

CHAPTER 3: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK

3.1. Overview

This chapter focuses on programmes and activities that the municipality has been involved in, to stimulate the local economy during the period under review. The chapter records the intervention implemented and challenges encountered in creating a vibrant economic climate of Buffalo City Municipality.

The chapter covers the period when the world including South Africa experienced economic recession. Negative impact of the economic recession lead to undesirable:

- Job losses through retrenchments;
- Limited investment attraction;
- Declining economy ;
- Business relocation; and
- Increasing numbers of unemployable graduates.

In response to this key challenge and many other socio-economic challenges the municipality had an Economic Development strategy. The strategy identified key interventions that were to be implemented in the year under review. Due to limited resources the successful implementation and geographic spread of some interventions was affected. These interventions will be discussed below in detail.

- Agriculture and Rural Development
- Tourism Development and Promotion
- SMME Development
- Trade and Investment
- East Fresh Produce Market.

3.2. Agriculture and Rural Development

Performance Highlights and Achievements:

Rural development and agriculture are distinct activities. Agriculture is one of the main components towards achieving rural development.

The division of agriculture & Rural Development within the LED, Tourism & Rural Development Department is mandated to facilitate agricultural development within Buffalo City Municipality, whereas rural development is a cross cutting activity through the BCM directorates, as it would include activities such as roads, transport, housing, health and all other socio economic activities.

In the 2009/2010 financial year, there has been no allocation for agriculture and rural development. The Cooperative Support Fund provided financial assistance to 10 co-operatives to

the tune of R2 000 000, 00. In the King Williams Town area two Cooperatives have been trained in organic farming methods and five co-operatives have been trained on Hydroponic or tunnel farming.

During the 2009/2010 financial year the programme has managed to link farmers to the East London IDZ to access information related to incentives, export opportunities and how the Industrial Development Zone can be of assistance to farmers. The programme has also been mobilising funds and technical assistance from the Industrial Corporation (IDC), Eastern Cape Development Corporation (ECDC) as well as the Department of Economic Development and Environmental Affairs (DEDEA) for co-operative support funds. The programme is also assisting farmers to access land through the Department of Agriculture and Rural Development.

3.3 East London Fresh Produce Market

Performance Highlights and Achievements:

This is a municipal facility that provides facilities for the storage and distribution of the fresh produce. It receives and sells the produce to the public on behalf of the farmers who are the suppliers. This is also a revenue source for the municipality. The market agents operate in the allocated floor space. Transformation and economic empowerment still remains a challenge of as the Market Agents still remain a white dominated sector.

Key objective of the East London Fresh Produce Market is to transform the municipality. This objective would be met by facilitating access into the market by Historically Disadvantaged Institutions (HDI). For 2009/10 the Fresh Produce Market prioritised the following programmes:

- extension of the sales hall;
- upgrading of the Sales System;
- Upgrading of informal traders (hawkers) storage facilities; and
- Upgrade of cold room facilities.

The extension of the sales hall is an attempt to create more trading space and thus allow access for HDI Market Agents. This is also an opportunity made available to SMME's and Cooperatives in the Agricultural produce sector.

As part of the contribution in the Informal Development support, six (6) Informal Traders Storage facilities were constructed and of which two (2) were reserved for people living with disabilities. This is in line with streamlining of cross cutting responsibilities of the municipalities (HIV & AIDS, Youth and Designated groups), providing a municipal facility that provides facilities for the storage and distribution of the fresh produce.

To improve the administrative efficiency of the market there was upgrading of the sales system into Fresh mark system. This is an administrative system used by the majority of municipal fresh produce market.

In terms of financial performance of the Market, the annual turnover is at an average of R284 million. The market is supplied by about 850 commercial farmers of which 2% are emerging farmers. The informal traders (hawkers) constitute 35% of the traders at the market.

3.4 Tourism Development and Promotion

Performance Highlights and Achievements:

Tourism is one of the key growth economic sectors of municipal economy. Despite the recession it has continued to show prospects of job creation, skills development and marketing of the Buffalo City municipality as tourism destination.



For 2009/10 key objective of the Unit was to market the city as a Tourist Destination. This objective would be met by implementing two (2) programmes which are marketing and quality assurance initiatives.

The Tourism Unit prioritized the following programmes, under quality assurance it was Training and Capacity Building, Tourism SMME Support and under marketing it was Tourism events. In line with national government conference resolutions on the Tourism INDABA held in Cape Town, the unit also undertook a process to review the sector plan (Tourism Masterplan)

A total budget of R1, 2 Million was allocated. As part of the tourism training and capacity building, a total of 60 tourism entrepreneurs were trained in Mdantsane, King Williams Town and East London. The training was targeting individuals who were interested in starting their tourism related businesses in the following subsectors: Bed and Breakfast, Restaurants, Tour Operators. The research that was conducted indicated that there are a number of tourism related businesses which are operating without following proper guidelines and policies hence the training was organized to give people an understanding of what are the processes that need to be followed when starting a tourism business.

As part of the Awareness Program the unit hosted two tourism awareness programs targeting communities and learners. The first event was a Tourism Day Celebration held in Mdantsane at Sisa Dukashe as part of the tourism month celebrations. The event targeted various community stakeholders giving information about the importance of tourism in the economy whilst it created a platform for people in the tourism industry to showcase their products. The second event was a Tourism Speech and Awards Day which was held in King Williams where a total of 18 schools that are offering tourism as a course participated. The program gave an opportunity to learners to debate tourism related issues and ultimately a tour to all tourism attractions in Buffalo City was organized for the learners that participated in the program. A total of 30 learners and 20 teachers benefited from the program. This programme is in line with national government tourism career expo to encourage students to consider careers and profession in the tourism industry.

The Tourism Unit as part of the Tourism SMME Support Program supported the launch of Emonti Bed & Breakfast Association known as EMBBA. This is an association that has more than 40 Bed & Breakfasts affiliates and such businesses are owned by previously disadvantaged individuals. This is the highlight of the tourism sector transformation in Buffalo City.

Buffalo City Municipality further identified a need to support these businesses by giving them access to marketing platforms in order for their businesses to grow. As part of the marketing platforms created was the participation at both Indaba Trade Show in Durban (annual international trade show) and Kyalami outdoor show in Johannesburg (Annual Domestic Tourism Show). The unit assisted SMME's in Mdantsane, King Williams and East London with the production of marketing material to be distributed at these shows.

Whilst the Tourism Unit is progressing well with implementation of the programs that seek to contribute towards tourism development and promotion, a need was also identified to review the Tourism master Plan. The Tourism Master plan is a sector plan that guides planning, identification and implementation of tourism programmes. The document is currently under review in order to give new strategic direction with regard to tourism development and marketing.



There has been a number of events that were hosted by the city that contributed significantly towards tourism growth. The city has for the first time organized the summer season program in-house which included both the switching on of the festive lights and the Christmas Carnival.

Focusing on 2010 the municipality partnered with the Provincial 2010 unit in hosting a switching on of the lights with a 2010 flavour to prepare the city for the 2010 soccer world cup and this was a success. Even though the city is slowly prioritizing events as one of the initiatives that could contribute towards economic growth, there is still a need to develop an event strategy that will clearly identify the type of events that the city will want to host, how much contribution will hosting of such events bring to the economy of the city and how should the city prioritize events. The hosting of 2010 Soccer World Cup has had positive spin-offs in South Africa. Buffalo City might not have had the stadiums but the marketing and profiling of the country in international platforms will have a long term benefit to the country as a whole

3.5 Business Development

Performance Highlights and Achievements

Business Development is key economic development tool and Buffalo City municipality focused on the development of the second economy as its key intervention. Second economy is known for its potential to create jobs, encourage entrepreneurship and improve competitiveness.

For 2009/10 key objective of the Business Development Unit was to grow the (SMME) Small Medium Enterprises sector. This objective would be met by implementing two programmes which are SMME Infrastructure and Capacity Building.

The following are the performance highlights of the Business Development Unit. The R4 million Duncan Village Business Support Centre aimed at promoting, growing, and developing SMMEs has been completed and it was launched by the Executive Mayor on the 28th of May 2010. More than 100 people from Duncan Village were employed during the construction of the centre.

Twenty (20) emerging contractors from the Inland Region were taken through an NQF 2 emerging contractor training programme. This is a programme that is inline with Expanded Public Works Programme (EPWP). As part of the informal sector development which include Street Traders and Hawkers. Ninety (90) Hawkers were taken through business management training.

3.6 EPWP Learnership

Training of 10 Contractors and 20 Supervisors in terms of the Expanded Public Works Programme (EPWP), with the total value of contracts at about R6 000 000 per contractor already having been successfully completed, third and final project will be completed in May 2011 and thus will provide the learner contractors with a CIDB registration capability of Grade 4 and NQF level 4 qualification. In total the learner contractors have awarded projects to the value of R10million per contractor to date. Negotiations pertaining to second intake of phase 2 learner contractors has commenced.

The outcome of the training was the formal registration of hawkers as business entities i.e. Close Corporation and Cooperatives and opening of bank accounts with financial institutions. The informal sector development included the provision of infrastructure. Fifty five (55) hawker stalls were constructed and distributed to hawkers during the 09/10 financial year. This is aimed at formalising the informal sector.

Two SMME information seminars aimed at creating a platform for SMME and government networking and sharing of information were held. This was to promote entrepreneurship and Sixty SMMEs were taken through Tender Advice and Training Course.



Implementation of the Cooperative Development support was one of the highlight under Business Development. Fifty (50) cooperatives were registered during the 09/10 financial year. Twenty (20) Cooperatives from within BCM benefitted from the R1 million Cooperative Support Fund. Each cooperative received R50 000 worth of items to develop these cooperatives.

In the marketing and promotion of local SMME'S, ten (10) SMME's exhibited during the Business Unlimited Expo held on the 22-23 October 2009. This event helped the SMME's market their businesses throughout the Eastern Cape and beyond.

Work in progress is the review of the municipal supply chain management policy to ensure that SMME's and Cooperatives are given opportunities to tap into the procurement opportunities. This is inline with the objectives of the Broad Base Black Economic Empowerment Act to promote enterprise development.

3.6 Trade and Investment

Performance Highlights and Achievements

Trade and Investment is critical factor for sustained economic development and growth. Key objective was to increase and attract foreign and domestic investment. This objective would be met by implementing three programmes which are research initiatives:

- Economic Intelligence;
- Business Retention and Expansion (BRE); and
- Invest Buffalo City.

Economic recession had a negative in the investment recruitment and attraction. Further more limited internal and external resources comprised the implementation of projects earmarked to achieve this noble objective.

Annual Business Unlimited Expo was successful event held to promote local businesses. Five SMME's were supported by the department to participate in the event. The support included the registration to the pre-event training, exhibition stand to exhibit products and participate in workshop targeted to SMME's.

Invest In Buffalo City is a programme still at conceptual stages. It is partnership between Buffalo City Municipality, Eastern Cape Development Corporation and East London Industrial Development Zone.

Partnerships with institutions involved in Investment recruitment was explored with East London Industrial Development Zone (ELIDZ), Eastern Cape Development Corporation and the Border Kei Chamber on the Invest Buffalo City initiative.

3.7.1 Key Challenges of the Department

- Lack of financial support and technical staff for Agriculture and Rural Development.
- Lack of clear provincial approach on Rural Development not Agriculture.
- Reprioritisation of interventions due to limited budget resulting in budget cuts.
- Buffalo City economic is part of the regional and provincial economy, lack of a provincial investment strategy is an impediment.
- Human Resource Capacity and funding for critical unfunded posts..
- Delay in filling of key strategic positions viz Programme Manager Trade and Investment.
- Limited budget to fund economic development initiatives for both capital and operating budget.
- Reliance on external funding which at times is earmarked for small scale projects.
- Lack of economic intelligence data for planning and review.



- Delayed appointment of task teams, steering committees for projects i.e. Tourism Heritage Route.
- Competing funding demands between economic development initiatives and basic service delivery initiatives.
- Limited interaction between municipality and Business sector
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3.7.2 Key Areas of Improvement

- Integrated Project Planning
- Monitoring and Evaluation
- Ensuring an effective Business Forum
- Improve communication

3.7.3 Status on developing the LED strategy/plan

BCM has an Local Economic Development Strategy which was approved by council in 2008. The strategy is a 5-year Implementation Plan and it clarifies.

- What are we (BCM) trying to achieve in terms of economic development (vision and objectives)
- How and what are specific & different role-players going do to achieve the (strategic objectives, initiatives, and resource mobilisation)
- Who needs to do what and by when (roles and institutional mechanisms)
- Institutional arrangement for effective delivery and implementation
- Economic response mechanism and tools.

LED strategy has made a recognition and a need for the development of sector plans.

- Tourism Masterplan being reviewed
- Integrated Agriculture and Rural Development Strategy

The availability of a LED expertise:

1 All management positions for the department are filled except the Programme Manager Trade and Investment.

Lower level positions in the organogram still remain vacant;

2. There is need for support for Agriculture and Rural Development;
3. Lack of funding for LED initiatives and projects remain the most challenge;
4. Lack of economic intelligence.

LED stakeholder forum functionality (number of meetings held);

- 1) LED Forum has been established, however attendance remains a challenge.
- 2) Consideration of different model is being explored with other municipalities.

Funding of LED initiatives depends on external funding sources as follows:

- 1) Provincial Government (DLGTA & DEDEA) Mdantsane and Duncan Village skills Audit,
 - 2) MIG- 3 million Duncan Village Business Hives
 - 3) DBSA-4 million for the Fresh Produce Market
 - 4) Department of Environmental Affairs and Tourism Kiwane Campsite and Tyolomnqa
 - 5) Department of Environmental Affairs and Tourism 5 million for Mdantsane Community
- Progress towards achieving the LED key objectives



- i) Improve public and market confidence

As enshrined in the LED Strategy below are the objectives. The BC LED Strategy needs to meaningfully impact on economic growth, job creation and poverty reduction.

The following four overall aims and objectives were developed and are aligned to the Provincial Growth and Development Strategy (PGDS)

Aims	Objectives
i) Get the basics right and retain existing businesses	i) Reduce number of households living below poverty line by 48% by 2014
ii) Grow competitive business	ii) Increase economic growth to average of 4.5-6% per year by 2014
iii) Attract new investments and funding	iii) Reduce existing unemployment to 20% by 2014
iv) Share the benefits of growth	iv) R500mln of investment annually in priority sectors between 2009-2014

In creating an enabling economic environment key interventions in the form of programmes were implemented for the 09/10 financial year.

a. Tourism Development and Promotion

- 1) Marketing Buffalo City as tourist destination
- 2) Quality assurance

Tourism programme contributes towards economic growth of the city and reduction of unemployment.

b. Agriculture and Rural Development

- 1. Urban and rural development agriculture programme;
- 2. Support emerging farmers;
- 3. Hydroponics initiatives: Focus is on food production and entrepreneurship
This programme contributes towards poverty reduction.

c. Intensify Enterprise support and Business Development

BCM has two SMME Support centres and partnership with The Business Place in King Williams' Town:

- 1) Mdantsane One Stop Shop,
- 2) Duncan Village Business Hives

Services offered to SMME's include:

- SMME Infrastructure
- Capacity building programme
- Cooperative Development Support



- Emerging Contractor Development Programme
- How to start a tourism business

d. Trade and Investment

As part of the department's intervention to attract and retain investment, the following programmes were earmarked to be implemented:-

- Research initiatives (Economic Intelligence), and
- Business Retention and Expansion (BRE)

However due to funding constraints implementation could not be achieved.



Annual performance as per key performance indicators in LED

	Indicator name	Target set for the year	Achievement level during the year (absolute figure)	Achievement percentage during the year
1	Percentage of LED Budget spent on LED related activities.	100% 6,7 million of Capital budget spent on LED capital projects	4,3 Million	64%
2	Number of LED stakeholder forum held	3	2	50%
3	Percentage of SMME that have benefited from a SMME support program	30	200	130%
4	Number of job opportunities created through EPWP	80 000 (man days)	119 880 (man days) N/A	N/A
5	Number of job opportunities created through PPP	N/A	N/A	N/A

Challenges regarding LED strategy implementation

- 1) Changing economic environment because of the recession;
- 2) Vacancies in the lower level positions in the department;
- 2) Budget constraints;
- 3) Lack of economic intelligence;
- 4) Poor coordination between economic development institutions in the region.;
- 6) Lack coordination of Monitoring and Evaluation; and
- 7) Strategy lacked a clear implementation plan.

8) Technical capacity to implement mega economic initiatives

Way Forward

- 1) Review economic development strategy and sector plans in light of the recession recovery and proposed growth path;
- 2) Improve capacity of the department by filling vacant funded and unfunded posts;
- 3) Development of an Implementation Plan for Economic Development Strategy;
- 4) Development of an institutional monitoring and evaluation tool; and
- 5) Institutional wide approach on Business Retention and Red-Tape reduction process.

