo Municipality has access to a national route and this suggests limited potential for the region to attract major manufacturing companies.

- Three tourism anchors are located in the District, viz. Pongolapoort Dam, eMakhosini Heritage Park and the Ithala Game Reserve. At present the linkages between these tourism products are not well developed and this lack linkages can only be partly addressed through the aviation industry. The development of these provincially significant tourism products, located strategically in the region, are not receiving the required support from provincial and national government.

- Agricultural activities in the Zululand District relating to timber, game farming, sugar cane and vegetable and fruit production have historically been driven by the commercial farming sector, but from a spatial perspective opportunities also exists for promoting the involvement of emerging farmers in such agricultural enterprises. The establishment of irrigation initiative along the two Umfolozi Rivers should specifically be considered.

6.3. RECOMMENDATIONS ON GOVERNMENT INTERVENTIONS

6.3.1. SUPPORT CATALYTIC PROJECTS

The identification and implementation of "catalytic" projects that can act as drivers in the District economy (or as a first step confirming the feasibility thereof) must be supported. The identified initiatives that have the potential to impact on economic development are listed in the diagram overleaf.

See Diagram 6.1: Zululand Economic Drivers 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:

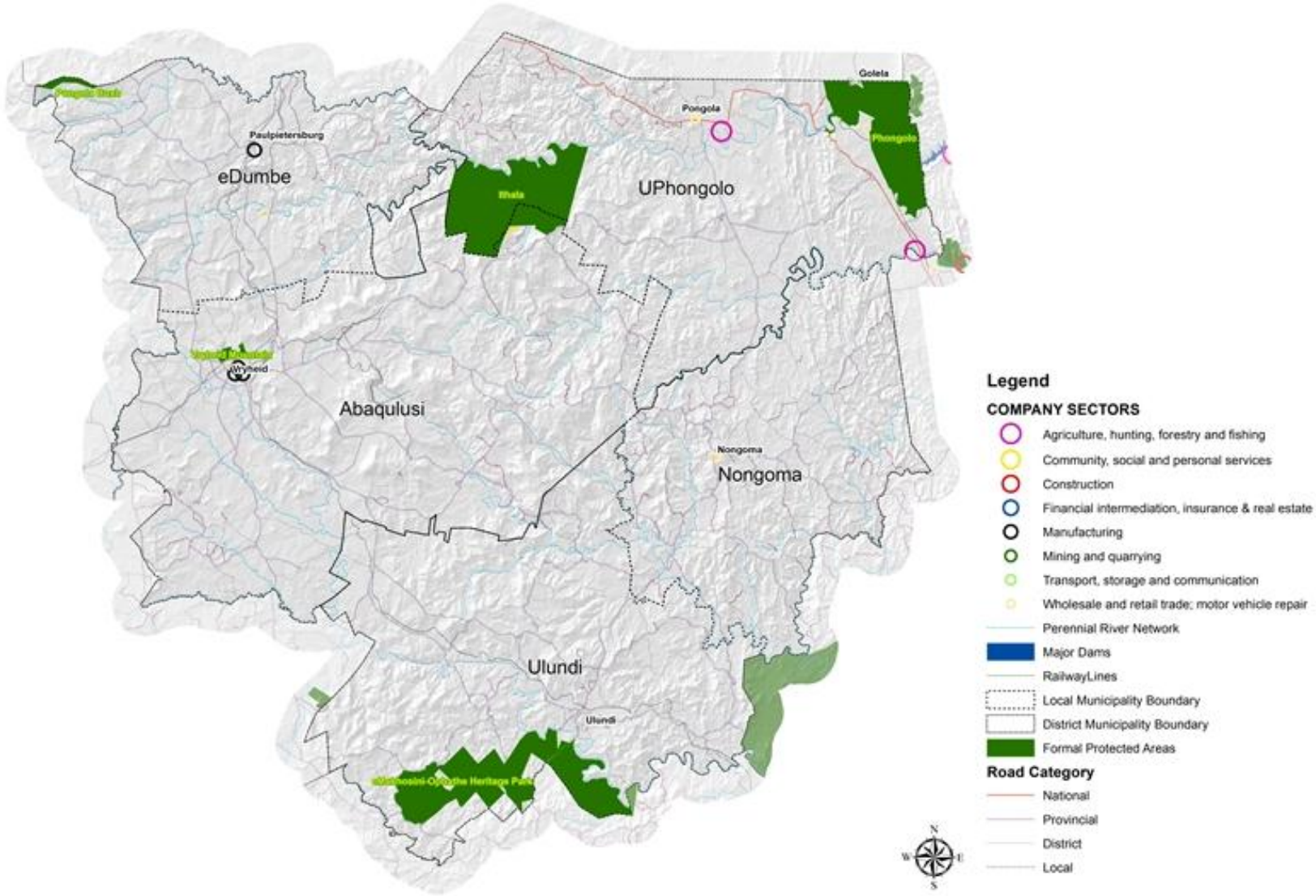
- The continued strengthening of the municipal centres, as well as secondary centres, in the District in order to improve the access of local communities to retail, social and government services;
- Promoting investment specifically in the three key tourism nodes of the District (i.e. the Pongolapoort Dam, the eMakhosini Heritage Park and the Ithala Game Reserve);
- The establishment of key linkages in the District with, as priorities' the completion of the P700/701 and the Nongoma-Pongola link; and
- The conservation and sustainable utilisation of natural resources which is fundamental to the future growth and development of the tourism, agriculture and manufacturing sectors in the District.

DIAGRAM 6.1: ZULULAND ECONOMIC DRIVERS

	ECONOMIC DRIVERS	CERTAIN DRIVER	POSSIBLE DRIVER	UNCERTAIN
COMPANIES / SECTOR	Company			
	Sector/Sub-sector/Cluster	Government Sector Wholesale and Retail Sector	Coal Mining Agriculture Eco-tourism / Cultural tourism Natural Environment	
DEVELOPMENTS	Strategic Developments	eMakhosini / Opathe Park Golela Border Post Hydro-electric scheme on Pivaan River	Paulpietersburg Mall Vryheid Shopping Mall eMondlo Trading and Thusong Centres	Coal Line Ulundi 19 Petrol and Tourism
	Supporting Facility		Pongola Vegetable Processing Venison Abattoir	
INFRASTRUCTURE	Special Economic Zones	Nongoma NDPG Initiative Pongolapoort Dam Dev.		
	Link Infrastructure	P700 Route Development Pongola Nongoma Road Ulundi Airport Revitalisation		
	Other Infrastructure		Bulk Water Infrastructure – Res	

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

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



LIST: COMPANY DISTRIBUTION IN LOCAL MUNICIPALITIES

COMPANY NAME	LOCAL	PRODUCT CATEGORY
Arthurs Woodcraft	Abaqulusi	Timber Products
Build-It	Abaqulusi	Hardware
Cranes & Hydraulics	Abaqulusi	Cranes and Hydraulics
Ithala Game Reserve (KZN Wildlife)	Abaqulusi	Wildlife Tourism
Morkels Furniture	Abaqulusi	Furniture Retail
Vryheid Burglar Bars & Gates	Abaqulusi	Metal Products
Vryheid Central Workshop	Abaqulusi	Engineering Services
GNG Pine Products CC	eDumbe	Coffins
Natal Spa & Hot Springs	eDumbe	Tourism Accommodation +
Val Aqua	eDumbe	Mineral water
Kwa Mngandi Group	Nongoma	Hardware
Nongoma Lodge & Inn	Nongoma	Tourism Accommodation +
Mvutshini Estate	uPhongolo	Sugar and Related
Mvutshini Farm	uPhongolo	Sugar and Related
Pongola Toyota	uPhongolo	Vehicles Sales and Services
Pongola Country Lodge	uPhongolo	Tourism Accommodation +
Shayamoya Game Lodge	uPhongolo	Tourism Accommodation +
Sugar Cane Farm	uPhongolo	Sugar and Related
TSB SUGAR	uPhongolo	Sugar and Related
White Elephant Safari Lodge	uPhongolo	Tourism Accommodation +
Zululand Hunters	uPhongolo	Tourism Services
Legalwise	Zululand	Financial Services
Space Construction	Zululand	Construction Services

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

RETAILERS – OPPORTUNITIES AND CONSTRAINTS

OPPORTUNITIES	CONSTRAINTS

▪ Embrace the opportunities inherent in the 'green economy' in terms of;
  ○ 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.
	▪ 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

▪ Embrace the opportunities inherent in the 'green economy' in terms of;
  ○ 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
	▪ 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
▪ 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.	▪ 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 eThekwini. 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
▪ 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.	▪ 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-shoe 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

▪ Embrace the opportunities inherent in the 'green economy' in terms of;
  ○ 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.
	▪ 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	
▪ 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.	▪ 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	
▪ 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.	▪ 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)	
▪ 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.	▪ 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	
▪ 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	▪ 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)	
▪ 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.	▪ 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	
▪ 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.	▪ 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
▪ 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.	▪ 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
▪ 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.	▪ 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
▪ 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.	▪ 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	
▪ 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.	▪ 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.