eThekwini's Economic Recovery Plan

May 2020 – July 2021

Partnering for inclusive growth

Table of Contents

EXECUTIVE SUMMARY

The COVID-19 lockdown represents the biggest threat to the eThekwini economy in 2020 and is precipitating an economic crisis that will push local viable businesses to become illiquid and go bankrupt. The lockdown has already been determined to have permanent negative effects as business disruptions affect the wages of workers, supply chains and damped the levels of output even at level 4 and 3 of lockdown continue. Current research is already showing massive declines in economic activity across the country as well as in eThekwini Municipality.

This report discusses the background of the lockdown on the economy as well as makes proposals on interventions within the City's control that should be undertaken to assist our local small businesses, informal traders and the township economy from collapse. These proposals are termed the eThekwini Economic Recovery Plan which is based on the following nine pillars;

1. PILLAR ONE: Monitoring and Responding to the Health of the Municipality and the Economy
2. PILLAR TWO: Facilitating the City's Share of National Support and Industrial opportunities
3. PILLAR THREE: Re-starting the Tourism Industry
4. PILLAR FOUR: Supporting the Rural, Township and Informal Economy
5. PILLAR FIVE: Creating an Extraordinary Environment for Construction and Infrastructure Investment
6. PILLAR SIX: Operationalizing the Socio-Economic Relief Fund
7. PILLAR SEVEN: Ensuring Radical Economic Transformation in City Procurement and expediting payments to small Businesses
8. PILLAR EIGHT: Building Social Coalitions and a Buy-Local Invest Local Campaign
9. PILLAR NINE: Stabilizing the City-Owned Entities

While various stimulus packages have been made available from the national government and the private sector to assist with food parcels for the most vulnerable, National Treasury has stipulated that they will not bail out municipalities. To this end, the eThekwini Municipality's Economic Recovery Stimulus Plan – which also aligns with and draws from the National Recovery Plan - has the objectives of addressing the short- and medium-term impacts of the pandemic and submit a suite of action plans.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

The world is faced by an unprecedented challenge in the form of the COVID-19 pandemic. Over the last five months, the virus has spread from China where it was first discovered to almost every country. During this time, it has infected at least 6.2 million people killing about 374 343 (as at 01/06/2020). South Africa has not been spared with its first case being reported on 05 March 2020 rapidly rising to 32 683 cases and 683 deaths as of 01 June 2020. On the 15th March 2020, the President declared a National State of Disaster and prohibited gatherings of more than 100 persons. On the 27th March 2020, the President implemented a 21-day lockdown which was later extended for an additional 2 weeks (scheduled to end on 30th April 2020). However, from 01st May 2020, the country moved to level 4 of the lockdown which allowed some activities to resume while still restricting travel and non-essential activities. On the 1st of June 2020, the country further moved to level 3 of lockdown still with some restrictions on travel and non-essential activities. The Risk-Adjusted Strategy adopted by government proposed a phased re-opening of the economy to limit the spread of Covid-19 and 'flatten the curve'. The swift action of government in locking down the economy and banning travel has no doubt played a major role in slowing the spread of the virus and bought the country some time to prepare a large-scale health response. In the words of Ghana's President Akufo-Addo "*We know what to do to bring our economy back to life, but we don't know how to bring people back to life".* While the lockdowns across the globe have been very necessary, they have had a catastrophic impact on the economy of the country and the world. South Africa, specifically, has been faced with the COVID-19 pandemic at a time when the country economy is at a weak point with very low GDP growth, a credit rating downgrade, high levels of unemployment and many fiscal constraints ranging from issues at Eskom, SAA and other state-owned agencies.

EThekwini's economy has not been spared with an estimated 327 000 jobs being lost, a sharp contraction in GDP and widespread strife. The national government has announced two, of a total of three phases of socio-economic support measures to fight the virus, care for the afflicted and support an ailing economy. The second phase announced on 21st April 2020 totals R500bn or 10% of GDP. To maximise on the platform that will be laid by the two phases of government support, the Municipality must be ready to actively support, direct spending and create an environment that is conducive to economic growth and social protection. As Africa's most caring and liveable city, eThekwini must use this crisis to put itself on a path of shared growth.

The economic crisis spurred by the stringent lockdowns to control the virus has challenged the fundamental assumptions upon which the economy is based. It has forced firms and governments to prioritise essential services and rapidly move systems online to enable business continuity. A failure to move quickly and a failure to innovate has resulted in numerous businesses succumbing and closing or going into business rescue, while others have been pushed deep into debt. The resultant damage to the economy has plunged the collection rate of municipalities into a downward spiral that will take years to repair. While eThekwini moves to limit the financial fallout of the pandemic, it must simultaneously move rapidly to repair the economic damage, protect jobs and care for the vulnerable together with other spheres of government and stakeholders. The City has taken the lead in the country by not only putting in place health and social interventions but to set out a path to economic recovery. Preliminary research indicates that it will take no less than 18 months to get back to pre-lockdown levels of economic activity. At the same time, the reality is that the pre-lockdown levels of economic activity were fundamentally flawed in that the city's economy was already in recession while levels of inequality were deeply embedded in the structure of the economy.

Returning to pre-pandemic approaches and old methods of stimulating the economy are is longer appropriate. Not only did the pandemic cause economic activity to plummet, it also exposed the fault lines the economy. In the word of Albert Einstein "*We cannot solve our problems with the same thinking we used when we created them*" **This shared growth cannot be achieved by a business-as-usual approach. The City must make a strategic shift in the way it interacts with citizens and stakeholders.**

The following key internal shifts are proposed:

When a society moves quickly to a severely constrained economic environment, it demands that we quickly start focussing at the heart of issues. That focus is placed on undertaking clear, sustainable and easily justifiable initiatives that bring about change and impact with the least resources. We should re-focus our efforts through budget reprioritisation against clear priorities that respond to the health disaster, protect the most vulnerable, protect firms, supporting economic recovery and the re-establishment of economic activity in communities.

There should be increased digitisation of City processes and more online engagements even after Covid-19. The greater use of online systems and tools will enable greater efficiency and improve productivity.

'Singing from the same hymn book', management across the cluster, and staff, must have a common focus, a common objective and drive a common agenda. Covid-19 has taught the lesson that there is no time for minor disagreements, there needs to be urgency and alignment if we are to build a successful city.

Productivity among staff and management is of critical importance. Through these tough times, many people have lost their income. Many people are struggling to pay their municipal bills, and throughout the Municipality has not cut salaries. Civil servants need to reciprocate by driving up their levels of productivity.

Leadership is essential in driving the Economic Recovery Plan. The Mayor, Executive team and ECOD Committee need to be the champions of the plan, along with the management and staff of the Economic Development and Planning Cluster.

Partnerships and social coalitions are an essential part of bringing about change. Key partnerships have been developed through initiatives such as Team Durban, Shape Durban and the proposed Durban Economic Council. The City must continue to develop and strengthen partnerships with business at all levels, civil society, academia and all levels of government.

Let's get things done! Covid-19 has brought a renewed sense of urgency, to get things done! There is direction and there is common agreement on what needs to be done. We must build a culture of 'can', question at the heart of excuses and ensure that action is taken so that what needs to be done is done without being distracted, and while celebrating successes.

CHAPTER TWO: THE SOCIO-ECONOMIC CONTEXT

2.1 The Global Context

The International Monetary Fund has recently revised the global growth for 2020 to -3% which is the lowest since the Great Depression. The health crisis has set off a financial-economic crisis, amid a climate crisis. During March the global markets lost about $8-trillion (the worst performers being Argentina and South Africa). The leading economies of China and the US have recorded poor retail sales, export earnings, industrial production, services and fixed investment. The lockdown and social distancing, which began to affect these economies first have led to a decline in global production and employment. Despite the introduction of large stimulus packages in the US and Europe, the world economy is looming towards a recession - and if not curtailed soon - a depression. This scenario is being played out elsewhere as the virus spreads.

At present, there is no vaccine for the virus with some survivors seeming to have acquired immunity. The overall strategy is to slow down the rate of contagion to relieve the hospital system and reduce the death rate. The termination of economic activities in its scale and abruptness has only been seen previously during world wars. At present, there’s a growing international scramble for three resources – masks, ventilators and sanitizers. The medical community has indicated that the vaccine may take over one year before it is ready (mid-2021).

Initially, the perception was that Covid-19 will disappear like the SARS- and MERS outbreak, however, it did not, and the long-term impact has touched on all aspects of our existence, and is likely to cause unprecedented social and economic upheaval and has exacerbated the conditions for those already trapped in poverty, unemployment and inequality. Throughout the world, this pandemic has highlighted the social inequalities and exposed the structural deficiencies in society. The lockdown has laid bare South Africa’s stark historical inequalities. This virus is a raw reminder of inequality and how, when crisis strikes the poor, it does so with a different strain of severity.

Global trade in goods and services plummeted in the first and second quarters of 2020 as recorded by the World Trade Organisation (WTO). The Goods Trade Barometer provides real-time information on the trajectory of world merchandise trade relative to recent trends. The current report captures the initial phases of the COVID-19 outbreak and is the lowest score on record with no sign of the trade decline bottoming out yet. This measure is consistent with the WTO's trade forecast issued on 8th April 2020, which estimated that world merchandise trade could decline by between 13% and 32% in 2020, depending on the duration of the pandemic and the effectiveness of policy responses.

Source: World Trade Organisation (2020)

All the World Trade Organisation's Goods Trade Barometers' component indices are currently well below trend. The automotive products index (79.7) was weakest of all, due to collapsing car production and sales in major economies. The sharp decline in the forward-looking export orders index (83.3) suggests that trade weakness will persist in the short run. Declines in the container shipping (88.5) and air freight (88.0) indices reflect weak demand for traded goods as well as supply-side constraints arising from efforts to suppress COVID-19. Only the indices for electronic components (94.0) and agricultural raw materials (95.7) show signs of stability, although they too remain below trend. Trade had already been slowing in 2019 before the pandemic, weighed down by persistent trade tensions and weakening economic growth. WTO trade statistics show that the volume of world merchandise trade shrank by 0.1% in 2019, marking the first annual decline since 2009, during the global financial crisis.

2.2 South African Economy

The South African economy is characterised by unsustainable growth in its national debt burden, due in part to the State-owned utility Eskom. Eskom's debt has rendered it unviable in its current form without government subsidies. Eskom's debt has not come as a result of adding generation capacity and the utility has repeatedly found itself unable to meet national demand for electricity. This has been largely responsible for the economic recession that the country found itself in at the end of 2019. The country was hence faced with the reality that its huge debt burden has not translated into significant infrastructure gain nor resulted in economic growth. This led to the sovereign rating downgrade to sub-investment grade by Moody's (the last rating agency that still rated the country at investment grade). While the electricity constraints are significant and long-term in nature, governments legislative amendments which allow for Municipalities to generate their own electricity is a significant opportunity for eThekwini.

Covid-19 brought an added challenge to an economy that was already struggling with recession and deep structural challenges. The South African Reserve Bank (SARB) anticipates the economy to grow at **-7%** for 2020, which is significantly more optimistic than what the Durban EDGE projects. The lockdown is anticipated to have decimated economic activity in Q2 rendering GDP growth as an irrelevant statistic in Q2. This will see tax collection plummeting in 2020 and national debt levels accelerating in the short-term. While these challenges have placed the country on a downward spiral, an opportunity exists to use this period of crisis to make structural changes in the economy that could rescue the country and return it to a growth path. However, this will not be an easy road and may well require more sacrifice than the country is willing to make. In the short term, it is anticipated that the economy will return to pre-lockdown levels of economic activity in 2022 (if estimates hold).

At a national government level, intense scenario planning has mapped out the economic impact of the different lockdown levels, together with the subsequent paths for the fiscal deficit, for government borrowing and for a fiscal response. At this stage, the central scenario is for a deep recession in 2020, followed by an upswing in economic growth. The National Treasury is in conversation with stakeholders at multilateral bodies, domestic and local economists, and the South African Reserve Bank to understand how the global economy will adjust. Domestic and global high-frequency data are also being monitored to get an understanding of the ongoing evolution of the economy during this global pandemic. Various relief packages have been introduced to assist businesses, communities and individuals during this time.

National Treasury has also affirmed that the other parts of the package involve the drawing down of existing surpluses such as the Unemployment Insurance Fund (UIF) or increasing the contingent liability of government guarantees. Beyond the COVID-19 crisis, a major risk facing the economy and the fiscus is whether long-run economic growth returns to the pre-crisis averages of between 1- 2%. Higher levels of economic growth are needed to tackle the deep structural challenges of inequality, unemployment and poverty.

A massive social relief and an economic support package of R500 billion to mitigate against the impact of COVID-19 in the country has also been announced by the President. This package forms part of the second tier of the country’s 3-phase economic response to stabilize the economy, address the decline in supply and demand and protect jobs. The social relief and economic support package for the second phase will cater for an increased health budget to respond to the Coronavirus, the relief of hunger and social distress, support to companies and workers and the phased re-opening of the economy. The procuring of the R500 billion has necessitated the reprioritization of around R130 billion within the current budget, the balance will be borrowed from BRICS and the World Bank. The rest of the funds will be raised from local sources such as the Unemployment Insurance fund and global partners and international financial institutions. To date, the government has approached the World Bank, International Monetary Fund, BRICS, New Development Bank and the African Development Bank.

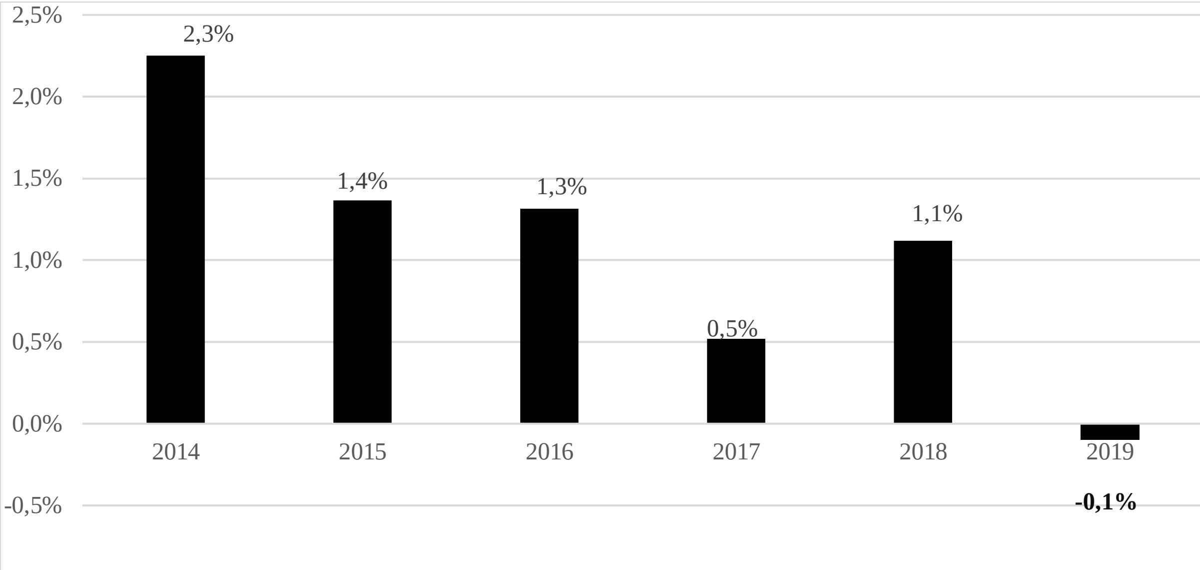
The third phase is the National Economic Recovery Plan to jumpstart the recovery of the economy as the country emerges from the pandemic. This will focus on; economic sectors, investment, employment and infrastructure development; governance, state capacity and industrial development; social protection, community and human development; international cooperation, trade and security and justice, crime prevention and security. Phase 2 of the economic relief package consisted of R500 billion support which includes the following:

1. R20 billion to fund the health response to Covid-19, including personal protective equipment for health workers, community screening, increased testing capacity, additional beds in field hospitals, ventilators, medicine and staffing.
2. R20 billion to municipalities to provide emergency water supply increased sanitization of public transport and facilities, as well as food and shelter for the homeless.
3. R50 billion in social relief for the most vulnerable families, temporary six-month Covid-19 grant and special Covid-19 social relief of distress grant.
4. R100 billion to protect and create jobs.
5. R40 billion income support payments for workers where employers are unable to pay wages.
6. R2 billion to assist small, medium and micro enterprises, spaza shop owners and other small businesses.
7. R200 billion loan guarantee scheme in partnership with major banks, the National Treasury and the SA Reserve Bank to cover companies with operational costs (salaries, rent and payment of suppliers)
8. The Reserve Bank has unlocked at least R80 billion in the real economy by cutting the repo rate by 200 basis points and taking further steps to provide additional liquidity to the financial system.

2.3 Durban's Economic Performance

With the overall 2019 economic growth for the city coming in at -0.1%, Durban left 2019 in recession with a promise of better economic performance in the new year. The city performed worse than the other metros due to its key sectors of tourism and logistics performing poorly. The congestion at the port highlighted in Q3 and Q4 of 2019 provided a prelude to the poor performance of the logistics sector.

Graph 1: GVA in eThekwini Over the Last Five Years



Source: adapted from Quantec data (2020)

Durban's economy has also performed poorly over the last 12 years with fewer people employed in the city at the end of 2019, than in 2008. While 1 210 764 were in employment at the end of 2019, it is estimated that this figure fell by 327 000 in Q2 of 2020, resulting in Durban's largest job loss ever recorded. The number of people employed as a percentage of the total working-age population reached a peak of about 52% in 2008 before gradually declining to 45% at the end of 2019. This means that more people are unemployed than employed. While the employment numbers will gradually improve as more of the economy is reopened, it is expected to take about 18 months before reaching pre-lockdown levels.

The pandemic reduced the transport of goods, especially in the ports which impacted negatively on both the manufacturing and services sectors (social distancing is affecting three-quarters of those in the services sector, except those deemed essential). This combined with a rating downgrade has resulted in capital flight and sharp depreciation as investors pull money out of emerging markets. The travel and tourism industry is being severely impacted due to restrictions in travel, but also a reluctance to travel once the travel bans are lifted. The accommodation sector, as well as restaurants and recreational services, are among the worst affected industries. Estimating GDP during the lockdown is not considered a meaningful measure as 70-80% of the economy was in lockdown during levels 5 and 4. Hence a model was developed to estimate how the local economy will return and re-open during the different levels of lockdown (particularly from level 5 through to level 3).

During level 4 of the lockdown, it is estimated that the city is operating at 34,2% of its 2018 capacity. It is also estimated that 32,2% of businesses are operational, although with a reduced workforce, and/ or reduced working hours. This considers businesses working from home; global and national lags in economic activity due to economic downturn and restrictions such as limits on employee numbers, operational capacity, etc. The top 4 sectors of activity are financial and business services (13%), manufacturing (8,4%), transport storage and communication. (3,5%) and wholesale and retail trade (3,1%). It is further forecast that when eThekwini moves to level 3 of the lockdown, the City will operate at 42,2% of its capacity. It is also estimated that 36,8% of businesses will be operational, with a reduced workforce, and/ or reduced working hours. The top 4 sectors of activity will consist of financial and business services (12,5%), manufacturing (9%), wholesale and retail trade (3,7%) and transport storage and communication (3,4%).

This forecast is based on a sample of 12 400 businesses in Durban, RSA Schedule of Services; COVID-19 Framework for Sectors (25th April), a match of permitted services at each level (Levels 3 and 4) to businesses in the database to illustrate the increase in businesses operating, a corresponding estimate of GVA contribution for permitted services at each level. This framework may be applied to the rates database to gain insight on the number and makeup of rate-paying businesses operating under each level; and their economic performance. There is limited underlying data to forecast economic performance: due to the dynamic nature of the economy, real-time and forecasted data is limited. For the same reason, Stats SA has not yet released Q1 GDP as yet. The ABSA Purchasing Manager's Index data on new sales orders in April 2020 has been factored in. There is further limited/ fragmented data on the informal economy (including private households, e-hailing services, street traders). The business count increased by up to 18% (DCCI estimate of informal economy) in sectors where the informal economy is prevalent.

While eThekwini is dealing with a deep and prolonged economic recession, social crisis, health crisis, municipal financial crisis, unemployment crisis and consumers that are under severe strain, it must show resolve and determination that brings out the best in the people of the city, in their ability to focus and address the key things that must be done urgently.

CHAPTER THREE: THE ECONOMIC RECOVERY PLAN

3. Economic Recovery Plan

The Economic Recovery Plan (ERP) is a short-term response to the economic recession that the city finds itself in, while not detracting from the overall aims and goals of the broader inclusive growth path. The nine pillars of the Economic Recovery Plan are still located in and work towards the attainment of the three overall Strategic Focus Areas (SFAs) of the draft Inclusive Growth Path. While the Inclusive Growth Path is a five-year strategy, the SFAs that it is based on are longer-term in nature and form the structural basis of this and future plans. The Economic Recovery Plan is a specific response to the COVID-19 pandemic and is hence shorter-term in nature while also being a living plan that is responsive to the changing course of COVID-19 and the economic crisis it has both created and exacerbated. While the country and the city were already in an economic crisis before COVID-19, the emergence of this pandemic and governments responses to it has deepened the crisis and added an entirely new dimension. The Economic Recovery Plan has a 12-18-month timeframe and is a specific response to the socio-economic crisis brought about as a result of the pandemic.

3.1 PILLAR ONE: Monitoring and Responding to the Health of the Municipality and the Economy

3.1.1 Rationale

The National Lockdown came into effect at level 5 (highest level of the risk-adjusted strategy)[1] on 27th March 2020 with a reduction to level 4 as of 1st May 2020. Collection rates for municipal rates and services fell from 94% in February 2020 to 56% in April 2020. This amounted to an - under-collection of about R1.5bn in April. Projections show that May and June 2020 will be equally adverse, if not worse. The ERP estimates that it will take at least 18 months before economic activity return to pre-lockdown levels. Based on economic modelling, it is estimated that at level 4 of the lockdown[2] the city is estimated to be operating at 34,2% of its 2018 capacity. It is also estimated that 32,2% of businesses are operational, although with a reduced workforce, and/ or reduced working hours.

It is expected that the risk-adjusted strategy will remain in effect until May 2021, possibly at level 1 with some social distancing measures still in place. It is evident that the Municipality's finances will come under severe and sustained pressure over the next 12 to 18 months. It is important that the Municipality remains financially sustainable. Due to the uncertain nature of the current period due to COVID-19, the Municipality will not be able to offer blanket approaches to writing off debt. However, at the same time, it must acknowledge that businesses (as customers) are collapsing resulting in job losses and a decline in its customer base. Based on the foregoing, the Municipality needs to monitor and predict economic activity at the same time maintaining a fine and delicate

[1] National Coronavirus Command Centre
[2] EDGE Programme

balance between its own ongoing financial sustainability and survival of its customer base, while recognising that the both are inter-related.

3.1.2 Response

Key Tasks	**Responsibility**	**Key Target**	**Timeframe**
Monitor and predict the financial health of EM	DCM Treasury /EMT	Develop and implement a dynamic reporting system on the state of the economy	Fortnightly
Monitor and predict levels of economic activity in the local economy at various levels of lockdown	DCM Economic/ EMT		Fortnightly
Engage with CEOs of top 150 customers, through CEOs Forum and Invest Durban	DCM Governance / Invest Durban		Quarterly
Report on instances where jobs are at risk	DCMs/EMT		As required
Waive interest on overdue accounts as reported by Treasury	DCM Treasury /EMT		Level 5 and level 4 lockdown
Structure payment terms where appropriate	DCM Treasury /EMT		As required
Monitor implementation of ERP	DCM Economic /EMT		Weekly
Report to EXCO on implementation of ERP	DCM Economic Development and Planning		Fortnightly

3.2 PILLAR TWO: Facilitating the City's Share of National Support and Industrial opportunities

3.2.1 Rationale

The President announced Phase 1 and Phase 2 of its economic support package. Phase 1 was put in place shortly after the state of disaster was declared and a national lockdown imposed. The support was aimed at providing relief as a result of the lockdown and supporting vulnerable businesses and households. Feedback from surveys has shown that the relief measures in Phase 1 have not been easy to access and very slow in implementation. As part of the early interventions that the Municipality put in place, it identified the informal sector as being not adequately covered by the support measures. In addition, businesses have reported an inability to access support due to inter alia, being non-VAT/tax compliant, unregistered or non-South African owned. Phase 2 of national support is focussed on stabilising the economy and included an extraordinary health budget, support to municipalities in delivering basic services and a debt guarantee facility of R200bn, implemented through the banks. In past government support programmes, it has been noted that there is an under-representation of beneficiaries from KZN and eThekwini. Despite KZN having the second-largest economy in the country, it receives proportionally less support that Gauteng and the Western Cape in particular. It is hence incumbent of the EM and its political leadership to play a very proactive role in accessing support for local businesses.

3.2.2 Response

Key Tasks	Responsibility	Key Targets	Timeframe
Political leadership to Lobby national government to target R30bn of support to large and small businesses in Durban, for Phase 1 and 2 of the economic support package	Mayor	R30bn of the National Relief funding	May 2020
Assist businesses in making applications to access all national support programmes, through the hotline, website and Sizakala Centres	Business Support Unit (BSU)		May 2020
Establishing an Easy Support Finder for all firm sizes through the Durban EDGE portal	EDU (PSIR)		May 2020
EThekwini-funded industry clusters to provide support to large and small businesses and extend support beyond cluster members	EDU (Sector Programmes)		May 2020
Facilitation to assist existing FDI businesses with COVID-19 recovery and restart plans	Invest Durban		May 2020
Linking Durban firms with procurement opportunities related to COVID-19	EDU (Programmes), BSU	Economic growth in key industries	May-June 2020
Provide support to key industries in maximising opportunities in: • Clothing and textiles (PPE) • Chemicals including disinfectants • Innovation and ICT (e.g. EdTech, 3D printing, online conferencing) • Health sciences, medical devices and biomedical technology • Agriculture/agro-processing and food	EDU (Sector Programmes)		June 2020 – July 2021
Implement Localised Film Industry support focussed on: • Developing Guidelines for operating under Covid-19 • Assist Television Productions hubs to resume work • Offer ETM locations free of charge (June 2020. This requires input from Parks and Recreation and Beach Management) • Revise Marketing Strategy to focus on improving City's Film Services offering (Draft to be completed for approval end June 2020)	EDU (Film Office)		May 2020 – July 2021

• Develop Production Hub Incentive Policy			

3.3 PILLAR THREE: Re-starting the Tourism Industry

3.3.1 Rationale

A large proportion of the local labour force is unskilled or low-skilled, while about 80% of employment created over the last 5 years have been in skilled or semi-skilled job categories. However, unlike the other four metros which have a large mining and/or agricultural sector, eThekwini lacks these sectors which absorb high numbers of unskilled and low-skilled labour. EThekwini's tourism sector can absorb low-skilled labour while creating seasonal peaks that provide temporary employment. However, according to Moody's Covid-19 Industry Heat Map, the tourism and events industry is in the red category i.e. one with a high risk of unsustainability during the pandemic. The travel and tourism industry has arguably been the worst hit by the travel bans and lockdown regulations. The airline industry was brought to a standstill and hotels and accommodation establishments have been vacant since the start of the lockdown, except for rare exceptions where foreign visitors have been housed until they could be repatriated. Durban Tourism has estimated that the local tourism industry lost R600m in direct spending over the Easter vacation period and stands to lose more than R4bn by the end of the winter season with 8200 jobs being lost. This sector is particularly important for Durban which is the country's number one domestic tourist destination. While the local tourism industry begins to open up, there is likely to remain restrictions on international travel, with scepticism related to international travel persisting well into 2022. While Durban moves to reduce the immediate negative impact of COVID-19 on the local tourism industry, it must gear-up to take advantage of the opportunity for domestic travel. Campaigns and packages need to be developed that factors in COVID-19 and grows the perception that Durban is clean, fresh and keeps visitors safe from COVID-19 and other threats.

3.3.2 Response

Key Task	**Responsibility**	**Key Targets**	**Timeframe**
Soft re-introduction campaign of Durban to the domestic market as a fresher and clean Durban that is cautious with COVID-19, health and safety	Durban Tourism	Joint Private and public sector programme of action to restart the sector by 01st July 2020	May-September 2020
Develop tour packages (incl. virtual tours and events) that address Covid-19, in partnership with business	Durban Tourism/ DCCI		June 2020-July 2021
An aggressive domestic market campaign will depend on COVID-19 and will include more blue flag beaches	Durban Tourism		October 2020
Re-categorize B&Bs and Guest Houses to residential rates for the time that they're not permitted to operate	Revenue Management		01 July 2020
Assisting the tourism industry access national support programmes	Durban Tourism		May 2020

Increase funding to Community Tourism Organisations from R250k each to R500K each to market their areas	Durban Tourism		July 2020
Partnering financially and operationally in the Tourism Investment Africa 360 (TIA360) BR&E + FDI Programme 19/20 & 2020/21	Invest Durban		May 2020 – September 2021
Treasury to look at the implications of discounts on municipal leases in tourism spaces such as the beachfront, for a maximum period of 3 months (provided rental is market-related)	Treasury		June 2020

3.4 PILLAR FOUR: Supporting the Rural, Township and Informal Economy

3.4.1 Rationale

The informal sector, as well as small businesses in the townships and rural areas, are the most vulnerable and least likely to receive support from the existing Covid-19 relief programmes. These businesses consist mostly of traders in the retail sector such as street traders, spaza shops, personal services and restaurants. It also includes home businesses, micro-manufacturing and the production of construction material, although these are far fewer in number. Large parts of the informal sector operate on a survival basis with little scope for growth. The existing programmes and basic facilities provided by the Municipality allow for the survival of informal businesses, while supporting those enterprises that show potential for growth. Due to apartheid policies, businesses within the informal sector, within townships and rural areas were disadvantaged and had little scope for growth. Considering the dire need to reduce inequality and create employment in areas and sectors where unemployment is most pronounced, the prioritisation of support to enterprises in townships and the informal economy is fundamental to addressing the challenges. The survival and growth of enterprises in townships and the informal economy is fundamental to addressing poverty and reducing inequality while creating sustainable jobs and a functional cash economy.

3.4.2 Response

Key Tasks	Responsibility	Key Targets	Timeframe
Assist businesses in rural, townships and informal sector to apply for national support	Business Support Unit	Reducing operating costs for informal traders	May 2020
Provide in-direct subsidies to the informal sector by: ▪ Providing 6-month rental holidays for Informal Businesses from April to September 2020 ▪ Provide no increase in rentals for 2020/21	Business Support Unit		June 2020
Provide a 0% increase in the fee business licenses for 2020/21	Business Support Unit		

Informal and township businesses needing support should call our hotline 0800331011 email sizakala@durban.gov.za or visit a Sizakala Centre	Business Support Unit		May 2020-October 2020
Implement an agribusiness support programme internally and also to facilitate linkages of small agri-businesses to provincial and national public and private support programmes.	Business Support Unit		May 2020 – July 2021
Work with Innovate Durban and SmartXchange to move township businesses online	Business Support/ EDU (PSIR)/Innovate Durban	Develop and implement a programme to bring informal enterprises on-line, with 500 new businesses on-line by 1 July 2021	June 2020-July 2021

3.5 PILLAR FIVE: Creating an Extraordinary Environment for Construction and Infrastructure Investment

3.5.1 Rationale

The introduction of the risk-adjusted strategy of government at level 5 resulted in the complete shutdown of construction activity and development in general. This caused widespread job losses in the construction industry and a halting of many investments. It is estimated that approximately R10bn worth of foreign direct investment (FDI) that was to be invested in Durban has been put on hold due the drop in demand as a result of COVID-19 and the sovereign rating downgrade. Invest Durban has reported that another R8.5bn is at risk of being lost. With the resumption of some construction activity at level 4 of the lockdown, and in anticipation of a further opening up of the economy in the coming months, the Municipality needs to move quickly to protect the jobs and livelihood of the thousands of people that work within this sector. Construction activity is capable of absorbing the many unemployed and large numbers of semi-skilled and unskilled labour. This plan seeks to create an extraordinary environment that boosts construction activity at all levels from house extensions to large FDI projects. While construction jobs are short-term in nature, it will create a stimulus that pushes the economy back onto a growth curve and results in new developments that will create permanent jobs, while resulting in infrastructure gains. This needs to go together with investment promotion and retention activities that create a continuous pipeline of projects being implemented. In addition to creating an environment that stimulates the construction industry, fast-tracking the approval of private and government projects are critical to realizing the dividend of increased development. Government projects in particular target broad-based Black economic empowerment and hence can create inclusive economic growth.

3.5.2 Response

Key Tasks	Responsibility	Key Target	Timeframe
Waive all development application fees from 01 July 2020 to 30 June 2021	Development Planning Unit	Implement a new city value-proposition for accelerating infrastructure development and investment with support from the private sector	July 2020
Create a strong marketing campaign around the opportunity of low-interest rates, and a fee-free development window to get developments started	Communications Unit		June 2020
Introduce a bold and targeted investment Incentive Scheme focusing on key sectors, spatial priorities and job creation	EDU (PSIR)		June 2020
Fast-track the implementation of high impact private sector investments to the value of about R10bn	Catalytic Projects Unit		June 2020 - July 2021
Fast track the introduction of an online system for all planning applications	Development Planning		May 2020 - August 2020
Accelerate the implementation of identified government projects	Catalytic Projects/ EDU		June 2020 - July 2021
Convene webinars with developers and investors to support development	Invest Durban, EDU (PSIR),		June 2020

3.6 PILLAR SIX: Operationalizing the Socio-Economic Relief Fund

3.6.1 Rationale

While national government has announced phases 1 and 2 of its economic recovery package, the reality on the ground is that it has not reached many businesses both in the informal and formal economies. The Department of Labour's UIF support has been perhaps the most widely accessed thus far and has reduced and cushioned the retrenchments in the private sector. However, this support does not apply to the informal economy. In a bid to provide support to failing businesses, stem job losses and fund projects aimed at assisting businesses to access opportunities, the Economic Development and Planning Cluster identified R40m from within its budget, which it re-prioritised to the Socio-economic Relief Fund. The broad purpose of the fund is to provide social relief and stimulate the economic recovery from the COVID-19 pandemic. The governance structure of the fund includes oversight from respected members of the local business community along with the eThekwini CFO and DCM for Economic Development and Planning. The terms of reference of the fund allow for a level of discretion by the oversight partnership to decide and direct funding in the most appropriate way to target economic recovery. This Fund is one of the core pillars of the economic recovery plan. The objective of the Fund is to:

- Support initiatives aimed at sustainable job creation.
- Support business recovery, in instances where the national support measures have not been able to assist.

- Working with social partners to address key social and economic challenges during the COVID-19 pandemic.
- Be used to co-ordinate the Municipality's interventions in the economic recovery.
- Allow for businesses to contribute to the social relief and economic recovery of the eThekwini area.
- Be used to stimulate small- and micro-businesses.
- Be used to implement economic recovery schemes and targeted marketing of the region to promote economic recovery.
- Fund projects that will contribute to economic recovery and supporting measures to deal with the COVID-19 pandemic, such as find permanent support for the homeless.

The fund is not intended to duplicate national support measures announced by the President, but rather to provide assistance in instances where the support measures have not assisted, or to fund socio-economic projects and activities that are local in nature and protect the poor while creating jobs. The fund will not be used to cover internal overhead costs and will be used entirely for the purpose for which it is intended. The business communities are urged to contribute towards the fund, and in this regard, the fund-raising campaign will be led by the Mayor. Staff will also be given the option of providing a salary sacrifice into the fund – their contributions being used exclusively to provide social relief to the vulnerable.

3.6.2 Response

Key Tasks	Responsibilities	Key Target	Timeframe
Transfer R40m of savings from the Economic Development and Planning Cluster into the Socio-economic Relief Fund	Treasury	Leveraging the FUND by 60% to get additional value in implementing programmes and projects	May 2020
Establish the oversight structure by respected members of business: ▪ President Durban Chamber Mr. Nigel Ward ▪ Co-chair KZN Growth Coalition Mr. Moses Tembe ▪ Former Head IEC KZN Mr. Mawethu Moseri ▪ President of Minara Chamber, Mr. Solly Suleman ▪ eThekwini CFO Dr. Krish Kumar and ▪ eThekwini Deputy City Manager Mr. Phillip Sithole ▪ Mr. Russell Curtis will be the fund Secretariat	Invest Durban		May 2020 – June 2021
Establish the operational rules and operating procedures of the Socio-economic Relief Fund	Invest Durban		June 2020
Undertake an extensive fund-raising campaign for the fund, with Mayor as the Champion	Communications Unit		June 2020
Operationalise the fund and expedite implementation	Invest Durban		July 2020

3.7 PILLAR SEVEN: Ensuring Radical Economic Transformation in City Procurement and expediting payments to small Businesses

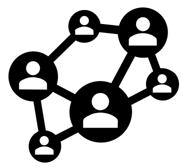
3.7.1 Rationale

The fundamental structure of the South African economy was shaped by apartheid which limited and excluded ownership in the economy by Black African people. The post-apartheid era has made significant gains resulting in the growth of a Black middle class. However, deep-seated divisions remain, which is evident in the income profile at the country and city level. The vast majority of poor in the eThekwini area are made of Black Africans, followed by Indians, coloureds and then Whites. To address the stark inequalities, deliberate and sustained intervention is required at a large scale. Government in general and the Municipality, in particular, has at its disposal the procurement it undertakes which is sizable and diverse enough to effect change. A deliberate focus is required to ensure that COVID-19 procurement and procurement opportunities related to the 'new normal' for workplaces and ways of doing business are directed towards cooperatives and Black-owned businesses.

3.7.2 Response

Key Tasks	**Responsibilities**	**Key Targets**	**Timeframe**
Set aside COVID-19 procurement for co-operatives and micro enterprises, related to the government warehouse, PPEs and other opportunities	SCM, BSU	40% of all COVID-19 items procured from priority groups	May 2020 – July 2021
Accelerating payments to small companies within 7 days as well as the issuing of new tenders	Treasury	Accelerating SCM processes by 50%	May-December 2020

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



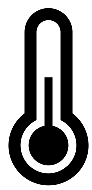
3.8.1 Rationale

Partnerships and social coalitions are important in a society that wants to address deep-seated issues such as inequality, poverty and unemployment. Power relations are such that no single actor within a city can affect change in a comprehensive way. While society has given government the mandate to lead, in order to bring about systemic change, there are many actors and stakeholders that need to work together towards a common objective. Shape Durban was the most broadly participative process undertaken by the City, not only due to the wide variety of participants but because of the high levels of participation found in its ‘co-creation’ methodology. Due to various delays, the strategy that came out of that process has not been formally adopted by Council. However, it still forms the basis of the longer-term growth path on which the economic agenda of the City is based. This Economic Recovery Plan is also based on the lessons and learning from Shape Durban. During this time of COVID-19, the Municipality has spoken with a common voice with its partners the Province, Durban Chamber of Commerce and Industry, and KZN Growth Coalition. This broad partnership, which also finds expression in the oversight structure of the Socio-economic Recovery Fund will form one of the pillars upon which economic recovery will be based. In the coming weeks and months, the Municipality will move to establish the Durban Economic Council which will be a formal cross-sectoral partnership to provide economic direction.

3.8.2 Response

Key Tasks	**Responsibilities**		**Timeframe**
Undertake a buy-local and invest local campaign for goods and services in key sectors	Invest Durban	Campaign implemented in partnership with DCCI	May 2020 – July 2021
Build on partnerships such as Shape Durban, the KZN Growth Coalition, the Durban Chamber, academia, labour, civil society and other formations	EDU, BSU, Invest Durban, Durban Tourism, Catalytic Projects, Development Planning	Durban Economic Council in place by 01 July and giving strategic input	May 2020 – July 2021
Launch the Durban Economic Council as a broad coalition across society to provide direction on socio-economic issues facing the city	DCM Economic Development and Planning		July 2020
Implement a concise and sustained marketing and communications plan around different aspects of the Economic Recovery Plan	Communications Unit	Implementation of the communication plan	May 2020 – December 2021

3.9 PILLAR NINE: Stabilizing the City-Owned Entities



3.9.1 Rationale

The two principle entities owned by the Municipality but operated as independent entities outside the Municipality are the Inkosi Albert Luthuli International Convention Centre (IAL ICC) and the uShaka

Marine World. A third entity which is owned by the Municipality and operated as an internal line function is the Virginia Airport. The travel ban will drastically reduce income from the airport as the principal source of income is landing fees. Revenue from leases will likely not be affected as greatly. the airport is important for emergency response personnel and operations. The budget for the airport will be adjusted internally and is not included as part of the response below.

The IAL ICC has estimated that it will lose R64 million of revenue in this calendar year. It is likely that the ICC's worst-case scenario (resumption of events after October 2020) will be realised as this plan is operating on the assumption that the city will only move to level 1 of the lockdown by December 2020. Based on the scenarios presented by both Global Business Events and the Minister of Tourism, business from April to September 2020 is unlikely and it is a high risk to host events in this period. Some level of business activity could possibly resume from October 2020 to March 2021 but at a reduced level. An opportunity exists subject to a stimulus to attract the domestic market focusing on the December-January period and beyond. Normal business could perhaps only resume in April 2021. Ushaka has estimated that it stands to lose R50 million of revenue as a result of Covid-19. Budgetary support for these two entities will need to be established by the Municipality and will be reported on separately. Hence, such budgetary support is not included in this report.

3.9.2 Response

Key Tasks	**Responsibilities**	**Key Targets**	**Timeframe**
City entities to make applications and access national support programmes. This includes Phase 1 support, and Phase 2 support relating to the loan guarantee scheme	IAL ICC, uShaka Marine World, Treasury, DCM Economic Development and Planning	Implementation of drastic cost reduction strategies by both entities	May 2020 – July 2021
Assess and structure appropriate financial support for City-Owned Entities, based on the level of national support provided, and extent of revenue loss.	Treasury, ICC, uShaka, DCM Economic Development and Planning		June 2020 – October 2020
Undertake soft marketing and re-introduction plans for the domestic market, in partnership with Durban Tourism and industry	IAL ICC, uShaka Marine World, Durban Tourism	Innovative re-start plans which include greater online strategies and Covid19 measures	June 2020 – October 2021
Undertake risk-adjusted marketing campaign to be scheduled taking into account the Covid-19 peak and decline, in partnership with Durban Tourism and industry	IAL ICC, uShaka Marine World, Durban Tourism		May 2020 – December 2021
Creating COVID-19-free conferencing and recreation, in partnership with Durban Tourism and industry stakeholders	IAL ICC, uShaka Marine World, Durban Tourism		October 2020-July 2021

CHAPTER FOUR: LINKAGES WITH ETHEKWINI'S DRAFT 5 YEAR INCLUSIVE GROWTH PATH

4. The Economic Recovery Plan in the Context of the 5 Year Inclusive Growth Path

These pillars fit within the SFAs of the Inclusive Growth Path in the following way:

STRATEGIC FOCUS AREAS	PILLARS OF THE ERP	CROSS-SFA PILLARS
Strengthening and Growing Core Assets **Through Targeted Densification and Improved Urban Management**	Pillar 9: Stabilizing the City-Owned Entities	Pillar 8: Building Social Coalitions and Partnerships Pillar 7: Ensuring Radical Economic Transformation in City Procurement
Growing Key Tradable Sectors **Through Improved Competitiveness and Investment Attraction**	Pillar 2: Facilitating the City's Share of National Support Pillar 3: Re-Starting the Tourism Sector Pillar 4: Supporting the Rural, Township and Informal Economy	
Improving the Business Environment **Through Lowering the Cost and Ease of Doing Business**	Pillar 1: Monitoring the Heath of the Municipality and the Economy Pillar 5: Creating an Extraordinary Environment for Construction and Infrastructure Investment Pillar 6: Operationalising the Socio-Economic Relief Fund	

This illustrates that the Economic Recovery Plan still works to achieve the overall aims of the Inclusive Growth Path but takes a shorter-term and more immediate action orientation.

CHAPTER FIVE: FINANCIAL IMPLICATIONS

5. Financial Implications

The Economic Recovery Plan has the following cost implications. Each cost item in the plan will be reported and approved through the relevant prevailing legislative processes separately. Budgetary support for the ICC and uShaka is not factored in at this stage and will need to be approved once these are established based on the level of support provided by national government and the financial position of the entities.

5.1 Revenue Contribution

Wavering development application fees	R29m
Rental holiday for informal traders	R3.6m
Re-categorization of B & Bs to Residential rates	R3m
Investment incentives	R26m

5.2 Operating Expenditure

Budget re-prioritization as a contribution into the Relief Fund	R40m

5.3 Capital Expenditure

The capital budget consists of infrastructure development aimed at:

- Unlocking private sector development in catalytic projects, amounting to approximately R10 billion of private sector investment in the next 12 months (July 2020 to June 2021).
- Developing and stimulating the township economy
- Urban renewal of the Durban Inner City and various secondary town centres within eThekwini
- Developing secondary tourism assets outside the Inner City

The budget currently consists of	**R485m**

It should be noted that the capital budget may need to be adjusted due to shortfalls in municipal revenue.

CHAPTER SIX: CONCLUSION AND REVIEW

6. Conclusion and Review

The eThekwini Municipality has crafted an Economic Recovery Stimulus Plan to address the impacts from the COVID-19 pandemic which has wreaked havoc on the health- and economic supply- and value-chains globally, threatening a protracted recession and possibly a depression.

While various stimulus packages have been made available from national government and the private sector to assist with food parcels for the most vulnerable, National Treasury has stipulated that they will not bail out municipalities. To this end, the eThekwini Municipality's Economic Recovery Stimulus Plan – which also aligns with and draws from the National Recovery Plan - has the objectives of addressing the short- and medium-term impacts of the pandemic and submit a suite of action plans, that include inter alia, the adjustment of the capital budget, focusing on only those major projects that will contribute significantly to the city's rates base, providing sector-specific relief measures or reducing the costs of various municipal fees relating to building plans and other permits, offering subsidies to businesses in the hospitality industry so that the transition to optimal trading activity is made as painless as possible, boosting local tourism as international visits are unlikely to occur within the next two years. All of these measures outlined in this plan are aimed at stabilising the local economy and putting the city on the path to recovery. It does not replace the 5-year Inclusive Growth Path developed through the Shape Durban process, but compliments and supplements it.

An implementation action plan has been developed and will be reported used to report to Council regularly. This plan is a living document that will be updated with progress weekly and reported through to the Executive Management Team (EMT) and EXCO monthly. Due to the uncertain nature of Covid-19 and its impact on society, this plan will remain a live document which will guide the Municipality and may be amended periodically and taken through to the necessary and applicable approval processes.

Partnering for inclusive growth