

# **Phokwane Local Municipality: Local Economic Development Plan**



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# SECTION ONE: Introduction

## 1.1. INTRODUCTION

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Urban-Econ: Development Economists was appointed by the Phokwane Local Municipality in reaction to a request for the formulation of a Local Economic Development Study (LED) in order to address the challenges of poverty and development in the area. In addition, Aganang Development Services was appointed to provide assistance in the execution of the project. This document has been produced in accordance with the requirements as set out in the Phokwane Integrated Development Plan (IDP).

The Northern Cape Province is characterised by high levels of unemployment and high levels of household poverty. As the Phokwane Municipal area falls within these borders as one of the Local Municipalities in the Northern Cape, it too is characterised by low levels of income. In keeping with the Constitution and the White Paper on Local Government, the onus for social and economic development, as well as job creation, rests on local government. In this regard the Phokwane Municipality therefore poses to promote these issues in order to create an environment, which is conducive to economic development.

## 1.2. PURPOSE OF THIS STUDY

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The purpose of this study is to investigate the options and opportunities available to broaden the local economic base of the area in order to address the creation of employment opportunities and the resultant spin-off effects throughout the local economy.

The LED study forms part of the IDP process and is one of the stepping-stones toward achieving local economic development within the Phokwane area.

It is imperative that actions should be taken to diversify the local economy from its dependency on resource activities towards production in the secondary and tertiary sectors. An important development principle underlying economic development is the broadening of the local economic base. This includes the introduction of new activities in the area (e.g. introducing the growth of drought tolerant crops), exploiting latent mineral resources identified through beneficiation and the consequent establishment of SMME's.

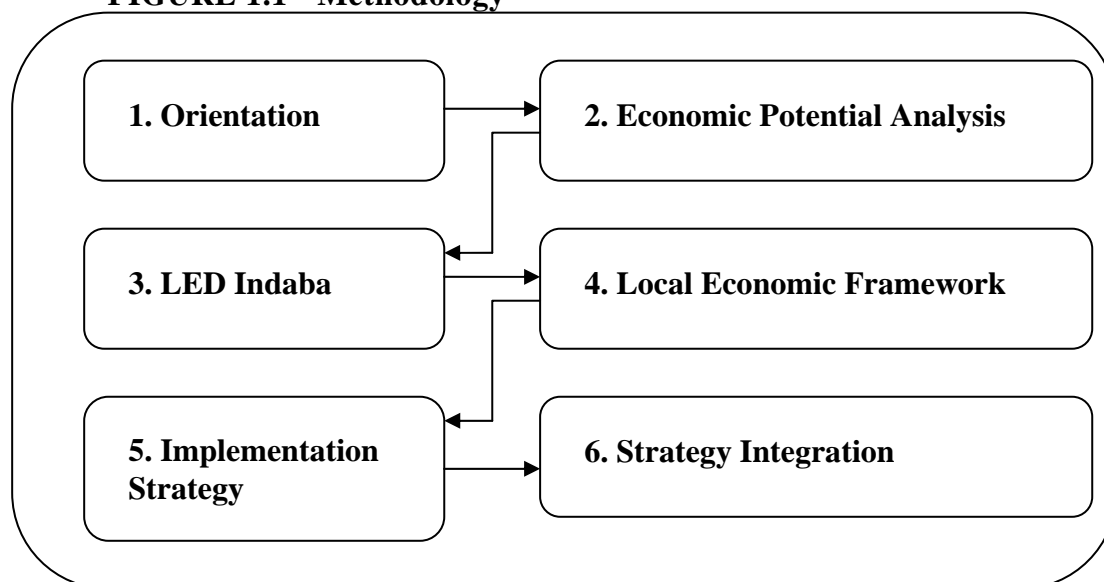
However, it is important to understand that this area hosts poverty-stricken communities who are currently experiencing high levels of unemployment. Basic services such as water and sanitation are not provided in all areas and there is a lack of appropriate institutional structures.



### 1.3. METHODOLOGY

The following approach will be employed in developing an Economic Strategy for the Phokwane Municipal area. It clearly defines each step and actions to be taken during the execution of the study.

**FIGURE 1.1 - Methodology**



#### 1.3.1. Step One: Orientation

The Study Area orientation included the assessment and analysis of a number of actions, which addressed:

- Finalisation of the project brief in terms of the goal and objectives.
- Composition of the Inception Report.
- Study of the existing information base.
- Agreement on the final and interim deliverables.
- Profiling of the various economic sectors.
- Socio-economic characteristics of the area.

#### 1.3.2. Step Two: Economic Potential Analysis

This step deals with an analysis of the development potential within each of the sectors in the local economy. A detailed analysis of trends, growth rates, potential for development, SMMEs, issues, problems, etc. forms the basis of this step.





### **1.3.3. Step Three: LED Indaba**

The main objective of this step is the identification of suitable LED projects. This step includes a coordinated overview of relevant stakeholders between the task team and the Local Municipality.

### **1.3.4. Step Four: Local Economic Framework**

The Local Economic Framework flows directly from the previous two steps. In this step opportunities and projects are interpreted and prioritised. An inventory of feasible projects is compiled together with selected anchor projects.

### **1.3.5. Step Five: Implementation Strategy**

The aim of step five is to identify and initiate various funding sources, developing institutional structures for implementing and monitoring the LED Strategy, as well as identifying various development initiatives, which would be used to attract businesses and industries to the area.

### **1.3.6. Step Six: Strategy Integration**

The Local Economic Strategy is the final product of this study and includes the detailed packaging of projects and funding sources. This step aligns the LED plan with the IDP and provides guidelines towards the marketing of Phokwane Local Municipality.

## **1.4. STRUCTURE OF THE REPORT**

The remaining structure of the report includes the following sections:

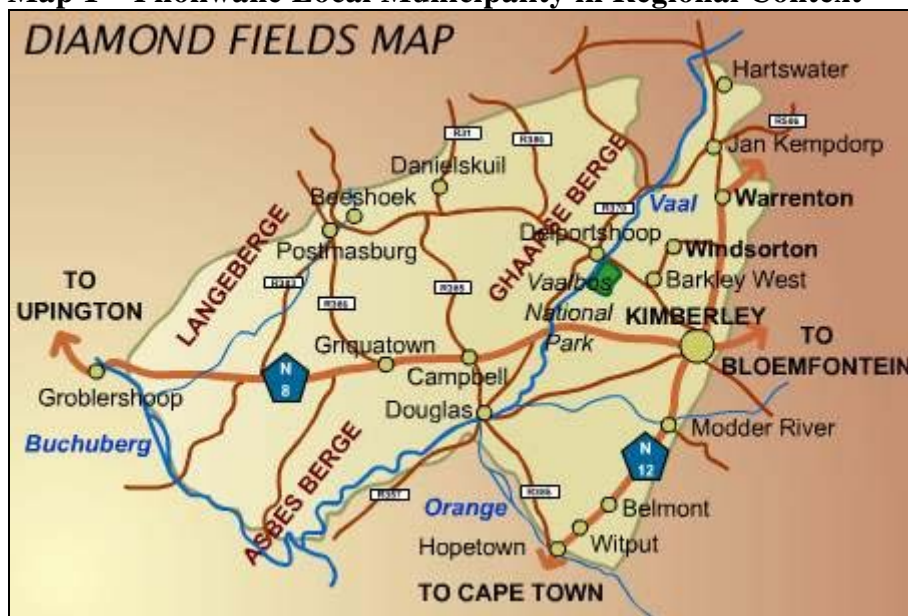
- Section Two: Introduction to LED
- Section Three: Legal Framework
- Section Four: Socio-Economic Profile
- Section Five: Economic Profile
- Section Six: Sectoral Opportunity Analysis
- Section Seven: Development Framework



## 1.5. LOCATION OF THE STUDY AREA

The Study Area is located in the eastern part of the Northern Cape Province (refer to Map 1) where it encloses the N18 highway, which links Vryburg with Kimberley.

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



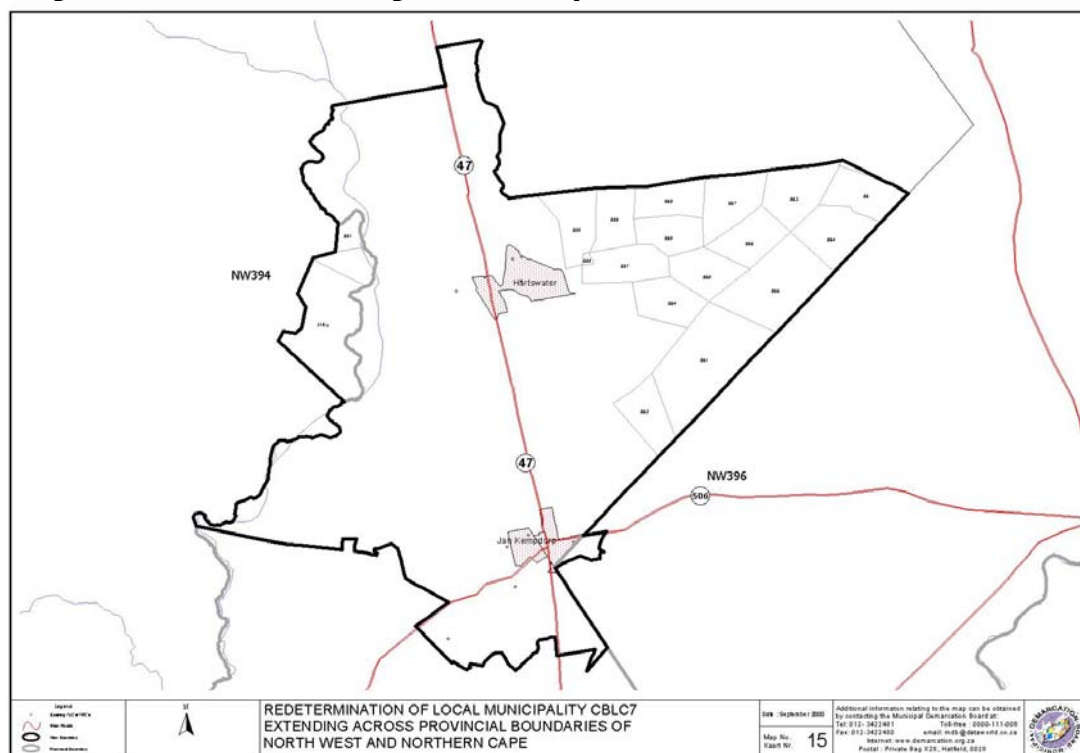
Source: Northern Cape Tourism, 2003

Most of the region can be classified as rural with large-scale agriculture and commercialised farming. The Study Area (refer to Map 2) forms part of a larger economic sub region whereby it is greatly influence by economic activities within neighbouring areas.

In this regard, the Study Area is heavily reliant on economic activities located outside of its boundaries for specialised consumer products and services. The socio-economic conditions of people in the Study Area are also relatively poor when compared to those in surrounding areas.



## Map 2 – Phokwane Municipal Boundary



Source: Municipal Demarcation Board, 2003

Although a range of municipal and other services (infrastructure, schools, clinics, social services, etc.) are available in the Study Area, there is a general lack of sufficient facilities such as professional services, commercial, industrial, and so on, that could employ significant numbers of people and provide acceptable range, prices and quality to ensure that money is spent in the area. The Study Area is in the main reliant on the primary sector for employment opportunities, consumer products and services.

Apart from Kimberley, the economic sub-region comprises the towns of Vryburg and Warrenton, which are located in close proximity of the Study Area. Unemployment in the Study Area is very high while the agriculture and government sectors are the main employers in the local economy. The labour force is relatively unskilled and poorly educated, while many of the employment opportunities are found outside of the Study Area.



# SECTION TWO: Introduction to Local Economic Development

## 2.1. INTRODUCTION

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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.

## 2.2 WHAT IS LOCAL ECONOMIC DEVELOPMENT?

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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 not:

- 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.*

## 2.3 GUIDING PRINCIPLES

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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 SMME's 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.

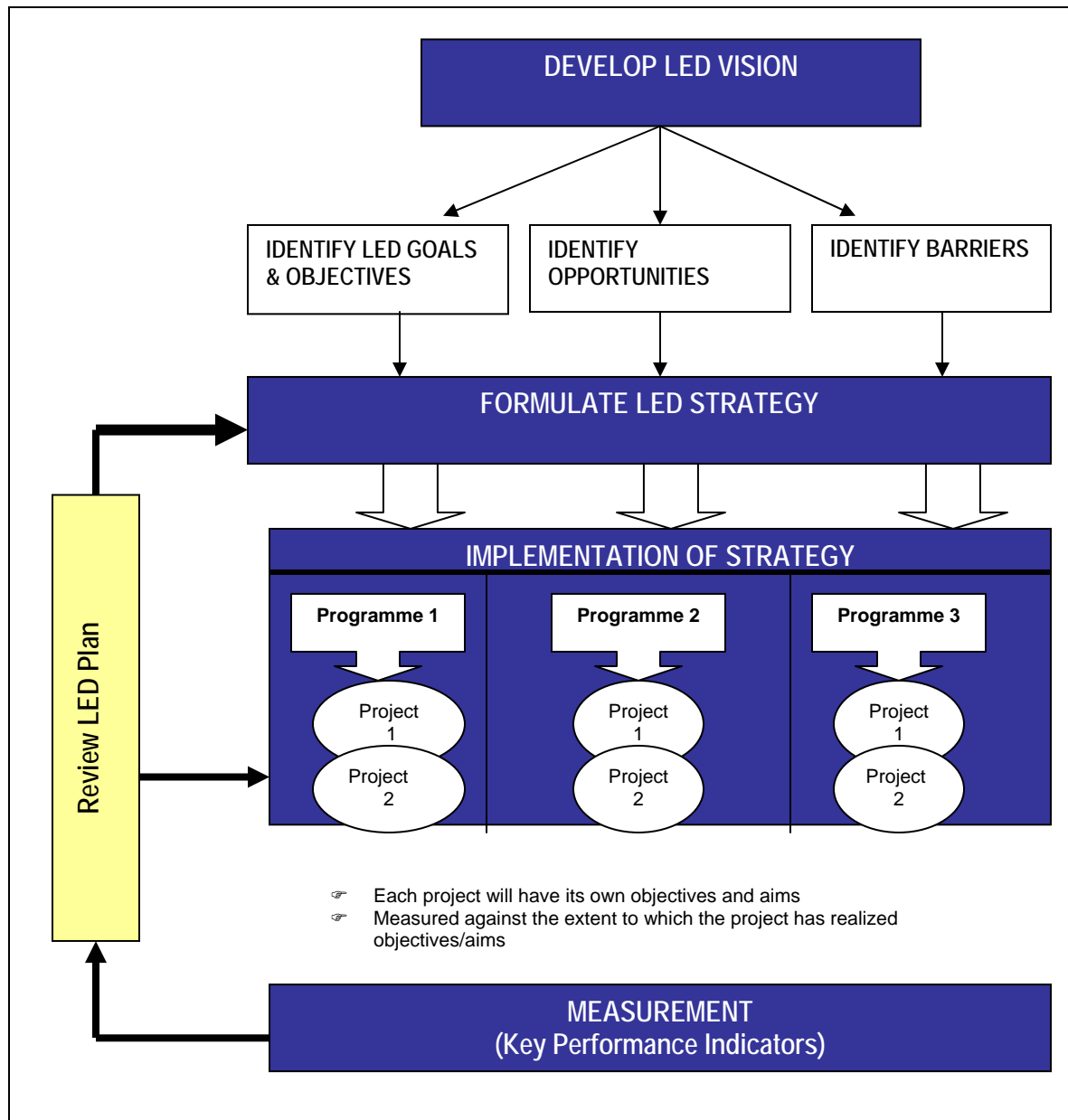
## 2.4 THE PLANNING PROCESS

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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. 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.



**Diagram 2.1: The LED Process**

The implementation cycle of the LED is made up of four distinct phases. **Diagram 2.1** presents the sequence of activities. During the planning stage performance indicators are formulated to monitor implementation and project impacts. The monitoring of projects may result in the adjustment of the plan and therefore the implementation programme.



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## 2.5 WHY DO WE NEED LED?

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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 development of human resource potential.
  - Concentrate on opportunities for development.
  - Promote linkages between developed and under-developed areas.
  - Build new institutions for sustainable economic development.

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## 2.6 CONCLUSION

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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 Phokwane 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

### 3.1. INTRODUCTION

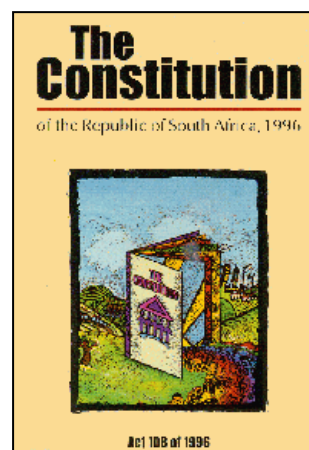
Guidelines for the implementation of Local Economic Development Strategies have been presented by the various spheres of government. Legislation and policy on this subject matter provide a legal framework and influence the manner in which local authorities conduct local development.

This section provides an overview of legislation applicable to Local Economic Development and is discussed in the subsequent paragraphs of this section.

### 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.



### IMPLICATIONS FOR PHOKWANE

*The Constitution provides the framework and mandate for local spheres of government, to promote social and economic development. Development efforts should address the basic needs of the community and promote employment creation for local people. This reflects on the importance of service delivery, infrastructure provision, education and business support by local municipalities.*

### 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 the 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.

### IMPLICATIONS FOR PHOKWANE

*The White Paper has a direct impact on the development, policy formulation and human resource development projects of the local municipality. It emphasises the need and importance of local municipal support to business through training and development support centres.*



### 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.



### IMPLICATIONS FOR PHOKWANE

*The Municipal Structures Act outlines the duties of local municipalities. These duties serve as guidelines to co-operative governance and development efforts by local authorities. The act also integrates Local Economic Development aims into the IDP process which implies the central role of economic planning in development initiatives.*

### 3.5. RECONSTRUCTION AND DEVELOPMENT PROGRAMME

The **Reconstruction and Development Programme (RDP)** of 1994 is a guiding policy, which has direct implications for Local Economic Development. A wide range of social and economic development issues are addressed in the RDP, one of which is the promotion of the small enterprise sector in the economy. The RDP refers to the importance of consultation and the establishment of institutions, which are representative of the community.

In order to foster growth in local economies, representative institutions must be established to address Local Economic Development needs. Their main purpose would be to identify strategies to address job creation, investment and the leveraging of private sector funds for community development. If necessary, government can provide subsidies to act as a catalyst for job creation strategies.

### IMPLICATIONS FOR PHOKWANE

*The RDP has a direct impact on development initiatives, policy formulation, prioritisation of funding, strategy formulation and project implementation. It emphasises the role of local government in Local Economic Development, and reiterates the need for strategic alliances and the promotion of small, medium and micro enterprises (SMMEs).*

### 3.6. LOCAL ECONOMIC DEVELOPMENT POLICY PAPER: REFOCUSING DEVELOPMENT OF THE POOR

In the policy paper, **Refocusing Development of the Poor (2001)**, Government identified three main thrusts with regard to the social and economic development of local communities. These thrusts are as follow:

- Establishing a job-creation and economic growth path.
- Embarking upon sustainable rural development and urban renewal.
- Bringing the poor and disadvantaged to the centre of development.



The Policy Paper distinguishes between six broad categories of Local Economic Development interventions:

- Community economic development, which refers to municipal assistance at the grass root level and benefiting community businesses (SMMEs), organisations, urban farming projects, micro financing institutions and so on.
- Linking profitable growth to the redistribution of development. This implies that permission for development or the amendment of a town-planning scheme be linked to a commitment to invest in some way or another in impoverished neighbourhoods.
- Linkages between “living wages”, human capital development and productivity, where skills development and training of the local labour component exist.
- Development and maintenance of infrastructure and services.
- Plugging the leaks in the local economy.
- Retention and expansion of existing businesses.

#### IMPLICATIONS FOR PHOKWANE

*This policy has a direct effect on the municipality’s responsibility to mobilise internal resources, capacity and skills towards the development of lower income groups in the community. The policy emphasises the role of community upliftment by local municipalities and the alleviation of poverty. The policy furthermore focuses the attention of Local Economic Development efforts on the retention and expansion of local businesses and the improvement of local wages.*

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

The Department of Trade and Industry prolonged this strategy in 1995 after an intense process of consultation with key stakeholders in the SMME sector.

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 very limited capital to grow 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. The employment of 200 people and the management of capital assets (including property) of about R5 million are often seen as the upper limit for these businesses.

The creation of an enabling environment is of crucial importance for SMMEs. These businesses contribute to economic diversification, enhanced labour productivity, investment promotion and the penetration of new markets.

### IMPLICATIONS FOR PHOKWANE

*This strategy provides programmes and policies aimed at increasing the level of sustainable economic development. The main focus is directed towards investment, enhanced productivity and an overall increase in competitiveness.*



### 3.8. INTEGRATED SUSTAINABLE RURAL DEVELOPMENT STRATEGY (ISRDS)

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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.

### IMPLICATIONS FOR PHOKWANE

*The Integrated Sustainable Rural Development Strategy provides guidelines for rural municipalities, to develop their areas of jurisdiction into socially cohesive communities with sustainable economies. There is a need for increasing integration and coordination between the different spheres of government and local entities such as local business representatives, community leaders and key stakeholders. Better integration and coordination will ensure social and economic sustainability over time and contribute to poverty alleviation.*

### 3.9. BLACK ECONOMIC EMPOWERMENT (BEE)

The Reconstruction and Development Programme (RDP) sets out key development challenges for government, which include 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 confer 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.

#### IMPLICATIONS FOR PHOKWANE

*BEE focus on the fundamental task of municipalities to encourage transformation. Local government must ensure the participation of the previously disadvantaged in the local economy to ensure sustainable development and prosperity among all population groups.*

### 3.10. SUMMARY

The recent 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 recent focus 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 highlights 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 revitalizing 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 Phokwane Local Municipality to:

- 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

### 4.1. INTRODUCTION

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The purpose of this section is to provide an overview of the current socio-economic status of the population in Phokwane in terms of demographics, education levels, rate of poverty, employment status and household income. The section also provides an assessment of the social dynamics within these communities and the implications thereof on all spheres of development.

The section is commenced by a regional context analysis to sketch the context in which local economic analysis can be conducted. After the regional context analysis has been presented, the section will continue with an analysis of local socio-economic conditions.

### 4.2. REGIONAL CONTEXT

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This subdivision presents the regional context analysis on a national and provincial level. The purpose of this analysis is to gain comprehension of the regional situation in terms of socio-economic factors. An understanding of the development context will inform the study, ensure relevant projects, guide implementation and coordination, and place local conditions into perspective.

Demographic trends are indirectly influenced by economic growth. But the rate of economic growth can be retarded by rapid population growth, through high fertility (DBSA, 2000). A well planned and integrated economic and population policy provides the best results in economic growth as well as declining population growth rates. South Africa has experienced very low and even negative economic growth during the past few decades. Consequently, unemployment and poverty have increased considerably, affecting all sections of the South African population. This caused a growing exodus of Africans from poverty-stricken rural areas to large metropolitan areas where many of them ended up in mushrooming squatter settlements.

The population of South Africa increased from 28.8 million in 1980 with about 16 million to 44.8 million in 2001, i.e. an average annual increase of over 760 000 or a percentage increase of 2.6% over a period of 21 years (see Table 4.1). Population groups in 2001: Africans presented 79.0% of the population in South Africa, Whites 9.6%, Coloureds 8.9% and Asians 2.5%.



In Table 4.1 the composition of the population by race, gender and urbanisation for South Africa, Northern Cape and Phokwane are provided. The figures provided in this table are analysed in detail in the following paragraphs.

**Table 4.1 – Composition of the population of South Africa, Northern Cape and Phokwane Local Municipality**

	South Africa		Northern Cape		Phokwane	
	1996	2001	1996	2001	1996	2001
<b>Total Population</b>	40 583 573	44 819 778 (↑)	840 321	822 727	57 323	61 321
<b>Population Growth p.a.</b>	2.1% (↑)		0.4% (↓)		1.4% (↑)	
<b>Population Groups</b>						
African	31 127 631	35 416 166 (↑)	278 633	293 976 (↑)	42 826	47 418 (↑)
Asian	1 045 596	1 115 467 (↑)	2 268	2 320 (↑)	25	35 (↑)
Coloured	3 600 446	3 994 505 (↑)	435 368	424 389 (↓)	7 154	6 851 (↓)
White	4 434 697	4 293 640 (↓)	111 844	102 042 (↓)	7 059	7 017 (↓)
Other	375 203	N/A	12 208	N/A	N/A	N/A
<b>Gender</b>						
<u>Absolute</u>						
Male	19 520 887	21 434 040 (↑)	412 681	401 168 (↓)	27 481	29 827 (↑)
Female	21 062 685	23 385 737 (↑)	427 639	421 559 (↓)	28 744	31 497 (↑)
<u>Percentage</u>						
Male	48.1%	47.8% (↓)	49.1%	48.8% (↓)	48.9%	48.6% (↓)
Female	51.9%	52.2% (↑)	50.8%	51.2% (↑)	51.1%	51.4% (↑)
<b>Urban and non-urban</b>						
Urban	53.7%	55.0% (↑)	70.1%	71.8% (↑)	N/A	N/A
Non-urban	46.3%	45.0% (↓)	29.9%	28.2% (↓)		

Source: Statistics South Africa, 1996 & 2001 / Global Insight, 2003



#### 4.2.1. Northern Cape in South African context

South Africa has nine provinces of which Northern Cape is the largest. This province encompasses an area of 361 830 square kilometres which represents 29.7% of South Africa's total surface area. Northern Cape is situated on the South African border with Namibia and Botswana in the north, and is surrounded by Western Cape Province in the south, Eastern Cape in the south-east, and Free State and North West in the east.

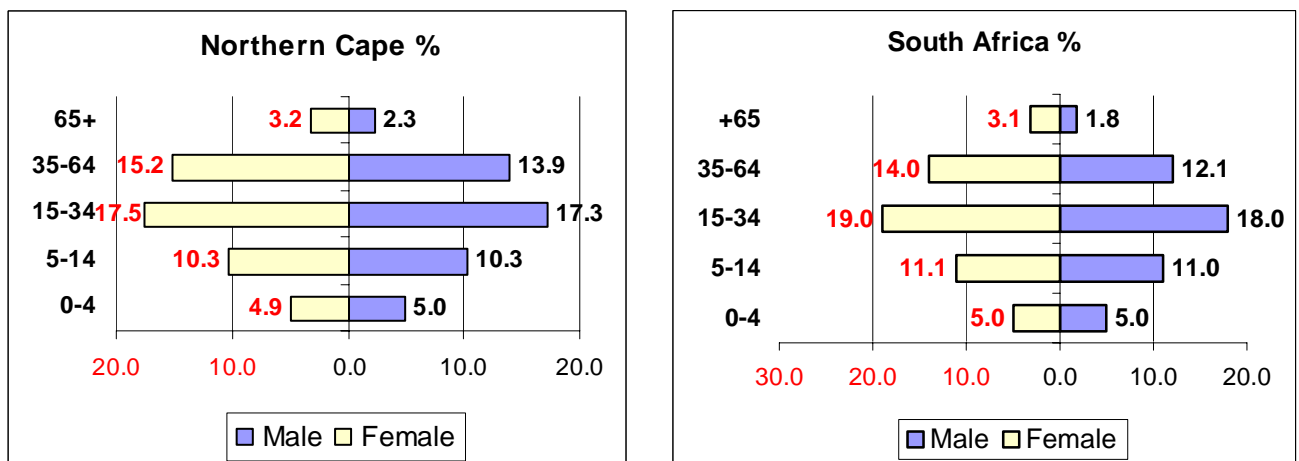
In 2001 the population of Northern Cape numbered over 822 000, the smallest concentration of people in South Africa. The projected population growth between 1996 and 2001 declined by 0.4% per annum which is substantially lower than the national average of 2.1% p.a. One reason for the below average growth rate has been the age structure of the population. By South African standards the population of Northern Cape is relatively old. In 1996 children under the age of 15 accounted for approximately 33.4% of the Province's population, compared with nearly 42.8% in the Limpopo Province. This implies that the population of the Northern Cape has a lower potential for growth from natural population expansion.

##### 4.2.1.1 Population Composition

##### a) Age and Gender

A large percentage of the population in Northern Cape and South Africa are between the ages of 15 and 64 years (see Figure 4.1). The age group of 65 years and older represents the smallest percentage of the population in these regions (i.e. 4.3% and 4.9% respectively).

**Figure 4.1 – AGE AND GENDER PROFILE OF NORTHERN CAPE AND SOUTH AFRICA**



Source: Statistics South Africa, 2001



In Northern Cape the percentage of the population between the ages of 0 and 14 years is lower (30.5%) than in South Africa (32.1%). Also in Northern Cape the percentage of the population that are 15 to 64 years old is higher (63.9%) than in South Africa (63.1%).

In South Africa and Northern Cape the population is almost equally distributed between male and female, although the male distribution in South Africa is slightly lower than is the case in Northern Cape. The male population between 15 and 64 years are larger in Northern Cape than in South Africa while the female population is lower in the province.

### **b) Population Growth**

The population of Northern Cape displayed a negative population growth rate of 0.4% p.a. between 1996 and 2001. For the same period, the national population growth was 2.1% p.a. which means that Northern Cape's population growth was 1.7% below the national average. As mentioned earlier, one of the reasons for this phenomenon is related to the relative older age structure of the Province.

Table 4.1 also illustrates population growth over the four race categories. On national level all population groups, except the White group, experienced positive population growth from 1996 to 2001. This trend was also noted in Northern Cape with the exception of the Coloured population group which declined by 2.5% over this period.

### **c) Urbanisation**

Most of the population in Northern Cape resides in the urbanised areas. In the province 71.8% of the total population live in urban areas, compared to a much lower percentage of 55% in South Africa.

As a country develops, the movement of people from rural to urban areas usually increases. When the proportion of urban and non-urban population is evaluated it becomes clear that South Africa is in a process of urbanisation. This means that people are migrating from rural to urban areas at an accelerating rate. At national level the urban population increased from 53.7% to 55.0%, while Northern Cape observed an amplification of 2.4% in its urban population from 1996 to 2001. Over the same period the rural population in Northern Cape declined from 29.9% to 28.2%.

#### 4.2.1.2 Socio-economic Indicators

The Human Development Index (HDI) is a measure of the life expectancy, income and literacy levels of the population in an area. The position of a country or area is measured on a scale of 0 to 1, where an index close to 0 indicates low life expectancy, income and literacy levels and an index very close to 1 indicates high life expectancy, income and literacy levels. The important socio-economic indicators for South Africa and Northern Cape are provided in Table 4.2.



**Table 4.2 – Socio-Economic indicators: South Africa and Northern Cape, 2001**

INDICATORS	SOUTH AFRICA	NORTHERN CAPE	% OF SOUTH AFRICA
Surface Area (Km <sup>2</sup> )	1 219 090	361 830	29.7
Total Population	44 819 778	822 727	1.8
Density (Persons per Km <sup>2</sup> )	36.8	2.5	N/A
Human Development Index	0.6	0.6	N/A
Average Annual Household Income	R 67 005	R 62 977	N/A

Source: Statistics South Africa, 2001 / Global Insight, 2003

In Northern Cape the density of persons per square kilometres is only 2.5 which are much lower than the comparable density of 36.8 in South Africa. A very densely populated area generally indicates a lower quality of life in that specific area. High density levels also require more sophisticated levels of services, facilities, and infrastructure, which are not always provided, especially in rural areas.

The HDI for Northern Cape is 0.6 indicating a medium position on the HDI scale. The HDI for Northern Cape is similar than that for South Africa. People living in Northern Cape thus experience similar levels of life expectancy, income and literacy to the general South African population.

The average annual household income of the population in Northern Cape (R62 977) is lower than that of South Africa (R67 005). The population of Northern Cape therefore has a lower standard of living than the population in South Africa, which could largely be attributed to the low levels of skills and education of this province. This also means that a smaller portion of the population in Northern Cape is able to afford basic services such as water and sanitation services.

#### **4.2.2. Phokwane in provincial context**

##### **4.2.2.1 Population Composition**

The total population of Phokwane is approximately 7.5% of the population in Northern Cape. The demographic figures of Phokwane are now discussed in detail and compared to the population figures of Northern Cape.

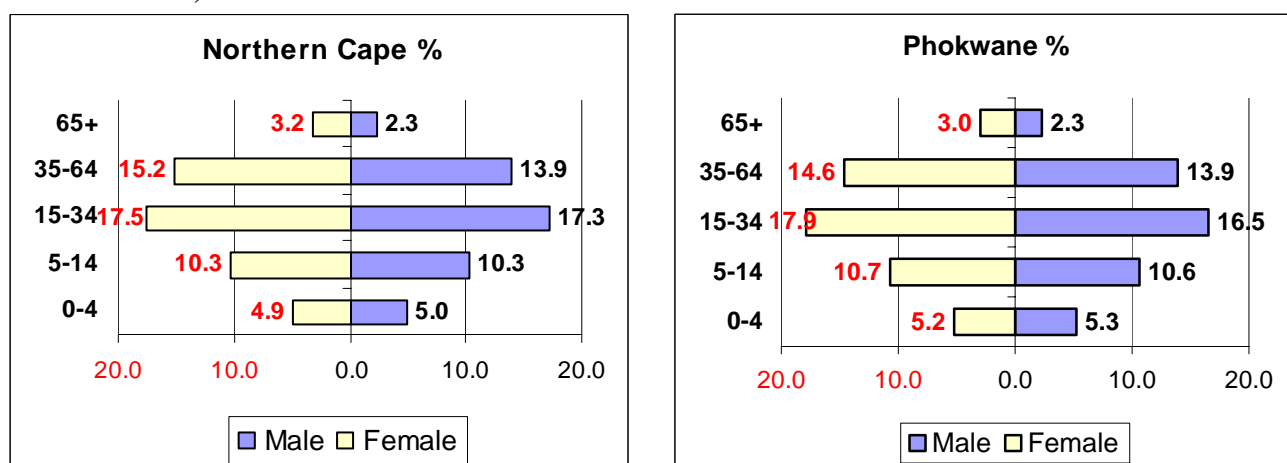
##### **a) Age and Gender**

The largest share of the population in both Phokwane and Northern Cape are between the ages of 15 and 64 years (see Figure 4.2).





**Figure 4.2 – AGE AND GENDER PROFILE OF NORTHERN CAPE AND PHOKWANE, 2001**



Source: Statistics South Africa, 2001

A study of the trend in the age structures between 1996 and 2001 reveals that the relative importance of the age groups 0 to 4 decreased from 11.2% to 10.5% in Phokwane. In Northern Cape, a similar decline over the same period was observed from 10.6% to 9.9%. The study further indicates that the relative importance of the age groups 15 to 64 and over 65 improved between 1996 and 2001 (i.e. in Phokwane and Northern Cape). This could be attributed to the fact that fertility has decreased, especially in the younger age groups. The middle age groups (i.e. 15 to 64) have increased in relative size due to the fact that the population is becoming older. The Provincial and Study Area population is thus moving through its normal demographic transition. It is, however, still in its initial stage.

It appears that there are slightly more females in the Study Area than males. The majority of the female population in Phokwane and Northern Cape are between the ages of 15 and 65 years old. The female and male population of Phokwane experienced a positive growth rate during the period 1996 to 2001.

## b) Population Growth

The population of the Study Area is growing by 1.4% on average per annum. This observation is exceptional in the context of a declining provincial (-0.4%) growth rate. Northern Cape is experiencing an average population growth rate which is 1.7% below the national average. As mentioned earlier, one of the reasons for this phenomenon is related to the age structure of the population in the province.

The Study Area however, experienced opposite growth trends in terms of the various racial categories. In the Study Area, the White and Coloured groups experienced a negative population growth rate. The most important trend to consider is the 9.7% or 4 592 growth in the African Population group between 1996 and 2001.



### **c) Urbanisation**

Although no information regarding urbanisation in the Study Area is available, it can be expected to portray a situation similar to the provincial trend. This assumption is made on the basis of few employment opportunities in the Study Area and the drought currently experienced. Urban areas furthermore present better access to municipal services, housing programmes and development projects. This could place enormous pressure on available facilities and services in urban areas and pressure on rural areas to create sustainable economies to avoid further movements from rural to urban areas.

The urban population of Northern Cape increased over the period 1996 to 2001 while the population in the rural areas of the province declined during the same period. There was thus a movement of people from rural areas to urban areas in Northern Cape. A similar trend is expected in the Study Area.

#### 4.2.2.2 Socio-economic Indicators

### **a) Human Development Index**

Northern Cape has a Human Development Index (HDI) of 0.6 which indicates a medium position in terms of life expectancy, income and literacy levels of the population. The HDI for Phokwane is 0.5 indicating that relatively lower life expectancy, income and literacy levels are present in Phokwane (Global Insight, 2002). The poverty gap in Phokwane represents 20.3% of the poverty gap in Northern Cape. This ranks Phokwane as an area with one of the highest poverty gaps in Northern Cape.

### **b) Income**

In order to determine the people's living standards as well as their ability to pay for basic services such as water and sanitation, the income levels of the population are analysed and compared to the income levels of Northern Cape. In Table 4.3 the distribution of the households per income group in Phokwane is shown.

From Table 4.3 it is evident that the largest share (84.4%) of the economically active population in Phokwane earns less than R3 200 per month. This trend is almost the same for Northern Cape, where 78.4% of the economically active earns less than R3 200 per month. A small share (1.5%) of the economically active population in Phokwane earns R12 800 and more per month, while a much larger share (2.7%) of the economically active population in the province fall in this category.



**Table 4.3 – Distribution of the employed<sup>1</sup> (%) by income groups in Northern Cape and Phokwane, 2001**

<b>INCOME PER ANNUM</b>	<b>NORTHERN CAPE</b>	<b>PHOKWANE</b>	<b>% PHOKWANE OF NORTHERN CAPE</b>
No income	2.1%	2.2%	0.15%
R 1 - R 400	20.6%	32.6%	2.31%
R 401 - R 800	24.8%	24.5%	1.73%
R 801 - R 1600	15.5%	11.5%	0.82%
R 1601 - R 3200	15.4%	13.6%	0.96%
R 3201 - R 6400	12.7%	10.0%	0.71%
R 6401 - R 12800	6.2%	4.2%	0.30%
R 12801 - R 25600	1.7%	0.9%	0.07%
R 25601 - R 51200	0.5%	0.4%	0.03%
R 51201 - R 102400	0.3%	0.1%	0.01%
R 102401 - R 204800	0.1%	0.1%	0.01%
R 204801 or more	0.1%	0.0%	0.00%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>7.08%</b>

Source: Statistics South Africa, 2001

From these figures it is evident that the majority of the population in Phokwane are very poor and are experiencing relatively low living standards and a poorer quality of life. These low income levels indicate that the majority of the population is dependent on a small income implying that the local population of Phokwane are not able to afford basic services such as water, sanitation and so on. These poverty levels also do not enable these people to provide in the educational needs of their children.

### 4.3. LOCAL SOCIO-ECONOMIC CONTEXT

This section reflects the status quo on the demographic and social conditions pertaining to the Study Area. The purpose of this discussion is to reflect a qualitative and, where applicable, a quantitative summary of demographic variables and social infrastructure of the area. The discussion in this section includes the demographic and social dynamics of Phokwane Local Municipality.

<sup>1</sup> Universe for all employed persons aged 15 – 65 years



## 4.4 DEMOGRAPHICS

Demographic information is regarded as a vital baseline source for the interpretation, evaluation and projection of social and human resource needs and requirements. In this subsection therefore, the population of Phokwane is discussed in order to provide a holistic overview and identify specific population issues which impacts on local economic development of the area.

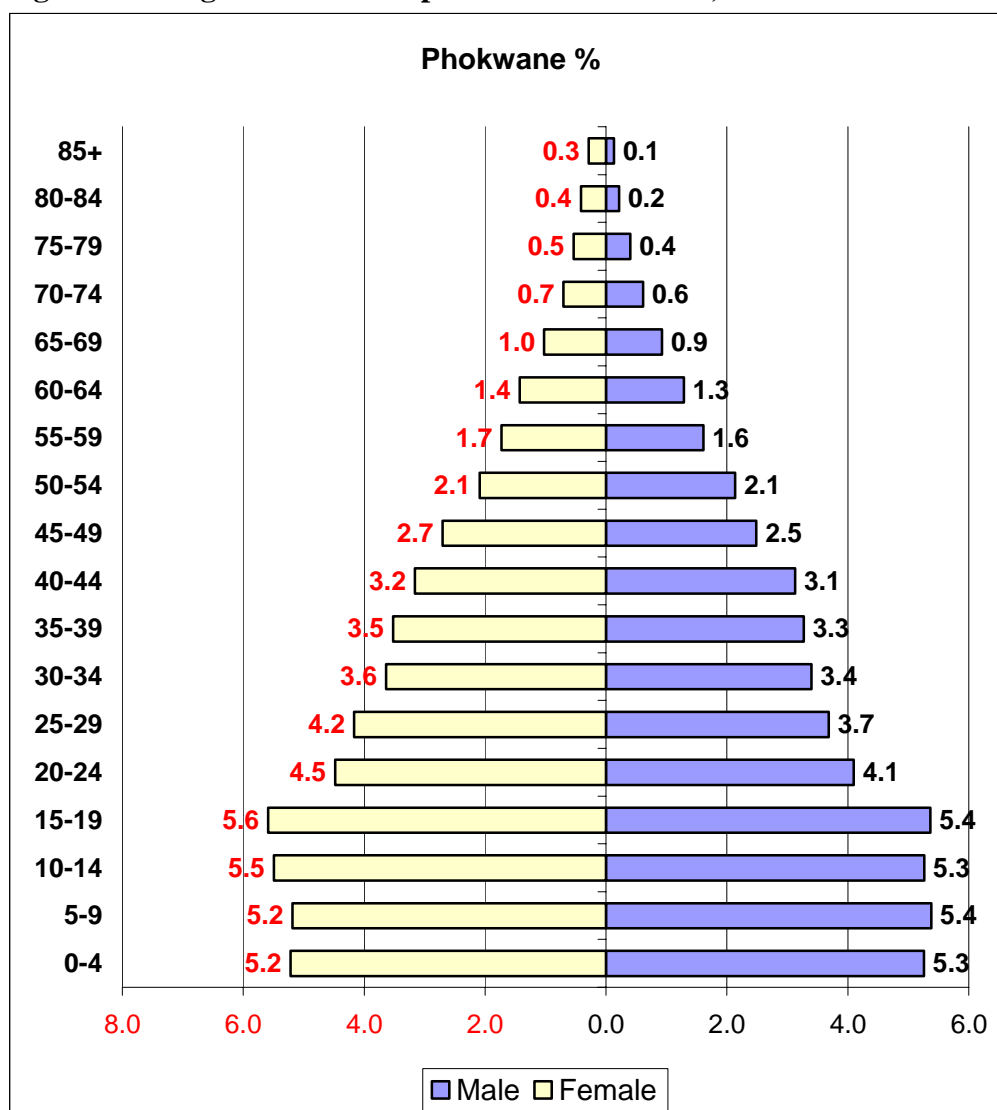
### 4.4.1. Age and Gender profile

The age and gender profile for the Study Area is illustrated by Figure 4.3. According to the profile, the largest population group is female between the ages of ten and nineteen years old. This group comprises 11.1% of the population in the Study Area. The smallest population group is males above the age of 85. In total the dominant gender is female, consisting of 51.4% of the total population.

The age structure of the Study Area is relatively young with 42.9% of residents being younger than twenty years old. Important to note is the age group twenty to forty. This group represents the main part of the population who are economically active. In this group males represent 14.5% and females 15.8%. This observation raises concern because this relatively small group has to support the rest of the population (69.7%). It must also be understood that many people in this age category leave the Study Area in search of employment opportunities. Throughout Sub-Sahara Africa this group is furthermore most affected by the spread of HIV/AIDS.

The Study Area houses relatively few people older than sixty years of age. Males above sixty constitute 3.5% of the population while females accounts for 4.3% of the total population in the Study Area.



**Figure 4.3 – Age and Gender profile of Phokwane, 2001**

*Statistics South Africa, 2001*

#### 4.5. EDUCATION AND SKILLS

Table 4.4 illustrates the level of education in Phokwane Local Municipality. Less than 21% of the Study Area population have a Grade 12 or higher education qualification while 32.3% have no schooling at all. This has serious implications for employment and money generating opportunities for the populace. In total, 67.7% of the Study Area population have some form of schooling and can be regarded as literate.



Table 4.5 illustrate the level of skills among the working population of Phokwane Local Municipality. The level of skills within an area is important to determine the



level of employment. Approximately 6.9% of the working population in the Study Area has some form of craft and trade related skills that could be used to the benefit of the local economy, 6.9% are plant and machine operators, 7.0% are service workers, shop and market sales workers and 11.1% are skilled in agriculture and fishery activities. The majority (40.7%) of the working population are involved with elementary occupations.

**Table 4.4 – Level of education in Phokwane, 2001**

HIGHEST LEVEL	STUDY AREA
No schooling	32.3%
Some primary	19.0%
Complete primary	5.2%
Some secondary	22.6%
Std 10/Grade 12	14.8%
Higher	6.0%
<b>TOTAL</b>	<b>100%</b>

*Statistics South Africa, 2001*

**Table 4.5 – Level of skills among the employed in Phokwane, 2001**

SKILLS LEVEL	STUDY AREA
Legislators; senior officials and managers	3.3%
Professionals	3.4%
Technicians and associate professionals	7.3%
Clerks	7.2%
Service workers; shop and market sales workers	7.0%
Skilled agricultural and fishery workers	11.1%
Craft and related trades workers	6.9%
Plant and machine operators and assemblers	6.9%
Elementary occupations	40.7%
Occupations unspecified and not elsewhere classified	0.0%
Undetermined	6.3%
<b>TOTAL</b>	<b>100%</b>

*Statistics South Africa (Census 2001)*



#### 4.6. DWELLING TYPES

Table 4.6 illustrates the dwelling types found in the Study Area. The most common form of dwelling type is brick houses on individual stands. This category represents 72.3% of housing in the Study Area.

**Table 4.6 - Dwelling types in Phokwane, 2001**

TYPE OF DWELLING	%
House or brick structure on a separate stand or yard	72.3
Informal dwelling/shack NOT in back yard e.g. in an informal/squatter settlement	5.7
Traditional dwelling/hut/structure made of traditional materials	0.9
Informal dwelling/shack in back yard	2.5
House/flat/room in back yard	2.1
Town/cluster/semi-detached house (simplex: duplex: triplex)	4.8
Room/flatlet not in back yard but on a shared property	8.0
Flat in block of flats	3.5
Caravan or tent	0.3
<b>TOTAL</b>	<b>100</b>

Source: Statistics South Africa, 2001

This means that about 28% of the population resort to alternative forms of lodging. From Table 4.6 it can be concluded that the population of Phokwane are generally well catered for in terms of accommodation.

#### 4.7. ACCESSES TO SERVICES

Table 4.7 illustrates development according to specific development indicators or services. Households in the Study Area displayed growth in access to household electricity, flush toilets and weekly refuse removal. The decline in the proportion of dwellings with access to piped water can mainly be attributed to the number of new houses built between 1996 and 2001.

**Table 4.7 – Number of households with accesses to services in Phokwane, 2001**

SERVICE	1996	2001	% CHANGE
Electricity	9191	12551	36.6% (↑)
Flush toilet	6326	6968	10.1% (↑)
Weekly refuse removal	5824	6705	15.1% (↑)
Piped water to dwelling	5927	4268	-28.0% (↓)

Statistics South Africa (Census 2001)



These indicators are positive in the sense that they have been improving from 1996 to 2001. However, all three are still very low. Only 41.5% of households had access to sanitation connected to a sewer system. The situation concerning piped water to residential stands has improved very much.

#### 4.8. CONCLUSION

The demographic and social situation presents the following challenges and threats to local economic development:

- The Study Area has a predominantly youthful population, with 42.9% being below the age of 20. A largely youthful population means high demand on certain types of services. Furthermore, it implies a smaller percentage of income generating population and therefore a high dependency ratio.
- The high unemployment rate and low household incomes in this area imply that there is insufficient disposable income and therefore low buying capacity per household. This has negative implications on the survival of local businesses and therefore on the trade sector in general. Furthermore, the low household incomes imply that many households are not in a position to pay for services and municipal rates and taxes. This impact on the financial capacity of municipalities to efficiently perform their functions and duties.
- High HIV/AIDS prevalence amongst the potentially economically active population group may lead to the loss of many breadwinners. This may worsen the dependency situation where more people become dependent on fewer income-earning individuals for their livelihood. This will exacerbate the poverty levels and put pressure on government resources in terms of payments of grants and subsidisation of services payments. Furthermore, a high death rate amongst the economically active population group may translate into loss of skills and knowledge, thereby further contributing to local skills shortage.
- The low purchasing power within this community is likely to discourage prospective investors to the area.





- The low education levels in the Study Area present serious challenges in terms of the availability of skills required for employment opportunities that might be created in the area.



## SECTION FIVE: Economic Profile

### 5.1. INTRODUCTION

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The purpose of this section is to provide a broad economic analysis of the regional and local economy of the Phokwane local municipal area (i.e. the Study Area). It is important to understand the economy of the Study Area within the context of the broader region so that comparisons and linkages with the broader economic community can be made. In doing so, the section discusses and analyses each economic sector in terms of a sectoral analysis and also identifies those sectors with growth potential.

In the following paragraphs the provincial context is discussed according to the Gross Value Added (GVA) and labour statistics of the Study Area which are compared to those of the Northern Cape. Thereafter, economic activity in the Study Area is highlighted, and the implications thereof for economic growth are detailed. This section concludes with a summary of the relevant findings, and an initial analysis of the economic sustainability of the Study Area.

### 5.2. PROVINCIAL AND REGIONAL CONTEXT

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The purpose of this sub-section is to determine the economic importance of Northern Cape Province within South Africa. To determine the economic context of the above economies, the most important economic and labour indicators are discussed.

#### 5.2.1. General Overview

South Africa has nine provinces of which Northern Cape is the largest. This province encompasses an area of 361 830 square kilometres which represents 29.7% of South Africa's total surface area. Northern Cape is situated on the South African border with Namibia and Botswana in the north, and is surrounded by Western Cape Province in the south, Eastern Cape in the south-east, and Free State and North West in the east.

Table 5.1 illustrates the GVA contribution of each province to total production in South Africa as well as the trend index of each province and each province's growth in GVA.



**Table 5.1 - GVA Contribution, Tress Index and growth in GVA by province in South Africa, 2002**

Province	% Contribution to GVA in South Africa	Tress Index	% Average Annual Growth Rate	
			1990-1996	1996-2002
Western Cape	17.4	49.4	1.6	2.2
<b>Northern Cape</b>	<b>1.8</b>	<b>40.5</b>	<b>1.8</b>	<b>2.5</b>
Free State	4.9	40.3	0.9	- 1.0
Eastern Cape	6.8	56.5	1.3	1.9
KwaZulu/Natal	13.0	53.3	1.4	2.7
Mpumalanga	8.1	44.4	1.2	2.5
Limpopo Province	4.3	47.8	1.5	2.8
Gauteng	36.8	49.9	1.6	3.3
North West	6.7	55.8	0.8	2.1
<b>South Africa</b>	<b>100.0</b>	<b>40.8</b>	<b>1.4</b>	<b>2.5</b>

Source: Global Insight, 2003

#### 5.2.1.1. Size

Northern Cape contributes only 1.8% to total production in South Africa. This share is exceeded by all of the other provinces in South Africa (see Table 5.1).

#### 5.2.1.2. Growth

During 1990 to 1996 Northern Cape experienced an average annual growth rate of 1.8% in GVA, compared to 1.4% growth for South Africa. Northern Cape experienced a higher growth rate of 2.5% for 1996 to 2002. This indicates that Northern Cape Province performed very well during the 1990s and fairly well (equal to the country's average) in the early 2000's when compared to the rest of the country.

#### 5.2.1.3. Level of Concentration

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.

The tress index for Northern Cape is 40.5 indicating a relatively high level of diversification in the economy. The economy of South Africa has a somewhat higher degree of diversification with an index of 40.8. This high level of diversification makes these areas less vulnerable to changes that might influence their economies.



### 5.2.2. Gross Value Added (GVA)

The economic sectors in an area are distributed into three main sectors namely the primary, secondary and tertiary sectors. The primary sector consists of the agricultural and the mining activities. The manufacturing, electricity, construction and the trade activities form the secondary sector while the tertiary sector consists of the transport, financial and services activities. Other tools utilised to measure the performance of a given economy are described below:

A **location quotient** indicates the comparative advantage or disadvantage of a particular economic sector in an area or region. A comparative advantage indicates a relatively more competitive production function for a product or service in that specific activity. A quotient larger than one indicates a comparative advantage and a quotient smaller than one indicates a comparative disadvantage in an economic activity.

Production in Northern Cape by economic sector is provided in Table 5.2. This table also shows the GVA and the location quotient of each economic sector in the province.

**Table 5.2 – South Africa and Northern Cape: GVA and Location Quotient, 2002**

Economic Sector	Contribution to GVA South Africa (%)	GVA of Northern Cape (%)	Location Quotient
Agriculture	3.8	13.9	3.69
Mining	8.1	16.1	2.00
Manufacturing	18.1	4.8	0.26
Electricity	2.4	2.3	0.97
Construction	2.8	1.8	0.67
Trade	13.3	13.9	1.04
Transport	9.6	10.6	1.11
Financial	19.5	10.0	0.51
Services	21.8	26.4	1.21
<b>Total</b>	<b>100.0</b>	<b>100</b>	

Source: *Global Insight, 2003*

The tertiary sector of Northern Cape is the most important sector although only contributing 0.8% of the total production in South Africa. Of the economic activities in this sector the transport and the services sectors are the most significant. The primary sector of Northern Cape produces 0.6% of the total production in South Africa with the agriculture sector representing the most important activity. The smallest contribution to total production is by the secondary sector of Northern Cape, contributing 0.5% to the South African economy.



Within Northern Cape the important economic activities are the agriculture, services and mining sectors which contribute approximately 56.5% to the GVA of the province. The services sector produces the largest (26.4%) share of this production.

Comparative advantages are found in the mining, agriculture, trade, transport and service activities of Northern Cape, underlining the competitiveness of these economic activities in the province.

The leading growth sectors in Northern Cape are the transport, electricity and finance sectors. These sectors experienced significant growth from 1996 to 2002, and are therefore important sectors in this province although they are not necessarily the largest sectors in the Province.

### 5.2.3. The Study Area in Provincial Context

The GVA contribution of the Study Area to Northern Cape and the percentage contribution to the GVA of the Study Area are provided in Table 5.3.

**Table 5.3 - Study Area: GVA contribution by economic sector, 2002**

<b>Economic Sector</b>	<b>% Contribution to GVA of Northern Cape</b>	<b>% Contribution to GVA of the Study Area</b>
Agriculture	1.5%	19.9%
Mining	0.5%	6.0%
Manufacturing	0.6%	8.2%
Electricity	0.5%	7.0%
Construction	0.2%	2.1%
Trade	1.5%	19.8%
Transport	0.7%	9.3%
Financial	0.6%	7.8%
Services	1.5%	19.9%
<b>TOTAL</b>	<b>7.5%</b>	<b>100.0%</b>

*Source: Global Insight, 2003*

#### a) Size

The Study Area produces only 7.5% of the total GVA in Northern Cape which implies that its economy is very small in the provincial context and that very little of the production that occurs within the province, occurs within the Study Area.



**b) Growth**

The Study Area experienced a lower than provincial growth (1.8%) in GVA of 1.7% during the period 1990 to 1996. This situation however worsened between 1996 and 2002 when the Northern Cape growth rate accelerated to 2.5% while that of the Study Area declined to 0.7%.

Growth in the two economies is therefore not strongly linked, which can be attributed to the Study Area economy which exports the majority of its raw products to beneficiation plants outside the Northern Cape Province.

**c) Level of Concentration**

In the economy of the Study Area (with a tress index of 51.2) there is a higher level of concentration than is the case in Northern Cape (40.5), which makes it relatively more vulnerable to change.

**d) Economic Sectors**

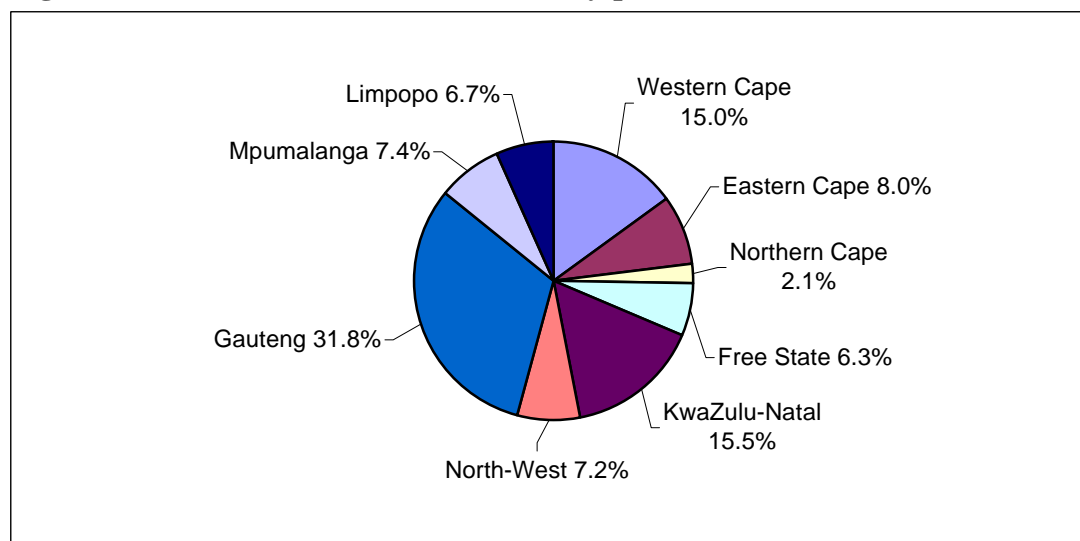
The secondary sectors in the Study Area economy contribute the most to the total GVA of the province (2.8%). The trade sector (1.5%) produces most of the GVA in this secondary sector indicating the relative strength of the commercial sector in the Study Area. The tertiary sectors contribute the second most to the total GVA (2.8%), while the primary sector contributes only 1.9% to the GVA. These figures show that the study area economy is relatively weak compared to the province and that the little strength that it does have is mostly concentrated in the agriculture, trade and government/services sectors.

**5.2.4. Labour**

This subsection addresses the composition of the labour force, important indicators of the labour force, the quality of the labour force and the distribution of the formal labour force in the different economic sectors. It is necessary to describe the labour situation in an area as these indicators also give insight into the economic and social conditions present in the area.

The percentage of the labour force in Northern Cape represents 2.1% of the labour force of South Africa (see Figure 5.1). All of the other provinces accommodate a larger percentage of the South African labour force.



**Figure 5.1 – Labour force distribution by province, 2002**

Source: Global Insight, 2003

#### a) Composition of the Labour Force

Table 5.4 illustrates the composition of the labour force in South Africa, Northern Cape and the Study Area respectively. The composition is provided according employment per sector and gender. A tress index for these areas is also provided in the table.

**Table 5.4 - Composition of the Labour Force in South Africa, Northern Cape and the Study Area, 2002**

Labour Force	South Africa	Northern Cape	Study Area
<b>EMPLOYMENT:</b>			
Formal	49.4%	68.7%	48.4%
Informal	14.1%	7.1%	7.9%
Other	6.0%	Unknown	Unknown
<b>Total Employment</b>	<b>69.5%</b>	<b>75.8%</b>	<b>56.3</b>
<b>Unemployment</b>			
	30.5%	24.2%	43.7%
<b>Total Labour Force</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENDER<sup>1</sup></b>			
Males	42.6%	46.2%	43.6%
Females	34.1%	34.5%	31.4%
<b>TRESS INDEX</b>	<b>40.77</b>	<b>40.46</b>	<b>51.18</b>

Source: Global Insight, 2003/ Labour Force Survey, 2002

<sup>1</sup> Economically active as percentage of total



The formal sector in the Northern Cape represents about 68.7% of the labour force. In South Africa this sector represents 49.4%. Although this is the largest share, the unemployment rate of approximately 24.2% in the Northern Cape and 30.5% nationally, represents a disturbingly large share of the labour force.

The informal sector in South Africa represents a larger share (14.1%) of the labour force than is the case in Northern Cape (7.1%). The formal sector of the labour force in the Study Area represents 48.4% of the total labour force in the area. In Northern Cape 68.7% of the labour force is employed in the formal sector. A very large share of the labour force in the Study Area is either unemployed or active in the informal sector.

Unemployment is an indication of the balance between the supply and demand of labour. A high level of unemployment indicates that the supply of labour is more than the demand for labour in an area. Economic activities create employment opportunities and the type of production technique, as well as the nature of the production, significantly influences the ratio of the contribution of each economic activity towards GVA and the corresponding employment creation of each activity.

The unemployed in Northern Cape represent 24.2% of the labour force, which is a significantly large share of the labour force. In South Africa this share is slightly higher at 30.5% of the labour force that are unemployed. About 43.7% of the labour force in the Study Area is unemployed. This is an indication that inadequate employment opportunities exist in the Study Area to sustain the local labour force.

In Northern Cape the ratio of females to males in the labour force is smaller than in South Africa. Fewer males than females are present in the labour force in the Study Area. Furthermore, the ratio of females to males is slightly smaller in the Study Area than in Northern Cape indicating that there are fewer employment opportunities for women in the Study Area.

The tress index for the Study Area is 51.2, indicating that the labour force is concentrated in a few economic sectors. The labour force of Northern Cape is more diverse with a tress index of 40.5. The labour force of the Study Area is therefore more vulnerable to changes in the economy of the area.

## b) Labour Indicators

The following terms utilised in this analysis are briefly defined:

- ★ The **dependency rate** indicates the amount of people dependent on one person in the labour force of an area.
- ★ The **participation rate** indicates the percentage of the economically active population that are part of the labour force. This is an important measurement of the absorption capacity in an area, which is the ability of an economy to absorb the supply of labour.





In Table 5.5 the economically active population, dependency rate and participation rate is provided for South Africa, Northern Cape and the Study Area respectively.

**Table 5.5 - Labour Indicators: South Africa, Northern Cape and Study Area, (2001) (%)**

Indicator	South Africa	Northern Cape	Study Area
Economically Active (15-64 Years)	63.0	63.9	63.0
Dependency Rate	1.7	1.8	1.7
Participation Rate	56.7	58.1	Not Available
Labour Force	38.3	40.3	37.6

Source: Statistics South Africa, 2001/ Global Insight, 2003

The labour force in Northern Cape represents only 40.3 percent of the total population while in South Africa the labour force represents 38.3% of the total population. This indicates that large shares of the population in these areas earns no income and are dependent on the labour force. In Northern Cape the dependency rate is 1.8 and in South Africa the rate is 1.7. This high dependency rate in Northern Cape places a large burden on the labour force where each person that works has 1.8 dependants to care for. In the Study Area the labour force represents 37.6 percent of the total population. Only a relatively small share of the resident population in both the Study Area and Northern Cape thus earn an income.

The **dependency rate** in the Study Area is about 1.7 which places a burden on the labour force. Each person in the labour force thus supports 1.7 people. The participation rate in Northern Cape is 58.1% and in South Africa the rate is 56.7%. The absorption capacity in Northern Cape is therefore higher than in South Africa.

In the Northern Cape the labour participation rate is only 58.1% and in South Africa 56.7%. This indicates that a high percentage of the economically active population in South Africa and Northern Cape are not absorbed into the labour force.

### c) Quality of the Labour Force

The determinants of the quality of a labour force in a region are the education profile and the general health situation of the labour force.

There is a close relationship between education and employability of the labour force of a region. An uneducated/illiterate work force is less productive. The predominant share of workers in the occupational groups 'farmer', 'fisherman' and 'production' workers are mainly semi-skilled or unskilled. In Northern Cape a very large percentage of the population is employed in these occupations, which is not the case in South Africa.

Table 5.6 shows the educational profile of the Study Area and Northern Cape.



**Table 5.6 - Study Area: Educational Profile, 2001**

Level of Education	% of the Study Area	% of Northern Cape
None	32.3%	18.2%
Some Primary	19.0%	21.0%
Completed Primary	5.2%	8.3%
Some Secondary	22.6%	29.9%
Grade 12/ Std 10	14.8%	16.5%
Higher	6.0%	6.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statistics South Africa, 2001

The diminutive share of the managerial personnel in Northern Cape puts a severe limitation on economic growth in the region. Educating the work force is very important in the province with its fast growing numbers of economically active people who are insufficiently equipped academically.

In the Study Area, 22.6% of the population have some secondary education in comparison with about 30% in the Northern Cape. A high percentage of the labour force in both these areas has no education, and a very small percentage of the labour force has tertiary education. It is necessary to focus on educating the labour force in the Study Area in order to improve their productivity.

#### d) Employment by Economic Sector

The distribution of the formal sector of the labour force by economic sectors in South Africa, Northern Cape and the Study Area respectively, is illustrated in Table 5.7.

The services sector in South Africa contributes a large (22.1%) portion of the employment opportunities that are created in the country. Other important sectors are the manufacturing, trade, finance and the agriculture sectors.

**Table 5.7 - Formal Employment by Kind of Economic Activity in South Africa, Northern Cape and the Study Area, 2002**

Economic Sectors	South Africa	Northern Cape	Study Area
Agriculture	9.9%	24.5%	56.7
Mining	4.8%	9.2%	0.9
Manufacturing	14.5%	3.8%	2.3
Electricity	0.8%	0.9%	N/A
Construction	3.7%	2.2%	4.7
Trade	17.2%	13.9%	8.8
Transport	5.1%	4.8%	1.8
Finances	11.4%	5.1%	1.8
Services	22.1%	23.8%	22.9
Households	10.5%	11.7%	N/A
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Global Insight, 2003/ Phokwane IDP, 2003



The services sector also comprises a large portion of employment opportunities in Northern Cape (23.8%). The agricultural sector provides most (24.5%) of the employment opportunities in the province. The households and trade sectors each amount to about 10 to 15 percent of the employment opportunities in the province.

The predominance of the agricultural sector as a source of employment in Northern Cape is in contrast with its contribution to the GVA of Northern Cape. The agricultural sector contributes only 13.9% of the GVA in the province. The services and the mining sectors of Northern Cape make up the highest contribution towards GVA but play a relative smaller role as a source of employment.

In the Study Area, 56.7% of employment opportunities are catered for by the agriculture sector. This sector completely dominates the employment market in the Study Area. The only other sector that makes a meaningful contribution to employment is the government services sector. Employment in the Study Area is thus highly concentrated and very sensitive to fluctuations in the agriculture and service sectors.

The agriculture sector of Northern Cape produces most of the employment opportunities in the province, while the services sector contributes to the largest share of the GVA in Northern Cape. Other important employment sectors in Northern Cape are the mining, household and trade sectors.

### 5.3. BUSINESS AUDIT

Following the sectoral profiling of the economy in Phokwane 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 Audit conducted within the Phokwane Municipal area. The Business Audit was completed at the end of 2003 and subsequently captured on a computerised database. This database was then analysed in terms of formal and informal businesses.

**Table 5.8 – Geographic distribution of businesses in Phokwane, 2003**

Settlement	Formal	Informal
Pampierstad	15.7%	7.3%
Jan Kempdorp	19.0%	0.2%
Hartswater/Bonita Park	44.8%	6.3%
Valspan	1.3%	4.1%
Ganspan	1.3%	0.0%
<b>Total</b>	<b>82.1%</b>	<b>17.9%</b>

*Source: Urban-Econ Business Audit, 2003*



A grand total of 474 businesses were counted within the Study Area. This total includes 391 formal businesses and 83 informal businesses. Table 5.8 illustrates the geographic distribution of businesses in the Study Area.

From Table 5.8 it is evident that the majority (44.8%) of formal businesses are concentrated in Hartswater, while the majority of informal trading is found in Pampierstad (7.3%). In total, formal trading comprises 82.1% of all businesses and informal trading only 17.9%. Only Valspan houses more informal than formal businesses. Hartswater thus constitutes the economic centre of Phokwane where the majority of businesses are located.

### 5.3.1. Sectoral Business Distribution

This part presents the distribution of businesses in the Study Area per economic sector. The Business Audit made provision for the classification of formal and informal businesses into 16 economic sectors and is illustrated by Table 5.9 and 5.10.

Table 5.9 illustrates the distribution of businesses in the formal sector of the local economy. More than half of businesses in the Study Area are classified as retail shops, accounting for 53.2% of the formal business sector. These businesses are mostly located in the Hartswater area. The second highest business category is motor vehicle sales and repair (7.8%) followed by manufacturing and printing (3.1%).

**Table 5.9 – Sectoral distribution of formal businesses, 2003**

Sector	Percentage	Sector	Percentage
Mining	0.3	Storage and warehousing	1.4
Manufacturing, including printing	3.1	Banking and loans	2.5
Construction	1.4	Insurance (life, pension & medical)	1.7
Retail (shop)	53.2	Real estate and property	0.0
Motor vehicle sales and repairs	7.8	Business services (legal, professional, etc)	7.3
Wholesaler	1.4	Social services (education, health, sport, etc)	2.2
Accommodation establishments	0.6	Personal services (Dry cleaning, hairdressing, etc)	13.4
Restaurants, take aways and bars	2.8	<b>Total</b>	<b>100.0</b>
Transport	0.8		

Source: Urban-Econ Business Audit, 2003

Formal businesses found within the Phokwane municipal area, are mostly small shops selling everyday products such as groceries, household goods, tobacco and so on. This type of business does not create many employment opportunities. A standard size Shoprite Checkers, for example, would only cater for about 70 to



120 employees. This raises concern and begins to explain, in part, the high rate of unemployment in the area.

Table 5.10 displays the sectoral distribution for the informal sector. Only three sectors are represented by the informal sector. These are retail shops, snacks and fruit, and personal services.

**Table 5.10 – Sectoral distribution of informal businesses, 2003**

<b>Sector</b>	<b>Percentage</b>
Retail (shop)	88, 8
Snacks, sweets and fruit	1, 4
Personal services (Dry cleaning, hairdressing, etc)	9, 9
<b>Total</b>	<b>100</b>

*Source: Urban-Econ Business Audit, 2003*

From the table above it is clear 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. The majority of informal businesses are located in Pampierstad where relatively few employment opportunities exist.

### 5.3.2. Products and Services traded by local businesses

The top five products and services traded by businesses in the formal sector are displayed in Table 5.11.

**Table 5.11– Main products and services traded in the formal sector, 2003**

<b>Product or Service Traded</b>	<b>Percentage of businesses</b>
Groceries	17.7
Clothing	4.9
Motor vehicle sales and repair	4.4
Farming Equipment	4.4
Meat (Butcheries)	4.1
Other products and services	64.5
<b>Total:</b>	<b>100.0</b>

*Source: Urban-Econ Business Audit, 2003*

From Table 5.11 it is evident that groceries are by far the main product being traded in the formal sector. Other products and services representing more than 4% of the formal economy are clothing, motor vehicle sales and repairs, farming



equipment and meat. The rest of the formal economy is highly diverse in terms of products traded and services rendered. Products and services that contribute least to the local economy include book sales, photograph development and coffee shops. Table 5.12 provides the top five products and services being traded in the informal economy of Phokwane Local Municipality.

**Table 5.12 – Main products and services traded in the informal sector, 2003**

Product or Service Traded	Percentage of businesses
Snacks, fruit, tobacco etc.	67.9
Maize	9.9
Shoe repairs	4.9
Clothing	3.7
Public Telephone Service	2.5
Other	11.1
<b>Total:</b>	<b>100.0</b>

*Source: Urban-Econ Business Audit, 2003*

From Table 5.12 it is clear that the majority (67.9%) of informal traders are involved in low cost and low profit products such as sweets, cold drinks, fruit, tobacco and so on. The second highest contributor to the informal market is maize traders. Other informal traders in the top five are shoe repairs, clothing and public telephone services.

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 providing 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).

### 5.3.3. Business Ownership

Table 5.13 provides a distribution of business ownership in the formal and informal sectors of the local economy. It is evident that businesses in the informal sector are all owned by single business owners without any branch business. These businesses consist only of one business owner and sometimes make use of the help of a spouse, child or other relative.



**Table 5.13 – Distribution of business ownership, 2003**

Form of Business Ownership	Formal Sector	Informal Sector
A single business without other branch businesses elsewhere	67.4%	100%
A main business with branch businesses elsewhere	6.3%	0%
A branch business with a main business located elsewhere	26.3%	0%
<b>Total</b>	<b>100.0%</b>	<b>100%</b>

Source: *Urban-Econ Business Audit, 2003*

In the formal sector the majority of businesses (67.4%) are also owned by single business owners without any branch businesses elsewhere. The second most representative type of business ownership is a branch business with a main business elsewhere. This type includes business franchises like banks, chain stores and certain restaurants.

#### 5.3.4. Permanent Employment

Permanent employment by businesses in the formal sector in Phokwane is illustrated by Table 5.14.

**Table 5.14 – Permanent employment in the formal sector, 2003**

Form of Business Ownership	Permanent Employment
A single business without other branch businesses elsewhere	55.2%
A main business with branch businesses elsewhere	3.7%
A branch business with a main business located elsewhere	41.1%
<b>Total</b>	<b>100.0%</b>

Source: *Urban-Econ Business Audit, 2003*

The formal sector employs a total of 2 498 workers. From this total 55.2% of workers are employed by single businesses without branch businesses elsewhere while 41.1% is employed by a branch business with a main business located elsewhere.

The informal sector only provides permanent employment to 317 people. The informal sector thus only represents 12.7% of permanent employment in the Study Area.



### 5.3.5. Business Trends

Business trends over the last five years are displayed in Table 5.15 in terms of turnover, production, employment, market share, and physical space.

**Table 5.15 – Historic Business Trends over the last five years (1998 – 2003)%**

Criteria	Large increase	Small increase	Same	Small decline	Large decline
Turnover	25.0	28.1	15.6	18.8	12.5
Production	33.3	21.6	13.7	24.5	6.9
Employment	11.4	12.4	25.4	17.6	33.2
Market Share	35.9	20.5	20.5	15.4	7.7

*Source: Urban-Econ Business Audit, 2003*

According to Table 5.15 the majority of businesses in the Study Area experienced an increase in all of the selected criteria with the exception of employment. In terms of market share, 56.4% of businesses reported an increase while 54.9% experienced a similar trend in production. It is however, worrying that over half of all businesses had to reduce their number of employees. In this category, 33.2% of businesses reported a large decrease of their work force.

Table 5.16 illustrates expected future business trends over the next five years in terms of the same criteria.

**Table 5.16 – Expected Future Business Trends over the next five years (2003 - 2008) %**

Criteria	Large increase	Small increase	Same	Small decline	Large decline
Turnover	29.1	18.2	14.5	23.6	14.5
Production	28.1	20.2	20.8	21.3	9.6
Employment	11.2	11.2	22.4	17.5	37.8
Market Share	16.7	25.0	25.0	16.7	16.7

*Source: Urban-Econ Business Audit, 2003*

Table 7.8 indicates that businesses respondents are positive about doing business in the Study Area over the next five years. Almost 50% of businesses indicated that they expect to increase their turnover and production over the next five years. The trend of reducing business employees is expected to continue over the next five years with 55.2% of businesses indicating their intent to reduce their number of workers. From this 37.8% of businesses indicated a large reduction in their workforce.

It can be concluded that turnover and production is set to grow in the Phokwane business sector. This growth can, however, be classified as jobless growth due to the decline in the number of people employed by businesses. Possible reasons for jobless growth may include low levels of skills and education among the local





population, loss of employment due to mechanisation and more effective business processes.

#### **5.4. IMPLICATIONS FOR ECONOMIC GROWTH**

The Study Area is predominantly residential with a population that is largely Black. Although there is evidence of a fair number of middle income households, e.g. in parts of Hartswater and Jan Kempdorp, the majority of people in the Study Area are in the lower income brackets. Given the slow growth of the local economy, growing populations in some areas and the current drought, the level of unemployment is set to grow. This could be further aggravated by the shortage of tertiary institutions, where school leavers can gain skills relevant to the job market.

Although a range of municipal and other services (infrastructure, schools, clinics, social services, etc.) are available in the Study Area, there is a general lack of sufficient facilities such as retail, commercial, industrial, etc. that could employ sufficient numbers of people and provide acceptable range, prices and quality to ensure that money is spent in the area. Furthermore, although there are sub-regional nodes, corner shops and spazas for the daily needs of local communities at various scales, there appears to still be a need for an industrial node where agricultural products can be processed and value added. This could provide for substantial employment opportunities and inflow of capital into the Study Area.

The scarcity of employment opportunities, higher order shopping and business facilities within the Study Area forces people to travel over long distances, paying well over R20 per trip to places such as Kimberley and Vryburg. This has affordability implications in the context of pervasive low incomes.

Areas close to the major transport spines generally have access to the most engineering service infrastructure, e.g. telecommunication, electricity and water. It should be noted that although piped water (yard taps) is available to most households, the second most dominant form of sanitation is still pit latrines (34.6% in 2001). As one moves away from the major routes deeper into rural settlements the level of services gets lower (instead of taps on site, one starts coming across communal taps or boreholes). Thus the further one moves from the activity/ transport spines, the poorer the respective towns/settlement's economic growth prospects appear to become.

In the Study Area the predominant form of housing is a self-built mud, zinc or cement brick house. Most of the Study Area generally appears to have adequate access to social services. However, substantial public investment is required to upgrade engineering services and transport infrastructure if the Study Area's economic growth prospects are to improve.

The Study Area does therefore not have the ability to provide in all the needs of its residents, which raises doubt about the future economic sustainability and viability of the local economy. The sheer numbers of the local population are not enough to drive the economy on a growth path simply because the surrounding local economies



(Kimberley, Vryburg, etc.) are large enough and close enough to stifle any competition from within the Study Area. Furthermore, there is a distinct lack of entrepreneurship, capital and other economic inputs that would be required to initiate economic development projects in the Study Area.

Interviews held and surveys conducted found that in general people are positive about their area and do not have immediate plans to move elsewhere. The reason for this is that most people see their area as a place where they have a historical belonging. Furthermore, the area is seen as being non-violent with less crime than in other areas and people have a general liking of the local community and the proximity to friends and family.

Although unemployment rates are high and income levels are generally low, the standard of living is relatively high when compared to some informal townships in other parts of the country. Housing quality is relatively higher as well as local services in certain areas and consequently most residents in the Study Area will probably stay where they are. Consequently it is believed that economic conditions could improve at a faster rate around the Hartswater and Jan Kempdorp regions than is the case in the rest of the Study Area.

Based on the analyses undertaken thus far, the following opportunities and constraints have been identified in the Study Area:

**Table 5.17 - Study Area Opportunities and Constraints**

Constraints	Opportunities
<ul style="list-style-type: none"> <li>★ The Study Area produces only 7.5% of the total GVA in Northern Cape which implies that its economy is very small in the provincial context and that very little of production that occurs in the province occurs within the Study Area.</li> <li>★ Almost half (43.7%) of the labour force in the Study Area is unemployed.</li> <li>★ The Study Area is heavily reliant on economic activities outside of its boundaries for, consumer products and services.</li> <li>★ The sustainability of the local economy and the future viability of the</li> </ul>	<ul style="list-style-type: none"> <li>★ There are a range of government policies and acts that can have a positive impact on the future development of the Study Area.</li> <li>★ The comparison with the provincial economy shows that the Study Area is relatively strong in its agriculture, trade and community services sectors.</li> <li>★ Should the local economy be opened up and fully integrated with the wider sub region, the potential for future growth can be substantial.</li> <li>★ Investment in the agriculture sector makes significant improvements to food security, decreasing household expenditure; and decreased</li> </ul>



Constraints	Opportunities
<p>Study Area are in danger of stagnation, and should this situation not be reversed, general decline.</p> <ul style="list-style-type: none"> <li>★ External intervention will be required to boost the Study Area economy. This intervention can be in terms of investment in local economic infrastructure and the preparation and implementation of local development plans such as initiating self-help schemes, Local Economic Development (LED) plans, etc.</li> <li>★ The Study Area economy is dominated by the community services/ government and agriculture sectors. This means that the local economy is highly concentrated (in the above mentioned two sectors) and consequently not well structured for sustainable economic growth.</li> <li>★ The large percentage (7,9%) of people active in the informal sector is also not representative of a strong economy.</li> <li>★ The occupation of the labour force indicates that many workers are unskilled in the Study Area.</li> <li>★ Education levels are very low in the Study Area, implying that local people have a poorer chance at obtaining higher-level job opportunities and consequently they have a lesser chance of earning higher-level incomes.</li> </ul>	<p>dependence on wage labour.</p> <ul style="list-style-type: none"> <li>★ It is assumed that there is still room for improved effectiveness of the farmers and, given appropriate aid (funding, training for emerging farmers, etc.), the agricultural sector may grow in future.</li> <li>★ There are well-serviced industrial sites available, and accompanying infrastructure is of a relatively good quality.</li> <li>★ Limited construction activities are currently to be found in the Study Area. This sector does however have the potential to be a major employer and catalyst for growth in the Study Area. Given the large resident population and the need for housing and infrastructure, there is enormous potential for growth in construction activities.</li> <li>★ The agricultural sector in the Study Area (19, 9%) is substantial. This sector has drastically increased over the past few years.</li> <li>★ The manufacturing sector is the fourth largest sector in the Study Area in terms of GVA and labour. It is however, believed that there is significant potential to expand this sector.</li> <li>★ The trade sector is relatively active in the Study Area and there is much potential for expansion of trade</li> </ul>



Constraints	Opportunities
<ul style="list-style-type: none"> <li>★ A dependency rate (2001) of 1,7 in the Study Area means that every local person that earns an income has about 2 people who are dependent on the same income.</li> <li>★ The large available pool of labour makes the area attractive for industrialists but the physical location and lack of development incentives is keeping potential investors away.</li> <li>★ There appears to be a need for an industrial node with industrial, which can provide the agricultural sector with beneficiation opportunities.</li> <li>★ Urban development should be concentrated to limit the unnecessary expansion thereof into the adjacent agricultural areas.</li> <li>★ The distribution of services and businesses throughout the Study Area is not optimal.</li> <li>★ No capital is available internally to activate economic development.</li> <li>★ The population is heavily reliant on primary sector work opportunities which fluctuate over time.</li> </ul>	<p>facilities. There are adequate schools, clinics and other social and community facilities situated throughout the Study Area.</p> <ul style="list-style-type: none"> <li>★ Opportunities for the future development of tourism in the Study Area could possibly be found in the Whine sellers, the rose farm and the Vaalharts museum. In the remainder of the Study Area there is tourism potential with regards to the future trend of group tours around the Vaalharts Irrigation Scheme with an educational basis.</li> <li>★ Significant infrastructure is in place in the Study Area and given sufficient pro-active intervention, the local economy may grow in the medium to long term.</li> <li>★ Although unemployment rates are high and income levels are generally low, the standard of living in the Study Area is relatively high when compared to some other informal townships in South Africa.</li> <li>★ There is growth potential in the developing and supporting of local entrepreneurs and local businesses rather than the development of large-scale office parks.</li> <li>★ Community agricultural activities such as community market gardens can and should be encouraged.</li> <li>★ The construction of houses by</li> </ul>



Constraints	Opportunities
	<p>households and communities can create employment opportunities.</p> <ul style="list-style-type: none"> <li>★ The planning of rural and semi-urban areas should support commercial agriculture and emerging farmers.</li> <li>★ The level of violence, crime and unrest is relatively low in the Study Area indicating a calm and stable environment for economic investment.</li> <li>★ A positive indication of unity, political consensus and community pride also contribute to a stable environment.</li> </ul>

## 5.5. CONCLUSION

In this section the economic situation of the Study Area in relation to Northern Cape Province and the economic sub region was analysed. It was found that the Study Area is heavily reliant on the agriculture and services sectors as a source of employment and economic growth. The local economy is also relatively small and weak when compared to surrounding economies (i.e. Kimberley and Vryburg). External intervention will be required to boost the Study Area economy. This intervention can be in terms of investment in local economic infrastructure and the preparation and implementation of Local Economic Development Plans (LEDPs), etc.

The summary of constraints and opportunities shows that although the local economy is small and concentrated there are a number of opportunities (especially in the agriculture and manufacturing sectors) which, over the medium to long term, can bring about growth and development in the Study Area. The pace of this development will, however, be reliant on external intervention and investment.



# SECTION SIX: Sectoral Opportunity Analysis

## 6.1. INTRODUCTION

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.

## 6.2. 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.

The broad discussion of each of the above-mentioned follows.

### **6.2.1. 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.

When considering the Phokwane area, the most common raw material / local resources present in this area are fertile agricultural land and serviced industrial sites. These could have both tourist and beneficiation potential.

### **6.2.2. 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:

#### **6.2.2.1. 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 case 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't 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.

#### **6.2.2.2. Forward linkages**

Forward linkages refer to the supplying 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, Phokwane produce a variety of fresh fruit which can be used to manufacture fruit juice.





### **6.2.3. 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 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.

### **6.2.4. 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. A gap can be illustrated by the development of a juice factory in Phokwane. The raw materials are available and there are numerous examples of success stories.

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.

### **6.2.5. 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 Phokwane, the area can serve as a distribution point for fresh fruit and vegetables to other African countries and surrounding economies. This relates to the next criterion.

### **6.2.6. Regional service delivery function**

Phokwane can serve as a regional service delivery centre, i.e. a regional fresh produce market, supplying fruits and vegetables to other areas.

### **6.2.7. Availability of labour**

Labour as one of the important production factors also indicates the potential for development of 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.





### 6.2.8. Technology change (i.e. food modification)

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.

### 6.2.9. 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 GODISA. They provide funding and other necessary inputs for upcoming SMMEs.

## 6.3. 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 Phokwane 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.

### 6.3.1. Northern Cape Agricultural Overview

The province lies to the south of the Orange River, which provides the basis for a healthy agriculture industry. The province has predominantly dry and changing agro-climate conditions but produces some of the highest-quality agricultural products in South Africa. Produce ranges from grapes, lucerne, cotton, wheat,



corn, carrots, potatoes, ground nuts and soya beans. The province is fast becoming a significant exporter of table grapes, raisins and meat.

Of the potentially arable land in South Africa, 2.7% lies within Northern Cape. In terms of the total Northern Cape Province, 81.3% of the surface area is classified as farm land. This farm land is comprised of 454 465 hectares (1.5%) potentially arable land and 29 089 367 hectares (98.5%) grazing land. Agriculture in the region is characterised by a dichotomy of commercialised farming, subsistence-livestock, and crop farming.

According to the Northern Cape Government, opportunities for investment in agriculture exist in the production and processing of dates, olives, rooibos tea and citrus products. The establishment of fruit and vegetable processing operations would also add value to the Province's agriculture products. Growth in agro-related industries would also create a market for the establishment of related businesses such as fibre sack and cardboard carton manufacturing.

Table 6.1 illustrates the proportional production of wheat, barley and groundnuts for the Northern Cape and South Africa.

**Table 6.1 – South Africa and Northern Cape: Salient field crop production**

Production Year	Salient Field Cops	Northern Cape Production	RSA Production	Northern Cape as % of RSA
		Tons		
1999/2000	Wheat	287 000	1 725 000	16, 6
	Barley	1 320	92 400	1, 4
	Groundnuts	22 950	113 550	20, 2
<b>Average</b>				<b>12, 7</b>
2000/2001	Wheat	294 150	2 340 000	12, 6
	Barley	9 720	116 200	8, 4
	Groundnuts	38 250	183 840	20, 8
<b>Average</b>				<b>13, 9 (↑)</b>
2001/2002	Wheat	270 000	3 493 000	7, 7
	Barley	29 420	131 400	22, 4
	Groundnuts	18 750	120 185	15, 6
<b>Average</b>				<b>15, 2 (↑)</b>
2002/2003	Wheat	275 000	2 390 000	11, 5
	Barley	23 100	180 000	12, 8
	Groundnuts	14 850	62 000	24, 0
<b>Average</b>				<b>16, 1 (↑)</b>

Source: Department of Agriculture

On average the proportion of these crops produced in the Northern Cape increased by 26.8% from 1999 to 2003. This is mostly contributed to the high increase of barley production which increased from 1 320 tons in 1999 to 23 100 tons in 2003. Although the production of barley and groundnuts decreased



slightly from 2001 to 2003 in absolute terms, the Northern Cape proportionally produced 24.0% more groundnuts than South Africa over the same period. In South Africa the production of wheat declined by 46.2% between 2001 and 2003 while the Northern Cape experienced an increase of 1.9%.

The Northern Cape contributes about 40% of the livestock in South Africa. This portion consists of 4% cattle, 27% sheep, 8% goats and 1% pigs. Furthermore, the Province is a producer of ostrich meat for which world demand is rising. These observations coincide with the availability of 29 million hectares of grazing land in the Province.

In June 2003, three men from southern Africa won the World Shearing Championships held in Scotland in the United Kingdom.

Eliot Ntsombo of Lesotho was crowned word champion for the eighth time, with Zwelile Hans of South Africa in second place. Hans has been champion for the past two years. Samuel Nkomoyi, also of South Africa, took third position. The best sheep-shearers from all over the world competed for the coveted title.

South Africa has been a member of the Golden Shears organisation, which organises the tournaments, since 1998.

*Source: South African Yearbook, 2003/2004*

The latest estimates for cattle and sheep in South Africa are 13.6 million and 29 million, respectively. South Africa normally produces only 85% of its meat requirements, while 15% is imported from Namibia, Botswana, Swaziland, Australia, New Zealand and European Countries. The local demand for products, which generally outstrips production, creates a dependence on imports, even though there are untapped production potential in rural South Africa (such as the Study Area).

It is important to view the Study Area within the context of the province as it does not function in isolation and has the potential to become a major hub for supporting industries to the agriculture sector.

Higher demands for agricultural products, caused by the continuing population growth in South Africa and Northern Cape as well as increases in the exportation of agricultural products (see Table 6.2), are expected to boost the agricultural sector of the Northern Cape in future. Considerable potential for increased agricultural production exists in the Province and together with the higher demand for agricultural products, will likely lead to significant expansion of this sector. According to Table 6.2, agriculture exports have increased from R13.6 in



1998 billion to over R25 billion in 2002. This represents an export growth of about 21.5% per annum in the agriculture sector.

**Table 6.2 – South African Exports: 1998 – 2002**

<b>Exports (‘000 000)</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Average: 5 years</b>
Total RSA products	147547	165143	210022	245448	308054	215243
Total Agriculture products	13699	14774	15820	20075	25460	17966
Agriculture as a % of total exports	9.3	8.9	7.5	8.2	8.3	8.3

*Source: Directorate: Agriculture Statistics, Department of Agriculture*

For the past five years, agricultural exports have contributed on average approximately 8.3% of total South African Exports. Normally, South Africa is a net exporter of agricultural products in Rand Value. The largest export groups are wine, citrus, sugar, grapes, maize, fruit juice, wool, and delicious fruit such as apples, pears, peaches and apricots. Other important export products are non-alcoholic beverages, cigars and cigarettes, food preparations, meat, avocados, pineapples, peanuts, preserved fruit and nuts, hides and skins, and dairy products (South African Yearbook, 2003/2004).

In general, the prices of agricultural products increased by 26% from 2001 to 2002 in South Africa. Prices of field crops increased by 35%, horticultural products by 23%, and livestock products also by 23%. The net income of the farming sector increased from R10 591 million in 2001 to R20 277 million in 2002 (South African Yearbook, 2003/2004).

### **6.3.2. Phokwane Agricultural Overview**

Agriculture in the Study Area occurs within the Vaalharts Irrigation Scheme which consists of crop and livestock farming practices. Crop production, however, constitute the dominant form of land use. Crop farming in Phokwane is relatively homogenous over the irrigation scheme with variations existing in terms of farm size and the availability of capital. The main products being produced in Phokwane are illustrated by Figure 6.1.

Other agricultural products produced in the Study Area include milk, vegetables, sheep, cattle, citrus and soft fruit. Figure 6.1 illustrates the relative importance of maize (25%) and wheat (28%) production in the Study Area. These crops are followed by barley (14%), groundnuts (12%) and lucerne (7%). Although grain is the dominant crop on all the farms there seems to be a tendency for smaller farms to produce more long-term crops and pastures. Senwes co-op is the major buyer of groundnuts, grain and maize in the Study Area.

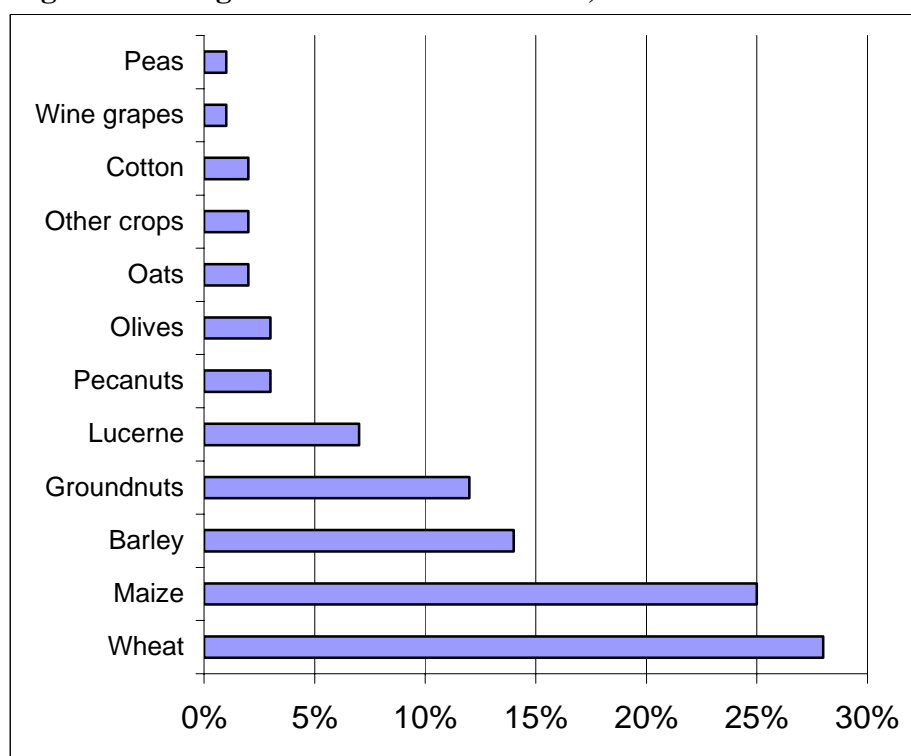
The dominant form of irrigation employed is flood irrigation, and accounts for about 74.1% of irrigation in the Study Area. Other types of irrigation found in



Phokwane are Pivot (21.5%), Sprinkle (2.3%) and Drip/micro irrigation (2%). Drip irrigation is usually used where long-term crops such as pecan nuts and olives are grown.

Agriculture is an essential part of the local economy and contributed 19.9% to the GGVA of the local economy in 2002. This sector experienced a positive average annual growth rate of 1.7% between 1996 and 2002, and could therefore be considered as a potential growth sector. The future growth of agriculture may be hampered if constraints such as unemployment, job cuts as well as the lack of local beneficiation and exports within the sector are not to be addressed.

**Figure 6.1 – Agriculture land utilisation, 2003**



Source: Centre for International Agricultural Marketing and Development (CIMD), 2003

The following subparagraphs provide a brief description of the commodities and industries within the Agricultural Sector in Phokwane.

### **Groundnuts:**

Groundnuts are mainly grown in the Northern Cape, Free State and in the North West Provinces. This industry has been fairing relatively well, compared to the rest of the crops farmed within the industry. On district and provincial level, the industry has been diversifying through the introduction of new varieties such as macadamia and pecan nuts, of which a multitude of by-products (oil, sprinkled nuts, etc.) can be derived. One of the biggest role-players within the industry is the successful nut processing and exporting company, currently the biggest in South Africa, *Global Nuts Holdings* located at Hartswater. It must however, be



noted that value-adding currently only takes place within the rest of the region and not within the Study Area. This presents a valuable opportunity for groundnut farmers to exploit this untapped market within the Study Area.

**Cotton:**

Cotton is cultivated in the Northern Cape, Mpumalanga, Limpopo, KwaZulu-Natal and North West. It constitutes 74% of natural fibre and 42% of all fibre processed in South Africa. About 75% of South African cotton is harvested by hand. The climate in the Study Area is conducive to cotton farming which is currently being expanded in the Study Area. At present a cotton gin is being planned in the Study Area. This will add to the beneficiation of cotton and create numerous unskilled and semi-skilled employment opportunities due the high labour intensity of cotton. This industry furthermore portrays a lot of potential in the future export market. Although cotton farming was practiced more widely in Phokwane, labour and market related problems caused many farmers to cease production.

**Wheat:**

The wheat industry is probably one of the biggest agricultural industries in South Africa and is a huge contributor to the GGVA of the region. Wheat farms are located throughout the Study Area and constitute 28% of crop farm land. Currently all maize and wheat are sold as raw products to buyers outside the Study Area. This means that no beneficiation takes place and could be a potential generator of employment opportunities should these crops be processed within the Study Area. Buyers include South African Breweries and South African Malt.

**Soybeans:**

This industry has been fairing relatively well and presents huge potential in terms of value adding and penetrating the organic food, vegetarian niche and cross border African markets. The soybean is a popular alternative to meat products and serves as a protein supplement in vegetarian diets.

**Lucerne:**

This crop is popular on many of the smaller farms and is usually farmed for animal feed purposes. A lucerne plant can produce 100 to 120 lucerne bales per hectare every three weeks, providing enough water is available. Lucerne in the Study Area is farmed on a rotational basis to preserve soil nutrients. After harvesting, a different type of seasonal crop is planted, or the soil is ploughed and left to rest until the next season. This crop holds huge potential for emerging farmers because it is less capital and labour intensive than other cash crops. Lucerne provides a stable cash flow to small farmer because of its shorter life cycle (six months).

**Grapes:**

The category fresh fruit, which includes grapes, represents 11% of the country's agricultural export earnings. From the total fresh fruit crop of South Africa, grapes constituted 19% in 2002. The Northern Cape accounted for about 11% of





the fresh fruit crop. Approximately 300 ha of irrigated farm land in Phokwane are currently allocated to grape vineyards. The only wine cellar in the area was owned by Senwes co-op but was closed down some years ago. Some of the local farmers, however, has bought the cellar and is currently in the process of renovating it with the intent to produce wine for the local and export market. According to the South African Wine and Spirits Export Association, the export of white wine increased from 20 million litres in 1992 to 218 million litres in 2002 (South African Yearbook, 2003/2004). The reopening of the wine cellar at Hartswater contributes to the potential expansion of vineyards and employment generation.

**Olives:**

The production of olives and olive oil is a fairly new type of production in South Africa. Phokwane has a competitive advantage for the production of olives due to its suitable environmental conditions. The company, *Olives South Africa* is located near Hartswater and produces preserved olives, cold pressed olive oil and olive pulp. During an interview with the owner of *Olives South Africa* in Hartswater, the company was engaged in negotiations with a company in the United States for the potential export of olives produced in Phokwane.

**Canola:**

In South Africa, approximately R2 million is spent annually on canola research. Canola is highly diverse crop from which many edible and non-edible products are made. The potential for canola production and beneficiation are very good and presents numerous opportunities to farmers in Phokwane. Canola is used in the manufacturing of cooking oil, margarine, mayonnaise, coffee whiteners, cosmetics, herbicides, pesticides, printing-inks, live stock feed and many more. Demand in the market place for these products is also high.

**6.3.3. Constraints**

**Scarcity of Water:** About 13% of South Africa's surface area can be used for crop production. High potential arable land comprises only 22% of the total arable land, with slightly more than 1.2 million ha that are under irrigation. The most important factor limiting agricultural expansion in SA as well as the Vaalharts Irrigation Scheme is the availability and cost of water. Rainfall is distributed unevenly across the country with dry desert conditions occurring in the west and northwest, which is where the Phokwane Municipality is located. Almost 50% of South Africa's water is used for agricultural purposes. The Vaalriver and Hartswater make irrigation possible in Phokwane.

The Vaalharts Irrigation Scheme cannot be further expanded due to the lack of sufficient water supplies. The only other option for water augmentation, with enough capacity, is from the Lesotho Highlands Water Scheme. Augmentation from this source is relatively expensive and is currently less economically viable for the Irrigation Scheme.



**Lack of value addition and diversity:** It is evident that this sector relies entirely on the produce of primary products such as maize and wheat, but no significant value is being added to these products. 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 Study Area.

### 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*

**New law causing major job losses:** The sectoral determination on Minimum Wages (which was instated on 1 March 2003) have drastically changed the situation on farms and “catapulted the Agricultural sector into chaos.” The predetermined benefits and services (such as free food, housing, municipal services, livestock, etc.) offered by farmers are now not deductible from labourers wages and most farmers perceive the set minimum monthly wage of R650 or R800 as unaffordable. In addition, extreme climatic conditions (droughts) and the current market situation, is also adding to aggravating circumstances. Farmers are mechanising and more and more farmers are diminishing their labourers (City Press, 9 November 2003).

According to interviews held with the Northern Cape Agricultural Union the sector has experienced a drastic decline in terms of employment (permanent and seasonal) since the instatement of the new law on Minimum Wages. According to interviews held with local stakeholders, the Act on Minimum Wages has rendered farmers unable to sustain their workers in terms of remuneration. This has subsequently led to the retrenchment of many farm labourers.





A telephonic survey conducted by Agri-SA this year, concluded that the percentage decrease of farm labourers in all nine provinces is estimated between 15% to 30% with an average percentage of 20%.

**Illegal slaughtering and live stock theft:** According to the Provincial Department of Agriculture, Land Reform and Conservation, illegal slaughtering and live stock theft is one of the major problems facing them within the Francis Baard District. The Department is currently urging communities to report these activities to the nearest police station or to the local municipality. In the Study Area, sheep theft is a serious problem and is causing farmers financial loss.

**Poor road infrastructure:** The poor conditions of road surfaces (gravel roads) in farming areas are a huge constraint for the growth of the agri-tourism industry, the transport of agricultural goods and the promotion of exports.

**Threat of HIV/AIDS:** According to the Northern Cape Agricultural Union, the potential effect of HIV/AIDS poses a real threat to farmers and farming communities in the Study Area. 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.

**Inefficient Health Services to farm labourers:** The Northern Cape Agricultural Union has stated that more frequent mobile clinics should be made available to farm labourers as they are far removed from health care facilities.

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

### 6.3.4. Northern Cape Development Strategy

#### 6.3.4.1. Constraints

The Northern Cape Development Strategy is a study conducted by the Provincial Department of Economic Affairs in 1999. This strategy listed the following constraints to agriculture in the Province:

- **Marketing:** Distance from major markets hamper the province, while local markets are small. Deregulation and SADC membership has allowed cheaper imports that compete with local producers.
- **Agro-processing:** High transport costs, small and dispersed local markets limit industrial development.
- **Institutional and financial:** Government and financial institutions suffer from inadequately trained and experienced staff, and from a lack of clear



demarcation of roles and functions (Northern Cape Development Strategy; Summary of Agriculture in the NC, 1998).

#### 6.3.4.2. Opportunities

Opportunities for growth as identified in the Strategy include:

- **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. Large increases in the demand for deciduous fruit, especially grapes, are forecasted and new businesses are expected to enter this market.
- **Agri-processing:** Opportunities exist within the wider agribusiness framework for the Northern Cape 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, ostrich and venison processing, groundnut and wheat processing, seed production and emergent agribusiness (like tractor servicing, fertilizer distribution, transport contractors, etc.)
- **Game farming:** this industry can help alleviate poverty in many districts, while value-adding operations also exist. These include linkages to agribusiness, like processed venison products. Game farms also provide opportunities for eco-tourism development and the settlement of emerging farmers/tourist operators.
- **Land Reform:** This programme is an effort to supply both residential and production land to poor and emerging farmers. As such it provides the impetus for rural growth, employment creation and poverty alleviation. Land for resettlement is available in the Northern Cape: possibilities include research farms and commonages. While public and private reserves may have greater potential in tourism, resettlement adjacent can allow eco-tourism to be incorporated into a community's development plans (Northern Cape Development Strategy; Summary of Agriculture in the NC, 1998).

#### 6.3.4.3. Recommendations of the Strategy

##### **Policy and Institutions:**

- Clarifying respective roles of national and provincial departments as a matter of urgency.
- Planning for development has to be participatory with goals and provisions well-publicised, enabling target beneficiaries to extract full benefits.

##### **Finance:**

- Incentives and alternative institutions, like Community Banks, should encourage greater private sector involvement.
- The Strauss Commission recommended establishing financial mechanisms to facilitate the acquisition and development of land (including risk-sharing agreements, subsidies to the financial sector, etc.) (Northern Cape Development Strategy; Summary of Agriculture in the NC, 1998).



### 6.3.5. Development Potential

The potential exists 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 of the local economy.

Some of the potential ventures identified in this sector include the following:

- Organic food and vegetarian niche products (e.g. teas, herbs, paprika, olives, pecan nuts and nut-by products).
- Essential oil extraction from herbal and indigenous plants such as canola and olives.
- Genetically modified and vegetarian crops such as sweet potato, yellow maize, potatoes and soybeans.
- Growing of crops and herbs such as buchu through hydroponics and grape seed oil as by-products of grapes.

#### 6.3.5.1. Organic Farming

##### (a) Description

Growth in the global demand for organic food is beginning to make an impact on the South African Markets. This is leading a number of farmers to start using organic methods, which preserve the soil by crop rotation and natural composting without the use of synthetic fertilizers or chemical pesticides.

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 demand for organic products is growing worldwide due to the increase in health awareness and the increase in the knowledge of the health benefits associated with the use and consumption of organic material. Additionally the



protection of the environment contributes to the high demand for organic products on the international market. The demand for organic products is increasing as consumers' awareness improves.

### (b) Trends

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.

International growth in organic production is an estimated 20% per annum, with sales in the UK expected to reach £500 million in 2000, while the US market is worth some US\$4,2 billion. Globally, this fast-growing agricultural niche market is worth an estimated US\$21,4 billion annually, and products are reportedly sold at premiums of as much as 30 to 500%. There is solid demand from supermarkets in the UK and the European Union, with the UK alone importing over 80% of its organic needs.

### Key Indicators: Organic Products

<b>International</b>	
Estimated annual growth	20%
Estimated UK sales in 2000	£500 million
US market value	\$4,2 billion
Annual world market	\$21,4 billion
<b>South Africa</b>	
Total turnover p.a.	R6-10 million
Growth Rate	50%
Exports	80% to EU

Source: WESGRO, 2000

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 are 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).

### **(c) Potential**

If organic farming methods are compared to conventional methods, the primary difference is the procedures, which are followed during the preparation of the soil. These methods together with the harvesting and other procedures are labour intensive. However, the effectiveness of organic fertilization and plague control measures have not been proven for SA conditions as yet.

Challenges organic farmers in South Africa need to overcome include the lack of organic fertilisers on a large scale, lack of pest control products, as well as the unavailability of specific implements. Retail chain confidence in organic farmers also remains low, making them hesitant to open new accounts for small growers. The reasons usually cited include lack of continuity of supply and the unproven market acceptability of organic products. Funding for research into new cultivars specifically suited for organic production is also needed, as well as for certification standards, pest and disease control, and weed control (WESGRO, 2000).

Organic farming is considered as a potential growth market because of market trends as well as the fact that it is considered the most appropriate way of achieving sustainability through sound environmental management as well as employment opportunities for a low-skilled labour force, evident in the Study Area. Organic farming is also very appropriate for the inclusion of emergent farmers within the farming community because organic farming 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.

A shift is being experienced in the wine market from white wines to red wines, which are produced from noble cultivars. The opportunity presents itself in the Study Area to develop and exploit the niche market of organically grown red wines. This development should benefit from the expected growth in the small, high-quality end of the market.

Development of this market within Phokwane'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.



### 6.3.5.2. Essential Oils

#### **(a) Description**

Essential oils are the volatile, fragrant components of numerous different plant species. The international fragrance, cosmetic, flavour and aromatherapy markets presently use these oils. The production of the oils is taking place in many different countries and ecological and climatic zones, ranging from cold Eastern Europe to the tropical Indian Ocean Islands.

The application of technology, engineering as well as agricultural and chemical sciences have started to influence the nature of the essential oil business worldwide. Today high quality chemical processing, strict quality and tractability throughout the entire supply line achieve competitiveness. The process used to manufacture essential oils is known as steam distillation. The oil yield is highly dependant on micro-climatic and other agronomic factors.

The main advantages (CSIR, 2001) offered by the production of essential oils include the following:

- Essential oils promise a very high turnover and profit margin.
- Prices for oil are quoted in US dollars.
- The product does not perish and does not have to be sold immediately.
- It is attractive for farmers who want to diversify and spread their risk to more than one crop.
- Crops last on average for 5 years, thereby reducing the labour component and annual input costs.
- The final product is of high value and low volume that can be transported easily.
- The distribution chain is characterised by long-term relationships between reliable suppliers and loyal buyers.

The main constraints/risks (CSIR) associated with the farming and production of essential oils is the following:

- Oil yield and quality are highly dependent on micro-climatic conditions and other agronomic factors.
- Not every farm is suitable for essential oil production.
- The viability of the farm business requires implementing and maintaining a high level of chemical processing technology.
- The individual farmer is exposed to the fluctuations and competition of a global product.
- Technical and financial viability studies require at least 24 months and a significant investment by the farmer.





According to the CSIR, farmers can manage these risks through the following applications:

- Via a technical and financial viability study over 2 years, to systematically and scientifically evaluate essential oil production on a specific farm.
- This implies initially investigating a variety of different essential oil crops and gradually selecting those best suited to the particular farm.
- This implies keeping the investment into the viability study as low as possible when the uncertainty is high.
- This implies that the farmer would only proceed to a commercialisation phase when reasonable certainty regarding oil quality and financial returns, and access to markets is achieved.

### **(b) Trends**

Essential oils are high value, low volume products obtained through various methods of chemical processing. There are attractive markets for essential oils of the correct quality. The primary markets for plant extracts are the flavour and fragrance industries, and medicinal, pharmaceutical and insecticidal outlets. The USA, Western Europe and Japan are the main consumers of these products and account for approximately 78% of total world consumption.

The global demand for essential oils and essential oil production is growing. Linked to the current shortage of these products, potential does exist for the development of related activities. However, high levels of secrecy in the local environment are creating barriers to market entry. Connected to this are the technical requirements and sensitivity of the plants, which is increasing the risk, associated with the establishment of such ventures. Technical and financial viability studies require at least 24 months and significant investment by farmers. Such an investment could be commercially viable, whilst at the same time creating employment opportunities.

### **(c) Potential**

The potential exists to establish community businesses growing, harvesting and processing exotic crops and delivering the essential oils to the international market. The international market for essential oils is a growing one, although the competition amongst producing countries is fierce. In 2001 the CSIR estimated this market to be in the order of US\$ 1 billion.



### Realistic Estimates

- Typical essential oil businesses generate turnovers of R25 000 to R30 000 per Ha each year, provided a suitable crop for a particular area can be found.
- Annual profits after processing of R10 000 to R20 000 per Ha can be achieved.
- The value of the harvested, unprocessed crop is typically R15 000 per Ha.
- Employing labour intensive organic farming techniques, each Ha of cultivated herbs will generate a full time agricultural labour job and a number of seasonal workers during harvesting periods.
- Each processing facility will generate further 2 to 3 full time jobs.

Source: CSIR, 2001

Following is a discussion on some of the potential cultivars that may be processed for the purposes of essential oil export.

#### (i) BUCHU

Buchu is a versatile plant and can be used as a garden plant (due to its beautiful flower display in winter), as a traditional medicine, or its natural oil is used in beauty products, aromatic oils and as a food flavour enhancer. Traditionally Buchu has been used to cure rheumatism, stomach disorders, bladder and kidney complaints, gout and has a calming effect. Buchu vinegar is used for the treatment of sprains and bruises. Buchu brandy is especially good for stomach trouble and to lift the spirit.



There are three types of buchu found in South Africa:

- Buchu (*Agathosma Betulina*) found predominantly in the Western Cape
- Resurrection plant /Bergloegoe (*Myrothamus Flabelli Folius*) found in the northern parts of SA
- Lavender Croton (*Croton Gratissimus*) also found in the northern parts of South Africa

Due to the geographical distribution of the different species, the *Myrothamus Flabelli Folius* and *Croton Gratissimus* can be cultivated in the Phokwane area.

Buchu is used for the following applications:





- Stomach ache
- Nausea
- Rheumatism
- Kidney problems
- Bladder problems
- Heart burn
- Flu and cold symptoms

Prices for oil are determined in US Dollar per litre. Oil can be priced up to \$1000 per litre of high quality oil. Britain has imported Buchu since 1823. Local producers and distillers earn annually approximately R12 million on exports to Europe. The North American market is still wide open for the export of Buchu oil and dried leaf material. However, they require guaranteed large quantities of cultivated (not harvested) buchu on an annual basis. Higher prices will be fetched for organically produced crops.

In South Africa the product is only produced in bulk formats and exported. Very little attention (marketing, etc.) is aimed at the South African market. This presents a potential gap in the market for new entrees.

#### (ii) GRAPE-SEED OIL

This oil is a by-product of the wine production process.

The grape seed is used for different applications such as:

- Cooking oil, as it is one of the lowest of all oils in saturated fat, contains no cholesterol and no sodium.
- It is also used as a cosmetic to promote cellular health and to tighten and tone skin.

The extraction of grape-seed oil has potential, as there are grape farming activities in Phokwane. Also, extraction of these oils can be linked to the huge wine-industry on the banks of the Orange-river within the province. According to the Northern Cape Wine Association, the wine industry in the Northern Cape has the highest yields in the country and usually has tons of overproduce. This presents a unique opportunity for manufacturing and extraction of the oils.



### (iii) CANOLA

#### **(a) Description**

Canola is an edible oil which originated in Canada. Today, canola is grown and consumed around the world as a superior edible oilseed. The yellow flower of the canola plant is now synonymous with organic farming and the increasing focus of healthy diets. Growing two- to six-feet tall, the yellow flowers in turn produce seed pods about two inches long, similar in shape to pea pods. The seed pods are about one-fifth the size of pea pods and contain twenty or more tiny round black or brownish-yellow seeds. Each seed contains at least 40 percent oil, which is extracted to produce margarines and oils.



#### **(b) Trends**

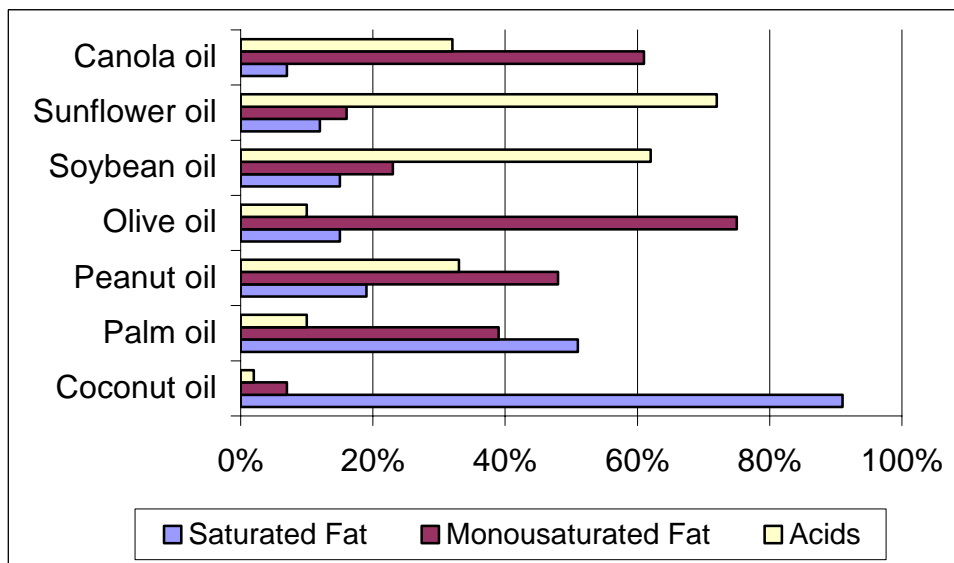
There has been a dramatic growth in world consumption of canola as its health benefits, multiplicity of uses and high oil extraction rates are more widely recognised. Although consumption has declined slightly over the last three years it is still in a long term uptrend and demand is expected to rise over the short to medium term. There is considerable potential for canola consumption to rise further given the consumption rate in many countries. For example the USA and the EU-15 populations each consume about 36 kg total vegetable oils per person with the world average at about 14 kg/person and China at only 10 kg/person.

Trends in the key producing and consuming countries are the key to the future of this crop in South Africa while other competing oils influence its price potential. Canola has, however, been able to establish a price level above many other vegetable oils due to its health qualities.

#### **(c) Potential**

Lowering serum cholesterol levels by including highly unsaturated oils in our diet is what the ideal oil is all about in many countries. That search led to recognition of canola oil's nutritional properties (see Figure 6.2). It is high in monounsaturates, moderate in polyunsaturates and low in saturates. The nutritional strength of canola is illustrated by its comparative fatty acid profile and, in particular, the lowest level of saturated fat of any vegetable oil.



**Figure 6.2 – Fat and Acid makeup of popular oils**

Source: [www.canola-council.org](http://www.canola-council.org).

The Protein Research Institute (PRI) is currently exploring the feasibility of canola within the Vaalharts Irrigation Scheme. There are mainly two types of canola: The first is harvested during winter and the second during spring. According to the PRI the spring-type will be best suited for the Study Area. The PRI is currently experimenting, in partnership with a local farmer, with canola in the Study Area.

The main advantages of canola in the Study Area include:

- Works extremely well in a rotational system with wheat.
- Can be used as a substitute for oats.
- After canola has been harvested it can be followed up with ground nuts in less than 14 days. This is very good for the capital flow of farmers.
- Canola can be sold for approximately R2000 per ton.
- Canola seed are excellent chicken feed. Rainbow Chickens are one of the major buyers of canola seed in South Africa.

The main disadvantages of canola in the Study Area include:

- Very prone to root maggots.
- High soil demand for nitrogen and sulphur. These compounds have to be added to the soil and increase the cost of production.
- Can rot very easily during the rain season.
- Canola can very easily produce too many green seeds, which lower the quality and price of the oil produced.
- Rainfall patterns in the Study Area are not perfect for canola farming.
- Transportation costs are high because there is currently no canola oil press in the region. A canola oil press requires at least 12 000 ton of canola seed to be cost productive.



Other opportunities in the Study Area in terms of canola relates to the protein meal left when the oil is extracted from the seed. The meal is used in beef and dairy cattle, swine, poultry, and specialty (horse, sheep and aquaculture) feeds. Based on nutrient content alone, canola meal is worth, on a unit weight basis, 65% to 70% of the value of 44% protein soybean meal for feeding poultry and about 70% to 75% of the value of soybean meal for feeding swine and ruminants.

#### 6.3.5.3. 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. Despite these circumstances, productivity must increase to meet the food needs of the growing population. Recent developments in biotechnology have brought hope in tackling the challenges of increasing food production. Genetic modification provides a way of meeting the growing demand for food without placing even greater pressure on scarce resources.

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.

The biggest concern regarding genetically modified (GM) crops is whether these crops are safe to use and whether its nutrient value has been changed to such an extent that it could be harmful to the consumer. A virologist at the ARC, is however of the opinion that GM crops has great potential value for the people and animals in Africa and that people must start becoming aware of these advantages.

South Africa's latest GM white corn yields were increased from 0.36% to 2.75% from 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. This crop is especially relevant to the region of the Northern Cape.

South Africans have been exposed to food with GM ingredients for the last twenty years, according to the school for biological sciences at University of Pretoria. If consumers buy food that has not been genetically modified, they might stand the risk of buying food that could increase the risk in plant diseases.



South Africa is one of only five countries in Africa that has legislation in place for genetically modified food. Therefore consumers are protected by the law. Other countries include Zimbabwe, Malawi, Kenya and Uganda (ARC Website, Vegetable & Ornamental Plant Institute, 2003). However, current global market trends in Europe and some African countries are showing much resistance towards GM crops. Markets are unpredictable and GM crops present potential in African countries struggling with drought and other agricultural problems. It also provides nutritional supplements such as vitamin A in staple food such as maize and bread now on the shelves of SA supermarket.

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.

There are four focus groups (plus a training group) that share research programmes within the Biotechnology Division:

- a) Abiotic Stress
- b) Tissue Culture
- c) Virus elimination
- d) Molecular markers

#### **(a) Abiotic Stress**

Drought and heat are some of the main factors limiting agricultural productivity worldwide. The aim of this programme is to improve agricultural crops through identification and evaluation of traits associated with drought and heat tolerance in higher plants. Experience on drought screening includes crops such as prickly pears, potatoes, soybeans, maize and sweet potatoes.

Physiological and biological screening methods are applied to determine drought and heat tolerance (sensitivity traits), and results are used to rate crops for adaptation to extreme climate conditions. Genes associated with drought tolerance have been used in potatoes and soybeans to improve crop productivity, quality and security in arid and semi-arid areas such as Phokwane and the Northern Cape. The main thrust of gene transfer is targeted at disease resistance. Gene transfer technology is under development for cassava and sweet potato, which have been identified as being important for resource poor farmers.

The ARC has conducted extensive research and development on the establishment of drought-tolerant crops such as Prickly Pear, in semi-arid regions such as the Northern Cape.



**Potential for Phokwane:** The prickly pear crop is truly drought resistant which makes it ideally suited for the local conditions and climate, especially in the increasing tendency of the El Nina effect that has been causing extreme drought conditions throughout the Northern parts of the country. The numerous applications of the fruit and plant make it ideal for subsistence farming and for the establishment of emergent farmers, as well as commercial export. The possibility for further processing presents opportunities for the establishment of cottage industries (Agricultural Research Council, 2001).

A large number of products can be processed from the plant including the following:

- Edible oils can be extracted from the seeds.
- Jams, marmalade and jellies can be processed from the pulp.
- The pads of the Spineless Cactus Pear are excellent sources of fodder for animals (particularly during dry periods).
- Industrial alcohol (and liquor).
- Fibre for paper making.
- Colouring matter can be extracted from the fruits, or from cochineal.
- Soap can be processed from the cladodes.
- The plant also has medicinal value and various diseases and illnesses can be treated with medicine distilled from the plant such as diabetes, warts, gout, diarrhoea, etc.
- The plant can also be used for erosion control.

It should be noted however, that not all cactus species are equally suitable for the production of fruit, or for the products listed above. The main advantages of the Spineless Prickly Pear as a drought-tolerant fodder crop are:

- High-water use efficiency
- Good tolerance to droughts
- Ease of establishment and cultivation
- High production capacity
- Low establishment cost
- High digestibility and palatability
- Wide adaptability

The success rate at some of the existent demonstration plots such, as Tzaneen has been very good. The ARC is currently also busy with demonstration plots in Leliefontein for different varieties of cactus pear.

#### **(b) Tissue Culture**

Tissue culture has been an important aspect of the Biotechnology Division of the ARC- Roodeplaat for the last two decades. Tissue culture protocols for many ornamental and vegetable crops, including tuber crops such as cassava, sweet potato and the wild potato (*Plectranthus esculentus*) have been developed.



Tissue culture of the wild potato has been used successfully to provide planting material to a community in the Limpopo Province of SA. It has enabled the establishment of wild potato in this area by resource poor farmers. Protocols have also been developed for the rapid multiplication of rare and endangered succulents and medicinal plants (a variety found in the Northern Cape). Species have also been propagated in this way for re-establishment in conservation.

### **(c) Virus Elimination**

Virus elimination techniques have been developed for potato, sweet potato and cassava. This provides disease free material for the use in propagation and breeding. It also provides certified virus-free planting material to farmers and the commercial sector.

### **(d) Molecular Markers**

A plant molecular marker laboratory has been established to support the ARC-Roodeplaat breeding programme. It provides a service to clients in terms of seed lot purity testing, trueness-to-type confirmation, cultivar identification and confirmation of parentage. Market technology is also used for the estimation of germplasm management of sweet potato.

ARC- Roodeplaat also realized the need for orange-fleshed cultivars. These are important because it can contribute substantial quantities of beta-carotene, the precursor of vitamin A. In South Africa vitamin A deficiency is a serious health problem. One in three pre-school children living in previously disadvantaged areas, suffer from a vitamin A deficiency. It can contribute to slow biological development and even total blindness, susceptibility to disease and in severe cases death. Orange fleshed cultivars have already been made available.

**Potential for Phokwane:** The opportunity to cultivate oranges (through water efficient techniques) does exist in Phokwane because the climate is relatively conducive thereto. The existing commercial citrus fruit planted in the area could potentially provide the resources for beta-carotene cultivation (vitamin A), which is needed for the local community.

### **6.3.6. Synthesis**

All of the above agricultural techniques, i.e. organic farming, essential oils, biotechnological techniques are ideal methods for the expansion and potential growth of the agriculture sector in Phokwane.

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





Table 6.3 provides a summary of the development potential and potential in the Agriculture sector.

**Table 6.3 – Agriculture Development Potential and possible projects**

<b>CRITERIA FOR POTENTIAL IDENTIFICATION</b>	<b>DEVELOPMENT POTENTIAL</b>	<b>POTENTIAL PROJECTS</b>
<i>Availability of raw materials and/or local resources</i>	Increase in the production of various fruits and vegetables	<ul style="list-style-type: none"> <li>- Organic farming and hydroponics production clusters/units</li> <li>- Citrus Production</li> </ul>
	Increase in the production of specialised cultivars and crops	<ul style="list-style-type: none"> <li>- Food modification, genetics</li> <li>- Olives</li> <li>- Canola</li> </ul>
	Various animal studs in the area	<ul style="list-style-type: none"> <li>- Ostrich production</li> <li>- Leather production</li> <li>- Organic farming in animal production</li> </ul>
	Water resources readily available	<ul style="list-style-type: none"> <li>- Potential for increase in the cultivars planted in the area, i.e. flowers, other herbs and spices</li> </ul>
	Favourable climate	Specialise in high demand produce including essential oils and organic products
	Collective practice of small farm pieces to achieve economies of scale	Contract basis production of fresh produce for the towns in the area
	Production of fresh produce demanded by towns in the area	
	More specialised permanent crop production	<ul style="list-style-type: none"> <li>- SMMEs and agglomerated farmers</li> </ul>
<i>Linkages</i>	Permanent crop production	<ul style="list-style-type: none"> <li>- SMMEs and agglomerated farmers</li> </ul>
<i>Market trends</i>	Olives	<ul style="list-style-type: none"> <li>- SMMEs and agglomerated farmers</li> </ul>
	Organic products	<ul style="list-style-type: none"> <li>- SMMEs and agglomerated farmers</li> </ul>
	Collective operation of small scale farmers to achieve economies of scale	<ul style="list-style-type: none"> <li>- Collective operation of adjacent farm portions and identify the most suitable cultivars to be produced on each merged portion with the aim of maximum local beneficiation</li> <li>- Manage these operations</li> </ul>
	Agriculture logistics cluster	<ul style="list-style-type: none"> <li>- Transport, marketing, inputs, distribution, research, export standardisation, etc</li> </ul>
<i>Gap analysis / agglomeration advantages</i>	Regional Agriculture incubator	<ul style="list-style-type: none"> <li>- Provide training, facilities, services for emerging farmers</li> </ul>
	Regional Agricultural Produce Market	<ul style="list-style-type: none"> <li>- Build a market for the selling of fresh produce, link transport to nearby areas, etc</li> </ul>
<i>Logistics / Nodal point function</i>	Fresh produce market	<ul style="list-style-type: none"> <li>- Selling of fresh vegetables, fruit, crops, meat, poultry, etc</li> <li>- Supply fresh produce to African countries through NEPAD</li> </ul>
	Organic farmer Association	<ul style="list-style-type: none"> <li>- Organising the production, marketing, distribution, etc of organic products to ensure maximum beneficiation for all members</li> </ul>
	Regional Agriculture incubator	<ul style="list-style-type: none"> <li>- Providing training, facilities, cumulative services, etc for enthusiasts</li> </ul>
<i>Regional service delivery function</i>	High technology practises related to agriculture	<ul style="list-style-type: none"> <li>- The introduction and application of i.e. Food modification, genetics, hydroponics, organic farming, aqua culture, etc</li> </ul>
<i>Technology change</i>	Preferential Corporate Tax Rate for Small Business Corporations	-
	Sector Partnership Fund	-
<i>Policy environment (Most important Programmes and Funds)</i>	Agro Industries Development Finance	
	AGOA	
	Multilateral Investment Guarantee Agency (MIGA)	
	International Finance Corporation (IFC)	
	Africa Project Development Facility (APDF)	





<b><u>CRITERIA FOR POTENTIAL IDENTIFICATION</u></b>	<b><u>DEVELOPMENT POTENTIAL</u></b>	<b><u>POTENTIAL PROJECTS</u></b>
	Hands-On Training Scheme (HOTS)	
	Alliance of Micro-Enterprise Development Practitioners	
	DTI: Agro Industries Development Finance	
	DTI: Export Marketing and Investment Assistance Scheme (EMIA)	
	DTI: Skills Support Programme	
	Department of Land Affairs: Land Care Programme	
	Department of Social Development: Community Development Fund	
	Department of Labour: Employment and Skills Development Services	
	Development Bank of Southern Africa	

## 6.4. MINING SECTOR

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.

South Africa is a country rich in mineral wealth. The country is the largest producer of gold, platinum, vanadium, chromium, manganese and alumino-silicates in the world.

### 6.4.1. Policy Environment

Democratic change in South Africa during the 1990's resulted in the endorsement of the principles of private enterprise within a free-market system, offering equal opportunities for all people. Government's influence within the mineral industry is confined to orderly regulation and the encouragement of equal opportunities for all citizens in mineral development.

Discriminatory policies excluded a large sector of the population from fully participating in, and directing the minerals industry in the period before democracy was realised in South Africa in 1994. The new Minerals and Petroleum Resources Development Act, setting out the official policy with regard to the exploitation of the country's minerals, has now been enacted. The restructuring of the South African economy and changing local and international circumstances were taken into consideration by a committee of the Department of Minerals and Energy, which was assigned the task of drafting the new Act.

### 6.4.2. Sectoral Contribution to National Economy

In 2001, mining contributed R66.8 billion (7.5%) to Gross Value Added and an additional estimated 10.3% through associated multiplier effects. However, this contribution as a percentage of the total has declined over the last two decades, largely due to growth experienced in the secondary and tertiary sectors of the economy and the contraction in the gold mining industry (DME Website, South



Africa's Mineral Industry: 2003). If one should add the Gross value added contribution of processed minerals (presently included in the manufacturing sector figures) to that of mining and quarrying, the impact in the national accounts will be significantly higher.

#### 6.4.3. Labour situation

During 2001, the mining industry employed 2.7% of SA's economically active population or some 7.7% of all workers in the non-agricultural formal sectors of the economy. A total of 256 149 mineworkers lost their jobs over the ten-year period from 1992 to 2001 as a result of, amongst others, the shrinking gold sector and improvements in productivity in the domestic minerals industry.

Nevertheless, taking into account the multiplying effect with regard to the supply, consuming industries, as well as the related dependants, many millions of people still rely on the mining industry for their livelihood (DME Website, South Africa's Mineral Industry: 2003).

Those employed in other provinces such as the gold mines of Gauteng, within the migrant labour system, returned because of job losses experienced in the gold mining industry. This situation contributed to unemployment in rural communities such as the Study Area.

According to the Department of Minerals and Energy, 2003 (Table 6.4) the Northern Cape Mining Industry employed 4.8% of those in the South African Mining Industry as a whole.

**Table 6.4: South Africa's Mining Industry:  
Employment by province (2001)**

PROVINCE	% EMPLOYED
Gauteng	23.4
North West	30.9
Eastern Cape	0.1
Western Cape	0.7
KwaZulu Natal	1.3
<b>Northern Cape</b>	<b>4.8</b>
Limpopo	10.3
Mpumalanga	14.5
Free State	14.0

*Source: DME, 2003: South Africa's mineral Industry*

It is evident from Table 6.5 that Northern Cape's highest sales for 2001 was generated in export sales (8.2%) followed by local sales of 5.9%.



**Table 6.5 – Percentage of primary mineral sales by province (2001)**

PROVINCE	%LOCAL SALES	%EXPORT SALES	%TOTAL SALES
Gauteng	3.2	14.9	12.3
North West	24.1	37.8	34.8
Eastern Cape	0.4	0.0	0.1
Western Cape	10.2	0.5	2.6
KwaZulu Natal	4.1	2.0	2.4
<b>Northern Cape</b>	<b>5.9</b>	<b>8.2</b>	<b>7.7</b>
Limpopo	15.7	9.1	10.5
Mpumalanga	32.1	19.2	22.0
Free State	4.4	8.4	7.5

Source: DME, 2003: South Africa's mineral Industry: General overview

In comparison to the other nine provinces, Northern Cape was rated the 5th highest contributor in terms of total income earned on primary mineral sales.

#### 6.4.4. Mining in Phokwane

It is well known that Phokwane consists of Clay deposits. The term clay refers to any naturally occurring material, composed primarily of fine-grained materials, which is generally plastic at appropriate water contents and will harden when dried or fired.

Table 6.6 provides the most important applications for Clay.

**TABLE 6.6: APPLICATIONS OF CLAY RAW MATERIALS AND SEMI-FINISHED PRODUCTS**

INDUSTRY	APPLICATION	EXAMPLES OF APPLICATIONS
<b>KAOLIN AND KAOLINITIC CLAYS</b>		
Ceramics	White ware Stoneware	Earthenware and wall tiles Chinaware and electrical porcelains Stoneware and floor tiles Sanitary ware
	Structural ceramics	Bricks (face, common and hollow) Roof tiles Salt-glazed and vitrified pipes
Agriculture	Carriers	Fertiliser Insecticides Animal feed
Chemical	Pharmaceuticals	
Fillers, extenders, polymers	Paper, printed inks and polymers Plastics Rubber	Extender especially in PVA paints Filler that enhances the electrical durability Filler
<b>BENTONITIC AND Palygorskite-sepiolite clays</b>		
Steel	Foundry sands	Binders



	Ore palletising	
Absorbents	Agriculture, horticulture	Binder and carriers in palletising animal feeds, fertilizers and soil conditioners and water-catchment sealing applications
	Mineral oil and tar exploitation	Refining, clarifying of mineral oil and grease thickening
	Foodstuffs	Refining, deodorising plant and animal foods and fats; refining of sugar, wine and malt.
	Pet litter	Cat sands.
	Desiccants	Moisture control agents used in packaging of electronic equipment.
	Cleaning detergents and	Regeneration of cleaning fluids.
Chemical	Sulphur production	Bitumen extraction, sulphur extraction.
	Pharmaceutical	Manufacturing of starter materials for medicines bases for creams and cosmetic products, healing earths.

Source: Council of Geoscience, *The Mineral Resources of South Africa, 1998*.

The only other mineral mined in Phokwane is gravel. Both these minerals are currently being processed to secondary products. Granite is being mined close the Hartswater where is crushed into gravel and bricks. Clay is being extracted in Phokwane and used in the manufacturing of clay bricks. There are only two market roleplayers in this sector and substantial opportunities exist for expansion and export from the Study Area.

#### 6.4.5. Mining Charter

The Charter abdicates that 26% of the country's existing mining assets – estimated worth: R 750 billion- will be transferred to Black Owned Companies over a 10-year period. In addition, the charter imposed a five-year interim assessment of its effectiveness, in which it hoped roughly R100 billion worth of assets – about 15% of the industry – would be owned by black companies. The charter also stated that the private sector had undertaken to assist funding new entrants.

Government and the Private sector have agreed that the following undertakings be focused on HDSA's within mining companies, i.e:

- Human resource development
- Employment Equity
- Procurement
- Ownership and joint ventures and
- Beneficiation



#### 6.4.6. Development Potential

Mining 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 the Phokwane 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 proposed tourism opportunities linked to the mining sector, which includes the manufacturing of arts and crafts, and group tours.
- Gravel located in the vicinity of Hartswater, presents possible opportunities for future exploration.
- Clay deposits in Phokwane are important for the brick and tourism industry.

### 6.5. MANUFACTURING

#### 6.5.1. Description

Industrial development and manufacturing have always been regarded as the mainstay of economic development. The reason can be found in the fact that the sector has a significant multiplier effect due to its backward linkages with the primary sectors of agriculture and mining, and secondly its forward linkages with the tertiary sectors such as trade, transport and communication. This multiplier effect is not limited to the value added in respect of the downstream processing of raw materials, but includes the direct and indirect job opportunities created. In this regard, it has been calculated that for every job opportunity generated in the manufacturing sector, between three to four jobs are generated in the economy at large.

The Northern Cape exhibits good access to raw materials, cheap energy, and upgraded communications infrastructure. Manufacturing in the province include carrot and fruit juice processing, vegetable canning, ground nut and wheat processing, meat and leather processing, cotton and wool-based textiles, wine-making, sunflower oil production and soya-based products.



In the minerals sector there is diamond cutting and jewellery manufacturing plus other specific projects such as an iron reduction plant, a steel mill, a zinc smelter and a ferro-manganese smelter.

The development plans for Port Nolloth will help facilitate exports of both processed minerals and processed fish. This R905 million project will provide the province with its own deep-water port serving key export destinations in Europe and the Americas. This would prevent the need for exported products to leave Northern Cape via another South African province or Namibia.

In Phokwane, this sector is mainly focused on the processing of primary products from the agriculture sector. It is however, worrying to note that this sector only comprises 8.2% of GGVA and 2.3% of formal employment. Most of the agricultural produce is not processed or value added within the Study Area but mainly exported to locations in Gauteng and the Western Cape. It is believed that this sector has enormous potential for expansion and employment creation through the processing of primary products from the agriculture and mining sectors.

### **6.5.2. Northern Cape Development Strategy**

According to the Strategy, Manufacturing is a marginal activity in the province, which is concentrated in the urban areas of Kimberley and Upington. The food industry dominates Upington while, clothing, textiles and metals dominated Kimberley.

#### 6.5.2.1. Constraints in Manufacturing

- Lack of coordination and ineffective government policies at all three spheres of government.
- City of Kimberley lacked innovative rebates, tariffs and other supply side measures.
- Poor coordination between business, parastatals and trade unions.

#### 6.5.2.2. Key Recommendations of the Strategy

When developing the industrial sector, it would be best to augment the strongest manufacturing sectors. These are mining and agricultural-related industries like metal, agro-processing, clothing and textiles. Furthermore the need to decentralise manufacturing industries from their traditional concentrations (e.g. Kimberley and Upington) is realised and a more equitable distribution of industries across the Province is envisaged.

The establishment a provincial manufacturing forum would bring together all stakeholders in manufacturing. The aim of such a forum would be to promote constructive debate and information sharing amongst roleplayers and government. Such a form would also result in the formulation of applicable policy.



The establishment of a provincial government task team focused on the manufacturing sector will greatly enhance communication with the private sector, and assist government in the decision making process in terms of employment creation and development. Such a provincial task team would typically include provincial government representatives involved with manufacturing in one way or another.

The establishment of a Marketing Authority and Export Promotion Centre can be beneficial to the manufacturing industry by promoting local products and supplying industries with information on exports. Such an initiative will also serve as a guide to potential investors.

The establishment of a Provincial Development Agency can act as a link between manufacturers and parastatals. Such an agency can also facilitate the better integration of business associations and trade unions.

A detailed development strategy from government is needed to highlight government's intentions/plans to promote the manufacturing sector. Such a strategy would also involve a comprehensive status quo analysis of the sector which will provide all role players with key information needed in the strategic decision making process.

### **6.5.3. Agro Processing**

#### **6.5.3.1. Nut Processing**

Global Nuts Holdings, located in Hartswater, Phokwane began processing, selling and exporting pecan nuts in 1999. Today it is the largest purchaser, processor and exporter in Southern Africa. Global Nuts' pecan product line consists of both polished nuts in shell as well as pecan nut kernels in various sizes according to international standards. They are mainly processed for bulk export to Europe, the Middle East, USA and Australia.

Notwithstanding pecan nuts, Global Nuts also processes roasted and blanched groundnuts under the Malkia brand name. The company also bulk packages flavoured groundnuts and peanut butter as well as customised brand packaging. In addition, the company presses oil and processes sprinkled nuts. All Global Nuts' products are 100% pure and contain no additives or preservatives. They are also approved by the Shaana Halaal Council.

Another aspect of Global Nuts' operations is trading in products such as macadamia nuts and by-products such as nut oil, spreads and bath oils. Macadamia nut oil is extracted by means of the traditional cold press method, which maintains all the natural properties, with no additives or preservatives, and is 100% cholesterol free.





**Potential for Phokwane:**

The climate of Phokwane is conducive to pecan nut farming and processing of both pecan nuts, peanuts and macadamia nuts, which create a potential growth market for the economy. This success story is evident of the fact that the potential in Phokwane exists to expand the groundnut and pecan nut market by the processing of by-products and expanding other varieties such as macadamia nuts.

**6.5.3.2. Goat Meat Processing**

Indigenous goats are hardy animals and therefore ideally suited for the local climatic conditions. Goat meat is the oldest and most common red meat known to man and is one of the most popular consumer meat types in the world.

Opportunities for goat farming include:

- Meat production
- Milk production
- Cashmere
- Hides
- Paper (from the manure)
- Pot soils
- Natural fertilizer (from the manure)

Existing goat farming and processing initiative in the Northern Province includes the Kalahari Kid Corporation, which is a project that includes emerging goat farmers in the Northern Cape and is setting its sites as a goat meat exporter.

**6.5.3.3. Kalahari Kid Corporation**

The corporation is a joint venture between private sector commercial partners, the Northern Cape Provincial Government and emerging farmers in the Northern Cape, Eastern Cape and North West Province of South Africa. This business facilitates the upliftment of communities and poverty alleviation through job creation.

The company processes Capretto (i.e. the tender meat from a young goat kid). Their meat range includes organic, natural and functional products, which are labelled accordingly. All aspects concerning the ethical management of the animals are monitored by regional officers – from range grown to grain-fed systems, which encompass natural veldt grazing to feedlot stock.

Specially designed transport is used to minimise any stress prior to slaughter. The cold chain is maintained from slaughter to delivery by controlled refrigerated transport.





**Nutritional value:**

Goat meat has the highest iron content in the red meat stable, with a value of 3.2 as opposed to beef at 2.9, pork at 2.7, lamb at 1.4 and chicken at 1.5. Goat meat is relatively low in calories and has extremely low fat and saturated fat content. The meat also compares favourably with respect to protein content (Kalahari kid Website, 2003).

**Potential for Phokwane:**

According to the Provincial Department of Economic Affairs and Tourism, the Kalahari Kid project has not begun exporting as yet, but is gearing itself therefore. The potential exists to expand this untapped market.

**6.5.3.4. Olive Processing**

The fertile Vaalharts Valley lies in the centre of South Africa and was formed millions of years ago by a giant glacier. The Vaalharts Irrigation Project, located in Phokwane, comprises of 43 000 ha cradled between the Harts and the Vaal Rivers. The company *Olives South Africa* is located near Hartswater. The first trees were planted in 1995 and at present the Eden Estate has 30 000 trees. The company have also planted an experimental grove of more than 60 different varieties, which helps to select those varieties best suited for the unique conditions. To date a total of 250 000 trees have been planted in the area. A new Perialisi Oil Press was imported in January 2003 and a big factory was built to process not only olive oil but also table olives. High standards of hygiene and cleanliness are maintained throughout all production stages.

**6.5.3.4.1. Cultivars****Oil Cultivars:**

- ✓ Frantocio
- ✓ Leccino
- ✓ Coratina
- ✓ Favolosa
- ✓ Delicata
- ✓ Nocellara Del Belice
- ✓ Mission

The most popular of these is the Mission cultivars. This is due to the fact that it can be used to process table olives as well as olive oil.



**Table Olive Cultivars:**

- ✓ Kalamata (Black)
- ✓ Manzanilla (Green)

All olives are handpicked at exactly the optimal stage of ripeness. To preserve all the goodness and rich olive taste, a long, natural slow fermentation process is used. The olives are fermented in brine for 9-12 months before it is ready for packaging in elegant glass jars. Only sea salt and water are used to bottle the fruit, no preservatives or colouring agents are added.

**Olive Trees:**

Only the best genetic materials are used to propagate the young olive trees. Young trees are grown with a single stem in the nursery to make them more suitable for single leader training, as well as open vase system. The most important cultivars for quality oil production, as well as table olive processing are available. It takes approximately three years for a tree to become productive.

**6.5.3.4.2. Global Market trends**

There are approximately 50 olive oil producers in SA all of which produce Extra Virgin Oil (the only types produced in South Africa). The global market trends are illustrated in the following paragraphs.

Table 6.7 provides the necessary statistics to illustrate the increase in the global market during the last decade (1990-2000).

**Table 6.7 - WORLD TRADE TRENDS IN ('000) TONNES OLIVE OIL (1990-2000)**

	<b>1990</b>	<b>2000</b>
Imports	310.5	517.5
Exports	337.0	523.0
Production	1453.0	2590.5
Consumption	1667.0	2580.5

*Source: International Olive Oil Council, 2001*

The primary deduction that can be derived from the statistics is that there is a growth in the global demand for olive oil. The South African markets production is primarily aimed at the export markets of Europe. Therefore the production volumes are leaving the country whilst the quantities being imported is lower than the exported products. However, the local consumers' awareness is growing, especially around the quality of the oil and the correlations between health aspects and quality.

The local olive oil market is expanding and opportunities exist to develop a niche, high quality product. Global exports are still greater than imports.



**Table 6.8 - World trade trends in ('000) tonnes table olives (1990-2000)**

	<b>1990</b>	<b>2000</b>
Imports	169.0	288.5
Exports	206.5	278.0
Production	950.0	1219.0
Consumption	940.0	1220.5

*Source: International Olive Oil Council, 2001*

A similar growth trend in the global trade of table olives can be observed (see Table 6.8). However, the consumption levels were marginally higher than the production volumes during 2000. This trend is a reverse of the market conditions that were experienced during the early 1990's. The consumption of the product has reported a constant growth since 1990. It is anticipated that these growth trends will continue over the medium to long term.

#### 6.5.3.4.3. South African Trends

The domestic market has constantly increased the demand for both the table olive products i.e. olive oil and table olives. More specifically, the following growth rates have been experienced since the late 1990s.

- i. 10% growth per year for table olives
- ii. 20% growth per year for olive oil

However, the local supply of these products is not sufficient and therefore approximately 30% of the domestic demand for olive oil is imported. Linked to this trend, it is important to note that South Africa is exporting olive oil (60%) as well as table olives (40%) to Switzerland. The dilemma facing South African producers is that in order to significantly penetrate the international markets, quality and quantity productions need to be established. In other words, the local producers are not large enough to produce the volumes required by international consumers to actively take part in this market.

#### **Potential for Phokwane:**

There is a potential for expanding the olive oil export market and local market. The potential exists to produce more olives and to grow olives on a commercial scale within Phokwane, which would provide employment opportunities because it is a labour intensive activity.

#### **6.5.4. Development Potential**

Potential in this sector exists in the following areas:

- Expansion of Agro-processing activities and the export market.
- Expansion of agro-tourism products (arts and crafts).
- Introduction and expansion of existing niche products (olives, herbs, indigenous plants (succulents), pecan nuts, groundnuts, macadamia nuts).



- Identification of indigenous medicinal plants and processing of by-products.
- Biotechnology: manufacturing of micro-organisms.
- Value adding and packaging.
- Establishment of leather tannery.
- Leather tannery – opportunity for linkages with motor manufacturing industries.

Table 6.9 illustrates the development potential of and possible projects within the manufacturing sector.

**Table 6.9 – Manufacturing Development Potential and possible projects**

<b>CRITERIA FOR POTENTIAL IDENTIFICATION</b>	<b>DEVELOPMENT POTENTIAL</b>	<b>POTENTIAL PROJECTS</b>
<i>Availability of raw materials and/or local resources</i>	Fruits and vegetables	<ul style="list-style-type: none"> <li>- Juice factory (Citrus and grapes)</li> <li>- Canned fruit and vegetables factory</li> <li>- Dehydrated vegetable processing</li> <li>- Dried fruit and vegetables factory</li> <li>- Soya and olive oil extraction plants</li> </ul>
	Herbs and spices	<ul style="list-style-type: none"> <li>- Extraction of essential oils</li> <li>- Herb and spice processing plant</li> </ul>
	Fresh meat and poultry (Hides)	<ul style="list-style-type: none"> <li>- Manufacturing of textiles, clothing, lather and footwear industries</li> <li>- Leather seat manufacturing for aeronautical industry</li> <li>- Livestock processing cluster</li> <li>- Ostrich product related activities (Processing of meat, leather into bags, eggs for decorative purposes, etc)</li> </ul>
	Value adding activities in the area – beneficiation	<ul style="list-style-type: none"> <li>- Processing of fruit and vegetables into juices, food flavouring and colouring, dried fruit and vegetables, canned fruits and vegetables</li> </ul>
	Processing cluster of the various produce locally (forward – beneficiation)	<ul style="list-style-type: none"> <li>- Development of a food/fruit/vegetables processing cluster incorporating various new techniques of processing and value adding</li> </ul>
	Secondary industries/activities related to agriculture and the local produce	<ul style="list-style-type: none"> <li>- A regional fresh produce market</li> <li>- Industries manufacturing packaging materials</li> <li>- Industries providing fresh produce storage, packaging and transport services</li> </ul>
	Cut offs, waste and used material recycling and new product manufacturing	<ul style="list-style-type: none"> <li>- General recycling plant of farm waste, cut offs and used materials</li> <li>- Industry manufacturing new products from these waste, cut offs and used materials (i.e. hard board, hand tools)</li> </ul>
	General	<ul style="list-style-type: none"> <li>- Agro-processing plants</li> <li>- Tile cement manufacturing</li> <li>- Pet hygiene patent manufacturing start up</li> </ul>
	Inputs for manufacturing of food and clothing can be obtained locally	<ul style="list-style-type: none"> <li>- Contracts with local producers in supplying the raw inputs to the manufacturing/processing clusters</li> </ul>
	Agriculture input cluster (backward)	<ul style="list-style-type: none"> <li>- Development of a cluster providing all necessary inputs required by the agriculture sector</li> </ul>
	General	<ul style="list-style-type: none"> <li>- Get all local manufactured products up to international standard so that these can be intermediate products for other local manufacturers</li> </ul>
	Agriculture related products	<ul style="list-style-type: none"> <li>- Specialised produce and processing</li> </ul>
	Fruit and vegetables processing cluster	<ul style="list-style-type: none"> <li>- Develop a cluster for processing</li> </ul>
<i>Linkages</i>	Manufacturing of products utilising raw and cut off products from the mining activities	<ul style="list-style-type: none"> <li>- Initiated projects to use these as inputs</li> </ul>
	Manufacturing logistics cluster	<ul style="list-style-type: none"> <li>- Develop a cluster which could provide all basic inputs for the manufacturing industries in the area</li> </ul>



<b><u>CRITERIA FOR POTENTIAL IDENTIFICATION</u></b>	<b><u>DEVELOPMENT POTENTIAL</u></b>	<b><u>POTENTIAL PROJECTS</u></b>
	Fruit, vegetables and food processing cluster	- Plant processing all local available produce into market demanded products or forms (Local beneficiation)
<i>Market trends</i>	Introduce high tech manufacturing methods	- Try to develop a regional comparative advantage in manufacturing processes and methods
	Foreign Investment Grant (FIG)	-
	Strategic Industrial Project (SIP)	-
<i>Gap analysis / agglomeration advantages</i>	Sector Partnership Fund	-
	DTI: Support programme for Industrial Innovation (SPII)	-
	Customs Rebate and Drawback Provisions	-
<i>Logistics / Nodal point function</i>	Industrial Development Zones (IDZ)	-
<i>Regional service delivery function</i>	Multilateral Investment Guarantee Agency (MIGA)	-
	Africa Development Bank	-
<i>Technology change</i>	Southern Africa Enterprise Development Fund	-
<i>Policy environment (Most important Programmes and Funds)</i>	Development Bank of Southern Africa	
	DTI: Bumble Bee Programme	
	DTI: Small Medium Enterprise Development programme (SMEDP)	
	GODISA	
	DTI: Finance for the Expansion of the Manufacturing Sector	
	DTI: Finance for the Textiles, Clothing, Leather and Footwear Industries	
	DTI: Techno-Industry Development Finance	
	DTI: Finance for the Textiles, Clothing, Leather and Footwear Industries	

## 6.6. UTILITIES SECTOR

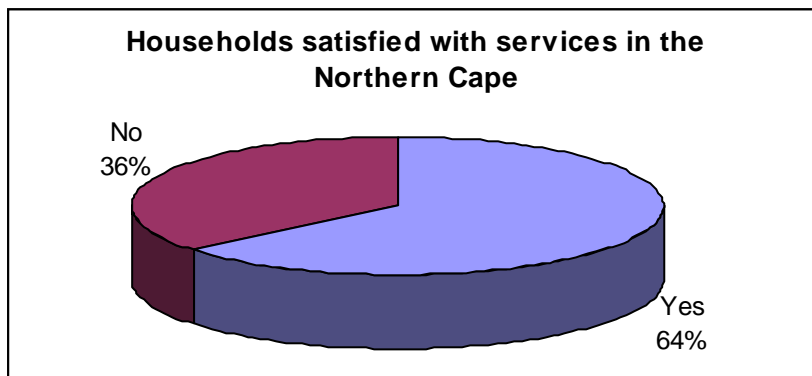
The Utilities Sector includes electricity, water, gas, buildings and construction. It includes the production, collection and distribution of electricity; the manufacturing of gas; the distribution of gaseous fuels through mains; the collection, purification and distribution of water; and the construction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

This section explores the current situation as well as future possibilities for economic development within Phokwane

### 6.6.1. Constraints within the Northern Cape

In a Perception Survey on Service delivery within the Northern Cape, conducted by the Department of Local Government and Housing, in 2002, the following findings were made as illustrated in Figure 9.1.



**Figure 6.3 - NC: Households satisfied with service**

*Source: A Status Quo Analysis of Local Governance in the*

Figure 9.1 illustrates that 64% of households in the Northern Cape are satisfied with services while the remainder 36% is not. Refuse collection seemed to be very important as 13% of the households referred to those services in the surveys conducted. Another 11% quoted that their satisfaction was related to sanitation, presumably the implementation of a sanitation project in their area.

A significant number of households (36%) were dissatisfied with services in the Northern Cape.

The reasons were as follow:

- Poor, irregular or no service (67%)
- Improvements were needed (24%)
- Unaffordable services and tariffs (7%)
- Termination of services (1%)

## **6.6.2. Current Situation within Phokwane**

### **6.6.2.1. Water**

Table 6.10 illustrates the type of access to water in Phokwane. From the table it is evident that the majority (46.1%) of the households in the Study Area have access to piped water inside their yard while only 25.4% have access to water inside their dwelling. This means that 28.5% of the households in Phokwane do not have access to water on their stand.

It is of concern however that 2.5% of households are dependent on water collected directly from a river, stream, dam, pool, or borehole. Water collected in this manner is not subjected to treatment and holds the potential risk of diseases like cholera.



**Table 6.10 – Household access to water in Phokwane, 2001**

<b>Access to Water</b>	<b>Percentage</b>
Piped water inside yard	46.1%
Piped water inside dwelling	25.4%
Piped water on community stand: distance less than 200m from dwelling	11.7%
Piped water on community stand: distance greater than 200m from dwelling	11.2%
Other	2.9%
River/stream	1.0%
Dam/pool/stagnant water	1.0%
Borehole	0.5%
Water vendor	0.1%
Rain-water tank	0.1%
<b>Total</b>	<b>100.0%</b>

Source: Statistics South Africa, 2001

Water vendors are also operative in Phokwane. These vendors charge a higher rate for water than Local Government which means that people have less disposable income left for food and education for their children.

#### **Potential for Phokwane:**

It is believed that the supply of water will continually increase in future as more people are provided with basic services and will help 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 Phokwane. 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.

#### 6.6.2.2. Electricity

Table 6.11 illustrates the use of various energy sources for lighting, cooking and heating in 2001. From Table 6.11 it is evident that electricity is by far the most popular energy source within Phokwane. Over 74% of residents have access to electricity for the use of lighting while 61.2% of citizens use electricity for cooking and 53.7% for heating. Some 19.7% of households use candles as their main form of lighting.

Phokwane is adequately serviced in terms of electricity and other energy sources. The major development nodes such as Hartswater and Jan Kempdorp display modern electrification grids which can be expanded and upgraded in future.





**Table 6.11 – Energy Sources used for Lighting, Cooking and Heating, 2001**

<b>Energy Source</b>	<b>Lighting</b>	<b>Cooking</b>	<b>Heating</b>
Electricity	74.7%	61.2%	53.7%
Gas	0.2%	2.3%	0.5%
Paraffin	4.5%	20.5%	8.9%
Wood	0.0%	14.4%	31.2%
Coal	0.0%	0.3%	0.3%
Animal dung	0.0%	0.5%	0.4%
Solar	0.2%	0.4%	0.4%
Other	20.4%	0.3%	4.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Statistics South Africa, 2001

Furthermore, the electricity supply is adequate and favourable for industrial development and expansion. It is however of concern that 15% to 30% of the local population depends on wood for cooking and heating. This situation is detrimental to the natural environment and not sustainable over the long term. This practice reduces tourism potential through the degrading of natural aesthetics.

#### 6.6.2.3. Buildings and Construction

Buildings and construction involves residential building activities; non-residential building; roads, streets and bridges; water schemes and works; sewerage; and other construction activities.

Activity in the construction sector is mainly confined to public sector spending. This situation is indicative of a slow economy where there is very little demand for private building projects. It is demand driven and subjective to the other sectors in the economy. Dynamism in the building sector is currently found in the following actions:

- RDP housing projects within Phokwane.
- Road building, upgrade and maintenance works (i.e. Public works)
- Maintenance and upgrading of public funded social facilities such as hospitals, schools, government buildings etc.
- Building by other government departments such as the Department of Water Affairs and forestry.
- Other contributors to this sector include ESKOM, businesses and private individuals.

#### **6.6.3. Current Initiatives**

The Northern Cape Government has assessed the needs and projects within the Integrated Development Plans of every Local Municipality and proposed that the IDP expenditure over the next 5 years be as follow:





#### ▪ **Sanitation**

The phasing out of the bucket latrine system is one of the top priorities of the province. At least 13000 buckets were recorded in IDPs. DWAF funding amounting to R7.6 million was made available for sanitation projects in 2002/03. It must be noted though that only 8% of the total budget was allocated to sanitation in the Francis Baard District.

#### ▪ **Solid Waste Disposal**

Solid Waste Disposal sites are planned for in most IDPs. R18 million is to be spent over the next 5 years on upgrading existing solid waste sites, developing new sites and purchasing refuse bins.

#### ▪ **Transport**

Transport has been categorised separately from infrastructure and includes access and main roads and taxi/bus/airport facilities. Spending on access and main roads (R504 million) is slightly greater than spending on localised streets and storm water (R493 million). Kgalagadi will spend 26% of their budget on transport while Francis Baard have budgeted almost nothing in comparison. A further R22 million will be spent on taxi, bus and airport facilities (A Status Quo Analysis of Local Governance in the Northern Cape, 2002).

### **6.6.4. Development Potential**

- Although Phokwane is well provided for in terms of services, it is not affordable to residents in disadvantaged communities. If fee structures and/or facilities can be altered according to 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 on water and electricity.
- The provision of adequate infrastructure and services, especially in places such as Ganspan and Pampierstad, would positively contribute to the creation of an environment that is conducive to economic development and will thus enhance investors' confidence within the area.
- The Northern Cape Expo has identified that the upgrading and provision of amenities and infrastructure in the province as one of the potential growth areas. It is important that Phokwane latches onto this potential development as service provider and skills developer.

## **6.7. 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.



### 6.7.1. Description

In general terms, the Trade sector is derivative of a larger economy, as the potential buyer has to have access to funds in order to be able to engage in a trading transaction. Trade, in its turn, is not only a function of the amount of money available, but is also influenced by non-economic considerations such as personal taste, availability of alternatives and the current fashions. For this reason, the sector can be used as a crude measure of economic performance and the confidence the people and industry have in the local economy.

**Table 6.12 – Top three products traded in Phokwane, 2003**

Formal Sector		Informal Sector	
Products	Percentage	Products	Percentage
Groceries	17.7	Snacks, fruit, tobacco etc.	67.9
Clothing	4.9	Maize	9.9
Motor vehicle sales and repair	4.4	Shoe repairs	4.9
<b>Total</b>	<b>27.0</b>	<b>Total</b>	<b>82.7</b>

Source: *Urban-Econ Business Audit, 2003*

In terms of hierarchy, Hartswater is relatively large compared to other business nodes in the area but do not have the large anchor tenants. A range of commercial outlets (formal and informal) entirely supported by local settlements, are dotted throughout the Study Area.

Table 6.13 illustrates the sectoral distribution of businesses in the formal sector and Table 6.12 the top three products/services traded. The data represented in these tables are representative of the businesses captured on the database. The local economy is relatively concentrated with almost 30% of businesses in the formal sector representing groceries, clothing and vehicle repair. These businesses do not offer much in terms of consumer choice and value for money. More than 80% of products traded can be classified under only three types in the informal sector (see Table 6.12).

This situation is causing local residents to spend their disposable income outside the area where they have a wider choice of products which are generally also cheaper. Other reasons for this situation include the unavailability of luxury items and specialised goods and services within Phokwane. Products and services are relatively more expensive in Phokwane because of high transport cost, lack of market competition and the distance from wholesalers. Most of the informal businesses do not qualify for bulk discounts and credit facilities which contribute to higher product costs for their customers.



**Table 6.13 – Formal trade distribution in the Study Area, 2003**

<b>Sector</b>	<b>Percentage</b>	<b>Sector</b>	<b>Percentage</b>
Mining	0.3	Storage and warehousing	1.4
Manufacturing, including printing	3.1	Banking and loans	2.5
Construction	1.4	Insurance (life, pension & medical)	1.7
Retail (shop)	53.2	Real estate and property	0.0
Motor vehicle sales and repairs	7.8	Business services (legal, professional, etc)	7.3
Wholesaler	1.4	Social services (education, health, sport, etc)	2.2
Accommodation establishments	0.6	Personal services (Dry cleaning, hairdressing, etc)	13.4
Restaurants, take aways and bars	2.8	<b>Total</b>	<b>100.0</b>
Transport	0.8		

Source: *Urban-Econ Business Audit, 2003*

Residents in Phokwane do their shopping in urban-sentra such as Kimberley and Vryburg. The central business district of Hartswater attracts the most of the disposable income from residents in the Study Area compared to the other towns in Phokwane. This situation is descriptive of major leakages in the local economy and should this situation be reversed, many new employment opportunities in the Study Area can be created.

There are currently not many accommodation facilities for tourists available in Phokwane. If tourism is to be promoted, from a trade perspective, then specialised consumer goods and dedicated accommodation facilities needs to be upgraded and expanded within the Municipality.

### **6.7.2. Business Trends**

Trade is a derived activity that is dependent on the success of other primary and secondary sectors as well as on household income levels. It is an important economic sector as it is an important provider of jobs (especially for unskilled labour), it is the most effective and inexpensive entry point for entrepreneurs to start a business, and it is the system through which goods and services are distributed in the most effective way. It is believed that there are numerous opportunities for future growth in this sector.

The trade sector, which account for 19.8% of the local economy, is relatively small when the size of the local population is taken into account and it is believed to be underrepresented in the Study Area. The formal sector accounts for only 11% of employment in the area and many people have to resort to informal trading to survive.



**Table 6.14 – Historic and Expected business trends in the formal sector**

Criteria	1998 - 2003	2003 - 2008
Turnover	(↗)	(↗)
Production	(↗)	(↗)
Employment	(↘)	(↘)
Market Share	(↗)	(↗)

Source: Urban-Econ Business Audit, 2003

- (↑) High positive trend
- (↗) Medium positive trend
- (↘) Low positive trend
- (↓) High negative trend

Table 6.14 indicates the most important trends in the formal sector of the local economy. From the table it is clear that this is a growing sector which shows potential. According to the table, more than 50% of businesses expect their turnover to increase over the next five years while between 40% and 60% expect a moderate increase in production, market share and physical space. It is of concern however that about 55% of business plan to reduce their work force. The table is based on personal interviews with business owners who are positive about the future of their businesses in Phokwane.

### 6.7.3. Potential for Phokwane

Although this is a relative small sector, it experienced growth over the last five years and has the potential to continue on this growth path. This is based on the substantial leakage of disposable income out of the Study Area. A few shopping nodes exists such as in Hartswater and Jan Kempdorp. Apart from these two towns, the retail supply consists mostly of small isolated shops scattered throughout the area. Most of these are informal in nature and only cater in the day-to-day requirements of local residents. Although facilities in Phokwane would never be able to compete with the agglomeration advantages of shops in areas like Kimberley, the population and its consumable spending power can support a variety of shops and consequently more local jobs can be created and more money invested locally.

The informal retail market is relatively strong with a range of spaza shops and hawker stalls scattered through the settlements. This sector provides employment for a significant portion of the population, although the stability of the employment is not high and the income derived from the informal sales is not believed to be very significant. This sector nevertheless provides a source of income for many people who would be otherwise destitute. The need for infrastructure provision in terms of accommodating informal trade has also been noted. However, the strategic location of this infrastructure is an essential factor to the success of informal trade.

The development potential of and possible projects within the trade sector are illustrated by Table 6.15.



**Table 6.15 – Trade Development Potential and possible projects**

<b><u>CRITERIA FOR POTENTIAL IDENTIFICATION</u></b>	<b><u>DEVELOPMENT POTENTIAL</u></b>	<b><u>POTENTIAL PROJECTS</u></b>
<i>Availability of raw materials and/or local resources</i>	Various agriculture produce	- Regional fresh produce market
<i>Linkages</i>	Potential for trade products to be produced locally (i.e. cloths, shoes from leather, etc)	- Determine what products can be produced from local produce focussing on the needs and demands of the local people
	Secondary industries/activities related to agriculture and the local produce	- A regional fresh produce market - Industries manufacturing packaging materials - Industries providing fresh produce transport services
<i>Market trends</i>	A high demand for specialised products and services	- A regional shopping centre
<i>Gap analysis / agglomeration advantages</i>	Regional shopping centre	- Providing all services and businesses people need to travel to Kimberley or Vryburg
<i>Logistics / Nodal point function</i>	Trade incubator	- Training of people in trade relations, etc
<i>Regional service delivery function</i>	Regional shopping / trade centre	- Providing all services and businesses people need to travel to Kimberley or Vryburg
<i>Technology change</i>	Internet shopping	- Link major manufacturers, industries and businesses to internet shopping
<i>Policy environment (Most important Programmes and Funds)</i>	DTI: Wholesale Finance	
	NEPAD	
	DTI: Capacity Building Support for Retail Financial Intermediaries (RFIs)	
	DTI: Export Finance	
	DTI: Export Marketing and Investment Assistance Scheme (EMIA)	
	SMEDP	

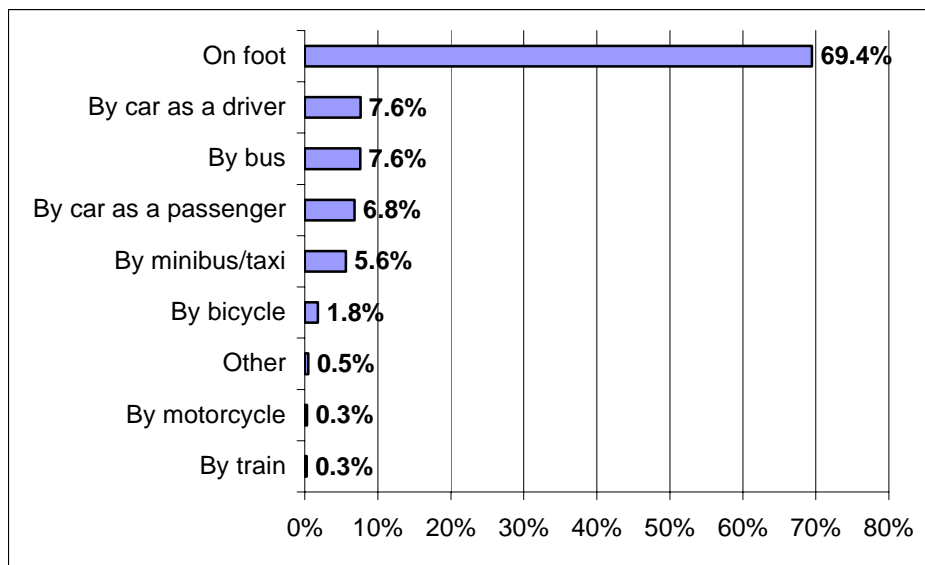
## **6.8. TRANSPORT, COMMUNICATION AND STORAGE SECTOR**

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 (i.e. Standard Industrial Classification) includes postal activities and telecommunications.

### **6.8.1. Description**

The main form of motorised transport in Phokwane consists of private vehicles, used mainly to transport only the driver (see Figure 6.4).



**Figure 6.4 – Mode of travel to work or school in Phokwane, 2001**

Source: Statistics South Africa, 2001

The overwhelming majority (69.4%) of the people in Phokwane walk to 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 busses and taxis at the end of the month to cater for their monthly financial, grocery and other shopping needs.

Some workers in the agricultural sector have housing accommodation on the respective farms and thus do not require any form of motorised transportation to travel to work. Many residents do however commute on a daily basis to their place of employment. In this regard 13.2% of people in Phokwane depend on busses and taxis for their transport to work or school. Relative to bus transport, private vehicle ownership in the Study Area is relatively high.

A railway line is present in Phokwane. According to Census 2001, 0.3% of the residents in the Study Area make use of trains to get to work or school. The only airfield in the Study Area is the one maintained by the Military Depot outside Jan Kempdorp.

Table 6.16 illustrates the derived access of households in Phokwane to telephone services. From the households in Phokwane, 24.5% have access to a telephone in their dwellings. Only 4.6% of households have no access to a telephone while 51.1% have access to a telephone nearby.

Important to note is the fact that 12.4% of households have a cell-phone. This presents a business opportunity for the sale of pre-paid cellular vouchers within Phokwane. According to interviews some regions within the Study Area suffer from poor cellular reception. Only 12.8% of households have access to a cell-phone and a land-line phone.



**Table 6.16 – Access to telephone services in Phokwane, 2001**

<b>Access to telephone</b>	<b>Percentage (Households)</b>
Telephone in dwelling and cell-phone	12.8%
Telephone in dwelling only	12.1%
Cell-phone only	12.4%
At a neighbour nearby	12.6%
At a public telephone nearby	33.7%
At another location nearby	4.8%
At another location; not nearby	7.0%
No access to a telephone	4.6%
<b>Total</b>	<b>100.0%</b>

Source: Statistics South Africa, 2001

The main development corridor in the area runs from Vryburg in the north to Kimberley in the south. From Kimberley the N12 links up with Britstown and the N1. Further linkages to the south are provided by the N1 while the N18 links the Study Area to Gauteng. This network of roads and railways is integrated with the rest of the country.

### **6.8.2. Development Trends**

The Transport and Communication sector contributed 9.3% to the local GVA and 3.6% to formal employment in Phokwane in 2002 (Global Insight, 2003).

Most of the primary nodal points such as Hartswater and Jan Kempdorp have infrastructure for telephone services. However, very few households in the area can afford these services and the business sector is the main user. Interviews with local communities have revealed that there are not enough public telephone facilities in the area. Many 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.



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.

### **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*

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 the Study Area and the rest of South Africa.

Telephone infrastructure is present in Phokwane 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.





### 6.8.3. Potential for Phokwane

This is an important economic sector in Phokwane. However, it will not have a large impact on economic growth or job creation. The following areas of potential exist within the transport sector of the Study Area:

- 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)

The development potential of and possible projects are illustrated by Table 6.17.

**Table 6.17 – Transport and Communication Development Potential and possible projects**

<b><u>CRITERIA FOR POTENTIAL IDENTIFICATION</u></b>	<b><u>DEVELOPMENT POTENTIAL</u></b>	<b><u>POTENTIAL PROJECTS</u></b>
<i>Availability of raw materials and/or local resources</i>	Fresh fruit and vegetable produce	- Packaging, storage and distribution plant
<i>Linkages</i>	Improvement of local Airport at 93 Ammo Depot	- Link with Kimberley airport to service the entire region in terms of freight transport
<i>Market trends</i>	Need higher level of technology within the communication sector	
<i>Gap analysis / agglomeration advantages</i>	Lack of high technology communication networks	
	More effective use of local railway system to distribute goods	
<i>Logistics / Nodal point function</i>	Storage facilities	- Agriculture storage facilities

## 6.9. FINANCIAL SECTOR

This sector includes the activity of obtaining and redistributing funds, other than for the purpose of insurance, real estate or commercial/business services. Real estate includes the buying, selling, renting and operating of owned or leased real estate, such as flats and dwellings and non-residential buildings; developing and subdividing real estate into lots, etc. Also included are land-jobbers (i.e. property speculators) and the development and sale of land. Business services in this sector refer to the renting of transport equipment and other machinery such as agricultural, construction, computer, and household equipment.

### 6.9.1. Description

Northern Cape has two main urban centres namely: the Kimberley and the Upington urban areas, with Kimberley as the capital of the province. These urban areas are well developed and account for most of the economic activities in the province. The larger towns in Northern Cape such as Kuruman, Springbok,



Calvinia, and De Aar have well-developed financial infrastructures and services. This is however not the case in the Study Area.

Branch offices of financial institutions are located in the larger towns while some of the financial services are rendered by ATM machines. Banking facilities in Phokwane are very limited with only a few ATM machines located throughout the area. This means that residents have to commute to these facilities which increase their cost of purchasing essential goods and services. A problem raised by locals was safety at local pension payout points. Elderly people often fall victim to robbery and/or assault due to the insecure locations of some pension payout points in Phokwane.



The real estate market in Phokwane is not currently very active. The only problem in terms of property in the Study Area is with regards to property valuation. This problem is more applicable to settlements located in the rural parts of the Study Area. This situation hampers the sale, development and taxing of individual properties. It also restricts individual property owners to secure financial loans against their properties.

### **6.9.2. Development Trends**

The finance sector contributes 7.8% to the GVA of the local economy and 3.5% to formal labour. As a tertiary sector, the performance of the finance sector is dependent on growth in the other economic sectors.

This means that the finance sector will only grow with the expansion and development of the other sectors. There is a demand for more banking facilities in the area but is restricted by the low levels of household income. Hartswater represents the financial hub of Phokwane where all four of the major South African banks have a branch. It is expected that this sector will grow slowly over the next five years as formal businesses increase their turnover and market share.

### **6.9.3. Potential for Phokwane**

There is a dire need for more banking facilities in the rural areas of Phokwane as many people do not have bank accounts or facilities to make deposits, withdrawals and other transactions.

If more locals obtain title deeds to their properties, it will enable them to loan money against fixed property. This will stimulate the real estate and retail trade market as well as business development services



## 6.10. COMMUNITY SERVICES SECTOR

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.

### 6.10.1. Description

The community services sector, which includes the government sector, is the largest sector in the local economy of Phokwane, contributing over half (57.6%) to the local GVA while catering for 50% of the formal employment opportunities in the Study Area. This sector is mostly concentrated around Hartswater and Jan Kempdorp, 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 the Study Area.

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

### 6.10.2. Development Trends

Due to the relatively large resident population there are numerous schools, clinics and other social and community facilities throughout Phokwane (see Table 6.18). Hartswater represents the administrative centre of Phokwane where the municipal offices are located. This town furthermore hosts one of the two hospitals in the Study Area.



Phokwane is well-endowed in terms of sport facilities. A range of sport opportunities exist in the Study Area in terms of soccer fields, tennis courts, netball fields, a pavilion, a golf course, a rugby and cricket field, bowling greens and a squash court.

**Table 6.18 – Community Facilities located in Phokwane**

Town	Clinics	Hospitals	Sport Facilities	Schools <sup>1</sup>
Pampierstad	1	0	6	10
Hartswater	1	1	14	3
Jan Kempdorp	2	1	3	8
Ganspan	1	0	0	1
<b>Total</b>	<b>5</b>	<b>2</b>	<b>23</b>	<b>22</b>

*Source: Phokwane Municipal IDP, 2003-2007*

According to the IDP, there is a need for a fire brigade service in Phokwane. Currently the only form of fire fighting aid available is from the 93 Ammo Depot and from the community itself. The absence of a fire brigade in the Study Area poses a huge risk to residential, business, agricultural and industrial assets. This risk in itself is a deterrent to investment and Local Economic Development.

### **6.10.3. Development Potential**

#### **6.10.3.1. 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 Phokwane Local Municipality is not directly responsible for the provision of primary Healthcare Facilities within the Study Area, the

<sup>1</sup> There are also 11 farm schools located throughout Phokwane



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.

#### 6.10.3.2. 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 Phokwane**

Healthcare Facilities and health services in Phokwane could be improved with the use of telemedicine. Telemedicine is a technological advanced method for



rural municipalities like Phokwane to provide specialist healthcare to poor rural communities.

#### 6.10.3.3. Community Health

The most common communicable diseases in South Africa are TB, malaria, measles and STIs. The appropriate and timeous 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, hermafluos 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 intensifying 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 Phokwane**

Almost 20 000 of Phokwane's residents (31.9%) are below the age of 15. This represents the future labour force of the Study Area. It is therefore important to ensure that all children receive timeous immunisation against infectious diseases.



There is thus a definite need for an information campaign in Phokwane to inform parents about the proper care of their children's health needs. Phokwane 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.

The development potential of and possible projects in the Community Services sector are illustrated by Table 6.19.

**Table 6.19 – Services Development Potential and possible projects**

<b><u>CRITERIA FOR POTENTIAL IDENTIFICATION</u></b>	<b><u>DEVELOPMENT POTENTIAL</u></b>	<b><u>POTENTIAL PROJECTS</u></b>
<i>Availability of raw materials and/or local resources</i>	Develop a friendly and attractive business environment to attract investors, businesses, etc to the area	
<i>Gap analysis / agglomeration advantages</i>	High quality and standard medical services	<ul style="list-style-type: none"> <li>- PPP in healthcare</li> <li>- High tech health treatment and recovery centre</li> </ul>
	Community services	<ul style="list-style-type: none"> <li>- Regional safety and disaster management</li> <li>- Fire brigade</li> <li>- Community policing forum</li> </ul>
<i>Logistics / Nodal point function</i>	Regional medical cluster	<ul style="list-style-type: none"> <li>- High tech health treatment and recovery centre</li> </ul>
<i>Regional service delivery function</i>	-	-
<i>Policy environment (Most important Programmes and Funds)</i>	DTI: Critical Infrastructure Programme (CIP)	

## **6.11. TOURISM SECTOR**

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.

### **6.11.1. Description**

Tourism is an important activity in Northern Cape and is a popular destination for both foreign and domestic tourists. The Augrabies Falls National Park remains one of the main attractions of the Northern Cape. The Province also boasts four of the country's major parks, namely the Kgalagadi Transfrontier Park, and Richtersveld, Namaqua and TankwaKaroo National Parks. Gameviewing drives reveal a variety of bird life, and animals such as klipspringers, steenbuck, various wildcats and otters.





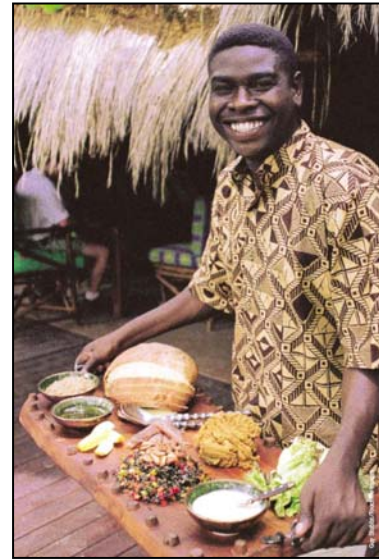
The Big Hole in Kimberley is the largest hand-dug excavation in the world. A short distance from Kimberley is the mining town Barkley West, which, due to its proximity to the Vaal River, is a favourite spot for many a water-sport enthusiast and angler. Tucked along the Vaal River near Barkley West lies the Vaalbos National Park. The Province offers several hiking trails, horse trails, mountain biking, canoeing, whiteriver rafting and combination trails.

Currently tourism activities are not well established in the Study Area. The following facilities provide the best known attractions in the Study Area:

- Hartswater wine cellar.
- Rose farm.
- Women's Memorial, in Hartswater.
- Wine Co-operative where tourists can enjoy wine tasting and buy some local wines.
- Vaalharts Irrigation Scheme Covering 36 950ha. The scheme is one of the largest irrigation schemes in the world, watering 1 250 farms of some 25ha each in the lush Vaalharts Valley. The scheme provides unique opportunities for group tours with an educational basis.
- Vaalharts Museum.

#### 6.11.2. Development Trends

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, growing at 2,7% over 2001. The estimated performance of South Africa's Tourism economy in 2002 is better than the performance of the world as a whole (Grant Thornton Kessel Feinstein, 2003).



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.





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

### 6.11.3. Development Potential

Opportunities for the future development of tourism could possibly be found in Phokwane, such as bush camps and the future trend of cultural group tours with an educational basis. 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 Phokwane makes it a convenient stop-over point for tourists travelling to the rest of South Africa. It is situated near Kimberley and provides a unique blend of tourist opportunities.

**Eco-tourism.** Phokwane is earmarked with green pastures and a river stream abutting the area. The area is ideal for bird watching enthusiasts and hikers. One of the stakeholders suggested that Ganspan has the potential to be developed into a tourist resort.

**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 Phokwane a very safe travelling destination.

A lack of packaging and marketing of Phokwane's tourist products and services, and the lack of a unique identity keep the Study Area off the maps. As part of the Municipal IDP, it is essential to include a strategy focussing solely on the development of tourism in the Study Area. 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.

The development potential of and possible projects in the Tourism sector are illustrated by Table 6.20.



**Table 6.20 – Tourism Development Potential and possible projects**

<b>CRITERIA FOR POTENTIAL IDENTIFICATION</b>	<b>DEVELOPMENT POTENTIAL</b>	<b>POTENTIAL PROJECTS</b>
<i>Availability of raw materials and/or local resources</i>	Various tourism products and services	- Package and market products - Development of a local tourism node (PPP)
	Grape, olives and other commercial farms – Tourism potential	- Include these farms in tourist routes and itineraries
<i>Linkages</i>	Potential to link tourism to agriculture, mining and manufacturing industries	- Develop tourism packages for agriculture, mining and manufacturing tours
<i>Market trends</i>	More specialised and high quality products and services	- High standard self catering facilities, etc
<i>Gap analysis / agglomeration advantages</i>	Develop a tourism theme for the Phokwane area	- The Irrigation Scheme (e.g. Group tours and Hiking)
	New tourists products and services	- Eco-tourism - Tourist bicycle route - More specialised tourist orientated cultural activities
<i>Technology change</i>	Put Phokwane and its tourism products and services 'on the map'	- Internet marketing and local website
<i>Policy environment (Most important Programmes and Funds)</i>	Small Medium Enterprise Development Programme (SMEDP) - Tourism	
	DTI: Tourism Development Finance	
	Department of Arts, Culture, Science and Technology: Crafts and Tourism programme	

## 6.12. CONCLUSION

Table 6.21 provides an overview of key economic indicators as well as a list of opportunities and constraints within each sector of the local economy. As defined in section five of this document, the location quotient is indicative of a comparative advantage within a sector of the economy. If a sector has a location quotient that is larger than one, then that sector has a comparative advantage.

**Table 6.21 – Sectoral scan of key economic indicators, opportunities and constraints.**

<b>Sector</b>	<b>Growth p.a. (96-02)</b>	<b>Location Quotient</b>	<b>Opportunities</b>	<b>Constraints</b>
Agriculture	1.7%	3.9	- Organic Farming - Hydroponics - Beneficiation - Essential Oils - Drought tolerant crops - Goats - Meat production	- Water - No/Little beneficiation - HIV/AIDS
Mining	-10.1%	0.1	- Gravel - Clay	- Very few natural resources
Manufacturing	1.2%	0.4	- Availability of labour - SMME development - Agro-Industries - Agro-Tourism - Leather Tannery - Distance to markets	- Lack of investment incentives - Lack of development strategy - Not strategic location
Electricity	-2.5%	1.7	- Development	- Wastage of water



Sector	Growth p.a. (96-02)	Location Quotient	Opportunities	Constraints
			<ul style="list-style-type: none"> <li>potential</li> <li>- Employment through implementation</li> <li>- PPP in service provision</li> </ul>	<ul style="list-style-type: none"> <li>- Low income and reluctance to pay for services</li> <li>- Lack of funding</li> </ul>
Construction	-0.8%	0.8	<ul style="list-style-type: none"> <li>- Employment creation</li> <li>- RDP projects</li> </ul>	<ul style="list-style-type: none"> <li>- Expensive</li> <li>- Slow local economic development</li> <li>-Lack of skilled labour</li> </ul>
Trade	1.9%	1.3	<ul style="list-style-type: none"> <li>- Locally produced products</li> <li>- Farming produce</li> <li>- Tourism (arts &amp; crafts)</li> <li>- SMMEs</li> <li>- Formalisation of informal trade</li> </ul>	<ul style="list-style-type: none"> <li>- Not optimal spatial distribution</li> <li>- High % informal</li> <li>- Leakage of buying power</li> <li>- Low consumer income</li> <li>- Lack of specialised goods and services</li> <li>- High transport costs</li> </ul>
Transport	7.0%	1.1	<ul style="list-style-type: none"> <li>- Rural-Urban Integration</li> <li>- Internet and e-trade</li> <li>- Maintenance programmes</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of funding</li> <li>- Poor quality of roads</li> <li>- Cost of maintenance and repair</li> </ul>
Finance	7.4%	0.4	<ul style="list-style-type: none"> <li>- Distribution of ATMs and pension payout points throughout the area</li> </ul>	<ul style="list-style-type: none"> <li>- Slow economic growth</li> <li>- High levels of poverty</li> </ul>
Services	0.4%	1.3	<ul style="list-style-type: none"> <li>- Backlog in community services</li> </ul>	<ul style="list-style-type: none"> <li>- Dependent on Provincial and National funding</li> </ul>
Tourism <sup>2</sup>	N/A	N/A	<ul style="list-style-type: none"> <li>- Group tours with an educational basis</li> <li>- Eco-Tourism</li> <li>- Hiking and camping</li> <li>- Tourism route</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of high standard tourism products and services</li> <li>- Lack of tourism identity of the area</li> <li>- Lack of skilled operators and guides</li> </ul>

<sup>2</sup> Growth and LQ is not specified due to the unavailability in WEFA economic databases.



It is important to note that although the Community services sector is the driver of the formal economy in the area, the most important forms of income to the local community are trading, farming and formal employment.

The most important challenges facing the farming community are the current drought, lack of beneficiation (value adding), live stock theft and labour laws.

If the agricultural sector were to be broadened in terms of the introduction of new cultivations such as organic farming and essential oils, these projects should run parallel with environmental awareness programmes so as to ensure the sustainability thereof.

When summarising the aforementioned sections, one can derive that the sectors with the optimum development potential in Phokwane are, Agriculture, Manufacturing, Trade and Tourism.



# SECTION SEVEN: Development Framework

## 7.1. INTRODUCTION

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The previous sections provided an assessment of the internal structure and the potential of the local economy. Based on this assessment, it is now possible to identify the strategic thrusts/initiatives to address the problems noted in Sections four and five. These development thrusts have to be set in context of the long-term vision for the local economy.

The purpose of this section is to delineate a LED vision, goals and objectives for the area and how it can be implemented in terms of strategic initiatives (broad economic opportunities).

## 7.2. LED VISION

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### 7.2.1. Elements of a LED Strategy

In Diagram 2.1 the LED process is given and provides a guideline for the planning of the implementation phase thereof. The diagram also describes that the vision is the first step of planning after all the problems and opportunities have been identified in the sectoral analysis (Section 4-6). Flowing from the vision (long-term) is the development goals and objectives that narrows down the vision and is more short-term of measure. Out of these objectives, broad economic opportunities (programmes) are identified. From these opportunities, projects (action plans) are then identified.

**The World Bank defines these LED elements as follow:**

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**Vision:** The vision usually describes the stakeholders' (community, private sector, municipality, non-governmental organisations) agreement on the preferred economic future of the economy.

**Goals:** Goals are based on the overall vision and specify desired outcomes of the economic planning process.

**Objectives:** Objectives set performance standards and target activities for development. They are time bound and measurable.

**Programmes:** Programmes are set out approaches to achieving realistic economic development goals. They are time bound and measurable.



**Projects and Action Plans:** Projects implement specific program components. They must be prioritised and all cost must be established. They are time bound and measurable.

*Source: World Bank: Local Economic Development, 2002*

### 7.2.2. Phokwane LED Vision

The vision is an element of the LED strategy and one of the first steps to implementing the strategy and thus solving the inherent problems. From the assessment of the local economy and the LED Indaba, as provided in Sections 4 to 6, it is clear that the economy has inherent structural problems. The most significant of which is the fact that very little value adding (beneficiation) takes place in the agriculture sector.

Based on these inherent problems, the long-term vision for the economy is defined as follow:

#### **LONG TERM LED VISION FOR THE ECONOMY OF PHOKWANE**

To broaden the economic base of the local economy with the sustainable utilisation of resources and by adding maximum value through the beneficiation of primary products in order to generate maximum opportunities for the local community.

### 7.2.3. Goals and Objectives

The goals and objectives have been derived from the problems stated during the LED Indaba, in this report and the aforementioned LED vision that has been formulated accordingly. These goals and objectives aim to address the needs of unemployment and poverty in Phokwane.

The LED goals for Phokwane are as follows:

- The alleviation of poverty through the broadening of the economic base in the agriculture, manufacturing, trade and tourism sectors.
- Create opportunities to transfer technology and skills that would result in the community increasing their skills levels, becoming more competitive within the regional labour force and increasing employment opportunities.
- Provide more effective infrastructure and business support that will help the community in attaining supplies and health care facilities. This will also help local businesses and SMMEs by boosting investor's confidence in the area.



The objectives for economic growth are as follow:

- Beneficiation of primary products.
- To increase employment opportunities.
- Create a competitive skills base.
- Implement and upgrade existing infrastructure.
- Implement supporting services.
- Increase SMME opportunities.
- Ensure the involvement and participation of all stakeholders in the local economic development process.

### **7.3. STRATEGY IMPLEMENTATION FRAMEWORK**

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The key issues, goals, objectives and economic vision guide the economic development intervention and strategic development programmes identified. The strategic programmes/thrusts which have been identified for Phokwane include the following:

- Diversification and Beneficiation of the Agricultural sector
- Economic Infrastructure Support
- SMME development
- Human Resource Development
- Tourism Development

The aforementioned strategic thrust/programmes are discussed accordingly.

#### **7.3.1. Diversifying the Agricultural Sector**

Farmers on a global scale have become increasingly diverse in their agricultural produce over the last few decades. This means that traditional crops such as maize and wheat become less important as a source of livelihood while other farming practices such as permanent crops, hydroponics, organic farming, genetic modification etc. have become more important and profitable. Some degree of diversification has always existed in the agriculture sector. After all, farming is grounded in the seasonality and risky nature of planted crops. Diversification is thus seen as a method to cope with risk and crop vulnerability.

In terms of Local Economic Development, agriculture diversification is seen as a livelihood coping strategy for the farmer; increasing profits through new products such as olives, organic farming and essential oils; broadening the local export base; and the creation of additional employment opportunities. Agriculture diversification also has indirect spin-off effects on the secondary sector. Opportunities are now created in the agro-industrial sector in terms of packaging and value adding, which creates even more employment opportunities.

Viable agricultural crops, with clearly defined markets therefore need to be identified for available agricultural land and planning programmes initiated



within Phokwane. As part of these strategies, new and innovative agricultural practices need to be taken into cognisance.

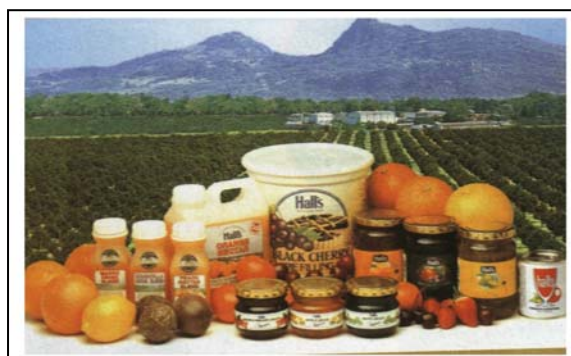
It has become evident that traditional agricultural production methods will not be able to meet the demands of a growing South African population for much longer. Towards the end of the 20th century, Research and Development subsequently focused on the development of alternative food production techniques that would be able to address increasing demand in a safe and sustainable way. In this context, the biotechnology industry gained momentum towards the end of the 20th century. Biotechnology is defined as “the application of scientific and engineering principles to the processing of materials by biological agents to provide goods and services” (OECD, 1982: 18).

The application of biotechnology in value-added agricultural production in Phokwane is therefore an important strategy to improve the output of the sector and to contribute towards the diversification of the economy.

### 7.3.2. Agriculture Beneficiation

A community like Phokwane who specialise in the extraction of primary products from agriculture as their main thrust of economic development would benefit greatly from agricultural beneficiation. In this regard LED strategies should focus on value-adding approaches such as processing, packaging, marketing and distributing farm produce.

Since earnings from the simple sale of raw produce may be lower and more volatile, the addition of such “downstream” activities can improve a community’s local economy, create new employment opportunities and contribute to environmental sustainability. Agriculture value-added enterprises represent excellent business development opportunities for the local community in Phokwane because the community is located near raw agricultural inputs and can turn the Study Area into a competitive advantage and build on local job skills.



With declining employment in the South African Agricultural sector, workers leaving these industries are more likely to be able transfer their skills to value-added enterprises than to non-agriculture manufacturing and service industries. Creating value-added jobs in Phokwane can improve the diversity of the local economy, increase local incomes, capture higher profits locally, and use the local natural resource base more efficiently and sustainably.





### 7.3.3. Economic Infrastructure Support

Basic infrastructure has an impact on the socio-economic conditions of an area. The lack of infrastructure and basic services induces a risk adverse environment. The efficiency of a municipality in terms of infrastructure provision influences business location and investment as well as the feasibility of tourism initiatives. Infrastructure includes access to land, buildings, road networks, and services such as electricity, water, waste collection and sewerage services. Infrastructure development is regarded as one of the most prominent methods of employment creation, due to the high level of labour intensity that can be related thereto.

It imperative that the Municipality provides sufficient basic infrastructure and services to the residents of Phokwane, in order to improve the living conditions as well as to create an attractive business and investment environment. Infrastructure development should be done in a labour intensive way, creating employment opportunities for the local community, including women, children and the disabled. This form of employment generation has once again been recommended as a successful method of government intervention for local economic development in South Africa.

The Centre for Development and Enterprise (CDE) argues that South Africa should embark on a large-scale labour intensive public works strategy to reduce unemployment. According to the Centre, popular perceptions of public works are often inaccurate and include the views that these schemes make people dig a hole one day and fill it the next. However, properly designed labour intensive public works are very different and provide training and work experience to people who sorely lack both. These schemes create and maintain socially useful and economically vital infrastructure, such as roads, waste collection, street cleaning, storm-water drainage and infrastructure for small-scale farming. Labour intensive public works start to show results relatively quickly. Urban-clean-up programmes for example, can be implemented within a year. Unlike income grants – which require immense state capacity to target their intended beneficiaries while avoiding fraud – low-wage, labour intensive public works are self-targeting. Unlike grant systems, labour intensive public works are easily stopped when they are no longer necessary. However, the most important difference between a universal income grant and a labour-intensive public works strategy is that the latter is affordable (Business Report, 10 April 2003).

The main reason these public-works programmes have stayed small in South Africa is that they lack the involvement of the private sector (and corporative state enterprises such as Telkom and Eskom). Experience has shown that government departments cannot provide large-scale delivery on their own.

If the Phokwane Municipality should implement a new expanded labour-intensive public works programme, it would have a significant impact on public morale and investor confidence. It must however take the form of a public-private partnership (PPP). Because the business conditions in Phokwane are still



of elementary nature, organised institutions and business collaborations (Phokwane business chambers) should first be established in the area.

The Phokwane Business Chamber should include a network of all formal organised business stakeholders (farmers, industrialists, and other businessman) in the Study Area that could consequently start working together with the Municipality in order to implement large scale ventures such as the public-works programme. A large-scale labour-intensive public works strategy would bring together the municipality and business to build infrastructure, provide training and create jobs for the unemployed.

The unemployed would gain income, marketable skills, confidence and dignity. Business would gain directly from contracts won in return for use of labour-intensive techniques and indirectly from improved infrastructure and a better investment climate (Business Report, 10 April 2003). In this way, the business community and residents of Phokwane will feel that government is doing something tangible about unemployment.

#### **7.3.4. SMME Development**

Small, medium and micro enterprises are recognised worldwide for their potential to generate job opportunities, particularly when the economy is in a downward trend. In the first part of this study, which included the assessment of the local economy, it was found that the formal economy is simply not able to absorb all the newcomers to the labour market. It is furthermore highly unlikely that this trend in the local economy will be reversed, at least not in the short to medium term. This situation suggests strongly that SMMEs provide one of the only possible ways to reduce the current high level of unemployment and poverty.

This sub-section presents SMME development as a possible strategy to exploit the potential as listed in the aforementioned sub-paragraphs. A critical prerequisite for successful SMME development is entrepreneurship. Entrepreneurship in this regard does not only refer to knowledge and experience in business administration, but most importantly, to a high level of motivation, drive and work ethics.

National Government has identified the significance of SMMEs and supports it. Key elements of the SMME strategy include:

- Making finance available to entrepreneurs.
- Development of human resources through the transfer of skills and knowledge.



#### **7.3.4.1. Local Business Service Centres**

One of the main problems that have been inhibiting the growth of SMMEs is a lack of business skills and knowledge. For this reason, a Local Business Service Centre (LBSC) should be established to assist SMMEs in attaining business skills, networking and funding through the right channels.

However, recent studies have shown that although Local Business Service Centres have been implemented throughout the country, they have not delivered many results because of fraudulent issues that have handicapped these ventures. These inhibiting factors could be ascribed to the fact that funding for these centres was left in the hands of individuals, instead of a collective, transparent body such as Local government for example.

Therefore it is recommended, that, should such a venture be initiated for Phokwane, the LBSC should form part of the Phokwane Municipality, so that it can be transparent and its progress be evaluated at all times.

#### **7.3.5. Human Resource Development**

The Human resource Development strategy is linked to the abovementioned LBSC and SMMEs, because human resource development forms an integral part of both. One cannot start out a business and have it grow if the owner and employees do not possess the necessary technical and business skills.

It is essential that the socio-economic conditions in Phokwane be optimised to allow all of the economically active community members to take part in the economy. Therefore a focused approach is required that will address the structural problems being caused by the inappropriate and limited skills base. This implies that the labour forces' quality should receive attention i.e. improvement. The only approach that can be followed to facilitate this revolves around the provision of opportunities for the local community to participate in skills enhancement and development programmes. It is however important to note that when dealing with human capital, i.e. labour, that this is a primarily renewable resource and therefore as the needs of the community change and expand, this labour could be moulded to reflect these changing needs.

The main aim of this strategy is to facilitate an improvement of the accessibility of skills development programmes for the communities in a manner that is conducive to an improved availability of skilled labour. The improvement of the labour force is therefore integrated with the improvement of skills and literacy levels of the aggregate community. These skills levels include all aspects relating to:

- Academic knowledge
- Technical knowledge
- Technical know-how
- Technical experience



- General life skills
- Linking availability (including persons with improved skills) with skills demanded

Although it is not always possible to address all the various aspects of human resource development, it is important to emphasise that aspects such as HIV/AIDS and health are related. The approach to this development problem can be described as “state-led intervention” with the marginalised groups being the primarily focus of assistance. The identification of skills available within the community, as well as within the business environment is pre-supposed as it is the focus of the proposed training programmes. The financial viability of the development programmes is strongly linked to the self-sustainability of the development programmes and the possible linkages with existing training institutions and or facilities.

### 7.3.6. Tourism Development

The development of the Tourism industry has been identified as the sector with the most significant opportunity for development, growth and job creation in the country. Tourism, although not defined as an economic sector, is as important as one. However, it can be seen as a cross-sectoral industry because it includes the linkages with the retail, manufacturing, transport, electricity and financial sectors. According to Gunn (1994) the definition of Tourism 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.”

## 7.4. CONCLUSION

The development programmes are formulated for guiding municipal wide LED efforts. The importance of these strategic development programmes which have been discussed in the aforementioned sub-paragraphs, are significant when planning local economic development initiatives that is to change the current state of the local economy. From these programmes, projects are accordingly identified within each programme and then prioritised so that the more “important” and essential needs be addressed first and that further economic development initiatives can be build on that basis. Therefore it is important that programmes such as economic infrastructure support be effectively in place so as to start promoting initiatives such as Tourism.



It is important to note however, that the Phokwane Municipality must possess the technical know-how and capacity to enforce these strategies. Because this is not always the case, local municipalities should take cognisance of the role of the District Municipality in the building of capacity where it is limited in Local Government (refer to Section 3).



## SECTION EIGHT: Strategic Plan

### 8.1. INTRODUCTION

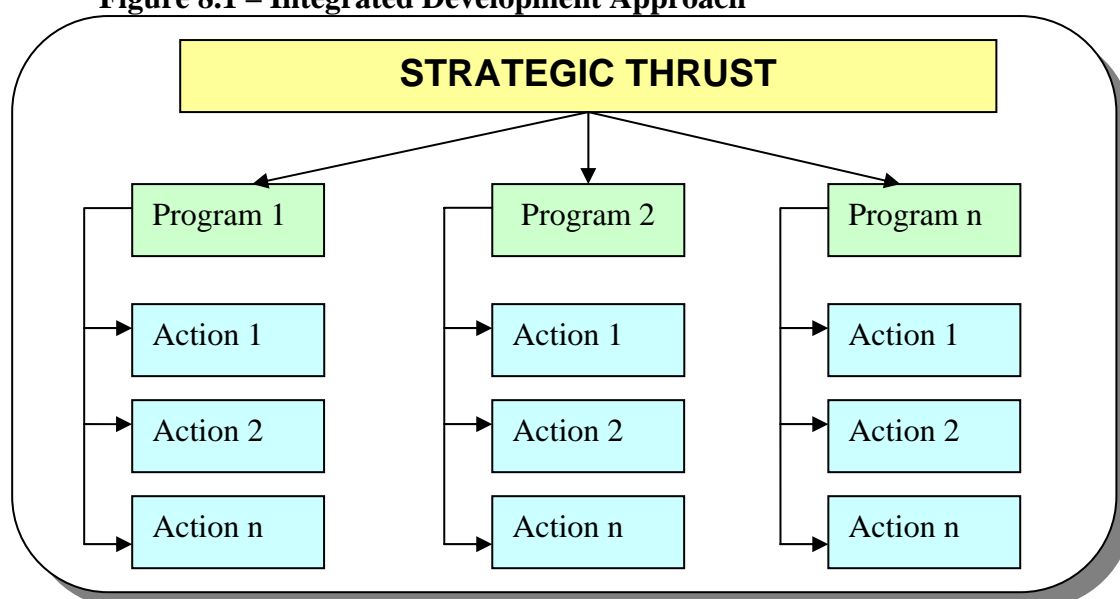
This section includes the strategic thrusts, development programmes and associated activities, which aim to regenerate the Phokwane local economy. The discussion commences with a brief introduction of the regeneration strategy and its components, followed by a short description of each component. The discussion concludes with a list of actions, drivers, phasing and funding.

### 8.2. STRATEGIC THRUSTS

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 Phokwane is illustrated in Figure 8.1 below.

**Figure 8.1 – Integrated Development Approach**



Based upon this figure, there are **7 main strategic thrusts** for stimulating growth and development within the local economy. A thrust 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 thrusts 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 elevating the weaknesses in the local economic environment. The thrusts are supported through the development of programmes, which aim at enabling the specific thrust. Distinct actions are formulated in order to reach the targets of each programme.

Each programme within the thrust should have a specific 'driver'. A 'driver' is a specific entity/party/role player responsible for achieving the targets of each programme. It has to be emphasised that the 'driver' of each programme does not necessarily mean that the specific entity, party or role player will be responsible for the funding of the project.

Due to the fact that some of the programmes require the outputs of others as input, it is of utmost importance to ensure that timeframes are established and that deadlines are met. In other words, the programmes, projects and actions have to be phased to ensure the smooth, integrated and fast tracked implementation of the thrusts and their respective sub-components.

The last element that needs some attention is funding. To ensure that the thrusts are successfully implemented, appropriate sources of funding have to be timeously identified. Additionally, mechanisms have to be put in place to ensure that the funds are released and allocated to the correct role players, in an efficient and quick manner. Control measures should be inherent to these mechanisms.

The 7 thrusts for the Phokwane economy include the following:

- ☞ **THRUST 1:** Rural community economic development and empowerment
- ☞ **THRUST 2:** Industrial and beneficiation development
- ☞ **THRUST 3:** Tourism and cultural development
- ☞ **THRUST 4:** Urban and rural integration
- ☞ **THRUST 5:** Economic base development
- ☞ **THRUST 6:** Human resource development
- ☞ **THRUST 7:** Institutional reform and capacitation

The tables that follow contain the Economic Development Strategy for Phokwane. The thrusts together with the respective programmes are indicated. The entity responsible for driving the project is indicated in the 'Driver' column together with the funding and the phasing. Each thrust is discussed shortly preceding the respective table in order to highlight the structure and aim of each thrust.





### **8.3. THRUST 1: RURAL COMMUNITY ECONOMIC DEVELOPMENT AND EMPOWERMENT**

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The objective of this thrust is to ensure economic development and empowerment of the local rural communities within the Phokwane Municipality.

The specific programmes that support this thrust include:

1. Functional Rural Service Centre Development
2. Infrastructure and basic service provision
3. Entrepreneurial enterprise development (SMMEs)
4. Environmental control and rehabilitation

The programmes contained in this thrust are of such a nature that they will act as measure to expedite the development, empowerment and upliftment of the rural communities in the Municipality.

#### **8.3.1. Programme 1: Functional rural service centre development**

It is useful to provide an initial workable definition to ensure clarity on the rural service centre concept for the purpose of the study. According to Robinson (1987, p79)<sup>1</sup> a rural service centre can be seen as:

*“a focal point at which a comprehensive range of essential services can be obtained by people living in its vicinity. In turn it acts as a pool of human and physical resources from which the inputs necessary for rural development can be distributed efficiently, and from which rural people can draw to promote their development.”*

As mentioned above, the rural service centre concept entails the concentration of various land uses and services into an integrated rural centre, located in the vicinity of rural communities. These centres provide a basis for the concentration of economic activities into regionally accessible economic nodes.

Rural service centres could serve as economic catalysts in areas with limited economic opportunities. The spatial concentration of ancillary economic activities creates economic agglomeration advantages. Due to the relationship between activities and the proximity to one another, a situation develops where agglomeration economies are achieved which enables profit maximisation and higher levels of efficiency. By means of the development of such centres, a propelling economic effect is triggered in rural areas.

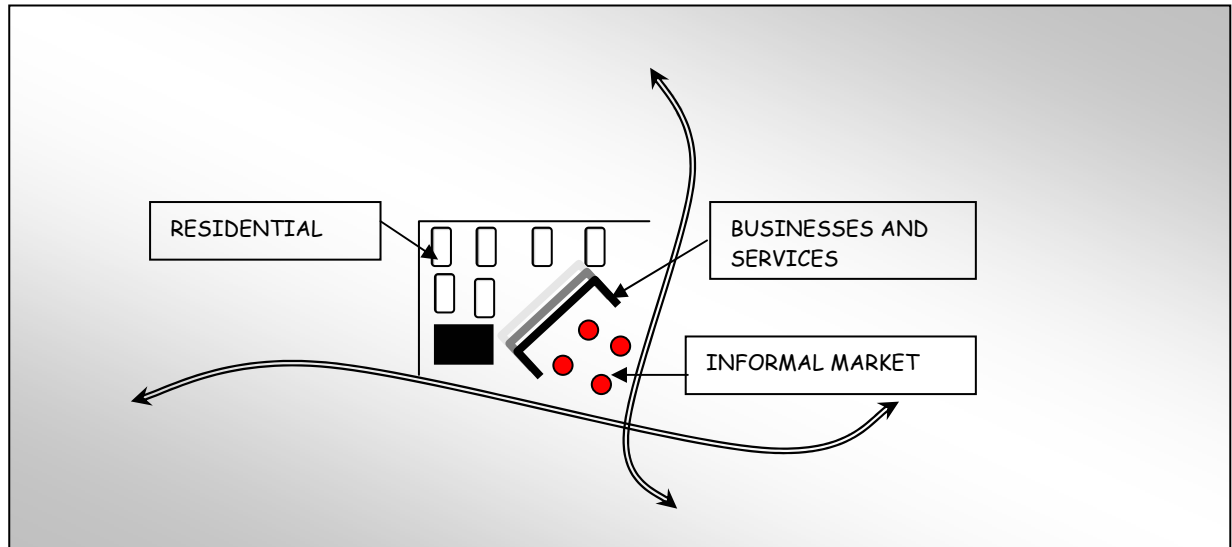
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<sup>1</sup> Robinson, B, 1987. **Spatial Planning and “Rural Service Centre” in Southern Africa**. Africanus, Vol. 17, Issue 1, pp. 70-90.



These rural service centres should ideally be located at intersections of important rural roads. Activities should only be concentrated in one quadrant of the intersection (Refer to **Diagram 8.1**). Typically, the focus will be on aligned intersections. However, it is envisioned that the concept will also be applicable to other highly accessible locations.

**Diagram 8.1: Rural Service Centre concept**



**Diagram 8.1** indicates the proposed layout and positioning of the various activities included in the rural service centre concept. The informal market will be at the most visible point of the intersection, where pedestrian movement can be maximised. The business activities will be developed around the market area. The business activities will serve as an interface between the residential component and the busy road intersection.

In terms of the preliminary concept, a rural service centre could consist of a combination of the following activities:

- ☞ Shopping centre
- ☞ Informal market
- ☞ Clinic
- ☞ Pension payment point
- ☞ Affordable housing
- ☞ Light Service industries.

The activities under this programme include:

- 1.1 Development of a Nodal Strategy for the Rural Service Centres (RSC), which is a strategic analysis indicating the vision, goals, objectives, target market, specific target areas and enclosed activities within the RSC.



- 1.2 Public workshop and consultation sessions for the identification of nodes for each centre and its functional specification and/or services to delivery.
- 1.3 Drawing and development of site development and structure plans for RSC offices.
- 1.4 Capacitation of officers through the provision of training and education in managing the RSC.

### **8.3.2. Programme 2: Infrastructure and basic service provision**

In order to warrant/guarantee a targeted approach to the economic development and empowerment of the rural communities, it is necessary to ensure that the basic infrastructure and services are in place. The main goal of this programme is to address the current backlog in basic infrastructure and services and provide those required ensuring empowerment and economic development. The activities identified under this programme include:

- 2.1 The construction of identified infrastructure and service backlogs as indicated within the IDP document.
- 2.2 A project which aims at the lobbying of funds to subsidise the implementation of start-up infrastructure and services to make it more affordable for the rural communities.
- 2.3 Development of appropriate communication infrastructure i.e. Telkom land lines, cell phone towers and community cell phone facilities, and transport services for people and their products to local and surrounding economic centres.

### **8.3.3. Programme 3: Entrepreneurial enterprise development (SMME) and capacitation**

One of the major rural problems in Phokwane includes the high unemployment and illiteracy rates. This programme is of such a nature that it will address the development of entrepreneurial skills so that people can start their own businesses and/or other income generating activities. Programme 3's activities include:

- 3.1 A project which focuses on the training and education of people wishing to start their own business on things such as business plan development, different manufacturing techniques, management of a business, training of people, marketing of products and services, etc.
- 3.2 Assist in linking potential SMMEs with available development funding i.e. DBSA, DTI, etc.
- 3.3 The implementation of an integrated rural development initiative which focuses on the development of agriculture, culture, crafts and tourism.



- 3.4 Implementation of a project which focuses on the identification, training, start of own farms and support of emerging farming activities within the rural areas.
- 3.5 Project emphasising the increase in the production of fruit and vegetables within the rural areas by providing training, support and assistance in the lobbying of funds.
- 3.6 A project which focuses on the production of herbs and spices within the rural areas through the provision of training, support and assistance in the lobbying of funds.
- 3.7 A project which focuses on the cultivation of flowers and bulbs within the rural areas through the provision of training, support and assistance in the lobbying of funds.
- 3.8 Project that focuses on the start of livestock, poultry and ostrich production within the rural communities through the provision of training, support and lobbying of funds.
- 3.9 Tunnel, shade netting, organic and hydroponics production techniques training and support within the rural communities.
- 3.10 Provide training and assistance in the lobbying of funds for the start of olive plantation within the rural areas.
- 3.11 A project which focuses on the training of rural people and the support in starting rural plant and herb nurseries.
- 3.12 Provision of new techniques and financial assistance in the manufacturing of rural art and crafts.

#### **8.3.4. Programme 4: Environmental control and rehabilitation**

In order for rural communities to experience economic development and become self-sufficient through empowerment and capacitation, emphasis is placed of a healthy environment where people can live in harmony with their natural surroundings. This programme aims to promote environmental aesthetics and cleanliness. The activities identified under this programme include:

- 4.1 Recycling and re-use of plastic bags and tin cans; and rehabilitation projects including educating the communities in combating soil erosion through the plating of trees and shrubs.
- 4.2 “Save water” and “Protect the environment” projects and competitions which aim at educating school pupils on how to save water and to protect the environment.



## **8.4. THRUST 2: INDUSTRIAL AND BENEFICIATION DEVELOPMENT**

The main goal of this thrust is to encourage local industrial development and stimulate an increase in local beneficiation activities.

The specific programmes that support this thrust include:

1. Industrial support structures
2. Agro-processing
3. Agriculture related industries

### **8.4.1. Programme 1: Industrial Support Structures**

For industrial development and beneficiation to be successful and sustainable, it is necessary to have an overarching body giving advise, guiding development, help in marketing the products, etc. This programme aims at establishing a local Manufacturing Advise Centre (MAC) within Phokwane. This centre will help implement viable and sustainable industrial concerns and support their operations. The activities identified for this programme include:

- 1.1 The establishment of a Manufacturing Advise Centre (MAC) to support industrial development, marketing and other related aspects.
- 1.2 The establishment of a Local Industrial Development forum (LIDF) to market locally produced products and services to the world.

### **8.4.2. Programme2: Agro-Processing**

Programme 2 under this thrust aims at encouraging industrial development relating to the processing of agricultural products. These can include fruit and vegetable processing plants, livestock and meat processing plants, oil extraction plants, a leather tannery, and so forth. Programme 2's activities are:

- 2.1 The development of a meat processing plant where local goat, sheep, poultry, ostrich and cattle meat can be processed and packaged for export and local markets.
- 2.2 The development of a processing plant where fruit and vegetables can be used as primary input in the manufacturing of various products including juices, canned fruit and vegetables, concentrates, etc.
- 2.3 Developing a processing plant that extracts oil from olives, fruit and vegetables, flowers, herbs and spices, etc.
- 2.4 Development of a leather tannery where cattle, sheep, goat and ostrich leather can be processed and manufactured into final consumer goods, especially for the export and foreign tourist markets.
- 2.5 A project which focuses on food modification and genetic manipulation in the production of fresh produce of higher standards and quality.



#### **8.4.3. Programme 3: Agriculture related industries**

As already stated in previous sections of this document, the agro-industrial sector presents sufficient development potential. However, little of the inputs required by these activities are being manufactured locally. By developing local manufacturing industries, the local economy and its people are likely to benefit on a large scale in terms of job creation, improvement in the local value chain and lower transport costs. Activities identified for agriculture related industries include:

- 4.1 Food and beverage industries which focuses on supplying products to the local and export market.
- 4.2 Development of an irrigation equipment manufacturing plant that caters in the manufacturing of irrigation equipment specifically for the local and surrounding agriculture activities.
- 4.3 Establishment of an industrial concern that provides processing and packaging services for the local fresh produce.
- 4.4 Construction of storage and depot facilities for the locally produced fruit, vegetables and other livestock products.

#### **8.4.4. Programme 4: Investment development and promotion**

This programme has the goal of developing competitive investment incentive packages that would attract foreign and local industrial and business concerns to locate within Phokwane. Investment development and promotion activities include:

- 6.1 The development of competitive industrial and business investment incentive packages and the effective promotion and marketing thereof.
- 6.2 The launching of a marketing campaign through the publication of brochures, pamphlets and media releases.
- 6.3 Establish local PPP's in the delivery of services and supply of products to the local consumers and industrial concerns

### **8.5. THRUST 3: TOURISM AND CULTURAL DEVELOPMENT**

The objective of thrust number three is to stimulate and encourage development within the tourism and cultural related industries.

The programmes identified under this thrust include:

1. Real effective marketing
2. New catalyst development
3. Eco-tourism development
4. Art and craft development
5. Tourism incubator / training
6. Product and service development



## 7. Ethnic and cultural activity development

### 8.5.1. Programme 1: Real effective marketing

This programme aims at the effective marketing of the various tourist attractions, services and products of Phokwane. With real effective marketing is meant that large, international marketing efforts should be launched to ensure maximum exposure to the world. Programme 1's activities are:

- 1.1 The development of a Tourism strategy which gives direction for development and growth within the tourism industry in Phokwane.
- 1.2 Development of various tourism packages including the unique products and services available within the area and the effective marketing of these packages.
- 1.3 Development of a tourism events programme which takes place on an annual basis and which include all the unique cultural, historical, ethic, etc traits of the area.
- 1.4 Compilation of detailed brochures consisting of all the unique selling points of Phokwane and surroundings, together with various tour packages that are available.

### 8.5.2. Programme 2: New catalyst development

This programme has the goal of developing a unique tourist attraction within Phokwane. This could be a development of magnitude and should be unique to the area. Launch a project/competition/tender for a development proposal for a new, unique tourist attraction in the area, aiming to kick-start future growth and development within the tourism industry.

### 8.5.3. Programme 3: Eco-tourism development

Programme 3 includes the development of various eco-tourism activities including 4 X 4 routes, abseiling experiences, horse and hiking trails, and so on. Phokwane has an abundance of natural scenic resources that could be developed into eco-tourism activities. The development of eco-tourism within Phokwane can be achieved through the implementation of the following activities:

- 3.1 Development of eco-tourism and adventure activities within Phokwane including 4 X 4 routes, abseiling, hiking trails, micro-light trips, horse trails, etc.
- 3.2 Development of game hunting and farming enterprises within the Municipality.





#### 8.5.4. Programme 4: Art and craft development

Arts and crafts are an important part of the tourism industry. Currently only a few small scale art and craft establishments are operative within the District and the aim of this programme is to encourage growth and development within this craft industry by means of product development, skills training, unique products, etc. The development of the art and craft industry can be achieved through:

- 4.1 Initiating various projects which aim at developing the local art and craft industry including art and craft manufacturing plants, training schools, etc.
- 4.2 Development of various art and craft marketing projects.

#### 8.5.5. Programme 5: Tourism incubator / training

Programme 5 aims at developing the tourism industry through the education and training of people who can be part of this industry. The development of an incubator would be ideal, based upon the following:

- ☞ Skills development
- ☞ Capacity building
- ☞ Mentoring
- ☞ Technology support
- ☞ Accreditation
- ☞ Financing

When the approach of an incubator is successful, it could result in the following:

- ☞ Creation of employment sustenance and wealth.
- ☞ Potential for creation of significant returns on investment.
- ☞ Innovation and creation of human capital.
- ☞ Opportunities to export into niche markets.
- ☞ Creation of synergies between various industries.

Activities include:

- 5.1 Establishment of a tourism incubator which provide tourism related training and skills development, services and support for tourism related SMME developments.
- 5.2 Increase the number of tour operators in the area by appointing an expert to train people.



### **8.5.6. Programme 6: Product and service development**

The development and increasing of the quality and standard of tourist products and services are important to ensure the needs of the tourists are catered for. It is therefore essential to have a specific target market and to know what the needs of this market are. Programme 6 aims at implementing the following activities:

- 6.1 Initiating the development of a tourist product and service standardisation code in order to ensure the development of tourist products and services.
- 6.2 Development of new tourist routes linking various major tourist attractions and places of interest available within the area.
- 6.3 Link the tourism route to the Kimberly Domestic Airport and key tourism destinations in Gauteng and the Northern Cape (e.g. shuttle services etc.)

### **8.5.7. Programme 7: Ethnic and cultural activity development**

Programme 7 involves the development of ethnic and cultural activities such as the development of a living cultural village, cultural and ethnic events programmes, etc. Ethnic and cultural activity development can best be accomplished through the development of a cultural village with associated events and activities.

## **8.6. THRUST 4: URBAN AND RURAL INTEGRATION**

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The objective of this thrust is to achieve greater rural and urban integration.

The programmes identified under this thrust include:

1. One stop service centres
2. Hard infrastructure development
3. Institutional cooperation and integration
4. Communication and transport development

### **8.6.1. Programme 1: One-Stop service centres**

This programme aims at the development of one-stop service centres throughout the rural areas of Phokwane. These centres would make provision for pension points, account payments, etc. The activities for this programme are:

- 1.1 Establish various one stop centres throughout the rural areas that include payment and information kiosks, health related facilities and services, and trade related services and facilities

### **8.6.2. Programme 2: Hard Infrastructure Development**

Programme 2 involves the provision of hard infrastructure in the attempt to achieve rural and urban integration. Hard infrastructure includes things like water, sanitation,



electricity, telecommunication, roads and sewerage. These are all prerequisites for the integration of rural and urban areas. Hard infrastructure development refers to the implementation of backlog roads and infrastructure services as identified within the local and district IDP documents.

### **8.6.2. Programme 3: Institutional cooperation and integration**

Cooperation and integration of rural and urban institutional bodies are essential for the increase in rural and urban integration. The integration of rural and urban institutions can be accomplished through:

- 3.1 Establishment of PPPs in the delivering of services such as water, electricity, refuse removal, etc.
- 3.2 Negotiate for trade of locally produced products and services with other regions (e.g. Gauteng).

### **8.6.3. Programme 4: Communication and transport development**

Often rural areas are isolated from the urban centres due to a lack in communication networks and also transport services. The business survey conducted in Phokwane indicated high transport costs as a constraint to business development. It is therefore essential to optimise the efficiency of transportation services and facilities. Communication and transport development activities include:

- 4.1 Development of freight transport modes into and from Phokwane through the outsourcing of private companies.
- 4.2 Development and upgrade of roads and transport services between urban and rural areas.
- 4.3 Identify rural specific transport related projects to ensure development and/or increase in transport within the rural areas of Phokwane.

## **8.7. THRUST 5: ECONOMIC BASE DEVELOPMENT**

The objective of this thrust is to stimulate the diversification of the economic base to ensure that the local economy is not dependant on only one or two sectors. The programmes identified under this thrust include:

1. Cross boundary trade relations.
2. Local processing of resources.
3. Diversify professional and general services.
4. Increase local production capacity.



### 8.7.1. Programmes 1 to 4

Programmes one to four aim at the diversification of the local economy.

The sectors stimulated under these programmes include: Wholesale and retail trade; manufacturing; transport, storage and communication; and financial and business services sector. The activities under each of the programmes include:

**1. CROSS-BOUNDARY TRADE RELATIONS**

- 1.1 Launch a Cross-boundary marketing campaign to establish trade relations with other regions.

**2. LOCAL PROCESSING OF RESOURCES**

- 2.1 Implement local agro-processing activities through the development of agro-related industries and businesses.
- 2.2 Development of oil extraction plants which focuses on the extraction of oils from flowers, olives, fruit and vegetables, and herbs and spices.
- 2.3 Establishment of an agriculture related recycling plant.

**3. DIVERSIFY PROFESSIONAL AND GENERAL SERVICES**

- 3.1 Undertake a survey to establish the local service needs.
- 3.2 Stimulate development within the wholesale and retail trade sector through establishing partnerships with larger national and international suppliers.
- 3.3 Diversify the existing available financial services through improving and increasing the services provided by each financial institution.
- 3.4 Development of an informal trade strategy which regulates and guides the development and operations of the informal sector.

**4. INCREASE LOCAL PRODUCTION CAPACITY**

- 4.1 Undertake a study to identify new potential cultivars (fruit, vegetables, herbs, spices, flowers, nuts, animals, etc) to be planted to increase the commercial farming activities within Phokwane.
- 4.2 Appoint high technology farming experts to educate local farmers in the applications of these new farming practises and develop incentive schemes to increase local participation.
- 4.3 Appoint experts in the field of improving the quality of livestock and fresh produce to educate the locals.



## **8.8. THRUST 6: HUMAN RESOURCE DEVELOPMENT**

The objective of this thrust is to improve the local human resource base of Phokwane through the provision of various skills training and education.

The programmes identified under this thrust include:

1. Incubator development.
2. Linking LED with tertiary institutions.
3. Vocational training.
4. Skills development, training and information centres.
5. Baby, toddler and pre-primary education development.
6. Education programmes for the mentally and physically handicapped.

### **8.8.1. Programme 1: Incubator Development**

This programme includes the development of various incubators within Phokwane including tourism, agriculture, trade and construction. The aim of these incubators is to foster skills development and poverty reduction through training, professional assistance, reference to possible sources of finance, etc. Possible incubators include the following:

- 1.1 Agriculture incubator.
- 1.2 Tourism incubator.
- 1.3 Construction incubator.
- 1.4 Trade incubator.

### **8.8.2. Programme 2: Linking LED with tertiary institutions**

This programme entails the location of various tertiary education institutions with the aim of reducing out-migration, the high illiteracy rates and low skill levels of the people. Local Economic Development will form the basis of these institutions' programmes to ensure maximum growth and development of the local economy, job creation and social upliftment. To achieve the linking of LED with tertiary institutions, the following activities need to be exercised:

- 2.1 Negotiate for the establishment of tertiary institution satellite campuses within the area.
- 2.2 Negotiate for the development of LED courses within these satellite campuses.

### **8.8.3. Programme 3: Vocational training**

The aim of this programme is to institute a range of Vocational Education and Training (VET) and Entrepreneurial Training programmes at key locations throughout Phokwane. Empower the people within the Municipality to become economically



active and to participate and contribute to the development of the area is the central philosophy of the programme. Vocation training activities include:

- 3.1 Appoint experts to provide Vocational training and educational courses through the entire Study Area.
- 3.2 Appoint experts to provided entrepreneurial training programmes.

#### **8.8.4. Programme 4: Skills development, training and information centres**

This programme aims at developing centres through out Phokwane where local people can participate in skills development and training exercises and where information regarding education and training at other institutions is made available. Activities under programme 4 include:

- 4.1 Provide tour operator training in association with tertiary institutions and other experts.
- 4.2 Provide general literacy training within the rural parts of Phokwane.
- 4.3 Provide basic skills training within the rural areas.
- 4.4 Provide focus group training within the area.

#### **8.8.5. Programme 5: Baby, toddler and pre-primary education development**

Programme 5 has the aim of developing specific educational programmes focussing on babies, toddlers and children of pre-primary age. This would contribute in the effort of trying to lower illiteracy within Phokwane. Activities for programme 5 include:

- 5.1 Establish baby, toddler and pre-primary educational programmes and institutions i.e. crèches and pre-primary schools, and appoint experts for the training and education.

#### **8.8.6. Programme 6: Education programmes for the mentally and physically handicapped**

This programme will focus on the identification of all handicapped people, their educational needs and the provision of training and educational services in order for them to be able to become economically active and generate income in their own right. This programme refers to the following activity:

- 6.1 Development of educational programmes for the mental and physical handicapped.



## **8.9. THRUST 7: INSTITUTIONAL REFORM AND CAPACITATION**

The objective of this thrust is to reform and develop the current institutional capacity for implementing LED.

The programmes identified under this thrust include:

1. Regional rural service economic administration centre.
2. Roles and responsibilities.
3. Focused marketing strategy.

### **8.9.1. Programme 1: Regional rural service economic administration centre**

This programme aims at the development of a regional rural service economic administration centre and the training of the managing officials. This centre will manage the marketing, publicity, distribution, etc. of the various functional rural service centres of Phokwane. For each functional rural service centre, there will be an official responsible for the economic administration of that specific centre. Activities include:

- 1.1 Provide training for the Rural Service Centre managers and staff.
- 1.2 Provide training for these employees regarding the economic administration of the RSC.

### **8.9.2. Programme 2: Roles and responsibilities**

Each of the local government levels/departments has a different role in the LED process. It is necessary to establish a framework according to which the required work can be allocated to the responsible entities. This is possible through the clarification of the roles and responsibilities of these entities in terms of LED. Activities for programme 2 include:

- 2.1 Appoint LED experts to provide LED capacity within Phokwane.
- 2.2 Develop a service delivery strategy which would increase the municipal service delivery climate.

### **8.9.3. Programme 4: Focussed marketing strategy**

A focussed marketing strategy for the entire Phokwane is an essential component of stimulating economic growth and development. This strategy should include tourism, industrial incentives and development opportunities. Activities in the focussed marketing strategy programme include:

- 4.1 Develop various Economic Marketing campaigns.
- 4.2 Development of investment incentive packages and promote these through effective marketing





- 4.3 Market and make effective use of vacant, under-utilised buildings and stands within Phokwane.

## **8.10. CONCLUSION**

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This section described the Local Economic Development Strategy for Phokwane Local Municipality by discussing the seven development thrusts necessary for economic upliftment and poverty eradication. Each thrust contained detailed programmes and associated activities. The next section of this report builds on the strategic plan through the identification and prioritisation of LED projects.



# SECTION NINE: Project Identification and Prioritisation

## 9.1. INTRODUCTION

The purpose of this section is to list all the projects and initiatives that have been identified during the course of this study. Sources of identification include the sectoral assessment (Section 5), surveys and workshops conducted in the field and secondary sources.

## 9.2. PROJECT IDENTIFICATION

In order to facilitate the economic development of Phokwane, through the implementation of the strategic development programmes, specific projects have to be identified that will be able to drive the Local Economic Development (LED) process throughout the municipal area and region.

In order to identify specific development projects, the criteria that is employed for this identification process is clarified. The primary consideration utilised in the initial stages of project identification is the potential or opportunities in the local economy. This implies the latent features of the resources, which can be utilised or developed. In order to identify or determine this development potential and/or opportunities within an economy, a set of preset criteria is required against which to evaluate whether the resource and/or capacity can be regarded as having potential. These include the criteria as listed in Figure 9.1.

**Figure 9.1 – Project Identification Criteria**

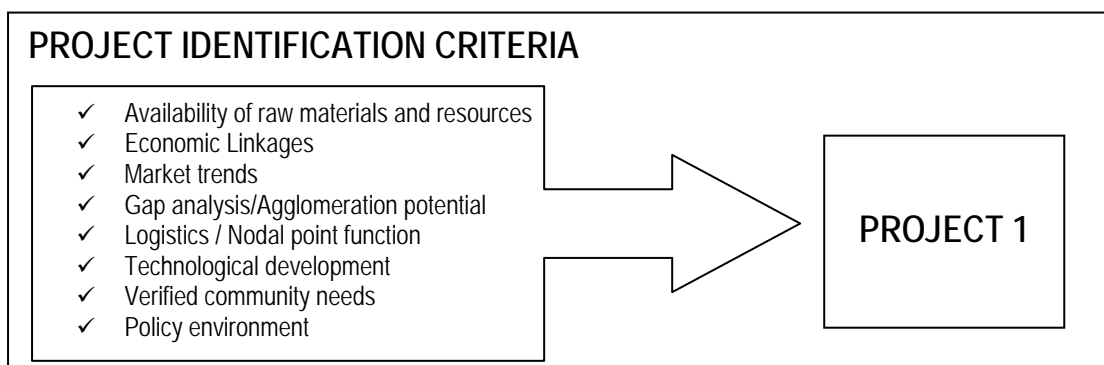


Figure 9.1 illustrates how each project is evaluated in terms of its adherence to or potential for each of the criteria such as e.g. how important it has been ranked in terms of community development, how many linkages it has with other

sectors, etc. These criteria are individually discussed in Section six of this report (page 53).

The projects that have been identified for the Phokwane Municipality are subsequently listed in the next sub-paragraph. It is necessary to distinguish between two main categories of projects. These two categories are:

- **Business Projects (Wealth and Employment Creation Projects):**  
These projects aim to create wealth and directly create employment opportunities for the local community of Phokwane.
- **Municipal Intervention Projects (Development Support Projects):**  
These projects support the strategic development programmes/thrusts as formulated in sub-paragraph 7.3 and it supports the LED activities throughout the Phokwane municipal area. These projects are clearly linked to development programmes.

Based upon the previously discussed potential identification criteria and taking into consideration the numerous constraining elements present within the Study Area, potential for development are summarised in Table 9.1 below.

**Table 9.1 – Identified LED Projects for Phokwane (not prioritised)**

Economic Sectors	Identified Projects
Agriculture	Agriculture incubator (training, GM, information, assistance, etc.)
	Canola production
	Food modification projects (GM and biodiversity)
	Increase in cultivars planted in the area, i.e. flowers, other herbs and spices, etc
	Increase in livestock in the area (e.g. goats and ostriches)
	Mass agriculture beneficiation project
	Organic farming and hydroponics production units/cluster
	Regional agriculture produce market
	Tunnel and shed netting production units
Manufacturing	Agriculture beneficiation cluster
	Dedicated manufacturing marketing campaign
	Fresh produce storage and transport hub
	Fresh veggie and fruit processing and product manufacturing plant
	Hand tool manufacturing
	Leather tannery
	Local meat processing and packaging plant
	Local warehousing and storage facilities (logistics hub)
	Manufacturing incubator (incentives, advice, etc.)
	New product manufacturers of recycled materials
	Oil extraction plant
	Recycling plant
Trade	Development of an informal trade strategy (location, facilities)



Economic Sectors	Identified Projects
	Entrepreneurial and advice centre
	Internet shopping facilitation for local businesses
	Promotion of supplying fresh produce to the African countries (NEPAD)
	Regional fresh produce market
Transport/Communication and Services	Development of a dedicated service delivery strategy
	Development of a friendly and attractive business environment (Campaign)
	Entrepreneurial and advice centre
	Entrepreneurial training project and assistance
	Implementation of an intense marketing campaign
	Internet shopping interface for local businesses
	Negotiate for the establishment of satellite campuses in the area
	Negotiate trade relations with other African countries through NEPAD
	Packaging, storage and distribution hub
	PPP in healthcare services
Tourism	Archaeological and historical site tourism routes and packages
	Development of a regional tourism node (PPP)
	Development of tourism identity for the area
	Development of tourist orientated cultural services and products
	Establishment a cultural village combining all cultures and ethnic groups in the area
	High standard self catering facilities
	Tourism events project
	Tourism incubator (Training in visitor friendly environment and tourism awareness - focussing on rural people and women)
	Tourism product and service packaging and marketing project
	Tourist bicycle route around the Irrigation Scheme
General	Commercialisation of under-utilised state assets
	Construction of infrastructure backlog
	Establish Public-Private Partnerships in service delivery
	Functional Rural Centre development
	Urban cleaning and toilet facilities project

### 9.3. PROJECT EVALUATION

To determine which of these listed projects will have the highest impact on the economy in terms of job creation, capacity building, social upliftment, etc. it is important to prioritise these projects according to a specific set of criteria, which will facilitate the selection process of strategic anchor projects. Figure 9.2 indicates the seven criteria that are used to prioritise planned projects within Phokwane. Anchor projects are those projects that consist of a number of linkages to various other sectors and projects.



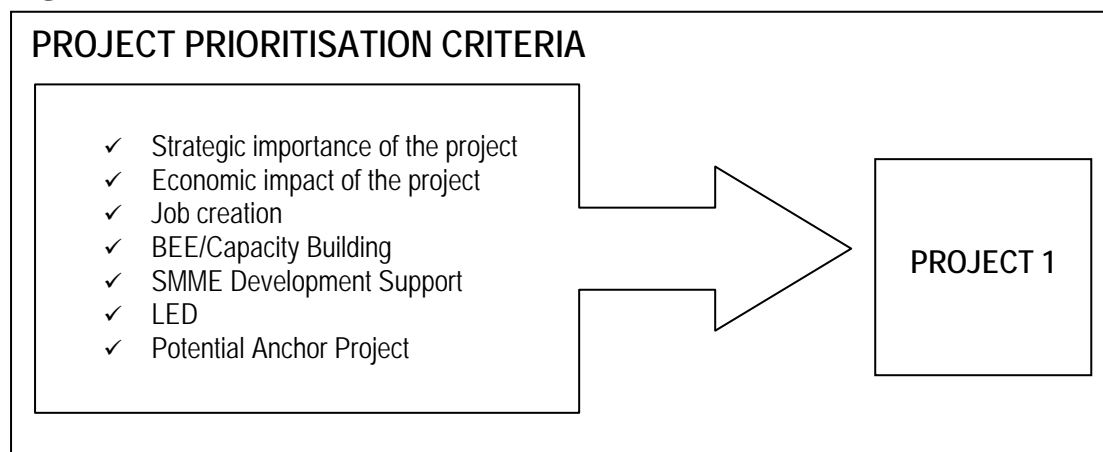
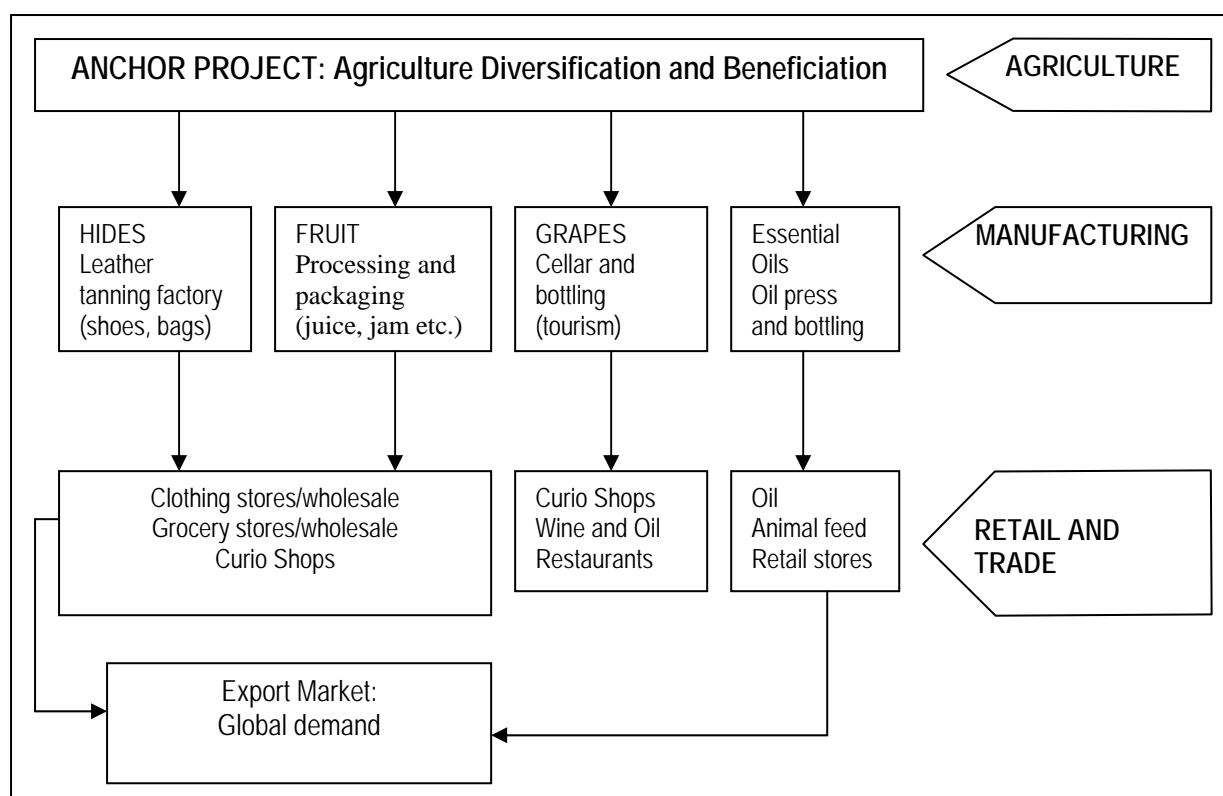
**Figure 9.2 - Prioritisation criteria**

Figure 9.3 illustrates economic activities that can be derived from agriculture diversification and beneficiation. It is important to note that in most instances, these anchor projects are also referred to as primary projects, because without the successful implementation of the primary projects, and delivery of primary products there can be no secondary projects such as processing (value-adding to the product) or trade of the finished product/goods.

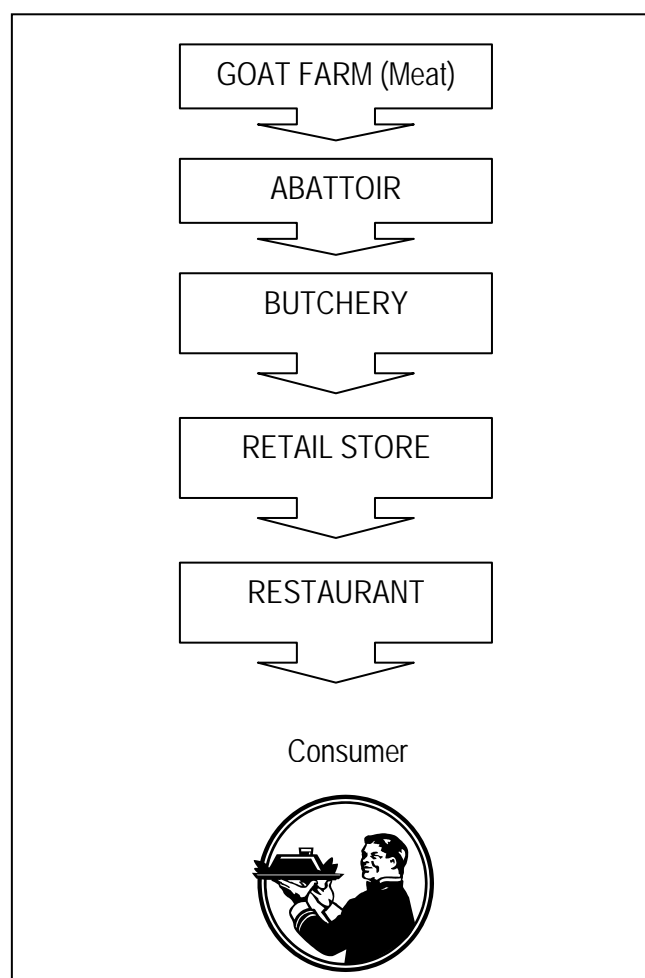
**Figure 9.3 - Anchor Projects**

The link that is formed between the product (beginning of chain) and the consumer (end of chain) is referred to as the value-chain. A value chain is therefore the path that



a primary product follows where value is added to the product at each destination until it reaches the consumer. Figure 9.4 illustrates this path.

**Figure 9.4: Value chain of a product**



### 9.3.1. The seven criteria

The prioritisation criteria encompass a number of variables which influences the potential outcome of each project's prioritisation score. Each criterion's characteristics are discussed in the following paragraphs. A standard evaluation sheet was designed on the basis of which all projects were evaluated.

#### Criterion 1: Strategic Importance

The following questions should be asked when evaluating a project in terms of its strategic importance.

- Does the project exploit the comparative advantages (e.g. locational and resource base) of the area?
- Does the project create and / or strengthen forward or backward linkages with other activities or sectors in order to generate a maximum multiplier effect?



- Does the project align with the requirements / expectations of the local / recipient community?
- What is the level of buy-in and commitment by the direct stakeholders?
- Does the project comply with the IDP / LED principles of the area?
- Has there been any research done on the project, or are there any other projects that can be used as models / templates?

Strategic importance refers to the holistic magnitude of the potential impact of the project on the local economy. This factor takes considerations into account such as the scale of the development, the chances of being duplicated elsewhere as well as the effects that the project will have on the comparative advantage of the local economy as a whole.

Apart from the mentioned benefits; a project will obtain a high score in this category if it has strong linkages with other potential projects. In other words the successful implementation of the project results in the creation of other potential projects or linkages within the local economy.

### **Criterion 2 and 3: Economic Impact and Job Creation**

The following questions should be asked when evaluating the impact of a project:

- The estimated number of direct jobs to be generated.
- Long term sustainability of these jobs.
- Ability to improve the skill / capacity level.

The evaluation of a project in the light of its probable impact on the economy is the second criteria utilised during the assessment process. Economic impact refers to the sum of the projects' influences on the local economy. This implies that all the different impacts are taken into account. These impacts refer to aspects such as: Increased / additional levy income, new business sales, potential multiplying effects and advantages and foreign direct investments.

It is evident that the specific effects of each of the factors mentioned above are directly associated with the establishment of the project. LED projects, however also induce indirect effects on the local economy and its community. These levels of impact vary considerably and are difficult to measure with accuracy. A main dimension of the impact of the project is the number of employment opportunities that will be created by the project. This criterion is relatively straightforward as it utilises the direct employment created and does not include the indirect employment opportunities created.

### **Criterion 4 and 5: BEE/Capacity building and SMME development/support**

As part of the LED strategy, the study gives preferential treatment to projects that will favour Historically Disadvantaged Individuals; provides support and training to small, medium and micro enterprises; and supports companies that actively promote development and skills transfer to their employees.





The promotion, establishment and expansion of SMMEs are weighed against the establishment of large firms. Large firms are mostly multi-locational operations. They are less dependent on their geographic location than SMMEs and do not perceive the local level as a high-priority level of action. They are rarely part of local economic development initiatives and usually deal directly with national government when contributions to development are made. If a given location does not offer satisfactory conditions, it is not rare that a large firm/factory will close down its operation and move elsewhere rather than getting involved in the cumbersome effort of getting involved in a local dialog to negotiate for new incentives and/or services.

Given the locational disadvantages of Phokwane, the focus of this LED strategy is on SMME development because the mobility of these businesses is much more limited. For SMMEs, the trade-off between the cost of changing location and the cost of participating in local dialog and development efforts tends to be solved in favour of the latter. SMMEs sometimes get actively involved in LED efforts, and they certainly are an important target group for LED initiatives.

The following considerations are kept in mind when a potential project is measured in terms of SMME development:

- Will the proposed project/SMME development make use of local resources and skills (e.g. a local cultural village)?
- Will the proposed project cater for SMME/small business skills training and assistance?
- Will the proposed project promote the potential establishment or expansion of start-up SMMEs?
- Does a proposed SMME have the necessary networking and business contacts?
- Will the proposed SMME/project be sufficiently linked to the primary and tertiary sectors of the economy?
- Is there sufficient effective demand for the proposed product or service?
- SMMEs that cater for the export of goods and services from Phokwane may receive a higher ranking than small businesses that sell locally.

### **Criterion 6 and 7: LED and Potential Anchor Projects**

The following questions should be asked when evaluating the importance of a project in terms of its feasibility:

- What is the level of business risk?
- Will the project be able to become self-sufficient?
- What are the estimated capital requirements?
- How easy can the inputs be obtained?
- What is the level of competition in the particular industry?
- What are the barriers of entry into the industry?
- How effective is the demand?



As the implementation of any project is dependant on the financial feasibility of the project, it is vitally important to include associated indicators into the overall project assessment. Aspects such as existing research on the project topic as well as the availability of resources, skills and appropriate technology affect the individual project's assessment.

Additionally the commitment of the relevant role-players in the local economic area to the specific project is vitally important. The current assessment of these criteria relates to if a specific "champion" has been identified as well as where applicable, commitment to the project by investors and the local municipality.

In addition other economic indicators/characteristics are incorporated such as increased multiplier effects, etc. Because projects needed in the local economy must be able to facilitate the establishment of future projects, their ability to act as potential anchor projects are evaluated. The evaluation takes factors into account such as:

- The ability to attract other activities to the region
- The potential to establish linkages with existing activities
- The capacity to create multiple advantages within the region

The co-coordinated implementation of the listed projects will ensure that the economic development of Phokwane will be stimulated. Table 9.2 illustrates the LED projects for Phokwane after they have been prioritised. An expanded prioritisation table which includes each of the seven criteria is included in Annexure 1 of this report.

**Table 9.2 – Project Prioritisation per economic sector**

<b>Economic Sectors</b>	<b>Identified Projects</b>	<b>Ranking</b>
Agriculture	Mass agriculture beneficiation project	1
	Regional agriculture produce market	2
	Agriculture incubator (training, GM, information, assistance, etc.)	2
	Increase in cultivars planted in the area, i.e. flowers, other herbs and spices, etc	2
	Organic farming and hydroponics production units/cluster	3
	Tunnel and shed netting production units	3
	Food modification projects (GM and biodiversity)	3
	Increase in livestock in the area (e.g. goats and ostriches)	4
	Canola production	5
Manufacturing	Agriculture beneficiation cluster	1
	Fresh veggie and fruit processing and product manufacturing plant	2
	Local meat processing and packaging plant	2
	Leather tannery	2
	Oil extraction plant	3
	Manufacturing incubator (incentives, advice, etc.)	4
	Fresh produce storage and transport hub	5



<b>Economic Sectors</b>	<b>Identified Projects</b>	<b>Ranking</b>
	Dedicated manufacturing marketing campaign	5
	Recycling plant	5
	Hand tool manufacturing	5
	New product manufacturers of recycled materials	6
	Local warehousing and storage facilities (logistics hub)	7
Trade	Development of an informal trade strategy (location, facilities)	1
	Regional fresh produce market	2
	Promotion of supplying fresh produce to the African countries (NEPAD)	3
	Entrepreneurial and advice centre	4
	Internet shopping facilitation for local businesses	5
Transport/ Communication and Services	Development of a dedicated service delivery strategy	1
	Negotiate trade relations with other African countries through NEPAD	1
	Entrepreneurial training project and assistance	2
	Negotiate for the establishment of satellite campuses in the area	2
	Packaging, storage and distribution hub	3
	Entrepreneurial and advice centre	3
	PPP in healthcare services	4
	Implementation of an intense marketing campaign	5
	Internet shopping interface for local businesses	5
	Development of a friendly and attractive business environment (Campaign)	6
Tourism	Development of tourism identity for the area	1
	Tourism incubator (Training in visitor friendly environment and tourism awareness - focussing on rural people and women)	2
	Tourism product and service packaging and marketing project	3
	Development of a regional tourism node (PPP)	4
	Development of tourist orientated cultural services and products	5
	High standard self catering facilities	5
	Archaeological and historical site tourism routes and packages	6
	Establishment a cultural village combining all cultures and ethnic groups in the area	7
	Tourism events project	8
	Tourist bicycle route around the Irrigation Scheme	9
General	Functional Rural Centre development	1
	Construction of infrastructure backlog	2
	Establish Public-Private Partnerships in service delivery	2
	Commercialisation of under-utilised state assets	3
	Urban cleaning and toilet facilities project	4



## 9.4. CONCLUSION

In this section, LED projects was identified and prioritised according to certain criteria. In order to implement the various development programmes formulated in the strategy, the various institutional arrangement have to be initiated and established as a matter of urgency. These drivers of the LED process throughout Phokwane will probability not succeed if the political ambition is not included in the implementation process as a whole. Therefore the inclusion of all the role-players and stakeholders throughout the planning an implementation process should initiate political will, generate interest and stimulate dialogue.

It is critically important that the role-players in the Phokwane Municipality take ownership of this regeneration 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 Municipality. This will ensure that accountability and responsibility for implementation is allocated and that potential conflicts avoided.



# SECTION TEN: Implementation Guidelines

## 10.1. INTRODUCTION

This section describes the final phase of this study and makes firm recommendations on the implementation of the LED strategy. This would entail the restructuring of institutional arrangements as well as other interventions. The vision as formulated in Section 7, guides the focus of the marketing strategy in terms of the potential development initiatives/projects. This section also provides recommendations on potential funding sources and a marketing strategy that should initiate the establishment of a friendly, vibrant LED and business culture in Phokwane so as to attract potential investors.

## 10.2. INSTITUTIONAL ARRANGEMENTS

The aim of this section is to provide guidance to the Phokwane municipality towards managing the LED process. Recommendations are made based on previous experience and the capacity of the said Municipality. It remains central that dedicated resources (human and financial) must be applied in the initiation, management, implementation and monitoring phases of the proposed projects.

According to the *Municipal Structures Act 58 of 1999 Sec. 83 (c)*: “The district municipalities must seek to achieve the integrated, sustainable and equitable social and economic development of its area as a whole by:

- **“<sup>1</sup>Building the capacity of local municipalities in its area to perform their functions and exercise their powers where such capacity is lacking”**

It is therefore recommended that the Phokwane Municipality delegates one dedicated person who will act as “project manager” for the LED process and therefore have the duty of liaising with all the relevant role-players of which the most significant will be the District Municipality. It is envisaged that he/she be totally capable and driven to alleviate poverty in Phokwane through the vigorous marketing and initiation of LED projects. This recommendation is based on the fact that the Phokwane Municipality is still very small and does not consist of the capacity and resources to implement enormous, operational LED forums. Therefore, the Municipality should seek all the help it can get.

It is recommended that the Phokwane municipality approach the LED Department of the Frances Baard District Municipality and inform them of the Municipality’s limited capacity to implement such a LED strategy. This could provide the platform for

<sup>1</sup> Refer to Sub-Section 3.1.3 for other functions of the District Municipality



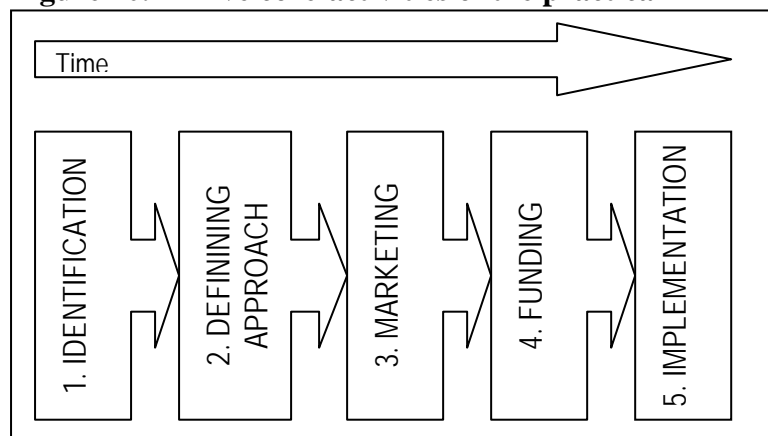
integrated support from the District in terms of project initiation, implementation and management in Phokwane. It is envisaged that Phokwane Local Municipality be the initiator of the LED process (plans and projects) but that the Frances Baard District Municipality provide sufficient (almost total) support in the implementation and management thereof.

It is important to note that other Economic Development Programmes in Phokwane should not be halted, but rather that a synergy be established between all economic development initiatives in the area.

### 10.3. PRACTICAL MANAGEMENT OF THE LED PROCESS

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 interconnected and are not separated from each other. Figure 10.1 illustrates the interconnected core-activities of the LED project management process:

**Figure 10.1 - Five core-activities of the practical LED Process**



Source: Urban-Econ Database, 2003

#### ▪ 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 <sup>2</sup>SWOT analysis should also be included. It is recommended that the initial step of idea generation and project/opportunity identification be undertaken by the local Municipality. The 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.

<sup>2</sup> **SWOT** analysis looks at the internal strengths, weaknesses, opportunities and threats that may be caused by the external environment.



**▪ 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 (paragraph 10.8.1) as well as the marketing of the specific products/services produced by the respective projects. The provision of appropriate mechanisms by the local authority 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 (refer to Table 10.2). It also entails 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 District Municipality should assist the local authority in all of the abovementioned activities of practical implementation depending on the capacity and/or assistance required.

Table 10.1 identifies the components for each of the activities for practical implementation of the LED strategy and allocates responsibilities to the Local Municipality (Phokwane) and the District Municipality (Frances Baard) according to capacity.



**Table 10.1 - Specific core activities and components**

<b>RESPONSIBLE AGENT</b>	<b>COMPONENTS</b>	<b>MAJOR ACTIVITIES</b>
<b>ACTIVITY ONE: IDENTIFY</b>		
Local	→ Idea generation	Establish organising committee. Consult local community- workshops. Consult professional expertise. Brainstorming sessions.
Local	→ Opportunity identification	Community planning. SWOT analysis as part of LED study.
Local & district	→ Business plan formulation	Consult experts. Write business plan.
<b>ACTIVITY TWO: DEFINE APPROACH</b>		
Local & district	→ Market analysis	Business survey. Benchmarking (success stories). Establish business chambers. Establish business database.
Local	→ Legislation	Review by-laws and amend where necessary.
Local & District	→ Management	Delegate responsibility to a “driver”.
District	→ Access to support structures	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 to release property for utilisation. Negotiate favourable rent rates.
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) provincial government departments to undertake training within Phokwane.





RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
<b>ACTIVITY THREE: MARKETING</b>		
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.
<b>ACTIVITY FOUR: DEVELOPMENT FUNDING</b>		
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.
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	Organisation of “build your own business” training. Enhance awareness and skills in areas such as: <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	→ Establishment support	Provide start-up advice to entrepreneurs such as: <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>



RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
District & local	➔ Matchmaking	Link opportunities, funding and entrepreneurs.
		Referral of business opportunities as well as assistance in the application for funding.
<b>ACTIVITY FIVE: IMPLEMENTATION</b>		
District	➔ Partnerships	Establish partnerships between the existing local business and emerging entrepreneurs. PPP's (private & public)
District & local	➔ Fast-track approval process	Stream line the approval process to provide investors with speedy replies with regards to developmental aspects/enquiries/applications. Convene extra-ordinary council meetings where necessary.
District	➔ Support structures	Provide counselling (advice, info and support) at one-stop centres for business devel., tourism, etc. at Municipal offices.
District	➔ Incubators	Establish local business support centres (LBSCs) and business opportunity centres (BOCs)
District	➔ 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	➔ 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.



RESPONSIBLE AGENT	COMPONENTS	MAJOR ACTIVITIES
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.

Source: Urban-Econ Database, 2003

#### 10.4. POTENTIAL FUNDING SOURCES

A range of institutions has been identified which could possibly be utilised as potential funding sources. Each of the institutions mentioned is categorised according to the type of economic support for which they could provide funding for. The list of potential funding sources is illustrated in Table 10.2.

**Table 10.2 - List of Potential Funding Sources**

TYPE OF SUPPORT	POTENTIAL FUNDING SOURCE	COMMENTS
Skills development and support	Department of Labour	Skills support programmes (SSP)
Community Economic Development	<ul style="list-style-type: none"> <li>♦ National Productivity Institute (NPI)</li> <li>♦ Department of Labour</li> <li>♦ DPLG</li> </ul>	Social Plan programme
	Local Government	Consolidated Municipal Infrastructure Programme (CMIP)
	Department of Water Affairs and Forestry (DWAF)	Working for water programme
	National Government (all departments)	Poverty relief programmes
	Independent Development Trust	Development of the local capacity of the communities and business ventures.



TYPE OF SUPPORT	POTENTIAL FUNDING SOURCE	COMMENTS
SMME development and support	Department of Trade and Industry (DTI)	<ul style="list-style-type: none"> <li>♦ Incentive packages for SMME development.</li> <li>♦ Khula provides loans and guarantees to reduce risk and collateral deficiencies in the SME sector.</li> <li>♦ Small and Medium Enterprise Development Programme (SMEDP)</li> </ul>
	Ntsika	Support and funding
	Department of Provincial and Local Government (DPLG)	Social Plan Fund
	ARTPAC	Financial capacity support for small contractors and artisans.
	Business Partners	Providing support services to small businesses
	Namac	<ul style="list-style-type: none"> <li>♦ Small Enterprise Development Fund</li> <li>♦ Business Referral and Information Network (BRAIN)</li> <li>♦ Franchise Advice and Information Network (FRAIN)</li> </ul>
	Industrial Development Corporation (IDC)	Financial incentives to encourage exports
Technological support	Department of Arts, Culture, Science and Technology (DACST)	GODISA, which strives to create economic growth and long term employment opportunities through the enhancement of technological innovation, improvement of productivity, sustainability and international competitiveness of SMEs
	Department of Trade and Industry (DTI)	The Support Programme of Industrial Innovation (SPII)
	Department of Communications (DoC)	Bridging the Digital Divide programme
	Small Business Project	Private Sector Initiative (PSI)
Tourism Promotion	Department of Environmental Affairs and Tourism. (DEAT)	Tourism related activity benefit.



TYPE OF SUPPORT	POTENTIAL FUNDING SOURCE	COMMENTS
	DTI	Tourism Development Finance for the development and expansion of the tourism industry
	Business Partners	Providing support services to SMEs
Manufacturing Development	National Research Foundation (NRF)	Funding Programme
	Namac	Coordinates, facilitates, monitors and evaluates the activities of Manufacturing Advisory Centres.
	Coega Development Corporation (CDC)	Job creation community based projects.
	Council for Scientific and Industrial Research (CISR)	Conducts research, development and implementation activities
	DTI	<ul style="list-style-type: none"> <li>♦ Sector Partnership Fund</li> <li>♦ Support Programme for Industrial Innovation</li> <li>♦ Competitiveness Fund</li> <li>♦ Technology and Human Resources for Industry Programme (THRIP)</li> <li>♦ Competition Policy</li> <li>♦ Procurement Reform</li> <li>♦ Finance for textile, clothing, leather &amp; footwear industries.</li> </ul>
	IDC	Low interest Loans
	Development Bank South Africa (DBSA)	Donor funding
Agricultural Development	Agricultural Research Council (ARC)	Research
	DTI	Agro Industry Development Fund for the development and expansion of the agricultural food and marine sectors.
	Land Bank	Drought-relief grants Flood relief grants Small farmer grants
Local Economic Development promotion	DPLG	LED fund for job creation
	Khula Enterprises	<ul style="list-style-type: none"> <li>♦ Equity Fund</li> <li>♦ Emerging Entrepreneur Fund</li> </ul>
Investment Promotion	Department of Provincial and Local Government	Consolidated Municipal Infrastructure Programme (CMIP)



Potential International Funding Agencies also include:

- World Bank
- United Nations (UN)
- European Union (EU)
- Africa Development Bank
- Commonwealth Africa Investment Ltd (COMAFIN)
- European Investment Bank
- Africa Project Development Facility
- UK Department of International Development

It should be noted that the funding institutions included in Table 10.2 does not include all the funding options that are available. Therefore, it is recommended that further investigation be done on the possible funding sources still available. It is also important to note that funds are made available only to those who qualify, therefore it is imperative to contact these institutions and find out whether the project/initiative complies with the certain requirements that these institutions might have.

## **10.5 COMPARATIVE ADVANTAGES**

Marketing is considered critical to the long-term success of the LED initiative. This is especially true in sectors such as Manufacturing, Trade and Tourism where the growth and success of new ventures are solely dependent on the consumer.

Marketing campaigns should always start out with an assessment of the comparative advantages in the area (i.e. those characteristics that sets it apart from other areas in the region). These advantages contribute almost totally to the decision of a potential investor to invest in a specific region, sub-region, town or site. It is therefore imperative that these advantages be aggressively promoted when implementing the marketing strategy.

### **8.5.1. Comparative Advantages of Phokwane**

- Manufacturing

Phokwane has a competitive advantage in terms of available industrial infrastructure. There is thus ample opportunity for new small industries in the area, especially if they are linked to the local agricultural sector. These include small agro-processing plants, hydroponics clusters and shade netting production units.

- Agriculture

The entire Irrigation Scheme is regarded as a major agriculture and maize growing area, producing exceptionally high yields. As part of this region, Phokwane is ideally located to exploit this sector. The Municipality is further ideally located in terms of the markets of Gauteng and the Western Cape. This potential can be optimised if raw agricultural products which are produced locally can be beneficiated by the local manufacturing sector. Phokwane has enormous capacity for agricultural beneficiation. This refers to extensions in the variety of cultivars, poultry and livestock. An



important component in these initiatives is the establishment of SMMEs by local people and the promotion of Black Economic Empowerment.

- **Linkages**

Phokwane has strong linkages to the rest of South Africa via the N12 national highway. The N18 provides Hartswater with a direct link to the markets of Gauteng. These linkages provide excellent opportunities to the agricultural, manufacturing and tourism sectors of the Municipality. The potential exists to identify the N18 as a tourism route to destinations in Phokwane. This initiative should however be sufficiently marketed and combined with dedicated tourism packages.

## **10.6 MARKETING: SPECIFIC APPROACH**

The main purpose of marketing is to inform and convince potential buyers or investors to buy a particular product or to invest in a particular location. The potential client will only be convinced to enter into such a transaction if the anticipated gain or profit exceeds the cost.

One type of marketing approach usually considered in these strategies is “place marketing”. The definition thereof will be discussed consequently.

### **10.6.1. Place Marketing**

The degree of success with which local authorities will adapt to an ever-changing economic environment is influenced by their ability to spread information of their municipality or town on the local, regional and world market. Place marketing is an approach that creates an awareness of investment opportunities in certain markets that may otherwise have gone unseen.

Place marketing entails the spreading of strategic market and investment information through appropriate channels that would reach those investors who are most likely to be interested in investing in certain opportunities/projects in Phokwane. Place marketing needs to articulate the specific comparative advantages of Phokwane and should focus on specific types of funding sources/investors that need to be attracted to the area. Place marketing therefore creates an awareness that would otherwise not have existed or would only have developed over time. The speed at which investment information is spread to the market, therefore influences the rate at which investment is most likely to take place.

This Place Marketing Strategy is in essence the marketing of Phokwane as an attractive entity with its own identity and character. The marketing effort should be directed towards the broader public and those who are new in the area, i.e. tourists, the national business community, and international investors. Essentially the main aim of this plan should be to promote Phokwane in such a way that it will urge and motivate people/visitors to do their everyday activities in Phokwane. This may even include the decision to relocate and live in Phokwane, which will bring about extra spending power, and the usage of all the facilities in the area.



In terms of place marketing as well as the marketing of specific sectoral opportunities/projects, it is necessary to co-ordinate the actions of the Municipality and those of the District Municipality (Frances Baard DM).

### 10.6.2. Marketing methods

As the 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 10.2: 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:</p> <p>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 along time in advance.</p> <p>Higher space costs plus higher creative costs.</p>





MARKETING METHODS	ADVANTAGES	DISADVANTAGES
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>
RADIO	<p>Universal medium that's accessed at home, work, while driving.</p> <p>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 for you business 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.</p> <p>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>



MARKETING METHODS	ADVANTAGES	DISADVANTAGES
OUTDOOR ADVERTISEMENT	Low cost: High reach and frequency for general audiences. Can be hard to ignore.	Extremely limited message length. Best when paired with another medium. Production cost can be expensive.
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

## 10.7. CONCLUSION

The final step of analysis forms one of the initial steps of the implementation phase. Once the potential of prioritised projects have been identified, the next step should be to assess the feasibility thereof. This is done by means of a preliminary feasibility, which is included in a business plan format so as to market the idea to a potential investor. Such business plans usually includes the details and description of a project, its preliminary feasibility i.e. potential, current market trends, linkages and market gaps. In broad terms, it markets the potential of the project to generate profit to the investor, create jobs for the unemployed communities and ultimately contribute to the socio-economic upliftment of Phokwane.

Business plans should be preceded with an in-depth feasibility study. They serve the purpose of an implementation framework for potential projects. In the initiation of such projects, the outline of these business plans should be revisited.

The diligent execution of this strategy will stimulate the economic regeneration of Phokwane and the alleviation of poverty. This will be achieved through the promotion of sustainable farming practices and the broadening of the economic base (i.e. diversification of the agriculture, tourism, manufacturing and trade sectors).



## PHOKWANE: 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)		
Agriculture beneficiation cluster	3	3	3	3	3	3	3	7	0	0	70.00	1
Functional Rural Centre development	3	3	2	3	3	3	3	6	1	0	66.00	2
Mass agriculture beneficiation and GM project	3	3	3	2	2	3	3	5	2	0	62.00	3
Development of an informal trade strategy (location, facilities)	3	2	2	3	2	3	3	4	3	0	58.00	4
Construction of infrastructure backlog	3	2	3	3	2	2	3	4	3	0	58.00	4
Establish Public-Private Partnerships in service delivery	3	3	3	3	2	2	2	4	3	0	58.00	4
Regional agriculture produce market	2	2	2	2	2	3	3	2	5	0	50.00	5
Agriculture incubator (training, GM, information, assistance, etc.)	3	2	1	3	3	2	2	3	3	1	50.00	5
Increase in cultivars planted in the area, I.e. flowers, other herbs and spices, etc	3	3	2	2	2	2	2	2	5	0	50.00	5
Fresh veggie and fruit processing and product manufacturing plant	2	2	3	3	2	2	2	2	5	0	50.00	5
Local meat processing and packaging plant	2	2	2	3	3	2	2	2	5	0	50.00	5
Leather tannery	2	2	2	3	3	2	2	2	5	0	50.00	5
Development of tourism identity for the area	3	2	2	2	2	2	3	2	5	0	50.00	5
Oil extraction plant	2	2	2	3	2	2	2	1	6	0	46.00	6
Promotion of supplying fresh produce to the African countries (NEPAD)	2	2	2	2	2	3	2	1	6	0	46.00	6
Development of a dedicated service delivery strategy	3	3	2	2	1	2	2	2	4	1	46.00	6
Negotiate trade relations with other African countries trough NEPAD	2	2	2	2	2	3	2	1	6	0	46.00	6
Tourism incubator (Training in vistor friendly environment and tourism awareness - focussing on rural people and women)	2	2	2	3	3	1	2	2	4	1	46.00	6
Organic farming and hydroponics production units/cluster	2	1	2	2	3	2	2	1	5	1	42.00	7
Tunnel and shed netting production units	2	1	2	2	3	2	2	1	5	1	42.00	8
Food modification projects (GM and biodiversity)	3	2	1	2	2	2	2	1	5	1	42.00	8
Manufacturing incubator (incentives, advice, etc.)	2	3	1	3	3	1	1	3	1	3	42.00	8
Entrepreneurial training project and assistance	2	1	2	3	3	2	1	2	3	2	42.00	8
Negotiate for the establishment of satellite campuses in the area	2	2	2	2	2	2	2	0	7	0	42.00	8
Tourism product and service packaging and marketing project	3	1	1	2	2	2	3	2	3	2	42.00	8
Commercialisation of under-utilised state assets	2	2	2	2	2	2	2	0	7	0	42.00	8
Increase in livestock in the area (e.g. goats and ostriches)	1	1	1	3	3	2	2	2	2	3	38.00	9
Fresh produce storage and transport hub	2	1	2	3	3	1	1	2	2	3	38.00	9
Dedicated manufacturing marketing campaign	3	2	1	2	2	2	1	1	4	2	38.00	9
Recycling plant	1	1	2	3	2	2	2	1	4	2	38.00	9
Hand tool manufacturing	1	1	2	3	2	2	2	1	4	2	38.00	10
Entrepreneurial and advice centre	2	1	1	3	3	2	1	2	2	3	38.00	10
Packaging, storage and distribution hub	2	2	2	2	2	1	2	0	6	1	38.00	10
Development of a regional tourism node (PPP)	2	2	1	2	1	2	3	1	4	2	38.00	10
Development of tourist orientated cultural services and products	2	1	1	3	2	2	2	1	4	2	38.00	10
High standard self catering facilities	2	2	2	2	2	2	1	0	6	1	38.00	10
PPP in healthcare services	2	2	1	2	1	2	2	0	5	2	34.00	11
Archaeological and historical site tourism routes and packages	1	1	2	2	2	2	2	0	5	2	34.00	11
Canola production	1	1	2	2	2	2	1	0	4	3	30.00	12
New product manufacturers of recycled materials	1	1	1	2	2	2	2	0	4	3	30.00	12
Internet shopping facilitation for local businesses	2	1	1	2	2	2	1	0	4	3	30.00	12
Implementation of an intense marketing campaign	3	1	1	2	2	1	1	1	2	4	30.00	12
Internet shopping interface for local businesses	2	1	1	2	2	2	1	0	4	3	30.00	12
Establishment a cultural village combining all cultures and ethnic groups in the area	1	1	1	3	1	1	3	2	0	5	30.00	12
Local warehousing and storage facilities (logistics hub)	2	1	1	2	2	1	1	0	3	4	26.00	13
Development of a friendly and attractive business environment (Campaign)	2	1	2	1	1	1	2	0	3	4	26.00	13
Tourism events project	1	2	1	2	1	1	2	0	3	4	26.00	13
Urban cleaning and toilet facilities project	1	1	2	2	1	1	1	0	2	5	22.00	14
Tourist bicycle route around the Irrigation Scheme	1	1	1	2	1	1	1	0	1	6	18.00	15

# ANNEXURE 2: Investment Promotion and Implementation Plan

## 1. INTRODUCTION

This section presents the Investment Promotion and Implementation Plan for the Phokwane Municipal Area. As development economists, Urban-Econ has, over the past two decades, been requested by numerous clients to formulate development strategies for their areas of jurisdiction.

This section builds on the LED study, especially on the Potential Analysis, and serves as a basis for implementation. This section is furthermore supported by additional research and experience by Urban-Econ. The following sub-sections provide an overview of the biological revolution and its consequences for production. The section then highlights implications for South Africa and Phokwane. The section is concluded with an implementation plan with reference to the financial considerations.

Mega changes are taking shape in the world economy, with specific reference to changing production structures and growth in trade volumes of certain commodities. The extent and impact of these changes are so profound that it compares to two previous transformations that have occurred in the history of economic development, namely the transformation from the agricultural era to the industrial era and the transformation from the industrial era to the information technology (IT) era.

Experts, including scientists and futurists, seem to agree that the world economy is at the dawn of a new era, which they term the biological era. In the biological era, agriculture, industry and information technology will become side-issues: merely vehicles that facilitate an inevitable new dimension of supply-side economics, necessitated by increasing demand and limited natural resources. Specific niche markets will emerge from which Phokwane can benefit.

On the basis of these observations, it was deemed worthy to investigate the nature of this paradigm shift and to explore its potential impact, not only on world trade, but specifically on the manner in which Phokwane utilise its economic resources (natural and manmade) to align its economy with the realities of emerging demand and consumption patterns.

Having developed an understanding of the economic trends and development potential during the course of this LED study, Urban-Econ set out to add this novel dimension to the Phokwane Investment Strategy. The objective of this plan is therefore to foster growth and investment through innovative thinking, research and the development of appropriate technologies that will align Phokwane with the emerging New Economy and its unique growth opportunities.



## **2. NATURE OF THE BIOLOGICAL REVOLUTION**

Leaders on the world economic front, such as America and Germany, have realised that there is only one true and effective strategy to secure and maintain a leading edge in sustainable economic development: this goal can only be achieved by investing billions of dollars every year to finance continuous research and development (R&D) programmes.

Closely related to R&D, is education and training. The current education system, as implemented by most countries in the world, is based on principles dating from the Industrial Revolution and is therefore at least 300 years old. The New Economy is predominantly knowledge based. This implies that the education system has to be modernised and streamlined to create self disciplined entrepreneurs, as opposed to regimented production workers. The latter still dominates in most of our industries, also in South Africa.

In Germany, the reasoning behind government's commitment towards R&D is that through their funding, new patents and products will create new employment opportunities for the future.

### **2.1. Biotechnology**

The world is currently experiencing un-scaled population migrations. Millions of people are migrating from the once fertile planes of Asia and Africa to Europe. Poor Mexicans are migrating across the border from Mexico into the United States of America. The central reason behind these massive migrations: the soil on which they have traditionally made a living has been exhausted is no longer able to sustain an ever increasing population.

The world population already exceeds the 6 billion mark, and there are no signs of its growth tapering off. Between 1950 and 1995 alone, the world population increased by 105%. Even though the production of food increased by 124% over the same period, the rate of food production is slowing down. This can be attributed to a number of factors, including insects that have become resistant to pesticides, over-grazing and soil erosion: it is estimated that over the past 20 years, the world has lost 20% of its top-soil.

The implications of these trends are two-fold: firstly, agricultural production is decreasing and secondly, the nutritional value of agricultural products is decreasing.

It has become evident that traditional agricultural production methods will not be able to meet the demands of a growing world population for much longer. Towards the end of the 20th century, R&D subsequently focused on the development of alternative food production techniques that would be able to address increasing demand in a safe and sustainable way.

Solutions to the growing problem were developed. Due to the diversity of nutritional needs between different civilisations, these solutions focused on a number of



interrelated food challenges as well as new, healthier lifestyle issues. In this context, the biotechnology industry gained momentum towards the end of the 20th century.

In 1998, US companies involved in the so-called “life-sciences sector” invested \$9.9 billion in R&D, employed 153 000 people and posted total revenues of \$18.6 billion.

Biotechnology is defined as “... the application of scientific and engineering principles to the processing of materials by biological agents to provide goods and services” (OECD, 1982: 18). Essentially, biotechnology has three spheres of influence, namely:

- Food
- Chemical products
- Medicines and drugs.

Table 1 summarises some comparative production statistics for biotechnologically-related industries in a number of countries. These statistics illustrate the magnitude of the world biotechnology industry.

**Table 1 - Comparative Production Statistics in Biotechnologically-related industries (Production value as % of GDP)**

Country	Food	Chemical Products	Medicines & Drugs
France	10.5	12.8	n.a.
Germany	7.4	<b>15.1</b>	1.1
Japan	8.9	14.9	<b>1.4</b>
New Zealand	<b>15.5</b>	6.0	0.3
Norway	13.2	8.8	0.2
Sweden	7.9	7.1	0.5
United Kingdom	9.8	14.8	1.0
USA	9.1	13.6	0.8

Source: OECD, 1982

Two important issues concerning biotechnology products, are safety and consumer trust. Since 1980, OECD countries (Organisation for Economic Co-operation and Development) have been actively involved in regulating the quality and safety of biotechnology products.

Specific measures that have been devised to address these issues include, among others:

- Recombinant DNA: Safety Considerations, 1986 (also known as the Blue Book).
- Internal Co-ordination Group on Biotechnology (ICGB), a subcomponent of the OECD.
- Working Group on Harmonisation of Regulatory Oversight in Biotechnology.
- Intergovernmental Committee for the Cartagena Protocol on Biosafety (ICCP).
- Task Force for the Safety of Novel Foods and Feeds.



Another critical issue will be ownership of information. In view of the increasing occurrence of food shortages, aspects such as patent rights and intellectual property will most likely become the issues over which wars will be waged in future (Muller, 2001: 23). Hence, the emergence of terminology such as FOOD POLITICS will have a direct impact on countries that have access to First World knowledge and that are, furthermore, strategically located in famine stricken regions of the world. South Africa is strategically positioned in this regard.

## 2.2. Implications for South Africa

Economic leaders and communities alike are still excited by the prospects of economic development projects such as steel mills and new mining initiatives. Glamorous descriptions of these projects continuously fill the pages of printed media. Albeit that these initiatives create important jobs, they are predominantly owned by foreign companies; have a short term life span in the larger scheme of things; and focus on Old Economy processes and products.

As the inevitable economic paradigm shift takes place, the world will become less interested in Africa and South Africa's mineral resources. This trend will be fuelled by technological advancement: gold, for example, can now be produced from the earth's most abundant resource, namely silica. The emerging new economy will rely on different resources and a radically different approach towards economic development needs to be adopted in South Africa. This approach needs to recognise the changes that are being imposed by the emerging New Economy.

The South African economy shed approximately 500 000 jobs (net) over the past five years and possibly as much as 1 000 000 over the past decade (Muller, 2001: 54). The same author is convinced that if a serious effort is not made to negotiate the required leap in terms of technological advancement, South Africa will become yet another eco-tourist destination to which rich people come to see how people lived in days gone by (Muller, 2001: 9-10). Even in this market, South Africa has to compete with fairly unsophisticated, yet exceptionally popular tourism markets that expose the international tourist to the raw African experience. African destinations such as the Tuli Block and Okavango Delta (Botswana); Serengeti and Mount Kilimanjaro (Kenya) are becoming increasingly popular.

The following positive attributes should be mobilised as building blocks to assist South Africa in the transition to the New Economy:

- South Africa's R&D infrastructure is on par with the best R&D institutions in the First World. This includes the Eight Science Councils in the South African National System of Innovation.
- South Africa is strategically located in a region where, in recent years, it had to assist in supplementing food shortages in neighbouring countries such as Zimbabwe and Lesotho. This situation is expected to deteriorate even further, fuelled by, among other things, the expropriation of commercial farms in





Zimbabwe. South Africa's northern and north-eastern provinces are ideally located to access these markets.

- South Africa (especially Phokwane) has a well established and sophisticated commercial farming system. Opportunities exist to transform at least part of the current system into high-tech farming units that will be able to establish the country (and specific regions in SA such as Phokwane) as regional and even world leader in certain segments of the biotech field.
- In a certain sense, South Africa's dualistic economy has certain advantages: dualistic demand creates opportunities for highly sophisticated products on the one hand and, on the other, for very basic life sustaining goods and services. There is potentially only a fine line between biotech and conventional agriculture: this line exists between development and application of technology. Small farmers can easily apply the technology, without necessarily having to develop it. Whereas the IT industry and its benefits are completely inaccessible to poor communities, biotech appears to be more accessible and user friendly. It can therefore become a valuable instrument in poverty alleviation and SMME development. The only issues that come to mind, are ownership of information and intellectual property rights.

Albeit that immediate opportunities for South Africa may be limited in terms of certain emerging technologies in the world, very real and immediate opportunities exist in the field of Biotech. Concerning Biotech, investment opportunities exist in local markets, neighbouring SADC countries, as well as niche Western markets. The latter can be ascribed to South Africa's and Phokwane's favourable climate and food and plant species that can subsequently be cultivated, in particular sub-tropical fruit, nuts and deciduous fruit.

In the context of the above, South Africa may gain by exploring the following opportunities:

- Pharmafoods / Phytochemicals / Functional foods / Nutraceuticals
- Organics
- Food supplements
- Biomedicines.

As a consequence of opportunities that exist in a spectrum of markets and the subsequent dualistic nature of consumer demand, the sectors identified above cover all three levels of the technological spectrum of Biotech.





Category	Level of Investment	Activities
High level	High capital investment; sophisticated plant and processes often requiring strict containment; high maintenance costs; high operator skills.	High value-added products and products destined for health care and human food and food additives. Large-scale continuous processes
Intermediate level	Moderate capital investment and less complex operations	Fermented foods and beverages. Animal feedstuffs. Biofertilisers and pesticides. Crude enzymes. Waste management processes which entail sophisticated operations and control.
Low level	Small capital investment and scale of operation; simple and usually indigenous equipment; labour intensive operations; often septic systems. Village level technology.	Low value products frequently related to alleviation of pollution, sanitation, fuel and food provision. Extensive use of naturally adopted mixed fermentations. Biogas; microbial protein from agricultural and food wastes; traditional fermented foods and beverages; mushroom production.

Phokwane is strategically located in a Southern African context to become an important role player in Biotech: concerning R&D as well as the implementation of technological developments. The following sub-section interprets some of the implications of the emerging New Economy for Phokwane.

### 2.3. Implications for Phokwane – prerequisites for sustainable development

Phokwane poses a number of positive qualities that strengthen the region's chances of negotiating the leap from the Old to the New Economy. This transformation will be a tedious process and will be resisted by those who continue to enjoy short terms benefits from the Old Economy regime. However, if visionary economic leaders in Phokwane can successfully implement the principles of the New Economy, thereby enabling the region to strategically position itself with respect to the inevitable wave of change that is currently sweeping across world markets, the region will find itself ideally positioned to serve a growing segment of the world market with biotech products of world class standards.

This transition will depend on, among other things, the ability to grasp the obvious and capitalise on those qualities that are compatible with the principles of the New Economy. The following are some of the most important, and perhaps obvious,



practical elements that need to be recognised and incorporated in the Phokwane investment promotion plan.

- Phokwane is centrally located in a region with abundant agricultural resources (i.e. the irrigation scheme). These natural resources provide opportunities for the development of all three spheres in biotech, namely food, chemical products, and medicines and drugs. This illustrates that local resources are available to align Phokwane with opportunities in emerging growth sectors.
- R&D incorporates a number of dimensions, which includes research and development, but also training and education. In the dawning New Economy, the focus is on the creation of knowledge workers. The educational system needs to be tailor made to ensure that even the most basic training courses are aligned with economic growth sectors, e.g. biotech.
- Concerning the penetration of regional and African markets, Phokwane is strategically located to fulfil an instrumental role in Southern African food politics. Other SADC countries have, at best, extremely limited technological capacity-cum-ability to fulfil this vital role. In order to realise this potential, Phokwane has to strengthen the combination between R&D and agricultural resources.
- In many instances, biotech still involves perishable products. Profitability of local biotech initiatives can be greatly enhanced if there is direct access to an international inland port: in particular an international airport. Currently, Phokwane has good access to Kimberley, Cape Town and Johannesburg.
- The Biological Revolution is, in many respects, more accessible to poorer communities than the Information Revolution: biotech is much closer to the familiar domains of the agricultural era. The application of biotech has the potential to enable the poor to make the junction between absolute poverty and participation in viable and sustainable economic activities, without necessarily having to develop or even fully understand the technology that is being applied. This strongly suggests that biotech should form the cornerstone of poverty alleviation and SMME development initiatives in Phokwane: application of biotech should structure economic participation at grass roots level, in line with opportunities in viable local and export market segments.



### 3. SALIENT CONSIDERATIONS AND POTENTIAL PROJECTS

This sub-section is an extension of the projects identified in Annexure 1 under the agricultural beneficiation and Genetic Modification (GM) projects. It is worth taking note of the fact that competitiveness of South African industries is influenced by:

1. Linger consequences of import substitution policies
  - Limited exposure to world markets.
  - Production processes and technology no longer globally competitive.
  - Scale economies not being achieved.
2. Decreasing domestic demand
  - Prevailing production growth scenario consistently lower than population growth scenarios.
3. South Africa is a medium cost producer in the world market
  - Compares poorly to South America and East Asia.
  - Implication: SA has to focus on niche markets for high quality, high value added products.
  - Point of concern: can SA effectively compete in this market?

The following are important considerations for Phokwane:

1. The region is richly endowed with a wealth of natural resources.
2. Investment opportunities relate to materials in the region that are currently beneficiated outside the region (especially in terms of agro-industries).
3. Beneficiation of materials or intermediate products close to its source will eliminate unnecessary transport costs of bulky raw materials.
4. In order to achieve maximum investment impact, some investment projects may have to be capital intensive in order to have the desirable catalytic effect.
5. The identification of beneficiation opportunities has taken place with limited investigations into international markets.
6. The objective is to strengthen the local economy of Phokwane by means of the introduction of new, technologically advanced processes. The establishment of networks and identification of research and development (R&D) partners are therefore central to this process.
7. Trans-border collaboration plays a vital role in ensuring competitiveness in resource beneficiation, value adding, export efficiency and foreign market penetration.

The following prospects for agricultural and beneficiation currently exists in the world market.

- Increasing demand for healthier, convenient, quality foods.
- Positive market conditions for the food industry: deregulating of the local industry, opening up of international markets, weakening of the Rand, and relatively low inflationary pressure on domestic cost structures.



- Tariff cuts with USA, Canada, Hungary, Switzerland and EU through GSP programmes.
- Signing of trade protocol between SADC countries coupled with rapidly expanding urban population throughout Africa create further export opportunities.

Phokwane has a very strong agricultural sector, producing a wide variety of products such as canola, fruit, vegetables, olives and nuts. The local market is small, but the international export market is experiencing significant growth.

Regional investment opportunities include, inter alia, the following:

#### **Conventional projects**

- Processing of meat
- Sub-tropical fruit processing
- Citrus fruit processing
- Nuts
- Prepared animal feeds
- Manufacture of fruit juices
- Organic food production.
- Canola
- Essential Oils.

#### **New Economy projects**

- Pharma-foods (neutraceuticals / functional foods / phytochemicals).
- Food supplements and biomedicines.

## **4. LEGISLATION GEARED FOR INVESTMENT**

### **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 the 1st January 2001. AGOA presently offers, inter alia, the following international trade and export opportunities to United States markets:



- |                            |  |   |
|----------------------------|--|---|
| ▪ Albuminoidal substances  | ▪ Aluminium and aluminium substances     | ▪ Animal products and live animals          |
| ▪ Arms and ammunition      | ▪ Asbestos                               | ▪ Beverages                                 |
| ▪ Bicycle equipment        | ▪ Ceramic products                       | ▪ Cereals                                   |
| ▪ Cheeses                  | ▪ Chemical products                      | ▪ Clock parts and time devices              |
| ▪ Cocoa and cocoa products | ▪ Copper and copper products             | ▪ Cutlery                                   |
| ▪ Dairy preparations       | ▪ Dyes, pigments and colouring matter    | ▪ Eggs                                      |
| ▪ Essential oils           | ▪ Explosives and pyrotechnic products    | ▪ Fats and oils                             |
| ▪ Feed for animals         | ▪ Food residues/waste                    | ▪ Foods stuffs (miscellaneous preparations) |
| ▪ Footwear                 | ▪ Fruit juices                           | ▪ Fruit preparations                        |
| ▪ Fruit                    | ▪ Fur skin articles                      | ▪ Glass and glassware                       |
| ▪ Grain milling products   | ▪ Grain, seeds and nuts                  | ▪ Gums, saps and resins                     |
| ▪ Honey                    | ▪ Iron and steel and downstream products | ▪ Leather and skins                         |
| ▪ Leather articles         | ▪ Leather preparations                   | ▪ Lubricating preparations                  |
| ▪ Machinery and parts      | ▪ Meat                                   | ▪ Metals and products of metals             |
| ▪ Nuts                     | ▪ Ores                                   | ▪ Petroleum oils and products               |
| ▪ Plants or trees (live)   | ▪ Plastics                               | ▪ Spirits                                   |
| ▪ Sports equipment         | ▪ Sugars and sugar confectionery         | ▪ Tableware                                 |
| ▪ Television equipment     | ▪ Tobacco                                | ▪ Vegetable fibre products                  |
| ▪ Vegetable preparations   | ▪ Vegetables                             | ▪ Vehicle and parts                         |
| ▪ Watches and parts        | ▪ Wines                                  | ▪ 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.

#### 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.

#### 4.2.1. Export promotion schemes

Table 2 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 2 - Export Promoting Incentive Schemes**

<b>Name of scheme</b>	<b>Access criteria</b>	<b>Description</b>
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 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	Provision of low interest rate finance for the promotion of exports.



Name of scheme	Access criteria	Description
	projects of which 30% or more is directed towards 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 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.

#### 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 3.





**Table 3 - Summary of most important incentive schemes**

<b>Name of scheme</b>	<b>Access criteria</b>	<b>Description</b>
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 bona fide tourists.	The scheme is aimed at renovations, refurbishment and 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	Contributions provided by industry and Government to finance the research efforts of the academic partners provided that such research



Name of scheme	Access criteria	Description
	company or consortium of companies.	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 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 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 SMME's and economic empowerment ventures are of particular importance to Phokwane and a strategy needs to be developed for information dissemination, application support, business mentoring and after-care. Local business development centres should



become a key component in identifying investors and SMME's alike and directing them towards these schemes.

#### **4.2.3. The Small Medium Micro Development Programme (SMMDP) and Small Medium Enterprise Development Programme (SMEDP)**

According to the SMMDP, incorporated entities as well as sole proprietors and partnerships may apply for assistance under this programme. The qualifying enterprises are only new, secondary operations engaged in manufacturing, processing or assembly activities. The incentive package provides for an establishment grant payable for three years on qualifying assets and a profit/output incentive payable for an additional one year. The industrialist may however, qualify for an additional two years' profit/output incentive provided the industrialist can meet the labour remuneration to value added ratio of 55% measured in the fourth financial year. The package also provides for a foreign relocation grant to a maximum value of US\$50 000 and assistance is only rendered in respect of an initial maximum investment of up to R3 million in qualifying assets. Furthermore, all areas in the RSA qualify to participate in the programme.

In 2000, the SMMDP was revised and replaced with the SMEDP. In essence, three aspects of the SMMDP were revised, namely:

- Incentive package.
- Qualifying entities.
- Qualifying activities.

##### A. Incentive Package

The revised incentive package now provides for the following:

- An Investment Grant payable for the first two years on approved qualifying assets.
- An additional Investment Grant is payable in the third year based on the ratio of Human Resource remuneration expressed in terms of manufacturing cost must be a minimum of 30%.
- A Foreign Investment Grant, limited to US\$150 000 per project (FIG) for qualifying investments in new machinery and equipment not exceeding R20 million investment (excluding commercial vehicles).
- A Foreign Investment Grant, limited to US\$50 000 per project (FIG) for qualifying investments in new machinery and equipment not exceeding R5 million investment (excluding commercial vehicles).

NB: The incentive period is limited to an overall maximum period of 36 consecutive months.



### *Investment grant calculation*

Entities can qualify for a tax-free cash incentive on total investment in qualifying assets for 3 years on the following regressive scale:

For the first R5m investment	-	10% p.a.
For the next R10m investment (above R5m up to R15m)	-	6% p.a.
For the next R15m investment (above R15m up to R30m)	-	4% p.a.
For the next R20m investment (above R30m up to R50m)	-	3% p.a.
For the next R25m investment (above R50m up to R75m)	-	2% p.a.
For the next R25m investment (above R75m up to R100m)	-	1% p.a.

### B. Qualifying Entities

Entities who can apply for assistance include the following:

- Companies (Private and Public).
- Close Corporations (CC's).
- Co-operative (Co-ops).
- Sole Proprietorships.
- Partnerships.

Valid incorporation certificates or partnership agreements, where applicable, must accompany applications.

### C. Qualifying Activities

Qualifying activities were extended beyond manufacturing processing and/or assembly to include:

- Manufacturing.
- Agricultural Projects and Agro-processing.
- Aqua-Culture.
- Bio-Technology.
- Tourism.
- Information and Communication Technology.
- Culture Industry.
- Business Service.



## 5. INVESTMENT PROMOTION PLAN

The objective of this sub-section is to identify and describe the fundamental aspects, principles and concepts that should form the crux of Phokwane's plan to attract investment.

Preceding sections of this report have laid a thorough foundation for the development of a contemporary investment plan for Phokwane. This section systematically describes the main components of the proposed investment plan.

The discussion commences with a vision and leads up to the description of a phased implementation plan that reconciles current economic realities and emerging development concepts. Importantly, the philosophy as advocated throughout this document, implies that sustainable economic development in Phokwane should focus on the implementation of a combination of Old and New Economy projects.

The implementation plan consists of consecutive ("rolling") 3-year cycles, the first of which is discussed in detail and determines the actions to be initiated during the second 3-year cycle. Preceding in-depth analyses therefore culminate in this section: the Investment Promotion and Implementation Plan.

This section describes the Phokwane Investment Promotion and Implementation Plan in terms of the following essential components:

- Economic vision, goals and objectives
- Anchor project initiatives
- Network environment
- Institutional environment
- Phased implementation and financial planning
- Monitoring and adjustment.

### 5.1. Economic Vision, Goals and Objectives

#### 5.1.1. Vision

It is envisaged that biotech will provide Phokwane with a distinct and marketable brand. This brand will provide it with a unique profile of investment opportunities that, in turn, will provide Phokwane with a definitive role and function in the Northern Cape. In this context, the economic vision for Phokwane is fourfold.

- Firstly, Phokwane is ideally positioned to become the biotechnology hub of Southern Africa. This includes all facets of biotech, including R&D, custodianship of information and application of technology, due cognisance taken of the SA Biotechnology Strategy.
- Secondly, Phokwane mobilises its competitive advantage in biotech, in tandem with its enterprising private sector and research capacity, to become a sophisticated service provider to growth sectors in the Northern Cape, including



transportation, tourism (recreational & business), exports, logistics and communication.

- Thirdly, due to the nature of biotech, with specific reference to its linkages with agriculture, it provides common ground for reconciling high level technology and the local-cum-traditional knowledge base. Application of biotech therefore provides an attractive vehicle for mobilising local communities to become economically active in a sustainable manner and hence, as an innovative instrument aimed at poverty alleviation.
- Fourthly, in the interim period while the biotech network is being strengthened and extended locally, economic development initiatives should focus on support to existing growth sectors, namely business services and tourism. Furthermore, the regional tertiary education function coupled with R & D functions should be strengthened.

It is therefore envisaged that the application of local resources, together with appropriate technology and local knowledge will lead to a higher growth scenario in Phokwane (refer to Diagram .1).

#### 5.1.2. Goals and Objectives

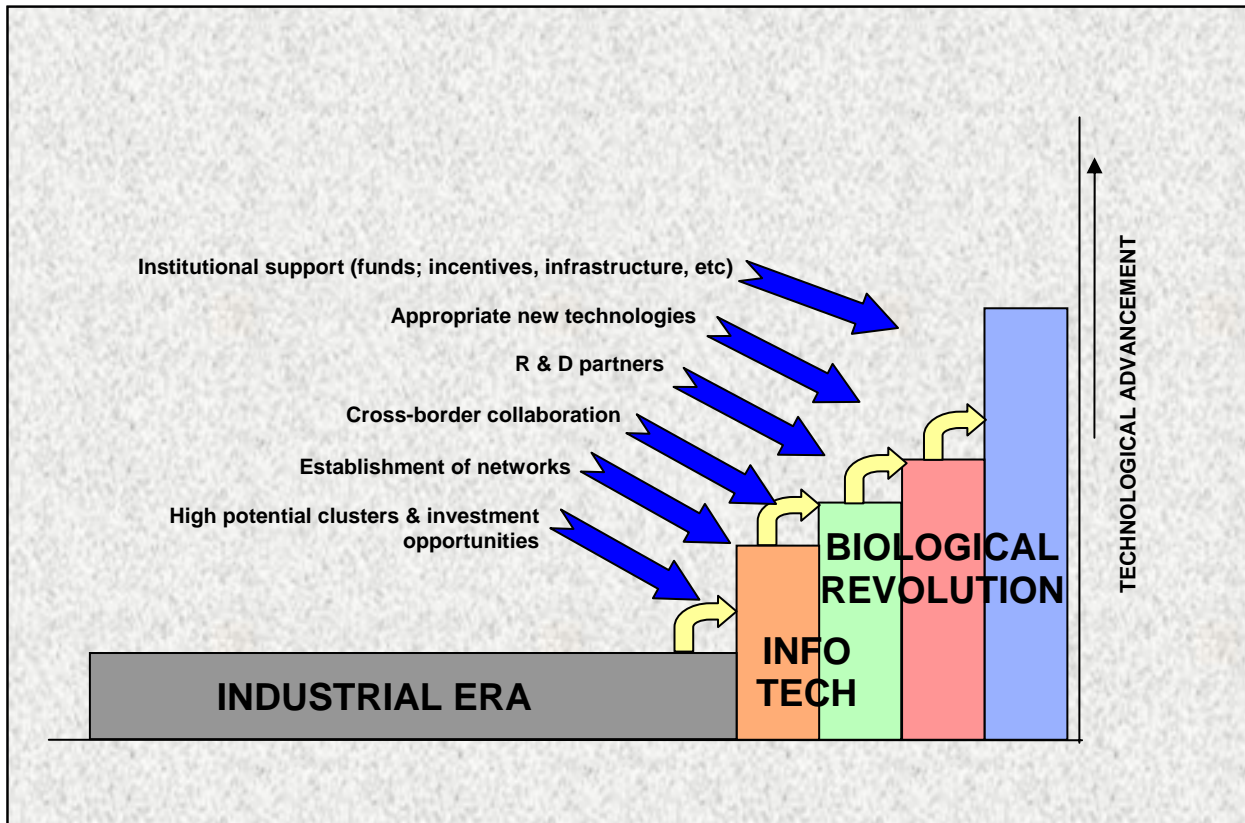
The following goals and objectives have been identified to ensure that the economic development vision for Phokwane is achievement.

**GOAL 1:** Foster constructive collaboration between the Phokwane Municipal Council, local farmers, the Chamber of Commerce, and biotech R&D institutions in the region such as the ARC in order to strategically position the local biotech industry as a world player in the market.

#### **Objectives:**

1. The Local and District Authority must actively promote the local biotech industry by means of supplementary R&D funding. This can be achieved by means of direct financial assistance as well as the coordination of funding applications to appropriate central government funds.
2. In a similar vein, local government as custodian of local economic regeneration should investigate the financial impact of a structured incentive system, focused on the promotion of identified high potential growth sectors in Phokwane.
3. Embark on an in-depth business planning exercise for specific, high potential biotech projects in the region.
4. Once business plans have been completed, the objective should be to develop investment packages and to market these opportunities directly in target markets, e.g. USA, UK and EU: not only are these the future markets for biotech products, but these countries also host ideal partners for joint ventures.



**Diagram 1 - Biotech and a higher growth trajectory for the Phokwane economy**

5. Subsequent to the above, budgetary allowances should be made for overseas investment tours to target markets and a local investment conference.
6. Proactively position the region to address anticipated food shortages in neighbouring SADC countries. Biotech may provide an ideal opportunity in this respect, specifically due to two attributes, namely its capacity for enhanced nutritional values and its ability to overcome (at least partially) the problem of perishability associated with transport and storage duration.
7. An attractive investment location is as much a function of resource competitiveness as it is of political stability. Concerning resources, labour is an important factor input. Competitiveness of the local labour needs to be enhanced by means of projects focused on human resource development (HRD). Local government fulfils an important coordinating role with respect to applications for central government funding, specifically aimed at training and entrepreneurial development projects.
8. R&D institutions in the region, including the Agricultural Research Council (ARC), should discuss and resolve the legal matter concerning custodianship of biotech information and the conditions under which such information may be released to be applied by entrepreneurs, investors and local communities.
9. Ensure that locally produced biotech products comply with international standards and requirements.





**GOAL 2:** Strengthen biotech and Phokwane's enterprising private sector to create its definitive niche role and function as service provider within the Province, but also in the entire SADC region.

**Objectives:**

1. Investment promotion initiatives should be focused on the development of traditional growth sectors in the region such as agriculture and tourism, but also on the growing potential of emerging service sectors such as transport, logistics, warehousing, distribution, exports, communication technology, R&D, and training.
2. Establish cooperative economic networks. Alignment with the principles of the New Economy involves, among other aspects, close cooperation between key economic role players within the region, as well as intra-regional cooperation between Phokwane, Frances Baard and the Province.

**GOAL 3:** Apply biotech to bridge the gap between poverty and economic marginalisation on the one hand and, on the other hand, community upliftment and participation in sustainable economic ventures.

**Objectives:**

1. Focus poverty alleviation projects in poorer communities on the application of biotechnology. Biotech provides an ideal opportunity for the application of technology, without these communities necessarily having to develop the technology itself. There is, furthermore, a growing market for biotech products. In this manner, community based projects can become commercially viable ventures.
2. Financial budgeting for community based poverty alleviation projects should make provision for specialised training, as well as regulations concerning intellectual property rights and hence, the right to obtain and apply the technology.
3. Establish small business networks to assist SMMEs in combining resources to penetrate foreign markets more effectively through, for example, joint warehousing and distribution initiatives.
4. Establish a technology incubators (TI) to facilitate skills transfer from R & D institutions to the SMME sector, e.g. through the GODISA SMME Support Programme.
5. Establish "small growers" programmes to assist emerging commercial farmers in the region.



## 5.2. Anchor Project Initiatives

### 5.2.1. Projects

A distinction needs to be drawn between the following two types of project initiatives, namely:

- **Economic development drivers.** Economic development drivers consist mainly of so-called basic economic activities. Basic activities focus on value adding and hence, on extending product value chains. As such, these activities are production and manufacturing orientated. It is an ideal vehicle for facilitating large scale capital investment and job creation. The application of biotech would, for example, classify as a basic economic activity.
- **Service activities.** The service sector consists mainly of so-called non-basic activities. Non-basic activities focus on the provision of services, many of which are intangible, but are nevertheless of growing importance. Service activities would include R&D, tourism, logistics, communication, business services, financial services and tertiary education. Research and development in the field of biotech would, for example, classify as a non-basic economic activity.

Specific project initiatives in the two project categories identified above are summarised in Table 4. Investment opportunities were identified and outlined in the opportunity analysis as well as interviews with role players in Phokwane. The opportunities outlined in Table 4 are regarded as high priority projects due to exceptionally favourable market conditions, including resource availability and growing demand.

**Table 4 - High priority project initiatives for Phokwane**

PROJECT	ELEMENTS	MARKET POTENTIAL
<b>ECONOMIC DEVELOPMENT DRIVERS (BASIC)</b>		
1 Production of biotechnology food (pharmafoods & organics)	<ul style="list-style-type: none"> <li>▪ R&amp;D</li> <li>▪ Farming</li> <li>▪ Logistics</li> <li>▪ Specialist training</li> </ul>	<ul style="list-style-type: none"> <li>▪ Domestic demand</li> <li>▪ SADC</li> <li>▪ Western markets (USA, UK, EU)</li> </ul>
2 Commercial production plant for biomedicine	<ul style="list-style-type: none"> <li>▪ High-tech R&amp;D</li> <li>▪ Development of indigenous knowledge</li> <li>▪ Cultivation</li> <li>▪ Logistics</li> <li>▪ Specialist training</li> </ul>	<ul style="list-style-type: none"> <li>▪ Domestic demand</li> <li>▪ SADC</li> <li>▪ Western markets (USA, UK, EU)</li> </ul>
3 Processing of meat	<ul style="list-style-type: none"> <li>▪ Upstream linkages with meat farming industry</li> <li>▪ Specialist abattoir</li> <li>▪ Downstream linkages with leather industry</li> <li>▪ Logistics</li> </ul>	<ul style="list-style-type: none"> <li>▪ Domestic market</li> <li>▪ UK &amp; EU</li> </ul>
4 Leather production	<ul style="list-style-type: none"> <li>▪ Animal husbandry</li> <li>▪ Tanning and dressing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Immediate potential in domestic market</li> </ul>



PROJECT	ELEMENTS	MARKET POTENTIAL
5 Phokwane Water Augmentation (Catalytic Regional Infrastructure Project)	<ul style="list-style-type: none"> <li>Automotive industry</li> <li>Clothing and accessories</li> <li>Construction of a dam to augment regional water supply</li> <li>Multi-sectoral benefits and impacts: industry, tourism, recreation, construction sector and private consumption</li> <li>Expropriation of land</li> <li>Construction of pipelines and other smaller infrastructural projects</li> <li>The location decision</li> <li>Funding: provincial and municipal functions.</li> </ul>	<ul style="list-style-type: none"> <li>Export potential may materialise</li> <li>A regional market exists: finite water supply is a regional concern</li> <li>Miscellaneous SMME and sub-contracting opportunities exist</li> </ul>
<b>SERVICE ACTIVITIES (NON-BASIC)</b>		
6 Tourism	<ul style="list-style-type: none"> <li>Group tours</li> <li>Shuttle services</li> <li>Industrial / business tourism</li> <li>Trans-border liaison</li> <li>Promote General Tourism</li> <li>Irrigation Scheme</li> </ul>	Domestic and International market
7 Training & Distance education	<ul style="list-style-type: none"> <li>Telematic education</li> <li>Correspondence courses</li> <li>Funding programmes: public and private sector, e.g. bursaries &amp; sector specific grants</li> <li>Trans-border liaison</li> </ul>	<ul style="list-style-type: none"> <li>Provincial market: tertiary education</li> <li>Domestic and international market: biotech training (speciality field)</li> </ul>
8 Communications	<ul style="list-style-type: none"> <li>Call centres</li> <li>Satellite communication services</li> <li>Digital data transfer facilities and services: current Telkom lines too small for many e-mail requirements</li> </ul>	<ul style="list-style-type: none"> <li>Domestic</li> <li>SADC</li> <li>International</li> </ul>
9 Logistics	<ul style="list-style-type: none"> <li>Warehousing</li> <li>Distribution, cargo tracking &amp; monitoring:</li> </ul>	Domestic SADC imports and exports



PROJECT	ELEMENTS	MARKET POTENTIAL
	<ul style="list-style-type: none"> <li>road, rail, air, shipping</li> <li>Exports</li> <li>Trans-border liaison</li> </ul>	
10 Research Development	<ul style="list-style-type: none"> <li>Research in speciality fields, e.g. biotech</li> <li>Funding programmes: public and private sector, e.g. bursaries and sector specific grants</li> <li>Trans-border liaison</li> </ul>	<ul style="list-style-type: none"> <li>Domestic</li> <li>International: envisaged leader in speciality field of biotech</li> <li>Support programmes for industries in Phokwane</li> </ul>

### 5.2.2. Principles for Project Implementation

Concerning project implementation, the following principles should apply to the spectrum of selected, priority projects:

1. **Political Support.** For any project to succeed, it is imperative that political backing be obtained first and foremost. This entails support from the local municipality, provincial government, national government (where applicable and necessary), as well as buy-in from community leaders in the region.
2. **Business Plan approach.** Priority projects should be assessed on a business plan basis. This approach entails a pre-feasibility analysis for selected projects in the Phokwane region. This project-specific analysis should provide a scan of viable market opportunities, estimated capital outlays and revenue streams. These business plans will become valuable marketing literature.
3. **Investment Packages.** Once business plans have been compiled, these need to be converted into comprehensive investment packages. Investment packages include investor start-up packs and “glossy documents” that capture essential details on lucrative investment opportunities. Information provided should include important regional economic data, project specific information, as well as an overview of the financial regime within which investment will take place, including aspects such as incentives, tax structure, knowledge base and labour rates.
4. **Investment Brokerage.** The ultimate objective is to disseminate strategic marketing information to target markets-cum-investors. Considering the fact that specific opportunities exist, the so-called “shotgun” marketing approach is highly inappropriate. Marketing should be targeted at specific markets and potential investors, e.g. biotech foods marketed with the Marks and Spencer (M&S) food chain in the UK. Investment brokerage may also include focused investment promotion tours to foreign markets, as well as an annual local investment conference hosted in Phokwane.



### 5.3. Institutional Environment and the role of Local Government

#### 5.3.1. The LED Unit

It is proposed that the Plans developed in this document be implemented by a dedicated development officer or champion, while the actual coordination of the other institutions should be delegated to a different, mandated development officer within of the Municipality.

The effective implementation of the LED Plan throughout Phokwane 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 as well as district municipalities. Also forming part of the shared development responsibilities are the Frances Baard District Municipality.

Given the fact that effective planning, management and implementation of the LED plan (including these Plans) will be especially effective in terms of poverty alleviation and employment creation, focused efforts should be undertaken to ensure that the LED Plan is comprehensively executed. It is therefore necessary to highlight the specific roles and responsibilities of the Frances Baard District Municipality as well as the Phokwane Local Municipalities throughout the LED process. Table 5 provides a reference framework for the internalisation of the roles and responsibilities by the various levels of local government.

Apart from the roles and responsibilities, which must be internalised, the actual strengthening of the Phokwane LED Unit is vitally important as this Unit must guide and facilitate the LED process and support and coordinate the actions of the various role players.

**Table 5 - Reference Framework – Roles and Responsibilities**

Frances Baard DM	Phokwane LM
<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</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>▪ Incorporate LED projects into IDP</li> <li>▪ Facilitate/ coordinate LED partners</li> <li>▪ Marketing local opportunities</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</li> </ul>



<p>activities</p> <ul style="list-style-type: none"> <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>	<p>growth – support services incentives</p> <ul style="list-style-type: none"> <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>
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The strengthening of the Phokwane and Frances Baard LED Units is the first step towards the creation of an enabling institutional environment within which the necessary capacity development can be undertaken. These units will be tasked with performing the necessary functions and activities associated with LED. Therefore the strengthening of the LED Units must be undertaken to facilitate and initiate the re-structuring of the current LED implementation environment.

#### 5.3.2. Incentives

Institutional environment primarily refers to the public sector side of the spectrum. Public sector support is vital, not only from a political stand point, but especially concerning financial backing to specific projects and investment promotion in certain sectors of the economy, i.e. financial incentives.

Multiple tools and strategies can be adopted to promote economic development in towns and cities. Examples of these are one-stop centres, business service centres, incubator-hive concepts, public-private partnerships etc. To date one of the most common mechanisms used by cities is to give concessions such as tax concessions, capital subsidies and services concessions.

Incentives given by local authorities must receive provincial approval and comply with provincial and national regulations.

The local authority's role in the Economic Development Handbook 1998 outlines the following types of incentives for consideration:

#### A. Tax Incentives

Local authorities in the United States frequently use reduced rates as an incentive to encourage investment in commerce and industry. South African local authorities are currently prevented from utilising these types of concessions. However, there are a number of national incentives provided for industries located within regions designated as Spatial Development Initiatives (SDI), Industrial Development Zones (IDZ) and other special districts.



## B. Infrastructure

Infrastructure concessions often involve the provision of serviced industrial and commercial sites or special efforts to develop infrastructure and services in selected commercial areas in response to the needs of prospective investors. The implications of these infrastructure concessions are that the investor will be attracted, if the local authority is flexible and sensitive in amending its development/delivery schedule to accommodate the investors' needs.

## C. Land and Buildings

An incentive package of this type may involve the sale, transfer or rental of land, buildings or other facilities owned by the local authority on concessionary terms in order to attract investment. This further implies assistance by the local authority in order to obtain premises. However, if the local authorities intends making some of its own assets available, they must ensure that they are in compliance with national and provincial legislation on the disposal of public assets.

## D. Regulatory Reform

These concessions involve special efforts by the local authority to reduce constraining regulation and zoning that may stand in the way of potential business development. This aspect implies an accurate and speedy system to supply information relating to, and the approval of potential investment.

## E. Finance

Some international cities provide financial assistance in the form of special grants, access to start-up capital, bridging finance and credit, loan guarantees or the underwriting of risks. However, South African local authorities are currently prohibited from undertaking in these activities.

## F. Approval Process

One of the most basic incentives involves facilitating prompt decisions such as the approval of building plans and re-zoning applications. Prospective investors will lose interest if local authorities take too long to approve plans and applications. The establishment of a one-stop centre could facilitate this process more efficiently.

### 5.3.3. Legal and Locational considerations

The development of investment incentives for any area is influenced by a number of factors. In this sub-section, certain aspects which influence the choice of investors relating to locations will be highlighted. The concluding section takes a look at the different types of incentives that can be used by the Phokwane Local Authority to attract investment.





The considerations which need to be taken into account when developing investment incentives vary from the legal considerations (the legal aspects which forms the basis when developing incentives), to locational considerations (the locational aspects which has to be kept in mind when choosing between target sectors).

#### 5.3.2.1. Legal Considerations

This sub-section highlights some of the legal considerations and requirements that local authorities should be aware of when considering activities related to economic development, such as proposing investment incentives.

National economic policies and programmes have shifted focus from major industrial growth towards smaller industries, such as SMMEs as an option for economic growth and employment creation. Although the focus has shifted, it does not mean that developments of larger scale are not sought.

The White Paper on Local Government points strongly to the increasing role that local authorities have to play in economic development. It is therefore important to note that some legal considerations arise.

#### ▪ **Land**

In terms of the Local Government Ordinance, municipal land cannot be sold below its market value. However, the local authority can apply to the Premier for special permission to reduce the cost of its land in a specific development. Local Authorities can donate land to certain non-profit organisations. It can also lease its land and property at a nominal rate to certain types of organisations.

#### ▪ **Planning Legislation**

Currently, local authorities are working within Town Planning and Townships Ordinance. The Development facilitation Act (Act 67 of 1995) paves the way for drastic changes with regards to the traditional approach to economic development. More specifically, the DFA can be characterized by:

- “fast track” approach to development
- bypassing apartheid legislation
- initiating developments
- rapid resolving of conflicts
- fundamental review of planning systems

The implications of the DFA are that the local authorities can implement new processes which will be better equipped and more streamlined to cope with potential investments.



## ▪ Zoning

The zoning of an area is regulated in terms of the Town Planning Scheme. Any amendments of applications for rezoning have to follow lengthy and time-consuming procedures (often as long as two years). The DFA now offers a fast track process of approximately 4 months. Historically, zoning has been characterized by single usage – areas for residential or commercial purposes. In their efforts to amend their Town Planning Schemes, the local authority may want to explore more flexible and economically efficient mixed-use zoning schemes.

## ▪ Investments

A local authority can invest or take equity in a company, provided that one of the objects of that company is related to the functions or services provided by the municipality. However, local authorities are not allowed to take equity in businesses that fall outside of their functions.

## ▪ Loans/Start-Up/Venture Capital

Under existing legislation, local authorities are not permitted to grant loans, start-up or venture capital. However, Section 218(1) of the Constitution provides for the different spheres of government, including local authorities, to guarantee loans if the guarantee complies with the condition set out in the legislation.

## ▪ Health and Safety by-laws

Local authorities have by-laws on health and safety. In relation to the emerging and new forms of economic activities, some of these by laws are considered inappropriate. For example, food-handling by-laws set strict requirements and standards in relation to restaurants yet have a different set of standards for food vendors. The local authority should review these by-laws to ensure a proper balance between development needs and general public interest. The local authority can furthermore make these by-laws available to the general public in order to assess the validity of these laws.

### 5.3.2.2. Locational Considerations

Sustainable local economic development does not necessarily result from fast track procedures. The retention, expansion and attraction of businesses and industries are one of the most productive ways of stimulating the local economy and creating new employment opportunities. For most industries, the decision to expand local operations or to re-locate to a new area is influenced by a number of factors. The following table shows the ten most important factors influencing the decision making process of relocating to a specific region and sub-region.



**Table 6 - Influencing factors with respect to the Location Decision Process**

<b>Factors influencing selection of a specific region.</b>	<b>Factors influencing selection of a specific sub-region.</b>
Financial incentives	Site/premises availability
Labour availability	Cost to rent site
Development agency activity	Air transport
Labour costs	Labour availability
Site/premises availability	Road transport
Government attitudes	Development agency activity
Overall costs	Proximity to markets
Availability of specific skills	Transport costs
Transport costs	Financial incentives
Labour quality	Labour quality

In order to attract and promote investment in an area, Phokwane should seek to promote and maximise the area's competitive advantages in the above-mentioned factors. In addition to the core functions of local government as set out in the Constitution, the Municipal Structures Act and the Municipal Systems Act, the role of the Phokwane Municipality in investment promotion and facilitation should include the following:

- Creation of a **package of local or regional incentives** and concessions to attract and support business activities.
- Maintenance of a **lobbying capacity** for specific programmes, projects, offices, facilities and other services that may relocate to the area.
- Establishment and maintenance of a regional business inventory and **database**, including skills base, public owned land, commercial sites, rental rates, etc.
- Provision of relevant and up-to-date **information and analysis** on the local business environment.
- Creation of a "**fast tract process unit**" in local government for handling planning, information and regulatory activities.
- Branding and promotion of the area as a centre of excellence in this regard.
- Development of an Investor Start-up Pack, as joint venture with the Northern Cape Department of Finance, Economic Affairs and Tourism.
- Joint financing of catalytic projects.
- Development of **catalytic infrastructural projects**, e.g. the dam.
- Cooperation in regional marketing initiatives: co-financing, presence in marketing-cum-study tours and hosting of investment conferences.
- Political support and lobbying.

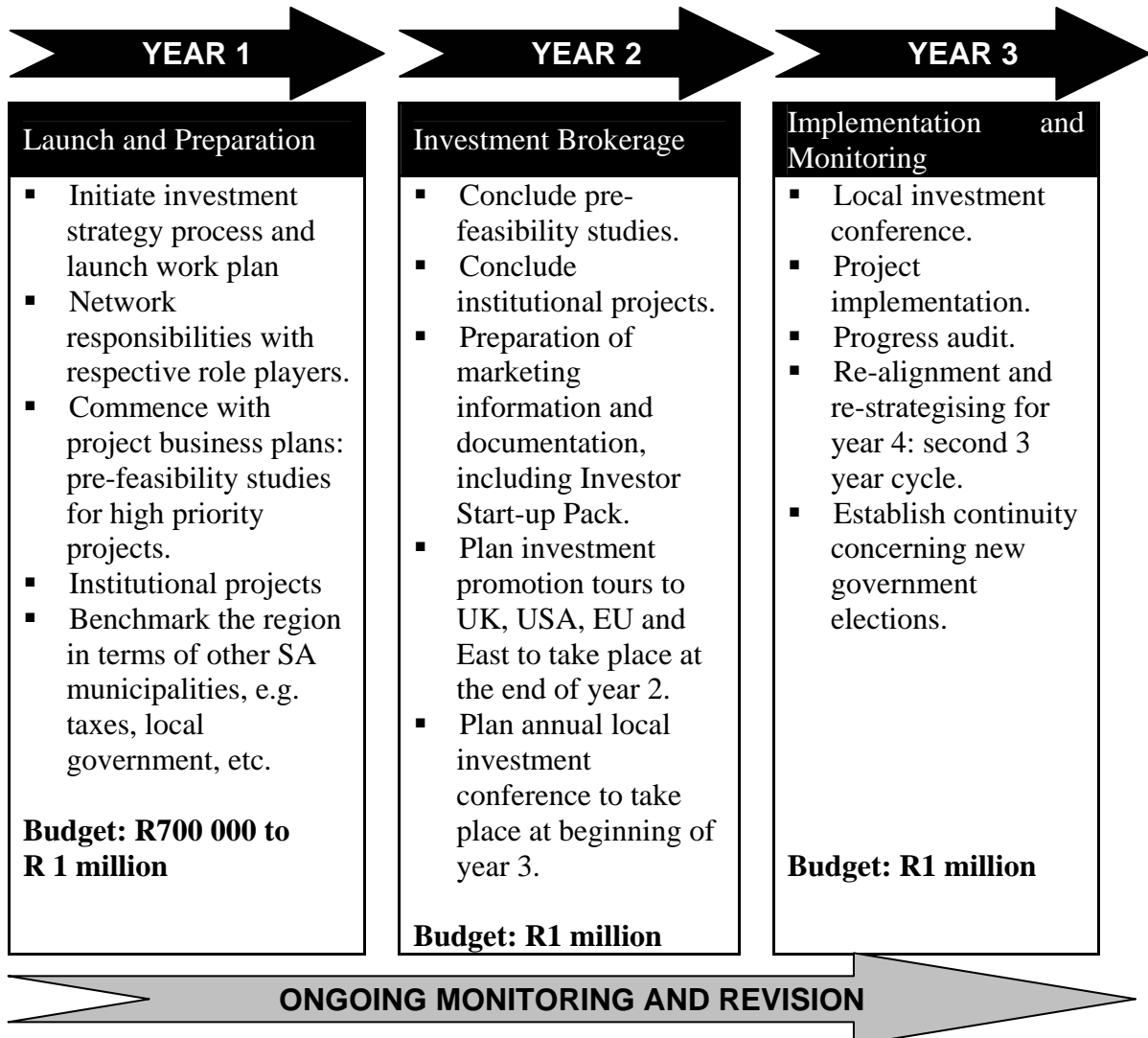
The creation of incentives and concession packages is one of the most important methods used by local authorities to attract new investment. The Phokwane Local Municipality should, however, ensure that incentive packages are linked with the local economic development objectives of the area.



## 6. PHASED IMPLEMENTATION AND FINANCIAL PLANNING

The proposed Implementation Plan is illustrated in Diagram 2. The diagram summarises important actions and financial considerations pertaining to the first of a number of consecutive three year implementation and revision cycles.

**Diagram 2 - 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. MONITORING AND ADJUSTMENT

Implementation of the Investment Strategy needs to be monitored on an ongoing basis. Progress with respect to new investment and the impact thereof on the 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 MEC.
- 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

The above benefits will be used to develop an Economic Monitoring System.

