WITZENBERG

Municipality • Munisipaliteit • UMasipala Wase

TOWARDS AN LED STRATEGY FOR WITZENBERG

REPORT ON PHASES 1 & 2:
ORGANISATION & TECHNICAL ASSESSMENT

Executive Summary and Strategic Conclusions

CONSULTUS

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EXECUTIVE SUMMARY AND STRATEGIC CONCLUSIONS

1. General

1.1 Objective of the Project

The objective of the project is to advise the community of Witzenberg in the formulation of a local economic development strategy and to assist in facilitating the conclusion of a social compact between all relevant stakeholders toward the implementation of that strategy.

1.2 Objective of the Present Report

The present report has the dual objective of providing a strategic information bank for the envisaged Witzenberg LED Summit in 2005 and of informing the formulation of a Witzenberg LED Strategy in Phase 3 of the project to be undertaken following the Summit. The current report is the product of Phases 1 and 2, Steps 1 through 13 of the project.

2. Chapter 1: Introduction

Phase 1 of the project has involved the establishment of participatory structures to serve as an informal base and sounding board for the conduct of the project and as an institutional basis for LED in Witzenberg in the longer term. Phase 2 has involved the technical competitive assessment of the Witzenberg economy. The present report is the culmination of a process that has combined essentially the following input streams (Figure 1):

- **2.1.1 Information** derived from recognized and authoritative sources both in Witzenberg and further afield;
- **2.1.2 Perspectives and views** from the sub-regional forums established as part of Phase 1 of the project, local government and key local role players in the Witzenberg area; and
- **2.1.3 Collation, interpretation and analysis** on the part of the Consultus technical team.

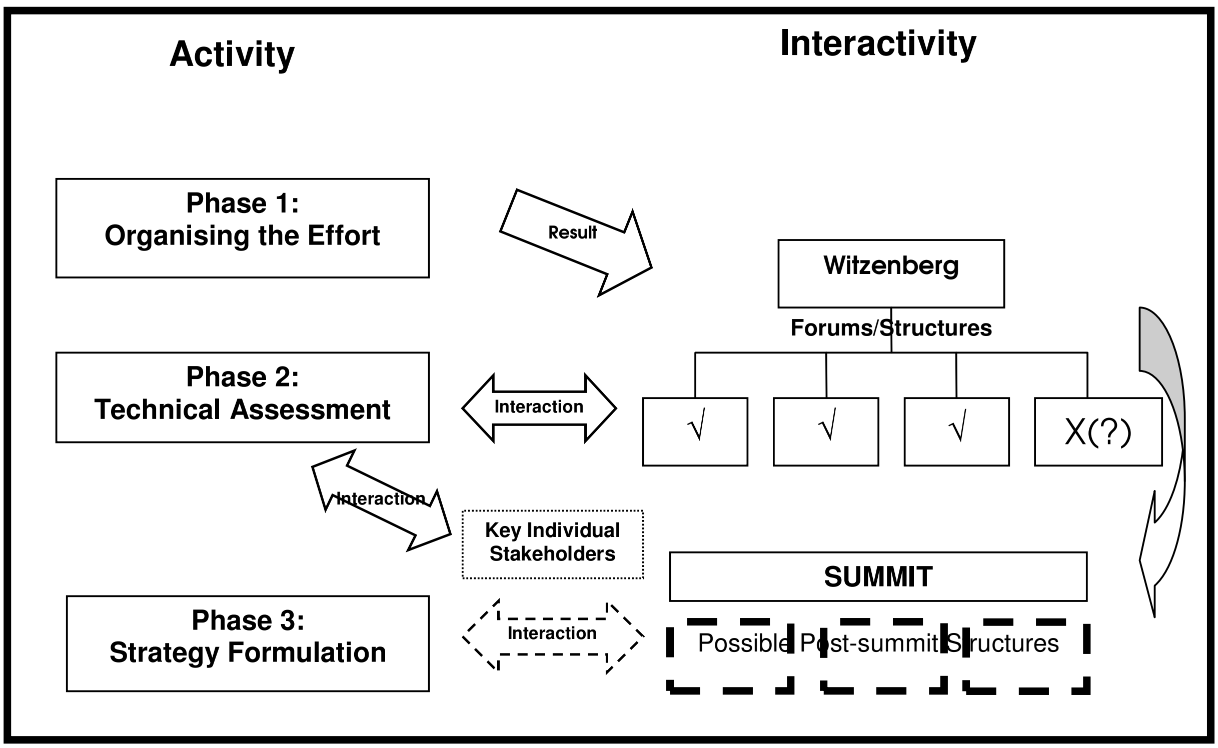
3. Chapter 2: Good Practice in LED

The chapter deals with emerging good practice in LED worldwide and attempts to draw conclusions as to the key elements of success in LED as a reference basis for analysing LED in Witzenberg and formulating a strategy for nurturing and supporting it.

It is concluded as follows:

Good practice LED is not project driven but in fact involves a process component requiring organisation and commitment of all stakeholders;

Figure 1: The Process



3.1 Successful LED initiatives require a clear distinction to be made respectively between:

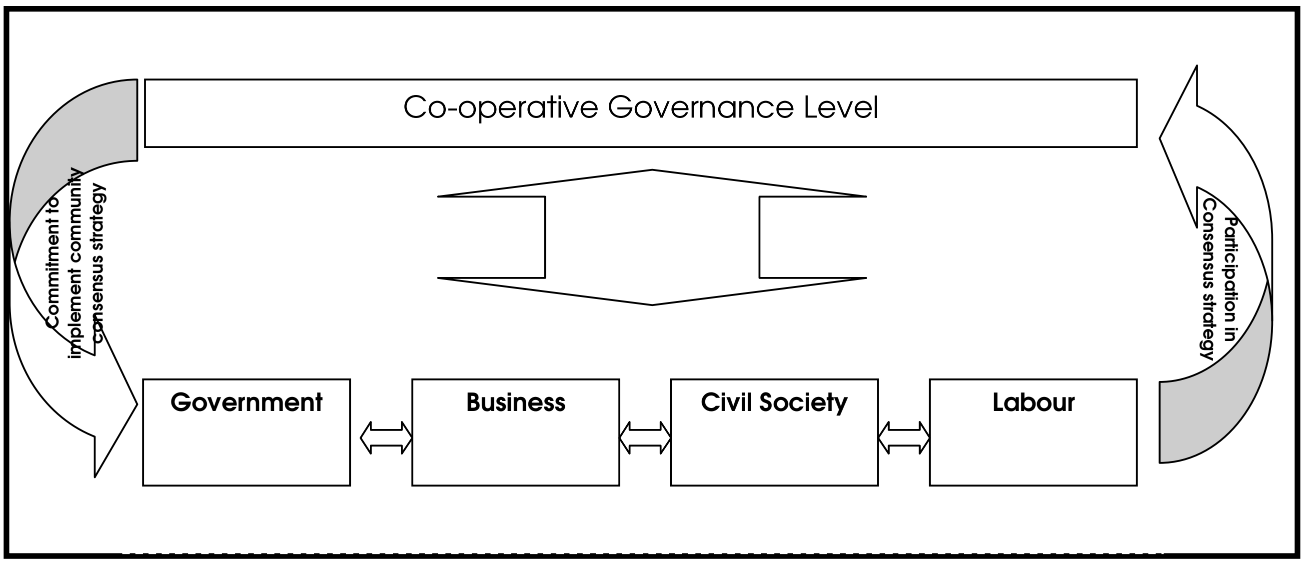
3.1.1 Interventions with a social imperative on the one hand and those with a self-sustaining economic developmental imperative on the other; and

3.1.2 The roles of the various stakeholders in the LED process namely government, business, the NGO sector and civil society;

3.2 The central imperative in good practice LED is the introduction of appropriate institutional arrangements that:

3.2.1 Promote the pursuit of ***community governance*** consensus;
3.2.2 Shift the focus from government as the sole driver of structured LED initiatives to the community level with government a stakeholder jointly with others in the LED process; and
3.2.3 Provide an institutional focus in the ***community*** for LED; and
3.2.4 Provide a platform capable on a dedicated basis of pro-actively advancing and supporting LED initiatives in the community.

Figure 2: Introducing the Concept of Community Governance



3.3 Key central themes comprising the building blocks of good practice LED strategies generally are the following:

3.3.1 Encouraging the growth of existing local business
3.3.2 Encouraging new enterprise
3.3.3 Improving the business environment
3.3.4 Promoting "foreign" direct- and inward investment
3.3.5 Investing in "hard"/economic infrastructure
3.3.6 Investing in "soft" infrastructure
3.3.7 Cluster and/or sector development
3.3.8 Area targeting focussing on areas or communities for upliftment;
3.3.9 Regeneration involving the recycling into the economic mainstream of infrastructure and resources that have fallen into disuse or become under utilised; and
3.3.10 Focussed poverty reduction programmes

4. Chapter 3: Organising LED

Institutional arrangements and the way LED is organised are key determinants of successful LED initiatives.

4.1 Key to successful LED are:

4.1.1 Structured networking;
4.1.2 Functional community coalitions; and
4.1.3 Dedicated institutional support capacity for LED.

Not one of these elements is present in Witzenberg.

4.2 In common with most South African communities the Witzenberg community is highly stratified and divided along a number of dimensions, not least:

4.2.1 On the basis of race and ethnic origin where the economic high ground is as yet commanded by established interests that control key productive assets and beyond the reach of the previously disadvantaged interests in the economy;
4.2.2 Income and opportunity disparity that as yet resolves into a race-based division with the poorest elements of the community still comprising Blacks (the poorest) and Coloureds (the next poorest) who generally are employed in lower-paying jobs rather than entrepreneurial activities;
4.2.3 Sectoral affiliation; and
4.2.4 Local sub-regional affiliation reflecting the unique interests of the constituent spatial communities of Prince Alfred Hamlet, Op-die-Berg, Ceres, Tulbagh and Wolseley that comprise the larger Witzenberg community.

This stratification and division complicates the fundamental LED challenge of developing common cause and synergy across the community and the building of viable production value chains in which all elements of the community can participate on a productive basis and to mutual benefit. Institutional arrangements currently in place do not support dynamic local economic development in Witzenberg, indicating a significant deficiency within the community to develop common cause and to integrate economic activity in an informed and participative manner that will promote accelerated economic development.

4.3 Ward Committees *per se* do not provide a vehicle for co-operative LED governance *inter alia* since they address only *governmental* rather than *community governance* responsibilities and are consultative with no consensus-seeking role. They are thus part of the machinery of government and do not constitute vehicles for community governance as envisaged for example in Figure 2 above;

4.4 What is required in Witzenberg in support of LED is:

4.4.1 The construction of the machinery of community governance that will provide a platform for the building of local consensus on local economic development issues and capacitated by a suitable institutional vehicle for managing the achievement of community consensus objectives. Such community-based arrangements must take due account of the various divisions and interests existing within the Witzenberg community, not least sub-regional interests and divisions;

4.4.2 The establishment of the necessary capacity within government and the other stakeholders within the Witzenberg community (namely organised business, the NGO community and civil society) to participate within community processes and deliver the inputs required of them in terms of their respective roles and responsibilities within the overall consensus community LED strategy;

4.5 A practicable model for institutionalising LED in Witzenberg is provided by the following: (Figure 3)

4.5.1 The establishment of a single multi-purpose, sub-regional community forum in respect of the Wolseley, Ceres, Tulbagh, Prince Alfred Hamlet and Op-die-Berg sub-regions. The existing LED forums established for the purposes of the present project where in place can be expanded for this purpose;

4.5.2 Sub-regional forums should operate on the basis of consensus and can in addition to their LED function and to economise on the need for ad-hoc arrangements that consume scarce community resources serve as sub-regional institutional structures in support of the other sectoral forums envisaged to be created at Witzenberg level;

4.5.3 Each community forum should determine its own constitution and elect its own chairperson;

4.5.4 Ward Committees should nominate members to serve on their relevant sub-regional forum as an element of the government environment as will at least the other organised stakeholder groupings such as local government itself, business, the NGO sector and organised civil society;

4.5.5 A Witzenberg LED forum should be constituted by nomination from the sub-regional forums provided that the chairpersons of the sub-regional forums should be ***ex officio*** nominees to serve on the Witzenberg Forum;

4.5.6 The Witzenberg forum will determine its own constitution and elect its own Chairperson from amongst the nominees from the sub-regions with the proviso that the sub-region providing the Chairperson of the Witzenberg LED Forum will be entitled to nominate an additional member from the relevant sector;

4.5.7 Specialist sectoral and other working groups of the Witzenberg Forum can be established as required by direct nomination on the part of the sub-regional forums;

4.6 Capacity needs to be established at essentially two levels to support the above institutional arrangements:

4.6.1 **Community LED Support Platform**

a. The establishment of a community-based local economic development agency (LEDA) for Witzenberg;

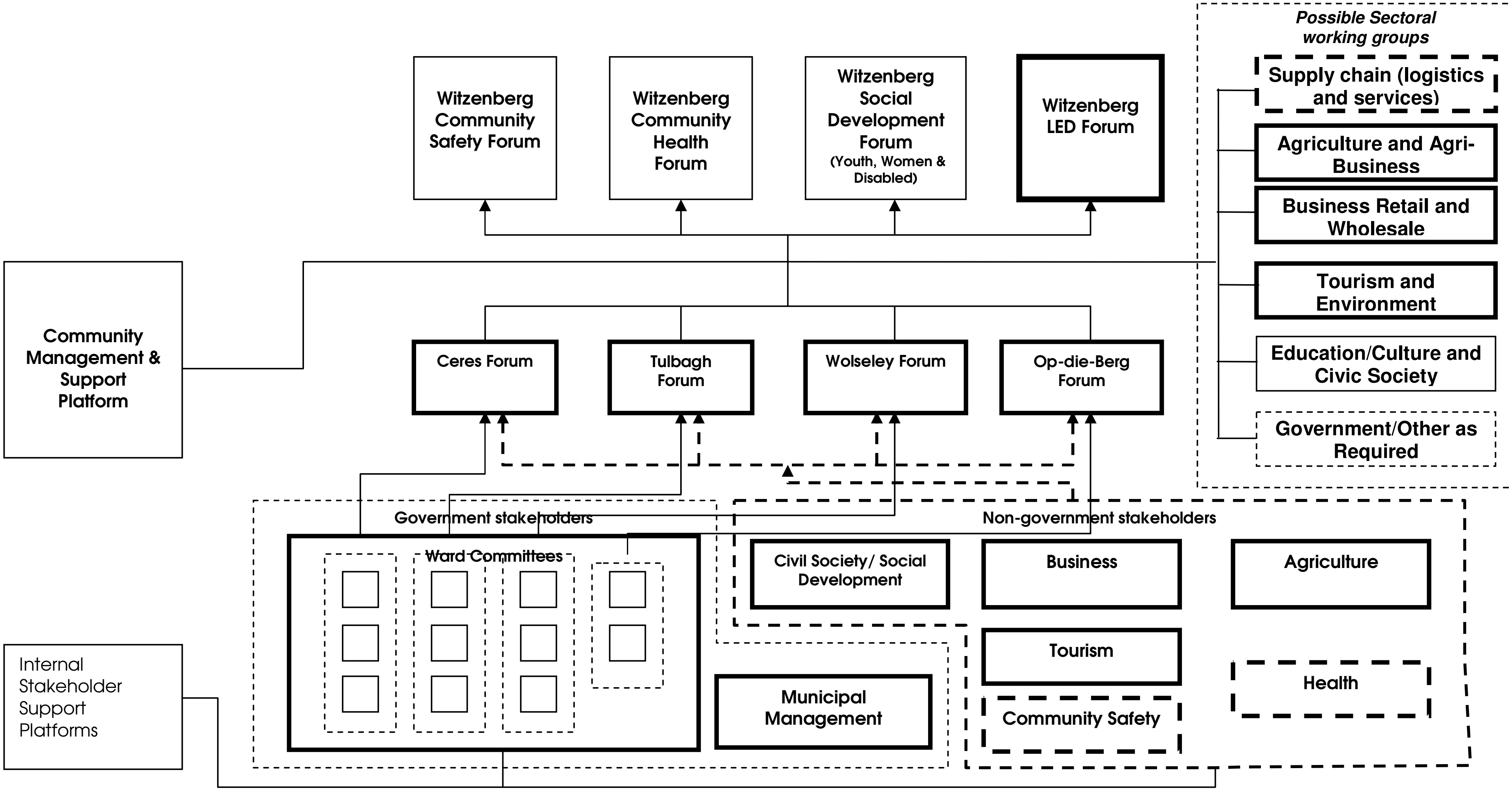
b. The LEDA should serve as a vehicle for community economic governance in Witzenberg in achieving community LED objectives;

c. The LEDA will by its nature be a public-private partnership;

d. The LEDA will provide entrepreneurial support and innovation in LED projects, programmes and processes;

e. If established as a public entity it can also be assigned LED tasks and functions by local government as well.

Figure 3: Institutionalising LED



4.6.2 Stakeholder Support Platform

a. Local Government

Inadequate LED capacity currently exists within local government in Witzenberg. Accordingly it is concluded:

1. An LED locus is required within local government in Witzenberg as a staff function to the Chief Executive Officer (Figure 4);
2. The functions of the unit will be to:

    (i) Co-ordinate local government LED activities within an IDP context with respect particularly to:

    - (a) Infrastructure provision;
    - (b) Economic/business support programmes;
    - (c) Government planning (including the IDP) and policy formulation;
    - (d) Budgeting;
    - (e) Procurement;

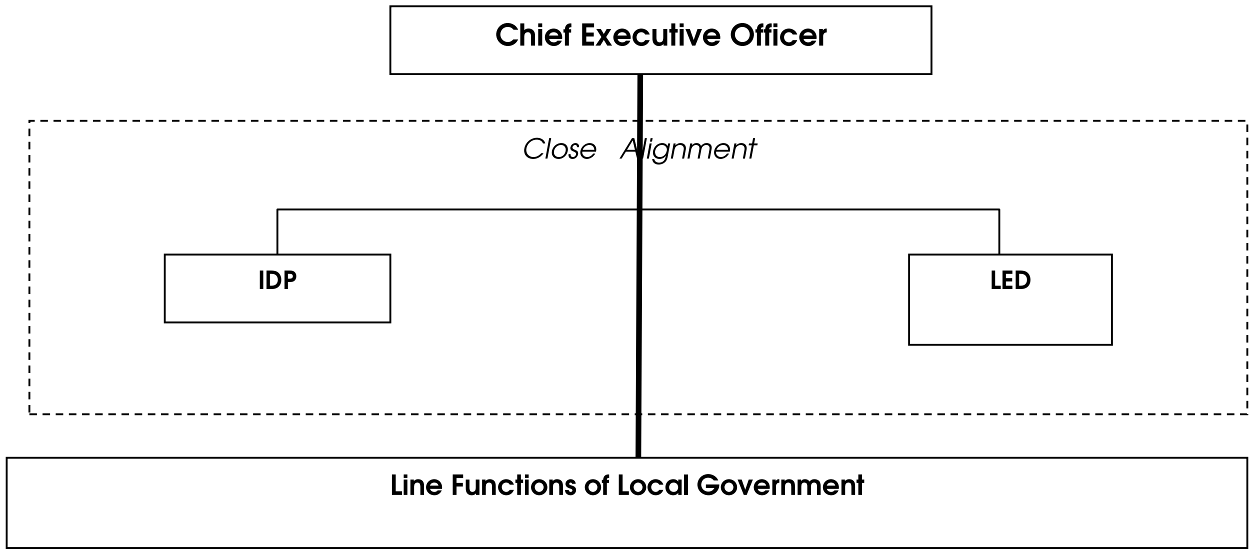
    (ii) Build LED capacity and awareness within local government;

    (iii) Procure interim administrative and other specialist support for community LED forums and the Witzenberg LED Forum pending the possible establishment of a community–level Local Economic Development Agency for Witzenberg that can assume this role;

    (iv) Procure interim capacity-building support to emergent stakeholder groups in the local community pending the establishment of a LEDA; and

    (v) Represent local government on LED forums.

Figure 4: Capacitating Local Government



b. **Other Stakeholder Structures**

The capacity particularly of emergent organisations rooted in the disadvantaged communities to participate in LED and other planning processes in Witzenberg is limited and requires support and nurturing. Government generally is not well-placed to provide such support and the support of LED interest groups is generally ideally carried out by the LEDA where one is established, or by other stakeholders in the community on a mentorship basis.

5. Chapter 4: The Context of LED in Witzenberg

The formulation of LED strategy needs to be informed by the context prevailing in the Witzenberg area. This context is in turn impacted by the national, provincial and district governmental policy spheres and by the ***status quo*** prevailing within Witzenberg at the present time.

5.1 The National Sphere:

The National Growth and Development Strategy (NGDS) and the National Spatial Development Framework (NSDF) are particularly important and emphasise the following:

5.1.1 People development rather than place development;

5.1.2 The priority for fixed investment to mobilise economic potential in areas of high potential;

5.1.3 A Focus on human resource development and labour market intelligence and job-search initiatives in areas where economic potential is low.

LED support programmes from the national sphere comprise mainly financial support channeled national development support agencies or through the provinces.

5.2 The Provincial Sphere

5.2.1 Community Level

The Provincial Growth and development Strategy (PGDS), the Provincial Spatial Development Framework (PSDF) and the Integrated Tourism Development Framework are important provincial community-based initiatives providing strategic direction to Witzenberg. Key indications of these frameworks in the provincial context and relevant to Witzenberg are as follows:

a. Ceres & Wolseley show high need/high development potential;
b. Tulbagh, Op-die-Berg & Prince Alfred Hamlet show high need/low development potential;
c. Main infrastructure corridor development will skirt Witzenberg to the South/West;
d. Extensive development (e.g. golf estates) represent a form of unsustainable urban sprawl;
e. Compulsory rainwater harvesting is seen as vital to resolving local water shortages;
f. Compulsory solid waste recycling is both necessary from the viewpoint of health and the preservation of the urban and rural landscape but also presents economic opportunities;
g. There is a need for integrating communities and increasing residential densities inside the urban edge to concentrate markets, optimise service costs and provide convenient access to amenities for all;
h. Economic investment should enjoy priority in areas with high potential and human capacity building in areas where potential is low; and
i. Witzenberg is not identified as a focus area for provincial tourism development.

5.2.2 Provincial Government

Provincial Government strategy is dominated by ***iKapa elihlumayo*** ("Growing the Cape") and the Micro-economic strategy. Provincial strategy is based upon:

a. Building human capital;
b. Nurturing entrepreneurship;
c. Coordination and communication;
d. Focussing infrastructure to realise and economic potential;
e. Enterprise development;
f. The development of modern co-operatives along production value chains within and across communities and across the province;
g. The promotion of greater participation in the economy on the part of all elements of the population;
h. Micro-economic Strategy

5.2.3 Support Programmes

a. The provincial Real Economic development Initiative (RED) is significant and Witzenberg may qualify for RED Door programme entrepreneurial training and support;
b. Witzenberg could qualify for training and mentorship of officials assigned to a local economic development unit.

5.3 The District Sphere

No community-level initiatives toward district-wide consensus exist within the Winelands District. The Winelands District IDP currently reflects governmental imperatives very widely as follows:

5.3.1 Improved education and job skills development;
5.3.2 Rural safety;
5.3.3 The diversification of agriculture and industry;
5.3.4 Increased business support services and enterprise support;
5.3.5 Improved land use and spatial development planning; and
5.3.6 Sustainable livelihoods programmes.

5.4 The Local Sphere

No consensus-seeking community-level initiatives exist in Witzenberg. The Witzenberg IDP represents local government LED imperatives as follows:

5.4.1 The auditing of undeveloped land;
5.4.2 Support of the SMME sector;
5.4.3 The investigation of public-private partnerships; and
5.4.4 The support of key sectors – most notably the tourism sector.

No cohesive and coherent overall picture is maintained regarding LED and project initiatives unravel as a consequence and opportunities are missed.

By-laws applying to the former areas of jurisdiction now comprising Witzenberg were repealed in March 2004. Re-enactment is underway although clearly the suite of by-laws existing in each separate jurisdiction before the date of repeal has not been replicated. The intention is that enactment of further appropriate by-laws will take place as gaps and deficiencies become evident.

Rates and service charge comparisons with other municipalities (Drakenstein, Stellenbosch Breede Valley and Cape Town) do not suggest that Witzenberg across the board is out of line except possibly in the area of water tariffs. It is concluded that:

i. Property rates on agricultural land have been negotiated with the local agricultural community on the basis of cost-for-services rendered and in a manner similar to that recommended to the Province in a recent study as a guideline framework for general application. Whilst rates on agricultural land generally are lower in Witzenberg than the other jurisdictions with which the comparison was made (with the exception of the Cape Town metropole) property rates on residential and commercial property in Ceres, Tulbagh, Wolseley and Op-die-Berg generally lie at the upper end of the spectrum whilst rates in PA Hamlet for the latter two categories are the lowest of the jurisdictions compared;
ii. Unit residential electricity costs applicable in Witzenberg compare favorably across the spectrum of users with the other jurisdictions analised although they are marginally higher on average than those applicable for example in Breede Valley;

iii. As far as all-in unit electricity costs to commercial businesses are concerned the position appears more mixed with an indication that the cost to small commercial users in the PA Hamlet and Op-die-Berg service areas is generally amongst the highest of all the jurisdictions compared. Costs to medium and large commercial users are generally are lower than in Breede Valley and are generally the lowest of all the jurisdictions compared with the exception of the city of Cape Town itself;

iv. Unit residential water costs in Witzenberg for large and medium residential users are generally the highest next to Breede Valley of all jurisdictions compared. The pre-paid option however provides significant relief to small residential users and reduces all-in costs to the small consumer in Witzenberg to the lower end of the spectrum of jurisdictions compared; and

v. Whilst all-in unit water costs to small commercial users are very much in line with the other jurisdictions in the comparison group, costs for medium and larger commercial users are very significantly higher than any of the other jurisdictions compared, including Breede Valley and the City of Cape Town.

Service rebate policy in Witzenberg is relatively narrowly restricted with service rebate incentives applying only to new industries on undeveloped erven qualifying for bulk electricity supply and for 5 year initial setup period only. This excludes a number of categories of enterprise in critical stages of development from this benefit.

5.5 General Conclusions

It is generally concluded that Witzenberg needs on an ongoing basis to scan its LED environment in a structured and orderly way. This is at best taking place in an ***ad hoc*** and piecemeal manner at present. To be successful Witzenberg needs to:

5.5.1 Understand and remain in touch with the evolving external LED context on an ongoing basis;

5.5.2 Organise itself so as to access effectively the benefits and opportunities that the external context has to offer both for LED capacity building and for direct LED project and programme assistance; and

5.5.3 Adopt a structured and co-coordinated approach to LED project design, assessment and presentation that fulfils the requirements of funding and other support agencies.

6. Chapter 5: Socio-economic Assessment

At a compound growth rate of 0.9% annually the population of Witzenberg is estimated at 90 000 by 2010. The labour force (persons between 15 and 64 years of age) comprises 66% of the total population of whom a higher proportion are active in the job market than is the case either in the Winelands District or the Western Cape generally. However, at 85% the employment rate is also higher (that is unemployment is lower) than that prevailing in the Winelands District or the Western Cape. Labour migration is not significantly higher than the average for the Western Cape nor is it particularly skewed toward male absenteeism.

41% of households earn less than R30000/annum compared with 36% in the Western Cape Province. Poverty levels (Blacks 44% of households, Coloureds 15% of households) are generally lower on average the rest of the Province. Main concentrations of poverty within Witzenberg (households earning less than R4800/annum) are in Wards 1(45%), 11(20%), 7(17%) and 10(12%).

Seasonal work and social grants form a disproportionately high local element of income and savings with entrepreneurial activity extremely low in areas investigated by comparison for example with informal areas of the Cape Town metropole. Witzenberg falls within the 5% to 9% HIV/AIDS prevalence category compared to the provincial average of 5%. In Witzenberg social grants in July 2004 were running at a level of R 8.3 millions monthly with the highest gross payments to Bella Vista and Wolseley. Social grant payments constitute a significant injection of spending power into the local economy at month end.

Job loss and joblessness may be adduced on the basis of field studies in communities within Witzenberg to represent the most significant contributors to social stress. The local tendency toward incurring higher purchase debt strains incomes. Studies suggest that in the Ceres community for example local debt levels are twice as high as those prevailing for example in comparable areas within the Cape Town urban environment. Main local reasons cited for debt are the need to buy food, to pay school fees, to fund health treatment and debt service itself – the latter generally symptomatic of the debt trap in which many local households find themselves.

By far the most important social support systems of significance also in developing structured and appropriate LED interventions are churches, burial associations, youth groups and singing/music groups.

Key strategic LED focal points simultaneously deriving from and contributing to the current socio-economic circumstances in Witzenberg are concluded to be the following:

6.1 The relatively high dependency rate that places significant earnings pressure on worker to support dependents;
6.2 The relatively low incomes derived from key economic sectoral drivers of employment;
6.3 The low skills and entrepreneurship level of the local population. This is a combination of a number of factors, not least the element of work ethics and personal motivation toward self-reliance that lies at the heart of productive economic behaviour;
6.4 The prevailing low level of subsistence food production and the attendant food insecurity resulting ***inter alia*** from the form of urbanisation;
6.5 The entrapment of local households in a vicious cycle of debt; and
6.6 Threshold welfare interventions to enable local productive economic engagement but in such a manner and at such a level as not to detract from the need of individuals to be economically productive and to assume responsibility for their own salvation and for that of their dependents.

7. Chapter 6: Competitive Assessment

In relation to population size Witzenberg contributes proportionately more to the provincial economy than the Winelands District but both are "under-performing" in relation to the province in terms of per capita economic activity level. The Witzenberg economy is very concentrated on the primary sectors whereas both the Winelands District economy and that of the Western Cape as a whole are progressively more sectorally "balanced". Witzenberg is a premier agricultural focus of agricultural activity in the Winelands District and in the Western Cape with a particular bias toward deciduous fruit production.

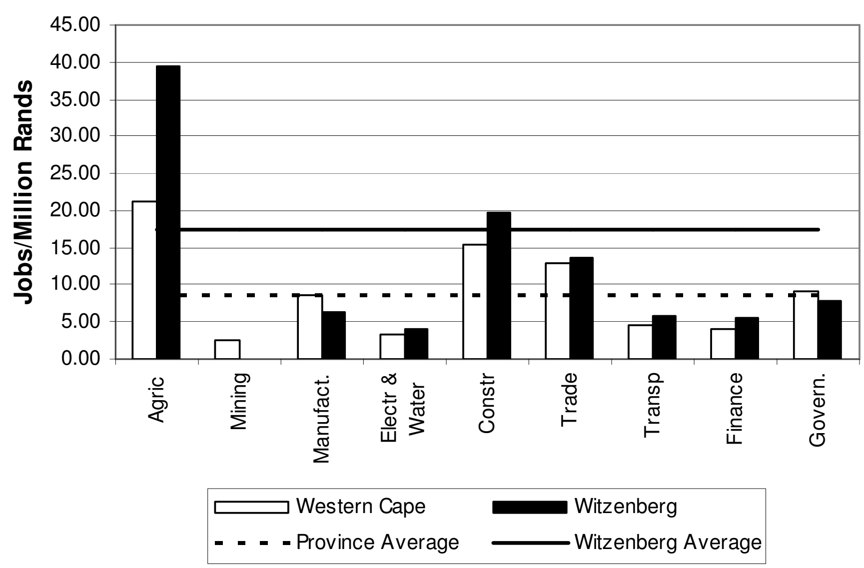
Small (insignificant) local shifts toward manufacturing and trade have taken place in the local economy. Local levels of economic growth at 3.2% p.a. over the period 1996 to 2002 however have exceeded those achieved by either the Winelands District (1.8% p.a.) or the Western Cape as a whole (2.2.% p.a.). Local economic growth in Witzenberg was however powered by non-traditional sectoral drivers such as construction, transport, finance, manufacturing and trade and therefore occurred off a low base.

Shift-share analysis of local economic growth in Witzenberg suggests that the growth in activity levels in the construction and transport sectors were structurally induced but that growth in manufacturing, trade and financial activity reflected increased competitiveness on the part of the Witzenberg local economy. The role of agriculture remains established on the basis of international advantage and national absolute advantage in terms of the production environment.

Economic growth in Witzenberg originating from less labour absorptive sectors has been significantly "jobless". The average labour absorption for the local economy as a whole is 17 jobs per R1 million of economic activity with the corresponding sectoral averages for agriculture, construction, trade and manufacturing respectively 40, 20, 14 and 7 jobs per R1 million Rands of market economic activity. The corresponding sectoral labour absorption levels for the provincial economy are 21, 15, 13 and 8 with the economy average 8.5 jobs per R 1 million of economic activity. In key sectors and overall the Witzenberg local economy may be concluded to be significantly more "labour intensive" than that of the Western Cape as a whole. The local economy's bias toward particularly labour-intensive agricultural activity is a bonus in terms of the number of jobs, albeit at the expense of job quality.

Patterns of agricultural absorption are however changing at the margin due to general international trends toward higher mechanisation, production efficiency and competitiveness and to circumvent the implications of certain SA legislation such as ESTA. The implication is the expectation of lower incremental labour absorption with sectoral growth than is reflected by the historical average. However, agriculture can still be expected for the foreseeable future and at its current levels to reflect a level of labour absorption in the local economy that generally far exceeds that of other sectors including such local niche sectors such as tourism. The production of deciduous fruit is particularly labour intensive with labour costs comprising in the order of 40% of production cost.

FIGURE 5: Employment per R1mill GGP (2002)



Main activities within the local key economic sectors are fruit production (Agriculture); fruit packaging and processing (Manufacturing); vegetable production (Agriculture); niche products (dates, trout, olives, etc) (Agriculture); and Tourism (Trade). Fruit production and marketing is highly competitive and increasingly technically complex in the global context requiring innovation in product and cultivar development and tight cost and production management and control.

To the extent that the maintenance of employment levels, albeit at modest remuneration levels and with limited prospects of job enrichment remains a preoccupation in Witzenberg the agricultural sector for the foreseeable future will form the keystone of the local economy. Whilst manufacturing and trade, the latter including the tourism sector, provide greater scope than does agriculture for job enrichment the absorptive capacities of these sectors are likely to be relatively limited in overall economic terms. The essential strategic trade-off imposed upon Witzenberg by the current realities is therefore between the volume of jobs on the one hand, and the quality of those jobs in terms of their scope for personal actualisation on the other. The high levels of expertise required by agricultural production in particular at the top end of the competitive spectrum do raise barriers to entry that can only be overcome by intensive local training and mentoring of new entrants to the industry and directed efforts to accommodate them into higher-value production chains. Whilst niche opportunities exist in trade (most particularly tourism) and manufacturing, the essential and most immediate LED challenge for Witzenberg is not to try to supplant agricultural activity in the local economic mix but to consolidate its current competitive position whilst at the same time seeking to develop both complementary and supplementary niche activities. It is generally concluded that the basis of Witzenberg's economic competitiveness can be consolidated ***inter alia*** by:

7.1 Diversifying agricultural activity in a manner that is sustainably consistent with the resource endowment of Witzenberg, and particularly so with available water resources;
7.2 Managing down risk levels in the agricultural production economy;
7.3 Production cost control. In particular this requires amongst other things the resolution of the problems of indebtedness arising from the Ceres Koekedouw Dam;
7.4 The maintenance both of the link road network with Cape Town harbour that currently carries all the export fruit produced in Witzenberg and the adequacy of peak-season fruit handling capacity of Cape Town harbour itself; and
7.5 Pro-actively addressing the following as a matter of strategic priority:

7.5.1 The development and nurturing of a marketable Witzenberg brand name;
7.5.2 The securing and maintenance of sufficient local and international shelf/merchandising space;
7.5.3 The ongoing development of innovative new products to influence consumer preferences in addition to responding to shifts in those preferences;
7.5.4 Proper packaging and use of new technology to ensure traceability of products;
7.5.5 Integrated management of the entire agricultural value chain to best advantage of local producers and the local economy; and
7.5.6 The consolidation of production and marketing efforts in order to develop a more powerful negotiation and advocacy platform for the local industry.

8. Chapter 7: Sub-Regional Assessment

Witzenberg is extensive and both its history and its topography contribute to the diversity of its constituent spatial sub-economies. This requires that the LED approach adopted by Witzenberg should accommodate sub-regional spatial diversity as discussed in Chapter 3. Key sub-regional characteristics of the local economy are concluded to be as follows:

8.1 Koue Bokkeveld

The area enjoys comparative advantage in for apple and pear production and the production particularly of onions for export. Levels of potato production have declined and the prevalence of stock theft has significantly reduced the livestock component in the local agricultural economy. With limited water impoundment capacity water problems have begun to manifest with changing farming patterns. There has been relatively high growth in tourism over the past 5 years but off an initially modest base. Whilst agricultural activity exhibits marked seasonality with seasonal lows over the period from May to July, the tourism sub-sector displays no significant seasonal "peak". Tourist attractions with potential include San rock paintings and the Boerneef house.

8.2 Warm Bokkeveld

The single most important prevailing mainstream economic challenge in the sub-regional economy of the Warm Bokkeveld is the resolution of the debt service burden imposed by the Ceres Koekedouw Dam that has significant implications for the cost of irrigation water in the service area of the dam. The cost of water sourced from the Ceres Koekedouw Dam with seasonal variation represents between 250% and 400% of the average cost of irrigation water from other sources and represents 17% to 27% of the local production cost of soft fruit. Small-scale small farmer settlement is underway but barriers to entry (technical and otherwise) are high and intense mentorship and training is required. Sharp increases in winter tourism have been recorded in Ceres with domestic tourists comprising the bulk of the tourist flow. Local tourism bureau facilities in Ceres are however not well equipped to handle current tourism volumes.

8.3 Wolseley Valley

Important agricultural activities include "bulk" wine production for the volume consumption market with an increasing trend toward local deciduous fruit production for canning either at Ashton or at the Tulbagh canning facility, citrus and vegetables. The local irrigation scheme needs upgrading. The water problem is not as critical as elsewhere in the Witzenberg area. Tourism based on historical tours and action pursuits has increased but tourism offices in Wolseley are not well situated to receive and serve tourists.

8.4 Tulbagh

Important agricultural activities include the production of quality estate wine, olives, wheat and livestock and deciduous and stone fruit. Potential has bee identified for the production of persimmon, olives and niche speciality products and indigenous honey bush, kankerbos and buchu. However, a significant limitation is water availability and indications are that local surface water runoff is being inefficiently harvested to the benefit of local agriculture and the local community. Tulbagh enjoys the attraction of age and Kerkstraat is a significant tourist attraction. Up-market wine estates and cultural and community festivals draw domestic and foreign tourists. Key elements in the development of the tourism sub-sector in Tulbagh include aggressive marketing, the refurbishment of the Tulbagh caravan park that has served the interests of local tourism for many years, the identification and resolution of access to natural features of significant potential tourism interest on private farms in the area and the encouragement of farm- and craft stalls to serve the passing tourist trade.

9. Chapter 8: Facilitated Integrative Community Assessment

The process described in Chapter 1 of the report involved the engagement of local interests through the medium of sub-regional LED forums established in Phase 1 of the project. The outcomes of this engagement serve both as an indication of the prevailing perspectives at the level of the sub-regions and as pointers to key current live LED issues. Key issues emanating from the interaction of the professional team and the sub-regional forums at the Witzenberg level (that is, issues of general concern to all sub-regions) and the sub-regional level (that is, areas of primarily local concern) are concluded to be the following:

9.1 General Observations

There is a significant lack of community cohesion within the Witzenberg community that reflects a lack of Witzenberg spirit in favour of a narrower parochial focus on the part of key elements of the Witzenberg community with significant leverage on the local economy. This militates against a common and inclusive economic vision, unity of purpose and the pursuit of common cause that is the key to effective community synergy and dynamic local economic development.

There is also the perception on the part of sub-regional communities within Witzenberg and encountered in discussions on various developmental topics, of regional bias toward the developmental interests of Ceres at the expense of the other sub-regions within Witzenberg. There is a sense of marginalisation in communities outside of Ceres.

Whilst on the one hand there is a perception that engagement on the part of local government with the constituent communities of Witzenberg is inadequate, at the same time attempts at engagement in Phase 1 of the present project and the establishment of sub-regional forums to participate in the process of LED strategy formulation were greeted with suspicion. In general a spirit of "participation fatigue" is evident fuelled by disenchantment at the fact that engagement does not bear fruits on the ground and lead to material results benefiting the community. The perception is still strong that local government must somehow drive LED and engagement is still viewed essentially as a means of communicating needs to government rather than engaging in real debate with government and other stakeholders toward a community-wide consensus on the approach and priorities to achieve local economic development. LED is still perceived essentially in project rather than in process terms and engagement in participation processes as a vehicle for advancing particular proprietary projects rather than as a vehicle for the achievement of community economic governance.

9.2 Witzenberg Level

9.2.1 Business development

a. Water shortages and cost;
b. Lack of local business support facilities and advice centres;
c. Limited local markets;
d. Lack of joint marketing and procurement;
e. Lack of centrally located business premises;
f. Competition from informal traders from outside the area;
g. Ineffectual "buy local" campaigns;
h. Perceptions of parochialism favouring Ceres businesses and problems with the general notion of Ceres as the highest order "core" of Witzenberg with claims as the focus of agglomeration of shared "footloose" economic activities in Witzenberg;
i. Insufficiently accommodating service rebate structures that exclude many new businesses as candidates for rebates;
j. Perceived bureaucratic drag with rezoning and land acquisition for development;
k. Lack of co-ordination of activities between local communities in a Witzenberg context – specifically lack of co-ordination in the arrangements of local festivals;
l. "High" service charges compared to other similarly situated local government jurisdictions; and
m. Inadequate consultation in planning and strategy formulation; and
n. Limited opportunities for previously disadvantaged elements of the local population and lack of assimilation of the third world local economy into the first world local economic mainstream.

9.2.2 Investment Promotion

a. The knock-on effect of the shakeout following national restructuring of marketing in agriculture has still to work through and will dampen investment in agriculture in Witzenberg for some time to come;
b. The local agricultural labour supply is adequate for purpose but this generally relates to the

performance of relatively menial tasks with little prospect of self actualisation;

c. The concentration of resources and individual influence on the local economy in Witzenberg in the hands of a few large players makes land acquisition for new development and direct investment difficult for new entrants; and
d. Inadequate town planning and controls hamper new investment.

9.2.3 **"Hard" Infrastructure**

a. Poor road conditions inhibit development of key sectors;
b. Urban water and sewage systems are reaching capacity; and
c. Few recreational and other facilities exist for children particularly in poor areas.

9.2.4 **"Soft" Infrastructure**

a. There is a general lack of structured business support, incubation and/ or business training and capacity building, and entrepreneurship development throughout Witzenberg;
b. Lack of inclusive, structured local networking that includes all elements of the local community including previously disadvantaged interests;
c. Inadequacy of financial support to emergent local business by local banks;
d. The need for local job search and employment outreach services to link people with internal and external jobs.

9.2.5 **Clusters and Value Chains**

a. The need for research into innovative value chains (possible linking up with the provincial micro-economic strategy (MES) initiative as addressed in Chapter 4;
b. The need for cluster-focussed local procurement and marketing; and
c. The need for local business parks and incubators based on good practice elsewhere

9.3 Sub-regional Level

9.3.1 Tulbagh

a. Effective utilisation of rainfall runoff could cost-effectively alleviate water shortages;
b. There is a need for concerted action to access empowerment opportunities for the local previously disadvantaged community;
c. There is a perceived need for a Tulbagh-based business advice facility. There is some fear that a centralised facility based in Ceres would be "high jacked" to the detriment of Tulbagh residents;
d. Local businesses with the necessary capacity should receive preference in the award of contracts for local work;
e. Large corporate players in Tulbagh are not local "citizens". Where corporate head offices are located outside of the Tulbagh area the engagement of major corporate players in the community is seen to be inadequate and problematic;
f. Town planning is seen to be inadequate providing inadequately for appropriately situated business land;
g. There is a need to need to co-ordinate local initiatives toward micro-enterprise development and incubated small business activity;
h. There is a need to support mentorship and learnership programmes with the assistance of local business and agriculture;
i. There is a perception that the previously disadvantaged community remains excluded from participation in high-value business activity (tourism) in Church Street;
j. Heritage site restrictions place a brake on possible development. There is a need to find creative solutions that will allow judicious development without detracting from the heritage value of historical properties;
k. The current land claim is a brake on development and a source of some uncertainty in Tulbagh. There is a need to settle the matter as soon as possible;
l. There is a need to conclude the relocation of Kluitjieskraal residents to a more appropriate site with sufficient water already identified;
m. The high turnover of farms (30% in 5 years) and their acquisition by "lifestyle investors" with

negative impact on the local labour economy needs to be addressed;

n. Steinthal Road is an important thoroughfare and should be developed as a tourist thoroughfare in Tulbagh;
o. There is a need for the rationalisation of training roles as between the Steinthal and Den Hagen facilities;
p. Key traffic flow priorities for road repair are Witzenville Road and Marais Street;
q. The current industrial area is not optimal and light industrial development should be focussed on Helpmekaar; and
r. The Old post Office building offers distinct possibilities for incubator development.

9.3.2 **Ceres**

a. There is a general lack of local business development support and a need for business advice centres and/or "help desks". Local business is amenable to assisting in such initiatives but co-ordination and energy is required;
b. The scarcity and cost of water is a severe development constraint;
c. Expensively priced agricultural land leads to escalation of development cost at the town periphery;
d. There is a projected lack of low-cost housing;
e. Land development levies are seen to be onerous discouraging development at the lower end of the market;
f. That the Municipality has no in-house town planning capacity and makes use of an outsourcing arrangement is seen as a problem;
g. The feeling on the part of elements of formal business is that the informal sector is managed too leniently;
h. Local health and other by-laws restricting home industry (e.g. home baking, etc) are seen to be restrictive of initiative;
i. Public toilet facilities in Nduli are a severe problem;
j. Municipality's communication with the public on key issues in particular is seen to be inadequate;
k. The local economy is seen to be dominated by powerful vested and established interests complicating entry by new players;
l. There is a trend toward using "foreign" labour (e.g. from Lesotho) that is perceived to be amongst other things the result of the new national

dispensation regarding labour tenancy on farms. This is seen to disadvantage the local population at the same time by effectively "importing" unemployment and by encouraging in-migration of the dependents of "foreign" workers.

9.3.3 **Wolseley**

a. The need is perceived for rationalisation of sidewalk trading to encourage central location of "flea market"-type activities, possibly as a tourist attraction;

b. Unutilised sites in the industrial area have been sterilised for further development as a result of sale to private individuals that are no significant obligation to develop them. The repeal in March 2004 of former Wolseley by-laws providing for penalty rates on undeveloped land after a given period are impeding development (Chapter 4). Previous incentive schemes based on cheap land governed by building clauses to discourage sterilisation of development land have in therefore in effect fallen away in the new dispensation;

c. Easy access to other centres such as Ceres leads to loss of spending power and impedes local commercial growth in Wolseley;

d. Farm shops are seen to erode the already limited markets of local businesses operating in the town of Wolseley;

e. The need to communicate tender information on a wider canvas in the community and through community forums is perceived to be critical;

f. The constitution of a local emergent farmers' association serving the Wolseley Valley is perceived to be critical and should be supported;

g. Although its water problems are not as critical as elsewhere in Witzenberg, Wolseley feels under threat as a candidate catchment for diversion of water to the Cape metropole and like the Koue Bokkeveld has no impoundment capacity where winter water can be stored;

h. The perception exists that high water costs reflect a contribution to the Ceres Koekedouw Dam disproportionate to the benefits Wolseley receives from the dam;

i. Significant dissatisfaction exists with the approval of applications for the establishment of taverns in residential areas;

j. Open water channels in residential areas are seen to pose a health risk;
k. There is no structured co-operative marketing in the Wolseley area;
l. There is a shortage of business premises in the town centre;
m. There are no local training facilities in Wolseley;
n. There are shortages of low-cost housing in Wolseley;
o. Water supply in the "bo-dorp" is unreliable and problems generally exist with the existing antiquated service infrastructure;
p. Road links to Stinkrivier are in a particularly bad state;
q. No formalised networking exists in Wolseley and no inclusive local business chamber functions there;
r. A key LED project is seen to be the restoration of the old station buildings by a local entrepreneur combined with a craft project to attract tourists though the train currently no longer stops there.

9.3.4 **Op-die-Berg**

In the case of Op-die-Berg sustained attempts to facilitate the establishment of a sub-regional LED Forum have been unsuccessful. Whether for reasons of apathy or the extensive nature of the area there is a relatively low level of commitment to the engagement across the community in the conduct of local community affairs, including LED. The following are perceptions compiled on the basis of one-on-one interactions between members of the professional team and sectoral players in the Op-die-Berg area.

a. There is a perceived local need for a skills database and inventory for the area;
b. There is the perceived need for urgent advice and training on the conduct of personal financial affairs;
c. Urgent progress needs to be made with the constitution of an emergent farmers' advocacy group;
d. There is as yet limited engagement of PDI's in the local tourism industry except as employees in relatively menial jobs.

10. Conclusion

There is little prospect of radical short- to medium-term change in the structure of the Witzenberg economy in order to address existing socio-economic problems. Neither does the solution lie in undertaking ***ad hoc*** project-based and other interventions outside of the context of organic change in key areas of the socio-economy. Indeed institutional reform lies at the basis of improved cohesion within the Witzenberg community and holds the key to optimising the benefits of present and future economic activity in the Witzenberg area for the benefit of its residents by way of:

10.1 Encouraging productive engagement in the local economy as the basis for self-reliance. LED has in the first place to do with sustainable development based upon self-reliance and individual effort rather than welfare and dependency. Most disturbing is the low level of entrepreneurship and matter of a work ethic s and of the motivation toward self-reliance based upon personal effort;

10.2 Improving total value chain management and managing down risk in key sectors such as agriculture that will remain the mainstays of the local economy and of the local labour economy in particular;

10.3 Determining a strategic spatial framework for development within Witzenberg that reflects the needs, capacities and potential of the various sub-regions constituting the Witzenberg area;

10.4 Improving the web of economic and social infrastructure serving areas of high potential in order to optimise development and growth potential; and

10.5 Building human capacity and improving the portability and marketability of skills in areas of lower potential where the prospects of absorbing growth in the labour force on acceptable terms is limited.

WITZENBERG PHASE 1 & 2

Work in Progress

The attached files represent work in progress on the conclusion of Phases 1 & 2 of the LED project as at the conclusion of 2004.

Certain key information newly collated is being included and final editing and interpretation performed in early 2005 where after the document (or an Executive Summary of key findings) can serve to inform the Witzenberg Summit and the formulation of LED strategy in Phase 3

Bellville Park

15 December 2004

CHAPTER 1

Introduction

1. Objective of the Project

The objective of the project is to advise the community of Witzenberg in the formulation of a local economic development strategy and to assist in facilitating the conclusion of a social compact between all relevant stakeholders toward the implementation of that strategy.

2. Objective of the Present Report

The present report has the dual objective of providing a strategic information bank for the envisaged Witzenberg LED Summit in 2005 and of informing the formulation of a Witzenberg LED Strategy in Phase 3 of the project to be undertaken following the Summit.

3. Conduct of the Project

The project has been structured in phases, stages and milestones as set out in Table 1.1. The current report is the product of Phases 1 and 2, Steps 1 through 13 of the project.

TABLE 1.1: PROJECT SETUP

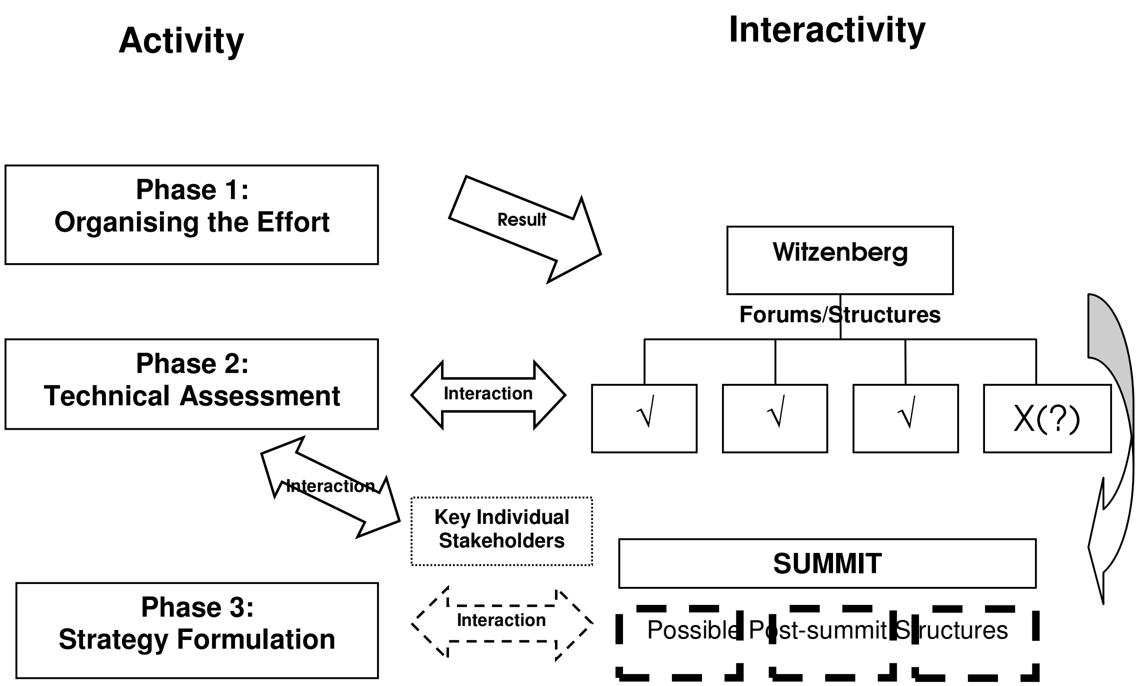
<table>
<tr><th>Phase</th><th>Stage</th><th>Step</th><th>Designation</th><th>Comment</th></tr>
<tr><td rowspan="6">1</td><td rowspan="4">1</td><td>1</td><td>Establishing the Locus</td><td rowspan="6">Before the strategic planning process can be undertaken it was seen to be important to establish firm foundations for that process to ensure economy of cost and effort and generally the sustainability of the process. It was specifically understood at the inception of the process that key elements of that process were in place and that only and consolidation and support of that process would be necessary is necessary.
Steps 1 to 7 have are the responsibility of the Witzenberg Municipality with support from the Consultus professional team where necessary.</td></tr>
<tr><td>2</td><td>Task Groups to Oversee the Process</td></tr>
<tr><td>3</td><td>Establishment of Linkages to Other Planning Processes</td></tr>
<tr><td>4</td><td>Establishing a Basis for Communication</td></tr>
<tr><td rowspan="2">2</td><td>5</td><td>The Political Process</td></tr>
<tr><td>6</td><td>Stakeholder Involvement</td></tr>
</table>

Phase	Stage	Step	Designation	Comment
		7	Establishment of Liaison Mechanisms	The arrangements provided for in Phase 1 constitute a key element of the project if LED processes are to be institutionalised in Witzenberg in accordance with local and international good practice.
2	3	8	Establishing a Good Practice Reference Base	The object of Phase 2 is been to inform an understanding within the LED Forum, the ***Witzenberg Municipality*** and other relevant government spheres and jurisdictions, and the local community of the structure and competitive position of the local economy. The phase consists in essence of the collection, collation and strategic interpretation of relevant information bearing upon development and growth of the local economy. The content of Phase 2 is essentially technical but it has in the letter and spirit of the project brief and where possible been conducted interactively with relevant stakeholders and interest collectives across the Witzenberg area.
		9	Review of Legislative Provisions	
		10	Review of Programmes and Activities	
	4	11	Technical Assessment	
		12	Attitudinal Surveying	
		13	Consolidation of Competitiveness Assessment	
		14	Witzenberg Economic Summit	
3	5	15	Towards a Shared Socio-Economic Vision	Phase 3 has yet to be concluded and can in reality only begin after the envisaged Witzenberg Economic Summit (Phase 2: Step 14) Its objective is to provide strategic direction for building the local economy and for general and equitable local economic development. The strategy will aim to provide an action framework over a five-year time horizon but within the clear and stated context of a long term development framework vision and objectives. The Phase is to terminate with the conclusion of a Social Compact (Phase3: Step 21) reflecting a commitment on the part of all relevant stakeholder collectives to the terms of the strategy and to beat endeavours in implementing it.
		16	Identifying programmes of action	
	6	17	Strategic Performance Management	
		18	Consolidated Resourcing Strategy	
		19	Witzenberg LED Strategy	
	7	20	Submission and Approval	
		21	Establishment of a Social Compact	

The participation model at present being deployed as part of the execution of the project brief as determined in consultation with the Witzenberg Municipality is set out graphically in Figure 1.1 below. In keeping with the observation that LED is not a thing we do but a way we do things process is all important and it has been the absence in all relevant particulars of the necessary consultative and participatory structures in the study area at project inception that has proved the major stumbling block and that has delayed project execution.

An operational, balanced and representative institutional structure for engagement of LED stakeholder collectives, including government in the project as required both by the brief and by good practice in LED (refer Chapter 2) has from the beginning been critically important. Process and the requirement that this project should not be consultant driven has thus from the outset been a core feature of the project design. The establishment of the relevant institutional structures in support of the project has from the start and in terms of the brief been the responsibility of the Witzenberg Municipality advised by the Consultus professional team. The brief as initially concluded did not provide for the detailed intervention by Consultus in the institution ***de novo*** of consultative processes although as the project has proceeded the professional team has of necessity increasingly become engaged in this aspect.

FIGURE 1.1: THE INTERACTIVE PROJECT EXECUTION MODEL



Extensive re-engineering of the stakeholder participation environment has been necessitated after initial exploratory meetings in 2002 in Ceres, Op-die-Berg, Wolseley and Tulbagh. As a result the technical assessment process that in the spirit of the project has had to be informed by the participative process has been significantly delayed. In particular the disintegration of ***ad hoc*** consultative structures established for the purposes of the IDP has meant that new participative structures have had to be facilitated by the professional team specifically for the purposes of the present project. This was not the initial intention but has been necessary in order to advance execution of the brief.

4. The Way Forward

4.1 Process

The present report is a digest of information, findings and conclusions that are the result of:

4.1.1 Direct professional engagement on the part of the Consultus team;
4.1.2 Structured interaction with stakeholder collectives by way of LED forums established for the purpose in Ceres, Tulbagh, and Wolseley;
4.1.3 One-on-one interactions with key individual stakeholders representing stakeholder collectives in the Op-die-Berg area following repeated unsuccessful attempts to constitute a formal LED forum there; and
4.1.4 Interactions with key sectoral players both within the Witzenberg area and outside of it but representing key levers on local economic development in Witzenberg.

After circulation and validation of the contents of the report by stakeholders at the level both of the participative structures in place and the Witzenberg LED Summit the way should be clear to distilling a common economic vision, priorities and strategy for Witzenberg and negotiating a social compact of stakeholders to implement it.

4.2 Programme

Participative processes entailing community engagement to a significant extent dictate their own programming. In addition LED is not an event but involves a participative process over time in order to achieve specific outcomes. Programming of these activities is thus at best problematic as the experience of the current project has shown. The intended programme for the deployment of the project going forward is, however, reflected in Figure 1.2.

FIGURE 1.2: PROGRAMME TO COMPLETION

Phase	Milestone at end of corresponding month:						
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
1	ORGANISING THE EFFORT - ONGOING						
2	ASSESSING ACTIVITY & COMPETITIVENESS						
3					FORMULATING STRATEGY		

Summit

CHAPTER 2

GOOD PRACTICE PRINCIPLES IN LOCAL ECONOMIC DEVELOPMENT (LED)

1. Objective

The objective of the present chapter is to provide a brief overview of good practice in local economic development to inform the process of formulating an LED strategy for the Witzenberg area.

The chapter addresses the following issues:

1.1 A brief definition of local economic development (LED);
1.2 The accepted elements of a typical LED strategy; and
1.3 Typical emerging good practice roles and functions of the various key stakeholders in the LED process.

2. A Brief Definition of LED

Local Economic Development (LED) is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation in pursuit of a better life for all.[1] It is therefore in essence not a "thing we do" but rather a "way we do things". Its essential features are that:

2.1 It involves some degree of structured co-operation between and co-ordination of the activities of the various stakeholders in the local economy in order to achieve common purpose;
2.2 It seeks to mobilise the total resources, including the social and economic potential that exists in the community toward the upliftment and prosperity of the community;
2.3 It seeks to disseminate information enabling informed development initiatives within the community; and
2.4 It is essentially "home-grown". Where externally driven development initiatives are most frequently "top-down" and relatively insensitive to local priorities, LED approaches seek by their very nature to reflect the strengths, weaknesses, opportunities and threats of individual communities and to tailor local responses in such a way as to achieve the maximum sustainable benefit for those communities. Good practice LED initiatives in this sense provide the platform for "guidelines down-plans up" development initiatives. Good LED has come to be associated with the generation of informed local responses to local problems aligned with broad overall development guidelines provided by the provincial and national spheres.

[1] Bertlesmann Foundation and World Bank (2002)

It is important to recognise that the local economic development approach encompasses a *process* driven by local community stakeholders. LED is by its very nature not the province of government alone. Rather, it is a community activity in which many stakeholders each performing an own assigned role engage toward a common socio-economic development purpose. The LED process combines local resources, skills and initiative with external developmental impetus to stimulate and leverage economic growth and development in the community with the specific aim of creating sustainable local employment opportunities, the alleviation of local poverty and the equitable redistribution of resources and opportunities to the benefit of all local residents.[2]

The local economic development approach has two essential defining features:

- It is ***inclusive*,** involving all stakeholders in the community in diverse though directed efforts to achieve a sustainable shared developmental vision for the local community; and
- It is ***non-prescriptive***, recognising the essential uniqueness of communities and the diversity of their various problems and circumstances. There literally is no "one-size-fits-all" solution that can be replicated from community to community.

Whilst there is no universal recipe for successfully promoting LED in widely divergent communities, nevertheless a number of important guidelines are emerging from international and local good practice that are useful as pointers to the way forward for LED.

Whilst LED has manifested in many communities in the form of "projects" – short-term interventions to achieve particular purposes – the essential feature of LED as currently defined is that whilst in can and certainly does encompass projects as part of its implementation, it goes far further. It has in fact in the first place to do with process and the institutions to support process toward achieving broad community developmental objectives on an ongoing basis by way of sustained interventions both short-term (projects) and longer term (programmes).

3. LED and Integrated development Planning (the "IDP")

LED is one of the key outcomes toward which the IDP must strive. To this extent local economic development strategy and the means to implement it must be one of the critical points of focus of the IDP. The IDP must be seen as the single over-arching and inclusive governmental planning process with which other processes within the community - such as local economic development initiatives. But pre-eminently in terms of the emerging good practice role of government in the new international developmental dispensation to be discussed below the IDP should serve as an instrument to facilitate and support LED initiatives. It should as far as LED is concerned in fact constitute

[2] Local Economic Development: Strategies and Instruments, *Department of Provincial and Local Government* (2000)

the public component of an overarching public-private process to achieve the objects of an over-arching LED strategy.

This approach has institutional implications for municipal and community governance. Municipalities need in particular to ensure that the institutional structures they create serve to advance alignment of the IDP process with other community initiatives and structures.[3]

4. Typical Elements of an LED Strategy

4.1 Strategic Focus

A LED strategy and the actions that follow to implement it must improve and enhance all elements of the functioning of the local economy whose major components are reflected in Figure 1 below.

In general LED interventions are classified as "demand-side" or "supply-side" depending upon whether they are aimed at increasing local demand for goods and services or the local supply of goods and services.

4.1.1 Demand-Side Interventions

Demand-side interventions typically include:

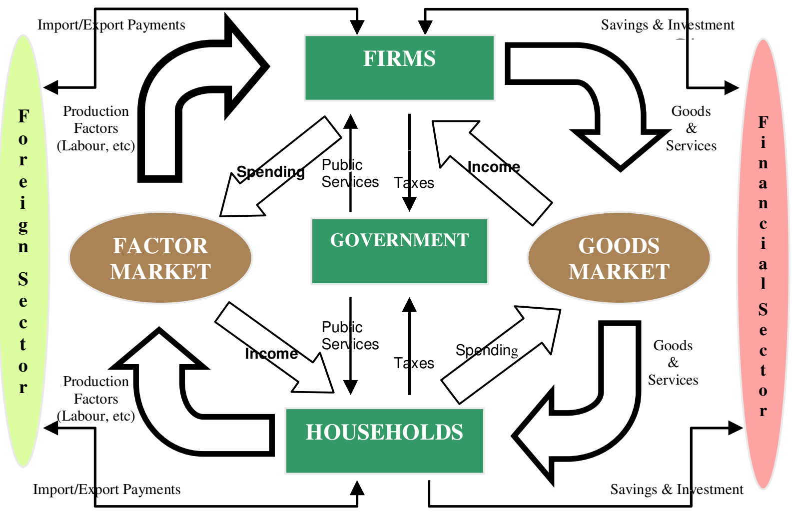
a. Increasing local private spending;
b. Increasing local direct investment leading to the recruitment and absorption of local resources;
c. Increasing government expenditure in the local community; and
d. Export promotion and import substitution.

Unless accompanied by an increase in the supply-side capacity of the local economy to service increased demand, demand-side interventions alone can have negative implications including:

- Increased "leakage" of local purchasing power to acquire imported goods and services. By "exporting" jobs and opportunity from the local economy to areas and communities that are better organised or otherwise better able to meet increased demand can in turn lead to under-employment or unemployment of local resources of land, labour, capital and entrepreneurship; and
- Demand-driven local inflation where local demand exceeds local supply.

[3] Department of Provincial and Local Government **Local Economic Development Manual Series 1/5 (2000)**

FIGURE 1: TYPICAL ELEMENTS OF THE LOCAL ECONOMY



4.1.2. Supply-Side Interventions

Supply-side interventions typically include:

a. The release of local land and resources for economic production purposes (i.e. freeing-up local capital to support development);
b. Improving the local infrastructure web to support local economic production (i.e. improving so-called "economic infrastructure"); and
c. Training and capacity-building to improve the supply and quality of local labour, management and entrepreneurship skill.

Supply-side interventions also cannot be successful in the absence of appropriate and demonstrable levels of demand. The simplistic assumption made by many communities in the past in supporting at great cost pet local projects in the form of industries and activities that have no real basis in demand has created significant problems and eroded faith and confidence in community initiatives.

4.2 Content

Nationally the view of local government as the "hands and feet"[4] of development in South Africa has been confirmed by extensive statutory powers conferred in terms of such legislative instruments as the Municipal Structures Act[5] and the Municipal Systems Act[6]. This legislation variously provides for the establishment by local authorities of land development objectives (LDO's) for their jurisdictions and of integrated development planning processes (IDP's). These developments have formally ushered in a new era of "developmental local government" in South Africa and have clearly established the pivotal role of the local government sphere and of communities in developing and implementing an inclusive local economic development approach. Such an approach is seen to incorporate the promotion of local business activity as a key component, if not the key component of sustainable organic growth and development.[7]

Typically the economic content of good practice LED reflects a combination of demand and supply-side interventions in accordance with the following main themes:[8]

4.2.1 **Encouraging Local Business Growth** by:

a. Identifying problems timeously;
b. Establishing business advice centres for technical/financial support to businesses;
c. Public procurement and "buy local" campaigns;
d. Ensuring availability and reasonable cost of land and services; and
e. Supporting particularly SMME's and informal business in accessing local and external markets. This frequently is achieved through the development of value chains linking local businesses to major local and external market players (Figure 2).

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[4] Department of Constitutional Development Local Government and Economic Development: A Guide for Municipalities in South Africa (1997)
[5] Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
[6] Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
[7] Department of Provincial and Local Government Local Economic Development: Strategies and Instruments LED Manual Series 2/5 (2000)
[8] World Bank **Local Economic Development: A Primer for developing and implementing local economic development strategies and action plans (2002)**

In South Africa as in many parts of the world a large, if not the most significant source of new business growth derives from new business ventures started by the owners of existing businesses.[9] A key component of all good practice LED programmes is to emphasise new business growth but not at the expense of existing business that remains the platform for sustaining existing jobs and an important springboard for creating new jobs.

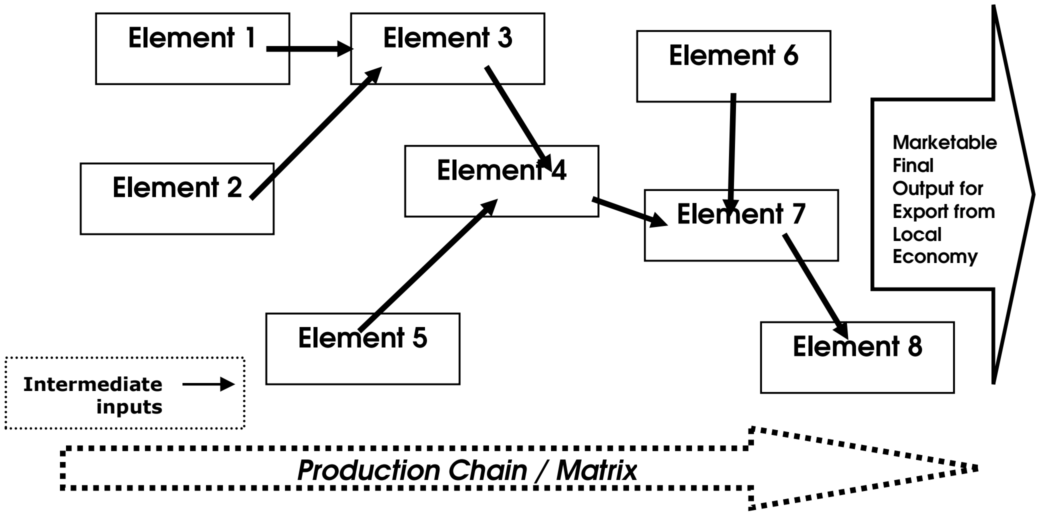
4.2.2 Encouraging New Enterprise by:

a. Providing attractive financing packages;
b. Providing managed workspace and business incubator facilities;
c. Providing technical and financial advice and transfer to businesses of business and craft/technical skills;
d. Effective formal and informal development and business networks; and
e. Implementing mentorship and learnership programmes.

Good practice suggests that in establishing new businesses it is important to distinguish between welfare approaches and *bona fide* business development approaches. Emerging good practice approaches suggest the requirement for a much clearer definition and separation of government's business development role from its role in pursuing equity within society. In a country such as South Africa which as yet is significantly impacted by the politics and ideology of transformation welfare and purely economic objectives are often confused. Traditional approaches internationally to business development on the part of government that have confused business development and poverty alleviation objectives in disadvantaged communities do little to incorporate the poor into the economic mainstream but have in effect isolated the poor and disadvantaged into enclaves of welfare and charity.

[9] Graduate School of Business: University of Cape Town **Global Economic Monitor (2002)**

FIGURE 2: THE VALUE CHAIN/VALUE MATRIX



Specifically:

- Without inherent sustainability such interventions become at best short-term welfare for the disadvantaged where they do not specifically seek to foster viable and self-sustaining business activity;
- Subsidies of business support services weaken demand signals as important measures of the relevance of the services concerned;
- Subsidies can in fact distort markets and discourage market formation or the provision of services within communities themselves by the private sector;
- Without clear objectives on the individual enterprise level regarding the achievement of self-sustainability, most individual businesses find it extremely difficult if not impossible to make the transition from highly subsidised services to full-cost services. The result is that they tend to become permanently dependent upon subsidies and are perpetually dependent upon transfers and support from outside with diminishing incentive to become self-sufficient.

In terms of legislation government in South Africa is obliged to quantify and to render transparent all subsidies whether direct and indirect, in cash or in kind disbursed from public resources.[10]

Viable, self-sustaining business enterprise remains the most effective and sustainable way to create jobs and incomes either directly or indirectly through the contribution it makes to the revenue base of local government and the capacity of government to affect social transfers. The fact is that it can

[10] Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

require great effort and the establishment of many smaller businesses to compensate a local economy for the loss of a single larger business enterprise.

The fact is however that entrepreneurial character rather than business size is increasingly recognised as central to the prospects of survival and growth of existing and new businesses. Whilst business size may be an indicator in the sense that businesses generally start small and larger businesses have thus demonstrated a capacity for survival and growth, it remains the essential character of the business approach, and not the size of the business, that is its most important characteristic defining its capacity to innovate and thus to grow and create jobs and incomes. Existing business classifications in South Africa[11] still reflect a preoccupation with business size, and particularly a preoccupation with SMME's as a vehicle for creating jobs and incomes. This approach has largely been predicated on the observation that self-employment and small- and micro-enterprise in particular are often pathways to the formation of growing- and more vibrant businesses. In developing countries it indeed is the micro-enterprise sector that is the receptacle of subsistence business activities. Operators of such subsistence businesses are frequently loosely and often erroneously referred to as "necessity entrepreneurs". Many such subsistence activities are the result of the operator's inability to find wage employment, necessitating the creation of own employment with little if any prospect of self-sustaining growth, rather than any inherent entrepreneurial skill or talent. Nevertheless the skills learned in subsistence business are significant and do in many instances provide a platform for formal business activity. To this extent subsistence business activity generally, and the small- and micro-enterprise sector in particular, remain important entry-level incubators of business development although possibly not to the degree often imagined.[12] But although small- and micro-enterprises for example as a category share similar technical- and economic characteristics, and have their own operational- and structural mechanisms, operate within similar contexts, and respond similarly to market trends and forces, even this sector is significantly diverse representing in fact a number of distinct classes namely:[13]

- Subsistence enterprises or those with occupational strategies for survival. These are generally self-employed producers or traders;

[11] National Small Business Act, 1996 (Act 102 of 1996)

[12] White S. **Creating an Enabling Environment for Micro- and Small Enterprise (MSE) Development in Thailand (ILO/UNDP 1999)**

[13] Arroyo J. SI-MICRO: Using the Web to Support Business development Services in Central America (ILO 2000)

- Enterprises with a capacity for simple capital accumulation and exhibiting entrepreneurial tendencies; and
- Established enterprises with extensive capital accumulation on their way to becoming larger growth enterprises.

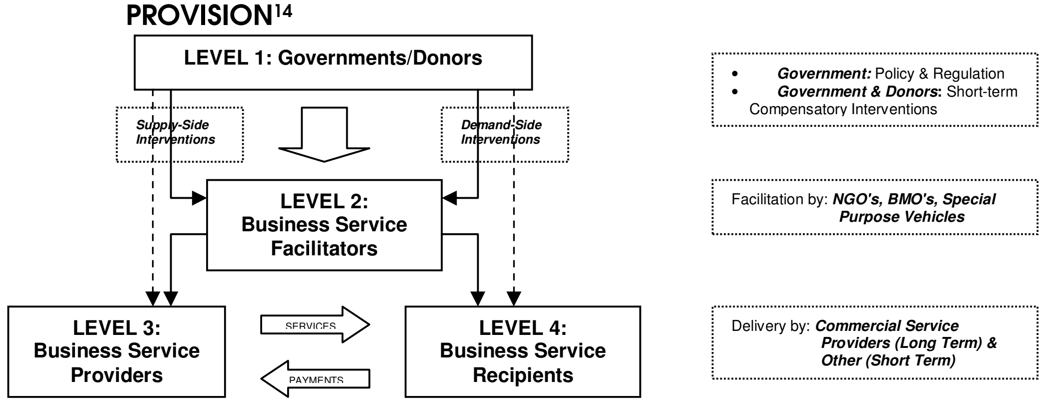
The very small- and micro-business sectors have often tended to be considered in many countries within a welfare framework as instruments for poverty alleviation. This is true only to the extent that it is able to reach a level of self-sufficiency. In most cases in South Africa for example much of what passes for (informal) micro-business is inherently formally non-viable and is sustained purely by overt and hidden subsidy and the selective non-enforcement of by-laws and regulations that are applicable to so-called "formal" businesses.

The emerging good practice view of new business support recognises a hierarchy of roles for various role players according to the scheme reflected in Figure 3. In particular the emerging role of government is as facilitator rather than as provider of business development support. This emerging hierarchy of roles is particularly important in informing a good practice approach to business support by local government.

4.2.3 **Improving the Business Environment**:

Improving the business environment is important for new and established businesses alike. Communities and governments together can significantly change the local business environment for the better by:

FIGURE 3: AN EMERGENT HIERARCHY OF ROLES IN BUSINESS SUPPORT PROVISION[14]



[14] Hallberg K. ***et al*** **Presentation: Business Development Services for Small Enterprises - Guidelines for Donor Intervention (World Bank/ILO/GTZ 2000)**

a. Providing access to suitable local land and other physical resources;
b. Ensuring efficient land title acquisition and administration;
c. Efficient local planning and development control;
d. Efficient maintenance of local infrastructure and suitable priority to the establishment of economic infrastructure that supports local production;
e. Reasonable business registration/licensing requirements and by-laws on the part of local government;
f. Reasonable local taxes (property and other) and service charges;
g. Reasonable environmental and occupational health standards;
h. Establishing a business-friendly local government. The need particularly is for properly orientated local officials who understand and appreciate the role of business as the pre-eminent production element with an important role to play in the local economy;
i. Undertaking "place" investment- and marketing promotion initiatives providing a platform for product-specific marketing by individual local businesses;
j. "Clean", efficient and non-bureaucratic good governance;
k. Maintaining an informed open local community with efficient access to information and transparent decision making processes affecting business and business activities.

4.2.4 **Promoting "Foreign" Direct- and Inward Investment**

A "good" local policy environment is not enough. Typically investors from outside the community want a number of additional tangible things including:

a. A stable, predictable local economic climate;
b. A stable political and regulatory climate;
c. Market access and open competition;
d. Available sites and/or premises;
e. Reliable utilities/services and transport systems;
f. An appropriately skilled workforce;
g. Local sources of material supply;
h. Appropriate local training and research support facilities;
i. A good quality of life for expert staff;
j. Manageable regulation and taxation systems;
k. Incentive schemes; and

I. Evidence of domestic investment. External investors are encouraged by evidence that the community is investing in itself or at least is willing to use its own resources of land and capital to leverage foreign investment risk.

4.2.5 Investing in "hard"/economic infrastructure

"Hard" or "economic" infrastructure is infrastructure that will make the local economy more productive and more competitive in producing for external and domestic markets. Local productivity can benefit the local community in a number of ways, not least by improving income prospects, local access to cheaper goods and services and enabling the local economy to compete in terms of price and quality on external markets.

Local governments in many developing environments such as South Africa face the crisis of choice between providing social welfare infrastructure on the one hand and economic infrastructure on the other. With significant service infrastructure and other social infrastructure backlogs the former ranks high on the political agenda, frequently at the expense of the latter. The problem is that much social welfare investment to the extent that it does not contribute materially to the level of economic production itself does neither create sustainable incomes nor jobs and is unsustainable other than through transfers from the productive sectors of the local economy. Such cross subsidisation on a significant scale can only be of short-term duration since the associated sustained taxation of the productive elements of the local economy to fund social transfers can ultimately erode the basis of viable business and corrode the very basis of self-sustaining growth in the local economy based upon individual enterprise.

From a purely economic point of view and given the overwhelming need in South Africa for sustainable jobs and incomes as a fundamental present preoccupation of LED, the choice between social and economic infrastructure needs to be determined by the most cost-effective means of providing jobs, economic opportunity and sustainable incomes. Minimal social infrastructure investment has a role to play in establishing a congenial environment for productivity and enterprise, after which the role of economic infrastructure becomes paramount in establishing the platform for jobs, incomes and growth.

The "hard" infrastructure web can be made more effective and efficient by:

a. Building or improving key access roads in support of economic activity;
b. Improving road and rail passenger and goods services in accordance with the production needs of the local economy;
c. Improving or expanding the capacity of business/industrial sites and buildings;
d. Developing/expanding/improving commercial sites;
e. Increasing availability of water and sewage disposal;
f. Improving telecommunications;
g. Improving/expanding energy systems;
h. Undertaking environmental and recreational enhancements in order to draw skilled and productive personnel with the capacity to leverage local development;
i. Improving housing conditions and the availability of appropriate affordable housing; and
j. Efficient crime prevention infrastructure.

4.2.6 Investing in "soft" infrastructure

"Soft" infrastructure refers to those infrastructural elements that contribute to the improved efficiency of human and social resources within the community. They refer not only to individual skills and capacities but also to community networks that enable those skills to be augmented and turned to positive account in the local economy. It is for example still a feature of the South African situation that whilst much is made of the need for engagement of stakeholders in joint decision making processes this is rarely institutionalised and ***ad hoc*** consultation still prevails in many areas as the predominant engagement model. However, the more sharply focused economic developmental role of local government in the new dispensation increasingly requires a focus on communities not only as social entities but also as economic- and developmental entities. This shift in emphasis departs in significant respects from the traditional view enshrined in historical approaches to local government in South Africa that have viewed communities primarily as the recipients of municipal services. The evolving role of developmental local government as it has emerged in South Africa in particular reflects the need to:

- Align the activities of a the wide variety of (independent) business- and other stakeholder interests in the local economic system in order to maximise local developmental effort;
- Engage the community on a continuous basis in the ongoing management of the developmental process; and

- Foster the development of local business- and other local capacity to engage productively, innovatively and independently in economic activity.

This clearly has institutional implications for local government as addressed in Chapter 3.

Good practice investment in "soft" infrastructure involves any or all of the following:

a. Local network facilitation and management
b. Skills training. This involves both appropriate business skills (particularly financial and basic management skills) and so-called "hard" skills such as craft- and other productive skills;
c. Access to business and entrepreneurial-focussed education. Entrepreneurial skills are more effectively transferred over a longer period. Establishing an entrepreneurial base at community level is thus best begun with initiatives focussed on children at school either as part of the school curriculum (over which local communities have little control) or parallel to it;
d. Supporting relevant local research and development and the interchange of information relevant to local economic development. Investing in a thorough and in-depth understanding of the local area and particularly of its economic potential is a vital undertaking for local communities and is a role indicated for local government. Knowledge gained in this way can be used to leverage development, to anticipate and head-off problems before they occur and to identify development opportunities. All too often vital information is acquired on a proprietary basis and not shared with those who are able to use it to best advantage of development in the community
e. Providing business advisory services (business advice centres). The scope of services available to businesses provides a vitally important dimension to their business environments. It is clear from field research that businesses typically access a wide range of support services in a variety of different ways and from a variety of different sources, both formal and informal. The support networks within which businesses function are far more complex than initially thought. SMME's in particular typically display a complex array of needs and access a variety of services from many different formal- and informal providers. Whilst it is not the good practice role of government to provide business support services other than by exception where there are impediments to the provision of such services by others, nevertheless it is the

accepted good practice role of government together with communities to procure that key services such as financial, training and other support services are available to the local community;

f. Facilitated access to capital and finance. This has in the past been the preoccupation of many government programmes that have viewed "cheap finance" as the key to encouraging business development and growth. Emerging good practice perspectives view the availability of finance ***per se*** as only one dimension of the problem faced by the emerging economy. Equally important are such aspects as business and other skills, attitude, the capacity to be able to manage finances and for a transactional relationship with emergent businesses that places them under some obligation to perform in return for any form of subsidy. Emerging good practice suggests an appropriate subsidy at business start-up, phasing out over a business incubation period in the order of 3 years. After this initial period there is a reasonable expectation that the business should be self-sufficient and able to meet reasonable obligations of the market. Far more important, as has been shown elsewhere in the world than sustained "cheap" finance is access to appropriately structured and packaged funding. The idea of micro-financing - that is, the lending of small sums to those with micro-businesses – as pioneered by such institutions as the Grameen Bank (Bangladesh), the Unit Desa operations of Bank Rakyat (Indonesia) and BancoSol (Bolivia) - has fired the international imagination for the financing of business development amongst disadvantaged communities hitherto typically excluded from attention by the formal banking movement. Since the inception of the Grameen Bank in 1976, the so-called micro-finance institutions (MFI's) have reversed conventional banking practice by removing the need for collateral, frequently the most critical constraint faced by businesses at start-up, and creating a system based on mutual trust through personal knowledge of the borrowers; peer pressure through the formation of peer groups as vehicles for preventing the development of arrears and defaults; and incentives to access larger sums on the basis of good repayment records.[15] But the foundations upon which the concept of micro-financing are based are not new, and particularly not to Africa where a variety of informal savings- and credit schemes are widespread although

[15] Grameen Bank (2001)

known by different names such as "tontine", "susu" or "stokvel" in different countries and communities;[16]

g. Facilitating local business and trade associations and other economic collectives. In order to effectively engage in networks and structured institutional arrangements stakeholder interests need to be organised. Interventions to facilitate this can pay significant dividends in enabling the enrichment of community participation processes. In many cases the interventions required are relatively insignificant and comprise for example assistance with the organisation of meetings, the dissemination of information, or the performance of other "secretariat" functions for emergent stakeholder collectives;

h. Improving service delivery to the economy. Inefficient service delivery discourages investment and costs the economy money in terms of production down-time, and in other possible ways. Local government in particular has an obligation to ensure that its turnaround time on service delivery faults is as short as possible shortened and that the economy is enabled to remain in optimal production;

i. Social inclusion of poor and disadvantaged into local production value chains. To the extent that any segment of society is potentially economically productive, its accommodation into the economic system represents good economics, aside from any considerations of equity or morality. From a social viewpoint unemployment represents to many a social injustice. From an economic point of view, it represents wastage of resources. However there is a difference in the bias of the welfare and the economic developmental approaches to the accommodation of the poor and disadvantaged. Whereas the former displays an short term focus on improving by means of grants and subsidies the lot of the poor, the latter is more preoccupied with encouraging and capacitating the sustainable productive engagement of the poor in the local economic development process; and

j. Crime prevention through youth and other programmes and "good citizenship" training;

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[16] van Oyen L. ***et al*** **Working Paper No 4: Financing Private Enterprise Development in Africa (UNIDO 1999)**

4.2.7 **Cluster and/or sector development**

The objective of cluster and sector development is to create value chains across the local economy and linking different local economies in which local producers and service providers can participate. Such value chains provide a means for integrating larger business activities with SMME's, or integrating the activities of SMME's in collective efforts to "export" goods and services out of the community. These initiatives involve a degree of vertical integration of production processes within communities in order to maximise the value added by those communities to the finished product.

Community interventions in association with government to achieve cluster or sectoral integration typically include:

a. Encouraging professional broker and/or network agencies to manage individual clusters or sectors where justified by the number of participants and the size of those sectors. This is an altogether different arrangement to that commonly encountered namely of relatively loose and informal associations of stakeholders where accountability is limited;
b. Promoting contextual research and development. The identification of local value chain synergies within communities lies at the foundation of the cluster approach. This needs ongoing investigation, however, to identify possibilities for local engagement and is often not undertaken by larger local economic players so long as their needs are met from whatever source. Frequently larger local sectoral players are the captives of their own internal bureaucracies and procurement processes run from a head office located outside of the local community and unaware of local possibilities;
c. Providing cluster-specific information;
d. Developing cluster-focused joint procurement and purchasing agreements;
e. Developing cluster-specific generic marketing initiatives; and
f. Developing demand-led education and training programmes around key clusters in order to provide skills to meet local requirements and to provide individuals with the opportunity for sustainable, gainful employment;

4.2.8 **Area Targeting**

Area targeting aims specifically at "crowding in" efforts to uplift or otherwise to develop specific areas. This strategy is generally is associated with social welfare-based interventions. To the extent however that it is calculated to leverage greater productive participation in the local economy and the efficient employment of resources of land, labour and capital it has a good practice role in promoting local economic development. Typical area-targeted LED interventions include:

a. Town and rural centre enhancement schemes to establish spatial economic balance and upgrade the level of economic activity;
b. Upgrading out-of-date premises and properties, derelict site reclamation and the adaptation of disused buildings in order to bring about more effective use of capital assets;
c. Developing business incubators, parks, hives, etc to provide appropriate residential incubation of businesses and accommodate businesses in circumstances that enable scale economies and cost savings;
d. Encouraging investment into spatial growth nodes in order to distribute economic activity but always on a sound basis of economic benefit-cost; and
e. Encouraging investment into corridors (e.g. SDI's)in order to "crowd in" investments and to encourage agglomeration effects of development and investment;

4.2.9 **Regeneration**

Strategies aimed at the upliftment of degenerating communities or elements within the community to productively engage the population in the mainstream of the local economy by:

a. Retraining of redundant workers
b. Job search and employment outreach
c. Street scene enhancement programmes
d. Public park and play provision (open space)
e. Entrepreneurship training and SMME support
f. Community confidence through local success
g. Increased crime prevention, neighbourhood watch, street lighting and safe transport

4.2.10 **Focussed poverty reduction programmes**

It is an accepted fact that since the very poor cannot realise their potential for creativity and productivity poverty reduction strategies to raise the entire community to the necessary threshold of well-being to enable productivity and open up the way for entrepreneurship and constructive engagement are as much a part of viable LED as they are a preoccupation of social welfare programmes.

5. Programmes and Projects in LED

Whilst good practice LED should by its very nature not be exclusively project driven, but strategically planned nevertheless implementation of LED strategies does involve the identification, assessment and evaluation of projects. However many LED initiatives fail at the project stage due to inadequate project planning and assessment that is guided by theory and good practice. The following provide good practice guidelines for planning and evaluating projects.

5.1 **The Project Cycle**

The project cycle consists of the following steps, certain of which may run concurrently depending upon the project:

5.1.1 **Identification**

Getting the idea or inspiration. This must be consistent with community goals and imperatives;

5.1.2. **Formulation**

Formalising the project description and design;

5.1.3 **Assessment**

Deciding whether to implement;

5.1.4 **Implementation Planning**

Preparing the way for implementation including accessing resources for the project;

5.1.5 **Implementation**

Doing the work and monitoring progress; and

5.1.6 **Evaluation**

Examining whether the desired outcomes were achieved and if not why not. This is a most important step if lessons are to be learned and the same mistakes not repeated.

5.2 **The Project Decision Making Package**

At least the following information is required before a project can be assessed and a decision taken as to whether to go ahead.

5.2.1 A clear and concise ***objective***. This will be the same objective against which the success or otherwise of the project will be evaluated at its conclusion. In an outcomes-focussed environment the project objective should state clearly the development outcome to be achieved in quantifiable terms insofar as is feasible;
5.2.2 The ***outcome(s)*** of the project in terms of deliverables;
5.2.3 The ***discounted cost*** of the project over its full life cycle:

a. In financial terms (capital and operating costs including depreciation);
b. In economic terms in the form of the best possible alternative uses of the resources of land, labour, capital and entrepreneurship to be employed in the project;

5.2.4 The ***discounted benefits*** of the project over its full life cycle:

a. In financial terms (revenues);
b. In economic terms (employment and empowerment opportunities created)

5.2.5 ***Uncertainty and risk***

a. Uncertainty in terms of project planning assumptions and projections made; and
b. Risk in terms of the downside consequences for the community of project failure.

5.3 **Evaluating Projects**

The problem with many proprietary LED projects is that they are advanced and promoted out of context of the bigger economic picture and often decision makers in government are placed under community pressure to make decisions without adequate information.

No project can be evaluated in isolation. Good project management practice holds that the net benefit of any project can only be measured against the benefit to be derived from the best possible alternative use of the resources to be employed in the project in terms of the achievement of a common community goal. In order for resources to be efficiently employed in developmental processes it is not sufficient merely that a project "will work" but that it represents the highest and best use of economic resources in pursuit of community objectives.

6. Roles of Key Players in LED Processes

6.1 The New Approach

The new public management approach arising from a concern with increased democratic participation, accountability and empowerment in modern public management addresses the main themes of making government efficient on the one hand, and keeping it accountable on the other; and of conceiving people as consumers of public services in the context of relations between the state and the market on the one hand and as citizens in the context of relations between the state and society on the other.[17] The past two decades in particular have witnessed conventional welfare assumptions about the role and function of the state and government generally giving way to an entrepreneurial model of government and a shift toward a "new public management" approach. This entrepreneurial model has been summarised in terms of the following ten defining principles for government that are central to determining the relative roles of government and other key stakeholders in LED in particular and hence also to determining the best ways of institutionalising those roles.

6.1.1 Steer the ship rather than row it. Government's role lies in the area of policy direction and facilitation rather than direct engagement;

6.1.2 Empower communities rather than merely deliver services;

6.1.3 Encourage competition rather than monopoly;

6.1.4 Be mission driven rather than rule driven. In the context of LED government should be less preoccupied with rules ***per se*** than with the impact of those rules on the level and distribution of economic activity within the community;

6.1.5. Fund outcomes rather than outputs. Government funding priorities in terms in South Africa for example of the IDP

[17] Changing the State: Concepts and Practice in the Reform of the Public Sector Minogue M. in Minogue M. ***et al*** ***Beyond the New Public Management: Changing Ideas and Practices in Governance*** **(1998)**

should not be based upon wish lists of physical facilities but upon real needs motivated by desired and explicitly stated outcomes and evaluated in terms of their cost-effectiveness in providing those outcomes;

6.1.6 Meet the needs of customers rather than the bureaucracy. Government is there to serve the people and not ***vice versa***. In particular it is the economy and the rates and taxes generated by productive economic activity that maintains government and enables sustainable government social spending. Government should therefore recognise that its ideological imperatives must be subject to the reality check of economic sustainability;

6.1.7 Concentrate on earning resources rather than just spending them. Government is increasingly under an obligation not only to balance its books but more especially to employ efficiently all the public assets and resources under its control. This includes public land, buildings and other physical assets as well as human and financial resources. This is the letter and spirit reflected in key current legislation. The obligation in respect of local government requires specifically that local public assets be identified and that they be employed in the economically most efficient manner to achieve public objectives. In particular the management of public assets needs to be reviewed in order to determine highest and best use in support of objectives;[18]

6.1.8 Invest in prevention of problems rather than cure;

6.1.9 Decentralise authority; and

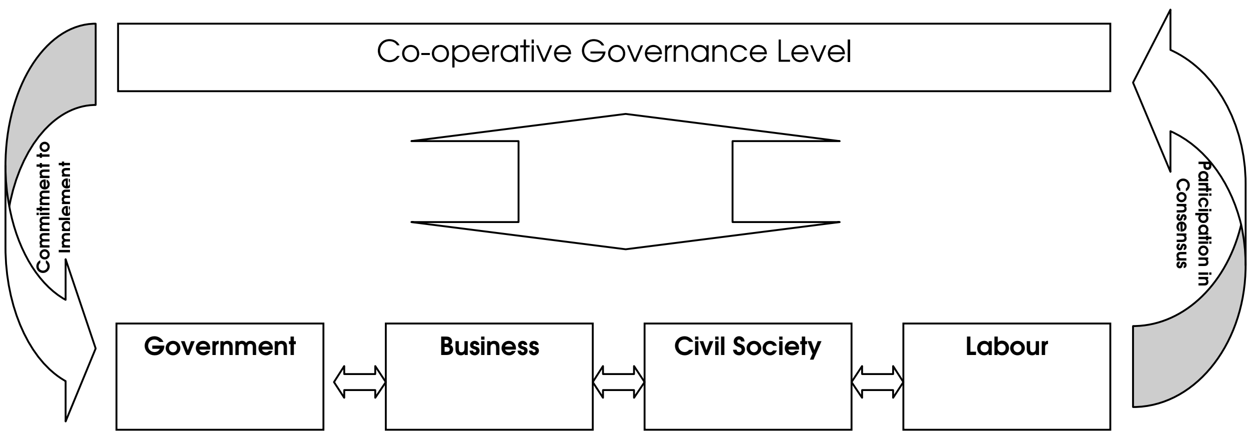
6.1.10 Solve problems by making use of the marketplace where possible rather than through public programmes internally conducted by government.

This reflects a departure from the traditional approach that government is necessarily central to all initiatives and that it must "drive the process". Whilst government has a steering and regulating role it has neither the capacity in terms of knowledge and information nor of financial resources for example to undertake local economic development initiatives alone. The new emphasis has therefore throughout the informed developing world moved more toward one of finding new ways of institutionalising the integration of the efforts and resources of all the key stakeholders in co-operative governance arrangements over the local economy. Government whilst still an important player is certainly not seen as the only player determining the way forward, nor is it in many instances the most important player in local economic development processes. Government also does not have authority over civil society, requiring in the new democratic dispensation that it network with relevant role players rather than

[18] Public Finance Management Act, 1999 (Act 1 of 1999) as amended
Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

impose its will upon them. Rather, there is emerging a new co-operative governance level – the result of structured networking between role-players at local level that represents the essential character of LED. Where traditionally government strategies prevailed, now community strategies representing a broad consensus across stakeholders prevail from which government and other stakeholders participating in the consensus in turn derive their plans and determine their individual responses in accordance with their respective powers and authority. (Figure 4)

FIGURE 4: CO-OPERATIVE GOVERNANCE IN ECONOMIC DEVELOPMENT



The application of key elements of the new public management approach underlies much of the approach of government in South Africa at present. In introducing the approach in new community environments there inevitably are potential obstacles here as in other countries:[19]

- The **institutional gap** requiring the review of institutional arrangements that have evolved in the past and that may no longer be appropriate;
- The **mentality gap** requiring the natural scepticism towards new approaches to be overcome;
- The **co-ordination gap** requiring joint and concerted action to ensure harmony rather than a conflict of approach by different players. This is particularly important when considering institutional arrangements; and
- The **conceptual gap** requiring the recognition that the pursuit of market-related local economic development objectives does not in an open, free enterprise society necessarily contradict developmental objectives.

[19] Prey J. **Institutional Challenges in Shifting to the BDS Market Development Approach (ILO 2000)**

6.2 Key Players and their Roles

The need for balance in local economic development requiring the close integration of interventions by various role players across the economy further accentuates the need for co-ordination and in particular the institutionalisation of LED processes and the clear definition of roles and responsibilities of the various role players. Communities that have successfully engaged in LED activities typically have reduced these roles and responsibilities of the various role players to a form of 'social compact" between them in which they each assume moral responsibility for discharging their respective roles in support of consensus local economic development objectives as suggested in Figure 4.

International good local economic development practice has come to recognise the following categories of key players in nurturing and supporting local economic development initiatives:

- Government or government organisations;
- For-profit service providers providing business- and other development support services on a commercial basis;
- Networks comprising formal and informal voluntary arrangements between peers and peer groups in the local economy;
- Business membership organisations (BMO's); and
- Not-for-profit development service providers including NGO's and institutions providing development support but that are largely autonomous from government.

In accordance with the new approaches to institutionalising co-operative governance particularly over local economic development the role definition reflected in Table 2.1 is emerging from local and international good practice. This is a key determinant in informing the way in which local economic development initiatives are organised:

TABLE 2.1: EMERGING AGENCY ROLES IN BUSINESS SUPPORT AND LED

AGENCY	EMERGING GOOD PRACTICE ROLE
The State/Government	• (Government) policy setting and regulation • Process- and institutional (network) facilitation, co-ordination and mediation • Basic research- and product development funding / impact assessment particularly toward value chain development • Basic "neutral" information dissemination • Provision of public infrastructure and services on a full cost basis • Targeted subsidies and business support in pursuit of equity objectives and to facilitate business growth to self-sustainability
For-profit Private Sector	• Business service delivery at commercial rates and tariffs • Applied product research, adaptation and market research • Own skills enhancement of service providers • Network facilitation (typically on a remunerated agency basis)
Not-for-profit Private Sector	• Social equity interventions suited to NGO's • Basic community advocacy and identification of needs • Network facilitation
Business Membership Organisations (BMO's)/ Sectoral Interest Groups	• Business and sectoral advocacy • Growing the market and developing specialist sectoral products and skills • Information and networking • Mentorship of emerging business
Informal Networks	Mainly facilitative of formal- and informal business collaboration
Donors (including Government as a donor)	• Facilitative and transient and have no sustained longer-term role to play in business development delivery systems • Should concentrate on developing institutional capacity for sustainable service delivery within communities

7. Emerging Good Practice in Institutionalising LED at Local Community Level

7.1 General

Emerging good practice suggests the following role for local government *per se* in LED:

7.1.1 *Co-ordination*

The main vehicle for achieving co-ordination of LED initiatives with other municipal programmes and national- and provincial initiatives is provided by the Integrated Development Plan (IDP);

7.1.2 *Facilitation*

A key local government facilitative role is the improvement of the investment- and business environment;

7.1.3 *Stimulation*

Stimulation of local business is specifically identified as a key role of developmental local government in the LED process;[20] and

7.1.4 *Entrepreneurship and Development Activation*

In this mode the municipality can itself take on the responsibility of operating a business enterprise. This is also the potential area of public-private partnerships (PPP's) between the municipality and NGO's, -CBO's or the private sector at large**.**

The broad options for the disbursement of LED -related functions at municipal level in South Africa as between internal- and external arrangements and mechanisms are summarised in Table 2.2.[21]

[20] Department of Provincial and Local Government (DPLG) **Local Economic Development: Guideline to Institutional Arrangements (1/5) (2000) p 2**

[21] Department of Provincial and Local Government (DPLG) **Local Economic Development: Guideline to Institutional Arrangements (1/5) (2000) p 4 *et seq***

TABLE 2.2: EMERGING INSTITUTIONAL OPTIONS FOR THE ALLOCATION OF LED-RELATED FUNCTIONS

Level	Internal Mechanism		External Mechanism	
	Key Functions(s)	**Institutional Arrangements within Local Government**	**Key Functions(s)**	**Institutional Arrangements Outside of Local Government**
Programme	Co-ordinates local government LED activities within an IDP context: - Infrastructure provision - Economic/business support programmes - Planning - Budgeting - Procurement - Policy formulation (Govt.)	• LED Unit • Council/Municipal LED Committee • LED Co-coordinator • LED Management Team	• Acts as community driver of LED Programmes and their various elements; • Co-ordinates/facilitates LED initiatives by all stakeholders within the community at large; • Effects social dialogue, unity of purpose and common vision across community in support of LED	LED Forum, Alliance, Coalition
Project	Manages local government's direct engagement in individual projects	Project management mechanism within internal LED programme structures	• LED projects may be managed and implemented through a number of external joint mechanisms where local government *per se* is a participant; • Of these those qualifying as municipal entities (e.g. private companies and service utilities) have the advantage of being able to short-circuit the bidding process for government service provision	• Private companies • Service utilities • Community development trusts (CDT's) • Partnerships: - Public-private - Public-NGO/CBO - Public-public (inter-sphere)

7.2 Institutional Motivations for Selectively "Externalising" Selected Government LED Activities at Arms' length to Government

The "external" options for LED facilitation and management as enabled in the Local Government Municipal Systems Act (2000) as amended by the Local Government Municipal Systems Amendment Act, 2003 (Act 44 of 2003) comprise the establishment of a community structure at arms' length to government to perform certain designated functions. This structure, which can take a number of forms, is then subject to less stringent bureaucratic restrictions and can, subject to the conditions reflected in the relevant legislation act as a development service provider for government.

Institutional motivations for shifting the emphasis and focus in community-wide LED planning and implementation from government (the traditional "top-down" view) to the community joint governance level (the emerging modern "participationist" view) with associated "external" institutional arrangements include the following:

7.2.1 The approach is frequently seen to provide an effective mechanism for achieving full community ownership of LED initiatives. It in fact establishes a "community" governance level with an element of informal authority;

7.2.2 It operationalises the emerging role of modern government as an important stakeholder with others whose activities as drivers of economic activity and particularly as generators of resources and the potential for sustainable well-being are as important if not more so than those of government. Government has its role to play, but so also do other role players that in most LED situations command very significant leverage on local economic growth. What is therefore necessary is not the subordination of these key role-players to government but the development of constructive, non-authoritarian networking partnerships in LED as between equals to achieve local development;

7.2.3 It provides the means for mobilising financial and other resources behind LED that otherwise would not be available from government sources alone and that could not be procured by it on equally favourable terms;

7.2.4 Sound and innovative LED is itself an entrepreneurial activity. It is an activity in which few government officials have engaged or with which they are conversant and key elements of it are therefore best energised and conducted outside of the government sphere; and

7.2.5 Business entrepreneurship is not the strong suit of government bureaucracy and of bureaucrats. Government is by its very nature bureaucratic. The management of LED requires flexibility and the capacity to adapt quickly and to manage dynamically - attributes that are not generally present in the administrative bureaucracy of government.

7.3 Emerging Local and International Good Practice in Financing LED Support at Community Level

The following practices are emerging in cases where LED initiatives have been successfully implemented. The form of the institutional arrangements adopted for LED determine whether public budgetary funding at government discretion can flexibly be supplemented with other income streams to achieve a more significant local economic development impact. The relatively inflexible expenditure budgeting approach of government makes it difficult to channel income streams to specific expenditures on an ongoing and seamless basis.

7.3.1. Establishment Costs of LED Institutions

These are generally provided by local- regional or national government by way of specific funding programmes for local economic development, and through donor programmes. A variety of approaches are encountered in practice, from full-cost subsidisation of establishment cost to co-operative funding by government and communities on a proportionate basis.[22] In the more developed countries of Latin America for example up to 55% of costs are typically covered by donor agencies including national and provincial sphere government whilst 45% are contributed locally in the form of "local counterpart funds".

7.3.2 Operating Costs of LED Institutions

a. Business Development and Other LED Support Services

Variants of operational funding typically include:

i. Core- and service programme funding by local-, regional and national governments and donors (agencies and large enterprises or foundations);
ii. Fees for services;
iii. Fee differentials arising from services acquired from external (contracting) business consultants and service providers and on-sold to clients;[23] and
iv. Sponsored services. Many communities in developing countries are able with the aid of sponsorships to provide economic development support services on a significantly subsidised basis.

[22] Tabuença A.G. ***et al.*** **Enterprise Development Centers: Evaluation Results and Lessons Learned in Four projects in Latin America (ILO/I-ADB 1998) p 5**
[23] Tabuença A.G. ***et al.*** **Enterprise Development Centers: Evaluation Results and Lessons Learned in Four projects in Latin America (ILO/I-ADB 1998) p 5**

b. Training and Skills Development

Funding for this purpose generally derives from:

i. Core- and service programme funding by local-, regional and national governments and donors (agencies and large enterprises or foundations);
ii. Contract fees from public- and private sector organisations for services rendered; and
iii. Charges for conferences and events and the use of center facilities.

c. Incubators and Managed Workspace (Industrial parks and associated business support and incubation hives and services)

Funding for this purpose typically derives from:

i. Core- and service programme funding by local-, regional and national governments and donors (agencies and large enterprises or foundations); and
ii. Rentals and user fees.

The financial activities of municipalities, including the conduct of municipal entities are comprehensively regulated by the Local Government: Municipal Finance Management Act (2003).[24] Particularly relevant to institutional options for LED are the provisions of Chapter 10 of the Act dealing with municipal entities and Chapter 11 dealing with the provision of goods and services. Whilst encouraging public-private partnership arrangements the provisions of the Act are stringent in respect of the motivation and establishment of such partnerships as is it in the case of the motivation and establishment of municipal entities.

[24] Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)

7.4 An Emerging International Good Practice Model for Institutionalising LED[25]

Where local economic development initiatives have been successfully institutionalised within communities they have tended to reflect many or all of the elements in Figure 5**.** The application of the various elements of the model in the South African situation and in particular to the Witzenberg scenario is addressed in Chapter 3.

Key elements of the model are the following:

7.4.1 The Local Development Coalition/Alliance/Forum

a. General

This element comprises the co-operative community governance apex of the institutional arrangement and provides the platform for the engagement of overall community interests in the process of formulating broad consensus community policy. The purpose of this body is not to usurp the authority of elected government or of the other autonomous stakeholders in the local economy, but to seek consensus on mutually supportive joint policies and actions to achieve overall community objectives in the most effective and efficient way possible. To this extent the alliance must be representative of all major stakeholder collectives in the local economy namely government (local, national and provincial as appropriate), business (including formal and emergent business and including agriculture), organised labour across the spectrum and civil society (the NGO/CBO/FBO[26] sector. (Table 2.3)

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[25] Ackron J. ***et al*** **Towards a New Public Management Approach to the Institutionalisation of Local Economic Development at Municipal Government Level in South Africa** University of Uppsala (Sweden) 2001

[26] NGO = Non-governmental organisation: CBO = Community-based organisation: FBO = Faith-based organisation

FIGURE 5: KEY INSTITUTIONAL ELEMENTS OF AN INTEGRATED GOOD PRACTICE APPROACH TO LOCAL ECONOMIC DEVELOPMENT

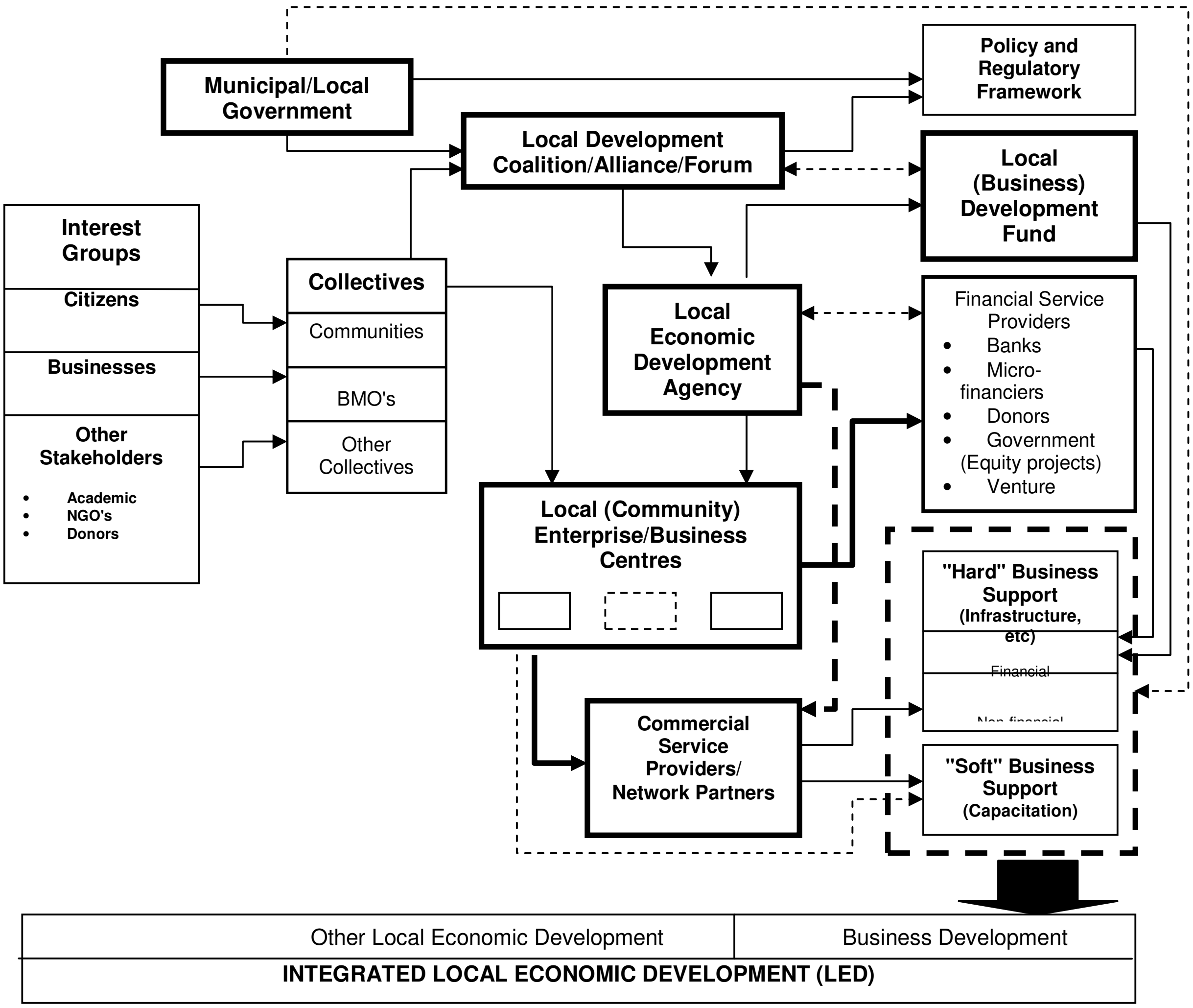

TABLE 2.3: THE COMMUNITY-BASED COALITION APPROACH

Advantages	Comments
• Government assisted by other key stakeholders facilitates and energises the process in accordance with government policy and priorities; • The process can claim a high level of legitimacy; • The community is a partner in development and assumes a significant level of co-responsibility and co-ownership for developmental decision making jointly with government; • Existing community capacity and resources can potentially be mobilised behind a common developmental vision thus creating the potential for government-community synergy; • New community capacity is built around developmental issues; • Variations of the approach are possible depending upon the level of inclusivity of the coalitions striven for, and the level of engagement of government itself in the identification and determination of institutional options allowing government positively to energise the process; • Institutional arrangements emanating from such an approach are more readily "bedded down" in the community.	• As an essentially community-based process the final outcomes are in an important sense not "controlled" by government but can be guided by it; • Depending upon the level of inclusivity sought in coalition building the process can be relatively slow.

b. Functions of the Coalition/Alliance

Good practice suggests that the Coalition/Alliance/Forum should generally perform the following functions:

i. It should be a consensus-seeking body to facilitate agreement and common cause between the key stakeholders regarding overall economic vision and social and economic policy and developmental priorities;

ii. Where agreements are reached between stakeholders there should be a commitment to implement such agreements subject only to the condition of legality. The coalition or alliance however holds no veto power over the actions of government or of any other role player in that in areas of disagreement government and other social partners not subscribing to the community consensus remain free to elect their own course;

iii. The role of the alliance is to facilitate debate and consultation on policy and legislation amongst the social partners and facilitates the participation of key stakeholders in developmental decision making of significance for the entire community;

iv. The alliance should jointly work to identify ways and means of :

a) Enhancing economic policy to the benefit of the local economy and the local community at large;
b) Addressing policy gaps; and
c) Developing new policy based upon an intimate knowledge and understanding of the prevailing local economic conditions.

v. The alliance should undertake joint projects to achieve local economic development objectives within the community in which the capacity, resources and expertise of the partners to the alliance are optimally integrated to achieve desired outcomes in the most cost-effective way possible;

vi. The alliance should jointly monitor policy implementation against intended and desired outcomes and develop recommendations regarding the improvement of performance; and

vii. The alliance should enhance communication, co-operation and alignment of action between the key stakeholders in the community.

c. Enablement of the Coalition Approach in South Africa

Specific statutory provision is made for canvassing the views of the local community in regard to strategic decisions relating to the provision of municipal services and specifically in the event that an external mechanism is indicated for performance of a municipal service delivery function.[27] The intention of the legislation is clearly to provide for and encourage participation in these issues. In addition proposed approaches to local economic development (LED) recognise the role of various coalitions as a central feature of co-operative effort and the achievement of unity of purpose in the pursuit of economic growth and

[27] Local Government Municipal Systems Act (2000) (Act 32 of 2000) Sections 16, 17 and 78(3)

development at local level. In fact they are the defining institutional features of the LED approach proposed by national government in South Africa. Specifically municipalities are required in legislation to develop a culture of municipal governance that complements formal representative government and particularly so in respect of strategic decisions relating to the provision of municipal services.[28] The question is to what extent such community participation is:

i. *Ad hoc*; or
ii. Structured and systematic.

There is a vast difference between community consultation on ***ad hoc*** issues on the one hand as generally takes place at present, and the building of systems and institutions for structured and ongoing engagement of the community in development processes on the other. The latter is the approach of preference indicated particularly by the need to stimulate and promote ongoing community engagement in the process of local economic development. Stable, enduring coalitions involving government and the community at large in a systematic developmental relationship thus also become an important feature of the architecture of a business and development support system. This requires supportive institutional arrangements that go some way beyond the traditional service delivery role of local government in South Africa.

Alliance arrangements such as those reflected in a) and b) above are thus recognized and supported nationally in South Africa.[29] To the extent that they do not affect the statutory functioning of government they require no special legislative basis and are immediately accessible to all local communities

[28] Local Government Municipal Systems Act (2000) (Act 32 of 2000) Section 16 (1)(a)(v)
[29] Department of Provincial and Local Government **Local Economic Development Manual Series 1/5 (2000)**

7.2.4 The Local Economic Development Agency

a. General

Whereas the alliance, coalition or forum provides a platform for social dialogue around local (economic) developmental issues, if LED processes are to be to be institutionalised experience suggests that these arrangements have to be provided with some support capacity.

Generally the capacity to play this all-important over-arching role in a local community has most effectively tended to be located in the one other form of "One-stop" development agency, local economic development agency (LEDA) or "development secretariat". The most important LED role of the LEDA is ***network management***.

LEDA's are dedicated local agencies with the following typical objectives:

i. Fostering the economic development of the local area/community for which they have been constituted;
ii. Capitalising on local resources;
iii. Focusing attention on those groups with most difficult access to regular economic and financial circuits;
iv. Fostering the development of a shared vision of local economic development and the integration and coordination of the efforts of local institutions and -associations in support of the achievement of that vision;
v. Creating an entrepreneurial culture and promoting (local) business, and particularly SMME business;
vi. Facilitating the planning and development of an infrastructure- and services web appropriate to local economic development; and
vii. Focusing attention on identifying and addressing local poverty traps.

b. Functions

The role of LEDA in effect is to provide network management and support at the overall community - that is at a level once removed above that of the key stakeholders in the LED process. In doing so the main function of the LEDA is to network the resources of stakeholders rather than to duplicate their capacity. Each stakeholder grouping has capacity and expertise that needs to be aligned in a managed way. Where stakeholders do not have the requisite resources the LEDA can either provide them or procure that they be provided. The LEDA in effect therefore is the focus of an extended multiple channel development support system whose consensus governance is provided by the alliance or forum.

The good practice functions of LEDA's are generally as follows:

i. A local "***One-stop shop***" for development support and information in the local community;
ii. Alignment of strategic planning at the overall community LED level;
iii. Training and capacity building in LED at the stakeholder level;
iv. Determining the way that joint interests can best be achieved and served and the best ways of integrating the efforts of the various local and other stakeholders in the LED process;
v. Quality assurance - ensuring that outputs of LED projects, programmes and strategies are as they should be and that desired outcomes are achieved;
vi. Administering the local alliance or forum and the LED strategy and the plans to implement it;
vii. Public relations and external liaison including such things as tourism promotion, place marketing and the recruitment of investment at the joint community level;
viii. Research and development on a shared basis where applicable. This applies particularly to such things as joint projects or programmes where stakeholder capacity may be limited;

ix. Community knowledge management and e-Business applications;

x. Management of joint community interests in development projects and programmes. In an incorporated form a LEDA can also serve as a "holding company" for joint community interests for example in structured joint business ventures and therefore provide the platform for tangible ***Public-Private Partnerships (PPP's)*** at project level between the stakeholders to promote LED in the local community; and

xi. Other development support tasks on an exceptions basis where they cannot better be carried out by existing stakeholder agencies. The intention is that the LEDA should augment the capacity of existing players and not duplicate them.

c. Enablement

LEDA's can and do take various forms internationally ranging from so-called "internal" options (with the LEDA in the extreme case wholly located within local government) to "external" options providing for the establishment of community mechanisms in the form of corporate arrangements at arms' length from government to achieve the result.[30] In the latter case in addition to such joint or several activities as may be designated by the community stakeholders to the LEDA, local government itself in South Africa is conditionally empowered to "externalise" or "outsource" certain of its functions to the LEDA.

[30] Department of Provincial and Local Government **Local Economic Development Manual Series 1/5 (2000)**

7.5 The Legislative Position in South Africa Affecting Local Government Institutionalisation of LED[31,32,33,34,35]

Institutionalised local government engagement in participative LED processes has two dimensions namely:

- An ***internal dimension*** involving the internal adaptation of local government structures and organisational arrangements in order to achieve LED objectives. Good practice new public management requires local government in adapting its own internal arrangements specifically to take account of the role it has to play as merely one player, albeit a pivotal one, in an extended LED support system involving a variety of "external" participants; and
- An ***external dimension*** involving adaptation and facilitation of LED at large. Here indicated government intervention according to the evolving good practice approach is generally less direct, with the accent on facilitation of institutional development in key areas.

The existing legislative framework in South Africa determines the latitude of local governments to disburse their powers and functions in support of LED - a key element in deciding upon the most appropriate course of action in institutionalising community-wide LED.

In deciding upon a review in terms of Section 77 of the Local Government: Municipal Systems Act (2000) as amended of its institutional arrangements for promoting LED a municipality is required to assess:

7.5.1 The direct and indirect costs and benefits associated with provision of the service through an internal mechanism;
7.5.2 The municipality's capacity and potential future capacity to furnish the skills, expertise and resources necessary for the provision of the service through an internal mechanism;
7.5.3 The extent to which human resource development within the municipality could be utilised to provide the service;
7.5.4 The likely impact on job creation within the municipality; and
7.5.5 The views of organised labour.

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[31] Refer also: Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Chapters 10 and 11
[32] Local Government: Municipal Systems Act (2000) (Act 32 of 2000) Sections 76, 77, 79, 80, 81, 82
[33] Local Government: Municipal Systems Amendment Act (2003) (Act 44 of 2003) in its entirety.
[34] Local Government Municipal Systems Act (2000) (Act 32 of 2000) Section 81
[35] Local Government Municipal Systems Amendment Act (2003) (Act 44 of 2003)

The municipality may take into account any developing trends in the sustainable provision of municipal services generally. Contingent upon the above the municipality may either decide upon an internal mechanism to provide the service or explore in like manner the possibility of providing the service through an external mechanism. Where a municipal service such as LED support is provided through an external service delivery agreement the municipality remains responsible for the provision of the service and is required to regulate its provision and ensure harmonization with integrated development planning and continuity.[36 ,37]

Specifically in relation to public-private partnerships and the process of their establishment the Local Government: municipal Finance Management Act, 2003 determines that:[38]

"(1) A municipality may enter into a public-private partnership agreement, but only if the municipality can demonstrate that the agreement will—

(a) provide value for money to the municipality;
(b) be affordable for the municipality; and
(c) transfer appropriate technical, operational and financial risk to the private party.

"(2) A public-private partnership agreement must comply with any prescribed regulatory framework for public-private partnerships.

"(3) If the public-private partnership involves the provision of a municipal service, Chapter 8 of the Municipal Systems Act must also be complied with.

"(4) Before a public-private partnership is concluded, the municipality must conduct a feasibility study that—

(a) explains the strategic and operational benefits of the public-private partner-ship for the municipality in terms of its objectives;
(b) describes in specific terms—

[36] Local Government Municipal Systems Act (2000) (Act 32 of 2000) Section 81
[37] Government Gazette 21776 (2000) Local Government Municipal Systems Act (2000) (Act 32 of 2000) Article 81
[38] Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) Sections 119 and 120

(i) the nature of the private party's role in the public-private partnership;

(ii) the extent to which this role, both legally and by nature, can be performed by a private party; and

(iii) how the proposed agreement will—

(aa) provide value for money to the municipality;

(bb) be affordable for the municipality;

(cc) transfer appropriate technical, operational and financial risks to the private party; and

(dd) impact on the municipality's revenue flows and its current and future budgets;

(c) takes into account all relevant information; and

(d) explains the capacity of the municipality to effectively monitor, manage and enforce the agreement.

"(5) The national government may assist municipalities in carrying out and assessing feasibility studies referred to in subsection (4). "(6) When a feasibility study has been completed, the accounting officer of the municipality must—

(a) submit the report on the feasibility study together with all other relevant documents to the council for a decision, in principle, on whether the municipality should continue with the proposed public-private partnership;

(b) at least 60 days prior to the meeting of the council at which the matter is to be considered, in accordance with section 21A of the Municipal Systems Act—

(i) make public particulars of the proposed public-private partnership including the report on the feasibility study; and

(ii) invite the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed public-private partnership; and

(c) solicit the views and recommendations of—

(i) the National Treasury;
(ii) the national department responsible for local government;
(iii) if the public-private partnership involves the provision of water, sanitation, electricity or any other service as may be prescribed, the responsible national department; and
(iv) any other national or provincial organ of state as may be prescribed."

8. Conclusions to Chapter 2

Since LED relates as much to process and economic governance as it does to strategic content the institutional arrangements around LED are critical determinants of the success of LED initiatives. To the extent that LED therefore is less a thing that communities do than a way communities do things those communities that have succeeded in achieving significant levels of success have been those that have adapted their institutional arrangements to accommodate:

8.1 Joint community economic governance in which the ongoing, dynamic and structured participation of all key stakeholders is institutionalised;
8.2 One-stop access to information and development support;
8.3 Structured and co-ordinated local initiatives based upon balanced consideration of options within the full economic context rather than political expediency, proprietary interest and the promotion of pet projects;
8.4 Dedicated capacity with a clear community LED mandate. LED at community level is a core economic management activity requiring the establishment of appropriate local dedicated capacity to co-ordinate and manage the achievement of the overall community socio-economic vision. This is pre-eminently not a government function although government with other stakeholders has an important role to play in LED. As a general rule it cannot be successfully undertaken as merely an incidental add-on activity, whether by local government or any other agency.

CHAPTER 3

ORGANISING LED EFFORT IN THE STUDY AREA

1. Objective

The objective of Chapter 3 is to provide an assessment of the requirements for organizing LED in the Witzenberg area.

The chapter addresses the following issues for Witzenberg:

1.1 The requirements for institutionalising LED at community level;
1.2 An assessment of the current status of community LED management capacity;
1.3 An indicated institutional structure for cooperative community management of LED; and
1.4 Structural arrangements for the organisation of LED management capacity.

2. Institutionalising LED at Community Level

As discussed in Chapter 2 good practice local economic development has in the first place to do with process and the institutions to support process toward achieving broad community developmental objectives on an ongoing basis by way of sustained and structured interventions. To this extent and from the viewpoint of local government in particular engagement in LED is a far cry from the ***ad hoc*** consultative processes with which it is familiar. However, whilst such legislation as the Local Government: Municipal Systems Act, (2000)[39] provides for example for engagement of the community in planning and development processes, most notably the Integrated Development Plan (IDP), nevertheless these processes in many jurisdictions remain ***ad hoc*** and are as yet still not established as standing institutions of local economic development.

The institutionalisation of LED at community level requires at least the following:

2.1 The establishment of permanent structured networks incorporating key stakeholder collectives. It is particularly important to accommodate those stakeholders that have economic development leverage on the local economy;
2.2 The establishment of local economic development coalitions/alliances behind local economic development objectives and imperatives; and

[39] Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)

2.3 Dedicated institutional support capacity for network management and the implementation of community-level initiatives toward the achievement of local community development objectives.

The extent to which LED may be considered to be institutionalised in a community is reflected by the degree to which these elements are reflected as standing and permanent institutional features of that community.

3. The Current Institutional Status of LED in Witzenberg

3.1 Structured Networking in Witzenberg

3.1.1 General

The study area is characterised by a total absence of structured networking at community level. Consultation by government with stakeholders as required by legislation takes place in the context of the IDP, but this has not led to the establishment of standing structures and arrangements for ongoing engagement. In fact following the IDP consultative processes these ***ad hoc*** elements have all dissolved. Where networking does take place it occurs within the context of sectors and proprietary interests and does not serve to institutionalise a community-wide economic vision for Witzenberg.

The absence of structure in such networking and consultation as does occur may be regarded as the underlying cause of a number of problems identified by the professional team and articulated by local communities:

a. Apathy arising from consultation fatigue. Communities are variously assaulted with approaches by government for consultation on a variety of topics and in an unstructured and ***ad hoc*** way. In many cases the subjects of apparently uncoordinated consultation processes are seen to be similar or related, leading to some frustration on the part of the community at the perceived duplication of effort and lack of cohesion;

b. Lack of understanding of the role of community economic governance. The absence of structure in consultation and networking within Witzenberg has predictably done nothing to establish community understanding and capacity for engaging in ongoing good practice community governance activities as envisaged in Chapter 2. The ***ad hoc*** nature of engagement of the community in planning processes has encouraged the view on the part of interest groups that participation is primarily a lever for obtaining funding and support for proprietary projects rather that for structured engagement in development processes. This is the antithesis of good LED practice ;

c. Disillusionment with consultation processes arising from crises of expectations particularly insofar as the deployment of the IDP is concerned. The absence of structured networking around a "bigger picture" of development in Witzenberg and of standing arrangements for the dissemination of information, for feedback reporting on an ongoing basis following consultations and for sustained engagement of community stakeholder collectives leads to a fragmented view of development and unrealistic expectations on the part of the community. Where ***ad hoc*** consultation does take place in such an environment it often leads to conflict and confrontation rather than constructive development debate;

d. Lack of credibility of consultation processes. The absence of structured institutions for the ongoing and structured engagement of stakeholder collectives in the community and in which local government office-bearers and senior local government managers are involved as a matter of standing practice can lead to a crisis of credibility in key development processes;

e. Community confusion as to the relationship between LED and other planning processes such as the IDP. With the lack of order, structure and permanence in community institutional arrangements leading to a "bigger picture" of planning events and processes development initiatives are viewed as disjoint and fragmented. There is no structured attempt to clarify the picture and to develop an understanding in the community of the linkages between developmental initiatives, and particularly so between local economic developmental initiatives. The separation hitherto within local government itself of the locus of control over the present (LED) project from the locus of control over the IDP has contributed to this confusion. The present project was thus initially and for some time seen to be a "separate" initiative consuming additional resources and placing a further burden on the participative capacity of the community;

f. Lack of alignment of initiatives. Information flow is one of the more important benefits of structured networking. In Witzenberg information flow is largely confined within proprietary interest groupings and then frequently on a narrow and relatively limited sub-regional basis. There is thus frequently imperfect coordination for example between activities taking place in Ceres, Wolseley, and Tulbagh in particular, with Op-die-Berg in key respects a relatively remote player. Sub-regional loyalties and allegiances deriving essentially from the history of local governmental and community autonomy of the elements now constituting Witzenberg still prevails and the lack of appropriate institutional structure within the community has done nothing to foster a co-operative "Witzenberg" development perspective and spirit.

3.1.2 Dimensions of Structure in Witzenberg

The following dimensions are important and need to be accommodated in institutionalising LED in Witzenberg:

a. **The Spatial Dimension**

Whilst Witzenberg has in the comparatively recent consolidation of municipal jurisdictions in the new South African local government dispensation become a single local government jurisdiction, the area still remains in effect spatially fragmented. This is in part the result of the topography of the area that serves to separate, divide and isolate communities, and partly the result of its history. Strong parochial interests are evident in the constituent communities for example of Ceres, Wolseley, Tulbagh, and to a lesser extent Op-die-Berg. Op-die-Berg in particular represents a comparatively weak spatial node in an extensive area, topographically relatively remote from Ceres, the highest order development node in the Witzenberg spatial hierarchy. The fact that Ceres constitutes the seat of local government for Witzenberg occasions some concern at community level that the interests of other centres and communities will necessarily be subordinated to those of Ceres. There is also a perception that consultation and development planning processes favour Ceres as the seat of local government at the expense of other spatially diverse elements of the Witzenberg community.

The reality of these spatially-based attitudes and concerns, together with the good practice requirement to recognise the character and uniqueness of the various constituent elements of the community dictates that in institutionalising LED in Witzenberg spatial diversity should be accommodated. The requirement is thus for a model for the institutionalisation of LED in Witzenberg that:

i. Accommodates spatial diversity and enables corresponding local economic visions and priorities on matters of local concern to be institutionalised in local economic development planning and processes; and
ii. Establishes at a higher level a "Witzenberg" economic identity based on shared common vision on matters of common concern for the entire Witzenberg community.

b. The Sectoral Dimension

Representivity in economic development planning requires first and foremost the accommodation of the main sectors of the economy. Sectoral representivity is therefore fundamental to good practice structuring of the formalised institutions of LED.

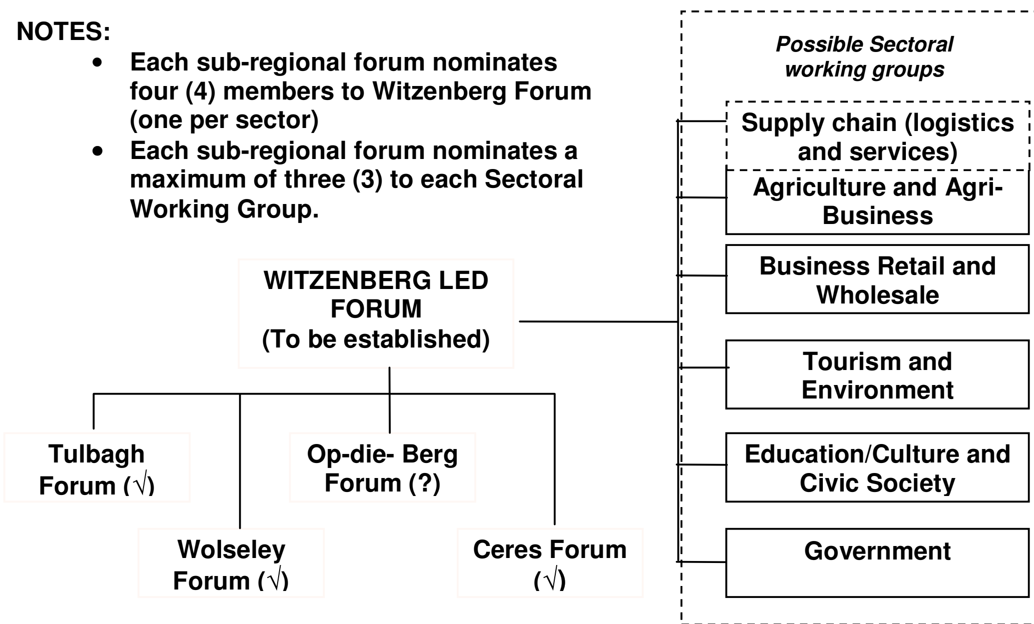
c. The Developmental Dimension

In South Africa generally and in Witzenberg in particular significant differences and diversity of interest and circumstance do occur within sectors. These range between established formal interests in the mainstream local economy on the one hand and emergent interests on the periphery or near-periphery of the mainstream local economy on the other. Developmental representivity within the sectoral dimension requires that this diversity also be accommodated in the formalised institutions of LED. Given the origins of emergent interests predominantly in the disadvantaged communities there is a significant lack in Witzenberg as in other communities in South Africa of capacity to engage in structured networking arrangements. The institutionalisation of structured networking as a component of good practice LED will accordingly therefore also need to be accompanied by directed efforts at building the capacities of key stakeholder collectives.

3.1.3 Recent developments toward Establishing a Basis for Participative Local Economic Governance

Given the general lack of structured networking within Witzenberg at the inception of the current project specifically Phase 1 of the project as amended has seen the establishment of 3 operational sub-regional LED forums in the Witzenberg area namely Ceres, Tulbagh, Wolseley in consequence of recommendations emanating from the present project. Extensive effort (as yet unsuccessful) has also been made to establish a sub-regional LED forum in the Op-die-Berg area. These forums have been consulted in the course particularly in Phase 2: Stages 3 & 4 (Refer Chapter 1: Table 1.1) and represent the deployment of the participative institutional model for LED developed in the course of the project and approved by Council (Figure 3.1)

FIGURE 3.1: THE LED PARTICIPATIVE MODEL IN DEPLOYMENT



3.2 Organisations, Collectives, Coalitions and Alliances

The Witzenberg local economic development landscape is characterised by a wide variety of stakeholder organisations, some highly structured and others relatively informal and unstructured. Some comparatively recent collectivisation of stakeholder groups into sectoral collectives is evident in the tourism and agricultural sectors in particular. The majority of these are functionally structured with relatively few structured around specific issues. This is consistent with the current unstructured ad hoc mode of planning interaction and consultation in Witzenberg and the general absence of wide-ranging issue-based coalition formation across the community. A list of stakeholder organisations identified in the course of the present project is reflected in Table 3.1.

Whilst individual stakeholder organisations rather than collectives predominate and have a significant potential role to play in promoting and informing LED in the Witzenberg area, they necessarily advance proprietary causes. Collectivisation has yet to produce real issue-based community-wide coalitions and alliances. What appears to be lacking therefore is an institutional vehicle in Witzenberg that accommodates the collectivisation of interests and channels individual energies into informed issue-based coalitions and alliances in the interest of balanced and sustainable local economic development.

TABLE 3.1: STAKEHOLDER COLLECTIVES IDENTIFIED IN WITZENBERG

	Ceres	Op-die-Berg	Tulbagh	Wolseley
Agriculture and Agri-Business	Ceres Witzenberg Agricultural Society	Warmbokkeveld Agricultural Society	Tulbagh Boerevereniging	Wolseley Farm Workers Association
	Ceres Landbougenootskap	Ceres Koue Bokkeveld Agricultural Society	Tulbagh Farm Workers Association	Wolseley Boerevereniging
	Ceres Boere Unie	Warm Bokkeveld Emerging Farmers Association	Tulbagh Plaaswerkers Stigting	Wolseley Landbougenootskap
	Ceres Agricultural Society	Warmbokkeveld Agricultural Society	Tulbagh Oorhoofse Landelike Komitee (TOLK)	Wolseley Agricultural Society
	Ceres Central Small Agricultural Society / Emerging Farmers Association	Koue Bokkeveld Emerging Farmers Association	Tulbagh Agricultural Society	Breërivier District Agricultural Society
	Koekedouw Irrigation Board	Boland Agri		Breërivier Agricultural Society
	Rietvallei Irrigation Board	Koue Bokkeveld Agricultural Society		Rooiberg Irrigation Board
	Titusrivier Irrigation Board	Warm Bokkeveld Farm Workers Association		
	Koekedouw Emerging Farmers	Koue Bokkeveld Farm Workers Association		
	Agter Witzenberg Farm Workers Association	Witzenbergvallei Farm Workers Association		
	PLK Ceres	Agter Witzenberg Land Reform Coordinator		
	Harmonie Trust			
	The Land Restitution Committee			

	Ceres	Op-die-Berg	Tulbagh	Wolseley
	Waaksaamheidsvereniging Erfbewoners van Rooikamp			
	KBV Agricultural Society			
	Witzenberg Streekslandbouforum / Waveren Agricultural Society			
	Emerging Farmers Association			
	Agri-Witzenberg			
	Ceres Distrikte Landbou-Unie			
	Dwarsrivier Irrigation Board			
	Vrouelandbouvereniging			
	Klein Bergrivier Irrigation Board			
	Waveren Distrikte Agricultural Society			
	Olifantsberg Agricultural Society			
Business Retail and Wholesale	Committee for Hawkers		Tulbagh Business Council	
	PA Hamlet Business Chamber			
	Ceres Chamber of Commerce			
	Belmont Spar			
	Crispy Coolers Du Toit Group KBV			
	Buyers Network Unlimited			
	Chamber of Commerce and Industry			
	National African Federated Chamber of Commerce and Industry (Nafcoc)			
Tourism and Environment	Ceres Tourism Bureau		Tulbagh Tourism Bureau	Wolseley Tourism Bureau
	CerOm			

	Ceres	Op-die-Berg	Tulbagh	Wolseley
Education/Culture and Civic Society	Verenigde Gereformeerde Kerk	VLV	Huis Disa	Huis Mostertshoek
	VGK Sendingkerk Bella Vista	Vroueklubs Sambreelvereniging	CAB	VLV
	St. Matthews en St Marks Anglican Church	Kaapse Vroue Forum	Tulbagh Lions Klub	
	Huis Maudie Kriel	Wethu Tourism Experiences	ACVV	
	Huis PJ du P Strauss			
	Sisonke Ekhaya Labadala Old Age Home			
	Ceres Tuiste			
	Bejaardeklub			
	Gydosig Retirement Village			
	Hamlet Selfsorgoord			
	Koinonia Culture & Development Centre			
	Roselight Foundation			
	LIFE			
	Sunshine Klub			
	Sambreelvereniging			
	Ceres Aids Action			
	Cancer Association			
	SANTA			
	SA Noodhulpliga			
	Ceres Lions Klub			
	Rotariërsklub			
	Vrymesselaarsvereniging Ceres Losie			
	ACVV			
	Ceres Community Services			
	VLV			

	Ceres	Op-die-Berg	Tulbagh	Wolseley
	Vukani Day care centre			
	HOPE			
	SA Red Cross Society Committee Nduli			
	LIFE			
	Koinonia Culture and Development Centre			
	Nduli Women's Support Group			
	Witzenberg Youth Forum			
	Witzenberg Association for Persons with Disabilities			
Cross-Sectoral organisations	Morrisdale Neighbourhood Watch	Op-die-Berg Neighbourhood Watch	Tulbagh Neighbourhood Watch	Wolseley Neighbourhood Watch
	Hugo Neighbourhood Watch	Community Development Association	SA Police Advice Forum Tulbagh	SA Police Advice Forum Wolseley
	Hamlet Neighbourhood Watch	Community Development Committee	ABET	Tax Payers Associations
	Abaxolisi Brothers	Aksent	Chris Hani Committee	Dennebos Semi-permanente huurdersvereniging
	Bella Vista Renters and Tax Payers Associations	Koue Bokkeveld Community Forum	Galgeheuwel Committee	Pine Valley Community Forum
	Waaksaamheidsvereniging		Community Committee	Wolseley Community Forum
	SA Police Advice Forum Ceres		Residents forum	
	SA Police Advice Forum PAH		SA Police Service	
	Ceres Residents Association		Tulbagh Advice Committee	

	Ceres	Op-die-Berg	Tulbagh	Wolseley
	Ceres Advice Office		Tulbagh Civics	
	Prince Alfred's Hamlet Safety Forum		Tulbagh Housing Forum	
	Prince Alfred's Hamlet Community Forum			
	Hamlet Community Committee			
	SA Police Service			
	Ceres Fruit Association			
	Rapportryerskorps van Ceres			

3.3 Institutional Support Capacity

3.3.1 At Community Governance Level

Whilst certain individual stakeholder organisations and collectives have limited capacity, no dedicated capacity currently exists in Witzenberg or within the individual communities constituting the greater Witzenberg community for managing or supporting multi-sectoral good practice LED or community governance initiatives. Even secretarial and organisational capacity in support of joint community initiatives is problematic and by default needs to be provided on a voluntary basis by individual stakeholder organisations that may be in a position to do so.

3.3.2 In Local Government

Whilst as discussed in Chapter 2 LED is not a responsibility of government alone but of the community as a whole as a component overarching community governance, nevertheless good practice experience suggests that local government can play a key role in promoting LED through:

- Structuring its own programmes and interventions in the local economy according to LED good practice principles; and
- Facilitating the establishment of structured community networks and institutional arrangements in support of LED; and
- Facilitating network management processes in support of community LED.

This role is consistent with the developmental role of local government in South Africa enshrined particularly in the Local Government: Municipal Systems Act, 2000 and other relevant legislation and requires of local government that it establish internal capacity:

- At least to regulate, align and performance manage its own activities and priorities in order to achieve the objectives of LED within the context of the IDP; and
- To promote LED as a valid objective of local government; and (possibly) also
- To provide institutionalised network management support in the form at least of facilitation and secretarial services behind community economic governance LED initiatives.

At the very least internal capacity within local government to manage its obligations in terms of LED involves the establishment of the following: (Refer Chapter 2: Table 2.2)

a. A post of **LED Coordinator** to serve as an internal organisational focus for LED close to that of the IDP co-ordinator and preferably in association with it; or
b. The establishment in larger municipal jurisdictions of an **LED Unit** close to the IDP or indeed as an integral part of it;
c. An **Interdepartmental LED Committee** to co-ordinate the management of local government LED programmes in support of consensus community LED strategies; and
d. An **LED Standing Committee of Council** as the focus of governance decision making over the LED activities of local government.

A LED Standing Committee of Council has recently been established in Witzenberg. However, local government in Witzenberg has no dedicated LED management or support capacity. The responsibility for co-ordinating LED has hitherto resided as an add-on function with the Head: Facilities and Environment under the Directorate: Community Services but would ordinarily have been the responsibility of the Head: Socio-Economic Development under the same directorate, a post that is currently vacant. Significantly the LED portfolio is organisationally separated from the IDP of which it should form part. Its placement within a line directorate also in effect relegates it to a line function, which it is not. It is in fact, like integrated development planning a preoccupation that should drive all the activities of local government. The placement of LED relative to the key core management functions of local government in Witzenberg is reflected in Figure 3.2. Most recently this activity has been outsourced from a professional consultancy on an ***ad hoc*** short-term contractual basis. (As at 1 December 2004) The Witzenberg Municipality has in fact been hard-pressed in terms of capacity to fulfil its support commitments in terms of the organisation of public meetings and the provision of secretarial services in support of the present project. Without significant internal capacity development in support of LED it will not be in a position to fulfil its good practice role in LED going forward.

3.4 Other Developments Affecting Institutionalisation of LED in Witzenberg

3.4.1 IDP Requirements

The institutional requirements of the IDP are determined by the relevant provisions of the Municipal Systems Act, 2000.[40] Sections 17(3) and 17(4) require the accommodation of specific groups and enable the establishment of advisory bodies to assist government in the IDP process. Witzenberg has determined upon the Ward Committee System discussed in paragraph 3.4.2 below as the foundation of its IDP institutional arrangements.

3.4.2 The Ward Committee System

In terms of the provisions of the Local Government: Municipal Structures Act, 1998 municipalities can opt for a Ward Committee System to facilitate and advance participatory democracy in the local government sphere.

Legislation provides for the role of the Ward Committees as follows:

- Provide a communication channel between the Councillor and the community / ward residents;
- Obtain input from residents on matters that affect them;
- Advise the Councillor on matters affecting the relevant ward;
- Disseminate relevant information as obtained from the Councillor to the residents of the ward;
- Co-ordinate ward programmes (when applicable);
- Interact with other forums/organisations around matters affecting the ward;
- Nominate members to serve on task teams and sectoral forums (when applicable); and
- Provide input to the IDP forum

The real power of the Ward Committee over the Councillor is restricted and the committee members cannot force a particular committee decision on the Councillor. The committee serves only to convey the needs of the people to the ward Councillor, and though it may request the Councillor to present the matter to Council at the next sitting, or to take it up with the appropriate Council committee, it cannot force a

[40] Local Government Municipal Systems Act, 2000 (Act 32 of 2000) Sections 16, 17 and 29

particular course of action or decision on the Councillor, or instruct the Councillor how to vote during a Council meeting. In terms of the establishment of Ward Committees the Local Government: Municipal Structures Act, 1998 determines as follows:

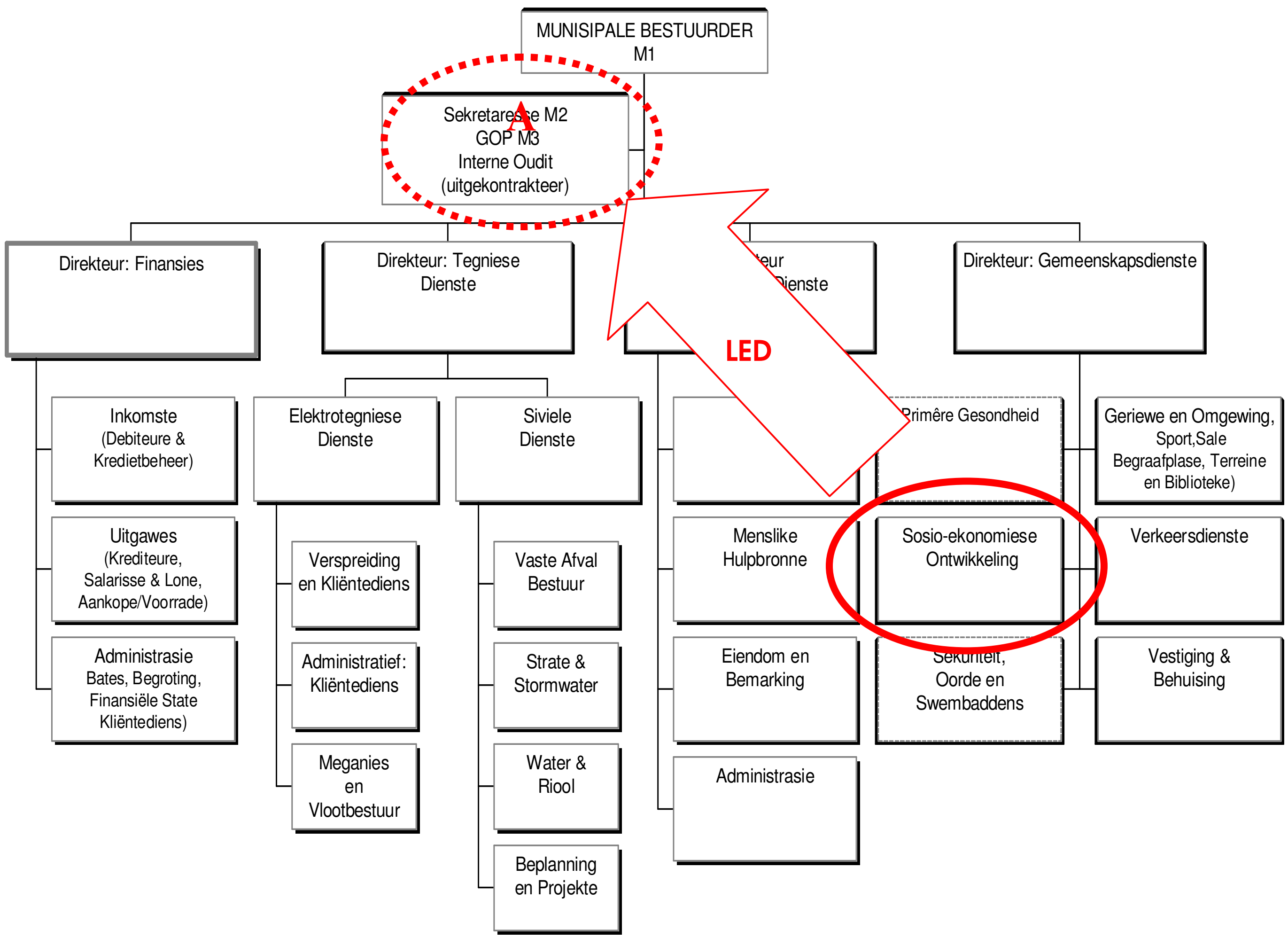
- If a local Council elects to adopt the Ward Committee System it must establish a Ward Committee for each ward in the municipality;
- A Ward Committee consists of:

  (a) The Councillor representing that ward in the Council, who must also be the chairperson of the committee; and
  (b) Not more than 10 other persons;

- The local Council must make rules regulating the procedure to elect the members of a Ward Committee, taking into account the need for women to be equitably represented in a Ward Committee and for a diversity of interests in the ward to be represented. The Council must also prescribe the circumstances under which those members must vacate office and the frequency of meetings of Ward Committees;

FIGURE 3.2: LOCATION PLACEMENT OF LED RESPONSIBILITY IN WITZENBERG LOCAL GOVERNMENT

WITZENBERG MUNISIPALITEIT: MAKROSTRUKTUUR



- The Councillor, as the chairperson of the Ward Committee, is required to schedule the meeting of the Ward Committee; and
- The local Council may make administrative arrangements to enable Ward Committees to perform their functions and exercise their powers effectively.

Witzenberg Municipality has opted for the Ward Committee System to facilitate its community participation processes. Witzenberg has 11 wards in 9 of which Ward Committees have (as at 1 December 2004) already been established. The Witzenberg Council has determined that a Ward Committee should meet at least twice quarterly and the general guideline is that Ward Committee meetings should be held at least three times per year.

Witzenberg Municipality has elected for the election of Ward Committee members on a sectoral basis.[41] The sectors selected for representation on the 11 Ward Committees are the following:

- Religious organisations;
- Women's' organisations;
- Youth organisations;
- Disabled and aged;
- Sport and culture organisations;
- Health and social services;
- Education;
- Environment and conservation;
- Community safety forums;
- Community-based organisations (e.g. civic organisations/ ratepayers); and
- Business sector (including formal, informal & agriculture).

Each sector is entitled to elect one representative to the Ward Committee. There are however some wards where all 11 sectors are not organised. In such cases any 10 representatives from within the geographical area of a ward may be represented, regardless of sectoral affiliation.

The expressed intention of the Witzenberg Municipality as at 1 December 2004 is also to establish 4 overarching sectoral forums from the members of the Ward Committees. These sectoral forums are to provide a

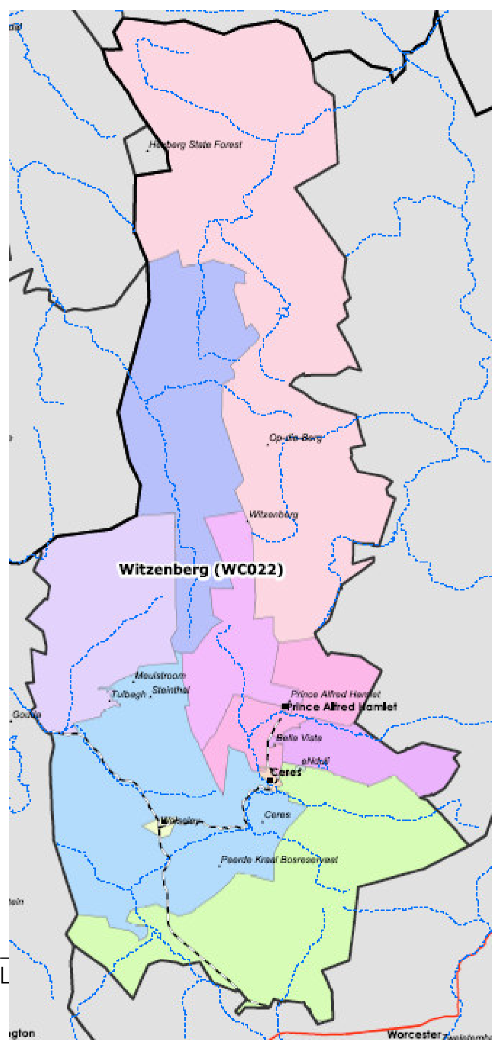
[41] **NOTE:** These "sectors" do not refer to economic sectors. The terminology can be misleading

platform for discussing matters that span across wards and will also provide the formal link between the Witzenberg Municipality and the Winelands District Municipality on public participation matters. The four sectoral forums intended to be established are LED, Community Safety, Health, and a combination of Youth, Women and the Disabled.

In an effort to support the effective functioning of the Ward Committees, the Witzenberg municipality will provide the Ward Committees with administrative support. The IDP office will organise training interventions for each Ward Committee to train the members in their function and duties. Furthermore, they will provide administrative support in organising two Ward Committee meetings per quarter. The notices for these meetings will be delivered to the relevant ward Councillor, who will responsible for distributing them to the Ward Committee members.

The ward structure of Witzenberg is reflected in Figure 3.3.

FIGURE 3.3: DEMARCATION OF WARDS IN WITZENBERG



The correspondence of Ward demarcations with sub-regions employed in the current LED study is as follows:

- **Op-die Berg:** Wards 8 and 9;
- **Ceres:** Wards 1, 3, 4, 5 and 10;
- **Wolseley:** Wards 2, 7, 6(portion of); and
- **Tulbagh:** Wards 6 (portion of) and 11

4. An Indicated Institutional Structure for Cooperative Community Economic Governance in Witzenberg

4.1 Points of Departure

With the institutional model reflected in Figure 3.1 already in deployment the challenge is to rationalise the role in LED of the Ward Committees currently being deployed and to harmonise institutional arrangements in support of LED, the IDP and the Ward Committees needs to be formally rationalised.

It is concluded as follows:

4.1.1 Ward Committees

a. As creatures of statute the capacity of Ward Committees as instruments of good practice community economic governance is limited though important at the local level; and
b. They are in essence consultative structures with no consensus-seeking role as such and are specifically established as an instrument of government for disseminating localised information and for informing the quality of local government;
c. They thus have a role to play in informing the programmes and interventions of local government at local level but in a local context rather than in a wider sub-regional or Witzenberg economic context.

4.1.2 IDP Structures

Other than that the process should provide for popular participation in a manner that can interface with the district level Witzenberg has significant latitude to determine the institutional arrangements for integrated development planning. The IDP requirements are thus not onerous and there is thus latitude for accommodating the specific and pressing institutional needs, amongst others, of LED good practice.

4.1.3 Good Institutional Practice in LED

Since government, though an important player does not control the economy, nor in the local government sphere in particular does it control many of the levers of the economy, the engagement and alignment of key economic stakeholders over whom government has no authority is vital to success. This can only be achieved through consensus-seeking around common objectives within a community governance model in which community consensus drives the agendas of the social partners, including government in support of the common vision. This is the essence of good practice LED as discussed in Chapter 2.

Good practice LED institutions must therefore:

- Specifically seek voluntary consensus between autonomous stakeholders;
- Serve as vehicles for monitoring the conversion of consensus into joint actions in accordance with the specific powers, functions and mandates of autonomous stakeholders.

No single stakeholder controls the LED process or the institutions that serve it but each plays its part according to its own specific role and functions. The role and functions of government, unlike those of other role players is limited by statute. The institutions of community governance should "belong" to the community and not to any single role player such as government. According to the good practice LED governance model government and other role players must develop and align their economic interventions according to the consensus to which they voluntarily are party. The distinction between "governance" and "government" implied in the LED governance model is consistent with the relevant provisions of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).[42]

The following good practice guidelines serve to define the particular role of forums in LED institutional arrangements:

[42] Local Government Municipal Systems Act, 2000 (Act 32 of 2000) Sections 16 & 17

a. They be consensus-seeking bodies and facilitate agreement between the key stakeholders pertaining to overall economic vision and social and economic policy and developmental priorities;
b. Where agreements are reached between stakeholders there should be a commitment to implement such agreements subject only to the condition of legality. The forum however holds no veto power over the actions of government or any other stakeholder in that in areas of disagreement each stakeholder is free to elect its own course;
c. The role of forum is to facilitate debate and consultation on policy and legislation amongst the social partners, disseminate information and facilitate the participation of key stakeholders in developmental decision making of significance for the entire community;
d. The parties to LED forums should jointly work to identify ways and means of :

   i. Enhancing economic policy to the benefit of the local economy and the local community at large;
   ii. Addressing policy gaps; and
   iii. Developing new policy based upon an intimate knowledge and understanding of the prevailing local economic conditions.

e. Forums should undertake joint projects to achieve local economic development objectives within the community in which the capacity, resources and expertise of the parties to the forum are optimally integrated to achieve desired outcomes in the most cost-effective way possible;
f. Forums should jointly monitor policy implementation against intended and desired outcomes and develop recommendations regarding the improvement of performance; and
g. Forums should enhance communication, co-operation and co-ordination between the key stakeholders in the community.

4.2 Rationalised Options for Institutionalising LED within a Community Governance Model

There a basically two options for constituting an institutional arrangement for LED reflecting the points of departure in paragraph 4.1 above:

4.2.1 Option A: The Ward-based Option

According to this option the Ward Committee System provides the platform for constructing a participative LED institutional structure. Participative structures for LED at the Witzenberg level are constituted from Ward Committees through a process of election or nomination on a sectoral basis.

a. Advantages:

The option is relatively straightforward and functional.

b. Disadvantages:

i. The option contributes to the fragmentation of perspectives on a ward basis in an already fragmented community rather than integrating them as required in order to develop a more holistic and inclusive economic vision. It each traditional sub-region within Witzenberg there is more than a single Ward Committee. The first priority in LED would seem to be the need to develop consensus at sub-regional level first as a step toward a broader Witzenberg-wide community consensus;

ii. The Ward Committee system has a political-bureaucratic colour and "belongs" to government rather than to the people. As such, and because of their politicisation Ward Committees are likely to be the focus of recrimination and conflict rather than suitable vehicles for consensual community planning;

iii. The focus of Ward Committees is upon informing the role of government. Relegating the management of LED to an institutional arrangement based solely on the Ward Committee System will reinforce the incorrect notion that LED is "something that government does" rather than "a way the community does things" – a co-operative community effort. To this extent it does not fully accommodate the distinction between "government" and "governance" made in the Municipal Systems Act, 2000.

4.2.2 Option B: The Community-based Option

According to Option B the Ward Committees are recognised as an important feature of the public sector landscape but not as primary vehicles for consensual planning. The approach creates community options to which all stakeholders, including government as a key stakeholder are party. It seeks to reinforce the integration of local economic planning at the sub-regional level, one step removed form the Ward Committee level.

a. Advantages:

i. Community sub-regional forums "belong" to the community;
ii. Sub-regional forums are already in the process of establishment in the four main sub-regions of Witzenberg. Adaptation of the constitution of these forums to accommodate representation by the Ward Committees will be straightforward;
iii. The option establishes sub-regional waypoints for the integration of planning, for the development of sub-regional consensus and for community economic governance that is consistent with LED good practice and more consistent with the pattern of economic nodes and activities within the Witzenberg spatial economy than is the Ward Committee System;
iv. Sub-regional forums, if established as multi-purpose institutions can in a similar way serve the sub-regional requirements of the IDP and the other Witzenberg-level forums envisaged to be established to interface with district-level public sector development planning.

4.2.3 Conclusion

Good practice LED suggests that Option B is the preferred option.

4.3 A Recommended Institutional Arrangement

Given the need expressed in paragraph 4.1 above to rationalise participative structures to levels that can reasonably and practically be sustained within communities it is proposed that an holistic institutional arrangement be introduced that optimises key requirements of the various initiatives in place in Witzenberg. Such a system is reflected in Figure 3.4.

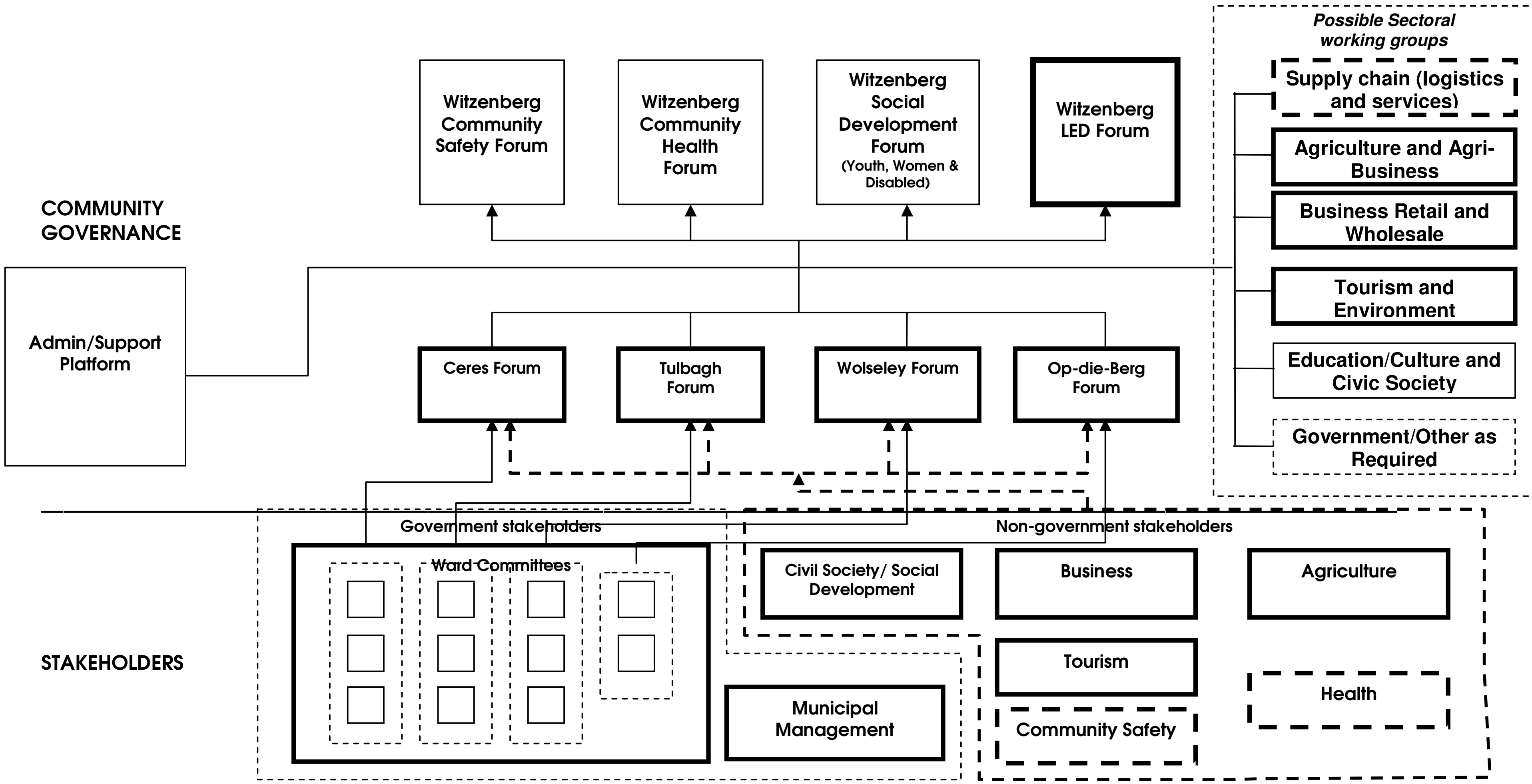
4.3.1 Constitution of the Sub-Regional Forums

Since it is proposed that forums function on the basis of consensus numbers ***per se*** are not important other than for reasons of practicality. What is important is that all key sectoral collectives in the community are represented. It is considered impractical to expect that particularly the smaller communities will be able to sustain more than a single fully functioning community forum. The need for integrated planning also requires the greatest degree of integration of the institutional arrangements carrying out that planning.

Based on the institutional model currently being deployed for LED but adapted to accommodate the Ward Committee System and the requirements for interfacing with the District Council level it is proposed that:

a. A single multi-purpose, sub-regional community forum is established each in respect of the Wolseley, Ceres, Tulbagh and Op-die-Berg sub-regions. The existing LED forums where in place can be expanded for this purpose;
b. These forums will operate on the basis of consensus and can in addition to their LED function serve as sub-regional institutional structures in support of the other sectoral forums envisaged to be created at Witzenberg level;
c. Each community forum will determine its own constitution and elect its own chairperson;
d. Each community forum should be constituted as follows:

FIGURE 3.4: INSTITUTIONALISING LED IN COMMUNITY GOVERNANCE



i. **Government Structures**

a) Ward Committees within the sub-region a maximum total of 6 nominated members including the Chairpersons of the Ward Committees who will *ex officio* be members of the sub-regional forums;
b) Municipal Management one member. This member should preferably be drawn from the unit designated "A" in Figure 3.2;

ii. **Non-Government Structures**

a) Civic society/ Social Development 2 members
b) Business 2 members of whom 1 will represent emergent business;
c) Agriculture and agri-industry 2 members of who 1 will represent emergent farmers/agricultural workers;
d) Tourism 2 members of whom 1 will represent emergent tourism operations;
e) Health sector 2 members; and
f) Community safety sector a maximum of 2 members.

4.3.2 **Constitution of the Witzenberg Forums**

It is proposed that the Witzenberg-level LED forum be constituted on the basis of nomination by the sub-regional community forums proposed in 4.3.1 above.

In particular it is proposed that:

a. Each sub-regional forum nominate 5 members to the Witzenberg LED Forum, one each from business, agriculture, tourism, civil society and the Ward Committee representative group on the sub-regional forum. The sub-regional forum Chairperson will *ex officio* be one of the 5 representatives nominated by the sub-regional forum; and
b. Each sub-regional forum will nominate members to serve on other Witzenberg-level forums as required;

c. The Witzenberg forum will determine its own constitution and elect its own Chairperson from amongst the nominees from the sub-regions with the proviso that the sub-region providing the Chairperson of the Witzenberg LED Forum will be entitled to nominate an additional member from the sector represented by the Chairperson;

4.3.3 Constitution of Sectoral/Specialist Working Groups

It is proposed that specialist working groups of the forums be established as required. It is however important to avoid the proliferation of structures and thus the services of specialist working groups should wherever possible be shared between forums.

It is proposed specifically in respect of the specialist working groups that they be constituted by nomination with each sub-regional forum nominating a maximum of three representatives per working group. Working groups may be supported by outsourced specialist expertise.

5. Support Capacity for LED

The creation of support capacity for networking and co-operative governance has two dimensions as discussed in paragraph 3.3 above namely:

- The community governance dimension involving the facilitation, alignment and support of community networking; and
- The stakeholder dimension involving the building of capacity of stakeholders such as government to engage constructively in community networks.

5.1 Community Economic Governance Support Capacity: A Local Economic Development Agency (LEDA) for Witzenberg

In the good practice ideal a community governance capacity platform should be created at the community governance level and should be independent of influence or control by any single stakeholder. It should in fact "belong" to the community as an instrument to achieve community governance objectives and to serve all stakeholders.

As discussed in Chapter 2 good practice suggests the need for a form of local economic development agency (LEDA). The role of a LEDA in effect is to provide network management and support at the overall community level - that is to achieve common purpose at a level once removed from that of the key stakeholders in the LED process. In doing so the main function of the LEDA is to network the resources of stakeholders rather than to duplicate their capacity. Each stakeholder grouping has capacity and expertise that needs to be aligned in a managed way. Where stakeholders do not have the requisite resources the LEDA can either provide them or procure that they be provided. The LEDA in effect therefore is the focus of an extended community-based multiple channel development support system whose consensus governance is ultimately provided by community LED Forum.

The functions of the LEDA are as follows:

a. A community "***One-stop shop***" for development support and information in the local community;
b. Strategic planning support at the overall community LED level;
c. Training and capacity building in LED at the stakeholder level;
d. Determining the best ways to serve and integrate the efforts of the various local and other stakeholders in the LED process;
e. Quality assurance - ensuring that outputs of LED projects, programmes and strategies are as they should be;
f. Clerical/administrative support tasks including administering the local LED Forum(s) and the LED strategy and the plans and projects to implement it;
g. Public relations and external liaison including such things as tourism promotion, place marketing and the recruitment of investment;
h. Research and development on a shared basis where applicable. This would apply particularly to such things as joint projects or programmes where stakeholder capacity may be limited and research into development opportunities, product development and the setting up of production value chains;
i. Knowledge management and e-Business applications;
j. Management of joint community interests in development projects and programmes. In its corporate form a LEDA can also serve as a "holding company" for joint community interests for example in structured joint business ventures and therefore provide the platform for tangible ***Public-Private Partnerships (PPP's)*** at project level between the stakeholders to promote LED in the local community; and
k. Other development support tasks on an exceptions basis where they cannot better be carried out by existing stakeholder agencies. The intention is hat the LEDA should augment the capacity of existing players and not duplicate them.

Profiling of the above functions suggests that the work of the LEDA goes far beyond merely the provision of secretarial support to participatory structures and forums. It is by its nature not bureaucratic but entrepreneurial and to be successful requires innovation and flexibility – the two elements generally not supported by the rigid bureaucracy of government. It also requires skills and experience not generally accessible within the public service. For this reason there is a strong case to be made for the establishment of a Witzenberg Local Economic Development Agency in effect as a public-private partnership between government and other social partners in the Witzenberg community as a joint venture and at arms' length to government as discussed in Chapter 2, paragraph 6.

Where the LEDA takes the form of a municipal entity as enabled in the Local Government: Municipal Systems Act, 2000 and the Local Government: Municipal Finance Management Act, 2003 as discussed in Chapter 2 it is also enabled to undertake key municipal local economic developmental functions assigned to it by local government.

Whereas local government can as a last resort perform some of the good practice functions of the LEDA in a community, albeit imperfectly, in the case of Witzenberg local government in any event does not have the capacity to do so.

5.2 Building the Internal LED Capacity of Stakeholders

5.2.1 Local Government

Inadequate LED capacity currently exists within local government in Witzenberg. To the extent that local government is a key stakeholder this needs to be corrected as a matter of urgency.

Accordingly it is recommended that:

a. A LED Unit be established within local government in Witzenberg as a staff function to the Chief Executive Officer in association with the IDP, performance management, internal audit and the other techno-structural functions (Figure 3.5);

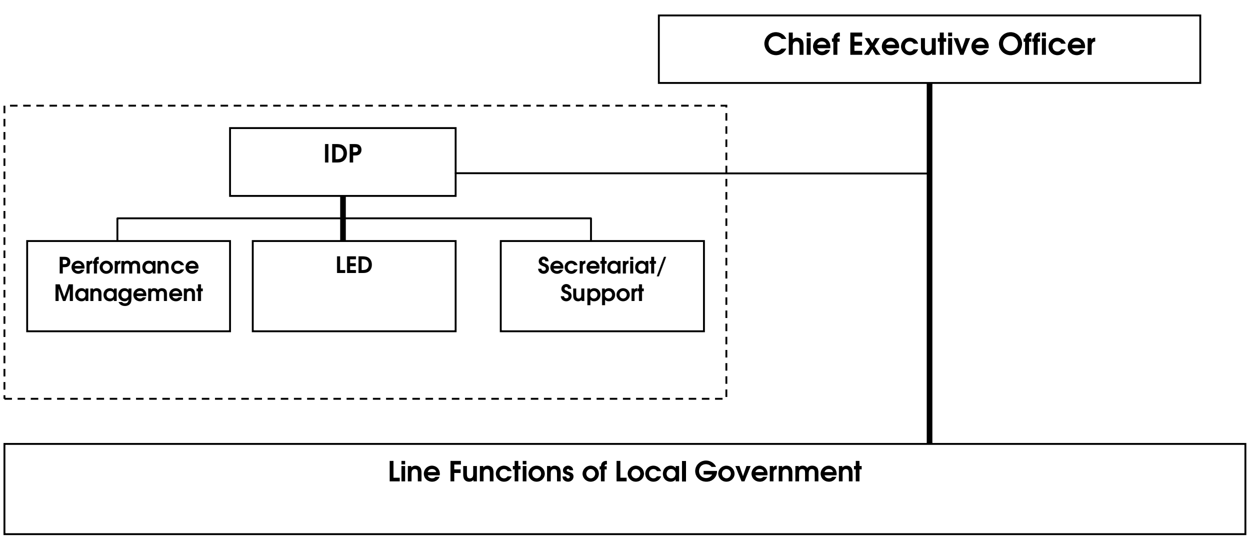
b. The functions of the unit will be to:

i. Co-ordinate local government LED activities within an IDP context with respect particularly to:

a) Infrastructure provision;
b) Economic/business support programmes;
c) Government planning (including the IDP) and policy formulation;
d) Budgeting;
e) Procurement;

ii. Build LED capacity and awareness within local government;
iii. Procure interim administrative and other specialist support for community LED forums and the Witzenberg LED Forum pending the possible establishment of a community–level Local Economic Development Agency for Witzenberg that can assume this role;
iv. Procure interim capacity-building support to emergent stakeholder groups in the local community pending the establishment of a LEDA; and
v. Represent local government on LED forums.

FIGURE 3.5: BUILDING LOCAL GOVERNMENT IDP CAPACITY



5.2.2 Other Stakeholders

The capacity particularly of emergent organisations rooted in the disadvantaged communities to participate in LED and other planning processes is limited. In particular such stakeholders may require administrative and/or organisational support. Government generally is not well-placed to provide such support and the support of LED interest groups is generally ideally carried out by the LEDA where one is established, or by other stakeholders in the community on a mentorship basis.

In the case of Witzenberg, and in the absence as yet of a LEDA, if this function is to be performed at all it will fall to local government to play a role in procuring mentorship or other support arrangements for such stakeholder groups pending the institution of a more permanent lasting arrangement.

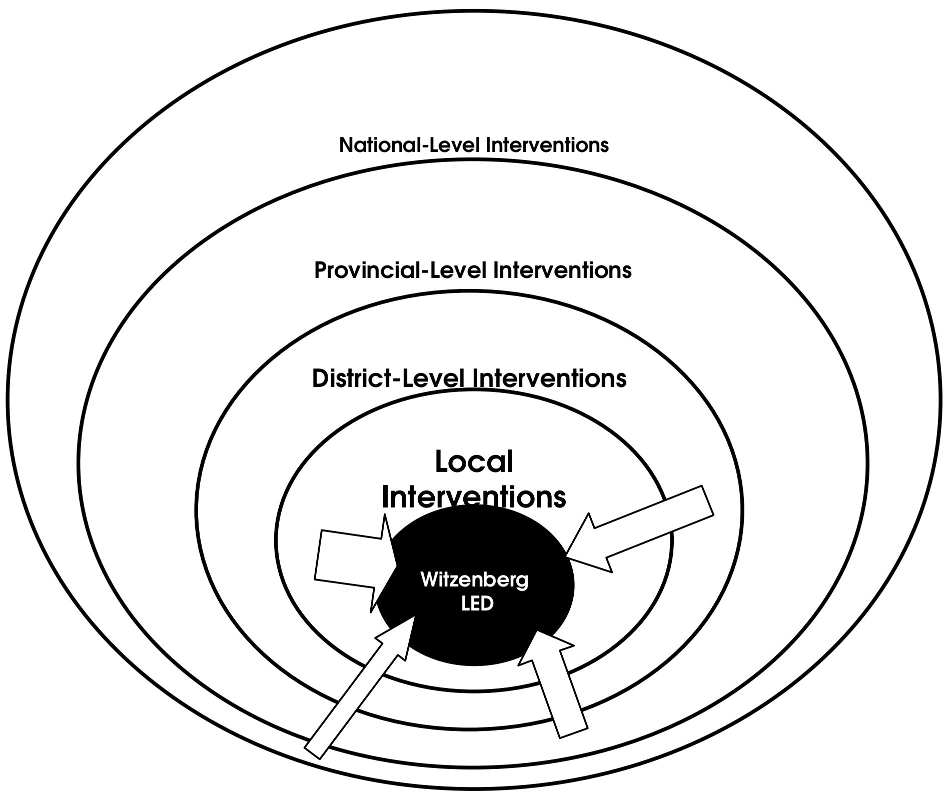
CHAPTER 4

THE CONTEXT OF LOCAL ECONOMIC DEVELOPMENT IN WITZENBERG

1. Objective

Many levels in particular of public sector planning and other policy interventions impact on local economic development in Witzenberg (Figure 4.1)

FIGURE 4.1: LED AS THE FOCUS OF MULTI-SPHERE INTERVENTIONS IN WITZENBERG



The objective of Chapter 4 is to provide an overview of key planning and other initiatives potentially impacting LED in Witzenberg and in effect informing the external framework for the development of an LED strategy. To achieve optimal local economic development the central challenge for Witzenberg is to achieve synergy between the various internal and external initiatives

The chapter addresses the following issues:

1.1 An overview of key (external) development planning processes potentially influencing and informing LED in Witzenberg;
1.2 Key current (external) programmes and interventions in the Witzenberg economy;
1.3 A brief review of LED projects in Witzenberg; and
1.4 A review of key defining aspects of the legislative environment affecting LED.

2. Development Planning Processes

Key development planning processes and their implications for a Witzenberg local economic development planning framework are discussed below:

2.1 The National Sphere

The main goal of government is to create an "enabling environment" to encourage the establishment and growth of a balanced and sustainable local economy. Towards this goal, the government has developed a comprehensive portfolio of policies and incentive packages, which are presented in broad terms in the sub-paragraphs following.

2.1.1 The Broad Basis for LED

The development policy focus upon communities and localities has caused the role of local authorities and other representative instruments at community level to be brought into sharper focus, not only as vehicles for the delivery of services *per se* but also as vehicles for the promotion of local economic development (LED). These developments are enshrined in the Constitution in terms of which the object of local government is, *inter alia*, "to promote social and economic development".[43] No specific mention is made of "local economic development" as such but the developmental duties of municipalities enshrined in the Constitution specifically require municipalities to:[44]

- Structure and manage (their) administrations, and budgetary and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community; and

[43] Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Article 152(1)
[44] Constitution of the Republic of South Africa, 1996 (Act 108 of 1996) Article 153

- Participate in national and provincial development programmes "

Nationally the view of local government as the "hands and feet"[45] of development in South Africa has been confirmed by extensive statutory powers extended to local government, not least in terms of such pieces of legislation as the Municipal Structures[46] and -Systems[47] Acts, variously providing for the establishment by local authorities of land development objectives (LDO's) for their jurisdictions and of integrated development planning processes (IDP's). These developments have formally ushered in a new era of developmental local government in South Africa and have clearly established the pivotal role of the local government sphere at the community level in the implementation of the development impact approach within an inclusive local economic development approach.

2.1.2 LED in the National Sphere

Local economic development falls within the jurisdiction of the National Department of Provincial and Local Government (DPLG). At the strategic level, the DPLG is responsible for the development of the larger policy environment. The DPLG has recently, in collaboration with the Department of Trade and Industry (DTI) and the South African Local Government Association (SALGA), prepared a draft LED policy.

Clearly many statutes to the extent that they establish the climate for economic development impact upon LED. However, the most important elements informing/determining the role and function of government in LED are provided by:

- The White Paper on Local Government (1998)
- The Local Government: Municipal Structures Act, 2000 (Act No. 33 of 2000)
- The Local Government: Municipal Systems Act, 2002 (Act No. 32 of 2002);
- The Division of Revenue Act, 2001 (Act No. 1 of 2001);
- The DPLG LED Manual Series[48]

[45] Local Government and Economic Development: A Guide for Municipalities in South Africa *Department of Constitutional Development* (1997)
[46] Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
[47] Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
[48] Department of provincial and Local Government **LED Manual Series** (2003)

The focus and relevance of each of these policies and legislation are briefly discussed in the paragraphs following.

a. The White Paper on Local Government (1998)

The White Paper places LED in the realm of local government, in accordance with the evolving Constitutional Role of local government in pro-actively promoting business retention, the further development of existing businesses and the recruitment of investment. The White Paper considers the Integrated Development Plan (IDP) as the key instrument and process to determine development priorities for government and to ensure that the necessary infrastructure and services are provided to facilitate economic growth and an improved quality of life for local communities.

b. The Local Government: Municipal Structures Act, 2000 (Act No. 33 of 2000)

The Act provides the framework for regulating the internal systems, structures and office-bearers of municipalities. The Act does not specifically refer to LED, but requires the drafting of IDP's to identify and prioritise development objectives. The Act also requires the establishment of organisational capacity to implement the priorities of the IDP.

c. The Local Government: Municipal Systems Act, 2002 (Act No. 32 of 2002)

The Act provides for the operational legal framework of municipalities, including the drafting of IDP's and the implementation of performance management systems. The Act identifies economic development as a critical element of the IDP. The strategies and plans of the municipality are required to be aligned with those of national and provincial government, and the municipal budget must include a projection for at least the next three years in accordance to provide a medium term expenditure framework (MTEF).

d. The Division of Revenue Act, 2001 (Act No. 1 of 2001)

The Act provides the framework for the allocation of funding between government spheres within a structure of inter-governmental fiscal relations. Part of these allocations involves allocations for LED.

e. The National Spatial Development Perspective (NSDP)[49]

i. Description

Spatial considerations are critical in LED for a number of reasons, not least in determining spatial priorities and also the spatial structuring of economic intervention and structure of the local economy. Certain spatial development forms are more conducive to supporting LED based on inclusion and the efficient use of resources for achieving socio-economic objectives than others.

The NSDP aims to influence national development processes:

- By focusing economic growth and employment creation in areas where this is most effective and sustainable;
- Supporting restructuring where feasible to ensure greater competitiveness;
- Fostering development on the basis of local potential; and
- Ensuring that development institutions are able to provide basic needs throughout the country

The perspective:

- Puts forward mechanisms aimed at ensuring better alignment between infrastructure investment and development programmes;

[49] The Presidency : Policy and Advisory Services **Meeting the challenge of growing the economy & attacking poverty – improving the performance of the state through greater alignment between the IDPs, PGDS and the NSDP** (Western Cape) Provincial Spatial Development Framework Consultative Summit 29 November 2004

- Is designed to act as an indicative planning tool for all spheres of government;
- It should be used as an instrument for policy co-ordination especially in relation to the spatial implications of infrastructure & development policy & programmes in national, provincial and local government.

It confronts two key questions namely:

- Where should government direct its investment and development initiatives to ensure sustainable and maximum impact on poverty, economic growth and job creation?; and
- What kinds of spatial forms and arrangements are more conducive to the achievement of the objectives of democratic nation building and social and economic inclusion?

The NSDP comprises the following elements:

a) **A Spatial narrative** which indicates:

- Demographic trends;
- Human settlement patterns;
- The national economy and trends and issues in the national space economy;
- The state of the national resource base; and
- Broad patterns of infrastructure & development spending;

b. The Strategic Response Section indicating:

- Growth & development priorities
- A set of normative principles for infrastructure investment and development;
- Implications arising from applying these principles to the space economy; and
- A national spatial vision; and

c. **A Set of Maps** indicating:

- Natural, human and infrastructural resource potential of the country;
- Areas of high-value agricultural land & environmentally sensitive areas;
- Population distribution;
- Inter-sectoral development potential;
- Current economic growth;
- Existing & proposed areas of national, provincial and local government infrastructure investment and development spending

ii. NSDP Guidelines

The NSDP defines the development potential of localities in terms of 6 categories of development potential namely potential for:

- Innovation and experimentation;
- Production of high value differentiated goods;
- Labour intensive mass production;
- Public services and administration;
- Services and retail; and
- Tourism.

It provides a set of normative principles to guide dialogue on the spatial location of government infrastructure and the spatial focus of its development programmes.

Main conclusions of the NSDP are as follows:

- Economic growth is prerequisite for addressing poverty. The national economy and regional and local economies need in an important sense to "grow out of poverty";

- Economic potential and poverty are generally found in association in the same localities; and
- Such areas identified by the NSDP involve 20% of magisterial districts accounting for 925 of national GGP, 81% of all households and 75% of the poor in South Africa; and
- Government's objectives of promoting growth & alleviating poverty will best be accomplished in areas with potential.

The spatial framework recommends:

a. Focusing on people not on places as a fundamental development principle;
b. Public spending on fixed investment beyond the constitutional obligation to citizens in terms of water, electricity, health and educational facilities should focus on areas with economic potential to leverage private sector investment, stimulate sustainable economic activities and create long-term employment opportunities. This means that in localities where there are both high levels of poverty and development potential capital investment beyond basic services must be directed at exploiting the potential of those localities;
c. In localities with low development potential government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market intelligence but structured so as to expand opportunities for productive engagement in economic activity; and
d. Channelling future settlement and economic development opportunities into activity corridors adjacent to or linking main growth

centres to rationalise the spatial patterns of development.

2.2 The Provincial Sphere

To achieve the vision of iKapa Elihlumayo the fundamental priorities for the Department of Economic Development and Tourism in the Western Cape Province are to:

- Facilitate the creation of employment, especially for the presently unemployed;
- Broaden the ownership of and participation in the economy in keeping with the democratic profile of the province;
- Ensure citizens' rights as consumers are widely known and systematically respected; and
- Empower entrepreneurs and their enterprises to be effective players in the global economy.

2.2.1 iKapa elihlumayo

The overall vision guiding the development strategies and the 2004/05 and future budgets of the Western Cape Provincial Government is "iKapa elihlumayo"[50].

The vision has been translated into an eight point strategy to guide government and its social partners over the next decade to 2014. These are also the eight strategies around which Budget 2004 is organized namely:

a. Building human capital with an emphasis on the youth, by expanding the peoples' opportunities through technical and vocational training, entrepreneurship development, learnerships, apprenticeships and internships;
b. Micro-Economic Strategy (MES) to support priority sectors in the Province;
c. Building social capital with an emphasis on the youth, to strengthen social ties and integration;
d. Strategic infrastructure investment to address the spatial dimension of development;
e. The Spatial Development Framework (PSDF) to ensure an integrated and effective approach to economic and social development;

[50] The Xhosa "A Growing Cape". "Elihlumayo" connotes growth for the province in a holistic sense, in all sectors and regions, benefiting from the poorest to the richest.

f. Co-ordination and communication to facilitate integration and minimise duplication between departments;

g. Improving financial governance so that the provincial budget may be used to stimulate the economy and to open it to wider participation; and

h. Provincialisation of certain services currently rendered by municipalities to achieve scale economies and enhance service-delivery at the ground level.

To ensure the practical implementation of each element of the eight point strategy, the Provincial Cabinet has assigned key roles and responsibilities to each department, including the designation of five lead departments. Table 4.3 below illustrates this division of roles and responsibilities.

TABLE 4.3: IKAPA ELIHLUMAYO: DIVISION OF ROLES AND RESPONSIBILITIES

Intervention	Lead Department	Supporting Departments	Other Partners
Social Capital Formation Strategy	Social Services & Poverty Alleviation	Health, Education, Culture and Sport, Community Safety, Transport & Public Works	Civil Society Organisations
Human Resource Development Strategy	Education	Provincial Administration, Transport and Public works, Health Agriculture	SETAs, Universities,, Private facilities
Strategic Infrastructure Plan	Transport and Public Works	Housing, Environmental Affairs and Development and Planning	Local Government, Parastatals
Micro-economic Strategy	Economic Development & Tourism	Agriculture, Environmental Affairs and Development Planning	Private Sector
A Spatial Development Framework	Environmental Affairs and Development Planning	All Departments	Local Authorities, Private Sector

2.2.2 The Provincial Spatial Development Framework (PSDF)

A major deficiency hitherto has been the absence of a coherent provincial spatial framework for integrated development planning in the Western Cape that has in effect left local communities at large in determining their IDP's and their LED strategies out of the context of the bigger picture of development in districts, the province and the country. The NSDP has provided a context for the development of a provincial spatial development framework to fill this void.

a. Description[51]

The objectives of the SPDF are to: (Figure 4.2)

i. Guide IDP budgets;
ii. Provide context for local spatial development frameworks (SDF's);
iii. Direct urban development by protecting certain areas and densifying and integrating others;
iv. Exhibit spatial economic, social and environment linkages in the provincial spatial economy;
v. Promote 'triple bottom line' planning in which societal, economic and environmental considerations are balanced toward a developmental regime that maintains ecological integrity and economic with social justice; and
vi. Transforming the current largely ***ad hoc*** planning taking place in the province to a more predictable, coherent and consistent process format.

The process of formulating the PSDF is currently underway with the intention that it should be completed by March

[51] Provincial Government of the Western Cape **Western Cape Provincial Spatial Development Framework (PSDF)** Proceedings of the Consultative Summit (November 2004)

b. Preliminary Findings

Key findings of the Provincial Growth and Development Strategy (PGDS) and the Provincial Spatial Development Framework (PSDF) with a bearing upon the Witzenberg study area are as follows:

i. The Natural Environment

a) Bio-diversity Conservation: Witzenberg generally lies within an area designated as a buffer zone incorporating endangered, vulnerable, less threatened, extensive- and intensive farming areas;

b) Ecosystem Status of Rivers: Rivers in the area are variously designated in the categories of "critically endangered" and "endangered";

ii. The Built Environment

a. Existing and Potential Growth Centers (Figure 4.3)[52]:
- In terms of economic investment priority Ceres and Wolseley are designated as areas of high need and high development potential;
- Tulbagh and Prince Alfred Hamlet are designated as areas of high need but low development potential; and
- Op-die-Berg as an area of low need and low development potential;

b. Infrastructure Corridors

The optimal location of infrastructure corridors in order to optimize on functionality and impact on the natural environment is as in Figure 4.4. the trunk routes in essence skirt the study area to the south.

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[52]Provincial Government of the Western Cape **Growth Potential of Towns in the Western Cape** Proceedings of the Consultative Summit (November 2004)

iii. Other Relevant Development Issues

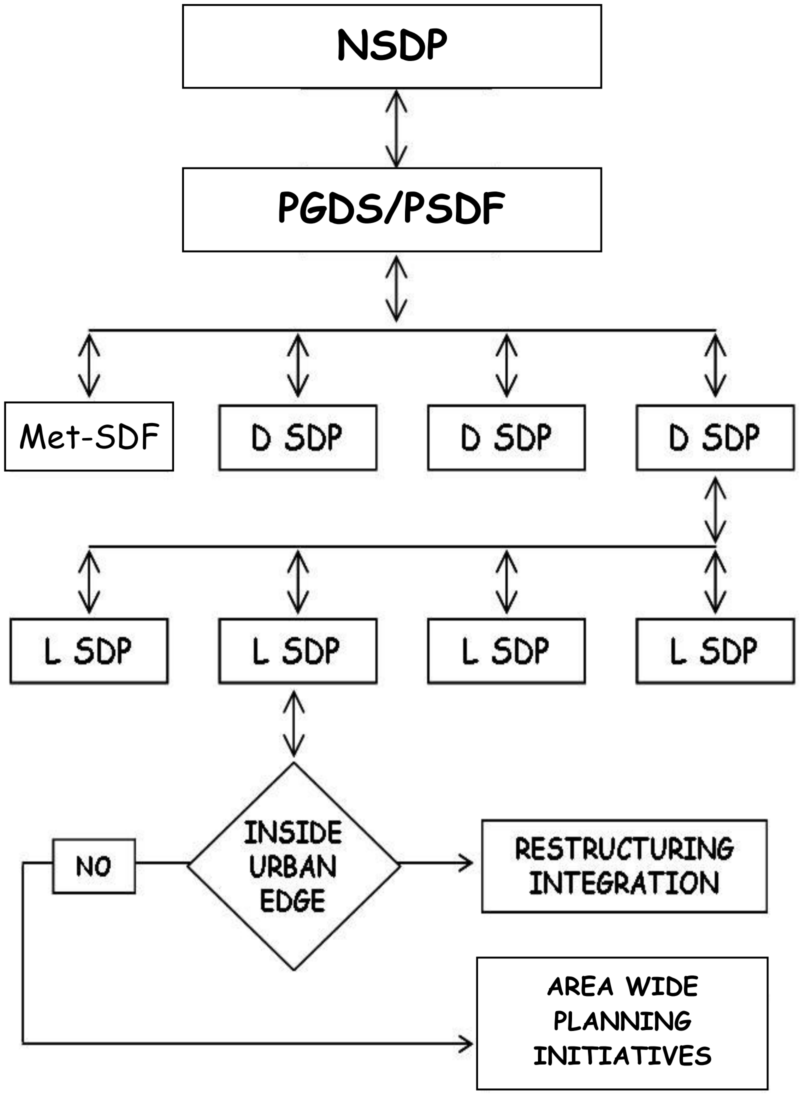
Relevant to the context of the study area is the issue of golf estate development. Golf estates in the Western Cape currently vary in size between 65ha and 1000 ha with very low gross residential densities in the order of 1 to 2 domestic units/ha.

A rapid review of golf estates and polo developments in the Western Cape has suggested the following:[53]

- Estates constitute may be regarded as constituting a form of sprawl;
- They can result in the loss of/fragmentation of agricultural land;
- They impact land values, particularly those of agricultural land with potential for this application. They thus can also impact negatively upon land reform initiatives;
- They tend to dilute thresholds for services the retail market and can contribute to the decline of CBD's;
- They often by virtue of their extensive nature and local place demands upon service networks and introduce inefficiencies into service provision;
- They can hinder public access to amenities and neutralise areas of scenic beauty for public use;
- They generally place stress on water resources; and
- Their full socio-economic impact is not yet understood and therefore the net macro-economic benefit/cost of this form of development for the Western Cape has not yet been established.

[53] **Golf Course and Polo Field Study** (Western Cape) PSDF Consultative Summit (November 2004)

FIGURE 4.2: INSTITUTIONALISED SPATIAL DEVELOPMENT PLANNING



Tasks & Responsibilities

- National Restructuring Imperatives
  - Core and Periphery
  - Kyoto Protocol - Other National Goals

- Broad Land Use Planning Guidelines
- Identification of Investment Foci
- Prioritisation of Social Capital Spending
- Co-ordination of Provincial Dept. Activities

- Co-ordination of Local SDF's + Regional Offices
- Regional Functions, e.g. Transport, Toxic Waste, Disbursement of Funding

- Project Implementation and Operation
- Delineation of Zones According to Guidelines
- Development Control + Urban Edge
- Urban / Rural Management (Bio-diversity/Agric/Scenic)

- Restructuring + Integration-Low, Middle, High Income
- Achieve Average Density 25du/ha - Urban Design Plans
- Public Transport, ABET, Markets, Buildings Design Control
- Bio-diversity Conservation + Extensive Farming
- Intensive Agriculture
- Minimal Development e.g. 1du/10ha unless
  - Economic Generator for Bio-diversity /
  - Agriculture Financial Sustainability

c. Preliminary PGDS and PSDF Guidelines[54]

The formulation of the provincial spatial development framework is underway with the expectation of completion by May/June 2005. Preliminary (draft) guidelines are however available emanating from the Provincial Growth and Development Strategy and the PSDF that can serve in the interim to inform development planning within the province.

The preliminary proposals focus on three strategies as follows:

- The natural environment : Resource Conservation;
- The built environment: Settlement Restructuring; and
- The socio-economic environment: Human Resource Development.

i. The Natural Environment

a) Establish visual carrying capacity in sensitive areas;
b) Aesthetic building design and siting controls for all buildings;
c) Sewage treatment and water quality to standard;
d) Encourage the use of renewable materials for building;
e) Compulsory rainwater harvesting and grey water recycling;
f) Compulsory solid waste recycling at sources;
g) Enforcement of exhaust emissions controls by way of the compulsory use of catalytic converters and the levying of a carbon emissions tax;
h) Compulsory use of renewable energy sources such as solar and wind energy;

[54] Provincial Government of the Western Cape **Western Cape Provincial Spatial Development Framework (PSDF)** Proceedings of the Consultative Summit (November 2004)

FIGURE 4.3: NEED AND DEVELOPMENT TYPOLOGY

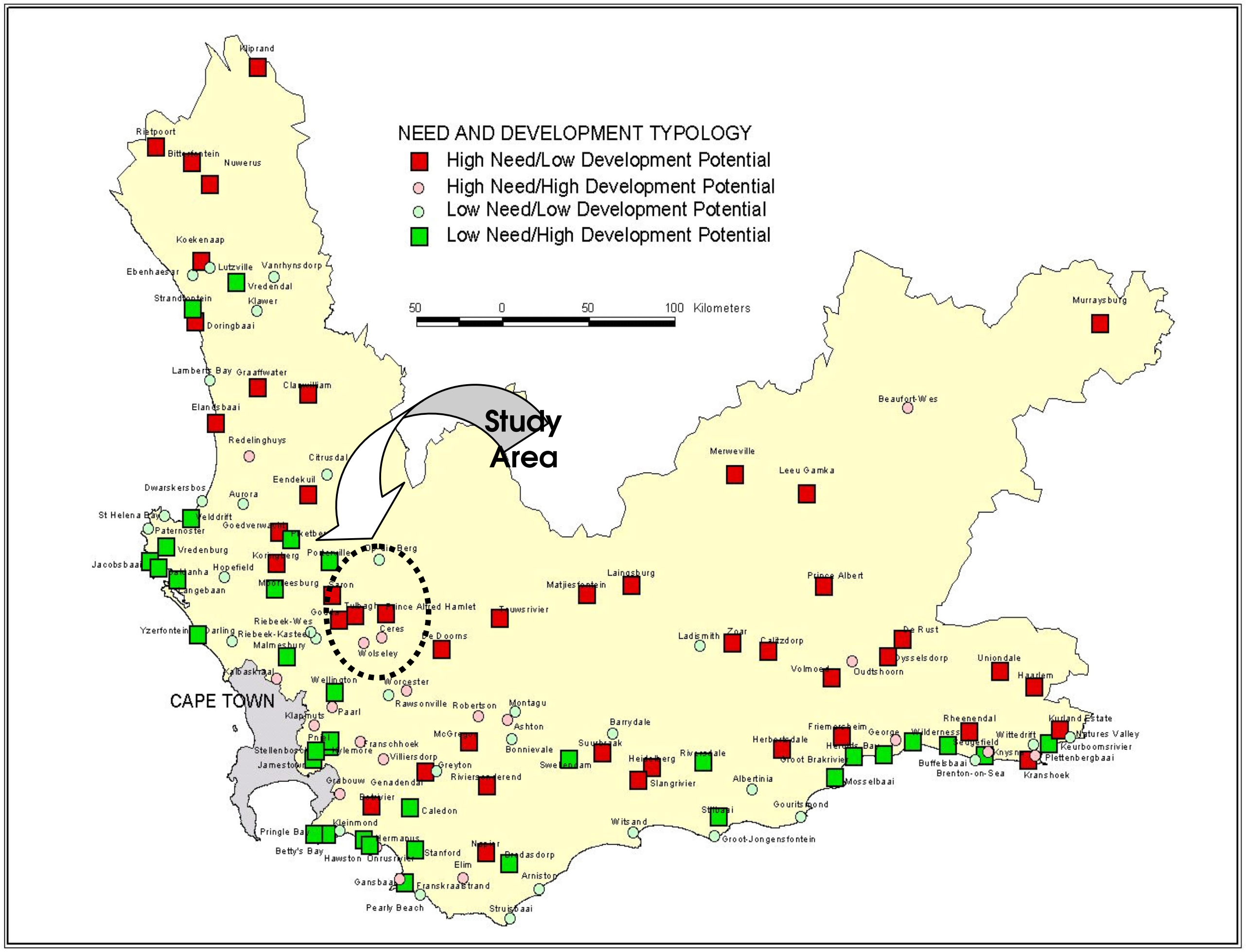
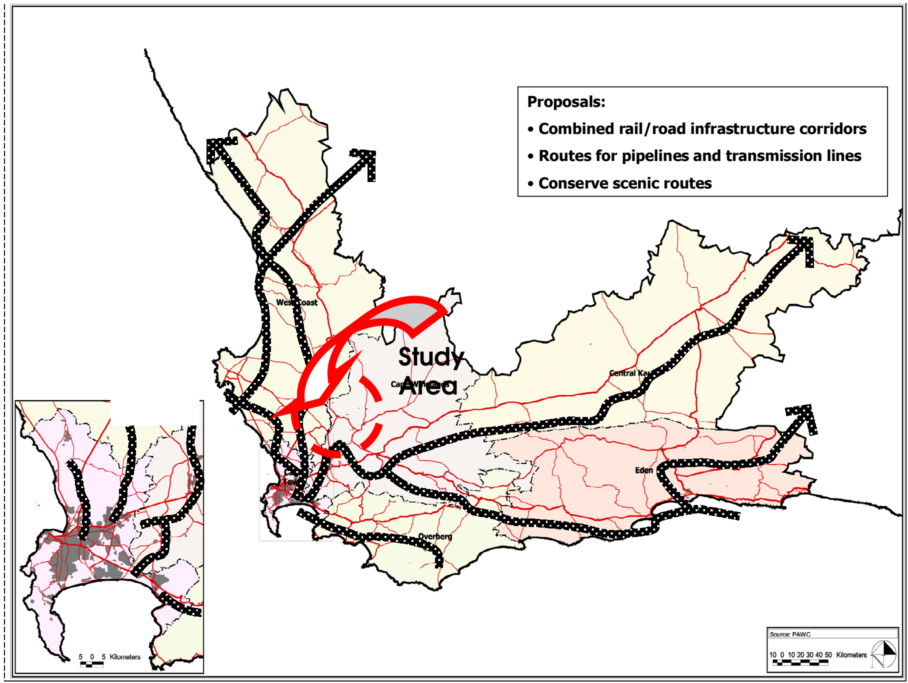


FIGURE 4.4: INDICATED OPTIMAL LOCATION OF MAIN INFRASTRUCTURE CORRIDORS



ii. The Built Environment

a) Settlement Patterns: Employ Bioregional planning categories designated in the PSDF as basis for settlement development;

b) Settlement Structure:

- Redefine the role of urban CBD's;
- Prohibit urban sprawl. Deflect urban growth to integrated sub-centers to achieve at least a ration of 50% of the population residing within walking distance of transport, shopping, social and recreational services and their places of employment;
- Fix current limits of the urban perimeter for the next 5 years while

restructuring existing urban development;

- Increase average residential density inside urban edge to 25 dwelling units/ha. This will improve viability of rendering services and will concentrate economic forces and markets;
- Achieve socio-economic and racial integration;
- Only consider proposals for built development outside the urban edge if there is no detrimental impact in all 3 bottom line categories that is if bio-diversity is not compromised, if agricultural and land reform imperatives are advanced and if the development provides long-term employment; and
- Promote the use of public and non-motorised transport.

iii. The Socio-Economic Environment

a) A distinction needs to be made between "economic investment" aimed at leveraging the productive potential of economic resources and the development of "social capital" relating to the capacities of institutions and individuals within society;

b) Economic investment must be concentrated on areas of high economic potential. Social investment must predominate in areas of low economic potential in order to enable people to engage in economic activity and to use the opportunities available to them, wherever those opportunities may present;

c) Ceres and Wolseley must be regarded as areas of high economic development potential and therefore as priority areas for economic investment;

d) Social capital spending priorities are as indicated in Figure 4.5. Wolseley, Ceres and Tulbagh are designated as areas of high social spending priority and Op-die-Berg of lesser priority; and

e) Social spending must be designed so as to support a staged development of community capacity from initial relatively rudimentary amenities and services to more sophisticated and integrated services and amenities as the community grows in sophistication and the capacity to sustain them.

2.2.3 Synopsis of Further Initiatives of the Provincial Department of Economic Development and Tourism

a. Programme 2: Enterprise Development

The aim of this programme is to grow key sectors in the regional economy to ensure competitiveness, employment, small business development, black economic empowerment and the geographic spread of economic activity and to ensure a fair business environment.

The programme is structured focussing on the core elements of the micro-economic reform strategy and the objectives of iKapa Elihlumayo:

i. Sector-based Interventions

A strategic plan for each targeted sector and sub-sector of the Western Cape economy should be developed and should indicate what major interventions are required to achieve the objectives of iKapa Elihlumayo. A key focus will be competitiveness to ensure that the economy retains and increases output and employment. In the light of the Growth and Development Framework Agreement concluded in November 2003;

ii. Theme-based interventions

Transversal equity and development themes to generate greater participation in the economy (BEE, women, youth, and geographic spread of economic activity) and more economic activity (cooperatives, community based projects);

iii. Enterprise Development

A significant part of this programme will focus on enterprise development. The focus is on three major programmes:

a. Enterprise enhancement, identifying and assisting existing enterprises to make them globally competitive and to ensure their sustainability and growth;
b. Enterprise creation addressing ownership issues and focusing on the lack of opportunities for the resource poor; and
c. Development of modern co-operatives offering the opportunity for teams of variously skilled individuals to come together to form and occupy created enterprises.

b. Programme 3: Tourism

The tourism challenge of the Department is seen to be the alignment of the provinces resources with the Western Cape's vision for delivery. This means that the tourism industry should grow in such a way that it can contribute to the economic well being of each and every citizen of the province. Tourism has been structured into three functional areas namely tourism development, regulation and marketing. The Department of Economic Development and Tourism is responsible for development and regulation, as well as major capital projects. The tourism marketing function is currently outsourced to the Western Cape Tourism Board. The process of merging the tourism marketing of the City of Cape Town with that of the rest of the Western Cape as a single tourism destination has resulted in the establishment of in 2004 the Destination Marketing Organisation (DMO) as a statutory provincial entity.

The aim of Programme 3: Tourism is to develop and market tourism that will contribute to economic growth and job creation and ensure that all people in the Western Cape share in the benefits. This can be achieved through ensuring that black economic empowerment becomes an integral part of tourism operations; that it contributes to the development of small businesses; that there is ongoing service quality improvement to promote excellence; that there is fair and regulated tourism business environment; that the Western Cape is positioned as a globally competitive destination; and, that mechanisms are in place to ensure that meaningful alignments and partnership with key stakeholders and suitable monitoring and evaluation tools are in place to measure the impact of tourism development interventions.

The provincial plan for developing the tourism industry is contained in the Integrated Tourism Development Framework (ITDF).

The framework identifies 11 nodes and corridors (called tourism development areas) worthy of further development in the province.[55] The following 11 areas have been identified for attention on the basis of product and resource strength, infrastructure, market requirements and trends and socio-economic need:

i. Cape Town Foreshore;
ii. Cape Flats;
iii. Stellenbosch-Paarl-Franschhoek;
iv. Langebaan-Velddrif;
v. Overstrand;
vi. L'Agulhas;
vii. George-Mossel Bay-Oudtshoorn;
viii. Eastern gateway (Plettenberg Bay – Knysna - Wilderness);
ix. Beaufort West;

[55] Department of Economic development and Tourism **Western Cape Integrated Tourism Development Framework** (2003)

x. Cederberg Gateway; and
xi. Route 62

Tourism registration legislation aimed at requiring all tourism businesses to register is in process, requiring adherence to basic minimum standards and providing for them to be registered on a marketing database.

2.2.4 The Provincial Micro Economic Strategy (MES)

The Micro-Economic strategy (MES) is specifically aimed at facilitating growth and transformation of the economy by growing those sectors with the most potential, while in the long term transforming them to provide better access by marginalised persons. Sectoral research and findings in the context of the over-arching Provincial Growth and Development Strategy are to be accommodated in the 2004-2007 financial framework. The MES will provide for government planning, intervention and financing of initiatives in both growing and shrinking industries in order to encourage SMMEs.

Identified growth industries in the province are:

- Post and Telecommunications (cellular telephones);
- Wine grapes;
- Indigenous flowers (fynbos);
- Food and Beverages (wine);
- Transport equipment (marine and automotive);
- Hotels and restaurants (tourism);
- "Other business activities" such as the film industry;
- Construction (In particular fixed property driven by foreign direct investment);
- Retail; and
- Land transport

Industries in the province that are currently in retreat are:

- Citrus;
- Table grapes (due primarily to water shortages);
- Dairy and poultry (due primarily to foreign competition);
- Aquaculture (due in part to the long production lead time for example for abalone)
- Fishing (due to pressure on fish stocks);
- Textiles (due to foreign competition);
- Leather and footwear (due to foreign competition)
- Paper and Publishing (due to foreign competition)
- Chemicals (due to environmental concerns); and

- Clothing (due to foreign competition)

Preliminary recommendations from the MES call firstly for a detailed analysis of selected value chains and clusters to map forward and backward linkages across sub-regions. Secondly, region-wide and sector specific inventions and innovations should be promoted and further research and development conducted to ensure the development of new products and services. Thirdly, a facility should be established for the identification of major new areas of economic opportunity in the province. The institutions created in terms of the MES will provide user-friendly services in support of both large-scale and small scale economic development with a local and/or a global focus.

In terms of stated provincial government policy interventions arising from the MES will fall into five main categories: [56]

a. **Sector-based interventions**

The MES and the Provincial Growth and development strategy (PGDS) processes will result in provincial strategies and Interventions in the following sectors:

i. Primary (Agriculture, aqua-culture and associated value chains);
ii. Manufacturing (Clothing, textiles, leather; Metals, engineering, boat-building, ship repair; Oil & Gas Service Hub; Furniture; Cultural Industries such as crafts and jewellery); and
iii. Services (Tourism; Call centres and business process outsourcing; Information and communication technology; Film)

b. Theme-based interventions

These will involve the development of strategies and interventions according to the following crosscutting or transversal themes that will contribute significantly to global competitiveness in ALL sectors, including:

i. Research and development (R & D);
ii. Innovation;

[56] Provincial Minister of Finance and Economic Development (Ms. Lynne Brown) 2004/2005 Budget Speech (9 June 2004)

iii. New materials;
iv. New technologies;
v. A Provincial Manufacturing Technology Strategy (PMTS);
vi. Design in industry;
vii. Energy;
viii. Logistics;
ix. Ports;
x. Road, rail and air transport;
xi. The Knowledge economy;
xii. Information and communications technology (ICT);
xiii. E-Business and e-Commerce;
xiv. High technology development;
xv. A human resource development strategy (HRD); and
xvi. HIV/AIDS in the economy.

c. Economic Participation Promotion

Economic Participation Interventions will deal with the equity issues. Several comprehensive strategies and interventions will be developed encompassing:

i. Black Economic Empowerment (BEE);
ii. The Economic Empowerment of Women;
iii. Economic empowerment of people with disabilities, rural dwellers and workers; and
iv. The Real Enterprise Development (RED) Initiative to ensure that all social partners contribute fully to deliver effectively on this intervention, particularly in the areas of:

    a) Access to finance;
    b) Access to support services;
    c) Skills development;
    d) Access to business opportunities; and
    e) Export-readiness.

d. Economic stimulation

Economic Stimulation Interventions will focus on expanding export, investment and tourism promotion activities and accelerating growth through the following activities:

i. Facilitating increased market access, particularly in Africa;

ii. "Scoping and dimensioning" large industrial projects for the purpose of recruiting investment;
iii. Setting up a capacity to maximize the finance, donor funds, incentives and grants available to our Provincial businesses;
iv. Assisting Provincial businesses to land Provincial, National and International contracts to supply goods and services;
v. Play an active role in optimising all public spending in the Province.

e. Regional Development Initiatives

Regional Development Interventions will drive development plans for sub-regions of the Province, including Industrial Development Zones (IDZs) and major economic infrastructure developments. Contributions will be made to:

i. The Integrated Sustainable Rural Development Programme (ISRDP);
ii. The Urban Renewal Programme (URP); and
iii. The Presidential Nodes.

2.3 The District Level

Witzenberg falls within the jurisdiction of the former Boland District Municipality since renamed the Winelands District Municipality.

A Integrated Development Plan (IDP) has been drawn up for the Winelands District Municipality.[57] To the extent that the IDP establishes at district level a public framework for economic development it is significant in its entirety for the present Witzenberg study. The specific determinations of the Winelands District IDP in respect particularly of Witzenberg are summarised below:

2.3.1 Introduction

The Winelands District Municipality has recognised its obligation in terms of the Local Government: Municipal Systems Act, 2000 to extend its role beyond mere service delivery. It recognises that despite several institutional and resource constraints, intervention has to be initiated

[57] Winelands District Municipality – **IDP 2002- 2006** (http://www.capegateway.gov.za/eng/pubs/plans/2002/46705) accessed November 2004

to address the compounding poverty problem in its area of jurisdiction. In the rural areas it is especially women, children and the aged who are at risk. Urban poverty also has strong links with the acceleration of urbanisation. These two scenarios need to inform the type of local economic development (LED) strategies adopted by the district municipality.

2.3.2 Objectives and Principles Driving LED in the Boland District Municipal Area

The over-arching LED objective for the area is to stimulate and grow the regional economy in order to increase regional economic output and to significantly reduce the unacceptably high levels of unemployment.

Key objectives underlying the LED programmes at district level are:

a. Sustainability;
b. Equity in access to economic opportunity and resources;
c. People-centeredness;
d. Poverty alleviation;
e. Nurturing of the entrepreneur;
f. Concern for women, youth and people with disabilities;
g. Creating sustainable livelihoods; and
h. Establishing the necessary support base.

2.3.3 Components of LED Strategy in the Winelands District Municipal Area

Five strategies have been identified to address the economic needs of the district as follows:

- Promotion of economic growth;
- Development of tourism;
- Improvement of the education levels and job skills;
- Ensuring rural safety; and
- Diversification in agriculture and industry.

The economic means to achieve these ends is seen to be by means of the following;

a. Employee empowerment;
b. Small scale farming, agri-marketing, -logistics and agri-business engagement and support;
c. Tourism training and capacity building;

d. Business support services, access to land, policy innovation, entrepreneur support, informal sector and small-, micro- and medium enterprise support and facilitation.

2.3.4 Findings and Conclusions

a. Employment

State Forestry Activities in particularly the Witzenberg area form an important district employment node. These areas include Kluitjieskraal, and Grootwinterhoek), including forestry areas such as: Kluitjieskraal (Witzenberg Municipality); Milners Peak; Mostertshoek; Witzenberg; Grootwinterhoek (Witzenberg Municipality);

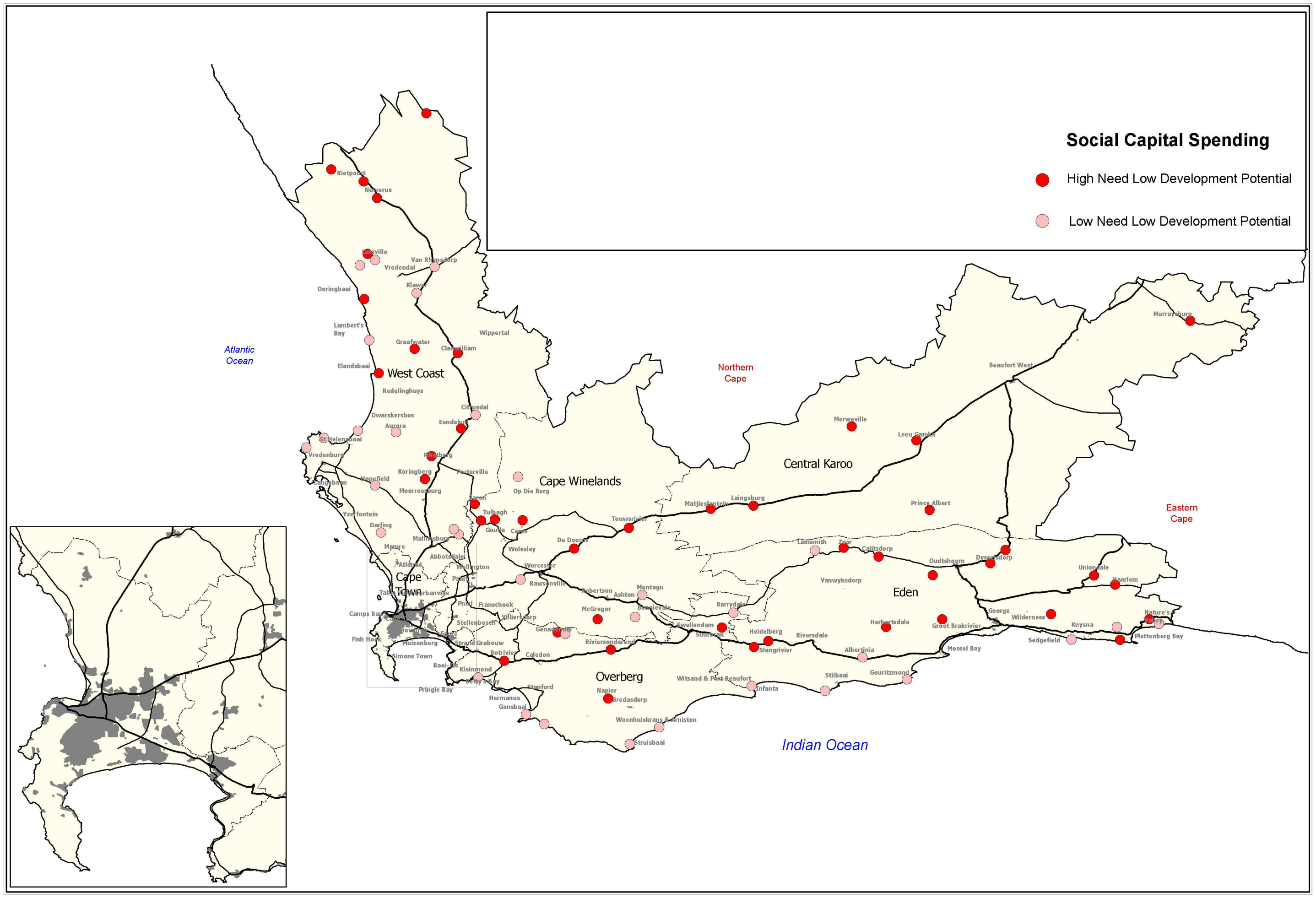
b. Utilities and Other Services

The greatest need for electricity is in Witzenberg and Stellenbosch and the greatest need for municipal services, such as refuse removal, water taps and sanitation is in the Witzenberg and Breede Valley areas. In addition approximately 15% households in the DMA have no access to telephone services;

c. Transportation

The road and rail infrastructure network in the district is well developed, yet large areas are served with gravel roads, particularly in the areas of Witzenberg, Breede River/Winelands and the District Management Area. The quality of roads is an important economic factor since it has an influence on the agricultural produce transported along the routes.

FIGURE 4.5: PRIORITY AREAS FOR SOCIAL CAPITAL DEVELOPMENT



2.3.5 Identified Needs and Issues per IDP Objective

The following focus areas are identified in respect specifically of Witzenberg:

a. Objective 1: Economic Development

i. SMME support;
ii. Shopping facilities;
iii. Job creation;
iv. Training in tourism & finance;
v. Entrepreneur development;
vi. Strengthening the Unions;
vii. Improved land use for economic development;
viii. Extending the tax base and enhancing tax collection; and
ix. Local economic development

b. Objective 2: Land & Housing

i. The housing shortage and the size of houses;
ii. The acquisition of ownership and title deeds and the resources to acquire private title;
iii. Water and sanitation;
iv. Building maintenance; and
v. Housing & settlement policy & control planning.

c. Objective 3: Municipal Services

i. Family disintegration & poverty;
ii. Civil society mobilization;
iii. Sport development;
iv. Domestic violence;
v. Substance abuse;
vi. Multi-Purpose, Community Centres (MPCC's);
vii. Human Resource Development;
viii. The involvement of local organisations;
ix. Anti-littering programmes;
x. Communication (particularly interpretation services into the relevant official languages);
xi. An advice office for municipal and developmental advice issues; and
xii. Mobilisation of health service providers.

d. **Objective 4**: **Infrastructure**

i. Sanitation;
ii. Road maintenance;
iii. Speed bumps on key roads;
iv. Water;
v. Spatial development plan;
vi. Communications;
vii. Outsourcing & privatisation; and
viii. Infrastructure in rural areas

e. **Objective 5**: **Environment**

i. Training & education; and
ii. Sustainable livelihoods

2.4 The Local Sphere

2.4.1 The Witzenberg IDP

The integrated development Plan (IDP) of the Witzenberg Municipality reflects the following key performance areas (KPA's):

a. Housing
b. Economic Development
c. Sustainable Services
d. Safety
e. Poverty Relief, Social Upliftment & Health
f. Financial Stability
g. Clean Environment & Heritage
h. Institutional Transformation & Governance

These KPA's were not prioritised, but from a survey performed in community meetings it has been found that Housing and Economic Development were the central priorities for most of Witzenberg's communities.

2.4.2 The Key Economic Development Target

The key economic development target has been identified in the Witzenberg IDP as the creation of an enabling environment where all residents can participate in a growing economy with focus points of the following:[58]

[58] Witzenberg IDP Review 2004/5

a. Increasing the number of viable and sustainable job opportunities;
b. Economic growth and a diverse economy;
c. Reducing poverty and redistribution of economic resources and opportunities to the advantage of all residents; and
d. Empowerment of residents to use opportunities fully;

The key performance indicator in relation to economic development is determined to be the number of empowerment actions and jobs created annually

2.4.3 Key Economic Interventions Identified in the IDP[59]

The Witzenberg IDP has determined upon the following priority foci in economic development:

a. The finalisation of the LED strategy that should include the following:

    i. Composition of working committee that comprises of local role-players;
    ii. Audit on all available financial resources;
    iii. Audit on all existing and proposed projects;
    iv. Audit on all municipal, business and industrial land not developed;
    v. Communications with groups in need of training; and
    vi. Market investment;

b. Support of key sectors such as tourism;
c. Support of development of the SMME sector;
d. Investigation of the development of PPP's;
e. Economy-friendly regulations and procedures;
f. Alignment of procurement to the advantage of local economy;
g. Cost-effectiveness in service provision; and
h. Rebates to enhance economic development and to assist newly established businesses.

[59] Witzenberg IDP Review 2004/5

3. LED Projects and Interventions

3.1 The National Sphere

Additional direct intervention in LED from the national sphere and from national bodies at present takes the form in the main of funding support. A list of acknowledged funding sources for LED is provided in Table 4.1.[60]

3.2 The Provincial Sphere

3.2.1 The Real Enterprise Development Initiative (RED)

The Real Enterprise Development (RED) initiative is the main strategy for the promotion and support of small business in the Western Cape. It will provide SMMEs and potential entrepreneurs in the rural and urban areas with business information and advice, support services, access to business opportunities, finance and skill and competency development. There are six main thrusts to the RED Initiative with a total budget allocation for 2004/5 of R 110 millions, namely:

a. The RED Door

The RED Door plans to establish a network of 35 welcoming, supportive and easy-to-access one-stop-shop information, advice and service hubs for enterprises and potential enterprises spread across all municipalities in the Province, with several in the City of Cape Town. The RED Door office will consist of advisers and mentors, a database with enterprise information for the specific region and economic sector and an Internet Café that provides entrepreneurs with access to the Internet.

Any entrepreneur in the Western Cape will be welcome as a client of a Red Door. Special attention will be given to entrepreneurs and business owners who fall within the youth, women and disabled categories. Service providers to the Red Door will be secondary clients of the Red Door. The service providers will be used extensively for business referrals and linkages. Partners in this project will include national and provincial government departments, parastatals, members of the DTI COTTI (e.g. CSIR, Khula, Ntsika-NAMAC, Umsobomvu Youth Fund), local government,

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[60] Department of Provincial and Local Government **LED Manual Series 5/5** (2003)

labour, civil society, business associations and chambers of commerce, informal business associations (e.g. hawker's associations), big business and local SMME-support organisations (both private and NGO sectors).

A specific process will be undertaken to select suitable locations for Red Door sites. This will be done in collaboration with local authorities and other stakeholders.

Application for a Red Door site can only be successful if it is owned and operated at the community governance level. Community stakeholders will set the targets and direction of programme delivery. Criteria for the establishment of Red Door site at local community level include:

i. Community interest and support from key stakeholders;
ii. Involved stakeholders express a belief that the Red Door will compliment existing business support, youth and educational services in the proposed community;
iii. The youth unemployment rate exceeds 10%; and
iv. The proposed area to be served has a population exceeding 10 000.

b. The RED Support Network

The RED Support Network aims to integrate and coordinate the services of the many advisers and service providers that serve entrepreneurs. The network is intended to be easily accessible and will provide information, advice and services needed by both potential and established entrepreneurs to create and enhance their enterprises. Such services include business plan development, financing, procurement, logistics, legal advice and technology support. Provincial government will help finance access to high quality service providers and address deficiencies in the current information market;

c. RED Finance

RED Finance will provide finance to SMMEs that do not meet the requirements of banks and formal financial institutions. In addition, RED Finance will oblige beneficiaries of loans to participate in a comprehensive mentoring and skills development programme. In the long term it also aims to change the mindset of mainstream financial institutions;

d. Access to Opportunities

The RED initiative will engage with key players in 11 targeted sectors to help create opportunities for SMMEs in their industries. This will also entail a campaign to encourage established businesses to procure from SMMEs;

e. Skills Development

To promote skills development, each of the 35 RED Door offices will offer a full curriculum of beginners' and advanced courses in the critical success areas of business management. At a later stage, on-the-job training will also be included; and

f. Access to Good Business Sites

Public infrastructure budgets of various government spheres will be mobilized to create space for SMME's manufacturers and traders to locate optimally

TABLE 4.1: NATIONAL FUNDING SOURCES FOR LOCAL ECONOMIC DEVELOPMENT

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
BRIDGING FINANCE & GUARANTEE SCHEME (IDC)	IDC	The programme is intended to assist entrepreneurs requiring guarantees and/or bridging finance to fulfil fixed terms contracts.	Entrepreneurs with limited experience in managing industrial enterprises, who have been awarded government or private sector contracts for providing services/products to established blue chip clients.	Funding is available for short-term projects (maximum18months) on information technology, telecommunications, electronics and electrical industries.
BUS SUBSIDIES AND CONTRACTS	Department of Transport	This programme is aimed at providing affordable fairs to commuter buses as means of transportation.	The programme is open to operators of bus transport services.	Funding is available for SMME development, tourism, environment, water, and disaster management.
BUSINESS LOANS FO R RETAIL FINANCIAL INTERMEDIARIES	Department of Trade and Industry	Offers financial assistance in the form of loans to retail financial intermediaries to finance their operations	To qualify for loans retail lending organisations must be involved in the SMME market and have the potential to be sustainable and fall within Khula's eligibility criteria.	Funding is available as: business loans, seed loans, capacity building, equity, credit guarantee, Individual guarantees, institutional guarantees, portfolio guarantees
CHILD SUPPORT GRANT	Department Social Development	To supplement the cost of raising very poor children by making	The funding programme is targeted at households with a	

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		available a grant of R100 per month	monthly income of less than R800, Located in rural areas, or living in non formal housing environments.	
COMMUNITY BASED PUBLIC WORKS PROGRAMME	National Department of Public Works	The programme is intended for job creation, poverty relief and development of rural community infrastructure	The projects being applied for must be labour intensive, promote production, social cohesion, save jobs and be environmentally friendly.	The programme is available to communities through district municipalities who act as implementing agencies. Funding is available for projects in the agricultural, manufacturing, infrastructure, SMME, tourism and environment sectors.
COMPETITIVENESS FUND	Department Trade and Industry	To improve the competitiveness of South Africa's firms. Facilitate improved profitability through greater and more efficient penetration of both export and domestic markets.	Private firms engaged in manufacturing and services industries (excluding household services) Firms planning to engage in joint activities. The marketing decision-making of applicant companies must be South African based.	Short term funding is available, and is to be used in the manufacturing and services sector.
CONSOLIDATED	Department Provincial	The programme is	Local Government.	Funding is available for

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
MUNICIPAL INFRASTRUCTURE PROGRAMME (CMIP)	and Local Government	designed to further the aims o f the RDP through the provision of bulk connector and internal services, community services and facilities in support o f previously disadvantaged areas.	While the CMIP does not have specific target groups, the conditions of approval indicate that youth and women must make up at least 30% of the employed workforce. Also, 30% of the contract must be awarded to the SMME sector.	short, medium, and long term projects and is directed at infrastructure development, SMME development, and capacity building. The amount of the subsidy is formula base data district level. Funding is once-off for a period of five years. Funding can be applied for more than once as long as it is not for the same project or has not reached the R3000.00 ceiling per household, except in exceptional circumstances as Determined by CMIP. The Programme funds new basic projects, rehabilitation projects and upgrading below standard infrastructure and services. CMIP is a conditional grant.
DANIDA BUSINESS TO BUSINESS PROGRAMME	Department of Trade and Industry	To develop and strengthen business opportunities. Create jobs for eligible	Entrepreneurs from previously disadvantaged communities	Guarantee considered for loans aimed at procurement of shares, purchasing of machinery

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		entrepreneurs from the previously disadvantaged communities		and capital equipment essential for the business to succeed. Khula w ill issue 100% guarantee to the financial institution that will issue a loan to the beneficiary. Any financial institution can participate on this scheme.
ENTREPRENEURIAL FINANCE SCHEMES (IDC)	Independent Development Corporation (IDC)	*Takeovers and acquisitions, consortium and finance:* Provides finance required for take-overs and acquisition, and assists empowerment groups to increase their equity base to enable these groups to acquire meaningful shareholding in industrial groups. *Wholesale finance:* Provides on-going lending to emerging entrepreneurs with the purpose of expanding or establishing new business. *Low interest rate*	Emerging entrepreneurs	Medium term funding is available for use o n industrial property, plant and machinery, and working capital. Funding is open to any participating medium and large enterprises in the following areas: takeovers and acquisitions, consortium and finance, wholesale finance, low interest rate empowerment, fish harvesting, agro-scheme, and midiprojects.

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		empowerment: This programme is geared toward promoting the creation of new production capacity or expansion of enterprises of historically disadvantaged people. *Fish harvesting:* Assists with the acquisition of fishing vessels, equipment and working capital related to the creation or expansion of fishing ventures. *Groscheme and midiprojects:* This programme aims at stimulating the establishment of new internationally competitive medium-sized agricultural and industrial manufacturing projects.		
HOUSING DEVELOPMENT	Department Housing	The programme is intended to provide financial assistance for the targeted groups to purchase houses. The fund is divided amongst	Provincial governments. Municipalities both rural and urban. Individuals whose household income is less than R3500 per month	Funding is available for medium term projects, ranging from 3 to 5 years. Funding is made available to

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		the nine provinces in terms of the allocation criteria in accordance with the Housing Act 107 of 1997. Current and upcoming plans may be obtained from Provincial Housing Departments.	and meet certain other Criteria. Organisations and consultants, CBOs and NGOs	manufacturing in a restricted sense, for example, manufacturing of housing materials and infrastructure development such as sanitation, water connection, paving of roads and mass lighting. A maximum of R7500 is available per site, but the amount available per sector category depends on the category of income group.
IKHWELO PROGRAMME	Department Education	The objective of the ABET is to provide basic literacy skills to the targeted group with a view to uplift their socio-economic well-being.	Public adult learning centers Women Youth People with disabilities The aged	Medium term funding is available and is directed at agriculture, SMME development, tourism, ancillary health care, and ABET levels 1 & 2. A ceiling amount has not yet been specified.
INTEGRATED NUTRITION PROGRAMME	Department Health	The programme is intended to alleviate poverty of the targeted groups.	The funding programme is available to provinces, but NGOs, municipalities, and CBOs may Act as implementing agents. The targeted groups	Funding is available for short, medium, and long term projects. Funding is provided for the SMME sector. The feeding scheme involves collaboration

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
			consist of pregnant women, lactating mothers, and children under the age of 5 years. However, children up to 15 years old, the disabled and the aged can also benefit from this programme.	between the health and education sectors.
KHULA START	Department of Trade and Industry	Intervention strategy to promote greater access to micro credit by rural communities in South Africa. Khula Start provides financial support for the lower end of the micro enterprise sector. It targets historically disadvantaged communities, particularly women in rural and peri-urban areas. As much as 70% of the loans are targeted for women.	Organisations wanting to assist in establishing Micro Credit Organisations (MCO) must be based in rural or peri-urban areas and must have some links with both the community and community leadership.	The NGO or CBO should already be involved in some form of SMME support activity in the community such as business training and advice. There must be a need for a MCO in the community and there should not be another lending facility offering a similar product within close proximity to the area where the organization operates.
LABOUR MARKET SKILLS DEVELOPMENT PROGRAMME	Department Labour	The objective of the programme is to develop the skills of the South African workforce.	The programme is open to training providers, new and expanding companies, and	Medium term funding is available and is directed at SMME development and skills training.

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
			disabled persons. For companies, only investment projects that qualify for the SMME development programme or strategic project initiatives can apply for the skills support programme.	
LAND REFORM CREDIT FACILITY	Department of Trade and Industry and Department of Land Affairs	To financecommerciallyviablelandtransferprojectstopreviouslydisadvantagedpeople. This may involve individual households becoming owners of productive land, or the establishment of joint venture (share-equity) partnerships between farm workers and commercial farmers. Assist SMMEs and entrepreneurs to enhance their export capabilities.	SMME's Manufacturers Agriculturalists	Short, medium and long term funding is available. The purchase price of the land and related assets must not exceed R600000 per disadvantaged buyer. The ratio of land price to Rands borrowed must not exceed 10% of the project. Funding is available to the following sectors: agriculture, manufacturing, infrastructure and SMME development.
LOCAL ECONOMIC DEVELOPMENT FUND	Department of Provincial and Local Government	To provide funding to municipalities engaged in projects that impact on job creation and	The funding programme is targeted to municipalities that engage in projects that	Funding is available for short and long term projects, for job creation and poverty alleviation.

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		poverty alleviation.	impact on job creation and poverty alleviation.	A maximum of R1.5 million is made available to each municipality whose application is approved. Funding disbursed as a conditional grant in terms of the vision of the Revenue Act.
LOCAL GOVERNMENT EQUITABLE SHARE	Department Provincial and Local Government	To empower municipalities to provide basic services to poor municipalities.	The programme is available to all category A and B municipalities.	Types of categories vary and are determined by municipalities.
LOCAL INDUSTRIAL PARK (LIP) PROGRAMME	Public Works and DTI	To provide industrial parks with the aim of supporting SMMEs by providing them with small manufacturing premises to operate from.	The funding programme is targeted at SMMEs	
MOTOR INDUSTRY DEVELOPMENT PROGRAMME (MIDP)	Trade and Industry	The objectives of this programme include: To develop the motor industry by increasing competitiveness and productivity Enable local vehicle and component manufacturers to	Manufacturers of vehicles. Assemblers of heavy and light vehicles. Exporters of vehicle components.	The size of the rebates varies and there is no ceiling. Every time a company needs to import or export goods, they can claim for the rebate. Funding for the same project may be applied

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		increase production runs Encourage the rationalization of the number of models manufactured by way of exports, and complementing imports of vehicles and components. The MIDP does not provide funding, but allows companies to apply for rebates in order to exempt the applicant from paying duty.		for more than once.
MUNICIPAL SERVICE PARTNERSHIPS	Department Provincial and Local Government	To encourage and optimize private sector investment in local authority services on a sustainable basis for local authorities. To assist the development of an established MSP market containing informed local authority clients, private sector advisers, and private sector investors and service providers.	Local authorities	Short and medium term funding is available. Investments can take any of a broad range of forms, including: Private sector financing of municipal debt. Contracting out of the management of ongoing services. Concessions to operate local authority's assets over a defined period of time. Contracts requiring the

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		The aim is to complete the programme after a maximum of five years from the date of its original establishment.		private sector to design, build, finance and operate assets to deliver services for local authorities. Privatisation of assets and services.
NATIONAL LANDCARE PROGRAMME	National Department of Agriculture	Community-based, government supported, sustainable land management programme. Offers practical assistance to ensure sustainable land practices are identified, implemented and monitored, primarily by rural communities. Enhances the long-term productivity of natural resources. Encourages opportunities for the development of business enterprises which focus on sustainable resource management. Encourages skills development for sustainable livelihoods. Promotes partnerships	Theresourcepoor,i.e.poo rruralcommunities,NGOs, CBOs,organisedclubsorf armers groups, and District Councils can access the National Landcare Programme and develop project proposals.	Short, medium and long term funding is available, for agricultural and environment projects. Scale of the proposed project determines the ceiling amount available to applicants, usually R1 million is applied for under the focused investment component and R100,000 under the Small Community Grants component. Grants are conditional on being employed on poverty alleviation projects. Grants are awarded for two key areas, Focused Investment (Watercare, Veldcare, Soilcare, Juniorcare) and Small

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		among the communities, private sector, government and NGOs in the management of natural resources. Establishes institutional arrangements to develop and implement policies and programmes that will lead to sustainable use of natural resources.		Community Grants. In 2001 and 2002 the following plans are contemplated: effective land care stakeholder networking, invitations for land care project proposals from each province, communication, marketing and public relations campaigns.
NORMAL FINANCING FACILITIES (IDC)	Industrial Development Corporation (IDC)	*Normal financing facilities:* A credit guarantee is provided to local industrialists for financing of import of capital goods and services. Credit is available with a view to assist the exporter's Competitive terms to foreign purchasers. *Standard leased factory buildings* Funding is provided for leasing buildings. *Venture capital:* Credit is aimed at	Industrialists Exporters SMME's	Funding is to be used for medium term projects mainly on industrial property, plant and machinery, and working capital, plant and equipment. Funding is open to any participant in the SMME sector.

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		commercializing products with good potential growth and assisting the establishment of new ventures. *Cleaner production scheme:* Finance is intended to assist industrialists to acquire fixed assets to control or reduce pollution, to protect the environment, save costs and save guard exports. *Eco-tourism* IDC funding in eco-tourism is aimed at the development, improvement and/or expansion of tourist facilities in game parks and conservation areas, the renovation, refurbishment and extension of existing accommodation facilities, and other capital intensive tourist projects. Financing is intended for		

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		conservation areas under the control of conservation authorities, private game parks of reserves of substantial size and significance. *General tourism:* Financing seeks to provide financing assistance to institutions that offer accommodation to tourists, and capital intensive tourism projects, and for the renovation and refurbishment and extension of existing facilities and new tourism development projects.		
REBATE PROVISIONS	Trade and Industry and Board on Tariffs and Trade (BTT)	To allow manufacturers to access rebates on customs duties on imported goods To facilitate the importation of goods (raw materials, components) used in the manufacturing process and finishing of	Manufacturers involved in the import and export business.	

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		goods for export, thereby enhancing exports.		
ROAD INFRASTRUCTURE PROJECT	The South African National Roads Agency	To upgrade rural access roads Create road side facilities Provide road safety training		
SCHOOLS AS CENTERS FOR COMMUNITY DEVELOPMENT	Department Education	The Programme is intended to develop 27 schools in rural areas, which will operate as centers for community development where jobs will be created as part of the programme.	The programme is targeted at rural areas and should also create sustainable jobs for marginalized sectors of society such as women, people with disabilities and the youth.	Medium term funding is available for projects geared toward infrastructure and SMME development.
SECTOR PARTNERSHIP	Department of Trade and Industry	To promote collaborative projects that enhance the productivity and competitiveness of the manufacturing and agro-processing industries.	Available to any partnership of five or more organisations within the South African Manufacturing and agro-processing industries.	
SMALL / MEDIUM MANUFACTURING DEVELOPMENT PROGRAMME	Department Trade and Industry	To promote investment in manufacturing sector To promote small-medium sized manufacturing.	The funding programme is targeted at SMMEs in the manufacturing sector	Domestic and foreign firms can apply Firms must be engaged in new or secondary manufacturing

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		To facilitate high degree of labour absorption by offering tax-exempt incentive packages. To establish grant and profit/output incentives		
SOCIAL PLAN & WORK PLACEMENT CHALLENGE	Department Labour	The objectives of the funding programme are to develop and enhance South Africa's productive capacity.	Individuals, institutions, organisations, unions, and federations whose objectives are to improve productivity in South Africa.	The programme consists o f the social plan programme and the work placement challenge programme. All programmes funded by NIP are short term in nature and range form 1 to 2 years. Any sector or sub-sector of the economy can apply for funding. The amount released is based on a needs analysis.
SPATIAL DEVELOPMENT INITIATIVES	Department of Trade and Industry	To attract private sector investment To establish local industrial parks To maximize productive activities by clustering key industries around strategic anchor points To identify clear	Available to areas with high potential for economic growth	

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		packaged investment opportunities To facilitate a coordinated approach to planning and implementation		
SPORT AND RECREATION FACILITIES PROJECT	Department Sport and Recreation	This is a poverty relief programme which aims for employment creation and income generation whilst at the same time addressing sport and recreation infrastructure needs.	District and Metropolitan Councils	The funding is intended to fund medium term projects in infrastructure. No exact ceiling amount is set. It depends on the type of project and the priority of the area in which it is situated in terms of national priorities for development and poverty relief.
TECHNO INDUSTRIES (IDC)	Independent Development Corporation (IDC)	The aim of this funding programme is to provide funding to companies in the following areas: Information technology Telecommunications Electronics Electrical industries	Emerging entrepreneurs	Funding is to be used for medium term projects related to information technology, telecommunications, electronics and electrical industries.
TECHNOLOGY GUARANTEE FUND	Department Trade and Industry	To provide loan guarantees for SMME's for the purpose of acquiring manufacturing technology.	SMME's	Medium term funding is available The Technology Guarantee Fund guarantees 90% o f the

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
				technology transfer expenses to a maximum of R 1 000 000. Khula levy the standard indemnity fee of 3% per annum on the facility as guaranteed, payable annually in advance.
THUSO MENTORSHIP PROGRAMME	Department of Trade and Industry	To provide mentorship services to SMME's owned by previously disadvantaged individuals To reduce the risk associated with SMME's that obtain loan finance from commercial banks with the assistance of the Khula Credit Guarantee.	SMMEs business owners from previously disadvantaged communities.	Funding is conditional on applicant qualifying for credit guarantee. Funding is conditional on applicant contributing 10% toward the cash or existing fixed assets and at least 25% toward the cost of mentorship or drawing up of a business plan. The applicant is expected to apply for a loan between R100000 and R1 million.
TOURISM DEVELOPMENT & INFRASTRUCTURE, COASTAL MANAGEMENT & WASTE MANAGEMENT	Environmental Affairs and Tourism	Funding is available for assisting businesses involved in tourism, infrastructure, coastal management and waste management. This programme aims to offer assistance to the	Municipalities (rural and urban) Organisations Consultants Individuals CBOs, NGOs, and private corporations Government	There are different categories of funding by sector: SMME development Tourism and environment Tourism product development

Name of programme	Funding/Organising Agency	Objective	Target Group	Qualifying criteria
		most needy groups of individuals. In 2001 R175 million has been made available and a further R204 million for 2002.	corporations Provincial authorities and schedule C corporations. 60% of the funding is allocated to women-headed household and 40% to male-headed households each with household incomes less than R600,00 per month	Waste management Coastal development Community based resource management. R25 million is available for each category. Although there is a ceiling on the maximum amount of money disbursed to each applicant it is not clearly defined. Funding must be used for community economic development and SMME development. There are conditions except in cases where there is a need for a change in direction of funding.
WORKING FOR WATER PROGRAMME	Department Water Affairs and Forestry	Objective: to clear invading plants for socio-economic, biological, hydrological and ecological benefit. Provide employment to economically disadvantaged individuals.	Projects must employ women, youth, and people from poverty-stricken single headed households.	Long term funding is available and is directed at the following sectors: agriculture, SMME development, tourism, environment, water, and disaster management.

3.2.2 Economic Development Units (EDU's)

An initiative of the Department of Economic Development and Tourism but manifesting at the municipal level involves the establishment of Economic Development Units (EDUs). The evolving developmental responsibilities of local governments have revealed a lack of capacity for LED planning in local municipalities. Most local municipalities do not have the capacity or skill to determine their role in LED, successfully promote and manage LED in their area and facilitate the engagement of other stakeholders in promote economic development. Specifically the shortcomings of municipalities generally are inappropriate institutional arrangements, inadequate human resources and financial capacity for LED, poor formulation and identification of projects, and a failure to link the municipal budget to clearly identified programmes and projects.

Economic development units (EDU's) are designed to assist municipalities in restructuring to provide a recognized, trained and focussed team responsible for LED. The structure will be responsible for the maintenance of economic baseline information, as well as any economic opportunities of threats that affect the region. It will explore the implications of new or existing state laws, policies and legislation and interact with provincial and national government agencies to coordinate initiatives. It will provide a point of reference for the community as well as between the local region and the rest of the economic environment in which it operates. Most importantly, it will inform the council and officials of economic development issues, concern, needs and proposals that arise from both the internal and external environment of the region.

The Provincial Department of Economic Development and Tourism undertakes to fund or assist in providing access to the technical expertise required to train or mentor the selected officials within the EDU. A number of B-municipalities have also requested assistance in the establishment of EDUs within their own region which the Department Economic Development and Tourism will provide over the next two years.

Should Witzenberg for example also wish to take this route the municipality will need to assign and fund at least one full-time employee to the unit, which would be have to be based either in the office of the Municipal Manager (as recommended in Chapter 3 above) or in the planning and development division.

3.3 The District Sphere

3.3.1 The Winelands District Municipality Economic Development Unit (EDU)

Boland District Municipality has already established an EDU to manage and coordinate economic information for the region.

3.3.2 Winelands District LED Projects

Project needs identified in the district integrated development plan and specifically impacting upon Witzenberg are reflected in Table 4.2 below.

In addition the additional LED projects reflected in Table 4.3 have been approved as indicated on the basis of a number of criteria including:

a. The ability of the project to create employment;
b. Its capacity to leverage other sources of funding;
c. Sustainability of the project and of the employment created; and
d. Consistency with the approved local IDP.

TABLE 4.2: WITZENBERG PROJECTS REFLECTED IN THE WINELANDS DISTRICT IDP

Project Number	Location	Description	IDP Objective	2002/3	2003/4	2004/5	2005/6
1	Witzenberg	Regional Refuse Site	4	500000			
2	Witzenberg	Closure/Rehabilitation of Refuse Site	4	400000			
6	Region	Bus Shelters	4	150000			
7	Region	Subsidy: Provision of Sewerage on Farms	3	728529	500000	600000	
12	Region	Sewerage and Water Services: Rural Areas	4	605105	700000	600000	
15	Region	Spatial Development Framework	5	100000			
16	Region	Transformation 2000	6	31836			
20	Region	Sport Facilities: Rural	3	346645			
26	Witzenberg	Municipal Refuse Site	3	200000			
27	Op-die Berg	Clinic	3	150000			
28	Tulbagh	Services: Informal Squatter Area	3	450000			

Project Number	Location	Description	IDP Objective	2002/3	2003/4	2004/5	2005/6
29	Tulbagh	Clinic	3	100000			
30	Prince Alfred Hamlet	Public Toilets	3	100000			
75	Op-die-Berg	Upgrading Sewerage Emergency dam	4	160000			
86	Op-die-Berg	Pipe Replacements	4	150000			
101	Op-die-Berg	Network Analysis: Water and Sanitation	4	60000			
107	Ceres	Skills Development: Advice Office	1				
108	Ceres	Tourism Shop and Cultural Center	1				
109		Frail Care Center (Agape Aids Support)	3	100000			
122	Ceres	Culture Tourism project	1				
123		Production Training Center	1				
131	Ceres	Culture Tourism Project	1				
132		Production Training Center	1				
157	Witzenberg	Land Reform: Kluitjeskraal, Wolseley-Swaneberg Park	2	175000			
158	Witzenberg	11kV Overhead Cable (Eselfontein Road)	4	81550			
159	Witzenberg	11kV Overhead Cable (Japonika to Jacaranda sub-stations)	4	175000			
160	Witzenberg	11kV Ring Supply Cable (Bon Chretien sub Eselfontein Line)	4	209745			
161	Witzenberg	Purchase of Clamp-type Stream Transformers	4	30000			
162	Prince Alfred Hamlet	Street Lighting-Bakoond Farmers	4	250000			
163	Witzenberg	11kV Ring Supply Cable (Bon Chretien sub Nduli)	4	100000			
164	Tulbagh	11kV Ring Supply Cable (Old Packing Store – Palm Circle mini-sub Tulbagh)	4	104850			
165	Wolseley	11kV Ring Supply	4	75000			

Project Number	Location	Description	IDP Objective	2002/3	2003/4	2004/5	2005/6
		Cable (Solomon Street)					
166	Wolseley	11kV Ring Supply Cable (Lang to Grens Street sub)	4	175000			
167	Wolseley	11kV Ring Supply to Industries	4	175000			
168	Wolseley	Street Lights (Voortrekker Street)	4	275000			
169	Ceres	Street Lights (Ceres to Nduli)	4	350000			
170	Witzenberg	Point of Use GIS Database	4	116500			
171	Witzenberg	Integration of Computer Systems	4	350000			
172	Ceres	Upgrading Storm Water Systems	4	120000			
173	Ceres	Upgrading Storm Water Systems (Nduli)	4	60000			
174	Wolseley	Upgrading Storm Water Systems (Bella Vista)	4	78000			
175	Tulbagh	Upgrading Storm Water Systems	4	84000			
176	Op-die-Berg	Upgrading Storm Water Systems	4	50000			
177	Wolseley	Upgrading Storm Water Systems	4	80000			
178	Prince Alfred Hamlet	Upgrading Storm Water Systems	4	90000			
179	Wolseley	Public Toilets	4	350000			
180	Prince Alfred Hamlet	Public Toilets	4	138759			
181	Ceres	Public Toilets (Munnik Street)	4	312886			
182	Witzenberg	Reconstruction of Boerneef street	4	342000			
183	Witzenberg	Rebuilding of Panorama Street	4	522000			
184	Witzenberg	Rebuilding of Holtzapfel Street	4	83000			
185	Witzenberg	Extension of Clinic to Bella Vista	3	500000			
186	Tulbagh	Phase 2: Water Network Rehabilitation	4	230000			
187	Wolseley	Phase 2: Water Network Rehabilitation	4	240000			
188	Wolseley	Sewerage Network	4	110000			

Project Number	Location	Description	IDP Objective	2002/3	2003/4	2004/5	2005/6
		rehabilitation					
189	Prince Alfred Hamlet	Water Resource and Network Upgrade	4				
190	Witzenberg	Road works Phase 3	4	150000			
191	Ceres	Nduli Township Extension	2	260000			
192	Ceres	Nduli Road works	4	250000			

TABLE 4.3: ADDITIONAL PROJECT CONTRIBUTIONS BY THE DISTRICT MUNICIPALITY

Applicant	Project Description	Project Cost (Rands)	Amount Approved (Rands)
Boland Development Council (Drakenstein)	Madiba House	250000	100000
MAG Training Centre (Breede Valley)	Entrepreneurial Development Programme	229730	80000
Interchange Foundation (Breede River/Winelands)	Montague/Keisie Development Project	100000	50000
Ceres Advice Office (Witzenberg)	Skills Development	303492	50000
Agape Aids Support group (Drakenstein)	Frail Care	400000	100000
ACVV Worcester (Breede Valley)	Skills Development	30165	30000
ACVV Robertson (Breede River/Winelands)	Restoration of Morgenson Crèche, after care, group facilities	150000	50000
Koue Bokkeveld Service Centre (Witzenberg)	Job Creation and Skills Development	87610	87610
Touwsriver Disabled Persons' Organisation (Breede valley)	Manufacture of Wood Products	48805	48000
Stellenbosch, Paarl, Worcester	Tourist overnight accommodation: Co-operative	108300	70000
Stellenbosch	Kaya Mandi Craft Market	62000	62000
Worcester/Mbekweni	Art and Drama	53500	43930
Safmarine Multi-Purpose Centre	Establishment of a Computer centre	79810	79810

Applicant	Project Description	Project Cost (Rands)	Amount Approved (Rands)
(Drakenstein)			
Sibuyile Training Centre	Production Training Centre	100000	50000
Vukuzenzele Women's Training Project	Skills Training	25900	25900
Worcester Para-legal Aid Resource Centre (Breede Valley)		35250	35250
Sasko Sally Koinonia Baking School (Drakenstein)		187500	37500
TOTAL		**R 2 252 063**	**R 1 000 000**

3.4 The Local Sphere

Such local economic development as is at present taking place in the Witzenberg area is largely disjointed and project-driven. Community buy-in and sustainability of LED projects remains a problem due to the relatively unstructured and ***ad hoc*** methods of community consultation and the lack of proper objective viability studies before implementation decisions are taken. A number of projects locally designated as LED projects are at present proposed or underway in the Witzenberg jurisdiction. These projects serve to define the current LED environment in Witzenberg and are briefly described below:

3.4.1 Selected Witzenberg LED Programmes and Projects in Process

a. Kluitjieskraal and Waterval[61]

Kluitjieskraal and Waterval are two small settlements within the jurisdiction of Witzenberg Municipality located on "private" land. These settlements form part of a group of similar settlements in the Western Cape characterised by a lack of formal township establishment, a single owner in the form of parastatal, state department or church. Municipal services so far as they exist are delivered privately or on contract. The communities living in these areas have an expectation after the re-demarcation of municipal boundaries, of improved municipal service delivery. Municipalities are however prohibited from delivering services on private land without proper authorisation in the form of a

[61] http://www.capegateway.gov.za/Text/2003/kluitjieskraal_waterval_investigation.pdf

services contract or conclusion of formal township establishment procedures. Parastatals such as Spoornet and SAFCOL, for example, are in the process of rationalising their operations and do not longer require the maintenance of all of their worker settlements. Since the land is often owned by the state, the responsibility for maintenance and service delivery shifts onto the Department of Public Works, with several other role-players' involved.

Three interrelated developmental challenges face Kluitjieskraal and Waterval and other similar settlements:

i. **Security of tenure**: Formalising ownership or other tenure mechanisms on state land; and
ii. **Provision, upgrade and maintenance of services and facilities**: Establishing measures to provide effective minimum municipal services through township establishment or contract; and
iii. **Affordability and Sustainability**: Arrangements for the payment for and subsidisation of basic municipal services.

Communities such as this that are affected by operational rationalisation and marginalisation are particularly important focus points for LED interventions aimed at establishing a new community economic basis.

b. Ceres

i. Golf Estate Development

A R100 million golf estate development has been proposed for Ceres. The development involves the construction of 250-300 houses and will provide numerous permanent and temporary job opportunities. The municipality provided the land, and three investor groups (one local, two foreign) tendered. The tender was awarded to Group 5, but development has been on hold for almost a year and a half. Some general reservations are evident in the province as to the viability of developments such as this in terms of the (interim) provincial guidelines emanating from the Provincial Growth and Development Strategy (PGDS) and the Provincial Spatial Development Framework (PSDF). (Refer paragraph 2.2.1 above);

ii. Craft (Dream) Project

The Craft (Dream) Project has entailed the development of a craft production and sales centre at the nature reserve at the entrance to Ceres. The project provides crafters in the Ceres area with a central point of sale, situated at a convenient location for tourists to the town. The project is sponsored by DEED and the total cost is estimated at R860000. At this stage, 180 people have already been identified as producers of craft items. The preliminary Environmental Impact Assessment recommended the relocation of the entrance road to the Craft Centre. The project is in operation;

iii. Aquaculture Project

The first phase of an aquaculture project, the result of an earlier LED-related Social Development Fund study, aimed to diversify the local economy and was successfully completed in association with Stellenbosch University (Elsenburg College). This phase entailed the production of 10 000 fingerlings in cages in a local dam, providing employment to two persons. There is an outstanding debt of R17 000 to the University of Stellenbosch on Phase 1. The Aqua Farming Project was one of five projects identified. The other four projects have obtained funding from elsewhere and are in implementation. Initially the provincial government department responsible undertook to fund the first two phases of the project to the extent of R410 000 in 2001/2002. Based on this undertaking, the Witzenberg Municipality applied to the province for Local Economic Development funding for Phase 3. The provincial funding for Phases 1 and 2 did not materialise and the municipality now has approved funding for Phase 3 but insufficient funds to complete Phases 1 and 2.

Funding is now required for Phase 2 that will entail the expansion of the project to other farms. It is envisioned that this may provide an additional source of income to unemployed or retired persons, enabling them to produce fish in floating cages in farm dams. Both the University of Stellenbosch and the Department of Agriculture were approached for funding, but the outstanding debt from Phase 1 and other factors around the project have complicated and delayed matters. Province has also been approached for permission to apply the funding available for Phase 3 to the completion of Phases 1 and 2 but approval has not been forthcoming. The project is also investigating possible expansion into fresh water recreational fishing mainly for trout for tourists and local inhabitants.

Whilst projects of this kind are technically feasible, they are not always cost-effective in terms of the employment and income they create per unit of expenditure from the side of government. Sound business-economic viability studies to accompany technical viability investigations thus remain critical;

iv. Technical and Financial Advice and "Skilling"

The local Business Chamber has indicated that it wants to become engaged in local business development by providing a "help desk" to people that want advise on how to start and manage their own business. This service will be provided on a voluntary basis by the members of the Chamber. The details still have to be finalised and will be published in due course.

v. Development of a Business Park

Such an initiative has never been tried in the Witzenberg area, although some informal discussions have been held in this regard. The suggestion has in the past been made that small business activities should be concentrated together and relocate to a single locale or building. The problem is however that the selected building should be near the town centre, and therefore will be expensive. The current crafters building at the entrance to Ceres is also based on the principle of co-location of craft-related business activities. Business parks can be successful tools for LED but the business/operational model adopted is critical. The approach is generally not cost-effective in terms of the creation of jobs if the local authority is through an inappropriate operational model for the facility to find itself immersed in perpetual commitments to the subsidisation of marginal businesses that have little if any prospect of self-sustainability;[62]

vi. Community Gardening Projects

Following the withdrawal of the Child Care Grant in the Western Cape the need was perceived for a means of providing income to mothers with young children. Accordingly gardens were started at Nduli and Gouda Greenvalley for the purpose. These projects have essentially fallen into the category of "workfare" projects – constituting in essence social welfare interventions requiring some quid pro quo on the part of the recipients; and

vii. Ceres Meat Packers

Following the withdrawal of the Child Care grant and the consequent need to provide an income for women with younger children the possibility was mooted of obtaining government funding for the start-up of this operation. However, the condition

[62] Consultus **A Business Support Facilities Model for the City of Cape Town** (2004)

of government funding was clearly that the benefits should be enjoyed by mothers with young children and no other means of support. This condition could not be met by the operation and although the required funding was forthcoming from government for the project, alternative funding sources were accessed and the meat packing undertaking is in operation. The fact that alternative funding was available or this project seems to suggest that it was from the start not a candidate for welfare support such as provided for in the relevant government programmes. This points up once again the extreme importance in resourcing projects of ensuring that grants and subsidies of whatever kind are accessed only as a last resort and that other funding sources are leveraged into development processes as a first priority.

c. Tulbagh

i. Transforming the Old Post Office

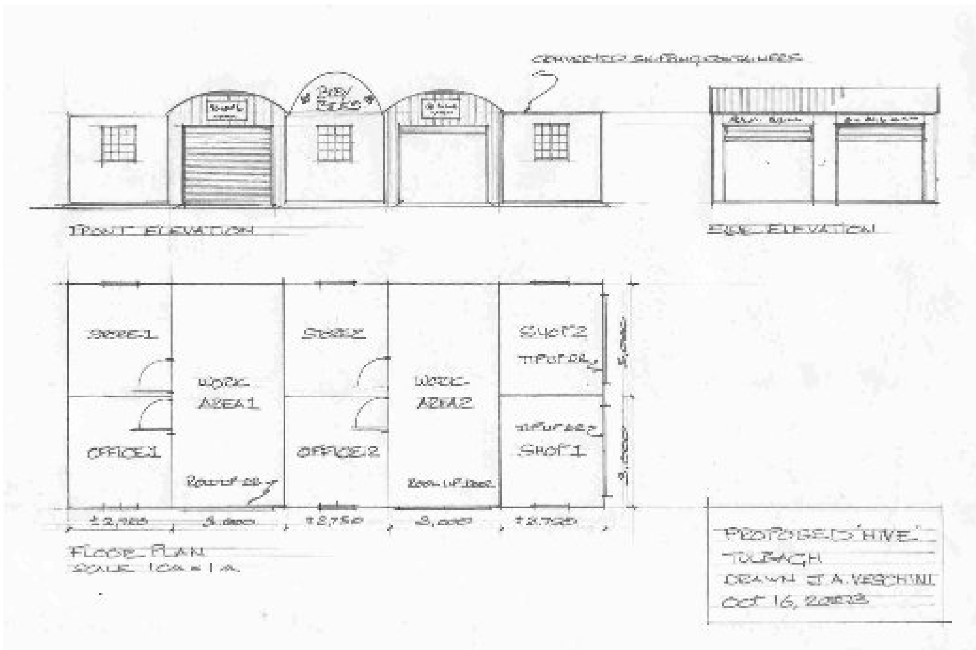
The old post office provides an excellent central location situated in the middle of Tulbagh for the establishment of a training facility or market for locally produced wares. Council has as yet not responded to requests for approval of the project. As with all projects of this nature a sound and objective viability study is critical in determining whether this is the best application in terms of sustained employment and income created of what is a valuable business property;

ii. Witzenville Mall

Possible sites have been identified for the development of an SMME hive and approval requested from Council. The hive is to be constructed using converted shipping containers rented at a nominal charge to emergent businesses. (Figure 4.6) The idea is for the hive to support direct sale to the public ***in situ*** as well as to supply a craft market to be established in the town. (Refer paragraph ix below)

A site for the manufacture and storage of items for sale at the market has been identified on land currently owned by the Witzenberg Municipality and readily accessible to Witzenville. The Tourism Bureau wish to negotiate the lease of this land on favourable terms for a period of 5 years or longer.

FIGURE 4.6: PROPOSED WITZENVILLE MALL



The same caveats apply to this project as to all others, namely does this project represent the "highest and best" use of the land and resources available for the creation of sustainable jobs in Tulbagh and does the operational model to be employed in the project clearly strive for self-sufficiency of the businesses engaged in the market or does it commit the Witzenberg Municipality to the ongoing subsidisation of inherently non-viable workfare expenditures representing a welfare rather than a ***bona fide*** LED intervention;

iii. Steinthal Training Facility

Steinthal is an estate with a poultry farm, dairy, children's development centre and a home for the socially disadvantaged as well as a secondary school for learners with special education needs (LSEN). The facility is situated five kilometres from Tulbagh. Between 1995 and 2001 the institution was upgraded to it's present form. The farm is constantly being improved by commercialising key activities including the planting of buchu. Expansion of Steinthal's activities to provide skills training to farm labourers is also intended;

iv. Crèche for Chris Hani Community

The crèche is intended to provide for 60 children between the ages of 2 and 5 years in the Chris Hani informal settlement and will be funded by external donors. However, suitable land for the crèche needs to be identified and rezoned by the Witzenberg Council. This is a social capital investment project. Nevertheless it is important and indeed an obligation upon Council that an objective viability study should be performed in order to optimise upon the use of available land in terms of its potential alternative use for ***bona fide*** economic development and employment creation purposes, and at the same time to enable social investment projects of this nature to go ahead;

v. Small Scale Farming Development

An area has been designated in the spatial development framework of Tulbagh for the development of small scale farming. Doubts have been expressed as to the suitability of the land set aside for this purpose. These concerns revolve around the lack of water in the allocated area and the unsuitability of the land for cash cropping of vegetables. Small portions of water abundant land elsewhere on the fringes of the town have been suggested as possible alternative locations for this activity as part of an alternative spatial development plan for Tulbagh;

vi. Labour-Intensive Road works

Tarred and gravel roads in the town centre and surrounding rural areas are in generally poor condition. The municipality has received a Consolidated Municipal Infrastructure Programme (CMIP) allocation for the repair of roads amounting to R 1,8 millions over the period 2004 to 2006. The funds form part of a national initiative and 20 local persons are currently being trained to undertake the repairs;

vii. De Hagen Tourism and Training Centre

Many specialised products (so-called "nuisance items") such as overalls and other items are unfortunately not available locally and must be sourced from other towns. Initiatives are planned for the establishment of local small businesses to manufacture specialised products, but a suitable site to locate small businesses has not been obtained.

One such initiative has been launched by the Tulbagh Farm Workers Association to develop a De Hagen Tourism and Training Centre. The Centre will be built on land owned by the Farm Workers Association and will also include a museum of traditional farming products and methods. 15 to 20 small businesses can cluster around the centre, providing joint infrastructure and marketing opportunities. The possibility of export through connections with the Dutch government has been mooted. The project requires an estimated R 6 millions by way of start-up capital. An application for financial support lodged with the SA Winemaking Trust has been turned down.

viii. Schalkenbosch Development

Schalkenbosch Estate consists of four farms, Schalkenbosch, Edenhof, Sagtevlei and Delta. The estate has a Dohne Merino stud, cattle, orchards, wheat fields and the vineyards on Schalkenbosch itself. Quality wine is also produced. Sagtevlei has a recently restored, original Victorian farmhouse. The possibility of developing a golf estate and of emergent farmer development in association with Schalkenbosch have variously been mooted. Mentorship and training of emergent farmers and small agri-business has been suggested to form part of the development programme.

ix. Tourism Development Projects

Formal representations have been made to Council by the Tulbagh Tourism Bureau who wish to work together with the local community in creating various craft manufacturing and sales opportunities based on the available skills in Tulbagh and particularly for the transfer of skills to the unskilled, unemployed or disadvantaged. The goods produced by the participants in this initiative would be of a craft type for sale to tourists or local residents. The project could be linked to the Witzenville Project above where production of crafts to support the market can take place. A suitable market site has been identified on vacant land on Van der Stel Street, owned by Obiqua Groothandel. This land is in a prime position for access by road or on foot to tourists in Church or Van der Stel streets. The owners have expressed an interest and negotiations are underway to obtain a lease at a favourable long-term rental or to obtain an alternative site that is suitable. Funding is also required for the enterprise.

d. Wolseley

i. Wolseley Agricultural Development

A training farm is currently operated by the Witzenberg Municipality in the Wolseley area. This project has encountered problems regarding water availability;

ii. Restoration and Improvement of Railway Station

Although the mainline railway between Cape Town and Johannesburg passes through Wolseley, trains no longer stop at Wolseley station. Improving the station facilities, and locating a craft project at the station similar to what is being attempted for example at Sir Lowry's Pass Station within the Cape Town metropole, could help to promote Wolseley tourism. As with other potential LED projects an objective viability study is necessary that establishes clearly the highest and best use of the potentially valuable station facility for the promotion of employment creation through LED in Wolseley;

iii. Relocation of Curb-side Traders

The relocation of informal traders currently trading on the curb in front of other businesses to market stalls designed for the purpose has been suggested. If correctly managed the concentration of these traders could also provide a tourist attraction and concentrate the market for their wares. It will also allow for the proper controlling of the wares sold at these stalls. Experience in other centres, most notably the City of Cape Town[63] suggests that the operational model for the conduct of facilities such as this needs to be carefully considered and that in the absence of policing of by-laws regarding informal trading controls at a central location such

[63] Consultus **A Business Support Facilities Management Model for the City of Cape Town** (2004)

as this are generally ineffective. It is also critical that informal traders should not be marginalised in an initiative such as this but should be accorded trading space in viable commercial areas where they have a viable market; and

iv. **Community Gardening Project**

As for 3.4.1 a(vi) above. The municipality has also undertaken community gardening projects in Bella Vista.

3.4.2 Additional LED-Related Projects Identified in the Witzenberg IDP but Requiring Further Investigation

Further projects have been tentatively identified in the 2004/5 IDP review process. These generally require further investigation but are recorded in Table 4.4 below.[64]

TABLE 4.4: TENTATIVE PROJECT PROPOSALS FOR FURTHER INVESTIGATION

Project	Comment
Ceres Tourism Projects	To be investigated
Tanqua karoo date/Olive project	
Dried Fruit Coating Plant	
Milk processing factory	
Charcoal/sawmill briquetting	
Tussen-die Kilppe -OKEI	
Civil Contractors SMME Project	
Vegetable Packing/Processing industry	
Mushroom production plant	
Animal/Stock feed pelletising plant	

3.4.3 By-laws and Statutory Interventions in Witzenberg

The Witzenberg Municipality is faced with the significant task of amalgamating local by-laws and ordinances adopted at various stages for the jurisdictions now constituting Witzenberg and is in the process of amalgamating the ordinances of the previous four councils and municipalities in the Witzenberg area, namely the Ceres, Tulbagh, Wolseley and Op-die-berg. By-law 6285 gazetted on 1 March 2004 repeals all ordinances and by laws applicable to the disestablished

[64] Witzenberg IDP Review 2004/5

local government structures as well as certain ordinances applicable to other jurisdictions now forming part of Witzenberg and has opened the way for the erection of a new and appropriate regulatory framework.

An index consisting of 19 amalgamated ordinances is available has bee developed addressing topics relating to all four sub-regional communities in the Witzenberg area but by no means provides a comprehensive set of local legislation. It is foreseen that other local ordinances will develop as the gaps in the current provisions become apparent.

A brief description of the amalgamated ordinances that directly or indirectly relate to local economic development as reflected in the index is provided below. By-laws with potential LED impact adopted by the Witzenberg Municipality and of general application throughout the Witzenberg jurisdiction are set out in Table 4.6.

a. **Chapter 2:** Regulates the posing of signs - permission must be obtained from the council to display or modify a sign on a building. The erection of such signs is subject to guidelines;
b. **Chapter 3:** Special permission and requirements need to be obtained and adhered to for the keeping of bees within Witzenberg area of jurisdiction;
c. **Chapters 5 & 6:** Regulates the establishment of camping sites and the parking of mobile sleeping units (caravans and mobile homes);
d. **Chapter 7:** Regulates and controls the use of dumping sites;
e. **Chapter 8:** Regulates the use of streets, including the prevention of damage or creation of constructions on public streets;
f. **Chapter 10:** Regulates and organises the provision of taxi services;
g. **Chapter 12:** Regulates and prevents the illegal parking of heavy vehicles and trailers in the urban areas between 20:00 and 05:00;
h. **Chapter 13:** Provides specific instructions and lays down the requirements for all premises involved in the selling of fish products. Also stipulates the duties of any person acting as a fishmonger;

i. **Chapter 14:** Regulates and prevents the occurrence of nuisances, including the dumping of materials, conducting businesses to the discomfort of neighbours, allowing a building to fall into disrepair or become unsightly, committing any act leading to the pollution of water that citizens have the right to use, disturbance of the public peace, advertisement of wares in a manner that causes public disturbance;

j. **Chapter 15:** Regulates the supply of water and the obtaining of water;

k. **Chapter 16:** Provides for the construction and inspection of buildings to ensure compliance to fire and safety regulations in terms of the relevant local and national regulations;

l. **Chapter 17:** Regulates sanitation services and infrastructure;

m. **Chapter 18:** Provides for the levying of "availability of service" charges;

n. **Chapter 19:** Provides for the keeping of poultry, including the application procedure.

By laws and ordinances having a bearing on LED and as yet not amalgamated for the Witzenberg jurisdiction are reflected in Table 4.5. By-laws of general application throughout the Witzenberg jurisdiction adopted by the Witzenberg Municipality and duly promulgated are set out in Table 4.6.

TABLE 4.5: LED-RELATED BY-LAWS ON THE AGENDA

<table>
<tr><th>Jurisdiction</th><th>Subject</th><th>Number</th><th>Date</th><th>Comments</th></tr>
<tr><td>Ceres</td><td>Butcheries</td><td>601
875</td><td>12/10/1950
7/10/1988</td><td rowspan="3">Standard regulations</td></tr>
<tr><td>Ceres</td><td>Bicycles/Biking</td><td>529</td><td>3/11/1949</td></tr>
<tr><td>Ceres</td><td>Bakeries</td><td>602</td><td>12/10/1950</td></tr>
<tr><td>Tulbagh</td><td>Removal of Vegetation</td><td>777</td><td>6/10/1972</td><td>Still applied in 2001</td></tr>
<tr><td>Ceres, Tulbagh, Wolseley</td><td>Dilapidated buildings and unsightly structures</td><td colspan="3">Disparities exist between the three regulations</td></tr>
<tr><td>Ceres</td><td>Boarding establishments</td><td>636</td><td>20/11/1947</td><td></td></tr>
<tr><td>Ceres</td><td>Pasteurisation of milk</td><td>966</td><td>8/10/1976</td><td></td></tr>
<tr><td>Ceres</td><td>Public garages</td><td>871</td><td>19/10/1973</td><td></td></tr>
<tr><td>Ceres</td><td>Places of recreation</td><td>283</td><td>26/4/1968</td><td></td></tr>
<tr><td>Ceres</td><td>Municipal Parks</td><td>103</td><td>22/2/1952</td><td>Standard regulations</td></tr>
<tr><td>Ceres</td><td>Composition and labeling of raw boerewors and sausage</td><td>159</td><td>1990</td><td>Dept. Of health standard regulations</td></tr>
<tr><td>Ceres</td><td>Handling of foodstuffs</td><td>956</td><td>1978</td><td></td></tr>
<tr><td>Ceres</td><td>Noise control</td><td>627</td><td>20/11/1998</td><td>In terms of the Environmental Conservation Act, 1989(Act 73 of 1989)</td></tr>
</table>

TABLE 4.6: POTENTIALLY LED-RELATED WITZENBERG BY-LAWS

SUBJECT	DATE OF PUBLICATION	PURPOSE
BY-LAW RELATING TO THE KEEPING OF POULTRY (6301)	Western Cape Provincial Gazette No 6102, Notice 17, 1 March 2004	To provide for the keeping of poultry, the circumstances under which they may be kept and the prevention of nuisances through the keeping of such poultry.
BY-LAW RELATING TO THE KEEPING OF BEES (6299)	Western Cape Provincial Gazette No 6102, Notice 15, 1 March 2004	To promote the safety of residents by exercising control over the keeping of bees and the premises and structures in which bees may be kept.
BY-LAW RELATING TO THE KEEPING OF ANIMALS (6298)	Western Cape Provincial Gazette No 6102, Notice 14, 1 March 2004	To promote the interests of animals and residents by exercising control over the numbers and kinds of animals that may be kept as well as the conditions under which such animals may be kept, sheltered and cared for and to provide for the prevention of nuisances through the keeping of such animals.
BY-LAW RELATING TO THE IMPOUNDMENT OF ANIMALS (6297)	Western Cape Provincial Gazette No 6102, Notice 13, 1 March 2004	To promote the achievement of a safe, and healthy environment for the benefit of residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the impoundment of animals.
BY-LAW RELATING TO FISHMONGERS (6296)	Western Cape Provincial Gazette No 6102, Notice 12, 1 March 2004	To promote the achievement of a safe and clean environment for the benefit of all residents in the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the business of fishmongers.
BY-LAW RELATING TO FIRE SAFETY (6295)	Western Cape Provincial Gazette No 6102, Notice 11, 1 March 2004	Provides certificate formats and certificates for flammable and dangerous goods.
BY-LAW RELATING TO CERES NATURE RESERVE (6290)	Western Cape Provincial Gazette No 6102, Notice 6, 1 March 2004	To promote for the achievement of nature- and environmental conservation; To provide for procedures, methods and practices to regulate the use and management of nature reserves;
BY-LAW RELATING TO CAMPING AREAS (6289)	Western Cape Provincial Gazette No 6102, Notice 5, 1 March 2004	To promote the achievement of a safe and sought after tourism environment for the benefit of visitors and residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the use and management of camping areas.
BY-LAW RELATING TO BARBERS, HAIRDRESSERS AND BEAUTICIANS (6288)	Western Cape Provincial Gazette No 6102, Notice 4, 1 March 2004	To promote the achievement of a safe and clean environment for the benefit of all residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices for the regulation of the business of barbers, hairdressers and beauticians;
BY-LAW RELATING TO ADVERTISING SIGNS AND THE DISFIGUREMENT OF THE FRONT OR FRONTAGES OF STREETS (6287)	Western Cape Provincial Gazette No 6102, Notice 3, 1 March 2004	To promote the tidiness of the environs and the safety of residents; To provide for procedures, methods and practices in terms of which the erection or affixment of advertising signs is regulated.

SUBJECT	DATE OF PUBLICATION	PURPOSE
REPEAL BY-LAWS (6285)	Western Cape Provincial Gazette No 6102, Notice 1, 1 March 2004	To repeal the by-laws of the disestablished municipalities of Ceres, Wolseley, Tulbagh and Prince Alfred's Hamlet; and To repeal the by-laws of the former Divisional Council of Witzenberg in so far as it has been made applicable to Witzenberg Municipality by the authorisation for the execution of powers and functions in terms of section 84(3) of the Municipal Structures Act, 117 of 1998, which authorisation was published per government Notice 43 dated 3 January 2003; and To repeal the by-laws and regulations of the former Nduli Town Council promulgated in terms of the Black Local Authorities Act, 102 of 1982, made applicable to Witzenberg Municipality per Provincial Notice 487 of 22 September 2000.
BY-LAW RELATING TO WATER SUPPLY, SANITATION SERVICES AND INDUSTRIAL EFFLUENT (6497)	Western Cape Provincial Gazette No 6102, Notice 22, 1 March 2004	To provide for the application for water, tariffs and charges, payment and termination, discontinuation and limitation of water services To provide for connection to the water service To provide for standard and provisions of sanitary and associated services
BY-LAW RELATING TO SWIMMING POOLS (6496)	Western Cape Provincial Gazette No 6102, Notice 21, 1 March 2004	To provide for swimming pool facilities for the benefit of residents within the area of jurisdiction of the municipality and to provide for procedures, methods and practices to regulate the utilisation and management thereof.
BY-LAW RELATING TO STREETS (6495)	Western Cape Provincial Gazette No 6102, Notice 20, 1 March 2004	To promote the achievement of a safe environment for the benefit of residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the use and utilisation of streets in the area of jurisdiction of the municipality
PUBLIC AMENITIES BY-LAW (6494)	Western Cape Provincial Gazette No 6102, Notice 19, 1 March 2004	To promote the achievement of a safe and peaceful environment; To provide for procedures, methods and practices to regulate the use and management of public amenities.
BYLAW FOR THE PREVENTION OF NUISANCES (6493)	Western Cape Provincial Gazette No 6102, Notice 18, 1 March 2004	To promote the achievement of a safe, peaceful and healthy environment for the benefit of residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate nuisances.
ELECTRICITY SUPPLY BY-LAW (6294)	Western Cape Provincial Gazette No 6102, Notice 10, 1 March 2004	To provide for the supply of electricity to the residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate such provision of electricity.
BY-LAW RELATING TO THE CONTROL OF DISPOSAL SITES (6293)	Western Cape Provincial Gazette No 6102, Notice 9, 1 March 2004	To promote the achievement of a safe and healthy environment for the benefit of residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the dumping of refuse and the management of disposal sites.
BY-LAW RELATING TO THE CONTROL OF CEMETERIES (6292)	Western Cape Provincial Gazette No 6102, Notice 8, 1 March 2004	To provide for cemeteries for the burial of dead bodies; To provide for procedures, methods and practices to regulate the burial and exhumation of dead bodies, the provision of grave plots and the maintenance thereof.
COMMONAGE BY-LAW (6291)	Western Cape Provincial Gazette No	To promote the achievement of a sale and sound environment for the benefit of all residents; To provide for the conservation of the commonage through the

SUBJECT	DATE OF PUBLICATION	PURPOSE
	6102, Notice 7, 1 March 2004	prohibition of damaging of vegetation, bird- and animal life, the removal of any material and the unlawful occupation of the commonage.
STREET TRADING BY-LAW (5978)	Western Cape Provincial Gazette No 5923 Notice 7, 16 August 2002	To provide for the regulations of street trading in terms of location, vehicle traffic and prohibited spaces
BY-LAW RELATING TO TARIFFS, CHARGES AND FEES PREAMBLE (6354)	Western Cape Provincial Gazette No 6152, 23 Julie 2004	To provide for the adoption of municipal policy regarding the levying of rates, charges and fees.
DECLARATION OF PLACES WHERE THE CARRYING ON OF THE BUSINESS OF STREET TRADER, PEDLAR OR HAWKER IS PROHIBITED (12647)	Western Cape Provincial Gazette No 5978, 31 January 2003	The municipal area of Witzenberg is declared an area in which the carrying on of the business of street trader, pedlar or hawker is prohibited, except for the areas described where such business will be allowed under certain conditions. The designated area constituted by trading bays is declared an area in which the carrying on of the business of street trader, pedlar or hawker is restricted to persons in possession of a valid lease/permit; and trading bays are enabled to be let out by means of a lease/permit system and no street trading, peddling or hawking is permitted in the demarcated bays or areas for persons not in possession of a valid lease/permit for the particular trading bay/area.
STANDARD RULES OF ORDER (411)	Western Cape Provincial Gazette No 4532, 20 May 1988	To provide for the orderly functioning of council and council meetings
BY-LAW RELATING TO PARKS FOR CARAVANS AND MOBILE HOMES (6652)	Western Cape Provincial Gazette No 6114, 12 March 2004	To promote the achievement of a safe and sought after tourism environment for the benefit of visitors and residents within the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the use and management of parks for caravans and mobile homes.
BY-LAW RELATING TO REFUSE REMOVAL (6651)	Western Cape Provincial Gazette No 6114, 12 March 2004	To promote the achievement of a safe and healthy environment for the benefit of the residents in the area of jurisdiction of the municipality; To provide for procedures, methods and practices to regulate the dumping of refuse and the removal thereof.

3.4.4 Municipal Rates and Charges

Rates and charges are important determinants of the underlying cost structure of the local economy. Current rates and charges applicable within the Witzenberg jurisdiction are set out in Table 4.7.

TABLE 4.7a: RATES AND CHARGES APPLICABLE IN WITZENBERG (2004/2005)/PROPERTY RATES (Rands in the Rand)

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Rural	R 0.0039	R 0.0039	R 0.0039	R 0.0039	R 0.0039
Residential	R 0.0161	R 0.0165	R 0.0149	R 0.0131	R 0.0086

Rural rates applying to agricultural land are being phased in accordance with the provisions of the Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004). The Phase-in period still has a year to run. (i.e. to the end of the 2005/2006 financial year)

TABLE 4.7b: RATES AND CHARGES APPLICABLE IN WITZENBERG (2004/2005)/ ELECTRICITY TARIFFS

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Undeveloped sites per month	R44.82	R44.82	R44.82	R40.80 (basic) + R63.64 (network)	R40.80 (basic) + R63.64 (network)
Residential users: Pre-paid/KwH	R0.4300	R0.3948	R0.3779	-	-
Residential users: Single phase, 1 x 30/60 A /KwH	R0.3925	R0.3925	R0.3626	R40.80 (basic) + R63.64 (network)	R40.80 (basic) + R63.64 (network)
Residential users: Single phase, 1 x 60/80 A /KwH	R0.3904	R0.3904	R0.3904	-	-
Residential users: Three phase, 3 x 80 A /KwH	R0.3987	R0.3987	R0.3987		
Residential users: Single phase /KwH	R0.2575	R0.2575	R0.2575	R0.27	R0.27
Residential users: Three phase/KwH	R0.2795	R0.2795	R0.2795		
Commercial users – single phase, 40 A access	R111.48	R106.46	R100.81	R197.37 (basic) + R171.30 (network)	R197.37 (basic) + R171.30 (network)
Commercial users – single phase, 60 A access	R205.61	R141.93	R134.41		
Commercial users – single phase, 80 A access	R227.18	R227.18	R179.21		
Commercial users – single phase, 100 A access	R248.74	R236.56	R224.02		
Commercial users – single phase, 150 A access	R302.63	R177.42	R348.12		

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Commercial users – single phase, 200 A access	R356.53	R344.19			
Commercial users – single phase, 250 A access	R410.42	R387.20			
Commercial users – three phase, 20 A access	R222.96				
Commercial users – three phase, 40 A access	R318.62	R243.87	R243.87		
Commercial users – three phase, 60 A access	R344.61	R325.18	R325.93		
Commercial users – three phase, 80 A access	R296.95	R412.51	R295.80		
Commercial users – three phase, 100 A access	R480.40	R461.11	R369.76		
Commercial users – three phase, 150 A access	R650.12	R691.67	R554.63		
Commercial users – three phase, 200 A access	R819.85	R922.23	R739.51		
Commercial users – three phase, 250 A access	R904.71	R1,037.50	R831.95		
Commercial users: Single phase /KwH	R0.3412	R0.3412	R0.3260	R0.2533	R0.2533
Commercial users: Three phase/KwH	R0.3412	R0.3412	R0.3260	R0.2533	R0.2533

TABLE 4.7c: RATES AND CHARGES APPLICABLE IN WITZENBERG (2004/2005)/REFUSE REMOVAL

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Residential (1 removal per week/site)	R76.90	R76.90	R76.90	R46.10	R76.90
2 Removals per week/site	138.40	138.40	138.40	138.40	138.40
3 Removals per week/site	199.90	199.90	199.90	199.90	199.90
Per additional unit removal (unit = 2 refuse bags)	61.50	61.50	61.50	61.50	61.50

TABLE 4.7d: RATES AND CHARGES APPLICABLE IN WITZENBERG (2004/2005)/SEWERAGE

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Septic Tank – Availability				-	R17.90
Per occasion (in town area)					R16.10
Per occasion (outside town area)					R209.10
Per kilometre (outside town area)					R6.00
Water borne -	R27.50	R27.50	R32.00	R31.70	

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Undeveloped sites (monthly/site)					
Businesses – Service industry, small merchants **(monthly/site)**	R66.10	R137.70	R94.40	R44.80	-
Businesses Larger merchants & small industries **(monthly/site)**	R66.10	296.00	R123.30	R44.80	
Businesses Large industries (Wolfpac & SAD) **(monthly/site)**			R300.70	R44.80	
Water 51mm-80mm (monthly/site)	R766.20	R806.00	R766.20	-	

TABLE 4.7e: RATES AND CHARGES APPLICABLE IN WITZENBERG (2004/2005)/WATER

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Undeveloped sites (monthly/site)	R44.82	R44.82	R44.82	R44.82	R44.82
26-50mm connection (monthly/site)	R390.76	R390.76	R390.76	R390.76	R390.76
51-80mm connection (monthly/site)	R997.05	R997.05	R997.05	R997.05	R997.05
81-100mm connection (monthly/site)	R1,557.79	R1,557.79	R1,557.79	R1,557.79	R1,557.79
101-150mm connection (monthly/site)	R3,504.58	R3,504.58	R3,504.58	R3,504.58	R3,504.58
Clients with usage greater than 20 000kl per month	R78,888.54	R78,888.54	R78,888.54	R78,888.54	R78,888.54
BLOCK A: Water tariff 0-6 kl (monthly/site)	R1.80	R1.80	R1.80	R1.80	R1.80
Water tariff 7-30 kl (monthly/site)	R3.10	R3.10	R3.10	R3.10	R3.10
Water tariff 31-60 kl (monthly/site)	R2.70	R2.70	R2.70	R2.70	R2.70
Water tariff 61-200 kl (monthly/site)	R2.50	R2.50	R2.50	R2.50	R2.50
Water tariff above 200 kl (monthly/site)	R14.50	R14.50	R14.50	R14.50	R14.50
BLOCK B: Water tariff 0-200 kl (monthly/site)	R3.60	R3.60	R3.60	R3.60	R3.60
Water tariff 201-1000 kl (monthly/site)	R3.10	R3.10	R3.10	R3.10	R3.10

	Ceres	Tulbagh	Wolseley	Op-die-Berg	Prince Alfred's Hamlet
Water tariff 1001-8000 kl (monthly/site)	R2.70	R2.70	R2.70	R2.70	R2.70
Water tariff above 8000 kl (monthly/site)	R2.50	R2.50	R2.50	R2.50	R2.50
BLOCK C: All usage above 20 000kl per month	R0.76	R0.76	R0.76	R0.76	R0.76
BLOCK D: Departmental use	R0.80	R0.80	R0.80	R0.80	R0.80

3.4.5 Municipal Rates and Charges

Although Witzenberg Municipal Council does not employ special strategies to attract new business to the Witzenberg area, the Council does negotiate special services tariffs with businesses on a case-to-case basis. These negotiations are done in terms of the *Policy on rebate incentives for new industries* (15/4/P) as quoted below:

"Rebates on rates and service charges for industrial land will be considered by Council on the following grounds:

a. Only applicable to the industries that qualify for bulk electricity supply and consumption
b. It must be a new industry on an undeveloped erf. Any extensions of such industry during the initial five year period, will be seen by Council as part of the original establishment and a rebate will be calculated according to the rebate applicable on the original establishment. No further rebate will be granted after the five year period has expired.
c. The nature of employment as well as job opportunities of the relevant industry as well as the total investment, will have an effect on the package offered to the industry.
d. The rebate granted to the industry will be phased out over a period of five years commencing on date of sale.

Although each case is handled on an *ad hoc* basis, the following is an example of rebates offered in respect of electricity, water, sewerage (including industrial sewerage):

- First year 15%
- Second year 12,5%
- Third year 10%
- Fourth year 12,5%
- Fifth year 5%"

4. Conclusions

Comprehensive guidelines and a facilitative institutional framework is being erected at national and provincial level around the LED initiative to inform the LED strategising of local communities. The framework is, however, relatively complex in the number of dimensions that it addresses. The challenge is for local communities in general, and local governments such as Witzenberg in particular to:

4.1 Understand the framework;
4.2 Organise themselves so as to access effectively the benefits that the framework has to offer in terms both of local LED capacity building and direct project and programme assistance; and
4.3 Adopt a structured approach to project design and assessment particularly insofar as LED projects are concerned that can be funded from external funding sources.

The problem does however exist that LED in Witzenberg as elsewhere is still viewed by many as merely an alternative term for the essentially welfare activities in the past associated with "community development" and the temptation is great to turn to government and public financial sources as the line of least resistance for the funding of LED initiatives. To this extent LED at local community level remains largely divorced from mainstream economic strategizing and development. Consequently LED programmes generally comprise a number of unconnected, proprietary projects promoted out of a sense of community by energetic project champions but frequently on the basis of inadequate viability analysis in a broader local economic context. The project history of Witzenberg seems to suggest that here too these difficulties have arisen.

To the extent that it is like any other economic developmental initiative essentially "economic" LED right down to project level should be viable and sustainable and represent the most optimal application of resources of land, labour, capital and entrepreneurship in support of the achievement of societal objectives. This poses a particular challenge for the institutions created to manage LED in Witzenberg.

As regards local regulation Witzenberg is in the fortunate position of having in effect an open agenda for re-establishing its local statutory framework in accordance with sound LED principles and practices.

CHAPTER 5

SOCIO-ECONOMIC ASSESSMENT

1. Objective

The objective of Chapter 5 is to profile the socio-economic status of the Witzenberg Community.

The chapter addresses the following socio-economic dimensions:

1.1 Demographic profile:
- 1.1.1 Population size;
- 1.1.2 Population growth rate;
- 1.1.3 Gender ratio; and
- 1.1.4 Level of education.

1.2 Labour force:
- 1.2.1 Size of labour force;
- 1.2.2 Economically active population (participation rate);
- 1.2.3 Level of employment; and
- 1.2.4 Occupational profile.

1.3 Socio-economic profile:
- 1.3.1 Income levels; and
- 1.3.2 Poverty levels

2. Demographic Profile

2.1 Population Size, Age and Gender Structure

Witzenberg in 2001 had a population of approximately 84 000 distributed according to age and gender as indicated in Table 5.1 and Figure 5.1, for the Census years 1996 and 2001.[65]

TABLE 5.1: WITZENBERG POPULATION SIZE, AGE AND GENDER (1996 & 2001)

Age category	2001			1996		
	Male	Female	Total	Male	Female	Total
0 – 4	4 260	4 117	8 377	3 681	3 735	7 416
5 – 14	8 291	8 168	16 459	7 572	7 522	15 094
15 – 34	15 563	15 725	31 288	14 662	13 249	27 911
35 – 64	11 930	12 101	24 031	9 504	8 851	18 355
Older than 65	1 478	1 935	3 413	1 244	1 645	2 889
TOTAL	**41 522**	**42 046**	**83 568**	**36 663**	**35 002**	**71 665**

[65] Census, 2001

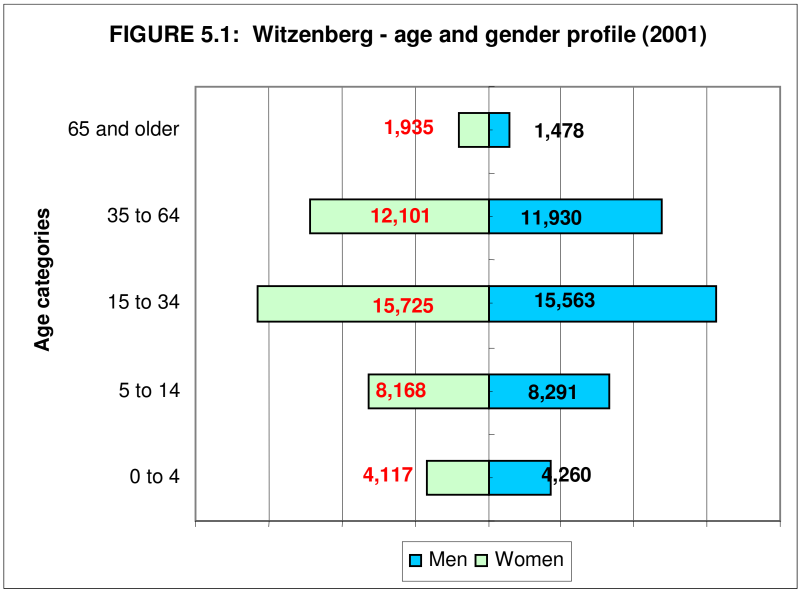


Figure 5.1 suggests that the gender distribution is fairly even, with slightly less males in the age category 15 to 64 than females. With males in the 15 to 64 year age group constituting 32.8% and 32.6% of the Witzenberg and provincial populations respectively it can be concluded that this difference does not reflect significant male migration but is a stochastic phenomenon.

Table 5.2(a) reflects the age and gender population distribution of Witzenberg and the Western Cape and Table 5.2(b) the sub-regional distribution of population within Witzenberg.[66]

TABLE 5.2(a): WITZENBERG POPULATION SIZE, AGE AND GENDER (2001)

Age category	WITZENBERG			WESTERN CAPE PROVINCE		
	Male	Female	Total	Male	Female	Total
0 – 4	4 260	4 117	8 377	204 553	200 989	405542
5 – 14	8 291	8 168	16 459	415 365	415 793	831158
15 – 34	15 563	15 725	31 288	829 823	865 884	1695707
35 – 64	11 930	12 101	24 031	646 561	711 273	1357834
Older than 65	1 478	1 935	3 413	96 018	138 074	234092
TOTAL	**41 522**	**42 046**	**83 568**	**2 192 320**	**2 332 013**	**4 524 333**

The graph shows that Witzenberg has a young age profile with about 30% of the population younger than 15 years. The labour force[67] represents about 66% of the population compared with just over 67% for the Western Cape as a whole. This suggests that total labour migration out of Witzenberg is slightly higher

[66] Census, 2001
[67] The labour force is defined to comprise all persons between the ages of 15 and 65 years. The figure includes the employed, the unemployed and those not available for employment but represents the productive labour potential in demographic terms.

than that from the province as a whole. The implication of such as young age profile as manifests in Witzenberg is a proportionally smaller labour force, so that only 66% of the total population has to financially support the remaining 34%, yielding a dependency ration of in the order of two economically potentially productive persons for each unproductive person in the population. Stated differently, even were the labour force in Witzenberg to be fully employed the dependency profile suggests a significant burden upon workers to support non-workers. In Witzenberg only a fraction of the labour force is actually employed (refer paragraph 2.3) and consequently the actual dependency ratio realised is much worse.

It has been projected that the nett population growth in the Western Cape to 2010 will be at a compound annual rate of 0.9%.[68] At this rate and all other things being equal this would suggest a growth of the Witzenberg population to in the order of 90 000 by 2010.

TABLE 5.2(b): SUB-REGIONAL DISTRIBUTION OF POPULATION WITHIN WITZENBERG

Region	Ward	Total Population	Race (%)		
			African	Coloured	White
Op-die-berg	8	4 535	29	67	4
	9	8 937	30	65	5
Ceres	1	6 996	96	4	0
	3	6 476	4	94	2
	4	9 741	3	97	0
	5	6 410	6	70	24
	10	6 603	13	73	14
Wolseley	2	7 560	9	80	11
	7	7 685	29	67	4
Tulbagh	6[69]	9 035	6	74	20
	11	9 590	22	69	10
Total / Average		**83 568**	**20**	**71**	**9**

[68] Dorrington R. et al HIV/AIDS Profile in the Provinces of South Africa (Indicators for 2002) (University of Cape Town, medical research Council, Actuarial Society of South Africa)

[69] **NOTE:** Ward 6 falls within both Wolseley and Tulbagh

2.2 Age and Gender Structure

The level of education is important as it determines to a large extent the (economic) quality and value of the human capital available in the Witzenberg area. From an economic perspective, the quality of human capital is important in the following ways:

2.2.1 Firstly it is an important determinant of the marketability of the labour force. Without portable skills, particularly life skills, people are unable to find work locally or outside of the area;

2.2.2 Secondly it has a bearing on determining the potential for entrepreneurship in the population. In broad terms there is a positive correlation between higher levels of formal education and both the marketability of the labour force and its entrepreneurial capacity – that is, its capacity to innovate and particularly to create its own employment; and

2.2.3 Persons with lower levels of formal education and training are normally employed in more menial, lower paying positions with lesser prospects of advancement and self-improvement.

Table 5.2 presents a summary of the highest level of education attained by people older than 20 years[70].

TABLE 5.3: COMPARISON OF HIGHEST LEVEL OF EDUCATION ATTAINED BY PERSONS OVER 20 YEARS OF AGE - (2001) (%)[71]

Level of education	Witzenberg	Winelands District	Western Cape Province
No schooling	11.5	8.3	5.7
Some primary	27.1	21.6	15.2
Complete primary	10.9	9.1	7.9
Secondary	31.7	31.9	36.5
Grade 12	13.0	19.0	23.4
Higher	6.1	9.2	11.2

The table suggest that compared with Winelands District and the Western Cape Province the Witzenberg population exhibits on average significantly lower levels of secondary and higher

[70] Official statistics do not provide categories for 20 year olds, only a category for 15 – 34 years. For the purpose of this study, it was assumed that the population in this age category is evenly distributed. Based on this approach, the populations older than 20 years was calculated to be as follows (2001):

- Witzenberg 50 497
- Boland 386 395
- Western Cape Province 2 841 384

[71] Census 2001

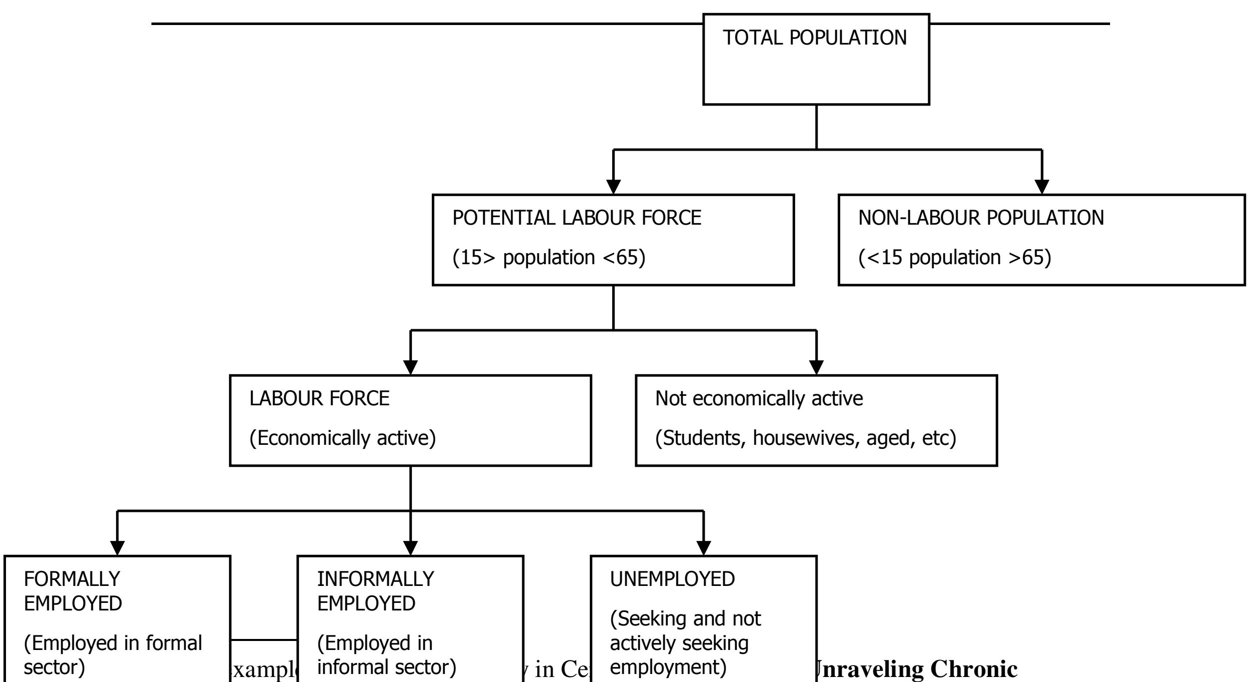
education. Only 6% of the Witzenberg population older than 20 years have some kind of tertiary education, compared with 9% of the Boland and 11% of the Western Cape populations, whilst the drop-out rate in Witzenberg and those with no schooling at all are higher in Witzenberg than in either the Winelands District or the Western Cape generally. These low levels of education militate against the survival strategies of the poor people of Witzenberg who do not have portable skills and therefore, in the face of lack of employment in Witzenberg are poorly placed to compete on the labour market outside of Witzenberg for any but the most menial and lowest paid of jobs.[72] In Ceres studies have shown that a work seeker with a tertiary qualification is 2.5 times more likely to find employment than a person with no education whatever. Most importantly however, lack of education and basic life skills militates against entrepreneurship and innovation in creating opportunities for self-employment, a particularly important consideration in the face of lack of formal employment opportunities.[73]

3. Labour and Employment Profile

3.1 The Labour Force

Figure 5.2 presents a graphic perspective on the definition of the labour force in relation to other components of the population.

FIGURE 5.2: DEFINITION OF THE LABOUR FORCE IN RELATION TO TOTAL DEMOGRAPHIC STRUCTURE



...xampl... in Ce... **...nraveling Chronic Poverty in South Africa : Some Food for Thought** University of the Western Cape (Accessed 2004)

73 University of Cape Town **Global Entrepreneurship Monitor** (2003)

3.2 Level of Employment

A comparison of the labour force profile between Witzenberg, the Winelands District and the Western Cape Province is provided in Table 5.4.

TABLE 5.4: LABOUR FORCE PROFILE (2001)[74]

Labour indicator	Witzenberg	Boland DM	WC Province
Total Potential Labour Force[75]	66.2	66.6	67.5
Not Economically Active[76]	30.8	35.8	34.4
Economically Active[77]	69.2	64.1	65.6
Employed[78]	85.4	81.6	73.9
Unemployed[79]	14.6	18.3	26.1

The statistics reflected in Table 5.4 suggest that:

3.2.1 In the order of 66% of the total Witzenberg population are potentially able to work or engage in some form of productive economic activity (the sick and elements of the disabled excepted);

3.2.2 Of this element only 69% is either employed or looking for employment in the job market (i.e. they are economically active). This is also referred to as the participation rate. The figure of 69% is however higher than that of either the Western Cape or the rest of the Winelands District;

3.2.3 Of the economically active population, 85% is actually employed. Therefore, 39% has to provide financially for 61% of the population. Put in other words, on average, every employed person in Witzenberg has to provide for 2.5 other people.

When compared to the Winelands District and the Western Cape Province as a whole Witzenberg has a relatively large economically active population but also relatively high levels of employment. Witzenberg therefore compares well in terms of employment status.

[74] Consultus based on Census, 2001
[75] Total Potential Labour Force expressed as a percentage of the total population.
[76] Not Economically Active expressed as a percentage of the Total Potential Labour Force.
[77] Economically Active expressed as a percentage of the Total Potential Labour Force.
[78] Employed as expressed as a percentage of the Economically Active Population.
[79] Unemployed expressed as a percentage of the Economically Active Population.

3.3 Occupation Profile

As noted above the lower-qualified component of the labour force normally have access only to more lowly and less well-paid employment. Table 5.5 compares the occupational profile of Witzenberg with that of the Winelands District.

TABLE 5.5: WITZENBERG OCCUPATIONAL PROFILE (2001)[80]

Occupation	Witzenberg (%)	Winelands District (%)
Clerks	4.9	7.7
Craft / Trade	4.7	7.3
Elementary unskilled	66.0	51.4
Legislators / senior officials	3.0	4.3
Plant / machine operators	5.7	5.9
Professionals	1.9	4.7
Service workers	4.6	7.3
Agriculture / Forestry	5.2	5.2
Technicians	4.1	6.2

The table clearly shows that a significant proportion of those that are employed in Witzenberg, are employed in low paying positions. As an indication about 66% have a job that can be considered "elementary" and only 1.9% have jobs that can be considered "formal" or permanent. By comparison the Winelands District whilst displaying a relatively higher level of unemployment than Witzenberg (refer Table 5.4) reflects an occupational profile that is significantly more elevated in terms of formally skilled work categories. In fact the occupational profile of Winelands District comprises a larger portion of professional and other high paying occupations.

A further perspective on the employment profile is provided by the number of persons that unpaid work, that is who are engaged in subsistence activities that are not directly remunerated. In Ceres for example studies have shown that 61% of residents with no education do some form of unpaid work. The figure has been shown to be in the order of 36% in the case of those with up to 7 years schooling, 34% for those with up to 12 years' schooling and 7% for those with tertiary qualifications.[81] These levels are significantly lower than corresponding levels for example for Khayelitsha and Nyanga in the Cape Town metropolitan setting. In Ceres 34% of the population report having lost a permanent job in the past 5 years.

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[80] Census, 2001
[81] De Swardt C. **Unraveling Chronic Poverty in South Africa : Some Food for Thought** University of the Western Cape (Accessed 2004)

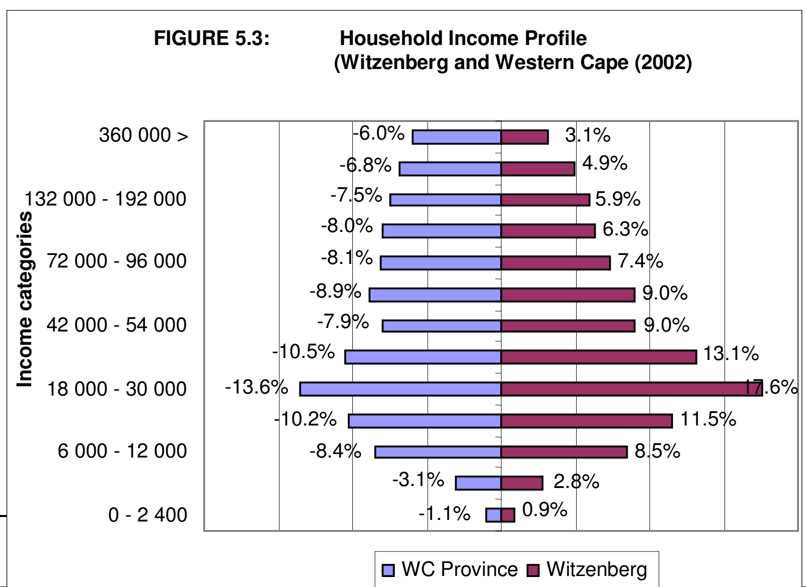
One of the main economic generators of the Witzenberg occupational profile is to be found in the dominance of Agriculture as an employer in the local economy. Although Agriculture is generally more labour intensive the jobs it offers are generally less lucrative than in other higher order economic sectors and there is generally less room for job enrichment due to the particular nature of agriculture and the relatively "flat" structure of on-farm organisation structure. The Winelands District level exhibits a higher proportion of government sector activity outside of Witzenberg, and this would account for a relatively higher proportion of service workers and professionals in the district profile. It also reflects the relative intensity of higher order service and professional activity in the areas of the Winelands District outside of Witzenberg.

4. A Witzenberg Socio-Economic Profile

4.1 Income Levels

Figure 5.3 presents a profile of the average household income and compares Witzenberg with the Western Cape.[82]

The graph suggests that the largest portion of Witzenberg households earn in the lower income categories with 41% earning below R30 000 per annum, and only 3% falling in the top income category of more than R360 000 per annum. By comparison, the profile of the Western Cape Province indicates that proportionally more households fall in the higher income categories. As an indication, 36% earn less than R30 000 per annum, and 6% fall in the high-income category of more than R360 000 per annum.



82 DBSA, 2004

4.2 Sources of Income

As would be expected in a commercial farming area where relatively high levels of employment pertain wage labour and seasonal employment play a key role in the household income mix for example in the Ceres area. Table 5.6 provides a comparison of the most significant income sources for Ceres with those of Khayelitsha and Nyanga on the (economic) urban periphery of the Cape Town metropole.[83]

TABLE 5.6: MAIN INCOME SOURCES COMPARED

Descending Order	Ceres	%	Cape Town Urban	%
1	Wage labour	58.9	Wage labour	62.3
2	Seasonal work	20.8	Social grants	18.6
3	Social grants	11.0	Casual work	9.2
4	Casual work	7.6	Self-employed	8.4
5	Remittances	1.7	Work pensions	1.5
Total Main Sources		100.0		100.0

Remunerated labour, both wage labour and casual labour features relatively highly but totally absent from the top five income sources for Witzenberg is self-employment, reflecting generally low levels of innovation and entrepreneurship amongst the population of Witzenberg.

Based on estimates of debt in the Ceres area it is apparent that debt financing constitutes an important element in the funding mix of household expenditure. Whereas Black households were more likely to borrow from community members, friends and family Colored residents generally resorted to hire purchase. Debt is the Ceres area has been estimated to amount to in the order of R 4 400 per household, significantly higher than the figure of R 1 900 estimated for the urban areas of metropolitan Cape Town. Although savings levels in Ceres have been found to be higher than in the urban areas reviewed debt levels have been found to be highly disproportionate to both savings and income.[84] Interest rates charged by informal moneylenders ("loan sharks") in Mooiblom (Ceres) have been reported at in the order of 50% to 100% per week.

[83] De Swardt C. ***op cit***
[84] De Swardt C. ***op cit***

4.3 Household Expenditures

Whilst expenditure profiles are not available for the entire Witzenberg indications of major household expenditure categories for Ceres relative to the urban area on a similar basis as for Table 5.6 are reflected in Table 5.7.[85]

TABLE 5.7: MAIN HOUSEHOLD EXPENDITURE ITEMS COMPARED

Descending Order	Ceres	%	Cape Town Urban	%
1	Food	37	Food	39
2	Goods	10	Energy	11
3	Energy	8.0	Health	9
4	Debt service	7	Goods	8
5	Rent	5	Debt	5
6	Health	4	Support of others	4
Total Main Sources		**71**		**76**

It is noticeable that debt service expenses constitute a more significant expenditure than does rental for families in the Ceres area commensurate with the high levels of debt and the high interest rates levied on informal debt. To this extent a significant number of families find themselves in a debt trap – having to borrow money to pay off other debts. In fact the four main reasons cited for incurring debt are:

4.3.1 Buying food;
4.3.2 Paying school fees;
4.3.3 Health and medical care; and
4.3.4 Paying off of debt.

When hungry 78% of respondents in a Ceres survey[86] indicated that they asked for credit to buy food whilst 51% and 80% respectively indicated that they borrowed food or worked for it.

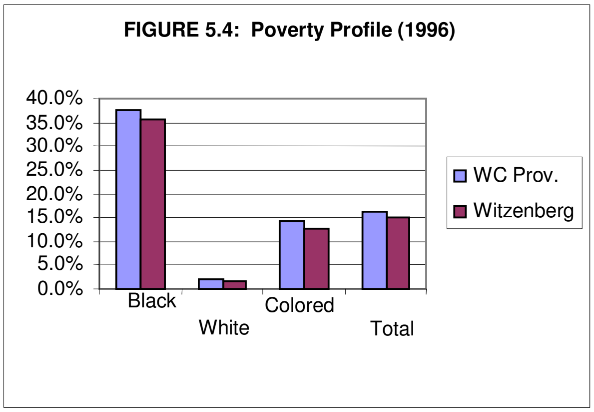
The need for cash to fund expenditures is significantly affected in Witzenberg as in all other areas by the increasing commercialization of markets and services and the formalization of cash transactions to secure the vital household inputs necessary for survival.

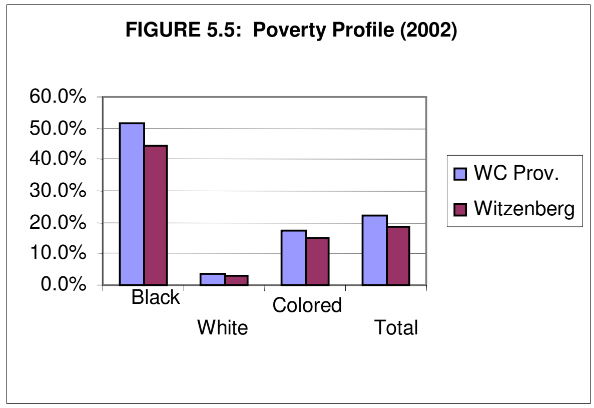
[85] De Swardt C. ***op cit***
[86] De Swardt C. ***op cit***

4.4 Poverty

4.4.1 Income Poverty

Figures 5.4 and 5.5 present the poverty profile and compare Witzenberg with the Western Cape Province for 1996 and 2002.[87]





The spatial distribution of income poverty across wards and sub-regions within Witzenberg may be gauged from Table 5.8.[88]

TABLE 5.8: DISTRIBUTION OF POPULATION AND POVERTY – WITZENBERG

Region	Ward	Total Population	Race (%)			Households earning less than R4 800 p.a. (%)
			African	Coloured	White	
Op-die-berg	8	4 535	29	67	4	2
	9	8 937	30	65	5	6
Ceres	1	6 996	96	4	0	45
	3	6 476	4	94	2	7
	4	9 741	3	97	0	9
	5	6 410	6	70	24	4
	10	6 603	13	73	14	12
Wolseley	2	7 560	9	80	11	3
	7	7 685	29	67	4	17
Tulbagh	6[89]	9 035	6	74	20	5
	11	9 590	22	69	10	20
Total / Average		**83 568**	**20**	**71**	**9**	**12**

[87] DBSA, 2004
[88] Consultus from Census, 2001
[89] **NOTE:** Ward 6 falls within both Wolseley and Tulbagh

The data suggest the following:

a. Significant differences are evident between the main racial groupings with the Black population displaying generally higher poverty levels than the White and Coloured populations;
b. Witzenberg has lower levels of income poverty on average than the Western Cape; and
c. Poverty has worsened in both Witzenberg and the province between 1996 and 2002 in all racial groupings but with the largest relative impact on the Black population in the province although this has not been mirrored to the same degree in Witzenberg.
d. Survey data suggest that in Ceres some 50% of households fall below the (income) poverty line, but with the main burden on the Black population. Using the official poverty line for black households (at R352 per adult equivalent) as many as 68 percent of households fall below the poverty line.

4.4.2 Other Dimensions of Poverty[90]

a. Alternative Means of Subsistence

Indications are that residents engage less and less in home-based subsistence farming activities. In Ceres the finding has been that only 3% of households cultivate grain for own consumption, 14% cultivate vegetables and only 3% fruit of some kind;

b. Health Status

Survey data in Ceres indicate that 71% of respondents reported themselves to be in "good health" and 9% in "poor" health, with 30% having had no medical treatment at any stage.

Of a projected total population of 4.893 millions in 2010 it is estimated that in the order of 276 000 in the province will be HIV+ and of the order of 45 000 AIDS sick.[91] Current HIV+ prevalence is of the order of 5% on average across the province.

[90] De Swardt C. ***op cit***

[91] Dorrington R. et al HIV/AIDS Profile in the Provinces of South Africa (Indicators for 2002) (University of Cape Town, medical research Council, Actuarial Society of South Africa)

Witzenberg generally is estimated to fall within the 5% to 9% category.[92] (Figure 5.6)

c. Access to Facilities

Key statistics relating to access to facilities in the Ceres area are reflected in Table 5.9. In Ceres, one third of workers get a lift with their employer, others mainly walk or take a bus, (where available).

88 percent of Ceres homes have their own water taps, whilst no drinking water is derived from rivers or streams. Ninety six percent of coloured homes in Ceres obtain water from a tap inside their homes compared to 32 percent of black homes. Water from public taps is the second highest drinking water source.

TABLE 5.9: ACCESS TO FACILITIES - CERES[93]

<table>
<tr><th rowspan="2">Time Taken to Reach Facility/Service</th><th colspan="2">To Reach a Clinic/Doctor</th><th colspan="2">For Eldest Child to Reach School</th><th colspan="2">Access to Work</th></tr>
<tr><th>Ceres
(%)</th><th>CTU (Khayelitsha/ Nyanga)
(%)</th><th>Ceres
(%)</th><th>CTU
(%)</th><th>Ceres
(%)</th><th>CTU
(%)</th></tr>
<tr><td>Less than 10 minutes</td><td>43</td><td>36</td><td>22</td><td>15</td><td rowspan="3">91</td><td rowspan="3">60</td></tr>
<tr><td>10 - 30 minutes</td><td>45</td><td>45</td><td>30</td><td>28</td></tr>
<tr><td>31 – 60 minutes</td><td>8</td><td>11</td><td>2</td><td>9</td></tr>
<tr><td>1 – 2 hours</td><td>3</td><td>6</td><td></td><td></td><td></td><td></td></tr>
<tr><td>More than 2 hours</td><td>1</td><td>1</td><td></td><td></td><td></td><td></td></tr>
<tr><td>A day or more</td><td>-</td><td>-</td><td></td><td></td><td></td><td></td></tr>
</table>

d. Social Stress

Significant sources of household stress reported by Ceres households over the past year can serve to inform the overall picture for Witzenberg at the household level. Key statistics are reflected in Table 5.10.

Employment-related stress accounts for a high relative prevalence of stress in the profile and although statistics are not available for the other areas of Witzenberg the profile is unlikely to be much different.

[92] Western Cape Province **Spatial Development framework: Preliminary Findings** (November 2004)
[93] De Swardt C. ***op cit***

FIGURE 5.6: HIV/AIDS PREVALENCE IN THE WESTERN CAPE

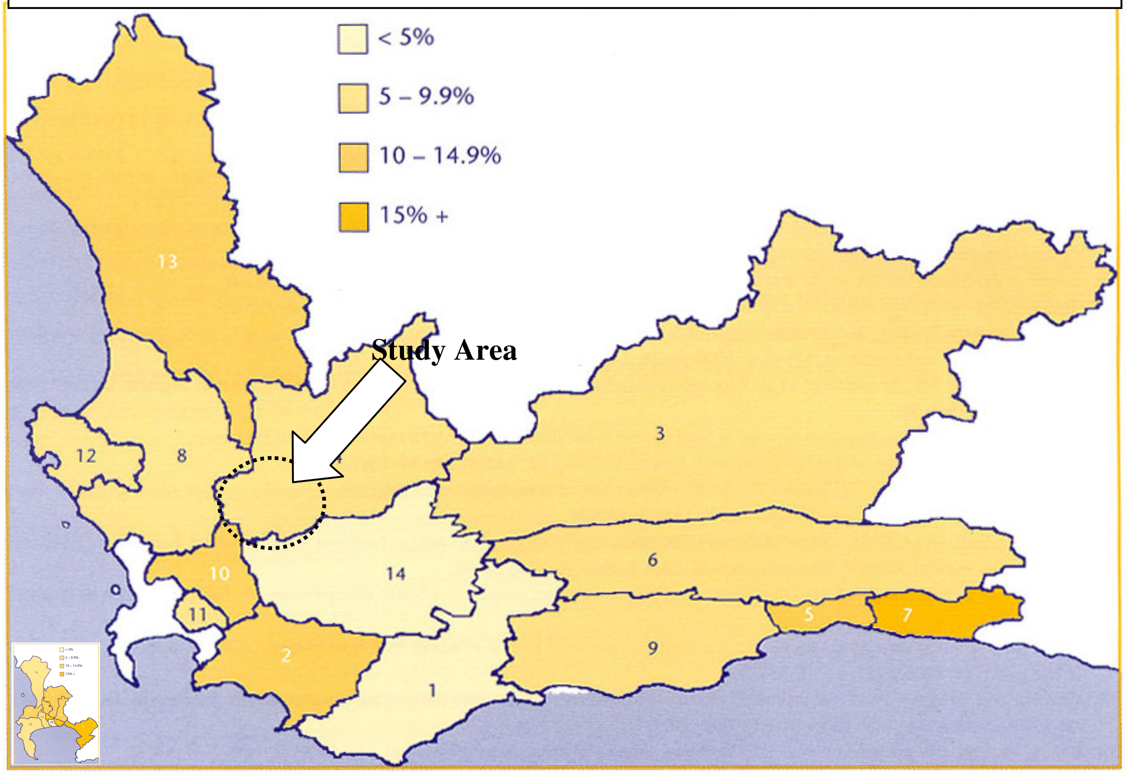


TABLE 5.10: ORIGINS OF HOUSEHOLD STRESS OVER THE PAST YEAR - CERES

Origin of Stress	Relative Prevalence (%)
Natural disaster	6
Death in household	16
Serious illness	21
Main breadwinner job loss	24
General joblessness	37
Loss of possessions/theft	13
Assault	9
Witchcraft	5
Domestic violence	6
Accident	3
Death of livestock	2
Rape	1

e. Social Infrastructure

The organisations in which Ceres residents participate most readily and which in turn provide support in times of stress are reflected in Table 5.11. Such organisations can usefully also serve as conduits for interaction between government and communities.

TABLE 5.11: SOCIAL INFRASTRUCTURE

Organisations	Relative Prevalence (%)
Church	79
Burial Association	27
Youth Group	20
Sports Club	18
Singing/Music Group	14
Political Party	6
School Committee	5

f. Social Grants

In respect of social grants in Ceres it has been concluded as follows:[94]

"…….The impact of social grants in Ceres needs to be assessed separately in the black and coloured communities, given the substantial differences. In black households, state social grants account for 9 percent of total household incomes, with only one fifth of households (22 percent) receiving social grants that amount to an average of R99 per month. In coloured households, social grants comprise of 10 percent of the total monthly income, with 27 percent of households receiving grants. Using the official poverty line for black households (at R352 per adult equivalent) as many as 68 percent of households fall below the poverty line. If social grants are subtracted, this figure rises to 71 percent. ……….The number of coloured households falling below the poverty line is substantially less than for black households at 43 percent………Although the proportion of households receiving social grants is similar between the black and coloured communities, the impact of these grants are fundamentally different. The targeting of social grants in the coloured households appears to be relative good.

[94] De Swardt C. ***op cit***

For example, the overall income of households without grants is higher than that of grant receiving households. This means that the coloured households receiving grants are in need of it, as they would be significantly poorer if the grant-based income source were removed. Social grant targeting of the black households, on the other hand, appears quite ineffective, even arbitrary, since the opposite pattern can be observed. Grant receiving households in all quartiles have a higher average income than non-grant receiving households……."

6. Conclusions

From a local economic development viewpoint the most significant problems for engagement of the local population arise amongst others from the following:

6.1 The relatively high dependency rate that paces significant earnings pressure on worker to support dependents;
6.2 The relatively low incomes derived from key economic drivers of employment;
6.3 The low skills and entrepreneurship level of the local population;
6.4 The low level of subsistence food production resulting inter alia from the form of urbanization and the attendant food insecurity; and
6.5 The entrapment of local people in a vicious cycle of debt.

Unemployment in the area is in relative terms not particularly high and welfare interventions are not ***per se*** a preoccupation of economic development. Nevertheless they do become a concern in such a case as Witzenberg where threshold levels of well-being are clearly not being met that will encourage broad participation in the economic system in the hope of self-improvement and of a real increase in quality of life.

CHAPTER 6

COMPETITIVE ASSESSMENT

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1. Objective

The objective of Chapter 6 is to provide an overview of the key competitive features of the Witzenberg economy.

The chapter addresses the following issues:

1.1 The natural resource base to determine the comparative advantages of the Witzenberg economy;
1.2 The availability and serviceability of the infrastructure that supports / facilitates economic development and economic activities;
1.3 The internal structure of the Witzenberg economy, its past performance and the ability of the economy to create employment opportunities; and
1.4 The socio-economic profile of the local community;

i. The relative size of the economy of Witzenberg
ii. The internal structure of the local economy
iii. Growth rates achieved

This data is then analysed to determine the:

i. The level of concentration
ii. Comparative advantages
iii. Absorption capacity and labour intensity
iv. Leading and lagging sectors

2. The Analytical Framework

2.1 Conceptual Model of a Local Economy

An economic model has been provided in Chapter 2 as reflected in Figure 6.1. This model provides a basis for analyzing the economy of Witzenberg.

2.2 Key Elements of the Economy

Key building blocks of the Witzenberg economy as of any other economy are the factors of economic production as defined in Table 6.1 below:

FIGURE 6.1: A CONCEPTUAL ECONOMIC MODEL

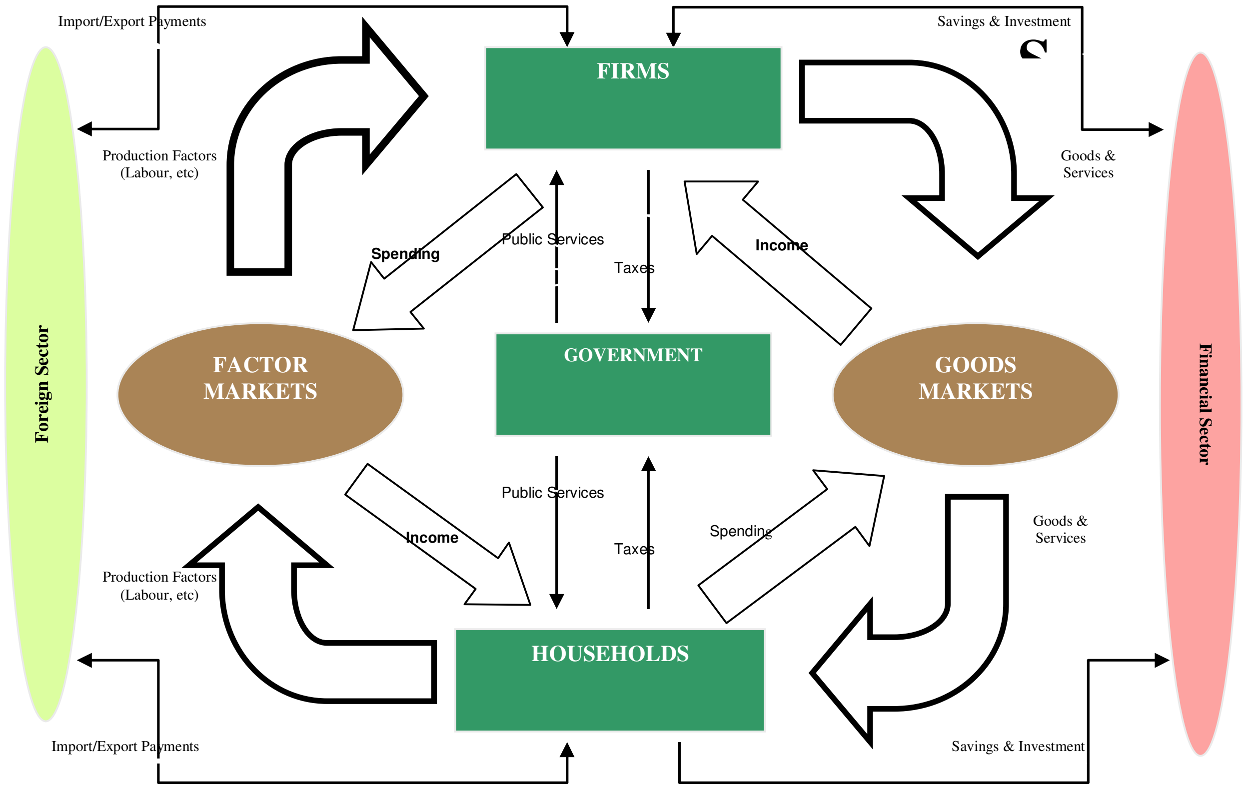
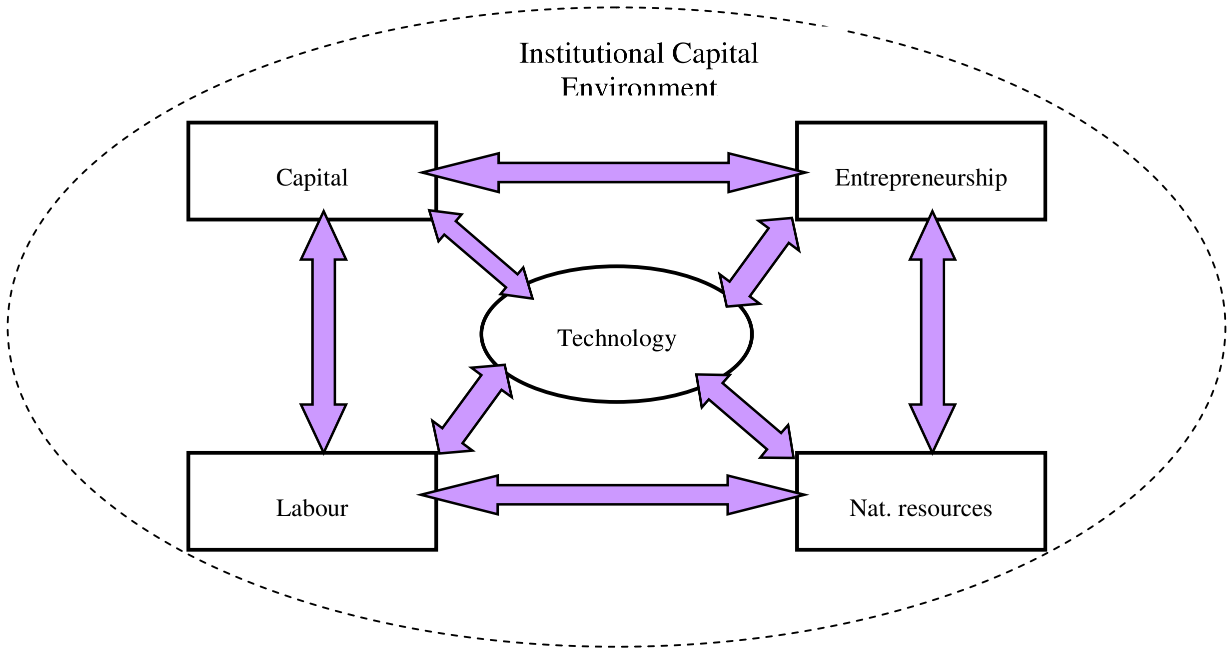


TABLE 6.1: BUILDING BLOCKS OF THE ECONOMY

PRODUCTION FACTOR	DESCRIPTION
Natural resources	This dimension refers to elements such as the climate (e.g. rainfall), soils, water and minerals and all natural underpinnings of economic production
Labour	This dimension refers to people offering their time and skills in the market to work for a wage or salary.
Capital	The produced means of production in the economy including resources of land, buildings, service infrastructure, etc. required to enable economic activity and for example to start-up and operate businesses
Institutional Capital	This dimension refers to the institutions available to the community and stakeholders that provide support to decision-making and organisational capacity. Included in Institutional Capital are policy networks, legislation and social-capital in the form of community structure and cohesion appropriate to economic development
Entrepreneurship	The ability and willingness of participants in the economy and in the community generally to innovate and to start up new enterprises
Technology	This dimension refers to the quality and appropriateness of knowledge as opposed to skill available in the local economy and is generally associated with production techniques and the like

Supportive linkages exist between these elements as suggested in Figure 6.2.

FIGURE 6.2 A LOCAL NETWORK OF ECONOMIC FACTOR LINKAGES



Good practice LED holds that the institutional environment in the receptacle of the local economy and provides the over-arching environment within which local economic development must take place. It is this emphasis on the local institutional environment that sets LED aside form other approaches top economic development. The institutional environment is a direct determinant of local economic development and can either promote and stimulate economic growth or it can stifle it. Two dimensions of institutional capital analysed in Chapters 3 and 4 above are of importance in strategising for LED namely

2.2.1 **Government** including the nature and quality of all government based institutions of structure, policy and legislation; and

2.2.2 **Social capital** including structures and processes developed by civil society such as formal committees (e.g. a business chamber, organised labour, etc.), informal networks community participation and a sense of community.

3. The Witzenberg Economy

3.1 General Analysis

The purpose of this section is to assess the general character and key defining features of the Witzenberg economy as a basis for informing the formulation of strategy in Phase 3 of the project.

3.1.1 The Relative Size of the Economy

Table 5.2 expresses the population size and economy of the Winelands District and Witzenberg as percentages of the Western Cape Province.

TABLE 6.2: RELATIVE SIZE OF THE ECONOMY (2001) (%)[95]

Municipality	Population	Economy
Winelands District	13.9	11.2
Witzenberg	1.8	1.2

In relative terms the population and economy of Witzenberg are very small. From an aggregate perspective, Witzenberg is therefore a very small stakeholder in the provincial economy. However, as will be shown in later sections, a large portion of the total provincial deciduous fruit basket is produced in Witzenberg, which makes Witzenberg an important niche stakeholder in the provincial agricultural economy.

Both the Winelands District and Witzenberg have proportionally larger populations than the size of their economies. This would mean in terms of the average productivity of their people both economies are "under-performing".

[95] Census, 2001

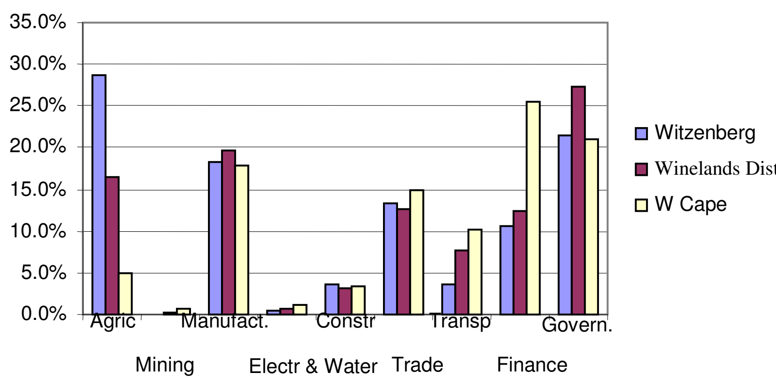
3.1.2 The Internal Structure of the Economy

Figure 6.3 compares the internal structure of the Witzenberg, Winelands District and Western Cape Province economies.[96]

The graph clearly shows the difference in the structure of the three economies. In the case of Witzenberg, the most important sector is Agriculture, followed by Government and then Trade. In the case of the Western Cape Province, the most important sector is Finance, followed by Government. The economy of the Western Cape is therefore more "developed" as the largest aggregate contribution is generated by the Tertiary Sector, whereas the economy of Witzenberg has a very strong Primary Sector economy. By comparison, Winelands District exhibits a more "balanced" economy.

FIGURE 6.3: Comparison of Internal Economic Structure

(Witzenberg, Winelands District and Western Cape (2002)



[96] DBSA, 2004

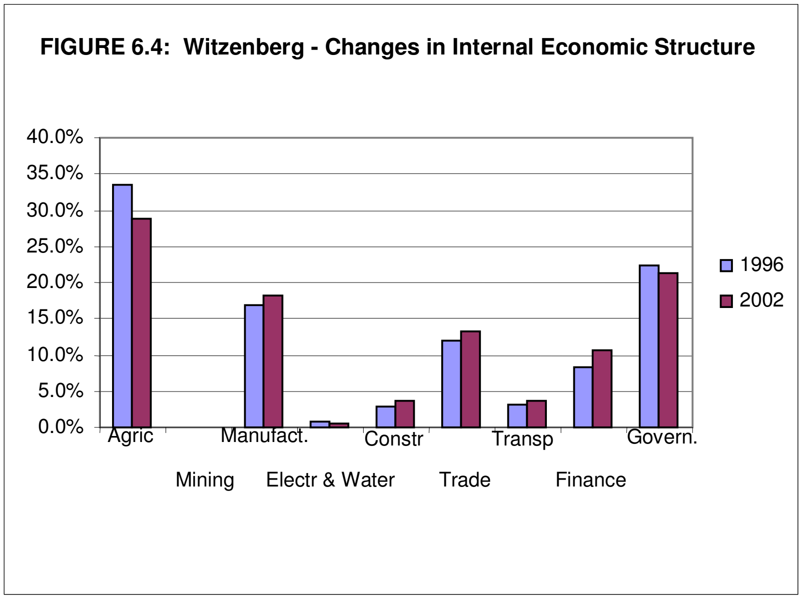


Figure 6.4 compares the internal structure of the Witzenberg economy for the years 1996 and 2002.[97] Although the macro profile has remained the same, the graph shows that minor shifts have taken place, such as a decrease in the relative contribution by Agriculture, and an increase in Manufacturing, Trade and Finance. However, the graph suggests that these shifts are small and the economic structure of Witzenberg can be considered fairly stable.

Figure 6.5[98] clearly suggests that the most important sectoral source of formal direct employment opportunities is Agriculture. The graph also indicates a slight increase in the number of employment opportunities in all sectors, with the average increase of 1.6% p.a. over the period 1996 to 2002.

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[97] DBSA, 2004

[98] DBSA, 2004

3.1.3 Growth Rates Achieved

Figure 6.6[99] compares the average annual growth rates achieved between 1996 and 2002, in the economies of Witzenberg, Boland DM and the Western Cape Province. The graph shows all three areas have managed a positive growth in all sectors, with the exception of Water & Electricity, in which all have experienced a dramatic negative rate. However, because of the marginal contribution of this sector, this negative growth is insignificant in terms of its impact upon the growth of the economy as a whole.

FIGURE 6.5: Witzenberg - Employment per Sector (1996 and 2002)

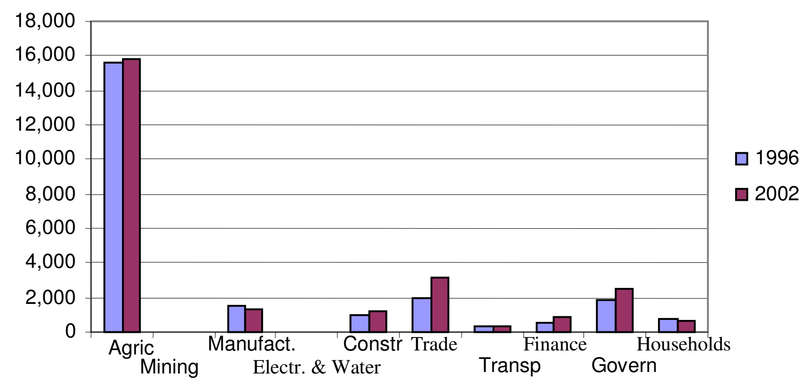
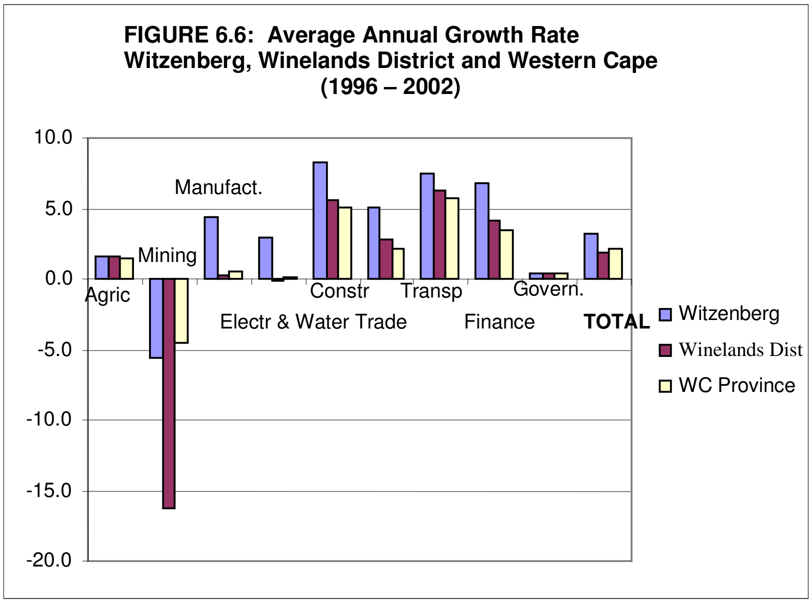


Figure 6.6 suggests that Witzenberg has managed the highest growth of 3.2% p.a., compared to 2.2% for the Western Cape and 1.8% for the Winelands District. The sectors that have achieved the highest growth were Construction, (8.3%), Transport (7.5%), Finance (6.8%) and Trade (5.1%). It is important to note that none of these sectors are the traditional drivers of the local economy, and the growth rate achieved by them was therefore recorded from a low base. Figure 6.3 suggests that of these growth sectors the only one with some significance is Trade and Construction is still relatively insignificant.

[99] DBSA, 2004



The growth rate of 3.2% p.a. over the period 1996 to 2002 achieved in the aggregate economy outstripped the growth rate achieved in the number of new employment opportunities created (1.6%). This can be attributed to the presence of a number of indicators of "jobless growth" arising from market buoyancy, increasing real prices and capital deepening amongst others.

3.1.4 The Level of Economic Concentration

A high level of economic concentration into a few sectors renders the economy particularly vulnerable to factors that impact dominant sectors. The attendant risks are heightened where the dominant sectors of the economy are the least stable or most vulnerable to external influences. The most widely used measure to quantify the degree of economic concentration is the Tress Index. A low Tress Index would indicate a diversified economy, whereas a high value of the Tress Index indicates a concentrated economy.

The Tress Index for Witzenberg was calculated at 58.8 for 1996. The level declined slightly to 54.0 in 2002. The relatively high Tress Index is mainly caused by the large contribution generated by Agriculture, a generally vulnerable sector. The slight decrease in the index suggesting some economic diversification was brought about by a relative increase in economic activity in Trade, Manufacturing, Transport and Finance. However, despite this slight statistical decrease in the degree of economic concentration, the local economy remains vulnerable as a large portion of the output in sectors such as Manufacturing and Transport represent downstream linkages with the agricultural sector.

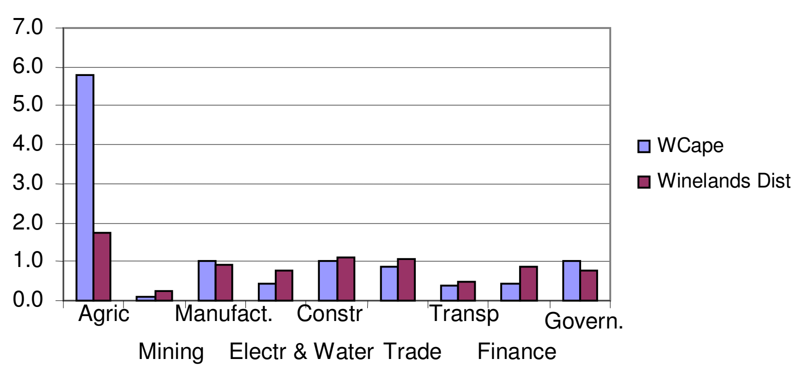
The net result is that the economy of Witzenberg remains vulnerable to any factor that impacts upon either the agriculture production capacity (e.g. lack of water), or the market for the final product. Because the largest portion of agricultural production is exported either as fresh produce or in a processed form the local economy is highly vulnerable to any factor that impact on the international market such as the exchange rate, tariff barriers, or a change in consumer preferences such as for example shifts in preference for certain cultivars, etc.

3.1.5 Comparative Advantage

Comparative advantage identifies those sectors, industries or activities in which the region achieves better than average levels of production efficiency. To the extent that past performance can be held to reflect economic potential good practice suggests that economic strategies to promote the economic development of the region should focus on sectors with high comparative advantage. The level of comparative advantage is normally measured in term of the so-called "Location Quotient" (LQ).

Figure 6.7 reflects the location quotient of Witzenberg relative to both the Western Cape and the Winelands District.[100]

FIGURE 6.7: Witzenberg – Relative Location Quotient (2002)



[100] Consultus 2004

The LQ of Witzenberg relative to the province suggests that Witzenberg enjoys a significant comparative advantage in Agriculture. This is attributable to the fact that the Western Cape economy is dominated by the Tertiary Sector, with Agriculture contributing only 8%.

The LQ with the Winelands District displays a lower comparative advantage in Agriculture, and a slight advantage in Construction and Trade. However, these comparative advantages are small and can be considered as insignificant.

3.1.6 Labour Intensity and Absorption Capacity

The labour absorption capacity measures the ability of the economy to continuously create direct employment opportunities, thereby absorbing the growth in the labour market. The labour absorption rate of Witzenberg, Winelands District and the province Boland DM and the Western Cape Province has been calculated as follows for 2002:[101]

TABLE 6.3: LABOUR ABSORPTION RATES (2002)

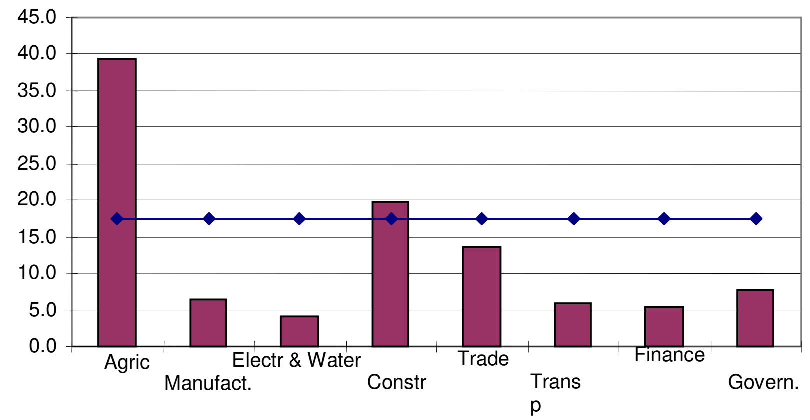
Area	Labour Absorption rate (%)
Witzenberg	85
Winelands District	82
Western Cape	73

This suggests that the economy of Witzenberg has the ability to absorb 85% of the total labour available. The comparison shows that the economy of Witzenberg generally is better able to absorb its labour force that either the Winelands District or the province. This may be ascribed to the internal structure of the economy with dominant sectors inherently more labour intensive. Relative sectoral labour intensivity reflecting the capacity of the various sectors to generate direct employment opportunities is shown in Figure 5.8.[102]

The graph shows that Agriculture is by far the most labour intensive, creating near 40 direct employment opportunities per R1 million of production, followed by Construction at about 20. The contribution of these two sectors "pulls" the inter-sectoral average up to in the order of 17.

[101] Consultus, 2004 Based on 2002 Census figures
[102] DBSA 2004

FIGURE 6.8: Witzenberg - Employment per R1mill GGP (2002)



Future strategies aimed to generate direct employment opportunities should focus on those sectors that are most labour intensive. In the case of Witzenberg it is clear that the focus of employment creation activities should therefore still fall on Agriculture wherever feasible within the constraints of availability of land and water resources. Although Construction can be "made" labour intensive through the application of appropriate construction techniques, the nature of the sector is such that in most cases it does not offer a sustainable source of local employment. Trade activities constitute a next best sectoral priority but the viability of growth in trade is dependent upon the growth of local demand and incomes through the growth in high value sectors impacting positively upon the local market, and upon the vertical integration of local manufacturing with local trading activities to supply both local and external markets. One area of significance in the stimulation of growth of trade activities driven by external demand in Witzenberg is tourism. In general, however the absorptive capacity of this sector together with the associated multiplier across the rest of the economy is likely to be lower than that of Agriculture. The Witzenberg economy has however as yet, and in terms of the indicated development strategies to serve it, the character of an agricultural and rural service economy.

3.1.7 Leading and Lagging Sectors of the Witzenberg Economy

In keeping with its predominant present character as an agricultural and rural service economy centre the Witzenberg economy is "open" with ongoing interaction taking place with the neighbouring and larger regional economies. The form of interaction varies and typically includes the movement of labour, capital investment from outside the economy, the leakage of local buying power, and inflow of money such as social grants. As a result, strong growth (or otherwise) in particular sectors in the larger regional economy spills over into the local economy. In order to assess the actual performance of the local economy ***per se*** it is necessary to strip out these effects and to determine to determine how much of the growth achieved in a sector in the local economy was fuelled by the regional economy and is merely an accident of general growth trends and how much can be attributed to actual organic local growth. Sectors that perform well on this score as "leading sectors" represent the best prospects by way of competitive advantage for future development.

The most widely used technique to identify "leading" and "lagging" sectors is by means so-called "Shift / Share Analysis". The Shift / Share analysis for Witzenberg shows how much of the growth achieved in the Witzenberg economy was generated by itself, and how much can be attributed to the growth achieved on the provincial level. The results are reflected in Table 6.4.

TABLE 6.4: Shift / Share Analysis for Witzenberg relative to the Western Cape[103,104]

Sector	National Share	Industry Mix	Regional Share	Shift / Share
Agriculture	460 608	-26 168	2 421	436 861
Mining	1 355	-474	0	881
Manufacturing	212 457	-23 319	48 027	237 166
Electricity & Water	9 653	-1 248	1 449	9 854
Construction	35 423	5 687	8 052	49 163
Trade	150 038	-3 300	26 934	173 672
Transport	39 107	8 108	4 732	51 948
Finance	104 065	5 505	23 057	132 628
Services	262 296	-30 708	1	231 588
Total	**1 275 003**	**-26 889**	**75 592**	**1 323 706**

[103] For the purposes of this study, the analysis is based on (Real) GGP figures for 1996 and 2002 and comparison is between the economies of Witzenberg and the Western Cape.
[104] Consultus, 2004

Three observations can be made from the analysis as follows:

a. Firstly, the Regional Share shows that the growth rates achieved in Manufacturing, Trade and Finance were mainly achieved through improved competitiveness within Witzenberg with minimal stimulus from the provincial level. This observation is confirmed in Figure 5.6 which shows that the annual growth rate achieved in Witzenberg in these sectors was much higher than the growth rate achieved on the provincial level;
b. By contrast the analysis suggests that the high growth rates achieved in Witzenberg in Construction and Transport were not due to improved local competitiveness but were fuelled by external influences; and
c. The performance in Agriculture is largely the result of local sectoral competitiveness and not of a combination of economic structure and externally driven sectoral growth. This confirms the inherently unique role of Agriculture in the Witzenberg economy.

3.1.8 Concluding Comments on the General Analysis of the Witzenberg Economy

Analysis suggests that the economy of Witzenberg has a fairly high level of concentration, which is mainly caused by the large contribution generated by Agriculture. This renders the economy somewhat vulnerable to a number of external factors having a negative impact on the sector such as for example climate, shifts in consumer demand and price shifts occasioned amongst other things for example by changes in the exchange rate. However, the analysis also shows that Witzenberg enjoys a comparative advantage in Agriculture, and that the sector is highly labour intensive. It in fact still constitutes the best short-term prospect for creating jobs in the local economy. The main developmental challenge will therefore be to manage down the risk level in the sector by means of specific risk management strategies including for example ensuring the employment of appropriate cultivars, improving water security and ensuring maximum local beneficiation of agricultural produce to achieve the highest feasible levels of local value addition.

3.2 Competitive Assessment

The purpose of this section is to assess the business landscape of the key industries in the Witzenberg economy. The goal with the assessment is to gain a better understanding of the value chain and factors that impact on the market opportunities and profitability of these industries. The assessment will therefore identify particular problems to be addressed and opportunities that can be developed. These problem areas and opportunities will form the platform of a comprehensive set of recommendations to promote business development and retention in Witzenberg. This set of recommendations will be formulated in Phase 3 of the study.

The above paragraphs have concluded that the most important contributors to the local economy are Agriculture, Manufacturing, Trade, and Government. The most important industries that comprise the productive economic sectors (that is sectors other than the public sector) are:

- Fruit production (Agriculture sector)
- Packaging and Processing of fruit (Manufacturing sector)
- Vegetable production (Agriculture sector)
- Niche products such as (dates, trout, olives, etc.) (Agriculture sector)
- Tourism (Trade sector)

Although Government also generates a fairly large contribution to the local economy, it is not considered a driver of the local economy, as the largest part of the GGP comprises salaries and wages and not a saleable product or service.

3.2.1 The Assessment Model

It is important that a systematic approach be followed to analyse the business landscape of each industry. For the purposes of this study, an approach was developed based on Porter's "Five Forces Model" of Porter.[105] Figure 5.9 presents a graphic perspective of the model that addresses the five main stakeholders involved the business landscape. For the purposes of this study, the industry that is assessed is represented by the "existing businesses". In other words, the assessment investigates the relationship between the industry and its suppliers (the backward linkages), its buyers (the forward linkages), as well as relationships with new entrants and substitute products.

[105] Thompson and Strickland **Strategic Management, Concepts and Cases** 11th Edition (McGraw Hill 1999)

The key considerations in respect of each of the relationships between key stakeholders are summarised as in Table 6.5. The model sees this interaction between the five stakeholders taking place within the context of a macro-environment determined amongst other things by the size of the particular industry, the inherent profit margins of the industry and economies of scale. The result of dynamic interaction between the stakeholders means that the business landscape is never stable. It is therefore imperative that the individual business be aware of these changes and be flexible enough to incorporate them. Ultimately, the most successful businesses are those that are pro-active and drive the changes, rather than merely react to them. This allows these businesses to have more control over the business landscape - to move and even to manipulate it to their own benefit.

FIGURE 6.9: Model for Assessing Main Industries in the Witzenberg Economy

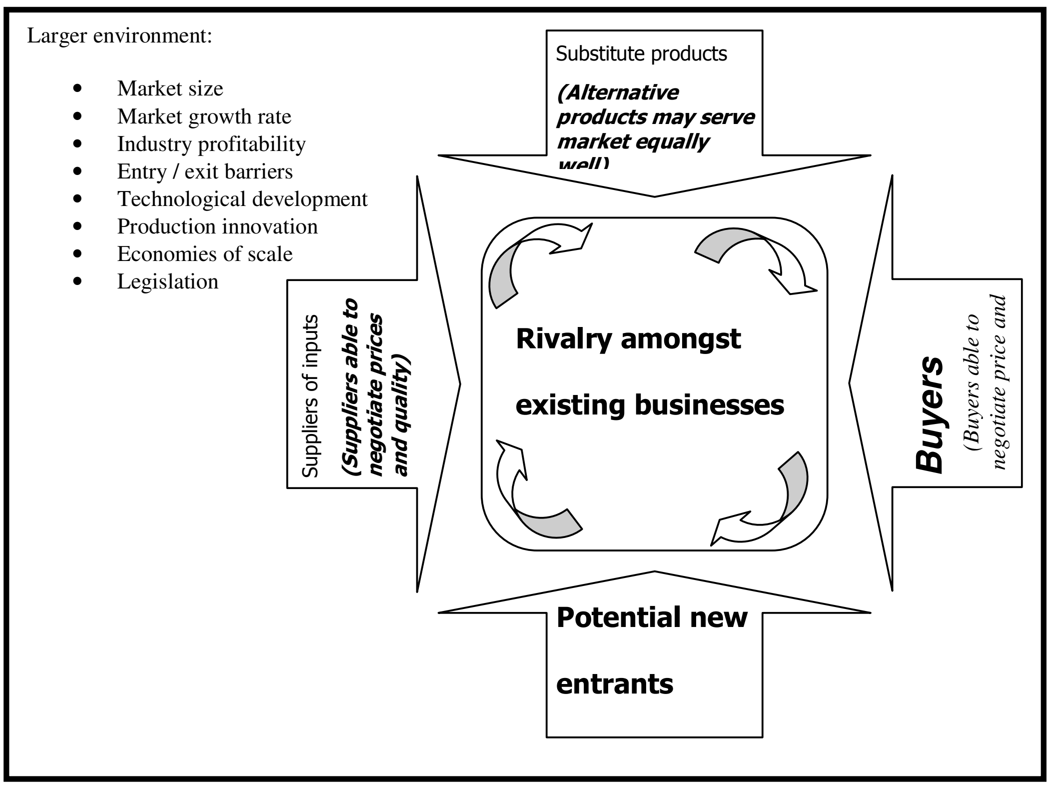


TABLE 6.5: CONSIDERATIONS IN APPLYING THE FIVE FORCES MODEL

Component	Comment
Supplier Base	Suppliers will always negotiate for the highest possible price. The negotiation base of the suppliers will be strong if there are few suppliers, and *vice versa*. It is important for the industry to develop a healthy and long-term relationship with its suppliers to ensure competitive prices and high quality products.
Buyers	Buyers will always negotiate for the lowest price possible. The negotiation base of the buyers will be strong if there are few buyers, and *vice versa*. It is important for the industry to develop a healthy and long-term relationship with its buyers in order to maintain and grow market share.
New Entrants	There is always the "danger" of more businesses entering the industry, which may dilute the market share of the incumbent businesses. The ease of entry is determined by the height of the entry barriers, which may involve one or a combination of elements such as capital requirement, technical expertise, economies of scale, legislation, etc.
Substitute Products	There is always the "danger" that alternative products may be introduced in the market that serve the same needs, thereby posing the threat of eroding market share.
Competition amongst Existing Businesses	There is always competition amongst incumbent businesses within the industry to increase their market share and profit margin. Such competition may be to the detriment of all the existing businesses as they may "destroy" each other (e.g. through a price war). There is therefore merit in trying to work together to increase the size of the market, before an effort is made to "divide the cake". This approach is called "coopetition".

3.2.2 Fruit Production

a. The Macro-Environment

The agriculture sector in South Africa has undergone dramatic changes in the last number of years that have involved deregulation and liberalisation. This has included the abolition of the agricultural marketing control boards and the lowering of protective measures such as tariff and non-tariff barriers that traditionally protected the sector from external competition. Other changes have involved increased level of foreign entry into the sector, increased pressure from the unionised agricultural labour and a strong drive for land reform and Black Economic Empowerment (BEE) in the sector. The net result has been a significant increase in the competition levels within the sector and a general "shake-out" of less efficient farmers.

The deciduous fruit industry has become a major element in South Africa, and particularly so in the Western Cape. Exports of deciduous fruit and citrus totalled R6.5 billion in 2002, and were expected to increase to about R8 billion in 2003. There are about 2 500 fruit growers in the Western Cape, which makes it the most important fruit growing region in South Africa, representing about 85% of deciduous fruit exports. As an indication, the Western Cape produces about 2% of the world's apple crop, and exports about 35 – 45% of the harvest. The European Union (EU) represents in the order of 75% of the export market, with exports to the United States and the Far East increasing steadily.

The deciduous fruit industry comprises a number of organisations such as the SA Apple and Pear Producers' Association and the SA Stone Fruit Association. The umbrella body for the industry is the Deciduous Fruit Producers Trust (DFPT) that has played a major part in stabilising the industry and providing a consolidated platform to negotiate and develop, as well as to initiate research. DFPT Research is playing a leading role in all fields of the industry.

b. The Natural Resource Base

The natural resource base of the Witzenberg region with its cold winters and winter rainfall presents a comparative advantage for the production of deciduous fruit. The mountainous area also creates many valleys with specific microclimates that offer further comparative advantages for particular types of fruit. However, the Witzenberg area does not enjoy a comparative advantage in terms of the time of harvesting, as it shares the same harvesting window as most other producing areas. Products from Witzenberg reach the markets during the peak period of production, in the province which implies generally softer prices in the marketplace.

b. Location Advantage

South Africa enjoys a Southern Hemisphere location advantage and the country is able to produce into the off-season in the Northern Hemisphere with benefits in terms of pricing. The largest export market for deciduous fruit is the Northern Hemisphere with the EU absorbing the bulk of South Africa's (and Witzenberg's) exports. The scale of importance of the EU may be measured against the fact that it absorbs about 75% of South Africa's apple exports.

Geographically, the closest major export market destination in the northern hemisphere is Europe, with the United States and the Far East relatively less geographically accessible. In general container space is at a premium mainly because of the volume of high value exports from the Far East to America (e.g. household appliances, computers, etc.), also impacting the cost of shipping goods from South Africa to America. The cost of shipping from South Africa in an easterly direction is however cheaper as the container ships returning from America are mostly empty. Therefore from a purely transport cost perspective, the Far East market is the more accessible.

d. Research and Development (R&D)

Research and Development is important from two perspectives.

i. Firstly, consumer tastes for cultivars are changing continuously. In order to maintain market share it is therefore imperative that producers stay abreast of market changes and develop and cultivate the appropriate cultivars. R & D is required to develop new cultivars not only to develop and penetrate new markets, but also to develop varieties that are easy to grow, have good visual appeal (colour, shape, size), are tasty, are more resistant to diseases, and are better able to withstand handling and transport;

ii. Secondly, R & D is required to improve production techniques. This may involve the design of new farm equipment, the development of new planting techniques, etc. As an example, the over-production of apples in Europe since 1993 has put significant downward pressure on international market prices. This has forced farmers in South Africa to move towards high-density orchards, which in turn has required new production techniques.

R&D relevant to the fruit industry in the Western Cape is performed by four main groupings namely:

- Universities (e.g. University of Stellenbosch - Elsenburg);
- The Agricultural Research Council (ARC) (Nietvoorbij and Infrotech);
- The Provincial Department of Agriculture;
- The Private sector (e.g. SENSAKO); and
- Interest groups (e.g. DFPT Research)

In general, much emphasis in placed on R&D and valuable work is done at research faculties such as Elsenburg. However, there is much concern in the industry about the loss of senior researchers and therefore of technical and scientific capacity in the Agricultural Research Council (ARC).

e. Tariff and Non-Tariff Barriers

South Africa has, in accordance with the requirements of the World Trade Organisation (WTO), (the successor of GATT - the General Agreement on Tariffs and Trade) significantly dismantled and reduced its international trade barriers. However, farmers in some other countries and regions, particularly Europe, remain heavily subsidised which makes it difficult for South Africa to compete. Although efforts are underway in international forums to reverse this situation and systematically to reduce tariff trade barriers barring imports from the developing world this process may still take some time. As an indication, countries such as South Korea charge 60% import tax on some products. The general tendency is, however to replace tariff trade barriers with so-called non-tariff trade barriers such as quotas, technical regulations or health regulations. For example the larger retail chains in Europe now require that products adhere to the so-called "EUREP GAP" (Good Agriculture Practice) (refer (f) below). In most cases, a market can only be accessed if accreditation of some kind has been granted. This requirement adds to the costs of bureaucracy and in turn to total costs to the market floor.

South Africa has a good international reputation for producing agriculture products of high quality. The dramatic socio-political changes in South Africa have also drawn support in the form of preferential trade agreements with South Africa with main markets such as the EU and America. Examples of such concessionary advantages include the African Growth Opportunity Act (AGOA) in America enabling a range of concessions (although, as discussed, North America for other reasons is a problematic destination) and the Free Trade Agreement with the EU.

f. Consumer Tastes and Preferences

A particular change in consumer preference that has had a profound effect on production has been the rise in demand for "organic" products. This has required a radical change in traditional production methods to eliminate the use of pesticides and other chemical agents. However, it would appear that demand has now stabilised and that the market has become saturated. This may be partially ascribed to the fact that consumers prefer fruit that is visually appealing and organically grown fruit is normally less so.

However, this does not mean that farmers can return to the traditional production methods. The larger retail stores in Europe now require that products adhere to the so-called *EUREP GAP*. This requires that agricultural produce has to satisfy certain biophysical requirements such as the limited use of pesticides. In addition, farming practices must meet specific minimum requirements such as minimal impact on the ecology, and the fair treatment of labour (e.g. labour must be provided with good housing, education, health facilities, etc.) This requirement is not only limited to the international chain groups, but the larger retail groups in South Africa such as *Woolworths* and *Pick 'n Pay* now also impose specific requirements. These groups want to maintain their market share in the highly competitive retail industry. One of the most effective ways to achieve this is by assuring their clients that they offer not only high quality products, but that those products are also produced under conditions that promote ecological integrity and social responsibility. The general trend is that social responsibility will become a major factor in securing market share[106]. Certain of these requirements coupled with such local developments as the taxation of agricultural land through property rating at municipal level, place demands on established farmers and make it more difficult if not virtually impossible for emergent farmers to penetrate the export market.

g. Transport and Storage Infrastructure

The entire harvest of deciduous fruit has to be transported by truck from Witzenberg to the various market destinations. As a result the quality of the road network is very important, particularly for the transport of export fruit, as the fruit must not be damaged in any way. In Witzenberg there is some cause for concern as to the condition of key sections of the road network.

In addition Cape Town harbour has particular capacity constraints which present bottlenecks in the production-export value chain, particularly in high season.

It would however appear that storage capacity in general and including cold storage is adequate.

h. Critical Success Factors

The critical success factors in the growing of deciduous fruit include the following:

i. The farmer has to broaden the "production basket" by following changes in consumer preferences in cultivars, requiring a more informed and dynamic approach to agricultural production; and
ii. The farmer must engage in proper cost management practices in response to recent dramatic rises in input costs and static market prices that has severely squeezed profit margins.

[106] Institute of Directors: **Report of the King Committee** - The Investigations into good corporate governance has suggested that social responsibility reporting should be a standard requirement of all annual corporate reporting.

i. The Input Supply Base

As in any industry the input supply base of agriculture is a major determinant of the profitability of the industry and of its capacity to grow.

i. Farming Equipment

According to the National Department of Agriculture (NDA), the price index of machinery and implements has increased by 17.9% from 2002 to 2003. The average price of tractors increased by 25% compared with 20% during the previous year (2001 to 2002). A large percentage of farming equipment is imported and the strong Rand should have resulted in these items becoming cheaper in real terms. However, the steady increase in the price levels suggests that the advantage of a stronger Rand on the importation of capital goods is not passed on to the farmer, at least not to its full extent;

ii. Labour

The production of deciduous fruit in particular is labour intensive and the cost of labour represents on average about 40% of overheads. This a both an advantage for the community in the sense that proportionately more employment is created per unit of output value as discussed above, and a disadvantage to the extent that the labour market is bureaucratised and regulated in manner that does not encourage or is not appropriate to the facilitation of more labour-intensive economic production. In general, the farming community is under much pressure from both the labour unions and the push for BEE and land reform. A particular problem concerns the provision of housing on farms, with most farmers opting to house their labour in the towns and transporting them to the farm and back on a daily basis. This has been the result of legislative interventions in on-farm labour relations. An additional dimension is the provision of infrastructure and services on farms to farm workers. Farmers are under moral, legislative and competitive pressure to provide services to labour tenants on farms that would and should otherwise in terms of the claim of all citizens on free basic services be provided by government.

As far as could be established, most of the existing farmers in Witzenberg have good relationships with the labour, and a number have assisted with the establishment of emergent farmers. In these projects, the farmer would typically have 51% of the shares the emergent farmers 49%. The degree of success of such projects varies.

iii. Water

In the case of Witzenberg, the most critical element in the water supply chain is the Koekedouw Dam, which was built specifically to improve water security. However, the economic model for the dam was based on highly optimistic harvests and market prices and the actual construction cost of the dam significantly exceeded the original budget. Some of the farmers in the service area acquired shares in the dam which would ensure that they have assured access to a specific water quota. However, because of the dramatic escalation in the construction cost the cost of the water has become very high, running at in the order of R12 000/ha for average irrigation application escalating at 7% p.a. rendering it virtually impossible to use the water profitability for agricultural purposes. Farmers are required to pay contractual instalments irrespective of whether they actually use their water quotas since agreements are attached to the land and not to water usage. The result has been a significant negative impact on agricultural land values in the service area of the dam in Witzenberg with the possibility of the knock-on wealth effect on the economic behaviour of local farmers.

Structures have been put into place to seek solutions to the problem.

iv. Other Municipal Services

The cost of municipal services is perceived by the agricultural sector in relative terms to be higher than in other areas, which adds to the overheads of farming.

The 2002/2003 rate on agricultural land has been 0.0024 cents in the Rand throughout Witzenberg except in the Op-die-Berg area where it has been significantly higher at 0.0087 cents in the Rand. This compares for example with a current rate for Drakenstein of 0.00376 cents in the Rand and for Stellenbosch/Swartland of 0.27 cents in the Rand. The ceiling on the municipal rate applicable to agricultural land in the Western Cape has been recommended to be 0.004 cents in the Rand of agricultural land value.[107]

j. Buyers

Farmers in Witzenberg produce for the fresh produce market and / or for the processing industry (e.g. fruit juices). The market is served with well-established companies such as *Tru-Cape* and *Cape-Span* serving the domestic and international markets respectively.

The domestic retail sector has become highly sophisticated, largely in keeping with international trends and a few large chains namely *Pick 'n Pay*, *Woolworths*, *Shoprite-Checkers* and *Spar* dominate the retail offset sector for Witzenberg. Because these chains absorb the largest percentage of fresh fruit they wield considerable (monopsonistic) negotiation power over suppliers in terms price, quality and the allocation of shelf (merchandising) space.

[107] Ackron J. and Vink N. **Property Rating on Agricultural land in the Western Cape: Towards a Guideline Framework** A Report to the Western Cape Provincial Government (2004)

i. Consolidation of the Marketing System

Up to 1996 a single-channel marketing system applied providing security to farmers as the agricultural cooperatives were buyers of last resort. The abolition of the system in a single season resulted in fragmentation, with numerous new entrants to the system, very few of which had the necessary technical skills and experience. As a result, many farmers suffered significant losses. Some harm was also done to the international reputation of South Africa as reliable supplier of high quality products. Consolidation has, however taken place and the system appears to be working well at present.

An ongoing challenge to export producing areas such as Witzenberg is to secure and maintain merchandising preference and shelf space in the international retail outlets. The existing market share is maintained and new markets developed through brand development management focusing on the careful development and nurturing of South Africa's international reputation. The *Cape Span Group* is currently the dominant exporter of fresh fruit, with a market share of about 50%. The Far East offers much potential for market development, but the entry barriers in the form of import taxes for example are high.

In general in the case of Witzenberg it would appear as if the link between the farmers and buyers is well developed with minimal problems

i. Bargaining Power

Some sub-industries such as canning, have organised themselves in so-called Joint Agriculture Groups (JAG) by consolidating their marketing efforts in order to improve their negotiating power. This concept seems to be working well in some industries such as wine for example.[108]

[108] For example through Wine of South Africa – WOSA

ii. Brand Identity

South Africa's international reputation generally for producing high quality products has played an important role in stabilising and cushioning the potentially harming effects of the fragmentation of the marketing system in 1996. Marketable trade names are becoming more important, particularly in the international market. This trend is largely driven by the high levels of competition amongst large retail chains to at least maintain their market share. As such, they need assurance that a supplier will be able to deliver a high quality product on a consistent basis. The end consumer at the point of sale however is less concerned about trade names ***per se*** in fresh fruit than about the visual appearance and taste of the fruit.

An emerging trend is to use the production area or region as one of the key elements of the marketing package. This is the so-called "product of origin" approach. The existing brand name "Ceres" for the produce of the series area has proven to be hugely popular and the concept has significant potential for further development within Witzenberg.

iv. Specific Market Requirements

The development of the EUREP GAP requirements can be considered a "lost opportunity" as South Africa did not take part in the negotiation process in a pro-active manner. As a result the requirements and standards reflect mainly European conditions and circumstances, rendering it more difficult for South African producers to comply.

k. Substitute Products

There is a strong international and domestic trend toward greater health consciousness. The health benefits of fresh fruit are well researched and there are no real substitute products.

An interesting option to further increase the market share of fresh fruit is to identify "complementary" products. This would refer to products that are used and consumed with fruit to increase the value and enjoyment of consuming fruit. The goal would be to support the development of these complimentary products in order to leverage an increase in the total demand for fruit.

l. New Entrants

The entry barriers in the production of fresh fruit are relatively high and include capital availability, specific technical expertise, expertise on related business management dimensions such as financial management and marketing, etc. Therefore normally it is established farmers that will buy more land, rather than new entrants to the industry. This is a general characteristic of entrepreneurship in South Africa, namely that a significant proportion of new ventures are generated from the ranks of existing established business.

A very small percentage of agricultural land in Witzenberg is purchased by international buyers. By contrast the wine industry that dominates other jurisdictions within the province is experiencing a significant influx of foreign buyers obtaining land and driving up land and property prices.

An important category of new entrant to agriculture is provided by emergent farmers, including those established in terms of the Land Reform Programme.

m. Competition amongst Existing Businesses

There is general agreement that there has been a "shake-out" of inefficient producers in the deciduous fruit industry leaving in production only those farmers that are committed and able to produce products of high quality. This shakeout was mainly brought about by a number of bad years in the 80's and 90's which resulted in low harvests, declining markets and low profit margins. Only those farmers that were able to engage in proper cost management and the proper management of their value chain survived this period.

The main competitive dimension affecting Witzenberg competition is not competition amongst local farmers as there is a ready market for high quality fruit. The local and immediate challenge rather is against the profit margin – namely for the individual farmer to produce fruit at such a sufficiently low cost to remain viable. The primary source of external competition is between South Africa and other fruit producing countries in the southern hemisphere namely Chile, Argentina, Australia and New Zealand. These countries produce at the same time as South Africa, and market their produce to the same countries in the northern hemisphere. The main dimensions of this international competition revolve around quality and the product range (e.g. cultivars) to secure market share.

It is therefore imperative for Witzenberg that local farmers (including emergent farmers if they are to become part of the export value chain) be able at least to match, but preferably to improve upon the standards of quality and product range of these countries. This will call for advanced innovation through entrepreneurship in the local farming industry making it even more essential that productive land in Witzenberg is farmed by those able to do it effectively and efficiently and to rise to the challenges of remaining competitive.

3.2.3 Fruit Packaging and Processing

a. The Macro-Environment

A large percentage of the fresh and processed fruit from Witzenberg is exported with the Rand exchange rate having a direct effect on profit margins in the industry. As a small "developing country", the South Africa is exposed to exogenous factors that cause significant fluctuations in the ZAR rate relative to the currencies of key trading partners. A case in point is provided by the dramatic devaluation of the ZAR caused by the East Asian Financial crises in 1997/98, and the September terrorist attacks on the World Trade Centre. In both cases, South Africa was essentially an "innocent bystander" but suffered currency instability nevertheless. Similarly, the current significant appreciation of the ZAR is largely driven by exogenous forces.

The implication of such dramatic fluctuations is two-fold:

- Firstly, it is very difficult to engage in meaningful long term planning and the development of longer-term strategies in the face of such uncertainty. This requires the application of sophisticated planning techniques; and
- Secondly, a strong Rand militates against the competitiveness of South Africa's exports to foreign markets.

b. Product development

The entry barriers to the processed fruit industry, particularly fruit juices, are not particularly prohibitive. As a result, there has been an increase in the number of stakeholders and a dramatic increase in the range of products available both domestically and internationally. As a consequence the level of competition in processing has increased, requiring a concerted effort from incumbents to maintain their market share. To do this requires innovation by way particularly of the development of new products. N Witzenberg companies such as *Ceres Fruit Juices* have in recent times developed and introduced a large number of innovations such as combining fruit juice with vegetable juice and the redesign of packaging. A particularly successful innovation has been the combination of fruit juice with *Rooibos* tea resulting in a product offering all the advantages of a health drink utilising products in the production of which the Witzenberg area has a comparative advantage. The further development of such unique products offers much potential to penetrate markets and to secure market share at a premium price.[109]

However, product development is expensive and there is much risk involved, particularly on the international market where the new product has to gain access to shelf space. If the product is not immediately successful, the large retailers will remove the product to protect their own turnover resulting in a major financial loss for the product developer.

The emerging international good practice role of government in business and industry support is increasingly being seen as providing support in this area. Where the social benefits of such development in terms of incomes and jobs for local communities exceed the private benefits to business of generic product development (including risk as a component of that cost) there is a strong case to be made for government (both national and local government in South Africa) to absorb this difference by way of appropriate assistance.

c. SA Reserve Bank Controls

There is some concern about recent announcements that the Reserve Bank will in future have to approve all international trade agreements before a contract can be signed. This may result in an increase in the lead-time resulting in South African exporters missing key opportunities in competitive and dynamic foreign markets.

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[109] The Witzenberg area enjoys a comparative advantage in various natural products such as *Rooibos*, *Honeybush*, Buchu, etc. There is a proven market for these products. Also, indications are that a broad rainbow of end products can be made from these natural products. Focused research and development towards this end must be seen as a priority for Witzenberg.

d. Critical Success Factors

The critical success factors for the packaging and processing of fruit involve the following:

i. The development and nurturing of a marketable brand name.
ii. Secure and maintain sufficient shelf space.
iii. The continuous development of new products to capture or initiate changes in consumer preferences.
iv. Proper packaging and use of technology such as bar-coding (i.e. to ensure trace ability of the product).
v. Proper management of the entire value chain
vi. The various stakeholders should consolidate production and marketing efforts in order to develop a more powerful negotiation platform.

e. Input Supply Base

Local processing plants in the Witzenberg and immediately surrounding areas source most of their fruit inputs from local producers. However, it is also possible to source inputs such as juice concentrate from international suppliers, some of whom can deliver at a lower landed price.

Depending on variables such as trade barriers and the labour market, in some cases it is more profitable to export the fruit concentrate from South Africa and to produce the juice in the target country. However, this implies a loss of employment for Witzenberg and revenue for South Africa and should be discouraged. In such a case there could be an argument made for the intercession of government to equalise social and private benefit-cost where such possibilities exist.

In most cases the fruit processors in Witzenberg have a relatively strong negotiation base as there are few of them. Despite this advantage however the local processing industry appears to prefer to buy fruit and concentrate from local producers and is prepared to pay a premium price. The main reason for this is the sound relations that have been developed over the years between the primary suppliers (the farmers) and the local processing companies. From an administrative and logistical perspective it is easier for the local processors to access input locally than externally.

The packaging industry in Witzenberg (e.g. *Ceres Fruit Growers*) uses large volumes of packaging material. Most of this material is provided by a small number of suppliers that effectively have a monopoly (e.g. Sappi or Mondi). Because of this monopoly and the resultant inflated price a number of businesses involved in the packaging of fruit have combined their effort to develop their own plant to manufacture packaging material. This vertical integration of their operations is intended to give them more control over this key input cost item. Ceres was considered as one of the potential locations for the operation, but the plant was ultimately established in Worcester.

f. Buyers

i. Market Size

The domestic market in particular has witnessed a strong increased in the range of processed fruit products. Former market gaps and many niches are now saturated and aggregate domestic demand is growing more slowly. However, there remain specific niche products that appear to be doing well, particularly the health products area.

Whilst the international market for fruit juice is growing strongly it is dominated by large international conglomerates. Both domestic and international demand for canned fruit is however growing very slowly. This sluggish growth can be attributed to the increase in health consciousness with consumers rather opting for fresh fruit and health products such as fruit juices.

ii. Bargaining Power

There are few large international buyers relative to the number of producers of processed fruit products such as South Africa, Argentina, Chile and Australia. As a result these international buyers have considerable negotiation power resulting in high levels of competition between the various producer countries. On the domestic level in South Africa the fruit processing industry has not managed to organise and consolidate itself to improve its negotiation power as has the wine industry through the medium for example of WOSA. As this is a major industry deficiency with the larger domestic processing companies such as *Cape Span* having to negotiate individually on international markets, thus diluting their competitive position.

iii. Brand Identity

The market for processed fruit differs from that for fresh fruit in the sense that the end consumer of processed fruit products such as fruit juices is more aware of brand names. As noted above, South Africa has a very good international reputation and some of the brand names for fruit juices (e.g. *Ceres*) are sought after. Much ongoing effort is invested in the further development of brands such as *Ceres* in order to grow the market.

The difficulty of accessing shelf space for the marketing of processed fruit product internationally is compounded by larger foreign retail chains that tend to give preference to their own domestic suppliers.

g. **Substitute Products**

In consequence of health awareness the demand for canned fruit products has been supplanted by an acceleration of demand for fruit juices as a healthier replacement product. The growth in fruit juices therefore represents in a sense the replacement of growth that otherwise would have taken place in the canned fruit market.

There is no real substitute for fruit juices and the range of fruit juices is still developing with supporting technology with new varieties being added continuously.

h. **New Entrants**

In general the entry barriers to the fruit processing industry and particularly to the fruit juices industry are fairly low. As a result, a number of new producers have established themselves, thereby increasing the general levels of competition. Added to the growth in the number of domestic companies is the influx of foreign companies.

i. **Competition Amongst Existing Businesses**

The fruit canning plant in Tulbagh is an important source of employment opportunities in the Witzenberg area. However, there is uncertainty about the future of the plant due to restructuring of the mother company. The larger canning operations such as *Langeberg Foods*, *Del Monte* and *Ashton Canning* all have undergone rationalisation in recent years as a result of the increase in competition in the industry.

In general, the level of competition amongst companies in the industry is high, in a domestic market that is sluggish and in the face of stiff international competition and difficult access to foreign markets. Domestic retail chains in South Africa driven in part by the rise in consumerism in South Africa and the increasing sophistication of local consumer preferences have also become more sophisticated and not only demand products of a high quality, but place additional requirements upon producers as do their foreign counterparts. It can therefore be assumed that increasingly the marketing edge will be held by those companies that are able to illustrate their social responsibility.

4. Conclusion

The Witzenberg economy is concentrated and enjoys clear comparative advantage, albeit in key industries and sectors that are fraught with exogenous risk including climatic risk as well as well structured international competition. The economy is at present not sufficiently diversified to enable changes of sectoral emphasis to provide a basis for significant short- or even medium term employment creation, and the indicated next best alternative sectors for economic development namely the tourism sub-sector powering the Trade sector, though showing promise and some potential characteristically is significantly less labour absorbent than Agriculture.

In the shorter- and even into the medium term therefore existing highly labour-absorbent sectors in the local economy such as Agriculture and Agricultural Processing will continue to dominate the local economic landscape with tourism growing in importance but with significantly lesser labour absorptive potential.

CHAPTER 7

INTEGRATIVE SUB-REGIONAL ASSESSMENT

1. Objective

The objective of Chapter 7 is to provide a summary integrative overview of the key features of the Witzenberg socio-economy from both an overall Witzenberg perspective and a sub-regional perspective.

The chapter addresses the following issues:

1.1 A summative technical assessment of the economy and socio-economy of Witzenberg informed by interaction with key role players in the Witzenberg area; and

1.2 Summative sub-regional perspectives of key imperatives at sub-regional level in Witzenberg based on the engagement of sub-regional LED Forums in Ceres, Tulbagh and Wolseley and interactions with key role-players in the Op-die-Berg area.

Read together with the foregoing chapters Chapter 7 provides a sub-regional basis for informing the process of LED strategy formulation to begin with the envisaged Witzenberg LED Summit concluding Phase 2 of the present project and in Phase 3.

2. Summative Economic Technical Assessment

The summative economic technical assessment is based upon informed technical inputs to the assessment process both from the side of the Consultus team, and from technical experts in key industries within Witzenberg.

2.1 Structure and Growth rates of the Witzenberg Economy

2.1.1 Witzenberg has a small and open economy. The Witzenberg population represents about 1.8% of the Western Cape population, and the economy that represents about 1.2% of the provincial GGP. This implies in terms of productive application of human resources that the Witzenberg economy is "under-performing" relative to its population size;

2.1.2 The average growth rate achieved over the period 1996 to 2002 is estimated at about 1.6% p.a. which in relative terms is low;

2.1.3 The local economy is "open" in the sense that its particular economic structure (dominated by Agriculture and related activities) renders it sensitive to a range of exogenous factors such as:

a. The exchange rate. A significant portion of the economy involves the export of deciduous fruit and a strengthening of the Rand results in lower profit levels;
b. International Trade Agreements. South Africa is a signatory to the WTO, and has accordingly lowered its tariff barriers, which makes domestic producers vulnerable to international competition. Farmers in the EU and US are still heavily subsidised whereas the domestic farmers are not. The implication is that certain agriculture commodities (e.g. wheat) command a lower price on the international market than the domestic cost of production;
c. Climate. The agricultural sector in general is vulnerable to climate and particularly to rainfall. In the case of Witzenberg, the original agriculture production basket involved a large percentage of wheat. However, over time, more grapes and deciduous fruit have been planted which have higher profit margins but need more water;

2.1.4 The Witzenberg economy is sectorally dominated by Agriculture (29%), Manufacturing (18%) and Government (21%). The annual economic growth rate may fluctuate significantly depending on the success achieved in Agriculture;

2.1.5 Agriculture is by far the dominant source of employment, creating about 61% of all formal employment opportunities;

2.1.6 This high contribution by Agriculture, compared with its contribution to the economy, reflects the fact that the sector is highly labour intensive;

2.1.7 The agricultural sector is however highly seasonal, with most employment opportunities being created during the harvest period over the summer months. During the winter months much less labour is required. The seasonality in employment opportunities in turn impacts on the availability of disposable income, and the local trade sector also experiences a "slump" during the winter period;

2.1.8 There is also a trend toward reducing the number of people permanently employed on farms mainly for the following reasons:

a. A general international trend towards higher levels of mechanisation to increase the production efficiency and production competitiveness; and
b. To circumvent the implications of certain legislation such as ESTA;

2.1.9 One of the main advantages of the agriculture basket of Witzenberg is that it is not dominated by commodity type products such as wheat that is undifferentiated.[110]. The largest portion of the agriculture production basket involves differentiated products such as deciduous fruit and, to a lesser extent, grapes. This allows farmers the opportunity to produce niche varieties which can fetch premium prices;

2.1.10 Manufacturing mainly involves the processing of agriculture products such as the packaging and canning of fruit. As such, there is a very strong forward link from Agriculture to Manufacturing in Witzenberg;

2.1.11 The Tourism Industry has recorded a very strong growth and has become an important element of the local economy. Key tourism activities include:

a. The area offers a wide range of tourism attractions from wine tasting, a variety of adventure-type attractions such as 4X4 routes and hiking, and a number of annual community festivals. The snow on the Witzenberg mountains is a tourism attraction in the winter months;
b. The area enjoys some niche advantage relative to the Cape metropole for specific tourism experiences;.
c. There is a growing trend toward farm- or "agricultural" tourism with farmers making access to their land available for tourism activities and offering accommodation

[110] The inherent problem with commodity type products such a certain types of agricultural produce is that, apart from the grading, little product differentiation exists limiting market segmentation to achieve premium prices. In the case of wheat, the total harvest is stored in silos and used in the mass production of other commodities such as flour and bread. Wheat produced in the Swartland is essentially no different from wheat produced in Tulbagh. Because of the undifferentiated nature of this commodity type agriculture product, the buyers in the further stages of the value chain, such as the mills, will purchase their inputs from the source offering the lowest price, which includes the import market. Given the strong Rand, it may happen that mills can purchase wheat at lower prices on the import market than that at which local farmers can produce it.

facilities, combined with various agri-tourism attractions;

2.2 Multipliers in the Witzenberg Economy

2.2.1 Value is added to a fairly large percentage of locally produced primary products by way of such secondary activities as the canning of fruit, wine making and olive oil pressing;

2.2.2 However, because of relatively small population and the seasonal character of agricultural production, the overall average annual disposable income available generated by the local economy through the year is relatively low, which militates against local trade market formation. The region is also extensive and the topography difficult, thus eroding market concentration. The implications for the Trade sector are:

a. Existing shops offer limited range and choice of goods (usually at higher prices than what is available in the larger centres such as Worcester – the result of lower sales volumes);
b. There tends to be a high turn-over of shops in the secondary towns such as Wolseley; and
c. People prefer to purchase their monthly groceries and "high-ticket" durable goods in the larger centres such as Worcester;

2.2.3 The monthly government pension/grant payout represents a significant cash injection into the local economy. The estimated value of grant payments in Witzenberg is in the order of is R3,9 million monthly, with associated multiplier effects throughout the economy.

3. Summative Assessment of the Socio-Economy of Witzenberg

3.1 Population Size and Education Levels

3.1.1 Witzenberg has a population of just over 80 000;

3.1.2 The age profile is skewed toward the lower age groups with about 30% of the population less than 15% years old , and the labour force (those between the ages of 15 and 65 years) representing 66% of the population

3.1.3 The Witzenberg population generally has low levels of formal education with about 11% having no formal schooling and 31% having secondary schooling. The educational and skills profile of Witzenberg has at least two main implications namely:

a. The formal economy requires formal schooling and those that do not have it find it very difficult to secure employment. Traditionally, Agriculture was one of the few sectors that do not require formal schooling but the face of competitive agriculture is also changing and requires improved skilling of labour;.

b. There is a correlation between schooling and entrepreneurship with lower levels of schooling generally implying lower levels of entrepreneurship.

3.2 Employment and income

3.2.1 Because of the seasonality of economic activity in Witzenberg it is difficult to arrive at an average employment level. According to the official statistics, the level of unemployment is 10%. However, indications on the ground suggest that the rate is much higher;

3.2.2 Because of the dominance of Agriculture, which traditionally does not require high levels of formal schooling, the majority (about 66%) of those that are employed are employed in unskilled, low- paying elementary positions;

3.2.3 Low wage earnings translate to low income levels, with about 41% of all households earning less than R30 000 p.a.;

3.2.4 Low income levels in turn result in high levels of poverty and, and about 19% of all households are considered to live in poverty although the estimates vary significantly. There are also significant differences in circumstance between the main race groupings, with the level of poverty being the highest amongst Black households at 44%, and 15% in the case of the Coloured population;

3.2.5 Grant payments from government presents a key element of the survival strategies of the low income households, and some households at the lowest end of the income spectrum are solely dependent on these payments for survival;

3.2.6 There is a general lack of knowledge about household or personal financial planning, particularly amongst low income households. Investigations suggest that a large portion of disposable income is spent on non-essential items such as cell phones and gambling. (E.g. Lotto). This is particularly prevalent at the time of the monthly government grant payouts. A large number of households borrow money from money lenders who charge high interest rates, making it very difficult for these households to escape from the "debt trap".

4. Summative Sectoral Economic Technical Assessment

4.1 Agriculture

4.1.1 General

a. The agricultural sector has always been an important driver of the Witzenberg economy and contributes about 30% towards the GGP and about 60% towards formal employment;

b. The natural resource base provides Witzenberg with a comparative advantage in a number of commodities, such as:

i. Tulbagh / Wolseley

a) Grapes / wine
b) Olives
c) Cereal
d) Deciduous fruit

ii. Warm Bokkeveld

a) Deciduous fruit
b) Cherries
c) Vegetables (potatoes)
d) Cereal

iii. Koue Bokkeveld

a) Cereal
b) Deciduous fruit
c) Vegetables (potatoes and onions)

c. Other farming commodities include:

i. Livestock – mainly sheep. However, the size of the Witzenberg flock has been dramatically reduced due to theft;

ii. Dairy – mainly in the Tulbagh area. However, the local diary industry is small and the industry is highly concentrated (i.e. there are only a few large companies that dominate the industry);

iii. Timber – MTO owns 3 500ha of which 2 000ha are under forestry. A decision was taken to exit the forest, and the estimated remaining life of the plantation is 17 years. 17 people are employed; and

iv. A number of natural products such as buchu and protea flowers although the latter activity is limited at present;

d. As far as could be established the general working relationship on farms between farmers and agricultural labour can be considered stable. However, there are isolated cases of farmers still exploiting their labour. As an example, some of the farms have "farm shops" where the labourers can buy commodities and consumables such as milk and bread. The labourers are paid on a weekly or monthly basis and do not always have the cash to purchase, and they have to buy on credit. However, Instances exist where the average prices of the commodities made available are inflated and where take-home pay (cash) after deductions for debt service is extremely low.

4.1.2 Deciduous Fruit

a. Production

i. There are about 2 5000 fruit growers in the Western Cape, which makes it the most important fruit growing region in the country representing about 85% of South Africa's deciduous fruit exports. The Western Cape produces about 2% of the world's apple crop, and exports about 35 – 45% of the harvest. Table 7.1 reflects a production offset profile on a sub-regional basis for Witzenberg.

TABLE 7.1: PRODUCTION AND OFFSET OF DECIDUOUS FRUIT IN WITZENBERG (2002/03) (%)

Commodity	Area	Trees[111]	Markets[112]		
			Domestic market	Export market	Processed
Apples	Ceres	23	30	37	33
	Wolseley / Tulbagh	1			
Pears	Ceres	37	20	40	40
	Wolseley / Tulbagh	11			
Apricots	Ceres	4	5	10	85
	Wolseley / Tulbagh	4			
Nectarines	Ceres	35	9	3	88
	Wolseley / Tulbagh	12			
Peaches (Dessert)	Ceres	14			
	Wolseley / Tulbagh	18			
Peaches (cling)	Ceres	18			
	Wolseley / Tulbagh	20			
Plums and Prunes	Ceres	5	25	72	3
	Wolseley / Tulbagh	5			
Table grapes	Ceres	0.03	-	-	-
	Wolseley / Tulbagh	0.4			

ii. The European Union (EU) represents about 75% of the export market, with exports to the United States and the Far East increasing steadily;

iii. South Africa enjoys a locational advantage being located in the southern hemisphere as the country can produce fresh fruit in the off-season of the northern hemisphere which allows South Africa to secure premium prices. However South Africa has to compete directly with other Southern hemisphere producers;

iv. Geographically, the closest major export market in the northern hemisphere is Europe, whereas the United States and the Far East are geographically not that easily accessible. The cost of shipping goods from South Africa to North America is expensive. However, the cost of shipping from South Africa in an easterly direction is much cheaper. Therefore from a purely transport cost perspective, the Far East market is the more accessible;

v. There has been a "shake-out" in the deciduous fruit industry, leaving only those farmers that are committed and able to produce products of a high quality. Only

111 The values express the values of Ceres and Wolseley / Tulbagh as a percentage of the total in South Africa.
112 These values represent the total for South Africa, and not the contribution by the study area.

those farmers able to engage in proper cost management and the proper management of their value chain have survived;

vi. Research and Development (R & D) is important from two perspectives:

  a) Firstly, consumer tastes for cultivars are continuously changing requiring new cultivars; and
  b) Secondly, R & D is required to improve on production techniques. This may involve the design of new farm equipment, the development of new planting techniques etc. For example high density orchards require new production techniques;

vii. The general tendency is to replace tariff barriers with so-called non-tariff barriers such as quotas, technical regulations, or health regulations. Requiring that agriculture production satisfy certain biophysical requirements, such as the limited use of pesticides;

viii. The entire harvest of deciduous fruit has to be transported by truck from Witzenberg to the various markets. The relevant elements of the road network therefore represent for Witzenberg key economic infrastructure;

b. Critical success factors in fruit production

i. Input costs have increased dramatically over the last few years, whereas the market prices have remained stable. This has resulted in smaller profit margins, which require that the farmer must engage in proper cost management practices. Farming needs therefore to be more scientific and the farmer must become more production-efficient;

ii. The profit margin of "mainstream" varieties of deciduous fruit in particular is also being squeezed due to the fact that these varieties can be considered a "commodity type" product (i.e. a mass produced). The only option would be to produce niche type varieties. This will require careful market research to ensure that there is a demand for the niche variety. This approach will also require much R&D in new plant material and the farmer has to stay abreast of these developments;

iii. There is a growing trend toward vertical integration on-farm with farmers building their own packing facilities to pack stone fruit (e.g. plums) as this is more cost effective. However, it remains more cost effective to pack apples and pears in a central packing facility.

4.2 Fruit processing

i. The entry barriers to the processed fruit industry, particularly fruit juices, are not very high. As a result, there has been an increase in the number of stakeholders, and a dramatic increase in the range of products available, both domestically and internationally. As such, the level of competition has increased, which requires a concerted effort from incumbents to maintain their market share. One of the most effective ways is to develop new (exiting) products. Companies such as **Ceres Fruit Juices** have in recent times developed and introduced a large number of new products, such as mixing fruit juice with vegetable juice, redesign of the packages, etc. A particular innovate product that was developed involves a mix of fruit juice with Rooibos Tea. This product offers all the advantages of a health drink, and it is made of products in which the area enjoys a comparative advantage. The further development of such unique products offers much potential to penetrate and secure market share and obtain a premium price[113].

ii. Product development is expensive and there is much risk involved, particularly on the international market where the new product has to gain access through new shelf space. If the product is not immediately successful, the large retailers (e.g. Tesco) will remove the product to protect their own turnover, resulting in a major financial loss for the company.

iii. It has been suggested that government should assist in product development by offering financial incentives to lessen the degree of risk.

iv. Local processing plants source most of their inputs (fruit) from the local producers. However, it is also possible to source inputs such as juice concentrate from

[113] The area enjoys a comparative advantage in various natural products such as Rooibos, Honeybush, Buchu, etc. There is a proven market for these products. Also, indications are that a broad profile of end products can be made from these natural products. It is therefore important that R&D be done on these products.

international suppliers, sometimes at a lower landed price.

v. Depending on variables such as trade barriers and the labour market, it may be more profitable to export the fruit concentrate from South Africa and produce the juice in the target country. However, this implies a loss of employment and revenue for South Africa and should be avoided.

vi. In most cases, the fruit processors have a strong negotiation base as there are few of them. However, the local industry in general does not exploit the farmer and prefer to buy fruit and concentrate from local producers and is prepared to pay a premium price. The main reason is the good relations that have been developed over the years between the suppliers (e.g. farmers) and the processing companies. Also, from an administrative and logistic perspective, it is easier to buy locally than to buy from international suppliers.

vii. The demand for canned fruit has plateaued, mainly as a result of an increase in health awareness, whereas the demand for health products such as fruit juices has increased. As such, fruit juices have absorbed the growth that would have take n place in canned fruit.

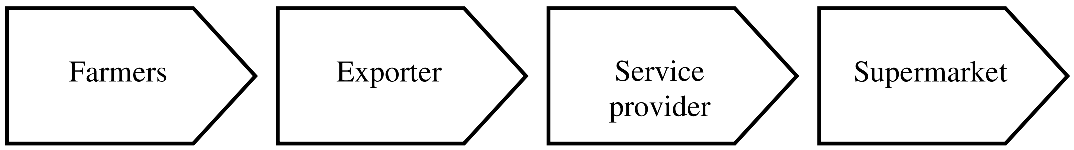
viii. The fruit canning plant in Tulbagh is an important source of employment opportunities. However, there is uncertainty about the future of the plant due to restructuring of the mother company. The larger canning operations such as Langeberg Foods, Del Monte and Ashton Canning all have undergone rationalisation in recent years as a result of the increase in competition.

4.3 Demand and markets

i. The international and domestic demand for fresh fruit and fruit juices is mainly fuelled by a trend towards healthy living. The health benefits of fresh fruit are well researched and there is no real substitute products.

ii. Up to 1996, a one-channel marketing system existed, which provide much security to the farmers, as the agriculture cooperation's were buyers of last resort. The abolition of the system, that occurred in a single season, resulted in a fragmentation of the marketing system. Numerous individuals and institutions entered the market industry, very few of which had the necessary technical skills and experience. As a result, many farmers suffered huge losses. Also, some harm was done to the international reputation of South Africa as a producer of high quality products. Since then the marketing industry consolidated again, and seems to be working very well at present.

iii. Europe is the biggest market, but the buying power is concentrated in a few buyers (e.g. Tesco and Marks & Spencer). As such, these buyers can wield considerable power in price negotiation. The chain can be illustrated as follows:



- The super market has a number of "service providers" to ensure that the correct variety of fruit is purchased (i.e. the competition between super markets are extremely high and they have to maintain their market share – it is therefore crucial for them to stock the correct types of fruit (varieties) whilst also satisfying other market requirements (e.g. EUREP GAP).
- The service providers task their exporters to source the fruit in accordance with the specific requirements of the super market. This is done in the various producer countries including South America, Africa, Australasia, etc.
- The exporters approach the farmers and will only accept the produce of a farmer if he can satisfy all the specifications. The exporter is therefore the critical link for the individual farmer and the export market.
- Because the farmer is the last in the chain, he has got virtually no negotiation power and can be considered a "price taker".

4.3.1 International demand and markets

i. A particular challenge is to secure and maintain shelf space in the international retail outlets. The existing market share is maintained, and new markets developed through the careful development and nurturing of South Africa's international reputation through brand development management. The **Cape Span Group** is currently the dominant exporter of fresh fruit, with a market share of about 50%. The Far East offers much potential for market development, but the entry barriers are high (e.g. import taxes).

ii. Marketable trade names are becoming more important, particularly in the international market. This trend is largely driven by the high levels of competition amongst large retail chains to maintain their market share. As such, they need assurance that a supplier will be able to deliver a high quality product on a consistent basis. The end consumer is less concerned about trade names in fresh fruit, but they are more concerned about the visual appearance and taste of the fruit. An emergent trend is to use the production area or region as one of the key marketing elements. This is referred to as "product of origin". The existing brand name "Ceres" has proven to be hugely popular, and the concept should be developed further.

iii. There are a few large international buyers relative to the number of producers of processed fruit products such as South Africa, Argentina, Chile and Australia. As a result, these international buyers have considerable negotiation power, resulting in high levels of competition between the various producer countries. Also, on the domestic level, the fruit processing industry has not managed to organise and consolidate itself to improve its negotiation power (e.g. compared to the wine industry that has WOSA). As such, the larger domestic companies, such as **Cape Span**, have to negotiate on their own on the international market, which marginalize their power base.

iv. The international market for fruit juice is growing strong, but is dominated by the large international companies.

4.3.2 Domestic demand and market

i. The domestic retail sector has become highly sophisticated, largely along the lines of the international trends. A few large chains namely **Pick 'n Pay**, **Woolworths**, **Shoprite-Checkers** and **Spar** dominate the market. Because these chains absorb the largest percentage of fresh fruit, they wield considerable negotiation power over suppliers in terms price, quality and the allocation of shelf space.

ii. The domestic market has witnessed a strong increased in the range of processed fruit products. This growth in supply has saturated market gaps and the aggregate domestic demand is growing slowly. However, there are specific niche products that appear to be doing well, particularly the health products.

4.3.2 Critical success factors in fruit processing and marketing

i. The development and nurturing of a marketable brand name.
ii. Secure and maintain sufficient shelf space.
iii. The continuous development of new products to capture or initiate changes in consumer preferences.
iv. Proper packaging and use of technology such as bar-coding (i.e. to ensure trace ability of the product).
v. Proper management of the entire value chain
vi. The various stakeholders should consolidate production and marketing efforts in order to develop a more powerful negotiation platform.
vii. Some sub-industries such as canning, have organised themselves in so-called Joint Agriculture Groups (JAG) by consolidating their marketing efforts in order to improve their negotiation power. This concept seems to be working well in some of the industries such as wine (through Wine of South Africa – WOSA).

4.4 Wheat

4.4.1 General

i. Wheat is a "commodity" crop, which means that apart from quality and other criteria such as protein content, there is no differentiation in the production. A harvest from the Swartland area is put in the same silo as a harvest from Tulbagh. The implication is that it is not possible to develop a niche market and get a premium price.
ii. The cereal farmer is therefore a "price taker" and can do very little to negotiate a premium price (apart from producing an A - grade quality).
iii. In general, the cereal industry is impacted by three exogenous variables namely:
    - Weather – by far the largest percentage of cereal is produced under dry-land conditions, which makes the industry very vulnerable to rainfall.
    - Increase in production cost – the cost of fuel, farm equipment and other inputs such as pesticides have increased dramatically over the last few years.
    - International production and exchange rate – subsidies to the South African cereal farmers have been decreased whereas farmers in

other cereal production countries such as the US are still heavily subsidised. This means that these (international) farmers can offer their product at a low price on the international market. Combined with the current strong Rand, millers can buy cereal at a similar and even lower price on the international market than what can be produced by the South African farmer. The domestic price is therefore impacted by factors such as subsidies, the exchange rate, as well as the volume of harvests in countries such as the US.

iv. As a result of the increase in production cost relative to the stable farm gate price, the only alternative to increase profit would be to either enlarge the area planted, and / or to increase the efficiency of the farming technique (e.g. precision farming). In both cases, there tends to be a loss in employment.

4.4.2 Production of wheat in Tulbagh

i. The natural resources base in the Tulbagh valley renders the area excellent for the production of wheat, and the quality is as least as good as that planted in the main wheat production areas such as the Swartland.

ii. The general standard of farming techniques and the quality of the product has improved markedly over the last 10 years. This has enables farmers to achieve higher yields of a better quality on the same land.

iii. The Tulbagh area has a very narrow window for planting and harvesting, which adds to the risk.

iv. To hedge the risk associated with wheat (as noted above), some of the farmers also engage in animal production and plant other forms of cereal such as oats to be used as animal feed. However, the size of the local sheep herd has been dramatically decrease as a result of stock theft.

4.4.3 Wheat production in the Koue Bokkeveld

i. Wheat farming used to dominate the agriculture basket of this area, but was gradually replaced by deciduous fruit and vegetable farming due to higher profit margins.

ii. Similarly to Tulbagh, the windows for planning and harvest are very small.

4.5 Olives

4.5.1 General - production

i. The average lag time for an olive tree is 7 – 8 years, but the tree has a very long economic productive live.
ii. Although the olive tree is drought resistant, it does not produce under drought conditions – it is therefore necessary that the trees be regularly irrigated.
iii. The main international olive producing countries are Greece, Spain, Morocco, Turkey and Argentina.
iv. The international industry is estimated at 12 million hectares, compared with the 2 200 ha in South Africa.
v. About 90% of the South African crop is produced in the Western Cape, mainly around Paarl, Stellenbosch and Somerset West. The Mediterranean climate presents the area with a comparative advantage.
vi. The quality of olives produced in South Africa, fresh and oil, is on par with the best of international standard.
vii. The local harvest vary from 30 – 70kg/tree/a. In Australia, the harvest is much higher at 70 – 100kg/tree/a. This higher production can manly be ascribed to excellent production techniques.
viii. There have been cases of farmers deliberately replacing producing vineyards with olive plantations. Unless the particular vineyard has been un-economical, the merits of such a decision is questionable as the margin (per area) produced by olives is not higher than the average realised by a vineyard.

4.5.2 General - demand

i. The international demand for olive oil has recorded high growth rates, mainly as a resulted of an increase in health awareness. As an indication, the demand for live oil in the US has doubled since 1989.
ii. South Africa consumes about 3 000 tons of table olives and 700 tons of olive oil per annum. The domestic demand grows at about 10% p.a. for table olives and 20% p.a. for olive oil.
iii. At present, South Africa is still a net importer of both olive oil and table olives.

iv. Olive production is usually combined with wine production, as the two products complement each other and improve the offering to tourists (agri-tourism).

4.5.3 Olive production in Tulbagh

i. The area enjoys a comparative advantage for the production of olives, due to the climate and soils.
ii. The local industry is still very young, only about 100ha planted – about 8 to years.
iii. There are 2 oil presses in the area.
iv. The recent drought resulted in very low harvests.

4.5.4 Opportunities and challenges

i. Production in Europe mostly involves olives for oil, firstly as subsidies in Europe only applies to olive oil and not table olives. Secondly, labour is very expensive, which makes mechanical harvesting a more feasible option (table olives must be harvested by hand). Given the high quality of tables olives produced in South Africa, there is a very good export market to countries such as US and UK.
ii. Similar to other commodities, the European olive industry is heavy subsidised, which puts the South African farmer at a price disadvantage.
iii. Because the industry is still young, there are many newcomers – the danger is that not all these newcomers obtain their plant material from reputable suppliers – may result in the outbreak of diseases.
iv. There is an urgent need for quality control in plan material – at present, there is a gap in this element of the industry (KWV use to provide the service).
v. There is a general trend for consumers to become more informed about the difference in quality between the natural "virgin" and "extra virgin" oil, as opposed to the chemically refined product "pure olive oil" and "live oil". This trend towards a more discerned consumer offers the market gap for the domestic producers.
vi. There is a very strong local and domestic demand for high quality table olives an olive oil, and most of the local producers sell their harvest without having to engage in aggressive marketing. All indications are that there is still considerable scope in the market, before it will be saturated.

vii. The entry barriers to olive production can be considered low for established farmers (e.g. grape farmers) as it does not require particularly high level of technical skills. However, it is important that good quality plant material be obtained. Also, the business has to have sufficient capital and a strong cash flow as the trees take about 7 – 8 years before they start producing.

viii. The single most critical factor is water shortage – if that can be sorted, more land can be planted.

4.6 Vegetables

The most important vegetables planted are potatoes, onions and to a lesser degree some runner crops such as butter nuts.

4.6.1 Potatoes

4.6.1.1 Potato production and processing

i. South Africa produces about 16 million 10kg pockets of potatoes per annum

ii. Of this crop, about 15% is processed into products such as potato crisps and mash powder.

4.6.1.2 Potato – demand and markets

i. The aggregate demand for potatoes (fresh and processed) has managed a fairly strong growth, which can probably be attributed to a move away from some of the traditional staple foods such as maize.

ii. There has been a particularly strong growth in the demand for potato products such as fries and crisps from the early 1990's. This growth in demand can be attributed to
   - A strong development in the fast foods industry
   - Increase in the rate of urbanisation (the largest demand is generated in the urban areas)
   - An influx of international processing companies

iii. At present, there is a decrease in the demand for pre-prepared potato chips[114] (slap chips) as the strong Rand makes it more feasible to import these pre-prepared

[114] These chips are 80% prepared and can be transported (i.e. most of the value is added before arrival in SA).

chips than to produce it in South Africa. However, this is purely driven by the current strong exchange rate.

iv. Of all vegetables, potatoes are probably the most suitable for exports as they are easy to grade a pack, and under the correct conditions they have a long shelf life.

v. South Africa is exporting potatoes to a number of countries such as Angola, Namibia and Mozambique. Exports to European countries are more difficult due to the strict regulations a farmer has to meet to obtain a phytosanitory certificate.

4.6.1.3 Potato production in Witzenberg

The main areas of production are the Koue Bokkeveld and the Warm Bokkeveld. Although the resource base renders the area with a comparative advantage, the area has only one production period with planting taking place from September to November and harvesting from January to May. The cold winter makes it impossible to have a second planting season – this further decreases the return on the land.

i. About 75% of the crop is table potatoes and 25% seed potatoes. **Ceres Potatoes** specialises in the production of "seed potatoes". This is high tech and highly capital intensive – high entry barriers.

ii. The area planted and production levels of potatoes have decreased over the last few years. As an indication, the total area planted about 10 years ago was 1 500 – 1 600ha. This has now decreased to about 800ha (about 15 farmers). About 50% of production is by 2 producers which imply a high level of concentration. The main reasons are:
   - The land has been "over-exploited", resulting in diseases
   - The area around Aurora[115] has increased their production dramatically – the natural resource base around Aurora is less optimal than Ceres, but the problems experienced with the

[115] The area around Aurora used to be dominated by wheat farming. However, since the wheat industry has experienced problems, the local farmers have now switched over to potatoes.

land in Ceres has given them a comparative advantage.

iii. A large part of production now focuses on the processing market rather than the fresh produce market. Both these markets have their particular risks:
   - Processing market – the farmer enter into a contract to produce a certain tonnage at a specific price – he therefore has a secure market, but probably at a lower price than may be achieved in the open market.
   - The open market – the farmer does not have a secure demand and takes the risk of the fluctuations in the market

iv. Two role-players namely **Lamberts Bay** and **McCain** dominate the processing industry.

4.6.1.4 Challenges and opportunities

Opportunities are limited, mainly as a result of diseases that have emerged and the high cost of production. Another disadvantage of potatoes is that it is not possible to practice rotational cropping with onions.

4.6.2 Onions

4.6.2.1 Onion production and processing

i. Onions have become a very popular vegetable to plant in South Africa.

ii. About 70% of the crop is sold on the fresh produce markets, about 1% is processed and the remainder is exported, mainly to Zimbabwe, Namibia and Angola.

iii. About 50% of the onions processed is dehydrated, 36% canned and the remainder is frozen or used for the extraction of oil.

4.6.2.2 Onion production in Witzenberg

i. The area planted with onions has increased as there is a ready market for the product and the local quality is high

ii. The largest portion of the onion crop is exported, mainly to Europe and the East

4.6.2.3 Challenges and opportunities

i. Opportunities for niche products exist such as onion oil and pickled onions.

4.7 Dairy

4.7.1 Milk production and processing

i. The diary industry underwent significant restructuring following the deregulation of the Agriculture sector. The emphasis of the restructuring was to improve the international competitiveness of the South African dairy industry. One of the effects of this restructuring was an increase in the level of concentration in the processing side of the industry, with a small number of companies such as Parmalat, Danone and Dairy Bell now dominating the industry (most of these companies have made large investments). Combined, these larger companies process about 80% of the total volume of milk delivered to dairies. This high level of concentration gives these companies a very strong power in determining of the price, so that dairy farmers are mainly price takers.
   - There are a number of smaller companies that process 2 000 litres (and less) a day to produce niche products or to serve small local markets.

ii. The milk producing element of the dairy industry has experienced diminishing margins due to an increase in production cost, compared with a much slower increase in the producer price. The result is that production volumes have to be increased to maintain overall profitability.

4.7.2 Demand and markets

i. The *per capita* (domestic) demand for commodity type dairy products such as fresh milk and mainstream cheeses (e.g. Gouda, Cheddar, etc.) has decreased, mainly as a result of changes in consumer preferences. However, the *per capita* demand for higher-end and speciality products such as specific cheeses have increased.

ii. There are successful examples of combining wine (and olives) with niche diary products such as speciality cheeses (e.g. **Fairview**).

4.7.3 Milk production and processing in Witzenberg

i. The natural resource base of certain areas in Witzenberg, such as Tulbagh, offers opportunity for dairy farming. The other areas are either too cold, or too hot which may result in heat stress for the cows.

ii. There used to be more dairies in the Tulbagh valley, but only two are left. The main reason for the decrease in the number of producers can be found in the lowering of the profit margin due to a constant increase in the input cost such as feed, whereas the market price for milk has increased at a much lower rate.

iii. **Parmalat** is the only buyer of milk in the area, resulting in milk producers being price takers. Also, milk producers are very cautious of starting their own processing as **Parmalat** may consider this competition and may refuse to buy their milk.

iv. **Steinthal** did experiment with some processing to manufacture cheese. However, the local market is too small to maintain a processing plant. Also, there is the danger that **Parmalat** may consider the development of airy products as competition, and may stop buying milk from **Steinthal**.

4.7.4 Challenges and opportunities

i. The market for products such as cheese and yoghurt is dominated by a few brands, which makes it very difficult to penetrate the market.

ii. The only option would be to produce speciality cheeses and yoghurts that will fetch a premium prices. This will require very careful market research and market positioning.

iii. Such an effort can be supported with the development of a unique (Witzenberg) brand that is promoted and used in the local trade and tourism establishments.

5. AGRICULTURE – AREA SPECIFIC

5.1 Agriculture – Koue Bokkeveld

i. The main agriculture products produced in the Koue Bokkeveld are:
   - Deciduous Fruit
   - Vegetables (onions, potatoes and to a lesser extent a few runner crops such a butternuts)
   - Cereal
   - Animals (sheep)

ii. The area has a significant comparative advantage for the production of apples and pears (better than in most competing countries).

iii. A few farmers that have started to plant niche varieties, but the margin is not necessarily better – also a much higher risk if the variety does not have a market.

iv. The existing deciduous fruit profile comprises:
   - Apples & pears – 85%
   - Peaches & plums – 15%
   - 70% of fruit production is for the export market
   - 30% is for the domestic market and processing

v. Vegetables mainly comprises onions, potatoes and to a much lesser degree runner crops such as butternuts and pumpkin

vi. There area planted with onions has increased as there is a ready market for the product and the local quality is high
   - The onion crop is exported mainly to Europe and the East

vii. The area planted with potatoes has decreased, mainly as a result of diseases that have emerged and the high cost of production
   - Another disadvantage of potatoes is that it is not possible to practice rotational cropping with onions

viii. Although a large area is planted with cereal, it generates a very small percentage of the turn-over on the farms
   - The most important cereal crops are wheat, korog and oats

ix. Animal production used to be significant, but it was gradually replaced with fruit and vegetables as the margin is much higher.
   - The winter is harsh, and farmers that have farms in the Karoo take the animals to the Karoo in winter.
   - The single most important factors that resulted in the total decline of the sheep herd is theft.

x. The availability of water is one of the main concerns. The area does not have a large irrigation scheme and the dams were developed by the farmers.

xi. The increase in the area planted with fruit and vegetables, that require much more water, resulted in a strong increase in the total demand or water so that the farmers are now much more vulnerable to drought than what they were when the area comprises mostly of cereal and sheep production.

xii. Underground water contributes as much as 20% in a dry year and the situation is most likely to worsen in future.

xiii. The area went through a shake-out period in the mid 1990's due to the abolition of the single marketing system, and again in 2000/1 due to drought. As an indication, during the 2000/1 season, 38 farms were sold.

xiv. The risks associated with farming such as drought are now amplified by other factors such as the exchange rate and international subsidies.

xv. The schedule is as follows:
- Pears harvest – January
- Apples harvest – Mid February – end April
- Steenvrugte harvest – same
- Vegetables plant – mid August – Mid October
- Onions harvest – mid December – Mid March
- Marketing of onions – up to end of July
- Cereal plant – Mid May – Mid June
- Cereal harvest – mid November – start December

xvi. The quiet months in Agriculture are May to July

5.2 Agriculture – Warmbokkeveld

The Warm Bokkeveld has a similar agriculture basket than the Koue Bokkeveld, and the same issues that impact on the Koue Bokkeveld are relevant. The most significant issues relating to Agriculture in the Warm Bokkeveld involve the Koekedouw dam and the land reform projects.

5.2.1 Koekedouw dam

i. There was an existing dam and the erstwhile Koekedouw Irrigation Board had the rights to water (winter water – i.e. water could be accessed in winter). The dam suffered damage with the 1969 earthquake, and it was decided to built a new dam.

ii. A similar agreement was made between the irrigation board and the erstwhile Ceres Municipality, with the board having 59% stake in the new dam and the municipality 41%.

iii. The new Koekedouw dam is managed by the Ceres Koekedouw Management Committee, and has a yield of about 24 million m3/a.

iv. From a pure hydrological perspective, the dam is working well as it was able to secure water in the last two rain seasons, which recoded some of the lowest rainfalls ever measured in the catchments area – i.e. the dam dramatically improve the degree of water security for the farmers.

v. The actual construction cost was more than double the initial budget mainly because of the following reasons:
   - The new Water Act requires that a certain percentage of the water be earmarked and used to maintain the ecological integrity (i.e. the "Reserve) – i.e. this water is not available for any other purpose, although it formed part of the original budget. It was the first time that this requirement was put on a new dam, and the impact was miscalculated.
   - The results of the original soil tests were not absolutely correct, which impacted on the actual construction cost.
   - The construction method and design also had to make provision for the fact that the dam lies in an area with certain seismic activities.

vi. The result is that the "cost" of the water is extremely high, which has direct implications for the particular farmers that are part of the irrigation scheme.
   - Summer water – R12 000/ha/a
   - Winter water – R8 000/ha/a

vii. This results in an operational cost (deciduous fruit production) of about R35 000 to R45 000/ha/a, compared to the average of R2 500 to R3 500/ha/a.

viii. These high costs has a dramatic effect on:
   - the profit margin of the farm (established farms)
   - dramatically increase the market price of the land (as the water rights have to be sold as part of the land)

ix. Winter water is from 1 April to 30 September and summer water from 1 October to 30 March.

x. The loan for the dam is currently over 20 years.

xi. The Board and Municipality each has its own arrangements to repay the loans, and this is being re-negotiated a present to make it easier for the farmers to repay their loan.

5.2.2 Emergent farmer projects

i. A 3 phased project has been implemented to promote the establishment of emergent farmers.
   - Phase 1 – 138ha involves 5 emergent farmers. Government paid for the capital layout (LRAD funds)
   - Phase 2 – 80ha – Deciduous Fruit Trust is assisting the farmers with mentorship and other assistance.
   - Phase 3 – farmers enter into agreements with their labourers (equity partnerships). In most cases, the partnerships involve shares in the ratio of 40 : 60, with the majority owned by the workers

ii. In general, all three phases are working very well.

iii. However, it is extremely difficult for these emergent farmers to establish themselves as the industry is extremely competitive and highly technical (requires high level of skills and absolute commitment). Exogenous factors such as the exchange rate also impact on them.

5.3 Agriculture – Wolseley

i. The most important agriculture products produced in the Wolseley valley include:
   - Wine grapes (they produce the "bulk" (local consumption and not export) type wines and not the niche / export wines produced in Tulbagh)
   - Fruits (both fresh and canned) – the caned fruit is processed in Ashton Canning or at Tulbagh
   - Citrus
   - Vegetables (butternuts, onions and spuds) – the vegetables are produced for the municipal markets, except the butternuts of which a portion is also exported.

ii. The irrigation schemes is still functional, but is old (50 years) and will have to be upgraded in the future.

iii. The Wolseley valley does not have the water shortages to the degree of Tulbagh and Ceres.

iv. There has not been a significant turnover in farms – in most cases, those that were sold were bought by local farmers resulting in the further consolidation of the farming community / landownership.

v. Although crime does occur (e.g. theft of equipment and fruit), it is not that significant.

vi. The general relationship between the farmers and labour can be considered stable and good.

vii. There is a general trend to replace grapes with deciduous fruit.

5.4 Agriculture – Tulbagh

i. The most significant agriculture products in the Tulbagh valley include:
   - Deciduous fruit (fresh market, dried, and canned)
   - Grapes / wine (including high quality estate wine)
   - Olives (integrated with wine production to broaden the offering)
   - Wheat
   - Diary (limited – only Steinthal)
   - Natural products such as buchu and protea (limited)

ii. There are about 58 – 60 farms in Tulbagh. There are about 2000 farm labourers in the area, and 2500 in peak season.

iii. 38 farms have been sold in the last 5 years (high turn-over?). A worrying factor is that some of the farms are bought by people that either do not reside permanently in the area, or farming is not their primary source of income. The effect is that the land is not used optimally. Particularly the farms that sell for <R2 million are bought for the "lifestyle" rather than to be used as productive units

iv. Opportunities for agriculture include:
   - Various natural products such as Rooibos tea, Honeybush tea, Buchu, Kankerbos (CSIR), etc.
   - The establishment of home / cottage industries that manufacture products such as jams, dried fruit, rusks, etc. The emphasis must be on the processing of the local products by local people and linking-up with the tourism industry. For export purposes, it can be marketed through "Fair Trade".
   - Olive production and processing
   - Persimmon production
   - Den Hagen can be a location for such a manufacturing concern
   - The production of niche fruit (e.g. white flesh peaches for the Chinese market)

v. The most significant limiting factor for the further development of the Agriculture sector is the shortage of water.

vi. There is been notable investment in the area, such as the building of wine cellars and accommodation on farms

vii. The local labour force is sufficiently trained for working on the farms.

6. TOURISM

6.1 Overview on the Western Cape Tourism industry

6.1.1 International tourists

i. The tourism industry is growing into an important element of the provincial economy. In 2002, the industry contributed an estimated 9.8% towards the provincial GGP and 9.6% towards all formal employment opportunities.

ii. The majority of the international visitors originate from the UK (24%), Germany (14%) and the USA (10%).

iii. The average length of stay by international tourists is 9 days.

iv. The total amount spend by foreign visitors was estimated at R12,7 million (2002). A broad breakdown of this expenditure is as follows:
- Accommodation - 43%
- Transport – 20%
- Recreation & entertainment – 20%
- Food & beverage – 17%

v. The main factors that hamper the further development of the industry include:
- Fragmented marketing
- Exploitation of tourists (e.g. exorbitant prices)

vi. The most popular tourist attractions are:
- V&A Waterfront
- Table Mountain
- Cape Point
- Robben Island
- The various wine routes
- Garden Route

6.1.2 Domestic tourists

i. About 55% of tourists in the Western Cape originate within in the province. This high percentage emphasise the importance of the local market.

ii. The most poplar attractions are the Cape Metropole and the Garden Route.

6.2 Overview on Witzenberg tourism industry

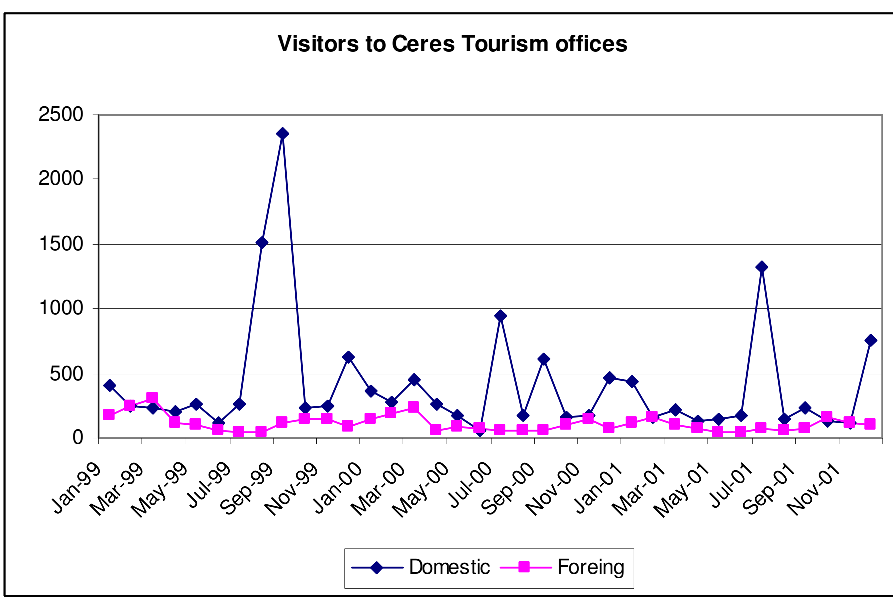
i. Main tourism attractions include:
- Farm route tours:
  - Visit farms during harvesting season (e.g. people take part in cherry picking and get interesting talks on farming techniques and general stats.
  - Fruit tours
  - Wine tours
- Outdoor and adventure – 4x4, MTB, camping, horse riding, fishing, etc.
- Snow (winter)
- Cultural / historic – the area has a very long and interesting history that include
  - San cave paintings in the Koue Bokkeveld
  - A variety of art festivals in the year.
  - A museum in Ceres town (Togryersmuseum)
  - A number of historic buildings in Tulbagh
  - The house of Boerneef in Op-die-berg (Boplaas).
  - Etc.

ii. The local farms have got very involved in the tourism industry, mostly in the form of accommodation and farm tours. This has broaden the economic base of the farms, and help to reduce the seasonal effect.

iii. The local accommodation facilitates have been graded to ensure quality of service (and consistency).

iv. The train plays a low-key role – mostly backpackers that arrive in Wolseley to tour the region.

v. The number of visitors to the tourism bureaux (in Ceres) were as follows (excluding the visitors come to see the snow) (refer graph):
- 1999 - 4 329
- 2000 – 4 445
- 2001 – 3 757
- 2002 – 5 550
- 2003 – 8 440



vi. A few comments can be made on the graph:
- The graph shows the significant increase in the number of tourists visiting the area during winter for the snow – only the domestic tourists.
- It would appear as if the domestic market is larger than the overseas market. This can probably be attributed to most of the international tourists being "mopped-up" in the mainstream tourism attractions in and around Cape Town, and not having the time to drive to Witzenberg.

vii. All the major mode of communication are used to advertise including:
- TV (e.g. news)
- Radio
- Paper – newspapers
- Internet

viii. A number of festivals are held each year such as:
- Op die berg – October
- Alexander Forbes – October
- Tulbagh Arts – October

ix. Limiting factors include the following:
- Ceres Tourism Bureaux – not properly equipped – e.g. old computer systems
- Road system in some areas – e.g. Op-die-berg
- Lack of finance

x. An important new initiative is the "news makings project". The project is managed by the Boland BM, Dept Education and the local tourism offices. The essence of the project is to inform and sensitise scholars about what tourism entails and the importance of tourism. At this stage, the focus is on grade 2 – 4 and tours are arranged for the grade 9.

6.3 Tourism - Wolseley

i. The office is provided by the municipality but the location is not very accessible to tourists visiting the town and area.

ii. The tourism office is financed through a subsidy received from the municipality and membership fees – lack of funds is a problem

iii. The most significant tourism attractions are the following:
- The natural / scenic beauty of the area, and tranquillity (mountains, river, serenity, etc.)
- The historic blockhouses (2) – in private ownership and attract a lot of interest from the UK – tours are offered

- Various outdoor sport activities such as MTB, hiking and bird watching.

iv. There is a definite increase in the number of visitors to the area, mainly because of improved marketing and the provision of tourism facilities – a few years ago there were virtually no accommodation facilities and farm stays were unheard of

v. Marketing is mainly done through the following:
  - Internet
  - Brochures – these brochures are available at places such as the tourism info in CT which is a very important point of contact, particularly or foreign tourists
  - Attend tourism expo's – the three tourism offices work together very well and they alternate on attending these expos and represent each other

6.4 Tourism - Tulbagh

i. The most important attractions are the following:
  - Church street – has significant historic buildings with about 30 declared national monuments – they were rebuilt after the earthquake in 1969
  - Wine estates – some of the most well-known in SA
  - Wedding destination – the full package is offered from the chapel, catering to the venue – popular particularly amongst the overseas market (Europe) as it is cheaper to have the weeding in Tulbagh than the average cost in the UK – this is a unique selling point.
  - Natural beauty and tranquillity
  - Snow
  - Various festivals such as:
    - Tulbagh goes Dutch – April
    - Christmas in Winter – June
    - Agriculture and wildflower show – September
    - Community arts festival – October

ii. The most important sources of tourists are:
  - Domestic – CT
  - International – UK, Germany and Holland

iii. Marketing is done through:
  - Internet
  - Brochures
  - Expo's
  - Magazines (e.g. **Country Life**)
  - Newspaper
  - Radio

iv. The following actions can unlock the potential:
   - A craft centre were commodities are manufactured and sold by the local community
   - Tulbagh used to have one of the top 10 caravan parks in SA. However, the facility has been neglected, which resulted in it deteriorating and les people making use of it. It should be upgraded to its former status (also, the financial statements of the caravan parks in Tulbagh and Ceres should not be combined / consolidated as it makes it impossible to determine the actual costs and income generated).
   - Much of the tourism potential is on farm land. Farms are traditionally not open to tourism as the people may interfere with the day to day farming activities. There is a general willingness of most farmers to get more involved in tourism (e.g. farm stays), as it helps to reduce the cyclical nature of their income.
   - The train link should be re-developed.

v. The following factors limit the further development o the tourism industry:
   - Water shortage –
   - Road signage – because Tulbagh is not located on a national road, the name of the own does not appear on the road signs.
   - A particular threat is posed by the proposed electric line through the area – it may have a serious visual impact.
   - Marketing is not focussed and aggressive enough
   - The larger community is not sensitive to the importance of tourism for the local economy (e.g. littering) – mainly because only a handful has direct benefit – people do not always realise the indirect benefit –

6.5 Tourism - Op-die-berg

i. Guest houses seem to be ding very well – with little to no proactive marketing – just by informal "word of mouth"

ii. The tourism industry has experienced a very high growth over the last 5 years, albeit from a narrow base.

iii. There are few well-known tourism destinations such as Kagga Kamma and Mount Cedar.

iv. There about 20 tourism / accommodation establishments which vary from the basic and camp sites, a number of Self Catering and B&B's to the upmarket establishments that cater largely for the affluent and overseas market.

v. The area does not have a particular peak tourism period, as every season offers something different such as snow in winter, farm activities during harvest, etc.

vi. The "Fees van die berge" is a new event aimed a promoting the area. The focus is on the family. It runs over a weekend and offers a wide profile of attractions such as:
   - Music
   - 4x4
   - MTB'ing

vii. The area offers a wide profile of attractions, some of which offers the area with a comparative advantage:
   - Star gazing
   - Cultural attractions such as the farm Boplaas where Boerneef was born, and Hou-Den-Bek
   - Snow in winter
   - Participate in farm activities such as harvesting
   - Bird watching
   - Beautiful hikes such as up Tafelberg
   - San paintings
   - 4X4, mountain biking and hiking

viii. Advantages - Traditionally the area was a through route to the larger tourism attractions such as Kagga Kamma, and the few accommodation facilities feed off this traffic. However, in recent times, the area is developing its own unique tourism offering and is slowly becoming an end destination in itself.
   - The main advantage lies in its unique offerings, as well as the fact that it is very accessible from its main market which is the CT Metropole.

ix. Opportunities - There is considerable traffic over weekend generated by the visitors. The buying power of this through traffic should be exploited by developing a "farm stall" type facility that offers locally produced produce such as fresh fruit, fruit juices, freshly baked bread, rusks and other sweet bakes, flowers, etc.
   - These products should be marketed and sold under a unique label (area specific)
   - The stall offers a good opportunity for BEE, as it can be run by the local PDI's.

x. Challenges - There is not a single / coherent / exiting future vision for tourism. At present, the industry is going through a growth phase, is fragmented and there seems to be enough market to mop-up new entrants. However, this is not sustainable, and the area should develop its offering and market the region as a whole.

6.6 Tourism - Ceres

i. Craft (new project) – members of the local community manufacture articles for sale – project is funded by DEAT and involves women and the youth.
ii. Community involvement – showcasing hobbies of members of the local community (e.g. the toy car collection)

7. Summative Participatory Assessment

The summative participatory assessment was performed through the medium of interactive sessions with the sub-regional LED Forums established for the purpose in Witzenberg. The assessments were facilitated over a period against the background of a 10-point good practice LED interventions template as follows: (Refer Chapter 2)

- Encouraging local business growth:
- Encouraging new enterprise:
- Improving the business environment:
- Promoting "foreign" direct- and inward investment
- Investing in "hard" infrastructure;
- Investing in "soft" infrastructure by way of the development of local social and other institutions and human resource development, training and skilling;
- Cluster and/or sector development to create value chains across the local economy in which local producers and service providers can participate. Such value chains provide a means for integrating larger business activities with SMME's in collective efforts to "export" goods and services out of the community;
- Area Targeting specifically aimed at "crowding in " efforts to uplift or otherwise to develop specific areas within the community;
- Regeneration strategies aimed at the upliftment of degenerating communities or elements within the community;
- Focussed poverty reduction programmes. It is an accepted fact that since the very poor cannot realise their potential for creativity and productivity poverty reduction strategies to raise the entire community to the necessary threshold of well-being to enable productivity are as much a part of viable LED as they are a preoccupation of social welfare programmes.

7.1 Witzenberg Level Macro-Issues

LED INTERVENTION 1: Encourage local business growth

- Water scarcity
- Availability of public or municipal business advice centres to provide technical and financial support to small businesses
- Limited "buy local" campaigns
- Limited ability of local market to provide specialised products cost-effectively
- Water and electricity supply fairly regular
- High, low and rent housing is scarce and expensive
- Centrally situated business premises is scarce and expensive
- Informal traders renting stalls on pension day is often from outside Witzenberg and therefore drain funds from the area
- Businesses, especially those in the smaller towns, are under great pressure to compete with larger stores in the nearby towns.
- Many government contracts are awarded to "outsiders", meaning not residents to the specific town where the work must be done, or non-residents of the Witzenberg region.
- The monthly government pay-out is an important source of income for the local community.

LED INTERVENTION 2: Encourage new enterprise

- Perception is that no special offers or packages are available to encourage investors in the smaller towns.
- Special packages are offered on a case-to-case basis in Ceres.
- The formal municipal policy provides for:

  "Rebates on rates and service charges for industrial land will be considered by Council on the following grounds:

  - Only applicable to the industries that qualify for bulk electricity supply and consumption
  - It must be a new industry on an undeveloped erf. Any extension s of such industry during the initial five year period, will be seen by Council as part of the original establishment and a rebate will be calculated according to the rebate applicable on the original establishment. No further rebate will be granted after the five year period has expired.
  - The nature of employment as well as job opportunities of the relevant industry as well as the total investment, will have an effect on the package offered to the industry.

- The rebate granted to the industry will be phased out over a period of five years commencing on date of sale."

LED INTERVENTION 3: Improve the business environment

- Suitable sites and premises for the development of small businesses cannot be obtained and rezoned from the municipality.
- Obtaining permission and land from the municipality for developments is cumbersome and problematic.
- Some towns have regularly festivals to market the town – branding
- The informal sector (e.g. shebeens) can be problematic.
- Informal businesses do not pay levies to the District Municipality and some of the formal (registered) business people (that pay levies) feel that the informal sector are managed too leniently.
- Very high service charges by the municipality. Tax/Service tariffs has risen remarkably in some areas as a result of the standardisation of taxes and tariffs throughout the Witzenberg region.
- The requirements for environmental and occupational health are high (sufficient), but they are not always properly implemented (policed).
- The municipality does not fully inform the wider community on all planning and development initiatives (use of community meeting ineffective).
- A number of cases exist where industries that considered moving to the Witzenberg area received no feedback from the municipality and consequently established themselves elsewhere.

LED INTERVENTION 4: Promote "foreign" direct and inward investment

- The economy may be regarded as unstable when considering fluctuating income levels as a result of seasonal labour trends.
- Changes in the exchange rate have a direct impact on the tourism and agricultural sectors
- Witzenberg is politically stable
- Especially in the agricultural sector, many businesses are failing to make ends meet, shake-out in last five years
- Agricultural labour supply is of high quality
- In some towns the local economy is dominated by a few powerful business figures
- A combination of high entry barriers (mainly capital, technical / managerial skills and market access) and a few

individuals that are hesitant to promote and support BEE, hamper the proper development of true economic empowerment.
- Good research facilities are available at places such as Elsenburg and thus decrease the need for local research facilities in Witzenberg
- Witzenberg consist of a first and second level economy. The real issue is incorporating people from the second level economy into the first level economy, in terms of real ownership.
- Poor town planning and control decrease the living standard of local inhabitants and inhibits growth.

LED INTERVENTION 5: Investing in "hard" infrastructure

- Tarred and gravel roads in the town centres and surrounding rural areas are in very poor condition.
- Railway train now longer stops at any of the stations in Witzenberg.
- In some areas the current water and sewerage systems are performing to its maximum capacity, and further expansion of the system is impossible.
- Almost no recreational activities (e.g. soccer fields, parks) are available to young children.

LED INTERVENTION 6: Investing in "soft" infrastructure

- Networks exist between formal business, agriculture and tourism, ways should be found to also include the informal sector in these networks.
- Some on-the-job training is given in the various sectors
- A variety of agricultural products is produced.
- Local banks are generally perceived as unapproachable for loans.

LED INTERVENTION 7: Cluster and/or sector development to create value chains

- Cluster focused procurement, information and marketing takes place between some of the larger farms, but most people still procure individually

LED INTERVENTION 8: Area Targeting

- Business parks have never been tried in the Witzenberg area, although some informal discussions have been held in this regard. The suggestion was made in the past to get all small businesses together and to relocate to one building. The problem is however that the selected building should be near the town centre, and therefore scarce and expensive.

LED INTERVENTION 9: Regeneration strategies

7.2 Witzenberg Level Sub-Regional Issues

7.2.1 Tulbagh

LED INTERVENTION 1: Encourage local business growth

a) Identifying problems timeously;

- Water has been stated as one of the greatest shortcomings of Tulbagh. It is therefore alarming to see that planning for future water use and water conservation does not take place when water is available. In September, water from recent rain was flowing away to the Voëlvlei Dam. Although the farmer on whose property the water is currently running has offered it to the municipality, no effort has been made to canalise the water and transfer it through natural gravitation to the Tulbagh Dam. Canalising should cost in the region of R 80 000, and would have provided sufficient water for the upcoming summer.

- Many of the large corporations operating in the Tulbagh area (e.g. SAPCO) will launch empowerment projects as part of their social responsibility obligation. Tulbagh needs to act proactively to ensure that these projects and initiatives involves and provide benefit to local inhabitants.

b) Establishing business advice centres for technical/financial support to businesses;

- No public or municipal business advice centres are available in Tulbagh to provide technical and financial support to small businesses. Some private consultants are available at professional fees

- A Tulbagh business advice centre may encourage growth, provide link-up with black economic empowerment, and provides a base for institutionalising value-chains.

- Any advice office will need to physically be available provide in Tulbagh as the poor and needy cannot afford to drive to another town for such a service. A "Witzenberg help centre" or "help-line" may be high-jacked by Ceres residents for their own needs, and will not address the needs of Tulbagh residents.

c) **Public procurement and "buy local" campaigns;**

- Tulbagh is often last in line with public procurement of the Witzenberg and Boland District Municipalities, as business persons in Ceres and Wolseley are situated closer and therefore have a competitive edge.

- Tulbagh has also limited abilities in tendering for highly specialised projects (e.g. overalls).

- The development of small and new businesses as well as historically disadvantaged persons is impeded when tenders for projects to be completed in the Tulbagh area are awarded to non-Tulbagh residents.

- Private sector "buy local" campaigns are limited by the fact that Tulbagh supermarkets do not carry as large a variety of products as the Ceres Supermarket, which is situated relatively close. Some business owners however have an informal policy to "buy local" to stimulate the economy.

d) **Ensuring availability and reasonable cost of land and services;**

- The development of new infrastructure and buildings has stagnated.

- Supply of electricity is fairly stable. In the few cases of electricity failure, the cool storage and shoe factory comes to a standstill, but generally there is little negative effect on the economic activities.

e) **Supporting particularly SMME's and informal business in accessing local and external markets (This frequently is achieved through value chains linked to major local market players);**

LED INTERVENTION 2: Encourage new enterprise

a) Attractive financing packages;

- No special offers or packages are available to encourage investors to locate in Tulbagh. Factors that discourage development in Tulbagh are the isolation from main roads and the railway system, and an inadequate water supply.

- Tulbagh has a variety of products and a number of large corporations that operate in the area. However, the administrative offices of these corporations are situated in other towns, resulting in a loss of spending potential by senior administrative personnel to the Tulbagh economy. Tulbagh has the need for strong "local incentive schemes" to encourage businesses to locate their offices in the town. However, Tulbagh does not have the advantage of cheap land and abundant water to attract these businesses. Furthermore, the town planning and lack of free land in the centre of Tulbagh discourages future business development.

- Local infrastructure tends to discourage investment, especially the poor condition of the roads.

b) Managed workspace and incubator facilities;

- Initiatives are planned for the establishment of small businesses to manufacture specialised products, but a suitable site to place various small businesses cannot be obtained and rezoned from the municipality.

- Incubator space for new and small businesses can be established in the old post office building, or with a project proposed by John Veschini which converts ship containers into to business sites but obtaining permission and land for these developments from the municipality is cumbersome and problematic.

c) **Technical and financial advice and skilling;**

d) **Effective formal and informal development and business networks; and**

e) **Implementing mentorship and learnership programmes;**

- The Schalkenbosch project entailed the identification of upcoming farmers and the appointment of a mentor. Training of the upcoming farmers will commence shortly.

LED INTERVENTION 3: Improve the business environment

a) **Providing access to suitable local land and other physical resources;**

- The bulk of the Tulbagh business economy is located in Church Street, and members form the previously disadvantage community are often excluded from Church Street..

b) **Efficient land title acquisition and administration;**

- Obtaining permission and land from the municipality for developments is cumbersome and problematic.

- Application for land and rezoning of land is a time-consuming and problematic process. The four mayor problems in the process are:

  - Restrictions imposed by National Heritage Sites that limits economic development on heritage sites. The development of these sites can play a large role in promoting tourism related business activities.

  - Negative and time-consuming Ecological Impact Assessments

  - Investors for new projects only commit after rezoning has been done, but rezoning is often dependant on approved funding for the proposed project

  - Administration channels and feedback from municipality is slow and not clearly defined.

c) **Efficient local planning and development control;**

- Land usage planning and allocation in Tulbagh is very poor and does not only impede development, but prevents it altogether. (Practical illustration – Developer of townhouse retirement village relocated his project to Ceres after the municipality approved land in Tulbagh that was situated next to an area zoned for farm worker retirement houses).

- The original planning of Tulbagh was very poor. Furthermore, Tulbagh's development took place in two dramatic leaps, the first development took place after the earth quake, and second was the squatter camp resulting from political expectations of job creation in Tulbagh. Both these developments were reactive and poorly planned, and this has worsened the land usage and planning problem.

- The current land claim should also be settled a.s.a.p. At this stage the legal dispute is hindering further development – residents of the established areas have a court interdict against further expansion of informal or low-cost housing in their direction. The council is therefore hesitant to invest in infrastructure for persons staying in the relevant area.

d) **Efficient maintenance of local infrastructure;**

- Water, Electricity and Sewerage services are relatively reliable. Tulbagh is a relatively old town with an old reticulation system, and burst water pipes are not uncommon, but repairs are made in a short time period and the disruption in service does not impact negatively on business activities. .

- Tulbagh's historical developed after the earthquake has resulted in one single pipe providing water to the town, with all pipes leading from this one pipe, in stead of a more modern network layout. Mayor road maintenance will require rupturing of this single pipe, thereby cutting off water provision to the entire town. The whole water provision pipeline must be systematically redesigned and developed, requiring mayor investment and time. The ideal situation would be that the pipe network and road maintenance can be done collaboratively.

- Another infrastructure impediment is the full grown Ficus trees in the middle of Tulbagh. The root systems on the trees also worsen the condition of the roads

e) Reasonable business registration/licensing requirements and by-laws;

f) Reasonable local taxes (property and other) and service charges;

- Land and houses in infrastructure is relatively inexpensive, although the tax on undeveloped land is quite high as a result of "availability of services" levies. This often contributes to people selling land for low prices in order to avoid paying the levy, in stead of keeping the land for future development.

g) Reasonable environmental and occupational health standards;

h) Business-friendly local government;

- Application for the development of a proposed container shop to serve both tourists and the community in the traditional areas has been submitted to council. The community is frustrated because the council cannot take a decision that will provide secure lease to the use of the required site.

i) "Place" investment- and marketing promotion providing a platform for product-specific marketing by local businesses themselves;

- Tulbagh regularly has festivals to market the town, e.g.
    - Community festival (29 October to 4 November) to celebrate the prune harvest (Tulbagh produces 86% of RSA prunes)
    - Tulbagh goes Dutch, sponsored by the Dutch Government
    - Tulbagh in Winter, celebrating the snow.
    - Agriculture market

j) "Clean", efficient and non-bureaucratic good governance;

- Cape Winelands DM wishes to relocate the Kluitjieskraal development at the Bosbou station near Wolseley to the Ceres Karoo area. This area however has poor ground, no water, not infrastructure and is far from the markets and transport services. The underlying problem is the animosity between the DM and Witzenberg municipality. This need to be put to rest so that the Kluitjieskraal people can be relocated rather to a site next to the mountain where there is sufficient water.

k) An informed open local community – candid contact and free

LED INTERVENTION 4: Promote "foreign" direct and inward investment

a) A stable, predictable local economic climate;

- External investments are being made in Tulbagh, especially in the upgrading of wine estates and cellars, farms sold to "outsiders", erection of guest houses, and the development of the golf course and nature reserve (German funding).

- The economy may be regarded as unstable when considering fluctuating income levels as a result of seasonal labour trends. Furthermore, changes in the exchange rate have a direct impact on the tourism and agricultural sectors of Tulbagh, which is regarded as the largest income generating sectors. The high dependency on agriculture especially contributes to the highly unpredictable and volatile nature of the Tulbagh economy. This is influenced also by:

  - Decline in canned and dry fruit industry (Prunes declined from 3600 to 1500 tons)

  - Some externally bought farms are not producing as in past (less job creation)

  - Rising unemployment – decrease in permanent jobs and a rise in casual labour

- o Impact of the Security of Tenure (Verblyfsekerheid) legislation
- o Decrease in the effective utilisation of agricultural land

- Growth in wine industry may provide some stabilisation. Also the Agri BEE document with its "use it or lose it" philosophy.

b) A stable political and regulatory climate;

- Tulbagh is politically stable

c) Market access and open competition;

d) Available sites and/or premises;

- Especially in the agricultural sector, many businesses are failing to make ends meet. In the last 5 years, 17 of the 52 farms in the Tulbagh area have been sold; sometimes changing ownership more than one time before the necessary investments in infrastructure is made.

- Turnover of businesses in the main street is not uncommon, but no land is available for new business development in the centre of the town. Relates to poor town-planning.

- The Steinthal road (which contains virtually no businesses but runs through the larger part of Tulbagh) should be included in the tourism industry by upgrading the attractiveness of the road and the relocation of tourism attractions to this road.

e) Reliable utilities/services and transport systems;

f) An appropriately skilled workforce;

- Agricultural labour supply is of high quality.

- The Tourism office is involved in training local persons and raising awareness of the inhabitants on local tourism attractions. A need still exist in involving the coloured community in tourism activities, as the informal tourism sector is virtually non-existent,

- Steinthal wishes to be involved in the training of local inhabitants.

- Huge shortage of management training and coaching. The development and expansion of the Den Hagen facility may be a good place to start addressing the shortage.

g) Local sources of material supply;

h) Appropriate local training and research support facilities;

- Clear division of interests and activities should be negotiated between Steinthal (Children's Development Centre and Secondary School for learners) and Den Hagen, (The Den Hagen centre is used for training farm workers and trains about 300 to 400 people per year. The training is however restricted to persons already in employment.)

i) A good quality of life for expert staff;

j) Manageable regulation and taxation systems;

k) Incentive schemes;

- No incentives schemes exist. These should be developed in a manner that expands the industrial area towards the access roads towards Tulbagh. Currently the industrial area is "on the hill" where the water pressure is at the lowest, access roads is poor and it is far away from the residential area where the workers reside.

- The focus may rather be the development of light industries in Helpmekaar (which is in the centre of Tulbagh).

l) Domestic investment. External investors are encouraged by evidence that the community is investing in itself.

- Tulbagh Dry Fruit has invested in a local store selling their dried fruit.

- Very little support and investment is seen from the Witzenberg Municipality, as can be seen in the degrading conditions of the Tulbagh Caravan Park.

- The general disposition of the town's inhabitants is very negative as a result of the uncertain water condition and expected severe shortage in the summer.

- Local people contribute generously to the various Tulbagh festivals.

LED INTERVENTION 5: Investing in "hard" infrastructure

a) Building/improving key access roads;

- Tarred and gravel roads in the town centre and surrounding rural areas are in very poor condition. The municipality has received CMPI funding for the repair of the roads (2004-2006 = R1 802 000).

- Relating to the problem with road infrastructure, is the poorly integrated education policy that states that school children may only make use of the school bus if they live further that 5 kilometres from the school. The poor condition of the road makes it impossible to see children travelling on foot on the roads due to constant dust clouds and presents a serious safety hazard.

- Road signage indicating the direction to Tulbagh should be erected in neighbouring towns such as Wellington and Worcester.

b) Improving road and rail passenger and goods services;

- Railway does not pass through Tulbagh itself. The train now longer stops at the nearby station.

c) Improving/expanding industrial sites/buildings;

- The industrial area at Del Monte and Fruitpac has been established in 1970, but to date only these two enterprises has been established in the area. This may be seen as an indication that the site is not suitable for industrial development and should be rezoned

d) Developing/expanding/improving commercial sites;

- New commercial sites are not available – open land is allocated for farming or in private hands.

e) Increasing availability of water and sewage disposal;

- Current system is performing to its maximum capacity, and further expansion of the system is impossible. This provides serious developmental problems in light of the ever-expanding squatter camp (immigrants mainly from the Eastern Cape).

f) Improving telecommunications;

g) Improving/expanding energy systems;

- Supply of electricity is fairly stable. In the few cases of electricity failure, the cool storage and shoe factory comes to a standstill, but generally there is little negative effect on the economic activities.

h) Environmental and recreational enhancements;

- Almost no recreational activities (e.g. soccer fields, parks) are available to young children. The available tennis, netball and swimming facilities has a low usage as there is no-one in charge of maintaining the facilities. The result is that children in the vicinity of the facilities walk three to four kilometres to the caravan park and make use of its facilities.

- Littering are working against tourism promotion activities, no anti-littering education is in place.

i) Improving housing conditions and availability of appropriate affordable housing;

- Tremendous shortage of rental accommodation.

- Tulbagh is seen to be at the brink of a growth phase that may result in significant expansion of the town. This will also result in rising in house prices, possibly bringing Tulbagh more in line with the house prices of Ceres and Wellington.

j) Installation of crime prevention infrastructure

- Crime is very periodic

- On farms there is a tendency of burglaries on raining nights, and it is mostly watering equipment that is stolen.

- The number of policemen deployed in the area has increased from 12 to 50 in the last year. There are also farm watch and neighbourhood watch groups active in the area.

LED INTERVENTION 6: Investing in "soft" infrastructure

a) Local network facilitation and management

- Examples of networks operating in the area are business, agriculture, rate-payers organisations and tourism organisations. These are all talking together, but ways should be found to also include the informal sector in these networks.

b) Skills training particularly budget management

- Den Hagen and Steinthal facilities.
- SAPCO has some "pre-job" training for seasonal workers.
- On-the-job training is also offered to nurses working for the old-age home.
- Some household budget management training has been offered to woman in the past.

c) Access to business/entrepreneurial-focussed education

d) Supporting relevant local research and development

- Weather station does some research.
- Some tests are done relating to local matters, but the results of these studies are seldom conveyed back to the community. Research in sectors other than agriculture is very scarce.
- Tulbagh has very poor soil. A variety of agricultural products is produced, and there is no distinctive product to the area. There is a strong need for "value-adding" manufacturing in the region, and local small industries to invest locally and reinvest profits locally. Value-adding manufacturing can facilitate a shift from low-cost mass production to high unit cost final product production.
- There is also the need to find different ways of combating insects and other pests, other than spraying crops with chemical insecticides, which is expensive and adds onto the production costs.

- Further research should also be done on changing weather climates and the identification of plant types suitable to the area, e.g. Buchu, saffron, Rooibos, koekoemakranka, kankerbos. The WNNR is currently busy with a study of indigenous plants to determine inherent marketable properties.

- Eurogap, ISO, Proudly South African initiatives have had positive impact on agricultural production.

e) Providing business advisory services (business advice centres)

f) Facilitated access to capital and finance

- Improvement and changes in access to capital and finance has brought about some levelling in the playing field, as is also reflected in recent changes in agricultural property ownership.

g) Facilitating local business and trade associations

h) Improving service delivery to businesses

i) Social inclusion of poor and disadvantaged into local production value chains

- A need still exist in involving the coloured community in tourism activities, as the informal tourism sector is virtually non-existent.

j) Crime prevention through youth and other programmes and "good citizenship" training

LED INTERVENTION 7: Cluster and/or sector development to create value chains

a) Encouraging broker and/or network agencies;

- Networking and value-adding services coordinated on an ad hoc basis. The geographical placements of factories outside of the town may also inhibit natural networking and coordination agreements.

- Tourism has a great value-adding potential, but networking and dropping of information at strategic points will be very important.

- B&B's mostly procure their specialised products from City of Cape Town. Great potential exist for growing a service industry around the tourism industry, e.g. manufacturing soap, flowers, laundry service.

- Local Restaurants are fairly loyal to the local farmers and wines.

b) Promoting contextual research and development;

- Waiting on the development of a central web-site for the Western Cape that will provide a central, integrated point for storing information.

c) Developing cluster-focused joint procurement and purchasing agreements;

- Cluster focused procurement, information and marketing takes place between some of the larger farms. Other people still procure individually, and should be informed about the advantages of buying as part of a group.

d) Providing cluster-specific information;

e) Developing cluster-specific generic marketing initiatives;

- Tulbagh is the "wine" district in the Witzenberg area. Promoting and marketing different areas in Witzenberg on their unique identity and characteristics and improve tourism in the entire district. This may also help to regulate internal competition, and stabilise the effect of good/poor performance in any one sector on the overall economy.

- Tourism industries tend to buy together. The Tulbagh brochure and festivals are examples of joint marketing initiatives.

f) Developing demand-led education and training programmes around key clusters

LED INTERVENTION 8: Area Targeting

a) Town and rural centre enhancement schemes

- Such schemes and projects are dependant on the final approval of the spatial development plan of Tulbagh.

- A new plan carrying the full support of the community has been submitted to the municipality.

b) Upgrading out-of-date premises and properties

c) Developing business parks, etc

d) Encouraging investment into spatial growth nodes

e) Encouraging investment into corridors (e.g. SDI's)

- Tourism has the opportunity to create B&B's in the home stay and traditional areas which may prove popular under tourists. This should be combined with a craft stall where crafts may be created and sold to the tourists.

- Relating to hard infrastructure, the road and lighting in these traditional areas should be taken into account and provided for upgrading.

- Another sore spot is the development of a craft centre at the entrance to Ceres. Ceres is not an entrance point to the Witzenberg region, and it is felt that the craft centre therefore only benefits Ceres inhabitants, and not the Witzenberg region.

LED INTERVENTION 9: Regeneration strategies

a) Derelict site reclamation

b) Adaptation of disused buildings

- Severe problems exist with the municipality. An agreement with TRIP regarding the old post office seem to now, after months of negotiation, obtain the required buy-in of the municipality.

c) Industrial and commercial site preparation

d) Retraining of redundant workers

- Before redundant workers may be trained, it is necessary to understand what they need to be trained for (in other words, what future industries will be developed in Tulbagh) and that is dependant on the final approval of the spatial development plan.

e) Job search and employment outreach

f) Street scene enhancement programmes

- R4,7 million rand is available for the upgrading of streets (± 7 km of road).

- At this stage it seems that the most vital roads to repair are the roads up to Witzenville, and Marais street, due to the increase in heavy vehicle traffic. One or two roads should be repaired to handle the heavy vehicle traffic, while the other roads can be "chip & sprayed" and thereafter prohibited from carrying heavy vehicles. Final decisions however are dependant on approval of the spatial development framework.

g) Public park and play provision (open space)
h) Entrepreneurship training and SMME support
i) Community confidence through local success
j) Increased crime prevention, neighbourhood watch, street lighting and safe transport

LED INTERVENTION 10: Focussed poverty reduction programmes.

GENERAL COMMENTS

- Tulbagh has a feeling of isolation and orphanage, as a result of decisions being taken in Ceres, without proper consultation with the local residents. The Tulbagh residents do not have adequate opportunities to interact with councillors and the councillors that do interact with the community seems to have inadequate representation in the "right" paces. The need exist for a greater degree or feeling of autonomy in their own development, perhaps in the form of "mini councils" that meet locally.

- Over sensitivity of councillors on any criticism by the community also widens the gap between the community and the council. The perception is held by some that the council beliefs that the community does not know what it wants, and therefore the council must decide for them.

- Regret was expressed that the mayor and councillors failed to attend any of the Tulbagh LED forum meetings, since attending these meetings would demonstrate to them that the people of Tulbagh wishes to work with them, and not against them.

- Tulbagh's interests should be represented at the highest level in the spirit of participatory planning. If the council does not demonstrate that it has values Tulbagh and its contribution, people will lose hope, interest and motivation to become involve.

- The water issue and uncertain water future places an enormous physical and emotional strain on development in the town.

- The indecisiveness of council and lack of strong leadership serves to divide the community and causes many political issues.

7.2.2 Op-die Berg

GENERAL COMMENTS

Business:

- The monthly government pay-out is an important source of income for the local community.
- This pay-out represents a significant inflow of spending power and there is an informal sector that mop-up this buying power (on the day).
- A large portion of this informal sector comes from outside (e.g. CT), which implies a loss of income for the locals
- The informal traders from CT pose a serious problem for locals that want to engage in trade
- The informal market area has now been structured with demarcated stands - 15 stands - and preference was given to local traders.
- There is a need for basic entrepreneurial skill development amongst the local traders (e.g. budgeting, buying, product development, etc.)
- There is a great need for a local business chamber – give mentorship to the local PDI entrepreneurs.
- Develop a database on the local skills available
- There is an urgent need to advise people on basic personal finance. People waste a large percentage of money on cell phones and the lottery –basic budgeting.

Agriculture:

- The main agriculture products are:
  - Fruit
  - Vegetables
  - Cereal
  - Livestock
- The area has a significant comparative advantage for the production of apples and pears (better than in most competing countries)
- There are a few farmers that have started to plant niche varieties, but the margin is not necessarily better – also a much higher risk if the variety does not have a market.
- The fruit profile comprises:
  - Apples & pears – 85%
  - Peaches & plums – 15%

- 70% of fruit production is for the export market
- 30% is for the domestic market and processing

- This makes the local farmers very vulnerable to factors such as exchange rates and trade agreements (and international subsidies)
- Vegetates mainly comprises onions, potatoes and to a much lesser degree runner crops such as butternuts and pumpkin
- There area planted with onions has increased as there is a ready market for the product and the local quality is high
    - The onion crop is exported mainly to Europe and the East
- The area plant with potatoes has decreased, mainly as a result of diseases that have emerged and the high cost of production
    - Another disadvantage of potatoes is that it is not possible to practice rotational cropping with onions
- Although a large area is planted with cereal, it generates a very small percentage of the turn-over on the farms
    - The most important cereal crops are wheat, korog (?) and oats
- Animal production used to be significant, but it was gradually replaced with fruit and vegetables as the margin is much higher.
    - The winter is also very harsh, and farmers that have farms in the Karoo take the animals t the Karoo in winter.
    - The single most important factors that resulted in the total decline of the sheep herd is theft.
- The availability of water is one of the main concerns. The area does not have a large irrigation scheme and the dams were developed by the farmers.
- The increase in the area planted with fruit and vegetables, that require much more water, resulted in a strong increase in the total demand or water so that the farmers are now much more vulnerable to drought than what they were when the area comprises mostly of cereal and sheep production.
- Underground water contributes as much as 20% in a dry year and the situation is most likely to worsen.
- The area was originally used only for cereal and animals, but with the development of water resources by the farmers, it became possible to farm with fruit, which produces a much higher margin.
- The area went through a shake-out period in the mid 1990's due to the abolition of the single marketing system, and again in 2000/1 due to drought. As an

indication, during the 2000/1 season, 38 farms were sold

- The risks associated with farming such as drought are now amplified by other factors such as the exchange rate and international subsidies.
- The schedule is as follows:
    - Pears harvest – January
    - Apples harvest – Mid February – end April
    - Steenvrugte harvest – same
    - Vegetables plant – mid August – Mid October
    - Onions harvest – mid December – Mid March
    - Marketing of onions – up to end of July
    - Cereal plant – Mid May – Mid June
    - Cereal harvest – mid November – start December
- The quite months in Agriculture are May to July
- A group of emergent farmers was registered in 2000 – nothing has happened from then onwards. - CDC was the consultants

Tourism:

- Guest houses seem to be doing very well – with little to no proactive marketing – just by informal "word of mouth"
- The tourism industry has experienced a very high growth over the last 5 years, albeit from a narrow base.
- There are few well-known tourism destinations such as Kagga Kamma and Mount Cedar.
- There about 20 tourism / accommodation establishments which vary from the basic and camp sites, a number of Self Catering and B&B's to the upmarket establishments that cater largely for the affluent and overseas market
- The area does not have a particular peak tourism period, as every season offers something different such as snow in winter, farm activities during harvest, etc.
- The "Fees van die berge" is a new event aimed a promoting the area. The focus is on the family. It runs over a weekend and offers a wide profile of attractions such as:
    - Music
    - 4x4
    - MTB'ing
- The area offers a wide profile of attractions, some of which offers the area with a comparative advantage:
    - Star gazing

- Cultural attractions such as the farm Boplaas where Boerneef was born, and Hou-Den-Bek
  - Snow in winter
  - Participate in farm activities such as harvesting
  - Bird watching
  - Beautiful hikes such as up Tafelberg
  - San paintings
  - 4X4, mountain biking and hiking
- Traditionally the area was a through route to the larger tourism attractions such as Kagga Kamma, and the few accommodation facilities feed off this traffic. However, in recent times, the area is developing its own unique tourism offering and is slowly becoming an end destination in itself.
- The main advantage lies in its unique offerings, as well as the fact that it is very accessible from its main market which is the CT Metropole.
- There is considerable traffic over weekend generated by the visitors. The buying power of this through traffic should be exploited by developing a "farm stall" type facility that offers locally produced produce such as fresh fruit, fruit juices, freshly baked break, rusks and other sweet bakes, flowers, etc.
  - These products should be marketed and sold under a unique label (area specific)
  - The stall offers a good opportunity for BEE, as it can be run by the local PDI's.
- There is not a single / coherent / exiting future vision for tourism. At present, the industry is going through a growth phase, is fragmented and there seems to be enough market to mop-up new entrants. However, this is not sustainable, and the area should develop its offering and market the region as a whole.

7.2.3 Ceres

LED INTERVENTION 1: Encourage local business growth

a) Identifying problems timeously;

- Problems relating to business growth are identified in advance, however little action is taken to rectify problems identified, e.g. Funding policy of local banks with regard to SMME's.

b) Establishing business advice centres for technical/financial support to businesses;

- A suggestion has been made to ask local business men and women to volunteer on a rotation basis to provide for e.g. a Saturday-morning business advice centre were small business owners can go for advice and assistance on technical and financial manners, such as bookkeeping, taxes, labour relations.

c) Public procurement and "buy local" campaigns;

- Examples is the "Witzenberg Herald" campaign "Local is lekker". Success of campaigns is dependent on the availability of quality goods and services in Ceres at competitive prices. This seems not to be the case, especially with highly technical equipment.

d) Ensuring availability and reasonable cost of land and services;

- Water is expensive in the Ceres area. The new Koekedouw Dam was build to alleviate the need, but water from this dam is allocated to specific land, making this expensive property. Other agricultural properties are available at more reasonable prices, but these often does not have access to reliable or reasonably priced water and water infrastructure. Another problem is in farmers that have attained water through the water forums, but are not using their allocated water fully. The water that is not used is however not made available to other farmers who need it.

- Up-market housing in the Ceres area is scarce and expensive - expensive agricultural land needs to be bought to provide plots for these up-scale developments.

- The Vredebes development of 770 houses is the last foreseen area available for low cost housing.

e) Supporting particularly SMME's and informal business in accessing local and external markets (This frequently is achieved through value chains linked to major local market players);

- No support is at present provided to SMME's and informal businesses. A possible solution might be attained through shared marketing. This will involve the commercial business picking up most of the advertising costs, but providing a few SMME's with space in their marketing brochures to market their own wares and services.

LED INTERVENTION 2: Encourage new enterprise

a) Attractive financing packages;

- The municipality has certain incentives in place, although this is not generally known to local inhabitants:

  "Rebates on rates and service charges for industrial land will be considered by Council on the following grounds:

  - Only applicable to the industries that qualify for bulk electricity supply and consumption
  - It must be a new industry on an undeveloped erf. Any extension s of such industry during the initial five year period, will be seen by Council as part of the original establishment and a rebate will be calculated according to the rebate applicable on the original establishment. No further rebate will be granted after the five year period has expired.
  - The nature of employment as well as job opportunities of the relevant industry as well as the total investment, will have an effect on the package offered to the industry.
  - The rebate granted to the industry will be phased out over a period of five years commencing on date of sale."

- Details of the arrangements are negotiated with the applicant when they apply

b) Managed workspace and incubator facilities;

- The arrangements with the municipal offices in Wolseley and Tulbagh still have to be finalised.

- Consultants have been appointed to conduct an investigation and advise the municipality on the most appropriate action for the municipal assets.

c) Technical and financial advice and skilling;

- The local Business Chamber has indicated that it wants to become involved by providing a "help desk" to people that want advice on how to start and manage their own business. This service will be provided on a voluntary basis by the members of the Chamber.

- A RED Door facility should be opened in Ceres.

d) Effective formal and informal development and business networks; and

- Lack of proper and purposeful communication between the formal and informal sectors, as well as between the traditional "white" and "black" business chambers.

e) Implementing mentorship and learnership programmes;

- There is a willingness to offer mentorship on a voluntary basis.

LED INTERVENTION 3: Improve the business environment

a) Providing access to suitable local land and other physical resources;

- Certain sections of the road network to Cape Town Harbour are in a poor condition.

b) Efficient land title acquisition and administration;

- There are too much bureaucratic procedures and "red tape" .

- Certain requirements for the development of land, such as the once-off payment of R4 000 per house is not realistic and it serves as a deterrent (particularly to emergent entrepreneurs).

- There is a general lack of serviced industrial land. This limits business development, particularly on the SMME level as some entrepreneurs currently have to conduct their business on-site in the residential area (Nduli)

c) **Efficient local planning and development control;**

- The municipality has appointed an external Town and Regional Planner to assist them.

- The informal sector (e.g. shebeens) can be problematic.

- Informal businesses do not pay levies to the District Municipality and some of the formal (registered) business people (that pay levies) feel that the informal sector are managed too leniently.

- Home industries, (e.g. baking pastries from home) can make a meaningful contribution in terms of employment opportunities.

- Where zoning does not allow formal business development (e.g. corner shops), it sometimes causes the establishment of an informal enterprise.

d) **Efficient maintenance of local infrastructure;**

- Power failures occur regularly during the rainy season and present a real problem, particularly to businesses that are dependent on a steady supply of electricity.

e) **Reasonable business registration/licensing requirements and by-laws;**

- The procedure and requirements for business registration have been amended.

f) **Reasonable local taxes (property and other) and service charges;**

- In general, the level of the services are good and do not present a problem to business development. However, a general concern is the very high service charges by the municipality.

g) **Reasonable environmental and occupational health standards;**

- The requirements for environmental and occupational health are high (sufficient), but they are not always properly implemented (policed).

- Toilet facilities in Nduli are also problematic and a great concern for public health

h) Business-friendly local government;

i) "Place" investment- and marketing promotion providing a platform for product-specific marketing by local businesses themselves;

- There is a place specific logo and marketing slogan that reads "Africa's own Eden". The municipality wants to promote the logo and wants business to use it. It is imperative that all stakeholders fully support and buy-into the promotion and use of the logo.

j) "Clean", efficient and non-bureaucratic good governance;

k) An informed open local community – candid contact and free

- The municipality does not fully inform the wider community on all planning and development initiatives (use of community meeting ineffective).

- The municipality has started a newsletter as an alternative communication channel.

LED INTERVENTION 4: Promote "foreign" direct and inward investment

a) A stable, predictable local economic climate;
- The economy of Witzenberg is highly seasonal with high levels of unemployment in the off-season.

b) A stable political and regulatory climate;
- Current political environment can be considered stable

c) Market access and open competition;
- There are allegations that the local economy is dominated by a few powerful business figures (referred to as the "mafia").

- A number of BEE projects have been initiated, with varying degrees of success. However, the general direction and attitude towards BEE is positive.

- A combination of high entry barriers (mainly capital, technical / managerial skills and market access) and a few individuals that are hesitant to promote and support BEE, hamper the proper development of true economic empowerment.

d) Available sites and/or premises;
e) Reliable utilities/services and transport systems;
f) An appropriately skilled workforce;

- Workers in the agricultural sector are well-trained and adequate to meet the demand.

- The operational workforce are well-skilled, but lack opportunities to apply technical knowledge. As a result of the high skill/service level/knowledge offered the workforce demand higher wages.

- Some farmers have taken to employing labourers from other areas (e.g. Lesotho) that are prepared to works for lesser wages. A mental and attitude shift is necessary to create awareness that making use of "outside" workers lead to an outflow of money from the Witzenberg economy.

- To ensure a balanced growing economy the need exist for a greater balance in the supply and variety of skills offered by local community. "Growth" sectors in the economy should be identified and direct intervention used to train people for those sectors.

g) Local sources of material supply;

- The building and manufacturing industries source their material from outside the Witzenberg area, as supplies are obtained up to 100% cheaper.

- Specialised machinery is also not supplied locally, and therefore must be "imported" from other areas.

h) **Appropriate local training and research support facilities;**

- Ceres Fruit Growers has a research facility for their private research and development needs.

- Good research facilities are available at places such as Elsenburg and thus decrease the need for local research facilities in Witzenberg.

i) **A good quality of life for expert staff;**

- There is a shortage of up-market housing in Ceres, leading to some people needing to drive to Ceres for their work, but staying in other areas.

- In the Agricultural sector, the expert people are ironically the ones with the lowest quality of life. The problem may be related to a misperception that agricultural skill is not regarded as an "expert skill", also because these skills are readily available in the Witzenberg area.

j) **Manageable regulation and taxation systems;**

- There is too much regulation. Taxation is a complicated process requiring expert advice and skill to comply with all the requirements. The many taxes and levies also have a very negative effect on entrepreneurship.

k) **Incentive schemes;**

- Incentive schemes must also be adapted to suit the needs and requirements of SMME's

l) **Domestic investment. External investors are encouraged by evidence that the community is investing in itself.**

- Some of the larger corporations (e.g. Du Toit's) do invest locally (e.g. Crispy Coolers) and create job opportunities.

- Ceres consist of a first and second level economy. Therefore the real issue is incorporating people from the second level economy into the first level economy, in terms of real ownership. A possible solution is to concentrate on job creation, thereby breaking the dependency culture. Another solution is to restructure the economy to ensure that monies that come into the economy are kept and circulated optimally within Witzenberg.

LED INTERVENTION 5: Investing in "hard" infrastructure

a) Building/improving key access roads;

- The access road to Ceres from the Koue Bokkeveld is in very poor condition. The road to the Warm Bokkeveld needs to be expanded to increase its capacity.

- Construction of roads should be linked to job creation & tender specifications for the construction of roads in the area should specify that local labour must be trained and used for the process .

b) Improving road and rail passenger and goods services;
c) Improving/expanding industrial sites/buildings;
d) Developing/expanding/improving commercial sites;
e) Increasing availability of water and sewage disposal;
f) Improving telecommunications;
g) Improving/expanding energy systems;
h) Environmental and recreational enhancements;
i) Improving housing conditions and availability of appropriate affordable housing; and
j) Installation of crime prevention infrastructure

LED INTERVENTION 6: Investing in "soft" infrastructure

a) Local network facilitation and management

- Informal business networks are formed only within race groups, but do not span across racial divides. The current initiative by the Chamber of Commerce to support SMME's may lead to bridge the current gaps. There is a high level of mistrust between different parts of the community.

- Relating to agriculture, local people should be trained and provided with fairly inexpensive tools, to do tasks currently performed by outside contractors.

b) Skills training particularly budget management
c) Access to business/entrepreneurial-focussed education

d) **Supporting relevant local research and development**

e) **Providing business advisory services (business advice centres)**

f) **Facilitated access to capital and finance**
   - There is an urgent need to change the attitudes of financial institutions to support and provide finance to SMME's. A wide gap seems to exist between government initiatives for promoting SMME's and the actual implementation at ground level.

g) **Facilitating local business and trade associations**

h) **Improving service delivery to businesses**
   - The water and electricity provided in Witzenberg are the most expensive in the Western Cape.

i) **Social inclusion of poor and disadvantaged into local production value chains**

j) **Crime prevention through youth and other programmes and "good citizenship" training**

LED INTERVENTION 7: Cluster and/or sector development to create value chains

a) **Encouraging broker and/or network agencies;**

b) **Promoting contextual research and development;**

c) **Developing cluster-focused joint procurement and purchasing agreements;**

d) **Providing cluster-specific information;**

e) **Developing cluster-specific generic marketing initiatives; and**

f) **Developing demand-led education and training programmes around key clusters**

LED INTERVENTION 8: Area Targeting

a) **Town and rural centre enhancement schemes**

b) **Upgrading out-of-date premises and properties**

c) **Developing business parks, etc**
   - Such an initiative has never been tried in the Witzenberg area, although some informal discussions have been held in this regard. The suggestion was made in the past to get all small businesses together and to relocate to one building. The problem is however that the selected building should be near the town centre, and therefore scarce and expensive.

d) Encouraging investment into spatial growth nodes
e) Encouraging investment into corridors (e.g. SDI's)

LED INTERVENTION 9: Regeneration strategies

a) Derelict site reclamation
b) Adaptation of disused buildings
c) Industrial and commercial site preparation
d) Retraining of redundant workers
e) Job search and employment outreach
f) Street scene enhancement programmes
g) Public park and play provision (open space)
h) Entrepreneurship training and SMME support
i) Community confidence through local success
j) Increased crime prevention, neighbourhood watch, street lighting and safe transport

LED INTERVENTION 10: Focussed poverty reduction programmes.

GENERAL COMMENTS

- There is a need for a full-time "driver" of the economy; the question is whether the Witzenberg municipality currently has the capacity to provide such a driver.

- There is a need to link grants of funding for SMME development to the provision of general management training to the entrepreneur.

7.2.4 Wolseley

LED INTERVENTION 1: Encourage local business growth

a) Identifying problems timeously;
- Social welfare funds applied for by local organisations for projects in the Witzenberg area are perceived as only spent in Ceres, e.g. LIFE application.

b) Establishing business advice centres for technical/financial support to businesses;
- There is no advice office for new developments in Wolseley.

c) Public procurement and "buy local" campaigns;
-

d) Ensuring availability and reasonable cost of land and services;

- Unutilised sites are available in the industrial area of Wolseley, but these sites have been sold to private owners.

e) Supporting particularly SMME's and informal business in accessing local and external markets (This frequently is achieved through value chains linked to major local market players);

- Witzenberg Municipality in association with Belgium have set up a youth SMME development support fund where youth may request support for SMME projects and initiatives. Belgium has donated the funds to the municipality (administered by Maggie Abrahams until November 2004). The perception is that these funds, as many others, are only spent in Ceres and not in the rest of the region.

- Ms Maggie Abrahams: The youth SMME project is 2 years old and focuses mainly on capacity-building for youth development. The project is coordinated by a newly established youth forum, while Ms Abrahams from the Witzenberg Municipality provides contact and logistical support for the youth forum. Recently, a workshop was held to help stimulate the youth forum into action. This workshop was funded by the Belgium government. The aim of the youth forum is to receive and evaluate business plans for SMME projects from the youth. These applications are then presented to the Witzenberg Municipality for funding and financial support, but is dependant on the financial ability of the municipality. Project proposals will also be presented to the Belgium government for possible financial funding.

- On pension day, informal traders can rent stalls near the community centre to sell their wares. Unfortunately, many of these traders come from the city or from extern to Wolseley. The local moneylenders and debt collectors also come to the community centre to collect their money.

LED INTERVENTION 2: Encourage new enterprise

a) Attractive financing packages;

b) Managed workspace and incubator facilities;

c) Technical and financial advice and skilling;

d) Effective formal and informal development and business networks; and

- The local taxpayers association is very active.

- Wolseley has an active agricultural association. (Representative – J. Smuts)

- An emerging farmer association is in the development phase.

- Interactions exist between the local old-age home and similar homes in the Witzenberg area, especially in matters requiring negotiations with the municipality..

e) Implementing mentorship and learnership programmes

LED INTERVENTION 3: Improve the business environment

a) Providing access to suitable local land and other physical resources;

- Undeveloped land is for development of new enterprises of residential property exist, but is in the hands of private investors who bought land when it was still sold at very low prices. The ordinances of what was previously Wolseley Municipality stated that the bought land should be developed within two years, where after it will be taxed accordingly, even if the envisioned developments did not take place. With the amalgamation into the Witzenberg Municipality, this ordinance may have become inactive, thereby leaving no motivation on external property owners to develop the land.

- Water scarcity discourages new developments.

b) Efficient land title acquisition and administration;

- An application for land/sites for development submitted to the Witzenberg Municipality has yielded no reply, although an answer was promised by January 2004 already.

- Administration processes at the municipality for the rezoning of land use is a long and tedious process in some cases, but very fast in others. The perception exist that persons in contact with the "right people" get preferential treatment and service.

c) **Efficient local planning and development control;**

- No control is exercised in restricting the erection of taverns in the residential areas. The persons apply for the land under specific conditions of use, but once the application is approved, an application for rezoning is submitted where after a tavern is erected. The advertising of the applications for rezoning in local newspapers for comments by the public is insufficient, as theses are often overlooked by residents. The residents nearby the proposed property should be contacted directly before such an application is approved.

d) **Efficient maintenance of local infrastructure;**

e) **Reasonable business registration/licensing requirements and by-laws;**

f) **Reasonable local taxes (property and other) and service charges;**

- Tax/Service tariffs has risen remarkable as a result of the standardisation of taxes and tariffs throughout the Witzenberg region. The taxes and tariffs are also higher than in other regions surrounding Witzenberg as a result of the impact of the Koekedouw Dam. The opinion was expressed that it is unfair to expect Wolseley residents to contribute to the costs of the dam, while receiving no direct improvement/advantage from the Dam.

- In the past, a promise was made that all power supplies will be tested to ensure that it is in line with the need of a particular business, since businesses are required to pay per power supply level. This was never done.

- Mistakes and differences between the water/power meter readings and the final account send to the user are not uncommon. The perception is that the municipality does not read the meter, but estimates the usage.

g) **Reasonable environmental and occupational health standards;**

- There are several open water channels which rent a health risk as they run between houses. Storm water and drainage systems in some areas often overflow and are not tested in the summer as is required.

- High instances of noise pollution exist in the residential areas, especially surround the taverns.

h) Business-friendly local government;

- A few years ago, Wesgro wished to establish a number of industries in Wolseley, but received no feedback from the municipality. As a result, these industries were established elsewhere.

i) "Place" investment- and marketing promotion providing a platform for product-specific marketing by local businesses themselves;

- There is no joint marketing of Wolseley by the local tourism office or by businesses (with exception of the national franchises).

j) "Clean", efficient and non-bureaucratic good governance;

k) An informed open local community – candid contact and free

LED INTERVENTION 4: Promote "foreign" direct and inward investment

a) A stable, predictable local economic climate;

- The economy fluctuates in relation to the seasonal labour trends – from May to November unemployment is at the highest.

b) A stable political and regulatory climate;

- Stable

c) Market access and open competition;

- Access to the market is difficult. The rent on business premises is very high, and there is a shortage of available premises in the central part of town. Many of these premises are owned by one individual.

d) Available sites and/or premises;
e) Reliable utilities/services and transport systems;

- Flooding of storm water pipes is common in winter, as these pipes are not inspected for blockages in the summer as required.

f) An appropriately skilled workforce;

- The agricultural workforce is appropriately skilled, as training of farm labourers is a quick process done on the job.

g) Local sources of material supply;

- Most supplies come from external markets as the local market cannot supply.

h) Appropriate local training and research support facilities;

- Training is done external to Wolseley, with the exception of on-the-job training of agricultural labourers.

- Brenokem does some research. Also competitive industry – manufacturer of Tartaric Acid and Oxiprovin from grapes.

i) A good quality of life for expert staff;

- Poor town planning and control that allows taverns in residential areas decrease the living standard of local inhabitants.

- There are little recreational activities available to the youth.

j) Manageable regulation and taxation systems;

- Tax is very high since amalgamation. Wolseley residents find it unfair to pay similar tariffs to Ceres – which has access to better infrastructure and more income generating opportunities.

- Seasonal labour and fluctuating incomes often lead to the cut-off of electricity and water supply in the off seasons.

k) Incentive schemes;

- In the past incentive schemes did exist. E.g. local sites where sold cheaply but with the understanding that the site will be developed within two years, where after it will be taxed as if developed. This clause fell into disuse with the amalgamation, leaving persons no incentive to develop undeveloped private owned sites.

l) **Domestic investment. External investors are encouraged by evidence that the community is investing in itself.**

- Current businesses are expanding, but no "new" (within the last 5 to 7 years) business/industrial developments have taken place.

- Two farms in the region have sold shares to local persons with the help of government funding. (e.g. Digby Farm). These persons now manage the farm. The process for accessing such funding and gaining shares in a farm is not widely known and understood.

LED INTERVENTION 5: Investing in "hard" infrastructure

a) **Building/improving key access roads;**
b) **Improving road and rail passenger and goods services;**
c) **Improving/expanding industrial sites/buildings;**
d) **Developing/expanding/improving commercial sites;**
e) **Increasing availability of water and sewage disposal;**
f) **Improving telecommunications;**
g) **Improving/expanding energy systems;**
h) **Environmental and recreational enhancements;**

- Plans for the development of a multi-purpose youth centre have been submitted to the municipality, and an application for funding was submitted to the Minister of Welfare and poverty relief.

- The municipal swimming pool has no security and the facility is in disrepair. The facility is also vandalised and misused by some local residents.

i) **Improving housing conditions and availability of appropriate affordable housing;**

- High cost housing is available

- Shortage of low cost housing

- Great need for rent properties and houses.

j) **Installation of crime prevention infrastructure**

- High investment in crime prevention infrastructure. Crime statistics is high – break in at cars every weekend.

LED INTERVENTION 6: Investing in "soft" infrastructure

a) Local network facilitation and management
- Few local networks – agricultural and rate payers association, no local business chamber.

b) Skills training particularly budget management
- La Plaisanté regularly sends supervisors for training to Piketberg. Other farms do not have training programmes in place.

c) Access to business/entrepreneurial-focussed education
d) Supporting relevant local research and development
e) Providing business advisory services (business advice centres)
f) Facilitated access to capital and finance
- Local banks refer loan applications to the Ceres and Tulbagh branches.

g) Facilitating local business and trade associations
h) Improving service delivery to businesses
i) Social inclusion of poor and disadvantaged into local production value chains
- Training for sewing to be offered by the municipality. The beneficiaries of the training programme has already been identified and contacted, but training has yet to commence.

- Badisa also offers local sewing courses to any interested persons.

j) Crime prevention through youth and other programmes and "good citizenship" training

LED INTERVENTION 7: Cluster and/or sector development to create value chains

a) Encouraging broker and/or network agencies;
b) Promoting contextual research and development;
c) Developing cluster-focused joint procurement and purchasing agreements;

- Some of the farms (Dicey and Stein ford) (?)has such agreements.

- Wolfpac also acts on behalf of a number of farmers.

- Procurement agreements also common under the citrus fruit farmers.

d) Providing cluster-specific information;
e) Developing cluster-specific generic marketing initiatives; and
f) Developing demand-led education and training programmes around key clusters

LED INTERVENTION 8: Area Targeting

a) Town and rural centre enhancement schemes
b) Upgrading out-of-date premises and properties
c) Developing business parks, etc
d) Encouraging investment into spatial growth nodes
e) Encouraging investment into corridors (e.g. SDI's)

- Most of the local business premises are owned by one person, Mr Loubser.

LED INTERVENTION 9: Regeneration strategies

a) Derelict site reclamation
b) Adaptation of disused buildings
c) Industrial and commercial site preparation
d) Retraining of redundant workers

- Train farm workers how to produce wine and how to pack fruit.

e) Job search and employment outreach
f) Street scene enhancement programmes

- The local schools sometimes clean up the streets.

g) Public park and play provision (open space)
h) Entrepreneurship training and SMME support
i) Community confidence through local success
j) Increased crime prevention, neighbourhood watch, street lighting and safe transport

- Wolseley previously had a stronger economy, as the closed down cinema serves to prove. However, the stable job opportunities as offered by the Langeberg and SAD factories have disappeared with these factories. (Langeberg closed down 30 years ago, SAD last year)

LED INTERVENTION 10: Focussed poverty reduction programmes.

- The general feeling of the town is that the people want to work. There is some feeling of exploitation of especially low-paid agricultural labourers. These persons work long hours (from 6am to 10pm) for nominal salaries. They also spend most of their pay on the farm itself at the local farm stall (buying on credit during the week, which is deducted from their pay at the end of the week), and therefore bring small amounts into the rest of the town.

- A great need exist to train local farm workers in basic employment rights and basic budget skills.

GENERAL COMMENTS

- Labour demand in Wolseley is highly seasonal, causing great unemployment in the off-seasons. November to April has the highest demand for agricultural labour, July and August provides about three weeks labour demand, while Citrusdal offers a part of the community employment for September and October. The greatest joblessness is found from April to mid-July during the winter agricultural season. The result of seasonal labour is a low total yearly income for farm workers. As in other parts, a huge contributor to unemployment can be contributed to a high influx of seasonal workers that relocate to Wolseley on a permanent basis, despite the lack of full-time employment opportunity. A large portion of the community also works in Worcester.

- Wolseley has few large manufacturing organisations in the area. Wolfpack Fruit package offers permanent employment to community members in Wolseley, but also has lower production (and lower employment levels) part of the year. The packaging plant for Aurora farms situated at White bridge also offers employment to a number of people. The SAP production/manufacturing closed down. It is sometimes found that new or vacant posts are filled using outsiders, not local inhabitants.

- The tourism market in Wolseley and the Breë River is relatively stable. Most of the B&B's are on farms, only 1 B&B in the town itself. Tourists consist mainly of Capetonians on a weekend break-away, as well as team-building, school and church groups and small conferences. Many of the B&B vacancies are filled with outsiders appose to locals. Local tourist attractions include a mountain bike trail, and the "alles wat dryf" and "family 4x4" events held annually in the Breë River. Marketing of Wolseley is done by means of journalist reports, stalls at expo's and brochures. Tourism is also actively promoted in an initiative by the Boland District Municipality and the Department of Education whereby tourism awareness education are incorporated into the grade 2-4 curriculum.

- Agricultural production is not specialised in one product, but encompass a variety of products including pears, peaches, prunes, apples, grapes (wine), potatoes, onions, carrots, pumpkin, olives, milk, meat, corn, apricots and citrus fruit. Mayor problems in the agricultural sector include the poor condition of the roads (especially the road to Stinkrivier), the strong value of the Rand, and a significant increase in production costs (e.g. chemical products, labour, and mechanisation). There is no single workgroup that provide information on overseas markets to farmers, with exception of the exporters' forum that does not provide very valuable information. Strong competition in the exporting market also prevents private contractors and marketers from freely sharing information, thereby losing a competitive advantage. Jobs in the agricultural sector are not highly specialised, rendering experience in the field useless as a competitive advantage.

- As in the rest of Witzenberg, lack of water was cited as an important limitation to expanding current agricultural production. The water scarcity in Cape Town Unicity also impacts on Wolseley, as one of the nearer towns where water can be sourced from to supply water to the Cape. Wolseley has adequate water from rain and snow in the winter, but has no storage space where water can be retained to provide for the summer months. A possible solution for the problem can be found in the natural topography in the mountain range between Wolseley and Wellington. The mountains form a natural dam, which just need to be sealed off. The area is currently owned by the Department of Water Affairs and Forestry, and the current plantations are being discontinued and the area returned to the normal wetlands.

- Businesses in Wolseley are under great pressure to compete with larger stores in Worcester and Ceres, which is both relatively close. Local businesses carry less variety and stock, and are notable more expensive than their competitors. Local residents can take the bus to Worcester on Saturdays (up to 3 busses, each transporting 70 people) at the nominal fee of R7 one-way. There is also regular taxi's to Ceres. In the centre of town new businesses open on a regular basis (mostly businesses relating to vehicle maintenance) but would close down within four months.

- Regarding the delivery of municipal services, water supply in the "bo-dorp" is unreliable. The asbestos piping network is old and regularly bursts. The municipality is in the process of replacing bursts pipes, but the process is time-consuming and slow. The different pipes that are now in use are however hindering effective pressure regulation, which will be easier once the entire town is on the same piping system.

- New housing developments in both Wolseley (specifically the Pine valley development) and Tulbagh have been put on hold until the capacity of the current water and sewerage service systems has been expanded. The current bulk infrastructure/supply system has reached maximum capacity. This problem has been brought to the attention of the Witzenberg engineering department.

- Recent or possible LED initiatives in Wolseley include the restoration and improvement of station buildings. Although the mainline railway between Cape Town and Johannesburg passes through Wolseley, it no longer stops at the station. Improving the station facilities, and locating a craft project at the station, could help to attract visitors travelling by train to disembark on Wolseley, and will promote awareness about the tourism attractions Wolseley stand to offer. The station building is at present being restored by Mr Nico Williams (LED Forum representative: Agriculture sector) but his agreement with Transnet states that the final product should also provide benefit to the greater community.

- Stalls for the relocation of sideway traders currently trading in front of other businesses has been marked of on the plane. The concentration of these traders can provide a tourist attraction and make it more convenient for customers to visit all the stalls at one place. It will also allow for the regulation of the traders and the wares sold at the stalls in terms of the municipal regulations. Mr Stuurman confirmed that since formal stalls have now been allocated, formal notifications will be send to traders trading on "illegal" (unallocated) sites. Traders that fail to comply with the municipal regulations will also forcibly be removed from illegal sites.

- Another problem that came to light during discussions was the allocation of building and maintenance contracts pertaining to local public infrastructure (e.g. schools) to contractors from outside the Witzenberg area. Although these projects are advertised in the daily government bulletin, many of the local contractors does not have regular access to the bulletin, and are not as familiar with the tendering procedures and procurement policies of the various public departments. Many of the local contractors are also excluded from larger projects as they are on lower classification levels and can only tender for smaller projects. Possible solutions to above-mentioned problems are to communicate project information via the forums to the wider community, and the organisation of another round of meetings with the Department of Public Works to explain tendering procedures and policies.