



STRATEGIC PLAN DOCUMENT 2022 - 2026

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SUBMITTED TO:

MERGED ENTITY

Contact Persons: Sandile Dlomo & Phelisa Mangcu

Position: Chief Executive Officers

**10 Berea Road
Port Shepstone
4240**

Tel: 039 682 3881

Fax: 039 682 3883

E-Mail: info@uscda.co.za

SUBMITTED BY:

Skhunyana Consulting

Contact Person: Andile Gumbi

Position: Managing Member

14 Lugg Circle

Umtentweni

4235

Cell: 072 433 1737

Fax: 086 682 3875

E-Mail: andile@skhunyana.co.za

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1. INTRODUCTION

1.1 BACKGROUND AND ORIENTATION

The Ugu District Municipality as the Parent to Ugu South Coast Tourism, and Ugu South Coast Development Agency, resolved to consider a merger of these two entities. It must be noted that, these are two legally compliant special purpose vehicles which are being merged into one entity. The merger includes the de-registration of the one entity, and increasing mandate of other entity and registration of that accordingly.

Therefore, a new external service delivery mechanism is not being created, but out of two previously established external service delivery mechanisms there is a merger for purposes of streamlining efficiencies and effectiveness (including financial sustainability), as part of an entire change within the economic development space of the district. Covid 19 draw attention to the current inefficiencies and the inability to respond appropriately.

Therefore, it is not a new entity per se but a merger arising out of a context and broader assessment process and guided by a strategic plan which is aligned to the macro-LED framework.

The Change Management (Technical & Political) Committees were established with an intention to guide the merger process, and resolved to recommend an interim board be established. The interim board comprises of some board members from each board of the two entities. These interim board members have a defined Terms of Reference; and they are registered members for both existing entities. However, on the 01st July 2022 it is planned that the merger would be completed which will result into one entity existing with broadened mandate and interim board members. The interim board term of office will come to an end in 2023.

1.2 THE PURPOSE OF THE STRATEGIC PLAN

It is important to note that, this is a development of a comprehensive new strategy, that will simplify the mandate of the Merged Entity as it is spelled out under sub-section 3.1.2 of this document. It must also be noted that, this strategic plan document is developed being informed by the Post COVID-19 Economic Regeneration Strategy that was adopted in year 2020, and Ugu Growth and Development Strategy. It must be noted that, this strategy was developed prior to the Parent Municipality (Ugu District Municipality), and Ugu Family of Municipalities held their strategic planning sessions. So therefore, the Merged Entity strategy was developed based on the Post COVID-19 Economic Regeneration Strategy and Ugu Growth and Development Strategy. It must be further noted that, this strategic plan document will be finalised when all due processes have been undertaken such as:

1.2.1 COMPREHENSIVE SITUATIONAL ANALYSIS

Comprehensive situational analysis will cover the following:

- Distil requisite organisational competencies to deliver on the mandate;
- In depth analysis of organisational structure for visible discrepancies, misalignment, one on one reporting and duplication;
- Further analyse the current service delivery model on which the current structure is based on.

1.2.2 SERVICE DELIVERY MODELLING

Service delivery modelling will cover the following:

- Confirm mandated responsibility through a signed Service Delivery Agreement by the Parent Municipality Representatives and Agency Representatives;
- List services to be provided and an indication of who would provide the services to which clients;
- Review the pros and cons of current approaches to service delivery;
- Describe how the best service provision should be operationally organised internally and through working arrangements with strategic partners;
- In depth analysis of how to support services can be best organised to support front-line service delivery;
- Discuss alternate service delivery mechanisms or operational improvement for each area of service;
- Analyse Information Technology (IT) requirements of each service;
- Analyse human resources and general capacity requirements of each service;
- Risk and constraints of delivery, with mitigation plans.

1.2.3 ORGANISATIONAL ALIGNMENT

Organisational alignment will cover the following:

- Evaluate the current organisational arrangement against the standards set during service delivery modelling;
- The primary purpose is to examine various structural alternatives and select the one best suited and aligned to deliver on the mandate confirmed during service delivery modelling;
- Identify service recipients and their expectation;
- Consider likely modes of delivery;
- Consider legislative requirements;
- Consider job clusters, and business processes;
- Consider delegation of authority and workflow;
- Work in the specialisation versus the generalist approach; and
- Consider the Agency competency requirements.

2. SITUATIONAL ANALYSIS

2.1 INSTITUTIONAL AND POLICY ENVIRONMENT

2.1.1 NATIONAL DEVELOPMENT PLAN

One specific policy directive from the National Development Plan (NDP) is to expand employment and entrepreneurial opportunities in a more inclusive economy.

The Six Pillars of the NDP

The NDP is founded on 6 pillars that represent the broad objectives of the plan to eliminate poverty and reduce inequality:

- a) Uniting South Africans of all races and classes around a common programme to eliminate poverty and reduce inequality.
- b) Encouraging citizens to be active in their own development, in strengthening democracy and in holding their government accountable.
- c) Raising economic growth, promoting exports and making the economy more labour absorbing.
- d) Focusing on key capabilities of both people and the country with focus on skills, infrastructure with key international partners.
- e) Building a capable and developmental state, and
- f) Strong leadership throughout society that work together to solve our problems.

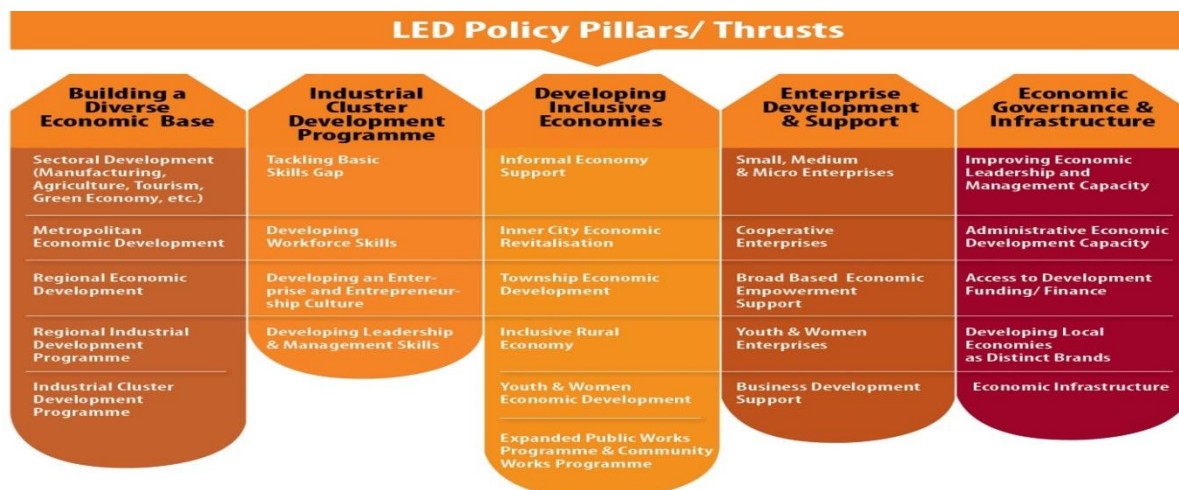
2.1.2 NATIONAL LED FRAMEWORK (2018– 2028)

This framework is intended as a strategic coordination and implementation guide that provides and enhances a commonly shared understanding of LED in South Africa.

This framework provides policy grounding of LED with particular emphases placed on the National Development Plan, the National Growth Path and the Industrial Policy Action Plan.

The key Pillars of this policy framework are building a diverse economic base, developing learning and skilful local economies, developing inclusive economies and economic governance.

These pillars are depicted below. The framework asserts that implementation of LED is largely driven and facilitated at local government level, strong support, coordination and instruments design are however largely the competence of the national sphere with some roles also shared with the provinces.



Source: National LED Framework 2018 – 2028

2.1.3 THE TOURISM ACT

The Tourism Act No. 3 of 2014 makes provisions for the development and promotion of sustainable tourism for the social, economic and environmental benefit of South African citizens.

The objectives of the Act are to:

- Promote the practising of responsible tourism for the benefit of the Republic and for the enjoyment of all its residents and foreign visitors;
- Provide for the effective domestic and international marketing of South Africa as a tourist destination;
- Promote quality tourism products and services;
- Promote growth in and development of the tourism sector; and
- Enhance cooperation and coordination between all spheres of government in developing and managing tourism.

The Tourism Act No. 3 of 2014 embraces the National Tourism Sector Strategy (NTSS) as part of the legislative framework for the management and development of tourism. It enables the sector to address gaps pertaining to the lack of knowledge and information about the sector; the lack of adequate structures for the management of tourism; transformation and the lack of service excellence in the sector.

2.1.4 THE NATIONAL TOURISM SECTOR STRATEGY

The National Tourism Sector Strategy (NTSS) 2016 – 2026; a sector-wide 10-year strategy aimed at increasing tourism's direct contribution to the economy, job creation and national development objectives, was approved by the Cabinet in December 2017. The National Department of Tourism (NDT) commissioned the review of the NTSS - the first of which was published in 2011 - in 2015 to ensure that the strategy remains relevant in a rapidly changing global environment as well as to align it to the NDP and the Tourism Act 3 of 2014. The process culminated in the second iteration of the NTSS renamed as the NTSS 2016 - 2026.

The NTSS focuses on inclusive growth, which must fundamentally be based on domestic and international tourist market growth and expenditure increases. While the national tourism marketing agency, South African Tourism (SAT) has a detailed methodology for identifying priority markets, the NTSS further links the marketing plans to broader development imperatives, including addressing barriers to growth and the building of a transformed and inclusive tourism economy. This growth will, by the values that drive South Africa as a developmental state, be inclusive, responsible and sustainable. It will also be underpinned by an awareness of the imperative of the wise use of scarce resources."

A set of initial strategy action plans are identified in the NTSS 2016-2026. Initiatives identified are organised around five strategic pillars namely

- Effective marketing
- Facilitating ease of access
- Visitor experience
- Destination management, and
- Broad-based benefits

The pillars define a set of supply and demand side interventions to be pursued under the new NTSS. These include initiatives related to transformation and enterprise development, tourism infrastructure development, targeted marketing, the regulatory environment, intermodal transport and bandwidth.

2.1.5 THE ROLE OF LOCAL GOVERNMENT IN TOURISM DEVELOPMENT

The role of local government in tourism development is as follows:

- Tourism is a Local Economic Development directive that is mandated by the South African Constitution (1996) and the Tourism Act No. 3 of 2014.
- The White Paper on the Promotion and Development of Tourism in South Africa (1996) reflects tourism as a concurrent function; meaning that all spheres of government have a role in tourism development. Depending on the local conditions, skills and financial resources; Local Government has a mandate to promote and financially support the establishment of local tourism authorities and community tourism associations to facilitate, market, coordinate and administer tourism initiatives.
- Local Governments exert great influence over the social and economic wellbeing of local communities and as providers of social services, builders of economic infrastructure, regulators of economic activities and managers of the natural environment; they have many direct instruments to influence the direction of local tourism development.

2.1.6 PROVINCIAL/DISTRICT GROWTH & DEVELOPMENT PLAN

By 2030 KwaZulu Natal will be a prosperous Province with a healthy, secure and skilled population, acting as a gateway to Africa and the World. To achieve this, the strategic goals and objectives are as follows:

STRATEGIC GOALS	STRATEGIC OBJECTIVES
1. Job Creation	<ul style="list-style-type: none"> • Unleashing the agricultural sector. • Enhance industrial development through trade, investment and exports. • Expansion of government led job creation programmes. • Promoting SMME, entrepreneurial and youth development. • Enhance the Knowledge Economy.
2. Human Resource Development	<ul style="list-style-type: none"> • Early childhood development, primary and secondary education. • Skills alignment to economic growth. • Youth skills development and life-long learning.
3. Human & Community Development	<ul style="list-style-type: none"> • Poverty alleviation & social welfare. • Enhancing health of communities and citizens. • Enhance sustainable household food security. • Promote sustainable human settlements. • Enhance safety & security. • Advance social capital.
4. Strategic Infrastructure	<ul style="list-style-type: none"> • Development of harbours. • Development of ports. • Development of road and rail networks. • Development of ICT Infrastructure. • Improve water resource management & supply. • Develop energy production & supply.
5. Environmental Sustainability	<ul style="list-style-type: none"> • Increase productive use of land. • Advance alternative energy generation. • Manage pressures on biodiversity. • Adaptation to climate change.
6. Governance and Policy	<ul style="list-style-type: none"> • Strengthen policy & strategy coordination & Inter Governmental Relations (IGR). • Building government capacity. • Eradicating fraud and corruption. • Promote participative, facilitative & accountable governance.
7. Spatial Equity	<ul style="list-style-type: none"> • Actively promoting spatial concentration. • Facilitate integrated land management

2.1.7 TOURISM KWAZULU NATAL STRATEGIC PLAN

In line with the National Tourism Sector Strategy (NTSS); the strategic plan captures TKZN's commitment to the people of KwaZulu Natal, its intention to play a leading role in the development of tourism to become an increasingly significant contributor to the province's economy and at the same time spreading its benefits in a meaningful way to those who have been disadvantaged and marginalized by history. The TKZN Strategic Plan identifies the vision for tourism in KZN as follows:

"By 2030 KwaZulu-Natal will be globally renowned as Africa's top beach destination with a unique blend of wildlife, scenic & heritage experiences for all visitors".

In growing tourism in the province; TKZN focuses on marketing and promoting experiences and these include: beach, scenic beauty, wildlife, heritage/culture. A special focus is also placed on developing niche tourism markets/experiences where the province has a competitive or comparative advantage. These include cruise tourism, diving tourism, golf tourism, events tourism, and business tourism. The strategy further acknowledges that districts within the province may have different experiences or niches that they may want to focus on, as outlined in their respective brands.

2.2 DISTRICT DEMOGRAPHICS AND ECONOMIC OUTLOOK

2.2.1 BACKGROUND

Ugu District (DC21) is the one of the 10 Districts in KZN Province, 4981 km², 4 municipalities, 85 wards, 40 Traditional Authorities. Borders eThekweni - the economic powerhouse of KZN & notable economic point in SA. With various connection points: land, air and sea. 112 kilometres of Coastline (opportunity for Ocean / Blue Economy), first coastal commercial hub from E-Cape to KZN.

As in 2018, the district had over 175 000 households with an average of 4.1 persons per household.

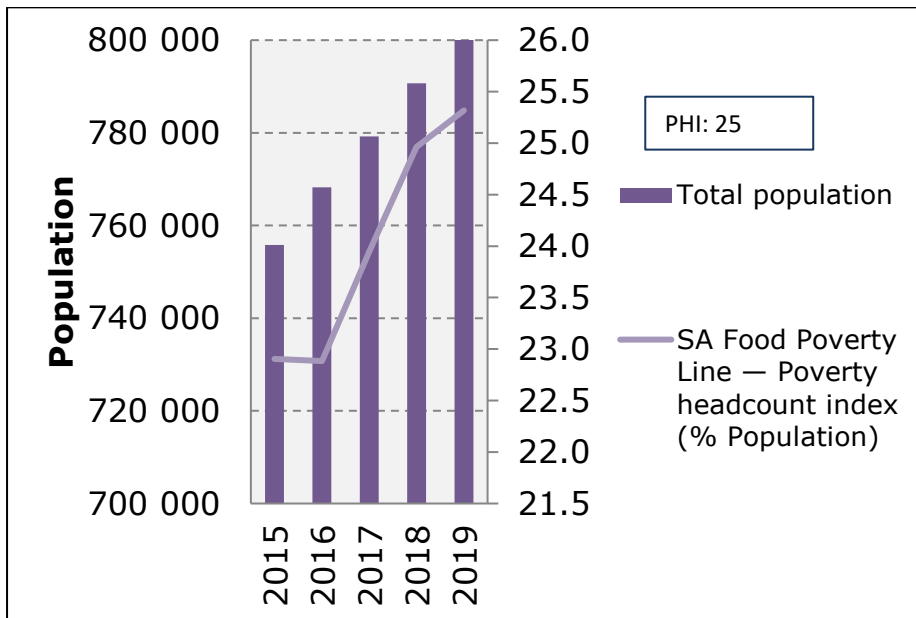
In 2019 the Ugu DM population was estimated at 802 228 people which is 5th largest in Province. The nature of this population is that it is young, rural and high level of non-literate: Youth (15 – 34 years) constituted 37%.

Illiteracy rate as at 2018 was 39% which is above the national (30%) and provincial (32%) average. Mismatch of skills and jobs available; low entrepreneurial activity and high dependence on government grants.

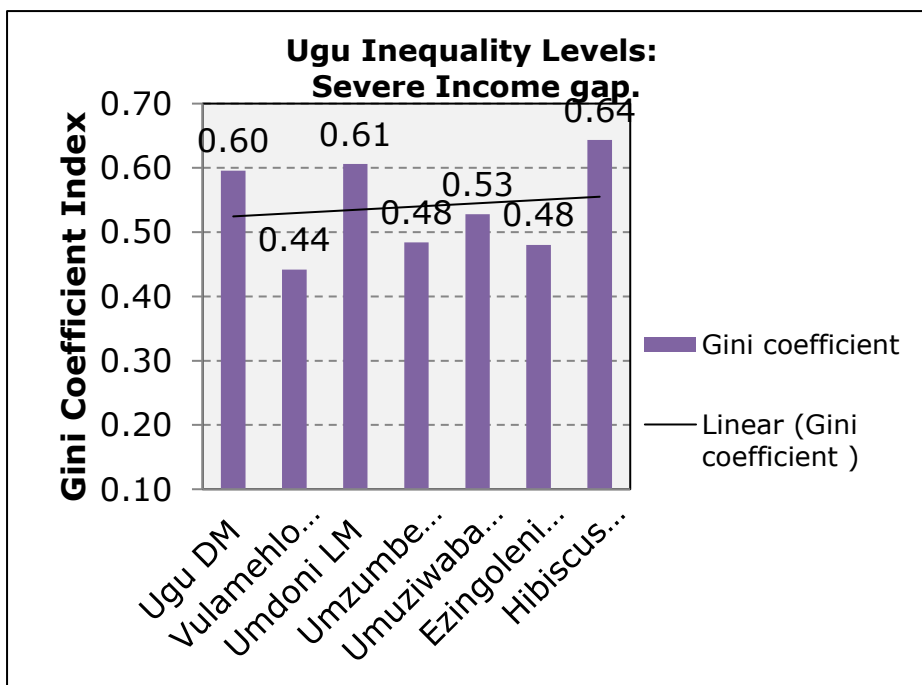
Poverty Headcount Index percentage been steadily increasing since 2015: within 25% PHI in 2019. Gini Coefficient for Ugu: 6.0 (severe inequality), all Local Municipalities exceed 4.0 which is considered warning side. Ray Nkonyeni Municipality (0.64) and Umdoni Municipality (0.61) have highest levels of inequality. 2019 Comparative disposal income shows higher disposal income in Ugu than Harry Gwala, but less than uMgungundlovu. Official unemployment rate 2019 – 36.8%. Labour absorption rate 2019 of 28.9, which is the lowest rate since 2010. Average worker is semi or low skilled employed in wholesale & retail, community &

social services, agriculture & manufacturing. The low skills-set perpetuates inequality and poverty. Ugu growth experienced between 2014-2018 was not enough for absorption of labour necessary. Greatest employment sectors: wholesale, retail, trade and catering, followed by community, social and personal services, then central government then agriculture.

2.2.2 TOTAL POPULATION, POVERTY AND INEQUALITY LEVELS



Source: Ugu District Municipality Overview Document 2021

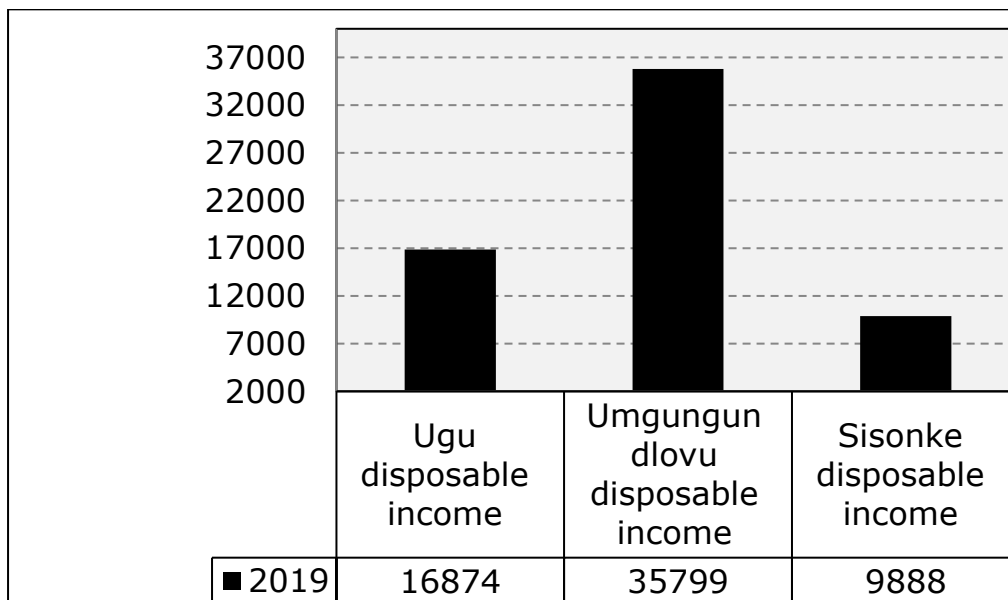


Source: Ugu District Municipality Overview Document 2021

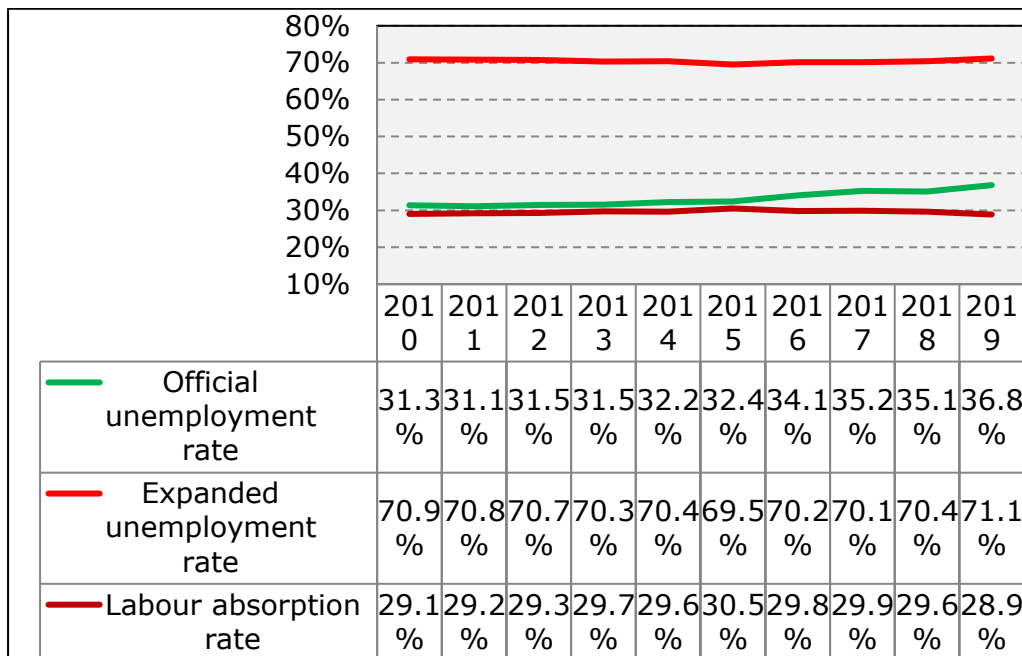
Gini Index measure of income/wealth distribution which ranges, 0.2 is perfect income equality, 0.5 severe income gap. 0.4 warning level. PHI – population headcount index measures the proportion of population that

is poor (total number who fall below certain income level & divide by total population). It is percentage of population that falls below official poverty line. (less than R890 per month considered poor. Monthly food poverty line R624, Monthly lower bound poverty line R890, and Monthly upper bound poverty line R1 335. (2021) Statistic SA (Saifaddin Galala Sept 20, 2021)

2.2.3 DISPOSAL INCOME COMPARATIVELY IN 2019



Source: Ugu District Municipality Overview Document 2021



Source: Ugu District Municipality Overview Document 2021

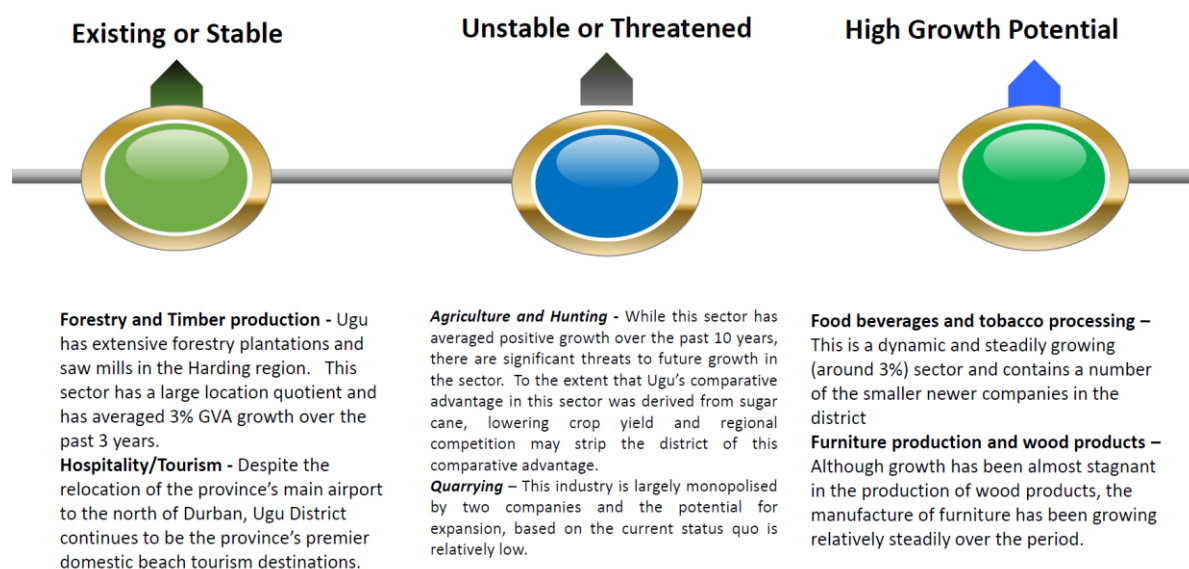
Disposable income within the region is on a slow incline and fairly competitive if ones compare it to the rest of the district municipalities with the exception of uMgungundlovu and eThekweni metro with a fairly diversified economy.

2.2.4 SPATIAL FEATURES

Location Advantages	Natural/Geographic Advantages	Infrastructural & Resource Advantages
<ol style="list-style-type: none"> Borders the Eastern Cape- Potential Gateway to the Eastern Cape - Integration with South Durban Basin- The South Durban Basin industrial area, as a key economic development node in the province is located immediately to the north of the District. This Primary corridor linking Durban and Port Shepstone - The N2 corridor linking Durban and Port Shepstone has been identified in the PSEDS as being a primary development corridor in the province and as such is earmarked as an economic growth corridor. 	<ol style="list-style-type: none"> Sub-tropical climate- The district's sub-tropical climate makes it the province's top producer of agricultural produce such as bananas and macadamia nuts. Beautiful and swimming beaches - Ugu District is blessed with some of the best and most accessible beaches in the province. Marine Life (Sharks and Sardines) - The district possesses two of the country's top dive sites Two dramatic gorges -The district has two of the largest and most spectacular gorges in the province, Oribi Gorge and Umtamvuna Gorge 	<ol style="list-style-type: none"> N2 Highway - The N2 stretches through the area from north to south (Scottburgh to Port Shepstone) and east to west (Port Shepstone to Harding). Good quality limestone: The district has some of the best quality limestone rock in the province, and has two major quarries in the Oribi Gorge area.

Source: Ugu District Municipality Overview Document 2021

2.2.5 CATERGORISATION OF UGU SECTORAL ADVANTAGES



Source: Ugu District Municipality Overview Document 2021

3. STRATEGIC OVERVIEW

3.1 MANDATE

3.1.1 LEGISLATIVE PROVISIONS

3.1.1.1 THE CONSTITUTION, 1996 (ACT NO. 108 OF 1996)

Section 152 of the Constitution provides the objectives of local government to be:

- To provide democratic and accountable government for all local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To encourage the involvement of communities and community organisations in the matters of local government.

While working to achieve these objectives, municipalities are expected to transform its approach and focus to be developmental in nature (section 153). To do this, the Constitution requires a municipality to:

- Structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community'
- Participate in national and provincial development programmes; and
- Together with other organs of state contribute to progressive realisation of fundamental rights contained in sections 24 to 27 and 29.

3.1.1.2 THE WHITE PAPER ON LOCAL GOVERNMENT 1998

The White Paper on Local Government¹, which preceded the enactment of the Systems Act, noted the following regarding the service delivery options:

- The challenge posed by the need to address the backlog in service delivery in historically deprived areas;
- The need for municipalities strategically to assess the most appropriate forms of service delivery for their areas from the range of options available;
- The need to ensure that municipal administrations to be geared so as to implement the chosen service delivery option in the most effective manner and to provide maximum benefit to communities;
- The possibility that an appropriate mix of such options may be necessary.

The White Paper on Local Government identified the following possible delivery mechanisms:

- Building on existing in-house capacity (within existing administrators);
- Corporatizations;
- Public Private Partnerships;
- Partnership with CBOs and NGOs;
- Contracting Out;

¹ Source: National Department of Provincial & Local Government Municipal Entity Toolkit

- Leases and concessions (PPPs); and
- Transfer of Ownership (privatisation).

From the list the first option represents the only internal service delivery mechanism, based on building the existing capacity within existing administrations. Clearly, a municipality can improve and expand the delivery of services by improving its own ability to do so.

The other options on the White Paper on Local Government list represent external delivery mechanisms, involving some forms of engagement with other entities in rendering basic services. For reasons that appear more fully below, for present purposes, the most important of these external options is corporatisation, as it has been specifically included in the Municipal Entity model developed under the Systems Act. The concept of corporatisation, as outlined in the White Paper on Local Government is critical for purposes of an assessment of the Municipal Entity model, which essentially follows the corporatisation route. The White Paper on Local Government identifies the following features of corporatisation:

- It involves the separation of service delivery units from council.
- Budgets for corporatized units are ringfenced or separated from the rest of the municipal budget.
- Corporatized units are managed as operationally autonomous units.
- Corporatisation allows council to set policy and service standards and hold corporatized units accountable against such standards.
- This allows greater autonomy and flexibility in terms of management and allows for the introduction of commercial management practices in delivery systems.
- Corporatisation is likely to be appropriate for municipalities with large area of jurisdiction, such as Metropolitan Councils.
- Reporting requirements and accountability mechanisms must be clearly defined by council.

3.1.1.3 THE LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT 2000 (ACT NO. 32 OF 2000)

The Local Government Systems Act provides for a range of different options in terms of service delivery mechanisms². The Act draws a distinction between:

- Internal mechanisms involving mechanisms operating within municipal administrative structures; and
- External mechanisms, based on a Service Delivery Agreement (SDA) with an external entity.

The Municipal Entities represents only one particular type of external mechanism. Since 2003 amendment to the Systems Act, only the following types of Municipal Entities are recognised:

- A Private Company subject to specific restrictions;
- A Service Utility established by the municipality;
- A Multi Jurisdiction Service Utility established by two or more municipalities.

² Source: National Department of Provincial & Local Government Municipal Entity Toolkit

The Municipal Entity model clearly is designed as a form of corporatisation, as involves the externalisation of the operational aspects of service delivery while retaining for the municipalities concerned oversight in respect of, and ultimate responsibility for, the delivery of the relevant services.

i) Common Features of Municipal Entities

All three forms of Municipal Entities share certain common features:

- They are established for the particular purpose of assisting a municipality in the performance of any of its functions or powers.
- The detail of the delivery of services in each case is governed by a Service Delivery Agreement between the Municipal Entity and the Municipality.
- Service Delivery Agreements between municipalities and Municipal Entities are exempted from the competitive bidding procedures that apply in the case of most other external mechanisms.
- All Municipal Entities are juristic persons
- Their activities are expressly restricted to the purposes for which the Municipal Entity is used or established, and they have no competence to perform any activity falling outside of the relevant prescribed functions and powers.
- They are governed by a Board of Directors, who have certain prescribed duties under the Systems Act, and who must comply with the Code of Conduct annexed to the Municipal Systems Act.
- Municipalities may recall or remove a Director of the Municipal Entity in certain circumstances.
- Municipalities must also ensure wide solicitation of applications for nomination or appointment of Directors of Municipal Entity, and must nominate or appoint from the list drawn up as a result of such solicitation.
- The relevant municipalities exercise a substantial level of control over the Municipal Entity, although the exact nature of this control differs depending on the particular form of Municipal Entity and other relevant factors
- Fundamental features of the control exercised over Municipal Entities include:
 - ✓ The duty to monitor and review the performance of Municipal Entities against their set annual performance objectives and indicators;
 - ✓ The power to liquidate and disestablish Municipal Entity in certain circumstances; and
 - ✓ The power to control the setting and adjustment of tariffs for services, even in circumstances where the service delivery agreement gives a Municipal Entity the right to adjust tariffs, in which case the Municipal Entity must comply with the tariff limitations laid down by the municipality.
- The Municipal Entities must comply with the Local Government: Municipal Finance Management Act.
- The process in terms of which an election is made to provide services through a Municipal Entity is subject to extensive regulation under the Systems Act.

ii) Duties and Responsibilities of a Municipality in Respect of Municipal Entity

One of the key features of the Municipal Entity model is that it separates out the operational aspects of service delivery, while at the same time retaining for municipalities their overall Constitutional and legislative responsibilities to ensure efficient and effective basic service delivery on a developmental foundation. Specific provision is made in the Systems Act to put this into effect:

- Section 81(1) expressly provides that the municipality remains responsible for ensuring that a service regulated by a Service Delivery Agreement is provided to the local community.
- The municipality must:

- ✓ Regulate the provision of the service by setting key performance areas and measurable targets in line with the municipal development priorities and objectives set out in the Integrated Development Plan;
 - ✓ Monitor and assess the implementation of the Service Delivery Agreement and the performance of the service provider against the key performance indicators and targets and undertake yearly reviews;
 - ✓ Regularly report to council, the public and other organs of state on such regulation, monitoring and assessment.
 - ✓ Control, set and adjust tariffs for the service covered by a Service Delivery Agreement in accordance with the municipality's tariff policy.
 - ✓ Ensure the uninterrupted delivery of the service in the best interests of the community. This includes the duty to ensure that the service in question is continued if the service provider is placed under judicial management or is liquidated.
- The Act also make provision for:
 - ✓ A municipal representative to represent the municipality as an observer at meetings of the Board of Directors of a Municipal Entity, and report back to council; and
 - ✓ The Mayor or Executive Mayor may convene meetings in order for the Board of Directors of a Municipal Entity to give account for their actions.
 - On the other hand, the Systems Act identifies a range of operational issues that may be assigned to an external service provider under a Service Delivery Agreement:
 - ✓ The development of service delivery plans;
 - ✓ Operational planning and management;
 - ✓ Social and economic development directly related to the provision of the service in question;
 - ✓ Customer management;
 - ✓ Management of its own accounting and budgeting subject to the financial controls established by the municipality and the Municipal Finance Management Act;
 - ✓ The collection of service fees for its own account in accordance with the municipality's tariff policy.
 - ✓ The service provider may also receive from the municipality funds for the subsidisation of services to the poor, provided that this is executed through a transparent system. This provision allows some flexibility to ensure that where business principles are implemented by, Private Company Municipal Entity, municipal responsibility to ensure basic services to those most in need is preserved.

iii) Safeguards to Facilitate Ethical Conduct & Compliance

The Systems Act contains a number of provisions designed to facilitate ethical and good faith conduct in the operations of Municipal Entities:

- Section 85(5) prohibits municipal staff members or councillors from sharing in any profit or improperly receiving any benefit from a service provider operating under the Service Delivery Agreement. This is not a specific offence under the Act. However, given the wide meaning to corrupt activities under the Prevention and Combating of Corrupt Activities Act, such conduct could well constitute an offence under that Act. The common law crime of fraud would also be applicable.
- Section 93F disqualifies councillors, municipal officials and other public office bearers from holding the position of director in a Municipal Entity.
- Section 93H requires directors to disclose to the board and the representative of the parent municipality any direct or indirect personal or business interest of that director, or his or her spouse, or his or her partner in any matter before the board, and to withdraw from relevant decisions.

Directors must also comply with Code of Conduct provided for in Section 93L of the Act. Breach of the Code may result in dismissal of the director. Members of staff of a Municipal Entity are also bound by the Code.

3.1.1.4 LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT, 2003 (ACT NO. 56 OF 2003)

This Act was promulgated to³:

- Secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government;
- Establish treasury norms and standards for the local sphere of government; and
- Provide for matters connected therewith.

The Object of the Act is to secure sound and sustainable management of the fiscal and financial affairs of municipalities and Municipal Entities by establishing norms and standards and other requirements for:

- Ensuring transparency, accountability and appropriate lines of responsibility in the fiscal and financial affairs of municipalities and Municipal Entities.
- The management of their revenues, expenditures, assets and liabilities and the handling of their financial dealings.
- Budgetary and financial planning processes and the co-ordination of those processes with the processes of organs of state in other spheres of government.
- Borrowing
- The handling of financial problems in municipalities.
- Supply chain management; and
- Other financial matters.

The Municipal Finance Management Act applies to:

- All municipalities
- All Municipal Entities; and
- National and provincial organs of state to the extent of their financial dealings with municipalities. In the event of any inconsistency between the provision of the Municipal Finance Management Act and any other legislation in force when this Act takes effect and which regulates any aspect of the fiscal and financial affairs of municipalities or Municipal Entities, the provision of the Municipal Finance Management Act prevails.

Thus, the Municipal Finance Management Act aims to strengthen local government practices by:

- Modernising budget and financial management practices.
- Placing local government finances on sustainable footing.
- Ensuring a sound financial governance framework by clarifying roles and responsibilities of:
 - ✓ The mayor
 - ✓ Executive and non-executive councillors and officials.

The consequences of these aim are to maximise the capacity of municipalities to deliver services to all its residents, customers, users and investors.

Chapter 10 of the Municipal Finance Management Act deals specifically with Municipal Entities and covers the following aspects:

³ Source: National Department of Provincial & Local Government Municipal Entity Toolkit

- Part 1 : Establishment
- Part 2 : Financial Governance
- Part 3 : Accounting Officers
- Part 4 : Reports and Reportable Matters
- Part 5 : General Issues

MERGED ENTITY MANDATE

3.1.2 PARENT MUNICIPALITY MANDATE

The Ugu District Municipal Council meeting held on Thursday 23 September 2021 resolved that, the Ugu South Coast Tourism (USCT) and Ugu South Coast Development Agency (USCDA) must be merged into a single entity⁴. This was necessitated by the weaker economic growth experienced in South Africa and the consequent reduction in the baseline budget allocations to the Province over the Medium-Term Revenue and Expenditure Framework.

The mandate of the proposed Special Purpose Vehicle, District Development Agency be:

“The Entity is mandated to drive the economy of the Region through positioning it as a tourism and investment destination. As the official economic development arm, the Agency will proactively identify and unlock the full tourism, trade and investment potential of the region. That will involve engaging with all the role players and stakeholders to attract tourists and assist investors looking to branch out into the district uncovered opportunities.”

3.2 STRATEGIC ANALYSIS

3.2.1 SWOT ANALYSIS

Strengths	Weaknesses
<ol style="list-style-type: none"> 1. Reasonably adhering to principles of sound governance and ethical conduct. 2. Financial prudence embodying the principle of doing more with less focusing on the core mandate. 3. Ability to secure funding for unfunded projects. 4. Definitive beach and ocean product base- Blue Flag/ recently proclaimed Marine Protected Areas (MPAs). 	<ol style="list-style-type: none"> 1. Dependency on grants tend to negatively affect the implementation of the mandate. 2. Implementation capacity adversely affected by the financial inability to fill vacant positions, resulting in delays in the implementation of projects. 3. Effective fundraising ability is lacking.

⁴ Source: Extract from the Draft Minutes of the Meeting of the Ugu District Municipal Council held on the 23rd September 2021

Strengths	Weaknesses
<ol style="list-style-type: none"> 5. Traditionally a strong destination brand. 6. Appeal to mainstream middle income and working-class groups. 7. Experienced and skilled tourism practitioners. 8. Year-round favourable climatic conditions. 9. Rural/hinterland eco-cultural and adventure assets. 10. Reputation as a value for money destination. 11. Diverse experiential offerings. 12. Direct Margate- Johannesburg air route. 13. Two world class diving sites (Protea Banks and Aliwal Shoal) attract international tourists. 14. The Sardine Run; the largest biomass and natural phenomena experienced annually. Popular on the KZN South Coast shores compared to other parts of KZN. 15. A broad base of sports and leisure facilities: golf, bowling, rugby, soccer. 16. Multiple hospitality options with high bed and accommodation stock. 17. A variety of events offerings. 18. Variety of adventure activities. 19. Dezzi KZN South Coast Raceway – Motor Racing. 20. Routes: Southern Explorer, Great Drives Out, Ramsgate Rumble, etc. 	<ol style="list-style-type: none"> 4. Lack of community belief in the destination. 5. Reputation of being a crime and grime destination. 6. Deterioration of Margate as the jewel of the KZN South Coast. 7. Insufficient product/itinerary packaging. 8. Institutional partners not working in a principle of collaboration. 9. Lack of maintenance of public spaces. 10. Inadequate enforcement of by-laws - mainly at beach precincts. 11. Lack of transition of SMMEs from emerging sector into the mainstream tourism mix. 12. Lack of transformation within the mainstream Tourism mix. 13. Competitor destination areas- e.g., Sunshine Coast/ North Coast/ Garden Route. 14. Lack of buy-in to quality assurance measures (Star Grading).

Opportunities	Threats
<ol style="list-style-type: none"> 1. Funding from the private sector in return for fees earned for implementing their capital projects. 2. Improved public relations and reputation as a result of delivery of complex projects. 3. Investment in innovations and ideas. 4. Implementing high impact projects that will benefit the communities served, including development of identified pieces of land. 5. Opportunities for new Rural Tourism Routes throughout the KZN South Coast (extend the Great Drives Out). 6. Increased business and events tourism. 7. Opportunity to encourage businesses to be members of SCT and EDTEA; to ensure their compliance with the laws. 	<ol style="list-style-type: none"> 1. Timely implementation of projects adversely affected by the cash flow crisis. 2. Adverse impact by the COVID-19 pandemic to the operations of the entity and economy at large. 3. Community unrests and protests have the ability to destabilize the initiative commenced. 4. Red tape. 5. Negative perceptions of the Safety and security of the Coastal strip and hinterland to visitors and residents. 6. Degenerating urban appeal and deteriorating beach infrastructure –

Opportunities	Threats
<ol style="list-style-type: none"> 8. Agri-tourism. 9. Potential to develop world class beachfront amenities and facilities. 10. Eco and adventure tourism on both land and sea (e.g., Marine Protected Areas). 11. Untapped new rural/hinterland experiences (KwaXolo Caves, KwaNzimakwe Multi-trails, Umzumbe River Trail). 12. Potential to further market to our key markets nationally and globally. Tapping into new and unexplored target markets. 13. Higher market penetration into SA's main market demographics. 14. Margate Airport as an improved access facility. 15. Strategic alliances with public/ private/ NGO sectors. 16. New N2 link to Eastern Cape. 17. Film tourism. 18. Opportunity for transformation and attracting a new market. 19. Market exposure through digital platforms, Mobile App, social media, websites etc. 20. Digital and online is becoming an information and marketing platform for small businesses to operate on, and host virtual events and virtual tours. 21. Craft Village (Retail Concept similar to Mzamba Village) on the KZN South Coast. 22. Enhancement and diversification of event areas (KwaNzimakwe venue, KwaXolo Caves, St Michaels etc.) 23. Turton Beach developments. 24. Direct Margate - Cape Town air route. 25. Increase of persons visiting friends & relatives (VFR) 	<ol style="list-style-type: none"> leased municipal buildings within the Admiralty Reserve. 7. Competition from other destinations with similar offerings. 8. Continued water challenges affecting the reputation of the destination. 9. Water quality challenges damaging Blue Flags statuses and creating unsafe bathing conditions etc. 10. Delays in urban regeneration programmes for Scottburgh, Port Shepstone and Margate. 11. Potential loss of events due to Covid-19. 12. Negative Social Discourse. 13. Depleting financial resources – funding partners. 14. Lack of attention to coastal amenity upgrades and maintenance. 15. Lack of funding to conceptualize and implement rural tourism products. 16. Challenges posed by COVID-19 leading to recession and job losses. 17. Tourism businesses not COVID-19 ready or compliant to welcome tourists, and not following COVID-19 Health protocols. 18. Inconsistencies in authorisation of event applications by Local Municipalities.

3.2.2 PESTLE ANALYSIS

Political	Economic
<ol style="list-style-type: none"> 1. Highly politicized environment 2. Oil & Gas Exploration, effects to tourism 3. Highly unionized workforce 	<ol style="list-style-type: none"> 1. Covid 19 effects 2. Declined economy 3. Fiscus shrinking
Social	Technological
<ol style="list-style-type: none"> 1. Social inequality 2. Social injustice due to spatial imbalances 3. Covid 19 effect 4. High rate of illiteracy 	<ol style="list-style-type: none"> 1. Cyber crime 2. Unreliable signal (internet connectivity) 3. Economic cost 4. Progressing at a high pace (difficult for community to catch up) 5. Bridge technology gap to balance social challenges.
Legal	Environment
<ol style="list-style-type: none"> 1. No synergy in the legislative prescriptions which informs the existence of the agency (Too many frameworks to abide by) 2. Protracted processed (prolonged). 	<ol style="list-style-type: none"> 1. Oil exploration effects to tourism 2. Lack of infrastructure in rural areas 3. Geographical spread/ which affect service delivery effectiveness 4. Agriculture 5. Soil erosion/deforestation 6. Proper water management that will prevent deviation of water by unauthorized individuals. 7. Umuziwabantu Gumtree reserves are high as compared to other areas. 8. Lack of skills in preserving the environment 9. Environmental Impact Assessment turnaround time 10. Water pollution (maintenance of rivers) 11. Government water pollution

4. STRATEGIC PLANNING FRAMEWORK

4.1 VISION

By 2035 for KZN South Coast to become KZN's leading regional tourism and investment destination.

4.2 MISSION

To develop and promote an inclusive diverse, and sustainable economy that is beneficial to all citizens within Ugu District Municipal Area.

4.3 CORE FUNCTION

The Merged Entity's core function is:

- Tourism Growth
- Investment Attraction (Cross-Cutting to all Economic Sectors)

4.3.1 TOURISM GROWTH

Destination Management:

The Tourism Function will have the responsibility to grow tourism in the region by:

- Putting measures to attract tourists to the destination (create demand) and
- Developing an inclusive and diverse tourist destination, while addressing the competitiveness of the destination (address the supply).

Regional Tourism Authority:

Merged Entity will function as a Regional Tourism Authority that represents all tourism businesses in the region. According to the regulations under section 32(f) and (i) of the KwaZulu-Natal Tourism Amendment Act, 2002 as promulgated on 13 May 2004:

- It is mandatory for enterprises whose primary objective is to provide services and facilities to tourists in the province of KwaZulu-Natal to register with EDTEA.
- To do that EDTEA requires them to join a local Community Tourism Organization (CTO).
- CTOs were established through the provincial legislation so that local role-players in the tourism industry can be involved in promoting and marketing the destination.

4.3.2 INVESTMENT ATTRACTION (CROSS-CUTTING TO ALL ECONOMIC SECTORS)

Investment Attraction:

- Pro-active Packaging of Investment opportunities
- Link business and government.
- Link business: various sectors and value chains.
- Market investment opportunities/offerings of the district.
- One-stop-shop for business support: opportunities and information.
- Link emerging business with funding opportunity agencies.
- Attraction of big business and forging of partnerships between big business, foreign and local business.

4.3.2.1 AGRICULTURE

Agriculture Investment Attraction:

- Agro processing.
- Development of livestock and vegetable production to commercial products.
- Development of markets and collaboration with private sector to receive product outputs.
- Expansion of dominant products to emerging farmers such as sugar-cane, banana, macadamia nuts and timber.

4.3.2.2 MANUFACTURING

Manufacturing Investment Attraction:

- Beneficiation of agricultural products.
- Furniture and clothing sector support.
- Upgrading and development of new industrial parks.

4.3.2.3 MARITIME

Maritime Investment Attraction:

- Small craft harbour/marina development
- Beachfront upgrade and development

4.3.2.4 PROPERTY DEVELOPMENT, WHOLESAL, TRADE, RETAIL, HOSPITALITY AND ACCOMMODATION, RENEWABLE ENERGY

Investment Attraction:

- Support business expansion in these sectors.
- Package business opportunities in these sectors.
- Support new ventures.
- Share information on potential and new opportunities.
- Lobby for infrastructure development on behalf of business with local and provincial government.

4.4 TOURISM GROWTH & INVESTMENT ATTRACTION ROLES AND RESPONSIBILITIES

4.4.1 TOURISM GROWTH ROLES AND RESPONSIBILITIES

Responsible for planning, developing and implementing programs that are aimed at:

- **Destination Marketing:** Attracting and increasing the number of tourists to the destination.
- **Product Development:** Extending the tourist geographical spread across the destination by supporting the development of innovative, unique and authentic tourism products which meet market needs and promote involvement of local communities.
- **SMME and Business Support:** Ensuring the availability of world class tourist services by addressing people development to encourage transformation. This includes providing supportive services to established tourism businesses in order retain their businesses and save jobs.
- **Improving Competitiveness:** Ensuring that the tourism industry standards are met and adhered to by encouraging improved service levels and quality assurance.
- **Information Infrastructure:** Ensuring the availability of tourism information platforms.

4.4.2 INVESTMENT ATTRACTION ROLES & RESPONSIBILITIES

To support and attract investment, the function will provide services focusing on

- **Site allocation:** Provide information highlighting the benefits of locations around the Ugu District and help identify suitable commercial premises.
- **Customized market intelligence:** Collate up-to-date market intelligence, including economic and sector-investment profiles, business opportunities and trade conditions in the district.
- **Accessing finance:** Facilitate meetings with potential public and private funders, private individuals, banks and private equity firms to help unlock financing opportunities.
- **Red Tape Elimination:** Identify factors that could constrain investment and work with decision-makers to find ways of breaking down barriers to operating in the district.

- **Accessing incentives:** Provide guidance and information to help investors understand the national, provincial and local incentives available to businesses in their sector.
- **Assist Foreign Investors:** Develop relations with immigration consultants who can help clients obtain the necessary documentation for employees in South Africa.

4.5 VALUES

The Merged Entity subscribes to the following values:

- Innovation
- Stakeholder Driven
- Integrity
- Delivery Focused
- Excellence

4.6 GOAL

To transform, develop, and grow the district economy.

4.7 STRATEGIC OBJECTIVES

The strategic objectives of the Merged Entity are as follows:

4.7.1 INVESTMENT ATTRACTION (CROSS CUTTING TO ALL ECONOMIC SECTORS)

- Diversify the economy of the district through targeted, strategic investment.
- Proa-actively identify, facilitate, and package investment opportunities.
- Provide confidential service to help investors establish and grow their businesses in the region.
- Promote the KZN South Coast as the investment destination, and grow the economy of the district.

4.7.2 TOURISM

- To implement destination management services that will put measures to attract tourists to the destination (create demand).
- To develop an inclusive and diverse tourist destination with services that are attracted to visitors while addressing the competitiveness of the destination (address the supply).
- To provide local tourism authority services in line with the legislative prescripts.

4.7.3 AGRICULTURE

- To facilitate and enable agricultural catalytic projects.

4.7.4 PROPERTY DEVELOPMENT

- To forge Strategic Partnerships to give effect to economic development on State, Ingonyama Trust and land owned by the private sector.
- Facilitate and to do all necessary processes in order to develop catalytic projects within the Ugu District. (within the context of the mandate).

4.7.5 MARITIME

- To promote economic development within coastal and riverine zones.

4.7.6 RENEWABLE ENERGY

- To identify, attract, support or assist renewable energy initiatives within the district.

4.7.7 MANUFACTURING

- To retain, resuscitate, grow and transform the manufacturing sector within the district.

4.7.8 INSTITUTIONAL COMPLIANCE

- To ensure that the Entity operations are compliant with all regulatory frameworks.

4.6.9 FINANCIAL SUSTAINABILITY

- To ensure that the Entity is financial sustainable and viable.
- Work towards a mixed funding model of 70% government and 30% Self-funding.

4.6.10 CAPACITY BUILDING

- To capacitate Entity to deliver and implement its core functions effectively.

5. HIGH LEVEL IMPLEMENTATION MATRIX

Strategic Objective	Programmatic Intervention	Person Responsible & Strategic Partners	Timelines	Deliverables
5.1 Investment Attraction	Diversify the economy of the district through targeted, strategic investment.	New Entity; Trade & Investment KZN; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Proa-actively identify, facilitate, and package investment opportunities.	New Entity; Trade & Investment KZN; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Provide confidential service to help investors establish and grow their businesses in the region through One Stop Shop.	New Entity; Trade & Investment KZN; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Promote the KZN South Coast as the investment destination, and grow the economy of the district.	New Entity; Trade & Investment KZN; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.2 Tourism	Implement destination management services that will put measures to attract tourists to the destination.	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Develop an inclusive and diverse tourist destination with services that are attracted to visitors	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports

Strategic Objective	Programmatic Intervention	Person Responsible & Strategic Partners	Timelines	Deliverables
	Develop specific nodes within the destination.	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Market the KZN South Coast by continuously creating and increasing destination brand awareness and improving its image to potential visitors	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Serve as destination developer - providing support for the realization of tourism related product development and business support	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Provide the One-Stop-Shop services for Visitors.	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Serve as industry coordinator, providing a clear focus and encourage more industry collaboration so as to share in the growing benefits of tourism.	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Provide local tourism authority services in line with the legislative prescripts.	New Entity; KZN Tourism Authority; EDTEA; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.3 Agriculture	Agro processing.	New Entity; KZN Agri Business Development; DARD Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports

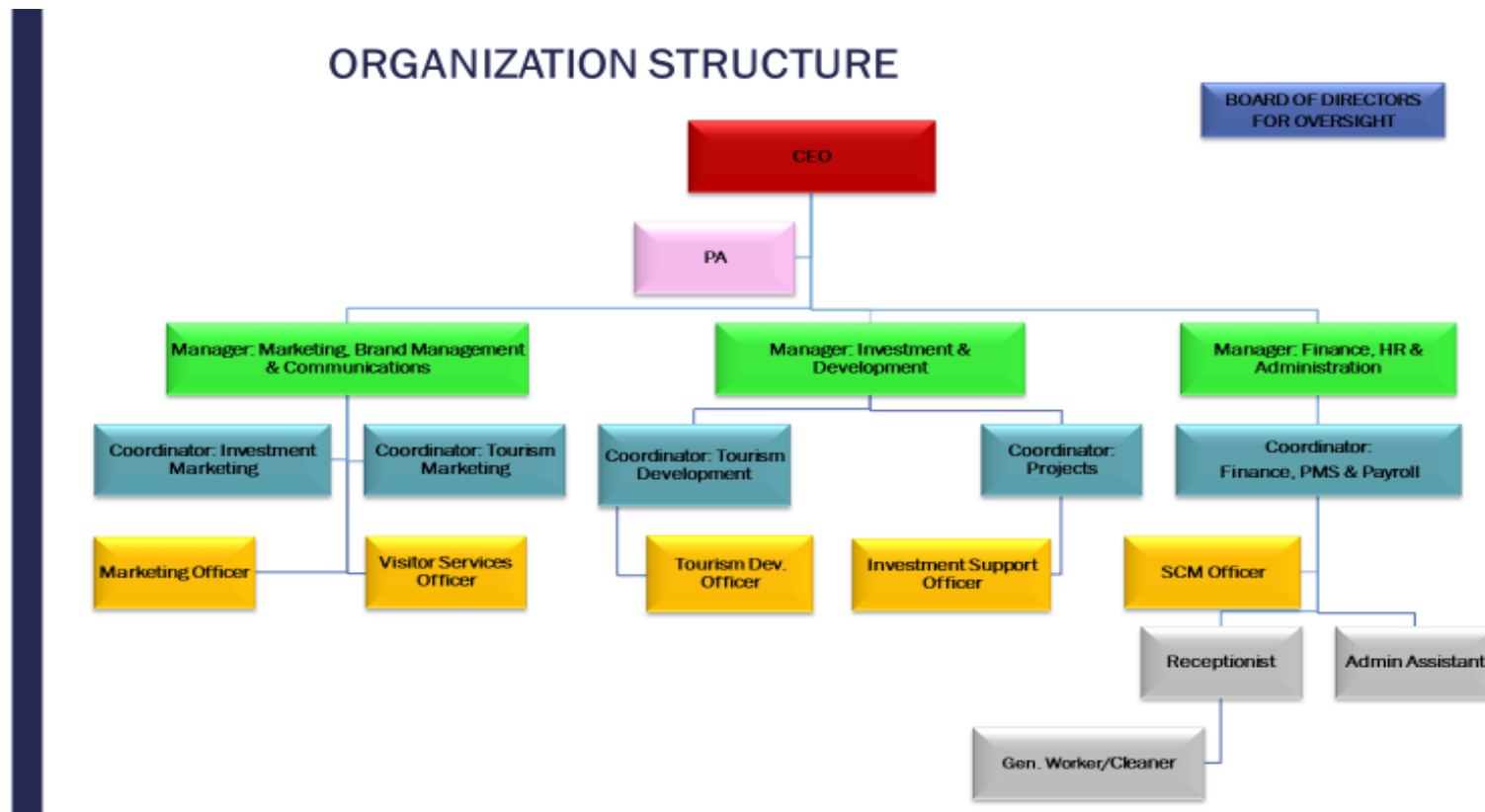
Strategic Objective	Programmatic Intervention	Person Responsible & Strategic Partners	Timelines	Deliverables
	Development of livestock and vegetable production to commercial products.	New Entity; KZN Agri Business Development; DARD Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Encourage established farmers coop to work with emerging farmers.			
	Development of markets and collaboration with private sector to receive product outputs.	New Entity; KZN Agri Business Development; DARD Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Expansion of dominant products to emerging farmers	New Entity; KZN Agri Business Development; DARD Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.4 Property Development	To forge Strategic Partnerships to give effect to economic development on State, Ingonyama Trust and land owned by the private sector.	New Entity; Trade & Investment KZN; EDTEA; National & Provincial Treasury Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Facilitate and to do all necessary processes in order to develop catalytic projects within the Ugu District. (Within the context of the mandate).	New Entity; Trade & Investment KZN; EDTEA; National & Provincial Treasury Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.5 Maritime	Promote responsible economic development within coastal and riverine zones.	New Entity; KZN Tourism; EDTEA; Operation Phakisa Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports

Strategic Objective	Programmatic Intervention	Person Responsible & Strategic Partners	Timelines	Deliverables
	Small craft harbour/marina development	New Entity; KZN Tourism; EDTEA; Operation Phakisa Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
	Beachfront upgrade and development	New Entity; KZN Tourism; EDTEA; Operation Phakisa Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.6 Renewable Energy	Identify, attract, support or assist renewable energy initiatives within the district.	New Entity; Trade & Investment KZN; EDTEA; Department of Energy Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.7 Manufacturing	Retain, resuscitate, grow and transform the manufacturing sector within the district.	New Entity; Trade & Investment KZN; EDTEA; DTIC; Ugu Family of Municipalities; Organised Business	2022 - 2026	Reports
5.8 Institutional Compliance	Ensure that the Agency operations are compliant with all regulatory frameworks.	New Entity; COGTA; Ugu Family of Municipalities	2022 - 2026	Reports
5.9 Financial Sustainability	To ensure that the Agency is financial sustainable and viable.	New Entity; COGTA; Ugu Family of Municipalities	2022 - 2026	Reports
	Work towards a mixed funding model of 70% government and 30% Self-funding.	New Entity; COGTA; Ugu Family of Municipalities	2022 - 2026	Reports
5.10 Capacity Building	Capacitate Agency to deliver and implement its core functions effectively.	New Entity; COGTA; Ugu Family of Municipalities	2022 - 2026	Reports

6. INSTITUTIONAL ARRANGEMENT

6.1 PROPOSED ORGANISATIONAL STRUCTURE

Disclaimer: This organisational structure (Organogram) is developed being informed by the Merged Entity Mandate, and Strategic Direction of the Entity. It is not based on a thorough Organisational Work Study process.



7. FINANCIAL FRAMEWORK

7.1 FINANCIAL POSITION

The current entities have experienced a difficult financial position in the recent past which is a result of numerous aspects which can be summarised as follows:

- **Grant Dependency:** The Merged Entity is dependent on grant revenue for over 90% of its budget. This means that if there are any challenges with these grants, the sustainability of the entity cannot be guaranteed;
- **Limited Budget Provision from the municipalities:** The municipalities, led by the parent, Ugu District Municipality experience their own financial difficulties resulting in limited budgetary allocation to the Merged Entity.
- **Transfer of allocations to the entity:** There has been acute delay in the actual transfer of allocations from the Ugu District Municipality to the Merged Entity resulting in fruitless and wasteful expenditure being incurred, as well as strained relations with creditors. The precarious cash flow position that the entity finds itself in results in the inability of the entity meeting its obligations as they fall due.

7.2 PROPOSED FUNDING MODEL

7.2.1 HISTORY

The Ugu District family of municipalities resolved to form and fund two district-wide municipal entities being:

- Ugu South Coast Tourism, and
- Ugu South Coast Development Agency.

In September 2021 it was resolved that the two entities be merged into a single entity. This was necessitated by:

- the weaker economic growth experienced in South Africa
- the consequent reduction in government funding
- the ability to reduce expenditure through economies of scale removing unnecessary duplications in oversight, staffing, infrastructure, services, etc.

7.2.2 FUNDING THE MERGED ENTITY

a) The Work of Merged Entity

Merged Entity's mandate is to drive the economy of the Region through positioning it as a tourism and investment destination.

b) Flow of Benefits

Virtually 100% of the benefits of the work of Merged Entity will not accrue to the Entity itself. Rather they will flow directly to the State at National, Provincial, District and Local Government levels via increased levels of:

- Taxes – Income tax, Value Added tax, Petrol tax

- Levies – Skills levies, UIF, WCA, Parking, etc
- Fines – Traffic, building,
- Assessment rates
- Business licences
- Planning fees
- etc

c) Own Revenues

Merged Entity will be able to raise a percentage of direct/own income via:

- Ring-fenced funding for specific projects
- Project facilitation/implementation fees
- Billboard and beach advertising (requires permission of local municipalities)
- Sale of branded apparel and souvenirs
- Value in kind – services donated by tourism enterprises towards in hosting media
- Clipping – value of media exposure generated without payment

d) Balance of Grant versus Own Funding

It is proposed that:

a ratio of 70:30 grant to own funding be achieved within 5 years, as follows:

- Year 1 – 2022/23 = 6%
- Year 2 – 2023/24 = 12%
- Year 3 – 2024/25 = 18%
- Year 4 – 2025/26 = 24%
- **Year 5 – 2026/27 = 30%**

e) Grant Funding

The grant funding from the Ugu District family of municipalities to Merged Entity needs to be sustainable and fairly borne by:

- KZN212 uMdoni
- KZN213 uMzambe
- KZN 214 uMuziwabantu
- KZN216 Ray Nkonyeni
- DC21 Ugu District Municipality

It should be clear, simple to calculate and never become contentious or subject to annual negotiation.

f) Division of Revenue Act (DORA)

Section 214(1) of the Constitution provides for the equitable division of revenue raised nationally among the national, provincial and local spheres of government.

f) Division of Revenue Bill

An annual DORA Bill publishes the actual share to be paid to municipalities for the year in question, together with estimates for the next two years.

SCHEDULE 3

DETERMINATION OF EACH MUNICIPALITY'S EQUITABLE SHARE OF THE LOCAL GOVERNMENT SPHERE'S SHARE OF REVENUE RAISED NATIONALLY

Number	Municipality	National Financial Year		
		Column A	Column B	
		2022/23	Forward Estimates	
		2023/24	2024/25	
		R'000	R'000	R'000
KWAZULU-NATAL				
A	ETH eThekweni	4 057 189	4 405 068	4 784 326
B	KZN212 uMdoni	162 218	172 764	184 404
B	KZN213 uMzumbi	154 862	162 624	171 055
B	KZN214 uMuziwabantu	110 541	116 678	123 412
B	KZN216 Ray Nkonyeni	260 646	280 634	302 772
C	DC21 Ugu District Municipality	585 146	629 020	675 761
Total: Ugu Municipalities		1 273 413	1 361 720	1 457 404

h) Quantification of Grant funding payments to Merged Entity

Based on:

- the strategic plan, annual performance plan and proposed budget of Merged Entity, and
- the estimated total Equitable share to be received by the Ugu District family of municipalities

it is proposed that the Ugu District family of municipalities resolve:

- To pay an annual grant to Merged Entity equal to
- 2,4% of the equitable share received in respect of the local government sphere's share of revenue raised nationally; plus
- The applicable rate of VAT to be recovered from SARS; and that
- Such percentage be paid to Merged Entity within 7 (seven) days after receipt of the equitable share by each municipality. This being in line with the National Treasury circular of 31 May 2010 and instruction note no 34 of 30 November 2011 together with the MFMA Circular no 49 of 29 June 2009. Attached herewith.

i) Value Added Tax (VAT)

Some years ago, a change in legislation required that grants paid to any government entity by any sphere of government are subject to VAT. This is in terms of the SARS Interpretation Note 39 (issue 3).

j) Schedule of The Funding Method

No.	Municipality	Percentage	2022/23		2023/24		2024/25	
			EQS	Allocation - Net of VAT	EQS	Allocation - Net of VAT	EQS	Allocation - Net of VAT
KZN212	uMdoni	1.20%	162 218 000	1 946 616	172 764 000	2 073 168	184 404 000	2 212 848
KZN213	uMzombe	1.20%	154 862 000	1 858 344	162 624 000	1 951 488	171 055 000	2 052 660
KZN214	uMuziwabantu	1.20%	110 541 000	1 326 492	116 678 000	1 400 136	123 412 000	1 480 944
KZN216	Ray Nkonyeni	1.20%	260 646 000	3 127 752	280 634 000	3 367 608	302 772 000	3 633 264
DC21	Ugu District Municipality	3.70%	585 146 000	21 650 402	629 020 000	23 273 740	675 761 000	25 003 157
				<u>29 909 606</u>		<u>32 066 140</u>		<u>34 382 873</u>

7.3 THE FINANCIAL POSITION OF THE EXISTING ENTITIES IN 2021/22 FINANCIAL PERIOD

STATEMENT OF FINANCIAL PERFORMANCE	USCT	USCDA	CONSOLIDATED
	2021	2021	2021
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		R211 638.00	R211 638.00
Interest earned	R272 197.00	R72 254.00	R344 451.00
Commission and Sales	R12 312.00		R12 312.00
Interest received - VAT receivable	R5 372.00	R9 376.00	R14 748.00
Membership fees	R134 789.00		R134 789.00
Total revenue from exchange transactions	R424 670.00	R293 268.00	R717 938.00
Revenue from non-exchange transactions			
Government grants & subsidies	R17 539 235.00	R12 367 568.00	R29 906 803.00
Total revenue from non-exchange transactions	R17 539 235.00	R12 367 568.00	R29 906 803.00
Total revenue	R17 963 905.00	R12 660 836.00	R30 624 741.00
Expenditure			
Employee related costs	-R5 328 555.00	-R5 514 211.00	-R10 842 766.00
Depreciation and amortisation	-R122 839.00	-R54 771.00	-R177 610.00
Finance costs		-R127 545.00	-R127 545.00
Operating lease rentals	-R627 746.00	-R803 351.00	-R1 431 097.00
Contracted services		-R3 703 274.00	-R3 703 274.00
Development costs	-R318 498.00		-R318 498.00
Directors' remuneration	-R492 998.00	-R659 917.00	-R1 152 915.00
Marketing costs	-R2 839 864.00		-R2 839 864.00
Operational Costs	-R1 098 388.00	-R866 481.00	-R1 964 869.00
Loss on disposal of assets and liabilities	-R60 638.00		-R60 638.00
Total expenditure	-R10 889 526.00	-R11 729 550.00	-R22 619 076.00
Surplus for the year	R7 074 379.00	R931 286.00	R8 005 665.00
Expenditure as a % Internally generated Revenue	-2564%	-4000%	-6564%
Contracted services as a % Internally generated Revenue		-1263%	
Employee costs and Director's remuneration as a % of total expenditure	53%	53%	53%
Government grants & subsidies as a % of total revenue	98%	98%	98%
Internally generated Revenue as a % of total revenue	2%	2%	2%

Source: Funding Model Amalgamated Entity Document 2021

8. MONITORING AND EVALUATION FRAMEWORK

The Monitoring and Evaluation (M&E) Framework is developed to operationalise the strategic orientation provided for in the Merged Entity Strategy. This framework aims at informing decision makers about progress towards achieving targets as set in the Merged Entity Strategic Plan Document. In combination with other initiatives, the M&E Framework will focus the attention of stakeholders and direct efforts towards the ultimate vision of Merged Entity. In order to do so, the M&E Framework needs to provide strategic information to decision-makers, who will combine this information with other strategic information to make evidence-based decisions.

This Monitoring and Evaluation framework is based on principles intended to institutionalize the use of M&E as a tool for better public sector management, transparency and accountability, so as to support the overall direction of the Merged Entity Strategy and achievement of the results.

Importantly the M & E framework proposed focuses on strategic-high level outcomes-based indicators and not implementation/operational output and milestone indicators. It is crucial that detailed implementation plans per project with KPI: Outputs and Milestones are developed to enable lower-level monitoring and evaluation as that is critical to achieve the below monitoring framework's usefulness in achieving strategic objectives, goals and ultimately Merged Entity Vision. This will be simplified by the Annual Performance Plan of the Merged Entity.

8.1 KEY PRINCIPLES OF THE MONITORING AND EVALUATION FRAMEWORK

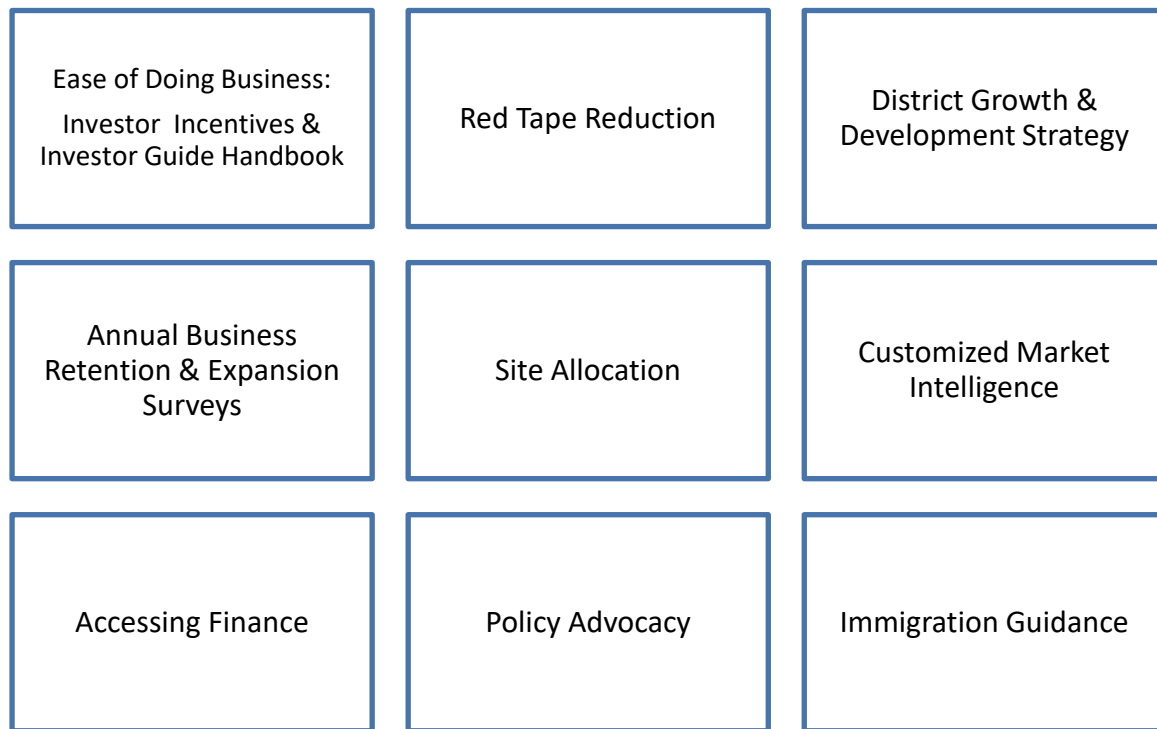
Principle	Description
GOVERNANCE	
<ul style="list-style-type: none"> • Transparency Accountability Participation Inclusion 	<ul style="list-style-type: none"> • All findings are publicly available unless there are compelling reasons otherwise. • Use of resources is open to public scrutiny. • Voice is provided to historically marginalized people. • Traditionally excluded interests are represented through M&E processes.
M&E IS DEVELOPMENTALLY ORIENTATED	
<ul style="list-style-type: none"> • Rights-based: Bill of rights pro-poor orientation • Service delivery and performance Learning • Human resource management Impact awareness 	<ul style="list-style-type: none"> • A rights-based culture is promoted and entrenched by its inclusion in the value base for all M&E processes. • Poverty's causes, effects and dynamics are highlighted, and the interests of poor people are promoted and prioritized.

Principle	Description
	<ul style="list-style-type: none"> • Variables reflecting institutional performance and service delivery are analyzed and reviewed, links are identified, and responsive strategies are formulated. • Knowledge and an appetite for learning are nurtured in institutions and individuals. • The skills needed for deliberative M&E are available, fostered and retained.
M&E IS ALIGNED AND INTEGRATED	
<ul style="list-style-type: none"> • Aligned Integrated 	<ul style="list-style-type: none"> • The M&E framework is aligned with national policy on M&E and provincial and district-level strategic planning frameworks. • Integration mechanisms ensure alignment is achieved and maintained, in terms of who does what, within the multi-sector and multi- department situation.
M&E IS UNDERTAKEN ETHICALLY AND WITH INTEGRITY	
<ul style="list-style-type: none"> • Confidentiality • Respect • Representation of competence Fair reporting 	<ul style="list-style-type: none"> • There is responsible use of personal and sensitive information and promises of anonymity and non- identifiability are honored and relied upon. • Dignity and self-esteem are built amongst stakeholders and affected people. • There is skillful and sensitive implementation of M&E processes. • Those engaged in monitoring and evaluation fairly represent their competence and the limitations of their reports. • Reporting provides a fair and balanced account of the findings.
M&E IS USER ORIENTED	
<ul style="list-style-type: none"> • Defining and meeting expectations Supporting utilization 	<ul style="list-style-type: none"> • M&E products meet knowledge and strategic needs. • A record of recommendations is maintained, and their implementation followed up.

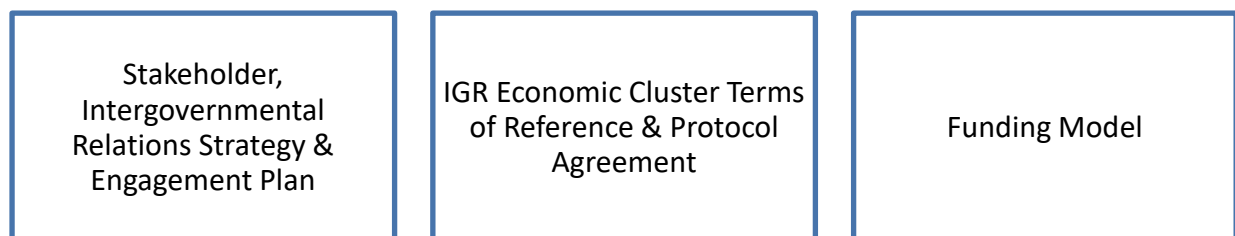
Principle	Description
	<ul style="list-style-type: none"> An accessible central repository of evaluation reports and indicators is maintained.
M&E IS METHODOLOGICALLY SOUND	
<ul style="list-style-type: none"> Consistent indicators Data/evidence-based Appropriateness Triangulated 	<ul style="list-style-type: none"> Common indicators and data collection methods are used where possible to improve data quality and allow trend analysis. Findings are clearly based on systematic evidence and analysis. Methodology matches the questions being asked. Multiple sources are used to build more credible findings.
M&E IS OPERATIONALLY EFFECTIVE	
<ul style="list-style-type: none"> Planned Scope Managed Cost effective Systematic 	<ul style="list-style-type: none"> The M&E tasks match the available resources: staff should not be overburdened by inappropriate M&E activities. Conscientious management of the function leads to sustained on-time delivery of excellence The benefits of M&E are clear, and its scale is appropriate given resource availability. Robust systems are created that are resilient and do not depend on individuals or chance.

9. OVERARCHING ENABLERS

9.1 INVESTMENT ATTRACTION MECHANISMS ENABLERS



9.2 SOUND INSTITUTIONAL ARRANGEMENT ENABLERS



10. CONCLUSION

The advent of the unprecedented Covid-19 pandemic with the resultant unprecedented lockdown of the country by the President re-ignited a sense of collegiality and trust between the various stakeholders within Ugu: private sector, civil society and government. The end result has been an all-encompassing embraced by a multitude of stakeholders with only one end in mind – reigniting economic activity with a greater sense of urgency.

The Ugu District Municipal Council meeting held on Thursday 23 September 2021 resolved that, the Ugu South Coast Tourism (USCT) and Ugu South Coast Development Agency (USCDA) must be merged into a single entity. This was necessitated by the weaker economic growth experienced in South Africa and the consequent reduction in the baseline budget allocations to the Province over the Medium-Term Revenue and Expenditure Framework. Financial savings.

Therefore, resolutions were taken through due structures to improve which include the following: rationalization of roles and responsibilities of LED between district, locals and entities informed by the Post-Covid Economic Regeneration Plan, which provides an assessment, and then strategic framework, and programmatic plan.

In responding to the above-mentioned economic predicament, the amalgamation of USCT and USCDA was necessary to mitigate on the funding challenges, and financial savings.

The Merged Entity Strategy 2022 – 2026, is the catalyst in ensuring that, the above-mentioned predicaments are mitigated accordingly through a collaborative effort by direct and indirect economic development role players or strategic partners.

The Merged Entity Strategic Plan Document will be reviewed on annual basis, with an intention to ensure that latest developments within the economic development sector are incorporated.

ANNEXURE A: ANNUAL PERFORMANCE PLAN

