

UNIVERSITY OF CAPE TOWN

Strategies for increasing investment in a city: A case for Buffalo City

By

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DECLARATION

I, Ruweida Anastacia Naina, hereby declare that this dissertation is my own original work, that all reference sources have been accurately reported and acknowledged, and that this document has not previously, in its entirety or in part, been submitted to any University in order to obtain an academic qualification.

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ABSTRACT

Cities in developing countries have recently started to focus on retention and aftercare programs to stimulate local economic development. Buffalo City, through the success of its collaboration with key corporates like Mercedes Benz South Africa, could leverage local growth for the development of the economy through the establishment of collaborative agreements with existing investors. A robust investment promotion and aftercare program could serve to attract new investors, while promoting reinvestment from within current investors.

The main aim of the study is to investigate whether the establishment of an official public and private sector partnership will not only serve to attract investment but will also provide critical aftercare and reinvestment services. In addition, the study examines key aspects relating to investment promotion and aftercare to review the learning gained to establish Buffalo City as an investment destination. It further engages diverse stakeholders who share their experiences of investment promotion and aftercare in Buffalo City.

The research reviews investment promotion agencies like Wesgro and Durban Investment Promotion Agency. This study examines investment in Brazil, who like South Africa has a huge population dependant on grants, and Vietnam, who like South Africa is faced with huge infrastructure challenges. The research also reviews Malaysia's visionary move to facilitate business development which positioned Malaysia as one of the 20 best economies in the world. The literature review also explores Tangier, a Moroccan City, which like Buffalo City has a river port which facilitated economic development providing local inhabitants with modern infrastructure and amenities, unlocking the economic potential of the city.

Both qualitative and quantitative research methodologies are used in this study to address nine research questions to determine whether current Buffalo City investors are satisfied and how the city is positioned as an investment-friendly destination. The analysis of the literature was incorporated into questionnaires for the face-to-face interviews and self-administered surveys for the respondents. An electronic questionnaire will be used as the main instrument to collect both qualitative and quantitative data. The questionnaire will consist of both closed-

ended and open-ended questions. Respondents will select a single option which is for calculation of statistical information and percentages of various types. Closed-ended questions thus enables the researcher to arrive at opinions about a product or service in a more efficient manner. Open-ended questions will be used at the end of the questionnaire to elicit accurate feedback and recommendations from the respondents as well. Ranking will be used to ascertain which six factors in order of importance respondents regard as most crucial in relation to service delivery.

The findings from the research illustrates that Buffalo City does not have an official public and private sector partnership with a dedicated focus on aftercare services. This is demonstrated by 54,5% of respondents who indicate that they have a good relationship with BCMM, while the remaining 45,6 do not believe BCMM is competent. It is interesting to note, that 63,3% of respondents perceive Buffalo City to be an investor friendly destination, while 36,4% do not believe this to be the case. This further demonstrates the critical need for an effective aftercare program.

The findings from the data also suggests that by improving basic service delivery, repairing roads, introducing cleaning and greening programs, improving public amenities, upgrading infrastructure and engaging with stakeholders, Buffalo City will not only position itself to retain current investors but will also attract new investors who will create jobs and enhance the economic growth and development of the city.

The city will need to adopt a more robust and focused approach to investment promotion and facilitation in order to compete and succeed in both national and global markets. Buffalo City has to ensure that policies, regulatory frameworks and basic service delivery are enhanced to enable to improve the city's investment offering. The city has to focus on the establishment of a dedicated investment aftercare program not only to attract new investment, but also to retain current investors.

Buffalo City needs to identify its competitive advantage as an investment destination, to meaningfully participate in foreign direct markets and to grow the local economy. The city must restructure and reorganize the regional ambition of investment winning and job creation

to position itself as an attractive investment destination with a competitive business environment.

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DEDICATION

To my family, words cannot express how grateful I am for the sacrifices that you have made on my behalf. Your continued prayer has sustained and strengthened me. To my parents, thank you for believing in me and for instilling in me the desire to learn and explore new horizons.

Firstly, I would like to honour and thank my Lord and Saviour, Jesus Christ for providing me with this wonderful opportunity to pursue my passion.

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ACRONYMS AND ABBREVIATIONS

ACSA	Airports Company South Africa
ADB	Asian Development Bank
BCMM	Buffalo City Metropolitan Municipality
BPO	Business process outsourcing
CDC	COEGA Development Corporation
Dti	Department of Trade and Industry
ELIDZ	East London Industrial Development Zone
ESCAP	Economic and Social Commission for Asia and Pacific
FDI	Foreign direct Investment
FTTH	Fibre- to- the- home
GDP	Gross Domestic Profit
IBC	Invest Buffalo City
ICT	Information and communications technology
IMF	International Monetary Fund
IPA	Investment Promotion Agency
MBSA	Mercedes Benz of South Africa
MIDA	Malaysian Investment Development Agency
MOU	Memorandum of Understanding
OECD	Organization for Economic Cooperation and Development
PPP	Public Private Partnership
RCEP	Regional Comprehensive Economic Partnership
SADC	Southern African Development Community
SOE	State Owned -Enterprises
SONA	State of the Nation Address
TM	Telekom Malaysia
TNPA	Transnet National Ports Authority
SMMES	Small, medium and micro-enterprises
UNCTAD	United Nations Conference on Trade and Development
UFH	University of Fort Hare
WAIPA	World Association of Investment Promotion Agencies

CHAPTER 1

INTRODUCTION

Investment is a key factor affecting economic growth and development. Given the importance of attracting, facilitating and maintaining investment interest for countries and their localities, this research aims to explore the nature of interventions that contribute towards the enhancement of investment promotion at local government level. It focuses on investment promotion activities in Buffalo City Metropolitan Municipality (BCMM) in East London in the Eastern Cape province, South Africa. It attempts to specifically understand the role of aftercare and reinvestment and how this relates to the successful investment promotion in South African metros.

This chapter provides a brief background that informs the study, followed by a discussion of the research problem. Thereafter, the aims and objectives of the research paper are discussed, followed by the hypothesis and significance of the study. The chapter ends with a brief outline of the chapters to follow.

1.1 Background

In order to explore the nature of investment promotion in Buffalo City and its impact on economic development, one needs to understand what investment promotion is. According to Wells & Wint (1990) investment promotion is defined as activities that a government or institution uses to attract foreign direct investment (FDI). These include “advertising, direct mailing, investment seminars, investment missions, participating in trade shows and exhibitions, distribution of literature, one-on-one direct marketing efforts, preparation of itineraries for visits of prospective investors, matching prospective investors with local partners, acquiring permits and approval from various government departments, preparing project proposals, conducting feasibility studies and providing services to the investor after projects have become operational” (Wells et al.,1990:4). Furthermore, Trnik (2007) defines investment promotion as an effort made by the government to communicate to foreign investors the nature of the country’s investment climate and to persuade and assist these investors to invest or reinvest in the country. According to Pietersen (2015) international

competition motivates government Investment Promotion Agencies to use proactive strategies to market their location effectively.

Marketing certain localities are key in the strategies of investment promotion. In the current global climate of rapid urbanisation, cities are important arenas of economic development and investment opportunities. With global population growth in the next three decades projected to primarily occur in cities, achieving the Sustainable Development Goals will depend to a large extent on meeting them in urban areas. With over half the world's population living in urban areas or cities and urbanization expected to continue—68% of the world's population is projected to be urban by 2050—city governments and agencies have a pivotal role in achieving the Sustainable Development Goals (SDGs). In addition to SDG 11, which explicitly covers sustainable cities and communities, nearly all the remaining Goals require meaningful progress at the city level in order to be met (The IPA Observer, 2019). Major development challenges of cities include ensuring enough quality jobs and affordable housing, transport within and between cities, urban migration, food security, reliable supply of clean water and electricity, sanitation, education, health services, telecommunications, reduction of noise and pollution, adequate recreation facilities, and climate change mitigation and adaptation (https://un-ctad.org/en/PublicationsLibrary/diaepcbinf2019d1_en.pdf).

In South Africa, it is evident that despite government's renewed commitment and drive to promote investment, dedicated focus and collaboration is required to ensure that local governments create an enabling and conducive environment to ensure cities are positioned to attract both local and foreign investment. The lack of fast-tracking/coordinated efforts to ensure that investment promotion and facilitation is structured and coordinated to position places like Buffalo City as a competitive destination, reflects a need for a better understanding of investment promotion

1.2 Statement of the Problem

Buffalo City, a once thriving economic hub, has since the onset of the 2008 World Economic crisis been characterised by retrenchments and closure of companies. The current global economic climate presents the need for cities to ensure continued service delivery to its residents and to ensure infrastructure investment in the metropolitan areas.

Although the Eastern Cape did not de-industrialise overall, there was partial de-industrialisation of certain light industries (notably textiles and clothing, metal products and plastics, etc.). In these industries, plant closures and retrenchments have been a regular occurrence for many years. McKinsey (2015) argues that South Africa could have an additional 340,000 manufacturing jobs by 2030. They argue that most of these jobs could come from “advanced manufacturing”, which in South Africa includes automotive, machinery and chemicals. Advanced manufacturing does not compete on the basis of low wages, but needs skilled labour, new technology (either imported or South African) and a strong business environment (Lewis, 2016).

Attracting new investors is traditionally the main activity of investment promotion. But with a growing number of established foreign affiliates, new investments can often be realized more cost-efficiently through another, often neglected activity – investor aftercare (UNCTAD, 2007).

In South Africa, regulations and policies are set at national government level and it would be challenging for Buffalo City to introduce any reform which does not adhere to national government policies. Owing to this, the researcher selected to review both countries and cities for the study. That is to say, though the main point of enquiry is a city government, the study does analyse at country level to compare South Africa with other countries it can draw lessons from and also does an analysis at city level, taking examples from various cities around the world.

For instance, Brazil like South Africa is faced with a huge population dependant on grants and South Africa can gain some insight from their practices, while Vietnam like South Africa is faced with huge infrastructural challenges which require private sector commitment. The researcher decided to include Malaysia in the study based on Malaysia’s improvements in the ease of doing business which resulted in reforms for local business who as a result of the new policy had more resources to invest in their businesses. This visionary move has facilitated business development and growth and has positioned Malaysia as one of the 20 best economies in the world in which to do business.

In addition, the researcher decided to include Tangier in the study, as this Moroccan City, like Buffalo City, has a river port which facilitated rapid economic development and growth. Fifteen years ago, Tangier was a sleepy Moroccan coastal city. Today, Tangier's population has exploded three-fold into a vibrant metropolitan area of 1.5 million inhabitants with modern infrastructure and amenities that have been sorely lacking. This is a model Buffalo City could emulate to unlock the economic potential of the city.

Once a promising economic hub, Buffalo city has not reached its potential due to various factors. Given, the current global economic challenges and the competition to attract investors, it is evident that the lack of a formal institutional mechanism focused on investment promotion adds to the cost of doing business in Buffalo City. Thus, it is important to understand investment promotion activities in the city.

1.3 Research aims and objectives:

1.3.1 Aim of the study

The aim of the study is to investigate whether Buffalo City has an official public and private sector partnership in place, which serves to promote investment facilitation, retention and aftercare programs to stimulate local economic development.

1.3.2 Objectives of the study:

The objectives arising from the aim are:

- To establish if Buffalo City is positioned as an investment friendly destination to attract investment to enhance the economic development of Buffalo City
- To examine if Buffalo City has adequate institutional arrangements in place to promote retention and aftercare programs to stimulate local economic development
- To ascertain if investors are satisfied to be investors in Buffalo City

1.4 Hypothesis:

The hypotheses which this study seeks to test are:

- Primary hypothesis - Buffalo City is positioned as an investment friendly destination to attract investment and enhance the economic development of Buffalo City
- Secondary hypothesis - Buffalo City has adequate institutional arrangements in place to promote retention and aftercare programs to stimulate local economic development

1.5 Significance of the study

The importance of investment promotion cannot be underestimated since investment promotion is one of the drivers of growth and development in regional economic development. The purpose of this paper is to investigate whether the establishment of an official public and private sector partnership that will serve not only to attract investment but will also provide critical aftercare and reinvestment services in order to enhance economic development and growth in Buffalo City.

According to UNESCAP (2017) the goal of investment is to attract quality (sustainable) FDI to a certain location that contributes to sustainable economic development goals of the location, e.g. transfer of capital (financing for development), employment and income generation, technology and/or skills transfer, development of a certain location, developing local enterprises through linkages (UNESCAP, 2017).

In defining the purpose of this study, the views of all stakeholders comprising key individuals, have been considered as they are important to understand how investment promotion in Buffalo City is positioned. Each of these business and private sector stakeholders, view investment promotion and aftercare in Buffalo City from different perspectives.

The study serves to illustrate that while investment aftercare is a reasonably new area with limited research available in South Africa, it remains a critical component of investment promotion. The success of this research can lead to new research focusing on the role of local

government as the host of investment promotion, to introduce aftercare programs which can be used as a competitive advantage to attract investment.

Furthermore, the results of this study could assist policy makers in Buffalo City to come up with policies that could encourage investment. The findings will add to the existing theory and knowledge as there seems to be limited research on investment promotion in local government, more especially in the South African context.

1.6 Structure of the dissertation

The dissertation is arranged as follows:

Chapter 2 outlines the current practices and underlying concepts are pivotal to the study by explaining the concept of investment promotion, providing insights and definition of other key concepts. In addition, the chapter examines investment trends in Brazil, Vietnam, and Malaysia. Thereafter, reviews the work of investment promotion agencies like the Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro) and the Durban Investment Promotion Agency in South Africa.

Chapter 3 reviews the economic profile, the economic opportunities, the current investment climate, constraints and the investment promotion agencies in Buffalo City.

Chapter 4 presents the research methodology, research approach and techniques utilised in the study.

Chapter 5 presents the analysis of the data gathered in the course of the research and the interpretation of the results. The data obtained provides the framework for the presentation of the results and is categorised according to the pertinent themes underlying the topic.

Chapter 6 discusses the research findings and presents the conclusion of the study. Recommendations regarding the potential of investment promotion in Buffalo City are made. In addition, a number of suggestions are made for further research.

CHAPTER 2

LITERATURE REVIEW

This section provides an overview of the main themes of investment promotion, current insights and definition of key concepts. There are numerous factors which inform investment promotion decisions, but increasingly there is the rise of aftercare, reinvestment and partnerships which serves to grow relations with the investor and facilitate economic growth and development. This study also focuses on investment promotion agencies like Wesgro and Durban Investment Promotion Agency. This study further examines investment in Brazil, who like South Africa has a huge population dependant on grants, and Vietnam, who like South Africa is faced with huge infrastructure challenges. The research also reviews Malaysia's visionary move to facilitate business development which positioned Malaysia as one of the 20 best economies in the world.

2.1 Investment Promotion

It is argued that as drivers of economic development, governments should consider and develop a new generation of investment promotion strategies. Public sector entities should be involved in attracting FDI in goals-related sectors. The operations of such agencies should therefore be adjusted to a new strategy to promote investment in the goals, which may require institutional change, capacity-building and the development of new partnerships. Along with government policies to allow and incentivize investment in goals-related sectors, the targeted promotion and facilitation of such projects requires a strategic approach and specialized public or semi-public institutions with a mandate and capacity to attract and support FDI in the projects. Many countries have investment promotion agencies established to attract foreign investment, target investors and support such projects through facilitation, aftercare services and policy advocacy (UNCTAD,2017).

Bennett (2017) supports these findings and states that the FDI strategy must be based on an assessment of the city's competitiveness. If this strategy is not based on a realistic assessment of competitiveness, chances of success are very limited. This means matching these sectors that most readily meet a city's needs with those that represent the best opportunity to attract investment.

To meet these challenges, investment promotion agencies and economic development teams are increasingly adept at attracting international companies and growing their locations. We see sector specific segmentation and an understanding that “liveability” and the values behind your place brand are as important as tax incentives. However, relatively few locations have developed the policies, processes and mindsets necessary to help the businesses they have worked so hard to attract actually thrive (Peters, 2018).

To a large extent, Bennett (2017) supports this view especially when it comes to private sector mindsets and lists the following as common characteristics of investment promotion agencies that are consistently delivering FDI:

- Strong country/city brand image for investment
- Strong and functioning investment climate
- Proactive focus on competitive sectors
- Good quality infrastructure and skills
- Leading IPA or Special Economic Zones with strong sector and promotional capabilities, with a defined and focused mandate
- Excellent investor facilitation services
- Strong partnership across government and private sector
- Private sector mind-set in investment agencies

Hornberger, Battat, and Kusek (2011) argue that while business opportunities as reflected in the size and growth potential of markets-are the most powerful drivers of FDI, investment climate features such as strong institutions and investor friendly regulations also boost the development impact of the investment. Many elements of the investment climate can be reformed in the short run at a comparatively low cost. Improving the investment climate therefore offers an excellent opportunity for countries seeking to attract FDI.

In addition to creating an enabling investment climate, the attitude and disposition of a city towards new external investment must be clearly articulated and be instantly recognizable and understood by potential investors. This positive attitude and welcome are, perhaps surprisingly, not always evident to investors, meaning that they will be drawn away to

apparently more welcoming locations. If a city really wants to engage, meaningfully and professionally, in investment promotion and attract new investment, then that message must be explicit, resolute and clear. This vision and ambition will consist of many dimensions, including economic development, which in turn, will encompass the attraction of appropriate new external investment to the city (Cities Support Programme, 2016).

Boraine (2016) supports this view and further states that an effective metropolitan system of governance, understood as the formulation and execution of a shared vision and common agenda by multiple public, private and civic stakeholders, is an essential ingredient for successful socioeconomic development. Cities and metropolitan areas are engines of national growth and competitiveness. Cities can enable a country to build a dynamic competitive advantage and allow its people to advance socially and economically. As the productive heart of the economy and engines of growth and opportunity, urban areas are inherently efficient and so generate economic growth, create employment and increase access to urban amenities.

It is important to note that one of the most dramatic changes in global FDI flows in very recent years, is the significant shift in emphasis by investors away from country comparisons to specific city comparisons. Whilst the overall attractiveness of the country obviously remains important, investors are much more focused on the granular comparisons of specific cities, often in several different countries, or even continents (National Treasury, 2016).

This transition has resulted in IPAs becoming increasingly popular tools leveraged by national and sub-national governments to attract foreign capital in both advanced and emerging economies. However, the evidence base supporting this relevant (and expanding) area of public policy intervention remains rather limited. It has become apparent that major market failures, preventing the optimal allocation of capital, have emerged within (rather than between) countries both in advanced and emerging economies. The national-level focus of previous studies, together with the omission of sub-national investment promotion efforts, has so far masked relevant insights for public policies targeting global capital flows. <http://www.lse.ac.uk/iga/assets/documents/research-and-publications/FDI-inflows-in-Europe-does-investment-promotion-work.pdf>

A key challenge for IPAs is, to help counterbalance the difficulties of an economic environment characterized by low international attractiveness and competitiveness. The design of an investment promotion architecture should therefore reflect an accurate diagnosis of underlying market and institutional failures, rather than be based on a priority sectoral or geographical targeting choices inspired by domestic development strategies.

Another significant aspect to note regarding geographical targeting choices, is that knowledge intensive FDI are identified as those relying more on the connectivity between foreign investors and domestic firms and institutions, therefore benefitting the most from the improvement of the local business ecosystem triggered by IPAs. The stronger attractive capacity in knowledge intensive sectors identified offers support for the hypothesis that the highest returns from investment promotion efforts come from the removal of practical bottlenecks to investors' operations. This suggestive evidence is also coherent with the explanation that regional IPAs are more effective than national IPAs thanks to their proximity to investors' operations on the ground. These findings seem to suggest that the devolution of responsibilities for investment promotion in favour of less developed regions, may be a viable policy option to improve their attractiveness to foreign investors, and, possibly, to stimulate their economic development.

<http://www.lse.ac.uk/iga/assets/documents/research-and-publications/FDI-inflows-in-Europe-does-investment-promotion-work.pdf>

2.2 Global Perspective

Investment promotion covers a wealth of services, ranging from the provision of market information to the undertaking of feasibility studies and environmental impact assessments. The level of ambition partly reflects the resources available to the various Investment Promotion Agencies (IPAs) and the presence of other complementing bodies that can provide services to foreign investors. Agencies in the Organization for Economic Cooperation and Development (OECD) countries apply a most focused approach to investment promotion with investor targeting and after care as prime functions. The challenge now remains on how to position cities as investment destinations through the provision of effective aftercare programs in order to facilitate the retention of existing investors and attraction of new investors (United Nations (UN), 2001).

The United Nations Conference on Trade and Development (UNCTAD) indicate that attracting new investors is traditionally the main activity of investment promotion. However, with a growing number of established foreign affiliates, new investments can often be realized cost-efficiently through investor aftercare. This is often a neglected part of investment promotion, yet an effective aftercare programme can significantly boost overall inward foreign direct investment (FDI) to a country. Data from UNCTAD reveals that there are already some 850,000 foreign affiliates around the world (UNCTAD, 2008).

International investment is important in that it effects economic globalisation, bringing growth and the creation of jobs. The issue facing governments is how to encourage international investment and to maximise its benefits. Investment provides the finance needed to build value chains that stretch across the planet. It facilitates the trade that allows goods and services to be moved to where they are needed. International investment also helps domestic economies grow, both by giving local firms the means to expand in home and export markets, as well as through access to the investors' expertise, experience and networks (OECD, 2015).

Whilst maximising its benefits is important, UNCTAD IPAs are adopting more targeted approaches by focusing on selected industries, countries and companies. While there are major differences in the focus of IPAs activities, targeting strategies typically mirror the specific locational advantages of host countries and regions (UNCTAD, 2001).

2.3 South African context

The increased importance of FDI for economic development, coupled with greater competition between locations, has made investment promotion a growing activity of governments in developing countries. There are very few governments that do not have an institution that deals with the promotion of inward investment. Many countries not only maintain such institutions on a national level, but also on a sub-national one (UNCTAD, 2001).

South Africa is no different and more than 18 national government departments plus provincial, local, and state-owned enterprises (SOEs) are involved in policy regulatory,

permits, licensing and registration of business. Hence there is a greater need for coordination, alignment and facilitation on investment. According to research by investment specialists, about 70% of new investments are re-investment/expansion of existing companies making investor aftercare, paramount (Parliamentary Monitoring Group (PMG), 2016).

The Department of trade and Industry (dti) has completed partnership agreements with all of South Africa's (SA's) major banks to reduce the time it takes for foreign-owned businesses to begin operating in the country by setting specific targets for reducing the time it took for regulatory decisions to be made around investments and new businesses in South Africa. This includes company registration processes. The Partnership agreements with the banks now mean that by using the new Home Affairs identity process, a new business owner can walk into any one of SA's major banks to, amongst others, register a company, obtain a tax certificate and open a business account (Mackenzie, 2016).

The Invest SA One-Stop Shop initiative is geared towards providing investors with services to fast-track projects and reduce government red tape when establishing a business. This is part of government's drive to become investor friendly by improving the business environment through lowering the cost of doing business (InvestSA, 2019).

One-Stop Shops house government entities such as the South African Revenue Service (to help with customs and tax), Home Affairs, Environmental Affairs, Eskom and the Companies and Intellectual Properties Commission. An investor can be assisted guided through the process of setting up a business. The One-Stop Shops simplifies administrative procedures for issuing business approvals, permits and licences removing bottlenecks that investors face in establishing and running businesses. One-Stop Shops have been rolled out in Tshwane in Gauteng (National office), Cape Town in the Western Cape and eThekweni in KwaZulu-Natal (InvestSA, 2019). The Eastern Cape One-Stop shop opened in Buffalo City in July 2019.

2.4 Investment aftercare

Peters (2018) defines aftercare as the umbrella term for the activities, which support a foreign investor after they have made the initial decision to invest in a location. This should form part

of the economic development toolkit of any location. The outputs of well thought out Aftercare programme include more new jobs, further capital investment by investors and faster (local) economics. In business, it's well known that acquiring a new customer is much more expensive than retaining an existing one, "five to 25 times more expensive" according to one study. Moreover, "increasing customer retention rates by 5% increases profits by at least 25% up to 95%." The same principles apply to FDI - fostering long-term constructive relationships with foreign investors' results in a higher ROI for both investors and host locations growth.

This importance of aftercare needs to be shown to promotion agencies so that the focus is not only on marketing the country and attracting initial investors. The energy devoted to following up with initial investors is significant because of the size of potential reinvested earnings, because of the demonstration effect of satisfied investors in attracting other new investors, and because of the potential for cluster development as first-tier suppliers follow primes into the host market. Turning to promotion of backward linkages from foreign investors to local suppliers, the design of host strategies to meet the challenges involved has become a central focus in relating trade and investment to vigorous domestic development (Freund & Moran, 2017).

According to experts, there are periods in which for certain regions, especially in developed countries, up to 70 per cent of investment is linked to the existing investment base. For Singapore, data show that 60 per cent of investment comes from foreign companies, already present in the country. These figures could be considerably lower in less developed regions. In the survey on aftercare, which covered mainly developing economies, respondents estimated that 32 per cent of inward FDI came from reinvestments. Aftercare should include both facilities services for existing investors and development support and these activities should mirror the corporate evolution of foreign affiliates (UNCTA, 2007).

Peters (2018) argues that supporting investors is a job that never ends. Moreover, locations that embrace aftercare also learn how to collaborate better, how to ignite local innovation and how to instil a location-wide drive for growth. Locations that neglect Aftercare not only risk creating fewer jobs because of lower levels of reinvestment, they also risk missing out on the positive externalities foreign investors bring to their locations, such as supply chain contracts,

philanthropic giving, upskilling of talent, global connectedness and so much more. As a result, they impoverish the communities they serve. Correcting this oversight should be a priority for the FDI industry. It is interesting to note that the role of aftercare is seen as being equivalent to that of after-sales services, aimed at enhancing customer satisfaction and encouraging “repeat purchases”. The term aftercare has different meanings to individual IPAs, ranging from the creation of new leads for a foreign firm expansion, to fast-track land provision and facilitation of immigration paperwork (UNCTAD, 2008).

The findings of a study conducted by Manasoe (2010) demonstrated that investment promotion agencies and related institutions within South Africa do not prioritise the investment of aftercare functions compared to investment generation and facilitation functions. The people employed for the investment aftercare functions within these organisations do not have the required skills or practice. The cost of winning new investments through aftercare is less than generating new investments. Local government is considered as one of the institutions most appropriate and best positioned to offer investment aftercare services to the businesses due to their direct contact with businesses and their vested interest in the long-term sustainability of these businesses.

Further studies conducted by Manasoe and Mears (2011), found that when personal visits, e-mails and telephone calls are used to make contact with existing investors, most of the respondents prefer personal visits. It is important that a proper mix of contact modes should be used, even though personal visits are preferred and effective. These contacts with the existing investors are undertaken more than three times per annum. Both investment aftercare practitioners and executives at all levels of government agree that the in-house investment aftercare model is the best model. Human resources and industry participation or buy-in are the key factors that limit IPAs’ ability to provide effective investment aftercare services. IPAs should dedicate sufficient resources to address the factors identified as constraints for the effective provision of investment aftercare services. The success and shortcomings of the current investment aftercare programmes are not evaluated in South Africa. It is therefore recommended that, like any government programme or policy, the investment aftercare programmes should be properly evaluated and monitored

2.5 Malaysia's new approach to investment promotion

2.5.1 Malaysia's new strategic direction

The Malaysian government is undertaking new strategies to woo investors and to fast track the nation towards high-income status in line with the Economic Transformation Programme. These strategies include:

- Rebranding Malaysia as the centre for high technology activities
- Generating quality investments in new and emerging technologies
- Leveraging on the ecosystem approach in promoting investments and
- Developing targeted industries
- Powering Domestic Direct Investments
- Diversifying FDI sources
- Meeting human resources needs of investors
- Enhancing its position as the one-stop centre for potential investors
- Coordinating related activities of other agencies
- Benchmarking on Malaysia's locational advantages vis-à-vis regional and global peers
- Maintaining a high-performance global investment research and strategic foresight functions
- Positioning the Malaysian Investment Development Agency (MIDA) as a leading regional/global best practice IPA knowledge-based organization (Malaysian Investment Development Authority, 2012).

2.5.2 Malaysia's New FDI Strategies

To position Malaysia as a high technology hub, MIDA will focus on attracting new quality investments and encouraging existing industries to shift from low value-added products and services towards reinvestments in higher value added and knowledge-intensive activities. MIDA will target greenfield investments in new growth areas by creating the enablers and the right ecosystem to attract investments. The focus on investments is also based on targeted

approach / cluster industry development (Malaysian Investment Development Authority, 2012)

According to the International Monetary Fund (2017), despite a challenging global economic environment, the Malaysian economy performed well over the past few years. Zervous (2015), World Bank Country Manager for Malaysia, states that Malaysia's improvements in the ease of doing business, such as, by reforming business registration requirements, have benefited local entrepreneurs, who now have fewer hurdles to comply with and more resources to focus on their business. Malaysia's dynamic approach toward assisting business development is recognized globally with its ranking as one of the 20 best economies in the world in which to do business (Zervous, 2015).

2.5.3 Partnership

Malaysia and the Asian Development Bank (ADB) have agreed on a new Interim Country Partnership Strategy for 2011-2012 that will target more private sector investment and support for projects which promote regional cooperation and integration (Asian Development Bank, 2011).

According to Arjun Goswami, Director of the Regional Cooperation and Operation Coordination Division in ADB's Southeast Asia Department, Malaysia has made huge development strides in recent decades to become a middle - income country but it faces a number of obstacles to continue on an upward path. This new strategy will enable the government to facilitate private sector development and support its drive to engage in promoting regional cooperation" (ADB, 2011).

ADB's work program will directly underpin the government's goals with assistance in three key areas including regional projects, private investments and the provision of knowledge and capacity building support. Support will be given to the Export Import Bank of Malaysia to help it step up long-term export financing for private enterprises, and for projects that incorporate public-private partnerships (PPPs) (ADB, 2011).

As part of the National Broadband Initiative, Malaysia has been working to develop its High - Speed Broad band (HSBB) infrastructure for some time, while at the same time trying to

make HSBB affordable for all consumers. The government and Telekom Malaysia (TM) have collaborated on an R11.3bn (\$2.78bn) HSBB project to build HSBB infrastructure across the country (Oxford Business Group. 2019).

In the context of Malaysia, the global economic recession in the 1980s, caused the government to reduce its role in the economy by making the involvement of the private sector a vital mechanism of Malaysia's government's economic policy (Siddiquee, 2006). As a result of private sector involvement, the government has enjoyed massive savings in its capital expenditure (Economic Planning Unit, 2001).

The second most attractive factor in adopting Public Private Partnership in Malaysia as perceived by the respondents is to "provide an integrated solution for public infrastructure/service". PPP becomes an integrated solution mechanism because it involves a private consortium that is set up to run a PPP project and is comprised of several private companies of different expert areas who are jointly responsible for designing, building, financing, operating and maintaining the projects over the contract period (Cheung, 2009). The involvement of multiple experts in a PPP project is expected to be able to produce better and more efficient PPP in Malaysia facilities and services (Ongolo, 2006; Ismail, 2013).

International Trade and Industries Minister Darell Leiking, stated that there were plans in place to house government agencies tasked with promoting investments under one roof. Leiking admitted the current model, which features around 30 to 40 agencies promoting investments, was inefficient and would be really good for Malaysia to have a singular place or body that can decide on incentives and perks for investors. He stated that it was not good or healthy for their own agencies to compete against each other (Annuar, 2018).

2.6 Investment climate Vietnam

Over the years, Vietnam has seen a boom in the number of businesses in - and an increase in the role of - the private sector in the economy, especially since the promulgation of the Enterprise Law and Investment Law in 2005. Compared to State Owned Enterprises (SOEs) and FDIs, there are currently 500,000 enterprises (90% of total enterprises in Vietnam) which contribute approximately 40% of the country's GDP and own 51% of the workforce. The

economic structure has seen a gradual shift from agriculture to industry-services. This transition has resulted in wealth creation growth and rising consumption which is a fundamental indicator to attract foreign investors to expand business in Vietnam, particularly in the domestic retail market (KPMG, 2017).

Vietnam has established itself as a manufacturing hub. What puts Vietnam a few steps ahead of its competitors is its openness. Vietnam is quick to make sure its growth in global trade will not stagnate by shifting its focus to the proposed Regional Comprehensive Economic Partnership (RCEP). It is set to see a continued flow of investment coming into the country's garment and electronics manufacturing, among others (Vinkerborg, 2017). Vietnam is one of the leading investment destinations in Southeast Asia. With the advantages of geography, natural resources, and an affordable labour force, Vietnam attracts a large amount of capital each year. Vietnam has a number of unexplored sectors and a growing consumer market (KPMG, 2017).

For 2017, the government has set Vietnam's GDP growth target at 6.7 percent, while growth levels for the following years are expected to reach levels of at least 7 percent. For a large part, this growth will be fuelled by increased trade. Last year, Vietnam signed a free trade agreement with the European Union (EVFTA), eliminating trade tariffs by 2018, among other provisions (Vinkerborg, 2017).

Ward (2014) argues that whilst the Vietnamese economy has exploded since 2000 an infrastructure deficit grips the country. Unless the issue is addressed, Vietnam will face serious challenges to maintain the same level of growth in the coming years. Large international companies like Samsung and LG want to increase their capital in Vietnam. Samsung has three projects currently under construction in Vietnam, worth a total of US\$5.5 billion. The Korean electronics giant is constructing a new plant in Thai Nguyen which will employ 30,000 workers and a research and development centre in Ho Chi Minh City. LG also has plans to increase its registered capital at its display-making plant in Hai Phong (Ward, 2014). The private sector contributes just 10% of funding for infrastructure development projects in Vietnam. The private sector stands to get the most out of any improvements and should therefore accept some of the financial burdens that go with it (Ward, 2014).

Fast-growing Vietnam is facing an infrastructure bottleneck. With the state lacking the budgetary might to finance much-needed highways, tracks and tunnels the experts are increasingly looking towards the private sector to fill in the financial shortfall. The continuing mobilisation of financial resources from non-state sectors for transport infrastructure development is urgently necessary. According to the Asian Development Bank (ADB), Vietnam will need up to US\$17 billion for infrastructure investment between 2015 and 2025 (Morris, 2018).

Against this background, the government has made moves to create a transparent legal framework for investment projects, under the public-private-partnership (PPP) programme. PPP is a form of investment between a government agency and a private investor for projects in construction, renovation, operation and management of infrastructure, as well as the provision of public services. Through PPP, governments can leverage efficiencies and expertise in the private sector to achieve their development goals. However, shortcomings and limitations plague the sustained implementation of such projects and investors are wary of signing up in the current climate. Although a number of decrees have been put forward to facilitate investment, critics have noted that the environment is not attractive, and investors are not granted the necessary flexibility regarding these projects. Compared with regional neighbours, foreign investment in infrastructure in Vietnam is lagging behind (Cooper, 2018).

Furthermore, the government issued Decree 63/2018 (Decree 63), replacing Decree 15/2015, specifying the areas, investment conditions, and procedures for PPP. The new decree increases the investor equity ratio for PPP projects to 20 percent (Cooper, 2018).

It is important to note that these dedicated efforts, has resulted in Vietnam making progress in strengthening private sector development and is ranked 69 out of 190 countries in the World Bank's Ease of Doing Business Index (2019). However, variable infrastructure quality, low productivity, and a business environment that is at times complex and opaque are still major constraints to growth. There is an infrastructure backlog and investment needs are beyond current government resources. Better infrastructure and ongoing economic reform is needed to support Vietnam's ambitious growth and poverty reduction targets (Australian Government, Department of Foreign Affairs and Trade, 2019).

2.7 Lessons Learnt from Brazil

Brazilian policies, from conditional cash transfers to concessionary finance, have been considered as models that South Africa should emulate. This could potentially be a perilous way to learn from Brazil's development successes. The factors behind Brazil's achievements are complex, rooted within a particular context and not always clearly understood. There are enough differences between Brazil and South Africa to ensure that simply transferring a set of policies from one country to another is unlikely to work.

Nevertheless, there are good reasons why Brazil is of interest to South Africans. Like South Africa, it is a middle-income democracy confronting the challenges of inequality and poverty. Comparing the two countries can shed new light on South Africa's situation, raising novel questions, new ideas and possible approaches that can be adapted to our development strategies.

The Brazilian government has adopted a strategy to reach the 5 % target favours increasing state intervention as the means to eliminate bottlenecks to growth. These include giving a more prominent role to state-owned enterprises and interfering more directly in the business decisions of private firms. These measures are likely to reduce, rather than expand, output growth (CDE, 2012).

The lower or new middle class has grown by nearly 40 million people in the past 10 years and the whole middle class has grown by about 49 million people during the past 15 years. Roughly the equivalent of South Africa's entire population changed their income status during this relatively short period. Labour income represents roughly 76 per cent of household income, with little variation across income groups. This leaves 24 per cent of income which is derived from a number of different sources, including government transfers such as pensions and conditional cash transfers. It is likely that improved employment opportunities have made the biggest contribution to getting Brazilians into middle class income categories. The income growth of the poorest half of the Brazilian population has been nearly six times greater than that of the traditional middle - classes (CDE, 2012).

2.8 Lessons learnt from Tangier

The state-of-the-art Tangier Med port on the Strait of Gibraltar has recently reached the productivity levels of Durban, South Africa. The north-western point of Africa now houses the largest shipping port on the continent and will be able to process over eight million TEU (twenty-foot-equivalent units) annually by next year. Some businesses have shifted from the Spanish port of Algeciras to Tangier due to attractive pricing. There could be competition on the horizon as Algeria has approved a new deep-water port. However, for the time being, the Tangier Med port has turned the city into a global commercial hub (Munk, 2017).

This economic development includes the Tangiers-Metropolis programme aimed to direct Dh7.7bn (€713m) worth of public and private investment into the city by strengthening its transportation network, expanding industrial zones, updating urban infrastructure and raising Tangiers' profile as a tourism destination. Several transportation projects are under way to increase the city's connectivity and reduce congestion within its growing urban fabric, including plans to build the Rocade des deux Mers – a ring road linking the Mediterranean and the Atlantic – with new access roads between the highway and the city (Oxford Business Group, 2018).

Overall, the investments of the Tangiers-Metropolis programme have an impact on nearly all sectors of the regional economy, including education – 25 new schools are to be built with 250 prefabricated classrooms designated for conversion into permanent structures – and the health sector, with the ongoing construction of University Hospital Centre of Tangiers, financed by the Qatari Fund for Development. This Dh2.33bn (€215.8m) project will include 771 new patient beds covering both basic health services and complicated surgeries. Located near an oncology hospital and the future pharmaceutical and medical school, it is set to become the health centre of the north (Oxford Business Group, 2018).

Tangier also benefits from large-scale infrastructure projects meant to strengthen its position as a leading economic centre in Africa. In 2017, the flagship project Mohammed VI Tangiers Tech City was officially launched by a consortium composed of China's Haite Group, Morocco's Banque Marocaine du Commerce Extérieure (BMCE) Bank of Africa and the

regional council representing the Moroccan government, for a total investment of \$10bn (€8.3bn). The new city will be deployed over 2000 ha near Tangier and will include a wide range of industries and services, from urbanism to aeronautics, automobiles to pharmaceuticals, telecommunications to renewable energy, transport and logistics, and the food industry (Oxford Business Group, 2018).

In addition, the tech city is expected to create 100,000 jobs locally, transfer advanced technology and train 6,000 people. Other major infrastructure projects are also under way, including Morocco's first high-speed railway between Tangier and Casablanca (Oxford Business Group, 2018).

With the aim of boosting Morocco's economy, another flashy edition to the shores of North Africa is a rail line built for high-speed TGV trains imported from France and supported by a consortium of international backers. Tangier's old city 'medina' is being revitalized from the inside out, with rustic 'Riad' hotels and plenty of fine dining options dotting the narrow streets. In addition, the northwest region of the country holds many touristic jewels – some quietly believe that the area could one day become more popular than Marrakesh. Spots like Chefchaouen and the Spanish enclaves Ceuta and Melilla are nearby, while ferry routes make it ever easier to reach from Europe (Munk, 2017).

2.9 Implications for South Africa

In light of the insights derived from reflecting on Brazil's strengths and on-going challenges, the following implications for improving South Africa's development prospects are worth careful consideration. Brazilians have focused their energies on utilising the resources at their disposal. They have exported their minerals, expanded employment and made productive use of their land. The technologies they develop serve to complement these efforts.

In South Africa, by contrast, we often create new barriers in areas where we have potential. Mining and agriculture are good examples. We aspire to develop sectors where we have little capacity, such as jewellery manufacturing and nanotechnology. Rather than building on South Africa's strengths, too often we play to our weaknesses.

It is important to note that, Brazil took better advantage of the global commodity boom than South Africa. If South Africa had followed Brazil's example, growth would have been higher, unemployment would have been lower, and poverty and inequality levels would have fallen. A rising tide does lift all boats, a phenomenon that was starting to emerge in South Africa during the brief period of higher growth from 2005-2008. (CDE, 2012)

Coupled with an innovative approach to welfare, Brazilians have focused on what they call, 'productive inclusion' - developing the economy to create income generating opportunities for poorer and less skilled people.

In contrast, South Africa's welfare programmes constitute slightly more than four per cent of GDP, which places it amongst the most generous of all developing countries. Brazil appears to be much more focused on building a better future. Brazilians seem to have developed a common purpose and pragmatism that is sadly lacking in too many arenas in South Africa today. Brazil's success has been underpinned by the privatisation and macro-economic stability introduced by President Cardoso's reforms in the 1990s. (CDE, 2012).

Brazil took better advantage than South Africa of 'commodity boom' opportunities in the years before the financial crisis. The contraction they experienced in 2009 was less severe than ours, and their recovery in 2010, when they achieved a growth rate of 7,5 per cent, was much more impressive than South Africa's 2,9 per cent. Their remarkable success in agriculture has helped many small farmers become productive enterprises. The country's high level of urbanization has opened doors of opportunity to many more citizens. By taking advantage of growth opportunities, Brazil got its people into employment, and through education reform ensured that wages rose for better educated workers. (CDE, 2012).

There are many policy lessons to learn from reflecting on the experience of Brazil - a large and diverse country. Some issues stand out for South Africans:

- Play to the country's strengths and build on the expertise and skills you have already

- Take advantage of the growth opportunities relevant for your country within the global economy and become an effective global competitor
- Improve the quality of education through leadership, vision and fundamental reform based on teacher performance; and translate these gains into wage and other income earning opportunities for the poor and the unemployed
- Find ways to maximize the number of skilled people in the society; encourage urbanization and access to new opportunities; and use state resources to enable people to help themselves
- Perhaps most importantly get the country on a path to growth and employment that political leaders across party divides agree on so that the direction of economic reform and social policy is sustained over a long period (CDE, 2012).

Africa is urbanising twice as fast as Europe did. The share of urban residents in the total population has increased from 14% in 1950 to 40% today. It took Europe 110 years to move from 15% urban in 1800, to 40% in 1910. Africa has achieved that same transformation in 60 years, nearly half the time. The continent is urbanising at a historically rapid pace coupled with an unprecedented demographic boom: the population living in cities has doubled from 1995 to 472 million in 2015. By 2050, about 56% of Africans are expected to live in cities (Mayaki, Bossard & Pezzini, 2016).

At the confluence of these key maritime routes is the cornerstone of the city's multi-sector development strategy: The Tangier-Med port complex. Built throughout the 2000s, it has become central to the city's development strategy and has helped the city attract an increasing number of multinational companies in a range of sectors, including automotive and aeronautics, logistics, energy and tourism (Oxford Business Group, 2018).

Tangier in 2000 was a sleepy coastal city in the north of Morocco. Fifteen years later, Tangier's population has exploded three-fold into a vibrant metropolitan area of 1.5 million inhabitants. The city's free zones have attracted new industries, such as automobile producers. A new high-speed train is being built to connect people with the state-of-the-art Ibn Batouta International Airport. Examples like these prove how urbanisation is transforming African societies profoundly. (Mayaki, Bossard & Pezzini, 2016).

Buffalo City is well placed for trade with the rest of Africa as well as with the markets of America, Europe and the Pacific Rim. It is also equidistant from South Africa's major market centres, Johannesburg, Durban and Cape Town. The attraction of East London lies in its low input costs and its excellent infrastructure, including an airport and a port. It is also well connected to the rest of the country by rail and road. It also has a deep-water port, which has spare capacity to deal with future growth. The region's manufacturing sector is already quite well integrated into the world economy with nearly half of the 120 large-scale manufacturing enterprises in the Eastern Cape are part of international corporations. More than 50 % of the large-scale enterprises are exporting more than 25% of their output – and of course the relationship with the Mercedes-Benz assembly plant stretches back more than 20 years (The SAMag,2018).

Buffalo City, positioned as a strategic location with an attractive centre for import-export business can learn lessons from Tangier's investment approach and use a more robust approach to attract investment, stimulate economic development and facilitate the growth of a vibrant metropolitan.

2.10 Investment Promotion policy in South Africa

The South African Government adopted a new investment policy framework in July 2015. The new policy aims to modernise and strengthen South Africa's investment regime by implementing a series of policy measures that will ensure:

- South Africa remains open to foreign investment;
- adequate security and protection to all investors;
- preserving the sovereign right to regulate in the public interest;
- pursue developmental policy objectives (Mlumbi-Peter, 2015).

The Act empowers the Minister of Trade and Industry, by notice in the Government Gazette, to make any regulations regarding the criteria for the appointment of a mediator, process and procedure relating to dispute resolution mechanisms. The Minister holds the power unilaterally to alter the investment relationship. This could deter foreign investors from becoming involved in an investment arrangement, which circumstances could change without

their input or without their protests being taken into consideration. This is a drastic change from the previous regime, which was, as is obvious from its name, bilateral (Farish, 2016). However, there have been cautious remarks made by international investors regarding the Act. Notably, the European Union's Regional Chamber of Commerce and Industry has stated that foreigners are hesitant to invest in SA at present for fear that there will be a lack of protection over their investment. This has led investors to look elsewhere in Africa and abroad (Farish, 2016).

While the purported aim of the Promotion and Protection of Investment Bill was to modernise and strengthen South Africa's policy approach to foreign investment, both the Promotion and Protection of Investment Bill and the latter Protection of Investment Bill were heavily criticised as they watered down investors' rights to seek redress in the case of expropriation of their investments. This, together with the doubtful constitutionality of the Expropriation Bill that was released in 2015, has been a serious cause for concern for foreign investors. The biggest concern is that foreign investors, in the case of expropriation of their investments, no longer have recourse to investor-state dispute settlement in the form of international arbitration. The Protection of Investment Act now prescribes domestic mediation as a first step, provided the investor and the government can agree on the appointment of the mediator. The only other alternative for investors is to approach the domestic courts, a process which could take years with no guarantee of success. While the Act contains a provision for the government to consent to international arbitration, this is subject to the exhaustion of domestic remedies and to the arbitration being state-to-state arbitration as opposed to investor-state arbitration (Joubert, 2019).

It is necessary for SA to strike a balance between protecting its own policies and encouraging investment at the same time. The Act has not achieved this balance and only time will tell whether the Act will have a negative effect on the investment environment of SA going forward (Farish, 2016).

The past several years has seen an extraordinary deindustrialisation of the country. The goods producing industries which are critical for future development have lagged. This is particularly true of the mining and manufacturing industries.

In the 1980s, manufacturing's contribution to Gross Domestic Product was around 27%. By 2015, this had fallen to below 13%. The Manufacturing Circle estimates that, given South Africa's developmental stage, the contribution to GDP should today be between 28 and 32%. This, theoretically speaking, would have created between 800 000 and 1,1-million jobs. Instead, the economy is struggling with an unemployment figure of 27,7%. There does not seem to be any light at the end of a very long and dark tunnel. In the first quarter of 2017, the manufacturing sector shrunk a further 3,4%, shedding even more jobs (Van de Groenendaal, 2017).

It is critical to note that manufacturing should be considered a major sector for a country of South Africa's size and at its stage of development. This is particularly true for a country so rich in the very resources that are necessary to give the country a competitive edge, a comparative advantage in its terms of trade and above all employment, given the high unemployment rates and demographic profile of the country. Government investment growth is limited because the government itself has constrained funding and it is facing higher interest rates. Realistically speaking, the only source of economic growth in the near future will be a significant increase in domestic investment, and in particular, foreign direct investment for its goods producing industries in particular.

A number of drastic economic and policy measure improvements and changes will be necessary If the country is to turn its economic fortunes around, and hence its ability to deliver the goods and services necessary to build and sustain a decent quality of life to its citizens, (Sharp, 2015). These include:

- Restrictive legislation that leads to inefficiencies and low productivity must be withdrawn
- Legislation that promotes both domestic and foreign investment must be encouraged, rather than discouraged
- The country's infrastructure must be enhanced to support growth
- South Africa's goods-producing mining, manufacturing, agricultural and agricultural processing industries and downstream industries must be developed

- The energy policy needs to target economic growth with secure baseload electricity at the lowest possible price
- South Africa needs to have policies that unite all people rather than divide them;
- It is essential to attract foreign direct investment, encourage immigration of skills and reduce emigration thereof
- Have labour, investment, skills and purchasing policies, which foster efficiency and economic growth, above all other considerations
- Privatising many of the country's state assets, which are performing inadequately, and ensuring genuine control is handed over to the private sector

Policy uncertainty generated by the South African government and the resulting poor sector performance are negatively affecting the situation. Government policy decisions are impeding economic growth and discouraging foreign investment, particularly from Western industrialised countries, traditionally the major source of FDI to the country (Jeffrey, 2016).

It is imperative, that policy-makers note that while many policies are well intentioned, it could thwart the essence of future economic growth and development in South African. It is thus necessary that all parties could recognise that high economic growth is the fastest and best way of resolving all the economic and social problems in the country. It is the best and in effect the only way of sustainably reducing inequality and unemployment and raising the standard of living (Jeffrey, 2016).

According to the former Deputy-Minister of Finance, Mcebese Jonas, South Africa's low growth problem is structural and not cyclical. He highlighted the following reasons for South Africa's dire economic situation (Lamprecht, 2017).

2.10.1 Dependence on unreliable sources of foreign investment

Jonas further states that the reason South Africa was not growing like other developing economies, despite its sophisticated infrastructure and business capability, was its dependence on unreliable sources of foreign investment to finance its growth ambitions. Countries like Brazil, Turkey and South Africa were extremely vulnerable to external shocks (Lamprecht 2017).

2.10.2 Insufficient investment in fixed capital

Jonas stated that South Africa's fixed capital investment as a percentage of GDP was around 18%, while China's was 47% and South Korea's 30%. Large South African firms were investing more in other developing countries than at home. The cost of electricity and logistics, broadband and labour - where wage increases outstripped productivity - were also of concern (Lamprecht, 2017).

2.10.3 Inherent inequality

Jonas further argues that countries with high initial conditions of asset inequality seemed to be slower growers than countries with high levels of equality. This had to do with a number of factors including reduced aggregate demand and the heightened social and political instability that inequality generated. South Africa rather has to focus on creating new wealth and assets in which the previously disadvantaged had a growing share (Lamprecht, 2017).

In 2017, 65 countries and economies adopted at least 126 investment policy measures, of which 84 per cent were favourable to investors. They liberalized entry conditions in a number of industries including transport, energy and manufacturing. They also promoted and facilitated investment by simplifying administrative procedures, providing incentives and establishing new SEZs. An increasing number of countries have taken a more critical stance towards foreign investment. New investment restrictions or regulations in 2017 mainly reflected concerns about national security and foreign ownership of land and natural resources. Countries have heightened scrutiny of foreign takeovers, in particular of strategic assets and technology firms. Several countries are considering tightening investment screening procedures (UNCTAD,2018).

It is often argued that that countries that do not participate in the process of globalisation, or which introduce inferior or inadequate policies as compared to those of developed or other developing countries, run the risk of becoming comparatively less competitive in the global economy (Jeffrey 2016), but others have also suggested that matters of economic growth is adequately prioritised in the South African policy context.

2.11 Factors affecting investment promotion in South Africa:

2.11.1 Determinants of investment

- Rates of Return
- Uncertainty
- User Cost of Capital
- Demand
- Infrastructural Investment

2.11.2 Other factors that can deter potential investors to invest are:

- Inadequate government support
 - Insufficient investment incentives
 - A lack of supporting infrastructure
 - Difficulties in tackling complex land tenure systems
 - A multiplicity of agencies, many with overlapping functions
 - Excessive time required to obtain decisions
- (Snyman& Saayman,2009).

2.12 Investment Promotion in two South African cities

The following section will focus on the investment scenario in the City of Cape Town and eThekweni. A study by the Centre for Competitive Advantage in the Global Economy in the Department of Economics, at the University of Warwick titled “Roll out the Red Carpet and They will come” concludes that given the information asymmetries between host countries and potential foreign investors the burden of red tape in host countries act as a barrier to investment inflows across international borders. An important policy questions is what can aspire FDI destinations do to reduce such barriers. The results of the analysis are consistent with investment promotion decreasing information asymmetries, lessening the burden of bureaucratic procedures and leading to higher FDI flows to developing countries. No such link is found for industrialized countries. This study suggests that investment promotion can be a potent tool for emerging markets wishing to attract FDI inflows (Centre for Competitive Advantage, 2010).

2.12.1 City of Cape Town

The City of Cape Town, via its enterprise and investment department under the directorate of the mayor, has facilitated R2.67 billion worth of investment which has resulted in 6236 direct jobs created for the people of Cape Town in 2017 (African News Agency, 2017).

Mayor Patricia de Lille further stated that the achievement of R2.67 billion worth of investments created 6236 direct jobs, and 2052 people received training against the City of Cape Town internal targets of R2.5 billion worth of investment, 5000 jobs, and 800 training initiatives respectively (African News Agency, 2017).

The city in 2017, contributed R21.8 million in funding to the organisations to use to facilitate investment and industry development through sector-specific interventions. These interventions were intended to enhance sustainable growth and competitiveness in identified sectors that contributed to the city's economy. The investments were facilitated in business process out-sourcing, manufacturing, ICT, real-estate development, and infrastructure. The source countries for these investments included the United Kingdom, Australia, The Netherlands, France and the Middle East, as well as new and expansion projects by local companies (African News Agency, 2017).

These results have certainly made the city's support to these organisations worthwhile and are in line with the organisational development and transformation plan's priorities to position Cape Town as a globally competitive business destination and to enhance economic inclusion (African News Agency, 2017).

According to Wesgro CEO Tim Harris, the significant levels of investment attracted into Cape Town demonstrates the resilience of the city economy and the confidence investors have in the quality of the City of Cape Town's governance. He further stated by cutting red tape, making it easier to do business in the region, and ensuring clean and efficient government, the city has successfully positioned itself as a top destination for investment globally. Wesgro was proud to serve as Cape Town and the Western Cape's official tourism, trade and investment promotion agency, and together with the mayor's economic team, would redouble efforts to secure investment into the local economy over the next year. In 2017, the

City of Cape Town undertook more than 75 missions around the world, sharing this excellent achievement and encouraging more businesses to make Cape Town their home (African News Agency, 2017).

2.12.2 eThekwini

Durban Investment Promotion Agency (DIPA) is a partnership between the city of Durban and the private business sector. It offers a free investor advisory service and acts as a facilitator between businesses and local stakeholders. Invest Durban was recommended by the Durban City Council and organised private business as the “First Stop Shop” to stimulate economic growth and new investment in the Durban metropolis.

Invest Durban is a collaboration between the private sector and the eThekwini Municipality, which offers assistance to potential investors and actively promotes the city. It works together with organisations such as the Durban Chamber of Commerce (eThekwini Municipality, 2018). Some of the services include the following:

- To facilitate sustainable investment in Durban for the benefit of all through the:
- Expansion, retention and aftercare of existing foreign corporate business within the Metro
- Proactive investment promotion and marketing of Durban Metro as a premium investment destination
- Proactive connection to, and marketing of the City’s large investment projects, plus core strategies
- Identification and development of new investment & business infrastructure opportunities for new Investors, whilst connecting-in and empowering the existing local business - people
- Attraction, support and facilitation for prospective new foreign investors into Durban
- Improvement in the investment and economic development environments, in partnership with the National, Provincial, City and Business Authorities (eThekwini Municipality, 2018).

Invest Durban delivers a world-class Metro based Investor support service, encompassing investment marketing & promotion, plus investment facilitation and retention activities by:

- Following a focused investor relationship management, marketing and communication strategy, with a healthy focus on broad-based empowerment and local partnerships
- Making available appropriate and specific city and nationally based economic and sector information, or opportunity studies;
- Facilitating the arrangement of appropriate meetings with, and solutions from the region's businesses and public sectors at all levels;
- Leading site visits to, and site evaluations of industrial and commercial premises;
- Advising on and accelerating all investment related regulatory processes towards speedy approvals, along with the required bulk infrastructure services connections and support (eThekweni Municipality, 2018)

Other major projects include the:

- GO! Durban Transport Oriented Development, which has already received major road upgrades and will be an even greater enabler of trade
- Centrum Government Precinct which would formalise the relationship between buildings such as the International Convention Centre and a related hotel, the library, council chambers and the redevelopment of Gugu Dlamini Park
- Cornubia integrated human settlement development north of Durban, a partnership between Tongaat Hulett Development, the human settlement departments at national and provincial level and eThekweni municipality
- Dube Trade Port, the multi-modal facility at King Shaka International Airport (KZN Top Business, 2018).

2.13 Investment and Aftercare in South Africa

A research study conducted at the COEGA Industrial Development Zone in 2015 looked at existing and retained domestic and foreign investors investigating the importance of investment aftercare and expansion in relation with the dominant factors of attracting further

investment (COEGA, 2017). The study found that, operational investors, whether domestic or foreign, generally want the same thing when it comes to investment aftercare. This includes:

- incentives for land and buildings
- electricity
- location
- basic infrastructure
- exporting environment and
- incentives for exports

The Coega Development Corporation has also identified some key points in its interaction with investors also known as 'value drivers' and categorised them as follows:

- Macro factors - these comprise of external and uncontrollable forces which affect an organization's performance and decision making
- Micro factors - these comprise of internal and controllable forces within an organization: the core of establishing a responsive investor aftercare facility
- Market factors - these are industry related factors which include bargaining power of suppliers and customers-the complex environment of dealing with investors requires extensive experience in both pre and post investment activities (COEGA, 2017).

Peters (2018) argues that supporting investors is a job that never ends. Moreover, locations that embrace aftercare also learn how to collaborate better, how to ignite local innovation and how to instil a location-wide drive for growth. Locations that neglect aftercare not only risk creating fewer jobs because of lower levels of reinvestment, they also risk missing out on the positive externalities foreign investors bring to their locations, such as supply chain contracts, philanthropic giving, upskilling of talent, global connectedness and so much more. As a result, they impoverish the communities they serve. Correcting this oversight should be a priority for the FDI industry.

CHAPTER 3

THE CASE FOR BUFFALO CITY

3.1 Introduction

Today, cities and towns around the world are seen as the engines for sustainable economic growth. The growth that cities and towns can achieve is strongly linked to their power to address social, environmental and economic issues in a holistic manner, while making the most of future opportunities (PriceWaterhouseCoopers (PWC), 2012).

The Buffalo City Metropolitan Municipality is situated in the Eastern Cape Province, in the Amatole District, and encompasses East London, King William's Town and Bhisho. It is also home to the former Ciskei homeland (South African Cities Network, 2019). Industrial zones are found in numerous locations within East London, at Fort Jackson in Mdantsane, in King William's Town and adjacent Zwelitsha, Berlin area and at Dimbaza. The high rate of unemployment, as experienced throughout the country, remains a serious concern. Jobs in Buffalo City include professional, financial, governmental, manufacturing and service industry workers. The motor vehicle and component manufacturer are prime employers. The agricultural sector, though small in terms of its output value, is important because of its labour intensity (South African Cities Network, 2019). Cities and towns compete daily for positioning and attractiveness through their brands. Every city or town needs to find ways to be unique, be differentiated and so maximise the attention of people and businesses. This requires strategic thinking on all levels and in all dimensions. Without well-defined brands and value propositions, it becomes harder for municipal managers to pull in the capital – people and finance – to succeed and becomes more difficult to develop and execute strategies to maximise the value of the city or town's brand (PwC, 2012).

Investment promotion, as defined by the United Nations Economic and Social Commission for Asia and Pacific (UNESCAP) (2017) is a series of activities that seeks to market/promote a location (country, city, province, region) as an attractive location for FDI. Whilst this is essentially a government activity there is a need to partner with private sector and have a targeted approach to attract investment.

This means, that governments should employ marketing activities, such as direct marketing, advertising, investment seminars and missions, to increase inflows of FDI, in the same manner as companies are marketing products to stimulate sales (World Association of Investment Promotion Agencies (WAIPA), 2019).

These activities can be grouped into the following four broad categories or major functions of IPAs:

- Investment generation - Identifying potential investors and development of strategies to induce their commitment to an investment project
- Image building - Creating positive image of a country as desirable location for FDI
- Aftercare - Post-investment services offered to existing investors with aim of ensuring project implementation and future re-investments
- Policy Advocacy - Moulding the investment climate and promotion of policies that will ensure greater benefits from FDI inflows (WAIPA, 2019).

Investment promotion, attraction and facilitation can be defined as sourcing, promoting, communicating with, and attracting potential investors in an attempt to influence them towards investing in your location, and to facilitate new and existing investor relations to influence the establishment of new investment and the retention and expansion of existing business (Amajuba District Municipality, 2013).

Aftercare should include both facilitation services for existing investors and development support. These activities and should mirror the corporate evolution of foreign affiliates (UNCTAD, 2007).

3.2 Economic profile of Buffalo City Metropolitan Municipality

Although the economy of the Buffalo City Metropolitan Municipality is relatively small, it is the second largest metropolitan municipality in the Eastern Cape. It contributes 1.7% to the South African economy and 21.2% to the Eastern Cape's economy. The performance of the

Buffalo City Metropolitan Municipality has been relatively stable over the past decade or so, albeit below the national average. The annual average growth rate from 2000 to 2013 was 2.8%, although the economy shrank by -1.5% during the 2008/09 recession. This was the same as the national average (-1.5%) and worse than the provincial average (-1%) (ECSECC, 2014).

However, post-recession growth has been slower. In 2013, the growth rate was only 2.3% compared to South Africa's growth rate of 2.8%, although it was the same as that of the Eastern Cape (2.3%). In this region, there are more than 373 000 people living in poverty, representing approximately 49% of the population. Nevertheless, the number of people living in poverty has declined since 2000. The number of economically active people in Buffalo City in 2013 was 305 000, representing 45% of the region's population. The corresponding figures for the Eastern Cape and South Africa are 30% and 38% respectively. In 1995, 18% of the population was economically active. The unemployment rate in the metro is very high and stood at 21.4% in 2013. Despite the increasing population, the unemployment rate has declined in recent years from a high of 33% in 2002 (with the exception of 2010) (ECSECC, 2014). The unemployment rate for Buffalo City Metro was recorded at 26% for the first quarter of 2019 (ECSECC, 2019).

The tertiary sector is the municipality's largest contributor to its economy with a contribution of 81.7%. This is followed by the secondary sector (17.0%) and the primary sector (1.3%). Mining and quarrying are insignificant (0.19%) in the metro's economy; agriculture therefore contributes the largest share (1.3%) to the primary sector. The municipality contributes 1.2% to South Africa's agricultural output, and 18.1% to the Eastern Cape's agricultural output. The sector has exhibited an average annual growth rate of over 4.0% since 2005. It did, however, slow-down in 2010 (1.10%). Manufacturing contributes 13.5% to the metro's gross value added. The transport equipment sector is the most important manufacturing sector, contributing 3.0% to the metro's gross value added. Mercedes-Benz SA, based in East London, is one of the largest foreign investors in South Africa. The transport equipment sector contributes 4.2% to South Africa's transport sector and has been growing at an annual average rate of 1.5% since 1995. Although the sector shrank by -13.0% during the 2008-09 recession, it increased by a moderate 3.6% in 2013. The tertiary sector is dominated by general government which contributes 25.2% to the local economy. This is followed by

business services (13.9%), finance and insurance (8.4%) and wholesale and retail trade (13.3%) (ECSECC, 2014).

3.3 Economic opportunities in Buffalo City

The ECSECC 2014 report highlights the following economic opportunities in Buffalo City.

3.3.1 Agriculture:

There are existing irrigated and intensive horticulture (tomatoes and peppers), aquaculture enterprises (East London Industrial Development Zone) and fishing.

These all offer some future potential opportunities:

3.3.2 Construction:

BCMM has high potential for construction industry growth based on:

- Industrial and logistics growth
- Infrastructure renewal and extensions
- Township upgrading
- Residential and commercial property developments
- The sleeper site development

3.3.3 Manufacturing industry:

BCMM has good potential in industrial manufacturing based on:

- ELIDZ
- The existing auto industry
- Maritime industries and logistics

- New-generation products
- Revival of Dimbaza

3.3.4 Tourism:

BCMM has good tourism potential based on:

- Business tourism and conferences
- City and beach holidays
- Gateway to Wild Coast, etc
- Sporting and cultural events

For cities confronted by the challenges of needing to embrace the service economy and information age, tourism provides an opportunity to re-position and redefine their essential functions. Localities use tourism as an invisible export” in the same way they use the production of tangible manufactured or agricultural goods. Tourism can be seen as a major catalyst for urban regeneration. The tourism sector is increasingly an element of local economic regeneration in Cape Town, Durban and Johannesburg. (Rogerson, 2013).

This presents an opportunity to harness the unique cultural diversity of the region and to position Buffalo City as a new destination on the international tourism economy.

3.3.5 Knowledge-based services:

BCMM has good potential here based on:

- UFH, WSU and FETs
- EL IDZ Science and Technology Park
- Business and professional services
- ICT

(ECSECC, 2014)

3.4 Investment Promotion Agencies in Buffalo City

There are various entities mandated to facilitate investment promotion in Buffalo City including:

3.4.1 East London Industrial Development Zone (ELIDZ)

The East London Industrial Development Zone was set up in 2002 as a response to the need for a robust catalyst for economic development and industrial diversification in the country. It is a State-Owned Corporation set up by government through the South African Industrial Development Zones Programme (now the South African Special Economic Zones Programme) to develop, operate and maintain modern infrastructure and to attract strategic investment to the region.

The ELIDZ is owned by provincial government; the Department of Economic Development Environmental Affairs and Tourism (DEDEAT) and the Buffalo City Metropolitan Municipality (BCMM). It is funded by the Department of Trade and Industry under the SEZ Fund pertaining to capital projects and DEDEAT (ELIDZ, 2019).

3.4.2 Buffalo City Metropolitan Development Agency (BCMDA)

The BCMDA is a municipal owned entity, owned by BCMM. This entity is mandated to deliver development projects in certain areas of Buffalo City as mandated by Buffalo City Council. Their mission is to build a better Buffalo City through facilitating and undertaking development initiatives for the benefit of all citizens of the city (BCMDA, 2015)

3.4.3 Eastern Cape Development Corporation (ECDC)

The ECDC is the official economic development and investment agency for the Eastern Cape province of South Africa. It is wholly-owned by the Eastern Cape Government. It serves to attract new investors and position the Eastern Cape as the investment target of choice by stimulating exports and facilitating economic development. It's work is closely aligned with the strategic intent of the Provincial Development Plan (PDP), the Eastern Cape's official roadmap to a prosperous future for all its people, as well as broader national and local policy

interventions designed to deliver growth, employment and reduce the levels of poverty in the country (ECDC, 2019).

3.4.4 Invest Buffalo City (IBC)

IBC, is a concept that emerged in 2006. Buffalo City needed an investment promotion tool that offered relevant and easily accessible information for existing business as well as potential investors. In 2009, when the Border Kei Chamber of Commerce (BKCOB) conceptualised this investment promotion platform, it was called Invest Buffalo City (IBC) through partnering with BCMM, ECDC and ELIDZ (Business Hi-Lite,2017).

The initiative gained momentum in 2010 when the Thina Sinako Local Economic Development Fund through the European Union allocated funding for the Chamber to manage the project. IBC gained further impetus in 2015 when a full-time advisor was placed at the Chamber (Business Hi-Lite,2017).

Invest Buffalo City is a joint venture between Buffalo City Metropolitan Municipality, Buffalo City Metropolitan Development Agency, the East London Industrial Development Zone, Eastern Cape Development Agency and Mercedes Benz of South Africa to create a conducive environment to retain existing investors and to attract new investment to the city. Whilst this initiative has proven to certainly improve business support in the city, there is a need for local, regional and provincial stakeholders to align their efforts to develop a more integrated approach to position Buffalo City as an investment destination of choice (Invest Buffalo City, 2017).

3.5 Subnational Doing Business 2018

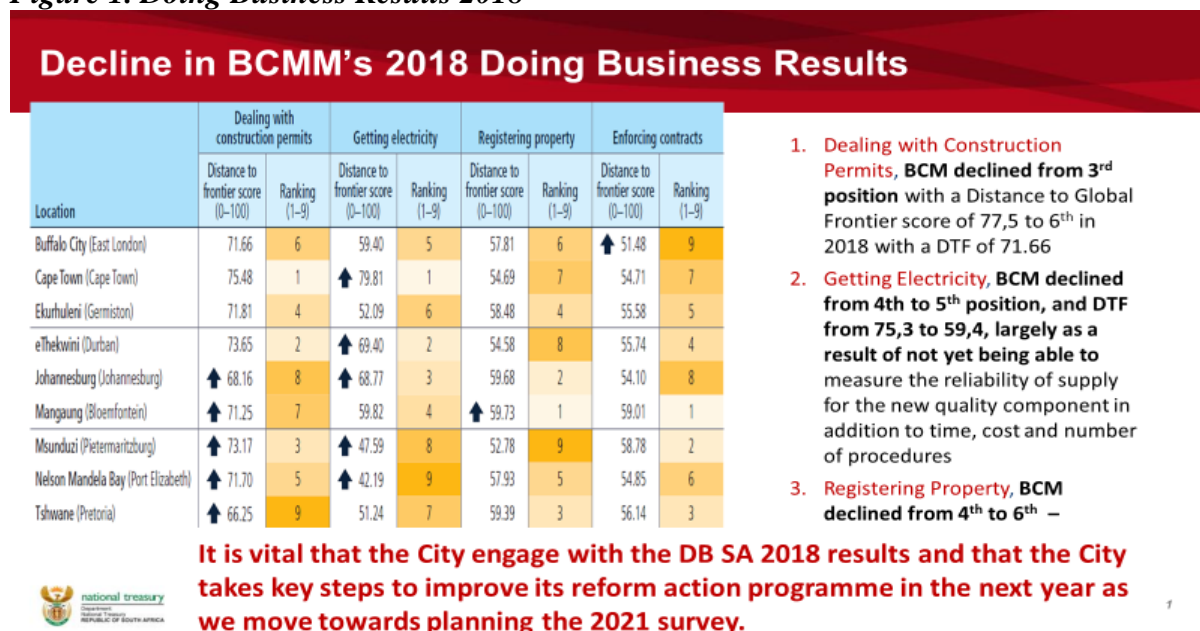
Doing Business 2018 is the Subnational report of the Doing Business (SNDB) series in South Africa. It measures business regulations and their enforcement in 9 urban areas and 4 major ports. The 9 metros in South Africa are compared with each and with 188 other economies worldwide. This study investigates the regulations that enhance business and those that constrain it. Regulations affecting 6 stages of the life cycle of a business are measured at a subnational level in South Africa. These indicators are used to analyse economic outcomes and identify what reforms have worked, where and why.

The results demonstrate that South African entrepreneurs face different local practices depending on where they establish their businesses. Benchmarking exercises like the Subnational Cost of Doing Business 2018 aim to inspire governments to introduce reform (Doing Business in South Africa, 2018). While Buffalo City performed well in the 2015 SNDB survey, there has been a rapid decline in the 2018 SNDB survey in a number of categories. There are also numerous other factors including the unlocking of land, the registering of property and the approval of plans which significantly impacts the service delivery offering to investors in Buffalo City.

BCMM is also required to:

- Reduce turnaround times of building plans approval (Construction Permit Indicator). BCMM is ranked 6th out of 9 cities in South Africa.
- Reduce the time it takes to register property (Registering Property Indicator). BCMM is ranked 6th out of 9 cities in South Africa.
- Make the process of getting electricity more efficient (Getting Electricity Indicator). BCMM is ranked 5th out of 9 cities in South Africa.

Figure 1. Doing Business Results 2018



Administrative barriers arise in particular, from the information and documentation requirements imposed upon foreign direct investors by the enforcement of processes that are

not consistent, efficient and transparent. These regulatory barriers arise from existing rules and regulations that are hampering the flow of foreign direct investment to South Africa. When such obstructions become particularly burdensome or obstructive or otherwise hamper operators or shippers in business activities, they are called administrative barriers. Poor policy design and implementation, structural impediments, poor infrastructure and skills, weak institutions and poor governance all are part of the administrative problems or impediments that may discourage potential foreign direct investment (Mpofu, 2012).

The high cost of doing business is impacting on the economic development and growth, investment and job creation in Buffalo City. BCMM needs to improve processes and implement reforms to ease the cost of doing business and to reposition Buffalo City as an attractive investment destination. The SNDB Survey is one of the tools investors use to determine their preferred investment destination. BCMM is currently looking at implanting reforms to improve efficiencies and enhance service delivery to attract investment and position Buffalo City as an attractive investment destination.

3.6 Current investment climate in Buffalo City

Buffalo City was further struck a winding blow when it was announced that COEGA would get a new R11-billion car plant. The deal was announced by the COEGA Industrial Development Zone (IDZ), Beijing Automobile International Corporation (BAIC) and the Department of Trade and Industries (dti). This will see the construction of an original equipment manufacturer automotive plant at COEGA, which for years had been planned for the East London Industrial Development Zone (ELIDZ).

Holbrook further states that it was reprehensible that the two IDZs competed on the basis “that when one knows what deal is being proposed, it undercuts so as to win that investment”. ELIDZ spokeswoman Ayanda Ramancwana said: “The reality is that the Eastern Cape Province won. While there were a number of benefits that the East London IDZ location offered the investor, we could not do enough to counter the financial impact of not having a deep-water port in close proximity to the zone.

The current advertised draught for the East London harbour is 10.4m. Last year, the Dispatch reported on ships being turned away because of a build-up of silt of up to a metre. Dredging began in July 2016 (Loewe, 2016).

3.7 Constraints

A study on non-automotive manufacturing in the Eastern Cape reveals how significantly different firms scored in terms of their ranking of transport costs and lack of government support as constraints: Firms located in East London scored transport costs far higher than firms in Port Elizabeth. This is expected due to Port Elizabeth having access to two ports. Firms in the East London area have the added cost of transporting their inputs from ports in PE or Durban. The key constraints include:

- A feeder vessel is offered from Port Elizabeth to East London. However only 2 of the East London firms interviewed mentioned utilising the port. Where the feeder vessel was utilised, use was minimal
- The proposal of establishing a second feeder vessel that would operate at a subsidised rate was not met with any enthusiasm by the firms
- The main mode of transporting local goods, both inputs and outputs, is by road, offering the fastest, most flexible, and most cost-effective method of transport
- The East London port is the only river port in the country. Its deepest point is 11.3 metres. The port is very shallow and narrow and cannot handle deep-sea vessels. This is not only an issue for firms transporting inputs and outputs out of EL, it is an issue for drawing potential export-oriented firms to the area, especially to the ELIDZ
- The historical record of government support to manufacturing firms in East London is seen as being in sharp contrast to the current lack of any significant support
- There was also a perception amongst the firms; that Port Elizabeth is favoured when it comes to government involvement.
- It was frequently claimed by East London firms that the COEGA IDZ receives much more government attention and support than the ELIDZ. This point was also

reiterated when it came to the amount of attention government enterprises, like Transnet, pay to the rail and port links to and from East London in comparison to Port Elizabeth (Martin, 2014).

The costs associated with lack of adequate and quality transport infrastructure invariably impact on the level of trade flows and access to markets. Poor transport infrastructure or inefficient transport services are reflected in higher direct transport costs and longer time of delivery. An improvement in a country's infrastructure can make a big difference to the cost of trading (World Trade Report, 2004: 116).

Since trade and transport facilitation aim to reduce economic distance to benefits all stakeholders, Buffalo City will have to engage stakeholders to ensure that this constraint is addressed to position the city as an investment destination of choice.

A Memorandum of Understanding (MOU) was signed on Tuesday, 12 March 2019 between the Buffalo City Metropolitan Municipality (BCMM), Transnet National Ports Authority (TNPA) and the ELIDZ, seeks to harness the potential of the Port of East London and the IDZ to foster economic growth in East London. The MOU will remain in place for a period of five years. It will establish a framework for the parties to engage with one another on strategic issues of mutual significance for the metropolitan area. This collaboration emanated from engagements Transnet had with BCMM as well as the East London IDZ with the objective of unlocking economic and investment opportunities in this region (Border Kei Chamber of Business, 2019).

Issues to be covered under the MOU include spatial planning land use development and infrastructure development in the Port, the Municipality and ELIDZ; strategic planning for economic and tourism development; promotion, attraction and servicing of investors in the Buffalo City; lobbying and advocacy for future development of the region; community development and social upliftment; collaborative research and sharing of best practices, among others (Border Kei Chamber of Business, 2019).

TNPA was committed to working tirelessly with regional partners to grow the economy of Buffalo City and to find new ways to bring investments to the harbour. This will aid in

diversifying the port's service offering to the market but also extend its current core capabilities of handling of key customers, including those in the all-important automotive, manufacturing and agro-processing industries. East London Port Manager Sharon Sijako said there is a need for the port to strengthen its operational partnerships, improve efficiencies and foster innovation with a view to increasing its global competitiveness and long-term sustainability. "This remains one of the most marginalised regions of South Africa, so we must harness our collective resources to kick-start growth, enable investment and drive job creation. The Port of East London must be used to position Buffalo City and the eastern half of the Eastern Cape as a business- and investment-friendly destination, which requires renewed investments into capacity and infrastructure. Kondlo added that the three stakeholders hold the key to improving the competitiveness of our region which would, in turn, ensure an increase in investment interest (Border Kei Chamber of Business, 2019).

3.8 Mercedes-Benz South Africa

Mercedes-Benz South Africa (MBSA) announced that it would, in the second half of 2017, add three new derivatives to its production line at the company's East London plant, in the Eastern Cape. The new derivatives are AMG models, which refers to Mercedes-Benz's range of high-specification performance vehicles. The total investment for the new model introductions would be more than R200-million.

The newcomers mean that the East London plant will have the capacity to produce ten C-model derivatives by the end of the year. Hybrid assembly - a first for MBSA - started in September 2016. Van der Merwe said MBSA and Daimler invested R461-million in the East London plant in 2016. The breakdown of this investment number is around R260-million for capacity increases, hybrid introduction and various tooling changes. Structure projects, which ensured improvements in our paint shop, amounted to roughly R100-million, with various plant projects, including quality improvements and replacements, adding another R100-million. MBSA's East London plant produced 106 500 vehicles (passenger cars and commercial vehicles) in 2015, growing this to a record number of 118 700 vehicles in 2016. C-Class production in 2016 reached 114 000 cars, with around 90% exported to 80 markets.

The East London plant was operating at capacity, but that some production could still be added through labour flexibility, agreed upon in a recent landmark agreement. Continued labour, quality and market stability could see the East London plant deliver “improved production numbers” in 2017. East London plant also delivered a 28% improvement on the hours per vehicle from 2013 to 2016. Van der Merwe said he regarded a plant with production volumes of around 150 000 units a year as a globally competitive plant. MBSA reported a 10.8% jump in revenue for the year ended 2016, to R73.4-billion (Venter, 2017).

3.9 East London Airport

Renovations and developments valued at more than R400-million are on the cards for the East London Airport, creating hundreds of jobs and extra electricity for locals. The Airports Company South Africa’s 10-year plans were revealed on 3 July 2017. The award-winning East London Airport, recognised as Africa’s best-improved airport in 2014, has increased its passenger numbers by more than 9.1% to 790000 this year and aims to expand and redevelop the airport to accommodate more passengers and encourage them to travel to East London (Tanana, 2017).

The R400-million investment in East London Airport would see it aligned with some of the top airports in the country in the years ahead. The many projects will leave many locals employed, firstly around the airport precinct and also in Buffalo City Metro, because it’s a prerequisite for the big contractors to work with smaller contractors and SMMEs to give them jobs and promote skills transfer and skills development. One of the most immediate projects from the 10-year plan was the replacement of 14km of security fencing at a cost of R43-million (Tanana, 2017).

More jobs may be created later in the year with the building of our 750kW solar plant, which will see solar panels positioned on the west of the terminal. This project is estimated to cost R47-million with the production of the photovoltaic plant. The airport was expected to be off the power grid by March next year, as had happened at the airports in George, Upington and Kimberley. The airport was looking to develop a multi-storey parking lot by 2022 to accommodate 1500 parking bays at a cost of more than R215-million. Congestion in the departure lounge had also drawn attention to the need to expand the lounge at a cost of R72-

million. R27-million will also be invested in the establishment of a Code C apron for one of the biggest aeroplanes like a B737-800 (Tanana, 2017).

A number of upgrades have started already, with the installation of a rainwater harvest system for the airport's fire-fighting section. The next phase of big projects will bring "ease and convenience" to airport clients and "add lustre" to Buffalo City Metro and the Eastern Cape as a destination for work and play (Tanana, 2018).

These projects, due to kick off next year, include a R215m multi-storey parking lot; a R72m expansion of the departure lounge; a R21m solar plant; and a R27m extension of the existing apron eastwards to make space for an additional, new-generation, Code C aircraft. The new parkade above the present parking lot would come with new access roads. Airport planners had found the parkade imperative to accommodate future traffic growth (Tanana, 2018).

3.10 BPO Sector

KGI/BPO a fledgling East London company, is working hard to become a force in the fast-growing call centre industry. The new company, which is based in the ELIDZ, has so far employed 40 people, most of them graduates. Its target is to employ 5,000 people and have a turnover of half a billion in the next three years. The first group of agents having successfully completing the company's recruitment processes and have started their weeklong induction at KGI Holdings, a contact centre agency at the East London IDZ. Forty young people received the training, but only 28 were selected as permanent employees at KGI. While regular call centres dealt largely with debt collection, KGI contact centre provided services for national and international clients across multiple business industries. KGI CEO Antoinette Eckersley said the company aspired to a 3,000-seater centre in their near future (Invest Buffalo City, 2018).

A 9,000km undersea telecommunications cable will link East London Industrial Development Zone (ELIDZ) to Mauritius and ultimately India. It has the potential to make the city SA's best Asia-centric communications hub, vaulting it into the perfect position to be South Africa's call centre capital, and the gateway to communication with India, China and

the Far East, into Africa, and give immediate connection with the international growing undersea cable network. IOX Cable Ltd, the Mauritius based information and communications technology giant owns the cable. And it will create a new outlet for East London's business potential and job creation (Keenan, 2019).

3.11 Summary

Attracting new investors is traditionally the main activity of investment promotion. But with a growing number of established foreign affiliates, new investments can often be realized more cost-efficiently through another, often neglected activity – investor aftercare (UNCTAD, 2007).

Given the current global economic climate, Buffalo City will have to work more efficiently to attract investment, to promote economic development and to establish the metro as an investment destination of choice. The metro will have to adapt to the changing world economy and the technological advancements in trade and investment promotion to stimulate economic growth and development in order to facilitate reinvestment and to ensure retention of its current investors and local businesses. Buffalo City has the opportunity, to position the city as an attractive investment destination, by considering the introduction of effective aftercare services as a competitive advantage, in order to meaningful participate in the international markets.

CHAPTER 4

RESEARCH APPROACH AND METHODOLOGY

This chapter presents the primary theoretical framework of the research methodology deployed and the justification for the research methodology. The study will also review the constraints and challenges encountered during the study. The elements of the selected research method, which includes the research methodology, the sampling method, methods of data collection and analysis are defined and discussed in relation to the research problem. In conclusion, the ethical considerations and limitations are outlined.

4.1 Research methodologies

The research design was based on a number of research methods. Qualitative research is generally more explorative, a type of research that is dependent on the collection of verbal, behavioural or observational data that can be interpreted in a subjective manner. It has a wide scope and is typically used to explore the causes of potential problems that may exist. Qualitative research typically provides insights on several aspects of a marketing problem. It either precedes or is conducted after quantitative research, depending on the study's objectives (What is Quantitative Research? 2018).

Quantitative research on the other hand, is a structured way of collecting and analysing data obtained from different sources. Quantitative research involves the use of computational, statistical, and mathematical tools to derive results. It is conclusive in its purpose as it tries to quantify the problem and understand how prevalent it is by looking for projectable results to a larger population (What is Quantitative Research? ,2018).

Companies who use quantitative research rather than qualitative are typically looking to measure extent and looking for statistical results that are interpreted objectively. While the results of qualitative research can vary according to the skills of the observer, the results of quantitative research are interpreted in an almost similar manner by all experts (What is Quantitative Research? 2018).

In order to gain a better understanding of the research problem, the researcher used quantitative and qualitative research approaches. The nature of the research methodology was selected because it was able to fulfil the requirements of both the primary and secondary objectives of the study. The research frame was informed through the literature review to gain a theoretical framework of the topic and to understand how different locations employ investment promotion and aftercare strategies.

The methodology applied to this research also includes the deductive approach which focuses on a review of existing literature. The literature review in this study focuses on the definition of the key principals of investment promotion and aftercare strategies in different locations. The analysis of the literature contributed towards the identification of key principals which were incorporated into the questions. These questions were then used to develop a self-administered questionnaire which was also used to guide the interviews with the respondents.

4.2 Description of respondents

The researcher randomly selected organisations in the private sector, tourism, state owned enterprises and the province. The study also included current and potential investors. Representatives from 5 businesses based in Buffalo City were interviewed for the primary data that was used to support and help elaborate on the study. The researcher then gathered information from the 25 organisations in Buffalo City that responded. The secondary data was to form the structure of the research.

4.3 Triangulation

Triangulation, according to Cohen and Manion, is the act of combining several research methods to study one thing. They overlap each other somewhat, being complimentary at times, contrary at others. This has the effect of balancing each method out and giving a richer and hopefully truer account. Triangulation is an attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint (Kennedy, 2009).

4.4 Sample method

Sampling method refers to the way that observations are selected from a population to be in the sample for a sample survey. The reason for conducting a sample survey is to estimate the value of some attribute of a population (Van Wyk, 2018).

Interviews can be defined as a qualitative research technique which involves conducting intensive individual interviews with a small number of respondents to explore their perspectives on a particular idea, program or situation”. Structured interviews consist of a series of pre-determined questions that all interviewees answer in the same order. Data analysis usually tends to be more straightforward because researchers can compare and contrast different answers given to the same questions (Dudovskiy, 2018).

4.5 Sample Size

Sample size is a count of the individual samples or observations in any statistical setting, such as a scientific experiment or a public opinion survey. Though a relatively straightforward concept, choice of sample size is a critical determination for a project. Too small a sample yields unreliable results, while an overly large sample demands a good deal of time and resources.

The population for the research was selected from various businesses in Buffalo City who contribute towards the economic development of the city. The population size for the questionnaire-based survey consists of 25 respondents (N=25). Of the 25 respondents, only 17 responded. The sample size was thus 17 (n=17) with a response rate of 68%.

For the interview-based study, 6 businesses were selected to participate in the interview. The researcher selected the questions and criteria applied as per the main survey conducted on the 17 respondents. Of the 6 businesses selected, only 5 businesses participated in the interviews. The sample size was thus 5 (n=5) with a response rate of 83%.

4.6 Research design

Research design is the overall plan for connecting the conceptual research problems pertinent (and achievable) to the empirical research. In other words, the research design articulates what data is required, what methods are going to be used to collect and analyse this data, and how all of this is going to answer your research question (Van Wyk, 2018)

Often, the lines between inductive and deductive processes are blurred in the research process (i.e. both occur); while the main thrust of the study might be inductive, the interaction between the conceptual and empirical aspects of the subject matter might well imply a deductive element inherent in the research.

In general, (but not always), quantitative research methods are usually associated with deductive approaches (based on logic), while qualitative research methods are usually associated with inductive approaches (based on empirical evidence). Similarly, deductive-quantitative designs are usually more structured than inductive-qualitative designs (Van Wyk, 2018).

4.7 Primary research method

4.7.1 Self-Administered electronic questionnaire

Questionnaires are commonly used to gather first-hand information from a large audience, in the form of a survey. There are different types of questionnaires in practice and the type of questionnaire to be used usually depends on the purpose of the survey and the type of data that has to be collected. Questionnaires are highly practical and can be carried out by any number of people, and the results can be quickly quantified as well (Flatworld Solutions, 2019).

An electronic questionnaire was used as the main instrument to collect both the qualitative and quantitative data. The questionnaire consisted of both closed-ended and open-ended questions. Respondents selected a single option which was used for the calculation of statistical information and percentages of various types. The closed-ended questions thus

enabled the researcher to arrive at opinions about a product or service in a more efficient manner. Open-ended questions were used at the end of the questionnaire to elicit accurate feedback and recommendations from the respondents as well. Ranking was used to ascertain which six factors in order of importance respondents regard as most crucial in relation to service delivery.

4.7.2 Face-to-face interview

The face-to-face interview, also called an in-person interview, is probably the most popular and oldest form of survey data collection. It has continued to be the best form of data collection when one wants to minimize nonresponse and maximize the quality of the data collected. Face-to-face interviews are often used to solicit information in projects that can be considered to be very sensitive (Lavrakas, 2008).

The researcher used the same questionnaire administered by the respondents in the self-administered questionnaire.

4.7.3 Case-study

Yin (5th edition 2019; p19) defines a case study as an empirical inquiry that: investigates a contemporary phenomenon in depth and within its real-world context, especially when phenomenon may be context-dependent. He further highlights that you can use the case study method when you want to investigate contemporary real-life phenomenon in depth this encompasses important textual conditions- because they are were highly pertinent to your phenomenon of study.

Yin, (5th edition 2019:19) further observes that the case study inquiry copes with a technical distinctive situation, relies on multiple sources of evidence and benefits from prior development of technical propositions to guide data collection and analysis. In essence this definition demonstrates how case study research comprises an all-encompassing method - covering the logic of design, data collection techniques and specific approaches to data analysis.

Coetger and Crouse (2019) argue that the design of case studies first requires the definition of the case. First, defining the case is a part of theory building and problem formulation. For some cases, the researcher may have a relatively clear sense of the problem and the theoretical framework that will drive the study prior to a study's inception. However, for many cases, theory building, and problem formulation are iterative processes as the researcher begins to observe and better understand the problem context. Both the theory building and problem formulation, assist the researcher in developing an argument for why the study of a particular case is important. Case studies almost always rely on multiple- or mixed-method research. In analysing the data, researchers triangulate data from among the various sources of evidence. Their task is to seek consistencies as well as inconsistencies and to try to make sense of the multiple sources of evidence. In comparative case studies, characteristics of the contexts of each of the individual cases are used to make sense of inconsistencies. As researchers develop their cases, they consider alternative or rival explanations and seek evidence that either challenges the explanation or pushes the researchers to further develop their case in an appropriate manner or even accept rival explanations

Interestingly in their study on Research Methods, Coetger and Crouse (2019) identify that the primary threats to any case study are that the case is not adequately specified, that insufficient or inappropriate data are collected, or that interpretations at any point of case development are not warranted. Especially because case studies use multiple methods, questions can arise about how to integrate and analyse the data from the underlying methods. While this is generally true, it is especially true when the data collected points in different directions. It is important for the inferences made from the multiple sources of data to be consistent with the inferences that other researchers would make when examining the same set of evidence. The research teams can address this through internal inter-rater calibration, by checking with participants about whether the inferences comport with their understanding of their own context, and by sharing evidence with others and allowing them to also make independent interpretations.

4.7.4 Instruments

An electronic medium for the questionnaire is selected over various other means of distribution due to the following reasons:

- It is too time consuming by post
- It is too costly by telephone
- Face-face is too consuming
- Group distribution is not personal

The six item Likert scale questionnaire is selected as the main instrument that will provide quantitative data. This method of research was selected because it is cheaper and less time-consuming than conducting interviews. The six-point scale forces respondents to make a choice providing managers with better data that can be averaged together. It prevents respondents taking a neutral stance. The even number of items in the response allows for groupings which can be easier to interpret and discuss.

4.8 Ranking

This research questions were analysed using ranking. This process eliminated alternatives and presented the respondents preference.

4.9 Research overview

“If we do not achieve growth, revenue will not increase. If revenue does not increase, expenditure cannot be expanded.” This means we must address institutional and regulatory barriers to business investment and growth. It means we must give greater impetus to sectors and industries where we have competitive advantages. And it means being bold where there is need for structural change, innovation and doing things differently. We need agility and urgency in implementation (Nene, 2015).

This statement highlights the need for reform in order to attract investment, increase revenue and grow the South African economy. My research question focuses on what interventions are required to increase investment and position Buffalo City as an investment destination.

The research included quantitative research as well as a qualitative review of the factors that impede investment promotion in Buffalo City. The methodology applied to this research also includes the deductive approach which focuses on a review of existing literature.

The research was also an exploratory study that aimed to gain insights and comprehension regarding investment practices within Buffalo City. The researcher collected primary data through periodic personal interviews with key stakeholders. The schedule of questions attempted to obtain information from key players including MBSA, the East London airport and the BKCOB regarding their decisions to invest in Buffalo City.

The researcher had a relatively clear sense of the problem and the theoretical framework that would drive the study and selected the case study research method. The researcher selected The City of Cape Town because of the city's successful position as a leading investment destination. eThekweni was selected because of the city's learning gained from its successful collaboration with the private sector which has significantly contributed to the economic development and growth of the region.

The research plan included the following components:

- The collection of data
- The analysis of data
- Interpretation of data
- Findings and conclusion

In order to explore this, the exploratory research method using mixed methods including and literature review was selected. The comprehensive literature review consisted of journals, academic papers, speeches and articles by both government entities and private sector and focused on revealing greater insights into the current investment climate in Buffalo City as well as unpacking some of the key factors affecting investment promotion.

The main objective of this research was to examine interventions that could be put in place to enhance declining investment promotion in Buffalo City. Cities are engines of growth and in

order to build productive sustainable cities they must attract infrastructure investment to promote economic growth and development.

The research included a qualitative review of the factors that impede investment promotion in Buffalo City. The methodology applied to this research also included, the deductive approach which focuses on a review of existing literature. It also includes a survey of 25 stakeholders from the following sectors:

- Local government
- Provincial government
- State owned entities
- Business Chambers
- Current investors/businesses

The second part of the research focused on one-on-one interviews with key stakeholders in order to identify comparative themes which form part of this narrative. The interviews were conducted with five key stakeholders from the three sectors outlined below:

- Current investors and investors who have relocated to other locations in South Africa;
- Manufacturing sector. aimed at non-automotive sector; and
- Tourism sector

4.10 Ethical considerations

Due to the nature of the study there was no personal involvement other than telephone calls and emails with the respondents for the self-administered questionnaire. All respondents participated voluntarily and were informed of the purpose of the research beforehand. No remuneration or stipend was offered or provided for participating in this study and for providing information. The information of the institutions is public information and is available in annual reports and their respective organisational websites.

4.11 Limitations of the study

As in the case of action research, the study cannot be duplicated in situations that are unique and conditions which are constantly undergoing change. This means that if the same methodology is applied, the probability of duplicating results will be almost impossible, thereby limiting future studies of a similar nature. The question of sample size always remains a contentious matter.

The lack of a database with statistics on businesses who have invested and have relocated from Buffalo City was a major challenge. Another limiting factor was the implementation of the recommendations from the respondents.

CHAPTER 5

DATA ANALYSIS

This chapter presents data findings in the form of the raw data, its analysis and interpretation. The data was collected using face-to-face interviews and questionnaires which was collated and analysed. The data obtained provides the framework for the presentation of the results and is categorised according to pertinent themes underlying the topic. The research cited in the literature review is integrated to validate and support the research findings. The responses obtained from the interviews and self-administered questionnaires either support, question or challenge the questions and statements obtained from the literature.

An electronic questionnaire-based survey sent to the target population of 30 was used as the main instrument to collect both qualitative and quantitative data. The researcher used the same questionnaire administered by the respondents in the self-administered questionnaire in the face-to-face interviews with the 5 respondents.

Section A of the questionnaire consisted of both closed-ended and open-ended questions. Respondents selected a single option which is for calculation of statistical information and percentages of various types. Closed-ended questions enabled the researcher to arrive at opinions about a product or service in a more efficient manner.

Section B of the questionnaire consisted of open-ended questions which will be used at the end of the questionnaire to elicit accurate feedback and recommendations from the respondents as well. Ranking was used to ascertain which six factors in order of importance respondents regard as most crucial in relation to service delivery.

5.1 Response rate

The study targeted respondents in the private sector, tourism, state owned enterprises and province. The study also included current and potential investors. The response rate included 22 participants from a target population of 30.

The population size for the electronic questionnaire-based survey consists of 25 respondents (N=25). Of the 25 respondents, only 17 participated in the study. The sample size was thus 17 (n=17) with a response rate of 68%.

For the interview-based study, 6 businesses were selected to participate in the interview. The researcher selected the questions and criteria applied as per the main survey conducted on the 17 respondents. Of the 6 businesses selected, only 5 businesses participated in the interviews. The sample size was thus 5 (n=5) with a response rate of 83%.

5.2 Analysis of data

Table 1: List of respondents

Name of Business	Position	Sector	No. of Yrs Experience	Estimate turnover	Target Market
Tsogo Sun Tourism	Senior Manager	Tourism	6-10 years		Global Domestic
Park Place Boutique	CEO	Business Tourism	2-10 years	0-R10m	Global Domestic African
Foxtech Ikhwezi	Manager	Business	11-20 years	Unknown	Global
BMW-Autohaus Monti	Senior Manager	Business	21-29 years	R10m- R100m	Global
BMW-Autohaus Monti	Employee	Business	11-20 years	R10m- R100m	Global Domestic
MBSA –	Customs Specialist	Business	11-20 years		Domestic; Global
DNF Waste Management	CEO	Business	11-20 years	0-R10m	Domestic
DVD Lighting	MD	Business	21-29 years	0-R10m	Domestic

SAB	Senior Manager	Business	81-90 years		Domestic
Hotspot	Director	Business	2-5 years		Domestic
Liesen	Ceo	Business	2-10 years	0-R10m	Domestic; Global
Chairman's Lounge	Director	Business	11-20 years	R10m- R100m	Domestic
TNPA	Senior Manager	SOE	50-100 years	R100m- R1bn	Global Domestic African
ACSA	Manager	Business Tourism	11-20 years	R10m- R100m	Domestic
Second Office	CEO	Business	2-10 years	0-R10m	Domestic
McDonalds	CEO	Business	2-5 years		Domestic
Tshani Consulting	Director	Business	6-10-years		Domestic
MHG Property Specialists	Director	Business	6-10 years		Domestic
Fobitech	Director	Business	1-5 years	R1-10m	Domestic;
Prism Lighting	CEO	Manufacturi ng	21-29 years	R100m- R1bn	Global Domestic
KGI Holdings	Manager	Business	2-10years	R0-10m	Domestic ; Global; African
Grand Select	Director	Business	1-5 years	R0-10m	Domestic

5.2.1 Section A

The study asked the respondents about customer satisfaction in Buffalo City.

Table 2: Questions 1 to 3 in the table below relate to customer satisfaction in Buffalo City

		1.0	2.0	3.0	4.0	5.0	6.0	Satisfied	Not satisfied
								1 to 3	4 to 6
(Q1) I am satisfied to be an investor/ business owner in Buffalo City	Count	3.0	2.0	6.0	4.0	1.0	6.0	11.0	11.0
	Percent	13.6	9.1	27.3	18.2	4.5	27.3	50.0	50.0
(Q2) I am rewarded for being an investor/ business owner in Buffalo City?	Count	4.0	6.0	2.0	4.0	2.0	4.0	12.0	10.0
	Percent	18.2	27.3	9.1	18.2	9.1	18.2	54.5	45.5
(Q3) I am satisfied with the customer service and benefits I derive as an investor/business owner in Buffalo City.	Count	2.0	4.0	8.0	2.0	3.0	3.0	14.0	8.0
	Percent	9.1	18.2	36.4	9.1	13.6	13.6	63.6	36.4

According to the opinion of the sample, 50.0% of the respondents in question 1 are satisfied as investors / business owners in Buffalo City with the remaining 50.0% of respondents not satisfied. This is consistent with question 2 in which 54.5% of respondents acknowledge that they are rewarded as investors / business owners. This is further buttressed by 63.6% of the respondents citing that they are satisfied with customer service and benefits derived as investor / business owners in Buffalo City.

Figure 2. Question1. I am satisfied to be an investor Buffalo City

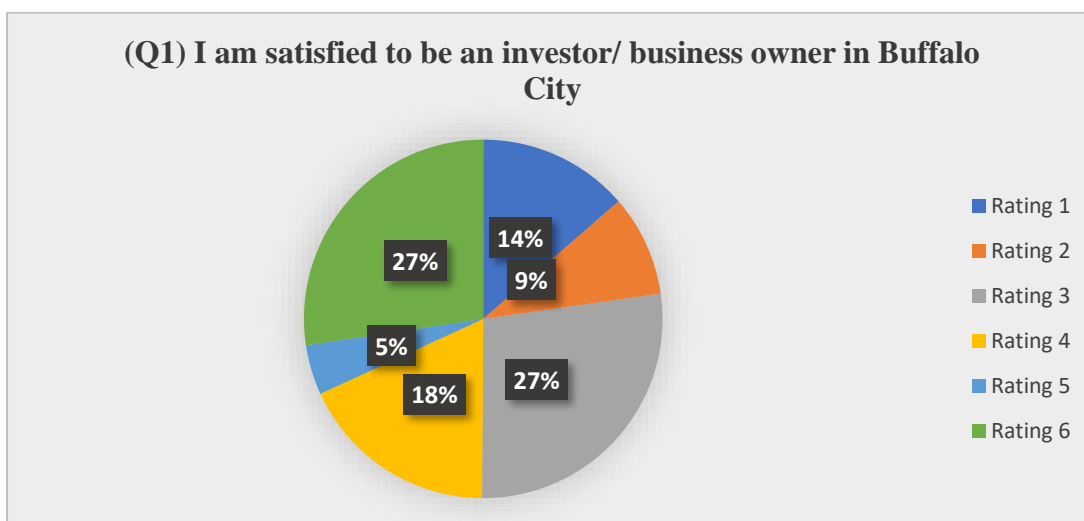
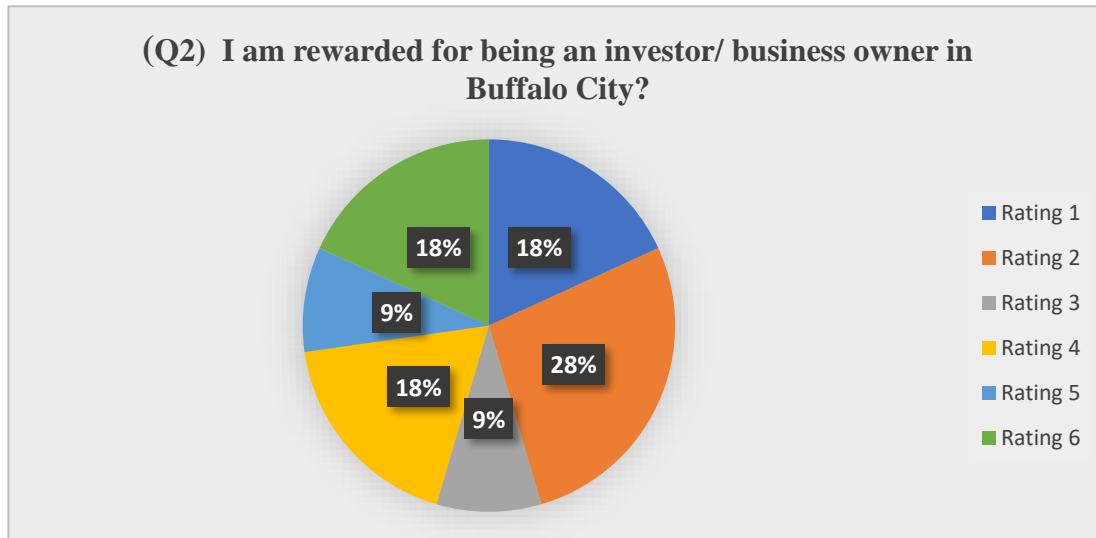


Figure 3. Question2. I am rewarded for being an investor in Buffalo City



What is concerning however, is that whilst the opinion of the sample suggests that the majority of the current investor / business owners are satisfied, a group of respondents are totally dissatisfied to be investors / business owners (27.3%). The opinion of the sample seems to suggest that a portion of these respondents do not feel that they are rewarded appropriately (18.2%) as investors / business owners.

Figure 4. Question 3: I am satisfied with customer service/ benefits

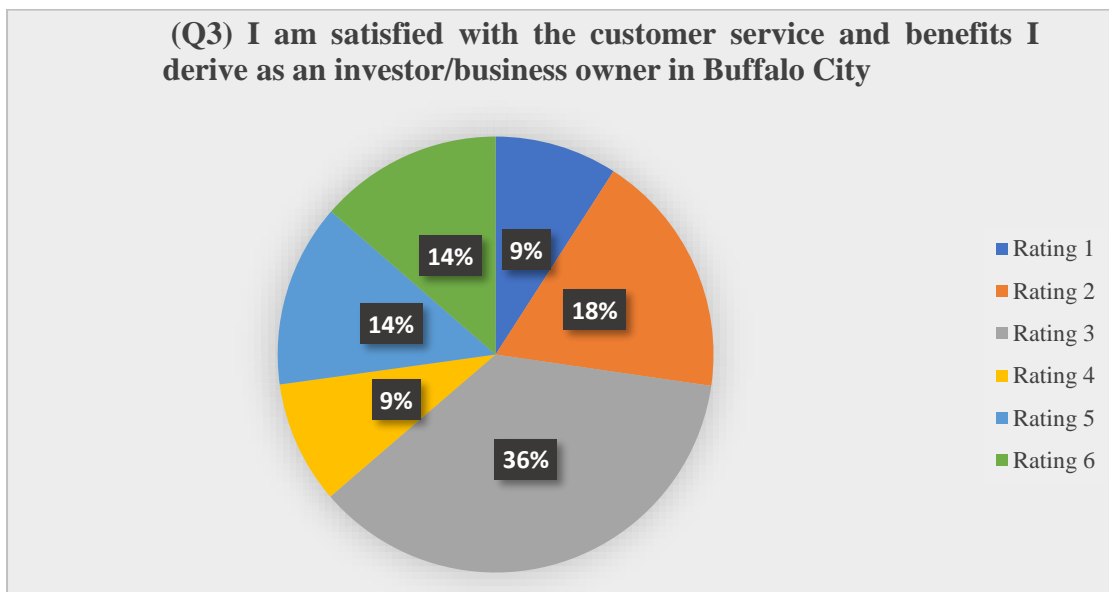


Figure 5. Investor Satisfaction

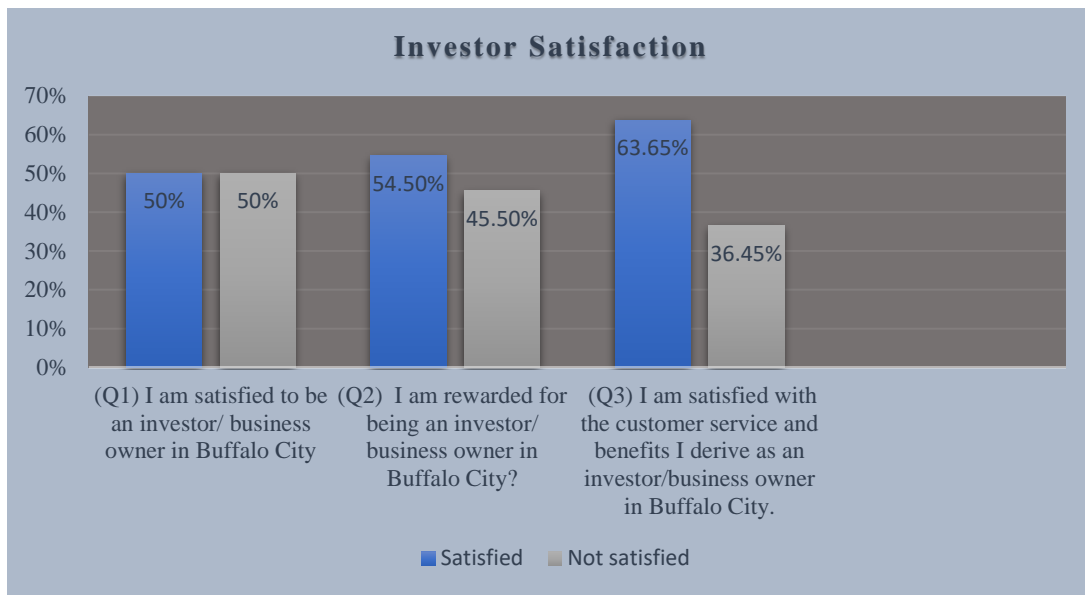
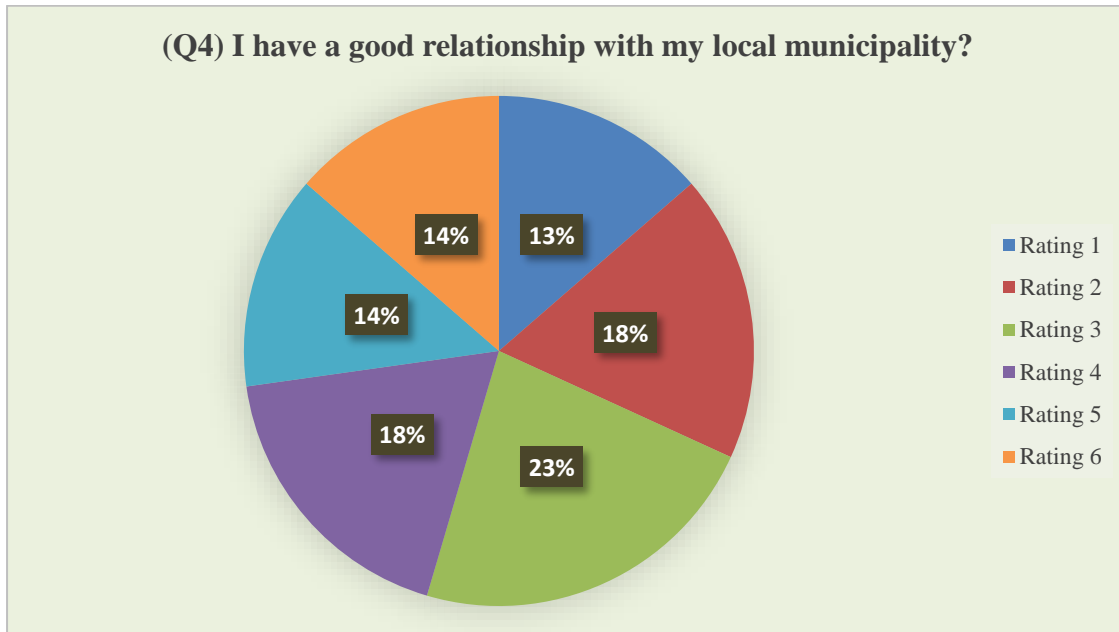


Table 3- Questions 4 and 5 in the table below relate to investors relationships with Buffalo City Metropolitan Municipality

								Satisfied	Not satisfied
		1.0	2.0	3.0	4.0	5.0	6.0	1 to 3	4 to 6
(Q4) I have a good relationship with my local municipality?	Count	3.0	4.0	5.0	4.0	3.0	3.0	12.0	10.0
	Percent	13.6	18.2	22.7	18.2	13.6	13.6	54.5	45.5
(Q5) My municipality is very competent and attends to my needs as an investor/business owner in Buffalo City?	Count	5.0	1.0	9.0	1.0	2.0	4.0	15.0	7.0
	Percent	22.7	4.5	40.9	4.5	9.1	18.2	68.2	31.8

According to the opinion of the sample 54.5% of respondents in question 1 have a good relationship with Buffalo City Municipality with the remaining 45.5% of respondents not satisfied. 68.2% of respondents believe BCMM to be very competent, attending to their needs as investors / business owners. The slight misalignment (a gap of 13.7%) between having established a good relationship with BCMM and BCMM attending to investor needs can be attributed to a group of respondents being marginally close to migrating from slightly dissatisfied to satisfied in question 4.

Figure 6. Question4. I have a good relationship with my local municipality



What is concerning however, is that an opinion of the sample suggests that 45.5% of the respondents do not feel that they have a good relationship with BCMM and this aligns with 31.8% of respondents who believe that BCMM does not attend to their needs as investors / business owners in Buffalo City.

Figure 7. Question5- My municipality is very competent and attends to my needs

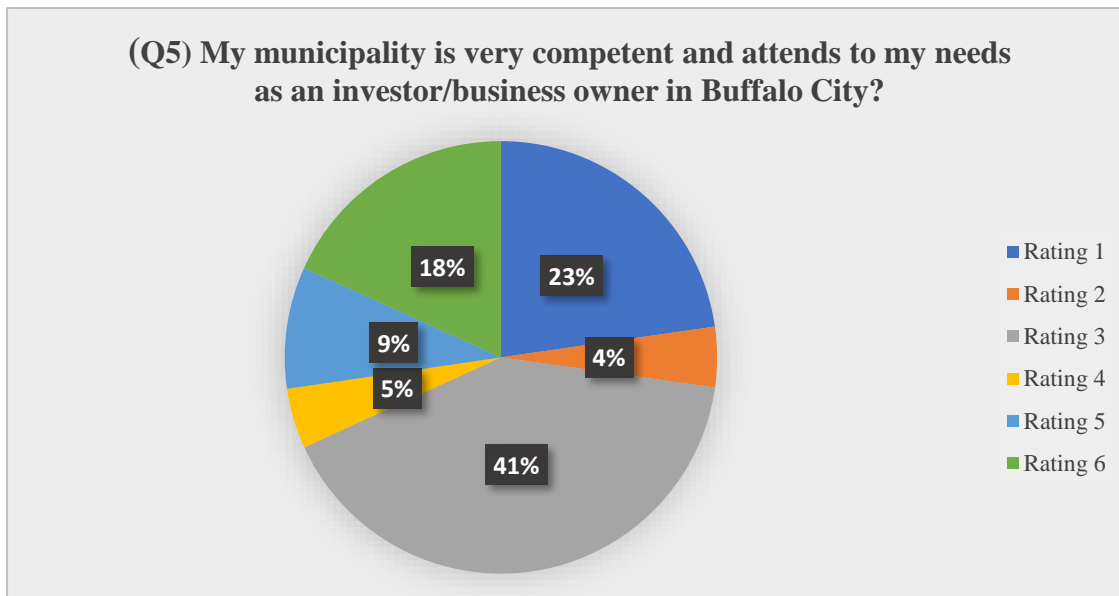


Figure 8. BCMM’s relationships with investors

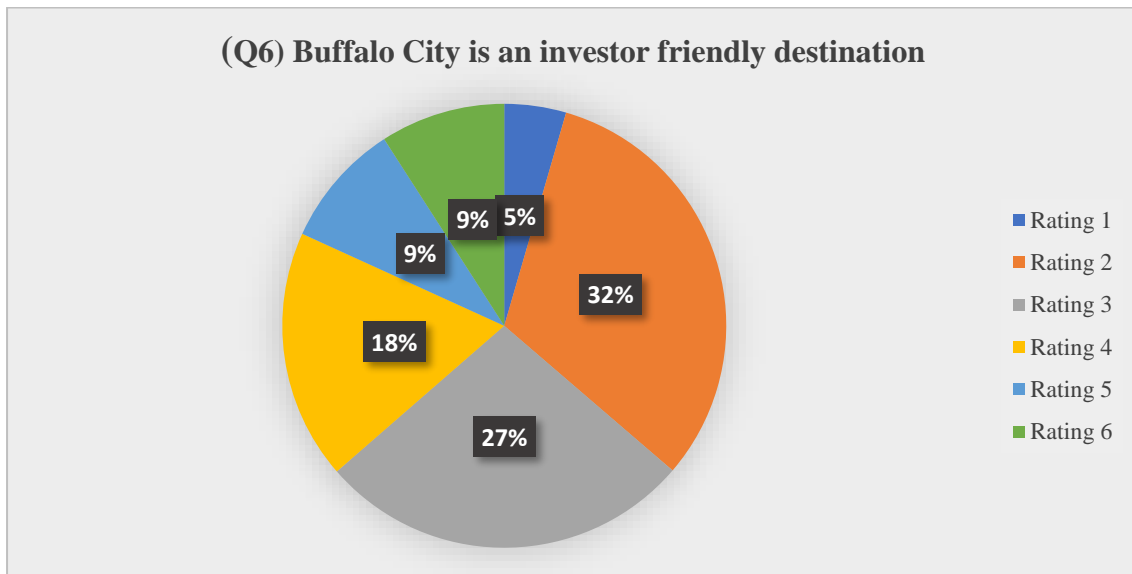


Table 4: Questions 6 and 7 in the table below relate to Buffalo City Metropolitan as an investor-friendly destination

		1.0	2.0	3.0	4.0	5.0	6.0	Satisfied	Not satisfied
		1.0	2.0	3.0	4.0	5.0	6.0	1 to 3	4 to 6
(Q6) Buffalo City is an investor friendly destination	Count	1.0	7.0	6.0	4.0	2.0	2.0	14.0	8.0
	Percent	4.5	31.8	27.3	18.2	9.1	9.1	63.6	36.4
(Q7) I will recommend Buffalo City to other investors looking for a city that is geared for growth and development.	Count	2.0	1.0	4.0	7.0	4.0	4.0	7.0	15.0
	Percent	9.1	4.5	18.2	31.8	18.2	18.2	31.8	68.2

According to the opinion of the sample 63.6% of the respondents in question 6 perceive Buffalo City Municipality to be an investor-friendly destination whilst 36.4% of the respondents do not perceive this to be the case.

Figure 9. Question 6. Buffalo City is an investor friendly destination



Even though, most of the respondents perceive BCMM to be an investor-friendly destination, only 31.8% would recommend Buffalo City to other investors. Interestingly, 31.8% of the respondents that would not recommend BCMM to other investors are not strong in their recommendations and could be convinced to migrate to below 4 on the Likert scale.

Figure 10. Q 7. I will recommend BCMM to other investors

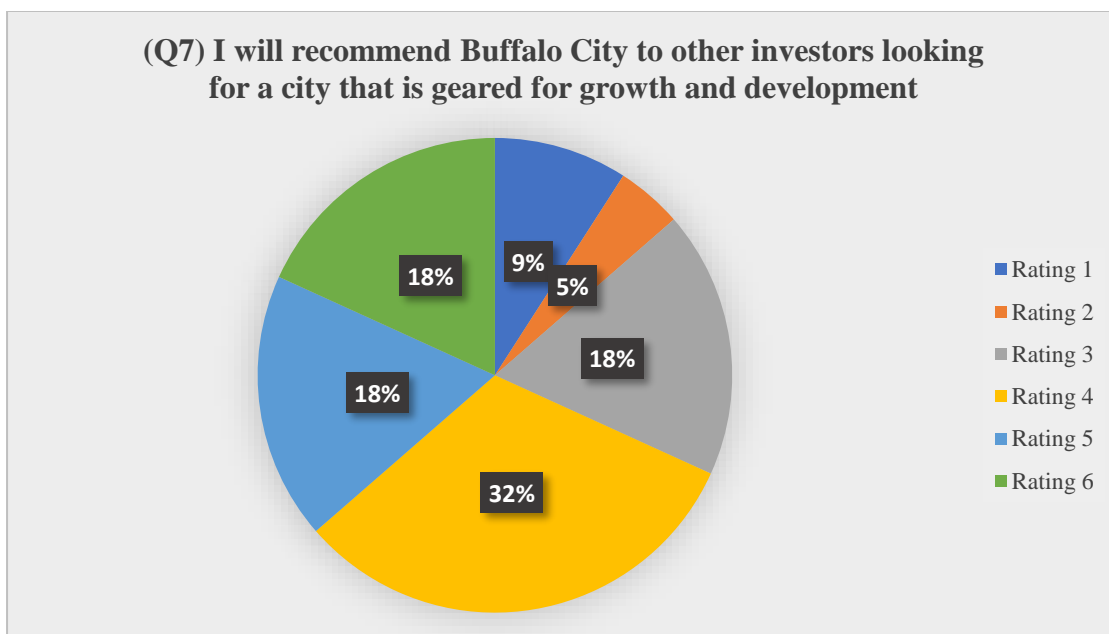


Figure 11. Investor friendly destination

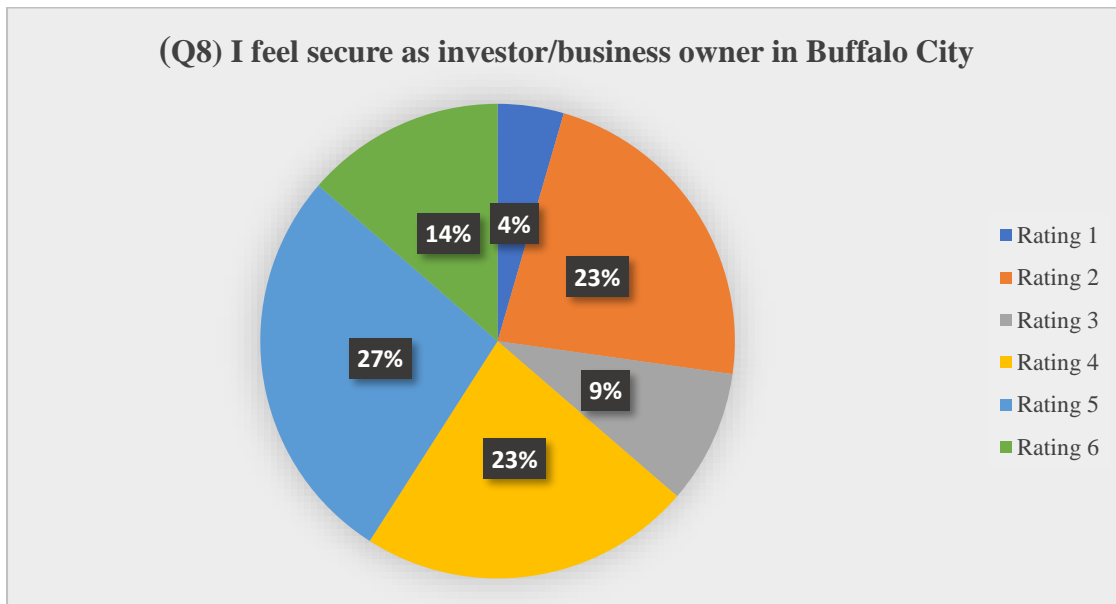


Table 5: Questions 8 and 9 in the table below relate to Buffalo City investor friendly destination of choice

								Satisfied	Not satisfied						
								1 to 3	4 to 6						
								1.0	2.0	3.0	4.0	5.0	6.0		
(Q8) I feel secure as investor/businessowner in Buffalo City.	Count	1.0	5.0	2.0	5.0	6.0	3.0	8.0	14.0						
	Percent	4.5	22.7	9.1	22.7	27.3	13.6	36.3	63.7						
(Q9) I would not hesitate to relocate my company from Buffalo City to another metro/country should a lucrative offer become available.	Count	1.0	-	10.0	6.0	3.0	2.0	11.0	10.0						
	Percent	4.5	-	45.5	27.3	13.6	9.1	50.0	50.0						

According to the opinion of the sample, 36.3% of the respondents in question 8 feel secure as investor / business owner in Buffalo City Municipality whilst 63.7% of the respondents do not perceive this to be the case. Of the 63.7%, only 13.6% feel totally insecure.

Figure 12. Q8.I feel secure as an investor in Buffalo City



This is, in contrast to the 50% of respondents that would not hesitate to relocate their companies from Buffalo City to another metro / country should a lucrative offer become available. Of the 50% that would not hesitate, 27.3% has some hesitation indicated by a score of 4 on the 1-6 Likert scale.

Figure 13. Question 9 I would not hesitate to relocate to another metro

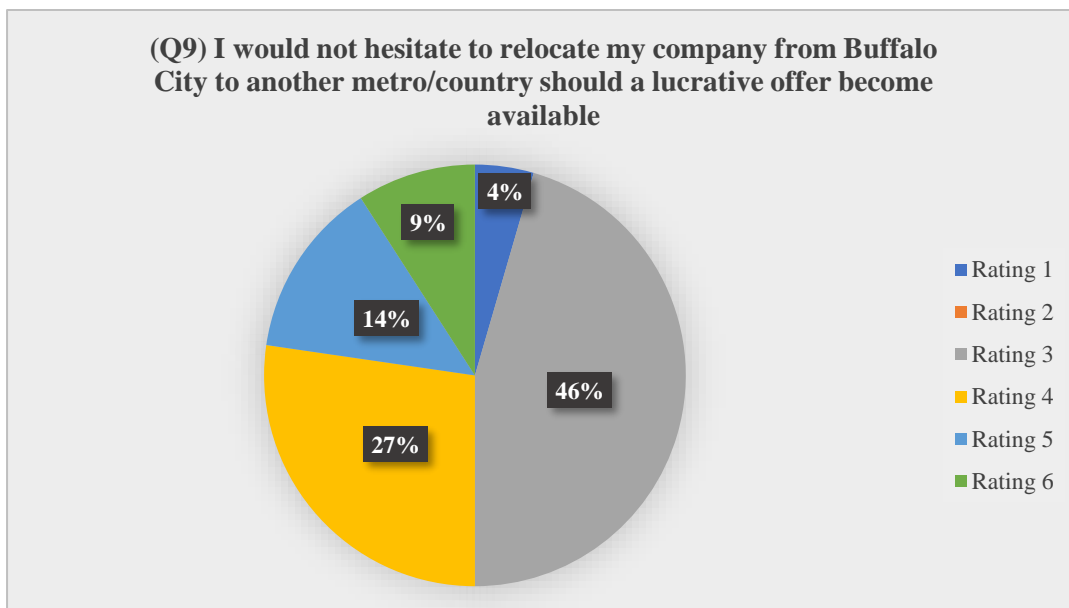
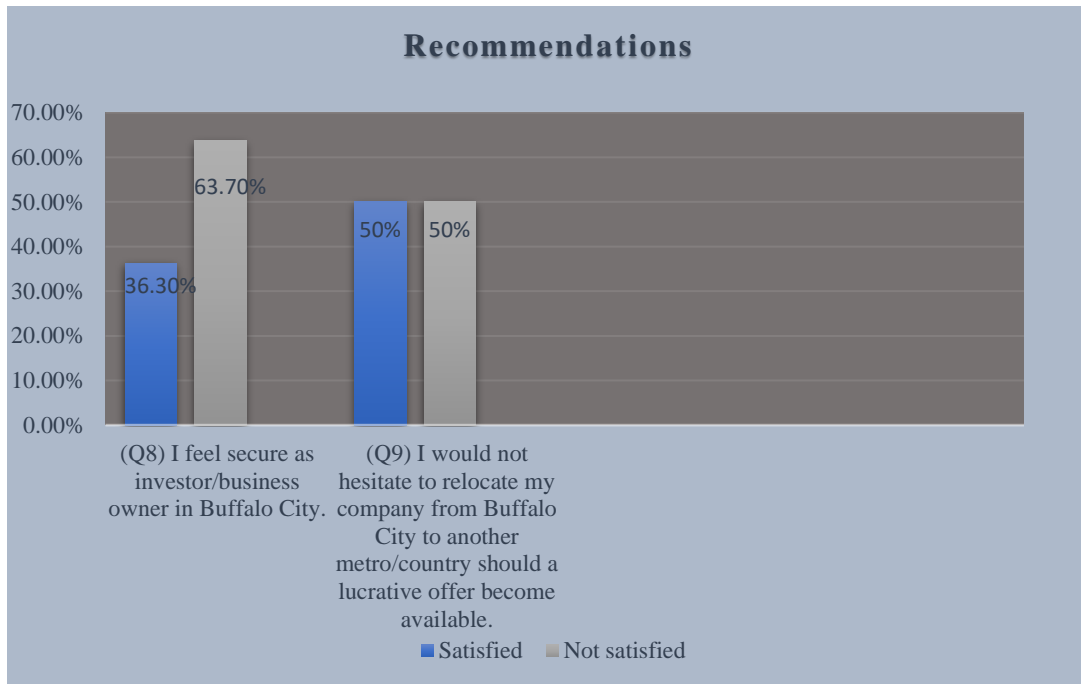


Figure 14. I will recommend Buffalo City



5.2.2 Section B

Table 6: Question 1- Rank the reasons using (1-5) investors would like to invest in Buffalo City in order of importance.

		1	2	3	4	5	1 to 2	Neutral (3)	4 to 5
		Most Imp		Neutral		Least Imp	% Imp		% Not Imp
A. Location	Count	5	6	5	2	2	11	5	4
	%	25.0	30.0	25.0	10.0	10.0	55.0	25.0	20.0
B. Accessibility to market	Count	3	2	6	5	4	5	6	9
	%	15.0	10.0	30.0	25.0	20.0	25.0	30.0	45.0
C. Competitive cost of living	Count	5	2	8	1	4	7	8	5
	%	25.0	10.0	40.0	5.0	20.0	35.0	40.0	25.0
D. Business support and incentives	Count	1	1	2	7	9	2	2	16
	%	5.0	5.0	10.0	35.0	45.0	10.0	10.0	80.0
E. Economic development opportunities available in Buffalo City	Count	5	8	-	5	2	13	0	7
	%	25.0	40.0	-	25.0	10.0	65.0	0.0	35.0

According to the opinion of the sample:

- 55% regard location as important whilst 20% regard location as not important. 25% expressed a neutral view;
- 25% regard accessibility to the market as important whilst 45% regard accessibility to the market as not important. 30% expressed a neutral view;
- 35% regard competitive cost of living as important whilst 25% regard competitive cost of living as not important. 40% expressed a neutral view.;
- 10% regard business support and incentives as important whilst 80% regard business support and incentives as not important. 10% expressed a neutral view;
- 65% regard economic development and opportunities available in Buffalo City as important whilst 35% regard economic development and opportunities available in Buffalo City as not important

Ranking the options in order of importance overall:

- Economic development opportunities available in Buffalo City
- Location
- Competitive cost of living
- Accessibility to the market
- Business support and incentives

Table 7: Question 2-Rank the reasons using (1-5) investors would not like to invest in Buffalo City in order of importance.

		1	2	3	4	5	1 to 2	Neutral (3)	4 to 5
		Most Imp		Neutral		Least Imp	% Imp		% Not Imp
A. Lack of infrastructure	Count	3	1	6	6	5	4	6	11
	Percent	14.29	4.76	28.6	28.6	23.8	19.1	28.6	52.4
B. Poor accessibility to market	Count	1	3	1	8	8	4	1	16
	Percent	4.76	14.29	4.8	38.1	38.1	19.1	4.8	76.2
C. Cost of doing business-rates; electricity; labour; approval of plans etc.	Count	7	3	3	5	3	10	3	8
	Percent	33.3	14.3	14.3	23.8	14.3	47.6	14.3	38.1
D. Lack of incentive to invest/reinvest	Count	2	4	5	3	7	6	5	10
	Percent	9.52	19.05	23.8	14.3	33.3	28.6	23.8	47.6
E. Poor service delivery	Count	6	8	0	5	2	14	0	7
	Percent	28.6	38.1	0.0	23.8	9.5	66.7	0.0	33.3

According to the opinion of the sample:

- 19.1% regard the lack of infrastructure as important whilst 52.4% regard the lack of infrastructure as not important, with 28.6% expressing a neutral view;
- 19.1% regard poor accessibility to market as important whilst 76.2% regard the lack of infrastructure as not important, with 4.8% expressing a neutral view;
- 47.6% regard the cost of doing business as important whilst 38.1% regard the cost of doing business as not important, with 14.3% expressing a neutral view;
- 28.6% regard the lack of incentive to invest / reinvest as important whilst 47.6% regard it as not important, with 23.8% expressing a neutral view;
- 66.7% regard poor service delivery as important whilst 33.3% regard poor service delivery as not important, with no respondents expressing a neutral view

Ranking the options in order of importance overall:

- Poor service delivery
- Cost of doing business
- Lack of incentive to invest / reinvest
- Lack of infrastructure and poor accessibility to market on par with each other

Table 8: Question 3: Do you believe that the Buffalo City’s brand and image makes it an attractive leisure, business travel and investment destination? Please substantiate.

	Name of Business	Sector	Recommendations
1	Tsogo Sun Hotels	Tourism	No, it has the potential to be a great destination and has great facilities - it lacks maintenance and cleanliness
2	Park Place Boutique	Business Tourism Current investors	No, as people think Buffalo City is a dirty city, with few and expensive flights into East London. They find they cost of living to be high, overall
3	Foxtech Ikhwezi	Business	No, service delivery is terrible and the city itself is dirty, options are limited. There is also a lack of infrastructure and service providers are very slow to supply goods and services
4	BMW -Autohaus Imonti	Business	No, the infrastructure is outdated, we need more modernised facilities
5	MBSA	Business	No, not at all. The need to do much more to attract people to visit the city, as the city is dirty and has no proper infrastructure
6	DNF Waste Management	Business	Buffalo City is an attractive leisure destination, but the cleanliness of the metro is a major concern. The cost of doing business in BCMM is high and the flight schedules are not efficiently aligned to a business schedule, as well as the cost of transportation
7	DVD Lighting	Business	No, Buffalo City has not been clear on investments opportunities available
8	SAB	Business	No, the Municipality also needs to invest into the city. They need to work hand-in-

			hand with the Department of Tourism, Economics and Business towards one goal, as everyone is pushing their own agenda instead of working as a unit
9	Hotspot	Business	No, not as yet. The gap between development and sustainable growth is too large
10	Liesen	Business	The brand and image are on a good track. However, travel to the city could be made easier and subsequently increase through more and cheaper flights
11	Chairman's Lounge	Business	Yes, BCM is untapped territory that shows great potential to attract economic investment
12	TNPA	State-owned enterprise	The cleanliness of the city leaves much to be desired and this has a negative impact on any branding/positioning initiatives the City undertakes
13	ACSA	Business Tourism	No, safety and cleanliness are major issues
14	Second Office	Business	No, not really. We need to be more deliberate in defining who we are and what differentiates us from the rest of the world
15	McDonalds	Business	I don't believe so, business owners come here for specific reasons e.g. market allocation, government tenders, motor industry and IDZ
16	Tshani Consulting	Business	Yes, the brand and image are okay and it has evolved. However, this needs to be sold out of BCMM, to attract more investment
17	MHG Property	Business	Yes, the brand is establishing itself with

	Specialists		improvement year after year, to be the leading investment destination in the Eastern Cape and the country as whole, it's a city that develops within us, creating business opportunities for SMME's
18	Fobitech	Manufacturing	Not yet. The gap between sustainable growth and development is too large
19	Prism Lighting	Manufacturing	We live with the reality not the brand
20	Grand Select	Director	No, it has the potential. City lacks maintenance and cleanliness
21	KGI Holdings		Positive perception established through key anchor tenants in city
22	BMW Autohaus Monti	Business	No, the infrastructure is out - dated and we need more modernised facilities

According to the opinion of the sample, 16 of the 22 respondents (72,7%) do not believe that Buffalo City's brand and image makes it an attractive leisure, business travel and investment destination. The remaining 27,3% does not provide definitive answer but believe that Buffalo City has the potential to become an investment destination of choice.

Table 9: Question 4: What do you consider to be the three (3) most important changes or actions required to attract investment to the metro? Please substantiate.

	Name of Business	Sector	Recommendations
1	Tsogo Sun Hotels	Tourism	Improve cleanliness Improve maintenance Reduce rates
2	Park Place Boutique	Business Tourism Current investors	Incentive schemes to attract big business to East London, such as lowering rates and taxes for business who employ a certain number of people

3	Foxtech Ikhwezi	Business	Service delivery Infrastructure Skilled resources
4	BMW Autohaus IMonti	Business	Infrastructure upgrade Road maintenance Improve service delivery
5	MBSA	Business	Need to invest in supply chain infrastructure Cost of doing business and living costs are very high Create opportunities and form technical groups with the ports, the IDZ and the business sector to attract business and people to our city
6	DNF Waste Management	Business	Greater visibility of the incentives available to potential investors Retention strategy for current investors Greater focus on the cleanliness and infrastructure maintenance of the Metro
7	DVD Lighting	Business	Transparency, service delivery and planning
8	SAB	Business	Proper maintenance of what we already have Upgrade the beachfront Engage local business and incentivise investors
9	Hotspot	Business	Support Structure Order – in terms of municipal involvement
10	Liesen	Business	Metro needs an investment task team that sits with the executive office and is backed

			<p>by this office to fast-track issues relating investment and decrease government red-tape</p> <p>All investment and development agencies should be able to engage with each other to find the best solution for prospective investors</p> <p>Leverage on partnerships with cities or provinces in other countries</p>
11	Chairman's Lounge	Business	<p>Airport upgrade/revamp</p> <p>Road conditions need to improve</p> <p>Law enforcement visibility</p>
12	TNPA	State-owned enterprise	<p>Major port expansion to attract larger vessels and expand shipping opportunities</p> <p>Overall cleanliness and response time from relevant BCMM departments</p> <p>Upgrade and improvement of facilities e.g. beachfront, roads, leisure amenities</p>
13	ACSA	Business Tourism	<p>Safety statistics</p> <p>Showcase Buffalo City as a good place to work, live and play.</p>
14	Second Office	Business	<p>Identify an area in which the metro can outperform any other part of the world</p> <p>Attract investors that would benefit and thrive within the area we have identified</p> <p>Maintain and preserve what we have and what we build in the future</p>
15	McDonalds	Business	<p>Infrastructure</p> <p>Incapable workforce compared to other parts of the country</p>

			Ridiculously high electricity tariffs
16	Tshani Consulting	Business	Cleanliness Incentives Facilitating development to happen faster
17	MHG Property Specialists – Developers	Business	Service delivery Infrastructure development Proactive turn - around time on project completion
18	Fobitech	Manufacturing	Improve cleanliness and maintenance. Reduce rates and electricity
19	Prism Lighting	Manufacturing	Security Cost of doing business Cleanliness
20	Grand Select	Business	Support, structure and order
21	KGI Holdings	Business	Infrastructure, service delivery and job creation
22	BMW Autohaus Monti	Business	Infrastructure upgrade, road maintenance; improve service delivery

According to the opinion of the sample, the three most important changes or actions required to attract investment to the metro are cleanliness and maintenance of the city both tied as most important, and service delivery and improve condition of roads both tied for third position. Of lesser importance is infrastructure development and reduction in rates and of least importance is entertainment amongst others.

Table 10: Question 5: Would an official partnership investment promotion, attract investors and grow the economy of Buffalo City?

	Name of Business	Sector	Recommendations
1	Tsogo Sun Hotels	Tourism	This would assist

2	Park Place Boutique	Business Tourism Current investors	Yes, definitely. The public sector relies heavily on the public sector, as custodians of our infrastructure, to make the best decisions for our region, which doesn't always happen
3	Foxtech Ikhwezi	Business	I feel this is highly unlikely, as discussions were made, but nothing has been agreed upon
4	BMW Autohaus Imonti	Business	Yes
5	MBSA	Business	Yes, definitely
6	DNF Waste Management	Business	Yes, it will – all the role players will have to commit. The Invest Buffalo City brand needs traction from both the public and private sector.
7	DVD Lighting	Business	Yes, Private sector involvement will lead to development
8	SAB	Business	Yes
9	Hotspot	Business	Yes
10	Liesen	Business	Clarification needed how would this SPV differ from initiatives in place
11	Chairman's Lounge	Business	Absolutely, we need to bridge the gap between the public and private sector in order to make the Eastern Cape a Province of Economic hub of choice in South Africa
12	TNPA	State-owned enterprise	Yes, we fully support such an initiative

13	ACSA	Business Tourism	Yes, investors look for information and they want it immediately. If they do not get the right people and the right level of service, they will seek elsewhere
14	Second Office	Business	I do not know
15	McDonalds	Business	I doubt it, it seems there is no real political will to promote investment
16	Tshani Consulting	Business	Yes, most definitely. It has been done with 'Call 2 Action' and it worked
17	MHG Property Specialists	Business	Yes, that will be ideal to accelerate business development opportunities in the city and growth that will benefit both public and private creating much needed job opportunities
18	Fobitech	Manufacturing	Yes
19	Prism Lighting	Manufacturing	No, you have to first change the realities of what you offer
20	Grand Select	Business	Yes, , this would assist
21	KGI Holdings	Business	Yes .Allow private sector to initiate projects
22	BMW Autohaus Monti	Business	Yes

According to the opinion of the sample, 17 of the 22 respondents (77,2%) believe that an official partnership between the public and private sector in the form of a special purpose vehicle facilitate investment promotion, would attract investors and grow the economy of Buffalo City, whilst 13,6 % of the respondents disagree. The remaining 9,2% respondents do not provide definitive answers.

Table 11: Question 6: Global companies expect investment aftercare programs where local government is positioned to respond to companies needs and concerns. Would an effective investment aftercare programme position Buffalo City as a competitive investment destination?

	Name of Business	Sector	Recommendations
1	Tsogo Sun Hotels	Tourism	Yes – follow up is always important in order to improve
2	Park Place Boutique	Business Tourism Current investors	Yes, it would. It would need to be carefully thought through.
3	Foxtech Ikhwezi	Business	If it is efficient and effective, then I would say yes
4	BMW Autohaus Imonti	Business	Yes
5	MBSA	Business	Yes, most certainly
6	DNF Waste Management	Business	Yes, it would. Investment aftercare is important as it will ensure that the investors in BCMM remain within the metro
7	DVD Lighting	Business	Yes, it will certainly boost investor confidence
8	SAB	Business	Yes
9	Hotspot	Business	Yes
10	Liesen	Business	Help for human resources, hiring, retaining and developing staff can be of great help as well as multicultural training. Especially in SA B-BBEE consultation can be a unique selling proposition to an investment
11	Chairman's Lounge	Business	Yes, the city needs to put a programme in place to assist the private sector ideas, as

			the ideas are there, but a lack of support from the city causes those ideas to die down
12	TNPA	State-owned enterprise	Yes, we fully support - as this program would allow the investor to send positive messages and influence other potential investors
13	ACSA	Business Tourism	Yes, I totally agree. Too many businesses fail in the first few years. Buffalo City needs to understand what the reasons for success and failure is. Thereafter, focus to enhance and correct the factors that have an impact on the businesses
14	Property – Second Office	Business	Yes, most definitely. It is important that investors feel that their investment was worth their while. Aftercare improves relations with investors and allows existing investors to speak positively about their experience
15	McDonalds	Business	Uncertain of this question.
16	Tshani Consulting	Business	Most definitely, however BCMM requires a proper Investment strategy before we worry on focusing on an aftercare strategy
17	MHG Property Specialists – Developers	Business	Certainly yes. It will accelerate investment in the city, identifying core pillars that will add value to the city and the investor
18	Fobitech	Manufacturing	Yes
19	Prism Lighting	Manufacturing	No, you first need a reason to invest outside of the motor sector

20	Grand Select	Business	Yes, follow- up is always important. Learn to improve
21	KGI Holdings	Business	Investment aftercare would be great. Quicker turnaround times; incentives. Service delivery
22	BMW Autohaus Monti	Business	Yes

According to the opinion of the sample, 20 of the 22 respondents (91%) believe that an effective investment aftercare programme would position Buffalo City as a competitive investment destination whilst 1 respondent (4,5%) disagrees and a further respondent (4,5%) is uncertain.

CHAPTER 6

FINDINGS AND CONCLUSION

6.1 Findings

This chapter presents the summary of the findings and conclusion of the study.

The findings of the study include the following:

- 50% of the respondents are satisfied to be investors in Buffalo City; the remaining 50% of the respondents are not satisfied to be investors in Buffalo City
- 27,3% investors are totally dissatisfied to be business owners in Buffalo City
- 18,2% of respondents do not believe that they are rewarded for being business owners
- 54,5% of the respondents believe they have a good relationship with BCMM while remaining 45, 5% do not believe that BCMM is competent.
- 31, 8% of respondents do not believe that BCMM attends to their needs
- 63, 3 % perceives Buffalo City to be an investor friendly destination; while 36,4 % do not believe this to be the case.
- While 63,3 % rates Buffalo City to be investor friendly, only 31, 8% would recommend Buffalo City to other investors.
- 36, 3 % of respondents feel secure are investors in Buffalo City, 63, 7 % do not believe this to be the case; while 13,7 % of the respondents feel totally insecure
- 50% of respondents indicated that they would not hesitate to relocate their companies from Buffalo City to another city/country should a more lucrative offer become available
- Of the 50% that indicated that they would not hesitate to relocate, 27,3 % displayed some hesitation

6.2 Recommendations

This study recommends that in order for Buffalo City to achieve its objective of contributing to the city's economic growth and development and create more sustainable job opportunities for most of the city's population, it has to:

- To develop, promote and facilitate domestic and foreign direct investments
- To create a conducive business and effective collaborative environment to attract investment and develop exports
- To facilitate the development and promotion of exports;
- The establishment of aftercare services for business
- The development of investment retention and expansion programs

The analysis of the data has revealed several common themes. These have been grouped together with possible recommendations listed below:

Section A:

Themes	Opportunities	Recommendations
Dissatisfied investors/ business owners	To convert this group into happy and satisfied investors	Regular engagement with investors; Provide excellent customer service; Have an investment team to manage stakeholder relations
Retention	Identification and development of new investment & business infrastructure opportunities for new Investors, whilst connecting-in and empowering the existing local business - people	Meetings and regular engagement via an institutional investment mechanism
Half of investors believe they have good relations with BCMM	To engage the unhappy investors	Build good relations with investors by having a dedicated resource managing stakeholders as part of an investor aftercare program

Buffalo City is an investor- friendly destination	To position Buffalo City as an attractive investment destination	Proactive investment promotion and marketing of Buffalo City as a premium investment destination; provide information that will make investors understand investment opportunities and the packages and incentives as well as covering why should an investor invest in BCMM. Provide regulatory environment, how to do business in the City
Recommend Buffalo City to other investors	To manage current investors to promote reinvestment, retention and market the city as an investment friendly destination	To launch an investment aftercare program to manage existing businesses within Buffalo City

Section B

Themes	Opportunities	Recommendations
Service delivery	To position Buffalo City as a metro serious about service delivery	To improve service delivery by introducing the Sundown Rule; Offer excellent customer service to investors and all businesses; to allocate a resource to manage investors
Cost of doing business	Opportunity to reduce red tape and improve efficiencies	Investment team to focus working with directorate on improving all internal

		processes to improve cost of doing business
Location important in investment	Position Buffalo City as an investment destination of choice	To introduce a public/ sector partnership/ Investment team to focus on promoting Buffalo City as an investment destination
Economic development	Position strategic projects to promote reinvestment and current	Ensure an investment team in place to ensure investors are kept abreast of the available economic opportunities;
Lack of infrastructure	Explore partnerships to provide infrastructure	Partner with private sector and other government entities to provide infrastructure; Identification and development of new investment & business infrastructure
Recommend Buffalo City to other investors	Opportunity to change perception by managing the investors	To ensure BCMM offers an effective aftercare program to provide excellent customer service to investors; Development of a detailed handbook containing information for potential investors including information on entry to and residence in the City, business entities, registration, etc.

Insecure investors	Opportunity to meet with investors to understand their challenges and to nurture relations	Regular stakeholder engagements as part of an effective aftercare program
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6.3 Conclusion

In April 2018, President Cyril Ramaphosa announced that he was spearheading a drive to generate R1.2 billion in private sector investment over the next 5 years in order to create 1-1.5 million new job opportunities in South Africa. In this context, it is important to consider what foreign investors are looking for when they consider a direct investment into a specific country and how to differentiate the South Africa economy from other countries.

The finding from the above research illustrates that Buffalo City does not have an official public and private sector partnership with dedicated focus on aftercare to promote and attract new investments. This is demonstrated by 54,5% of respondents who believe they have a good relationship with BCMM while remaining 45,5% do not believe that BCMM is competent. This shows that the provision of an aftercare program is critical to position Buffalo City as an investment destination. It is interesting to note that a total of 63,3 % of respondents perceives Buffalo City to be an investor friendly destination; while 36,4% do not believe this to be the case. Additionally, 50% of respondents indicated that they would not hesitate to relocate their companies from Buffalo City to another city/country should a more lucrative offer become available.

The study concludes that for Buffalo City to positively promote the city as an attractive investment destination, it is critical for the city to have an official public and private sector partnership with an aftercare program to promote reinvestment and attract investment to the city. The study outlines the need for either an institutional mechanism to drive investment or a robust private -public sector partnership to position Buffalo City as an investment destination.

It is important to note that while currently this might not be a high priority for the institution, the broad support demonstrates that the proposed robust private -public sector partnership could serve to fast-track service delivery issues while positioning Buffalo City as a competitive investment destination.

The findings of the study conclude that 91% of the respondents believe that an effective investment aftercare program could position Buffalo City as a competitive investment destination. These findings are confirmed by the study conducted by Manasoe (2010) that concludes that investment promotion agencies and related institutions within South Africa do not prioritise the investment of aftercare functions and that local government is considered as one of the institutions most appropriate and best positioned to offer investment aftercare services to the businesses due to their direct contact with businesses and their vested interest in the long-term sustainability of these businesses.

The proposed institutional mechanism could be in the form of a Buffalo City Investment Centre offering support to potential investors to exploring opportunities in Buffalo City by assisting with them with the relevant investment facilitation and investment aftercare services. Currently, there is no central or dedicated investment team to drive and position Buffalo City as an attractive investment destination. Based on what other countries are doing, the establishment of either an institutional mechanism or a private-public sector partnership with an effective aftercare program to manage and support investors will serve to position Buffalo City as a city serious about attracting investment by creating a conducive business environment.

Buffalo City has to focus on improving the satisfaction of both current and potential investors by adopting a customer-first approach that reduces duplication and improves efficiency for both current and potential investor by reducing of duplication of effort through consolidation of channels and solutions and by improving customer satisfaction and trust in Buffalo City.

This dissatisfaction with the current status quo is illustrated by the findings from the data that suggests that by improving basic service delivery, repairing roads, introducing cleaning and

greening programs, improving public amenities, upgrading infrastructure and engaging with stakeholders, Buffalo City will not only position itself to retain current investors but will also attract new investors who will create jobs and enhance the economic growth and development of the city.

The data and findings have demonstrated that the city will need to adopt a more focused and dedicated approach to investment promotion and facilitation in order to compete and succeed in both national and global markets. By managing its policies and regulatory frameworks, improving basic service delivery, establishing strategic partnerships and introducing an effective aftercare program Buffalo City will improve its current investment promotion offering and position the city as an investment destination.

Whilst extensive literature and studies focus on identifying why firms engage in international investment, the economic and political determinants of investment location and the impact of foreign direct investment on economic development, there is minimal research examining the role of investment promotion at the local government level. The evidence from this research indicated that local government has a pivotal role to play in the investment promotion, retention, reinvestment and aftercare programs. The strategies outlined in this research should provide economic development practitioners and local government officials with some of the complexities of successful investment promotion and provide many avenues for much needed further research in this important area.

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ANNEXURE A - QUESTIONNAIRE

INVESTMENT PROMOTION IN BUFFALO CITY

This questionnaire is confidential and the identity of the participants and the organisations they represent will not be recorded. This research forms part of a submission for a UCT Masters dissertation. Neither will they be divulged to any person(s) for any reason whatsoever.

It is acknowledged by the researcher that participants might divulge proprietary or otherwise confidential information during the course of the interview. The researcher expressly undertakes to respect the participants' confidence.

The questionnaire is designed to be completed within 15 minutes.

Apart from Section A, the research questions are open-ended and participants are requested to be considered and candid in their responses.

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PLEASE COMPLETE THE FOLLOWING:

The questionnaire is divided into 3 sections: Sections A comprises of general questions, while Section B and C focuses on investment promotion in Buffalo City.

PERSONAL PARTICULARS

Please tick the appropriate option:

1) Select one.

Business	
Tourism	
State owned enterprises	
Provincial	
Current investors/businessowners	

1. Which of the given sectors do you represent? Select one.

Provincial	
Current Investors/ Businessowners	
Former Investors	
Potential Investors	

2) Do you acknowledge that this interview is entered into freely and without coercion.

Mark the appropriate box with an X

YES	NO
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3. What is your occupational level?

Chief Executive Officer/ Managing Director	
Director	
Senior Manager	
Manager	
Employee	

4. Please indicate how many years your organisation is based in Buffalo City?

2-5 years	
6-10 years	
11-20 years	
21-30years	
31-40years	
41-50years	
51-60 years	
61-70years	
71-80 years	
81-90years	
91-100 years	

SECTION A

On a scale of 1 to 6, with 1 representing ‘totally disagree’ and 6 representing ‘totally agree’ please answer the following questions by ticking on the appropriate response:

1) I am satisfied to be an investor/ business owner in Buffalo City.

1	2	3	4	5	6
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2) I am rewarded for being an investor/ business owner in Buffalo City?

1	2	3	4	5	6
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- 3) I am satisfied with the customer service and benefits I derive as an investor/business owner in Buffalo City.

1	2	3	4	5	6
----------	----------	----------	----------	----------	----------

- 4) I have a good relationship with my local municipality?

1	2	3	4	5	6
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- 5) My municipality is very competent and attends to my needs as an investor/business owner in Buffalo City?

1	2	3	4	5	6
----------	----------	----------	----------	----------	----------

6. Buffalo City is an investor friendly destination.

1	2	3	4	5	6
----------	----------	----------	----------	----------	----------

7. I will recommend Buffalo City to other investors looking for a city that is geared for growth and development.

1	2	3	4	5	6
----------	----------	----------	----------	----------	----------

8. I feel secure as investor/businessowner in Buffalo City.

1	2	3	4	5	6
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9. I would not hesitate to relocate my company from Buffalo City to another metro/country should a lucrative offer become available.

1	2	3	4	5	6
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SECTION B

1) Rank the reasons (using 1-5) investors would like to invest in Buffalo City in order of importance.

A. Location

B. Accessibility to market

C. Competitive cost of living

D. Business support and incentives

E. Economic development opportunities available in Buffalo City

2) Rank the reasons (using 1-5) investors would not be interested in investing in Buffalo City?

A. Lack of infrastructure

B. Poor accessibility to market

C. Cost of doing business- rates; electricity; labour; approval of plans etc.

D. Lack of incentive to invest/reinvest

E. Poor service delivery

3) Do you believe that the Buffalo City's brand and image makes it an attractive leisure, business travel and investment destination? Please substantiate.

4) What do you consider to be the three (3) most important changes or actions required to attract investment to the metro? Please substantiate.

5) Would an official partnership between the public and private sector facilitate investment promotion and grow the economy of Buffalo City?

6) Would an effective investment aftercare programme foster investment promotion in Buffalo City?

Thank you for participating in the questionnaire.

Yours sincerely

R. A. Naina (MPhil student)