

ECONOMIC RECOVERY PLAN UPDATE

05 DECEMBER 2020

SUPPORTING
ENTERPRISES



SAFEGUARDING
JOBS

CARING FOR
LIVELIHOODS

PARTNERING FOR GROWTH

TOWARDS ETHEKWINI'S ECONOMIC RECOVERY AND RECONSTRUCTION PLAN **and the DDM "ONE PLAN"**

2019/20 – 2020/21

Respond and relieve

Act fast, do whatever we can



2021/22 – 2025/26

Recovery and Reconstruction

Prioritise and stimulate

PILLAR 1: Monitoring and Responding to the Health of the Municipality and the Economy

PILLAR 2: Facilitating the City's Share of National Support ✓

PILLAR 3: Re-starting the Tourism Industry

PILLAR 4: Supporting the Rural, Township and Informal Economy ✓

PILLAR 5: Creating an Extraordinary Environment for Construction and Infrastructure Investment

PILLAR 6: Operationalising the Socio-Economic Relief Fund

PILLAR 7: Ensuring Radical Economic Transformation in City Procurement and expediting payments to small Businesses ✓ (long term interventions identified)

PILLAR 8: Building Social Coalitions and a Buy-Local Invest-Local Campaign

PILLAR 9: Stabilising the City-Owned Entities

PILLAR 10: Public Employment Programme

PILLAR 11: Industrialisation and growth of key sectors

"BUILD A MORE RESILIENT, INCLUSIVE, INNOVATIVE AND SUSTAINABLE ECONOMY"

By:

1. AGGRESSIVELY INVESTING IN INFRASTRUCTURE TO UNLOCK CATALYTIC PROJECTS

2. PROMOTING EMPLOYMENT ORIENTATED STRATEGIC INDUSTRIALISATION AND INVESTMENT ATTRACTION

3. CELEBRATING DURBAN TO GROW TOURISM CULTURAL AND CREATIVE INDUSTRIES

4. DRASTICALLY IMPROVING THE BUSINESS ENVIRONMENT

5. GROWING THE SOCIAL AND SOLIDARITY ECONOMY

While doing this we must ensure a move to a lower carbon economy and ensure an innovative and competitive economy that creates jobs

ALIGNING ETHEKWINI'S ERP WITH NATIONAL ERRP

9 PRIORITIES

11 PILLARS

Aggressive infrastructure investment

PILLAR 5: Creating an Extraordinary Environment for Construction and Infrastructure Investment

Employment orientated strategic localization, reindustrialization and export promotion

PILLAR 8: Building Social Coalitions and a Buy-Local Invest-Local Campaign
PILLAR 11: Industrialization and growth of key sectors

Energy security

PILLAR 11: Industrialization and growth of key sectors

Support for tourism recovery and growth

PILLAR 3: Re-starting the Tourism Industry

Green economy interventions

PILLAR 11: Industrialization and growth of key sectors

Gender equality and economic inclusion of women and youth

PILLAR 7: Ensuring Radical Economic Transformation in City Procurement and expediting payments to small Businesses
PILLAR 6: Operationalizing the Socio-Economic Relief Fund

Mass public employment interventions

PILLAR 10: Public Employment Programme

Strengthening food security; and

PILLAR 4: Supporting the Rural, Township and Informal Economy

Macro-economic interventions

PILLAR 1: Monitoring and Responding to the Health of the Municipality and the Economy
PILLAR 2: Facilitating the City's Share of National Support
PILLAR 9: Stabilizing the City-Owned Entities

KZN ECONOMIC RECONSTRUCTION AND TRANSFORMATION PLAN

PILLARS OF THE PLAN

1. A programme to expand **social, economic and spatial transformation**;
2. A programme of **investment to improve the performance of network industries through innovation and localisation of value chains**;
3. Policies to strengthen **trade and investment linkages with other countries across the African continent**;
4. **Skills development** to ensure that we have the right know-how for capable private and public sector activity;
5. **Social compacting** to achieve and ensure buy-in and compromises by all;
6. Policies to ensure that the programme is sufficiently financed and is **financially sustainable**; and
7. **Capable and developmental state** is required to execute the programme of reconstruction.

POLICY CONSIDERATIONS

1. **Economic transformation:** Operation Vula, Black industrialist programme, RASET, revitalisation of townships and targeted procurement.
2. **Spatial Economic Transformation**
3. **Economic Modernisation**
4. **Localisation**
5. **Beneficiation and value addition**
6. **Export focused industrial development**
7. **Investment Promotion**
8. **Innovation**
9. **Research and Development**
10. **Robust Public Private Partnerships**
11. **Commonality of Purpose/ Goal Congruence**

11 PILLARS OF THE ECONOMIC RECOVERY PLAN

PILLAR 1: MONITORING THE HEALTH OF THE MUNICIPALITY AND THE ECONOMY

- **R156m of interest on overdue accounts written off in 19/20 and R240m in 20/21**
- **Note City systems are not customer orientated** – CRM process doesn't have understanding of customer consumption and needs
- **Customer research is a work in progress** – account has been set up on RMS and data being received June 2019 – June 2020. GIS work expected on 04 December 2020
- **FDI aftercare survey underway**
- **Rates deferments and payment terms are being processed** (Revenue management were not able to provide list of applications at this stage)

PILLAR 2: FACILITATING THE CITY'S SHARE OF NATIONAL SUPPORT

- **Hotline** and **Sizakala Centres** open
- 35 865 applications received by DSBD and only 1497 were approved
- **181 Applications approved for eThekwin**
- R513m disbursed nationally by DSBD and fund was exhausted
- 9733 special permits issued
- 834 business licenses issued
- **120 applications approved for agribusiness support**
- **PILLAR COMPLETED** ✓

PILLAR 3: RE-STARTING THE TOURISM SECTOR

246 businesses assisted received R50 000

Soft domestic market campaign started in April to September

An aggressive domestic market campaign (from level 1)

World Travel Awards

- Africa's Leading City Destination
- Africa's leading Conference Destination
- Hilton – Africa's leading hotel brand and business hotel
- Oyster box – South Africa's Leading Hotel

Tsogo Sun "Durban is strongest hotel market in SA"

New hotel space at Umhlanga Arch

- Through PRC more beaches have **applied for blue flag status. 12 Durban beaches now Blue Flag, 5 full status and 7 pilot status.**
- **Recategorization of B&B's and Guest houses - 103 B&Bs approved**
- **Municipality's own accommodation booking** will now be directed to small businesses like Bed and Breakfast in collaboration with Travel office, all product quality compliance done
- **City commercial leases 50% discounts for 3months**

PILLAR 4: SUPPORTING THE RURAL, TOWNSHIP AND INFORMAL ECONOMY

- Submitted 5013 Spaza shops and general dealers for SEFA's R7000 support. 2983 approved, 252 declined and 2180 referred to SEDA for capacity building
- PPEs supplied to informal sector

PILLAR COMPLETE ✓

PILLAR 6: ENSURING RADICAL ECONOMIC TRANSFORMATION IN CITY PROCUREMENT AND EXPEDITING PAYMENTS TO SMALL BUSINESSES

- Treasury accelerated payments to small businesses
- **17 Spaza shops** supplied during the food hamper distribution, City's PPE procurement
- 120 SMEs have been sent to DTIC and **National Treasury manufacturing PPEs**
- **PPE procurement directed towards small business**

PILLAR COMPLETE ✓

HOWEVER;

This pillar has highlighted the long running problem of payment support required for small businesses. This pillar must mature into a long term small business payment support pillar.

Another critical issue to be included is that of work stoppages, and the need for a City office to facilitate unblocking of work stoppages.

PILLAR 7: OPERATIONALISING THE SOCIO-ECONOMIC RELIEF FUND

- **R10m allocation approved**, and possible further R10m
- Applications closed and adjudication to happen in December
- **Applications Received**
 - Estimated total 4350
 - Manual applications – 3600
 - Online applications – 400
 - Email applications – 350
- **Applications Reviewed Thus Far**
 - 1137

• **Industries Applied**

- Informal trade (i.e. street traders & spaza shops, which constitute approx. 70% of applications reviewed thus far)
- Tourism
- Salons/ Cosmetology
- Construction
- Legal services
- Agriculture
- Taverns
- Cleaning services

• **Range of Amounts Applied For**

- Average R15k – R28k
- Lowest amount R5k (these are a handful of traders wanting to buy stock)
- Highest amount R30k (quite a bit that wants the whole amount)

• **Deadline For Pre-selection**

- By end of December 2020, possibly week of the 14th.
- A complete report will be submitted then.

PILLAR 8: BUILDING SOCIAL COALITIONS AND A BUY-LOCAL INVEST-LOCAL CAMPAIGN

- **Economic Council** launched and had first meeting
- **Buy Local Campaign**
 - Call for local businesses to register for the Buy Local Campaign closed on 15 November;
 - 268 applications received
 - Screening and due diligence by technical team resulted in 107 qualifying entrants;
 - Top 19 local businesses who meet the criteria recommended to be progressed to the next level;
 - Remainder need intervention and ECOD Cluster Units & Departments urged to help with business support services
 - **Report to DCM seeking approval of profiling, marketing and promotion of the Top 19 during the festive season and beyond;**
- **Port congestion task team**
 - 7 workstreams reporting on progress (being reported separately)

PILLAR 9: STABILISING THE CITY-OWNED ENTITIES

- Due to impact of COVID-19 on the entities, they reported to Council in terms of Section 101 of the MFMA
- Report tabled, and recommendations supported.
- The Municipality confirmed its support to ensure that the entities remain a going concern
- Strategic review of the mandates of the entities will be undertaken early in the new year.
- uShaka
 - Further R15 million provided to assist with cash flow challenges
 - Other grant funding totalling R21.9 million re-purposed to further assist with cash flow challenges
- ICC
 - Entity granted authority to utilise R64 million from cash reserves, that were earmarked for capital improvement, to meet cash shortfalls.

PILLAR 10: ACCELERATING JOB CREATION THROUGH PUBLIC EMPLOYMENT

- **R292million was initially approved for eThekweni**
- **Funding re-prioritised by National Treasury, but note other PEP projects are going ahead – possible 2021/22**
- **Jobs workstream of Mayoral War Room set up and system of job tracking is in place**

NATIONAL ELEMENTS OF PILLAR ON HOLD !

PILLAR 11: INDUSTRIALISATION AND GROWTH OF KEY SECTORS

CULTURAL AND CREATIVE INDUSTRIES

- Artists Workshops and Seminars
- Creation of creative industries directory which will include informal businesses
- City events strategy to be developmental and Tailor made business development support to be provided to informal businesses, recording studios, community arts centres and private venues

FILM AND MEDIA

3 series in full production in June creating 450 jobs.

Virtual Durban Filmmart was successful

Report approved at ECOD on **Production Hub incentive plan**

INNOVATION AND TECHNOLOGY

- **SmartXchange – Focussing on PINK and using an APP to move businesses online** (list of traders and businesses sent to SmartXchange)
- **Innovate Durban developing an Entrepreneur called ELOH APP starting in Cato Manor but will cover other townships as well**
- **Cato Manor Community Wifi Project – Innovate Durban**
- **Youth Innovation Challenge** launched aimed at solutions that enable digitization
- **Township innovation labs** in KwaMashu and Cato Manor
- **City Fibre roll access for poor communities (part of strategy)**

PORT CONGESTION

- **Decongestion task team operational**
- Appointment system operational but problems continue
- Truck Assoc training and accreditation
- Container terminal efficiency – improve truck turn-around times
- Increasing rail usage (but cable theft is a problem)
- Joint stakeholder engagement
- **Port access roads – 2nd access MoA signed and widening planned on Bayhead and Langerberg rds**
- Root cause analysis

THE OCEAN ECONOMY

- **Maritime engineering, boat and ship building and repair**
- Maritime skills development undertaken by Durban Maritime Cluster focusing on township schools

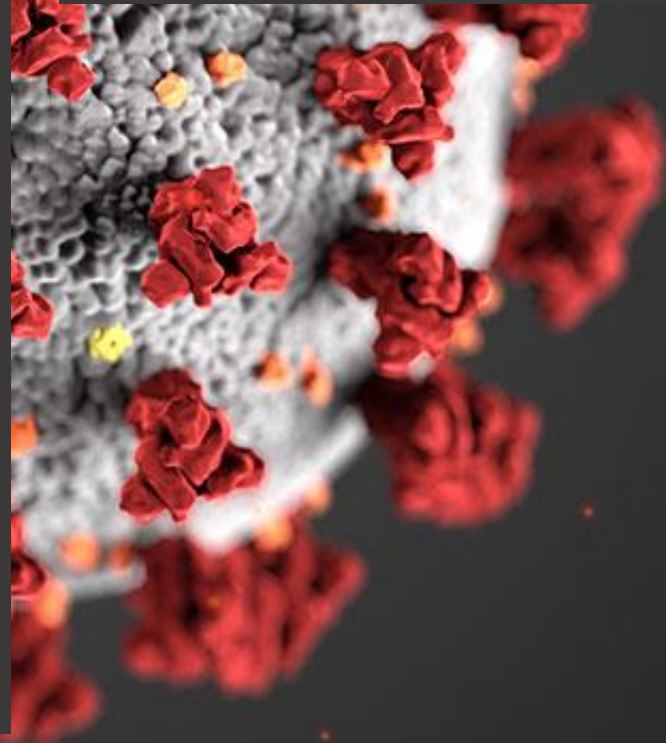
PILLAR 11: INDUSTRIALISATION AND GROWTH OF KEY SECTORS

MANUFACTURING SECTOR

- **Manufacturing Clusters conducted survey**
- Firms survived by incurring debt and revising 3 year investment plans (surviving at a future cost)
- Chemical firms - 80.5% drop in profit, 30% of firms retrenched staff
- Automotive sales to return to 2019 sales levels expected in 2022. 88% of firms cut operational spend
- Clothing and Textiles cluster implemented 3 phase support
- Furniture implemented 3 phase support
- **Localisation is one way to improve supply chains (opportunity)**
- Virtual trade webinars, AGOA training, Productivity SA Kaizen Principles, Survival techniques, Assistance in accessing national support
- **Developed a database of firms supplying masks, sanitisers, etc and shared the database with SCM and National Treasury**
- **Survey utilised to inform the development of appropriate recovery and growth programmes for the long term sector sustainability**

THE GREEN ECONOMY

- Green Building Incentive policy
- Expansion of Shisa Solar and introduction of SAPVIA PVGreenCard:
- Renewable energy and waste recovery projects identified
- Project funding of R3.5bn being sought
- **New generation and SMME development programme being proposed in new strategy**



PILLAR 5: CREATING AN EXTRAORDINARY ENVIRONMENT FOR CONSTRUCTION AND INVESTMENT

DEVELOPMENT PLANNING

- **12 month holiday on development application fees started on 1 July 2020**
- Streamlined process and online planning application process resulted in **40% reduction in processing time**
- For the month of August, we wish to report as follows:
Stats
 - Building Plans submitted and resubmitted: 883
 - Building Plans processed (approval/refusal): 636
 - Value of Plans approved : R559 481 162
 - **Average turn around time : 13days**
 - Completion certificates issued : 189
 - Demolition permits issued : 10
 - New building plans submitted: Jun 12; Jul 41; Aug 66; Sept 109; **Oct 193** ↑

Online system

- Phase 1 (submission portal implemented 1st June) functional and currently being upgraded
- Phase 2 (deployed end October) Features include auto acknowledgement and notification, status tracking, escalation, intelligent reporting

PROVISION OF STRATEGIC INVESTMENT SUPPORT

1. Identify investments at risk

- Invest Durban working on a number of FDI projects e.g. LG, Toyota, Kerry Foods, Anchor, Urban Lime, JK Props, UK CCI, Thermo Fisher, Mara, Heineken

2. Reduce disinvestment

- Mayoral Flagship FDI Aftercare and survey

3. Retain investors

- Investor Retention Programme implementation underway with support from the World Bank Group
- Tourism Investment Africa 360 (TIA360) presented at EXCO 22 September 2020

PILLAR 5: CREATING AN EXTRAORDINARY ENVIRONMENT FOR CONSTRUCTION AND INVESTMENT

4. Ensure second stage evolution from retention into aftercare

- 12 investors Support
- Transnet unblocking red tape
- LG Electronics supported with restart plans and facilitation with National Departments by Invest Durban to avoid 25% staff retrenchment

5. Contribute to SMME value chain opportunities and linkages within FDI

- Identified 17 SMME's to supply components to Defy to start producing New Impilo Ventilators in Durban
- Linking SMME's with corporates on PPE supplies

6. Supports objectives of the ECOD Cluster and Economic Recovery Plan

- Durban Investment Climate Survey procurement process underway

CATALYTIC PROJECTS BEING FACILITATED

- **Investment value : R132 billion**

- City revenue : R1.77 billion

Modelling on Job numbers and economic impact of catalytic projects undertaken by Siphe Thusi and separate presentation available

6 projects will increase economic growth by approximately **1% per year** until the construction phase is completed

Improve the household standard of living with an economy-wide average contribution of **0.52 percent per year** until the construction phase is completed

CATALYTIC PROJECTS BEING FACILITATED

PORT SECOND ACCESS

submitted to Presidency as strategic project

1. Sibaya – unblocking DOT requirements 3-5 years
2. Oceans – unblocking ETA
3. Beachwood – Planning stage
4. Virginia Airport – planning stage
5. Ntshongweni Phase 1- Road de-proclamation (June 2021)
6. Cato Ridge Logistics Hub – Planning stage
7. Keystone – WULA submitted
8. Brickworks – City construction in May 2021

1. Midway – Construction 50%
2. Point Waterfront – watermain project in progress
3. Rivertown – construction has commenced
4. DTP – bulk infrastructure construction commenced
5. Cornubia – construction in progress on 3 precincts
6. Whetstone – Phase 1 in construction

WHAT WILL THIS COST THE CITY?

***R837m**

Made up as follows

REVENUE CONTRIBUTION

Wavering development application fees	R28m
Rental holiday for informal traders	R3.6m
Re-categorization of B & Bs to Residential rates	R3.6m
Investment incentives	R3.6m
50% rental rebate for City's commercial properties (3-month)	R9.9M
OPERATING EXPENDITURE	
Budget re-prioritization contribution into the relief fund	R40m
COE Budgetary support	R43m
Tourism Africa	R2.5m

POTENTIAL REVENUE LOSS

Arrears interest foregone for April, May and June 2020 (No interest charges on arrear accounts for three months)	R156 000 000
Writing off interest on overdue accounts from business customers maximum amount foregone in potential revenue if all business customers take this option	R240 000 000

CAPITAL EXPENDITURE (not new) R285m

This is still as per previous presentations

SO WHERE TO FROM HERE?

**DISCUSSIONS ON NEW 5 YEAR ECONOMIC STRATEGY IS LINKED TO
DDM PLANNING – DRAFT AVAILABLE FOR INTERNAL DISCUSSION**

****MATURATION OF ERP
REQUIRES PLANNING FOR
THE NEXT PHASE OF
ECONOMIC RECOVERY**

THANK YOU

