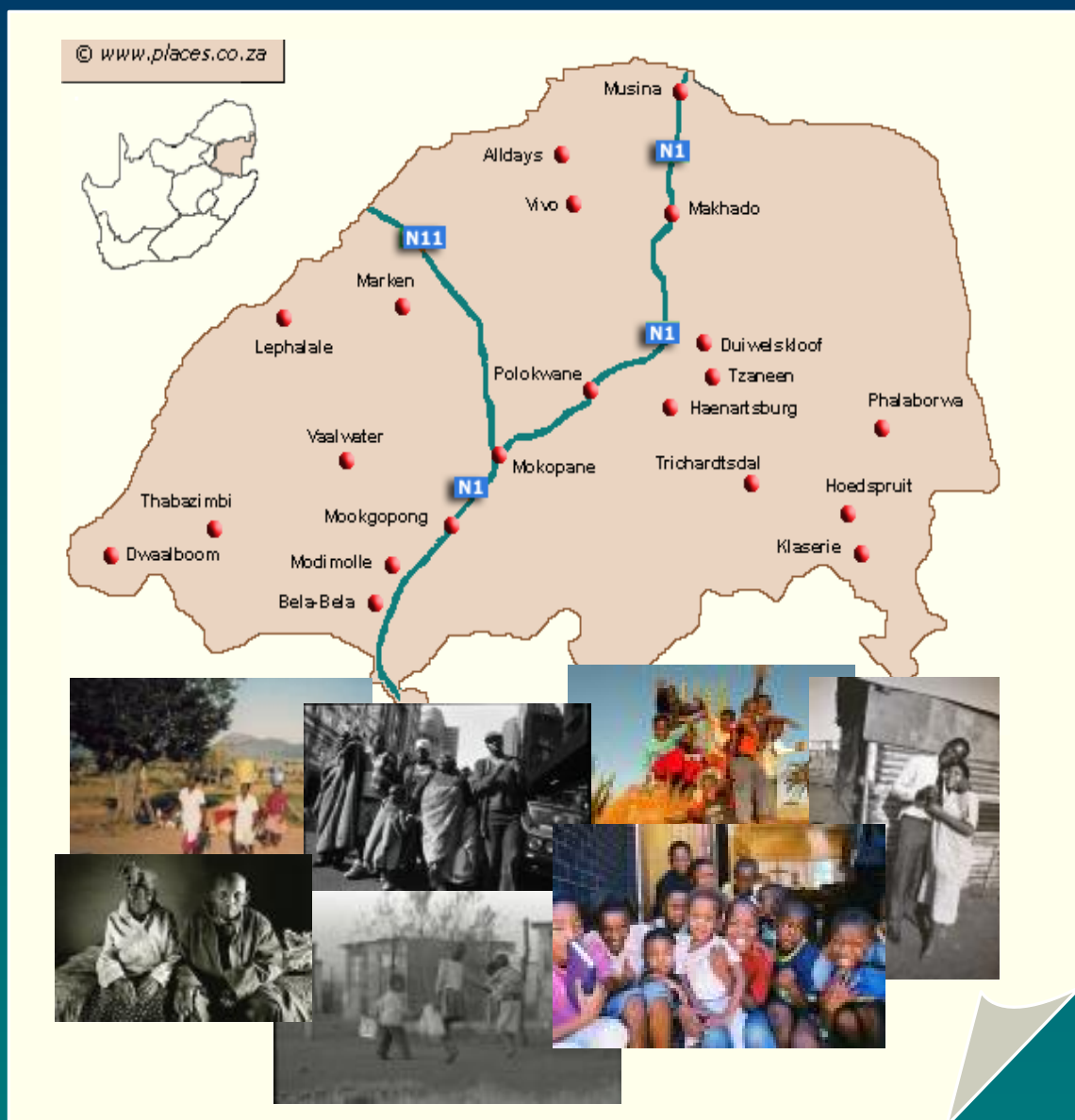


# Mogalakwena Local Municipality



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## SECTION ONE: INTRODUCTION

Urban-Econ, a firm that specialises in Local Economic Development (LED), was appointed by the Mogalakwena Local Municipality (i.e. the study area) for the formulation of a Local Economic Development Strategy to address the challenges presented by unemployment and poverty in the area.

As a Local Municipality, Mogalakwena has specific coordination and facilitation responsibilities, which need to be addressed in an innovative manner to initiate and promote integrated and sustainable LED as well as to attract investment.

The Mogalakwena Local Municipality (MLM) has identified the need for a Local Economic Development Strategy to assist with the execution of its development functions. The following aspects need to be considered in this regard:

- The Municipality needs to understand the economic environment and opportunities for local development to effectively deploy its strategic services. As a result **economic opportunities** for development have to be identified through a potential analysis and presented as a local economic profile.
- Various research documents, policies and strategies for the study area have been compiled but which have not been collated or integrated in a useable format. As such data collation should be aimed at **adding value** and to use the existing knowledge base to focus the work, i.e. a **vital issue** approach will be followed.
- The **economic enabling environment** needs specific intervention to ensure that adequate and appropriate services and infrastructure planning and provision can be complementary to new investment.
- **Skills development and capacity building** are crucial human resource development interventions for improved local labour market utilisation. As such, **skills matchmaking** based on skills supply and demand links have to be addressed.
- The **resource base** of the economy has in the main been identified and capitalised on and therefore new beneficiation opportunities have to be identified.
- The **locational advantages and disadvantages** of the economy need to be fully understood and investment-marketing actions need to be developed around these.
- From a **regional development perspective**, the economy is characterised by a few strong sectors, due to the concentration of **leading activities**, such as mining and agricultural production and processing activities, services and utilities. These are significant sources of employment and have strong forward and backward linkages, although not all of these are realised locally. The diversity in economic base thus requires diverse interventions to attract new investment and development.
- **Agriculture** as an important economic production sector and source of employment, commercially as well as a source of subsistence income, needs to be evaluated as a priority sector.
- The **manufacturing sector** needs to be evaluated for development potential and investment opportunities and the **cluster technique** can be applied in this regard.

The key sectors need to be reviewed for cluster potential and incorporation of local SMMEs, export production, etc.

- The area has specific **tourism development potential**. The opportunities are not fully exploited and can be further enhanced and unlocked and appropriately focused on **niche markets** for full benefit for local communities. Development opportunities in this regard will have to reflect and build around these market preferences.
- The role and function of **retail and business services** need to be understood especially in terms of district vs. local service provision. Specifically, cross border injections of buying power need to be maximised for full exploitation of the multiplier effect for local benefit.
- A number of studies and initiatives have been undertaken in the area, such as the **Integrated Development Plans (IDP) and district LED**. The findings and recommendations of these will provide much guidance for the further development of the area with specific reference to **projects, agreements and budget priorities**. This information will be augmented with economic statistics from Urban-Econ's in-house economic database.
- The Municipality needs to have a **coherent economic strategy** in place, which aligns with **district initiatives as well private sector social investment priorities**. It is therefore imperative that the various economic opportunities be appropriately and innovatively packaged and implemented for development and investment. The Municipality requires a clear indication, from an economic perspective, on the most optimal investment of the budget in support of the economy. This will ensure that the Municipal budget stimulate the local economy.

### **1.1. PURPOSE OF THE STUDY**

The purpose of the LED Strategy is to consolidate and add value to existing strategies and programmes and to facilitate and guide economic development and investment in the Mogalakwena Local Municipal area. The study aims to collate all economic information and investigate the options and opportunities available to broaden the economic base of the study area, packaged as a strategic implementation framework in order to address the creation of employment opportunities, investment and business development and the resultant positive spin-off effects throughout the local economy. Furthermore, it is also aimed at ensuring that the Local Municipality can efficiently and effectively facilitate the creation of an appropriate enabling environment conducive to economic development and investment.

**The overall goal for the study has been formulated as follows:**

To formulate a Local Economic Development Strategy based on newly identified development needs, opportunities and comparative advantages to inform and guide the Municipality to facilitate development, unlocking the latent economic development potential, encourage private sector investment and create economic development and job opportunities for the poor. As such, the economic strategy will purposefully inform the budget of the municipality, and will provide a

baseline against which the performance of the budget and government spending can be measured.

Based on this goal, the following objectives have been identified:

1. Utilisation of state-of-the-art technology to facilitate an in-depth analysis of the real (but latent) development opportunities in the key economic sectors in the study area.
2. Identify practical sectoral programmes that could be used as basis for proactive economic development initiatives
3. Identify micro-level business opportunities
4. Identify financing sources and investment options that could enhance practical implementation
5. Emphasise local job creation, alleviation of poverty and redistribution of opportunities and wealth
6. Focus explicitly on opportunities for SMME development in all economic sectors
7. Packaging of economic data in an electronic database to be utilised as investment marketing tool
8. Achieve skills transfer as part of the interaction with the client by utilising known approaches such as counterpart training
9. Ensure that the strategy aligns with and add value to the existing policies and strategies such as the IDP.

## **1.2. METHODOLOGY**

The study methodology as indicated in figure 1.1 involves a systematic analysis of the economy in order to gain an in-depth understanding of the composition, the past and current dynamics, and the factors that impact on them.

### **Step One: Orientation**

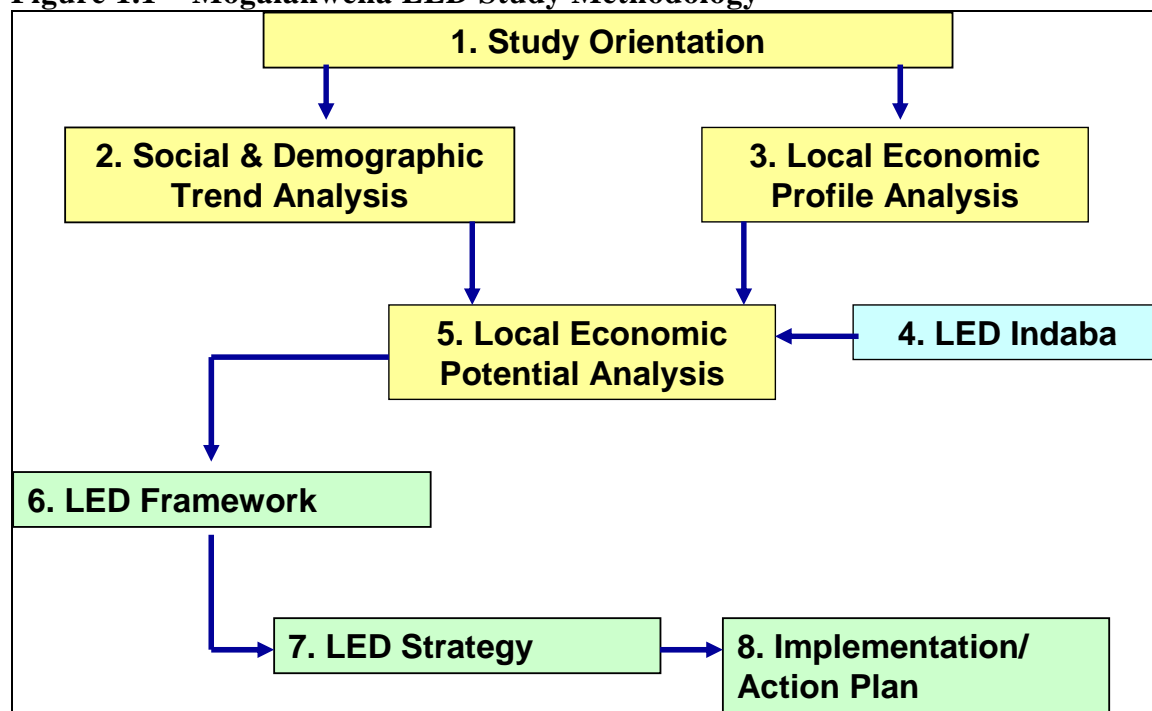
To collect all existing documentation and previous studies done in the area, such as the IDP, the district LED, etc. These documents will be assessed to establish their main findings and recommendations.

This step will involve the following actions:

- i. Finalisation of study scope, objectives, and possible dates for meetings.
- ii. Identifying and obtain all relevant documentation that can be used such as existing IDP, LED, etc.
- iii. Assess all the documentation to determine the main findings and recommendations.
- iv. Identify specific gaps and shortcomings in the data available.

- v. Identifying important role players and stakeholders in the district and local economy to be involved in the study.

**Figure 1.1 – Mogalakwena LED Study Methodology**



### Step Two: Social and Demographic Trend Analysis

The purpose of this step is to provide an analysis of the secondary data sources as it pertains to social development indicators and demographic trends. Demographic trends as seen as a development indicator together with other population and household characteristics such as education, income and household access to services etc. provide valuable insights into the challenges facing, as well as the opportunities to LED in a particular area.

### Step Three: Local Economic Profile Analysis

The economic profile analysis refers to the investigation of secondary economic data in Mogalakwena Local Municipality. This investigation will include the following key focus areas:

- Local business overview (formal & informal business sectors)
- Regional comparisons
- Business linkages
- Sectoral Production (GDP) and Employment
- Economic linkages
- Economic SWOT analysis

## **Step Four & Five: Local Economic Potential Analysis & Indaba**

The purpose of this step is to analyse key issues, development opportunities and lead sectors. This will be done by means of a focused sectoral analysis.

The local economic potential analysis will identify the sectoral comparative advantages of each economic sector to determine the development potential within the local economy.

A project identification and prioritisation work session in the form of an Indaba will be held whereby opportunities will be verified and additional programmes and projects recorded. Specific attention will be given to the local community needs and development issues. A one-day workshop will be arranged and the major stakeholders of the local and district economy will be invited. The focus of the Indaba will be as follows:

- To obtain sectoral perceptions
- To identify and verify economic opportunities and projects
- To undertake resolutions to be addressed in the economic development plan
- To incorporate, involve and commit key stakeholders and communities to the economic development of the area.

## **Step Six: LED Framework**

The purpose of this step is to integrate the identified opportunities in a holistic LED Framework Plan aimed at the following:

- Create jobs and new employment opportunities,
- Increase income levels and enables more people to pay for services,
- Broadens the tax and revenue base of the municipality,
- Enable the municipality to provide more and better services and facilities,
- Develop the human resource potential and opportunities for development, and,
- Develop linkages between developed and underdeveloped areas,
- Attract outside investment.

## **Step Seven: LED Strategy**

The purpose of this step is to integrate the functional programmes with prioritised projects in a holistic strategy aimed at the following:

- Create jobs and new employment opportunities;
- Increase income levels and enables more people to pay for services;
- Broadens the tax and revenue base of the municipality;
- Enable the municipality to provide more and better services and facilities;
- Develop the human resource potential and opportunities for development;
- Develop linkages between developed and underdeveloped areas;
- Attract outside investment.



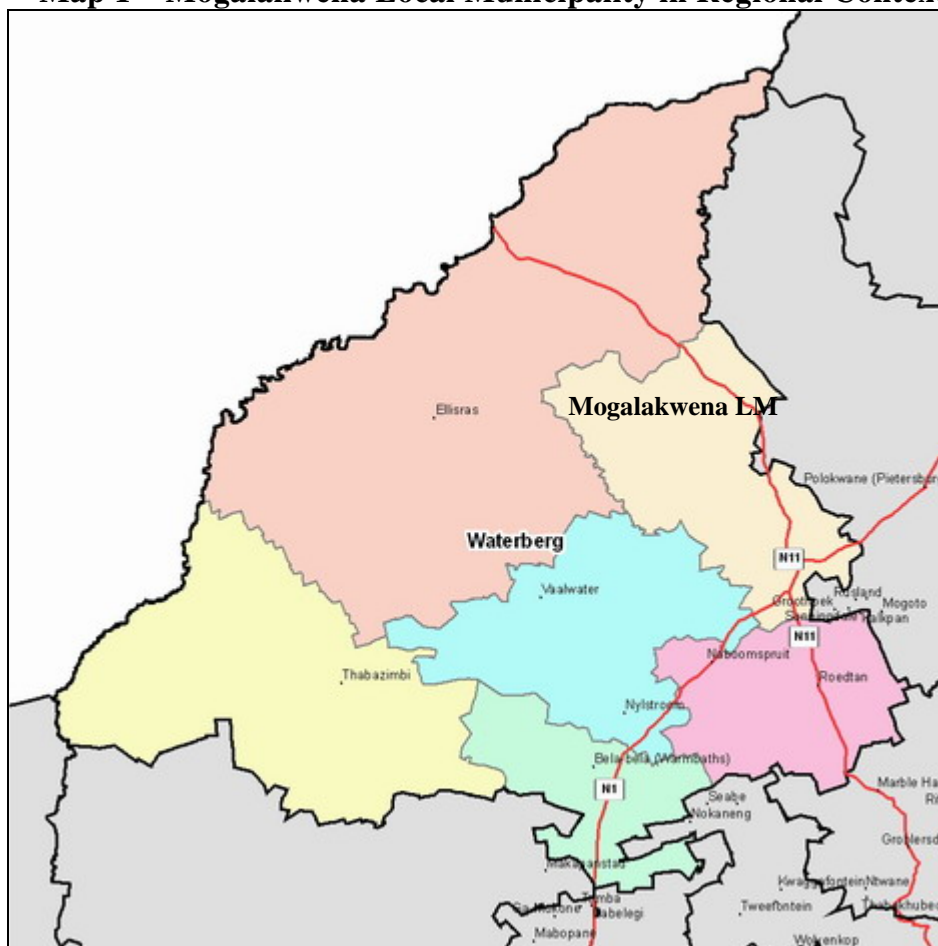
## Step Seven: Implementation / Action Plan

The LED Implementation / Action Plan is the final product of this study and include the marketing plan and funding sources. This step describes the roles of the LED unit within the Mogalakwena Local Municipality and how to implement the Local Economic Development Strategy.

### 1.3. LOCATION OF THE STUDY AREA

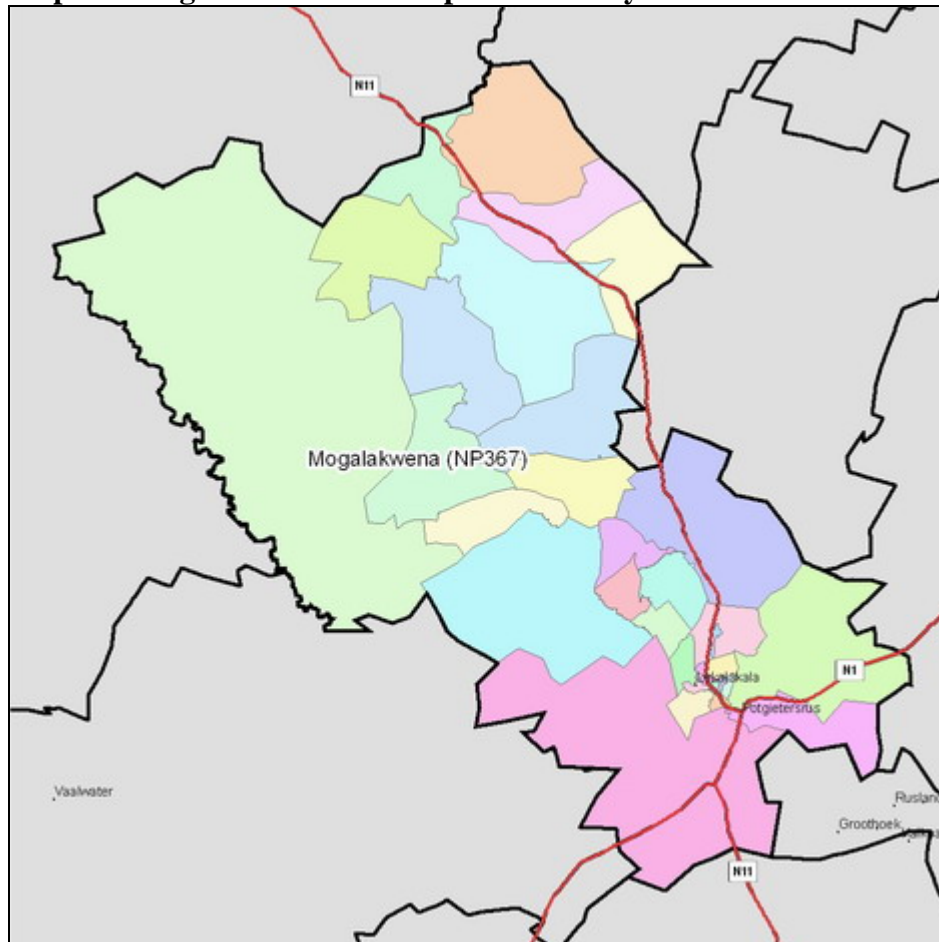
Mogalakwena is located in the southern part of the Limpopo Province where it constitutes one of the six local municipalities of the Waterberg District Municipality (see Map 1 and 2).

**Map 1 – Mogalakwena Local Municipality in Regional Context**



*Source: Municipal Demarcation Board, 2005*

The Municipality encloses to N1 and N11. These main roads spatially integrate the Municipality with the rest of the Limpopo Province as well as Gauteng to the south. Mogalakwena is directly linked via the N1 to Polokwane, Tshwane and Johannesburg.

**Map 2 – Mogalakwena Municipal Boundary**

*Source: Municipal Demarcation Board, 2005*

Apart from Mokopane, the economic sub region comprises of a number of small settlements such as Mahwelereng, Ga-Mabotsa, Limburg, Gilead, Rebone, Baltimore, Marnitz, Tom Burke and Groblersburg. Mogalakwena has a truly rural character consisting mostly of agricultural land with scattered small settlements dotted throughout the region.

## SECTION TWO: DEFINING LOCAL ECONOMIC DEVELOPMENT

The purpose of this section is to introduce and explain the purpose and relevance of LED as a vehicle of poverty alleviation and empowerment through job creation.

### 2.1. WHAT IS LOCAL ECONOMIC DEVELOPMENT?

Local Economic Development (LED) is an outcome, based on local initiative and driven by local stakeholders. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.

*It is important to realise that LED is an ongoing process, rather than a single project or a series of steps to follow. LED encompasses all stakeholders in a local community, involved in a number of different initiatives aimed at addressing a variety of socio-economic needs in that community.*

Local economic development initiatives always take place in the context of the national and global economies. Changes in the national and global economy impact on local economies in different ways. For example, a fluctuation in global gold prices may mean that a gold mine, which is the main employer in a small town, is closed down, resulting in high unemployment. LED initiatives need to take account of the national and global context, and be designed in a way, which assists local areas to respond to the national and global contexts creatively.

There is no single approach to LED, which will work in every local area. Each local area has a unique set of opportunities and problems, and must develop an LED strategy (or combinations of strategies) that is specific to the local context.

For example, some local areas have physical features (such as a beautiful coastline, or close proximity to a harbour or airport), which can be used as resources for LED. Other local areas may draw on different resources for LED, such as money, land or infrastructure, or a skilled workforce. Good relationships, enthusiasm and commitment are also important resources for LED.

LED is:

- LED is not an industrial policy. It is also not SMME promotion, though SMME may be part of LED.
- LED is not regional planning. Planning can make an important contribution to LED. But while there is often economic development without anybody having planned for it, the process of planning does not secure that there is subsequent economic dynamism.

- LED is not community development. Community development is about solidarity – it is about self-help groups, mutual assistance and voluntary work to help the disadvantaged and solve health, education, housing and other problems.

*LED occurs when a local authority, business, labour, NGO's and most importantly individuals strive to improve their economic status by combining skills, resources and ideas.*

## **2.2. GUIDING PRINCIPLES**

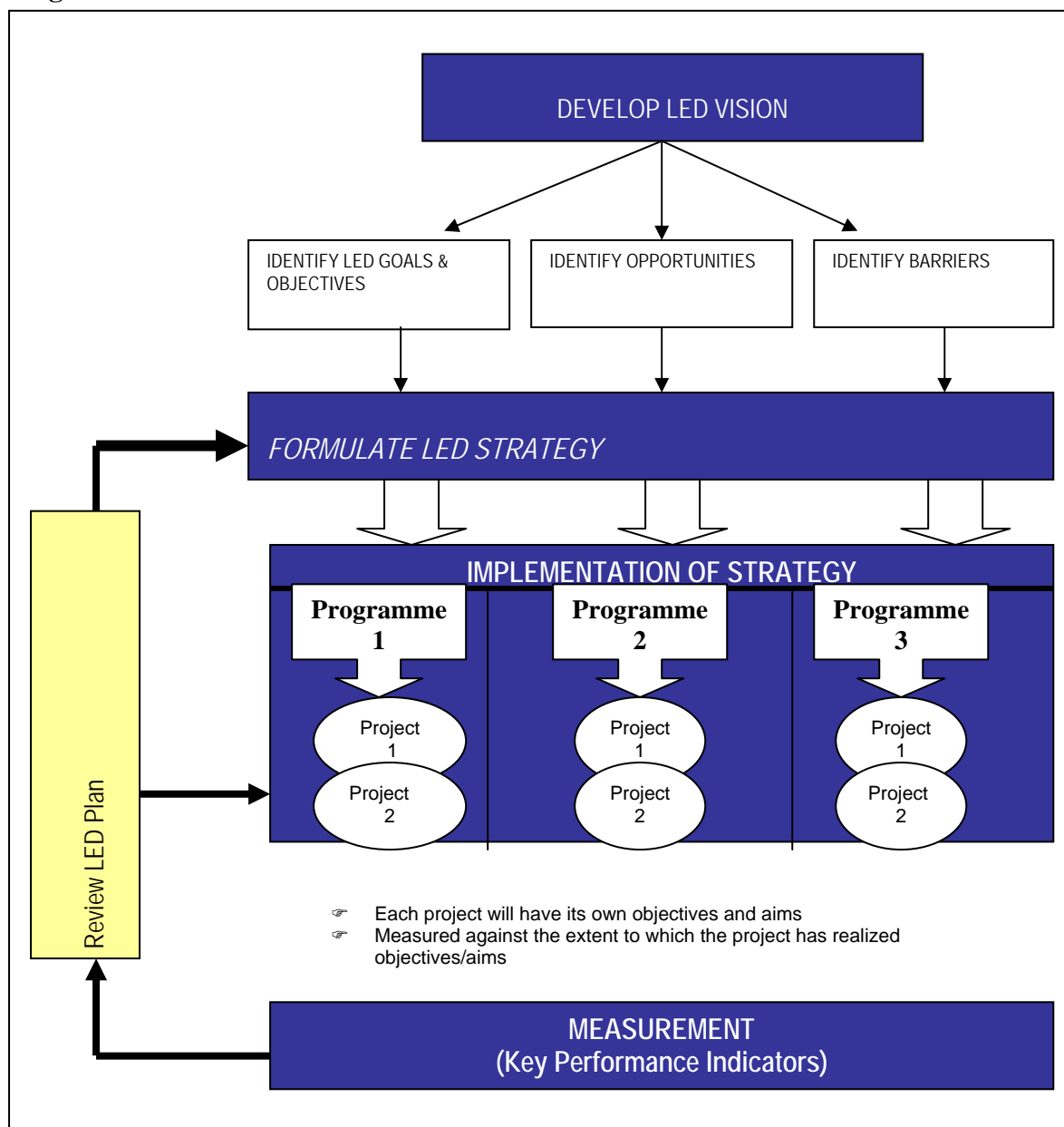
LED is characterised by the following guiding principles:

- LED aims at creating **favourable locational factors**, i.e. qualities which make a place a good place to do business. This includes obvious elements such as improving the infrastructure and training workers, but also less obvious elements such as business-mindedness and efficiency of local administration.
- LED aims at **promoting business**. This can be existing businesses, start-ups or external companies coming into a location. It is also about linking things: promote and support spin-offs and sub-contracting, attract investors, which fit nicely into the local economic structure, and consider franchises as a source of new local businesses.
- LED aims at making **local markets work better**. It aims at creating places and opportunities to match supply and demand, as well as to discover, propagate and promote new business opportunities.
- LED aims at making better use of **locally available resources** and skills and maximises opportunities for development.
- LED must **target previously disadvantaged people**, marginalised communities and geographical regions, black empowerment enterprises and SMMEs to allow them to participate fully in the economy.
- LED promotes **local ownership**, community involvement, local leadership and joint decision-making.
- LED involves local, **national and international partnerships** between communities, businesses and government to solve problems, create joint business ventures and build up local areas.
- LED involves the **integration of diverse economic initiatives** in a comprehensive approach to local economic development.
- LED relies on **flexible approaches** to respond to changing circumstances at local, national and international levels.

### 2.3. THE PLANNING PROCESS

LED forms an integral part of the IDP, which is a process through which a municipality prepares a Strategic Development Plan. It draws together all the developmental objectives of a municipality including LED, and formulates strategies to realise those objectives in an integrated manner (see Diagram 2.1).

**Diagram 2.1: The LED Process**



By drawing together the development priorities, objectives, strategies and budgets in this way, the IDP helps to ensure coordination between LED and other initiatives of government. The Integrated Strategic Plan (ISP) is the basic unit of planning for government as a whole.

It is important to note that the IDP process is the single, inclusive planning process within which other processes must be allocated. LED must be fully integrated within the IDP. A significant amount of resources for the implementation of projects lie within the sector departments. The IDP provides guidance to sector departments as to where their services are required and hence where to allocate resources at local government level.

## **2.4. WHY DO WE NEED LED?**

LED is important because it:

- Creates jobs and new employment opportunities.
- Increases income levels and enable people to pay for services.
- Broadens the tax and revenue base of a local authority.
- Enables a Local Authority to:
  - Provide more and better services and facilities.
  - Concentrate on human resource potential.
  - Concentrate on opportunities for development.
  - Promote linkages between developed and under-developed areas.
  - Build new institutions for sustainable economic development.

## **2.5. CONCLUSION**

LED is an important tool for the alleviation of poverty and the development of sustainable local economies.

It is therefore also the tool that can be used to unlock economic opportunities in Mogalakwena that will create jobs and ultimately uplift the livelihoods of the people in the study area. This however can only be achieved if everyone gets involved and a culture of Local Economic Development is established among the members of the community, the Local Municipality and the private sector.

## SECTION THREE: LEGAL FRAMEWORK

The purpose of this section is to provide the reader with an overview of relevant South African legislation with reference to Local Economic Development and planning. Although there are no specific pieces of legislation dedicated specifically to local government LED in South Africa, various policies and Acts are considered applicable in terms of their implications for economic development at the local level.

### **3.1. THE LIMPOPO PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (NW PGDS)**

The Limpopo Provincial Growth and Development Strategy (LGDS) is the most central and overarching piece of legislation that guides development planning in the province. The vision of the LGDS read as follows:

**'A PROSPEROUS, UNITED, DYNAMIC AND TRANSFORMED PROVINCE'.**

In line with this vision for the Limpopo province, the LGDS identified the following objectives for growth and development.

- Improve the Quality of Life of the Provincial Population.
- Promote Sustainable Economic Growth.
- Raise the Institutional Efficiency of the Provincial Government.
- Address Unique Priorities as they arise, including Black Economic Empowerment. HIV/AIDS-TB and poverty reduction.

The LGDS identified several clusters or focus areas for development intervention. The applicable focus area here is the Cluster for Economic Development. The main objectives of this Cluster are the following:

- Capital formation
- Economic growth
- Job creation
- Structural diversification of the provincial economy
- Spatial distribution of economic activity
- Poverty reduction and to promote
- Thriving Small, Medium and Micro Enterprises.

These objectives outline the areas of development priorities in Limpopo and play a key role in guiding economic development efforts at the District and Local tiers of government. In line with this the Mogalakwena LED aligns with the Limpopo Provincial Growth and Development Strategy.

### **3.2. THE CONSTITUTION**

The overarching piece of legislation is the **Constitution of the Republic of South Africa (Act 108 of 1996)**. Section 152 of the Constitution outlines the objectives of local government. These objectives are:

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

All of the objectives listed above can be associated with Local Economic Development. Local authorities have a legal mandate to promote social and economic upliftment within their areas of jurisdiction. These objectives form part of an integral set of principles from which LED strategies are formulated and implemented.

Furthermore, a municipality are required in terms of section 153 of the Constitution, to structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

### **3.3. THE WHITE PAPER ON LOCAL GOVERNMENT**

According of the White Paper on Local Government, local authorities have the following responsibilities in terms of their obligation to economic development:

- Provide marketing and investment support in order to attract potential support to their locality.
- Small business support services should be provided to assist small entrepreneurs.
- To support the Local Business Support Centres Programme launched by the Department of Trade and Industry. The purpose of these centres is to assist local entrepreneurs with issues concerning skills, premises, information, networking, marketing and credit.
- To provide targeted assistance (such as market research and technology provision) to a particular sector in the local economy that has to potential to expand.
- By supplementing and tailoring to local needs, the services provided by the Department of Labour in the supply of training and placement services. This is necessary towards the end of assisting people in acquiring skills and finding jobs.



### **3.4. LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT**

The **Municipal Systems Act (No. 32 of 2000)** lists the duties of a municipal council, within its financial and administrative capacity, as follow in Section 4(2):

- Exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community.
- Provide, without favour or prejudice, democratic and accountable government.
- Encourage the involvement of the local community.
- Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.
- Consult the local community about -
  - the level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and
  - the available options for service delivery.
- Give members of the local community equitable access to the municipal services to which they are entitled.
- Promote and undertake development in the municipality.
- Promote gender equity in the exercise of the municipality's executive and legislative authority.
- Promote a safe and healthy environment in the municipality.
- Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

Local Economic Development is one of the most strategic tools through which local municipalities adhere to its duties, as prescribed by the Municipal Structures Act. This fact becomes even more applicable, once a municipality's LED strategy is functionally integrated with its Integrated Development Plan.

Section 26(c) of the Municipal Systems Act further specifies that the Integrated Development Plan of a Local Municipality must contain its Local Economic Development aims. This awards the municipal LED Strategy legal status as part of the Integrated Development Planning process.

### **3.5. NATIONAL STRATEGY FOR THE DEVELOPMENT AND PROMOTION OF SMALL BUSINESSES IN SOUTH AFRICA**

The vision of National Government is that of high and sustainable economic development, which can only be obtained through increased investment, enhanced productivity, expanding employment opportunities and overall increased competitiveness.

The Strategy contains programmes and policies, which can contribute to the process of stimulating the small business sector –which is the core of sustainable and equitable growth in South Africa. Different categories of small business can be distinguished, each one with its unique characteristics, obstacles and requirements for support. It may be necessary to refer to each of these categories in order to create a better understanding of the terminology, as well as the support required:

- Survivalist enterprises

These are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated usually falls short of even a minimum income standard, with little capital investment, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises. Support strategies should primarily help these people, a large percentage of whom are women to get out of this sector. Given the large number of people involved in survivalists activities, this constitutes a vast challenge, which has to be tackled within the broader context of the RDP.

- Micro-enterprises

These are very small business, often involving only the owner, some family members and at the most one or two paid employees. They usually lack formality in terms of business licences, value-added tax (VAT) registration, formal businesses premises, operating permits and accounting procedures. Most of them have a limited capital micro-enterprises advance into viable small businesses. Earning levels of micro-enterprise differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.

- Small enterprises

These enterprises constitute a category difficult to demarcate vis-à-vis the “small” and “big” business categories basically owner /manager-controlled, though the shareholding or community control base could be more complex. The employment of 200 and capital assets (including property) of about R5 million are often seen as the upper limit. Medium-sized enterprises, which face obstacles and constraints, cannot be solved through normal market forces and private-sector action.

The creation of an enabling environment is of crucial importance for SMMEs to play their market, diversification of the economy, enhancing of productivity of our labour corpse, stimulation of investment, flourishing of entrepreneurship and penetration of new markets.

### **3.6. INTEGRATED SUSTAINABLE RURAL DEVELOPMENT STRATEGY (ISRDS)**

The **Integrated Sustainable Rural Development Strategy (2000)** aims to transform rural South Africa into an economically viable sector, which can make a significant contribution to the GDP of South Africa. The Strategy attempts to coordinate existing initiatives and programmes towards the end of achieving greater impacts over the short term. The ISRDS envisions socially cohesive and stable communities with viable institutions and sustainable economies with access to social amenities. Furthermore, communities must be able to attract skilled people who can contribute to the country's growth and development. This vision contains the following key elements.

- Rural Development

Rural development is a multi-dimensional concept, encompassing improved service provision, better opportunities for income generation, Local Economic Development, improved physical infrastructure, social cohesion and physical security within rural communities. The concept also adheres to democratic principles such as the level of representation of local communities in the political process. The concept places emphasis on facilitating change in rural environments to enable poor people to earn a higher level of income and to invest in themselves and their communities.

- Sustainability

Sustainability in this context refers to the increased participation of local communities in development projects and initiatives to ensure their success at a local level. Initially most of the financing for the strategy will be channelled through line departments and special programmes, but will increasingly depend on the budgets of local authorities over time. Ensuring sustainability will thus include the enlargement of the revenue base at the local level over time.

Social sustainability is an important dimension of a successful development strategy. The participation process should be designed to be as transparent and broadly inclusive as possible. A portion of the benefits should be targeted to particular groups that might otherwise be under-recognised, such as women and young people.

- Integration

The integration of rural development is a comprehensive task because it involves all of the economic sectors and necessitates effective coordination between the various spheres of government. The primary focus of integration is at municipal level through

the Integrated Development Planning (IDP) process. Implementation of decisions arrived at through the IDP process is achieved through an amalgamated resource envelope comprised of the municipal budget, the commitments of the line departments and other sources. The strategic objective of the ISRDS is *“to ensure that by the year 2010 the rural areas would attain the internal capacity for integrated and sustainable development”*.

In addition the ISRDS states that any strategy for development should be based on the socio-economic realities in the province and the country as a whole. This framework recognises the strong link between economic, social and physical factors. Any attempt to implement LED strategies should therefore consider the socio-economic realities of the area and its wider context, to comprehend the impact of these realities on economic growth.

### **3.7. BLACK ECONOMIC EMPOWERMENT (BEE)**

The Reconstruction and Development Programme (RDP) sets out key development challenges for government, which includes the creation of employment opportunities, human resource development, provision of infrastructure, changes in ownership patterns and the reduction of inequality in society. The RDP provides a comprehensive framework and recommendations for addressing BEE. These recommendations call for:

- An aggressive land reform programme with substantial state funding.
- SMME development programmes.
- Reform of the financial sector to increase the amount of capital available for entrepreneurs.

In relation to ownership, the RDP states the following:

The Government has implemented various measures in different areas of public policy to advance the objectives of BEE; however, there is an absence of a coordinated and targeted approach that integrates all these efforts and measures, their impact on advancing the levels of black participation in economic activities. However, South Africa's economy is still characterised by inadequate investment low levels of economic growth, huge development backlogs, vast inequalities in income and rising levels of unemployment and poverty.

The Black Economic Empowerment Commission (BEECom) has encapsulated a broad definition of BEE. It is an integrated and coherent socio-economic process, located in the context of the country's national transformation programme (i.e. the RDP). It is aimed at redressing the imbalances of the past by seeking the sustainable and equitable transfer and confers the ownership, management, and control of South Africa's financial and economic resources to the majority of its citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity.

South Africa's transformation challenges can only be addressed in the context of a growing economy. However, economic growth in the absence of creative social and economic programmes is unlikely to reduce racial income inequalities. Furthermore, prevailing inequality, unemployment, and poverty have a detrimental impact on attracting new investment and economic growth.

BEE is needed to alleviate the vast inequalities that characterise South African society and thereby increase black participation in the mainstream economy. This step is fundamental to the expansion of productivity and improved welfare. BEE is therefore a necessary measure and the responsibility of all stakeholders to implement.

### **3.8. ACCELERATED SHARED GROWTH INITIATIVE FOR SA (ASGISA)**

ASGISA does not cover the whole of the country in a development plan; rather, it is a set of interventions to promote and create conditions for accelerated and shared growth and development. Government should continue to work with all its social partners to address other elements of the comprehensive development plan to improve on current programmes.

ASGISA focus areas:

- Building infrastructure to grow the capacity of our economy.
- Boosting sectors of the economy with special potential for faster growth.
- Developing the skills needed.
- Addressing inequalities that marginalise the poor in the Second Economy.
- Continuing with the policies that have created a good climate for growth.
- Making government more effective and efficient.

#### **IMPLICATIONS FOR MUNICIPALITIES**

*To meet the development goals of ASGISA, there will have to be special attention to strengthening local government:*

*Continued co-operation of all three spheres of government to ensure that each and every district and /metro municipality has:*

- *A realistic Integrated Development Plan.*
- *A credible Local Economic Development Programme (LED).*
- *The material and human resources, as well as the management and operational system, to implement these IDPs and LEDs.*

*Better integration of planning and implementation across the three spheres of government as a priority for the term of the new local government. In this regard, receive guidance by the Intergovernmental Relations Framework Act, 2005 which states:*

***"To establish a framework for the national government, provincial government and local government to promote for mechanisms and procedures to facilitate the settlement of the intergovernmental disputes and to provide for matters connected therewith."***

### **3.9. CONCLUSION**

The major changes in the South African local government system have brought about new challenges for municipalities. Coupled with the fact that the country itself is still battling with the challenges of the new political dispensation, municipalities operate within a complex regulatory and policy framework. Central to this is the adoption of a new system of developmental local government, which puts emphasis on the social, economic and political development of local communities as being central to the functioning of local government.

Traditionally, economic development was viewed as a function of the national and provincial levels of government. Recently, local authorities are being recognised as an important player in the pursuit of the country's economic well being. Hence the growing emphasis on Local Economic Development (LED). The higher levels of government set a broad policy and legislative framework for economic development but the actual planning and implementation of local programmes is the responsibility of local government.

While there is no specific legislation that clearly sets out local authorities' duty to plan for and facilitate Local Economic Development, by virtue of it being one of the thrusts of the new developmental local authorities approach, LED is consistent with and/or is directly underpinned by a number of policy and regulatory mandates. The Municipal Systems Act (2000) is one such important piece of legislation in that it sets out the platform for integrated development planning, the outcome of which is the Integrated Development Plan (IDP).

Integrated Development Planning is the single, most inclusive five-year planning process of local government, within which all other processes, including Local Economic Development planning and implementation should reside. Chapter 5 of the Municipal Systems Act outlines the process for planning, drafting, adopting and reviewing the IDPs. The Act also provides in Chapter 6, a tool in the form of a performance management system to effectively monitor the progress made in terms of the IDP that can be applied to local governance in general, including in the monitoring of LED. The Municipal Planning and Performance Management Regulations (2001) further highlight this approach to the monitoring of performance by local authorities.

The Local Government White Paper (1998) has also set the pace for developmental local government. This framework endorses a number of issues that are directly and indirectly supportive of the LED mandate. These include support to community organisations (in the form of finance, technical services or training), promoting linkages between poor and wealthier communities and efficient delivery of infrastructure and services.

The Urban Renewal Programme (2001) is supportive of LED in its objective of revitalising urban centres in order to not only attract new businesses and retain existing ones, but to also improve the aesthetics and socio-economic conditions of

those areas. These in turn will attract more visitors, and therefore increase the income base of such urban centres.

The Department of Provincial and Local Government (DPLG) has also produced important LED documents to guide municipalities in LED issues. Documents such as A Resource Book for Municipal Councillors and Officials (2001) and Refocusing Development to the Poor (2002) outline the view of the department on LED, the related policies and legislation as well as suggest possible LED strategies that local municipalities may pursue. Furthermore, the DPLG has set up an LED Fund to finance and support local job creation and poverty alleviation projects that may be undertaken at a local level by local stakeholders.

LED can also be viewed within the context of the Reconstruction and Development Programme (RDP, 1994), The South African Constitution (1996), Integrated Sustainable Rural Development Strategy (2000), the Spatial Development Initiatives (SDI) Programme and the National Environment Management Act (NEMA, 1998).

The Constitution specifically calls upon local authorities to promote social and economic development within their areas. Section 153 states that “A municipality must a) structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; b) participate in national and provincial development programmes”.

The Office of the President initiated the formulation of an Integrated Sustainable Rural Development Strategy (ISRDS) during the year 2000 in order to improve the quality of life of rural citizens through poverty alleviation programmes and the provision of sustainable livelihoods. The framework document indicates that this objective cannot be met unless rural development in general and the rural economy in particular, are nurtured and improved.

In view of the above discussion, it is critical for Mogalakwena Local Municipality to:

- Take cognisance of the Limpopo PGDS (LGDS) and strategic direction of development in the province.
- Understand the government approach to Local Economic Development.
- To plan and implement LED strategies within the context set out by various national and provincial policy and legislative frameworks.
- Understand their functions and duties as municipalities and the impact of each of these on Local Economic Development.
- Have clarity on LED roles and responsibilities for the different spheres of government and civil society in order to affect a more co-ordinated effort in realising LED ideals.



## SECTION FOUR: SOCIO-ECONOMIC PROFILE

The purpose of this section is to provide an analysis of the current social and economic development profile of the region and its implications for Mogalakwena. Indicators to be discussed include, *inter alia*, population dynamics, division of income, employment trends, sectoral production (GDP) and poverty.

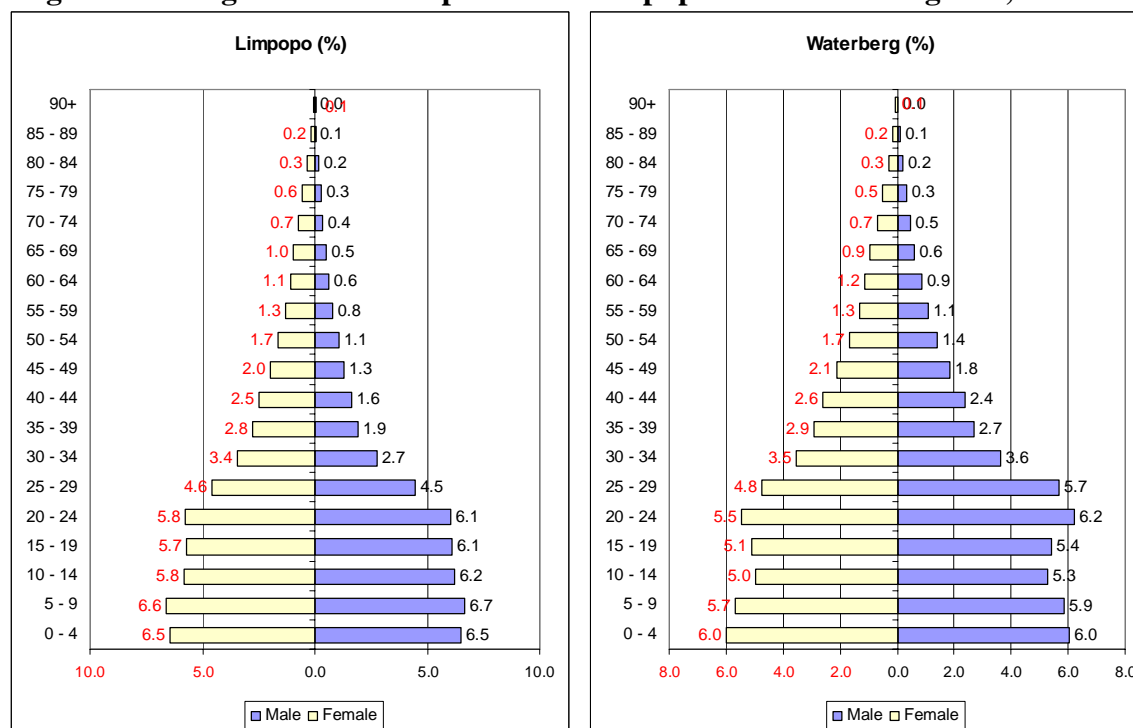
The study area is discussed in terms of the socio-economic context of the Waterberg District Municipality and the Limpopo province.

### 4.1. POPULATION DYNAMICS

#### 4.1.1. Regional Perspective

The population of the Limpopo province was estimated at 5.5 million in 2004 growing at a rate of about 1.3% per annum. This growth rate is marginally lower than the national average of 2.1%. One reason for the below average growth rate has been the out-migration of people especially to Gauteng. Sepedi is the predominant language (52.2%), followed by Xitsonga (22.4%), Tshivenda (15.9%) and Afrikaans (2.3%).

**Figure 4.1 – Age and Gender profile of Limpopo and Waterberg DM, 2004**



Source: Quantec Research, 2006



Figure 4.1 illustrates the percentage distribution between males and females for Waterberg District Municipality and the Limpopo province. From this figure it is evident that although both regions have a fairly equal gender distribution, Limpopo is female dominant (52.5%) while Waterberg is slightly male dominant (50.1%).

The population group younger than fifteen in Waterberg DM (33.8%) makes up a smaller part of the population age structure than that of Limpopo (38.2%). This means that the population structure of Waterberg DM are fairly older compared to the province in which it is located. When it is considered that Waterberg DM and Limpopo has a similar distribution of elderly people (above 65) it becomes clear that Waterberg DM has a lower dependency ratio (0.6) than Limpopo (0.7). This means that on average each working age person in Waterberg DM has to support 0.6 dependents compared to 0.7 in the Limpopo. This indicator implies a slightly higher quality of life for the population of Waterberg DM compared to the provincial average.

The working age population (15 to 65 years) also portray important differences. This category in the population pyramid reveals that a smaller part of the Limpopo (57.5%) population can be regarded as economically active compared to Waterberg DM (61.8%).

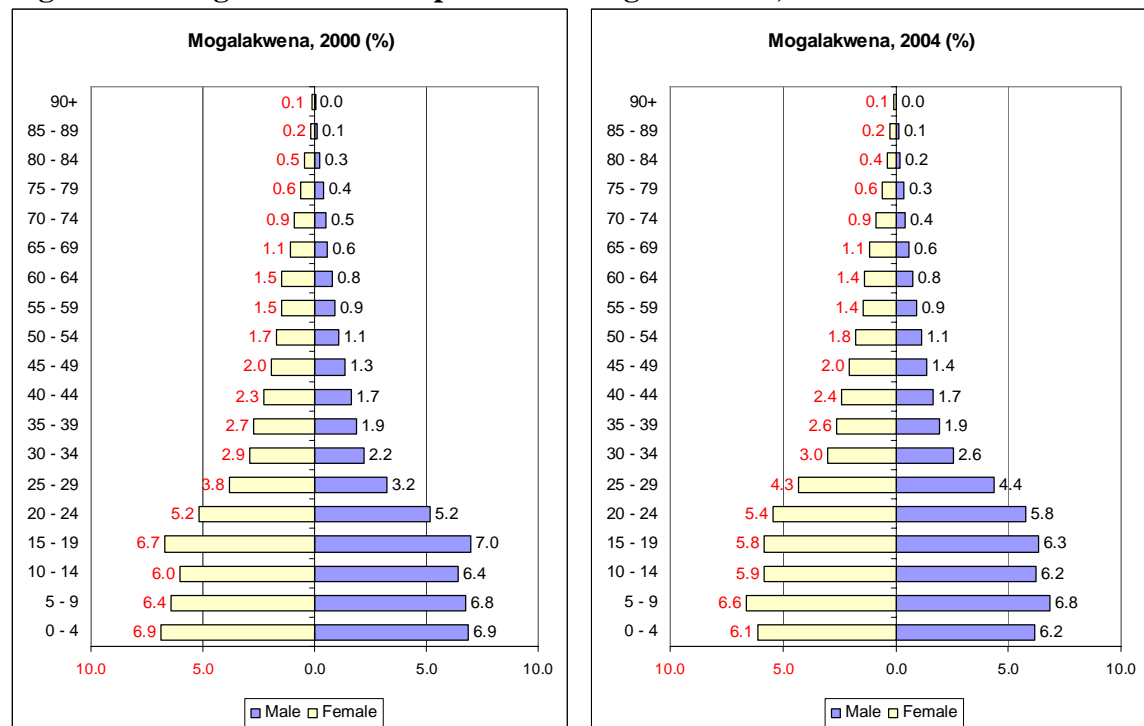
Between 2000 and 2004 the population of Waterberg DM grew on average by 2.0% per annum from 953 000 in 2000 to about 641 000 in 2004. This population growth rate is higher than that of Limpopo (1.3%) and South Africa (2.1%)

#### **4.1.2. Local Perspective**

The total population of Mogalakwena was estimated at approximately 5.6% (i.e. 306 000 people) of the Limpopo population (2004) while growing at an average annual growth rate of 1.1%.

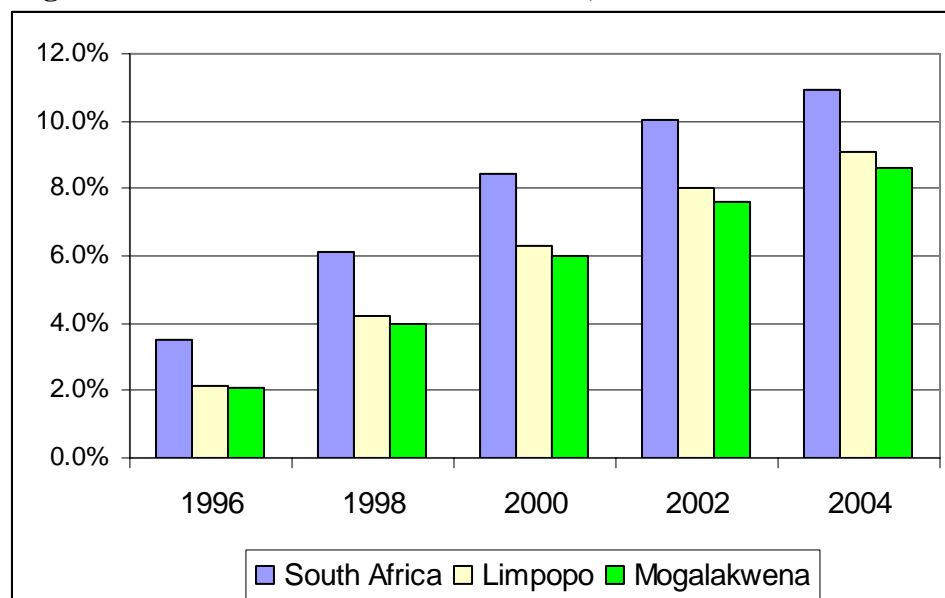
Similar to the Limpopo and Waterberg DM, it is observed that Mogalakwena has a fairly even gender distribution although also female dominant (52.1%). The population age structure of Mogalakwena compares very closely to that of the Waterberg DM. It is however noted that the population groups below twenty and above sixty-five has increased while the working age population has decreased from 57.1% in 2000 to 55.4% in 2004. This situation implies a growing dependency ratio.

The population of Mogalakwena appears to be slightly better off in terms of HIV/AIDS prevalence rates than compared to their Limpopo and South African counterparts. The HIV/AIDS prevalence rates from 1996 to 2004 for these three regions is illustrated by figure 4.3. According to this figure, HIV/AIDS prevalence has increased on average per annum by some 20.6% in Mogalakwena during this period.

**Figure 4.2 – Age and Gender profile of Mogalakwena, 2000 & 2004**

Source: Quantec Research, 2006

Although slightly lower than the comparative growth rate of Limpopo (21.0%), the spread of HIV/AIDS in the study area is higher than the national average (16.9%).

**Figure 4.3 – HIV/AIDS Prevalence Rate, 1996 - 2004**

Source: Quantec Research, 2006

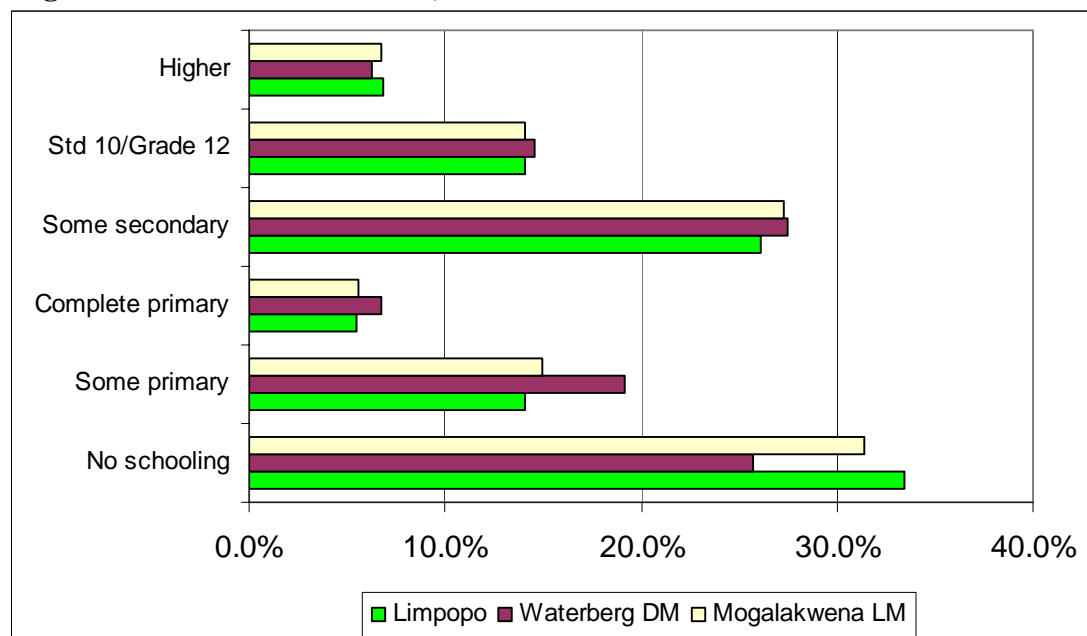
In 2004 about 8.6% (i.e. 306 000 people) of the population in Mogalakwena was infected with the virus compared to 9.1% in the Limpopo and 10.9% on a national level. Since 1996 the population of Mogalakwena consistently had a lower prevalence rate than Limpopo and South Africa. In 2004 just over 1400 people in the study area died from HIV/AIDS related illnesses compared to just 114 incidents in 1996.

## 4.2. DEVELOPMENT INDICATORS

### 4.2.1. Education

The 2001 education profiles of Limpopo, Waterberg DM and Mogalakwena is displayed by figure 4.4. According to this figure only about 21% of the adult population in these regions has at least a Grade 12 qualification. It is also observed that Mogalakwena (31.4%) and Limpopo (33.4%) has a much larger group of adults than the Waterberg (25.8%) that did not have any formal education.

**Figure 4.4 – Adult Education, 2001**



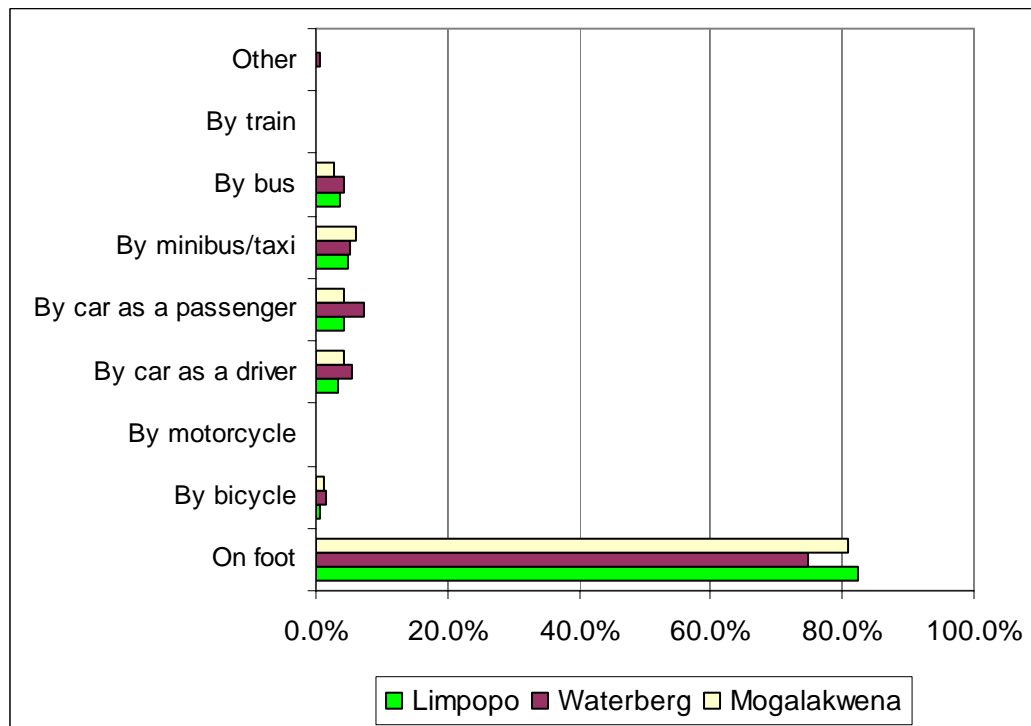
Source: Statistics South Africa, (Census 2001)

Compared to the province in which Mogalakwena is located, it can be concluded that the adult population in the study area is less well off in terms of education. About 68% of the adult population in Mogalakwena has some form of primary education and can be regarded as literate.

### 4.2.2. Transport

The modes of transport used for travel to home or school in Limpopo, Waterberg DM and Mogalakwena are illustrated by figure 4.5. The overwhelming majority of people in these three areas mostly walk to school or their place of employment.

**Figure 4.5 – Mode of Transport to work and school, 2001**



Source: Statistics South Africa, (Census 2001)

A smaller percentage of the population in Mogalakwena (17.7%) has access to any form of motorised transport than compared to Waterberg DM (22.8%). The most popular mode of motorised transport in Mogalakwena is minibus taxis. In Mogalakwena some 6.0% of people regard the minibus taxi as their main mode of transport while another 8.4% has access to a private vehicle (i.e. driver or passenger).

### 4.2.3. Household access to services

Household access to municipal services is always regarded as important socio-economic development indicators. The following observations from Census 2001 were made in Mogalakwena:

- 70.4% of households had access to electricity while 26.6% made use of candles as their main source of lighting.
- 71.4% of household made use of their own refuse dump while 17.8% indicated that the local authority provided them with a refuse removal service.
- 8.8% of households had access to a cell phone or/and a landline while 6.4% noted that they did not have any access to a telephone.

- While 23.5% of households said that they had access to a flush or chemical toilet, 64.9% indicated that they made use of pit latrines.
- About 72.8% of households had access to piped water while 11.5% made use of boreholes or springs. Water vendors (7.4%) were active in the area.

#### 4.2.4. Income among the employed

Table 4.1 illustrates the income among the working adult population of the Limpopo, Waterberg DM and Mogalakwena LM. According to this table the average weighted monthly income of workers in Mogalakwena (R2 619) is slightly higher than that of Waterberg DM (R2 319) and Limpopo (R2 542).

**Table 4.1 – Income among the Employed, 2001**

Income Category	Limpopo %	Waterberg %	Mogalakwena %
R 1 - R 400	28.2%	30.5%	19.8%
R 401 - R 800	20.1%	23.3%	22.6%
R 801 - R 1600	16.3%	15.7%	20.1%
R 1601 - R 3200	16.5%	14.7%	17.1%
R 3201 - R 6400	12.9%	10.0%	13.7%
R 6401 - R 12800	4.5%	4.0%	4.8%
R 12801 - R 25600	1.0%	1.1%	1.3%
R 25601 - R 51200	0.3%	0.4%	0.4%
R 51201 - R 102400	0.2%	0.2%	0.2%
R 102401 - R 204800	0.1%	0.1%	0.1%
R 204801 or more	0.0%	0.0%	0.0%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Weighted Average</b>	<b>R 2,542</b>	<b>R 2,319</b>	<b>R 2,619</b>

*Source: Statistics South Africa, (Census 2001)*

A very large percentage of the working population in all three regions earn less than R3200 per month. The largest concentration of workers in this regard was recorded in Waterberg DM where 84.2% of workers earned less than R3 200 per month. The comparative population group in Mogalakwena was slightly less (79.5%).

A very small portion of the Mogalakwena (6.7%) and Waterberg DM (5.8%) working population earns a monthly income in excess of R6 400. The provincial average in this regard is about six percent which is slightly lower than the observed amount in Mogalakwena.

### 4.3. ECONOMIC INDICATORS

South Africa has nine provinces of which Limpopo is the fifth largest. This province encompasses an area of 123 910 square kilometres which represents 10.2% of South Africa's total surface area. Limpopo borders Botswana, Zimbabwe and Mozambique to the north. Its southern borders are shared with the Mpumalanga, Gauteng and North West provinces.

#### 4.3.1. Regional Perspective

The provincial contribution to production (GDP) in the South African economy together with a tress index and provincial economic growth rates is presented by table 4.2. In terms of total production, the economy of South Africa is dominated by Gauteng which contributes 33.4% of total GDP followed by KwaZulu-Natal (16.5%). In 2004 the Limpopo province contributed slightly below R80 billion or 6.5% of the total South African GDP.

This means that the Limpopo had the sixth largest economy among the nine provinces. The Limpopo economy thus contributed more to total GDP than the North West, Free State and Northern Cape provinces.

**Table 4.2 - GDP Contribution, Tress Index and Economic Growth by province in South Africa, 2004**

Province	Contribution to GDP in South Africa %	Tress Index	% Average Annual Growth Rate	
			1995-2000	2000-2004
Western Cape	14.5%	50.7	2.9	3.9
Eastern Cape	8.1%	56.6	2.4	2.5
Northern Cape	2.4%	48.3	2.8	2.0
Free State	5.4%	39.3	2.0	1.6
KwaZulu-Natal	16.5%	46.2	2.8	3.2
North West	6.5%	46.2	1.8	3.2
Gauteng	33.4%	51.5	3.1	3.7
Mpumalanga	6.9%	36.0	3.4	1.4
<b>Limpopo</b>	<b>6.5%</b>	<b>47.8</b>	<b>3.1</b>	<b>4.8</b>
<b>South Africa</b>	<b>100.0</b>	<b>42.0</b>	<b>2.8</b>	<b>3.3</b>

Source: Quantec Research, 2006 & Urban-Econ calculations, 2006

A tress index indicates the level of concentration or diversification in the economic activities of an area. An index of zero represents a totally diversified economy, while a number closer to 100 indicates a high level of concentration. An economy which is highly concentrated in only a few sectors are more sensitive to market fluctuations (in those sectors) while a more diversified economy will be able to absorb fluctuations in the market better. The Limpopo province is not very diverse or highly concentrated with a tress index of 47.8. A sudden fluctuation in such an economy, for what ever reason, may cause a downward trend in GDP, total turnover and employment opportunities

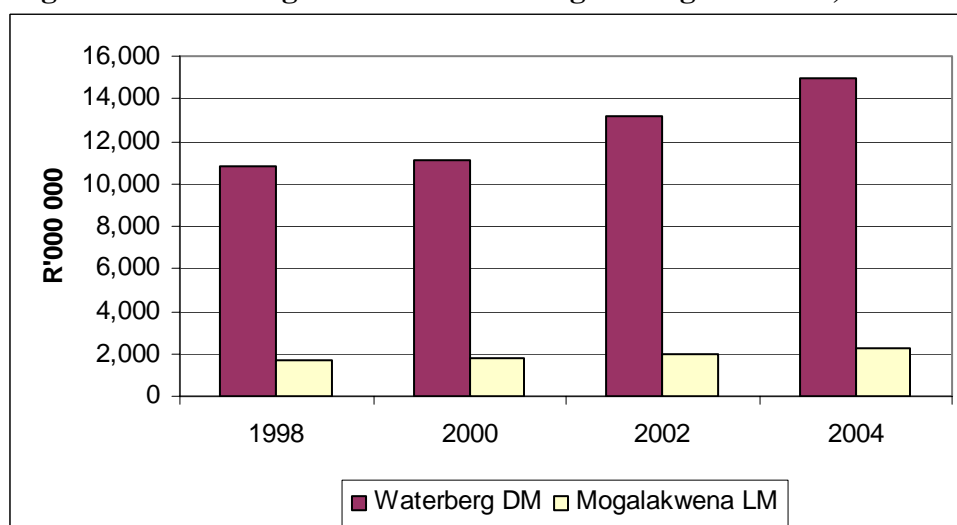
throughout the province. A more diversified economy will under these conditions be better able to absorb the production and employment losses.

Economic growth rates are central to the identification of opportunities for development. According to table 4.2 the economy of South Africa experienced a more robust growth rate between 2000 and 2005 (3.3%) than during the period 1995 to 2000 (2.8%). This trend was followed by the Limpopo province where GDP growth improved from an average annual growth rate of 3.1% during the first period to 4.8% during the second period ranking the province first in South Africa. This growth rate thus compares favourably within the South African context and was mainly due to expansion in the Limpopo Mining and Transport sectors.

#### 4.3.2. Local Perspective

The economic growth of Waterberg DM and Mogalakwena is indicated by figure 4.5. The economy of Waterberg DM grew from approximately R10.8 billion in 1998 to R14.9 billion in 2004 while the economy of Mogalakwena grew from R1.6 billion to R2.2 billion over the same period. This can be translated to an average annual economic growth rate of 5.5% in Waterberg DM and 5.0% in Mogalakwena. Considering the economic growth rates of South Africa and Limpopo it is concluded that growth in the study area, and the district in which it is located, is responsive to growth fluctuations in the province and the country.

**Figure 4.5 – GDP<sup>1</sup> growth in Waterberg & Mogalakwena, 1998 - 2004**



Source: Quantec Research, 2006

Table 4.3 illustrates the sectoral economic (GDP) profiles and growth rates of Waterberg DM and Mogalakwena. From the table it is evident that both economies are driven by the Mining and Finance sectors. In Mogalakwena the Finance sector accounted for 21.8% of the total GDP 2004. This implies that the

<sup>1</sup> Constant 2000 prices

economy of the study area is indeed very small and that the Finance and Mining sectors are the main role players in the local economy. Other important contributors to local production in the study area are the Services (18.2%) and Trade (15.0%) sectors. Economic growth in Waterberg DM improved from 3.5% (1996 to 2000) to 7.6% per annum (2000 to 2004) while growth in Mogalakwena improved from 4.2% to 6.2% per annum. This implies that although the economy of Mogalakwena is dominated by the Finance and Mining sectors, the rest of the economy is slowly gaining momentum.

The strongest growth sectors in Mogalakwena and Waterberg DM during 2000 to 2004 was the Transport and Mining sectors. These sectors in Mogalakwena grew by 10.4% and 11.8% respectively on average per annum during this period. It is however of concern to note the decline of the Construction sector in both regions since 1996.

**Table 4.3 - GDP Contribution & Economic growth per sector**

Sector	GDP, 2004 %		Growth p.a.: 96 - 00		Growth p.a.: 00 - 04	
	Waterberg	MLM	Waterberg	MLM	Waterberg	MLM
Agriculture	4.8	1.9	8.5	8.8%	4.4%	4.6%
Mining	52.8	21.7	2.7	4.6%	9.5%	11.8%
Manufacturing	4.9	7.1	4.3	1.6%	3.8%	1.5%
Utilities	4.2	5.2	4.6	9.9%	5.0%	8.7%
Construction	1.3	2.5	-1.6	-2.2%	-1.0%	-1.6%
Trade	6.0	15.0	4.8	4.7%	4.8%	4.6%
Transport	5.3	6.5	13.4	8.8%	14.2%	10.4%
Finance	12.5	21.8	-0.1	1.3%	5.5%	6.6%
Services	8.1	18.2	5.9	6.0%	1.9%	1.5%
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>3.5%</b>	<b>4.2%</b>	<b>7.6%</b>	<b>6.2%</b>

Source: Quantec Research, 2006 & Urban-Econ calculations, 2006

The important role of the Finance sector as a contributor to GDP and economic growth from 1996 to 2004 is noted through both economies. Finance is not a high employment sector but reflective of the economic health in other sectors. This is so because the demand for financial and business services is created by the other sectors of the economy. Mining has also been identified as a high growth sector and a large contributor to GDP. This is very positive in the context of employment creation and local exports.

Table 4.4 illustrates the GDP contribution of Mogalakwena LM to the economy of Waterberg DM. From this table it is evident that Mogalakwena makes the most significant contribution the district economy in terms of its Trade (38.3%) and Construction (30.7%) sectors. This observation is reflective of the comparative advantages that these sectors enjoy within Mogalakwena (compared to the rest of the Waterberg DM).

A comparative advantage indicates a relatively more competitive production function for a product or service in a specific economy than in the aggregate



economy. This economy therefore produces the product or renders the service more efficiently. An indication of the competitive advantage of an economy is its location quotient. A location quotient provides an indication of the comparative advantage of an economy in terms of its production and employment.

**Table 4.4 – Mogalakwena GDP Ratio, Location Quotient and Growth, 2004**

Sectors	GDP (%) MLM / Waterberg	Location Quotient	GDP Growth p.a. 2000 – 2004 (%)
Agriculture	6.2	0.4	4.6
Mining	6.4	0.4	11.8
Manufacturing	22.3	1.5	1.5
Utilities	18.9	1.3	8.7
Construction	30.7	2.1	-1.6
Trade	38.3	2.6	4.6
Transport	18.9	1.3	10.4
Finance	25.9	1.7	6.6
Services	34.4	2.3	1.5
<b>Total</b>	<b>14.9</b>	<b>1.0</b>	<b>6.2</b>

*Source: Quantec Research, 2006 & Urban-Econ calculations, 2006*

An economy has a location quotient larger (smaller) than one, or a comparative advantage (disadvantage) in a particular sector when the share of that sector in the specific economy is greater (less) than the share of the same sector in the aggregate economy. Mogalakwena has location quotient values larger than one in all but its Mining (0.4) and Agriculture (0.4) sectors, affirming the competitive nature of the Mogalakwena local economy in relation to the district economy.

Although the Utilities and Services sectors also fall into this category these sectors do not hold much with regards to LED development opportunities and are seen as a stimulant to the other sectors.

#### **4.3.3. Labour and Employment**

The employment profile of South Africa, Limpopo, Waterberg DM and Mogalakwena is provided by table 4.5. Unemployment in this context is defined according to the strict definition by Statistics South Africa. This means that the Non-Economically Active (NEA) has been separated from the number of adults that are not formally employed. The NEA includes adults such as students, housewives, those who do not choose to work etc. The unemployed referred to here are thus adults who are actively looking for a job but cannot find one.

Unemployment in Mogalakwena was measured at 20.4% indicating an employment profile that was in line with the district (17.0%), province (21.6%) and South Africa (24.0%). It is however unlikely that Mogalakwena and Waterberg DM had such a large NEA component. The NEA population in these areas were measured at 57.1% and 44.9% respectively compared to a lower 42.3% for South Africa. It is thus

reasonable to assume that unemployment in the study area is much more likely to be in the region of 25%.

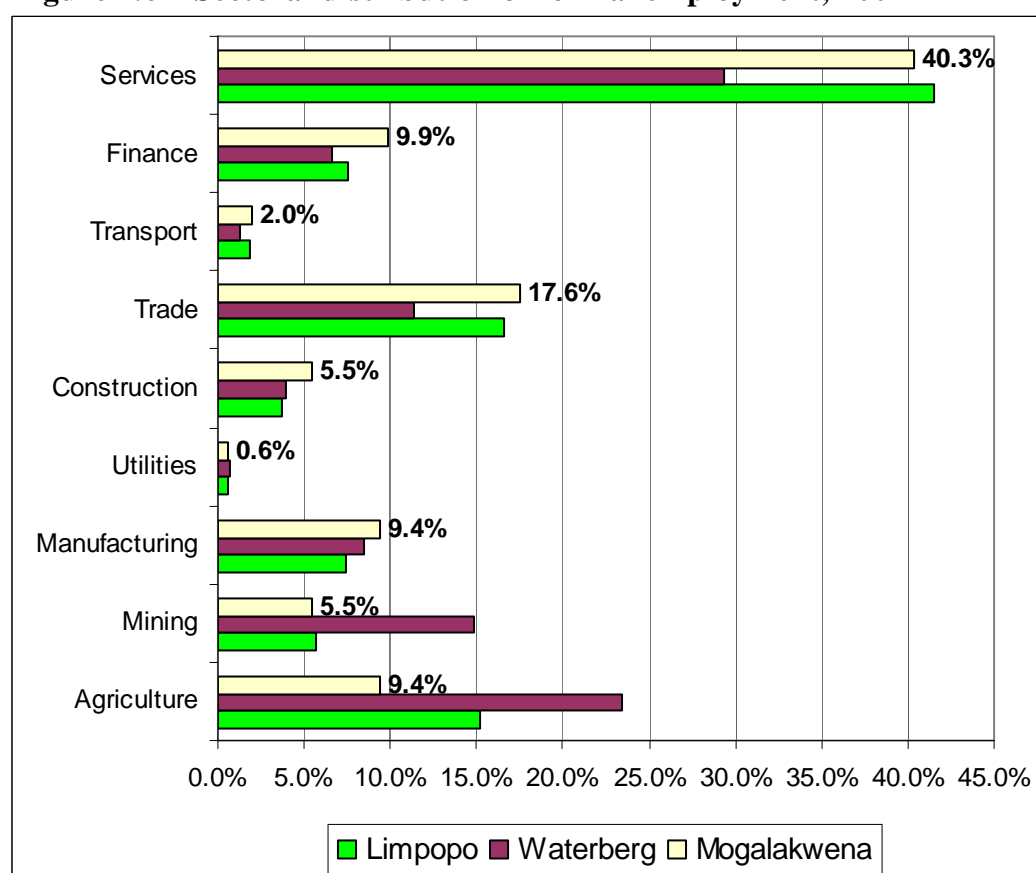
**Table 4.5 – Employment profile<sup>2</sup>, 2001**

Region	Employed %	Unemployed %	NEA %	Total %
South Africa	33.7	24.0	42.3	<b>100.0</b>
Limpopo	22.7	21.6	55.7	<b>100.0</b>
Waterberg DM	38.1	17.0	44.9	<b>100.0</b>
Mogalakwena	22.5	20.4	57.1	<b>100.0</b>

Source: Statistics South Africa, (Census 2001)

Figure 4.6 illustrates the sectoral distribution of the formally employed in Mogalakwena, Waterberg DM and the Limpopo. From this figure it is noted that the most important formal employment sectors in the study area are the Government services (40.3%), Trade (17.6%) and Finance (9.9%) sectors.

**Figure 4.6 – Sectoral distribution of formal employment, 2004**



Source: Quantec Research, 2006

<sup>2</sup> Adult population aged 15 to 65

The dominance of the Government Services sector as the main employer in the local economy is also reflected in the district and provincial economy. On a provincial scale Trade accounted for some 108 000 formal jobs (16.6%) and is thus regarded as an important employer. This is also reflected in the study area where Trade accounted for about 4200 formal jobs (17.6%) in 2004.

Interesting to note is the fact that although the Mining sector accounted for 21.7% of GDP in 2004, this sectors catered for 5.5% of formal employment opportunities. This fact illustrates to importance of investment in sectors with high labour multipliers such as Agriculture, Trade and Manufacturing.

It is further observed that the Services sector provided more than 40% of the formal employment opportunities Mogalakwena during 2004. This is worrying because it highlights the fact that the economy of the study area is too small to employ any significant number of job seekers. This situation is evident to the study area and the province and is not reflected to the same extent in the district.

#### **4.4. THE BUSINESS SURVEY**

Following the sectoral profiling of the economy in Mogalakwena this section analyses and focuses on the business sector of the economy. The purpose of this section is to report on the main findings of the Business Surveys conducted within the Mogalakwena Municipal area. The Business Surveys was conducted and subsequently captured on a computerised database. This database was then analysed in terms of formal and informal businesses.

A grand total of 1 736 businesses were tallied within Mogalakwena Local Municipality during July 2006. About 80% of these businesses are classified as formal due to their functional level in the business sector of the local economy. It must however be stated that the informal sector is difficult to audit due to the following reasons:

- These businesses are not always visible. Many informal businesses are run from the owner's home or only operate at night. This makes some of these businesses very difficult to identify.
- Many of the informal businesses do not have a fixed location. This is mainly due to the absence of fixed business premises (e.g. a brick building). In this regard, some businesses would relocate to certain taxi-ranks during the middle or end of the month when residents receive their wages.
- Some informal businesses do not operate every day. In some cases the informal businesses owner have another job to which he/she attends to during the week. Another observation in this regard was that some informal businesses only operate during certain times of the month when residents have some disposable income to spend.

#### 4.4.1. Distribution of businesses in Mogalakwena

The largest concentration of formal (28%) and informal (20%) businesses are found in Mokopane, which is the most developed area in Mogalakwena compared to the rest of the municipality. This settlement thus constitutes the geographic hub of the Secondary sector and acts as a focal point for most of the local business activities.

These businesses would benefit from a strategically positioned informal trade market where trading stalls and sanitary facilities could be provided. This would be discussed in more detail later in the report.

Table 4.6 indicates the premises types utilised by businesses in Mogalakwena. Almost 50% of businesses consist of formalised brick shops while a further 26.4% utilise brick/iron shelter as their primary place of business. This means that the rest of the businesses are not operated from a brick structure and resort to other forms of shelter.

**Table 4.6 – Business Premises Types in Mogalakwena, 2006**

TYPE OF PREMISES	PERCENTAGE
Brick shop	47.8
Brick /iron industrial	26.2
Brick house	16.9
Zinc/wood informal structure	2.9
Trailer/caravan	0.1
Container	1.4
Wendy house	0.1
Burrow/cart	1.1
Shade cloth	1.6
Umbrella	0.2
No shelter	1.6
<b>Total</b>	<b>100.0</b>

*Source: Urban-Econ Business Census, 2006*

#### 4.4.2. Sectoral Business Distribution

This part presents the distribution of businesses in Mogalakwena per economic sector. The Business Survey made provision for the classification of businesses into 11 economic sectors and is illustrated by Table 4.7.

Table 4.7 illustrates the distribution of formal businesses in the local economy. From the table, it is evident that Retail shops constitute the bulk (66.0%) of businesses in Mogalakwena. Most business owners have indicated that their major suppliers are local wholesalers. Limpopo as a province is quite known for

its agricultural contribution to the economy but when it comes to businesses related to agriculture, Mogalakwena seems to be contributing very little (0.5%).

**Table 4.7 – Sectoral distribution of formal businesses, 2006**

ECONOMIC SECTOR	PERCENTAGE
Agriculture	0.5
Manufacturing including printing	3.2
Retail	66.0
Motor vehicle sales and repair	3.2
Wholesaler	4.3
Accommodation establishment	1.1
Restaurants	12.2
Banking and loans	0.5
Business services (Legal , professional)	2.1
Social services (education, health, sports)	2.7
Personal services (dry cleaning , hairdressing, etc)	4.3
<b>Total</b>	<b>100.0</b>

*Source: Urban-Econ Business Census, 2006*

Formal businesses found within the Mogalakwena municipal area, are mostly small shops selling everyday products such as groceries and household goods. This type of business does not create much employment opportunities. A standard size Shoprite Checkers, for example, would only cater for about 70 to 120 employees. This raises concern about the long-term labour absorption capacity of the local business sector.

The majority of informal traders are also involved with the buying and selling of retail goods. These goods are usually relatively cheap and purchased in small quantities. Profits are also low and only allow these business owners to survive on a day-to-day basis.

#### **4.4.3. Products and Services traded by local businesses**

To gain a more comprehensive insight into the supply side of the Mogalakwena economy, respondents were required to indicate the products and services traded by their businesses.

The products and services traded by businesses in the formal sector are displayed in Table 4.8. From this table it is evident that groceries are by far the main product being traded in the formal sector. Products and services that contribute least to the local formal economy include Bakery, cosmetics and other professionals (0.6% each), motor vehicles, fuels machinery and pharmaceutical (1.2% each). The rest of the formal economy is highly diverse in terms of products traded and services rendered.

**Table 4.8– Main products and services traded in the formal sector, 2006**

MAIN PRODUCTS TRADED	PERCENTAGE
Bakery products	0.6
Cosmetics and perfumes	0.6
Beverages	1.8
Cell phone	3.0
Motor vehicles	1.2
Motor vehicle parts	4.2
Food wholesale	1.8
Food	8.4
Clothing and footwear	6.6
Fuel sales	1.2
Funeral services	1.8
Machinery	1.2
Groceries	38.9
Meat products	2.4
Alcohol beverages	13.2
Pharmaceutical products	1.2
Furniture	3.6
Stationery	1.8
Restaurants	3.6
Medical (incl. doctors, dentists, etc)	1.8
Other professional	0.6
Other	0.6
<b>Total</b>	<b>100.0</b>

Source: Urban-Econ Business Survey, 2006

Table 4.9 illustrates the products and services being traded in the informal economy of the Mogalakwena local economy.

**Table 4.9 – Main products and services traded in the informal sector, 2006**

MAIN PRODUCTS TRADED	PERCENTAGE
Snacks, fruit and tobacco	59.6
Clothing	4.3
Public telephone service	2.1
Cell phone accessories	2.1
Bakery products	6.4
Meat products	2.1
Flowers	6.4
Cosmetics and perfume	4.3
<b>Total</b>	<b>100.0</b>

Source: Urban-Econ Business Survey, 2006

From Table 4.9 it is clear that the majority (59.6%) of informal traders are involved in low cost and low profit products such as sweets, cold drinks, fruit, and tobacco. Other informal traders include public telephone services and the sale of clothing.

None of these business types are usually very profitable on small scale and will benefit from marketing and small business development services. Employment by these businesses is also very low and usually only provides employment for one or two people. The quality of employment in the informal sector is also of concern (i.e. less personal income and skills development than in the formal sector).

#### 4.4.4. Historical and Future business trends

This sub-section presents an analysis of historic business trends as well as expectations for the immediate future. Table 4.10 illustrates the historic trends in the formal business sector over the last three years. These trends are rated as marginally positive.

In terms of business turnover, 30.4% of respondents indicated that they experienced a large increase over past five years. In terms of the other indicators, the majority of businesses indicated a small increase over the last three years.

Special mention is made of employment where 42.3% of businesses indicated that they did not expand their workforce while about 43.0% employed a small number of new workers. Almost 4% of businesses said that they had to let some of their employees go over the period under discussion.

**Table 4.10 – Historic business trends (Formal businesses)**

Indicator	Large increase (%)	Small increase (%)	Same (%)	Small decrease (%)	Large decrease (%)
Turnover	30.4	58.4	8.1	3.1	-
Production	27.4	49.0	19.7	3.8	-
Employment	10.8	43.0	42.4	3.2	0.6
Market share	11.1	37.3	46.4	3.3	2.0
Physical space	13.4	26.8	57.3	1.9	0.6

Source: Urban-Econ Business Survey, 2006

Table 4.11 presents the business trends experienced by the informal sector over the past three years. The majority of informal traders indicated that they did not experience any significant changes in terms of their physical space and employment, but experienced an increase in turnover. None of the businesses experienced any decrease in either employment or turnover; this gives us an indication that informal traders are doing well in terms of business in Mogalakwena.

**Table 4.11 – Historic business trends (Informal businesses)**

Indicator	Large increase	Small increase	Same	Small decrease	Large decrease
Turnover	19.4	63.9	8.3	8.3	-
Employment	5.6	30.6	63.9	-	-
Physical space	5.7	31.4	62.9	-	-

Source: Urban-Econ Business Survey, 2006

Table 4.12 provides an indication of business expectations in the formal sector with regards to the near future. Most of the formal businesses are fairly positive about their future in Mogalakwena. The majority of respondents said that they expect an increase in their turnover (38.9%) and production. About 75.8% indicated that they expect to employ more people while 23.6% said that they do not foresee any changes in the number of their employees over the near future.

**Table 4.13 – Expectations for the next 12 months (Formal business)**

Indicator	Large increase (%)	Small increase (%)	Same (%)	Small decrease (%)	Large decrease (%)
Turnover	6.1	32.8	3.2	1.6	0.5
Production	56.4	33.1	9.4	0.6	0.6
Employment	35.4	40.4	23.6	-	0.6
Market share	36.0	32.6	29.8	1.1	0.6
Physical space	24.3	26.6	49.2	-	-

Source: Urban-Econ Business Survey, 2006

Table 4.14 represents what the informal business respondents expect of their businesses in the next 12 months. There is a positive attitude towards growth in terms of turnover, employment as well as physical space in the informal sector.

**Table 4.14 – Expectations for the next 12 months (informal)**

Indicator	Large increase	Small increase	Same	Small decrease	Large decrease
Turnover	56.5	37.0	6.5	-	-
Employment	37.0	45.7	17.4	-	-
Physical space	28.3	43.5	28.3	-	-

Source: Urban-Econ Business Survey, 2006

The majority of people in Mogalakwena are relatively poor. Given the growth pace of the local economy in relation to the high population growth rate in some areas, the level of unemployment is set to grow. The economy of Mogalakwena is very small in the provincial context. The local business sector is however growing and most business owners in both the formal and informal sector are fairly positive about their future in Mogalakwena. There is a need to diversify the local economy while



emphasis should be placed on improved integration with the rest of Limpopo (e.g. through cross boundary trade links).

## SECTION FIVE: ECONOMIC POTENTIAL ANALYSIS

The purpose of this section is to provide an assessment of all the relevant economic activities within the main economic sectors namely Agriculture, Mining, Manufacturing, Utilities, Trade, Transport and Communication, Finance, and Social Services. The Standard Industrial Classification does not define Tourism as an economic sector, but because it is such an important industry in terms of potential job creation, it is assessed in this section.

Each sector will be discussed in terms of its provincial and local context and will result in detailed opportunities and constraints. The chapter is concluded with a summary of sectoral opportunities and constraints which will serve as the basis for possible future Local Economic Development projects.

### 5.1. DETERMINING DEVELOPMENT POTENTIAL

Before commencing with the discussion of the relevant development potential criteria, it is deemed necessary to first clarify the meaning of potential. The Concise Oxford Dictionary (1990) describes 'potential' as follows:

- 'capable of coming into being or action'
- 'the capacity for use or development'
- 'usable resources'.

Therefore, potential refers to resources and/or capacity, which can be utilised or developed. In order to identify or determine this development potential and/or opportunities within an economy, a set of criteria is required against which to evaluate whether the resource and/or capacity can be regarded as having potential. The set of criteria serves as an evaluation tool to identify areas with potential for development and opportunities within each of the local economic sectors. These include:

- Availability of raw materials and resources
- Economic linkages
- Market trends
- Gap analysis / Agglomeration advantages
- Logistics / Nodal point function
- Regional service delivery function
- Availability of labour
- Technology change
- Enabling policy environment.

#### 5.1.1. Availability of raw materials and resources

Raw materials / local resources are one of the most important production factors. Without these, no product can be manufactured and no service can be delivered.

The availability of raw materials / other resources makes local development promotion much easier, more feasible, viable and sustainable. Depending on the nature and extent of the resources / materials, these can also be a major tourist attraction, and apart from attracting tourists to the area, these raw materials / resources can be used for local beneficiation and value adding through local processing.

### **5.1.2. Economic linkages**

Economic linkages refer to the interaction of various economies with one another, or various sectors within one economy. These interactions can take place in various manners and on various scales. Linkages are important for an economy and its activities to be sustainable. One economy in general can't provide in all local needs and therefore need to interact with neighbouring or nearby economies. When referring to linkages one can define two major categories:

#### **5.1.2.1. Backward linkages**

This type of economic interaction refers to the raw material or intermediate products required as inputs into the delivering of the end product or service. In many cases the inputs required in the local economy cannot be delivered by the same economy and need to be imported from other economies. In other cases the inputs are available but it is cheaper to obtain the same inputs from other outside economies.

A very important question one always need to ask in determining the development potential is: Can some of the inputs be supplied or manufactured locally; saving transport costs, creating employment opportunities and contributing to local beneficiation and value adding? If the answer is 'yes', there is definitely potential for development within the economy.

#### **5.1.2.2. Forward linkages**

Forward linkages refer to the supply of intermediate products as inputs into the production process, and/or delivering an end product or service at the end of the production process. For example, Mogalakwena produces a variety of agricultural products that may be used in the manufacturing of processed foods.

### **5.1.3. Market trends**

Market trends refer to the consumption trends and preferences of the general market. It can either indicate that there is a potential for an increase in the production of a specific product or delivering of a specific service, or it can indicate that there is a need for change in products and service delivery. For instance, a trend can be observed for people consuming more organically farmed products than traditional products. This therefore, indicates that the Agriculture

sector should focus more on producing organic products than traditional products.

#### **5.1.4. Gap analysis / Agglomeration advantages**

This criterion refers to the identification of a gap within the local economy or an advantage for various industries to group together to stimulate economic growth. Agglomeration advantages can be illustrated by developing a mining logistical hub or cluster. Therefore, all manufacturing orientated and related activities are grouped together in delivering services and information to the manufacturing sector.

#### **5.1.5. Logistics / Nodal point function**

To determine if the area has potential for delivering a logistics or nodal point function, one needs to answer the following question: Can the area serve as a distribution point for specific products or services? In the case of Mogalakwena, the area can serve as a distribution point for manufactured products to other African countries and surrounding economies. This relates to the next criterion.

#### **5.1.6. Regional service delivery function**

Currently, the economy of Mogalakwena is not strongly linked with the regional economy. An analysis is thus required to determine the economic comparative advantages of Mogalakwena. If these advantages can be exploited successfully, Mogalakwena may become a regional service provider in terms of its competitive advantages.

#### **5.1.7. Availability of labour**

Labour as one of the most important production factors also indicates the potential for development in an economy. When considering potential within the local labour pool, the determining factors include the quantity and quality of the labour force. Quantity refers to the magnitude of the labour force and quality refers to the educational and skills level of the labour force. If the educational and skills level of the local labour force meets the requirements for manufacturing development, the potential for development is high.

#### **5.1.8. Technology change**

Technology change refers to the change in production methods. Good examples are genetic manipulated production, the Internet, etc. The changes in technological techniques and methods increase the potential for developing an incubator in the area. Incubators provide collective services (i.e. training and facilities) required by industries and also individual people to become self-sustained in their newly adopted economic activities.

### 5.1.9. Policy environment (enabling development)

Potential for development can also be identified when considering the policy environment. Various policies stimulate, support and encourage development, whereas others inhibit development. A good example of supporting policy is the SMME development programme of Kula Enterprises. They provide funding and other necessary inputs for upcoming SMMEs.

## 5.2. AGRICULTURE

The Agriculture Sector incorporates establishments, which are primarily engaged in farming activities. Also included under this sector are establishments engaged in commercial hunting, game propagation and forestry, logging and fishing. The following subsections will provide an overview of the current situation within the agricultural sector of Mogalakwena and will analyze its potential for economic growth.

South Africa has a dual agricultural economy, comprising a well-developed commercial sector and a predominantly subsistence-orientated sector in the rural areas. About 13% of South Africa's surface can be used for crop production. High-potential arable land comprises only 22% of the total arable land. Some 1.3 million hectares are under irrigation. Primary agriculture contributes about 3% to the Gross Domestic Product (GDP) of South Africa and less than 9% of formal employment. However, there are strong backward and forward linkages into the economy and the agro-industrial sector is estimated to comprise 15% of the country's GDP.

The Limpopo Province contributes the following agricultural products to South Africa:

- 75% of the country's mangoes
- 65% of its papaya
- 36% of its tea
- 25% of its citrus, banana and litchis
- 60% of the countries avocados
- two thirds of the countries tomatoes

Other products include potatoes, coffee, nuts, guavas, sisal, cotton and tobacco, timber with more than 170 plantations. Apart from all of these, there is cotton, sunflower, maize, wheat cultivation as well as grape. Most of the higher lying areas are devoted to cattle and game ranching, earning a reputation for quality biltong.

### 5.2.1. Agriculture in Mogalakwena

Agriculture has been identified as the dominant land use (more than 80%) in Mogalakwena. This is in contrast with this sector's contribution to GGP and

employment. The Agriculture sector of Mogalakwena contributed only 1.9% to the local economy and accounted for 9.4% of employment opportunities in 2004. The sector experienced an average annual production growth rate of 4.6% during 2000 to 2004. This growth rate was in line with that of Limpopo and South Africa over the same period.

Privately owned commercial farms account for the bulk of production in the local Agriculture sector. Other forms of agriculture include urban-agriculture and subsistence farming.

The most significant farming commodities in Mogalakwena in terms of production and contribution to the local economy are maize, wheat and cattle farming. Other commodities include dairy and citrus farms. Gilliat Farms export oranges internationally and even supplied the 2002 World Cup Soccer in Japan. In some residential areas, vegetables are planted by local residents which are then privately consumed or sold in the informal market.



#### 5.2.1.1. Development Potential

Another form of Agriculture, namely Horticulture, has been gaining momentum over the recent past. This form of agriculture refers to the application of modern production processes and/or bio-technology. The potential exists in Mogalakwena to expand the Agriculture sector in terms of introducing new technological practices such as Organic farming, Biotechnology, Hydroponics and Water harvesting techniques. The ultimate goal of agricultural ventures should be to establish labour intensive, cost effective and sustainable farming practices with quality that is fit for the export market.

These technological ventures could imply linkages with other sectors such as manufacturing (agro-processing) which are vital for the diversification and growth in the local economy. The ARC-Roodeplaat Vegetable and Ornamental Plant Institute situated, concentrates on a wide range of horticultural crops. Research is conducted on commercial vegetables such as onions, potatoes, tomatoes and sweet potatoes. Traditional and indigenous vegetables receiving attention include amaranthus, cassava, plectranthus, Zulu round potato, pigeonpeas, cowpeas and bambar. These farm commodities are in growing demand and presents sustainable opportunities for local communities in Mogalakwena.

### a) Biodiesel

The biofuel industry involves production of fuel derived from any biomass. There are many forms of biomass that can be used to produce biofuel, namely, liquid (ethanol, butanol etc.), solid (wood, crops, etc), and other. One of the major sources for biofuel is crops that are converted into liquid biomass. For example, cane is usually used for production of ethanol that is further used as automotive fuel, while corn is used to produce liquid biomass for usage as a gasoline additive.

The continued rise in the price of international oil prices has necessitated countries around the world to research and develop alternative liquid transport fuels. The South African economy is dependant on the abundance of cheap oil imports to sustain growth and production. In this regard the Department of Minerals and Energy is participating with the Department of Science and Technology, National Treasury and stakeholders in a Joint Implementation Committee tasked with advising government and stakeholders on the creation of a market environment for biodiesel. It is supporting the South African Bureau of Standards in testing South African plant oils to the European biodiesel standard. This should ensure high-standard biodiesel for blending which motor manufacturers also accept.

The benefits of engaging in manufacturing of biodiesel are as follows:

- Access to environmentally friendly fuel through indigenous production
- Energy security and diversification
- Active contribution to regional economic development
- Creation of employment opportunities
- Positive impact on the balance of payments
- Positive cost-benefit ratio
- Strengthened domestic, rural agricultural economy
- Provision of access to viable alternative markets for farmers

The production of biofuels is very high on the national government agenda. The recently released strategy 'Accelerated and Shared Growth Initiative for South Africa' positions biofuel production as a major driver for achieving 6% economic growth by 2014. So far, the South African government commitment in development of the industry is reflected in a number of policies.

- South Africa has completed a baseline cost-benefit analysis
- The South African government set the target of achieving a contribution of 10 000 GWh of renewable energy by 2013 (40% of all energy supply)
- South Africa agreed on incentives that include once-off capital subsidies and a 30% reduction in the fuel levy on biodiesel.
- The SA Bureau of Standards has developed a standard for pure biodiesel. Ethanol can be blended into conventional petrol up to 10% under existing SABS regulations.



- The government has established the biodiesel joint implementation committee, which is chaired by the Department of Science & Technology. This body is doing the strategic planning needed to facilitate the large-scale introduction of biodiesel into SA - including sources of feedstock, fuel standards, financing arrangements and finding creative uses for the by-products to make biofuels an economic proposition.

To achieve renewable energy targets and the 6% economic growth target, the Industrial Development Corporation and the Energy Development Corporation formed a partnership to conduct a pre-feasibility study on establishing biofuel production projects in South Africa. Their plan is to establish seven or eight projects over the next 5 years. The projects' output is forecasted to generate around R1.1 billion litres of ethanol per annum.

In addition to the above-mentioned organisations, the following are the key role players in biofuel industry in South Africa:

- Ethanol Africa, a company formed by a group of maize farmers plan to build the first of eight bioethanol plants in the Free State town of Bothaville. The proposed plant, which is scheduled to start production in 2007, will process between 370 000 t/y and 400 000 t/y of maize to produce 155-million litres of ethanol.
- The Energy Development Corporation in partnership with Sasol is researching the possibility of converting soy beans into biodegradable fuel for diesel engines.
- Parallax (Kwazulu Natal).
- Biodiesel SA (Kwazulu Natal) is selling used vegetable oil for use in vehicles and supports the project to establish Jaropath plantations in Kwazulu Natal. According to Daryl Melrose, the owner of Biodiesel SA, approximately 20,000 hectares are required to make investment in biodiesel production viable.
- Seed Oil Refinery considers establishing a refinery plant to produce bio diesel from Jaropath imported from Mozambique and Madagascar.
- Hullet Sugar is considering the possibility of producing bio diesel from sugar cane.

Recently, the European Union adopted a policy stating that 5.7% of diesel sold in EU by 2010 must be biodiesel. Asia, particularly Malaysia, has identified that as an opportunity to grow their biodiesel industry. Currently, the European Union demands 7 million tonnes of biodiesel, while the local crops can produce only between three and four tonnes of oil per annum. Therefore, there is an immense demand in EU for imported oil.

The Manufacturing of biodiesel in Mogalakwena has significant potential for the establishment of emergent farmers and upstream business opportunities. In addition to these advantages, there are also other positive spin-offs such as the production of renewal fuel that is also more environmental friendly than mineral



diesel. The sum-total of all these advantages therefore involve both monetary and non-monetary dimensions, and can be considerable.

#### b) Value addition and diversity

It is evident that the Agriculture sector in Mogalakwena relies entirely on the produce of primary products such as maize, wheat and citrus, but no significant value is being added to these products.

#### **CASE STUDY**

##### **Beneficiation and Value Addition**

On 6 June 2003, the Deputy Minister of Trade and Industry, Ms Lindiwe Hendricks, opened a R7-million pineapple-processing plant in East London, Eastern Cape. Collondale Cannery is one of only two pineapple-processing factories in South Africa. The company has installed a plant with a new evaporator specifically imported for processing pineapple-juice concentrate.

South Africa accounts for 6% of the world's pineapple production. The world market is dominated by Thailand, Indonesia, the Philippines and Kenya. South African pineapples are traditionally less sweet and more acidic than those of its competitors. A blend between South African pineapple concentrate and that of its competitors results in a sweeter product, but with the distinctive pineapple taste that is unique to the South African product.

The new plant illustrates the value of investment in production-capacity for export sales and job creation. The new Collondale plant incorporates the latest technology that will enable the company to increase its production of pineapple-juice concentrate by 50%. All of this will be exported, generating sales of R7 million per year.

*Source: South African Yearbook, 2003/2004*

Mogalakwena is located in close proximity to Gauteng and Polokwane providing the ideal location for agro-processing and beneficiation. Value addition to primary products could expand the market and create economic opportunities for both the investor (monetary return on exports of beneficiated goods) as well as the job market for those who are unemployed within the Municipality.

#### c) Organic Farming

Organic farming involves methods that exclude the use of pesticides, herbicides, fungicides, chemical fertilizers or synthetic chemicals of any kind in the soil and plant material. Anything that is labelled "organic" must be certified as such by one of the following certification agencies:

- Ecocert
- BSA

The global market for organically grown products is a growing trend. There has been a shift (trend) towards high quality, organically farmed produce, which is captured by a smaller, high-quality portion of the market. This trend has especially been visible within the middle to high-income portion of the market and looks to be an escalating one, in terms of domestic sales and exports.

Already boutique chain stores such as the Woolworths group, has focused their entire marketing strategy on this end of the market and only sells organically grown, non-preservative foodstuffs. These products range from fruit and vegetables to niche market olives, grapes (wines), teas, etc.

Some 70% to 100% of the produce from large organic farms in South Africa is exported, whereas smaller farms tend to produce for the local market. An estimated 80% of all exports are to the EU, primarily the UK, Germany and the Netherlands. Despite the existence of EU producer subsidies that put pressure on prices, there are further export opportunities, particularly given southern hemisphere/ seasonal advantage and the weakness of the Rand.

Production for the local market includes a variety of vegetables and produce not of export quality. Some 15% of produce is sold directly to the public, with 30% going to national retail chains and 15% to small retailers. The remaining 40% is used in processing (WESGRO, 2000).

Organic farming is very appropriate for the inclusion of emergent farmers in Mogalakwena because it implies traditional farming methods. For example land is ploughed with traditional hand-held ploughs and teas such as *Honeybusch* is harvested and processed with hand held implements.

Development of this market within Mogalakwena's agricultural sector, therefore presents real opportunities for growth and subsequent job creation. The current situation on labour within the Agriculture sector should be addressed through the provision of incentives to farmers in order to encourage labour intensive practices.

#### d) Biotechnology

South Africa does not have ideal conditions for crop production. Less than 12% of the land is arable, and serious climatic constraints, such as periodic droughts, hinder agriculture production. Bio-technology and Genetic Modification (GM) can help the farmers of Mogalakwena to reduce their risk of crop failure, farm more profitable and sustainable and employ more people.

The Genetically Modified Organisms (GMO) Act, 1997 (Act 15 of 1997), was implemented on 1 December 1999, making provision for the regulation of GMOs in South Africa, particularly new biosafety assessments. By mid-2001, the Department of Agriculture had approved the planting of three commercial Genetically Modified (GM) crops, i.e. insect-resistant cotton, herbicide-resistant cotton and insect-resistant maize. In terms of the GMO Act, 1997, the Advisory

Committee, comprising scientific experts, conducts risk assessments to determine if a particular GMO is safe for humans, animals and the environment. The Foodstuffs, Cosmetics and Disinfectants Act, 1972 (Act 54 of 1972), oversees the safety of food in South Africa.

South Africa's GM white corn yields were increased from 0.36% to 2.75% during 2002 to 2003 (South African Seed Organisation – SANSOR). The total GM yellow corn yield, which is used for animal feed, has experienced an increase of 14.35% to 19.53% from 2001 to 2002. The latest yield predictions estimated an increase of GM- soyabeans from 5% to 10.9% for this year.

Mogalakwena has less than ideal climatic conditions for crop production. The potential through application of Bio-technology in this sector of the local economy includes the following:

- Contributing to the variety of locally produced agricultural products.
- Providing opportunities for emerging farmers.
- Exploiting the demand for these products in the nearby markets of Gauteng.
- Improving the employment creation potential of the local Agriculture sector.
- Helping local farmers to farm more sustainable.
- Greatly improving the foreign export potential of Mogalakwena, especially to the United States under the AGOA agreement. The EU has also recently revised its legislation by allowing the importation of GM crops.

The Biotechnology Division of the Agricultural Research Council and Ornamental Plant Institute specialises in the research of vegetable, ornamental plants and grain crops. The Biotechnology Division offers expertise in research and development, and transfer of biotechnology products and services to resource poor and commercial farmers, plant breeders and other organisations. Research projects have been identified and implemented by the Biotechnology Division with the aim of developing new cultivars suited for South African conditions. The ARC is thus in an ideal position to help farmers in Mogalakwena to become more sustainable and to employ more people.

#### e) Other areas of agricultural potential

- **Marketing:** SADC membership encourages exports to neighbouring states of South Africa, especially maize. South Africa is a net importer of wheat and export prices have increased since 1992. Mogalakwena is ideally positioned to export to South Africa's northern neighbours.
- **Agri-processing:** Opportunities exist within the wider agribusiness framework for Mogalakwena to take advantage of its latent strengths and comparative advantages. This can help with the development of a support base for emergent farmers. Such opportunities include cooperative/syndicated meat processing units, vegetable processing, citrus production and emergent

agribusiness (like tractor servicing, fertilizer distribution, transport contractors, etc.).

- **Game farming:** This industry can help alleviate poverty in Mogalakwena. Game farming includes linkages to agribusiness, like processed venison products. Game farms also provide opportunities for eco-tourism development and the settlement of emerging farmers/tourist operators. Mogalakwena has excellent potential for Game Farm development. Current developments include the Ntabeni Game Farm and Golf course as well as the Doring Drive Nature Reserve.

All of the above agricultural techniques, i.e. organic farming, beneficiation and biotechnological techniques are ideal methods for the expansion and potential growth of the Agriculture sector in Mogalakwena.

Such growth will however be subject to detailed feasibility studies and will entail inputs from all of the role players within the Agricultural sector such as farmers in the area, agricultural unions, small farmers, farm labourers, Department of Agricultural, the two Local Municipalities and experts in the field such as the Agricultural Research Council and the CSIR.

#### 5.2.1.2. Development Constraints

The following constraints relative to agriculture in Mogalakwena has been identified.

**a) Capitalisation and Mechanisation:** Farmers in the area are increasingly becoming mechanised and substituting capital for labour. This means that the demand for farm produce is becoming less labour intensive. Some farmers also prefer to employ workers from especially Mozambique due to the minimum wages associated with South African farm workers.

**b) Shortage of water:** One of the most important constraints to agricultural expansion in Mogalakwena and in South Africa is the availability and cost of water. Almost 50% of South Africa's water is user for agricultural purposes. Traditional agriculture is especially sensitive to the supply of water whereas contemporary production methods are more sustainable through the use of technological farming methods. Agriculture in Mogalakwena has suffered from drought conditions over recent years.

**c) Lack of information:** Not all farmers in Mogalakwena employ the latest production techniques and bio-technology. The main reason for this is a general lack of information about these techniques, which can make farming more profitable and sustainable.

The Agriculture Research Council (ARC) and the Centre for Scientific and Industrial Research (CSIR) are the authority on bio-technology in South-Africa. The involvement of these institutions as providers of farming advice and

information on scientific production techniques can make a positive impact on the sustainability and growth of the local Agriculture sector.

**d) Threat of HIV/AIDS:** Workers usually reside on farms with their families. AIDS kill the economically active worker who is the breadwinner of the family, which could leave the wife and or children abandoned and places a higher dependence on the farmer and government to provide for these families. Although Mogalakwena has a lower HIV/AIDS infection rate (8.6%) than the Limpopo average (9.1%), this disease remains a key threat to families who make their living from farming.

**e) High Input Cost:** Farmers in Mogalakwena have continuously experienced rising input costs such as labour, plant material, machinery and so on over especially the last five years. This coupled with the strengthening value of the Rand and the over supply of maize in the South African market (i.e. lower market prices), have seen the commercial viability of many farmers in South Africa reduced dramatically.

**f) Stock Theft:** This type of crime has been identified as a constraint to cattle farming in Mogalakwena.

**g) Land Claims:** Some areas in Mogalakwena are under land claims which limit the availability of crop land and grazing fields.

### **5.3. MINING**

This sector includes the extracting and beneficiating of minerals occurring naturally, including solids, liquids and crude petroleum and gases. It also includes underground and surface mines, quarries and the operation of oil and gas wells as well as all supplemental activities for dressing and beneficiating of ores and other crude materials.

Preliminary figures for 2004 indicate that South Africa's mining contributed R87.1 billion or 7.1% GDP, an increase of R8.6 billion from the previous year. The trend where foreign revenue earnings are dominated by platinum-group metals (PGMs) at US\$4.6 billion, followed by gold at US\$4.5 billion, also continued in 2004. However, the gold sector has been declining due to the challenges of aging infrastructure in deep mines. The industry faces challenges of commodity price cycles and is also affected by the currency fluctuations and business models that are not aligned with current rand values.

For more than a century, South Africa's mineral industry, largely supported by gold, diamond, coal and platinum production, has made an important contribution to the national economy. It has provided the impetus for the development of an extensive and efficient physical infrastructure and has contributed greatly to the establishment of the country's secondary industries. South Africa is globally recognized as being a leading supplier of a variety of

minerals and mineral products of consistently high quality. The country is the largest producer of gold, platinum, vanadium, chromium, manganese and alumino-silicates in the world.

In 2003, some 59 different minerals were produced from 920 mines and quarries, of which 42 mines/quarries produced gold, 21 produced platinum-group minerals, 59 produced coal and 116 produced diamonds. The increase in the number of mine quarries is due to improved coverage. Mineral commodities were exported to 97 countries.

### **5.3.1. The Mining Charter**

In terms of mining legislation recently passed in South Africa, including the Minerals and Petroleum Resources Development Act (MPRDA), the Broad-based Socio-economic Charter for the Mining Industry (the Mining Charter) was developed in consultation between the mining and minerals industry and Government, and ratified in October 2002. The goal of the Charter is to 'create a mining industry that will proudly reflect the promise of a non-racial South Africa'. A more extensive summary of the goals of the mining charter can be summarized as follows:

- Promote equitable access to the mineral resources to all people of South Africa
- Substantially and meaningfully expand opportunities for HDSA's including women, to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources
- Utilise the existing skills base for the empowerment of HDSA's
- Promote employment and advance the social and economic welfare of mining communities and the major labour sending areas
- Promote beneficiation of South Africa's mineral commodities.

In order to assess the mines according to the goals of the mining charter as set out above, the government then produced measures for assessing the progress of mining companies in respect of a number of key areas as they relate to socio-economic goals. This document is known as the 'Mining Scorecard'.

This scorecard is intended to measure the progress of each mine against the goals of the Mining Charter. It gives effect to the provisions contained in the Broad Based Socio-Economic Empowerment Charter for the mining and minerals industry. It is designed to help the mines apply the Charter, while complying to the requirements of the Minerals and Petroleum Resources Development Act for the conversion of all the 'old order rights' into new rights within a five-year conversion window period, but recognizing the full 10-year period. The Minister of Minerals and Energy will also use the scorecard for evaluation in decision making. It is primarily intended to reflect the spirit of Empowerment in the Mining Industry.

The nine elements of the Mining Scorecard are listed below. Each element has a number of sub-requirements.

- Human resource development
- Employment equity
- Migrant labour
- Mine community and rural development
- Housing and living conditions
- Procurement
- Ownership and JVs
- Beneficiation
- Reporting

### 5.3.2. Mineral and Petroleum Resources Development Act (Act 28 of 2002)

The Mineral and Petroleum Resources Development Act (Act 28 of 2002), or 'the Minerals Act', was assented to by the President of South Africa on 3 October 2002. The Act pursues wide-ranging social and economic objectives and seeks to transform the mining industry by making it inclusive of previously disadvantaged South Africans, while at the same time promoting economic growth and the development of the country's mineral and petroleum resources.

The Act follows the principle that mining prospect rights belong to the State and not to private owners. New applicants for prospect right therefore will apply directly to the State regardless of the identity of the previous holder of the relevant mining right. Holders of existing rights will have the opportunity to ensure the ongoing validity of these rights by complying with the conversion criteria contained in the Act.

### 5.3.3. Mining in Mogalakwena

In terms of GDP, the mining industry contributed the most to the local economy (21.7%) in 2004, which was in line with the provincial contribution (24.4%) Mogalakwena experienced an 8.9% increase per annum in mining production from 2000 to 2004. This was mainly due the expanding operations of the Amplats Platinum mine and the rising price of platinum on the world market.

The Mogalakwena IDP identified the following mining activities within the Municipality:

Mine	Type
Midway Bricks	Clay
Dimension Stone	Granite
Klipspringer Diamond mine	Diamonds
Amplats Platinum mine	Platinum
Makekeng Mutue Fides Tin fields	Mutue Fides Tin
Uitloot Limestone	Limestone
Buffelsfontein Vischaat and Eerstegeluk	Fluorspar



There are also a number of small granite mines in the Mogalakwena Municipal area. Mining activities are dependent on world markets and the economic viability to extract the mineral in terms of technology and equipment.

#### 5.3.3.1. Development Potential

Mining in Mogalakwena can be a powerful force in economic development and poverty reduction. However, mining has the potential either to contribute significantly to poverty reduction or to heighten risks to the lives of the very poorest of society. Mining in Mogalakwena can help fight against poverty in a number of ways.

- It can be a catalyst for further private sector development.
- It creates jobs directly and indirectly as well as opportunities for growth for lateral or downstream businesses.
- In addition to every job created directly, large mines also create between 2 and 25 other jobs in suppliers, vendors and contractors to the mines themselves and the miners and their families.
- There are also indirect linkages through investments, which in turn enable better social services and catalyse improvements in physical infrastructure.
- Large mining operations, often invest in local economic development through training, social services, and public goods such as clean water, transport, energy and other infrastructure.
- There are many tourism opportunities linked to the mining sector, which includes the manufacturing of arts and crafts, and group tours.

#### Linkages

The strength of the mining industry as an economic sector holds important economic development potential for the Mogalakwena community. The mining sector, as a landowner, employment provider and economic producer, provides ideal opportunities for the Mogalakwena economy to strengthen its regional business linkages, especially in partnership with Amplats.

Cognisance should be taken of the following:

- The mining organisations are characterised by increasing operational restructuring aimed at providing more efficient operations. This could increase the life span and economic value of the industry as well as potential job losses.
- Many products and services used by the mines are purchased outside Mogalakwena, representing an income leakage.
- Procurement policies give preference to local suppliers if they could reach the required levels of volume and quality.
- New legislation open new opportunities for the diversification of linkages to and from the mining industry and the development of now-unprofitable assets.



- Given the requirements of the Social and Labour Plans, mines are (should be) getting more involved in the local economies in their sphere of influence.
- The involvement of the mining organisations in LED could form the basis for future involvement in the implementation of various projects, including those that are developed under the Economic, Social-, Environmental- and Planning departments.

The development of tourism attractions and experiences based on the platinum mining industry is an opportunity which is currently not fully utilised.

Facilities and experiences, which could form part of such a venture, are:

- Underground trips.
- Museum on the surface, which replicates underground mining activities.
- Film auditorium where videos on mining activities can be shown.
- Curios shops offering mining related articles and souvenirs.
- Cultural dances performed by the multitude of ethnic groups represented by the labour force of the mines.
- Small-scale demonstrations of diamonds mined locally.

In April 2004, the Minister of Minerals and Energy, Ms Phumzile Mlambo-Ngcuka, launched the first project of the beneficiation leg of the Mining Charter. The South African Mineral Pavilion is situated at the Johannesburg International Airport. The Pavilion showcases the country's vast array of mineral resources as well as jewellery designs of local producers. The Pavilion is the result of proposals contained in the Mining Charter to develop the country's minerals beneficiation industry beyond mining and processing. The Pavilion is a partnership between Harmony Gold, Mintek, the Airports Company of South Africa, and the departments of Minerals and Energy and of Arts and Culture.

*Source: South African Yearbook, 2004/2005*

Some of the above activities have been practiced with success at a number of mines throughout South Africa. These activities have been arranged via the South African Chamber of Mines. The extent of these activities has, however, been limited and it is believed that the "platinum mining awareness" among tourists can be promoted to make it a more viable attraction.

#### 5.3.3.2. Development Constraints

- The **cost of mining inputs** has soared over recent years. Special mention is made here of steel and labour costs. Other mining inputs include machinery, piping, chemicals, timber, explosives, foodstuffs, cabling etc.
- Currently, **no mining beneficiation** is taking place in Mogalakwena. All mining products are exported to Johannesburg and to international destinations.

- The mining houses are very concerned about the **effect of HIV/AIDS**. HIV/AIDS has been estimated at between 25% and 30% in the South African Mining sector. HIV/AIDS holds negative implications for productivity, skills development, and general labour costs. The social impact is also expected to be severe.

## **5.4. MANUFACTURING**

Manufacturing is defined as the physical or chemical transformation of materials or compounds into new products. This section explores the current situation within the Sector as well as future possibilities for economic development within Mogalakwena.

In 2002, manufacturing in South Africa grew by 5.4%, which was the fastest growth rate since 1995. The decline in employment in manufacturing has eased and there are encouraging signs of possible employment growth in this sector. Although the weak global conditions, compounded by the crisis in the Middle East, were expected to lead to softer conditions in manufacturing in 2003, this should be viewed against the impressive growth rate in 2002. A lowering inflation rate, cuts in interest rates, and reductions in personal income tax, will support significant increases in domestic consumer expenditure, thus increasing domestic demand. Forecasts by the Bureau for Economic Research, based on surveys of manufacturing enterprises, predict continued strong growth in manufacturing output over the next four years. In terms of manufacturing output, the sector is expected to be 40% bigger in 2007 than it was in 1995.

### **5.4.1. Manufacturing in Mogalakwena**

The Manufacturing sector of Mogalakwena is currently very small and contributed 7.1% to the local economy in 2004 while growing at 1.5% on average per annum. Well serviced industrial sites is available outside Mokopane but is currently underutilised with only a few plants located there.

The manufacturing sector in Mogalakwena is not sustainable over the long term because it is currently too small to attract more industries, while the competition is strong (Gauteng). There are little incentives for industrialists to locate to the area (apart from the large labour pool). With sound planning, government and private sector intervention, and a range of other initiatives, this situation can be reversed.

#### **5.4.1.1. Development Potential**

The manufacturing potential of Mogalakwena is mainly related to processing activities in the Primary sector of the economy. In this regard the following areas of potential development in the local Manufacturing sector are highlighted:

- Manufacturing of food products and beverages
- Manufacturing of leather goods
- Manufacturing of wood and wood products
- Mineral beneficiation (e.g. platinum processing)

The above-mentioned activities have strong linkages with Agriculture, Mining and Tourism. Mogalakwena has the potential to cater for both the established as well as the emerging industrialist. Therefore a combination of both stand-alone developments as well as a hive is recommended. The stand alone developments would potentially accommodate established industries/activities. The hive in turn would function as incubator for emerging entrepreneurs that will help them gain entry into the market.

The N1, between Gauteng and Polokwane, is the most important transportation link connecting the municipal area with the rest of South Africa and Africa. Major industrial and commercial development in Limpopo, Gauteng and SADC can be accessed via this highway.

#### 5.4.1.2. Development Constraints

The following development constraints in the Manufacturing sector are highlighted.

##### a) Small base

The Manufacturing sector of Mogalakwena is very concentrated and in need of diversification. Diversification can expand the market share of local industries. The Agro-industry sector of Mogalakwena is believed to contain many diversification opportunities for local farmers and manufacturers.

##### b) Lack of industrial incentives

Mogalakwena does not currently attract new industrial plants or SMMEs in this sector through the provision of development incentives. This strategy of investment attraction is very popular in the USA while local authorities in South Africa are starting to catch on. Mogalakwena are thus at a disadvantage when compared to other municipalities that provide industrial and trade investment incentives to prospective investors.

##### c) Leakage of buying power

Increasing the total number of jobs in Mogalakwena can either be achieved by expanding the export base or through import substitution (i.e. buying local rather than from outside). At present, no conscious efforts are in place to promote these two strategies. Commercial and Manufacturing interests buy most of their inputs from outside the Municipal boundary causing a net outflow of capital. The implication of this is a decline in the total number of job opportunities.

## **5.5. UTILITIES**

The Utilities Sector includes electricity, water, gas, buildings and construction. It includes the production, collection and distribution of electricity; the manufacturing of gas; the distribution of gaseous fuels through mains; the collection, purification and distribution of water; and the construction of infrastructure and buildings.

South Africa's Government places high emphasis on meeting basic needs through programmes for socio-economic development such as the provision of housing, piped water, electricity, education and healthcare, as well as social grants for those in need. The impact of these programmes is seen in the increased proportion of South Africans who now have access to these basic services. By July 2005, 67% of the South African population had access to free basic water, while 64% of South Africa's 284 municipalities were providing free basic electricity to 49% of the population.

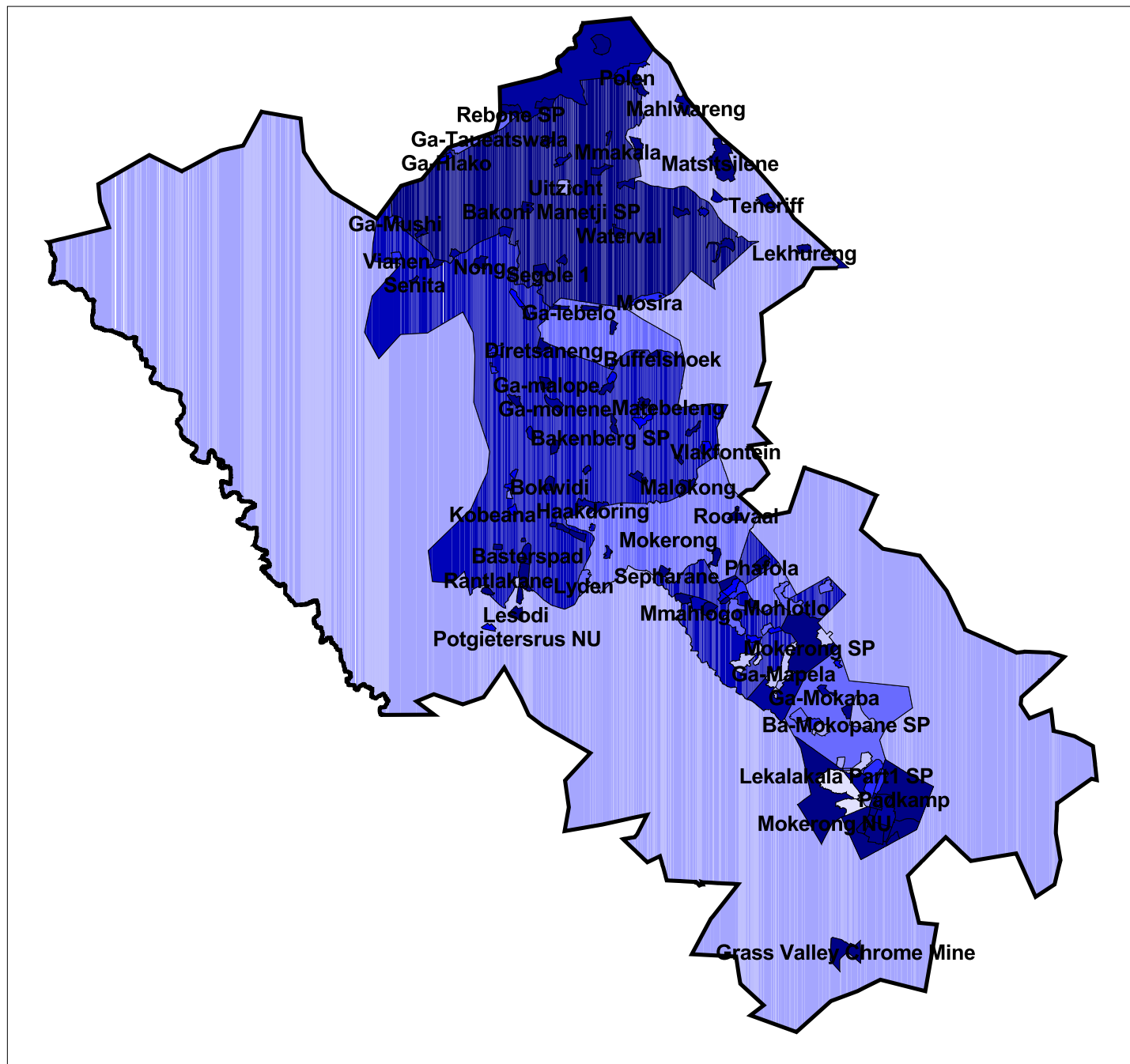
South Africa supplies two-thirds of Africa's electricity and is one of the four cheapest electricity producers in the world. Almost 90% of South Africa's electricity is generated in coal-fired power stations. By March 2005, 3.6 million people still lacked access to clean safe water, while 16 million were without adequate sanitation facilities.

Since the launch of the White Paper on Housing in December 1994, housing in South Africa has undergone fundamental changes. Between 1994 and June 2005, the housing programme provided more than 1.7 million housing units to more than seven million people. During the same period, a total of 2.4 million subsidies were approved. Government remains on track to eradicate the backlogs by 2008 (water) and 2010 (sanitation) respectively. It has already exceeded the millennium development goals set by the United Nations in 2000 to reduce the population without access to basic water and sanitation by 50% in 2015.

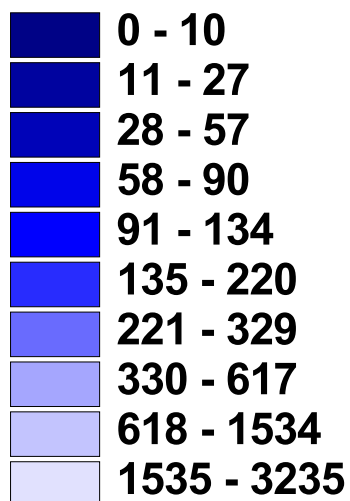
### **5.5.1. Household Water in Mogalakwena**

Table 5.1 illustrates the household type of access to water in Mogalakwena. From the Table it is evident that the majority (72.8%) of the households have access to piped water while only 8.6% have access to water inside their dwelling. This means that 62% of the households in Mogalakwena do not have access to water on their stand.

**Map 1: Number of Households without access to piped water, 2001**



**Number of Households**



**Table 5.1 – Household access to water in Mogalakwena, 2001**

Main Water Supply	Percentage
Piped water inside dwelling	8.6
Piped water inside yard	29.4
Piped water on community stand: distance less than 200m from dwelling	15.5
Piped water on community stand: distance greater than 200m from dwelling	19.2
Borehole	11.1
Spring	0.4
Rain-water tank	0.5
Dam/pool/stagnant water	1.3
River/stream	2.3
Water vendor	7.4
Other	4.2
<b>Total</b>	<b>100.0</b>

Source: Statistics South Africa, (Census 2001)

In some areas in Mogalakwena households do not have access to any form of piped water see Map 1). This situation poses a health risk and is generally associated with a lower quality of life. The following areas in particular require attention in this regard:

- Lekalakala
- Sekgakgapeng
- Madiba
- Ga-Molekana

Water vendors are also operative in Mogalakwena and supply some 7.4% of the households within the municipality area. The following areas are particularly dependent on the services of water vendors:

- Lekalakala
- Madiba
- Ga-Molekana
- Tsebishi

These vendors charge a higher rate for water than Local Government which means that people have less disposable income left for food and other social expenses.

#### **Potential for Mogalakwena:**

It is believed that the supply of water will continue to improve in future as more people are provided with basic services, which will help to uplift the local economy as well as the local socio-economic situation of residents. The future supply of water is therefore critical for future economic growth in Mogalakwena.

If fee structures and/or facilities can be implemented according to local income levels and more emphasis is placed on recycling and preservation of water, then payments for services should become more affordable. People must be educated in how to preserve and save water.

### 5.5.2. Household Electricity in Mogalakwena

Table 5.2 illustrates the use of various energy sources for lighting, cooking and heating in 2001. From this table it is evident that electricity is the most popular energy source within Mogalakwena. More than 70% of households have access to electricity while another 26.6% of households use candles as their main form of lighting.

The electricity supply is adequate and favourable for economic and business development and expansion at specific locations such as Mokopane and most of the northern parts of the municipal area. It is however of concern that 2.3% of the local population depends on paraffin as their main energy source.

**Table 5.2 – Household access to Energy, 2001**

Energy Source	Percentage
Electricity	70.4
Gas	0.1
Paraffin	2.3
Candles	26.6
Solar	0.1
Other	0.4
<b>Total</b>	<b>100.0</b>

*Source: Statistics South Africa, 2001*

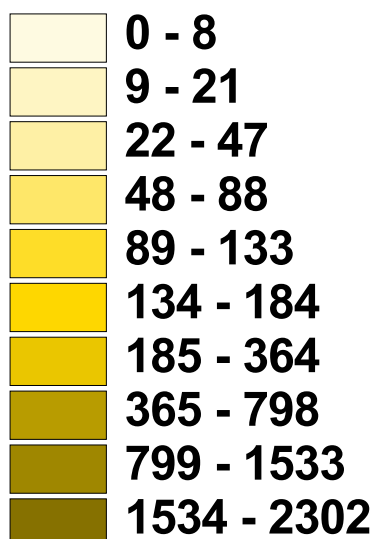
Map 2 illustrates the spatial distribution of households in Mogalakwena without access to electricity. From this map it is evident that households in Mogalakwena are generally well catered for in terms of access to electricity.

The provision of adequate electricity infrastructure would positively contribute to the creation of an environment which is beneficial to economic development and conducive to investor confidence within the area.

**Map 2: Number of Households without access to electricity, 2001**



**Number of Households**





## **5.6. TRADE SECTOR**

This sector is defined as the resale (sale without transformation) of new and used goods to the general public for personal or household consumption or use by shops, department stores, stalls, mail-order houses, hawkers and peddlers, consumer co-operatives, etc.

Government has diversified and deepened the country's trading networks, export markets and sources of Foreign Direct Investment. Apart from its traditional trading partners, South Africa has developed more extensive relations with South America, Asia and Africa, thereby enhancing South-South economic co-operation.

The Small Business Council, Khula Enterprise Finance Corporation and Ntsika Enterprise Promotion Agency have made modest impact, though the National Manufacturing Advisory Centre (NAMAC) programme. The contribution of the small, medium and micro enterprise (SMME) sector to GDP and employment indicates the limited role that this sector is playing in the South African economy. Small and medium enterprises contribute less than half of total employment, 30% of total GDP and one out of five units exported.

To address some of the problems with SMME development, it was decided to merge Ntsika and NAMAC into the Small Enterprise Development Agency (SEDA). SEDA is engaging with the provinces to establish a joint working relationship to stimulate small business development. SEDA is currently not active in Limpopo and most SMME assistance in this regard is provided by LIBSA.

### **5.6.1. Trade in Mogalakwena**

The local Trade sector contributed 15.0% to total GGP production and 17.6% to formal employment in 2004. This ranked Trade as the second most significant employment sector in Mogalakwena after Government and Social services (40.3%). During the period 2000 to 2004 the local Trade sector grew by 4.6% on average per annum.

#### **5.6.1.1. Disposable Household Income**

Trade is a derived activity that is dependent on the success of the Primary and Secondary sectors as well as on household income levels.

Table 5.3 indicates the annual household income in Mogalakwena. From this Table it is evident that the majority of households in Mogalakwena earn no income while 65% earn less than R9 600 per annum. The weighted average annual income by households in Mogalakwena (excl. no income households) has been calculated at R33 628.

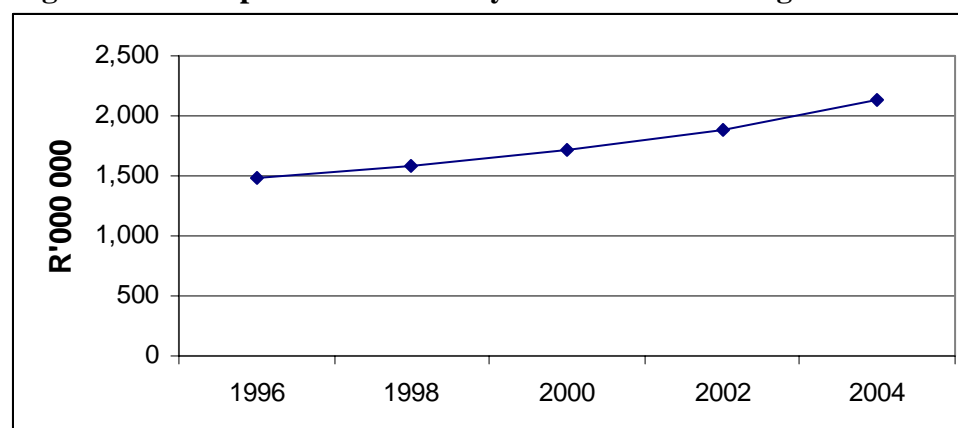
**Table 5.3 – Annual Household Income in Mogalakwena, 2001**

Annual Household Income	Percentage of Households
No income	32.4
R1 - R4 800	7.8
R4 801 - R 9 600	24.8
R9 601 - R 19 200	14.7
R19 201 - R 38 400	9.4
R38 401 - R 76 800	5.9
R76 801 - R153 600	3.2
R153 601 - R307 200	1.2
R307 201 - R614 400	0.3
R614 401 - R1 228 800	0.1
R1 228 801 - R2 457 600	0.1
R2 457 601 and more	0.0
Weighted Average Annual Household Income	R 33,628
<b>Total</b>	<b>100.0</b>

Source: Statistics South Africa, 2001

An average monthly income of R2 802 per income earning household is very low and families in Mogalakwena are extremely limited in terms of their disposable income. As indicated earlier, the majority of households spend the little disposable income that they do have on necessary commodities such as food and clothing. This also explains the informal business nature found in local settlements.

Figure 5.1 illustrates the disposable income by households in Mogalakwena from 1996 to 2004. From this figure it is evident that the disposable income of households increased from about R1.5 billion in 1996 to slightly over R 2.1 billion during 2004. This represents an average annual growth rate of 4.6% in the disposable income of Mogalakwena households.

**Figure 5.1 – Disposable Income by Households in Mogalakwena**

Source: Statistics South Africa, 2001

Over the same period the total amount of income tax collected from households in Mogalakwena increased from R176 million to about R210 million.

These observations reveal mainly two important conclusions regarding household income in Mogalakwena. The first conclusion relates to the fact that both total and disposable household income have constantly grown over the last ten years implying positive growth indications for the local trade sector. When this data is analysed in the context of the income distribution profile (see Table 5.3) it becomes evident that there are huge income disparities among local households. This means that there is large growing welfare gap between poor and better-off households.

#### 5.6.1.2. Products and Services traded locally

To gain a more comprehensive insight into the supply side of the Mogalakwena economy, respondents were required to indicate the products and services traded by their businesses.

The products and services traded by businesses in the formal sector are displayed in table 5.4. From this table it is evident that groceries are by far the main product being traded in the formal sector. Products and services that contribute least to the local formal economy include Bakery, cosmetics and other professionals (0.6% each), motor vehicles, fuels machinery and pharmaceutical (1.2% each). The rest of the formal economy is highly diverse in terms of products traded and services rendered.

**Table 5.4– Main products and services traded in the formal sector, 2006**

Main products and services traded	Percentage
Bakery products	0.6
Cosmetics and perfumes	0.6
Beverages	1.8
Cell phone	3.0
Motor vehicles	1.2
Motor vehicle parts	4.2
Food wholesale	1.8
Food	8.4
Clothing and footwear	6.6
Fuel sales	1.2
Funeral services	1.8
Machinery	1.2
Groceries	38.9
Meat products	2.4
Alcohol beverages	13.2
Pharmaceutical products	1.2
Furniture	3.6
Stationery	1.8

Main products and services traded	Percentage
Restaurants	3.6
Medical (incl. doctors, dentists, etc)	1.8
Other professional	0.6
Other	0.6
<b>Total</b>	<b>100.0</b>

Source: Urban-Econ Business Survey, 2006

Table 5.5 illustrates the products and services being traded in the informal economy of the Mogalakwena local economy.

**Table 5.5 – Main products and services traded in the informal sector, 2006**

Main products and services traded	Percentage
Snacks, fruit and tobacco	59.6
Clothing	4.3
Public telephone service	2.1
Cell phone accessories	2.1
Bakery products	6.4
Meat products	2.1
Flowers	6.4
Cosmetics and perfume	4.3
<b>Total</b>	<b>100.0</b>

Source: Urban-Econ Business Survey, 2006

From Table 5.5 it is clear that the majority (59.6%) of informal traders are involved in low cost and low profit products such as sweets, cold drinks, fruit, and tobacco. Other informal traders include public telephone services and the sale of clothing.

None of these business types are usually very profitable on small scale and will benefit from marketing and small business development services. Employment by these businesses is also very low and usually only provides employment for one or two people. The quality of employment in the informal sector is also of concern (i.e. less personal income and skills development than in the formal sector).

## **5.7. TRANSPORT**

This sector includes activities related to providing passenger or freight transport, whether scheduled or not, by rail, road, water or air and auxiliary activities such as terminal and parking facilities, cargo handling and storage. Division 75 of the SIC (Standard Industrial Classification) includes postal activities and telecommunications.

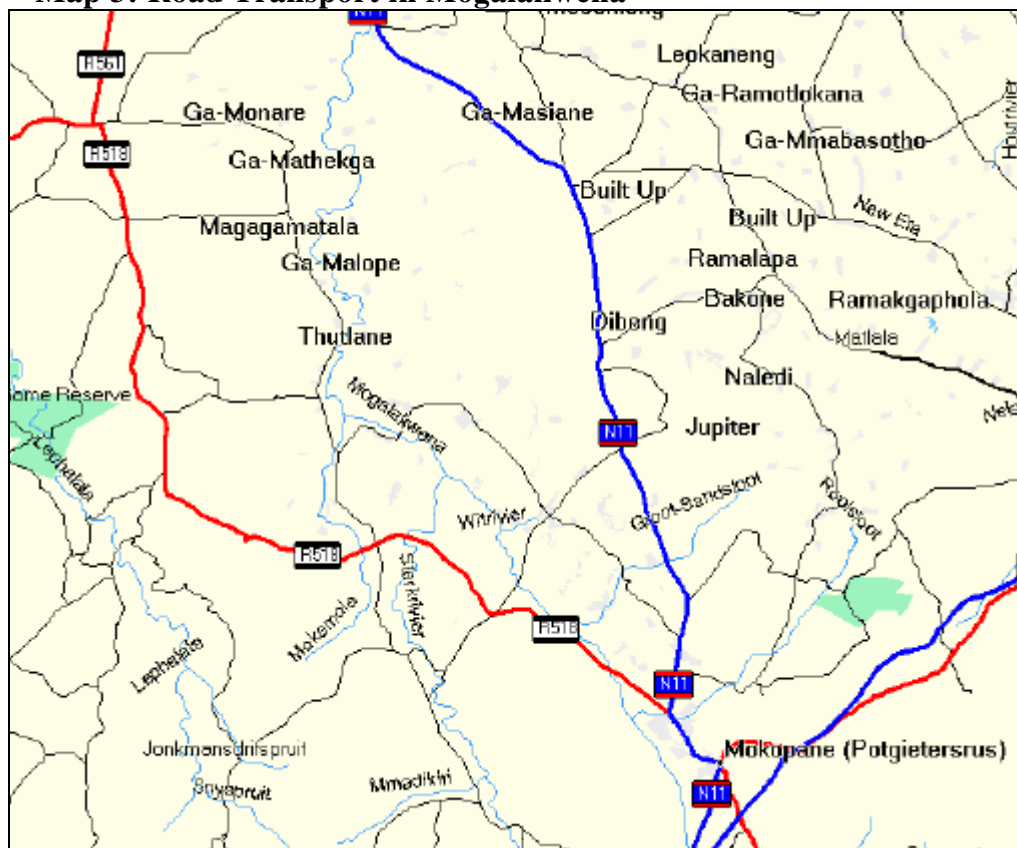
Transport policy in South Africa is built on the framework set out by the Moving South Africa Strategy (1999) and the National Land Transport Transition Act, 2000 (Act 22 of 2000). These established the vision of an efficient public transport system through the use of targeted subsidies, and the provision of a high-quality, comprehensive transport infrastructure. In 2005/06, the department was allocated R3 billion to improve the public transport system and roads.

According to the National Household Travel Survey, 2003, there are about 3.9 million public transport commuters. The 2.5 million taxi commuters account for over 63% of public transport work trips. Bus services account for another 22% of public transport commuters and the balance are carried to work by train. In addition to the 2.5 million commuters who use minibus-taxis as the main mode of travel, there are another 325 000 commuters who use taxis either as a feeder mode to other public transport services, or as a distribution service from the main mode to their places of work. In households where income exceeds R6 000 per month, 82% have access to one or more cars. Gauteng and the Western Cape have the highest car-ownership levels.

### 5.7.1. Transport in Mogalakwena

The N1 between Gauteng and Polokwane is the responsibility of the South African National Roads Agency and is the main linkage between Mogalakwena and the rest of South Africa.

**Map 3: Road Transport in Mogalakwena**



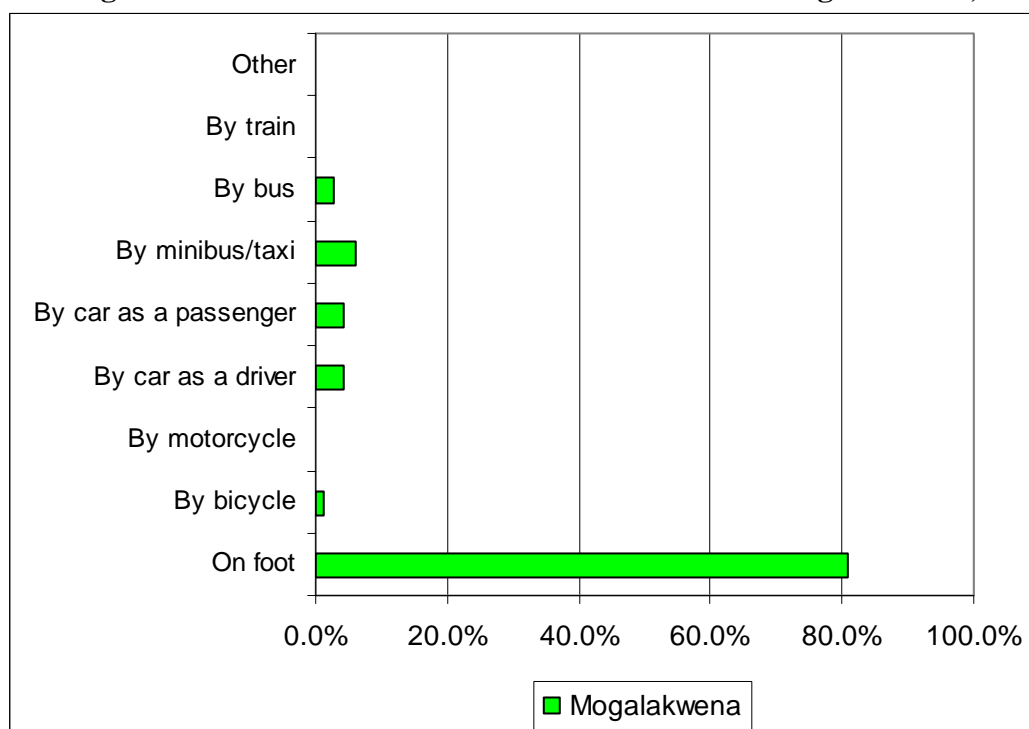
Source: South Africa Street Maps, 2005

Although Mokopane is not directly located next to the N1, this highway is easily accessible to local businesses and the community. From Mokopane the N11 and the R518 constitute the main feeder routes through the rest of the municipal area (see Map 3). Apart from these main routes smaller access routes and certain roads within village are generally not well maintained.

Figure 5.2 illustrates the main modes of transport to work and school within Mogalakwena. According to this figure, more than 80% of the residents in the area walk to their place of work or school. This situation is descriptive of a very poor community who cannot afford any form of motorised transport throughout the month. Many people make use of taxis at the end of the month to cater for their monthly financial, grocery and other shopping needs.

Pedestrian transport is followed by motorised transport, which make up for 17.7% of travel within the Municipality. The most popular mode of motorised transport is by minibus/taxi. Relative to bus transport, private vehicle ownership in Mogalakwena is relatively higher. Some workers in the Agricultural and Mining sectors have housing accommodation in very close proximity of their workplace and thus do not require any form of motorised transportation to travel to work.

**Figure 5.2 – Mode of travel to work or school in Mogalakwena, 2001**



Source: Statistics South Africa, 2001

Table 5.6 illustrates the derived access of households in Mogalakwena to telephone services. From the households in Mogalakwena, 8.9% have access to a telephone in their dwellings. About 6.4% of households have no access to a telephone while 55.5% have access to a telephone nearby.

Important to note is the fact that 25.1% of households have a cell-phone. This presents a business opportunity for the sale of pre-paid cellular vouchers within Mogalakwena. Only 5.2% of households have access to a cell-phone and a land-line phone.

**Table 5.6 – Access to telephone services in Mogalakwena, 2001**

Access to telephone	Percentage (Households)
Telephone in dwelling and cell-phone	5.2
Telephone in dwelling only	3.7
Cell-phone only	19.9
At a neighbour nearby	3.4
At a public telephone nearby	50.0
At another location nearby	5.5
At another location; not nearby	5.9
No access to a telephone	6.4
<b>Total</b>	<b>100.0</b>

Source: Statistics South Africa, 2001

### 5.7.2. Development Potential

The Transport and Communication sector contributed 6.5% to local production and 2.0% to formal employment in Mogalakwena in 2004. Between 2000 and 2004 this Sector displayed an average annual growth rate of more than 10% per annum.

The primary nodal points have infrastructure for telephone services. However, much less households in the more informal settlements can afford these services. When considering that about 50% of households are dependent on public telephones it is not surprising that some informal businesses target this niche by offering public telephone services from private phones by charging higher rates. This creates a problem because many cannot afford these higher rates and puts further pressure on already limited disposable income.

In the document titled “Moving South Africa: A Transport Strategy for 2020”, national government set out its strategy to provide safe, reliable, effective, efficient and fully integrated transport operations and infrastructure.

This will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports government strategies for economic and social development whilst being environmentally and economically sustainable. This strategy provides the framework for transportation development within Mogalakwena and the rest of South Africa.

### **MOVING SOUTH AFRICA – THE ACTION AGENDA [PART THREE] RURAL PASSENGER VISION FOR 2020**

By 2020, transport infrastructure and services in rural areas will provide the basic means of access and mobility to support the integration of sustainable rural communities into the social and economic life of South Africa. Through transport, rural South Africans will be enabled to affordably and conveniently access markets, employment, economic activity, health care, welfare services, communication systems, retail services, and social activity.

Transport will do this as a central part of a co-ordinated rural development strategy which integrates with government's total rural investment programme. Transport's role in the short to medium term will be to:

- Focus on the provision of appropriate infrastructure (such as upgrading links to primary road networks); and
- Enable the provision of appropriate transport services and target subsidies at under-served customer segments.

In doing so, transport choices will be based on detailed rural transport customer research which will inform the design of tailored and innovative modal solutions.

*Source: National Department of transport, 2003*

Telephone infrastructure is present in Mogalakwena in terms of cell-phones and land-lines. Access to these services are however limited by the lack of disposable household income (i.e. people cannot afford telephone services). This situation will improve with higher levels of household income.

Warehousing and transport is a derived activity and is dependent on the development of the other sectors of the economy. This implies that growth in this sector will occur in tandem with the development of the other sectors in the local economy. Recent growth in this sector has been stimulated by the local Mining sector of Mogalakwena.

This is an important economic sector in Mogalakwena. However, it will not have a large impact on economic growth or job creation.

The following areas of potential exist within the local Transport sector:

- Rural and urban integration
- Poverty alleviation through road maintenance programmes.
- Internet and e-trade
- Sale of pre-paid telephone vouchers (cell-phone and land-line)



## **5.8. SOCIAL SERVICES**

This sector includes the general activities of central, provincial and local government such as health and social work, education, infrastructure provision, community organisations (NGOs), recreational, cultural and sporting activities, and other community, social and personal services. This includes sewage and refuse removal, sanitation and similar activities.

Government announced in February 2004 that it would allocate R200 million towards providing free, basic electricity to poor people in an effort to improve their living conditions. Qualifying customers are eligible for 50 kilowatt-hours (kWh) of free electricity per month. Eskom is a service provider for free basic electricity in its areas of supply. By providing this basic service, government hopes to offer social relief to those who earn less than the national minimum wage levels.

### **5.8.1. Community Services in Mogalakwena**

The Community services sector, which includes the Government sector, contributes some 18.2% to local production while accounting for more than 40% of the formal employment opportunities in Mogalakwena. This sector is mostly concentrated around Mokopane, due to the government facilities and social/institutional infrastructure located there.

The above numbers indicate the importance of this sector in employing local residents. It is believed that this sector will continue to play a major role in the local economy, as these services will continually be in demand. Future investment in this sector is, however, dependant on Central, Provincial and Local Government investments in Mogalakwena.

In terms of the **Constitution of South Africa (Act 108 of 1996)**, a municipality has executive authority in respect of, and has the right to administer:

- Electrical and gas reticulation.
- Fire fighting services.
- Municipal Health Services.
- Water and Sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems.
- Local Sport Facilities.
- Municipal parks and recreation.
- Municipal roads.
- Public Places.
- Refuse removal, refuse dumps and solid waste disposal.
- Street Trading.
- Street Lighting.
- Traffic and Parking

Due to the relatively large resident population there are numerous schools, clinics and other social and community facilities throughout Mogalakwena. Mokopane represents the administrative centre of Mogalakwena where the municipal offices are located.

### **5.8.2. Development Potential**

#### **5.8.2.1. Health Care and LED**

Increasing the number of jobs in local Healthcare Facilities contributes to the overall reduction of poverty in an area. This is why it will be beneficial to Local Economic Development if local healthcare facilities can be expanded and upgraded. LED is about attracting, retaining and recruiting businesses to an area. In rural South Africa, Healthcare Facilities are always significant and often one of the largest businesses and employers in a rural community.

The number of local jobs is increased directly through the expansion of local Healthcare Facilities through the employment of hospital or clinic personnel and associated professions. Expanding jobs in Healthcare Facilities will have multiplier effects on employment in other local firms. Some of the increased funding from provincial government is spent on local workers' salaries and supplies from local producers. Local suppliers and workers in turn spend some of their additional funds on local goods and services, creating still more jobs. These multiplier effects of re-spending are not infinite because some of the additional money "leaks out" of the local economy, and is instead spent on goods and services outside the local economy, or goes into savings or taxes.

Although Mogalakwena Local Municipality is not directly responsible for the provision of primary Healthcare Facilities, the Municipality can play a vital role in the negotiation for more health care funding and facilities. The following are important considerations in this regard:

- The Municipality and local Healthcare Facilities must develop a common development vision.
- Economic development personnel must be present on e.g. hospital councils.
- Hospital representatives must be present at LED strategy meetings.
- Provide hospitals with information on applicable local businesses. These businesses may include, for example, the provision of hospital food and laundry services.
- Health Care Facilities must express their need for goods and services to local businesses first, before buying it from outside the municipal boundary. This can be facilitated by including healthcare personnel responsible for procurement on local business forums.
- Encourage local Healthcare Facilities to employ local people as far as possible. This can be achieved through the establishment of a local employment agency which give preference to the local community.

Finally, there are several possible options for the Local Municipality to address inequalities in primary health care which would greatly strengthen the poor's human capital and hence long-term labour productivity and incomes. This relates to the need of the Municipality to expand access to primary health care in low-income areas through its provision of infrastructure that impacts on human health (such as water supply, sanitation, solid waste disposal, improved roads, drainage, etc.). The availability of proper Healthcare Facilities can contribute greatly to the attractiveness of an area.

#### 5.8.2.2. Telemedicine

The South African Government has identified telemedicine as a strategic tool for facilitating the delivery of equitable healthcare and educational services, irrespective of distance and the availability of specialised expertise, particularly in rural areas. In 1998, the Department of Health adopted the National Telemedicine Project Strategy. The Strategy called for the establishment of a National Telemedicine Research Centre and a network of telemedicine links to be implemented in three phases over a period of five years.

In September 1999, the National Telemedicine Research Centre was established as a joint venture of the Department and the MRC. This exciting project will go a long way towards delivering a solution to the severe problem of inadequate services and geographical challenges that confront the South African healthcare system, as a result of long-standing, previously misplaced priorities.

#### **Potential for Mogalakwena**

Healthcare Facilities and health services in Mogalakwena could be improved with the use of telemedicine. Telemedicine is a technological advanced method for municipalities like Mogalakwena to provide specialist healthcare to poor rural communities.

#### 5.8.2.3. Community Health

The most common communicable diseases in South Africa are TB, malaria, measles and STIs. The appropriate and timely immunisation of children against infectious diseases is one of the most cost-effective and beneficial preventive measures known.

The mission of the South African Expanded Programme on Immunisation is to reduce death and disability from vaccine-preventable diseases by making immunisation accessible to all children. Immunisations against TB, whooping cough, tetanus, diphtheria, polio myelitis, hepatitis B, haemorrhagic influenza type-B and measles are available free of charge to all children up to the age of five years (South African Year Book 2003/2004).

The Government's policy on HIV and AIDS is set out in the five-year Strategic Plan adopted in 2000 and the Cabinet statements of 17 April 2002, 9 October 2002 and 8 August 2003. Government's commitment to intensified

implementation of the Plan is backed by very large budgets for the HIV/AIDS programme. In 2002/03, government provided large additional allocations for an enhanced response to HIV/AIDS and TB. These allocations, estimated at more than R1 billion for 2002/03, were again strengthened in the 2003 Budget.

### Case Study

On 11 October 2003, the Traditional HIV/AIDS Home-Based Care (THABC) Project in Robega Village in Phokeng in the North West launched a Drop-in Centre and soup kitchen.

The Department of Social Development provided funds for the project, aimed at feeding children and poor families in the area.

Since 2001, the THABC has supplied about 60 families with food packages, made lunch boxes for about 50 scholars and cooked supper for about 130 orphans on a daily basis.

*Source: South African Year Book, 2003/2004*

Dedicated funding for HIV/AIDS (excluding allocations from the provincial equitable shares) is set to increase more than tenfold from R342 million in 2001/02 to R3,6 billion in 2005/06 (South African Year Book 2003/2004).

### Potential for Mogalakwena

Almost 116 000 of Mogalakwena's residents (37.8%) are below the age of 15. This represents the future labour force of the area. It is therefore important to ensure that all children receive timeous immunisation against infectious diseases.

There is a definite need for an information campaign in Mogalakwena to inform parents about the proper care of their children's health needs. Mogalakwena can furthermore attempt to access some of the money allocated to the fight against HIV/AIDS to the local community in the form of education and government life skills campaigns.

## 5.9. TOURISM

Tourism is not an economic sector on its own, but forms part of other sectors especially the Trade, Transport and Finance sectors. However, due to its increasing importance as an income and employment generator in South Africa, it is believed that this sector should be discussed separately from the other sectors.

The World Travel and Tourism Council estimates that the South African Travel and Tourism economy accounts for 7.1% of South Africa's Gross Domestic Product contributing R72.5 billion in 2002 and growing at 3.2% during 2001. The Travel and Tourism economy is estimated to have employed 1.5 million

people in 2002 or 6.9% of the country's formal workforce. The estimated performance of South Africa's Tourism economy in 2002 was better than the performance of the world as a whole.

Tourism is the fourth-largest industry in South Africa, supporting some 6 500 accommodation establishments. Certain factors in South Africa's favour, which are expected to boost tourism growth in the country, include:

- National tourism assets of incomparable quality in certain segments.
- A diversity of tourism products, especially adventure, ecotourism and cultural attractions.
- Exceptional value for money relative to key competitors, partly owing to foreign exchange rates.
- Positive global perceptions of a peaceful political transition in South Africa.

### **5.9.1. Tourism in Mogalakwena**

Tourism activities are currently regarded as minimal but developing in Mogalakwena. The following destinations provide some of the best known attractions in the Municipality:

- The Lapalala Wilderness Game Reserve
- The Doorndraai Dam Nature Reserve
- The Percy Fyfe Nature Reserve
- The Makapan Caves and Valley

Several Game and Nature reserves can be found in Mogalakwena. The Percy Fyfe Nature Reserve is a breeding station for protected species like roan, tsessebe and Addo buffalo. Camping and hiking is permitted in the reserve. The Doorndraaidam Nature Reserve provides opportunity for angling, water-sports, hiking, camping, bird-watching and off-roading. Hiking, 4x4 trails and camping can also be enjoyed at Thabaphaswa, 'the black and white mountain', where the Mashashane Dancers frequently perform.

One of the most notable archaeological and historical sites in the country is found at Makapan's Valley, 15 km north of Mokopane. The sediments, fossils, bones and artefacts found in the caves in the valley preserve a unique record of hominid habitation and evolution dating back 3,3 million years. The valley which has stood at the frontier of palaeontological and archaeological research for much of the twentieth century has been declared a National Heritage Site.

The Arend Dieperink Museum contains a valuable cultural historical collection of Sotho and Voortrekker artefacts and is housed in a graceful stone building originally built as a school. The museum portrays the history of the town and surroundings from the time of the ape-men at Makapan's Cave, right through to the Anglo Boer War and recent times.

### 5.9.2. Development Potential

There are resources and infrastructure available which contributes to the development potential in this sector in Mogalakwena. Community tourism is becoming increasingly popular, with tourists wanting to experience South Africa in the many rural villages and townships across the country.

Opportunities for the future development of tourism could possibly be found in Mogalakwena, such as bush camps and the future trend of cultural group tours with an educational basis. The 'big five' is already present in Mogalakwena. Development potential within the tourism industry include the increase in arts and craft SMMEs, new tourist routes, attraction development, education and training of tour operators, establishment of travel agents and tour operator training.

Key areas of tourism development include:

**Locational advantages.** The location of Mogalakwena makes it a convenient stop-over point for tourists travelling to the rest of Limpopo and Africa. It is situated near Polokwane and provides a unique blend of tourist opportunities.

**Eco-tourism.** Mogalakwena is ideal for bird watching enthusiasts, hikers, 4x4, camping and game drives.

**Low crime levels.** The events of the September 11th bombings in New York (USA) has given the world a whole new awareness on safety, and especially when travelling to well known, condensed travelling destinations. The almost non-existent levels of crime and sparsely populated area make Mogalakwena a very safe travelling destination.

A lack of packaging and marketing of Mogalakwena's tourist products and services, and the lack of a unique identity keep the current tourist facilities off the maps. As part of the Municipal IDP, it is essential to include a strategy focussing solely on the development of tourism in Mogalakwena. The emphasis should be on the training of people within the tourist industry, marketing the area's tourist attractions in unique "nowhere else to find" tourist packages and in developing a tourism identity for the area.

## 5.10. CONCLUSION

This section presented a sectoral analysis of the key development sectors in the Mogalakwena local economy. The economic analysis in Section four indicated that the local economy is small and not regarded as optimally competitive in the provincial context.

The strength of the Mogalakwena local economy is mainly concentrated in the Government, Mining, Trade and Finance sectors. From a development

perspective the Finance and Government services sectors are regarded as demand driven. This means that growth in these sectors are a reaction to growth in the other sectors (i.e. demand driven) of the economy and will thus expand if the other sectors in the economy grows. The Trade sector is regarded as a key sector for development intervention. These sectors indicated strong development potential and are currently the main providers of formal employment opportunities in Mogalakwena.

The potential analysis furthermore revealed the importance of the tourism sector. This sector is currently mainly based on eco-attractions such as wildlife and nature reserves and is regarded as growing. Mogalakwena has good growth potential in this sector especially around the Doorndraai Dam Nature Reserve and Makapan Valley. The importance of growth in the tourism sector is not only limited to employment creation but also regarded as a central player in the marketing of Mogalakwena as an attractive investment environment.

## SECTION SIX: DEVELOPMENT FRAMEWORK

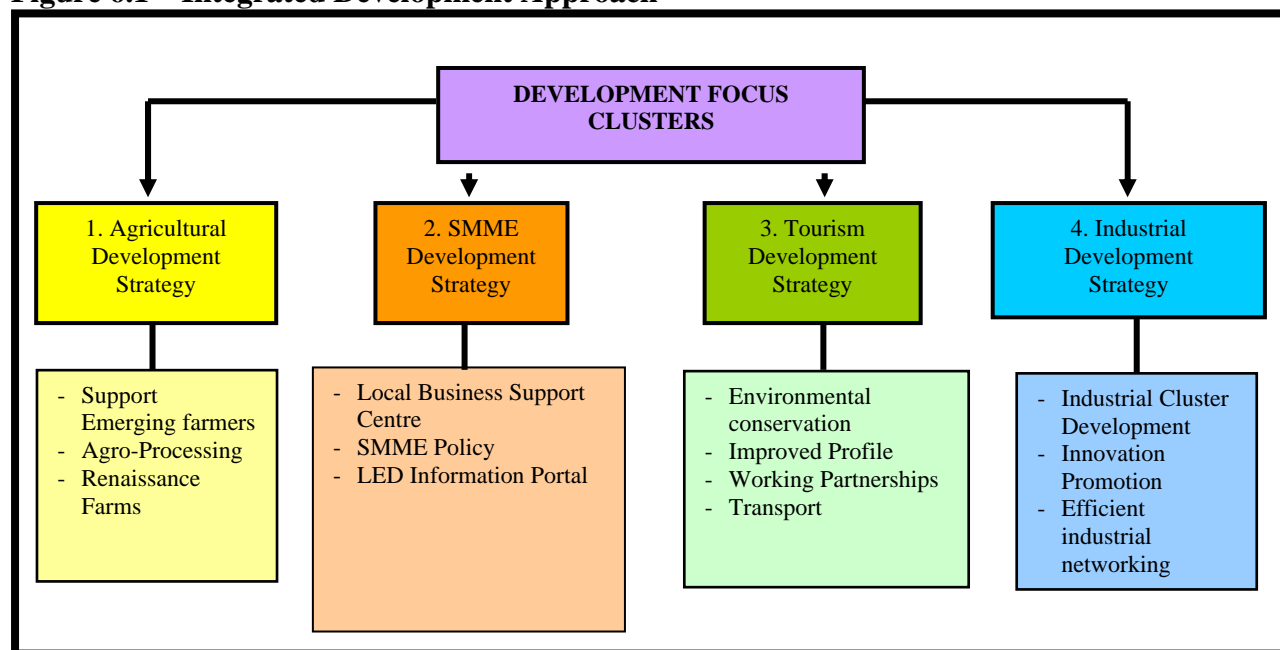
The purpose of this section is to present the Strategic Development Focus Clusters for the local economy of Mogalakwena. The Focus Clusters are now packaged as the core of the Mogalakwena LED Strategy together with implementation programmes and associated anchor projects. These focus areas also serve as the point of alignment with the municipal IDP.

### 6.1. THE DEVELOPMENT FOCUS CLUSTERS

From a strategic development facilitation point of view, it is necessary to ensure that the appropriate linkages and interactions between projects and actions be established. Such an integrated approach is needed to ensure the optimal rate of implementation and economic development in the area.

The integrated approach for stimulating economic growth and development within Mogalakwena is illustrated in Figure 6.1 below.

**Figure 6.1 – Integrated Development Approach**



Based upon this figure, there are **4 main strategic clusters** for stimulating growth and development within the economy. A development cluster in this context can be defined as:

*“Planned actions aimed at creating an impetus and a critical mass in the local economic environment in order to generate momentum in the economy”*



The main development clusters are based on the situation experienced within the local economy and aims at utilising existing strengths and opportunities by transforming these into workable programmes and actions that will assist in reducing threats, and alleviating the weaknesses in the local economic environment. The development clusters are supported through the development of programmes, which aim at enabling the specific cluster. Distinct actions are formulated in order to reach the targets of each programme.

Each of the above mentioned strategic development clusters are discussed below, each containing the following discussion points:

- A brief description of the strategy
- A description of themes relevant to the specific strategy
- A description of the anchor projects associated with the theme and strategy
- Information and supportive sources

## **6.2. CLUSTER 1: AGRICULTURAL DEVELOPMENT**

There is a growing need to solve the host of problems faced by the agriculture sector in Mogalakwena in a more integrated manner, within the framework of sustainable development. Agricultural sector strategies in the past have veered between maximising agricultural growth through promoting commercial crops and emphasising food production / self –sufficiency and import substitution on the other. There are however various strategies to improve this sector, e.g.

- Agriculture Beneficiation and Diversification
- Tools & Instruments

Each of these components is synoptically discussed in the subsequent paragraphs in order to highlight the salient features which must be incorporated into the agricultural development cluster.

### **6.2.1. Agricultural Beneficiation and Diversification**

Agribusiness may be defined as all market and private business-oriented entities involved in the production, storage, processing and distribution of agro-based products, in the supply of production inputs, and in the provision of services. Agribusiness is an integral component of rural development, and forms part of the strategy to improve regional and local economic development and ensure food security.

Agribusiness enterprises are primarily labour intensive small and medium enterprises located near agricultural production sites in rural areas or in rural centres. Economic success of these agricultural enterprises is increasingly determined by the performance and capacity of upstream and down stream sectors. Agribusiness entities need to respond by improving their efficiency and

market orientation. What is required in agribusiness is access to expertise, the availability of market information, and sufficient management skills.

Agribusiness support in it-self must be an integral part of the economic development concept, and must be targeted towards the creation of jobs and income in rural areas. In line with a common business concept, the guiding principle is always the market orientation of all support services. Employment promotion and poverty alleviation in rural areas are additional goals of promoting agribusiness. Agribusiness does not only focus on the primary production of products but also requires additional workers. New employment opportunities are created in the processing industry and, especially, in the service sector.

Experience shows that there are some areas that offer particularly high potential for the successful promotion of the agribusiness sector. These interventions include:

- Product quality trade
- Management of agribusiness –related support services
- Development and management of market infrastructure
- Management of food chains
- Voluntary organisations and co-operation in production and marketing

### 6.2.2. Tools and Instruments

Tools and instruments are defined as something that gives the ability, capacity, responsibility and accountability to achieve the desired goals and objectives. Efficient tools and instruments in key interventions are needed in the agricultural sector, to facilitate the cost-effective delivery of agricultural services to the community. Some of the most important instruments that can be utilised for the capacitation of communities relates to the transfer of knowledge in terms of:

- *HIV/AIDS* and its influence on productivity. This instrument is best implemented and utilised if the coordination of the relevant (health) authorities with the rural development initiatives is viewed as a priority. The influence of HIV/AIDS should be anticipated / viewed as a long term impact.
- *Knowledge management* is a relatively new instrument to agriculture LED. This instrument entails the improvement and optimal utilisation of tacit knowledge within the communities. However this also includes the transfer of explicit knowledge to the communities within the local area. Usually this instrument is placed under the ambit of the “human resources development programme” and is also included under this heading in the strategic plan.
- The use of *appropriate agricultural technologies and techniques* is a major element that requires attention. The rational behind the utilisation of appropriate technologies and techniques will increase the agricultural yields in addition to the protection of the environmental resources. This increased productivity can be

viewed as the relationship between the input and output ratios. The following prerequisites need to be in place afore such activities can be successfully implemented:

- Better and more effective co-ordination between government agencies.
- More effective communication of agriculture policies and application procedures to front line staff.
- Practical training, education and awareness building.
- Technology demonstrations.
- The *improved communication* between all the local role-players and stakeholders are required as the primary element that influences the implementability of the agriculture expansion initiatives. This should also be strengthened through the formalisation of collaboration between the agriculture and other sectoral activities.

These above mentioned approaches to agriculture services are by no means exhausted, but provide a clear indication of the specifics required in order to utilise LED as a vehicle to improve the “wealth situation” of especially the rural and poor communities in Mogalakwena.

Ongoing policy developments should anticipate/consider the long-term impact of development activities and therefore strive to continuously “update” the information database of the economic situation within Mogalakwena. This should be done through ongoing research which should inform the implementation strategy of the initiatives.

It is vital that poverty reduction objectives are translated into straightforward operational guidance for programme preparation, implementation and monitoring. Therefore it must be set out how poverty reduction approaches, at all stages of sectoral programming that might be introduced into agriculture sector approaches.

The following guidelines should be incorporated to facilitate the utilisation of agriculture development in order to reduce poverty:

- Coherent Pro–Poor Agricultural Sector Policy Framework.
  - Increase agricultural productivity; lower transport costs; increase rural, employment and food security; and integrate remote and lower potential areas into the growth strategy.
  - Use appropriate institutional structures to encourage the private sector and civil society (e.g. decentralized services).
  - Encourage the private sector and enhance market reforms (increase competition between traders).
- Public and Private sector institutions.
  - Define the roles and responsibilities of the public and private sectors, taking account of local situations.

- Build institutional capacity to manage the programme, and to provide rural services, especially at the local level (note that once again strong linkages with the human resource development component).
  - Introduce new management practices to tackle biases against poor farmers and women.
- Improve the target resources.
  - Increase funding of agricultural activities.
  - Target a greater proportion of funds, directly at groups of poor farmers and women.
  - Increase investment in lower potential areas, and develop services for the poor and women, to integrate them into the growth process.
- Ensure the participation of the poor and women in programme preparation and services.
  - Organisations representing poor farmers and women must be consulted in programme preparation reviews.
  - Donors and governments may need to encourage the development of institutions that represent the poor and women.
  - Invest in information systems to allow effective programme design and evaluation.
  - Establish systems for evaluating the impact of measures on poverty.

Agriculture plays an important role in determining the livelihoods and standard of living of most of the poor in the region, particularly when the poor are asked to pay for their use of basic social services. Increasing agricultural productivity is therefore, a key area in the fight against poverty. For the poorest, whose only asset is their labour, returns are vital.

There is an urgent need to ensure that poverty objectives are better integrated into a strategy for growth promotion, and reflected in the programme design and operational guidelines in Mogalakwena.

### **6.2.3. Development Programmes**

The elements of this cluster aims to improve the agriculture utilisation within Mogalakwena. Agriculture is used in the general meaning and incorporates all aspects of the topic including, forestry, aqua-culture, commercial and subsistence farming.

The various development programmes address the issues identified in the status quo phase of the project. It is important to differentiate between different sets of obstacles to agricultural development. On the one hand there are structural constraints determined by the legacies of colonialism and apartheid. These concern the manner in which territorial segregation structured the regions to be suppliers of labour rather than areas for agricultural production.

Similarly, if local conditions are not conducive to development, they contribute to an overall syndrome of poverty and backwardness. Against all the odds of these structural constraints and local obstacles there are many examples of human ingenuity and creativity, which have created the conditions for survival and even enrichment. Therefore conditions conducive to such entrepreneurial development must be created.

#### 6.2.3.1. Programme 1: Support Emerging Farmers

As mentioned in the preceding discussions, the development of the emerging farming sector is vitally important to diversify the Mogalakwena local economy and to contribute to food security in the region. The primary implications of this are that the resources available to be utilised for agriculture development, of specifically the emerging farmers, must be employed in an increasingly efficient manner.

Therefore the level of efficiency with which the emerging farmers are supported should be refocused on the following dimensions; the expansion of the skills of the emerging farmers, the proliferation of support programmes aiming at the skills expansion, the organisation of the agriculture communities to participate in economic (agricultural) activities and to strengthen the bargaining power of the emerging farmers.

The provision of support for the emerging farmers should be closely linked to the existing needs of the Mogalakwena farming community while being sensitive to the market related products/produce required. In other words, guidance should be provided to the emerging farmers relating to the market dynamics and how to exploit it without the creation of a “dependency syndrome” among local emerging farmers.

#### **A) CORE COMPONENTS**

The provision of appropriate support for the emerging farmers in Mogalakwena is vitally important to the success of agriculture development throughout the Municipality. Such support is focused on a variety of activities. Firstly the improvement of the extensions services offered must be facilitated. Secondly, demonstration plots must be incorporated in Mogalakwena and thirdly access to markets must be improved.

- Extension services: Currently the extension services are provided by the Department of Agriculture. These services need to be completely re-evaluated in terms of the functions being fulfilled. Additionally, the level of service delivery should be examined and the reasons for the poor service levels must be addressed. Sensitivity should be employed, as it is likely that resistance to the investigation will be experienced. It is vitally important that these improvements to the extension services be facilitated as a catalytic process that will be able to generate momentum in the other development programmes.
- Development of demonstration plots: As the majority of the existing emerging farmers are employing relatively “old” technology and techniques, the establishment of a mechanism through which these entrepreneurs can be

empowered must be included. The development of demonstration plots throughout Mogalakwena is an appropriate mechanism that can be applied with immediate effect. The provision of information and technical know-how on farming methods, market trends and production opportunities are undertaken from these demonstration plots. An added benefit is that close linkages can be developed between the existing farms and the demonstration plots. However, as a result of the characteristics of these demonstration farms, access to the information and support from the demonstration plots is more readily available due to its “open nature”.

- The access to markets is currently a major barrier to the optimal functioning and development of the emerging farmers sector in Mogalakwena. Therefore the facilitation of access to the markets by the emerging farmers is vitally important. In other words, this core component aims to address the issues related to the access to markets such as SADC and NEPAD by emerging farmers. These issues are connected to the distances from the markets, limited market penetration and small market share, non-diversified/homogenous products being offered. In order to overcome these issues, the preceding mechanisms (i.e. the improvement of the extension services and the development of demonstration plots) must be implemented, to act as primary drivers to point the development efforts in the right direction.
- A critical consideration in the provision of support for the emerging farmers is the delivery, where required and justified, of special infrastructure. This will facilitate and coordinate the immediate delivery of bulk services and infrastructure on the request of investors.

## **B) PROGRAMME IMPORTANCE**

At present the agriculture potential in Mogalakwena is under-utilised. Given the high unemployment rate, the associated poverty levels and therefore the limited levels of food-security, the emerging farmers who are currently producing agricultural produce (primarily for increased livelihoods and income supplementation) should be targeted in order to include this portion of the community into the formal economy.

This will contribute positively to the internal capital flows and therefore assist in the creation of wealth throughout the region. Efforts must be embarked upon to facilitate the initiation of the improvement of the community through inward- focused development activities.

## **C) KEY ROLE PLAYERS**

Support provision to the emerging farmer fraternity is a catalyst programme and must be fast-tracked to ensure that the development process is initiated and gains momentum. The key role-players in the provision of the extension services as well as the other core components include *inter alia* the following:

- Agriculture Research Council
- Mogalakwena LM & Waterberg DM
- Commercial Farmers Association

- Department of Agriculture
- Emerging Farmers
- Department of Agriculture & Land Affairs
- Department of Environmental Affairs and Tourism
- Eskom
- Development Bank of Southern Africa

#### **D) INSTITUTIONAL ASPECTS & FUNDING**

The Department of Agriculture is a main driving force behind the implementation of the mechanisms and measures to improve the support to emerging farmers in South Africa. However the Mogalakwena Local Municipality should act as driver of such projects on a local level. This championing should be conducted in close consultation with the representatives of the Limpopo Department of Agriculture.

The scope of the programme will have a direct impact on the budget allocations of projects. It is currently not possible to estimate the value of the programme. Where possible this programme must be closely coordinated with other developments in the local agriculture sector.

#### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

The first step in the improvement of the emerging farmer support is the enhancement of the existing agriculture extension services. Although this process falls beyond the ambit of the Mogalakwena Local Municipality, active lobbying of the responsible department to restructure the delivery mechanism must be undertaken.

Through such lobbying, the specific requirements within Mogalakwena can be communicated to the Department of Agriculture and the restructuring can be of such nature that the activities of the extension officers in the area align with the efforts of the Municipality.

With respect to the development of demonstration plots, the following steps are required:

- Identification of appropriate land in Mogalakwena
- Sourcing of funds to develop infrastructure
- Development of infrastructure (strategic)
- Alignment of the developmental activities to assist the demonstration plots' activities
- Create awareness of demonstration plots and attract local emerging farmers to attend demonstrations
- Constantly review activities being undertaken in terms of knowledge gained by the emerging farmers and the effective utilisation of the knowledge gained.
- Lobbying with supportive organisations and NGOs.



The steps associated with the access to markets that must be performed are:

- Formalisation and establishment of local market areas.
- Formulation of an informal trading policy as well as the actual enforcement of the policy
- Alignment and utilisation of available development programme to develop independent agro-produce entrepreneurs. Such programmes can be accessed through the Department of Land Affairs, the Land Bank, DBSA, Kula, etc. Commercial Banks in South Africa also have their own loan programmes for emerging entrepreneurs in South Africa.

#### 6.2.3.2. Programme 2: Provide opportunities for Agro-processing

The development of the agro-processing sector is a secondary focus of the entire agriculture development cluster. The rationale is that the critical mass of locally produced agri-produce must be sufficiently boosted to guarantee the sustainability of agro-industries. Therefore this development programme focuses on the stimulation of these activities in the local economy of Mogalakwena.

The improvement of the market focus and orientation is imperative for the successful implementation of the development programme. Such improvements can only be achieved through the organisation of the producing communities and the launching of linkages/networks between the producers and the agro-businesses. However, various opportunities exist for the establishment of agro-businesses that will be able to exploit the local opportunities throughout the region.

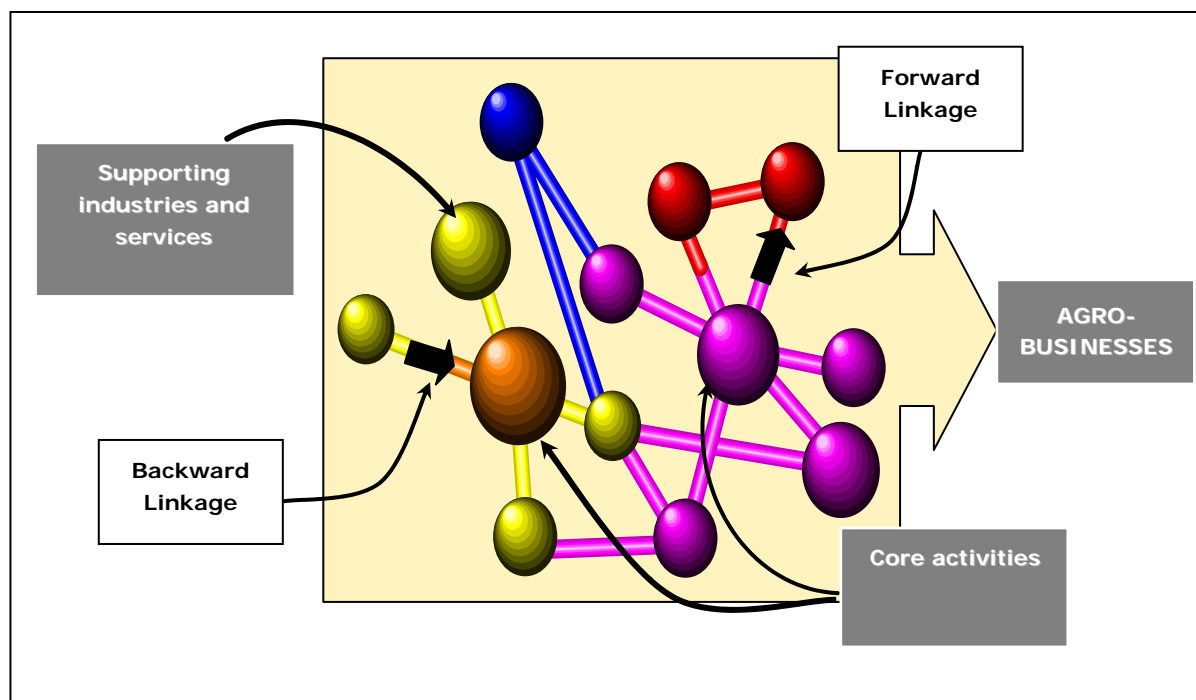
Central to the establishment of the agro-businesses is the fact that efforts should be undertaken to facilitate the establishment of the activities, as the current economic climates do not support such establishments. This development programme focuses on the clustering of the activities in both a geographical as well as a functional fashion.

#### **A) CORE COMPONENTS**

In order to successfully develop and exploit agro-business throughout Mogalakwena, the various agriculture products produced must be clustered. This clustering employs the outputs of the local activities as a base in order to undertake the local beneficiation of the goods before export. This leads to an increased circulation of the locally generated capital, which can be interpreted as local employment creation and poverty alleviation.

The process of clustering is characterised by the following core components. The components are briefly discussed and the interrelatedness is graphically illustrated in figure 6.1. The cluster concept is an internationally acclaimed approach to development. A cluster has at its core a sector (or material), but what is drawn into the cluster is everything that impacts on the competitiveness of that cluster. The latter refers to the forward, as well as backward linkages to integrate the total value chain. The viability of the formed cluster is dependent on several elements, including the number of linkages, availability of raw materials, marketing and supporting services.



**Figure 6.1 - Core Components of the Cluster Concept**

New facilitation techniques are increasingly required to enable the development of clusters towards increased competitiveness. A prerequisite for the successful development of the cluster, associated with investment and delivery of results, is the need to directly involve the industry players in the initiative.

## **B) PROGRAMME IMPORTANCE**

This approach is in accordance with the emphasis being placed on delivery – thereby moving away from pure analysis and embracing the action-orientated concept of creating development opportunities based on agglomeration advantages. The cluster methodology can be applied as a tool to increase competitiveness, but the local economy must be able to attract new investment. This necessitates that the most recent technological improvements and techniques need to be taken cognisance of and facilitated within the cluster network.

The principle of networking is becoming increasingly important in the move towards increased competitiveness in the economy. In this regard clustering initiatives can be regarded as a tool to set up local networks within specific sub-sectors. Clusters are formed by various organisations to form quality relationships and networks in a specific industry. This networking approach represents one of the latest trends in cluster analysis and is at the forefront of international cluster developments. The central theme is one of cooperation. The growing trend appears to be an increasing openness between industries in a cluster and between the cluster and the public sector. The emphasis has therefore moved from competition to cooperation with industries creating joint forums from where they share information.

Lastly, a critical element of this action is to initiate the process of investment brokerage, by a development agency, including the interpretation and the translation of marketable projects in implementable action plans. The process of project brokerage can be described where business plans are prioritised for implementation on an ongoing basis, therefore ensuring a continuous flow of investment information on bankable opportunities in the area.

### **C) KEY ROLE PLAYERS**

As this development programme is based on the facilitation of agro-business, it is underscored by the necessity to include all the agricultural stakeholders in the process. Such inclusion will ensure that all the necessary inputs are captured and that additional opportunities and constraints are timeously identified, exploited and overcome or removed. Therefore key role players are:

- Agriculture Research Council
- Agri SA
- The Limpopo PGDS Team (sectoral forum)
- Waterberg District Municipality
- Commercial Farmers Association
- Department of Agriculture
- Mogalakwena Local Municipality
- Emerging Farmers
- Department of Agriculture & Land Affairs
- Department of Environmental Affairs and Tourism

However, as the establishment of agro-business is beyond pure agriculture development, other role players should also be included. These are:

- Department of Trade & Industry
- Department of Economic Affairs, Environment and Tourism
- Department of Transport
- Chamber of Commerce
- Non-government Organisations
- Etc.

### **D) INSTITUTIONAL ASPECTS & FUNDING**

The formation of a cluster in Mogalakwena is an ongoing process that must be championed by appropriate business leaders from the area. The formation of a localised cluster formation task team is central to the successful implementation of the clustering process. This task team should focus on local opportunities with direct bearing on the linkages that can be created in terms of the forward and backward links that can be exploited. These identified opportunities should be communicated with the Mogalakwena Local Municipality. Efforts to develop the opportunities must be coordinated with the appropriate development bodies. Additionally, the Mogalakwena LM must coordinate the developmental activities of the other

development programmes to ensure that a critical mass is generated in all aspects that is required successfully initiate and sustainably implement the LED programme.

### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

In order to fast-track the identification and implementation of the various linkage-opportunities within the Mogalakwena local economy, the foundation of a reference group to drive the processes involved is vitally important. Subsequently to the foundation of this reference group, the following activities should be undertaken:

- Discussions with local business to identify potential linkages and to determine which inputs can will be obtained locally is available
- Identify outputs that are currently being discarded and assess development opportunities and potential products
- Communicate opportunities and development requirements to the Local Municipality in order to adapt the local communities to be able to increase probability of local entrepreneurs to develop these opportunities
- Establish strategic linkages within the local communities in order to facilitate sharing of cost drivers e.g. transportation, infrastructure etc.
- Constantly monitor and evaluate the establishment of strategic alliances as well as the functioning of the linkages and new ventures.

#### 6.2.3.3. Programme 3: Renaissance Farms

The establishment of a mechanism(s) that will assist the emerging farmers in Mogalakwena to develop into larger-scale commercialised farmers is the aim of this development programme. The restructuring of the production factors into larger and more productive units is necessary to facilitate such a transformation.

The establishment of “cooperatives” is a potential vehicle that can be used to capacitate the communities who lack the financial resources and technical know-how. The target population of the development programme is the families/communities living in the rural areas or having allotments throughout the area. This rural development approach is based on the cooperation between existing stakeholders such as commercial farmers as well as new role-players. The cooperation through the renaissance farms will support the emerging farmers in the production and marketing of their produce.

### **A) CORE COMPONENTS**

The core components of the development programme are equated with the various phases of the programme. The first phase of the programme is the establishment of a core farm of approximately 10 ha, and 10-20 productive units in the farm with 10-20 selected farming families. The core farm and these farm units will serve as a nucleus and catalyst for the development of agriculture in the region. The programme is phased as follows:

- Establishing a core farm and farmers training
- Establishing farm units in farms of 10-20 selected families

- Incorporating additional farming families in the programme

In conjunction with the establishment of the core farm, other developmental activities must be aligned. These activities include the enhancement of the extension services, and the establishment of a marketing and processing centre for the agriculture produce. The establishment of these facilities will help the farmers to establish integrated commercial farms thus ensuring appropriate income and sufficient resources for development. However, the establishment is dependant on the identification of adequate funding.

Along with the expansion of agricultural production in Mogalakwena it is envisaged that marketing problems will arise. In the short and medium future, marketing issues should be dealt with through the core farm. Only in the long run when production has outgrown the capacity of the core farm to handle the volume, should other channels of regional marketing be sought.

The production from Mogalakwena must be planned centrally to ensure a steady supply to the markets, and adequate prices for the agricultural produce. An irrigation system in the core farm should be installed to cover an area of 10 ha, of which 6 ha will be irrigated by drip irrigation and 4 ha by mini sprinklers. After the establishment of the core farm, 10 selected families will receive (on loan) one hectare of irrigation each. Electrical pumps will be used to create the required pressure and flow rate.

## **B) PROJECT IMPORTANCE**

Poverty and unemployment in Mogalakwena is higher than the national levels and efforts need to be undertaken to halt the current economic decline in the area. As agriculture throughout the municipality is under-developed, opportunities for the exploitation of the natural resources through a sustainable approach is highly desirable. This development programme will not only benefit the local communities through the creation of sustainable employment but also through the augmentation of the food securing of the communities. Additionally this programme will initiate skills development and wealth creation and future expansion of the agricultural activities will be performed from an established base that will prove to be stable and robust.

## **C) KEY ROLE PLAYERS**

The local communities must be organised in order to participate in the formulation and implementation of the renaissance farms. Strong leaderships is required to guide them through the initial planning and establishment phases. An executive committee should be established to guide and steer the implementation of the programme. Members from the following institutions should assist in the implementation and be represented on the executive committee.

- Mogalakwena Local Municipality
- Waterberg District Municipality
- Existing farmers cooperation's
- NGO's
- ARC
- Department of Agriculture

- Department of Land Affairs

#### **D) INSTITUTIONAL ASPECTS & FUNDING**

An executive committee should be established to oversee the entire programme in Mogalakwena. This executive committee should comprise of representatives of, especially, the agriculture fraternity. The management of the core farm should be the responsibility of an experienced local commercial farmer. However if possible high visibility of the existing commercial farmers associations in the project should be facilitated. This will ensure higher levels of expertise and build the socio-political cohesion of the local communities. One of the primary aims of the institutional aspects is to transfer the technical know-how to enhance the professional skills of the farmers participating in the project. Initial investments in the core farm are anticipated to be approximately R800 000.

#### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

To encourage the formation of the renaissance farms, it is vitally important to follow the following steps.

- Obtain buy-in from all stakeholders and role-players
- Identify suitable candidates from the communities
- Organise local communities to participate in the concept and to support the development of the renaissance farms
- Identify suitable land for development
- Consolidate the allotments of the communities into the necessary farming units
- Initiate development process with reference to the development of the agriculture resources of the farms.
- Ensure close linkages between the renaissance farms and the demonstration plots to guarantee the transfer of knowledge gained to the broader emerging farmer community.
- When the first phase of renaissance farm establishment is self-sustainable, repeat the process to increase the number of farms throughout Mogalakwena by repeating the process outlined above.

### **6.3. CLUSTER 2: SMME DEVELOPMENT**

SMME support systems are a critically important aspect of local economic development due to this sector's employment creation characteristics. This development cluster's main focus is the establishment and expansion of SMMEs in Mogalakwena. The strategy thus has a dual aim, including:

- The support of SMMEs (existing and newly emerged).
- The development of new SMMEs.

Therefore, the objective of this development strategy is to facilitate the establishment of new SMMEs, to provide support during the initiation phases of establishment and

to provide sustainable information and support for new and existing SMMEs within the local municipality's structure.

The strategic focus of this cluster is on the following areas:

- The efficient utilisation of government programmes aimed at SMME development.
- Networking and matchmaking.
- Development assistance provision to the SMME sector.
- Channelling of information.

The focus areas/pillars of this development cluster are on:

- Ensuring that existing SMMEs and micro enterprises become sustainable
- Creating a business friendly environment for the establishment of new SMMEs, and
- Creating a structure through which the Mogalakwena Local Municipality can facilitate SMME development and provide sustainable information and support.

Municipalities can reap benefits from promoting the development of SMMEs in their area of jurisdiction. The benefits include:

- SMMEs have shown a remarkable capacity to absorb labour capacity, albeit largely unskilled.
- SMMEs are locally owned and controlled.
- SMMEs provide a nursery and a proving ground for entrepreneurship and local innovation.
- A stable SMME sector can extend the current municipal revenue base.

To become prosperous business entities, SMMEs need:

- Opportunity, which can be created by a more favourable business environment, establishing viable business support facilities, effective networking and the nurturing of an entrepreneurial culture.
- Knowledge of opportunity through information chancing networking, service outreach and networking.
- The ability to perform, which can be enhanced through proper training, business advice, finance, high quality business infrastructure and acceptable business structures.

### **6.3.1. Utilisation of government programmes**

The local economic analysis indicated the need to focus on certain types of SMMEs and micro enterprises. These include:

- Mining orientated supplies and beneficiation activities

- Manufacturing activities
- Agro-processing
- Trade activities
- Service provision
- Tourism activities

After the analysis of the economy of Mogalakwena, it became evident that the area has its own, unique economic structure, with different opportunities for SMME development. The implementation of locally based SMME programmes should therefore be based on the local economic and socio-economic forces that strongly influence business development in this region.

By implementing this strategy, attention should however be given to the following core activities:

1. Investigating the availability and sustainability of alternative funding resources for the implementation of SMME development programmes by the Mogalakwena Local Municipality. These could include different PPP structures, donor assistance, municipal bonds, tax increment areas (specified municipal districts in which tax increments are applied), etc. It is however, essential that local municipal officials are made familiar with the different options and how to apply for them.
2. Establishing a database of the different funding options for the Mogalakwena Local Municipal area. For example, information is needed on the different donor organisations available, their contact details, their scope of funding and the way to approach these organisations.
3. The development of a financial management model for the municipality through which the allocation of funds, budgets, donor assistance, private sector contributions and project implementation can be monitored.
4. The establishment of a proper communication strategy and information exchange platform for government officials dealing with LED/SMME development. This entails the establishment and maintenance of a platform through which the different tiers of government, including the Mogalakwena municipality, can frequently interact and communicate with each other on relevant development issues. This will establish a basis through which important information can be shared (such as strategies and programmes implemented, alternative funding sources, etc). The establishment of a communication system can be done in various ways, such as via Internet and intranet facilities, the development of a municipal information database, discussion forums and regular SMME reviews through newsletters/bulletins.
5. The formulation of appropriate partnership structures and programmes. Best practice has indicated that there is no single organisational type or structure that is best suited to deliver all the SMME development services that are necessary. Services provided through a mix of public, private and NGO delivery agents generally are more successful than those with a single institutional delivery system. Public, private and NGO structures have different perspectives, motivation and strengths, which together provide a stronger web of economic development support structures.



6. The Municipal Systems Act conditionally provides for a municipality to enter into a alternative service delivery agreement with a third party for the delivery of municipal services, given that the municipality has a legal mandate to deliver the service (such as programmes aimed at poverty alleviation and job creation). Currently, institutional vehicles available for service delivery by municipalities include:
- Non-profit institutions. These are trusts, Section 21 companies and voluntary associations, and
  - For-profit institutions. These include single proprietorship, partnerships, Close Corporations, company-general, company-private, company-public and holding companies.
  - Additional structures used in South Africa that do not have a formal legal basis include forums, co-operation agreements (cooperatives) or Memos of Understanding and Working Groups (i.e. inter-departmental collaborations with local government).

### **6.3.2. Development programmes**

The development programmes in this cluster are of such nature that the holistic implementation of the cluster and all the programmes are necessary to validate a successful implementation process. A number of tactical development programmes are incorporated and include:

Development programme #1	LBSC –Local business support centre
Development programme #2	SMME Policy
Development programme #3	LED-information portal

Each programme is investigated in the subsequent paragraphs to highlight critical components.

#### **6.3.2.1. Programme 1: Local business support centre**

The function and role of the Local Business Support Centre (LBSC) is to provide comprehensive support to the developing SMME and business sector throughout Mogalakwena. The focus is to address the business needs of the small and micro-enterprises (formal and informal) and to stimulate the transformation from informal/subsistence to formal and expanding business enterprises. These business needs can be wide ranging and including aspects such as financing options, organisational skills development, marketing and staffing.

#### **A) CORE COMPONENTS**

The core components of the LBSC are that it revolves around the provision of the necessary facilities and infrastructure for the various services to be delivered to the SMMEs in Mogalakwena.



- The end users of the service: the main end-users of the service can already exist and comprise potential entrepreneurs in the formal or informal sector. Small entrepreneurs in this respect refer to the micro-business sector with no more than about five employees and a maximum capital investment of about R 500 000. The LBSC will target all small businesses in Mogalakwena with emphasis on:
  - Small disadvantaged start-ups that are ethnically, culturally and linguistically diverse
  - Individuals who are considering starting a business
  - Diverse types of businesses (including franchises)
  - Businesses with an export focus
  - Businesses of the disabled
- Components of the service: The main components of the LBSC should be to provide support with respect to the following:
  - Business planning, objective, decision making, strategies and policies
  - Organising, office automation, technology transfer
  - Staffing and human resource management
  - Motivation, leadership and communication
  - Control techniques, performance measures and quality control
  - Financing, skills development and marketing
  - Regulation and taxation
  - Capital formation
  - Procurement assistance
  - Product distribution
  - Site selection
  - Compliance with environmental regulations
- Service functions: Apart from a strong support function to existing and potential entrepreneurs, the LBSC should also include assistance, support and advise in at least the following main business functions:
  - Identification of potential entrepreneurs
  - Identification of potential products and/or services
  - Development of a product and services data register
  - Provide advice on business development issues
  - Assist with the set-up/establishment of new businesses
  - Provide maintenance and after-care to ensure the establishment of viable new businesses
  - Mobilisation of business and entrepreneurial development funds from local and international resources
  - Source of business information

## **B) PROJECT IMPORTANCE**

The importance of this project is underlined by the following:

- Unemployment - The high unemployment rate in Mogalakwena is a primary implication of the importance of this project. Indications are that many of the unemployed people possess important skills that could be utilised in the development of the small business sector of Mogalakwena.

- Informal sector - Estimates show that a relatively large percentage of the labour base is involved in the informal sector economic activities. Although these activities do not contribute directly to the Mogalakwena tax base, they utilise all the services, facilities and space that are available. Furthermore, with proper support programmes, a substantial number of these businesses have the potential to become viable formal business enterprises.
- Migration trends – Mogalakwena is experiencing an out migration of people. Through economic development, this loss of skills could be reversed through effective economic development.
- Business development - The importance for small business development as a strategy to generate new growth opportunities are well documented. Mogalakwena has the opportunity to support its small and developing businesses through a Local Business Support Programme.

### **C) KEY STAKE HOLDERS**

The development of a LBSC should be facilitated by the Mogalakwena LM as a strategic pilot programme for the area. Other potential role-players are the following public and non-public sector organisations:

- Department of Agriculture and Land Affairs
- CHAMSA
- Department of Education
- Namac Trust
- LIBSA (Limpopo Business Support Agency)
- Department of Social Development
- Department of Transportation
- Department of Economic Affairs, Environment and Tourism
- Development Bank of Southern Africa
- CSIR.

### **D) INSTITUTIONAL ASPECTS & FUNDING**

Although a wide spectrum of key role players are identified in the preceding sub-section, it must be emphasised that a driver for the initial establishment of the LBSC is required. The Mogalakwena Local Municipality should through its LED Department drive the initiation of the programme. However it is not envisaged that the Municipality should be the actual implementing agency. In other words, the Municipality should broker and attract a suitable implementation agency that can develop the LBSC. During the operation of the LBSC the Local Municipality should support the implementation and operation through the employment of suitable implementation incentives such as the provision of land and discounts on service levies, etc.

The initial cost of the LBSC will range depending on the area of location as well as the specific services offered at the specific centres. Costs typically vary from R700 000 to R3 million.

## **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

The main activities associated with the establishment of the LBSC are according to the following main steps:

- Identify the stakeholders to become directly involved in the LBSC
- Determine the organisational format and institute the LBSC
- Develop a database of business development opportunities, needs and constraints
- Establish specific support functions, procedures and actions to support the development of small businesses in Mogalakwena
- Market the LBSC through a focused marketing strategy

### 6.3.2.2. Programme 2: SMME Policy

The promotion of SMMEs entails the marketing of the services provided by the SMMEs, exposing the SMMEs within the region to the support and advice services offered as well as matchmaking of opportunities available to SMMEs with the local entrepreneurs with the developmental support services i.e. the LBSC.

The promotion of SMME-activities in the existing business environment evidently relates to development services such as access to information about markets, technologies or quality standards.

In order to support the activities of the preceding two development programmes, the SMME promotion provides the necessary framework within which to enter and expand within the competitive environment

## **A) CORE COMPONENTS**

This programme primarily targets the formulation of appropriate SMME targeted policies. There are subtle differences between the various policy instruments that strive to improve the economic efficiencies of SMMEs. Various beliefs exist regarding the justification of interventions based on the removal or compensation of perceived market imperfection. As the national system is focusing, in short, on the creation of employment and alleviation of poverty any policy framework for SMME development and support must also focus on same objectives.

Through a centrally directed policy framework that is supported by decentralised interventions, the promotion of regional economic convergence can be obtained. Therefore the components of the SMME promotion programme are the appropriate policy framework that supports the activities of the local municipality and guides these activities.

It must be emphasised that the policy framework needs to incorporate all elements and activities of the municipality in fashion that opportunities for the utilisation of “alternative service delivery” (ASD) is addressed. Through the utilisation of such opportunities, the local authorities have a mandate to create employment directly, in a manner that will bolster the visibility of LED activities in throughout Mogalakwena.

The policy framework must spell out the details of the activities that must be undertaken by the various government institutions and spheres. With reference to the local government institution in Mogalakwena, the policy should focus on the following three elements:

1. **Supporting the SMME Place:** The use of the policy framework should indicate the specific types of infrastructure that will be provided for utilisation of SMMEs. In addition, the provision of supporting infrastructure such as an incubator, a local business support centre (LBSC), an entrepreneurial support centre as well as “bee-hives” must be indicated.
2. **Supporting the SMME Enterprise:** As already mentioned, alternative service delivery mechanisms are a useful tool that the Local Municipality can employ to stimulate local economic activities. The fulfilment of the local municipality’s role in terms of facilitating LED through these tools is vitally important.
3. **Supporting the human resources:** Limited scope exists for the local government to partake directly in the development of the human resources within the municipal area. Through the policy framework, active lobbying of training institutions is set in perspective. The lobbying needs to be focused on the measures to attract private and public service providers to the region in order to specifically focus the services being offered within the area. The promotion of SMMEs in this instance relate to the provision of the appropriate regulatory framework that is required to support the development of the SMMEs throughout Mogalakwena.

## **B) PROGRAMME IMPORTANCE**

The importance of this development programme revolves around the institutional problems being faced regarding the implementation of a coherent SMME development approach within Mogalakwena. Although SMME development is only one of the key development clusters that have been identified, the institutional requirements to drive such an approach are vitally important. Through the formulation of an appropriate SMME development policy, the efforts of the numerous entities involved in the field can be massed to form a critical mass.

The synchronization of the private and public sector in terms of opportunities is vitally important as this synchronisation will lead to targeted, informed and aligned decision-making from especially the public sector. The decision making process of the private sector is primarily influenced by market conditions, while it is the mandate of local government to adjust the conditions being experienced within the market to facilitate SMME development. Therefore a policy framework is required that will aim interventions at the suitable sections with the local economies.

## **C) KEY ROLE-PLAYERS**

The identification of key focus activities - with reference to potential SMME development opportunities - in terms of service delivery alternatives, must be adequately researched in order to develop a policy framework.

Key role players include:

- Mogalakwena Local Municipality
- The Waterberg District Municipality
- Municipal Service Providers active in the area
- CHAMSA
- Department of Public Works
- Department of Economic Affairs, Environment and Tourism
- Department of Agriculture Land Affairs
- The Limpopo PGDS Task Team

#### **D) INSTITUTIONAL ASPECTS & FUNDING**

As the formulation of specific SMME policies are related to a revision of the existing frameworks, all the entities that review their policies should act as respective drivers. However, Mogalakwena must review the SMME policy (not the procurement policy that forms only one component) in order to ensure that local SMME's benefit is maximised. However, the review as well as the formulation of the appropriate documentation should be undertaken by a service provider if the Mogalakwena LM anticipates that a higher quality product, with improved guidelines can be yielded if the revision process is place out on tender.

#### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

The revision/formulation of a SMME Policy is vitally important to guide future development throughout Mogalakwena. The steps in this development programme relate primarily to the investigation into the existing planning approach to the stimulation and utilisation of the Municipality's resources and the amendment and re-adjustment of the focus areas relating to SMME support.

- Determine which of the policies of the Mogalakwena LM must be used as instruments for LED/SMME support.
  - Overall development policy
  - Procurement policy
  - Approach to alternative service delivery
  - Investment incentives
  - Outsourcing alternatives
  - Privatisation alternatives
  - Etc.
- Establish specific objectives for each dimension and mechanisms to achieve
- Formulate revised policy frameworks
- Publish for public comment
- Include comments
- Adoption by Council
- Implementation of the revised policy frameworks

### 6.3.2.3. Programme 3: LED Information Portal

This development programme strives to facilitate the creation of such strategic alliances on the one hand and to provide the local municipality and entrepreneurs the necessary information that can be turned into business/LED value.

A major constraint to economic development throughout Mogalakwena is the lack of cooperation between the enterprises because of insufficient information on cooperation opportunities. Additionally a lack of information at grass-roots level is marginalizing the success rate of the SMMEs (as well as other development sectors).

The provision of reliable and accurate information to these two categories is a vital pre-requisite for the effective and efficient economic development and SMME expansion activities.

#### **A) CORE COMPONENTS**

The information system is based on three target functionalities.

- Firstly to provide the local municipal officials with development information.
- Secondly, to provide an accessible database to local entrepreneurs and business regarding the local network points, promotional programmes, etc.
- To access the cooperation possibilities and the related contact details of all local economic activities.

Against the basic functionality issues that must be addressed by the information system it is necessary to provide the necessary framework for the information dissemination activities. The first dimension of the information system is centred on a web page-based/electronic interface. The web page must provide access to a LED-portal through which appropriate LED information can be sourced.

This database must include information sources that provide information such as:

- Population growth and total figures
- Economic sector indicators i.e. growth, total, percentage growth, etc.
- Inventory of economic activities within the different sub-regions
- Database of service providers & services offered
- Database of funding organisations with relevant contact details
- Indications of land available for development
- Database of investors and opportunities in the region
- By-laws and regulations guiding LED in the region

It is evident that the management of the LED-portal will be a vitally important activity. However, Internet service providers (ISP) currently offer services through which the database establishment and management as well as operation is undertaken by the ISP.

The web page interface must have links to, especially the IDP Nerve Centre, LIBSA, as well as other national departments such as the Department of Trade & Industry (DTI), Department of Environmental Affairs and Tourism (DEAT) as well as the Department of Agriculture. As the area is characterised by land issues, that directly affects LED, a link to the Department of Land Affairs should be installed.

Apart from the LED-portal, the organisation of the economic activities in terms of enhanced communication between the stakeholders is a core component of this development programme. The underlying rationale for this enhanced communication is that the learning experience and learning curve can be accelerated. Through such networks, relationships between organisations can be utilised to leverage potential benefits and increase the competitiveness of the local economic entities.

Networks are fast becoming a key success factor for SMMEs and other businesses to work together and to boost the bottom line. Also known as strategic alliances, these associations can take on many forms and are used to achieve, more specifically, short to medium term business objectives.

Strategic alliance formation is a form of collective and collaborative activity and involves the formation of contracts, collaboration agreements, clustering and twinning arrangements. Information sharing is essential and includes the sharing of collective innovation, collaborative marketing and a variety of collaborative activities. The strategic alliances can be vertical or horizontal. Vertical alliances relate to alliances between small firms and large firms while horizontal alliances relate to similar size organisations forming alliances.

## **B) PROGRAMME IMPORTANCE**

Additionally the LED information portal implies the establishment of a vehicle through which the activities of the various sub-regions can be communicated. This has the added benefit of linking the opportunities for strategic alliances with each other and facilitating matchmaking throughout Mogalakwena.

## **C) KEY ROLE PLAYERS**

The establishment of an information portal and strategic alliances throughout Mogalakwena needs to include all the major role-players and stakeholders. More specifically:

- The Mogalakwena Local Municipality
- The Waterberg District Municipality
- Local business representatives
- CHAMSA
- LIBSA

## **D) INSTITUTIONAL ASPECTS & FUNDING**

As the limited access to information is a major constraining aspect, the development and management of a vehicle that facilitates LED activities throughout the area must be fast-tracked. As the primary users of this interface will be the Local Municipality, Mogalakwena should develop this portal through the appointment of a service



provider. As it is envisaged that the Municipality will not have the necessary resources to actively manage the portal, an appropriate ISP (internet service provider) should be appointed to develop and manage the portal. Additionally the ISP will employ the required hardware i.e. servers etc. and software as well as the necessary human resources (systems analysis etc) to perform the required activities associated with a portal such as this. The total cost should not exceed R50 000 for the establishment of the portal while the monthly subscription is estimated in the region of R 5 000 p.m.

### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

The process that needs to be followed in order to establish a LED-information portal is relatively simple. Firstly it must be ensured that the necessary hardware is in place i.e. the actual computer. Secondly the software that must be able to support the use of the LED-information portal should be installed. As it is pre-supposed that the information is in electronic format, and distributed over the Internet, software packages such as Internet Explorer or Netscape is necessary.

Although these software packages is relatively user-friendly, is must be ensured that the actual LED-information portal is easy to use and understandable. It will also be necessary to provide skills development of the LED officers that will utilise the LED-information portal.

The first step in the establishment of strategic alliances is the identification of the local concerns, which must be included. Through such identification, a survey is undertaken and the elements in the local business environment are probed in order to determine potential linkages with other entities. Associated with this is the determination of the current problems/needs being experienced within the local economy in an in-depth analysis.

The second major activity is to identify groups of SMMEs (and other businesses) that could be convinced to participate in the formation of strategic alliances in the local economy. Information that is required relates to the specific nature of the businesses, what they have to offer and what services are required. It is critically important to identify a champion or a business group to drive and coordinate the deployment of the strategic alliance.

It must be emphasised that the size and nature of the strategic alliance will depend on the local business-, market- and economic dynamics. Continuous lobbying with the business sector is crucial for the initial success and to gain momentum in the strategic alliance as well as to ensure the sustainability of the alliances.

A vital issue is the commitment that is required by the stakeholders in the various strategic alliances. A clear mandate or agreement on participation will ensure that trust is built between the alliance partners.

Liaison with selected large firms in the region must be undertaken in order to establish whether opportunities for outsourcing exists and to determine who can champion the strategic alliance. Such activities should include capacity building and



an advice component through which the larger firms can transfer expertise to the participating alliances. Where outsourcing is anticipated and undertaken, it is vitally important that appropriate mentoring and assistance is given to the alliance participants to guarantee quality standards of products and reliability of delivery to the larger firms.

Best practice indicates that strategic alliances should be kept small and organised around practical goals. Additionally SMMEs tend to be resistant to strategic alliances due to perceived competition, loss of independence, trade secrets and market share. For this reason a champion or broker should be involved in the process.

#### **6.4. CLUSTER 3: TOURISM DEVELOPMENT**

There are many definitions and descriptions of tourism. While some specialists restrict tourism to trip distances (i.e. over 50 or 100 km from home), others require that a person stay overnight to be counted as a tourist. More traditional definitions include only vacations or pleasure trips. Today, however, the trend is to use tourism and travel as synonymous terms. According to Gunn (1994) probably the best working definition is:

*“Tourism is the temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations and the facilities created to cater to their needs.”*

#### **DEVELOPMENT ELEMENTS**

Tourism products and their foundations are far more perishable than manufactured products. For example, if a manufacturer of gearboxes discovered that the demand for the product has increased in a certain region the manufacturer can supply products to these areas. However, when a new hotel is developed in a region and a large capital investment was made and the travel market decides to go elsewhere, it is costly if not impossible to move the physical plan. In order to understand the tourism dynamics, Figure 6.2 is used to describe tourism and to assist in the identification of the various components within the tourism system.

The tourism system logic was adapted from Gunn's functional tourism model, which has the underlying rationale that tourism is rather a system of major components linked together in an intimate and interdependent relationship.

According to the figure, the tourism system logic is divided into three subsystems, which serve to transform the inputs into the tourism industry into the desired outputs.

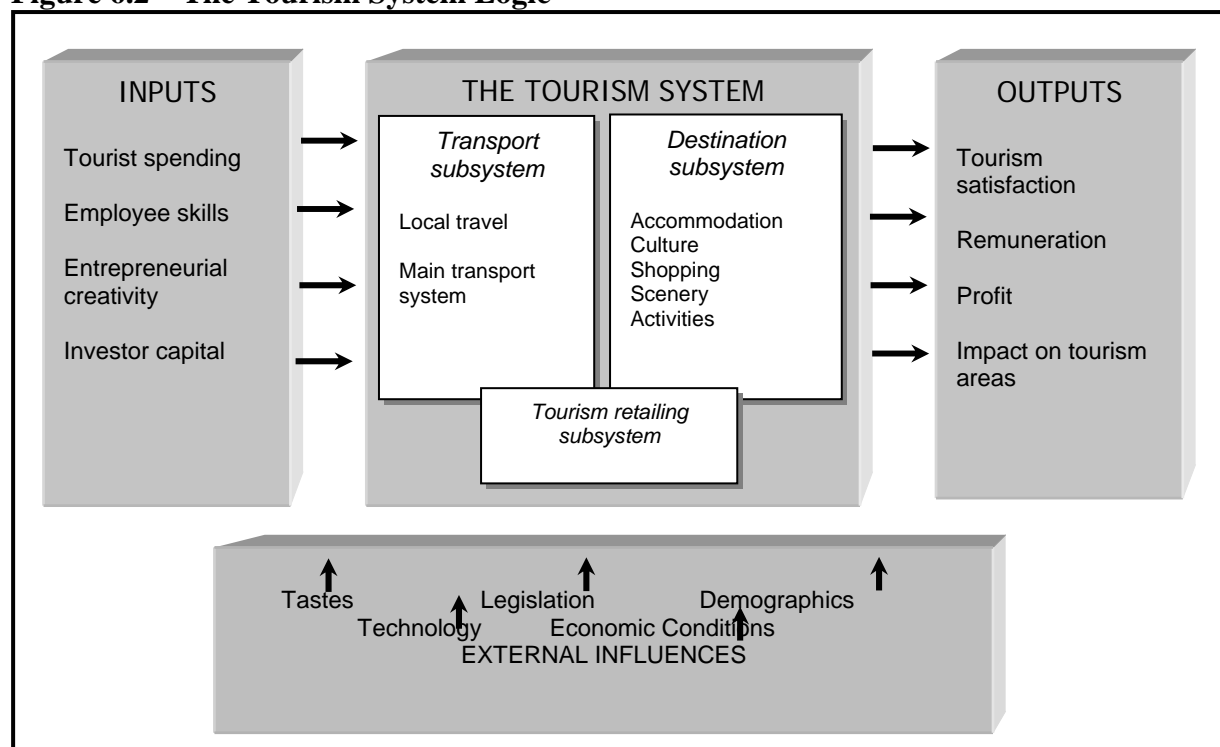
The three subsystems include the following:

The transport subsystem, which includes local travel at destinations, the terminals (gateways) that facilitates travel- (e.g. airports, seaports, etc.) and transport infrastructure that link attractions and gateways. The tourist journey takes the visitor through a series of gateways or entry points, routes, staging posts, distribution points

or springboards to various destinations and attractions. Consequently, the visitors utilise several modes of transport on one trip e.g. air, automobile, taxi, cable car etc. Passenger transportation a vital component of the tourism system and provides the critical linkage between market source and destination.

The destination subsystem. A destination is an area with a concentration of tourism products in a broadly defined spatial region, which may include one or more tourism clusters. The quality of the experience is weighed against the effort, cost, safety and convenience of the tourists.

**Figure 6.2 – The Tourism System Logic**



The tourism retailing subsystem, also known as the distribution system consists of travel agencies and intermediaries, who facilitate travel. Many visitors make use of the in-country or onshore distribution system that are composed of tour operators, travel agents, consolidators and wholesales.

Although the external factors are crucially important, the only factor that can be directly affected is the efforts of local government structures. The related interventions that will impact (positively) on this dimension are addressed through the overall strategic framework.

#### 6.4.1. Development Programmes

The development programmes are clustered together in a manner that clarifies the specific sub-system within the tourism system as a whole. Therefore the development programmes are discussed in the follow sequence:

## A) DESTINATION SUBSYSTEM

### ***Development programme 1 - ENVIRONMENTAL CONSERVATION***

Addresses the maintenance of the scenic environment in a manner that ensures sustainability of tourism activities.

### ***Development programme 2 - IMPROVED PROFILE***

The entire destination sub-system is discussed in a fashion that the improvement of the profile of the area is validated in terms of tourism development activities.

### ***Development programme 3 - WORKING PARTNERSHIPS***

In order to facilitate a cross-pollination of the activities throughout Mogalakwena, the formation of working partnerships is investigated. This is done to maximise the benefits to the tourists throughout the municipal area. This implies that the time spent in the region (by tourists) must be extended.

## B) TRANSPORT SUBSYSTEM

### ***Development programme 4 - TRANSPORT INFRASTRUCTURE***

The provision of appropriate transport infrastructure in order to facilitate the movement between nodes is vitally important. Close linkages with the Transport Development Framework of Mogalakwena are implied in this development programme.

Against the preceding structure, each development programme is now discussed.

#### 6.4.1.1. Programme 1: Environmental Conservation

Mogalakwena incorporates a very important natural environment conducive for various tourism categories, including eco- and adventure- tourism (see Section 5). These systems are unique to each of the specific areas in Mogalakwena and should act as important stimuli for a sustainable tourism industry.

The sustainability of these systems and their future survival are often threatened and policies to enhance their function and protection should be established. The open space system should also be utilised to act as a container against urban sprawl while at the same time produce possible economics spin-offs.

The entire system to be considered must take cognisance of the broader environmental system and provide linkages where possible.

## A) CORE COMPONENTS

Sustainable Development can be defined as achieving improvement of the urban environment and the quality of life where the natural and man-made resources are used in such a way that present needs are met without compromising the ability of future generations to meet their own needs. The concept of sustainable development

has multiple interrelated dimensions - economic, environmental and social. Environmental sustainability is the primary objective of this specific development programme, thus emphasis will be given to this particular component of the notion of sustainability. The underlying principles of sustainable ecological development include:

- Sustainable use of natural resources - ecosystems, fresh water sources and species.
- Sustainable development must embrace nature as integral to the area itself – tourism developments must become much less disruptive of the workings of the natural ecosystem - its climate, its hydrology and its ecology. Tourism development need not produce serious environmental problems if needs are met in an integrated manner including conservation and enhancement of the natural resource base.
- Keeping with the carrying capacity of local systems, carrying capacity is interpreted as the maximum rate of resource consumption and waste discharge that can be sustained indefinitely in a given region without adverse effects on the functional integrity and productivity of relevant ecosystems.

## **B) PROGRAMME IMPORTANCE**

Sustainable development in the broader sense of the word can provide jobs and economic opportunity as a contribution to the economy, i.e. broaden the base of Mogalakwena, and;

- Create employment and entrepreneurial opportunities for the communities
- Subside the cost associated with the open space system.

## **C) KEY ROLE-PLAYERS**

As the project involves the whole Mogalakwena municipal area, the Municipality should be a major role-player, especially in initiating, facilitating and co-ordinating this programme. The other role-players include:

- As provincial authorities and their control mechanisms are involved, they should be consulted.
- The respective communities should be directly involved in the designing of the criteria and mechanisms for a sustainable open space system.
- To ensure the implementability thereof, the land owners should be directly involved and the result marketed to potential developers.
- CHAMSA
- Limpopo Tourism and Parks Board

## **D) INSTITUTIONAL ASPECTS**

The programme, by its nature, implies policy and administrative implications for institutions on various levels. The environmental protection policy and diversification of activities and uses, are supported by the principles set out in both the Rural Development Strategy and the Development Facilitation Act, and thus in compliance with national policies and guidelines.

The development programme, however, implies the drafting of specific criteria to protect and enhance the sensitivity of specific areas in relation to adjoining land-uses within Mogalakwena, as well as mechanisms in implementing these developments. The purpose of the programme is to remove restrictions where necessary but at the same time to develop controls to prevent abuse, which should be contained in the policy guidelines to be developed.

The programme would have to be funded by the Mogalakwena Municipality and if phased due to the availability of funds, focus should be on certain critical areas where pressure for development is experienced.

### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

Mogalakwena Local Municipality should take responsibility to facilitate and co-ordinate the proposed programme. The designing of criteria and mechanisms for the promotion and implementation of a sustainable and supportive environmental development policy in Mogalakwena with unique guidelines for each specific area should be done in collaboration with the relevant communities, and furthermore:

- Establish local policy and land-use control constraints
- Identify specific criteria for each geographical areas
- Development of a comprehensive Land Use System
- Draft mechanisms to facilitate the implementation of these criteria
- Amend the necessary town planning control measures, such as town planning schemes, and policies and implement the drafted mechanisms
- Market the area's potential to owners and potential developers.
- Waste recycling and greening

#### **6.4.1.2. Programme 2: Improved Profile**

The profile of the area must be improved to ensure that Mogalakwena is not seen as just a region through which the traveller should pass in order to get to the final destination. The transformation of the entire area will ensure that tourists spend longer periods in the municipal area and therefore spend larger amounts of money in Mogalakwena. As tourism spending is primarily seen as an injection of funds into the area it will benefit through the economic multiplier effect.

### **A) CORE COMPONENTS**

The core components of the development programme are:

- The establishment of a large-scale investor such as an international group e.g. Sun international. Such an investment will act as a catalyst for the improvement of the profile. In order to implement this project, sufficient land must be allocated to a potential investor to develop the resort. Given the natural Mogalakwena environment, the demand for the proposed resort will increase if it is linked to or established in the form of a game farm with sufficient numbers of wildlife populations. Seasonal hunting activities can also

be promoted at the resort, which will ensure that the hotel provides for this selected market segment.

- The marketing of the region. Although the marketing of Mogalakwena is discussed in a preceding development programme, the marketing of the unique selling points (USP) of Mogalakwena should receive high priority in the implementation of the development programme.
- The creation of other tourist destinations throughout Mogalakwena will support the improvement of the tourism profile. The core of tourism development in the area lies in the creation and strengthening of tourist destinations. The perception of Mogalakwena, specifically as a holiday destination should gradually be created.
- The potential destinations that can be used are mainly inaccessible for a large portion of the tourism base, due to its limited facilities and poor road conditions.

## **B) PROJECT IMPORTANCE**

A relatively small number of tourism institution (attractions, destinations) exist in Mogalakwena. These attractions, which are concerned with the marketing as well as the development of the area, must be aligned with to create a critical mass for tourism initiatives to be successfully implemented. Tourism has the potential for generating employment opportunities and income especially for more remote and under-developed rural communities.

As Mogalakwena is presently under-utilising its tourism potential, the improvement of the profile will serve the function of “opening up” the area for the development of tourism activities and therefore to a larger portion of potential tourists. It can be foreseen that these areas will in future experience an increase in the number of visitors. This will, however, only happen if the quality of sufficient services is developed in order to ensure tourist convenience and satisfaction.

In short, the project impact will be as follows:

- Spatial Impact: The specialisation of certain nodes in tourism activities will result in concentration of economic activities, as well as population;
- The provision of overnight facilities and other supporting services will also ensure traveller convenience.
- Social Impact: Unemployment can be addressed by training community residents to respond to tourism needs. The attraction of tourist buying power will strengthen the economic and social base of communities.
- Economic Impact: The various segments of this strategy will not only result in the broadening of the economic base of Mogalakwena, but also create economies of scale in which several backward and forward linkages will be created.

### **C) KEY ROLE PLAYERS**

This project must be implemented as a joint venture between the following role-players:

- Mogalakwena LM
- The Waterberg DM
- Limpopo Tourism and Parks Board
- Regional Tourism Associations
- Local Tourism Associations
- Department of Economic Affairs, Environment & Tourism
- Potential investors (such as an international hotel group, etc)
- Relevant parastatals, NGO's and private sector role-players and investors.

### **D) INSTITUTIONAL ASPECTS & FUNDING**

The improvement of the tourism profile is an undertaking that must have political commitment and buy-in from all participants. A specific champion is required to perform the various steps and to facilitate coordination of the different activities. The role of the Mogalakwena LM is parallel to that of the existing tourism marketing institutions in the region. Therefore, as far as practically possible, the Municipality should facilitate the matchmaking of development opportunities with identified investors in order to implement the activities required to improve the tourism profile of the municipal area.

### **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

The following steps should be incorporated during the implementation of the programme:

- Seek potential investors for the establishment of the holiday resort and provide sufficient assistance to the investors.
- Solicit community input, especially at nodes where extensive tourism-related projects are planned
- Establish Public-Private Partnerships amongst role-players to secure funding and effective implementation of the project.
- Link this development programme with an aggressive marketing campaign for the area.
- Coordinate this development programme with current planning initiatives and projects for the tourism industry on provincial and local level.
- Initialise planning and implementation of infrastructure provision.
- Compile an inventory on the available tour packages, facilities, services and operators in the area and review current services offered.
- Involve relevant organisations in order to compile a strategy for business and educational tourism.



### 6.4.1.3. Programme 3: Working Partnerships

There is a need to combine the efforts undertaken to develop the tourism industry into a unique and dynamic plan in which the tourism facilities can be marketed as one route.

As part of this partnership, the assets of the area will be marketed, i.e. hiking trails, cultural activities, horseback activities, game related tourism and fishing opportunities. The combination of these initiatives will not only ensure that information is efficiently distributed amongst tourists and communities, but will also prevent duplication of projects.

#### **A) CORE COMPONENTS**

The development programme implies the formation of a “Collaborative Action Group” in order to drive tourism. The aim of this collaborative action is to facilitate the cooperation of the private and public sector to develop the potential of Mogalakwena tourism, and thereby impact positively on the local economy.

The core components are the formation of a framework that can be used by marketing entities in the area that highlights the “clustering” of the various tourism activities. However, before such a framework can be determined, all the activities must be in place. This implies that concerted efforts should be made to implement the preceding development programme and ensure that a parallel process occurs through which the working partnerships are established.

The specific communication channels through which the networks are created is vital to the efficient functioning of collaborative planning and implementation. High levels of commitment from all the stakeholders are required. This implies that the services being offered at the various tourism activities must be of a high quality, as the weak performance of one activity will have a detrimental effect on the entire networked partnership.

Peer review of the activities is a mechanism that should be utilised during the planning and implementation of the activities to ensure that trust is built between the entities. This is necessary to ensure that the aggregate regional tourism activities are aligned with each other and operates as a whole. Through such alignment of activities towards achieving a common goal, a formal as well as an informal “tourism route” can be identified, designed and marketed.

The development programme further implies a broader focus than just developing the tourism industry. Although tourism poses a number of opportunities which can be developed, there are other elements to tourism which can be developed with great success in an integrated manner to cater for different purposes and tastes. Examples include the following:

- Agro Tourism, in which experimental farms (demonstration plots) can be utilised to accommodate school trips, etc. These farms can also be utilised for research purposes for university students, incubator students, etc.



- Business-related tourism, where conference centres, exhibition halls, etc. are provided to accommodate the business visitor. These can be linked with proposed hotel and loge development.
- Educational tourism, in which establishments in Mogalakwena are utilised for educational purposes (e.g. fieldtrips, courses undertaken in holidays, etc.).

## **B) PROJECT IMPORTANCE**

Numerous opportunities exist throughout Mogalakwena for the exploitation of the scenic environment in a sustainable manner. It is however necessary to ensure that a critical mass of activities is generated that can be applied to over-arching activities in order to share costs. Marketing and administrative costs are examples of such over-arching activities.

Additionally the creation of a critical mass will support the attraction of tourist to the area through the improved profile (as discussed in the preceding development profile). More specifically, the clustering of the activities throughout Mogalakwena will assist in the creation of a route that will slow the movement of the tourists throughout the entire region. This prolonged periods spent in the area translates in to higher revenues from the tourism activities.

## **C) KEY ROLE PLAYERS**

The facilitation of the working partnerships in parallel to the formation of tourism routes should be driven by the public sector in close consultation with the private sector. Therefore the following key role players should be included in the process.

- All regional tour operators
- Potential tour operators/activities' management
- Department of Economic Affairs, Environment & Tourism
- Mogalakwena LM
- Limpopo Tourism
- Regional Tourism Authorities
- Local Tourism Authorities
- Department of Education

## **D) INSTITUTIONAL ASPECTS & FUNDING**

Institutional aspects are a central aspect of this development programme as it involves the coordination of tourism development activities throughout Mogalakwena. A vital link is the establishments of a Local Tourism Organisation (LTO). The implementation of the LTO should be viewed as a critical element for the formation of working partnerships. The LTO are the grass-roots level tier of the establishment of a communication network through which the activities can be aligned and holistic development facilitated.

Other institutions that must be involved in the processes relating to the formation of working partnerships should have a willingness to contribute positively to the development process.

## **E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES**

Various activities should be facilitated to plan and develop the working partnerships and the linking of tourism activities. These activities include:

- Establishment of a LTO and assist during implementation
- Identification and development of tourism opportunities that can be linked to a wider tourism theme
- Initiate communication channels between activities
- Investigate methods to link activities through tourism travel
- Approach local tour-operators to expand activities offered to include new tourism developments
- Market the consolidated tourism activities i.e. tourism route
- Constantly monitor the performance of the various activities to guarantee quality of the entire route.

### 6.4.1.4. Programme 4: Transport

The transport sector and infrastructure form the backbone of the tourism industry as it is directly linked to the accessibility of destinations and the convenience of tourists. An integrated transport system is one of the development programmes of the tourism cluster.

The elements of this programme will typically include:

- Visitor/tourist information centre
- Road maintenance and upgrading
- Road side assistance in case of emergency

## **6.5. CLUSTER 4: INDUSTRIAL DEVELOPMENT**

The concept of industrial development, in the case of Mogalakwena, refers to the better utilisation of the existing industrial site near Mokopane, together with the expansion of the current industrial activities.

This industrial development cluster is based upon the creation of a vibrant, diversified and sustainable industrial base for the Mogalakwena area, which includes the agro-processing sector. This however requires the strong, visionary leadership and cooperation between various role players to effectively link the international and national opportunities, market and technology trends and entrepreneurship to the actual development within the local economy of Mogalakwena. This necessitates the establishment of a comprehensive and practical industrial development strategy. Industrial development can effectively be implemented in the form of an industrial cluster or complex.

Cluster development is a widely advocated, internationally acclaimed technique that has been implemented successfully in other countries, with the ultimate aim of stimulating economic development and job creation. The qualitative approach

represents one of the latest international trends in cluster analysis and is at the forefront of international cluster developments. The central theme that is identified throughout the qualitative methodology is one of cooperation. The growing trend appears to be an increasing openness between industries in a cluster and between the cluster and the public sector. The emphasis has moved from competition to cooperation with industries creating joint forums from where they share information.

In Europe, this sharing has reached the stage where in-house functions such as production, marketing, research, etc. are pooled between industries in a cluster. This has proved to reduce costs and increase productivity. The first step generally taken is the establishment of a Cluster Development Unit. Further actions taken in the establishment of a supporting network base include:

- **Obtain buy-in:** The purpose is to devise the most appropriate ways and means of obtaining buy-in and support from all the stakeholders in a given cluster. This is regarded as a vital aspect of any cluster study and to ensure that acceptance and involvement is attained. The expertise and skills of a communication specialist should be utilized. The focus should be on attaining buy-in from the industry role-players but also to attract new investment and development, thus “selling” the cluster concept as a viable concept.
- **Stakeholder contact-making:** Utilising an inventory of stakeholders, representatives for a cluster development unit must be identified. Criteria applied in the identification of these representatives include sectoral specialisation and representation of sectors; technical knowledge; institutional and interest group representation; Provincial Government departments; National Government; organised labour; organised business; local authorities, development institutions and observers.
- **Sponsorship:** International case studies have shown that the success of the buy-in process is dependent on the procurement of a sponsor. This sponsor serves the purpose of driving the process until an appropriate development unit is established. Thereafter, the sponsor provides financial and other support to the forum. Likely candidates for the role of sponsor are the local authority, NGO's, other development bodies, the private sector (specifically the members of the cluster), or a combination of the above in the form of Public Private Partnerships (PPPs).
- **Participation:** In general, the cluster development unit acts as a mouthpiece where problems and challenges facing the cluster are aired. The unit must keep abreast with local and international trends occurring in similar clusters, specifically with regards to technology advances, consumer trends, changes in demand, etc. Furthermore the unit should act as the central body in identifying solutions to the above-mentioned problems and challenges and it must act as

an implementation agent in applying new techniques and development projects within the cluster.

- **Networking:** An additional method of creating buy-in and encouraging participation is by developing a business network program. It is generally accepted that a typical cluster, be it industrial or otherwise, is largely comprised of a number of smaller supporting networks. These networks are usually a number of production networks, one or more marketing networks, a technology development network and a technical centre network, amongst others.

Networks are fast becoming a key business tool for small and medium-sized companies to work together to boost their bottom line. Also known as strategic alliances or partnerships, these associations can take many forms and are used to achieve, more specifically, short to medium-term business objectives. Whether the objective is to seek new overseas markets or looking for partners to share sophisticated technology, a successful alliance can offer that extra edge in an increasing competitive world.

A high level of innovation has also been identified as one of the key performance indicators marking international special development zones' success. Innovation is a concept that pervades every aspect of the economy – from education to social traditions and mindsets, employee reward systems and government support. Although it is not easy to formulate an effective prescription to stimulate innovation in the economy, some measures should be incorporated to stimulate innovative ideas. In the published discussion paper on industrial development in South Africa (DTI, 2001), it was commented that innovation, changing consumer demands and information technology are of the most important elements characterising the change in the way that manufacturers undertake their business.

There is thus a structural shift in the pattern of world trade away from commodity production and raw material intensive manufactured goods towards knowledge-intensive goods and services, focusing on innovation and knowledge-based economies. This includes not only the establishment of effective information distribution and communication facilities and services, but also encouraging and supporting industries to embark on product research and development (i.e. new product applications and more efficient production methods).

The Industrial Development Strategy for the Mogalakwena Municipal area consists of three investment programmes, including:

- Industrial Cluster Development Programme.
- Innovation Promotion Programme.
- Industrial Networking Programme.

The discussion on each of the abovementioned programmes, together with their potential projects, follows.

### **6.5.1. Development Programmes**

#### **6.5.1.1. Programme 1: Industrial Cluster Development Programme**

This cluster development programme centres around the facilitation/promotion of the establishment of agro-industries and processing activities in the Mogalakwena area, based on the principles of cluster development and supportive services. The main objective of this programme therefore is to establish sustainable local and foreign investment that can be integrated into the local economy with the result of maximum social and economic benefits, together with effective technology transfer.

The main function of this programme is to facilitate industrial development and investment in Mogalakwena by securing the establishment of anchor tenants and the establishment of linkages between ventures, local activities and supportive services to the investors.

#### **KEY ROLE PLAYERS**

Potential role players in this programme include:

- The Mogalakwena Local Municipality
- The Waterberg District Municipality
- LIBSA
- The established Cluster Development Task Team.
- Trade and Investment South Africa (TISA).
- Industrial Development Corporation (IDC).
- Department of Trade and Industry (DTI).
- Research institutions, such as CSIR, Agricultural Research Council, Universities, etc.

#### **6.5.1.2. Programme 2: Innovation Promotion Programme**

This programme entails the establishment of an innovation promotion initiative, with the objective of contributing to a higher level of product and service quality in the Mogalakwena area. Special emphasis should be put on innovation, research and development. This will result in the formation of a platform for Mogalakwena enterprises to enhance production quality and subsequently competitiveness.

The primary focus of this programme is the development and utilisation of appropriate technology and processes to enhance the production outputs of the local economic activities as well as a higher competitiveness.

The actions related to this programme fall primarily within the supportive category. These actions include:

- The establishment of a Technical Mentoring System by which industrial experts (e.g. the Agriculture Research Council) can provide technical know-how on product and process design and improvement, measured against international standards of quality and productivity.
- The development of a Regional Innovation Network, whereby the higher educational institutions and process managers can provide new design support to enterprises.
- The provision of technical and market information to developers through a comprehensive website.
- The examination of gaps in the system of financial support for investors, in terms of research and development.
- Developing a school-support programme through which scholars and students can be introduced to the industrial and innovation environment.
- The securing of enhanced innovation support for the different economic sectors.
- Assistance (financial or otherwise) to knowledge-based start-up businesses.

### **KEY ROLE PLAYERS**

Supportive role players include sources such as:

- The Mogalakwena Local Municipality
- Educational and training institutions
- Research institutions in South Africa (e.g. TISA, DTI, CSIR, Agriculture Research Council etc).
- Local associations and forums.
- CHAMSA

#### **6.5.1.3. Programme 3: Initiate efficient industrial networking**

Efficient industrial networking, specifically efficient sub-supply and production networking and participation between established Mogalakwena industries and their suppliers, can optimise the competitiveness of the Mogalakwena Industrial sector.

The supportive projects associated with this programme include:

- The provision of a system through which Mogalakwena industries can apply for membership in a Representative Forum. This forum will provide the

members with a platform to initiate discussions, representation and participation and the exchange of sector-specific knowledge. Such a Forum can furthermore take responsibility for organising activities such as conferences, exhibitions, seminars and workshops, which will benefit all the Mogalakwena enterprises.

- Electronic infrastructure can be utilised to stimulate this process of participation, for example through the establishment of an internal website for Mogalakwena enterprises which provides discussion platforms.
- A database needs to be implemented and information distributed that can be used to assist investors and Mogalakwena enterprises in the sourcing of suppliers and matchmaking with potential entrepreneurs, local contractors and international manufacturers. This can effectively be done through a 'One-Stop Centre' at which specific economic information can be obtained.
- A unit must be established which can take responsibility of matching and initiating investment opportunities in the Mogalakwena area with suppliers in the rest of the region and country.
- This programme must also include the task of linking/coordinating supporting services with the development of Mogalakwena. This entails liaison with financial institutions, real estate agents, tour operators, freight transport contractors, public transport companies, etc.

## KEY ROLE PLAYERS

Experts on this programme and its projects include:

- Local businesses.
- Researchers which can provide information on suppliers and international sourcing opportunities.
- Industry-specific experts.
- Department of Trade and Industry.
- Potential suppliers and other service providers (commercial banks, transport companies, etc).
- Mogalakwena Business and Industrialists Forums
- CHAMSA
- LIBSA

## 6.6. CONCLUSION

The LED Development Framework was formulated to guide the Municipality's economic development efforts. The importance of the LED Framework is significant in the planning and implementation of the LED focus clusters and programmes.

The capacitation of the Mogalakwena local LED Department, as well as the other government institutions, active in LED initiatives must:

1. Be appropriately structured to facilitate cross-functional collaboration between the different departments and institutions.
2. Appropriately capacitated in terms of resource allocations (budgets, equipment, etc.) as well as adequately staffed to ensure that the deliverables/activities are performed by these entities.
3. Appropriately staffed with individuals that are motivated and committed to the development process.

It is important to note however, that the Mogalakwena Municipality must possess the capacity to enforce these development cluster programmes. Because this is not always the case, the Local Municipality should take cognisance of the role of the Waterberg District Municipality in providing assistance and resources where it is limited at the local level. The implementation roles of the Local and District Municipalities will be discussed in the following Section.



## SECTION SEVEN: IMPLEMENTATION AND ACTION PLAN

The actual implementation of the specified clusters and development programmes is vitally important and should be regarded as of the utmost importance. While wealth and employment creation projects have been identified and formulated for Mogalakwena LM, the deployment of the Development Framework is central to the successful placement of Mogalakwena on a higher economic growth path.

The Implementation Plan consists of two main components. Firstly the Implementation Plan and secondly, the institutional recommendations. Each of these components is discussed separately in the following sub-sections.

### **7.1. STRATEGY IMPLEMENTATION**

The primary goal of the integrated Implementation Plan is to facilitate the streamlined and fast-tracked delivery of the various clusters and their respective development programmes. It is important to realise that the Implementation Plan can be sub-divided into four “gears”. Figure 7.1 presents a graphical illustration of the various components/gears of the integrated Implementation Plan.

Each of the gears has a critical role to play in the overall functioning of the framework. These four gears are:

- Development dimensions
- Sectoral focus
- Development programmes
- Institutional

Each of these gears has a specific focus and role that is outlined in the subsequent paragraphs.

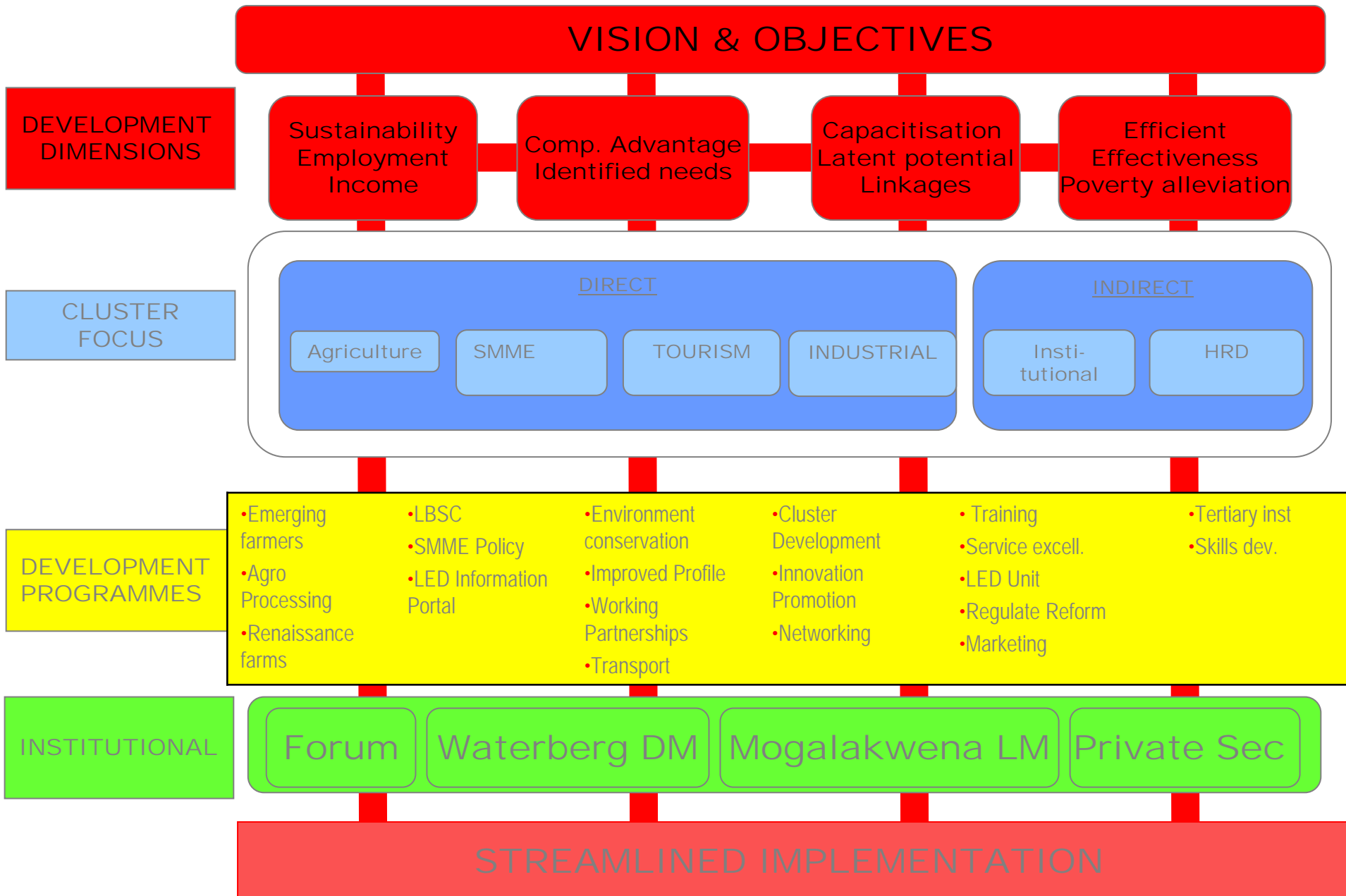
#### **7.1.1. Implementation Gears**

The four gears of the implementation are described as the various drivers of the entire framework. These gears must be integrated to ensure that the effects of the different gears are aligned and therefore ensure the delivery of LED. Each gear’s specific emphasis is highlighted in the following paragraphs.

#### **GEAR 1: DEVELOPMENT PRINCIPLES**

The development dimensions are the primary guiding principles according to which the implementation of the various sectoral clusters and development programmes should be undertaken. A total of 14 development dimensions have been identified. These development principles are listed in Table 7.1 together with a brief description of the respective dimensions.

FIGURE 7.1: LED IMPLEMENTATION FRAMEWORK



<b>TABLE 7.1: DEVELOPMENT PRINCIPLES</b>	
<b>PRINCIPLES</b>	<b>DESCRIPTIONS</b>
<b><i>Black economic empowerment</i></b>	Economic empowerment is an integral part of South Africa's transformation process, encouraging the redistribution of wealth and opportunities to previously disadvantaged communities and individuals, including blacks, women and people with disabilities.
<b><i>Sustainability</i></b>	Sustainability is vitally important on terms of both economic, social as well as environmental impacts. Accurate assessment of this dimension prior to the implementation of any project must be undertaken to limit the irresponsible application of resources
<b><i>Black Economic Empowerment</i></b>	In the light of the distribution of opportunities in terms of demographic characteristics, the development of the economy should be performed against the background of national BEE guidelines
<b><i>Employment</i></b>	All development projects that are implemented must be guided by employment creation as the ultimate goal of the project. In other words, where applicable labour intensive methods should be employed.
<b><i>Income</i></b>	The improvement of the income distribution throughout the Mogalakwena Municipality will act as an emphasised focus in order to facilitate regional equity and equality in terms of development distribution.
<b><i>Comparative advantage</i></b>	Focus must be placed on the development of the existing comparative advantages within the area. Additionally these existing advantages should be expanded while the comparative disadvantages of the area in terms of non-economic indicators should be removed.
<b><i>Identified needs</i></b>	The prominence of developmental activities should be measured against the level of success being achieved in terms of addressing community identified needs. These needs should be translated into development priorities for the implementation of development projects.
<b><i>Foreign direct investment</i></b>	Attraction of investment from outside the Mogalakwena Municipality is vitally important as this implies that funds are injected into the local economy. This also implies efforts to increase the internal levels of investment as well as the circulation of locally generated capital.
<b><i>Capacitation</i></b>	In order to exploit and implement the development opportunities throughout Mogalakwena, the skills base of both the local community as well as the Municipality must be improved. It is therefore implied that the skills and technical know-how must be expanded to fully take advantage of development opportunities.
<b><i>Latent potential</i></b>	The existing but under-utilised and unemployed development potential is viewed as latent potential. These potential opportunities should be developed as a matter of urgency to stimulate spontaneous development
<b><i>Linkages</i></b>	Interaction must be facilitated between economic activities and institutions. Therefore linkages in this context refer to both the flow of economic goods and services as well as the communication of both government and non-government institutions with each other.
<b><i>Efficiency</i></b>	The improvement of efficiency can be regarded as an increase in the rate at which work (or specific tasks) is completed. This approach focuses on the outcomes that must be achieved. An overall improvement of efficiency (of especially government institutions) is central to the initiation of the overall improvement of the investment climate. This term is viewed as " <b>doing things right</b> "
<b><i>Effectiveness</i></b>	Closely related to efficiency is effectiveness. This term is however aimed at the improvement of the relationship between the outputs and the energy or inputs required to perform a specific task. Therefore, the focus should be " <b>doing the right things right</b> ".
<b><i>Poverty alleviation</i></b>	Poverty alleviation, as associated with gender issues and the limited access to social and economic opportunities must be incorporated in to the Implementation Plan. Specific focus should be placed on poverty alleviation throughout the implementation process.

The preceding development principles, as described above, must be followed throughout the entire implementation process. These principles are vitally important in the light of the overall community level considerations.

## GEAR 2: SECTORAL FOCUS

While the development principles prescribe the focus of the intervention in terms of the alignment required, the sectoral focus in particular emphasises the economic areas of intervention. It should however be clarified that the sectoral focus is not strictly economic in nature but rather of a generic characteristic. In other words, while the interventions are referred to as sectoral, cross-cutting sectors are also incorporated. More specifically the non-economic sectors, which are cross-sectoral, are:

- The institutional sector
- The human resource development sector
- Rural Development

The remaining sectors, which have been distilled from the various planning sessions, are:

- Agriculture development
- SMME development
- Tourism development
- Business & Industrial development

These sectoral focus areas, both the cross-cutting as well as the other sectors, are the main intervention points at which the implementation activities should be aimed. The seven areas are of such nature that their impact on the economic welfare of the local communities within the Mogalakwena Municipality is either direct or indirect. Table 7.2 denotes the specific direct and indirect nature of these sectoral focus areas.

<b>TABLE 7.2: DIRECT &amp; INDIRECT SECTORAL FOCUS</b>	
<b>DIRECT</b>	<b>INDIRECT</b>
Agriculture development	Good Governance & Capacitation
SMME development and Support	Human Resource and community development
Rural development	
Industrial and Big Business development	
Tourism	

The reason for the existence of the indirect benefits to the communities is vested in the characteristics of both LED and the sectoral intervention points. An improvement in the human resource base will have a marked influence on the employability of the local communities to participate in new economic activities. Additionally such an improvement in the skills base will result in an improvement of the labour force that translates into an improved investment climate.

The investment climate is a function of a variety of variables. One of these variables is the level of skills available in the local economy. The higher the degree of appropriateness, the easier it will be for a potential investor to find suitable candidates for employment. This level of ease with which investors can recruit labour is vitally important during the location decision.

### GEAR 3: DEVELOPMENT PROGRAMMES

The development programmes as listed and discussed in the preceding phase (refer to Chapter 6) is the actual tasks, which must be performed to facilitate an improvement in the local economic climate. Similarly these development programmes are aligned with the specific sectoral focus areas. The main implementation and/or facilitation activities associated with the respective clusters are provided at the end of each development programme in the development framework as presented in the preceding part.

### GEAR 4: INSTITUTIONAL

The actual implementation of the various activities associated with the Development Framework and the respective development programmes must be facilitated by a responsible (institution) champion. It is against the background of the institutional analysis that the institutional arrangements should be proposed. This specific “gear” in terms of the Implementation Plan is presented in the following sub-section.

#### **7.1.2. Institutional Recommendations**

In order to implement the required activities and projects, the capacitation and alignment of especially the existing Mogalakwena LED Unit is of the utmost importance. The institutional recommendations are on two levels. Firstly the Mogalakwena LED Unit is discussed and finally the formation of an LED development forum is proposed. Each component is discussed separately to highlight unique aspects.

It is proposed that the Local Economic Development Strategy be implemented by a dedicated development officer or champion, while the actual coordination of the other institutions (as discussed in the subsequent paragraphs) should be delegated to a different, mandated development officer within the Mogalakwena Municipality.

The effective implementation of the LED Strategy throughout the Mogalakwena Municipality will result in more employment opportunities being created, reducing the high unemployment levels. This will in turn lead to higher household income levels and capacity to pay for services delivered by the Local Municipality.

Given the fact that effective planning, management and implementation of the LED plan will be especially effective in terms of poverty alleviation and

employment creation, focused efforts should be undertaken to ensure that the LED Strategy is comprehensively executed. It is therefore necessary to highlight the specific roles and responsibilities of the Mogalakwena Municipality as well as the Waterberg District throughout the LED process. Table 7.3 provides a reference framework for the internalisation of the roles and responsibilities by the various levels of local government.

<b>TABLE 7.3: REFERENCE FRAMEWORK – ROLES AND RESPONSIBILITIES</b>	
<b>Waterberg DM</b>	<b>Mogalakwena LM</b>
<ul style="list-style-type: none"> <li>▪ Maintain internal and external communication</li> <li>▪ Capacity building</li> <li>▪ LED planning (district and local)</li> <li>▪ Manage LED initiatives</li> <li>▪ Conduct LED audit</li> <li>▪ Compile and assess feasibility of business plans</li> <li>▪ Strategy development</li> <li>▪ Identify and broker resources equitably</li> <li>▪ Identify market and opportunities</li> <li>▪ Provide financial resources</li> <li>▪ Coordinate and align LED activities</li> <li>▪ Establish and maintain partnership to facilitate LED activities</li> <li>▪ Align municipal policy and practices</li> <li>▪ Monitor and evaluate the impact of LED activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Policy and planning - strategic focus</li> <li>▪ Research and development, assess need in strategic areas</li> <li>▪ Develop/link to IDP</li> <li>▪ Facilitate/ coordinate LED partners</li> <li>▪ Marketing city/town</li> <li>▪ Identify, development and manage data bank of stakeholders</li> <li>▪ Support services - financial and non-financial</li> <li>▪ Skills development - LED officials and community</li> <li>▪ Regeneration studies</li> <li>▪ Linking and access to funding</li> <li>▪ Identify, prioritise and select projects</li> <li>▪ Implement and manage projects</li> <li>▪ Create conducive environment for LED and growth – support services incentives</li> <li>▪ Job creation through capital projects</li> <li>▪ Conflict resolution and management</li> <li>▪ Identify strategic and high potential growth areas – geographic and functional</li> <li>▪ Form and encourage linkages</li> <li>▪ Sharing information – between local authorities, other partners and clients</li> <li>▪ Facilitate and oversee partnership between big business and communities</li> <li>▪ Job creation information, collation and report results</li> </ul>

Apart from the roles and responsibilities, which must be internalised, the actual strengthening of the LED Unit is vitally important as this Unit must guide and facilitate the LED Strategy and support and coordinate its actions.

The strengthening of the Mogalakwena LED Unit is the first step towards the creation of an enabling institutional environment within which the necessary capacity development can be undertaken. This unit will be tasked with performing the necessary functions and activities associated with LED. Therefore the strengthening of the LED Unit must be undertaken to facilitate and initiate the re-structuring of the current LED implementation environment. The

capacitation of the LED Unit is viewed as a catalyst in the overall economic development of the Mogalakwena Municipality.

### 7.1.3. LED Development Forum

In order to facilitate an improvement in the involvement of the private sector, the establishment of a mechanism that will ensure that appropriate communication between government institutions are initiated is vitally important. This mechanism should not constrain the function of the institutions but rather align and time the various implementation activities. It is therefore proposed that a Development Forum be established. A number of various informal task teams should be established in such a fashion that the institutions with a functional “overlap” of activities are grouped together. Discussions regarding the potential implementation of projects in a joint venture format should be reviewed.

It is important to recognise that the various experts need not be permanent members of the task team structures, but could be incorporated from elsewhere when needed. As individuals find themselves members of more than one action group at a time, their responsibilities are in a constant flux, as their attention moves from objective to objective.

It follows logically that such a diversified structure needs a high level of flexibility to allow for the close collaboration amongst participants, necessary, if they are to adapt to the swift changing environment in an innovative manner. Much fewer rules and regulations are typically to be found in this type of structure, with those that do exist tending to be loose.

The ideal is therefore a small permanent management group, that co-ordinates various types of expertise into issue based task teams. It is anticipated that this would consist of a manager (facilitator), supported by a professional assistant, a personal assistant, as well as a small administration contingent. The development forum should have various characteristics that will support its successful operation. The characteristics include:

1. Have clarity on its purpose and function.
2. Operate independently, but within agreed policies, principles and a mandate. The development forum should be guided from a common value orientation and vision.
3. Have a clearly defined mandate.
4. There should be regular report-backs on project progress and process. Monitoring mechanisms should be put in place.
5. Be ‘lean’ and focussed. The development forum should be structured with a small, but effective complement of dedicated and empowered staff.
6. Be representative of core stakeholder groupings and function in a consultative manner.<sup>1</sup> In this regard, members on the development forum should reflect perspectives as prevalent among their constituencies to

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<sup>1</sup> *The need for consultation does not however negate the need for strong decision-making powers.*



- ensure that diverse needs are met. The development forum should have the ability to co-opt other members if and when required.
7. Be transparent in its dealings.
  8. Be a-political.<sup>2</sup>
  9. Have a commercial/business approach with a strong project management and co-ordination function.
  10. Integrate and enhance existing and future business and social development processes.

Be as committed to the needs and growth of the grassroots entrepreneurs as it is to burgeoning large-scale enterprises.

#### 7.1.3.1. Suggested Focus

The following section provides the key aspects on which the development forum should focus:

##### **Lobbying and marketing.**

Lobbying critical stakeholders and investors would be an additional critical requirement. An equally strong and visible implementation process must support a strong and successful marketing and lobbying process. It is critical that created expectations be addressed.

##### **Adopting an integrated approach**

An integrated approach is necessary to achieve harmonisation with other local, regional and national development activities. In this regard it should be ensured that the region links up with other regional development projects, and that the strategies of other projects are taken into consideration.

##### **Developing sufficient “buy-in” and commitment from stakeholders and key role players.**

The commitment of all key role payers (notably politicians) would have to be secured. It is expected that the private sector commitment will follow once political commitment is demonstrated.

##### **Promoting economic and business development with a local and regional focus.**

Well-managed feasibility studies should inform investment and implementation decisions. This should have a local and regional focus. Social needs and requirements should form part of this framework.

##### **Adapting a balanced approach**

A balanced approach towards both the formal and informal sectors is needed to ensure equity.

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2      *Yet endeavour to secure political buy-in from the highest levels.*

**Provision of business and related information**

There is a strong need for relevant business and related information amongst current participants and prospective investors in the economy. It would also need to assimilate needs and requirements to ensure that projects are applicable and needs driven.

**Identifying and supporting a large selected development as flagship.**

A flagship project could serve as a kick-start to investment. Launching several smaller, sustainable entrepreneur-driven projects (e.g. hydroponics) in support of the visible flagship process could support this.

**Implementing effective communication and feedback processes.**

Mechanisms should be developed to help community representatives to provide feedback to their constituencies. A central information-clearing house would be required to support lobbying and business development efforts.

**Clarifying the relationship between the LED Forum and the Mogalakwena LM at the outset.**

This clarifying should focus on the roles and responsibilities of Municipal officials, particularly in terms of project implementation and accountability to the public, as well as the possible privatisation of selective services (e.g. cost recovery).

**Assessing and addressing social and environmental impacts arising from LED activities as part of the planning processes.** The ongoing involvement of affected communities would be necessary in this regard.

**The risk of losing momentum, stakeholder interest and commitment**

There is certainly a need for tangible demonstration of the actual implementation of programmes and projects to entice potential investors and bolster key stakeholder interest. In this regard, the threat of stakeholder fatigue and disinterest, particularly in the absence of imminent project implementation must be avoided through the delivery of projects.

**7.2. INTEGRATED INSTITUTIONAL APPROACH**

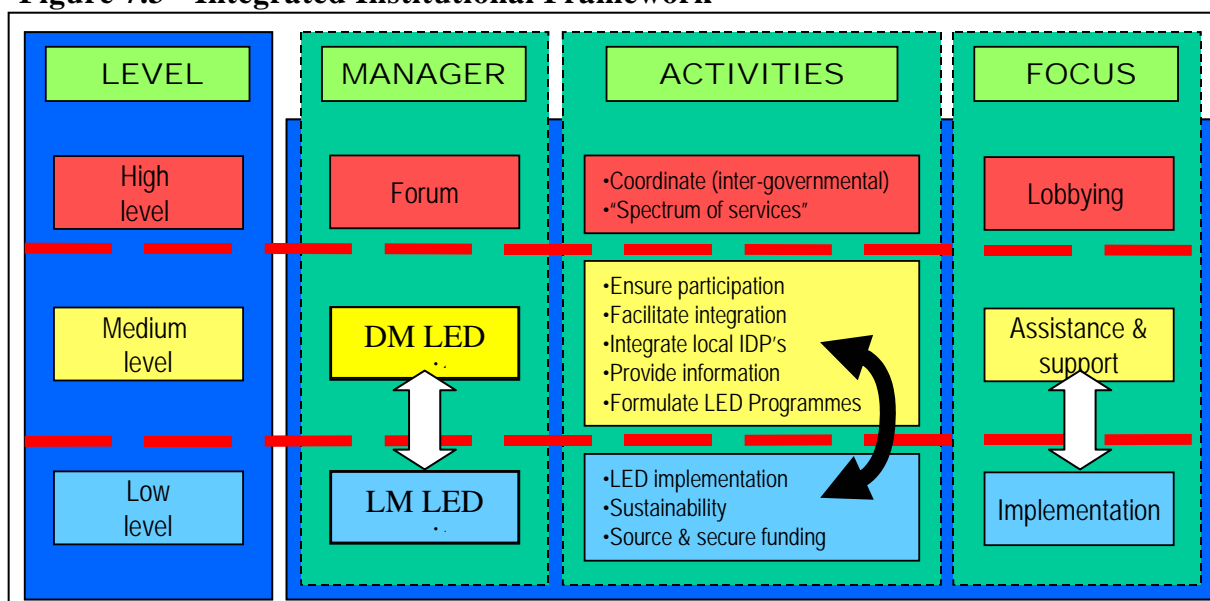
The integrated nature of the institutional recommendations must be highlighted. This integrative nature is highlighted by the characteristics of the proposed mechanisms to address among others:

1. How to structure the delivery mechanism in order for LED to be executed?
2. The critical issues which are addressed in terms of the above question.

Additionally, the roles and responsibilities of the different levels of government are presented and act as a point of departure. Similarly the actual implementation of the LED activities is viewed as the single most important element that will be

able to guarantee LED success. It is for this reason that the proposed framework has been developed. The proposed framework is illustrated in Figure 7.3.

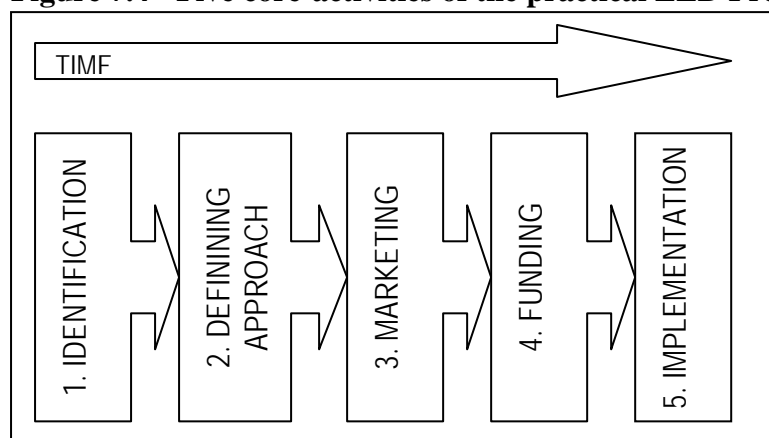
**Figure 7.3 - Integrated Institutional Framework**



It is evident that the formation of the additional body i.e. the development forum will not necessitate a complete abdication of LED duties by the Mogalakwena Municipality. What is implied is that the "load" on the existing capacity of the LED Unit is extended through the employment of additional resources.

The Mogalakwena LED Unit must still play a central role in terms of the initiation of delivery of development support and assistance programmes. When LED projects are to be initiated and implemented on a practical level, five core activities have to be identified. It should be noted that these core activities are inter-connected and are not separated from each other. Figure 7.4 illustrates the inter-connected core-activities of the LED project management process:

**Figure 7.4 - Five core-activities of the practical LED Process**



**▪ Activity One:**

*Identification* refers to those activities pertaining to the identification of potential projects and opportunities that can be developed in the local economy. This is the first practical step to LED. The generation of new ideas and opportunities can be brought about through the establishment of committees, consultation of local communities and brainstorming sessions. Assessment of the initiatives in terms of a SWOT analysis should also be included. It is recommended that the initial step of idea generation and ongoing project/opportunity identification be undertaken by the local Municipality. Local Authorities are well informed about the local inherent dynamics of their communities and are aware of all the local role-players such as chiefs and local businessmen.

**▪ Activity Two:**

*Defining the approach* refers to the process of specifically defining the project and implies the actual formulation of business plans. Apart from the actual project design and refinement, the role that the local municipality can play to assist local entrepreneurs also falls into this category and includes activities such as the provision of the necessary infrastructure, ensuring and enabling institutional environment, etc.

**▪ Activity Three:**

The *Marketing* phase consists of two main components, namely place marketing as well as the marketing of the specific products/services produced by the respective projects. The provision of appropriate mechanisms by the Mogalakwena LM to market the region is critically important to the successful attraction of investors to the area. Linked to this is the need for the provision of adequate exposure of local business, to the services provided by the local municipality.

**▪ Activity Four:**

*Development funding* entails the acquiring of finances for implementation and development of projects. It also entail the facilitating efforts of the local authority through the provision of support in the application for funding as well as matching potential investors and funding sources.

**▪ Activity Five:**

The *implementation* phase entails the culmination of the preceding activities resulting in the identified opportunities being put into action. Assistance during the initial stages of implementation is critical and measures to assist entrepreneurs include the provision of support activities, the formation of partnerships as well as mentoring activities (skills development).

Each of the aforementioned activities/phases of practical implementation is made up of its own components. These components, similar to the activities, are interdependent and progressive and build up to the implementation and evaluation of projects. It is important to note that the Waterberg District Municipality should assist Mogalakwena in all of the abovementioned activities of practical implementation depending on the capacity and/or assistance required.

Table 7.4 identifies the components for each of the activities for practical implementation of the LED strategy and allocates responsibilities to the Local Municipality (Mogalakwena) and the District Municipality (Waterberg) according to capacity.

**Table 7.4 - Specific core activities and components**

RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
<b>ACTIVITY ONE: IDENTIFICATION</b>		
Local	→ Idea generation	Establish organising committee. Consult local community- workshops. Consult professional expertise. Brainstorming sessions.
Local	→ Opportunity identification	Community planning.
Local & district	→ Business plan formulation	Consult experts. Write business plan.
<b>ACTIVITY TWO: DEFINE APPROACH</b>		
Local & district	→ Market analysis	Periodic business survey. Benchmarking (success stories). Establish business chambers. Update business database.
Local	→ Legislation	Review by-laws and amend where necessary.
Local & District	→ Management	Delegate responsibility to a “driver”.
District	→ Access to support structures	Make inventory of support services available. Clear understanding of approval and selection processes.
Local	→ Location	Identify appropriate areas and ensure focused development within selected areas (development nodes).
Local & district	→ Land & Buildings	Set up an inventory of potential buildings that can be utilised during development by entrepreneurs. Determine where projects can be housed. Approach private sector (CHAMSA) to release property for utilisation. Negotiate favourable rent rates.

RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
Local & District	➔ Infrastructure	Ensure necessary infrastructure is available to potential investors e. g tarred roads and storm water, sanitation and water.
		Guarantee adequate maintenance of infrastructure and services.
District & local	➔ Labour force	Encourage and support local training facilities to expand curricula aimed at the broadening of the skills base.
		Encourage and coordinate (as far as possible) Limpopo government departments to undertake training within Mogalakwena.
ACTIVITY THREE: MARKETING		
Local & District	➔ Place marketing	Printed media. Alignment with other initiatives.
Local & District	➔ Lobbying	Lobby appropriate government departments.
Local & District	➔ Project launches	Use launches to create awareness of project. Communicate progress of the projects to the community.
ACTIVITY FOUR: DEVELOPMENT FUNDING		
District & local	➔ Funding	Develop database of all donor and funding agencies. Facilitate the successful application for funding from the various institutions. Provide info to applicants regarding different potential types of funding and funding institutions.
District & local	➔ Grant funding	Lobby respective donor agencies to provide grant funding.
District & local	➔ Loans	Engage commercial institutions to provide loans to emerging entrepreneurs. Assist entrepreneurs during applications for loans.
District & local	➔ Bank guarantees	Utilise existing facilities such as Khula to obtain guarantees for loans from commercial financial institutions.

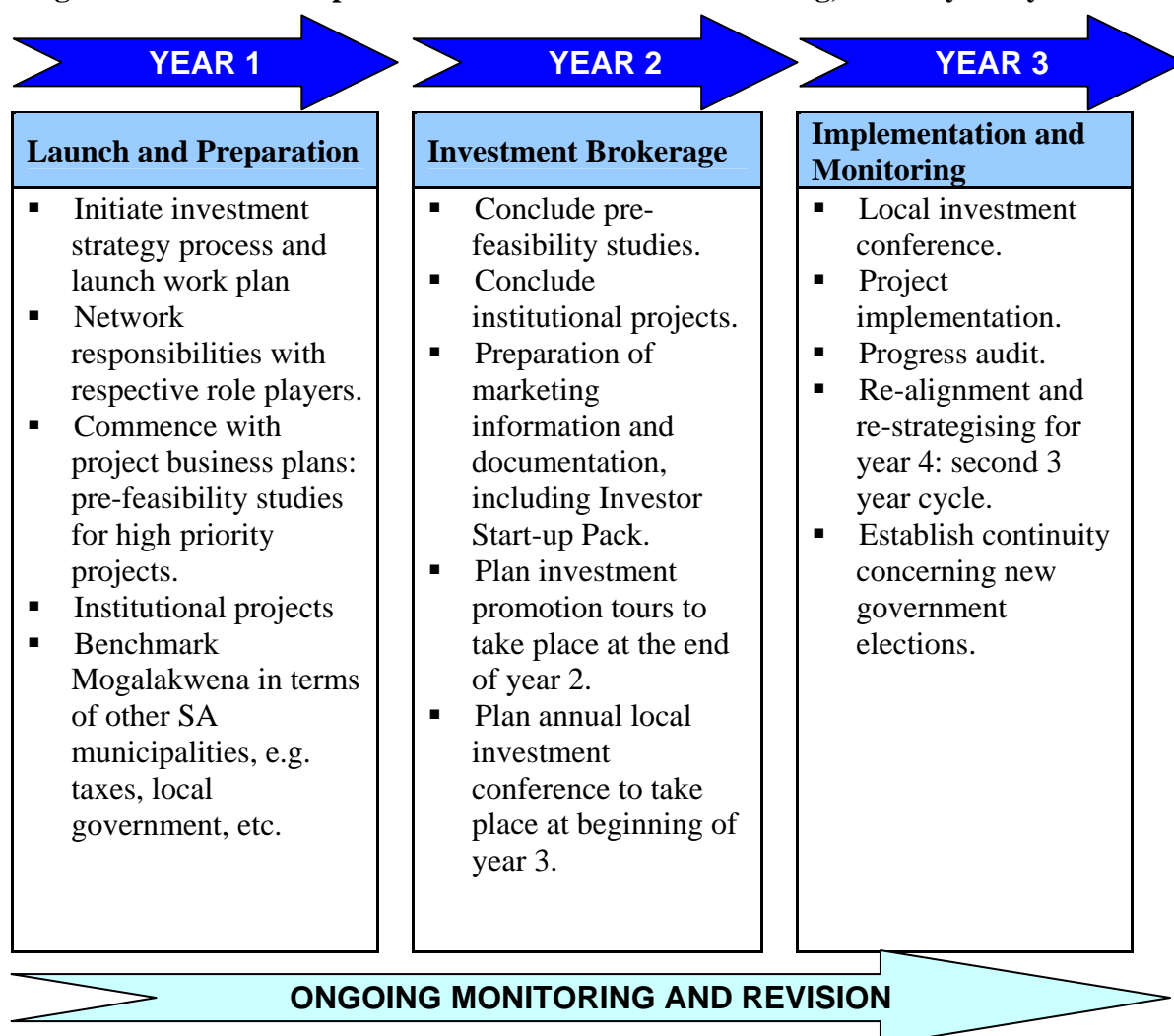
RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
Local & district	→ Own capital	Encourage existing business to expand operations within the local area.
District	→ Seed and venture capital	Support applications to organizations such as the IDC, which provides seed and venture capital to potential investors.
District	→ Development Support	<p>Organisation of “build your own business” training.</p> <p>Enhance awareness and skills in areas such as:</p> <ul style="list-style-type: none"> <li>▪ Business planning</li> <li>▪ Customer service</li> <li>▪ Performance management</li> <li>▪ New market opportunities, etc.</li> </ul>
District & Local	→ Establishment support	<p>Provide start-up advice to entrepreneurs such as:</p> <ul style="list-style-type: none"> <li>▪ Determining customer base</li> <li>▪ Competitive pricing</li> <li>▪ Promotional programmes</li> <li>▪ Competition</li> <li>▪ Strategic/convenient location</li> </ul>
District & Local	→ Matchmaking	<p>Link opportunities, funding and entrepreneurs.</p> <p>Referral of business opportunities as well as assistance in the application for funding.</p>
<b>ACTIVITY FIVE: IMPLEMENTATION</b>		
District & Local	→ Partnerships	<p>Establish partnerships between the existing local business and emerging entrepreneurs.</p> <p>PPP's (private &amp; public)</p>
Local	→ Fast-track approval process	<p>Stream line the approval process to provide investors with speedy replies with regards to developmental aspects/enquiries/applications.</p> <p>Convene extra-ordinary council meetings where necessary.</p>
Local	→ Support structures	Provide counselling (advice, info and support) at one-stop centres for business devel., tourism, etc. at Municipal offices.
Local & District	→ Incubators	Establish local business support centres (LBSCs) and business opportunity centres (BOCs)



RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
District & Local	➔ Management Support services	Training of entrepreneurs in practical business skills as well as more general workshops on self employment. Establish a “retired-executive council” that voluntarily assists emerging business through management support. Provide administrative support to emerging entrepreneurs. Provide mentorship programmes.
District & Local	➔ Capacity development	Experience exchange – providing local entrepreneurs an opportunity to share experiences and ideas through seminars, workshops, etc. Coordinate and link activities undertaken by the local training facilities, and government departments. Develop and apprenticeship/traineeship scheme where a number of local businesses share a group of trainees.
District	➔ Contingency fund	Establish a fund that can be accessed by failing businesses to improve cash flow problems. Determine repayment options.
Local & District	➔ Mentoring	One-to-one guidance. Continued advice and regular meetings with business operators. Guidance with marketing, accounting and management procedures. Assistance in identifying and solving problems. Introductions to business and professional organisations. Personal support.

### 7.2.1. Phased Implementation Plan

The proposed Implementation Plan is illustrated in Figure 7.4. The Figure summarises important actions and financial considerations pertaining to the first of a number of consecutive three year implementation and revision cycles.

**Figure 7.4 - Phased Implementation and Financial Planning, First 3-year cycle**

Budgetary allowances for business plans, investment tours and the investment conference should provide for R700 000 to R1 million per annum over the first three year cycle.

### **7.3. MARKETING PLAN**

The findings of the Status Quo analysis together with the proposed development framework have a host of implications for Mogalakwena with reference to the image of the area and what is required to change how the area is being perceived. These implications inform the marketing plan, but there are a number of issues that are worth highlighting. Additionally the five principles on which the guidelines have established are also presented.

#### **7.3.1. Salient features**

Mogalakwena has a number of salient features that needs to be strengthened and exposed in order to drive and underpin the marketing of the area.

- **Existing strengths on which to build:** The LED Indaba recently held in Mokopane stress the commitment of the Mogalakwena LED Unit to addressing the status quo and economic growth. Therefore, the marketing should not be about re-inventing Mogalakwena but rather about doing all possible actions to ensure that specific audiences really understand what the area has to offer them now despite what their perceptions are about the area.
- **Growing a local sense of place.** Many people throughout Mogalakwena have strong feelings of connection to specific parts of the area; for many others the area is an ‘adopted’ home. Although much of the marketing drive will be externally focused, it must also ensure that the people already working and living in the area understand the region and are willing to speak up for it. This applies even to those on the ‘edges’ of the Municipality. It should be recognized that these individuals, often label themselves as belonging to the bordering areas. However, building a local sense of place does not imply that the regions diversity should be compromised at the cost of presenting a uniform and absolute homogeneous area.
- **Clarifying the message:** Some of the locations in Mogalakwena are famous in their own right, while others are known among specific audiences. However the entire Mogalakwena Municipality as an entity is not well known. The marketing efforts need both to build basic awareness of the geographic make-up of the area and also to identify and link the locations and attractions, which are in close proximity and, combined, present an even more attractive offer to the target audience. When addressing individual audiences it is vital to create awareness of the best Mogalakwena has to offer and ensure that people understand that this is what Mogalakwena offers them.
- **Ensure cross functional involvement:** The issue of ownership is critically important to ensure that the marketing of Mogalakwena is successfully undertaken. All relevant parties must buy into the marketing process and implies that the public, private, voluntary, educational, political, cultural and other communities come together to deliver the work and that, across these communities, effective leadership is established.
- **It is emphasized that in order to shift the image of the area materially, a significant portion of time and financial resources must be applied.** The shift in the image will require a substantial development of the region’s ‘product’ as well as the delivery of multiple communications programmes to build awareness of the region, to encourage audiences to experience it for themselves and to ensure that their expectations are met when they do.

### 7.3.2. Objectives

Taking into account the findings of the status quo, development framework, the LED Indaba outcomes and the general situation of Mogalakwena, four overall objectives for the early stages of the marketing drive have been formulated. These objectives

should guide the marketing and implementation activities for at least the next 2-3 years. The objectives are:

1. Develop a common language to describe Mogalakwena and ensure that this language is used consistently across the Municipality.
2. Improve the Municipality's image in the eyes and minds of specific audiences whose perceptions of the area have an impact on the economic well being of the area.
3. Support and extend the work of partners across the region, where their planned activities make a direct contribution to the delivery of changed perceptions among the target audiences.

#### 7.3.2.1. Objective 1: Developing and using a common language

Mogalakwena needs a compelling, up-to-date description (words and images) of what the Municipality is and what it is like to live and work in the area. It needs to be a description that not only makes the connections and associations across the area that people inside and outside the area do not currently make, but that also builds understanding and awareness of the physical boundaries of the area. In developing the first version of this description across multiple media the following actions need to be incorporated:

- Do not seek to re-brand Mogalakwena. The value of re-branding exercise of the scale required to make a difference is uncertain. It will not, in the early years, solve image problems. Indeed, a re-branding exercise risks masking some of the positive aspects of the current image behind a brand nobody recognises or understands. Furthermore, there is considerable work to do to resolve the broader use of brands throughout Mogalakwena and beyond. It would be erroneous to embark on a re-branding exercise for the Municipality before the wider branding context is resolved.
- Develop, within the description, a small number of concise, focused messages which address key aspects of living in, working in, investing in and visiting the Municipality and which are linked to specific moving and still images.
- Focus specifically on raising awareness of the rural and natural parts, both as part of the overall area and as major contributors to not only the area's economy but also to its quality of life.
- Build on the knowledge people already have about locations within and icons of the area, and extend from these to build links with places, themes and people that are not generally associated with the Municipality.

#### 7.3.2.2. Objective 2: Improving the Municipality's image among key audiences

Attention has to be focused on improving the area's image in the eyes and minds of five specific audiences whose perceptions have an impact on the economic well being of the area. These audiences are:

- **Business decision-makers** who are making investment, location and re-location decisions on behalf of businesses whose continued presence in the area or whose choice of the Municipality as a location for one or more of their operations would contribute to the delivery of the marketing drive.
- **Visitors to the area**, whether:
  - **Business visitors** who judge Mogalakwena's ability to serve their needs based on the quality of their business experience while in the area and who could be persuaded to extend their visit to include some leisure time in the area and/or to return to the area for a separate leisure visit.
  - **Leisure visitors** from within Limpopo who are considering day trips, short breaks or longer holidays and who could be persuaded to choose Mogalakwena as their destination.
- **The national and international media community** and specifically the Limpopo media community who need to understand better for themselves the make-up and strengths of the area and, as a result, be better placed to portray the area positively and fairly.
- The local population, specifically three groups: school children who we can educate on the history, make-up and potential future of this area; the 16-34 population group who are already enjoying the lifestyle on offer in the area and whose long-term perceptions of it can be influenced by action now; and the local and national decision-makers who belong to our local population.

Choices made by members of the first two target audiences have quantifiable effects on the health of the local economy. The media community, the fourth audience, directly influences the perceptions of the members of the first two.

It is necessary to recognise that while specific focus needs to be placed on the external audiences, emphasis has to be placed on the need to ensure that the population of Mogalakwena understands the area and recognises the messages that are employed to attract external audiences.

The actions aimed to improve the image among each target audience will clearly be tailored to each. The image is determined in part by each audience's perception of the area's ability to meet their needs – whether the needs of a prospective investor in the business and professional services business cluster or of a family planning a day-trip.

As a result, the actions employed to shift the perceptions of each audience will comprise product development to ensure the area can meet the audience's needs, and also communications programmes to ensure that the audiences understand not only that their needs can be met, but also how the offer compares to that of competing areas.

### 7.3.2.3. Objective 3: Supporting and extending the work of partners

The marketing drive must recognise that there is already marketing activities underway or planned across the area (e.g. the Tourism Association), which directly contributes to the aims of the marketing drive, particularly the delivery of changed perceptions among target audiences.

It is vital to consider the marketing drive as a framework for coordinating the activities of organisations around the area and specifically a framework for ensuring that, by making the right connections across sub-areas and organisations, marketing resources of the area is used as effectively as possible to change perceptions of the Municipality.

Therefore, a support and alignment programme needs to be formulated through which the marketing partners across the Waterberg District are supported and marketing activities are extended in a manner that the individual activities are coordinated so that they contribute to deliver changed perceptions in the various target audiences.

### **7.3.3. Implementation Actions**

The marketing drive needs to be owned and delivered by people and organisations around Mogalakwena. At the same time the right balance needs to be achieved between mandating a group, with the right expertise, accountable for and able to deliver a particular objective. The following steps or actions for delivering the marketing objectives are now discussed.

#### 7.3.3.1. Action 1: Developing and using a common language

The Mogalakwena Municipality must be the lead group as the area's player able to co-ordinate a number of local partners in the development of a compelling, up-to-date description of what the area is and what it is like to live and work here.

A delivery group of 10-15 people from across Mogalakwena should be commissioned to develop the thinking and creative concepts behind the development of a common language. At key stages of their development, they will engage with other marketers and communications professionals from across the Waterberg District and use this group as a sounding board for their ideas.

The short-term actions of the delivery group will include:

- Produce a description (across multiple media) of Mogalakwena as a place to live and work
- Create a bank of digital images that represent the area
- Disseminate the description to public and private organisations across the area
- Find ways to encourage use of the new description and image bank across the area and monitor its adoption
- Agree on a procedure for refreshing this description and image bank over time

### 7.3.3.2. Action 2: Improving the Municipality's image among key audiences

Delivery and consultation groups should be established for each of the four target audiences. Although the target audience of each delivery group is different, the actions required of each are similar. They are to:

- Understand the target audience's starting point in terms of perceptions of the Municipality
- Agree on quantifiable objectives by audience and how progress towards achieving these will be measured
- Understand how the area currently addresses this audience and the work that is being undertaken currently and is planned across the area
- Develop and deliver awareness-building and image-development campaigns to each audience both within and beyond Mogalakwena which build on and extend current work
- Develop and deliver a programme of awareness-building and education to key contacts within media to which the audience is exposed which build on and extend current work
- Measure and report on progress

The delivery and consultation groups for each target audience will comprise:

- **Business decision-makers.** Mogalakwena Municipality should lead this delivery group, comprised not only of businesses from across the area, but also business intermediaries and partner organisations, including organised business, who works with businesses looking to locate into and re-locate within the area.
- **Visitors to the area.** The dedicated team should lead the "Business & Leisure Visitors" delivery group, joined by conference/hospitality businesses and the Waterberg District Municipality.

### 7.3.3.3. Action 3: Supporting and extending the work of partners

Mogalakwena Municipality should lead this delivery group, joined by individuals from the private, public and voluntary sectors. The short-term actions of this group will include:

- Establishing a baseline from which it will be possible to measure the performance of the marketing drive.
- Constructing a balanced programme of support of partners' activities.
- Putting in place arrangements with third party providers to monitor performance vs. objectives.
- Publishing an annual report on progress for dissemination across the area.

### **7.3.4. Marketing Methods**

As the Mogalakwena Municipality begin to ascertain different marketing and advertising methods, numerous options would have to be considered. By identifying the factors that are most critical to the marketing campaign (such as budget, time,



creative resources, visibility, the type of message the municipality wants to communicate, etc.) it will be able to better focus on the methods most likely to achieve its goals.

The following table provides an overview of the advantages and disadvantages of 16 basic marketing methods for project launches and the like. These methods must be compared against each other as well as against the Municipality's criteria for the marketing approach/campaign.

**Table 7.5 - Marketing Methods**

MARKETING METHODS	ADVANTAGES	DISADVANTAGES
NEWSPAPERS	<p>The ad has size and shape, and can be as large as necessary to communicate as much of a story as you care to tell. The distribution of your message can be limited to your geographic area. Free help is usually available to create and publish your ad.</p> <p>Fast closings: If you decide to run an ad today it can be in the customers' hands two days from now.</p>	<p>Clutter: Your ad has to compete for attention against large ads run by supermarkets, etc.</p> <p>Poor photo reproduction limits creativity.</p> <p>A price-orientated medium.</p> <p>Short-shelf life: The day after a newspaper appears it is history.</p>
MAGAZINES	<p>Higher reader involvement means more attention will be paid to your advertisement</p> <p>Less waste circulation: You can place your ads in magazines read primarily by buyers of your product or service</p> <p>Better quality paper permits better photo reproduction and full-colour ads.</p> <p>The smaller page permits even small ads to stand out</p>	<p>Long lead times (generally 90 days) mean you have to make plans a long time in advance.</p> <p>Higher space costs plus higher creative costs.</p>
YELLOW PAGES	<p>Almost everyone uses the yellow pages.</p> <p>Ads are reasonably inexpensive.</p> <p>You can easily track responses.</p>	<p>Most of your competitors are also listed.</p> <p>Ads must follow a certain format and therefore are not very creative.</p>



MARKETING METHODS	ADVANTAGES	DISADVANTAGES
RADIO	<p>Universal medium that's accessed at home, work and while driving. Many people listen to the radio at some point during the day.</p> <p>Permits you to target your advertising funding to the market most likely to respond to your offer.</p> <p>Permits you to create a personality using only sounds and voices.</p> <p>Rates can generally be negotiated.</p>	<p>Because radio listeners are spread over many stations, to totally saturate your market you have to advertise simultaneously on many stations.</p> <p>Ads are an interruption to the entertainment therefore ads must be repeated.</p> <p>Radio is a background medium. Advertising costs are based on ratings.</p>
PAMPHLETS/ HANDOUTS/ FLYERS	<p>Flexibility in production helps to keep the costs down. Can distribute same pamphlet through different means (direct mail, trade shows, street corner handouts) to increase reach.</p>	<p>Message must be kept simple to be effective. May require coordinating the services of many people: artists, photographers, printers, etc.</p>
BROCHURES	<p>Provides in-depth information to interested prospects. Can be kept for reference after sales discussion, or as follow-up to ads, telemarketing, etc.</p>	<p>Can be expensive and unnecessary if distributed to people who haven't expressed interest. Can require vigilance to continually update its look and feel, pricing and product information.</p>
WEBSITE	<p>Combines text, graphics, sound and movement to provide information.</p> <p>Interesting, useful sites build customer loyalty.</p> <p>Interactive: Customers can choose info they want and give feedback.</p> <p>Global medium: Markets as well as sells directly. Easy to change information and correct mistakes.</p>	<p>Little value if customers aren't online.</p> <p>Website must be marketed so customers know it exists.</p> <p>Regular updates required to attract repeat visitors.</p>
OUTDOOR ADVERTISEMENT	<p>Low cost: High reach and frequency for general audiences. Can be hard to ignore.</p>	<p>Extremely limited message length. Best when paired with another medium.</p> <p>Production cost can be expensive.</p>

MARKETING METHODS	ADVANTAGES	DISADVANTAGES
PUBLIC RELATIONS	Relatively inexpensive if you do it yourself. Builds credibility with investors. Provides feedback about the initiatives image and position.	Faulty PR efforts can hurt the initiative and Municipality. Can be time intensive.

Source: D.H. Bargins, Jr. 1998, *The Market Planning Guide*, 5<sup>th</sup> Edition

## 7.4. LEGISLATION GEARED FOR INVESTMENT

### 7.4.1. International Perspective

Export trade in South Africa will benefit from the Africa Growth and Opportunity Act, 2000 (AGOA). AGOA was signed into law by President Bill Clinton on 18 May 2000. This Act represents a non-reciprocal political gesture by America aimed at assisting growth and development of Sub-Saharan African States by extending duty free and quota free access into the United States market in respect of a broad range of approved products.

It was confirmed on 3 October 2000 that South Africa, together with 33 other African countries, had been designated as an eligible country in terms of the AGOA. Effective commencement of duty free access provisions in terms of AGAO was on 1st January 2001. AGOA presently offers, inter alia, the following international trade and export opportunities to United States markets:

- Albuminoidal substances
- Arms and ammunition
- Bicycle equipment
- Cheeses
- Cocoa and cocoa products
- Dairy preparations
- Essential oils
- Feed for animals
- Footwear
- Fruit
- Grain milling products
- Honey
- Leather articles
- Aluminium and aluminium substances
- Asbestos
- Ceramic products
- Chemical products
- Copper and copper products
- Dyes, pigments and colouring matter
- Explosives and pyrotechnic products
- Food residues/waste
- Fruit juices
- Fur skin articles
- Grain, seeds and nuts
- Iron and steel and downstream products
- Leather preparations
- Animal products and live animals
- Beverages
- Cereals
- Clock parts and time devices
- Cutlery
- Eggs
- Fats and oils
- Foods stuffs (miscellaneous preparations)
- Fruit preparations
- Glass and glassware
- Gums, saps and resins
- Leather and skins
- Lubricating

- Machinery and parts
- Nuts
- Plants or trees (live)
- Sports equipment
- Television equipment
- Vegetable preparations
- Watches and parts
- Meat
- Ores
- Plastics
- Sugars and sugar confectionery
- Tobacco
- Vegetables
- Wines
- preparations
- Metals and products of metals
- Petroleum oils and products
- Spirits
- Tableware
- Vegetable fibre products
- Vehicle and parts
- Wood and articles of wood

AGOA creates specific export opportunities for industrial development in South Africa. Provincial and Local Government should actively target these opportunities and promote industrial development by means of focused marketing and promotion of available incentive and promotion schemes.

#### 7.4.2. Incentive schemes in South Africa

The contemporary approach to industrial development in South Africa entails a system of integrated, mutually supportive strategies, policies, laws/acts and incentive schemes. These incentive schemes are administered by the Department of Trade and Industry (DTI). Different incentive schemes have been formulated to promote certain types of economic activities.

This section distinguishes between the following types of incentive schemes:

- Export Promotion Schemes.
- Other Incentive Schemes.

##### 7.4.2.1. Export promotion schemes

Table 7.6 summarises the most important export promotion schemes currently offered by the DTI. These incentive schemes are made available to economic enterprises and not to local authorities per se. In the context of local government acting as facilitator of industrial development, economic growth can be promoted by identifying local growth sectors and targeting these incentives at international markets.

**Table 7.6 - Export Promoting Incentive Schemes**

Name of scheme	Access criteria	Description
Competitiveness Fund	Available to all South African private firms of all sizes. Funds allocated on a first-come, first-serve basis. Firms should submit a realistic plan for the development of its business activities	The fund will support the introduction of technical and marketing know-how and expertise to firms. The scheme will insist on a 50% contribution by the firm itself and grants will be paid on a

Name of scheme	Access criteria	Description
		reimbursement basis.
Short-Term Export Finance Guarantee Facility	Available to SMME exporters in all sectors. Enterprise must be privately owned, and independently or cooperatively owned and managed and must form part of a larger enterprise, but may have more than one branch. The exporter must be registered with the DTI	Pre- and post-shipment export finance guarantees are provided to SMME exporters who lack the ability to secure finance from banks. This enables the banks to make available export finance to SMMEs. Guarantees are issued by the CGIC and reinsured with the DTI
Export marketing and Investment Assistance Schemes (EMIA)	Available to all exporters, but with special terms for SMMEs	Scheme consists of 4 parts, viz.: Primary Market Research, Outward Selling Trade Missions, Inward Buying Trade Missions, and Exhibition Assistance
Life Scheme	The scheme provides low interest rate finance for the promotion of exports and is available to industrialists or groups with assets of more than R1 million for financing projects of which 30% or more is directed towards exports.	Provision of low interest rate finance for the promotion of exports.
Duty Credit Certificate Scheme for exporters of textiles and clothing (DCCS)	To exporters of certain prescribed textile and clothing products	It is a temporary kick-start measure to enhance export competitiveness by offering duty credit certificates to quality exporters
Finance for Export of Capital Goods and Services	Available to industrialists/exporters who are able to execute the particular project of a capital nature	Credit facilities for capital goods and services exported from SA enable exporters to offer competitive terms to foreign purchases
Rebate provisions	Available to all manufacturing industries	Provision exist for rebate or drawback of certain duties applicable to imported goods, raw material and components used in

Name of scheme	Access criteria	Description
		manufacturing, processing or for export
Low interest Rate Scheme for the Promotion of Exports	Available to independent industrialists or groups with assets of approximately R1 million or more. Large companies with total assets exceeding R120 million, only qualify partially	Low interest finance is made available to industrialists for the acquisition of fixed assets (machinery and equipment) to promote new investment directed exports.

#### 7.4.2.2. Other Prominent Incentive Schemes

In addition to export promotion schemes, a number of incentive schemes have been formulated to encourage the formation of economic and industrial clusters, employment opportunities and technological innovation, and to assist SMME development. These incentive schemes are summarised in Table 7.7.

**Table 7.7 - Summary of most important incentive schemes**

Name of scheme	Access criteria	Description
Sector Partnership Fund	Available to all independent industrialists or groups with assets not exceeding R120 million.	The scheme is available for the establishment of new industries or the expansion of existing industries at interest based on medium-term capital market rates.
Job Scheme	The scheme provides low interest loans to any company creating at least 10 new jobs at R100 000 per job or less.	Creation of additional production capacity which in turn will result in the creation of additional employment opportunities.
World Player Scheme	The scheme is made available to textile, clothing and footwear manufacturers and motor vehicle component manufacturers whose import tariff on competitive products will fall by at least 10 percentage points.	Finance available to manufacturers for the acquisition and modernisation of fixed assets or establishment and expansion of existing industry.
General Tourism Scheme	Available to institutions providing accommodation to	The scheme is aimed at renovations, refurbishment and

Name of scheme	Access criteria	Description
	bona fide tourists.	extension of existing accommodation facilities although selected new developments will also be considered.
Economic Empowerment Scheme	Available to entrepreneurs from the historically disadvantaged communities.	Manufacturing businesses usually require owners funding of at least 33% to 40% of the total funding to ensure long-term viability. The scheme provides for a reduced contribution with the IDC providing a larger than normal contribution of the project funding.
Technology and Human Resources for Industry Programme (THRIP)	Research groups in the natural sciences, engineering and technology within educational institutions can participate in collaboration with any private company or consortium of companies.	Contributions provided by industry and Government to finance the research efforts of the academic partners provided that such research projects involve the training of students. R1 for every R2 from industry, and if certain criteria are met, R1 for every R1 from industry could be granted.
Accelerated Depreciation	Available country-wide to local and foreign firms establishing new manufacturing plants or expanding existing plants.	Provides for the depreciation of plant and machinery over three years and land and buildings over ten years.
Standard Credit Guarantee Scheme	Accessible to SMME that are independently owned, with assets of less than R2 million before financing. SMMEs must meet the bank's normal lending criteria.	To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion or acquisition of a new or existing business. The maximum indemnity is 60-70%. The maximum facility is R600 000.
Emerging Entrepreneur Scheme	Accessible to SMME that are independently owned, with assets of less than R2 million before financing. SMMEs must	To enable an entrepreneur to access funding from his/her bankers for the establishment, expansion or acquisition of a

Name of scheme	Access criteria	Description
	meet the bank's normal lending criteria.	new of existing business. The maximum indemnity is 60-70%. The maximum facility is R75 000.

Previous incentive schemes had a much more acute impact in directing investment to specific areas. For instance, under the Regional Industrial Decentralisation Programme incentives were provided for industries to locate on the borders of former 'homeland' areas. Albeit for very different reasons, certain provincial governments (e.g. the Northern Province) are resuscitating similar ideas to stimulate specific activities in specific locations. The incentives described above, however, focus on consolidating natural industry location trends and the emphasis is on improving the capacity of industries to meet international competitiveness criteria.

The challenge therefore is to create a supportive environment for industries to access these schemes successfully and to rely on production process transformation, efficiency, and strategic management outlook. The schemes available for SMMEs and economic empowerment ventures are of particular importance to Mogalakwena and a strategy needs to be developed for information dissemination, application support, business mentoring and after-care. A Local Business Support Centre should become a key component in identifying investors and SMMEs alike and directing them towards these schemes.

## **7.5. MONITORING AND EVALUATION**

Implementation of the LED Strategy needs to be monitored on an ongoing basis. Progress with respect to new investment and the impact thereof on Mogalakwena's economy needs to be constantly assessed and monitored over the implementation period of the strategy. To enhance efficiency and effectiveness of the strategy, continuous adjustments need to be made, based on market fluctuations and demand changes. This entails continuous strategic re-positioning.

In this respect, the following monitoring mechanisms should be considered:

- EconoMonitor (see box below)
- Quarterly evaluation and review.
- Bi-annual evaluation by the Mogalakwena LM.
- Annual report for publication.
- Proactive communication.
- Make adjustments according to market shifts.

## ECONOMONITOR

The purpose of the EconoMonitor (EM) is to assess and present the state of the economy on a graphic basis. The EM will be based on the findings of three performance indicators, namely:

- the performance of the *total economy*.
- the performance of the *different sectors* of the economy.
- the performance of the different *geographical* areas.

The EM will be based on indices which can be expressed for different periods, namely:

- monthly.
- quarterly.
- bi-annually.
- annually.

The variables that will be analysed include the following:

- number of establishments
- turnover.
- remuneration.
- time.
- employment.

The EM for a given month is calculated as follows:

$$EC_m = T_m + R_m + N_m + E_m/4$$

where

EM	=	the Economic Monitor for the month m
T	=	the % change in total turnover between month m and the previous month
R	=	the % change in total remuneration between month m and the previous month
N	=	the % change in total number of establishments between month m and the previous month
E	=	the % change in total estimated employment between month m and the previous month

## 7.6 THE WAY FORWARD

In order to implement the various development programmes formulated in the LED Strategy, the various institutional recommendations have to be initiated and established as a matter of urgency. These drivers of the LED process throughout the Mogalakwena Municipality will in all probability not succeed if the political ambition (which currently exists) is not included in the implementation process as a whole. Therefore the inclusion of all the role-players and stakeholders throughout the planning process has been able to initiate political will, generate interest and stimulate dialogue.



The speedy deployment of the various institutional options should be undertaken as soon as possible. If the window of opportunity closes before the institutional options have been deployed, momentum will be lost and commitment will fall. This will influence future efforts to initiate similar development initiatives negatively. It is vitally important to utilise the period between the present and the commencement dates of the programme as an opportunity to perform pre-initiation planning.

It is critically important that the role-players in the Mogalakwena Municipality take ownership of this LED Strategy to facilitate the implementation of the development programmes as soon as possible. The monitoring and evaluation of the various activities should be incorporated into the performance management system of the Mogalakwena Municipality. This will ensure that accountability and responsibility for implementation is allocated and that potential conflicts avoided.

# Annexure A

## LED Project Prioritisation Model

MOGALAKWENA: LED PROJECT PRIORITISATION

PROJECT	STRATEGIC IMPORTANCE	ECONOMIC IMPACT	JOB CREATION	BEE / CAPACITY BUILDING	SMME DEVELOPMENT SUPPORT	LED	POTENTIAL ANCHOR PROJECTS	PROJECT EVALUATION			VALUE	PRIORITY
								HIGH IMPACT (3)	MEDIUM IMPACT (2)	LOW IMPACT (1)		
CLUSTER 1: Agriculture Development Strategy												
Agro-processing projects	3	3	3	3	3	3	3	7	0	0	70.00	1
Application of Bio- Technology and GMOs (e.g. Biodiesel)	3	3	3	3	1	3	3	6	0	1	62.00	2
Renaissance Farms	3	2	2	3	2	3	3	4	3	0	58.00	3
Fresh Produce Market	3	2	2	3	2	3	3	4	3	0	58.00	3
Aqua-culture (fish farming)	2	2	2	3	3	2	3	3	4	0	54.00	4
Hydroponics	2	2	2	3	3	2	3	3	4	0	54.00	4
Agricultural Marketing	3	2	2	2	3	2	2	2	5	0	50.00	5
Strategic provision of infrastructure	3	2	2	1	3	2	2	2	4	1	46.00	6
Demonstration Plots	3	1	2	2	1	2	2	1	4	2	38.00	7
Vegetable packaging & processing	2	1	2	2	3	2	1	1	4	2	38.00	7
Cooperative cattle farming	2	2	2	3	2	1	1	1	4	2	38.00	7
Human Resource Development (HRD)	3	1	1	3	2	1	1	2	1	4	34.00	8
Improve & Facilitate Extention Services	2	2	1	2	1	2	1	0	4	3	30.00	9
CLUSTER 2: SMME Development Strategy												
Hydroponics and shade netting production units	2	2	2	3	2	2	3	2	5	0	50.00	1
Local Business Support Centre (LBSC)	3	1	1	3	3	3	1	4	0	3	46.00	2
Business Communication & Networking Strategy	3	2	1	1	3	3	2	3	2	2	46.00	2
Business & LED Information Portal	2	2	2	2	2	3	2	1	6	0	46.00	2
Business Marketing Strategy	3	2	1	2	2	3	1	2	3	2	42.00	3
Strategic provision of infrastructure	3	2	1	2	2	2	2	1	5	1	42.00	3
SMME assistance i.t.o. marketing and market penetration	3	1	1	1	3	3	2	3	1	3	42.00	3
Demarcation of an SMME manufacturing cluster	3	2	1	2	3	2	1	2	3	2	42.00	3
Informal trade market	2	2	1	2	2	2	2	0	6	1	38.00	4
Linking SMMEs with government incentives	2	2	1	2	2	2	1	0	5	2	34.00	5
CLUSTER 3: Tourism Development Strategy												
Tourism SMME incubation & training centre	2	1	1	3	3	3	3	4	1	2	50.00	1
Formation of working partnerships	3	2	2	2	2	2	2	1	6	0	46.00	2
Transport infrastructure provision	2	2	2	2	2	2	2	0	7	0	42.00	3
Tourism events programme	2	2	2	2	2	2	2	0	7	0	42.00	3
Game hunting	1	2	2	2	1	3	3	2	3	2	42.00	3
Develop and promote adventure activities	2	2	2	2	2	2	2	0	7	0	42.00	3
Tourism Marketing Strategy	3	1	1	2	2	2	2	1	4	2	38.00	4
Identification and marketing of tourism routes	2	2	2	1	2	2	2	0	6	1	38.00	4
Environmental Conservation Plan	2	1	1	2	1	2	1	0	3	4	26.00	5
CLUSTER 4: Industrial Development Strategy												
Identify and demarcate industrial cluster	3	2	2	2	3	3	3	4	3	0	58.00	1
Agro-processing plant	2	2	3	3	2	3	3	4	3	0	58.00	1
Manufacturing Advice and Incubation Centre (MAC)	3	1	1	3	3	3	2	4	1	2	50.00	2
Introduce and facilitate industrial incentives	3	2	2	1	3	2	2	2	4	1	46.00	3
Develop a unique investors package	3	2	2	2	2	2	2	1	6	0	46.00	3
Industrial Marketing Strategy	3	2	1	1	2	2	2	1	4	2	38.00	4
Establish Industrial and Business Networking Forum	3	1	1	2	2	2	2	1	4	2	38.00	4