HIV/AIDS and the KZN Economy: Spatial and Sectoral Considerations, Policy Implications and Recommendations

State of the Environment Report

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by

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Synopsis of the Sectoral Impact Assessment Report

Introduction

The aim of the study was to estimate the macroeconomic impacts of a given level of HIV infection on of four prominent industries of the KZN provincial economy. Drawing on a new survey of HIV prevalence amongst workers in KZN firms, we developed a population/demographic model to capture the effects AIDS on workers across different occupations. An economic model was then used to estimate and describe the extent to which certain demographic shocks caused by AIDS are affecting economic growth and poverty reduction in KZN.

The results from the population/demographic model were then linked to a CGE-microsimulation (CGE) economic model. In short, the CGE-microsimulation model is an advance over previous methodologies as it captures the detailed industry structure of South Africa's economy and the linkages between producers and households in order to estimate the impact of AIDS on both growth and poverty. The CGE model *exogenously* captures a number of transmission mechanisms linking AIDS to growth and poverty. These include (i) changes in household populations and national demographic structure due to increased mortality; (ii) shifts in the level and skill-composition of labour supply; (iii) falling labour productivity due to morbidity; (iv) falling total factor productivity associated with systemic shocks to the economy; and (iv) changes in household health spending and savings behaviour. The model also *endogenously* captures other mechanisms, such as changes in public savings and its impact on investment and capital accumulation. Although not exhaustive, these transmission mechanisms provide a reasonable approximation of the main impacts of AIDS on growth, poverty and inequality.

A full description of the characteristics of the model together with the equations can be found in the SIA report.

Key Results and Discussion

Based on the demographic models' projections, HIV/AIDS reduces KZN's overall population growth rate from an average 1.85% during 2002-2025 under the *Without AIDS* scenario to 0.79% under the *With AIDS* scenario. This is larger than the decline in the population growth rate in RSA, reflecting the higher HIV prevalence rate in KZN. Similarly, the declines in population growth rates amongst the African population are substantially larger than for other racial groups due to higher prevalence amongst Africans.

Declines in the labour supply are larger than declines in population growth rates in both regions. For example, the population growth rate falls by 1.06% in KZN whereas the employment growth rate falls by 1.12%. This reflects the concentration of HIV infections amongst working age adults. Since employment growth exceeds population growth, the dependency ratio falls slightly from 5.05 under the *With AIDS* scenario to 4.98 under the *Without AIDS* scenario. Much of this decline is driven by African households, whose lower-skilled workers have higher prevalence rates and are thus most heavily affected by HIV/AIDS. The results also indicate that while the detrimental growth-effect is large, the impact of HIV/AIDS on regional poverty headcounts is relatively small and that inequality would be higher in the absence of HIV/AIDS. In fact, the absolute number of poor people in KZN would be higher by 662,000 people in 2025. However, the population/demographic model also predicts that 11.8 million people will die of HIV/AIDS in South Africa during 2002-2025, of which over 3 million will be in KwaZulu-Natal.

High HIV prevalence and a larger proportion of AIDS sick people explains why HIV/AIDS has a more negative effect on labour productivity in KZN than in the rest of the country. While labour productivity is assumed to continuing growing at 1.8% under the *With AIDS* scenario, this is below the 1.92% annual growth that would have been achieved in the absence of AIDS-related morbidity and absence from work. This is slightly higher than the potential productivity growth of 1.88% in RSA. Declines in productivity are particularly pronounced for lower-skilled African workers, for whom HIV prevalence is particularly high.

The impact of HIV/AIDS differs across industries and regions. Despite HIV/AIDS having a more detrimental effect on certain industries in RSA, most industries are more severely affected by HIV/AIDS in KZN than elsewhere in the economy. This is especially true for agriculture in KZN, where the AIDS survey and demographic model predict especially high HIV prevalence rates. This also has downstream implications for food processing in the province, which is also negatively affected as a result. Although the model does not capture rural-urban differences, the large increase in GDP growth rates for agriculture under the Without AIDS scenario suggests that HIV/AIDS impacts are likely to be more severe in rural areas.

The results from this economic model indicate a significant decline in both GDP and per capita GDP as a result of HIV/AIDS. The model results indicate that the share of investment in GDP is 2.1% lower under the *With AIDS* scenario than under the *Without AIDS* scenario. While most of this decline in investment is due to the slowdown in economic growth caused by HIV/AIDS, about 28% of the decline results from lower savings rates amongst households. By 2025, the KZN economy will be 43% smaller than it could have been were it not for HIV/AIDS. Similarly, the rest of the country’s economy will be 37% smaller by 2025.

The impact of HIV/AIDS on *income* poverty is small. In the absence of HIV/AIDS, the incidence of poverty (or the poverty headcount) would be slightly lower in RSA (i.e., 9.51 under the *Without AIDS* scenario compared to 10.50 under the *With AIDS* scenario). Furthermore, in KZN, the incidence of poverty would be slightly higher in the absence of HIV/AIDS.

Declines in wages are particularly pronounced for lower-skilled African workers, whose wage growth rate falls from 2.63% per year under the *With AIDS* scenario compared to 1.86% year under the *Without AIDS* scenario. By contrast, wages for higher-skilled workers benefit more from faster economic growth and their growth rates accelerate. Thus, the structural constraints that are already contributing to high unemployment in South Africa would remain even in the absence of HIV/AIDS. The model results therefore indicate that KZN and the rest of South Africa would continue to become more capital and skill-intensive, even if the supply and productivity of lower-skilled workers was not being undermined by HIV/AIDS.

CHAPTER ONE THE STRUCTURE OF THE KZN ECONOMY

This report is the last component of a larger study to determine the prevalence and distribution of HIV and AIDS in four core business sectors of the KZN economy and to assess the economic impact of HIV and AIDS on the Province. The purpose of the research is to inform strategic economic planning within the sectors, provincial and municipal governments in KZN and health service provision by the provincial Department of Health (DoH).

The foundation for the study is a sero-prevalence survey across four industries of the KZN economy. The economic component of the study is drawn from that survey report. It used the sero-prevalence data to project HIV impacts in the business sectors and in the province. The economic report, in turn, is the basis for comparing the results with other pertinent literature – publications on the KZN economy, municipal and provincial planning documents – to assess the economic implications of HIV/AIDS epidemic in the province. That assessment is contained in this 'state of the environment' report. The state of environment report is the basis for the strategic review and application of the research which will be driven by the Durban Chamber of Commerce and Industry (DCCI) and DoH.

It should be noted that the study as a whole had to be scaled down due to practical difficulties faced by DCCI and the research partners in sampling for the sero-prevalence survey. The key limitation is that the study could not obtain the quantity and depth of data for a municipal-level assessment (originally designed to be achieved through adequate coverage of industries across the four major provincial metropoles (Durban, Pietermaritzburg, Richards Bay and Post Shepstone). Consequently, the economic component of the project was modified by utilising an innovative modelling exercise that extrapolated the empirical data from the four industries located in the Durban municipal economy to the whole province.

The material in this chapter is drawn from several sources: Statistics SA publications, Quantec statistics data base, the KwaZulu-Natal Economic Review 2005 written by Graham Muller Associates, the Economic Baseline Study of Ten Districts in KwaZulu-Natal written by WFA Pty Ltd and Graham Muller Associates and the KwaZulu-Natal Review 2003-4 written by Townsend.

1.1 Sectoral

The structure of the KZN economy can be viewed by defining all activity into one of four sectors: primary, secondary, tertiary and government. The primary sector which includes agriculture, fishing, forestry and mining industries accounts for 7% of KZN GDP (10% in South Africa). The secondary sector comprises industries related to manufacturing, construction and the supply or distribution of electricity, gas and water and accounts for 29% of KZN GDP (23% in South Africa). In KZN, manufacturing constitutes 83% of the secondary sector. The tertiary sector comprises services including wholesale and retail trade, catering and accommodation (tourism), transport, business services, communication, finance and insurance. The tertiary or services sector is by far the largest at 53% of both the KZN and South African economies.

Four industries were selected as the number to be analysed in the study. The final selection of industries was done on the basis of individual company responses to the recruitment drive conducted by CADRE and Epicentre from May 2006 to February 2007. The sero-prevalence surveys were undertaken by CADRE and Epicentre on behalf of the KZN Department of Health.

The selected industries were:

- Agriculture
- Manufacturing
- Tourism
- Transport

The contribution by each of the sectors to KZN GDP in 2005 were: primary (7%), secondary (28%), tertiary (53%) and government (12%). Over the past decade, the most dramatic change in the broad structure of the KZN economy has been the marked increase in the contribution of the tertiary sector to output (46 to 53%).

The tertiary or services sector is by far the largest; in 2004 this sector generated approximately 53% of the total output in both the KZN and national economies. The clear predominance of the service sector in KZN is unsurprising – the province is the trade and logistics hub of the Southern Africa and of all the provinces, it attracts the largest number of tourists in the country's sizable tourism market.

Primary Sector – Agriculture

Agriculture and forestry related activity generates 76% of the primary sector output in KZN. The structure of the primary sector in KZN is therefore vastly different from that of the national economy where 72% of the primary sector output is mining related.

Although the contribution of primary sector agriculture to KZN's economy is relatively small at 7% of total GDP in 2005, the KZN Department of Agriculture (2004) estimates that the contribution of agriculture including downstream activities is closer to 15% of Gross Geographic Product.

In KZN, agriculture is specialised primarily on the basis of climate suitability. The coastal areas are utilised mainly for sugar cane and subtropical crops and vegetables. The south coast has banana plantations, while Hluhluwe on the north coast is known for pineapples, the Eshowe area for citrus and the Midlands for avocados. Forestry, annual crops and livestock can be found in the Midlands and northern areas, covering about 40% of the land area of KZN. The related agro-industrial or food processing industries (the largest in South Africa) sees downstream activities contributing significantly to the province's GDP. Consisting of sugar factories, pulp and paper productions, and meat processing, among others, this sub-industry of agriculture employs a large number of people.

Sugar is the single largest crop in the province, and this significant industry sees sugarcane plantations along the coast forming the mainstay of the economy in those areas and agriculture. Half the estimated average of sugar production per season is sold in southern Africa, with the remainder exported to markets in Africa, the Middle

East and Asia. The agricultural activities of sugarcane cultivation are combined with the industrial factory processing and production of raw and refined sugars, syrups, specialised sugars and a range of by-products. Over 85% of the national crop is grown in KZN, the related food processing industries accounts for about half the production of confection and a quarter of beverages in South Africa. The food and beverages sub-industry, contributing some 20% of KZN's manufacturing output, has been built up largely around KZN sugar production.

Agriculture is labour-intensive relative to other industries; while the industry generates only 7% of GDP in KwaZulu-Natal, it contributes 8.4% of formal sector employment in the province. However, the agricultural industry has seen a consistent and significant decline in employment over the last decade; an annual average decline of -0.5% from 1995 to 2004 and -1.1% from 2000-2004. In 1993 the size of the KwaZulu-Natal agricultural workforce was 165 505 workers, this had declined to 113 401 workers by 2002. The 113 401 workers in 2002 comprised 75 799 full-time workers and 37 602 part-time or casual workers.

Secondary Sector – Manufacturing

In KZN, manufacturing industries constitute 83% of the secondary sector. The contribution of the secondary sector to economic output in 2004 is higher in KZN relative to the rest of the country.

The four largest contributors to KwaZulu-Natal GDP in the manufacturing sector are:
- Non-ferrous metals (2.8%)
- Paper and paper products (2.6%)
- Food and food products (2.3%)
- Other chemical products (2.1%)

Of these four large industries, 'other' chemical products (which includes pesticides, paint products, pharmaceuticals, soap and detergents, perfumes, salt, explosives and adhesives) was the fastest growing over the last five years, with an average annual growth of 4.5%.

The major food and beverage producers in KZN have significant agricultural resources to draw from within the province. With KZN being a major producer of sugar and with strong poultry, livestock, dairy and certain sub-tropical fruit production there is definite scope for downstream processing. Food processing, especially in the dairy and sugar industries often takes place close the source of production to minimize transport costs. Durban is the South African operational base of two of the biggest processors. Currently the performance of the food and beverage industry is heavily reliant on domestic demand.

The KZN clothing and textiles industry is a significant contributor to total output in the national clothing and textiles industry. In 2004 KZN produced 40.6% of total output in this industry. The motor vehicle industry in KZN has been growing at an average annual rate of 7% from 1995-2004 buoyed by strong domestic demand and new export contracts.

Manufacturing enjoys a comparative advantage over industry elsewhere in South Africa in terms of access to basic production inputs such as water and coal, as well as accessible marine waste disposal. Contributing to the high production figures, the major sub-industries in KZN's manufacturing segment comprise the following:

- Basic metals
- Chemicals, rubber and plastics
- Food and beverages
- Pulp and paper products
- Textiles, clothing, leather and footwear

The province's export performance is based mainly on manufactured products and, although production is still geared to meeting local demand, an increasing number of firms are significant exporters. KZN is a major exporter of commodities and all industries have both upstream and downstream links, with food processing in particular generating many subcontractors and allied industries such as printing, publishing and packaging, as well as plastics suppliers. The diversified industrial commodity base also includes sophisticated engineering, mechanical and electronic service industry establishments, as well as shipbuilding concerns. The highly successful motor vehicle manufacturing industry has created a considerable multiplier effect in component and service providers in Durban South. Major export components consist of bearings, filters, metal pressings, heat transfer systems, and friction products. The automotive leather industry has grown rapidly, with exports significantly contributing to foreign exchange earnings. In the plastics industry there is potential for even greater growth, with polymer usage in the province estimated at approximately 150 000 tons per annum — KZN provides about a third of the country's plastics requirements. Suppliers comprise mostly small and medium-sized companies, and there is a good base of plastics technical skills available locally. There are over 50 textile establishments, boasting a complementary blend of local and overseas investment. KZN also accounts for over 60% of domestic footwear production.

Tertiary Sector - Services

The tertiary or service sector is the largest economic sector in the province. The sector contributed more than half (53%) of KZN's total GDP in 2004.

The largest industries in the KwaZulu-Natal service sector, by contribution to total KZN GDP in 2004 were:

- Wholesale and retail trade; catering and accommodation (15.8%)
- Transport (9.4%)
- Business Services (9.1%)

Tourism - KZN remains the leading tourist destination for domestic travellers, an important market that makes a significant contribution towards the economy. KZN boasts a greater diversity of resorts, people and cultures than any other province in South Africa, while also capturing a significant slice of the convention business. The focal point of the conference industry is the International Convention Centre in Durban.

The world travel and tourism council (WTTC) estimates that the direct contribution of tourism to the South African economy in 2005 will be R58.7 billion, a 3.9% contribution to the country's total gross domestic product. In 2005 the South African travel & tourism economy is ranked 32nd in the world in terms of absolute size (WTTC, 2005). Furthermore, the WTTC forecasts that real GDP from the South African travel and tourism industry will grow at an average annual rate of 5.6% over the next ten years.

KZN attracts the largest number of visitors in South Africa's sizeable tourism market and the second largest receipts, after Gauteng province, in terms of the rand value of the direct spend on tourism. In 2003 some 15 million trips were made in KZN by tourists, the vast majority of which (13 million trips) were made by domestic or local tourists. Of all the provinces in South Africa, KZN has the largest share of the domestic tourism market - 28% of all trips (or visitors) and 29% of the direct spend by domestic tourists which is worth an estimated R13.5 billion a year (SA Tourism, 2004). The tourism industry in KZN has over recent times grown at a rate of between 5 to 8% a year. KZN Tourism is the provincial government agency through which tourism is promoted and developed.

The overall contribution (direct) of tourism to KZN GDP in 2003 was an estimated R20.5 billion rand, which amounted to 11% of total KZN GDP in that year (SA Tourism, 2004a and 2004b). The contribution of tourism to the KZN economy is therefore substantial and is also significantly higher than average contribution of the industry to the South African economy (3.9% of GDP according to WTTC).

Transport was the second-largest service industry in KZN in 2004 with a 9.4% share of total KZN GDP which amounted to approximately R18 billion in 2004 prices.

Ports - Durban and Richards Bay, two of Africa's main ports, are strategically situated on major shipping routes, serving as gateways to domestic and international markets. They providing important backward and forward linkages to southern Africa and the Indian Ocean rim and handle approximately 78% of South Africa's cargo tonnage. The Port of Durban is South Africa's main general cargo and leading container port, handling over 30 million tons of cargo a year (representing 65% of all revenue earned by South African ports). The Port of Richards Bay is one of the world's largest deepwater bulk-exporting ports, with the capacity to develop even further. The port of Durban had a 64% share of total South African container traffic in 2004. In addition, the port of Durban handled 34 million metric tonnes of bulk cargo and a further 6 million tonnes of breakbulk cargo, a 22% and 43% respective share of the total South African tonnage. The port of Richards Bay, South Africa's largest bulk commodity port handled 81 million tonnes of bulk cargo (52% of SA total) and a further 5 million tonnes of breakbulk cargo (33% of SA total) in 2004.

Air transport - Durban International Airport presently processes over a million passengers annually. Government has approved a comprehensive relocation package for a major new international airport at La Mercy on the North Coast and work has just recently commenced. The development aspires to secure greater access to the international tourism market, holding significant implications for business and tourism as well as the important freight and communications network. King Shaka International Airport at La Mercy aims to be a catalyst for SME development. The logistics platform is designed to transform the area into a continental gateway that would take advantage of the established road and rail networks, as well as the proximity of the ports.

Rail network – KZN's well-developed rail infrastructure forms a sizeable part of the national network. Along with other carriers, Spoornet plays a dominant role in sourcing traffic in and out of the Port of Durban, utilising some 2000 kilometres of railway line and running daily trains on the main line between Durban and Gauteng. Traffic conveyed consists of liquids, agricultural products, timber, cement, metals and minerals, as well as coal and ore.

Road links - KZN's primary road network is approximately 38 400 kilometres in extent, linking main centres. National and provincial roads are peripheral to rural areas, with toll systems in place on modern freeways. The band along the national N2 and N3 (the busiest import/export route in South Africa) concentrates the main areas of economic productivity.

Recent Trends

The fastest growing service industries (average annual growth 2000-2004) were:

- Communication (9.8%)
- Finance and Insurance (6.9%)
- Wholesale and Retail trade; catering and accommodation (5.9%)

Services have grown at an average rate of 5% over the five years (2000-2004) as compared to 3.8% average annual growth in the previous five (1995-1999). The recent improvement in the growth performance of the service sector is largely due to the acceleration of GDP growth in KZN's largest industries - wholesale and retail services; catering and accommodation and transport. These were in fact, the only two service industry categories that experienced higher average growth in the period (2000-2004) relative to the previous five years.

Comparing GDP and employment by industry, it is clear that the relative contribution of community, social and personal services to employment is significantly higher than its contribution to provincial output or GDP. In fact the industry accounted for only 6.2% of KZN's total GDP in 2004 - one third of its contribution to formal employment. Business services and wholesale and retail trade; catering and accommodation are also relatively labour-intensive industry sectors. By contrast, the communication industry contributed 4.8% to total GDP and only 0.7% to formal employment while the transport industry contributed 9.4% to GDP in the province and only 2.1% to formal employment.

Conclusions

The structures of the KZN and South African economies are very similar. Both have a very large service sector which contributes just over 50% of GDP, substantial manufacturing industries which contribute roughly 25% of GDP and relatively small primary and government service sectors.

The tertiary sector in the 2000s has displaced the combined output of the other three sectors resulting in a significant decline in the contribution of each – primary (-1%), secondary (-2.6%) and government services (-3.3%) to GDP. While output has in fact grown in all sectors of the KZN economy, annual growth was strongest in the tertiary sector averaging 3.8% over the years 1995-1999 and increasing to 5.0% in the more recent period 2000-2004. Growth in the other sectors has been slow, but the recent performance of the primary sector in KZN was particularly disappointing, output in this sector has grown at an average rate of only 0.2% over the past five years.

Over the past five years the KZN economy has experienced the fastest industry growth in communication (9.8%) and finance and insurance services (6.9%) wholesale and retail trade sales (5.9%) and catering and accommodation (5.7%). Whilst these industries were also amongst the fastest growing industries nationally, KZN outperformed the national economy in the following industries in terms of average annual growth:

- Catering and accommodation (5.7% compared to 3.9% nationally)
- Wholesale and retail trade (5.9% compared to 4.3% nationally)
- Agriculture, forestry and fishing (1.1% compared to -0.4% nationally)
- Furniture and other manufacturing (2.2% compared to 1.4% nationally)
- Radio, TV, instruments, watches, clocks (2.6% compared to 1.7% nationally)
- Metals, metal products, machinery and equipment (4.6% growth compared to 4.1% nationally)

The only industries of the KwaZulu-Natal economy that experienced negative growth over the period 2000-2004 were electricity, water, mining and electrical machinery and equipment. Overall the pattern of industry growth in KwaZulu-Natal does not differ markedly from that of the national economy.

1.2 Spatial

"South Africa is characterised by significant inequality in the spatial distribution of economic activity. Most places produce little (more than 70% of South Africa's GDP is produced in only 19 urban areas) (Krugell and Naude, 2005:103)."

One of the original foundations of this study was to be the sero-prevalence sampling of companies in four industries located in four KZN municipal/regional economies. The four locations selected were Durban, Port Shepstone, Pietermaritzburg and Richards Bay-Empangani. These four municipal economies account for over 75% of KZN GDP. Durban accounts for 61% and Richards Bay-Empangani 14%. The corollary to that research was to be the analysis of a wide range of pertinent data on the provincial and the four selected municipal economies in the context of the epidemic and in relation to the development strategies of their respective governments. Given difficulties in the recruitment of companies, in that no company outside of the Durban area would participate, the geographical focus of the study became Durban and KZN.

Table 1.1 KZN GDP by Municipality (2004) (Millions of Rands)

	Total (millions of rands)	Agriculture, forestry and fishing	Manufacturing	Transport & communication	Community, social and other personal services	Others (6)
Kwazulu-Natal	R 519,361	R 20,218	R 215,658	R 65,382	R 24,794	R 193,307
Ugu	R 14,998	R 1,595	R 4,045	R 1,158	R 1,076	R 7,121
uMgungundlovu	R 51,685	R 4,660	R 17,733	R 4,400	R 2,881	R 22,008
Uthukela	R 17,362	R 832	R 7,093	R 2,003	R 834	R 6,597
Umzinyathi	R 6,695	R 966	R 1,738	R 491	R 345	R 3,153
Amajuba	R 19,634	R 308	R 10,711	R 1,243	R 631	R 6,737
Zululand	R 11,726	R 1,397	R 2,624	R 1,102	R 711	R 5,888
Umkhanyakude	R 5,419	R 458	R 1,071	R 723	R 461	R 2,704
Uthungulu	R 38,689	R 2,103	R 18,126	R 4,212	R 2,077	R 12,169
iLembe	R 17,904	R 1,964	R 8,988	R 1,259	R 825	R 4,867
Sisonke	R 6,049	R 2,081	R 869	R 403	R 247	R 2,447
Ethekwini	R 329,197	R 3,848	R 142,654	R 48,383	R 14,699	R 119,610
South Africa	R 2,961,373					

Source: Quantec Research Provincial Database

KZN's economic activity is concentrated in three core metropolitan areas (Durban, Pietermaritzburg and Richards Bay-Empangani) in a combination of industries (in order of importance): manufacturing, tourism, transport, as well as commercial and financial services. The material in this section draws heavily on the KwaZulu-Natal Economic Review 2005.

Economic activity in KZN is geographically concentrated in the urban district municipality of Ethekwini which generates almost two-thirds (61.2%) of GDP in the province. The other areas of concentrated economic activity in the province include the port city of Richards Bay and its immediate surrounds, the city of Pietermaritzburg - a manufacturing hub along the major N3 corridor and the cities of Ladysmith and Newcastle near the border of the province with the Free State and Mpumalanga.

Durban is the second largest metropolitan area in South Africa and it contributes 9% of the GDP, 12% of manufacturing output, and 18% of the total manufactured exports to the nation. The core of Durban's industrial economy lies in the southern industrial area, the second largest petrochemical industrial area in southern Africa. Other heavily concentrated industries are those of paper and publishing as well as rubber and plastics. This industrial centre also has manufacturing in fields that include chemicals, motor vehicles and auto components, metal conversion, textiles and footwear, wood furniture, pulp and paper, packaging, plastics, printing and publishing, and food processing and beverages.

Pietermaritzburg has a large public service component, with provincial departments headquartered here as well as regional offices of national departments. Pietermaritzburg is also the home of Africa’s largest aluminium extrusion and rolling plant complex. With numerous timber-growing operations in the surrounding Midlands, a thriving manufacturing industry in furniture and wood products is established, with formal and informal sawmills operating successfully. Commercial agriculture thrives, with head offices of primary cooperatives based here. Products include beef, dairy, sugar cane, citrus and mixed farming. Agribusiness includes manufacturing of equipment and production of crops.

The economy in the Umgungundlovu municipality which encompasses Pietermaritzburg is primarily dependent upon manufacturing (22%), government services (16%), finance and business services (15%), wholesale, retail and tourism (14%), agriculture, forestry and fisheries (11%) and transport and communication (11%) (WFA, 2006).

Richards Bay and Empangeni form the recently created municipality of Nmhlatuze. It is the third most important in KZN in terms of economic production, after Durban and Pietermaritzburg. It contributes 7.6% of the total KZN GDP and 5.5% of the total formal employment. Manufacturing comprises the largest industry, followed by transport. The large-scale investments have resulted in a varied industrial base of coal terminals and aluminium smelters. Other industries include mining companies and paper mills, forestry, and production of materials handling equipment, fertiliser and specialised chemicals.

The economy in the Uthungulu municipality which encompasses Richards Bay and Empangeni is dominated by large industry and the Richards Bay port. This is seen in the large role manufacturing (32%) and transport and communication (12%) play (WFA, 2006).

The economy in the Ugu municipality which encompasses Port Shepstone is largely dependent upon finance and business services (16%), manufacturing (15%), government services (15%), wholesale, retail and tourism (15%) and agriculture, forestry and fisheries (13%) (WFA, 2006). The unemployment rate is high at 49% consistent with low levels of formal economic activities as evidenced by low levels of employment.

Conclusions

The spatial distribution of economic activity in KZN shows that economic activity is heavily concentrated (85% of provincial GDP) in the urban centres of the Ethekwini, Umgungundlovu and Uthungulu Municipalities. Furthermore, the industry composition of economic activity also varies substantially within the province. Broadly speaking, the more affluent, urban economies enjoy a larger share of the provinces manufacturing industries and have relatively diverse economies while the poorer district economies are more reliant on output from general government services and agriculture and forestry.

1.3 Sectoral and Spatial

In 2001 48% of the population of KZN were living in local municipalities which contribute less than 1.5% to total provincial GDP. While the spatial distribution of economic activity in KZN is uneven, the composition of economic activity also varies considerably across the province. The structures of the eleven municipal economies in the province can be compared and contrasted where each municipal economy is represented as consisting of the ten major industry industries:

- Agriculture, forestry and fishing
- Mining
- Manufacturing
- Electricity & water
- Construction
- Wholesale & retail trade; catering and accommodation
- Transport & communication
- Finance and business services
- Community, social and other personal services
- General government services

Manufacturing activity contributes over 20% of GDP in each of the three largest district economies in KZN – Ethekwini (27%), Uthungulu (31%) and Umgungundlovu (21%).

The wholesale and retail trade; catering and accommodation industry makes a fairly even and substantial contribution of between 10 and 17% of GDP in all eleven district economies.

Government makes the largest contribution to total GDP in the poorer district economies. The finance and business service industry makes the largest contribution (20% of total GDP) in the economic centre of KZN, Ethekwini municipality. The industry also generates a substantial 15% of GDP in the district economies of Umgungundlovu and Ugu. The transport and communication industry makes the largest contribution to the coastal district economies of Ethekwini (15%) and Uthungulu (12%) which are home to the Ports of Durban and Richards Bay respectively.

The analysis of the industry composition of KZN's eleven district economies suggests that the larger, more affluent district economies consist of a more balanced and diverse range of economic activity and enjoy a proportionately larger share of manufacturing activity. The smaller and generally poorer district economies are relatively more dependent on general government services and the wholesale and retail; catering and accommodation industry and have a significantly smaller share of manufacturing activity.

During the past 10 years the biggest change in the structure of the KZN economy has been the increase in the contribution of the tertiary sector to output (7%). The tertiary or service sector is now the largest economic sector in the province, contributing more than half (53%) of KZN's total GDP in 2004. The service sector makes an equally large contribution to the national economy but the composition of the sector at a national level is more heavily weighted towards finance and business services, with transport services featuring less prominently than in the KZN economy. The structure of the KZN economy also differs from that of the national economy in that it has a proportionately larger manufacturing industry (24% of GDP as opposed to 18% of GDP nationally) and relatively smaller primary and government services sectors.

It is the service industries that have been driving economic growth in KZN. Over the past five years, the service sector grew at an average annual rate of 5%, which was well in excess of the average growth in manufacturing (1.6%) and the primary sector (0.2%). Wholesale and retail trade; catering and accommodation and transport are the largest service industries in the province, together they contribute over a quarter (25.2%) of the province's total GDP. Over the five year period 2000-2004, the fastest growing service industries were communications (9.8%), finance and insurance (6.9%) and wholesale and retail trade (5.9%).

The spatial distribution of economic activity in KZN is very uneven. Economic activity measured in terms of the value of GDP generated by each local and district municipality, is concentrated in the largest metropolitan area in the province; Durban generates almost two-thirds (61.2%) of the province total GDP.

CHAPTER TWO PROVINCIAL AND MUNICPALITY ECONOMIC DEVELOPMENT PLANS

One of the original foundations of this study was to be the sero-prevalence sampling of companies in four industries located in four KZN municipal/regional economies. The four locations were Durban, Port Shepstone, Pietermaritzburg and Richards Bay-Empangani. The corollary to that research was to be the analysis of a wide range of pertinent data on the provincial and the four municipal economies in the context of the epidemic and in relation to the development strategies of their respective governments. Given difficulties in the recruitment of companies the geographical focus of the study became Durban and KZN whilst still retaining the industry distribution. The influence of the impacts of HIV/AIDS on the regional economies will be commented upon, but empirically based judgements about the exact impacts in Port Shepstone, Pietermaritzburg and Richards Bay-Empangani can not be made with certainty.

Economic planning occurs at the national, provincial and local government levels. The impacts of HIV/AIDS ensure that the aims of these plans are negatively affected. The extent of this negative impact varies both industry and spatially.

The material utilised in this chapter is drawn from several sources: Department of Traditional and Local Government publications, the KwaZulu-Natal Economic Review 2005 written by Graham Muller Associates and the Economic Baseline Study of Ten Districts in KwaZulu-Natal written by WFA Pty Ltd and Graham Muller Associates.

2.1 Economic Planning Process

The economic planning process involves national, provincial and local government levels. The process incorporates provincial planning within national planning and municipal/local planning within provincial planning. As an example, the KZN provincial growth and development strategy sits within, and is therefore determined to a large extent by, the national planning and policy framework. Increasingly however, provincial government is also expected to have a thorough understanding of the dynamics of the regional economy so that it can shape and influence policy, and thereby carry out its sizeable implementation role more effectively. Local and district municipalities take their lead from provincial and national policy determination but in the context of their resources and constraints in resources, both capital and labour.

The Integrated Planning Framework

An integrated planning framework has been in place since 2001 when national government initiated the process. The overall purpose of the framework was to 'strengthen the coordination and alignment of the government processes of planning, strategising, budgeting, monitoring and reporting' throughout all levels of government (Department of Provincial and Local Government, 2003).

The two main objectives of the IPF are:

- To ensure that budgetary allocations at all spheres of government are made in support of strategically identified policy priorities.
- To ensure that the strategic objectives set by government in each five-year planning cycle are consistently upheld by all its institutions.

An annual planning cycle results in the Medium Term Strategic Framework (MTSF) which outlines a limited but focused set of medium-term strategic priorities that inform all three tiers of government. These priorities then inform budgeting and implementation through the MTSF. Each year national government departments review the previous year's priorities and on this basis plan new priorities for the medium-term. These are communicated to five cabinet clusters; the constituents of these clusters are the 23 government departments, each of which has been placed in a cluster that shares its major sectoral challenges and also includes representatives of provincial and local government.

The five clusters are:

- Governance and Administration
- International Relations, Peace and Security
- Economic, Investment and Employment
- Justice, Crime Prevention and Security
- Social

There are three further planning instruments that together with the MTSF form the core of the South African intergovernmental planning system; they are the National Spatial Development Perspective (NSDP), the Provincial Growth and Development Strategies (PGDS) and municipal Integrated Development Plans (IDP). It is these latter plans which municipalities use to plan local economic development (LED).

Provincial Growth and Development Strategies

The PGDS is a medium-to-long term plan that analyses and responds to changes in both the spatial distribution and trends in the economic, social and environmental characteristics of a particular province. A PGDS will typically contain an indication of the development potential in the province broken down to a district level, the province's proposed economic growth trajectory and an indication of the industries and the areas of comparative advantage in which the province plans to invest.

The PGDS is the broad development and spatial planning framework for a province, the detailed planning of specific projects is primarily the responsibility of municipalities and is captured in their IDPs. The main mechanism for implementing the PGDS in KZN is Gijima, which is a partnership programme between the European Union and the KZN Provincial Government and is aimed at supporting LED in the province. The six year, €37 million (R300m) programme, ending in 2009, is designed to assist the KZN DED, working with both private and public enterprises to implement local economic development policies, activities and projects within the province.

The broad purpose of the Gijima KZN is:

- To promote pro-poor local economic development

- To build the capacity of local government in managing local economic development
- To increase local competitiveness through the building of partnerships

More specifically Gijima KZN aims to:

- Assist organisations and people by creating sustainable working partnerships between government officials, the private sector, unions and community groups.
- Implement projects that promote sustainable economic growth.
- Make it easier for new businesses to establish themselves and existing businesses to grow
- Promote HIV/AIDS and TB awareness
- Enhance the development role of local government
- Promote learning and the exchange of knowledge, ideas and experience
- Establish effective LED management functions at both the district and provincial level

The Gijima programme provides LED capacity in KZN primarily through two instruments:

1. The Business Enabling Fund - Provincial government, both District and Local Municipalities and public entities in KZN are eligible for BEF funding. The purpose of the BEF is to assist with and strengthen skills development and capacity building in local economic development in government structures. One of the more specific goals is to encourage local and district councils to work with the private sector, nongovernmental and community organisations, chambers of business and trade unions.

2. The Local Competitiveness Fund - The LCF is intended to streamline and grow existing businesses through networking and partnerships with other businesses. LCF grants will be used to grow businesses through improved market access, products and output. In particular the fund will be aimed at benefiting small businesses in the following industries, agro-processing, arts, crafts and culture, tourism, clothing and textiles, information and communication technology, wood and wood products, logistics and transport.

Integrated Development Plans

Over the past ten years local governments have been responsible for an enlarged field of responsibilities. Integrated Development Planning (IDP) was introduced in 1996 as local government's principal strategic planning instrument. IDPs are municipal-wide plans with a clear spatial dimension that enable local authorities to take community needs into account, whilst incorporating the broader priorities that have been identified at both a provincial and national level. The LED capabilities of district municipalities vary greatly. This is in most part due to the budgetary constraints of individual districts.

'IDPs should reflect the best possible development decisions and trade-offs that focus on viability and economic, social, environmental, financial and institutional sustainability' (Todes et al., 2002).

Conclusion

South Africa has an intergovernmental system where three distinct, independent and interrelated spheres of government share the responsibility for the design and implementation of government programmes and policies. At the national cabinet level government elected to use a system of planning in clusters that share major sectoral challenges. This planning framework has subsequently been adopted by provincial government who have compiled five provincial priority clusters in order to effect the delivery of the provincial priorities outlined in the PGDS. These priorities in turn inform the IDP's at the local municipality level.

2.2 Municipal Local Integrated Development Plans

Port Shepstone/Ugu

The Ugu district municipality is situated along the coastline in the southern portion of KZN. It consists of six local municipalities: Vulamehlo, Umzumbe, Umdoni, Ezigoleni, Umuziwabantu and Hibiscus Coast

Ugu has a population of just over 700 000 people. Only 16% of the population is classified as urban. The municipality has focused on the rural sector of its population in terms of its priority service and development goals.

The district municipality development priorities are:

- Provision of basic services and infrastructure
- Refurbishment and expansion of existing infrastructure (focus on development pressure in the coastal strip)
- Promoting and enhancing local economic development
- Ensuring sustainable integrated rural development
- HIV &AIDS, TB and STDs
- Tourism development and marketing and broadening access in the industry
- Speeding land reform
- Institutional development
- Programmes for youth, women and the disabled

Ugu has an annual per capita GDP of R9,452. This compares to R11, 075 for coastal municipalities of a similar nature. Ugu has a high rate of unemployment - 51% of the broad labour force is unemployed. However, the average unemployment rate in rural-coastal district municipalities outside KZN is comparably high – 49%. Given low employment levels, it is unsurprising that an estimated 49% of the population is reliant (directly or indirectly) on income from state pensions and remittances.

The economy of Ugu is largely dependant on Finance and Business Services (16%), Manufacturing (15%), Government Services (15%), Wholesale, Retail and Tourism (15%) and Agriculture, Forestry and Fisheries (13%).

Richards Bay/Empangeni/Uthungulu

The Uthungulu district municipality stretches from the coastline surrounding Richards Bay on the North Coast of KZN inland past Empangeni and includes the towns of

Melmoth and Eshowe. It is the third most populous district in KZN with 762 791 people. It consists of six local municipalities.

Uthungulu is dominated by the Umhlatuze municipality, in which the port of Richards Bay is located. Richards Bay is an economic powerhouse in a region that is otherwise very poor. It is home to just 33% of the population yet contributes to 75% of the districts GDP output. In comparison Nkandla is home to 15% of the population yet accounts for a meagre 2.2% of GDP output. Per capita GDP is significantly higher in Uthungulu at R16 241 than the national average for rural coastal districts (R 11 075). This is due to the industrial output of Richards Bay and does give an accurate picture of the state of poverty in the region.

The region is dominated by large industry in Richards Bay. Manufacturing output contributes to 32% of total GDP output for the Uthungulu region. However manufacturing only provides 10% of total employment. Given that Richards Bay is South Africa's largest port it is no surprise that transport & communication is the second largest contributor to GDP in Uthungulu (12%).

The Uthungulu municipality has identified its key development issues as:

- Poverty
- Settlement pattern of the district
- Health, including HIV/AIDS, malaria and cholera
- Land reform and housing
- Education and training
- Land use management

Key issues towards greater economic development are identified as:

- The development of commercial agriculture
- Under-utilisation of the agricultural potential of traditional areas
- Tourism development
- Assisting the strong manufacturing industry
- Decentralising trade
- LED development and SMME creation and development
- Access to technology

Pietermaritzburg/Umgungundlovu

The Umgungundlovu district municipality is situated in the central portion of the province of KZN. It consists of seven local municipalities: Mooi-Mpofana, Umngeni, Umshwathi, Impendle, Msunduzi, Richmond and Mkhambathini.

Msunduzi (Pietermaritzburg) is highly urbanized and contributes significantly to the GDP of the municipality. The district municipality has a population of just over 925 000 people. The population is 75% rural. This compares to an average of 78% in similar rural-inland districts in South Africa.

The district municipality development priorities are:

- Infrastructure and Services, including access to water and sanitation, as well as to electricity and solid waste services.

- Social Development, including land reform, housing, land use management, gender equity, education, addressing HIV and AIDS, and arts and crafts.
- Economic Development, including local economic development, tourism promotion, investment promotion, poverty alleviation and agricultural development.
- Democracy and Governance.
- Institutional Transformation.
- Financial Management.

The municipality has an annual per capita GDP of R 23 099. This compares to R28 075 for inland municipalities of a similar nature. As such the municipality might be classified as somewhat more marginal that others of a similar nature, although within the context of KZN it is somewhat more wealthy than the norm. Africa. The municipality has a very high rate of unemployment - 43% of the broad labour force is unemployed. The average unemployment rate in urban -inland district municipalities outside KZN is comparably high 37%. The people of Umgungundlovu have relatively poor access to basic services when compared with people living in similar urban - inland districts, with 22% of people having access to piped water (on or off site). The economy of the municipality is largely dependent on Manufacturing (22%), Government Services (16%), Finance and Business Services (15%), Wholesale, Retail and Tourism (14%), Agriculture, Forestry and Fisheries (11%), and Transport and Communication (11%).

Durban/Ethekwini

The Ethekwini municipality is centred on the city of Durban in the central part of the coastal section of the province. Durban has a population of over 3 million people with 85% classified as urban.

The IDP strategic approach for Ethekwini is made up of eight sub-plans. The second of these is for economic development and job creation. The goal of this sub-plan is to develop the economic wealth of the Ethekwini region for the material well-being of all its citizens through strong economic growth and sustainable job creation.

Within the IDP the following areas have been identified as strategic areas for intervention and prioritised:

- Provision of an efficient and effective infrastructure foundation to facilitate local and international freight and passengers, as well as information and data flows
- Ensuring the integrated delivery & maintenance of basic services such as water, waste and electricity
- Growing the formal economy and broadening participation through:
  - Managing the costs of doing business
  - Investment promotion & facilitation
  - Developing an efficient freight and passenger logistics network
  - Focusing on strategic economic sectors for the promotion of broad based BEE
- Assisting the informal economy through:
  - Informal economy support

- Human resource development
- Small business and co-operatives support
- Procurement, and business area management
- Ensuring all residents are able to access the social package, including government grants and subsidies
- Enhanced access to financial support
- Improved communication and knowledge building opportunities.

To achieve progress on these strategic goals 11 programmes have been developed:

- Adopt a strategic economic development plan for the city
- Stimulate key sectors that promote economic growth and create jobs through providing support for prioritised sectors
- Support and grow tourism and related industries
- Create an integrated procurement management and monitoring system
- Investment facilitation and promotion
- Develop a logistics platform
- Drive the 2010 World Cup soccer event in Ethekwini
- Develop further the city/port partnership
- Develop Dube Trade Port Implementation Strategy
- Manage informal trade
- Promote and stimulate entrepreneurship

The strategic development programme will strive to stimulate economic growth in key activity industries aligned with the KZN Industrial Development Strategy, namely the automotive sector, ICT, tourism, agriculture and agri-processing, chemicals, creative industries (crafts, film, TV and music), clothing and textiles, and wood, pulp and paper. Due to the importance of the maritime sector to Ethekwini in particular, it will also receive attention.

Durban Tourism aims to promote the City as a lifestyle destination. The key drivers that form the strategic focus of increasing tourism to the City beyond the traditional seasonal holidaymakers that Durban has relied on in the past, are sport, events and MICE (Meetings, Incentives, Conferences/conventions and Exhibitions). Durban Tourism has initiated the "So much to do" campaign. This will be augmented to keep visitors here as long as possible, thus contributing to the economy and furthering job creation. Durban Tourism will continue to raise the profile of the Durban brand through sustainable marketing in the developing niche markets such as business and incentive tourism.

The investment promotion & facilitation programme aims to: support existing business retention and expansion: engage in investment promotion & marketing: support foreign investors to grow foreign direct investment: establish a targeted investment policy and incentive strategy.

Establish a freight plan to ensure the co-ordination and facilitation of the movement of goods by air, rail, road and sea. An extensive survey will be done to identify gaps in service delivery, and to determine the capacity of networks and strategic facilities in order to eliminate possible bottlenecks and impediments to future economic development.

Use the 2010 World Cup to further develop the tourism/economic development strategy by installing new and upgrade existing infrastructure surrounding the stadium project.

The development and operations of the Port of Durban and City are interrelated at various levels. To date, port planning and city planning have been undertaken in isolation of each other. To achieve a common vision for the sustainable development of the Port and City in the future, and to ensure their successful co-existence, joint planning is essential. Transnet and the municipality has prepared a draft masterplan for the Port of Durban. The plan indicates future spatial Port development requirements to meet the objectives of the National Ports Authority.

The development of the King Shaka International Airport and Dube Trade Port, together with its proposed Free Trade Zone, is considered the most important economic project for the municipality and is projected to provide between 150 000 to 240 000 direct and indirect job opportunities for KZN.

The Business Development Support Programme is aimed at transferring the basic skills of business management to promising entrepreneurs. SMMEs are specifically targeted and their needs identified in order to provide appropriate support. A great deal of emphasis will be placed on the Youth Entrepreneurship Programme, with strong linkages to the SETAs that provide training programmes.

Conclusion

There are large differences in the general characteristics and level of socio-economic development across the eleven municipalities in KZN.

Umgungundlovu is the most populous of the ten non-metropolitan municipalities in KZN, 55% of its 950 000 strong population live in urban areas including the city of Pietermaritzburg, administrative and legislative capital of provincial government. Uthungulu is also heavily populated district but the majority of the population (85%) lives in rural settlements.

Umgungundlovu and Uthungulu stand out as the large economic centres in non-metropolitan KZN. Umgungundlovu generated GDP to the tune of R22 billion in 2004 and is home to a diverse range of economic activity with good representation in most industries, including manufacturing, tourism, transport, government services, wholesale and retail trade and finance and business services. Economic output in Uthungulu was R15 billion in 2004 and was generated largely by activities in manufacturing (32%), mining (9%), transport and communication (12%) and supporting services. The remaining eight district economies are all less than a third of the size of Umgungundlovu and half the size of Uthungulu.

CHAPTER THREE POLICY IMPLICATIONS AND RECOMMENDATIONS

This study has examined the impact of HIV/AIDS on KZN. Drawing on a new survey of HIV prevalence amongst workers in KZN firms, we developed a population/demographic model to capture the effects AIDS could have on workers within different industries.

The results from the population/demographic model were then linked to a CGE-microsimulation model. The results from this economic model indicate a significant decline in both the GDP and per capita GDP of KZN as a result of HIV/AIDS. Results indicate that by 2025, the KZN economy will be 43% smaller than it could have been were it not for HIV/AIDS. Similarly, the rest of the country's economy will be 37% smaller by 2025. The results also indicate that while the detrimental growth-effect is large, the impact of HIV/AIDS on regional poverty headcounts is relatively small and that inequality would be higher in the absence of HIV/AIDS. In fact, the absolute number of poor people in KZN would be higher by 662,000 people in 2025. However, the population/demographic model also predicts that 11.8 million people will die of HIV/AIDS in South Africa during 2002-2025, of which over 3 million will be in KZN.

The SIA report reveals a generational impact and models the impact to 2025. This is a long way off and we have the opportunity to put in place interventions that will mitigate the impact of this disease. Our challenge is to not only mitigate the impact but also to make the reality we face work for us.

This incentive to mitigate the effects of HIV/AIDS lies not only with poorer households and those with infected members, but also with the uninfected and higher-income households, who stand to benefit from faster economic growth and rising incomes.

3.1 Policy Implications

The policy implications of the results of this study may be better understood in the context of the province's economic profile and vision, on one hand, and the existing levels of HIV/AIDS interventions, i.e. HIV/AIDS treatment and prevention, on the other hand. Whereas the economic literature largely projects the economic pulse and prospects of the province, particularly of Durban (Coetzee, 2006), the hub of the province's economy, in a positive light, there are also formidable challenges to realizing the broad economic goals of the province. These goals are exemplified in the context of Durban's economic vision: "To generate increased prosperity, quality of life and improved citizenship for all the people in (the province)" (Monitor Group and The Durban Unicity, 2000:5). As empirically made clear in this study, HIV/AIDS is, doubtless, one of the challenges, aside of unemployment and skill deficiency, but the extent to which treatment and prevention services are made available by industry is not only unclear, but also beyond the scope of this study.

Doubtless, treatment is becoming increasingly available to AIDS ill people; and so are prevention programmes, including education and counselling within certain workforces. With an estimated 30% of people in need of treatment receiving it in South Africa at present (WHO estimates, applying to end-2006), this possibility is a reality at least for a part of the labour force. The assumption made in this study is that no treatment occurs. Since ART coverage is increasing and there is commitment to increasing coverage this assumption can validly be criticised. However, whilst this assumption is restrictive on the analysis the availability of data to account for ART impacts is similarly restrictive or unavailable at the present time. The characteristics of those on treatment are not available in the public domain. This restriction will not allow the accounting for ART effects to be made because population wide data on individuals, that is, the magnitude of the changing patterns of illness and death are not available. Given the individual level modelling involved in our analysis and until the demographic and labour force impacts of differing categories of workers are available, estimation will be problematic, with the potential for misleading parameters to be utilised if an attempt to incorporate treatment is made into the analysis.

Having said this, the need to embed or mainstream HIV/AIDS in economic development plans, strategies and visions cannot be overemphasized; the epidemic can no longer be treated with careless abandon or confined to the periphery of economic discourse and/or policy. In this context it may be appropriate to revisit suggested responses to containing the epidemic, adapt them to the local situation and explore new approaches. In the first category the World Bank Report on HIV/AIDS is indicative. The report proposes three instruments to avoid economic collapse. These are:

- Spending on measures to contain the disease and treat the infected people.
- Aiding orphans in the form of income support or subsidies.
- Taxes to finance the expenditure programme.

These universal approaches are not always suitable at the provincial, municipal, industry and the sectoral level. Certainly the latter two are beyond the scope of response at this level but spending to manage those infected with the disease is unavoidable if the negative impact of HIV/AIDS is to be curtailed. Further to outlay of resources, both finance and human there are further fundamental responses which can be adopted, namely (HEARD, 2003 adapted):

a. Acknowledge the Reality of the Epidemic. KwaZulu-Natal (and indeed South Africa) is not facing this epidemic alone. Most of Sub-Saharan Africa has a serious epidemic. By recognizing the HIV/AIDS epidemic and seeking innovative responses we could attract support and investment. Investors who are faced with an honest discussion of the problem and what we are doing to combat it will be reassured and encouraged. Our response could be made part of our comparative advantage.

b. Seek Opportunities. There are ways in which the epidemic and our response can be made to work for the economic and social development of KwaZulu-Natal. For example, support to the elderly, ill and orphans will inject cash into the economy. We know that pensions are a crucial resource particularly in the more remote rural communities. How can we build on this? Caring for people can become a ‘labour intensive public work’. Developing the health industry and its infrastructure to provide care to people living with HIV will enable many other health interventions to be made.

c. Mainstreaming. HIV/AIDS can no longer be considered only a health issue. The impact will be felt across industries, across departments. Any action taken to mitigate the negative impact should therefore feature cross-cutting initiatives which seek to mainstream HIV/AIDS into existing policy frameworks, departments, divisions and all workplaces, both large and small scale enterprises.

d. Monitor and Measure. The formulation of policy should not be the first and last step in responding to the epidemic. Policy must lead to change and this change must be monitored, measured and reviewed. Ideally, one should monitoring and Evaluation (M&E) framework should be designed through which all provincial departments, municipalities and even the private sector can report into. This can be developed through consultation with the relevant stake holders and controlled with the Provincial AIDS Council (PAC).

If we examine the role of Municipalities, the provincial government together with its planners and the selected industries in implementing the above recommendations, we can formulate clear strategies which could guide growth policies into the future.

3.2 Recommendations

Municipalities

Provincial Government together with Municipalities holds the dual role of employer and the drivers of the provincial and local economic development. It is the municipalities who provide the infrastructure for local economic development to occur.

<u>Policies, responsibilities and management</u>

- Creation of an HIV/AIDS committee
- Develop an HIV/AIDS policy
- Train managers, supervisors and union representatives on mainstreaming HIV into the organisation.
- Align all managers KPA to the successful mainstream HIV and AIDS into the work place.
- Update policies and procedures to mainstream HIV into the organisation.
- Develop a Monitoring and Evaluation checklist

<u>Awareness, education and prevention</u>

- Develop a workplace HIV/AIDS prevention and wellness programme in accordance with the National Department of Labour: HIV and AIDS Technical Assistance Guidelines.
- Involve people living with AIDS (PLWA) in your programme.

- Develop and maintain a database of information to enhance planning. Keep and check data from regular VCT campaigns, condom distribution and KAP surveys. Monitor key HR indicators like, absenteeism, sick leave and death and follow trends.
- Ensure that there is a PEP policy and procedures are in place.

Treatment and Care

- Provide HIV treatment and/or a referral system for HIV+ employees and their spouses
- Ensure access to home based care for employee who are too sick to work.
- Monitor adherence to treatment.

External interaction and contributions

- Collaborate and forge partnerships with key stakeholders like: Chambers of commerce, sectoral bodies, NGOs. Provide a forum for these key stakeholders to share experiences and formulate coherent responses.
- Capacitate business, NGO's and other registered entities to mainstream HIV into the work of the organisation. This can take the form of the provision of materials e.g. The National Department of Labour's: HIV and AIDS Technical Assistance Guidelines.
- Formulate a Compliance strategy whereby the provincial government together with the municipalities, insert HIV/AIDS response requirements through its tendering process; whereby points are awarded for a policy, prevention and treatment programmes, and an M&E strategy.

Industries and Sectors

Industries and sectors have been made acutely aware of the financial and human costs of the HIV/AIDS pandemic on its employees, their dependants and on the sector. It is with this in mind that the sector needs to elevate the challenge posed by the HIV/AIDS epidemic to a strategic business risk which requires an appropriate management response.

Whilst many HIV/AIDS interventions are costly, many are zero cost options which are available to the industries/sectors. These initiatives should be integrated into existing structures and could involve:

- HIV/AIDS education and awareness – materials available free of charge from DOH;
- voluntary testing and counselling if linked with the seven EAP sites run by Lifeline and the DCCI;
- non discriminatory practices which should be legitimized through a policy document; and
- condom (freely available from DOH) distribution.

This proposed programme which can implemented by the industry/sectors through its constituent companies is intended to lessen the impact of human suffering from

HIV/AIDS on the industry's employees, and manage the adverse effects of HIV/AIDS on the industry's operations.

This recognition should motivate the industry to develop strategic partnerships, coalitions and alliances that will enhance the chances of reducing the impact of HIV/AIDS. The Industry must establish a collaborative relationship with employees, trade unions, and other business. Business relationships can be easily developed and maintained within and between industries as the nature of the relationship between industries must become conducive to collaborative intervention programmes. It is known that some companies in the various industries have instituted in-house HIV/AIDS prevention and treatment programmes for their employees; there are also others that do not have or cannot afford such programmes. Appropriate intervention, including collaboration, assistance and coordination could make such programmes accessible not only to the labour force within sectors/companies but also members of the larger community. Integration and coordination of HIV/AIDS programmes may not only promote efficiency in the use of limited resources but also enhance the efficacy and wider accessibility of HIV/AIDS treatment and prevention programmes. As a starting point research into the nature of within-sector/company interventions, cost, constraints and impact may shed light on the prospects for collaborative and coordination trajectories.

There is a growing trend amongst the larger companies with a Corporate Governance Charter to ensure that any company it contracts as a service provider is compliant with the policy and values of that contracting company. HIV/AIDS is a growing concern and should industries/sectors align themselves in this way – therefore implementing policies and programmes seeking to mitigate the impact of HIV/AIDS – the industry and specifically those companies within this industry will have a comparative advantage at the tender process.

In the past five years there have been a number of initiatives to look at ways in which firms can be open about HIV and its potential impacts. This move has been prompted in an attempt to encourage firms to become more transparent in the manner in which they deal with the HIV/AIDS epidemic. The idea is that if companies report on HIV/AIDS, then this directness will encourage or at least not discourage investors; it will help the companies to understand their exposure; and will lead to sensible responses.

It is likely that business will require identifying and disclosing key business risks which illustrate how HIV/AIDS impacts upon the sustainability and viability of their business. This has already been stated in the King II report of 2002. In that same year, listed companies were informed that while they would not be asked to disclose the numbers of HIV positive workers or assess financial risks, they would have to indicate in their annual report the nature and extent of the strategies, plans and policies adopted to address and manage the potential impact of HIV/AIDS. These being the minimum requirements, some companies can do more.

Nationally, industries must continue to align with institutions such as the South African Business Coalition on HIV/AIDS (SABCOHA). This will enable the sector to tap into a network of expertise and an established resource centre to assist the private sector to develop an appropriate framework and strategies to manage HIV/AIDS in the work place and society at large.

Conclusion

The KZN province on a whole should be very concerned about the impact of HIV/AIDS on its employees, their dependants and the public. Individual vulnerability to HIV/AIDS is partly a function of their socio economic status. Therefore, effective HIV/AIDS interventions should be multi-sectoral and require collaboration between government, non government organisations, civil society and the business community.

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