

Economic Development Framework

16.1 INTRODUCTION

The former King William's Town and East London TLC's have previously taken on an economic development role. The Constitution now requires local authorities to take on economic development as a core function. For the first time now Buffalo City as a Municipality has a draft integrated Economic Strategy and a plan to boost its role in facilitating economic development.

16.2 LEGISLATIVE AND POLICY GUIDELINES

16.2.1 NATIONAL LEGISLATION

Local Authorities are required to play a leading role in promoting economic development. According to recent national legislation, such as the South African Constitution (1996), the Local Government Transition Act (1993) and the recent White Paper on Local Government (1998), councils are encouraged to adopt a developmental role and to proactively promote LED.

The White Paper on Local Government, 1998, provides the most comprehensive definition of local government's LED role. However, various other pieces of legislation such as the Constitution (Act 108 of 1996) and the Local Government Transition Act (Act 209 of 1993) also require local authorities to promote LED.

The White Paper on Local Government

The White Paper, which was approved by Cabinet in March 1998, envisages local government playing an important role in promoting the local economy and job creation. It views local government's LED responsibility as

“making the local area a pleasant place in which to live and work”, “reviewing existing policies and procedures to promote LED” and “providing special economic services”.

Investing in the basics

Provide good quality cost-effective services and make the local area a pleasant place to live and work in.

Revision of existing policies and procedures

- ❑ **Procurement**
Reform procurement policies to maximise the impact of municipal purchasing on job creation.
- ❑ **Rezoning requests and applications for building permits**
Simplify cumbersome bureaucratic approval processes and establish a spatial framework which identifies land for residential, commercial and mixed development and establishes clear guidelines for rezonings up-front.
- ❑ **One-stop-shops**
Establish user-friendly one-stop-shops to deal with all municipal services.

Special economic services

- ❑ **Marketing and investment support:**
Marketing and investment support can be provided, however care must be taken to ensure that this is cost-effective.
- ❑ **Small Business support services**
Buffalo city Municipality will endeavor to support the Department of Trade and Industry's Small Business Service Centre programme and to help provide support services to small businesses.
- ❑ **Research and technology**
Research and technology are important ingredients for innovation in an increasingly competitive international economy. Buffalo City Municipality will endeavor to provide targeted assistance to a particular sector in the economy which has good growth potential.
- ❑ **Training and placement services**
Training and placement services can be provided to help people acquire skills and find jobs.

Constitution of the Republic of South Africa

The Constitution (Act 108 Of 1996) views LED as both an objective and a duty of local government.

The objectives of local government are:

- ❑ "to promote social and economic development"

- “structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community”

The White Paper on Small Business

The White Paper on National Strategy for the Promotion of Small Business in South Africa (1995) argues that local authorities are the most effective level for the promotion of SMMEs. Although, it does not aim to be prescriptive, local authorities are encouraged to support SMMEs through providing informal markets, hives and incubators, flexible zoning and business infrastructure facilities.

16.3 ISSUES AND NEEDS

The following important issues relevant to the Buffalo City Economy were identified by the Economic Task Team:

- High unemployment – too few jobs
- Economic decline
- Poverty – many people live below subsistence levels
- Safety and Security
- Agricultural sector/rural areas need attention
- Poor infrastructure/image/access
- Expensive to do business in Buffalo City
- Buffalo City economy not diversified

16.3 OBJECTIVES

The objectives that have been agreed upon for Buffalo City are:

- ❑ Growth in the number of viable and sustainable employment opportunities
- ❑ Economic growth and a diversified economy
- ❑ Reduced poverty through the redistribution of economic resources and opportunities for the benefit of all residents
- ❑ Reduced crime rate
- ❑ To develop a fully integrated transport system to promote economic development
- ❑ Increased and sustainable agricultural production in urban and rural areas

16.4 ECONOMIC STRATEGY

The Economic Strategy was formulated with the Spatial Development Framework in order to support a sustainable urban and rural balance to address these issues. The Economic Strategy recognised that rural economic development will play a vital role in maintaining the viability and sustainability of Buffalo City as a broader municipality. Essentially the strategy involves the following sub- strategies :

16.4.1 AGRICULTURAL AND RURAL ECONOMIC DEVELOPMENT STRATEGY

This strategy involves thinking globally but acting locally and concentrates on rural development and job creation. Sectors such as eco-tourism, cultural tourism, agriculture forestry are promoted. Local and Export/International Markets are targeted. This strategy has a regional focus and regional networks would need to be created. This strategy would rely on the upgrading and maintenance of rural infrastructure. Rural businesses and industries could be promoted. This strategy would want tourists to venture into rural areas and spend money in these rural areas on goods and services. There would be a focus on SMME's and particularly on poorer rural communities. The Department of Agriculture would be an important partner. This strategy would be effective in addressing the poverty alleviation objective.

16.4.2 TOURISM DEVELOPMENT STRATEGY

This strategy involves thinking globally but acting locally in tourist related areas and in terms of tourism events. The powerful tourism multiplier is the chief rationale for promoting tourism, eco-tourism, cultural tourism and sport in order to

create local jobs and economic growth. This strategy focuses on international markets but could also attempt to attract tourists nationally. This strategy has a regional focus and would rely on a regional tourism network. Local and regional tourism agencies would have to co-ordinate their actions.

This strategy focuses on SMME's from all sectors of the community but also bigger businesses like the hotels and resorts and even the casino. This strategy would rely on improving the image of the city by upgrading and maintaining infrastructure and services as well as the built environment. Building and Cultural Heritage conservation would play a vital role in this strategy.

16.4.3 BIG AND SMALL INDUSTRY AND COMMERCE DEVELOPMENT STRATEGY

This strategy does not focus on a particular sector but rather focuses on promoting and developing existing businesses and assisting new local entrepreneurs to create new local business. It has an SMME focus but would involve improving the local business environment for all businesses big and small. There would be a global focus to the local action. This strategy would involve development of a range of local skills especially and also general business skills.

This strategy would attempt to understand local business needs and involve a continuous feedback process to the Local Authority. A broad range of local partnership would be promoted with the Local Authority and other local stakeholders. A close relationship with the entire local business community would be required. Cluster industries with strong backward and forward linkages would be concentrated on such as:-

- Motor industry
- Chemical industry
- Wood products

This strategy has a stronger manufacturing emphasis because it involves a broad range of local products. Promoting the cluster of industries locally would involve intense interaction with local business people. Municipal procurement strategies would play a vital role in supporting local businesses. Exporting local produced goods made by local businesses would also be a focus.

16.4.4 STRATEGIES THAT BUILD THE ORGANISATION AND ITS EFFECTIVENESS AND THE EFFECTIVENESS OF THOSE IN THE ECONOMY.

This strategy is intended to build the municipal organization and its effectiveness and the effectiveness of those in the economy. This involves:-

- ❑ Creating an internal LED Unit
- ❑ Organizing partnerships and networks
- ❑ Facilitating skills development

Each of the first three strategies will incorporate the principles of creating networks and partnerships and will involve appropriate skills development activities.

16.5 ECONOMIC PROJECTS

Based on the above focus areas various types of projects have been proposed:

- ❑ Physical projects that can be implemented in the short term
- ❑ Studies and Planning Activities
- ❑ Organization-building and capacity-building

16.5.1 PHYSICAL PROJECTS

Physical projects are proposed in the rural and urban areas. The physical projects in the urban areas support the concept of building onto the nodes and corridors proposed in the Spatial Development Framework. The physical projects are designed to involve emerging businessmen, women and the disabled.

Physical projects are proposed throughout Buffalo City and include projects like the IDZ, Duncan village Hive, craft markets, infrastructure upgrade projects in the CBD's and the Beachfront Revitalization Project. Rural Agriculture projects that have been defined in the previous Zone Plans of the Amatole District Municipality have also been listed on the budget. These projects will either be directly creating jobs or improving the image of the City so that investors feel confident enough to come and create jobs.

16.5.2 STUDIES AND PLANNING ACTIVITIES

Because our understanding of the Buffalo City economy is limited, many of the proposed projects involve surveys, studies and planning activities which will in turn lead to the creation of jobs and/or improving our understanding of how we as Buffalo City Municipality can assist business to create sustainable jobs and build

the local economy. The emphasis on sustainable jobs is based on Local Agenda 21 principles.

It is necessary for us to study the tourism sector to understand how we can promote the city and improve the quality and utilization of facilities such as our dams, nature reserves and various cultural facilities. We also need to determine what new facilities are needed and how we can improve the experience that visitors to our City have.

It is also necessary to study the agricultural sector so that we avoid duplicating initiatives already under way, and so that we can support those initiatives. Our focus is on supporting emerging farmers and even households in the rural areas to become self-sufficient and to start producing a surplus. Our aim is to then facilitate the marketing of this produce. This project will be part of a broader rural development programme that has been recognized as being critical.

A study of the business sector is needed. Included in this sector are big and small business and also hawkers involved in manufacturing and in retail. We need to know who they are and what their problems are, as well as how we can assist them to create more jobs and grow our economy.

16.5.3 ORGANISATION BUILDING AND CAPACITY BUILDING

The third project type are those projects that build the capacity of the municipal organization and of the individuals involved in creating jobs and building the economy.

The most important short-term task for this City is to create an internal LED Unit with staff who are dedicated to facilitating economic growth and job creation activities. This unit will then create further institutions such as a Strategic Task Team, an LED Forum and "One Stop Shops" to assist emerging businesses, local entrepreneurs or prospective investors.

The LED Unit will look to create partnerships throughout the economy and attempt to organize existing initiatives and link people and organizations together. The idea of co-operatives has also been proposed in this. It should be noted that many of the projects are linked to each other so that, for example, a study or survey might create partnerships and lead to improved skills development programmes. Skills development programmes will of necessity also contain an HIV/AIDS component to promote awareness, but more importantly the current entrepreneurs and big business will have a better understanding of how to deal with the HIV/AIDS crisis.

Another vital function of the LED Unit because of the financial constraints faced by Buffalo City would be to actively source funding for projects that have an economic impact.

16.6 IMPACT ON CROSS-CUTTING ISSUES

Since economic development is specifically aimed at poverty alleviation all the proposed strategies and projects target poverty.

The physical economic development projects are designed to involve emerging businessmen, woman and the disabled

The proposed surveys, studies and planning activities will improve our understanding of how we as Buffalo City Municipality can assist businesses to create sustainable jobs and build the local economy. The emphasis on sustainable jobs is based on the Agenda 21 principles.

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