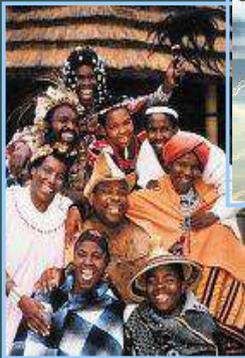


MOGALE CITY LOCAL MUNICIPALITY

LOCAL ECONOMIC DEVELOPMENT STRATEGY



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Section 1 - Introduction

1.1 Study Background

As part of the local government mandate, the Mogale City Local Municipality has embarked on the process of developing an economic development plan at local government level. The compilation of this Local Economic Development Plan (LED) was awarded to Urban Econ: *Development* Economists.

This report was compiled in accordance with the proposed methodology as set out in the proposal to conduct a Local Economic Development Strategy for Mogale City Local Municipality. The purpose of the Local Economic Development Strategy is to assemble all economic information and investigate the coordinated and integration options and opportunities available to broaden the economic base of the municipality, packaged as a strategic implementation framework in order to address the creation of employment opportunities, investment and business development and the resultant positive spin-off effects throughout the district economy. Furthermore, it is also aimed at ensuring that the local municipality can efficiently and effectively facilitate the creation of an appropriate enabling environment conducive to economic development and investment.

This can, however, only be done if and when the current development situation in the municipality is understood. This analysis aims to provide this foundation by assessing the current demographic, socio-economic and economic characteristics and trends of the area and highlighting the main challenges faced in the area.

The report will identify development opportunities and develop business case opportunities for the projects. The study will also include implementation guidelines as well as some monitoring and evaluation criteria.

1.2 Study Objectives

The purpose of the study is to collate all socio-economic information and investigate the coordinated and integrated options and opportunities available to broaden the economic base of the municipality, packaged as a strategic implementation framework in order to address the creation of employment opportunities, investment and business development and the resultant positive spin-off effects throughout the district economy.

The goal for the study area can be summarised as follows:

To formulate a Local Economic Development Strategy based on identified development needs, opportunities, competitive and comparative advantages to inform and guide the Mogale City Local Municipality to facilitate development, unlocking latent economic development potential, encourage private sector investment and create economic development and job opportunities for the poor.

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

- Conduct an in-depth analysis of the real (but latent) development opportunities in the key economic sectors in the municipality.
- Identify practical sectoral programmes that could be used as basis for pro-active economic development initiatives.
- Apply a nodal development philosophy to address rural specific economic problems such as isolation from markets, dispersed service delivery, etc.
- Augment the technical research with in-depth interviews with experts in the appropriate fields in order to align with the most recent trends in the targeted sectors
- Identify financing sources and investment options that could enhance practical implementation
- Emphasise local job creation, alleviation of poverty and redistribution of opportunities and wealth
- Focus explicitly on opportunities for SMME development in all economic sectors
- Promote the creation of an enabling environment conducive for economic development by addressing, human resource development (labour market) and an appropriate institutional framework as integral components of programmes and projects
- Achieve skills transfer as part of the interaction with the client by utilising known approaches such as counterpart training
- To apply an objective prioritisation process for project and programme selection
- Review innovative institutional options for development partnering
- Ensure that the strategy aligns with and add value to the existing policies and strategies such as the LED's and IDP's as well as private sector initiatives.

1.3 The Concept of LED

Mogale City Local Municipality LED Strategy

Local Economic Development (LED) is an approach towards economic development that allows and encourages local people to work together to achieve sustainable economic growth and development, thereby bringing economic benefits and improved quality of life for all residents within a specific local area.

While LED is a relatively recent phenomenon in South Africa, it has been applied, as a programme, to improve the economic performance of municipal areas. It focuses attention on the local level as the most appropriate place for economic intervention, as this level should be the most readily accountable to the public, while having the legitimacy of being democratically elected.

Local Economic Development is an ongoing process, rather than a single project or a series of steps to follow. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development. The aim of LED is to create employment opportunities for local residents, alleviate poverty and redistribute resources and opportunities to the benefit of all local residents.

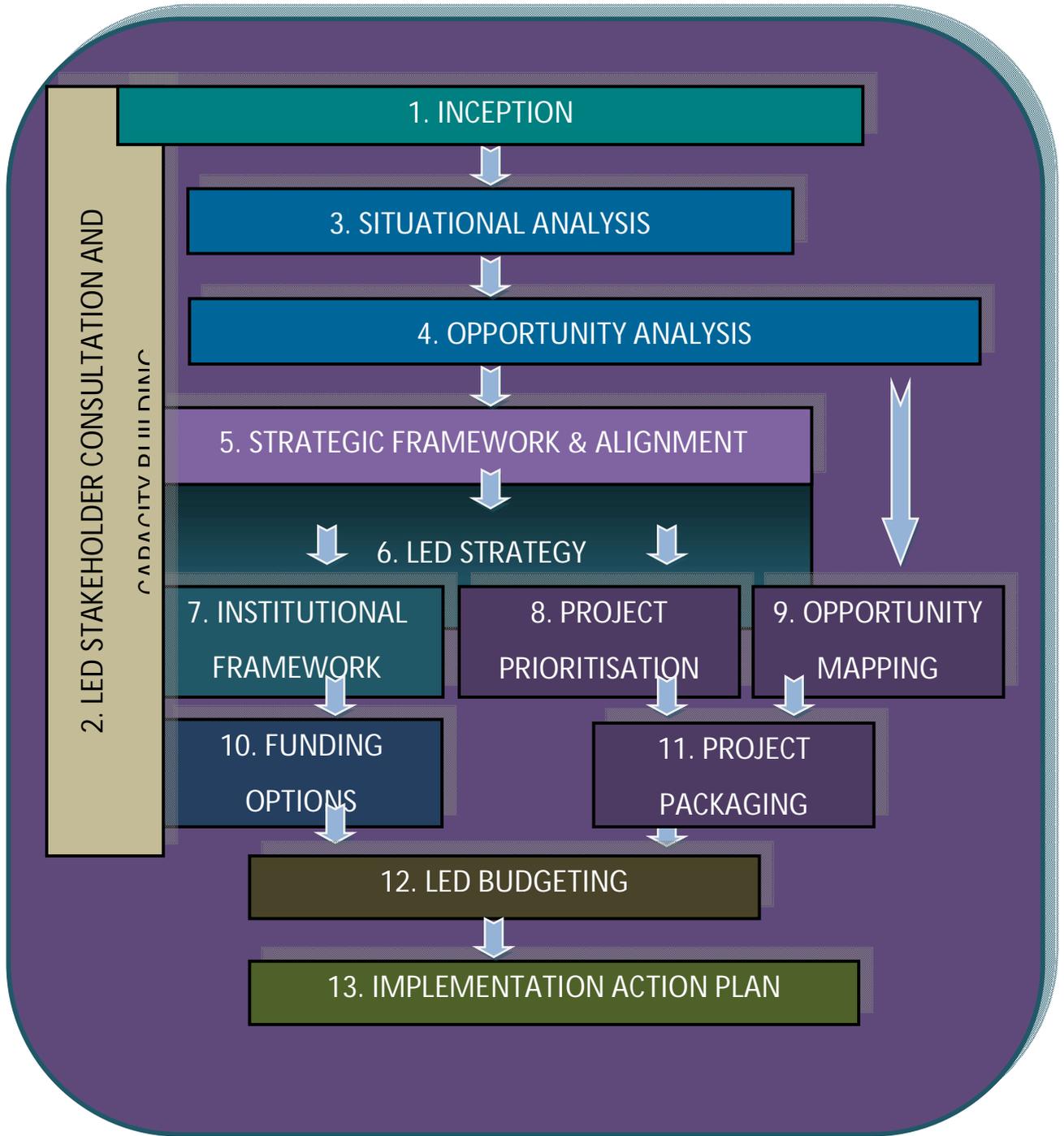
In order for Local Economic Development (LED) to be effective, a community needs to identify and consider its own economic strengths, weaknesses, opportunities and threats and agree a shared strategy.

LED is characterised by the following objectives:

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

1.4 Methodology

The following approach was followed in developing the LED Strategy for Mogale City Local Municipality:



Step One: Inception

This first step of the process will entail having an inaugural briefing meeting with the client to clarify:

- Methods of cooperation between the client and consultant team,
- Finalisation of project scope, objectives, programme and possible dates for meetings,
- Identifying and obtaining all relevant information
- Scheduling the networking and capacity building process in parallel with the technical components

This orientational exercise involves reviewing the current policy documents, existing LED strategy documents as well as other relevant documents. These strategies will be taken as important background for guiding the implementation prioritisation of the LED. The emphasis will be on alignment and adding value and to use the existing knowledge base to focus the work, i.e. a vital issue approach will be followed.

Step Two: LED Stakeholder Consultation and Capacity Building

It is vital that key stakeholders and role-players act as partners in the LED process to ensure that a meaningful transfer of skills, knowledge and capacity takes place to efficiently and effectively facilitate the implementation of LED Strategy. Eventually local officials as well as the beneficiary communities need to act as partners in the LED planning process to ensure that a meaningful transfer of skills, knowledge and capacity takes place between the:

- Service Providers, who should act as facilitators of the LED process,
- municipal structures and representatives, which must facilitate and implement the strategy once it is completed
- the beneficiary communities who must through identifies leaders and champions implement projects and receive the direct benefits of the strategy.

Step 3: Situational Analysis

The purpose of this stage of the process is to obtain an integrated overview of the issues and problems related to the LED strategy based on a scoping analysis and review of the local development situation. The objective of this step is to undertake a **development situational evaluation** with a view to compile a **development perspective and identify trends and opportunities related to the most recent trends and developments** are being accounted for.

The analysis will focus on both the internal as well as the external environment and will be based on existing sources and augmented with selected interviews. This analysis will provide critical basic information required for economic development planning, since it provides an indication of the economic structure and functional specialisation and other dynamic characteristics of the study area. As such the following list of issues to be reviewed has been provided in the terms of reference:

- Demography & Population Characteristics
- Education & Human capital
- Poverty & Social Inequality
- Economic Performance Indicators
- Competitive and comparative advantage
- Structural shifts & dynamics of the local economy
- Accessibility (infrastructure)

Step 4: Opportunity Analysis

The local sectoral potential review analysis will identify the sectoral comparative advantages of the local economy to determine the development potential within the **municipality**.

- Identification of supply and demand factors to assess market opportunities based on the gap between existing and potential levels of development.
- A description of suppliers and consumers and services linkages as well as inter-industrial (business) linkages and opportunities
- Review resource base for potential exploitation and beneficiation, i.e. extent, location, utilisation and opportunities.
- Determine growth potential of sectors and incorporate potential structural impacts of known or planned development initiatives.
- Trend analysis with historical growth and performance.
- Identify constraints to development such as the impact of HIV/AIDS on the demographic profile, exploitation of resource base, international market influences, lack of entrepreneurial skills and poverty.
- Supply and demand for skills within sectors
- Market analysis to determine location and segmentation of market, demand for products
- Business and linkage opportunities within the sector
- Identify comparative and competitive advantages/disadvantages
- Prioritisation of sectors in terms of development potential, opportunities and project possibilities.

Step 5: Strategic Framework & Alignment

The purpose of this step is to formulate a strategic framework with a vision and programmes for a local growth and development plan based on the opportunities identified in the situational analysis. Inputs from the LED Advisory Forum will be critical in completing this step.

Step 6: LED Strategy

The purpose of this element is to collate all the key findings and intervention priorities of the preceding elements to guide the revision of the LED from an operational perspective. As such it will be valuable to revisit key components of the LED strategy related to recent trends, implementation priorities, focused visioning and strategic redirection.

Step 7: Institutional Options

This step will address the need for an **appropriate institutional structure that can facilitate the development process**. Guidelines will be provided for the establishment and operation of an economic development promotion body as part of the local municipality to take responsibility for the implementation of the economic strategy.

The focus of this component of the study is thus to address the leadership and institutional challenges with regard to the implementation of the LED strategies, which includes the augmentation of LED and project management capacity within the municipality and the local communities as the true beneficiaries of the strategy, as well as allocating responsibilities to the different municipal levels. It allows for the conceptualisation of the institutional role and functions of different levels of local government related to LED and the implementation of the strategic guidelines and projects.

Step 8: Project Prioritisation

A key action of this step is to interpret the identified niche markets in terms of **opportunities for local development and investment** and subject these to a rigorous evaluation process to prioritise opportunities. This evaluation process will entail an investigation into the following:

- Disbenefits and disincentives with a detrimental effect on investment potential
- In-depth analysis of comparative and competitive advantages
- Evaluation of the potential impact of the opportunity to quantify the economic spin-off effects

- Identification of potential investors and funding agencies.

Step 9: Opportunity Mapping

The focus of this step is to allocate the prioritised projects spatially taking cognisance of a range of prerequisites for sustainable development, such location, skills availability, accessibility to markets, resource base, etc. In this regard it is important to follow a **nodal and sectoral activity clustering approach** to provide the basis for viable and sustainable development. Through such an integrated developmental approach,

- *physical* planning and implementation processes can be integrated with the following:
- *institutional* requirements (through the involvement and participation of relevant *authorities*);
- *economic* realities and (through the involvement and participation of private *business*); and
- *social needs* (through the involvement and participation of local *communities*).

Step 10: Funding Options

Funding & financial assessment needs to be undertaken to identify and scope potential funding by investors (a wide spectrum of institutions, government bodies, parastatals and investment entities), as well as donors and the likelihood of financial commitment to projects. This step is aimed at **evaluating potential funding sources** to enable efficient and effective facilitation of the implementation of projects through:

- the application for financial assistance by Government
- the application for financial assistance by financial institutions
- attraction of private investors or entrepreneurs in appropriate joint ventures to develop projects.

Step 11: Project Packaging

This step is aimed at packaging **selected anchor projects** to enable efficient and effective facilitation of the implementation of anchor projects. **Bankable projects** will be selected in consultation with the client and key stakeholders and **mini-business plans** will be compiled.

Step 12: LED Budgeting

A financial plan to focus project phasing in terms of financial requirements in accordance with a phasing schedule. Specific attention will be given to budgeting specifications to ensure integrated and strategic management of institutional resources

Financial estimates containing budgeting specifications to ensure integrated and strategic management of institutional resources. This will include specifications in terms of capital and operational functions as well as intergovernmental coordination to be contained in a medium term expenditure framework.

Step 13: Implementation Plan

The purpose of this step is to provide various role-players and stakeholders in the economy clear, functional guidelines with respect to implementing the LED strategy. An implementation action plan is necessary to determine priorities for implementation phasing, budgeting, resource allocation and allocating responsibilities. As part of the guidelines an Implementation Manual can be formulated to provide guidelines for the preparation and implementation of the catalytic projects. It will serve as a manual for the LED unit after the completion of the project.

The Implementation Manual provides general step-by-step guidelines on various aspects of the project management and implementation process.

1.5 Remainder of the Report

Section Two: LED Policy and Legislative Framework

- ✓ Background information is provided in terms of the context and legislative framework within which the Local Economic Development Strategy for the traditional authority should be undertaken. National, provincial and local initiatives are reviewed.

Section Three: Situational Analysis

- ✓ The situational analysis provides an analysis of the existing economic and socio-economic situation of the region.

Section Four: Economic Analysis

- ✓ The economic analysis provides an analysis of the existing economic situation of each of the economic sectors in the region.

Section Five: Sectoral Potential Analysis

- ✓ The Sectoral Analysis brings the analysis down to a local level, setting out the current socio-economic situation of the study area and provides an indication of the local economy and the key economic sectors in the study area.

Section Six: Strategic Framework Formulation

- ✓ In this section strategic thrusts are provided. Each thrust is supported with programmes and projects and the projects are prioritised.

Section Seven: Funding Options

- ✓ Funding & financial assessment needs to be undertaken to identify and scope potential funding by investors (a wide spectrum of institutions, government bodies, parastatals and investment entities), as well as donors and the likelihood of financial commitment to projects.

Section Eight: LED Budgeting

- ✓ Section will look at project phasing and the financial requirements in accordance with the phasing schedule.

Section Nine: Implementation Manual

- ✓ In this section a manual will be developed to facilitate development. The manual will include support structures for proposed projects and programmes, skills identification and training facilitation as well as general guidelines to aid implementation.

Section Ten: Recommendations and the Way Forward

- ✓ This section provides recommendations regarding the LED and what needs to be done on the way forward.

Section 2 - LED Policy and Legislative Framework

2.1 Introduction

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

LED Strategies cannot stand alone and need to, within its larger context, conform to and take into consideration many national, provincial and local government policies, programmes and initiatives. Below is the broad legislative framework within which Local Economic Development on a local level should be conducted. The policies and programmes discussed are by no means the only legislative frameworks to be considered, but gives a general indication of legislation that is linked to matters of employment creation, poverty eradication and economic growth. Taking these frameworks into consideration when formulating and implementing Local Economic Development initiatives will ensure wider government support and easier access to grants and other funding from government and donor organisations.

2.2 National Policies and Programmes

The most relevant national policies and legislation to the LED process are:

- ✓ The Constitution
- ✓ The Accelerated and Shared Growth Initiative of South Africa
- ✓ The National Spatial Development Perspectives
- ✓ Broad Based Black Economic Empowerment
- ✓ Framework for Economic Development: Department of Provincial and Local Government
- ✓ Local Government Municipal Systems Act
- ✓ Integrated Sustainable Rural Development Strategy (ISRDS)
- ✓ Regional Industrial Development Strategy (RIDS)

2.2.1 The Constitution

The most important legislation is the Constitution of the Republic of South Africa (Act 108 of 1996). Section 152 (1) outlines the objectives of local government as follows:

- To provide democratic and accountable government for local communities
- To ensure the provision of services to communities in a sustainable manner

- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organisations in the matters of local government.

Implications for LED in Mogale City

The Mogale City Local Municipality is legally compelled to promote social and economic development in its area of jurisdiction. This development should be focussed on addressing the basic needs of the population, reflecting the importance of service and infrastructure provision, community services, educational components and business support to all the areas where there is a lack thereof or where improvements are required.

2.2.2 Accelerated and Shared Growth Initiative of South Africa (ASGISA)

ASGISA aims to guide the country's economy and to improve its growth, through interventions that are intended to serve as catalysts for accelerated and shared growth and development. Through ASGISA, government has set an economic growth target of 5% GDP growth per annum from 2004 to 2014. This target has been broken down into two phases, namely a target of 4.5% p.a. between 2004 and 2009 and 6% p.a. from 2010 to 2014. This growth must be managed in a way that generates employment opportunities (labour intensive growth) and ensures that the fruits of economic growth contribute to poverty alleviation in an equitable manner.

ASGISA is concerned with the efficiency of the state, better conditions for business, closing the skills gap in the short and long term, linking the 1st and 2nd economies and clearing of governance red tape and corruption which impact on delivery at all levels of government.

Key areas of government infrastructure expenditure as outlined by ASGISA are:

- Provincial and local roads
- Bulk water infrastructure and water supply networks
- Energy distribution
- Housing and community facilities
- Multi-purpose government service centres.

ASGISA has also identified Business Process Outsourcing (BPO), tourism and agriculture and agro-processing as the three main priority sectors for special priority attention.

Implications for LED in Mogale City

The Mogale City Local Municipality should identify LED projects that are in line with the ASGISA priority sectors.

2.2.3 The National Spatial Development Perspective (NSDP)

In order to address the distortions of the past apartheid space economy, the National Spatial Development Programme (NSDP) was adopted in 2006. This perspective programme provides an indication of potential in different geographic spaces across the country and is used as an instrument that informs the respective development plans of the national, provincial and local government, which include Integrated Development Plans (IDPs), Provincial Growth and Development Strategies (PGDSs) and the Medium Term Strategic Framework (MTSF).

The NSDP is to fundamentally reconfigure apartheid spatial relations and implement spatial priorities that meet the Constitutional imperative of providing basic services and alleviating poverty and inequality. It provides a set of principles and mechanisms for guiding infrastructure investment and development decisions. The NSDP serves as a tool for identifying key areas of tension and/or priority in achieving positive spatial outcomes.

The NSDP identified six categories of developmental potential which cover the spectrum of economic functions in a modern economy:

- Innovation and experimentation
- High value, differentiated goods
- Labour-intensive, mass-produced goods
- Public services and administration
- Retail and services
- Tourism

Implications for LED in Mogale City

LED projects must consider spatial relations that meet the imperative of alleviating poverty and inequality.

2.2.4 Broad Based Black Economic Empowerment

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

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

Implications for LED in Mogale City

LED initiatives that empower the historically disadvantaged individuals should be priority.

2.2.5 Framework for Local Economic Development: Department of Provincial and Local Government

The Framework is intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. It seeks to mobilise local people and local resources in an effort to fight poverty.

The Framework lays the basis for deepening community access to economic initiatives, support programmes and information for the coordination of economic development planning and implementation across government and between key role players.

Implications for LED in Mogale City

The framework for local development also sets out three key roles which the MCLM can play in the LED process:

- To provide leadership and direction in policy making.
- To administer policy, programmes and projects.
- To be the main initiator of economic development programmes through public spending, regulatory powers and their promotion of industrial, small business development, social enterprises and cooperatives.

2.2.6 Local Government Municipal Systems Act

The Municipal Systems Act (Act 32 of 2000) lists the duties of a municipal council, within its financial and administrative capacity, as follows in Section 4(2):

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

Implications for LED in Mogale City

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

2.2.7 Integrated Sustainable Rural Development Strategy (ISRDS)

The Integrated and Sustainable Rural Development Strategy (ISRDS) is designed to realize a vision that will “attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who are equipped to contribute to growth and development”.

The ISRDS presents the proposed institutional arrangements, which will operate in the political and operational areas and it lists the key elements of implementation as follows:

- institutional arrangements
- establishment of an information and knowledge base
- development of planning and monitoring systems
- establishing mechanisms of coordination
- Stakeholder mobilisation.

Implications for LED in Mogale City

The LED initiatives for rural communities should grow the rural economy and train community members. There should be incentives to prevent loss of skilled and knowledgeable people from the rural areas.

2.2.8 Regional Industrial Development Strategy (RIDS)

The RIDS calls on all regions to build their industrial economies based on local competitive advantages and opportunities. It aims to bridge the first-second economy gap in South Africa based on the spatial development principles of the NSDP. Such a strategy focuses fundamentally on addressing the key obstacles to the functioning of the economy, primarily through infrastructural interventions which will better enable all regions to access markets and resources.

The strategic objectives may be summarized as follows:

- Attempt, as far as possible, to reduce economic disparities between regions, address the needs of both the first and second economies, and narrow the gap between them.
- Pay particular attention to the needs of those regions which are lagging behind the national norms.

- Enhance current regional strengths and lead sectors of the economy.
- Promote sustainable economic growth and employment in provinces and municipalities.
- Build regional competitive capabilities and firm-level support measures.
- Enhance regional performance in attracting foreign direct investment.

Implications for LED in Mogale City

LED projects in the manufacturing sector should be implemented with cooperation and coordination of the provincial, district and local municipality LED departments and forums to save time and resources whilst growing the regional industrial economy.

2.2.9 National Industrial Policy Framework (NIPF)

The vision of NIPF for the industrial development is as follows:

- To facilitate the diversification of the South African economy beyond the current reliance on traditional commodities and non-tradable services
- Intensification of South Africa's industrialisation process and movement towards a knowledge economy
- The promotion of a more labour-absorbing industrialisation path with a particular emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation
- The promotion of a broader based industrialisation path, characterised by greater participation by historically disadvantaged individuals and marginalised regions in the mainstream of the industrial economy
- Contributing to industrial development on the African continent with an emphasis on building its productive capabilities

2.2.10 Industrial Policy Action Plan (IPAP 2)

The Industrial Policy Action Plan (IPAP2) sets out in detail key actions and timeframes for the implementation of the DTI's initial round of industrial policy, as encompassed in the National Industrial Policy Framework (NIPF). It is felt that the manufacturing sector has not reached its full potential and government has singled out sectors for particular focus. The aim is to enable these focus sectors to reach their full potential by utilising appropriate government policy instruments to promote the updating and upgrading of manufacturing capabilities, encourage investment in industry-specific infrastructure and address monopoly pricing.

The twelve sector clusters that have been identified for fast-track implementation are:

- Metal fabrication, capital equipment and transport equipment
- 'Green' and energy-saving industries
- Agro-processing
- Automotives, components and medium and heavy commercial vehicles
- Downstream minerals beneficiation
- Plastics, pharmaceuticals and chemicals
- Clothing, textiles, leather and footwear
- Biofuels
- Forestry, paper and pulp, and furniture
- Cultural industries: crafts and film
- Tourism
- Business Process Services
- Advanced manufacturing

Implications for LED in Mogale City

Industrial development in Mogale City should be geared towards the promotion of tradable labour-absorbing goods and services and a diversification of the industrial base in order to lessen its reliance on the mining sector.

2.3 Provincial Policies and Programmes

At provincial level, relevant policies and legislature to the LED process are:

- Vision 2014 and the Gauteng Growth and Development Strategy
- Gauteng Integrated Development Plan
- Gauteng Trade and Industry Strategy
- Gauteng Spatial Development Framework
- Blue IQ
- Gauteng LED
- The Gauteng Global City Region Strategy
- Gauteng Rural Development Strategy
- Land Decision Support System
- Expanded Public Works Programme & Gauteng Labour Intensive Strategy
- Gauteng Responsible Tourism Planning Framework

2.3.1 Vision 2014 and the Gauteng Growth and Development Strategy

The 2014 Growth and Development Strategy (GDS) were put in place to build the province's economy and reduce unemployment and poverty. It aims to create a better life for all citizens of the province through long-term, sustainable growth of the provincial economy, meeting the socio-economic developmental needs of people, creating jobs and reducing unemployment and poverty.

A central component of the Growth and Development Strategy is to grow the economy through the development of key growth sectors which have been identified based on their potential to achieve high growth rates and create jobs through multiplier effects. These are:

- Smart industries, including information and communication technology and pharmaceuticals
- Tourism
- Agriculture, including agro-processing and biotechnology
- Trade and services, including finance and film
- Manufacturing, including steel-related industries, automotive parts and components, and beer and malt.

Implications for LED in Mogale City

LED projects need to grow the economy in the sectors identified in the GDS.

2.3.2 Gauteng Integrated Development Plan

The purpose of the IDP is firstly to provide a strategic framework and implementation strategy for the province. Secondly, to coordinate the relevant policies, programmes, strategies and plans of the different provincial departments and municipalities into a broad provincial integrated development framework. Thirdly, it is to guide resource allocation in the province and to provide information that will guide strategic decision making.

The GDP establishes a number of development directives that should guide development and redress imbalances. These include:

- **Densification** – this refers to compacting the urban form. The policy directives can be supported by Land Use Management Systems and developmental provision and charging for services.
- **Resource management** – this directive promotes the optimum usage of resources, including natural, human, technological and fiscal resources.
- **Poverty alleviation** – this directive focuses on investing in people in order to increase their productivity.

Mogale City Local Municipality LED Strategy

- Environmental management – this directive promotes efficient, sustainable growth within the context of limited resources.
- Sustainable economic development – this directive emphasises the need for economic growth that is balanced with environmental welfare and social equity.

Implications for LED in Mogale City

The LED projects should be applicable in a compacted urban form. They should use all available resources optimally, reducing poverty and ensuring that the damage to the environment is minimal.

2.3.3 Gauteng Trade and Industry Strategy

The Gauteng Trade and Industry Strategy, 2003 adopts a broad approach to the economic development of the province and is comprised of five strategic thrusts:

- 1) The re-alignment of the manufacturing sector away from traditional heavy industry input markets and low value-added production towards more sophisticated, high value-added production, as well as the development of other high value added production activities in the agriculture and mineral sectors.
- 2) The development of the province as the smart centre of the country with specific emphasis on information technology, telecommunications equipment, research and development and bio-medical industries.
- 3) The development of the finance and business service sector with specific emphasis on financial services and technology, auxiliary business services and technology, corporate head office location and business tourism.
- 4) All initiatives toward expansion of the sectors and business activities of Gauteng are deliberately viewed in the context of additional employment generation, in view of the severe unemployment situation faced by the province, and the benefits of employment generation in income redistribution and poverty alleviation.
- 5) Broadly based business activity – to seek that new business activity draws in participants at ownership and management levels from a wide spectrum of people, including those who do not have existing wealth, assets and skills. This implies focus on newer companies and smaller enterprises, rather than on expansions by existing large companies.

Implications for LED in Mogale City

Economic sectors that are considered as having immense opportunity for development (and which LED initiatives should steer and/or support) include:

- ✓ Financial sector
- ✓ ICT&Film Industry
- ✓ Automotive Parts & Components

2.3.4 Gauteng Spatial Development Framework (GSDF)

Gauteng Province has adopted the Gauteng Spatial Development Framework (GSDF) as the core policy framework intended to guide decisions relating to the location and nature of physical development in Gauteng. The five critical factors which have been identified to direct future spatial development in Gauteng are:

1) Resource-based economic development:

Three strategic thrusts have been formulated to guide future economic development:

- the re-alignment of the manufacturing sector toward high value-added activities,
- the development of the province as the smart centre of the country and
- the development of the finance and business services sector with emphasis on financial services and technology, auxiliary business services, corporate head office location and business tourism.

- 2) Contained urban growth through the implementation of the urban edge as vehicle, which is determined at a provincial level and informed by local government.
- 3) Re-direction of urban growth, which aims to implement the principles of planning legislation and policy where the integration of residential areas with areas of employment opportunities takes place.
- 4) Rural development beyond the urban edge (the greenbelt) to achieve a more balanced growth system.
- 5) Mobility and accessibility, which underpin the principles of development. Hence, road and rail development should be geared at implementing the above proposals.

Implications for LED in Mogale City

The LED department has to ensure that the location of planned development projects is in line with the Gauteng Spatial Development Framework.

2.3.5 Blue IQ

To enhance the competitiveness of the economy and strengthen economic resilience, Gauteng Government has introduced the Blue IQ initiative, which reflects key priority areas for development. Funds were set aside for providing economic infrastructure through eleven mega projects in the areas of technology and the knowledge industry, transport, high value-added manufacturing, cultural heritage and tourism. These and other investments will help expand the province's economic base and result in sustainable economic growth.

Blue IQ is a Department of Finance and Economic Affairs programme. Blue IQ is funded wholly through the Gauteng Provincial Government (GPG) budget and is accountable to the Head of the Department of Finance and Economic Affairs, the GPG Cabinet and the Gauteng Legislature.

Implications for LED in Mogale City

After LED projects have been identified, it is advisable to check with Blue IQ whether there is any duplication of effort and how efforts can be combined in project implementation. Blue IQ may also be able to provide mentorship for projects that are the same/similar to ones they have implemented.

2.3.6 Gauteng LED

The Gauteng Local Economic Development Strategy (2003/04) was aimed mainly at the economic development of the three district municipalities in the province. The rationale behind this was that economic development in the metropolitan municipalities received sufficient impetus through the Blue IQ initiative (provincial level). Another reason for this biased approach was that, at the time of the strategy's formulation, the metropolitan areas had LED strategies in place, whereas the District Municipalities generally lacked comprehensive LED Strategies. The strategy consisted of five phases, namely:

- 1) Economic analysis of District Municipalities
- 2) Identification of key economic drivers

- 3) Identification of anchor projects
- 4) Feasibility analysis and cost analysis
- 5) Business Plans to position for implementation

Implications for LED in Mogale City

The Mogale City LED should be aligned to the Gauteng LED. In this light, the Mogale City LED department should communicate anything in the Gauteng LED strategy that is no longer applicable and they should also communicate anything identified in the Local LED that is absent in the provincial one.

2.3.7 The Gauteng Global City Region Strategy

The primary objective of the Global City Region (as highlighted in the Gauteng Growth and Development Strategy) is to build Gauteng into an integrated and globally competitive region where the economic activities of different parts of the province complement each other in consolidating Gauteng as an economic hub of Africa and an internationally-recognised global city region. The main aim of this is to encourage greater internal coherence and co-operation within the Province, for greater external competitiveness.

The strategy seeks to align the various planning instruments, structures and sectors in Gauteng in order to realize the "Global City Region". Gauteng's rapid economic growth and expanded social service delivery has accelerated in-migration and placed increasing pressure on the environment. The growing social and environmental challenges are an increasing burden on Gauteng's stability and sustainability. Unless these challenges are addressed they will pose a significant complication for the future prosperity and development of the Province. Thus issues of environmental planning, integrated waste management and pollution abatement must be addressed as essential ingredients of Gauteng's sustainable development.

Implications for LED in Mogale City

The LED projects implemented in Mogale City should be able to contribute to the Gauteng Global City Strategy by being globally competitive.

2.3.8 Gauteng Rural Development Strategy

According to the Green Paper on Rural Development for Gauteng (1998), there is a general perception that the Gauteng Province is an urban province. However, Gauteng has, in contrast with other rural provinces in the country, a unique rural nature – areas where the need exists to preserve the viability of the rural economy, to identify ways of enhancing the contribution of the rural areas to GGP and job creation and to facilitate positive urban/rural linkages.

The Gauteng Spatial Development Framework, published in 1999/2000, guides development in rural Gauteng. According to the GSDF, the rural areas of the West Rand are characterised by low densities and the under-utilisation of rural assets, especially in terms of agriculture and tourism. Social challenges relate to high poverty levels, high unemployment, poor provision of services and an insufficient transportation system.

Implications for LED in Mogale City

LED projects should mobilise the use of the under-utilised rural assets in the two sectors; agriculture and tourism.

2.3.9 Land Decision Support System

The Gauteng Department of Development Planning and Local Government initiated a Vacant Land Study for the Province in 2000. The outcome of the study for the first year was a Land Decision Support System specifically designed to produce a strategic assessment of all land potential suitable for low-cost housing. The project was further expanded in the 2001/02 financial year to include all the Key Performance Indicators of the various provincial departments in one Decision Support System for the Provincial IDP. The aim of the system was to provide a decision-making tool based on the factual representation of current development trends. The first phase focused on vacant land within Gauteng and the optimal location of provincial housing projects. It needed a comprehensive investigation into, firstly, which areas of land are available for housing, and, secondly, how suited the land parcels are for future affordable housing development.

Implications for LED in Mogale City

The land identified for housing will not be available for setting up industries. Therefore, the LED department needs to know which land is available for LED projects.

2.3.10 Expanded Public Works Programme & Gauteng Labour Intensive Strategy

In May 2003 the Gauteng Department of Public Transport Roads and Works resolved that all provincial infrastructure projects must be carried out using the Labour Intensity Strategy Framework Manual. It was also resolved that all projects planned after 31st May 2003 shall be implemented using labour intensity methods and that all projects must stipulate percentage labour content in project business plans.

The purpose of this resolution was to create additional jobs by increasing the labour content of infrastructure projects to the maximum without compromising quality, performance criteria and implementation time. Such an approach calls for a paradigm shift to use alternative technologies and methodologies in order to increase labour intensity.

Implications for LED in Mogale City

In addition to the jobs that will be created by provincial infrastructure projects, the Mogale City LED should identify backward and forward linkages in the private sector to create jobs in the private sector at the same time.

2.3.11 Gauteng Responsible Tourism Planning Framework

The Responsible Tourism Planning Framework that seeks to establish Gauteng as a leader in responsible and sustainable tourism planning as based on international and national best practice. It is envisaged that the Framework will provide provincial guidance and indicators for planning authorities in a manner that directly responds to the National Responsible Tourism Guidelines for South Africa.

The vision of the Department of Environmental Affairs and Tourism (DEAT) is to manage tourism in the framework of sustainable development in such a way that it contributes to the improvement of the quality of life of all South Africans. The White Paper on the Development and Promotion of Tourism outlined the following key elements of responsible tourism:

- Developing, managing and marketing tourism in ways that create competitive advantage
- Assessing and monitoring the environmental, social and economic impacts of tourism developments, and openly disclosing information

Mogale City Local Municipality LED Strategy

- Ensuring the active involvement of communities that benefit from tourism, including their participation in planning and decision-making and the establishment of meaningful economic linkages
- Maintaining and encouraging natural, economic, social and cultural diversity
- Avoiding waste and over-consumption, and promoting the sustainable use of local resources.

Implications for LED in Mogale City

Tourism sector LED projects should adhere to the key elements of responsible tourism listed above.

2.4 DISTRICT POLICIES AND PROGRAMMES

At district level, relevant policies and legislature to the LED process are:

- IDP and Performance Management Plan
- The West Rand Spatial Development Framework
- The West Rand Broad Based Economic Development Strategy
- The West Rand Urban Renewal Strategy
- The West Rand Growth and Development Strategy
- Mining Charter Roll-out
- Tourism Development Strategy
- The West Rand Transportation and Nodal Development Strategy

2.4.1 IDP and Performance Management Plan

The WRDM IDP informs the municipal management and Council about potential for new development and any upgrading of existing infrastructure in the area.

In line with national and provincial goals, the WRDM priorities are as follows:

- Provision of housing and sustainable human settlements
- Facilitate job creation through Local Economic development and capital projects
- Fighting the spread of HIV/Aids, other health problems and improve social conditions
- Improve access to public safety and social crime prevention
- Improve and maintain municipal financial viability, good governance and institutional transformation.

Implications for LED in Mogale City

The broad IDP priority to create jobs should be achieved through the LED projects.

2.4.2 The West Rand Spatial Development Framework

The SDF forms part of the WRDM IDP and provides the spatial framework for development in the District. It is also complemented by the SDFs of the four local municipalities in the District. Issues addressed in the framework include locational aspects, physical and environmental issues, service provision, disaster management, transport issues, the SDFs of the four LMs and the proposed new land use management system.

Implications for LED in Mogale City

Broad development zones have been identified to inform the development strategy in the West Rand District Municipality. These are:

- Urban growth zone
- Peripheral interface
- Prime opportunity zone
- Mining corridor
- Extensive agriculture

2.4.3 The West Rand Broad Based Economic Development Strategy

The strategy postulated in this document is a broad framework aimed at providing strategic guidance for economic development in the WRDM. The information is a synopsis of the strategies to be developed in order to unlock economic development in the district. Projects are identified through the Integrated Development Plan (IDP). Furthermore, the development of the strategies and projects specified were informed by what was identified as district-wide priority issues in the Integrated Development Plans (IDPs).

Implications for LED in Mogale City

The broad based strategy encapsulates five broad goals, which will be pursued in the implementation of the LED projects identified through the different strategies:

- Stability goal (i.e. leveling booms and downturns in economic activity)
- Development goal (i.e. enhancing local capacities)
- Growth goal (i.e. expansion of the local economy)

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2.4.4 The West Rand Urban Renewal Strategy

As a direct result of the Bekkersdal Renewal Presidential Project, the Gauteng Department of Housing, in consultation with the WRDM, has extended the programme to incorporate a Regeneration Strategy for the whole of the West Rand District.

The (draft) vision of the West Rand Regeneration Strategy follows:

“Restructuring the urban form of the West Rand District to ensure equal access to social, economic and environmental opportunities for all, that rural areas and towns and urban centres develop in support of each other (not at the cost of each other), that all people are empowered, uplifted and quality of life improved, all aimed at achieving a sustainable, integrated and efficient District.”

The strategy is aimed at providing a strategic framework for future development and regeneration in the District. As part of the process, strategic projects have been identified for future implementation. It is also foreseen that the strategy will guide and direct the future IDPs and SDFs of the WRDM and its Local Municipalities.

Implications for LED in Mogale City

This renewal will ensure that the poor are integrated in economic activities in Mogale City thus improving their quality of life as a result of the income they will earn.

2.4.5 The West Rand Growth and Development Strategy

Mogale City Local Municipality LED Strategy

This strategy aims to increase the socio-economic and development potential of this region by analysing the socio-economic environment, identifying potential growth sectors, and providing alignment to existing growth and development strategies in the following ways:

- Establishment of intergovernmental consultation & coordination structures for projects
- Provide progress on GDS as standing items on relevant meetings
- Internal HR management development to strengthen implementation of GDS
- Source additional revenue & foreign and direct investments
- Implementation of procurement policies to enhance BBBEE & support SMME's

Implications for LED in Mogale City

The potential growth sectors identified in Mogale City should be investigated and economic activities within those sectors need to be identified.

2.4.6 Mining Charter Roll-out

The development of social and labour plans by mining organisations in the country is mandatory under the new Minerals Act. The intention is to implement this cooperative initiative through what are referred to as Future Forums established at each mine and consisting of mine executives and labour. Additionally, a Social and Labour Forum Plan will be established between the Future Forums and the relevant District Municipality that will coordinate development and ensure that it is aligned with the IDP. This Forum will consist of the mines, labour, Department of Minerals and Energy, District Municipality, other government bodies (i.e. DPLG) and communities.

Implications for LED in Mogale City

The LED department can make use of the fact that it is mandatory for mines to plough back into the communities within which they are situated.

2.4.7 Tourism Development Strategy

This strategy is funded by the Development Bank of Southern Africa (DBSA) and implemented under management of the Tourism Unit of the WRDM Economic Development and Tourism Department. The firm Atos KPMG was appointed to undertake this study. The tourism strategy, aimed to analyse the tourism environment of the West Rand District and to compile a strategic development framework for the sector's

development, based on the identification of marketable development opportunities. The strategy also takes into account the drive of the provincial government to establish region-based tourism organisations (RTOs) across the province.

Implications for LED in Mogale City

Tourism projects should be guided by the findings from the study and reviews should be made to ensure that the recommendations from the study are still applicable.

2.4.8 The West Rand Transportation and Nodal Development Strategy

One of the key development projects in the West Rand District that is also highlighted in the local IDPs and SDFs is the development and promotion of a Spatial Development Initiative (SDI) in the District. The envisaged SDI is aligned along the R28 route through the District and focuses on regional economic development and integration, the improvement of the transport system and urban/rural nodal development. The strategy is referred to as the West Rand Transportation and Nodal Development Strategy, being compiled under auspices of the WRDM Directorate of Transport.

Implication for LED in Mogale City

The SDI has the purpose of stimulating economic development in an interventionist way that will turn around the trend of disinvestment and perceived limited development potential in the area.

2.5 Local Initiatives

At local municipality level, the relevant policies and legislature to the LED process are:

- ✓ Mogale City LM SDF, 2009
- ✓ Mogale City Lm IDP, 2010-11

2.5.1 Mogale City LM SDF, 2009

SDF Objectives include:

- The integration of various areas in Mogale City to form a well-functioning space economy;
- The development of sustainable human settlements and urban renewal of existing settlements;
- The promotion and facilitation of economic development;
- The sustainable management of the natural environmental assets and heritage;
- The promotion of tourism development;

- The promotion of sustainable rural development;
- The development and improvement of linkages with Johannesburg, Tshwane, Madibeng, the rest of Gauteng and the broader region, and
- Service delivery, specifically focusing on providing sufficient capacity in development priority areas.

2.5.2 Mogale City LM IDP, 2011

- Service Delivery and Infrastructure Development.
 - The major priority is housing and Rural Development
- Economic growth and Development
 - The major priority is local economic development, special emphasis is place on local procurement of goods and services
- Social Development
 - The major priority is on poverty alleviation
- Democracy and Good Governance
 - The engagement of communities through various mechanisms including Mayoral roadshows, enhancement of the role of ward committees and the five identified sectors viz. Business, labour, youth, religious grouping and safety

Section 3 – Situational Analysis

3.1 Introduction

The demographic features of the Mogale City Local Municipality are investigated in this section. The purpose of the section is to provide an overview of the socio-economic characteristics of the municipality. Such an overview will assist in identifying the localised issues with reference to demographic and labour force dimensions. In order to provide comprehensive baseline information regarding the mentioned dimensions, the characteristics of the following salient features are investigated:

- Demarcation of the Study Area

- The promotion of sustainable rural development;
- The development and improvement of linkages with Johannesburg, Tshwane, Madibeng, the rest of Gauteng and the broader region, and
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- Demarcation of the Study Area

- Demographic features (population size, population growth, and gender and age distribution)
- Demographic indicators (education, employment, income)
- Access to services

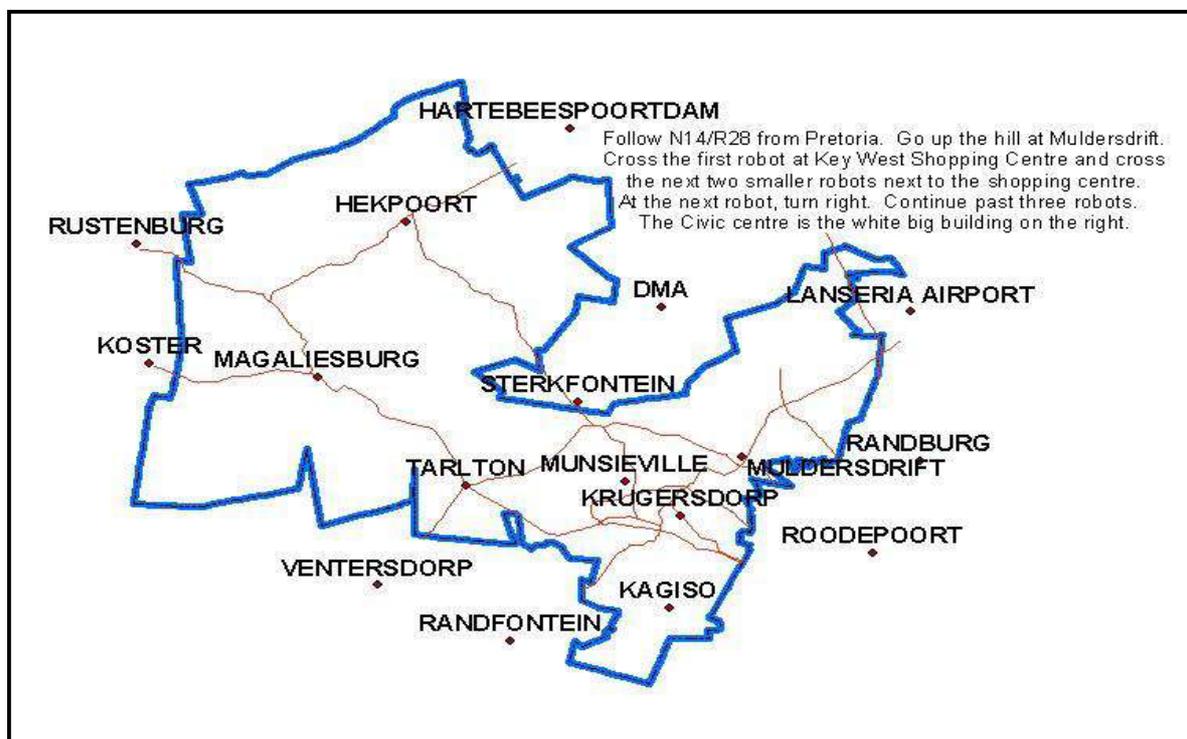
3.2 Demarcation of the Study Area

Mogale City is situated at the Western side of the Gauteng Province. It also forms part of the broader West Rand District Municipality, which consist of four local municipalities i.e. Randfontein, Westonaria, Mogale City and Merafong City.

Mogale City is made up of the following areas (See Map 1 below):

- ✓ Kagiso & Rietvallei 1,2 & 3
- ✓ Azaadville
- ✓ Krugersdorp and surrounding areas
- ✓ Munsieville
- ✓ Muldersdrift
- ✓ Tarlton
- ✓ Sterkfontein
- ✓ Magaliesburg
- ✓ Hekpoort

Map 1: Mogale City Locational Map



3.3 Demographic Features

According to the Community Survey 2007 from Statistics South Africa, the total population of Mogale City is 319,614 persons, which shows an increase of 29,927 persons from 289,714 persons count of the Census 2001.

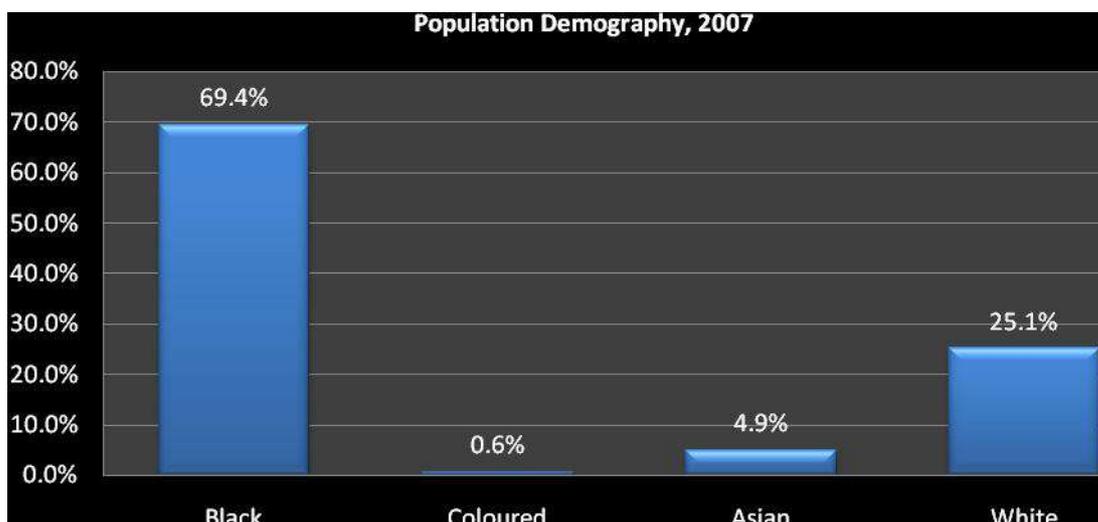
Assuming a historic growth rate of 1.34% per annum the estimated population for 2010 is approximately 332,663 people. Table 3.1 illustrates the population and household figures for Mogale City Local Municipality.

Table 3.1: Population and Household Figures

| | 2001 | 2007 | Growth Rate (%) | 2010 (est) |
|------------|---------|---------|-----------------|------------|
| Population | 289,714 | 319,614 | 1.34% | 332,663 |
| Households | 89,475 | 93,183 | 0.14% | 93,586 |

Source: Statistics South Africa, 2007 and Quantec Resource Database, 2010

Figure 3.1: Population Demography, 2007



Source: Statistics South Africa Community Survey, 2007

In terms of population demography, the black population makes up 69% of the population while the white population is around 25%.

3.3.1 Employment Status

The unemployment rate for both the West Rand and Mogale City is below the national unemployment rate of 25.5%. Mogale City has an unemployment rate of 22%, which is low for an urban area.

Table 3.2: Employment Status, 2009

| | Employed | Unemployed | Not Economic Active | Unemployment Rate | Labour Participation Rate |
|----------------|----------|------------|---------------------|-------------------|---------------------------|
| West Rand DM | 153,619 | 58,999 | 165,168 | 25% | 59% |
| Mogale City LM | 95,035 | 31,610 | 87,075 | 22% | 62% |

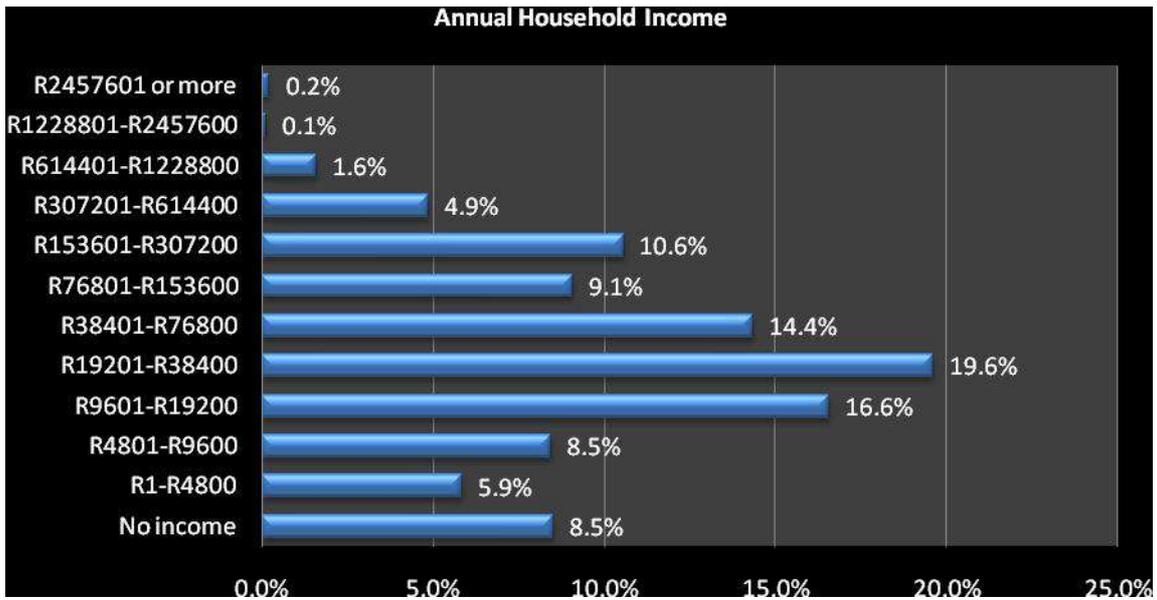
Source: Labour Force Survey, Statistics South Africa, 2010

3.3.2 Household Income

Mogale City Local Municipality LED Strategy

The annual household income levels are illustrated in Figure 3.2. Approximately 8.5% of households in Mogale City Local Municipality earn no income while the majority (50.6%), of households earn between R9,600 and R76,000 a year.

Figure 3.2: Annual Household Income, 2007



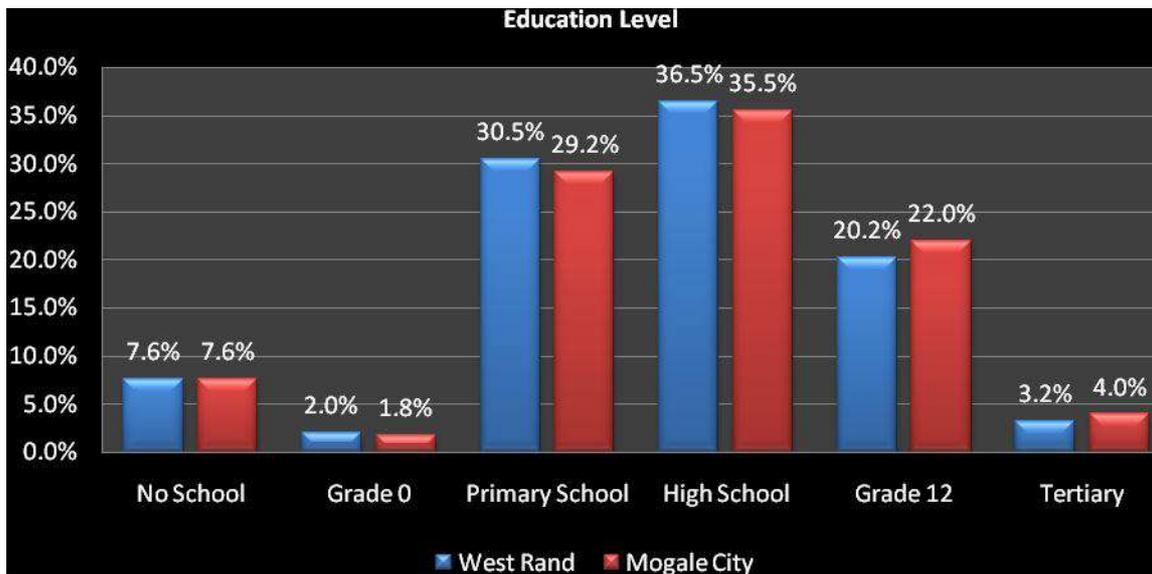
Source: Statistics South Africa Community Survey, 2007

3.3.3 Education

Only around 7.6% of the population does not have any schooling while 22% of Mogale City's population have completed high school (See Figure 3.3). One area which can improve is tertiary education with only 4.0% of the population that has a tertiary degree.

Improved education will mean improved skills in the workplace and less unemployment. It is imperative that the number of tertiary graduates be increased over the coming years.

Figure 3.3: Population Education Levels, 2007



Source: Statistics South Africa Community Survey, 2007

3.4 Access to Services

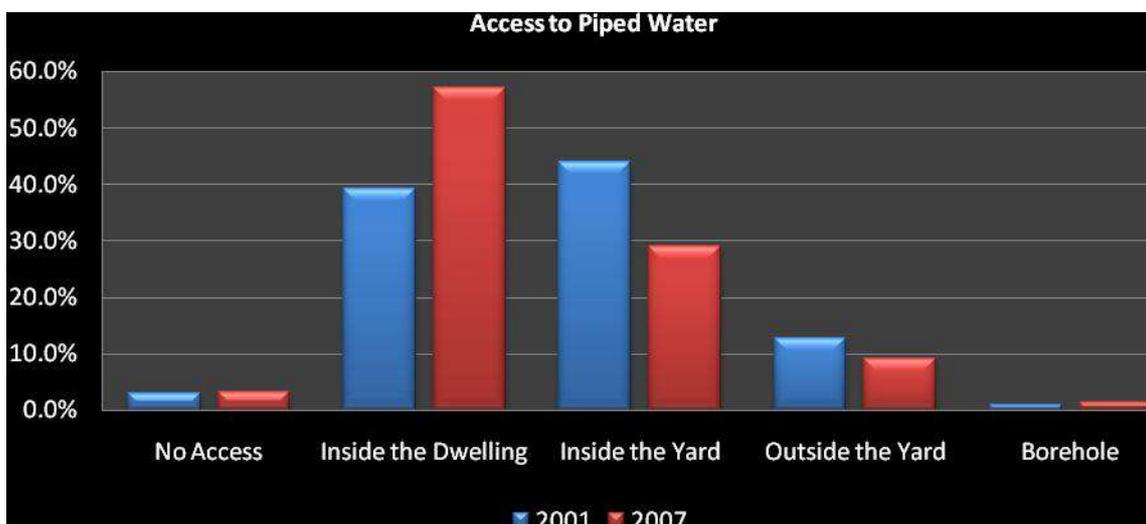
It is imperative that the population of Mogale City have access to basic services. The municipality has over the years increased service delivery in an attempt to eradicate the service delivery backlogs. This section will examine the status of service delivery in terms of the access to services.

3.4.1 Access to Water

It is a government target that there should be universal access to water by 2012. It is Mogale City's priority that all residents should access to piped water. Currently only 3.25% of the households are not connected to the Mogale City Water pipelines, 1.78 % uses boreholewater and 1.47% use river water.

A majority of the residents have access to piped water. Figure 3.4 shows that 57.2% of households have access to pipe water inside the dwelling compared to 39.3% in 2001. About 45% of households have access to pipe water in the yard (Mogale City IDP, 2010/11).

Figure 3.4: Access to Piped Water



Source: Statistics South Africa Community Survey, 2007

3.4.2 Access to Sanitation

Universal target to access to sanitation has the same 2012 target as that of access to piped water. According to Community Survey, sanitation levels in Mogale City are of high quality. Mogale City never had bucket toilet areas that are serviced by the municipality.

Table 3.3: Access to Sanitation

| Facilities | 2001 | 2007 |
|---------------------------------|--------|--------|
| Flush Toilet (sewerage) | 71.38% | 79.09% |
| Flush Toilet (septic tank) | 6.41% | 5.19% |
| Dry Toilet | 0.00% | 2.02% |
| Pit latrine with ventilation | 1.93% | 2.60% |
| Pit latrine without ventilation | 12.09% | 7.00% |
| Chemical Toilet | 1.66% | 0.40% |
| Bucket Latrine | 2.26% | 1.84% |
| None | 4.27% | 1.85% |

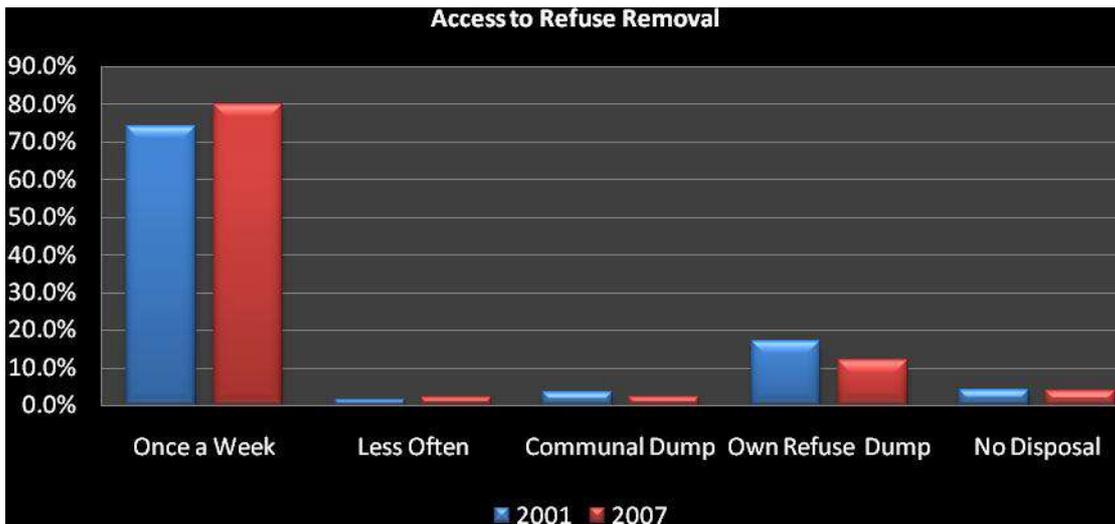
Source: Mogale City IDP, 2010/11

The households with pit latrine without ventilation toilets and households without any toilet facilities make up 7% and 1.85% of the total households. These households are largely concentrated in the rural farms, which are private farmland areas of Mogale City (Mogale City IDP, 2010/11).

3.4.3 Access to Refuse Removal

Figure 3.5 illustrates that over 80% of the households get their refuse removed once a week by the municipality in 2007. In 2001 about 74 % households were rendered refuse removal.

Figure 3.5: Access to Refuse Removal



Source: Mogale City IDP, 2010/11

3.4.4 Access to Electricity

Currently, there is no electricity backlog in households. Eskom is the distributor and service provider of electricity in the larger part of Mogale City, such as Kagisoa and Rietvallei. The City only services urban suburbs such as Azaadville, Noordhewel, Munsieville, CBD and the surrounding areas (Mogale City IDP, 2010/11).

3.4.5 Road Infrastructure

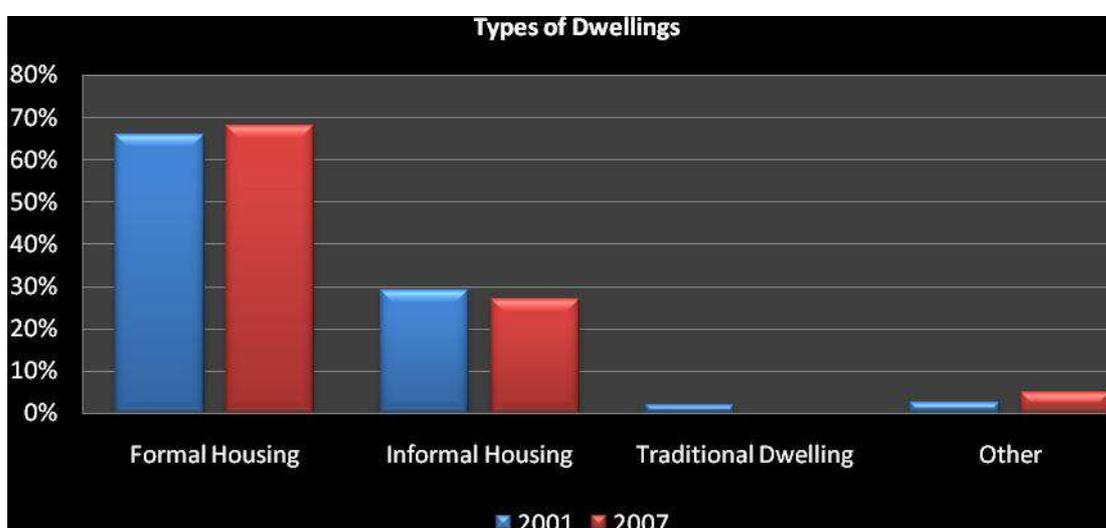
The road infrastructure in the Mogale City is relative good standard, with almost all streets tarred. The larger settlements such as Munsieville and Kagiso townships have tarred roads with storm water system.

Mogale City, under its jurisdiction area, has about 1,200 total kilometres (km) of roads, which 1,000km is tarred or paved and approximately 200km of roads is unpaved. This figure excludes rural roads. The area of informal settlements such as Soul City, Pango, Tuder shaft and Orient Hills still remain not tarred pending their formalisation (Mogale City IDP, 2010/11).

3.4.6 Housing Developments

Housing delivery to the poor is one of the important service delivery areas that government is pursuing. The provision of low-income, subsidy housing, popular known as RDP houses have been vehicle for housing delivery. According to the 2007 Community Survey, housing delivery has increased by 2.0% from 66.1% in 2001 to 68.1% in 2007.

Figure 3.6: Types of Dwellings



(Mogale City IDP, 2010/11)

Figure 3.6 illustrates that informal dwellings have decrease from 29% in 2001 to 27.03% in 2007. Government target is to eradicate all informal settlements by 2014.

3.4.7 Summary of Infrastructure Backlogs and Services

The infrastructure backlog in terms of Municipal Infrastructure Grant (MIG) refers to the householdsthat do not have access to basic infrastructure services such as water, sanitation, electricity and roads on or before 1994.

Table 3.4: Mogale City MIG Backlogs

| Service | Census 2001 | Backlogs addressed up to 2007/2008 | Current Backlogs | Backlogs planned to be addressed | Backlogs end of 2008/2009 |
|----------------------|-------------|------------------------------------|------------------|----------------------------------|---------------------------|
| Water | 5,138 | 638 | 4,500 | 1,957 | 2,543 |
| Sanitation | 15,558 | 1050 | 14,508 | 1,000 | 13,508 |
| Road and Storm water | 1,144 | 86 | 1,058 | 54 | 1,058 |
| Street Lighting | 5,945 | 0 | 5,945 | 5,945 | 5,945 |

Source: Mogale City Project Management Unit (MIG)

Section 4 – Economic Analysis

4.1 Introduction

The purpose of this section is to provide an updated Economic Profile using the latest economic data available, and additional economic techniques were utilised in order to add value to the previous profile.

Table 3.4: Mogale City MIG Backlogs

| Service | Census 2001 | Backlogs addressed up to 2007/2008 | Current Backlogs | Backlogs planned to be addressed | Backlogs end of 2008/2009 |
|----------------------|-------------|------------------------------------|------------------|----------------------------------|---------------------------|
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| Road and Storm water | 1,144 | 86 | 1,058 | 54 | 1,058 |
| Street Lighting | 5,945 | 0 | 5,945 | 5,945 | 5,945 |

Source: Mogale City Project Management Unit (MIG)

Section 4 – Economic Analysis

4.1 Introduction

The purpose of this section is to provide an updated Economic Profile using the latest economic data available, and additional economic techniques were utilised in order to add value to the previous profile.

This provides an overview of the current economic situation, in the Mogale City Local Municipality. This overview incorporates sectoral performances and composition as well as overall growth performance in the economy.

During this chapter the economic performance of Mogale City will be evaluated by making use of secondary data obtained from the Quantec Resource Database and Community Survey 2007. In order to determine the value and performance of the various economic sectors, growth rates were calculated in terms of expansion or contraction of the economy in terms of GVA values. In addition to this, various other techniques were used to analyse the economy of Mogale City, by manipulating the given data and the various techniques will be explained in detail in the designated sections.

The economic performance of a region can be measured by Gross Value Added (GVA) in terms of, factors such as production activities. The GVA can be used to provide an oversight of the region's economy, in this case the economy of Mogale City. Additionally it can provide insight into the structural composition of the economy as well as the growth rate of production. This allows us to identify the comparative advantages for the given region, to determine the vulnerability (concentration) of the economy and the overall welfare of the community.

An economic overview of the current and past economic performance of Mogale City allows us to identify and determine economic trends. A sectoral (structural) performance analysis gives a clear indication with regards to which sectors of the economy is flourishing, developing or experiencing a decline. Furthermore this sectoral analysis enables us to determine the level of concentration for the given economy – this is reflected in the Tress Index. In order to determine which sectors of the Mogale City economy that has development potential, we have to determine the comparative advantage of the sectors – this is done by calculating the Location Quotient (LQ) and combining the outcome with the Carvalho –and Industry Classification Systems.

4.2 Economic Sectors

The salient features of the economic conditions in the various local areas are discussed in this section. In order to facilitate a situation whereby the individual economic activities throughout the district can be measured, a standardised classification is utilised. The following sub-section offers a delineation of the various economic sectors as per the Standard Industrial Classification (SIC).

4.2.1 Main Economic Sectors

The main categories of the South African Standard Classification of all Economic Activities (SIC) of 1993 (CSS, 1993) are utilised for this purpose. A total of 9 sectors are distinguished. A frequently asked question for example, relates to into which sector tourism falls. The tourism industry generally spans across the economic sectors, ranging from accommodation and catering (SIC no: 6410 and SIC no: 6420), retail and wholesale SIC no: 61221 and SIC no: 6220), manufacturing (e.g. of arts and craft – SIC no: 39299), business services and social services. Activities such as sport are included under the community services' sector under SIC no: 9641. The 9 economic sectors are defined as follows (CSS, 1993: 3):

1. Agriculture

The agriculture sector incorporates establishments and activities that are primarily engaged in farming activities, but also includes establishments focusing on commercial hunting and game propagation and forestry, logging and fishing.

2. Mining

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

3. Manufacturing

This sector is broadly defined as the physical or chemical transformation of materials or compounds into new products and can be classified into 10 sub-groups of which the most relevant are :

- Fuel, petroleum, chemical and rubber products;
- Other non-metallic mineral products, e.g. glass;
- Metal products, machinery and household appliances;
- Electrical machinery and apparatus;

4. Utilities (generally referred to as “electricity” and “water”)

This sector includes the supply of electricity, gas and hot water, the production, collection and distribution of electricity, the manufacture of gas and distribution of gaseous fuels through mains, supply of steam and hot water, and the collection, purification and distribution of water.

5. Construction

This sector includes the site preparation, building of complete constructions or parts thereof, civil engineering, building installation, building completion and the renting of construction or demolition equipment with operators.

6. Trade

The trade sector entails wholesale and commission trade; retail trade; repair of personal household goods; sale, maintenance and repair of motor vehicles and motor cycles; hotels, restaurants, bars, canteens, camping sites and other provision of short-stay accommodation.

7. Transport, storage and communication

Transport as an economic sector refers to activities concerned with land transport, railway transport, water transport, and transport via pipelines, air transport, activities of travel agencies, post and telecommunications, courier activities, as well as storage and warehousing activities.

8. Financial and business services

This sector includes inter alia financial intermediation; insurance and pension funding; real estate activities; renting or transport equipment; computer and related activities; research and development; legal; accounting; bookkeeping and auditing activities; architectural, engineering and other technical activities; and business activities not classified elsewhere.

9. Social and community services

This sector includes public administration and defence activities, activities of government, government departments and agencies; education, public and private; health and social work; sewage and refuse disposal, sanitation and similar activities; activities of membership organisations; recreational, cultural and sporting activities; washing and dry-cleaning of textiles and fur products, hairdressing and other beauty treatment, funeral and related activities.

The specific features that will be included in the economic dimension include:

- A discussion of the production profile
- An indication of the sectoral performance
- A review of the trends in the formal sectoral employment
- A review of the comparative advantages

4.3 Production Structure and Growth Performance

This section provides an overview of the production structure, growth performance, Carvalho and Industry Classification Systems in order to identify the most important economic sectors in Mogale City. The Gross Value Added of Mogale City is utilised to provide an indication of the economic performance of the relevant study area.

Gross Value Added (GVA) is defined as the total value of all the goods produced in a specific area during a specific period. In other words, total output for a specific period in Rand values is employed. The definition takes formal business' outputs as the primary indicator.

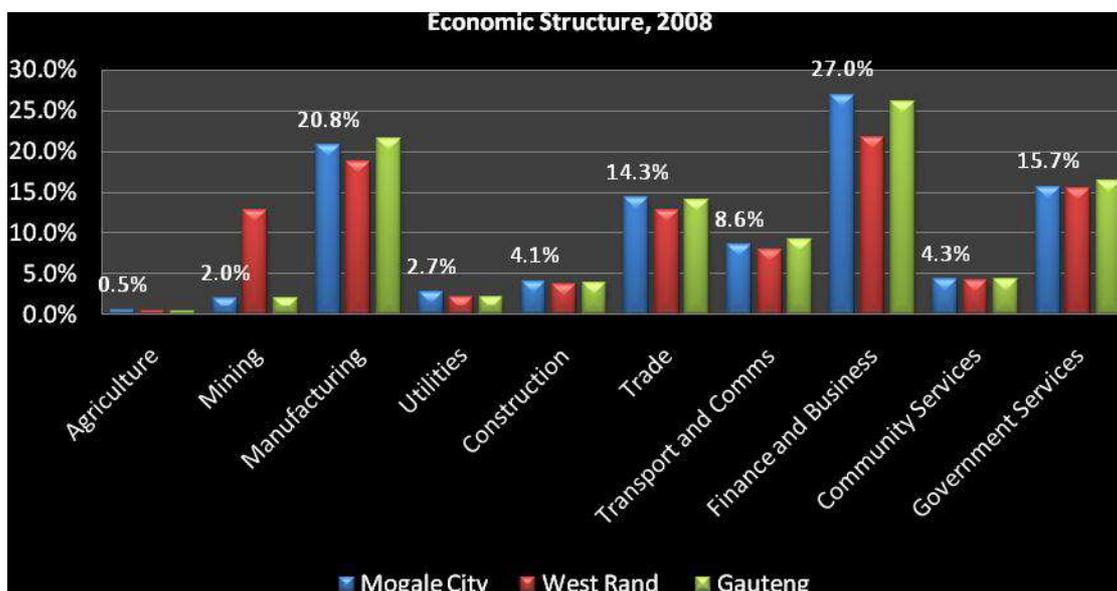
4.3.1. Production Structure

This paragraph provides the baseline for the review and update of the Economic Profile. This section gives us an overview into the economic composition and the contributions that these various sectors make towards the local economy of Mogale City. It provides us with data on the regional – gross value added (GVA), and national gross domestic production (GDP) economic performance. Furthermore this section allows for the identification of economic strengths and weaknesses which will ultimately lead to the identification of economic development clusters/ thrusts.

Figure 4.1 indicates the production structure of Mogale City LM, West Rand DM and Gauteng in 2008. According to Figure 4.1 the finance and business sector contributes much more towards the total GVA in Mogale City compared to Gauteng and the West Rand District. The manufacturing and trade sectors are very strong in Mogale City indicating strong secondary and tertiary markets. Agriculture contributes only 0.5% to the total GVA of Mogale City; however the agriculture sector has a high potential for growth and expansion.

Figure 4.1: Production Structure, 2008

Mogale City Local Municipality LED Strategy



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.1: Production Structure (1998-2008) of Mogale City as Percentage Contribution

| Sector | 1998 | 2003 | 2008 |
|-------------------------------|---------------|---------------|---------------|
| Primary Sectors | | | |
| Agriculture | 2.1% | 1.5% | 0.5% |
| Mining | 4.7% | 2.1% | 2.0% |
| Secondary Sectors | | | |
| Manufacturing | 22.2% | 21.9% | 20.8% |
| Utilities | 1.8% | 1.9% | 2.7% |
| Construction | 2.7% | 3.4% | 4.1% |
| Tertiary Sectors | | | |
| Trade Sector | 11.7% | 14.2% | 14.3% |
| Transport and Communications | 7.8% | 8.8% | 8.6% |
| Finance and Business Services | 19.1% | 23.1% | 27.0% |
| Community Services | 5.1% | 4.9% | 4.3% |
| Government Services | 22.7% | 18.1% | 15.7% |
| Total | 100.0% | 100.0% | 100.0% |

Source: Urban-Econ calculations based on Quantec Research Database, 2009

Table 4.1 illustrates the changes within the Primary, Secondary and Tertiary sectors of the economy in Mogale City LM. The primary sector has declined while secondary and tertiary sectors have increased over the last decade. The tertiary sectors have increased the most in terms of production output indicating a move towards a service economy.

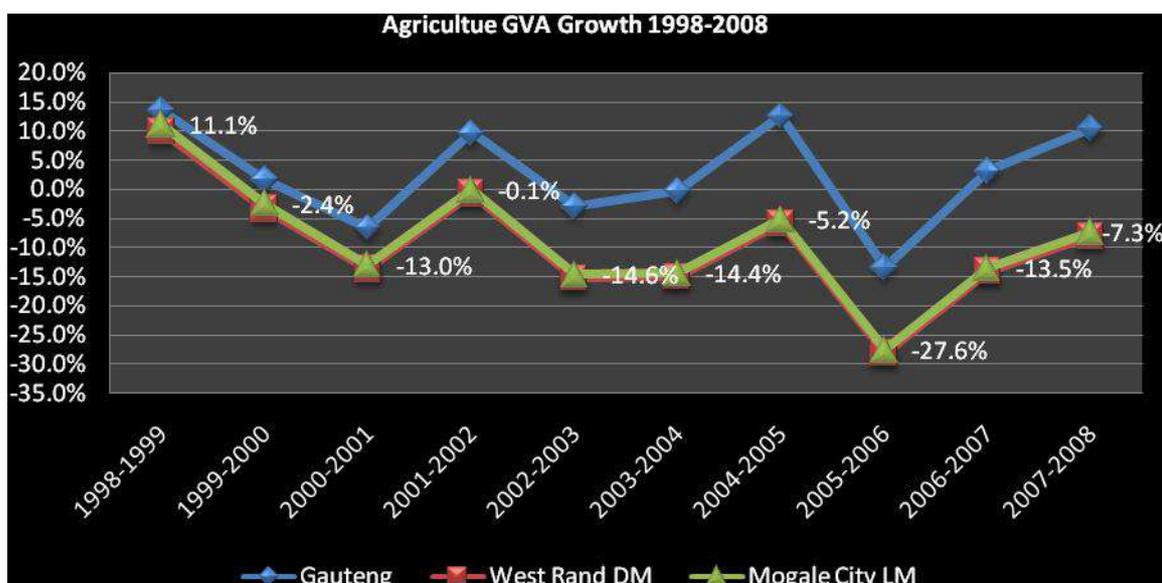
4.3.2 Sectoral Performance

In the following sections, the profile of each economic sector is discussed separately for the Mogale City Local Municipality. The sectoral performance of Mogale City is measured against the sectoral performance of the West Rand District Municipality and the Gauteng province to serve as a benchmark.

a. Agriculture

This sector includes agriculture, hunting and related service activities. It comprises activities such as the growing of crops; market gardening and horticulture, mixed farming of animals, hunting, trapping and forestry and fishing and fish farms.

Figure 3.2: Agricultural Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.2: Agriculture Statistics and Trends

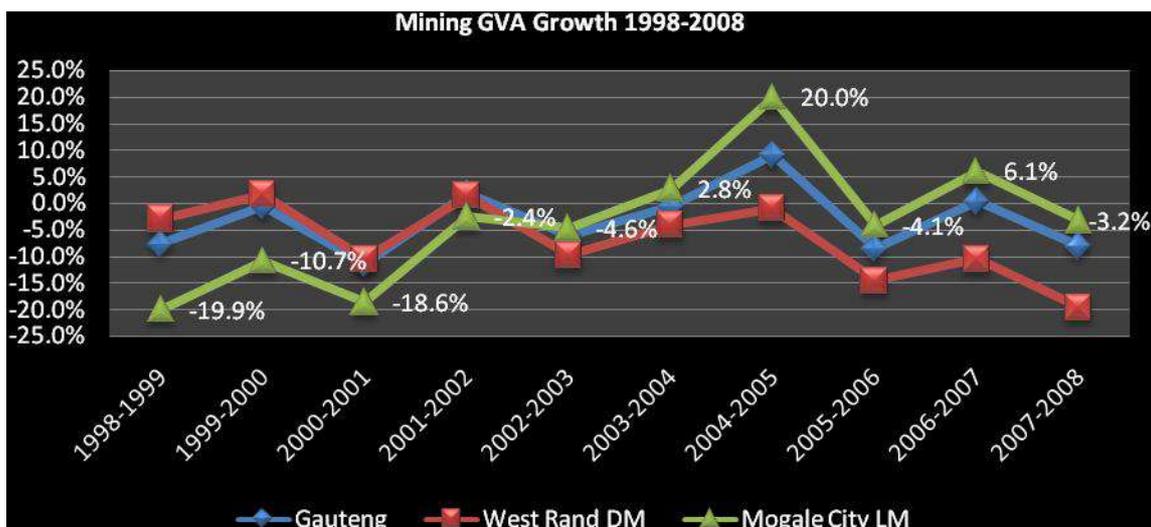
| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 1.8% |
| Contribution to GVA: 2008 | 0.5% |
| Growth % (1998-2008) | -9.2% |
| Growth % (2008) | -7.3% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

b. Mining

This sector includes the mining of minerals, quarrying of stone, the extraction of clay and sandpits, the extraction of fuels and gas, and service activities incidental to the mining of minerals.

Figure 4.3: Mining Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.3: Mining Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 2.3% |
| Contribution to GVA: 2008 | 2.0% |
| Growth % (1998-2008) | -4.1% |
| Growth % (2008) | -3.2% |

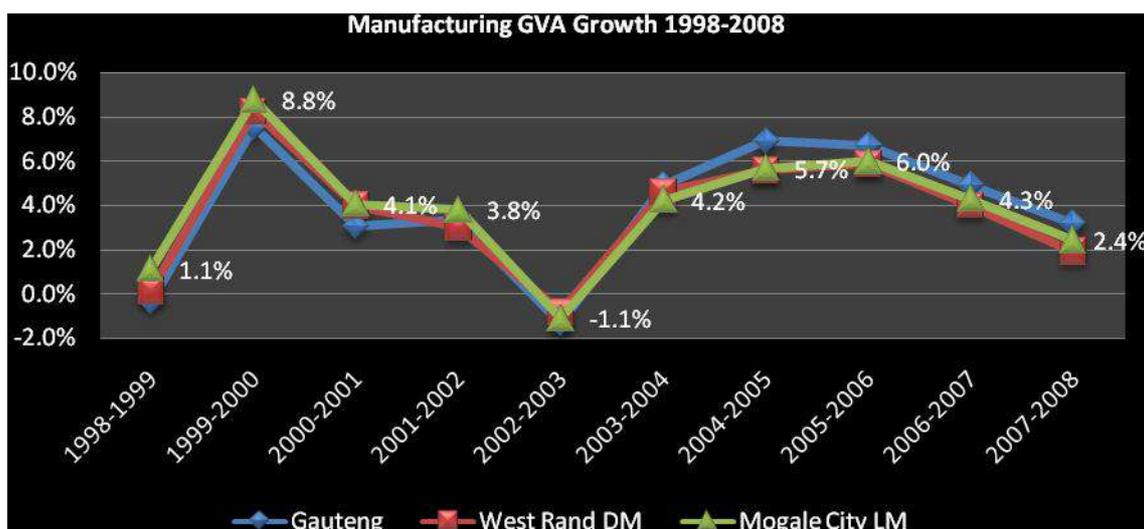
Source: Urban-Econ calculations based on Quantec Research Database, 2010

c. Manufacturing

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This sector includes the manufacturing of goods, products and beverages. It also comprises the production, processing and preservation of meat, fish, fruit, vegetables, oils and dairy products; grain mill, starches and tobacco products; textile products; spinning, weaving; and petroleum products and nuclear fuel.

Figure 4.4: Manufacturing Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.4: Manufacturing Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 22.8% |
| Contribution to GVA: 2008 | 20.8% |
| Growth % (1998-2008) | 3.9% |
| Growth % (2008) | 2.4% |

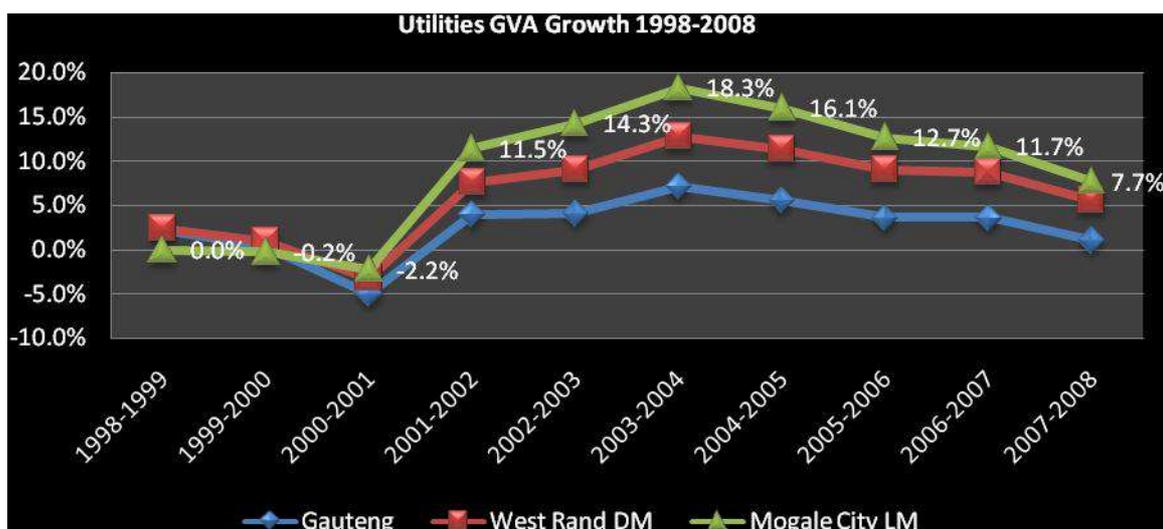
Source: Urban-Econ calculations based on Quantec Research Database, 2010

d. Utilities

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This sector includes electricity, water and gas. It comprises the production, collection and distribution of electricity, the manufacturing of gas, distribution of gaseous fuels through mains, and the supply of steam and hot water. This sector is of an infrastructural nature and it provides a vital role in supporting and powering the entire spectrum of economic activities.

Figure 4.5: Utilities Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.5: Utilities Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 1.7% |
| Contribution to GVA: 2008 | 2.7% |
| Growth % (1998-2008) | 8.7% |
| Growth % (2008) | 7.7% |

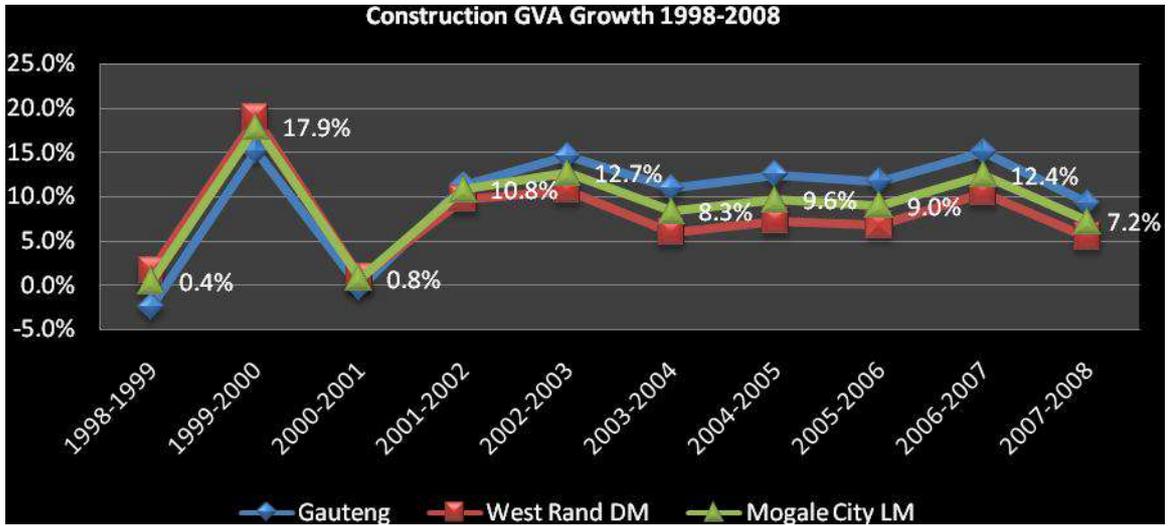
Source: Urban-Econ calculations based on Quantec Research Database, 2010

e. Construction

Mogale City Local Municipality LED Strategy

The construction sector includes construction, site preparation, and the building of complete constructions, civil engineering, building installation and completion, and renting of equipment with operators.

Figure 4.6: Construction Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.6: Construction Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 3.1% |
| Contribution to GVA: 2008 | 4.1% |
| Growth % (1998-2008) | 8.8% |
| Growth % (2008) | 7.2% |

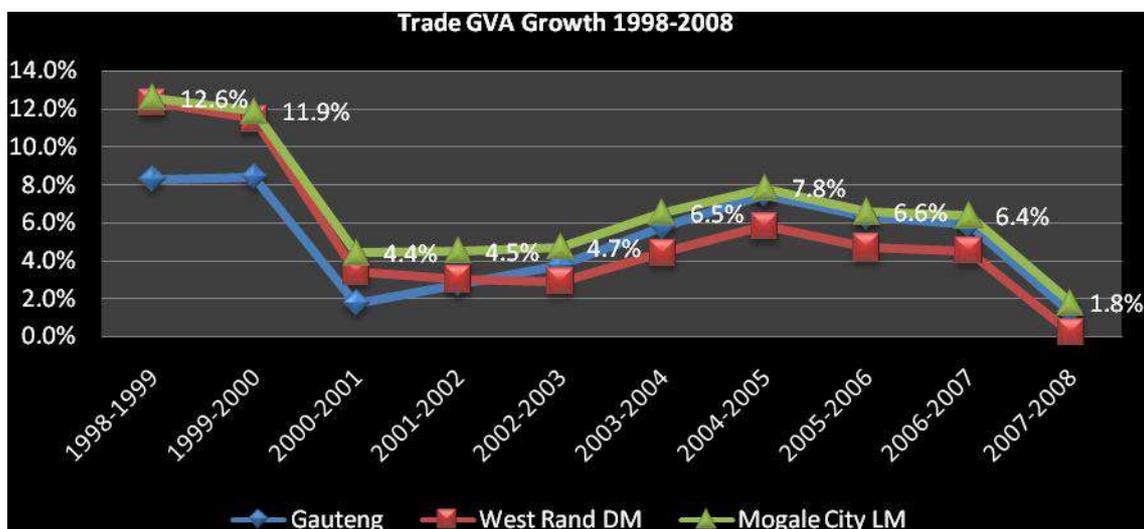
Source: Urban-Econ calculations based on Quantec Research Database, 2010

f. Trade and Accommodation

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The trade sector entails wholesale and retail trade; personal and household goods; sale, maintenance and repair of motor vehicles; hotels and restaurants, and other provision of short-stay accommodation.

Figure 4.7: Trade Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.7: Trade Statistics and Trends

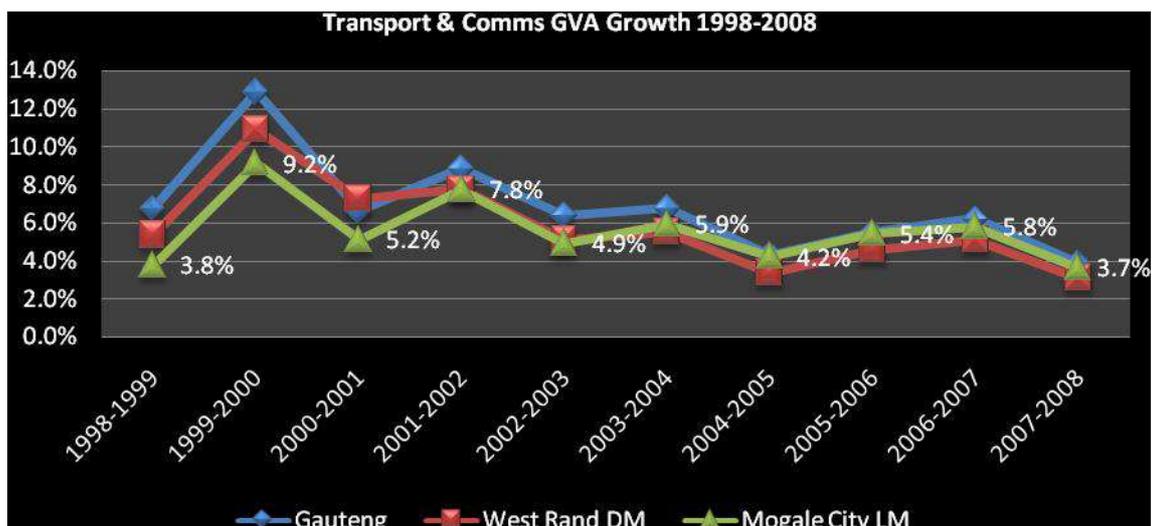
| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 14.0% |
| Contribution to GVA: 2008 | 14.3% |
| Growth % (1998-2008) | 6.7% |
| Growth % (2008) | 1.8% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

g. Transport and Communication

The transportation sector comprises land transport, road transport, water transport and transport via pipelines, air transport activities and supporting services; post and telecommunications, and courier activities and storage.

Figure 4.8: Transport and Communication Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

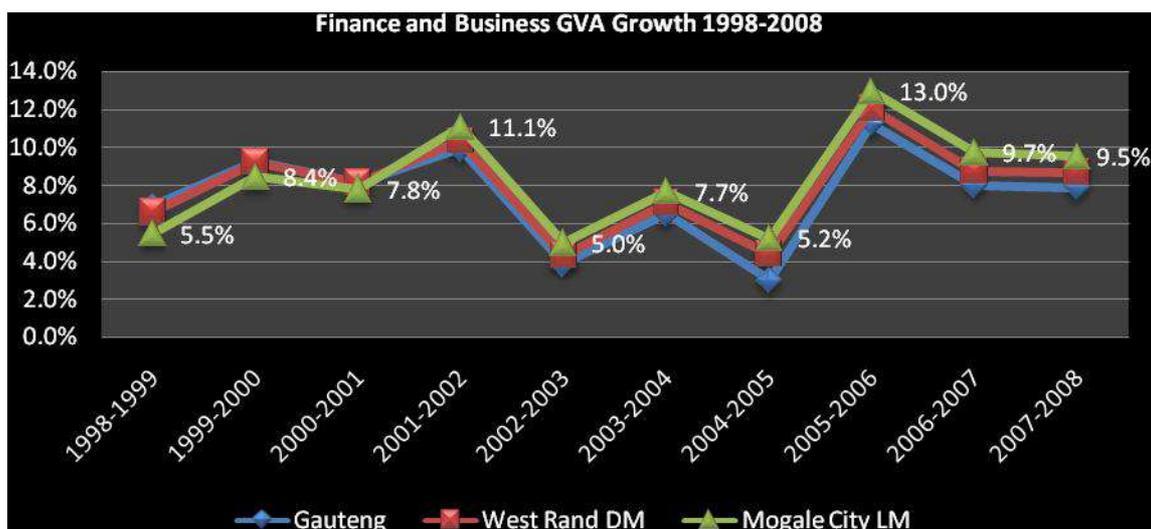
Table 4.8: Transport and Communication Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 8.7% |
| Contribution to GVA: 2008 | 8.6% |
| Growth % (1998-2008) | 5.6% |
| Growth % (2008) | 5.7% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

This sector includes financial intermediaries, insurance and pension funding, real estate activities, renting of transport equipment, computer and related activities, research and development; legal, bookkeeping and auditing activities; architectural, engineering and other technical activities; and business activities not classified elsewhere.

Figure 4.9: Finance and Business Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.9: Finance and Business Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 22.6% |
| Contribution to GVA: 2008 | 27.0% |
| Growth % (1998-2008) | 8.2% |
| Growth % (2008) | 9.5% |

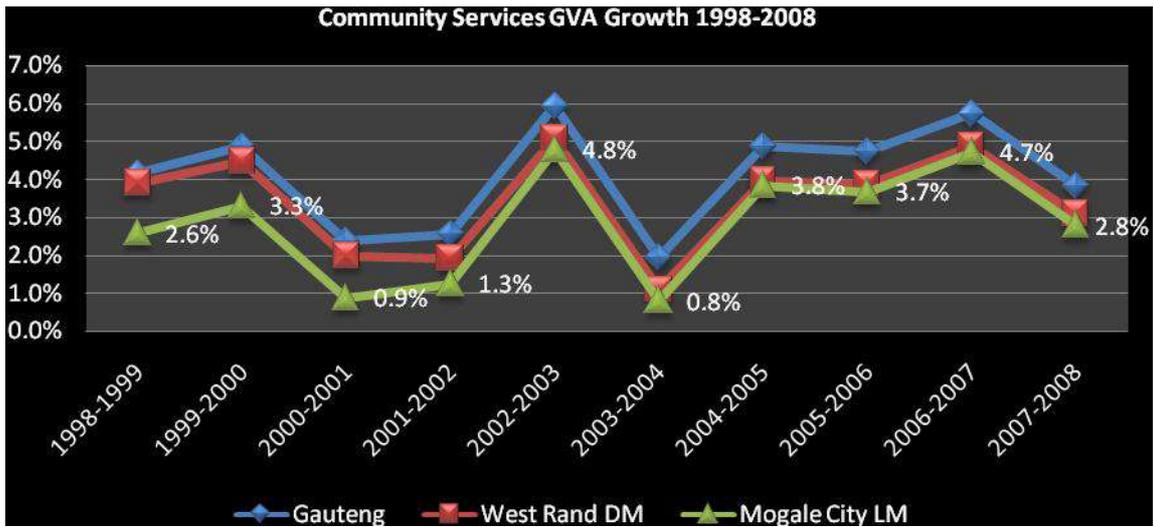
Source: Urban-Econ calculations based on Quantec Research Database, 2010

- i. Community, Social and Personal Services

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This sector comprises community, social and personal services. It includes all services of a non-governmental nature. Therefore, it includes activities of membership and professional organisations, trade unions, recreational organisations, entertainment and news providers, and libraries.

Figure 4.10: Community Service Sector Performance (1998-2008)



Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.10: Community Services Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 4.8% |
| Contribution to GVA: 2008 | 4.3% |
| Growth % (1998-2008) | 2.9% |
| Growth % (2008) | 2.8% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

This sector includes national, provincial and local government. The government sector comprises public administration and defence, compulsory social security, administration of the state and social policy of the economy, foreign affairs, public order and safety, education, health and social work.

Figure 4.11: Government Service Sector Performance (1998-2008)

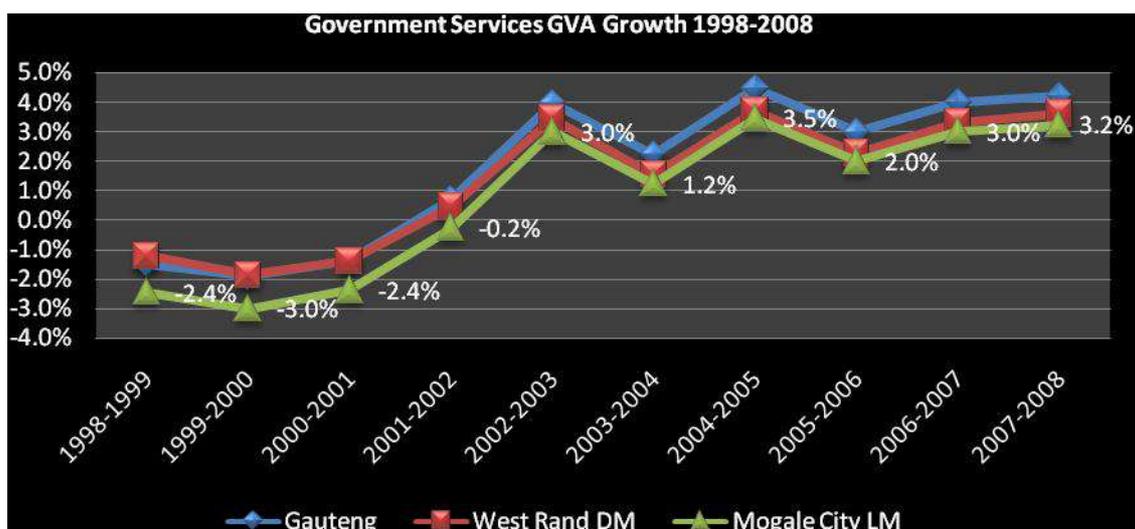


Table 4.11: Government Services Statistics and Trends

| Variable | Value |
|---------------------------|-------|
| Contribution to GVA: 2002 | 18.1% |
| Contribution to GVA: 2008 | 15.7% |
| Growth % (1998-2008) | 0.8% |
| Growth % (2008) | 3.2% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

4.4 Sectoral Employment

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The recent growth in the South African economy has direct implications for formal employment levels. While informal or second economy employment also plays an important role in providing access to household income, accurate data only exists for the trends in the formal employment levels.

Table 4.12: Formal Employment Figures for Mogale City (1998-2009)

| Sector | 1998 | 2003 | 2009 |
|-----------------------------|---------------|---------------|---------------|
| Agriculture | 5,421 | 4,901 | 2,122 |
| Mining | 2,575 | 2,383 | 1,209 |
| Manufacturing | 12,786 | 13,651 | 13,606 |
| Utilities | 367 | 344 | 905 |
| Construction | 4,806 | 3,894 | 4,324 |
| Trade and Accommodation | 10,850 | 14,182 | 17,500 |
| Transport and Communication | 3,921 | 3,307 | 3,702 |
| Finance and Business | 11,476 | 19,482 | 23,040 |
| Community Services | 11,854 | 12,952 | 14,644 |
| Government Services | 10,489 | 10,619 | 13,982 |
| Totals | 74,544 | 85,716 | 95,035 |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.13: Formal Employment Figures for Mogale City (1998-2009) as a Percentage Contribution

| Sector | 1998 | 2003 | 2009 |
|-----------------------------|---------------|---------------|---------------|
| Agriculture | 7.3% | 5.7% | 2.2% |
| Mining | 3.5% | 2.8% | 1.3% |
| Manufacturing | 17.2% | 15.9% | 14.3% |
| Utilities | 0.5% | 0.4% | 1.0% |
| Construction | 6.4% | 4.5% | 4.6% |
| Trade and Accommodation | 14.6% | 16.5% | 18.4% |
| Transport and Communication | 5.3% | 3.9% | 3.9% |
| Finance and Business | 15.4% | 22.7% | 24.2% |
| Community Services | 15.9% | 15.1% | 15.4% |
| Government Services | 14.1% | 12.4% | 14.7% |
| Totals | 100.0% | 100.0% | 100.0% |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

Table 4.12 and Table 4.13 illustrate the formal employment figures for Mogale City Local Municipality in 1998, 2003 and 2009. Table 4.12 illustrates the formal employment figures for each sector while Table 4.13 illustrates the formal employment as a percentage contribution by each sector.

The sectors that contribute the most to employment are:

- ✓ Finance and Business

- ✓ Trade and Accommodation
- ✓ Community Services

The sectors that contribute least to employment are:

- ✓ Agriculture
- ✓ Utilities
- ✓ Mining

4.5 Level of Concentration – Tress Index

The Tress Index is a measurement of a region’s economic diversification. If the index is zero it indicates that the region’s economy is completely diversified, but the closer the index moves to 100 shows that the economy is much more vulnerable to exogenous factors such as climatic conditions and price fluctuations, and that the economy is considered to be more concentrated.

The economy of Gauteng has become increasingly diversified over the past decade. The province is not regarded as being dependant on a single economic sector, but rather a few larger sectors – which leads to a less vulnerable economy regarding exogenous shocks. Even though there has been a decline in the gross value added by the sectors of Mining, Trade and Agriculture, a significant growth has appeared in the Finance, Construction and Trade sectors – this is also a sign that the economy of Gauteng is maturing.

Mogale City Local Municipality has a Tress Index of 51.8 which is slightly more than 50, which means that the local economy is neither diversified nor concentrated. The economy is reliant on more than one sector and thus not as vulnerable to external impacts.

Table 4.14: Tress Index for Mogale City Local Municipality

| Sector | Contribution (%) | Weight | Weighted Value |
|--------|------------------|--------|----------------|
|--------|------------------|--------|----------------|

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| | | | |
|-----------------------------|--------|---|-------------|
| Agriculture | 0.5% | 1 | 0.5 |
| Mining | 2.0% | 2 | 4.0 |
| Manufacturing | 20.8% | 8 | 166.4 |
| Utilities | 2.7% | 3 | 8.2 |
| Construction | 4.1% | 4 | 16.3 |
| Trade Sector | 14.3% | 6 | 86.0 |
| Transport and Communication | 8.6% | 5 | 42.9 |
| Finance & Business Services | 27.0% | 9 | 242.9 |
| Services | 20.0% | 7 | 140.0 |
| Total | 100.0% | | 707.1 |
| Tress Index | | | 51.8 |

Source: Urban-Econ calculations based on Quantec Research Database, 2010

4.6 Comparative Advantage – Location Quotient

The purpose of this section is to provide a theoretical foundation of the classification systems used in this document. This section aims at revealing the sectors in the Mogale City economy that have a comparative advantage.

Having a competitive advantage is not the same as having a comparative advantage. In the case of a competitive advantage the definition stems from the possession of a unique set of various assets (includes natural resources, human resources, locational advantages etc.) what gives the area/region a competitive edge over other areas.

To have a comparative advantage simply means that this economy has the ability to render or produce a product or service more effectively and efficiently, than its counterparts. The first element that determines the comparative advantage of a region is the Location Quotient (LQ) and this is used mainly to determine the levels of concentration within the study area, in this case that of Mogale City. The Industry groups that dominate a specific area will have a higher LQ and vice versa.

The Methodology used to determine the Location Quotient (LQ) in this analysis is as follows:

$$LQ = \frac{\% \text{ of Local Employment in Industry } i / \text{ Total Local Employment}}{\text{National Employment in Industry } i / \text{ Total National Employment}}$$

Table 4.15: Location Quotient Interpretation

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| Location Quotient | Label | Interpretation |
|-------------------|-----------|--|
| Less than 0.75 | Low | Local needs are not being met by the resident sector. The region is importing goods and services in this particular sector. |
| 0.75 – 1.24 | Medium | Most of local needs are being met by the resident sector. The region is both importing and exporting goods and services in the sector. |
| 1.24 – 5.00 | High | The sector is serving needs beyond the sector, exporting goods and services from this sector. |
| More than 5.00 | Very High | This is an indication of a very high level of local dependence on a sector, typically in a “single-industry” community. |

Table 4.16: Location Quotient for Mogale City Local Municipality Economy

| Sector | Location Quotient | Label |
|-----------------------------|-------------------|--------|
| Agriculture | 2.00 | High |
| Mining | 0.99 | Medium |
| Manufacturing | 0.99 | Medium |
| Utilities | 1.16 | Medium |
| Construction | 1.09 | Medium |
| Trade Sector | 1.04 | Medium |
| Transport and Communication | 0.85 | Medium |
| Finance & Business Services | 0.92 | Medium |
| Community Services | 1.04 | Medium |
| Government Services | 0.98 | Medium |

Source: Urban-Econ Calculations, 2010

4.7 Carvalho Classification

To further analyse and interpret the data we make use of the Carvalho Classification. This is used to examine the employment growth relative to growth in the overall economy at a local (regional) level. The Carvalho Classification provides a multi-dimensional indication of the suitability of sectors vis-à-vis the tools and instruments to utilise in the development of these sectors.

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The comparison between the overall (provincial) and regional growth is then combined with the LQ to determine an overall assessment of the relevant sector. The Carvalho Classification is dependent on only one assumption: That a set of reasonably comparable regions will be used. Whilst the central focus of this classification is to compare the regional employment sector percentage (%) to the benchmark employment sector percentage (%). The benchmark employment sector in the case of the Carvalho Classification is that of South Africa as a whole, or that of a specific province.

The purpose of the Location Quotient and Carvalho Analysis is mainly to identify exporting and importing industries. This analysis is vital as it indicates the extent to which the community's needs are being met, or not being met by the local business community. This analysis furthermore provides insight into the current strengths and weaknesses experienced in the local economic as well as an indication of development potential and prospects.

Table 4.17: Carvalho Classification Definitions

| Carvalho Classification | |
|-------------------------|--|
| Classification | Definition |
| <i>Driving</i> | Area is highly specialized in this sector, which is growing provincially and growing at an even higher rate locally. |
| <i>Accelerating</i> | Area is neither highly specialized nor under-specialized in this sector, which is growing provincially and growing at an even higher rate locally. |
| <i>Rising</i> | Relatively low proportion of local economy, but will likely increase due to growth in this sector, which is growing provincially and growing at an even higher rate locally. |
| <i>Evolving</i> | High local specialization in a sector which grew provincially at a slower rate than overall growth; local growth exceeded provincial growth in this sector. |
| <i>Transitional</i> | Average specialization in a sector which grew provincially at a slower rate than overall growth; local growth exceeded provincial growth in this sector. |
| <i>Moderate</i> | Relatively underrepresented in a sector which grew provincially at a slower rate than overall growth; local growth exceeded provincial growth in this sector. |
| <i>Promising</i> | Promising High local specialization in a sector which grew provincially; local growth has slower than provincial growth in this sector. |
| <i>Yielding</i> | Average specialization in a sector which grew provincially; local growth was slower than provincial growth in this sector. |
| <i>Modest</i> | Relatively low specialization in a sector which grew provincially; local growth |

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| | |
|--------------------|---|
| | was slower than provincial growth in this sector. |
| <i>Challenging</i> | Industries have a relatively high concentration, which suggests that they plan a prominent role and should be monitored carefully. |
| <i>Vulnerable</i> | Industries have an average concentration of employment. This can also indicate that an important source of employment is declining. |
| <i>Marginal</i> | Industries are under-represented in the community. |

Table 4.18: Carvalho Classification for Mogale City Local Municipality

| Sector | LQ | Carvalho | Industry Targeting Classification |
|---------------------|------|--------------|--|
| Agriculture | 2.00 | Challenging | Limited by external trends & declining competitiveness |
| Mining | 0.99 | Vulnerable | Limited by external trends & declining competitiveness |
| Manufacturing | 0.99 | Vulnerable | Limited by external trends & declining competitiveness |
| Utilities | 1.16 | Accelerating | Current Strength |
| Construction | 1.09 | Transitional | Limited by external trends |
| Trade Sector | 1.04 | Accelerating | Current Strength |
| Transport and Comms | 0.85 | Vulnerable | Limited by external trends & declining competitiveness |
| Finance & Business | 0.92 | Accelerating | Current Strength |
| Community Services | 1.04 | Yielding | High Priority Retention Target |

Source: Urban-Econ Calculations, 2009

4.8 Conclusion

This chapter of the document outlined the dynamic forces that influence the local economy of Mogale City. It has to be noted that due to the nature and location of the study area, this economy will be influenced in future by both internal and external factors. From the above sections it has become clear that the Mogale City economy relies to a great extent on the performance of the financial services, manufacturing, government service, trade and transport.

Sectors that can provide future growth include:

Manufacturing: this would not only include the expansion of currently flourishing industries, but also those industries regarded as emerging strengths.

Construction: infrastructure investment by government in terms of transport and electricity as well as the

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provision of houses and services to rural areas are the main potential for local construction companies to benefit. Other opportunities exist in large infrastructure projects like the planned logistics hub in Chamdor as well as strategic projects like the Rustenburg-Mogale City Corridor development.

Agriculture: this sector has a comparative advantage as well as the potential to expand into more niche markets like essential oils, aquaculture and organic farming.

Tourism: this sector's influence spans over a multitude of economic sectors and has a significantly important multiplier effect. Mogale City has a well-established tourism network but needs improved integration and marketing to further expand this sector.

Transport and Business & Financial Services: these essential service providers are becoming increasingly important for this service orientated economy. Currently contributes almost a third of total GVA and has the potential to become a regional business hub.

Trade: an important sector that is a current strength in the economy of Mogale City and pro-active measures has to be implemented in order to retain the stability and future growth of the sector. Decline in the sector can be attributed to a worldwide economic downturn and will need innovative measures to remain competitive until economic conditions change for the better.

Section 5 – Potential Analysis

5.1 Introduction

This section will deliver insight into the process of identifying, exploring the various economic sectors of Mogale City as a means to determine prospective investment potential within these sectors. Furthermore, the economic sectors will be examined as a means to quantify and mitigate constraints found within the various economic sectors in order to improve economic development and growth within Mogale City.

The purpose of a sectoral potential analysis is to assess all the relevant economic activities located within the main economic sectors of Mogale City such as Agriculture, Mining, Manufacturing, Utilities, Trade, Transport and Communication, Finance, and Social Services. These economic sectors are classified in accordance to the SIC system, which does not view the Tourism Sector as a true economic sector, rather a multifaceted integrated economic sector. However due to the vital role this industry plays in terms of potential job creation, it is addressed in this chapter.

5.2 Potential Identification Criteria

In order to identify projects that possess the potential to be developed and have a significant impact on the economy it is necessary to identify and quantify criteria required to facilitate the project identification and assessment process. These criteria will allow for the identification of projects that are sustainable whilst ensuring future economic upliftment and growth. In order to determine and discuss development potential in Mogale City we have to define the concepts of potential and development.

Economic development can be defined as being an effort or undertaking that aids in the growth of an economy, be it local, provincial or national. In retro-spec, potential points to the resources and capacity that is needed to facilitate development. When identifying and determining development potential within an economy a set of criteria is required against which to evaluate whether or not the effort being undertaken possesses development potential or not. The set of criteria serves as an evaluation tool to identify areas with potential for development and opportunities within each of the local economic sectors.

These include:

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

5.2.1 AVAILABILITY OF RAW MATERIALS AND RESOURCES

Raw material/local resources are regarded as the primary production factor. Without these materials, no product or service can be manufactured and/or delivered. The availability of raw materials and other resources makes local development promotion much easier, more feasible, viable and sustainable. Depending on the nature and extent of the resources/materials, these can also be a major tourist attraction. Apart from attracting tourists to an area, many of raw materials/resources can be used in local beneficiation and value adding processes.

5.2.2 ECONOMIC LINKAGES

This is the various interactive relationships that exist between the various economic sectors with a region's economy. These interactions and relationships can be observed in various forms and may take place on a mixture of scales. Linkages are important for an economy and its activities to be sustainable. One economy in general can't provide in all local needs and therefore need to interact with neighbouring or nearby economies. Linkages can be defined and placed into two categories:

5.2.3 BACKWARD LINKAGES

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

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

5.2.4 FORWARD LINKAGES

Forward linkages refer to the supply of intermediate products as inputs into the production process, in order to deliver the final product and/or service when the production process is complete. This would typically constitute the utilization of an area's own resources that are processed, packed and sold (or distributed).

5.2.5 MARKET TRENDS

This criterion is consumer related and the most difficult of all to map and determine. Market trends refer to the consumption trends and preferences of the general market. It indicates where there is potential for an increase in the production of a specific product and/or delivering of a specific service, or it can indicate that there is a need for change in products and service delivery. For instance, a new trend can be observed in South Africa with respect of people consuming more organically farmed products than traditional products. This therefore, indicates that the Agriculture sector should focus more on producing organic products than traditional products.

5.2.6 GAP ANALYSIS / AGGLOMERATION ADVANTAGES

A gap is defined as being a disparity between what is provided and what is needed (or required). With regards to a gap in the economy it means that a mismatch of resources had occurred. The identification of a gap within the local economy can prove to be an advantage for various industries to group together to stimulate economic growth. Agglomeration advantages can be illustrated by developing a mining logistical hub or cluster. Therefore, all manufacturing orientated and related activities are grouped together in delivering services and information to the manufacturing sector.

5.2.7 LOGISTICS / NODAL POINT FUNCTION

To determine if the area has potential for delivering a logistics or nodal point function, one needs to answer the following question: Can the area serve as a distribution point for specific products or services?

5.2.8 REGIONAL SERVICE DELIVERY FUNCTION

This criterion refers to the ability and capability to provide in both the local and regional requirements. This will typically be a situation where enough is produced in the economy as to disperse and provide for the wider region.

5.2.9 AVAILABILITY OF LABOUR

Following short on the heels of raw materials/local resources is labour. The labour force is vital to the production process due to the fact that they drive production. When considering potential within the local labour pool, the determining factors include the quantity and quality of the labour force. Quantity refers to the size of the labour force and quality refers to the educational and skills level of the labour force. If the education and skills level of the local labour force meets the requirements for manufacturing development, the potential for development is high, from a labour point of view.

5.2.10 TECHNOLOGY CHANGE

This is the most dynamic of the entire set of criteria. Technology changes refer to the changes in the ways we produce goods and services. Good examples are genetic manipulated products, the Internet, etc. The changes in technological techniques and methods increase the potential for developing an incubator in the area. Incubators provide collective services (i.e. training and facilities) required by industries and also individual people to become self-sustained in their newly adopted economic activities.

5.2.11 IMPORTS AND EXPORTS

Examining the import and export data for the district will help to identify the current gaps in the market as well as opportunities for value adding and processing. This will open up some of the hidden potential in the local area and help to identify innovative ideas.

5.2.12 POLICY ENVIRONMENT (ENABLING DEVELOPMENT)

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

According to the above mentioned criteria numerous developmental potential and potential projects were roughly identified. The process involved aligning the development potential areas and potential projects with the potential identification criteria. This eases the process of project prioritization and implementation. In the remainder of this chapter the potential development areas and projects identified within the various economic sectors are aligned with these criteria.

Each sector will be discussed in terms of its provincial and local context resulting in the identification of opportunities and constraints.

5.3 The Agricultural Sector

The agriculture sector incorporates establishments and activities that are primarily engaged in farming activities, but also includes establishments focusing on commercial hunting and game propagation and forestry, logging and fishing.

Historically, the Agricultural sector is Mogale City's weakest sector. The majority of agricultural activities occur in the south-western region of Mogale City, towards the south and west of the R24. This portion of active farmland forms part of the Gauteng Agricultural Hub, which consist of six separate agricultural hubs found throughout the province. These agricultural hubs were established in order to create focal points of high quality agricultural activity, where niche market agricultural products are farmed. Mogale City predominantly offers the following products:

- fruit orchards and vegetables;
- flower farms that produce a good percentage of the flowers required in Gauteng;
- instant lawn growers; and
- animal farming, including chicken farms.

5.3.1 Sectoral Overview

Agriculture in Mogale City has experience continual downturn in terms of growth and the sectoral contribution towards the GDP of the area. The total GVA contribution by the Agricultural sector has decreased from 1.5% in 2003 to 0.5% in 2008, a diminishing average growth rate of -13.6% spanning five years.

Table 5.1 illustrates the amount of income generated by the various agricultural sub-sectors found within Mogale City. It is clear that Livestock, Poultry and Game products (60.65%) are the largest contributors towards the total Agricultural GVA of Mogale City. Horticulture also contributes a significant amount (38.01%), whilst Field crops are least productive sub-sector (0.92%).

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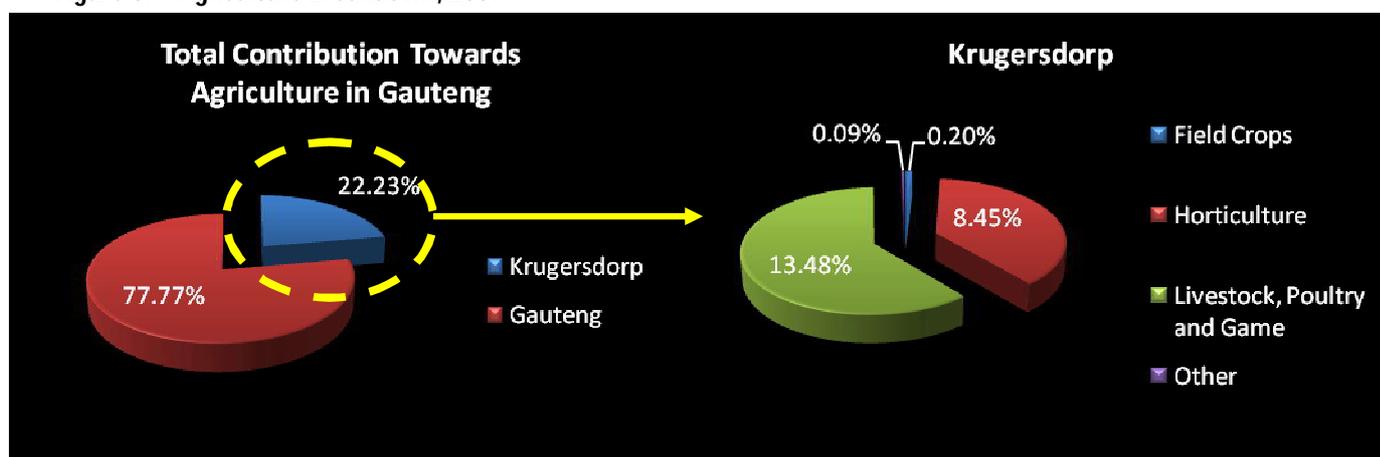
Table 5.1: Agriculture Sub-Sectors

| Gross Income Earned from Agricultural Sub-Sectors | | | | |
|---|---------------|---------------|-----------------------------|--------------|
| | Field Crops | Horticulture | Livestock, Poultry and Game | Other |
| Mogale City LM | R 8,070,000 | R 334,198,000 | R 533,284,000 | R 3,684,000 |
| Randfontein LM | R 42,588,000 | R 11,428,000 | R 16,795,000 | R 28,000 |
| Gauteng | R 384,055,000 | R 803,840,000 | R 2,695,979,000 | R 71,307,000 |

Source: Statistics South Africa, Agricultural Census, 2007

Within a larger context, Mogale City contributes approximately 22.23% of the total income derived from Agriculture within the Gauteng province. Figure 5.1 illustrates the agricultural breakdown.

Figure 5.1: Agriculture Breakdown, 2007



Source: Statistics South Africa, Agricultural Census, 2007

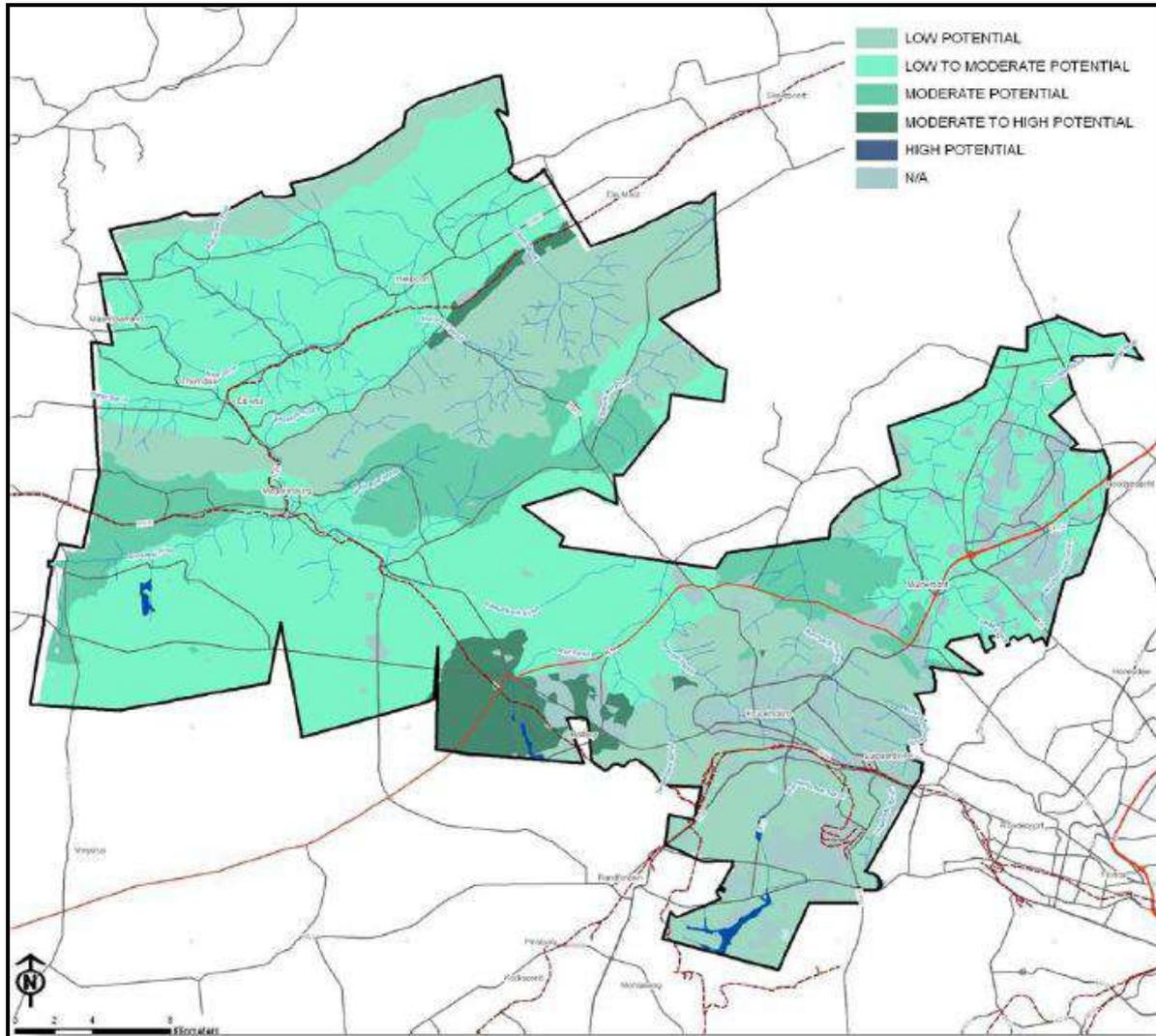
The most significant sub-sectors are Livestock, Poultry and Game (13.48%) and Horticulture (8.45%).

5.3.2 Crop cultivation and Livestock Production

The geology of the area determines not only soil conditions also directly determine agricultural potential for certain vegetation types. Figure 5.2 illustrates soil potential in relation to agricultural activities.

Figure 5.2: Soil Potential

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Source: Mogale City SDF, 2009

The best land (Class II) runs in band along the southern slopes of the Schurweberg - Krokodilberg range (the southernmost ridges in the northern part of the municipal area passing through the Hartebeeshoek region).

However, Class III land in the south east is mostly compromised by existing urban development and it is only in the valley south of the Magaliesberg where there are any significant areas that can be used for agricultural purposes. The Tarlton area has a Class III land capability. The Muldersdrift area has a Class IV capability which makes it generally unsuitable for land cultivation. The rest of the area is of a very low potential, only suitable for light grazing and wildlife.

Figure 5.3: Crop Production

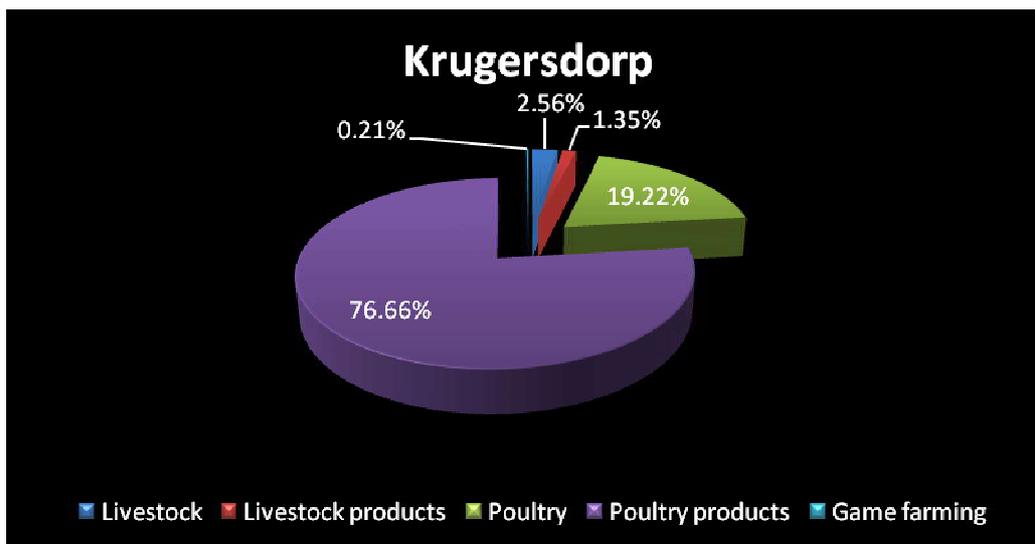




Source: Statistics South Africa, Agricultural Census, 2007

The Majority of crops are cultivated and wild flowers as well as vegetables. These are the largest contributors to the crop production of Mogale City. Figure 5.4 illustrates the livestock production for Mogale City. It is clear that poultry products and poultry are the largest contributor of livestock production in Mogale City contributing over 90% of livestock production.

Figure 5.4: Livestock Production



Source: Statistics South Africa, Agricultural Census, 2007

5.3.3 Nursery Plants and Cut Flower Horticulture

The development of urban horticulture, particularly the cultivation of plants for uses other than food and fodder has become of the most dominant income earners in the agricultural sector. In Mogale City, horticulture contributes over R334 million which is almost 38% of the total horticulture production in Gauteng. These products have value far greater per volume than that of most commercial grain and livestock rearing operations. Thus the development of urban horticulture presents the greatest potential for market penetration by emerging farmers.

The industry developed due to the demand for consumer plants in urban areas. Advantages such as relatively low land costs (for Gauteng), low land requirements, high rainfall, and proximity to local markets have made the west rand, particularly Mogale City Local Municipality a lucrative sector for urban horticulture. The highest value products are cut flowers and plant cuttings which are often exported to western countries.

Another industry which has grown tremendously recently is the live plant and seedlings market. Live plants grown in nurseries also present a significant value added product for consumers. The value of this industry to emerging farmers must also be made apparent as this market has a low risk value and does not require as large amounts of capital and technical expertise.

5.3.4 Essential Oils

The essential oils industry is estimated at US\$ 18-20 billion, growing at 7-12% per annum (Govindasamy et al; 2006) and is expanding due to consumers' increasing awareness of natural living. Consumers gravitate towards naturals in flavour and fragrances. The essential oils market worldwide amounted to approximately 45 thousand tonnes in 2004 and continues to grow. As one of the main users, the cosmetic industry has an increasing interest in many different, often very specific, essential oils, many of them of tropical origin. The demand situation is therefore difficult to characterise. For some oils, demand on the world market greatly outstrips supply, such as cananga, citronella and sandalwood oil. Many others are produced in the EU itself, making it more difficult to enter the EU market. For example, Italy is an important producer of bergamot oil, and EU supply and demand is largely in balance. Another example is spearmint oil. However, for other EU-produced oils, such as lavender, demand outstrips supply. Some cooperatives are now completely sold out (Cosma 2007). Rosewood oil and rosemary oil also enjoy a favourable market situation.

The South African essential oils industry has only recently emerged, but quality control consciousness has ensured high standards in the industry. The most significant essential oils produced by South Africa are eucalyptus, citrus, geranium and buchu. According to industry information, the South African flavour and fragrance industry was worth approximately R900 million in 2003. Accordingly, the local market in South African essential oils is relatively small and South Africa is a net exporter of essential oil.

Two markets can be distinguished for essential oils:

User industries: This is where the volatile oils (usually mixed with many other natural and synthetic compounds) are incorporated into the final product destined to the consumer. Industries using flavours are found mainly in the food stuff sector (beverages and dairy products are the largest users). The tobacco industry is also a large consumer of flavour compounds. Toothpastes and pharmaceuticals are also consumers of essential oils for flavouring purposes. The users of perfumes include manufacturers of washing powders and detergents, air fresheners, and fine perfumes. The cosmetic industry is also an important user of natural compounds, either for their fragrance or for their therapeutic values. Essential oils and their derivatives are used in the pharmaceutical industry. The traditional medicine in developing countries, the expanding aromatherapy in industrialised countries is mostly based on the use of essential oils and medicinal extracts.

Final consumer: Demand depends ultimately on consumer behaviour. The strong demand for natural products during the last decade was in favour of the essential oils market. Nevertheless, the essential oil content in a final product is not always specified, and in some cases does not have any influence on the consumer choice. In other case, the essential oils content is known to the final consumer, and the natural origin is a strong element in marketing. Standards and regulations are fundamental in this case.

Figure 5.5: Essential Oils Value Chain Analysis

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Source: Urban-Econ, 2010

5.3.5 Agricultural opportunities for emerging farmers in Mogale City Local Municipality

Niche markets presenting economic opportunities to newly emerging farmers in Mogale City Local Municipality are indicated in Table 5.2.

Table 5.2: Market opportunities in the agricultural sector in Mogale City Local Municipality

| Opportunities within intensive irrigation farming | | |
|---|--|---------------------------------|
| Vegetable and legume production | The cultivation of basic vegetables and legumes in growing tunnels, with irrigation systems in place. The cultivation should encourage crop rotation and the focus on high yield crops for local market distribution. | High opportunity level |
| Specialty vegetable production | Production of specialised products with a limited local market and a well-established export market. Products can also be sold as generic vegetables. Examples are mange tout peas, baby snap peas, brinjals, tender stem broccoli, baby vegetables. | Medium opportunity level |
| Cut flower and nursery plant production | Cut flowers like amethysts, roses, tulips, daffodils, gladioli, and chrysanthemums fetch high market prices per yield. There's a large local market for nursery plants as well. | High opportunity level |
| Aquaculture development | The cultivation of certain freshwater species for the limited warm water market. Options include carp, tilapia, and trout species | Low opportunity |

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| | | level |
|---|---|---------------------------------|
| Smaller livestock | Smaller stock breeds have higher meat conversion rates and can consume a wider range of plants than traditional breeds. Smaller stock breeds include rabbits, goats, and chickens | Medium opportunity level |
| Opportunities within small-scale urban agriculture | | |
| Conventional horticulture | Staple vegetables can be grow in local backyards to provide supplemental nutrition and income | High opportunity level |
| Micro-stock rearing | Smaller stocks can be kept to provide supplemental food sources. These include chickens, rabbits and goats | High opportunity level |
| Egg production | Eggs can be produced from micro-batteries at home. The batteries can also serve for stock rearing purposes | High opportunity level |
| Organic Farming | Organic farming can be done on small scale to provide emerging and small scale farmers an opportunity to a growing market. Quality control and mentoring will be imperative to the success. | High opportunity level |

5.3.6 Potential for value additions in backward and forward linkages

Possible linkages with other sectors and industries exist as well as value adding activities. These include taking advantage of value chains of the main agricultural industries in Mogale City Local Municipality, namely vegetables production, poultry industries and the cut flower industry.

Table 5.3 illustrates the value chain opportunities in the agriculture sector. The main purpose of these opportunities is to add value to the agricultural products.

Table 5.3: Value chain opportunities in the agricultural sector

| Other development opportunities within backward and forward linkages to the agricultural sector | | |
|--|---|---------------------------------|
| Agro-processing industries and activities | Leather tanning, meat processing, grain milling and product packaging. Tarlton has been identified as an agriculture node in Mogale City Local Municipality | High opportunity level |
| Agro-based tourism | Tourists visiting the large commercial farms in the area to experience the “farm life” and see what the farming entails | Low opportunity level |
| Agriculture service industry | Essential services for agriculture, including financial and insurance, veterinarian services, transportation, marketing and security services | Medium opportunity level |

Tarlton agricultural node: the huge agricultural potential in Tarlton need to be explored further it is as such envisaged that Tarlton be regarded as Agricultural hub with packaging, storage and market facilities.

5.3.7 Development Potential Orientation

Agriculture is seen as one of the most viable sectors for stimulating growth and development within the Mogale City economy. Based on the above information and analysis, Table 5.4 portrays the development potential that could stimulate economic growth and development in the area.

Table 5.4: Development Potential of Agriculture

| Criteria for Potential Identification | Development Potential |
|--|---|
| Availability of raw materials and/or local resources | Various fruits and vegetables |
| | Various animal products (poultry) |
| | Favourable climate |
| Economic Linkages | Production of fresh produce demanded by local towns |
| | Supply of agricultural sector inputs |
| | Value adding of agricultural products |
| Market trends | LRAD SMME Farmers |
| | Organic Produce |
| | Essential Oils |
| | Farming Tourism |
| Gap analysis / agglomeration advantages | Regional agricultural produce market |
| | Food cluster focussing on regional exporting of agricultural products |
| Logistics/Nodal Point Function | Local Farmers Association |
| | Tarlton serves as an agriculture hub/node |
| Regional Service Delivery Function | Logistics Hub |
| Technology Change | High technology practices relating to agriculture |
| | DTI: Small Enterprise Development Agency (SEDA) |
| | Preferential Corporate Tax Rate for Small Business Corporations |
| | Sector Partnership Fund |
| | Agro Industries Development Finance |
| | Department of Social Development: Community Development Fund |
| | Multilateral Investment Guarantee Agency (MIGA) |
| | International Finance Corporation (IFC) |
| | Africa Project Development Facility (APDF) |
| | Hands-On Training Scheme (HOTS) |
| | Alliance of Micro-Enterprise Development Practitioners |
| | DTI: Agro Industries Development Finance |
| | Policy Environment (Most Important Programmes and Funds) |

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DTI: Export Marketing and Investment Assistance Scheme (EMIA)

DTI: Skills Support Programme

Department of Land Affairs: Land Care Programme

5.4 Mining

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

The location of mining activities in an area is linked to the availability and location of natural resources. Where such resources are located adjacent to urban environments the mining activities pose a constraint to development and hence play a decisive role in the direction of urban growth.

Mining in Mogale City is a prominent spatial feature in the form of the east-west mining belt which extends from Johannesburg through to Krugersdorp along the so-called "Main Reef". Although the principle mining activities in Mogale City has closed down (with the exception of the reworking of a number of mine dumps) the physical legacy of the mining activity remains in the form of a broad band of land which (Mogale City Spatial Development Framework, 2009):

- has potentially been sterilised for development through the radioactive properties of the mine dumps and silt dams and the undermining of the land;
- presents a physical barrier between Krugersdorp to the north and the greater Kagiso area to the south, preventing spatial integration between these areas, and
- has left visual scars on the urban landscape. Other mining activities in Mogale City are found in the form of scattered sand mines and quarries all over the urban and rural landscape.

Other mining activities in Mogale City are found in the form of scattered sand mines and quarries all over the urban and rural landscape.

With regard to the east-west mining corridor, no development proposals are currently made as future rehabilitation actions on this land will indicate the development potential of the land. Should this area or parts thereof prove to be developable, the following principles should apply:

- This land should be utilised to achieve spatial and socio-economic integration between the different urban areas.

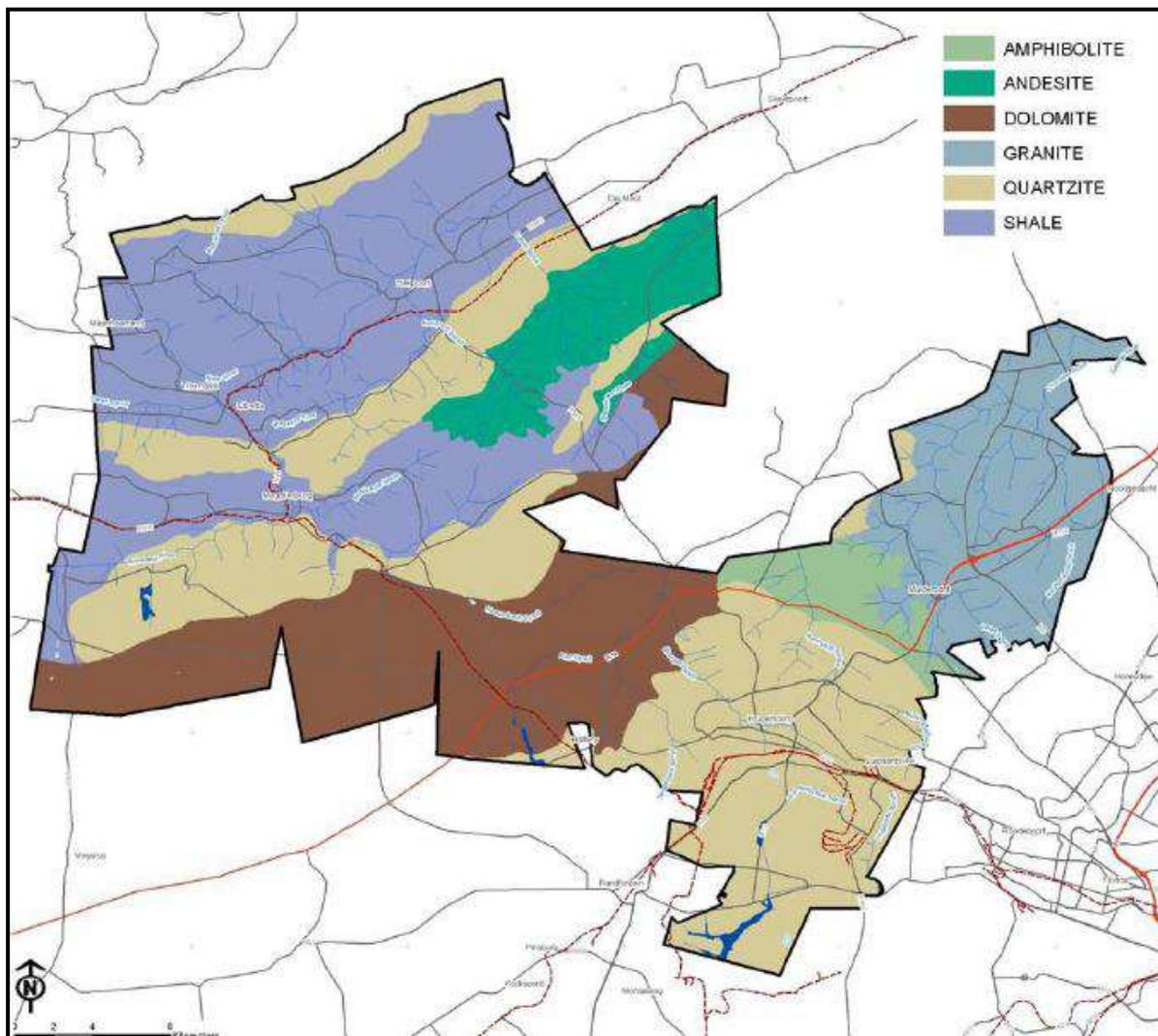
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- An urban network must be established comprising activity spine linkages between the Krugersdorp CBD and Kagiso.
- Land which is not suitable for human habitation or economic activities must be converted into an open space system which can contribute to spatial integration between the various settlements.

5.4.1 Geology

The geology of the area is fundamental in sustaining development over the long term. Geology determines not only soil conditions but have an impact on development cost and safety from in an urban development context. Figure 5.6 illustrates the geology for Mogale City Local Municipality.

Figure 5.6: Geology



Source: Mogale City Local Municipality SDF, 2009

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Mogale City has limited opportunities in the mining sector, most of the mining activities have closed down and the focus has shifted towards mine rehabilitation. There are some granite deposits in the north eastern section of the municipality which could be explored for possible mining activities. Granite mining could also be done on a small-scale level and provide job opportunities for the local communities. It is advised that further investigations should be done to determine the feasibility of granite mining.

5.5 Manufacturing

This sector is broadly defined as the physical or chemical transformation of materials or compounds into new products and can be classified into 10 sub-groups of which the most relevant are:

- Fuel, petroleum, chemical and rubber products;
- Other non-metallic mineral products, e.g. glass;
- Metal products, machinery and household appliances;

Manufacturing is regarded as the foundation of economic development, which can be attributed to the sector's significant multiplier effect due to its backwards linkages with the primary sectors of agriculture and mining and secondly its forward linkages with the tertiary sectors such as trade, transport and communication.

This multiplier effect is not limited to the value added in respect of the downstream processing of raw materials, but includes the direct and indirect job opportunities created. In this regard, it has been calculated that for every job opportunity generated in the manufacturing sector, between three to four jobs are generated in the larger economy.

5.5.1 Local Industry

The manufacturing sector contributes approximately 20.2% to total GVA and employs 14.3% of the total workforce indicating that the manufacturing sector is a labour intensive sector that creates jobs in the municipality. The local manufacturing activities that contribute most towards manufacturing GVA include:

- Petroleum, chemicals and rubber (25.4%)
- Metals, metal products and machinery (25.0%)
- Food beverages and tobacco (18.3%)
- Furniture (8.1%)
- Transport activities (6.2%)

In comparison with larger local economies, Mogale City's manufacturing profile shows various areas for further development. A typical manufacturing profile of a larger local economy would typically include the following additional activities:

- Pharmaceutical manufacturing
- Granite cutting and processing
- Furniture manufacturing
- Optic fibre manufacturing
- Chemical product manufacturing
- Telecommunication cable manufacturing
- Gases and welding equipment manufacturing
- Agriculture seed processing
- Profiling of sheet metal
- Turning tools manufacturing
- Steel construction manufacturing
- Pliers manufacturing
- Agricultural drying equipment manufacturing
- Manufacturing of building materials
- Electrical appliance manufacturing plants

In comparison with the above local economy's manufacturing profile, various gaps are identified in Mogale City's current manufacturing profile. These gaps should be analysed further in order to determine whether they have the potential as a real development opportunity within Mogale City.

Table 5.5: Manufacturing Sector Gap Analysis of Mogale City

| Manufacturing Activities (Represented Well) | Manufacturing Activities (Limited) |
|---|---|
| Metals and metal related activities | Non-metal mineral products |
| Food, beverage manufacturing/processing | Radios, TV, Instruments and Watches |
| Chemical Production | ITC and electronics manufacturing |
| Furniture manufacturing | Textiles, clothing and leather |
| Automotive manufacturing activities | Processing of Agricultural Products (Limited) |

Mogale City provides abundant industrial facilities at very competitive rates to buy or to rent. A number of serviced erven and unserved erven are available for potential investors in **Chamdor Ext 2, Fariavalle and Muldersdrift**.

The potential of the industrial areas in Chamdor provides investment opportunities for everyone from the large manufacturer to the small factory type of business, all within reach of the excellent road network rail, airport and telecommunication infrastructure.

The area around **Lanseria Airport** on Mogale City's side is currently still considered to be rural area. However, the City of Johannesburg has demarcated this area as a major new industrial, mixed-use and residential node, and the provincial government is also looking at a major development initiative (named the Lanseria Aerotropolis) around the airport. The energy resulting from this initiative will create pressure for development on Mogale City's side.

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Chamdor is home to a number of South Africa’s major industrial corporations, ensuring the economic stability of the region through investment and job creation. The table below provides a list of manufacturing businesses that are currently operating in the Mogale City, Krugersdorp. The economic sectors that are represented include, amongst others, machinery and equipment; chemicals; food and beverages; metal products; breweries and bread producers to automotive services and gas producers.

| Name of the Business | Product(s) manufactured / services rendered |
|-------------------------------------|---|
| Axiom Hydraulics Vaal (AHV) Pty Ltd | <ul style="list-style-type: none"> • Custom design & manufacturing of power packs and hydraulic cylinders • Repairs & maintenance to pumps, motors and cylinders • Sales of hydraulic & pneumatic equipment, hose and fittings |
| Pallet Man | <ul style="list-style-type: none"> • Manufacturers of new and re-engineered pallets |
| Altrim Engineering | <ul style="list-style-type: none"> • General engineering • Milling • Turning • Horizontal boring • Radial drilling • Cold sawing • Profile cutting • Guillotining |
| Meintjies Fencing (Pty) Ltd | <ul style="list-style-type: none"> • Palisade fencing & gates • Bondstores & partition fences • Electric & alarmed fences & gates • Temporary fencing |
| Sebor Manufacturing (Pty) Ltd | <ul style="list-style-type: none"> • Plastic injection moulders • Product design and redesign • Production and assembly of commercial products • Propriety garden ware & home products |
| Castle Lead Works | <ul style="list-style-type: none"> • Manufacturers & suppliers of quality lead products • Suppliers of electro winning anodes |
| Wyman Gordon | <ul style="list-style-type: none"> • Suppliers of boiler tubing & components |
| Crescent Engineering | <ul style="list-style-type: none"> • Tool making • Press work • Wire work • Filter cages • CNC wire bending • Fabrication • General machining • Metal spinning |
| Thermal Tech Engineering | <ul style="list-style-type: none"> • Industrial heat processing • Powder coating plants • Curing ovens & treatment lines • Sandblasting – glass bead blasting • Industrial & domestic powder coating |
| K-FAB Plastics & K-FAB Engineering | <ul style="list-style-type: none"> • Custom rotational moulding |

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| | |
|--------------------------|---|
| | <ul style="list-style-type: none"> • Mild steel & stainless steel sheet metal fabrication |
| Steel Pipes | <ul style="list-style-type: none"> • Angles • Flat bar • Window section, etc. |
| Avima | <ul style="list-style-type: none"> • Manufacturers & suppliers of pesticides and application equipment • Contract manufacturers and packers of pesticides & various chemicals |
| Farmfeed | <ul style="list-style-type: none"> • Suppliers of animal feeds, medicines, grain, plant seed, bird seed, dog food, etc. |
| SAB Chamdor | <ul style="list-style-type: none"> • Beverages |
| Afrox | <ul style="list-style-type: none"> • Chemicals |
| Bosch Services Centre | <ul style="list-style-type: none"> • Electronic Equipment • Electronic Services |
| Sasko | <ul style="list-style-type: none"> • Bread and Bread Products |
| Trucking and Engineering | <ul style="list-style-type: none"> • Transport Equipment • Transport Services |

Source: Mogale City Business Directory, 2010

In Mogale City, the following industrial areas exist:

- Chamdor
- Boltonia
- Factoria
- Delporton
- Fariaville

The following guidelines apply to developments in these industrial areas:

- The focus should be on industrial land uses, warehouses and commercial uses such as transport depots.
- Supporting facilities, such as convenience shops, restaurants / canteens, support businesses (such as printers, stationers, day-care and banks), can be provided within the industrial area, provided that the scale of such a development is restricted to that of an ancillary use that does not and will not attract the general public.
- Offices shall be restricted to administrative offices belonging to or directly linked to the activities established in the area.

5.5.2 Metals Industry Value Chain and Gap Analysis

According to the draft *Metals Sector Development Strategy* (DTI, 2006), South Africa has developed important strengths in steel, aluminium and precious metals. In order to achieve sustained growth and industrial development in these industries, an increased rate of development of downstream industries is required.

The metals sector value chain in Mogale City is concentrated around activities linked to the manufacturing sector. The following **gaps** in the metals sector value chain should be addressed for downstream/beneficiation activities to develop and grow:

- 1) **Enabling environment** – Factors that contribute to an enabling environment that promotes industrial development include adequate infrastructure, reliable electricity and water supply, information and communication technology networks, safety and security, and general levels of business confidence in the area. These factors often have a significant impact on the cost competitiveness of firms.
- 2) **Investment incentives** – Local government can promote investment in priority industries through incentives that make it profitable for firms to invest in certain areas/activities. Mogale City can also play an important role in providing information on national/provincial government incentives and other industrial development initiatives.
- 3) **Market access** – Market access for metal suppliers depends on the procurement practices of the end-user, how far the supplier is from the end-user in the value-chain and the interactions between different role-players along the value chain. Therefore, relations determine a firm's market access. Local government can play a positive role in this regard through the provision of information, which can improve firms' knowledge of their relevant value chain. Market access can also be improved through the provision of access to finance and market information that assists firms in identifying the location of opportunities.
- 4) **Training and skills** – The lack of appropriate skills is a severely constraining factor in the metals sector, specifically technical, artisan and engineering skills. The lack of skilled artisans, for instance, has a negative effect on not only the metals industry, but the entire manufacturing sector. The specific skills areas where shortages are experienced should be investigated and training in these skills should be promoted.
- 5) **Research and Development** – Technological innovation is another key determinant of global competitiveness. Traditionally, South African firms have imported and adapted technology, instead of developing their own from basic research. Innovation and the improvement of technological capabilities are therefore crucial to strengthen the competitiveness of South African industries. Local government can play a role in promoting R&D and facilitating cooperative ventures with research facilities, e.g. the CSIR, Mintek.

5.5.3 Development Potential Orientation

The sectoral analysis undertaken within the Mogale City manufacturing sector indicated numerous potential for economic development and growth. Tables 5.7 summarises the potential and opportunities as identified within the manufacturing sector.

Table 5.7: Development Potential

| Criteria for Potential Identification | Development Potential |
|--|--|
| Availability of raw materials and/or local resources | Fruits and vegetables = Juice factories, canned fruits and vegetables, dried fruits and vegetables, dehydrated vegetable processing Fresh meat and poultry = Manufacturing of textiles, accessories and leather seats, etc with hides, livestock processing cluster, Processing cluster of the various produce locally (forward – beneficiation) General manufacturing in term of available raw materials |
| Economic Linkages | Inputs for manufacturing of food can be obtained locally (forward) Agriculture cluster (backward) |
| Market trends | Agriculture related products Metal products Chemicals Alternative Energy Development |
| Gap analysis / agglomeration advantages | Secondary industries/activities related to agriculture and the local produce = regional fresh produce market, packaging materials, fresh produce storage and transport Cut offs, waste and used material recycling and new product manufacturing = recycling and new products manufacturing from mining waste and cut-offs Agriculture processing cluster |
| Logistics/Nodal Point Function | Logistics hub (possible integration with agriculture and transport) in Chamdor |
| Regional Service Delivery Function | Livestock processing cluster Agriculture processing cluster (Tarlton) |

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| | |
|--|--|
| Technology Change | Introduce new high tech manufacturing technology |
| Policy Environment (Most Important Programmes and Funds) | Strategic Industrial Project (SIP) |
| | DTI: Support programme for Industrial Innovation (SPII) |
| | Customs Rebate and Drawback Provisions |
| | Industrial Development Zones (IDZ) |
| | Multilateral Investment Guarantee Agency (MIGA) |
| | Southern Africa Enterprise Development Fund |
| | Motor Industry Development programme (MIDP) |
| | DTI: Finance for the Expansion of the Manufacturing Sector |
| | DTI: Finance for the Textiles, Clothing, Leather and Footwear Industries |
| | DTI: Techno-Industry Development Finance |
| | SEDA |
| | Development Bank of Southern Africa (DBSA) |
| | Industrial Development Corporation (IDC) |
| | DTI: Industrial Policy Action Plan 2 (IPAP2) |

5.6 Utilities and Construction

The **utilities** sector includes the supply of electricity, gas and hot water, the production, collection and distribution of electricity, the manufacture of gas and distribution of gaseous fuels through mains, supply of steam and hot water, and the collection, purification and distribution of water.

The **construction** sector includes the site preparation, building of complete constructions or parts thereof, civil engineering, building installation, building completion and the renting of construction or demolition equipment with operators.

The performance of this sector is essentially a derived demand and is therefore dependent on economic growth in general. Both the utilities and construction sectors have shown strong positive growth over the last five years. Employment has also increased significantly in both sectors since 2003.

Currently, backlogs still exist in the provision of basic services, which is a problem endemic to areas with a large rural component. Consequently, the majority of projects currently being implemented within this sector comprise IDP projects to address these backlogs.

Infrastructure investment was identified as a major government priority within *ASGISA*, and the capital budget of government is set to grow at between 10% and 15% per year. Infrastructure investments will be focused on improving the availability and reliability of infrastructure services and will include spending on bulk water infrastructure, water supply networks and energy distribution. Projects will be allocated to provincial and local governments through the municipal and provincial infrastructure grant programmes.

Current projects attributed to the strong growth in these sectors include government's expanded public works programme and municipal infrastructure investment. Further investment in the engineering infrastructure and services will improve the economic condition of these sectors. Planned developments include:

a. MIXED-USE DEVELOPMENT IN LANSERIA TO BE KNOWN AS CRADLE CITY

The area around the Lanseria International Airport has in the past been identified by prospective property and business owners as a major development and economic growth opportunity. The proposed development will provide warehousing, industrial and associated support facilities in close proximity to the airport, thereby reducing travel distances for the transport of goods and contributing to greater efficiency of the airport.

Furthermore, it will contribute to economic growth of the region, thereby creating employment opportunities for the surrounding communities. In addition, Cradle City will assist in addressing the housing shortage, creating continuous urban fabric and reduce fragmentation caused by the urban sprawl. The

proposed mixed use development straddles the Lanseria International Airport in the north-western area of the City of Johannesburg. It will cover an area of approximately 1100 ha and the site is located north of the N14 highway and on the intersection of the N14 and Malibongwe Drive (K29). The land use structure is in line with the desired Urbanization Zone in the Mogale City Spatial Development Framework (SDF). The proposed site falls within the jurisdiction of two local municipalities, City of Johannesburg and Mogale City local municipality.

b. WEST RAND LOGISTICS HUB AND RELATED INFRASTRUCTURE

The proposal for a freight hub in West Rand District municipality jurisdiction is only a concept at present but the business case identifies it as a necessary link to the entire proposed freight network for Gauteng. No formal location has been identified but it is expected that the hub will be located in the Chamdor area, due to the requirement for intermodality and the railway lines in the area and availability of land.

In the steering committee the need for such a facility was confirmed and buy-in has been secured from all role players. Other development proposals in the area may benefit from this development, and these include amongst other development, the proposed weigh bridge to be built, the proposed fresh produce market as well as its linkages to the Maize Triangle and requirements for the movement of agricultural products.

c. MOGALE CITY – RUSTENBURG CORRIDOR

The corridor will be located along the R 24 route which connects North West town of Rustenburg with Gauteng, starting from O R Tambo International Airport via Kempton Park, Johannesburg, Krugersdorp, Tarlton and Magalies. The corridor to be developed will eventually have four major economic nodes with different economic activities. These are as follows:

- **Krugersdorp multi-economic activity node:** the main strength of Krugersdorp is on tertiary and secondary sectors. Its close proximity to the City of Johannesburg and the City of Tshwane is an added advantage. It takes less than 40 minutes from Krugersdorp to O.R. Tambo International Airport and Lanseria Airport is nearby. There is a possibility of turning old mines into tourist's attractions or training ground for miners in Rustenburg and elsewhere in Africa.
- **Tarlton agricultural node:** the huge agricultural potential in Tarlton need to be explored further it is as such envisaged that Tarlton be regarded as Agricultural hub with packaging, storage and market facilities.
- **Magalies tourism node:** adventure and farming tourism related activities node.

- **Rustenburg multi-economic activity node:** would probably continue as a mining hub with activities on retail; tourism; refinement of mineral resources such as platinum etc.

The close proximity of Lanseria Airport adds an economic impetus on the development of Mogale City/Rustenburg Development Corridor. It provides an ancillary service and as such enlarges the corridor’s appeal to investors; beneficiaries and its catchments area provided adequate feeder infrastructure is in place.

5.6.1 Development Potential

Growth in the utility and construction sectors can occur as a result of strong linkages with other sectors in the economy. An expansion in any industry, such as manufacturing, retail, offices, residential, etc. will increase water and electricity consumption as well as construction activities. Encouraging investment in other economic sectors will subsequently also has a positive effect on the utilities and construction sectors.

The construction sector will benefit from **government reconstruction and development programmes, township and urban renewal projects** and **public procurement policies**. Numerous opportunities for small, medium and micro construction enterprises exist within this sector, and in any LED related construction projects, the **utilisation of SMME’s** should be maximised. Due to the fact that there are several urban areas in need of renewal and regeneration, this provides an opportunity for outsourcing and procurement with specific focus on **black economic empowerment**.

General development constraints within the utility sector of Mogale City include the lack of capacity and funds to supply basic services to all, the huge backlog to overcome and time constraints. The current national electricity supply problem will also be a severe development constraint for several years to come. This, however, presents another opportunity in terms of the **investigation and development of alternative sources of energy** and **energy-saving techniques** in industrial and business activities.

Table 5.8: Development Potential

| Criteria for Potential Identification | Development Potential |
|--|---|
| Availability of raw materials and/or local resources | Government Infrastructure Spending |
| | Manufacturing Activities |
| | Economic Hub |
| Economic Linkages | Inputs for construction from manufacturing sector |

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| | |
|---|---|
| | Local SMME input to construction sector |
| | Construction project linkages |
| Market trends | Urban Renewal |
| | Investing in cleaner energy |
| | Mass infrastructure investments |
| Gap analysis / agglomeration advantages | SMME Development |
| | BEE expansion |
| | Corridor and nodal development |
| Regional Service Delivery Function | Logistics hub (transport, manufacturing, agriculture, construction) |
| | Agro-processing hub |
| Technology Change | Introduction of cleaner energy products |
| | Use of green developments for construction |
| Policy Environment | Public Procurement Policies |
| | Township and Urban renewal projects |
| | More focus on BBBEE development and investment |
| | Government redevelopment programmes |
| | Capacity building |
| | Construction skills building |

5.7 Trade Sector

The trade sector entails wholesale and commission trade; retail trade; repair of personal household goods; sale, maintenance and repair of motor vehicles and motor cycles; hotels, restaurants, bars, canteens, camping sites and other provision of short-stay accommodation.

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The trade sector in Mogale City currently contributes approximately 14.6% of the total GVA of the local economy and is the fourth largest sector.

The Krugersdorp CBD is the main business, social and administrative centre in Mogale City and fulfils a regional function. As with most CBD's of towns and cities around the country, this area has seen a gradual decline in the character, attractiveness and demand for business space over the last few decades. Suburban retail and office developments are in many instances now more preferable locations for businesses. The CBD however still remains the administrative centre of Mogale City and as such have an important function to play. Urban regeneration initiatives in many CBDs around the country and internationally have seen the successful reversal of urban decline, with these areas once again becoming desired destinations and locations.

The following additional nodes have been identified for Mogale City:

- Hendrik Potgieter Road/N14 Node
- Beyers Naudé Drive Node
- Kagiso Node
- Munsieville Node
- Leratong Node

There are a number of potential challenges within Mogale City that influence the local trade businesses and business environment. Table 5.8 illustrates the potential challenges as well as the areas that could possibly hold potential for Mogale City. It is imperative that the challenges be addressed in order to establish Mogale City as a big role-player in the form of a regional economic hub.

Figure 5.8: The Challenges and Potential to Trade Business in Mogale City

| Challenges facing Mogale City | Potential for Mogale City |
|---|--------------------------------|
| Lack of proper integration of land-use, transport and pedestrian movement | Agriculture related activities |
| Lack of sufficient parking facilities (CBD) | Internet Café's |
| Poor marketing of Mogale City businesses | Entertainment facilities |

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| | |
|--|--|
| Lack of sufficient facilities for informal traders | Tourism related activities |
| Lack of large national companies/franchises | Mogale City as a regional economic hub |
| Lack of urban design principles to enhance the image of the city and to create an environment in which business can flourish | Logistics Hub |
| Access to fresh produce market | Rural development |
| Transportation integration, especially between Krugersdorp and Johannesburg | |

Possible opportunities identified for the trade sector are presented and examined below:

- Database of existing SMME's
- Expand local trade (products and services)
- Increase the number of formal traders

a. Database of existing SMME's

The compilation of a database for SMME's has been identified as a potential tool to increase trade within the local municipality. It was identified that the compilation and availability of a database could enable match making and helps to create an awareness of products within the area which will ensure that misinformation about the availability of products will not be a factor in a consumers decision making. Therefore a database will allow for the marketing of SMME's within the municipality, it can increase inter and intra sector linkages as well as linkages with other areas and municipalities and it could ensure complete market information allowing for a more competitive industry.

b. Expand local trade (products and services)

This project seeks to decrease the leakages that occur from within the local municipality. In order to ensure this, it has been identified that the increased trade should occur within the local municipality. This can occur through the following:

- promote the trade of locally produced goods such as those produced from the agriculture and manufacturing sector
- encourage the trade of non-durable goods and services within the local municipality as these products are necessities and would need to be purchased by residents in the local municipality, and
- highlight the advantage and potential decrease in transport cost by purchasing local products.

In expanding trade within the local municipality it is important to ensure that economic nodal points are formed. Various economic nodal points exist as indicated earlier in the section. Promoting local trade and production will enhance economic activity and reduce leakages.

c. Increase the number of formal traders

Informal trade is prevalent within the local municipality; however the informal sector decreases the potential tax income from the local municipality. The lack of formal business also decreases the opportunity and access to markets, finance and other factors and thus preventing the growth of these informal businesses. Therefore it is important to bridge the gap between first (formal) and second (informal) economy. Local government can assist in the following formalisation steps:

- Register with CIPRO
 - Process followed is dependent on the type of business model
- Register with SARS
 - This includes registration for tax, UIF
- Application with various companies/organisations to open up accounts such as the post office, banks, etc.

5.7.1 Development Potential

Table 5.9 summarises the potential and opportunities within the trade sector, which could stimulate economic growth and development.

Table 5.9: Development Potential of the Trade Sector

Mogale City Local Municipality LED Strategy

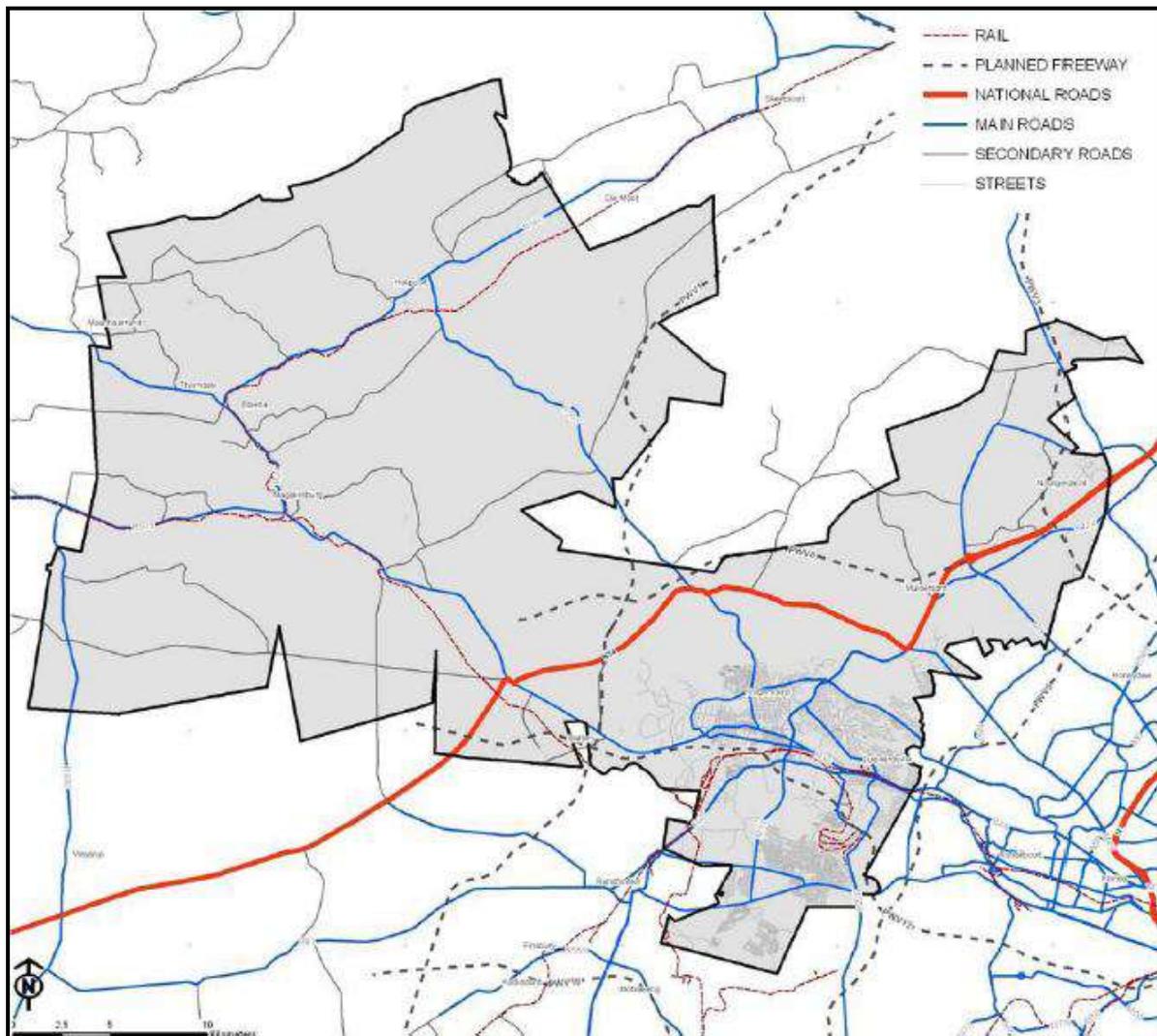
| Criteria for Potential Identification | Development Potential |
|--|---|
| Availability of raw materials and/or local resources | Livestock Produce |
| | Fresh fruit and vegetable produce |
| | Location of Mogale City |
| | Established trade markets |
| Economic Linkages | Local production of trade products |
| | Local manufacturing of trade products |
| Market trends | Demand for high quality short stay accommodation for international tourists |
| | Demand for wholesalers |
| | Demand for specialised products and services for local residents |
| | Demand for structured informal traders |
| Gap analysis / agglomeration advantages | Skills development and training |
| | Transport services |
| Logistics/Nodal Point Function | Nodal point function as agricultural implements/suppliers |
| | Nodal point function as agricultural produce distributor |
| Regional Service Delivery Function | Regional shopping destination |
| Technology Change | Internet Cafe and Specialist Service providers |
| Policy Environment (Most Important Programmes and Funds) | DTI: Wholesale Finance |
| | DTI: Capacity Building Support for Retail Financial Intermediaries |
| | DTI: Export Finance |
| | DTI: Export Marketing and Investment Assistance Scheme (EMIA) |
| | SEDA |

5.8 Transport and Communication

Transport and communications as an economic sector refers to activities concerned with land transport, railway transport, water transport, transport via pipelines, air transport, and activities of travel agencies, post and telecommunications, courier activities, as well as storage and warehousing activities.

Mogale City has an extensive transportation system with good access to road and rail networks (see Figure 5.7).

Figure 5.7: Mogale City road and rail networks



Source: *Mogale City Local Municipality SDF, 2009*

The south western region which is mainly urban area is well connected to neighbouring municipalities and regional arterials. There are however heavy congestion on the roads leading to Johannesburg and better integration and maintenance is required.

The planned logistics hub in Chamdor will force better integration and expansion of transportation routes. It is imperative that proper maintenance is performed on local routes to prevent expensive replacement of road networks.

Table 5.10: Road Network

| To Tshwane | To Madibeng | To Johannesburg | To Randfontein | To Rustenburg |
|--|--|---|---|---|
| <ul style="list-style-type: none"> • R28 • N14 | <ul style="list-style-type: none"> • R512 • R560 | <ul style="list-style-type: none"> • R512 (Malibongwe Drive) • Beyers Naude Drive Hendrik • Potgieter Drive • Voortrekker/Ontdekkers Road • Randfontein Road | <ul style="list-style-type: none"> • R28 • Randfontein Road (R41) | <ul style="list-style-type: none"> • R24 |

Source: Mogale City Local Municipality SDF, 2009

Another important factor that has implications for this sector is the development of Lanseria Airport. It is expected that Lanseria Airport will accommodate up to 2 million passengers a year. The airport is also increasingly expanding its facilities related to freight transport and it is envisaged to become one of the main centres for freight transport by air within the SADC region. These developments could have an important economic impact on Mogale City and the West Rand. Improved transport links to and freight transport facilities at Lanseria could, for instance, have positive implications for any export initiatives within the West Rand and Mogale City.

5.8.1 Factors in the Analysis of Development Potential

The following problems and constraints have been identified in the Transport and Communications sector:

- Poor local accessibility to social and community services due to a poor public transport service
- Lack of non-motorised facilities
- Rail commuter services run under capacity
- Sensitivity for crime and violence which constrains investment in this sector
- Expensive capital outlays are required to provide and maintain infrastructure
- Low affordability levels of a large section of the population impact on their ability to pay market related tariffs for services
- The modal split is unbalanced, with minibus-taxi's as the most expensive form of public transport dominating the market.

The relatively high cost and low efficiency and capacity of the national logistics system has also been acknowledged as a development constraint in ASGISA, and infrastructure spending, in line with ASGISA, will be focused on addressing the availability and reliability of infrastructure services. Infrastructure investment will be focused on, for instance, provincial and local roads and the electronic communications sector, including growing South Africa's broadband network, reducing telephone costs and to encourage the establishment of telecommunications- and labour-intensive businesses in poor areas.

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5.8.2 Development Potential Orientation

Table 5.11 summarises the potential and opportunities within the transport and communication sector, which could stimulate economic growth and development.

Table 5.11: Development Potential of the Transport and Communication Sector

| Criteria for Potential Identification | Development Potential |
|--|--|
| Availability of raw materials and/or local resources | Agricultural Produce |
| | Road Infrastructure |
| | Rail Infrastructure |
| Economic Linkages | Utilisation of rail network |
| | Linking with agricultural and manufacturing sector |
| | Trade sector utilisation |
| Market trends | E-Trade |
| | Wireless Technology |
| | Cell phone Banking |
| Gap analysis / agglomeration advantages | Regional Communication System |
| | Logistics Hub |
| Logistics/Nodal Point Function | Public transport implementation in rural areas |
| | Regional packaging, storage and distribution hub |
| | Corridor Development along the R24 |

5.9 Service Sector

The **finance and business services** sector includes *inter alia* financial intermediation; insurance and pension funding; real estate activities; renting or transport equipment; computer and related activities; research and development; legal; accounting; bookkeeping and auditing activities; architectural, engineering and other technical activities; and business activities not classified elsewhere.

The **community and personal services** sector includes public administration and defence activities, activities of government, government departments and agencies; education, public and private; health and social work; sewage and refuse disposal, sanitation and similar activities; activities of membership organisations; recreational, cultural and sporting activities; washing and dry-cleaning of textiles and fur products, hairdressing and other beauty treatments, funeral and related activities.

5.9.1 Overview of Services in Mogale City

The services sector has experienced strong and steady growth rates over the last decade. Activities in this sector can mainly be found in the established urban nodes of Krugersdorp CBD, Muldersdrift and Kagiso where a large concentration of people and economic activities can be found.

In terms community and personal services, Mogale City has long been neglected in the provision of higher order social facilities, mainly due to low population densities in the rural areas which make the provision of these facilities very difficult.

Although there are some well-established sporting facilities in the larger urban areas, as well as some recreational facilities, there is still a huge requirement for such facilities in disadvantaged areas, i.e. sport-orientated facilities, libraries, recreational facilities.

The education sector has been identified as one of the service sector in which there is a severe shortage, especially in terms of tertiary training facilities. There is also a lack of secondary schools in rural areas, which forces pupils to attend schools in urban areas. A further serious problem is the growing mismatch between supply and demand for labour due to the dominance of an academic focus in training. The focus therefore needs to shift towards vocational and artisanal training in order to meet the demand for specific skills in the Mogale City economy.

5.9.2 Potential Opportunities

Potential opportunities identified for the services and finance sector within the Mogale City LM include:

- Skills development particularly entrepreneurial skills (agriculture, manufacturing & trade)
- Database of potential employees and their skills
- Provide services to industrialists and farmers (maintenance of machinery etc.)
- Bursary schemes
- Tertiary institutions/ skills development/ training facility/ technical university

1. Skills development particularly entrepreneurial skills (agriculture, manufacturing & mining)

This is a very important opportunity to increase the employment options that are available to the local community. In addition, increased skills within the local municipality will further develop and support the identified opportunities within the Mogale City Local Municipality. It is envisioned that this would entail the following:

- identifying skills development agency such as SEDA and facilitate the process for skills development,
- host workshops for community members with presentations by well-established role-players in the industry,
- basic skills should also be provided to the local municipality in order to enable them to access relevant information; this includes basic literacy as well as computer literacy classes,
- entrepreneurial and business skills are also of significant importance because business owners may have the necessary technical knowledge regarding the production of the products but the business may still fail due to a lack of business and entrepreneurial skills, and
- in addition the skills development programme should also focus on specific industries such as the agriculture, tourism, trade and manufacturing sectors.

2. Access to tertiary institutions/ skills development/ training facility/ technical university

It is understood that at present there is no higher education facility within the Mogale City LM. The lack of such facilities ensures the following:

- many students may not obtain a higher level of education, because they would have to leave the Mogale City LM to attend these institutions thus increasing the costs of obtaining education compared to the lower costs that would be faced if such a facility was within the local municipality,
- some of the students within the local municipality do in fact leave the local municipality to obtain the necessary skills but many of these residents do not return, therefore resulting in a 'brain drain' and therefore further hampering the potential for increased levels of economic growth within the local municipality.

The necessary institutions such as UNISA and Rural Education Access Programme (REAP) should be approached. In addition it should be investigated if partnerships could be established with tertiary institutions such as the University of Johannesburg, University of Pretoria or the University of the Witwatersrand in which the small campuses could be established within the Mogale City LM.

3. Database of potential employees and their skills

This project is proposed in order to enable employment creation within the local municipality. This project involves compiling a comprehensive database of potential employees within the local municipality which should ensure that the database is thorough and expansive. This is to ensure that a detailed understanding of potential employees is provided. This database can be used by local businesses, potential investors as well as the local municipality. This database will make it easier to ensure increased employment of local residents.

4. Provide services to industrialists and farmers (maintenance of machinery etc.)

Services that are obtained from outside the municipality represent a leakage and a loss of potential income for the municipality. It should be ensured that the types of services and quality of services are replicated within the municipality to stop the current leakages. Services to the industrialists should also be provided by the local service industry such as the maintenance of machinery and equipment, whilst services to farmers should also be provided from within the local municipality.

5. Bursary schemes

The aim of this project is to increase the opportunities that are available to residents within the local municipality. The option in establishing this scheme includes:

- the local municipality could compile a bursary scheme,
- link up with the existing businesses who could potentially offer students bursaries and possible employment opportunities, and
- identify potential institutions in which partnerships can be established to provide bursaries to the local municipality.

Table 5.12 summarises the potential and opportunities within the service sector, which could stimulate economic growth and development.

Table 5.12: Development Potential of the Service Sector

| Criteria for Potential Identification | Development Potential |
|--|-------------------------|
| Availability of raw materials and/or local resources | Government Institutions |
| | Strong Service Sector |
| | Good quality schools |
| Economic Linkages | Municipal SMME support |
| Market trends | Investment Promotion |

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| | |
|---|--|
| | SMME Development |
| | Diversified Services |
| Gap analysis / agglomeration advantages | Community Services |
| | High quality and standard medical services |
| | Tertiary education facilities |
| Logistics/Nodal Point Function | Regional business organisations |
| | Regional service cluster |

5.10 Tourism

Tourism is not an economic sector in its own, but forms part of other sectors especially the Trade, Transport and Finance sectors. However, due to its increasing importance as an income and employment creator in South Africa, it is believed that this sector should be discussed separately from the other sectors. Defining the tourism sector is therefore difficult as it includes many different sources of goods and services.

5.10.1 Tourism in Mogale City

Mogale City Local Municipality is situated west of Johannesburg in the Gauteng province. Mogale City hosts a pleasant sunny climate and diverse scenery. Its municipal border encompasses among others the towns

of Krugersdorp, Kagiso, Muldersdrift, Munsieville, Magaliesburg, Tarlton and Hekpoort. Attractions in the municipality include the Blaaubank Mine, the Magaliesberg Mountain, the Lesedi Cultural Village and a 1 400 hectares bushveld game reserve.

a. Attractions

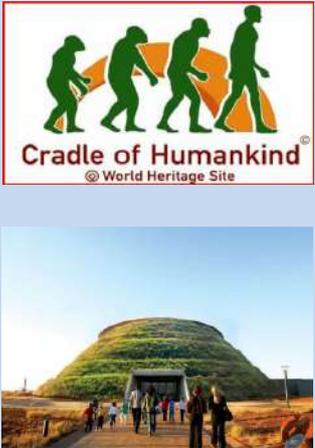
The following table briefly discusses the main areas in Mogale City and their attractions.

| | |
|----------------------------|---|
| <p>Krugersdorp</p> | <p>Krugersdorp is known to be the industrial hub of western Gauteng, and has a rich cultural and historical background. The town possesses a contemporary business centre and shopping malls that provides all the necessary amenities. The area boasts with beautiful historic buildings and churches, an eco-adventure park and the South African national bird of prey centre. The nearby 1,400 hectare bushveld game reserve is populated with a variety of game and is one of the town's major tourist attractions. In close proximity to the town there are various national monuments, the cradle of humankind, the Sterkfontein caves and the wonder cave.</p> |
| <p>Magaliesburg</p> | <p>The village of Magaliesburg lies just below the southern range of the Magaliesberg Mountains. The area boasts with numerous country guest houses, hotels, lodges, stores, working farms and horse and mountain bike trails. Activities include hot air ballooning, hiking, fishing, horse riding, microlighting, canopy tours, steam train trips and an elephant sanctuary.</p> |
| <p>Hekpoort</p> | <p>Hekpoort is situated on the southern slopes of the Magaliesberg Mountain, a few minutes' drive from Hartebeespoort Dam. The area was named after the gates at the foot of the Hekpoort pass, which is preserved as national monument.</p> |
| <p>Townships</p> | <p>Munsieville: Munsieville was the childhood home of Archbishop Tutu as well as the St Paul's Anglican Church. Tutu's childhood home can be visited, as can other 'exile' houses. Beadwork, clay pots and quilting are on display at Mukondeleli Craft Suppliers while the area has a range of vibrant taverns.</p> <p>Kagiso: The name Kagiso means peace. Kagiso is known for its jazz and kwaito which is popular in its many taverns and shebeens. Kagiso is a modern, thriving township and includes the Centre for Youth Development, the Imbali Visual Literacy Project and the African Diaspora Restaurant.</p> <p>Azaadville: Azaadville lies south of Krugersdorp and offers an oriental experience and a touch</p> |

of "spice" to Krugersdorp as a result of the mostly Indian population. Mahatma Gandhi participated in the efforts to halt the towns' removal to a different area.

b. Attractions

The following table briefly discuss the main attractions in the Mogale City.

| | | |
|--|---|---|
| <p>Cradle of Humankind</p> | <p>The Cradle of Humankind, one of the world's richest sources of knowledge about the development of man, was declared as a World Heritage Site by UNESCO in December 1999. The Cradle includes the Sterkfontein Caves, a wonderland of magical stalactites and stalagmites and the skull of Mrs Ples an Australopithecus africanus that lived more than 2 million years ago. Maropeng also displays 16 original dinosaur fossils from the early Jurassic period, some 290-million years ago.</p> |  |
| <p>Wondercave</p> | <p>The Wondercave is located in the Kromdraai Valley, near Sterkfontein. The Wondercave is famous for its stalagmites and stalactites which are up to 16m high.</p> |  |
| <p>Crocodile River Arts and Crafts Ramble</p> | <p>The Crocodile River Arts and Crafts Ramble offer more than 100 artists and craftspeople original paintings, sculptures and art objects. Various demonstrations take place where visitors can watch the artists at work.</p> |  |
| <p>Magalies Meander</p> | <p>Magalies Meander is a collection of artist studios, farm stalls and restaurants that lies below the southern ridge of the Magaliesburg mountains. There is a wide variety of accommodation on offer supplemented by activities such as rock climbing, horse riding, fly fishing, hot-air ballooning and microlighting.</p> |  |

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| <p>Kromdraai Hiking Trails</p> | <p>Trails can be taken through the spectacular Kromdraai Conservancy, which lies in the Cradle of Mankind world heritage site. In addition to the beautiful surroundings the trail passes along a gold mine, the Rainbow Trout Farm and the Wondercaves.</p> |  |
| <p>Lion Safari Park</p> | <p>The Lion Safari Park is home to more than 50 lions, as well as various antelope, ostriches and zebra. Picnic facilities as well as a restaurant and curio shop are available.</p> |  |
| <p>Paddle Power</p> | <p>Paddle Power provides adventure activities including canoeing, horse riding, mountain biking and hiking along the river and mountain trails.</p> |  |
| <p>Walter Sisulu National Botanical Gardens</p> | <p>The Witwatersrand Botanical Garden showcases beautiful indigenous flowers and plants and hosts an exceptional bird life. A restaurant and pick-nick facilities are available.</p> |  |
| <p>SA National Railway and Steam Museum</p> | <p>The South African National Railway and Steam Museum boasts the largest collection of vintage steam engines and rolling stock in South Africa.</p> |  |
| <p>Magaliesburg Express</p> | <p>The Magaliesburg Express is a relaxing train ride from Johannesburg to Magaliesburg on the first Sunday of every month.</p> |  |
| <p>Markets and events</p> | <p>Every Saturday a street market is being operated behind the Town Hall where the local community sells a wide range of products at bargain prices. The Lemon Tree Organic Craft Market is held every Saturday, where a numerous organic products are for sale.</p> |  |

Townships Tours

Mogale Tourism recently arranged a tour of two townships, Kagiso and Munsieville. These tours provide a scenic journey and include the childhood home of Arch Bishop Desmond Tutu, the historic St Paul's Anglican Church, the Kagiso cheese factory and the Back Yard Art Gallery.



The World Trade Organisation's definition of tourism states that "tourism comprises the activities of persons travelling to, and staying in places outside their usual environment, for not more than one consecutive year, for leisure, business and other purposes. The usual environment of a person consists of a certain area around his/her place of residence, plus all other places he/she frequently visits e.g. the workplace".

5.10.3 Value Chain Analysis

The following **gaps** have been identified in the Mogale City tourism value chain, which presents opportunities for the development of this sector:

- 1) **Tourism infrastructure** – Infrastructure that has an effect on the tourism sector includes transport infrastructure and linkages, road signage, access to clean water, sanitation and electricity, safety and security, as well as tourism information services. All these elements need to be addressed in order to create an environment which enables tourism to thrive.
- 2) **Marketing/branding** – The marketing of Mogale City as a unique tourist destination is crucial in creating a compelling brand or marketing message that will lure tourists to the area. The development of tourist packages from the available products, including attractions, accommodation and transport, should provide tourists with value for money and a pleasant, hassle-free experience.
- 3) **Tourism information database** – A database containing information on **all** attractions, accommodation facilities, transport services, tour and trip operators could go a long way in improving the marketing of the area and enabling sufficient information to reach potential markets.
- 4) **Encouragement of intermediaries and distributors to operate within Mogale City**– Tourism intermediaries and distributors play an important role in matching up tourism supply to demand, i.e. ensuring information on tourism products reach the potential markets and enabling tourists to make informed decisions. A greater presence of these market players within Mogale City, together with greater cooperation with intermediaries outside Mogale City, could increase tourist volumes. This area of influence provides some opportunities for SMME development.
- 5) **Product rejuvenation/innovation** – This element represents the "supply side" of the tourism value chain. By developing, improving and linking the different tourism facilities, including attractions,

leisure activities, accommodation and complementary products, a more varied “package” of products can be presented to potential markets. The supply element of the value chain also provides opportunities for SMME development, especially in terms of accommodation, e.g. B & B’s, guesthouses.

- 6) **Stakeholder relationships** – Relationships and cooperation between the different stakeholders, such as different government departments, the private sector and SMME’s is vital in ensuring that the tourism sector will contribute to the local economic development of Mogale City. This is important, since tourism development is a cross-cutting concern, which includes government departments such as Agriculture; Culture, Sports and Recreation; Local Government and Housing; Roads and Transport; Safety and Security. Partnerships with the private sector are also crucial in assisting SMME’s to gain access to the tourism market.
- 7) **Human capital** – The presence of appropriate skills, entrepreneurial abilities and culture of service within Mogale City will play an important role in the ability of the area to attract and retain a substantial portion of the tourism market. Facilities that provide training in hospitality and business management could address this issue.

5.10.4 Development Potential

Table 5.13 illustrates the development potential for the tourism sector.

Table 5.13: Development Opportunities in Mogale City:

| Opportunities within the Tourism Sector | |
|---|---|
| Promotion, information and infrastructure | <ul style="list-style-type: none"> • Improved and focused marketing of the area as a tourist destination • Development of tourism packages • Improvement of tourism infrastructure, incl. transport links, signage, information services • Urban renewal projects • Stop crime |
| Development of tourism attractions | <ul style="list-style-type: none"> • Focusing resources on development of existing tourism potential |

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| | <ul style="list-style-type: none"> • Development of edu-tourism • Development of eco-tourism • Development of sports related tourism • Farming based tourism |
| Development of specific tourist routes | <ul style="list-style-type: none"> • Magaliesburg Eco-tourist route |
| Tourism and hospitality training | <ul style="list-style-type: none"> • Ensure that the demand for skilled and semi-skilled labour in the tourism sector is met through e.g. a hospitality training college, training programmes, bursaries |
| Tourism facilities | <ul style="list-style-type: none"> • Development and improvement of tourism facilities and accommodation for the emerging, middle and high income tourist market • Make sure that the necessary accreditations are done on all of the accommodation and recreation facilities in Mogale City |
| SMME's in tourism | <ul style="list-style-type: none"> • Focus on strengthening the role of SMME's within the tourism sector in order to maximize employment creation • Training for SMME based tourism facilities |

5.11 Rural Development

The Comprehensive Rural Development Programme (CRDP) is **strategic priority number 3** within the government's current Medium Term Strategic Framework. The CRDP is aimed at being an effective response against poverty and food insecurity by maximising the use and management of natural resources to create vibrant, equitable and sustainable rural communities.

The ultimate vision of creating vibrant, equitable and sustainable rural communities will be achieved through a three-pronged strategy based on:

- a coordinated and integrated broad-based agrarian transformation;
- strategically increasing rural development; and
- an improved land reform programme.

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| Opportunities within Rural Development | |
|--|--|
| Infrastructure Development | <ul style="list-style-type: none"> • Basic Services • Road Infrastructure • ICT Infrastructure |
| Agriculture Programmes | <ul style="list-style-type: none"> • Agri-Villages • Chicken and Goat Farming • Vegetable Farming • Greenhouse crops and hydroponics • Agro-processing |
| ICT Programmes | <ul style="list-style-type: none"> • Computer related job opportunities (data capturing, sorting, etc.) • Radio Programmes (marketing, educational, etc.) • Improvement of ICT Infrastructure, fixed and wireless |
| Rural Tourism Programme | <ul style="list-style-type: none"> • Tour Operators • Backpacking • Events and festivals • Traditional Cuisine • Hiking, bird watching and camping • Rural Tourism Route |

5.12 Conclusion

This section had as its aim the analysis of economic potential within Mogale City Local Municipality, and the identification of development opportunities and constraints within the different economic sectors. The main challenge for local economic development in Mogale City is to diversify the economic base and add value to the primary products that are produced in the area.

Forward and backward linkages within the economy should also be strengthened, and a unique opportunity exists for utilising the by-products of different economic sectors, e.g. agriculture, manufacturing, etc. for beneficiation and value-adding. The value chain analyses of several industries which hold potential for Mogale City have also pointed to certain gaps that need to be addressed in order to further develop these value chains.

In order to maximise the benefits that Mogale City Local Municipality can derive from the development of tourism, focus should be placed on areas that provide the most potential. In terms of development

constraints in the tourism sector, the improvement of transport linkages, infrastructure, tourism facilities, information and tourist services, as well as the development and implementation of a strong tourism marketing strategy for the area, are the main factors to be addressed.

Section 6 – Strategic Framework

6.1 Introduction

The purpose of this section is to formulate the strategic framework which will guide the local economic development within the Mogale City Local Municipality. The opportunities, as identified in the sectoral potential analysis, will be considered in terms of their ability to broaden the local economic base of the region, create sustainable employment and stimulate businesses development.

These sectoral opportunities will be categorised according to strategic thrusts and then broken further down into strategic programmes. Strategic thrusts identify the broad goal towards which local development is aimed. Thrusts therefore enable an integrated approach towards drawing on the identified sectoral opportunities, while the strategic programmes will provide more focussed developmental aspects of these opportunities within Mogale City.

Sections 6 will therefore focus on the following aspects:

- ✓ Local Economic Development Principles and Objectives
- ✓ Strategic Thrusts and Programmes
- ✓ Project Identification and Prioritisation

6.2 Local Economic Development Principles and Objectives

The main development principles of local economic growth can be outlined as follows:

1. Beneficiation of primary products
2. Build upon the comparative advantage of the areas
3. Increase sustainable employment opportunities
4. Creation of competitive skills base
5. Aid the improvement of annual household income
6. Implementing support services
7. Increase SMME opportunities
8. Increase economic linkages in the region
9. Increase municipal capacity building
10. Promote Broad-Based Black Economic Empowerment (BBBEE)

In order to ensure that the LED Framework addresses the specific economic gaps and opportunities of the Mogale City Local Municipality, the principles of economic growth should be focussed upon when identifying the strategic thrusts.

The subsequent paragraph identifies the strategic development thrusts for Mogale City, which will aim at addressing the above mentioned ten economic development principles.

6.3 Strategic Thrusts

Strategic thrusts aim at utilising existing economic opportunities by transferring these into workable strategic programmes. Thrusts therefore consist of a clustering of programmes designed to address common gaps in Mogale City's local economy. These thrusts and subsequent programmes are intended to strengthen weaknesses in the local economy, reduce the current constraints and capitalise on the identified sectoral opportunities.

This section provides an outline and description of the three strategic thrusts as identified for the Mogale City local economy.

- ***Thrust 1: Development of an Agricultural Hub***

- **Thrust 2: Business Development**
- **Thrust 3: Integrated Tourism Sector**

6.3.1 Thrust 1: Development of an Agriculture Hub

The objective of this Thrust is to build on the existing primary sector activities that occur within Mogale City Local Municipality through the extension of the agricultural value chain. In Mogale City, the primary sector activities relate to agricultural activities, focussed mainly on floriculture, pig and chicken farming as well as the production of vegetables.

The agricultural sector in Mogale City allows opportunities for further beneficiation and the extension of value-adding activities related to these products. Currently, there are very little processing activities taking place within the region. The large amount of cattle and chicken farmers as well as the location of some vegetable and fruit farms makes it an ideal location for chicken and/or vegetable processing activities in the area.

There are some small-scale and subsistence farmers within Mogale City, particularly in the rural areas, who are not producing at optimal levels, due to a number of constraining factors. Many agricultural projects are also struggling to survive and some have become in-active. It is, therefore, also important that emerging farmers and existing agricultural projects are supported in expanding their farming activities into viable and sustainable enterprises that will not only increase the income generated and jobs created by these activities, but will also grow sufficiently to form the basis of further beneficiation opportunities.

The following table provides detail on the first development thrust:

Table 6.1: Thrust One

| Thrust 1: Development of an Agricultural Hub | | | |
|---|---|---|---|
| Vision: To expand the agricultural sector of Mogale into new products and markets, specifically niche and export markets. | | | |
| Programmes | Projects | Time frame | Role players |
| 1) Introduction of new products with a special focus on small-scale farming and niche | <ul style="list-style-type: none"> • Organic Farming (herbs, spices) • Expansion of existing vegetable farming • Expansion of existing chicken farming for commercial purposes | <ul style="list-style-type: none"> • Medium term | <ul style="list-style-type: none"> • LED Unit • Dept. of Agriculture • Local farmers |

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| | | | |
|------------------------------------|---|--|---|
| products | <ul style="list-style-type: none"> Essential Oils | <ul style="list-style-type: none"> Long term | <ul style="list-style-type: none"> Cooperatives CSIR/ARC |
| | <ul style="list-style-type: none"> Diversify horticulture and expand existing cut flower industry | <ul style="list-style-type: none"> Medium term | |
| 2) Tarlton as an Agriculture Hub | <ul style="list-style-type: none"> The development of an agriculture hub in Tarlton, with specific focus on adding value to agricultural products, processing, storage and distribution. | <ul style="list-style-type: none"> Medium to Long term | <ul style="list-style-type: none"> LED Unit WRDA MAC Local farmers |
| | <ul style="list-style-type: none"> Establish a Fresh Produce Market | <ul style="list-style-type: none"> Short to Medium term | <ul style="list-style-type: none"> LED Unit WRD Local Farmers IDC, DBSA |
| 3) Emerging farmers support system | <ul style="list-style-type: none"> Develop agri-villages in rural areas Establish regional farmers association Increasing the number of farmers on the LRAD programme | <ul style="list-style-type: none"> Medium to Long term | <ul style="list-style-type: none"> LED Unit Dti Local Farmers AgriSA |
| 4) Skills development and training | <ul style="list-style-type: none"> Establishment of on-site training facilities and projects | <ul style="list-style-type: none"> Medium Term | <ul style="list-style-type: none"> MCCI Commercial Farmers |
| | <ul style="list-style-type: none"> Tertiary training facilities and bursaries for agriculture | <ul style="list-style-type: none"> Medium Term | <ul style="list-style-type: none"> DTI DOL (labour) |

a. Programme 1: Introduction of new products with a special focus on small-scale farming and niche products

The aim of this Programme is to expand on existing projects in the Municipality to increase their viability as sources of income for the local communities which are to benefit from them. Existing projects are not operating at optimal levels and should be supported in developing the project into a commercial enterprise. A number of chicken farming projects are also located in the region as well as vegetable projects. These projects should be expanded to such a level that these projects can sufficiently supply the local demand in the Municipality.

The potential to diversify vegetable production in such a way that the local demand for all types of vegetables can be supplied from within the Municipality should be further investigated.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Expand existing vegetable production
- ✓ Essential Oils
- ✓ Organic Farming Implementation
- ✓ Expansion of chicken farming activities for commercial purposes
- ✓ Diversify horticulture and floriculture in the form of organic farming

b. Programme 2: Tarlton as an Agriculture Hub

The development of value-adding activities should be the secondary focus of agricultural development. The rationale is that the critical mass of locally produced agri-produce must be sufficiently boosted to guarantee the sustainability of agro-industries. Therefore this programme focuses on the stimulation of these activities in the local economy of Mogale City.

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

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Vegetable processing Cluster
- ✓ Investigate possible value-adding activities to horticulture and floriculture production
- ✓ Meat processing cluster
- ✓ Fresh Produce Market

c. Programme 3: Emerging Farmers Support System

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

Therefore the level of efficiency with which the emerging farmers are supported should be refocused on the following dimensions:

- ✓ The expansions of skills of the emerging farmers
- ✓ The creation of support programmes aiming at skills expansion
- ✓ The organisation of agricultural communities to participate in economic (agricultural) activities
- ✓ Strengthen the bargaining power of the emerging farmers

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Develop agri-villages in rural areas
- ✓ Support emerging livestock farmers
- ✓ Increase the number of local farmers on the LRAD programme
- ✓ Establish Regional Farmers Association

d. Programme 4: Skills Development and Training

The training and business skills development of local farmers within Mogale City will ensure that businesses and farms are successful, competitive and sustainable. A large concern present amongst local farm owners is the lack of adequate business and farming skills to effectively manage their farms. The lack of farming skills therefore is a major constraining factor and it is important that these skills shortages are effectively addressed to ensure the sustainability and growth of local farms. Training programmes should, therefore, specifically address these shortcomings.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Establishment of on-site training

- ✓ Bursaries for emerging and young farmers to attend agricultural colleges

6.3.2 Thrust 2: Business Development

The BRE&A approach undertaken is intended to provide the local government with a framework and more strategic approach towards local economic development within Mogale City. This approach allows the Mogale City Local Municipality to ensure sustained economic and industry development.

Business retention and expansion has become one of the key mechanisms stimulating local economic development (*Jahed, 2006:4*). In order to ensure that economic development brings about positive and lasting change to both industrial regional economies', interventions have to be of an integrated nature.

It is important that local businesses are supported in their development and growth and that the development of new SMEs is stimulated. Many local businesses experience constraining factors such as a lack of business and financial management skills. The Municipality should, therefore, provide support to emerging SME's as well as in the provision of skills training. In this respect, a number of organisations, both on provincial and national level, have been established to support small businesses. These organisations are not currently sufficiently represented in Mogale City Local Municipality and the establishment of local offices of these support services should, therefore, be encouraged and facilitated, if not already. Local businesses should also be supported through mentorship programmes, whereby practical knowledge can be transferred from experienced business owners to entrepreneurs. Support should also be given to small local businesses in gaining access to capital and financial sources.

The following table provides detail on the first development thrust:

Table 6.2: Thrust 2

| Thrust 2: Business Development | | | |
|--|--------------------------------|---------------|-------------------------------------|
| Vision: To establish Mogale City as a regional business centre with a conducive environment to do business in. | | | |
| Programmes | Projects | Time frame | Role players |
| 1) Business Retention Programme | • Skills Revitalisation | • Medium term | • LED Unit • Chamber of Commerce |
| | • Industry Information Network | • Short term | |

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| | <ul style="list-style-type: none"> Industry Assistance | <ul style="list-style-type: none"> Short term | <ul style="list-style-type: none"> Local business Dti |
| | <ul style="list-style-type: none"> Industrial Zone Infrastructure | <ul style="list-style-type: none"> Medium | <ul style="list-style-type: none"> Dept. Public Works MCLM Planning Dept |
| 2) Business Expansion Programme | <ul style="list-style-type: none"> Property & Infrastructure Assistance Support Services | <ul style="list-style-type: none"> Short term | <ul style="list-style-type: none"> LED Unit MCLM Dev Agency |
| | <ul style="list-style-type: none"> Inter-regional Integration Industrial Recruitment and Targeting | <ul style="list-style-type: none"> Medium term | <ul style="list-style-type: none"> WRDM MCLM Marketing Dept |
| 3) Business Attraction Programme | <ul style="list-style-type: none"> Land & Industry Supply Initiative Area Targeting and Regeneration | <ul style="list-style-type: none"> Medium to Long term | <ul style="list-style-type: none"> LED Unit Dti MCLM |
| | <ul style="list-style-type: none"> Industry Investment Strategy Marketing Plan | <ul style="list-style-type: none"> Medium term | <ul style="list-style-type: none"> LED Unit Marketing Dti DED |
| 4) SME Support, Networking and Matchmaking | <ul style="list-style-type: none"> Establishment of SME One Stop Centre for Mogale City and the West Rand, which acts as coordinating centre for other "satellite" SMME support centres on local level. | <ul style="list-style-type: none"> Short Term | <ul style="list-style-type: none"> LED Unit DTI Organised Business SME |
| | <ul style="list-style-type: none"> Small Business Forum linked to MCCI | <ul style="list-style-type: none"> Short Term | |
| | <ul style="list-style-type: none"> SME procurement/outsourcing Database | <ul style="list-style-type: none"> Short Term | |
| 5) SME Beneficiation and value adding activities | <ul style="list-style-type: none"> Agriculture projects involving emerging farmers – hydroponics, floriculture, aquaculture | <ul style="list-style-type: none"> Long Term | <ul style="list-style-type: none"> LED Unit DTI Organised Business |
| | <ul style="list-style-type: none"> Small business development in | <ul style="list-style-type: none"> Medium | <ul style="list-style-type: none"> Business |

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|---|---|---|--|
| | accommodation facilities | Term | <ul style="list-style-type: none"> • GDARD |
| | <ul style="list-style-type: none"> • SME Tour operators | <ul style="list-style-type: none"> • Medium Term | <ul style="list-style-type: none"> • Local Farmers • Local SME's |
| 6) Skills Development and Training | <ul style="list-style-type: none"> • Establishment of on-site training facilities | <ul style="list-style-type: none"> • Medium Term | <ul style="list-style-type: none"> • MCCI • Commercial Farmers |
| | <ul style="list-style-type: none"> • Tertiary training facilities in business management and development | <ul style="list-style-type: none"> • Medium Term | <ul style="list-style-type: none"> • DTI • DOL (labour) • SETAs |

a. Programme 1: Business Retention Programme

i. Skills Revitalisation

A distinctive skills training and development programme aimed at bringing together government, private sector industries and local communities and skills facilitators. This programme aspires to determine the incumbent worker training, by interpreting the skills shortage as well as to provide industries with a closely located skills training and skills upgrading facility for future development and needs.

ii. Industrial Information Network

This programme aims to *improve the competitiveness* of firms by allowing for better and improved information sharing and dissemination. A programme of this nature entails that industry forums/associations regularly meet up to share and disseminate information relevant to the operations of local industries, i.e. international practices within particular industries, local development programmes available to industries, current trends etc.

iii. Industry Assistance

One of the primary reasons for small-scale business to close down, scale-down or not even venturing into the actual market, is the lack of start-up capital and operational cash-flows. The South African Government has developed numerous programmes to address this particular shortcoming through Departments such as the DTI, agencies such as the IDC etc. Industry assistance not only refers to financial assistance, but also the various forms of non-financial assistance made available to industries. Non-financial assistance includes – training & skills development, research & development, export promotion, transport –related rebates, international enterprise linking – i.e. fully utilise the abilities and resources of Multinational Corporations,

the development of industry stimulating policies and the development of strong and well defined strategic partnerships.

iv. Industrial Zone Infrastructure

Infrastructure is considered to be an essential determinant for economic and industry development. In order for an economy to operate effectively and efficiently it is vital that the infrastructure demands of businesses are met – as the quality of infrastructure and related services directly influence the productivity and of the overall outputs of the economic centre or in this case the Industrial Zone.

b. Programme 2: Business Expansion Programme

i. Property and Infrastructure Assistance

The Property and Infrastructure Assistance programme aims to assist industries whom require more physical space or has other spatial and building requirements. It is proposed that this programme be linked to the prior suggested Industry Information Network – thus offering industries and enterprises with an interactive website and direct contact information with regards to property available within the industrial zone.

ii. Support Services

The second enterprise competitiveness stimuli programme encompasses the gaining of access to the various development support and assistance mechanisms. This programme focuses on the dissemination of relevant development and funding assistance to industries or enterprises wanting to expand their operations. Supportive services refer to all the various interventions available to existing industries in order to allow them to expand their existing business/industry or even to enter a new industry.

iii. Inter-regional Integration

The implementation of an Inter-regional Integration programme aims to increase the levels of integration and cohesion between industries. The programme aims to establish a good relationship between the various industrial locations throughout the city – developing a symbiotic affiliation between industries.

iv. Industrial Recruitment and Targeting

The heart of this programme is the identification and targeting of specific industries that will make up the core industry base for the various Industry Clusters. A prerequisite for the development of a cluster is the identification of both regions' most competitive and suitable industries (i.e. competitive advantages) based on economic performance and employment creation abilities. This will in turn form the basis for the skills

requirements pertaining to the labour pool, infrastructure requirements for the designated industry whilst also determining the input and product markets.

c. Programme 3: Business Attraction Programme

The overarching purpose of a Business Attraction Strategy is to attract new industries to a specific locality in order to diversify, expand and build the localities economy. The ideal outcome of implementing such a strategy is to establish of a value chain or industry clustering set-up. The attraction of new business furthermore has the ability to opens up a vast array of possibilities and uncovers latent potential within these two economies, whilst also making the local economy less dependent on a particular type of manufacturing.

i. Land and Industry Supply Initiative

The programme focuses on two crucial factors in its endeavours to attract new industries – “land-supply” and “industry-supply”. The land component is a reflection of the industrial zone’s image – a crucial location factor, whereas industry supply component refers to the various interventions implemented by the industrial and business zones to assess the mix and status of industrial development.

ii. Industry Investment Strategy

An active investment strategy can be used to transpose the industrial zone to new level of economic performance and growth. This Strategy should aim to first and foremost provide in the needs of the core industry group identified (as per the clustering approach to industrial development).

iii. Marketing Plan

Marketing can be defined as *the various promotional efforts implemented by business enterprises, organizations or industries to identify their primary and secondary consumer markets, it also includes the process of defining and developing its specific products and services that it has to offer and the packaging thereof.* In order to not only attract business to a region, but to attract the **RIGHT** business to a region a proactive marketing approach is required.

The Marketing Plan would necessitate that Mogale City Local Municipality create a local database aimed specifically at generating more visibility and accessibility to its industrial areas. First off, a Marketing Plan calls for an all-inclusive, easily accessible (and useable) source of relevant information – i.e. a Manufacturing Website. The **website** will act as the primary mode of interaction between industrial and business zones, the city of Mogale City and outside (or even internal) investors – providing them with **essential information**.

iv. Area Targeting and Regeneration

In order to create a more cohesive industry network it is crucial that business efficiency be improved – this refers to the various efforts made by local the municipality aimed at improving the local business climate, making it more conducive to development and the expansion of existing businesses. Business efficiency can only be improved once the ideal environment has been established – this includes the provision of sufficient and required economic infrastructure, human resource development initiatives, as well as the development and maintenance of the immediate surrounding areas. While industries or business enterprises might be attracted to an area because of its exterior image – i.e. it's a nice place to live and raise a family, a business or industry can only survive if it makes sufficient profit. It can thus be said that the image a region projects to the outside world has the ability to attract new industries and businesses. The primary focus of area regeneration is to facilitate the creation of aesthetically pleasing and environmentally greener locality – where business and families would want to locate.

d. Programme 4: SME Support, Networking and Matchmaking

Most emerging entrepreneurs experience constraints in accessing start-up capital and financial resources to support and grow their small businesses. At the same time, a number of national, provincial and private sector initiatives have been set up to support local businesses. These initiatives include the Khula micro credit outlets and retail financial intermediaries, the IDC and the Development Bank of Southern Africa, which provide financial resources ranging from small to large loans. However, many entrepreneurs are largely unaware of these resources and it is, therefore, important that a financial resource database is developed in the Municipality. This information should also be disseminated to local entrepreneurs, particularly in the rural areas of the Municipality.

A further constraining factor is the fact that, where local businesses are aware of financial resources, they do not know how to apply or gain access to funding. The Municipality should, therefore, support local businesses by providing assistance in the preparation of business plans and other documents required in order to access finance, as well as providing assistance in the lobbying of and negotiations towards securing the funding required for the development and growth of SMME's. Linkages should also be forged with larger private sector enterprises that are willing to provide financial support as part of their social responsibility policies and programmes.

The value that networks can have in the creation of a viable and competitive SME sector is undeniable. These networks form the basis for knowledge exchange, market penetration and cost reductions. The

facilitation of network establishment can therefore prove to be a very powerful tool for local authorities to coordinate SME development within their areas of jurisdiction, as well as cross-border interaction.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Establishment of a One Stop Centre for Mogale City and the West Rand for SME Support
- ✓ Small Business Forum linked to MCCI
- ✓ SME Procurement and Outsourcing Database

e. Programme 5: SME Beneficiation

A constraint however is the fact that municipalities are unaware of the programmes, specifically designed to train SMME's, on offer. These programmes range from NGO's and private sector programmes to national government programmes with their main focus being that of assistance provision to SMME's in order to increase their ability to perform. It is therefore necessary to establish an efficient networking/lobbying structure between Mogale City Local Municipality/SMME partnership and exiting development agencies such as SEDA, Ntsika, Khula, GEP, GEDA and the Micro Enterprise Alliance.

More specifically, assistance should include:

- ✓ Business Development Centres
- ✓ Training and Entrepreneurial Programmes
- ✓ An Entrepreneurial Culture

One of the most efficient programmes that can be implemented as part of a service delivery strategy to SMMEs is Business Development Centres. These centres offer the benefit of centralising business development requirements in a strategic geographical location at below market rates. Mixtures of services that can be provided include training, consulting and information dissemination. Some services provided might also include services such as purchasing, marketing networks, develop or manage hives and incubators and making loans available to eligible SMMEs.

The BDC model can best be implemented as a partnership between relevant role-players, i.e. where local/provincial government provides the funding for the programme, as well as information on government regulations, incentives, building plans and telecommunication infrastructure, while the private sector or NGO provide the specialist services/training/financing at the BDC.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Agricultural Projects involving emerging farmers – hydroponics
- ✓ Small Business development in accommodation facilities (tourism)

f. Programme 6: Skills Development and Training

Another successful form of training and skills development is in the form of mentorship programmes. These programmes entail that SMME's learn through the experiences of successful business-persons in each specific field. These business persons assist the emerging SMME's in management, growth and expansion of their businesses. A database of business mentors should, therefore, be developed to allow local entrepreneurs access to networking opportunities.

The Municipality should also encourage and facilitate the development of relevant training programmes which develop skills in particularly the Agricultural, Manufacturing and Tourism-related sectors of the local economy. The curriculum of local schools, colleges and training facilities should also be reviewed to ensure that the skills developed are practical and relevant. In this respect, accredited training agencies should be utilised in providing entrepreneurs with learnership and training opportunities.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Establishment of on-site training
- ✓ Bursaries for entrepreneurs and small business owners to attend business administration and management courses

6.3.3 Thrust 3: Integrated Tourism Sector

Mogale City Local Municipality LED Strategy

The underlying rationale of the tourism development, support and integration thrust is that tourism is a labour-intensive-peoples-based industry which means that when tourists visit a destination, they not only buy physical amenities but also skills and services of the local tourism employees.

Generally the highest priority is placed on hard infrastructure (hotels, roads etc.) while the softer infrastructure such as human resources tend to be an after-thought. Consequently, work force development and training programmes are often implemented on an ad-hoc basis, with skills-specific programmes that focus on the current need in the tourism industry rather than long-term goals and development.

The following table provides detail on the first development thrust:

Table 6.3: Thrust 3

| Thrust 4: Integrated Tourism Sector | | | |
|---|---|---|---|
| Vision: To establish Mogale City as the premier tourist destination in Gauteng. | | | |
| Programmes | Projects | Priority | Role players |
| 1) Township Tourism | <ul style="list-style-type: none"> • Tour Operators • Entertainment Venues • Educational Tours | <ul style="list-style-type: none"> • Medium term | <ul style="list-style-type: none"> • LED Unit • WRDM Tourism Unit |
| 2) Tourism Marketing Programme | <ul style="list-style-type: none"> • Integrated Tourism Association with representatives from public and private tourism facilities • Marketing Strategy • Tourism Node and Routes | <ul style="list-style-type: none"> • Short term • Medium term • Medium term | <ul style="list-style-type: none"> • WRDM Tourism unit • Local tourism • Dept of Tourism |
| 3) Tourism infrastructure and support services | <ul style="list-style-type: none"> • Tourism database for Mogale City (updated), incl. attractions, accommodation facilities, tour operators, transport operators • Urban renewal projects • Improvement of transport infrastructure, including road and rail links • Improvement of signage in Mogale City | <ul style="list-style-type: none"> • Medium term • Long term • Long term • Medium | <ul style="list-style-type: none"> • LED Unit • WRDM depts.. • Dept. of Transport • Local tourism |

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| | | term | |
|------------------------------------|--|--|---|
| 4) Adventure Tourism | <ul style="list-style-type: none"> • Tour Operators • Quad-bikes, • Sky-diving, • Hiking Trails • Backpacking Holidays • Volunteer Tourism | <ul style="list-style-type: none"> • Medium term | <ul style="list-style-type: none"> • LED Unit • WRDM depts.. • DEAT • Local tourism • Organised business |
| 5) Stakeholder relations | <ul style="list-style-type: none"> • Establishment of a tourism forum, on which different government departments, the private sector and SMME's are represented. | <ul style="list-style-type: none"> • Short term | <ul style="list-style-type: none"> • Local tourism |
| 6) Skills Development and Training | <ul style="list-style-type: none"> • Establishment of on-site training facilities • Tertiary training facilities in tourism and hospitality | <ul style="list-style-type: none"> • Medium Term • Medium Term | <ul style="list-style-type: none"> • MCCI • Commercial Farmers • DTI • DOL (labour) • SETAs |

a. Programme 1: Township Tourism

Township tourism, which has increased hugely in popularity since South Africa's multiracial elections of 1994, is now a multimillion dollar business. There are no reliable figures on the economic impact of the tours, which cost on average \$40 for a half-day visit and more for overnight stays in basic but clean houses or shacks (msnbc.com, 2009).

Crime is a very real threat to continued tourism growth, not just in the townships. It would be a tremendous pity and ultimately self-defeating if everyone simply throw up our hands and confine the tourism experience to a few high-security areas.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Tour Operators
- ✓ Entertainment Venues
- ✓ Educational Tours

b. Programme 2: Tourism Marketing Programme

In order to attract the necessary mass of international and domestic tourists, marketing of tourism-related activities, projects and services should be focussed on. A marketing plan forms an integral part of increasing tourism investment and tourism experiences.

There are two different types of tourism marketing and promotion:

- ✓ Marketing of specific facilities and services (e.g. hotel, a tour, an attraction), and
- ✓ Destination marketing (the generic marketing of a destination for the overall experience that a tourist can obtain in those destinations which includes combinations of facilities and services available)

Both of these types of tourism marketing should be used for Mogale City's tourism related LED projects.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Integrated Tourism Association with Representatives from public and private sector
- ✓ Marketing Strategy
- ✓ Tourism Node and Routes identification

c. Programme 3: Tourism Services and Infrastructure

The efforts undertaken to achieve regional integration and unique tourist products should be augmented with tourism services. Tourism services relate to the supporting infrastructure to the tourism industry, such as the necessary information channels, collaborative planning bodies and associations. This development programme implies a broader focus than the previous programmes.

Constant innovation and improvements should form the basis of tourism services, due to the increasing global competition, constant improvements and innovations in the industry. The local industries should be up to date and aware of the changing global tourism trends, technologies used, required skills and training etc. This can only be done by putting technology advanced tourism services in place, such as web-based booking and information provision, call centres and interactive tourism databases. This will in turn improve the accessibility of tourism related information on all tourism products and services within Mogale City, which is an important criterion for potential tourists.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Development of an interactive tourism database
- ✓ Improved Infrastructure (roads and road linkages)
- ✓ New signage to promote the area and give direction
- ✓ Establish a local Tourism Forum

d. Programme 4: Adventure Tourism

The development of unique tourism products and services should furthermore be packaged and marketed to the current tourist passing through the area. Although the unique selling point of each individual tourism activity and product should be marketed and developed separately, all the activities should form part of an integrated tourism packages.

The development of specialised tourism products should address the current trends within the tourism sector.

These trends include the following:

- ✓ Adventure and 'adrenaline' activities (Skydiving, water sports)
- ✓ Tourism activities related to nature (Farming)

Opportunity and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Tour Operators
- ✓ Quad-bikes
- ✓ Sky-diving
- ✓ Hiking Trails
- ✓ Backpacking Holidays
- ✓ Volunteer Tourism

e. Programme 5: Stakeholder Relations

It is imperative that there is a good working relationship between the various tourism activities and attractions. The establishment of a tourism forum, on which different government departments, the private sector and SME's are represented, must be established.

f. Programme 6: Skills Development and Training

The training and business skills development of local tourism stakeholders and workers within Mogale City will ensure that tourism events and locations are successful, competitive and sustainable. A large concern present amongst local tourism operators and owners is the lack of adequate business and hospitality skills to effectively manage their tourist destinations and businesses. The lack of tourism and hospitality skills therefore is a major constraining factor and it is important that these skills shortages are effectively addressed to ensure the sustainability and growth of local tourism. Training programmes should, therefore, specifically address these shortcomings.

Opportunities and Potential Projects

The following opportunities and projects have been identified under this programme:

- ✓ Establishment of on-site training at tourism facilities and events
- ✓ Bursaries for tourism operators, general staff and tourism business owners to attend tertiary training facilities

6.4 Conclusion

The LED framework was formulated to guide Mogale City Local Municipality's economic development efforts. The importance of the LED framework is significant in the planning and implementation of LED development trusts and programmes, key actions and projects are accordingly identified and prioritised.

The development of a LED strategy should be an integral part of the broader strategic planning process for the local region. Sound strategic planning ensures that priority issues are addressed and scarce resources are well targeted. According to the World Bank's paper on LED strategy implementation is driven by action plans. Key issues to consider here are:

- ✓ Who takes responsibility for each program or project?
- ✓ What are the targets in terms of outputs, time and funding?
- ✓ What steps need to be taken to achieve the targets?
- ✓ What will be the reporting structures (including to stakeholders)?
- ✓ What are the performance monitoring and evaluation systems and processes?
- ✓ What has to happen to ensure they are in place and used?
- ✓ What are the budgetary and human resource requirements for the sustained delivery of the project or program?

Section 7 – Project Prioritisation

7.1 Introduction

The projects identified during the study's sectoral analysis and strategic framework development needs to be prioritised in terms of each project's importance in Mogale City's economy. The prioritisation of projects is done through the employment of prioritisation criteria. The identified prioritisation criteria will form the basis of the prioritisation model and ultimately assist in the identification of anchor LED projects for the Mogale City Local Municipality.

The following three prioritisation criteria have been identified for Mogale City:

- ✓ Strategic importance of project
- ✓ Impact of the project
- ✓ SME development potential

7.2 Criteria

This sub-section will discuss the criteria for project prioritisation.

7.2.1 Strategic Importance of the Project

A project strategic importance is determined by the project's ability to positively impact on the local economy. Strategic importance as criteria takes into account the scale of development, the use of local resources as well as the effect the project will have on the comparative advantages of the local economy. A project will furthermore obtain a high score in this category if the project has strong linkages with other potential and existing projects.

The projects should also be aligned with government policies and legislation to adhere to a regional, provincial and national growth path.

7.2.2 Impact of the Project

The final criteria utilised for the assessment of projects, include the project's impact in terms of socio-economic aspects. Economic impact refers to the sum of the projects' influences on the local economy and includes the following aspects:

- ✓ Increased and additional levy income
- ✓ New business sales
- ✓ Potential agglomeration effects and advantages
- ✓ Foreign direct investment

7.2.3 Potential for SME Development

This criterion evaluates the potential of a specific project to assist with small and medium sized business developments. If the project will benefit or assist with development of SME's either directly or indirectly.

It is evident that the specific effects of each of the factors mentioned above are directly associated with the establishment of the project. LED projects, however also include indirect effects of the local economy and its community (social aspects), which are difficult to accurately measure and include aspects such as sustainable job creation and skills development.

7.3 Project Prioritisation Model

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Taking the above prioritisation criteria into consideration, a priority model was created. This project prioritisation model will be employed to assess the strategic importance of each of the potential LED projects. The model allows the allocation of different weights to each of the criteria elements according to importance. The project's total score will ultimately determine the projects' worth in terms of the development of Mogale City's local economy.

The following table indicates the LED projects for Mogale City after they have been prioritised (See Annexure A for an expanded prioritisation table, including the ratings for each variable):

Table 7.1: Project Prioritisation

| Project | Priority |
|--|----------|
| <i>THRUST 1: DEVELOPMENT OF A COMPLETE AGRICULTURAL HUB</i> | |
| Organic farming | 9 |
| Expansion of existing vegetable farming | 5 |
| Expansion of existing chicken farming for commercial purposes | 2 |
| Oil Seeds and Oil Extraction | 11 |
| Herb and Essential Oils | 7 |
| Diversify horticulture in the form of organic farming | 6 |
| Food cluster, with focus on processing, packaging & exporting in Tarlton | 4 |
| Fresh Produce Market | 1 |
| Develop agri-villages in rural areas | 8 |
| Establish regional farmers association | 9 |
| Increasing the number of farmers on the LRAD programme | 12 |
| Establishment of on-site training at local farms | 3 |
| Bursaries for emerging farmers and young people at agricultural colleges | 10 |
| <i>THRUST 2: BUSINESS DEVELOPMENT</i> | |
| Skills revitalisation project | 10 |
| Industry Information Network | 18 |
| Provide Industry Assistance | 19 |
| Industrial zone infrastructure project | 4 |
| Property and Infrastructure Assistance | 20 |

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| | |
|---|----|
| Support Services | 14 |
| Inter-regional Integration of Business | 13 |
| Industrial Recruitment and Targeting | 12 |
| Land and Industry Supply Initiative | 17 |
| Area Targeting and Regeneration | 11 |
| Industry Investment Strategy | 2 |
| Marketing Plan | 5 |
| Establishment of a SMME one stop centre | 1 |
| Small business forum linked to MCCI | 8 |
| SME procurement/outourcing database | 6 |
| Agric. projects involving emerging farmers: Hydroponics, floriculture | 7 |
| Small business development in accommodation facilities | 15 |
| SMME tour operators | 9 |
| Establishment of on-site training at local businesses | 3 |
| Bursaries for entrepreneurs to attend tertiary training facilities for business and financial management | 16 |
| THRUST 3: INTEGRATED TOURISM SECTOR | |
| Establishment of tour operators | 10 |
| Development/Establishment of Entertainment Venues | 9 |
| Develop Educational Tours | 14 |
| Integrated Tourism Association (public + private) | 8 |
| Tourism Marketing Strategy | 1 |
| Tourism Node and Routes Identification | 11 |
| Tourism database (attractions, accommodation, operators) | 5 |
| Urban renewal projects | 6 |
| Improvement of transport infrastructure and linkages | 3 |
| Improvement of signage | 12 |
| Establish and Develop Adventure Activities | 7 |
| Establishment of a tourism forum | 4 |
| Establishment of on-site training at local tourism attractions and events | 2 |
| Bursaries for entrepreneurs, tourism operators and owners to attend tertiary training facilities for tourism and hospitality training | 13 |

Source: Urban-Econ Prioritisation Model, 2010

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Projects have been prioritised with the prioritisation model and ranked as follows (1 being the highest priority):

Thrust 1: Projects prioritised from 1 to 12

Thrust 2: Projects prioritised from 1 to 20

Thrust 3: Projects prioritised from 1 to 14

7.4 Estimated Project Costs

Project costing is an important step in the process to implementation. This sub-section will examine the estimated costs of the identified projects.

The project costs presented in this section is estimated costs based on costs of similar projects. Feasibility studies and business plans will have to be done in order to determine the actual cost of the projects

Table 7.2: Estimated Costs of Potential Projects

| Project | Description | Cost (Rand) |
|--|--|---|
| THRUST 1: DEVELOPMENT OF A COMPLETE AGRICULTURAL HUB | | |
| Organic farming | Setup cost | R100,000 – R200,000 (excluding land) |
| Expansion of existing vegetable farming | Setup cost (1 ha) | R25,000 (excluding land) |
| Expansion of existing chicken farming for commercial purposes | Setup cost | R50,000 – R400,000 (excluding land) |
| Herb and Essential Oils | Setup cost | R50,000 – R150,000 |
| Diversify horticulture, floriculture in the form of organic farming | Investigation to be done by a consultant | R300,000 |
| Food cluster, with focus on processing, packaging & exporting in Tarlton | Investigation to be done by consultants | R300,000 – R1 million |
| Develop a fresh Produce Market | Develop of 1000m ² | R3 million |
| Develop agri-villages in rural areas | Develop of agri-village | R30 million + (setup cost) R5 million (operating cost) |

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| | | |
|--|---|---|
| Establish regional farmers association | Setup and running costs | R200,000 |
| Increasing the number of farmers on the LRAD programme | Additional allocations to local farmers | R1,5 million |
| Establishment of on-site training at local farms | 10 trainers | R2,7 million |
| Bursaries for emerging farmers and young people at agricultural colleges | Bursaries | R5 million |
| THRUST 2: BUSINESS DEVELOPMENT | | |
| Skills revitalisation project | Setup cost | R1 million |
| Industry Information Network | Setup cost | R400,000 |
| Provide Industry Assistance | Setup cost | R500,000 |
| Industrial zone infrastructure project | Provide infrastructure | To be determined by local engineering department |
| Property and Infrastructure Assistance | Provide infrastructure | To be determined by local engineering department |
| Support Services | Provide administrative and technical assistance | R1,5 million |
| Inter-regional Integration of Business | Setup cost | R500,000 |
| Industrial Recruitment and Targeting | Setup cost and strategy | R1 million |
| Land and Industry Supply Initiative | Setup cost | R500,000 |
| Area Targeting and Regeneration | Setup cost | R100,000 |
| Industry Investment Strategy | Development of strategy | R1 million |
| Marketing Plan | Development of plan | R350,000 |
| Establishment of a SMME one stop centre | Establish | R1.5 million (will also require additional assistance from MCCI and SEDA) |
| Small business forum linked to MCCI | Setup cost and running cost | R250,000 |
| SME procurement/outsourcing database | Setup cost | R250,000 |
| Agric. projects involving emerging farmers: Hydroponics, floriculture | Setup cost | R50,000 – R100,000 per farmer |
| Small business development in accommodation facilities | Setup costs (accreditation and training) | R15,000 – R30,000 per unit |
| SMME tour operators | Setup cost (training and office) | R15,000 – R30,000 per unit |
| Establishment of on-site training at local | Setup costs | R10,000 – R15,000 per |

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| | | |
|---|---|--|
| businesses | | trainee |
| Bursaries for entrepreneurs to attend tertiary training facilities for business and financial management | Bursaries | R1 million |
| THRUST 3: INTEGRATED TOURISM SECTOR | | |
| Establishment of tour operators | Setup cost (identification and training) | R10,000 per operator |
| Development/Establishment of Entertainment Venues | Setup cost (identification and accreditation) | R8,000 per venue |
| Develop Educational Tours | Setup cost | R15,00 per tour |
| Integrated Tourism Association (public + private) | Support and integration | R150,000 |
| Tourism Marketing Strategy | Develop strategy | R300,000 |
| Tourism Node and Routes Identification | Identification | R15,000 per route |
| Tourism database (attractions, accommodation, operators) | Setup cost and running costs | R500,000 |
| Urban renewal projects | Identification and renewal | To be determined by local engineering department |
| Improvement of transport infrastructure and linkages | Infrastructure | To be determined by local engineering department |
| Improvement of signage | Add signage | To be determined by local engineering department |
| Establish and Develop Adventure Activities | Marketing and accreditation | R10,000 per activity |
| Establishment of a tourism forum | Setup costs | R200,000 |
| Establishment of on-site training at local tourism attractions and events | Setup costs | To be determined by local engineering department |
| Bursaries for entrepreneurs, tourism operators and owners to attend tertiary training facilities for tourism and hospitality training | Bursaries | R5 million |

7.5 Conclusion

Resources are not unlimited and it is therefore extremely important that the resources be spent on the most important projects. Prioritising projects makes implementation easier as it is possible to start with projects with the highest impact potential.

Section 8 – Funding Options and Support Services

8.1 External Partnerships and Support Service Agencies

A vital institutional arrangement that can be utilised is the formation of partnerships between the municipality's LED unit and the West Rand District LED unit, as well as between the local LED unit and various support organisations. The formation of these partnerships is especially essential at Programme and Project level. As a result of the limited budget for LED initiatives it is important for LED department to coordinate the involvement of various community groups and support service agencies. Within these partnerships it will be able to implement the Programmes and Projects identified and described in this LED framework.

Support Service agencies have a vital role to play in the development of a sustainable, dynamic, diverse economy in Mogale City Local Municipality. However, the majority of residents, entrepreneurs, SMMEs and established businesses in the municipality do not have access to the services provided by support services agencies.

The following section offers more detailed information of the core services and focus areas of the various support service institutions.

The Department of Trade and Industry (the dti)

The Department of Trade and Industry (the dti) offers a variety of services to companies planning on investing in South Africa. The dti and its subsidiary agencies are involved in promoting

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economic development, SMME support, black economic empowerment and promoting and regulating international trade.

The aim of the dti is to lead and facilitate access to sustainable economic activity and employment for all South Africans through its understanding of the economy, its ability to identify economic opportunities and potential, and its anticipation of the future. This will be achieved through attracting higher levels of investment, increased access to local products and services in international markets and creating a competitive market for domestic and foreign businesses.

The dti is a group of developing bodies that form part of the Council of Trade and Investment Institutions. The group is divided into three main clusters, i.e. development finance, regulatory and specialist services. Some of the major developing bodies included in the dti group are the Industrial Development Corporation and the Khula Enterprise Finance Limited. These organisations are examined in more detail below.

The Industrial Development Corporation (IDC)

The IDC is a self-financing state owned development finance institution whose primary objective is to contribute to the generation of balanced sustainable economic growth in Southern Africa. The aim of the IDC is to secure and stimulate rapid economic growth, create employment opportunities and reduce poverty.

Sectors that are supported by the IDC funding are outlined in *Annexure B: IDC Financing Options*. Although the IDC reviews each project separately, funding preferences are given to the following:

- ✓ Financing fixed assets and the fixed portion of growth in working capital requirements
- ✓ Projects/businesses which have a significant developmental impact e.g. rural development
- ✓ Empowerment, job creation, township development and value addition

Core strategies and objectives include:

- ✓ To contribute to the goals of the ASGISA by providing financing that will stimulate job creation, investment activity and economic growth
- ✓ To develop economies that are viable, sustainable and environmentally and socially responsible
- ✓ To develop Small and Medium Enterprises (SMEs)

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- ✓ To accelerate BBBEE
- ✓ To serve as a catalyst for balanced, sustainable development
- ✓ To provide risk capital in partnership with the private sector

Trade and Investment South Africa (TISA)

Trade and Investment South Africa (TISA) is a division of **the dti** and provide investment facilitation services for inbound investors. Its aim is to increase South Africa's capability and to promote exports into targeted markets and increase and retain the level of foreign and domestic direct investment.

Tisa focuses on promoting sectors of the South African economy that show the biggest growth potential and marketability, and coordinates provincial initiatives to match investors' requirements with opportunities in the provinces.

TISA has three business units, namely:

- ✓ Investment Promotion and Facilitation. It is responsible for attracting foreign direct investment, developing and promoting investment by domestic investors, and enhancing government policies and processes that impact on South Africa's appeal to investors.
- ✓ Export Development and Promotion. It is responsible for developing and promoting South African goods and services including specific technical interventions in terms of export advice, matchmaking, and market intelligence. This business unit aims to increase the competitiveness and export capacity of South African companies so that they are able to export into various markets. The assistance provided is in the form of financial or non-financial assistance.
- ✓ International co-operation. International Operations Unit is responsible for the effective management and administration of the Department's Foreign Office network.

Small Enterprise Development Agency (SEDA)

SEDA is a government agency and a member of **the dti** group. It is mandated to implement government's

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small business strategy design and implement a delivery network for SMME development and integrate government-funded support agencies across all tiers of government. SEDA also supports, promotes, and grows enterprises with a special focus on co-operative enterprises located in rural areas.

The task of SEDA is as follows:

- ✓ Provide information on how to start a business
- ✓ Assist with the setting up of a cooperative
- ✓ Assist with the compilation of business and marketing plans
- ✓ Mentor and coach entrepreneurs
- ✓ Build capacity of entrepreneurs through training
- ✓ Provide advice on the legal form of businesses, franchising, tendering and how to access finance
- ✓ Identify opportunities and business linkages for small enterprises.

In general, SEDA aims at providing information to small business and prospective enterprisers that would encourage them to start and build sustainable businesses.

The Gauteng Enterprise Propeller (GEP)

The Gauteng Enterprise Propeller is a provincial government agency established in 2005 under the auspices of the Department of Economic Development to provide non-financial support; financial support; co-ordinate stakeholders for the benefit of Small Medium and Micro Entrepreneurs (SMME's) in Gauteng. The goal of the GEP is to facilitate increased SMME participation in mainstream economy, and their contribution to economic growth and development and employment in Gauteng

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The objectives of GEP are to:

- ✓ Promote, foster and develop small enterprises in Gauteng
- ✓ Implement the policy of the Gauteng Provincial Government for small enterprise development
- ✓ Design and implement small enterprise development support programmes within Gauteng

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- ✓ Establish and promote a support network in order to increase the contribution of small enterprises to the Gauteng economy
- ✓ Promote economic growth, job creation and equity
- ✓ Integrate all government-funded small enterprise support agencies in Gauteng
- ✓ Strengthen the capacity of service providers to assist small enterprises to compete successfully domestically and internationally

The province recognises that SMMEs have a valuable role to play in addressing the afore-mentioned objectives and can directly and indirectly:

- ✓ Contribute to the Province's and country's GDP
- ✓ Create some long-term sustainable jobs
- ✓ Ensure transformation in terms of the representivity of the economic sector as a whole and contribute to a reduction of poverty

GEP has identified six Strategic Priorities towards fulfilling its role, achieving its goal and delivering on its mandate. These are:

- ✓ Provision of efficient and timely financial support to SMMEs towards facilitating their development
- ✓ Provision of efficient and timely business development support to SMMEs towards increasing their professionalism and sustainability
- ✓ Contribute to the creation of an enabling environment for SMMEs growth and sustainability
- ✓ Identify business opportunities and enhance business facilitation and business partnerships for, and between SMMEs
- ✓ Facilitate increased SMME participation, including of women, youth and people with disabilities, in the Province's economic growth sectors and GPG's priority socio-economic development projects
- ✓ Ensure effective and efficient management of GEP

Gauteng Economic Development Agency (GEDA)

The Gauteng Economic Development Agency is the first point of contact for smart investors and entrepreneurs who need access to unlocking new value in Gauteng and South Africa. The agency is responsible for marketing and facilitating the economic, investment and trade promotion of the province. The mandate of GEDA is to implement

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approved departmental policies designed to grow the economy, attract investment and develop sustainable social-economic infrastructure. In particular, GEDA's responsibility is to implement policies in the areas of economic production, investment and trade. GEDA's key objective is to identify market investment opportunities and to respond to requests for assistance from local and foreign investors.

The benefits of doing business in South Africa and Gauteng in particular, include various incentive options, which may be broadly classified into the following categories:

- ✓ Development finance
- ✓ Empowerment
- ✓ Export facilitation
- ✓ Human resources and skills development
- ✓ Investment incentives
- ✓ Matching grants
- ✓ Small, medium and micro-enterprises
- ✓ Technology (research and development) and,
- ✓ Tourism

Development Band of South Africa (DBSA)

The Development Bank of Southern Africa is a development finance institution and its purpose is to accelerate sustainable socio-economic development by funding physical, social and economic infrastructure. By means of funding it is possible to improve the quality of life of the all the residents in South Africa.

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The DBSA is currently working on the following strategic projects.

- ✓ Sustainable Communities Programme: The programme aims to broaden and deepen its development impact. In pursuit of this, the DBSA provides a comprehensive, integrated package of support to struggling municipalities in their efforts to develop social and economic infrastructure.
- ✓ Local Investment Agency: The DBSA and Old Mutual have established a partnership to set up local investment agencies which can act as a catalyst for private and public sector investment.

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- ✓ Women's Development Programme: The Bank's gender equity programme focuses on the needs of women in construction and their enterprises.
- ✓ Local Government Resource Centre: The Local Government Resource Centre (LGRC) was developed in partnership with local government stakeholders to assist municipalities meet the challenges they face and to fulfil their development responsibilities and duties. It is intended to be a one-stop support centre that is directly accessible to all municipalities and other local government stakeholders through a virtual private electronic network.
- ✓ KM Africa: Knowledge Management brings together policy-makers, sector professionals, researchers, knowledge management experts, governmental leaders and business leaders to collaborate and find solutions to some of the major development challenges faced.
- ✓ Accelerated and Shared Growth Initiative for South Africa: AsgiSA has prioritised increased public investment in infrastructure, and is likely to give rise to a number of large infrastructure projects in South Africa, with municipalities directing more effort towards these areas.

8.2 Potential Funding and Investment Incentives

A range of institutions have been identified which could possibly be utilised as potential funding sources. Each of the institutions mentioned is categorised according to the type of economic support for which they could provide funding for. The list of potential national funders is illustrated in the following Table.

Table 8.1: Potential Funding Mechanisms

| Type of Support | Potential Funders | Comments |
|--------------------------------|---|--|
| Skills development and support | Department of Labour | Skills support programmes |
| | National Productivity Institute Dept. of Labour COGTA | Social plan programme |
| Community economic development | Local Government | Consolidated Municipal Infrastructure Programme |
| | DWA | Working for water programmes |
| | National government (all departments) | Poverty relief programmes |
| | Independent Development Trust | Development of the local capacity of communities and business ventures |

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|------------------------------|--|---|
| | DTI | <ul style="list-style-type: none"> • Incentive packages for SMME development • Khula provides loans and guarantees to reduce risk for SMME's • Small and Medium Enterprise Development Programme |
| SMME Development and Support | Ntsika | Support and funding |
| | COGTA | Social plan fund |
| | ARTPAC | Financial capacity support for small contractors and artisans |
| | Business Partners | Support services for small businesses |
| | Industrial Development Corporation (IDC) | Financial incentives to encourage exports |
| | Dept. of Arts & Culture and Dept. Science & Technology | GODISA, which strives to create economic growth and long-term employment opportunities through the enhancement of technological innovation, improvement of productivity, sustainability and international competitiveness of SMME's |
| | DTI | The Support Programme for Industrial Innovation |
| Technological support | Dept. of Communications | Bridging the Digital Divide programme |
| | Small Business Project | Private Sector Initiative |
| Tourism Promotion | Dept. of Environmental Affairs & Tourism | Tourism related activity benefit |
| | DTI | Tourism development finance |
| Manufacturing Development | Business Partners | Support services to SMME's |
| | CSIR | Conducts research, development and implementation activities |

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| | | |
|--------------------------------------|---|---|
| | DTI | <ul style="list-style-type: none"> • Sector Partnership Fund • Support Programme for Industrial Innovation • Competitiveness Fund • Technology and Human Resources for Industry Programme • Competition Policy • Procurement reform • Finance for textile, clothing, leather and footwear industries |
| | IDC | Low interest loans |
| | DBSA | Donor funding |
| Agricultural Development | Agricultural Research Council | Research |
| | DTI | Agro-industry Development Fund |
| Local Economic Development promotion | COGTA | LED fund for job creation |
| | Khula Enterprises | <ul style="list-style-type: none"> • Equity Fund • Emerging Entrepreneur Fund |
| | COGTA | Consolidated Municipal Infrastructure Programme |
| Rural Development | Department of Rural development and Land Reform | Establish and facilitate community structures and institutions |
| | DBSA | Rural Development Funding |
| | DTI | South African Micro Finance Apex Fund (Samaf) provides financial services to small-scale entrepreneurs living in rural areas. |
| | SEDA | Seda supports the growth of small business, especially in rural areas. |
| | South Africa Development Fund (SADF) | Funding for rural development. |

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Another important potential funder for the Mogale City Local Municipality is the Neighbourhood Development Partnership Grant (NDPG). This is a new and unique grant offered by the National Treasury to municipalities for developments that provide community infrastructure that leverages private sector development physically focusing on target areas that include:

- ✓ Townships that were originally created as separate areas for Black people. Generally located on the periphery of towns and cities
- ✓ Low-income housing estates, which are generally not fully functional neighbourhoods
- ✓ Informal settlements

The NDPG is available both as a Technical Assistance (TA) grant and a Capital Grant (CG), with the intention that the National Treasury and the municipality engage in a strategic alliance to deliver the successful project, with a certain measure of security of capital for local government investment identified at early stages of project preparation.

The typical ideal project demonstrates a critical mass of both community and commercial development. The council would drive the development of project packages and the establishment of key, appropriate community infrastructure and the creation of the platform for commercial development.

The following list of international funders provide a variety of funding options, contributing to the stimulation of economic development and job creation in South Africa:

- ✓ Multilateral Investment Guarantee Agency (MIGA)
- ✓ International Finance Corporation
- ✓ Africa Project Development Facility (APDF)
- ✓ British Investment in South Africa (BIS)
- ✓ Danish/South African Business-To-Business Programme (DANIDA)
- ✓ UK Department of International Development
- ✓ German Technical Corporation (GTZ)
- ✓ European Investment Bank
- ✓ African Development Bank
- ✓ World Bank
- ✓ Commonwealth African Investment Ltd (COMAFIN)
- ✓ Hand-on Training Scheme (HOTS)
- ✓ Southern Africa Enterprise Development Fund
- ✓ Foreign Investors such as Anglo Gold, Investec, etc.

- ✓ Donor Agencies:
 - USAID
 - United Nations
 - EU
 - DANIDA
 - DFID

It is advisable to seek detailed information on their application criteria and financial limits.

8.3 Conclusion

There are a number of support agencies and government departments that provide funds for development initiatives. It is critical to form partnerships with these agencies to improve Local Economic Development and Implementation in Mogale City.

Section 9 – Institutional Framework

9.1 Introduction

In order to allow the municipality to plan and implement this LED Strategy in an effective, successful and sustainable manner, it is important that certain institutional arrangements are established. These arrangements include the establishment of a range of organisations, structures and networks, which form the mechanisms through which the LED Strategy can be coordinated, managed, implemented and monitored. Without the successful implementation of these institutional arrangements, the LED Strategy will not be able to meet the developmental goals of Mogale City Local Municipality, nor will it comply with the goals of national and provincial policies.

The next step would therefore be to determine the implementation driver/s and responsible bodies that would implement the identified projects. To ensure that the abovementioned goals and objectives are met, this sub-section will cover the following:

- **Status of LED in the municipal structure** – the section defines LED
- **LED institutional structure** – this section further examines the main body responsible for LED implementation within the local municipality, after which options to further strengthen this unit is examined and lastly recommendations on the most suitable institutions for the LED unit are identified.
- **Relationships and mentorships** – LED is not an isolated function as various institutions, private as well as the different government spheres and departments have a pivotal role to play to ensure the effective implementation of LED. As a result the role and responsibilities of these bodies along with the guidelines and recommendation to ensure good relationships that will optimise and enable Local Economic Development.

9.2 LED Roles and Responsibilities

It is important to stress that LED is an ongoing process involving numerous role-players and initiatives and that an integrated approach to LED is required.

According to Section 152 of the Constitution, a municipality must strive, within its financial and administrative capacity, to achieve the following objectives of local government:

- ✓ To provide democratic and accountable government for local government and local communities;

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- ✓ To ensure the provision of services to communities in a sustainable manner;
- ✓ To promote social and economic development;
- ✓ To promote a safe and healthy environment; and
- ✓ To encourage the involvement of communities and community organizations in the matters of local government.

Municipalities need to play a connector role in respect of LED whereby they draw on resources locked in a range of different government support instruments into their localities. For example, municipalities can draw on the support of SETAs to address skills development in their areas, SEDA to assist with the retention and growth of enterprises in their area, etc. Besides government support programmes there are a range of non-governmental support initiatives that municipalities can tap into for resources.

The idea is not for municipalities to necessarily run programmes themselves but to focus on establishing forums to build partnerships and to network with a range of stakeholders. However, LED should not be viewed only as a programme but everything the municipality does impacts on the local economy. For example, procurement policies can be structured to address the use of local labour, and all infrastructure development should reflect positively on the development of the local economy, whatever its primary purpose.

With regards to the LED projects that the municipality are involved in, whenever possible all projects should be run by the direct stakeholders as real businesses, and be registered companies or co-operatives. It is important here to note that LED is not about municipalities financing small local projects from the public purse, nor it is about municipal officials trying to run or manage these or even larger projects. Instead the municipality must directly and actively work to stimulate the local economy and involve the population in understanding and taking up the opportunities present. Thus participation of the local community in LED must be promoted. Economic stakeholder's forums must be undertaken to identify and exploit the local competitive advantages and networking and information exchanges must flow through these forums. The municipality must also encourage and support the creation of effective chambers of commerce and other business oriented bodies, including business development services.

Efficient, functioning and representative NGOs should also be encouraged, not discouraged, to organise, stimulate and represent the interests of different sections of the population, especially those most at risk of marginalisation and exclusion, so that the council is always at the centre of a real dialogue in which all relevant stakeholders are actively present to stimulate and grow the local economy.

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All levels of government have a role to play and a responsibility to facilitate and coordinate LED initiatives in their areas of jurisdiction. Local municipalities are the key implementation agencies of government and therefore play a significant role in Local Economic Development.

The roles and responsibilities of local municipalities in terms of Local Economic Development are to:

- ✓ To render the operational local socio-economic environment in order to facilitate the creation and the development of local economic activities;
- ✓ Plugging the leaks in the local economy (retaining income in the local economy);
- ✓ Development of human capital (skills development focused on the needs of the local economy);
- ✓ Development of social capital (encouraging and developing the presence and capacity of all relevant collective stakeholders in the local economy: chambers of commerce, bodies building and grouping co-ops, NGOs, CBOs, development agencies, local tourism structures etc.);
- ✓ Community economic development (community-based initiatives targeted at community businesses and cooperatives, municipal-community partnerships especially in respect of infrastructure and service delivery);
- ✓ SMME development (provision of business infrastructure, financial and non financial services, access to affordable finance and start up grants, technical support, involvement of SMMEs in government procurement especially in relation to infrastructure delivery), with special reference for the part of the population which currently has limited access to these services;
- ✓ To identify and support business clusters and business opportunities;
- ✓ To facilitate the participation of the population in using the opportunities and stimulating the establishment of new businesses or the growth of existing ones;
- ✓ To organise network of local actors for preparing and elaborating projects and initiatives that can have access to the provincial, national and international resources which are available;
- ✓ To support the creation and/or consolidation of chambers of commerce and business associations, the presence in the territory of qualified and effective business development services, the involvement of organised labour in LED planning and activities, and other similar interventions to ensure the full use of all the available social capital resources in the economic development of the territory;
- ✓ To ensure that contacts, links and exchanges with possible national and international economic partners are in place;
- ✓ To prepare and implement technically appropriate, viable and sustainable LED components for their IDP's, in alignment with the PGDS;
- ✓ To keep a data bank of all relevant information concerning support mechanisms, grants and facilities for assisting LED and human resource, skills and capacity building in LED spheres, from

national, provincial, parastatal, donor and other sources. Advising and organising the best uses of these resources at the level of territorial competence;

- ✓ To market the area and to provide marketing assistance and support to businesses from the area and to attract inward investment;
- ✓ To promote local business expansion and retention strategies;
- ✓ To encourage the formation of appropriate partnership and coalition structures;
- ✓ To introduce preferential procurement policies aimed at broad-based black economic empowerment and promoting local suppliers and contractors.

9.3 LED Institutional Structure

The aim of this sub-section is to present various institutional arrangements that can be put in place in the Mogale City Local Municipality. The institutional arrangements will focus both on the LED unit itself, as well as existing support agencies which can be engaged in Local Economic Development.

The department that is responsible for LED in Mogale City is the Department of Economic Services and covers four key development sub-sections:

- Enterprise Development
- Development and Planning
- Rural Development
- Human Settlement

The focus on LED lies with the Enterprise Development. It is the responsibility of this department to coordinate and implement LED. The current institutional structure is illustrated in Figure 8.1.

Figure 9.1: Economic Service Structure (Current)

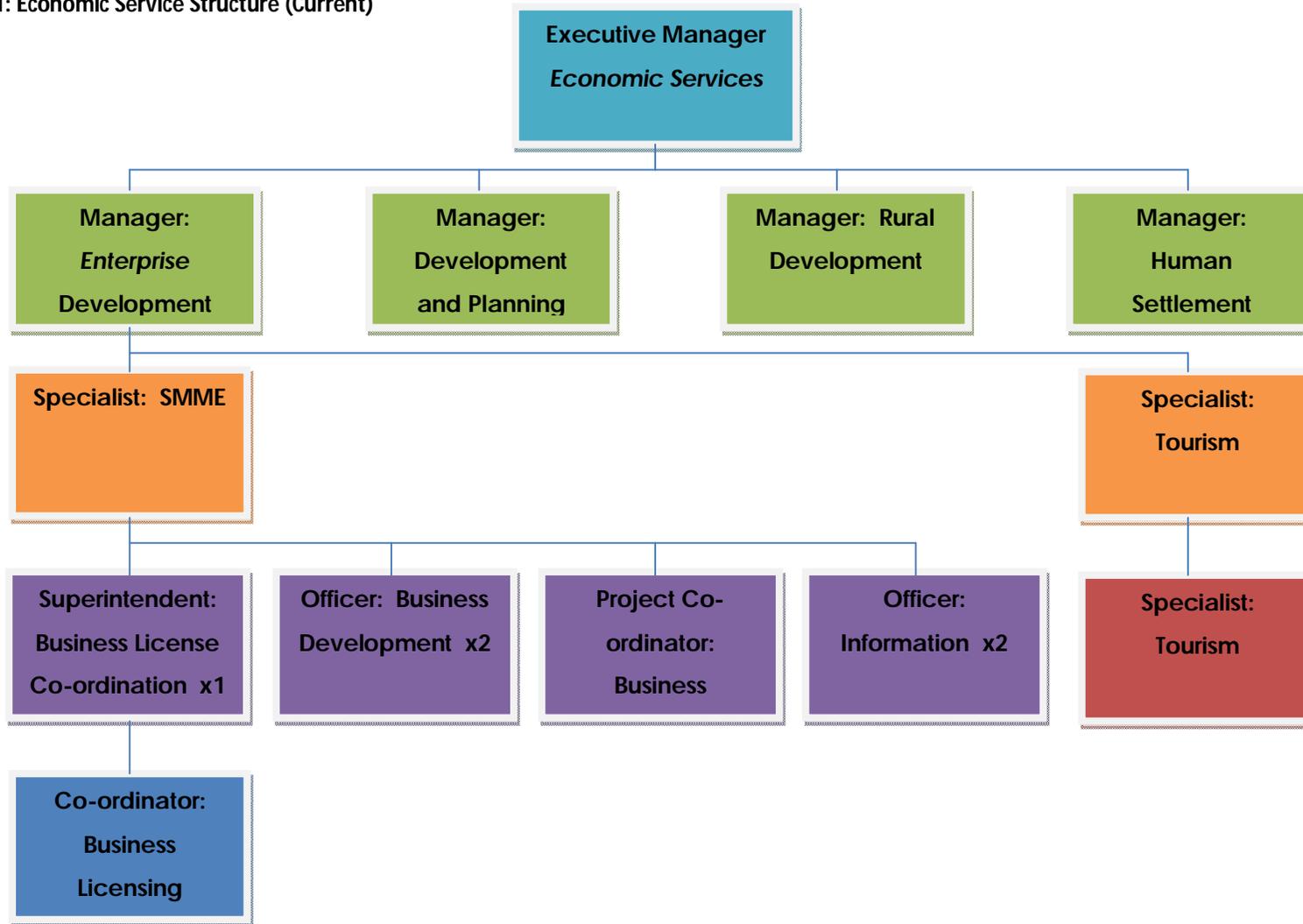


Figure 9.2: Ideal Structure

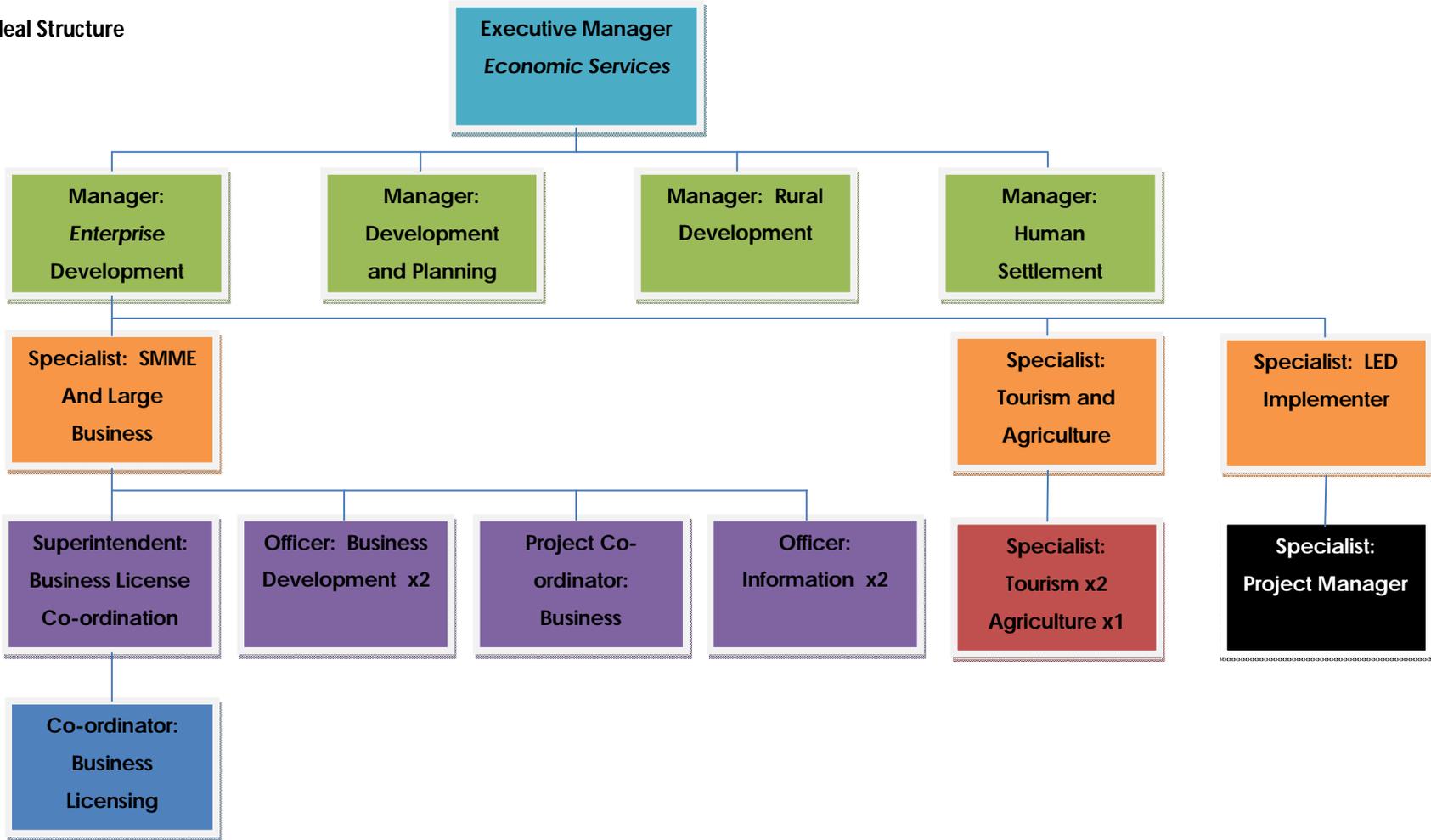


Figure 9.2 illustrates an ideal institutional structure for LED Development and implementation. Currently the department has two specialist units SMME and Tourism, this need to be expanded to include large business and agriculture to further enhance the capacity of the unit. Another critical component is LED implementation and a designated specialist position must be created.

The SMME specialist must also incorporate large business in its portfolio while the tourism specialist must also include agriculture to its portfolio. It is very important not to ignore agriculture as it has been identified as a sector with growth potential as well as its job creation potential.

Besides the Enterprise Development unit, there are other external agencies and vehicles to assist with Local Economic Development and Implementation.

9.4 LED Forum

The main objective to establishing a LED Forum is to ensure the participation and input from the local community, businesses and other stakeholders within the local municipality that will enable co-ordination between local stakeholders, mobilisation of resources, obtaining commitment as well as establishing and maintaining a common vision. These forums are important and critical tools required in bridging the communication gap and obtaining a common understanding between the local municipality and the community at large. Furthermore these forums also provide the platform for the local municipality to form partnerships with the different stakeholders. Therefore it is important to evaluate the performance of the existing LED and sub-forums to identify if these forums are able to meet their objectives. This can occur by determining inter alia, the following:

- if the targeted number of meetings have been conducted,
- if the actions/deliverables identified through the meetings have occurred,
- what challenges are facing the LED Forum, and
- what potential changes should occur to further improve the existing LED Forum.

9.4.1 Forum Stakeholders

In addition to examining the LED Forums performance in line with its objectives, it should also be ensured that multi-sector stakeholders are represented in the LED Forum and its sub-forums. In general a LED Forum consists of the private, public and community sectors. It is believed that the current forums are generally made up of community members that seek to be recipients of the LED process as well as local government (LED Unit).

Whilst these stakeholders are important, it is believed that the municipality should seek to involve a greater number of representatives from the private sector as well as other government representatives from the

different government spheres. This will increase access to resources as well as provide a different perspective on ensuring and enabling economic growth within the local municipality. Therefore whilst it is encouraging to note that the LED Unit is well supported by LED Forums and other sub-forums, it should be ensure that these forums are structured and conducted in a way that ensures optimal benefits and meets the objectives of establishing such a structure.

9.5 External Implementation Agencies

Another structure that is generally considered to support government in LED implementation is the establishment of a Special Purpose Vehicles (SPVs). SPVs are separate legal structures created by corporations or development organisations to provide an external and beneficial source of funding to the organisation that created it. Generally the special purpose vehicle that is used for economic development is an economic development agency.

The West Rand District has a development agency, the West Rand Development Agency. This sub-section will further examine development agencies to explain the role and responsibilities of development agencies regarding LED and project implementation.

9.5.1 Development Agencies Defined

A Development Agency is in essence a specialised body that acts as a delivery vehicle for economic development in a specific geographical area and an extension of the developmental role of a local authority, where economic ideas are translated into feasible and bankable projects.

According to the Industrial Development Corporation (2003), a Development Agency has the following functions:

- a **structure** essential to fill the gap between the creation of development plans and their implementation by the local/regional government
- a **delivery tool** owned by the public authority to co-ordinate and to manage public resources, potential investors and regional investment opportunities in accordance with the development objectives
- a **dedicated champion** tasked to ensure the delivery of development where all the necessary elements are available

9.5.2 Purpose

A development agency is established to fill certain gaps that a municipality does not have the required capacity to fill and also drive implementation of identified projects. The purpose of establishment of a development agency is summarised as follows:

- the municipalities do not realise or recognise the value of their true assets that can be utilised in economic development initiatives
- strategies or projects are in many cases duplicated without consideration to the viability of the project or the adaptation of the project to suit local circumstances (as evident in many LED projects)
- the municipalities are largely concerned with addressing the basic needs of local communities in terms of infrastructure and service provision and often do not have the capacity or expertise to implement significant economic projects
- much attention is given to projects focusing on social issues such as poverty alleviation. These often address short-term goals and do not have a significant impact on the growth or production level of the broader economy, nor the creation of viable economic solutions for the poverty problem
- there is often a lack of coordination between projects, resulting in the local municipalities duplicating projects without considering issues such as market rivalry or impact on the broader community, nor the economies of scale that may result from economic conglomeration
- bureaucratic processes often constrain the municipalities to respond timorously to investment and development needs

9.5.3 Objective

A Development Agency is envisioned to focus on the following aspects to promote development within a specific area:

- identification and packaging of project opportunities that will attract investment and contribute to employment creation and income generation
- sustainable and feasible implementation of such projects
- providing expertise in development facilitation and project development and management
- coordinate the development efforts and inputs of stakeholders in an efficient manner
- provide a lobbying body for private sector liaison and involvement, as well as for the leveraging of investment funding
- area regeneration and development

- contribute to SMME development, skills development, promoting black economic empowerment and entrepreneurial development

9.5.4 Benefits

The following benefits are evident of any special purpose vehicle such as a development agency:

- method to establish a formal and legal partnership between different stakeholders to integrate development efforts and overcome problems of duplication and lack of co-ordination
- strengthen the capacity of current LED systems and resources in place within a municipal area, using a semi-external body
- can be focused drivers of the economic development agenda within a local area,
- able to obtain donor and grant funding for project implementation
- able to support specific business sectors or specific geographical areas e.g. a development corridor
- provide an opportunity to alleviate bureaucratic processes within a municipality, promote a more private-sector type culture, and accelerate investment and public private partnerships

9.6 Relationships

Relationships are a critical component to the successful implementation of LED initiatives. Ineffective communication and co-ordination between government spheres and other organisation's may act to hamper and constraint LED.

9.6.1 Intergovernmental relationship

Inter-governmental relationships can be defined as various interactions between government employees that affect service delivery. The interactions can be between government spheres as well as within government spheres. The interactions can be categorised into the following:

- communicating of information,
- consultation, and
- engagement.

Therefore in order to determine the relationship between stakeholders the nature of these relationships based on the roles and responsibilities need to be determined. This sub-section will identify the roles, responsibilities and deliverables for the various government spheres in order to inform the kind of relationship that needs to be established.

a. Roles and Responsibilities of the National Government

According to the Local Economic Development Toolkit the roles and responsibilities of national government in LED include:

- co-ordinate and align support to municipalities for LED through the IDP process,
- provide additional support to municipalities implementing their developmental mandate,
- provide the overall legislative and regulatory framework for LED through the National Framework for LED,
- maintain strong inter-governmental relationships using and strengthening existing institutions,
- provide the technical and knowledge resources of municipalities for the implementation of LED,
- disburse information to provincial and local government about LED and LED support, and
- support and provide guidelines to monitor the outcomes and impact of municipal LED activities.

b. Roles and Responsibilities of the Provincial Government

According to the LED toolkit compiled by the then DPLG (now known as the Department of Co-operative Governance and Traditional Affairs) Provincial Government the responsibilities of the provinces in relation to LED are as follows:

- align and co-ordinate LED initiatives with national and local priorities,
- make financial and technical resources available to implement and sustain LED,
- share information regularly (e.g. provincial economic trends, land use, investment, new developments) with municipalities, and
- monitor and evaluate the impact of LED initiatives provincially.

c. Roles and Responsibilities of Local Government

Local government which refers to the district and local municipalities have according to the LED toolkit compiled by the COGTA the following responsibilities:

- ensure that social and economic developments are prioritised within the municipal Integrated Development Plans (IDPs),
- conduct local economic regeneration studies that form a core component of the IDPs,
- establish LED capacity within the municipality that actively promotes inter-departmental collaboration,

9.6.2 Relationship with the private sector, local communities and external support structure

The private sector and local communities have a key role to play in the LED process. This is because LED initiatives will have a direct impact on these groups. Therefore the key role of these stakeholders is to:

- provide input in terms of the needs and challenges facing the local community and businesses as well as provide input with regards to the solution that can be implemented to combat this, and
- assist with the implementation of the LED Strategy.

In addition, partnerships should be established between these stakeholders due to the critical roles these stakeholders play in LED. However PPP's are not without their challenges. In particular there are challenges with regards to the perception each party has of the other that may need to be overcome to ensure that the PPP's are able to achieve their goals. The perceptions listed below are derived by those identified by the Cape Town Partnership (Boraine, 2009) but can be relevant to any PPP. These perceptions include:

Public sector perceptions

- The private sector is seen as wanting to take over government roles and responsibilities,
- As the private sector is a profit driven segment of the economy it is viewed by the public sector with suspicion as it appears to not have the public interest at heart, and
- The private sector would get more credit from tasks or functions that the municipality does.

Private sector perceptions

- Public sector is viewed as inefficient, ineffective and wasteful and it is believed that the private sector would do a better job, and
- The public sector is seen as having a high level of bureaucracy and a lack of action.

Perceptions such as the above may exist and may need to be managed in order for a successful partnership to be established. The following six criteria as identified by Hamann et al (2009) may be useful to manage these perceptions:

- recognise and accept the need for partnerships,
- develop clarity of purpose,
- ensure commitment and ownership,
- develop and maintain trust,
- create clear partnership arrangements, and
- monitor, measure and learn from past experience.

9.6.3 Guidelines to establishing good relationships

The preceding sub-section identified the role and responsibilities as well as some of the challenges facing the various LED stakeholders. Therefore this section firstly indicates the general constraints facing good relationships after which guidelines that can be used to assure good relationships that will optimise the impacts of LED initiatives within the local municipality are provided.

a. Constraints to establishing good relationships

During the LED process the following challenges were identified relating to constraints facing the local municipality with regards to establishing good relationships within the local municipality. These are as follows:

- lack of response from identified stakeholders
- inadequate technological use by stakeholders,
- inadequate communication from stakeholders about initiatives being developed within the local municipality, and
- non-attendance at meetings.

In addition, the following constraints that affect LED relationships are also presented:

Other general constraints noted by COGTA that relate to all government spheres which may also be applicable to the Mogale City LM are indicated below:

- lack of a shared focus on key national development priorities,
- insufficient sharing of information,
- absence of focus on cross cutting issues,
- erratic and unfocussed participation in coordination structures,
- inadequate enforcement and performance management,
- instruments not being used as intended, and
- lack of a shared spatial area of focus.

It is important to overcome the above-mentioned constraints in order to ensure the following:

- effective and efficient service delivery,
- inclusive decision making and consultative processes,
- absence of disputes between spheres of government,
- mechanisms to resolve disputes between spheres of government,
- mutual respect for decision making process and time frames,

- understanding of roles and responsibilities,
- good alignment of all strategies and plans,
- good public participation, and
- meetings with purpose, agenda/minutes and decisions being made.

b. Steps to establish good relationships

In order to establish the desired relationship with LED stakeholders the following guidelines should be considered:

- establish good communication system
 - establish an ongoing dialogue with local municipalities on a weekly basis either telephonically or via e-mail to indicate challenges and progress made in LED interventions
 - communicate with other local municipalities to ensure that potential linkages are established, duplications are prevented and best practises and lessons learnt are discussed amongst the local municipalities.
 - ensure that regular meetings are held with traditional authorities and the well established private sector preferably during the LED forum meetings.
- delineation of roles and responsibilities
 - ensure that all stakeholders are well aware of their roles and responsibilities, this include traditional authorities and the private sector
- ensure effective and well-planned meetings
 - meetings should be structured to ensure sufficient notice is given to participants so that they can ascertain views to take to the meeting
 - they should be based on mutual respect and equal regard for views of all participants to ensure quality decision making
 - the meeting should be arranged so that the purpose and desired outcomes of the meeting is clear and participants have a sufficient mandate to contribute meaningfully.
 - someone should have the responsibility to take down minutes of decisions made and allocation of responsibilities need to occur.
- The following should occur as identified by the COGTA:
 - fostering friendly relations,
 - assisting and supporting one another,
 - informing one another of and consulting one another on matters of common interest
 - co-ordinate their actions and legislation with one another, and
 - adhering to agreed procedures.

9.7 Conclusion

This section examined the institutional arrangements that need to be implemented in order to enable effective LED implementation. Therefore the next section will determine how the effective LED implementation vehicle would need to implement the projects, thus the LED implementation guidelines are presented in the next sub-section.

Section 10 – Implementation Guidelines

10.1 Introduction

This section is meant to guide the implementation of LED projects. It will serve as an LED implementation manual for the Mogale City Local Municipality LED unit after the completion of the LED strategy.

This section will therefore cover the following:

- **Project categorisation** – before identifying the implementation guidelines the project will be categorised as public, private or Public Private Partnership projects as the nature of the project affect the type of implementation interventions that are required.
- **General guidelines** – guidelines related to the following aspects will be covered:
 - General Guideline 1: LED Prioritisation & IDP Integration
 - General Guideline 2: Identification of Location
 - General Guideline 3: Pre-Feasibility & Full Feasibility Study
 - General Guideline 4: Identification of Partnerships
 - General Guideline 5: Development of Business Plan
 - General Guideline 6: Budgeting & Funding
 - General Guideline 7: Support Structures
 - General Guideline 8: Project Handover & Mentoring
- **Application guidelines** – this section will provide project specific guidelines for the implementation of the projects utilising the general guidelines that are identified.
- **Monitor and evaluation** – the section provides a framework for the local municipality to determine the impact of implementing the LED strategy.
- **Action plan** – this involves providing a breakdown of the tasks that need to be undertaken to enable LED implementation as well as to implement the identified projects. The action plan provided for the implementation of the identified opportunities will also indicate time-frames, implementation agents and support structures that the local municipality can utilise to implement the identified opportunities.

10.2 Project Categorisation

The aim of this section is to categorise the projects into public, private or Public Private Partnerships (PPP). This is important as each of these categories of projects require different types of intervention from the local municipality. For example the main role of government for a private sector project would be during the initial phase of the project, whereas a public sector project would require that the local municipality be involved in the entire process of implementation.

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Each of the project categories will be further elaborated to provide a clear indication on how projects were categorised.

- **Private sector projects** – private sector projects refer to those projects that are largely reliant on the private sector for implementation. However, the local municipality would need to play a role in these projects by conducting activities that will enable the implementation of the identified projects. These could include compiling a feasibility study, hosting awareness campaigns and so forth.
- **Public sector project** - public sector projects can be defined as those projects that are implementable by the various spheres of government particularly at local and district levels. Public sector projects should yield little or no profits as the municipalities are by law not able to run businesses, these projects should be accessible and/or benefit a number of persons rather just an individual person and the projects should create a conducive environment and enable economic activity.
- **Public Private Partnerships** – these projects refer to opportunities in which government and the private sector each contribute towards the implementation and operation of the project.

Based on the above definitions the identified projects are categorised in Table 10.1 below. The projects highlighted in green have been identified as Public Private Partnerships, whilst the projects highlight in blue and orange are identified as private sector projects and public sector projects respectively. It can be noted that a significant number of public sector projects have been identified for the local municipality as these will create the enabling environment for increased economic activities in the area.

Table 10.1: Project Categorisation

| Project | Category |
|---|----------|
| <i>THRUST 1: DEVELOPMENT OF A COMPLETE AGRICULTURAL HUB</i> | |
| Organic farming | Private |
| Expansion of existing vegetable farming | PPP |
| Expansion of existing chicken farming for commercial purposes | PPP |
| Oil Seeds and Oil Extraction | Private |
| Herb and Essential Oils | Private |

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| | |
|--|---------|
| Diversify horticulture in the form of organic farming | Private |
| Food cluster, with focus on processing, packaging & exporting in Tarlton | PPP |
| Fresh Produce Market | PPP |
| Develop agri-villages in rural areas | PPP |
| Establish regional farmers association | PPP |
| Increasing the number of farmers on the LRAD programme | Public |
| Establishment of on-site training at local farms | PPP |
| Bursaries for emerging farmers and young people at agricultural colleges | PPP |
| THRUST 2: BUSINESS DEVELOPMENT | |
| Skills revitalisation project | Public |
| Industry Information Network | Public |
| Provide Industry Assistance | Private |
| Industrial zone infrastructure project | Public |
| Property and Infrastructure Assistance | Public |
| Support Services | Public |
| Inter-regional Integration of Business | PPP |
| Industrial Recruitment and Targeting | PPP |
| Land and Industry Supply Initiative | Public |
| Area Targeting and Regeneration | Public |
| Industry Investment Strategy | Public |
| Marketing Plan | Public |
| Establishment of a SMME one stop centre | PPP |
| Small business forum linked to MCCI | Public |
| SME procurement/outsourcing database | Public |
| Agric. projects involving emerging farmers: Hydroponics, floriculture | PPP |
| Small business development in accommodation facilities | PPP |
| SMME tour operators | Private |
| Establishment of on-site training at local businesses | PPP |
| Bursaries for entrepreneurs to attend tertiary training facilities for business and financial management | PPP |
| THRUST 3: INTEGRATED TOURISM SECTOR | |
| Establishment of tour operators | Private |
| Development/Establishment of Entertainment Venues | PPP |
| Develop Educational Tours | PPP |

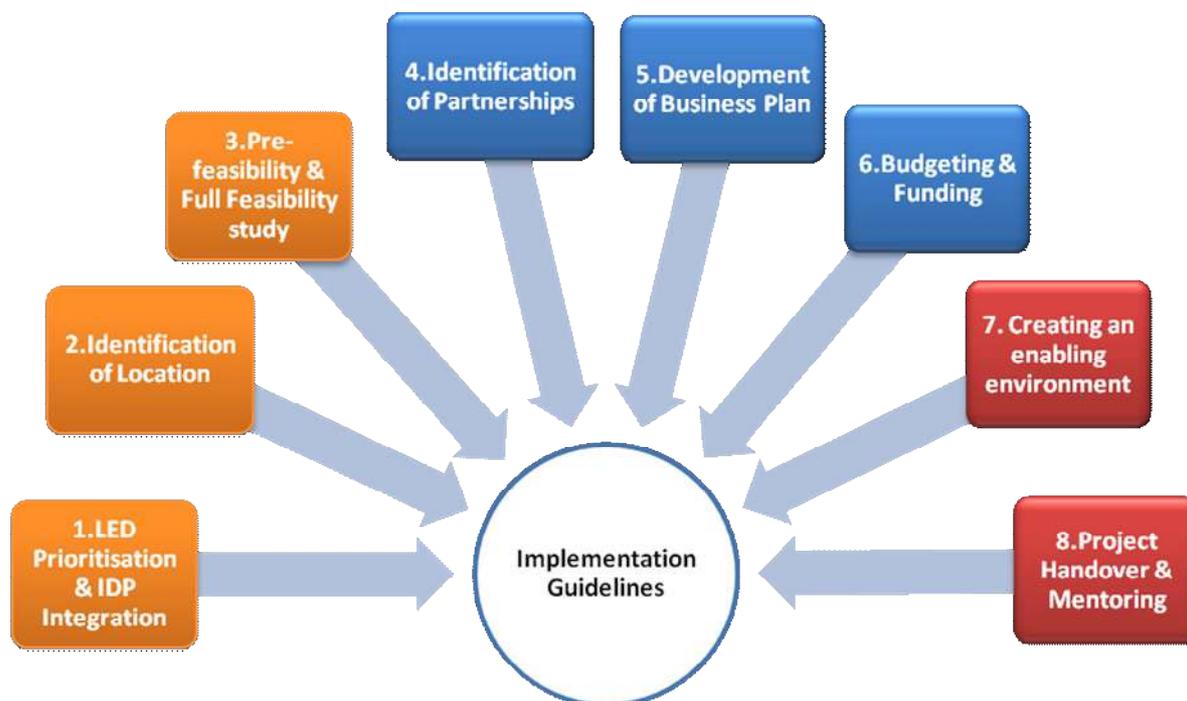
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| | |
|---|---------|
| Integrated Tourism Association (public + private) | PPP |
| Tourism Marketing Strategy | Public |
| Tourism Node and Routes Identification | Public |
| Tourism database (attractions, accommodation, operators) | Public |
| Urban renewal projects | Public |
| Improvement of transport infrastructure and linkages | Public |
| Improvement of signage | Public |
| Establish and Develop Adventure Activities | Private |
| Establishment of a tourism forum | PPP |
| Establishment of on-site training at local tourism attractions and events | PPP |
| Bursaries for entrepreneurs, tourism operators and owners to attend tertiary training facilities for tourism and hospitality training | PPP |

10.3 General Guidelines

This step will examine the eight general guidelines that have been identified to implement the identified projects. Figure 10.1 provides an overview of the implementation guidelines. Figure 10.1 is colour coded to indicate the various phases of these guidelines. Step 1-3 which is highlighted in orange occurs during the initial phase of implementation. The local municipality would in general be the main person/body driving implementation during this phase. The second phase of implementation includes step 4-6 which is highlighted in blue. During this phase other stakeholders and potential investors will become involved in the project. The last phase highlighted in red includes step 7 and 8. During the last step the municipality becomes less involved in the project, only providing limited support and mentorship.

Figure 10.1: General Implementation Guidelines



10.3.1 Step 1 - Project prioritisation and IDP integration

The step highlights the importance of integrating the LED Strategy and the IDP, whilst also indicating the importance of project prioritisation and prioritising the projects. The **Municipal IDP** is an important tool to ensure that the work of local and other spheres of government are co-ordinated to improve the quality of life for all people living in an area. The municipal IDP sets a framework indicating; **preferable land use, infrastructure and services required** and **environmental conservation** (Education Training Unit Local Government Toolbox, 2009). For this reason the LED strategy and IDP documents work hand in hand.

While the IDP gives the overall picture of development interventions indicating the status quo, objectives, issues, challenges and Key Performance Areas (KPA), the LED strategy zooms in on the economic development aspect of development planning. The LED officials at the Mogale City LM should ensure that LED projects in the LED strategy are integrated into the local municipalities IDP. Projects cannot be implemented simultaneously, due to shortcomings in financial and human resources resulting in a lower quality of projects.

To prevent lower quality of projects or failed attempts LED projects have been prioritised. Table 10.2 below indicated the prioritisation matrix that was used to prioritise the identified opportunities. The prioritisation of opportunities was determined through consultation with local stakeholders. A project prioritisation matrix is used to assign values to the different projects. These values represent the project evaluation

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criteria as projects evaluations are all assigned with weightings. The purpose of the weightings is to calculate scores for each project. The projects that score the highest in the project prioritisation matrix are the most important projects and therefore have the highest implementation priority.(Annexure A – Complete Project Prioritisation)

Table 10.2: Project Prioritisation Matrix

| PROJECT | STRATEGIC IMPORTANCE & ECONOMIC IMPACT | SMIME DEVELOPMENT POTENTIAL | PROJECT EVALUATION | | | VALUE / SCORE | PRIORITY | |
|----------------------------|--|-----------------------------|--------------------|------------|---------|---------------|----------|---|
| | | | HIGH (3) | MEDIUM (2) | LOW (1) | | | |
| Organic Farming | 2 | 2 | 2 | 0 | 3 | 0 | 18.30 | 5 |
| Fresh Produce Market | 3 | 3 | 3 | 3 | 0 | 0 | 30.90 | 1 |
| Skills Revitalisation | 3 | 2 | 1 | 3 | 1 | 1 | 18.80 | 4 |
| Tourism Marketing Strategy | 3 | 3 | 2 | 2 | 1 | 0 | 26.70 | 2 |
| Develop Educational Tours | 1 | 1 | 2 | 0 | 1 | 2 | 10.90 | 6 |
| Small Business Forum | 3 | 2 | 2 | 1 | 2 | 0 | 22.50 | 3 |

- The prioritisation criteria are in columns
- Projects are listed in rows
- The numbers under the criteria show the evaluation, i.e. does the project have a high, medium or low impact to that criterion
- 'High impact' has been assigned a weighting of 10.3
- 'Medium impact' has been assigned a weighting of 6.1
- 'Low impact' has been assigned a weighting of 2.4
- Projects with the same scores need to be further prioritised according to what are considered the most important criteria

10.3.2 Step 2 – Identification of location

This step involves identifying the location for the various LED interventions that will ensure that optimal gains/impacts occur. This step is of critical importance to the Mogale City LM due to the following reasons:

- high percentage of land is rural, and
- large portions are conservation land.

Integration with the Mogale City Spatial Development Framework is critical for location of potential projects.

The following factors need to be considered when identifying the location for the projects:

- the **cost** of land
- location of the **target market**
- sources of **raw material** and **other inputs**
- **available resources** for production such as utilities and labour
- **availability of transport** for workers, raw materials and final produce
- **marketability, networking** and **accessibility**
- **existing activities** in that area and **agglomeration advantages**
- possibility of **aligning or complementing already-existing programmes**

10.3.3 Step 3 – Pre-feasibility and feasibility study

The key purpose of this step is to determine the following:

- clearly describe the project and the processes involved in such a project
- examine the various factors that will influence the success of the project. This means that specific factors that hinder/enable the project to achieve its desired goals should be examined.

Pre-feasibility

As its name indicates, a pre-feasibility study is the precursor to a feasibility and design study. Its main purpose is to ensure there is a solid basis for undertaking a feasibility and design study.

There are two main ways of using a prefeasibility study. Its most common use is as the first step in activity preparation, after activity identification is complete – that is, after a decision has been made to take a selected option (or options) forward into preparation of a design for implementation.

However, a prefeasibility study can also be used as part of activity identification. This would typically occur when enough is already known about the development situation to enable an identification mission to carry

its analysis and reporting through to the standard prefeasibility study level. In this case the prefeasibility study:

- undertake the basic analysis and option development work of an activity identification mission; and
- for a number of selected options, take information gathering, design analysis and activity description to the prefeasibility stage.

The tasks and terms of reference will vary somewhat between these two cases, with the pre-feasibility study during identification usually needing to start from an earlier stage of analysis and to spend more time on basic definition and assessment of the initial activity options.

Feasibility

After the pre-feasibility study, a feasibility study is conducted to analyse the viability of an idea or project.

Feasibility assessments essentially comprise of:

1. a location analysis;
2. an initial environmental assessment;
3. market research (which is a demand and supply analysis);
4. identification and quantification of income streams; and
5. identification of potential funding sources.

The development concept is then refined and the concrete concept designing and planning is done.

10.3.4 Step 4 – Partnership identification and project matchmaking

As indicated in section 10.2 (project categorisation), many of the identified opportunities may be categorised as a private sector project or projects that can take the form of a Public Private Partnership (PPP). As a result these parties need to be identified and made aware of the potential opportunities within the local municipality. Therefore the general approach to identify partners and match projects to investors is as follows:

- **run an opportunity awareness campaign** – potential investors need to be made aware of the potential opportunities within the local municipality and thus an awareness campaign needs to be conducted. The opportunity awareness campaign can utilise a number of tools to market and

create awareness about the opportunities in the local municipality. This includes utilising existing institutions such as GEDA and WRDA to market and create awareness of the opportunities.

- **host project specific workshops** – once awareness is created and potential investors approach the local municipality, a workshop should be conducted to provide the potential investor with more detail regarding the opportunities. This will ensure that a clear understanding of the project is obtained.

10.3.5 Step 5 – Development of a business plan

Business plans are important tools that provide detailed information about the potential business opportunity. Such a plan is necessary to enable a clear and unambiguous understanding of the proposed business opportunity that will guide the development of the business. Furthermore, many financial institutions require potential loan seekers to compile a business plan which will inform their decision to provide a loan. Therefore business plans are important tools and necessities if the external funding is required. A business plan may differ slightly from project to project due to the nature of the project and the activities involved in the project. However, it should be ensured that the following key components are included in the business plan:

- **a description** – provide a basic overview of the proposed project,
- **operational plan** – present a concise, clear and understandable description of the input and capital requirements, production, operational and logistical strategies and systems that will be applied during the establishment and operation of the proposed development,
- **impact assessment** – to assess the project's impact on levels of economic activity, the increase in production (GVA) in Rand terms, how the general market will be affected and to analyse potential risks,
- **organisational, management and staffing plan** – this will show how many people are required to run the project/business. It will also clarify at what levels they will work, e.g. managerial, administrative, or operational
- **financial plan** – analyses envisaged income and expenditure of the project
- **implementation and action plan** – to provide clear, functional guidelines with respect to implementing the preferred development concept
- **monitoring, evaluation and mitigation framework** – this highlights Key Performance Indicators and enables remedial actions to be taken should KPI's fail to be achieved

10.3.6 Step 6: Municipal budgeting and funding

Once the project has been prioritised and integrated with the IDP, the location identified, the feasibility of the project determined and a business plan compiled, funding will need to be sourced to enable the implementation of the identified projects. The amount of funding required will be determined from the business plan.

The local municipality may budget for some of the projects while it may also approach the West Rand District Municipality to provide funding. It should be noted that the local and district municipalities will be the main beneficiaries that will benefit from successful LED intervention. This is due to the increased revenues that these municipalities will gain through increased levels of economic activity. Therefore it should be noted that unlike basic services for example, LED interventions, should be viewed as investment opportunities that may provide high rates of return for the local municipality.

Besides the local and district municipality, funding as well as other support that could enable and provide the necessary resources for the implementation of the identified opportunities, were presented section 8 of this report.

10.3.7 Step 7: Economic enabling environment

An enabling environment can be defined as an environment that allows for businesses to function at an optimal level without external factors negatively impacting economic activities. This step examines these factors to ensure that an environment that enables rather than discourages economic activities is established.

Economic Enabling Environment

An enabling environment describes the environment that is external to a business or any other entity which promotes a sustainable trajectory of market development (Porteous D, 2006). While most businesses can control internal matters such as Finance, Human Resources and the bottom line, certain outside factors cannot be changed by private entities.

For a business to function well, the population around should be skilled. This can be achieved if there are sufficient **schools** which benefit entrepreneurs' and employees' children.

Hand in hand with **clean water** is that of **good sanitation**. Water-borne sanitation systems are known to be the most efficient. The municipality ought to ensure that sufficient funds are allocated to the eradication of the bucket system in favour of waterborne sewerage. Bio-augmentation products may be used at the sewerage works plant in order to reduce the amount of water required. The Integrated Algal Ponding System (IAPS), a method of treating sewerage, can be used in the sparsely populated rural parts of the municipality.

Efficient sanitation systems are required in order to allow for the implementation of the mining projects, the agro-processing hubs, and for the manufacturing of farming equipment. The higher the population density, the more strained sanitation facilities will be. Therefore, the Local Municipality needs to prepare in advance for the inward migration into areas where the projects will be located. The in-migration is because people prefer to live close to places of employment. These areas of greater concentration, like most urban areas, will require efficient sanitation that is as clean and environmentally friendly as possible.

An environment in which businesses can thrive is one where the **road and rail linkages** between various towns within a district/province are **efficient**. In Mogale City, the road network is good; however, some roads are in bad condition and in need for upgrade and maintenance. If a Logistics Hub is to be set up in the municipality, the standard of the roads must make it easier for trucks, and people to travel between different nodes in the district.

It therefore follows that **Public Transport** systems along those linkage routes should be efficient. The reasons being that firstly, labour needs to be transported from residential areas to places of work. Secondly, goods (inputs and final products) need to be transported between various locations. Currently, there is little in the way of public transport and it is reputed to be unsafe, especially in rural areas.

Nature also provides human beings with the challenge of countering naturally occurring disasters such as floods and earthquakes. An enabling environment is one which takes such possibilities into consideration. **Disaster plans/strategies** buffer business from 'natural disaster risk'. Disaster management ought to be present in every local municipality. To ensure security in the farms, factories, and for tourism to take off, it is essential to set up quality Disaster Management in ensuring an optimum enabling environment. Disaster Management and Emergency Services will also depend on the other aspects of an enabling environment being met, e.g. good roads, good sanitation and easy access to water.

Enabling Environment for Projects

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The identified public projects will need an enabling environment to succeed; it is up to the district municipality as well as the local municipalities to provide such an environment. Table 10.3 illustrates the relevant projects and the contribution to the enabling environment.

Table 10.3: Enabling Environments for Public Projects

| Project | Contribution to the Enabling Environment |
|--|--|
| Establishment of regional farmers association | Assist with the creation of a regional farmers association to improve the relationship and interaction between the municipality and local farmers. |
| Increasing the number of farmers on the LRAD programme | Increase the number of farmers on the LRAD system to aid the development of emerging farmers. |
| Establishment of a SMME one stop centre | Essential to create a One-Stop centre where all the necessary services are available. Currently the services are spread out over long distances. |
| Skills revitalisation project | Economy is moving to a more service orientated one and needs are arising to revitalise the skills of workers to match the needs. |
| Industry Information Network | Information network will aid businesses with information and assistance they need to operate efficiently. |
| Industrial zone infrastructure project | Provision of quality infrastructure is paramount to retaining, expanding and attracting businesses in the area. |
| Property and infrastructure assistance | Provide property and infrastructure assistance to current and prospective businesses in order to gain a good reputation in the business community, as a good service provider. |
| Support services | Support services ties in with the previous project in that the municipality must be an efficient service provider as well as providing support to struggling businesses. |
| Area targeting and regeneration | Target areas where deterioration and neglect are visible in order to regenerate and improve the area. Some of the areas in question are the CBD and industrial areas. |
| Industry investment strategy and marketing plan | An investment and marketing strategy is paramount to increase investment in the municipality. |
| Tourism database | A tourism database is needed to inform the general public to what Mogale City has to offer. This database must be updated |

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|---|--|
| | regularly. |
| Urban renewal projects | Urban renewal project, especially the current CBD is paramount to lure potential visitors and investors to the area. The current status of the CBD is not visibly bad. |
| Improvement of transport infrastructure and linkages | Improvement of transport infrastructure and linkages is a pressing need. The current road linkages are not good and there is very limited transport infrastructure visible in Mogale City. Especially access to rural areas. |
| Improvement of signage | Signage is not good enough at the moment. It is important to make a visitor realise that he/she has arrived in Mogale City, and be made aware as to what is available. |
| Identification of skills shortages | Skills shortages must be identified in all economic sectors to streamline the process of addressing the shortcomings. It is important to know what the needs are, before you address them. |
| Recruitment database | Set up a recruitment database of all the people that are looking for work, with the skills that they possess, in order for local companies to hire local people. |
| Bursaries for SME, Agriculture and Tourism Students and Entrepreneurs | The setup of such bursaries is necessary to equip people with the necessary skills to find employment and create a success of their businesses. |
| Establish large business mentorship programme | There are a number of large businesses in Mogale City with a wealth of knowledge and experience which with the aid of such a programme can transfer that knowledge to entrepreneurs and students. |
| Establishment of on-site training facilities | Informal trades and workers usually have limited resources and on-site training will have to be done to empower these individuals. |

Labour Market

The projects identified will require a sufficient skills base without which the projects cannot take off. Further, existing businesses need to enhance the skills of the current workforce. This part of the report, seeks to highlight ways of ensuring that labour is appropriately skilled.

a. Skills Required

In South Africa, SETAs (Sectoral Education and Training Authorities) have the mandate to fulfil JIPSA objectives, i.e. to ensure that crucial skills are acquired. They are regulated by the Skills Development Act no.97 of 1998. There are 23 SETAs in South Africa. However, not all are expected to be fully active in the municipality. Table 10.4 below shows identified projects and the skills required for the projects listed as well as for the already present economic activity within the municipality. The SETAs expected to be operational in Mogale City are also shown in Table 10.4, together with other stakeholders that may provide further training or advice.

Table 10.4: Skills requirements in Mogale City Local Municipality

| Projects | Skills required | SETA/Stakeholder |
|--|---|---|
| <ul style="list-style-type: none"> · Organic Farming · Herbs and Essential Oils · Chicken farming · Vegetable farming · Cut flowers | <ul style="list-style-type: none"> · Irrigation techniques · Produce-grading · Landscaping · Horticulture · Greenhouse production · Animal anatomy | <ul style="list-style-type: none"> · Agriculture Sector Education and Training Authority (AGISETA) · Department of Agriculture · Experienced farmers |
| <ul style="list-style-type: none"> · Industrial Zone Infrastructure · Urban Renewal Projects · Set up a Logistics Hub · Infrastructure upgrading | <ul style="list-style-type: none"> · Bricklaying · Plumbing · Civil engineering · Surveying skills · Health and Safety skills · Architectural and design skills · Decorating skills | <ul style="list-style-type: none"> · Construction Education and Training Authority (CETA) · Department of Housing · Established construction companies |
| <ul style="list-style-type: none"> · SMME development · SMME beneficiation | <ul style="list-style-type: none"> · Processing Skills · Machine Operating Skills · Design Skills · Quality Controlling · Mechanical Engineering Skills · Artisans & Mechanics · IT Skills · Research Science & | <ul style="list-style-type: none"> · Clothing, Textiles, Footwear and Leather Sector Education and Training Authority (CTFL) · Food and Beverages Manufacturing Industry Sector Education and |

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| | | |
|--|---|---|
| | Technology | Training Authority (FOODBEV) |
| <ul style="list-style-type: none"> Every organisation and all projects (Use and management of finances) | <ul style="list-style-type: none"> Financial Management Skills Business Management Skills | <ul style="list-style-type: none"> Financial and Accounting Services Sector Education and Training Authority (FASSET) The Accounting Standards Board South African Institute of Chartered Accountants |
| <ul style="list-style-type: none"> Agro-processing hub Food cluster | <ul style="list-style-type: none"> Food technologists Fitters and turners Electricians | <ul style="list-style-type: none"> Food and Beverages Manufacturing Industry Sector Education and Training Authority (FOODBEV) South African National Halaal Authority |
| <ul style="list-style-type: none"> Precious metals beneficiation to metal computer/cell phone microchips | <ul style="list-style-type: none"> Electronic and computer chip manufacturing skills | <ul style="list-style-type: none"> Information Systems, Electronics and Telecommunication Technologies Sector Education and Training Authority (ISETT) Mining companies already operating (Harmony, Goldfields) |
| <ul style="list-style-type: none"> Set up a Distribution Hub Manufacture of Farming Equipment General Manufacturing | <ul style="list-style-type: none"> Artisans Mechanical Chemical engineers | <ul style="list-style-type: none"> Manufacturing, Engineering and Related Services Sector Education and Training Authority (MERSETA) Harmony Gold |
| <ul style="list-style-type: none"> Upgrade/Maintenance of Road Network | <ul style="list-style-type: none"> Driving skills (Truck/Bus/Car) Road transport planning | <ul style="list-style-type: none"> Transport Education and Training Authority |

| | | |
|--|--|---|
| <ul style="list-style-type: none"> · Set up Rail infrastructure and network · Introduce Public Buses | <ul style="list-style-type: none"> · Management and administration skills · Piloting skills · Baggage handling skills · Air traffic control skills · Aviation maintenance and repairs skills · Rail engineering skills | <ul style="list-style-type: none"> (TETA) · Department of Transport · South African Civil Aviation Authority · Airports Company of South Africa |
|--|--|---|

Sources: *The South African Labour Guide and SETA websites,*

b. Attracting the Skilled

Just as every company wants to employ the right individuals with the right skills in order to meet the company goals, geographical areas need to have the right brain matter within. As shown in the municipal profiling phase, only a small percentage of the population fall under the ‘highly skilled’ category. Therefore, there are two options for the municipality:

1. Training the current population; and
2. Bringing in skills from outside the municipality.

Option two is what we will further explore at this stage.

c. Why Live Here?

The factors that most human beings consider when choosing where to live and work are the following:

1. What is the quality of life in that area?
2. What amenities are available?
3. Where do family, spouses, and friends live?
4. Are there employment opportunities?
5. What are the remuneration levels in that area?
6. Cost of living – is it competitive?
7. Is there opportunity for personal growth?
8. Is quality education for children available?
9. Is it safe – i.e. Security?
10. Is the transport network operational and efficient?

11. What hobbies can be pursued there?

Therefore, in order to attract skilled people to Mogale City, the positive aspects of living there should be advertised, especially those that answer one or more of the concerns listed above. For example, the fact that Mogale City is a quiet, calm municipality with both the benefits of urban life, and the serenity of rural life, can be used as a marketing tool to attract people there. The rural life attribute will possibly attract people with farming skills and who have found means of living comfortably in rural areas.

d. Solving the Asymmetric Information Problem

The main problem in life is asymmetric information. For example, one finds many unemployed graduates who know exactly what they want to do in life but not how and which organisation does that. On the other hand, there are many employers who know the type of people they want to employ in their organisation but cannot find them. This asymmetric information problem is the reason why information remains a winning tool.

Ways of bridging this information gap and thus bring in the right skills to the right place are:

1. hosting a Careers and Employment Expo;
2. publicising the type of employees sought in the municipality using media and the internet;
3. producing documentaries/infomercials to show the opportunities within the municipality; and
4. educating learners within the municipality about the opportunities available to them therein to keep them from migrating

e. Municipality's Role in Training Facilitation

The municipality cannot be expected to provide training in all nine economic sectors. However, they do have an important role in mobilising human resources in the municipality in the following ways:

1. **LED Awareness Campaign:** LED is a buzz word among public servants and consultants in the public sector, yet it has not made its way to the general public. Therefore, an awareness campaign would close the dialogue gap between the public and the private sector. The Development Agency and LED Unit can do this firstly at a large scale to the community and then from that level on the LED forum could continue LED discourse for the municipality.

2. **Marketing Opportunities:** This will ensure that the public – both within the municipality and in South Africa – will know the opportunities that are ready to be exploited within Mogale City. Such publicity will begin the mobilisation of investors and labour into the municipality.
3. **Municipality as Mediator:** The LED officials in the LED unit and the Development agency, having listened to potential investors as well as those already present within the municipality, will convey training needs to tertiary institutions in the province.
4. **Training PPPs:** At government level, it is more cost effective to offer general training, rather than specialised training, which should really be undertaken by the private sector. However, since this private sector investment in skilling portions of the population is of benefit to the municipality, they may contribute financial resources and possibly training facilities for specialised private sector training. This partnership will ensure that there are leaders in those sectors in which training is offered. What normally happens is that people will hear of training opportunities and they will attend the training workshops. Yet, thereafter, if there is no leadership in that sector in the form of an entrepreneur/visionary, they fall by the wayside losing the training gained. Therefore, where there is leadership, there is likely to be continued growth.
5. **Skills Audit and JIPSA:** Earlier in this report, a skills audit was recommended. This, in conjunction with nationally determined priority skills, will highlight the priority skills for the municipality.
6. **Most importantly:** Having said all, it still remains the municipality's responsibility to ensure that there is sufficient basic education and training within the municipality, distributed so that all children of school going age have access to education. The Department of Education needs to ensure that there are sufficient educators in the municipality and that resources required by schools are delivered in time.

Business Retention & Expansion Programme (BR&EP)

The responsibilities of the Business Retention and Expansion Programme will be:

- championing the BR&EP and motivating stakeholders to participate;
- organize the task force/steering committee for the programme comprising of representatives from public and private sectors and encompassing permanent and temporary members;
- determining the timeframes and scope of the business audit, and appointing consultants;

- determining the scope, objectives and timeframes of the annual business survey, and if necessary appointing consultants to do the work;
- assisting in volunteer recruitment, if necessary;
- overseeing and supporting implementation of the survey;
- analysing the results of the survey;
- organizing community outreach activities; and
- devising necessary action plans to address the immediate business needs and general constraints to their development.

Business Attraction Programme (BAP)

The Business Attraction Programme (BAP) should have in its objective a pro-active approach to attracting new investors. It requires staff educated and experienced in investments promotion, marketing, and legal issues. The responsibilities of the BAP should include:

- facilitate new investments in the local economy by providing professional services to potential investors aimed at overcoming local constraints;
- market the local economy to targeted countries and investors and ensure that they are aware of the development opportunities in the area and incentives schemes;
- lobby for any actions from local, provincial and national government and government organisations that could potentially improve the attractiveness of the local economy in the eyes of potential investors;
- maintain a close relationship with GEDA and other government organisations involved in investments promotion and local economic development; and
- assist potential investors in establishing networks with necessary government agencies, financial institutions, and other consulting services.

10.3.8 Step 8 – Project Handover

Initially, the LED Unit, in conjunction with the Development Agency will assist with initialising projects as discussed above. The Development Agency, WRDA, having facilitated implementation, needs to communicate deliverables achieved to the LED Unit and LED Forum. Further deliverables for the project leaders need to be set.

Project Privatisation – The idea is that after a year or so, the project should be run independently by the private sector, with continued public sector support where necessary and/or applicable. Therefore, project leaders and the project team should be encouraged to register the project as a business venture. This means that the role of the WRDA will gradually become a supportive and mentorship role.

Mentorship can also be provided by the support structures discussed in the previous sub-sections. Established businesses in the private sector can also provide mentorship. The municipalities, local and district, should continue to ensure that they continue to improve the enabling environment to retain existing businesses and to attract investors.

This section of the report gives municipal-specific project implementation guidelines. While the general guidelines in the previous section gave the generic steps to take, in this section, variations according to project groupings are highlighted.

10.4 Application Guidelines

The aim of this section is to specify which of the eight general guidelines are applicable to which project. This is provided so that specific guidelines for implementation are provided for each of the identified opportunities.

10.4.1 Project Groupings

Projects are grouped into specific groups that will require similar implementation actions in order to simplify the overall organisation and implementation procedure. The projects identified for Mogale City will be grouped into eight separate groups by project type. This will be done to enable us to show the variations in generic steps listed in the general guidelines. Table 10.5 provides the project groupings, projects included in these groupings and generic guidelines of expected steps involved with the implementation.

Table 10.5: Project Groupings

| Project Group | Projects included in Grouping (List) | Generic Guidelines of Expected Implementation Steps |
|---------------|--------------------------------------|---|
|---------------|--------------------------------------|---|

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| | | |
|---|---|--|
| <p>Simple agriculture (Farming)</p> | <ul style="list-style-type: none"> ▸ Oil seed farming ▸ Organic farming ▸ Herbs and medicinal plants ▸ Hydroponic greenhouse production ▸ Chicken Farming ▸ Vegetable Farming | <ol style="list-style-type: none"> 1. Obtain assistance from existing local farmers 2. Import experienced skills into the municipality in terms of the proposed new agricultural product 3. Identify emerging farmers 4. Development concept 5. Skills training 6. Business plan development and feasibility studies 7. Funding 8. Implementation |
| <p>Hubs</p> | <ul style="list-style-type: none"> ▸ Meat-processing hub ▸ Agro-processing ▸ Food Cluster ▸ Fresh Produce Market ▸ Logistics Hub | <p><u>#1 Development and expansion</u></p> <ol style="list-style-type: none"> 1. Identify potential products to be produced 2. Import technology and skill 3. Skills training 4. Business plan development and feasibility studies 5. Obtain funding 6. Implementation <p><u>#2 Construction projects</u></p> <ol style="list-style-type: none"> 1. Business plan and feasibility studies Market opportunity (business idea) to potential investors 2. Obtain sufficient funding |

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|---|---|---|
| <p>Manufacturing</p> | <ul style="list-style-type: none"> ▸ Farming Equipment ▸ Plastics and packaging products ▸ Textiles ▸ Metals ▸ Electronics ▸ Wood and Wood products | <ol style="list-style-type: none"> 1. Business plan and feasibility studies (development concept) 2. Identify source of inputs and target market for produce 3. Transport considerations (cost, distance and time) 4. Import required skill and technology 5. Identify optimum location 6. Consider policy alignment and attractiveness to potential investors |
| <p>Skills training and development</p> | <ul style="list-style-type: none"> ▸ Educational training facilities ▸ Satellite university campuses ▸ Financial and management skills development ▸ Mentoring Programmes | <ol style="list-style-type: none"> 1. Identify skill inadequacies 2. Identify skill limitations influencing proposed projects 3. Prioritise 4. Investigate PPP solutions 5. Investigate training opportunities outside of the Mogale City 6. Liaise with training institutions to attract them into Mogale City or to provide training for the local population |
| <p>Construction</p> | <ul style="list-style-type: none"> ▸ Road Infrastructure ▸ Signage ▸ Urban renewal projects ▸ Industrial Zone Infrastructure | <ol style="list-style-type: none"> 1. Feasibility studies to determine the demand and location factors 2. Development concept in terms of size, type and quantity 3. Community involvement 4. Marketing to investors and obtaining funding |

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|------------------|---|---|
| Utilities | <ul style="list-style-type: none"> ▸ Bulk electricity ▸ Bulk water supply ▸ Sanitation ▸ Disaster management | <ol style="list-style-type: none"> 1. Concept development 2. Sustainable job creation opportunities 3. Feasibility studies and demand calculation 4. Identify anchor industrial businesses 5. Policy alignment |
| Tourism | <ul style="list-style-type: none"> ▸ Township tourism ▸ Tourism Marketing ▸ Adventure Tourism ▸ Educational School Trips | <ol style="list-style-type: none"> 1. Expand and develop existing tourism base (base tourist attractions) 2. Package tourism products to add to attractiveness 3. Identify new and supporting tourism products 4. Private sector involvement 5. Identify emerging tourist markets 6. Linkages with transport and |
| Transport | <ul style="list-style-type: none"> ▸ Set up a distribution hub ▸ Truck depot ▸ Upgrade/maintenance of road network ▸ Public transport (Bus/shuttle, trains) | <ol style="list-style-type: none"> 1. Identify existing transport passing through Mogale City 2. Establish linkages with the national (passing through) transport and local transport 3. Determine demand for public transport, identify opportunities to establish PPP's to provide public transport services 4. Provide facilities such as warehousing and truck depots |

10.4.2 Projects Matrix

A project group matrix is utilised to illustrate the variations in implementation steps required for the successful implementation of projects per project group. The following implementation steps are included in the project group matrix:

- **Prioritisation**

Prioritisation involves action to evaluate different projects in terms of specific prioritisation criteria such as job creating opportunities, income generated and sustainability to develop a priority list of projects with high, medium and low priority.

- **Location Identification**

The purpose of this step is to identify a suitable location to implement the proposed project. The location should comprise of the required positive attributes that will ensure the success of the project. Location identification will include actions to indicate the local municipality, town and suburb.

- **Pre-Feasibility Studies**

A pre-feasibility study is comprised of a preliminary concept development, identification of aspects to be address in the feasibility study and the provision of an overview of the proposed analysis in the feasibility study.

- **Feasibility Studies**

Feasibility studies are conducted to illustrate the practicality and achievability of the proposed projects in terms of financial, resource and skill considerations.

- **Partnership Identification**

Identification of cross cutting sector partnerships with supporting activities that will contribute to the momentum of economic development in the municipality, providing agglomeration advantages and economies of scale advantages.

- **Project Matchmaking**

Project matchmaking illustrates actions involved with linking different projects with companies and individuals identifying parties that will be involved with implementing projects and the correct stakeholders, beneficiaries and project leaders.

- **Business Plan Development**

Business plans are utilised as a roadmap to illustrate the phasing and objectives of projects. Business plans are often used as a marketing tool to access investment funds from private companies or funding organisations.

- **Allocation of Municipal Funding**

The portion of the municipal budget allocated for development projects and stimulating of the local economy can be allocated to specific projects on the priority list of local and district municipalities. It is important that effective communication is available to report utilisation of municipal funding.

- **Project Handover and Mentoring**

Once the project is established it is important for the municipality to handover the projects to experienced stakeholders, companies or individuals in the private sector to allow the municipality capacity to allocate resources to other development projects. At this stage the municipality will only perform a mentoring and monitoring role to insure the sustainability of the project.

Table 10.6 indicates the variations per project group in terms of implementation steps required to effectively implement the proposed project.

Table 10.6: Project Group Matrix

| PROJECT GROUP | PRIORITISATION | LOCATION IDENTIFICATION | PRE-FEASIBILITY STUDY | FEASIBILITY STUDY | PARTNERSHIP IDENTIFICATION | PROJECT MATCHMAKING | DEVELOP BUSINESS PLAN | ALLOCATE MUNICIPAL FUNDING | PROJECT HANDOVER & MENTORING |
|------------------------------|----------------|-------------------------|-----------------------|-------------------|----------------------------|---------------------|-----------------------|----------------------------|------------------------------|
| Simple agriculture (Farming) | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Hubs | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Manufacturing | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Skillstraining & development | ✓ | ✓ | | ✓ | ✓ | ✓ | | ✓ | ✓ |
| Construction | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Utilities | ✓ | ✓ | | ✓ | ✓ | | ✓ | ✓ | |
| Tourism | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Transport | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

Observations from Table 10.6:

- All projects have to be considered during the project prioritisation stage, i.e. before any project begins to be implemented.
- The municipality must budget for projects in their yearly budgets.
- The location of projects also need to be considered for all projects as a project needs to be implemented at a specific location i.e. address.
- In order to implement the development of hubs (agro-processing, meat-processing and chemical processing) the process should be carried out thoroughly involving each of the implementation steps to ensure successful implementation and to limit losses.
- In terms of the agricultural (farming), projects may not be necessary to do pre-feasibility study, a detailed feasibility study should suffice. A pre-feasibility study is also not required for skills training and development, however a feasibility study is required for the development of training facilities such as satellite university campuses or training institutions.
- The public sector may not need business plans, as public sector efforts can work independently, however if the correct partnerships are forged and there is buy-in from national departments assist with funding, project implementation could proceed more efficiently.
- Infrastructure projects and the provision of utilities first need to be planned for, thereafter, an Infrastructure Programme Management Plan (IPMP) needs to be drawn up, followed by an Infrastructure Programme Implementation Plan (IPIP). The project design phases follow these planning stages and give details of the project. After the project has been designed, the project tender phase can commence, at the completion of tendering and after a contractor has been found, the actual project is then implemented.
- The tourism projects would generally not require a pre-feasibility report as a detailed feasibility study would suffice.
- In terms of the transport projects it is clear that all of the implementation steps are involved as the success of these projects will be greatly influenced by both the private and public sectors. The locations that need to be identified are a feasibility study that needs to be carried out, followed by a business plan in order to obtain funding.
- As part of ensuring that labour is skilled, a great deal of attention should be paid to skills development and training and the setting up of campuses of already established tertiary institutions should be encouraged. The major planning is done by these institutions, with government assistance, therefore a pre-feasibility study and business plan is not always necessary.

10.5 Monitoring and Evaluation

To ensure the effective implementation of the LED Strategy, it is necessary to monitor and evaluate the impact of LED initiatives on the local economy. This is because monitoring and evaluation has the potential to enable:

- understanding the extent to which the projects are meeting their objectives,
- create greater transparency and accountability,
- provide project staff with a clearer basis for decision-making through monitoring and evaluation information, and
- improve future project planning and development as it will ensure lessons that will be learned from project experience.

Therefore once the above has been determined, consistent monitoring and evaluation will enable the municipality to:

- take corrective action if LED initiatives do not have the desired impact,
- replicate and/or expand projects that are successful.

As a result this section identifies the approach that the local municipality would need to follow in order monitor and evaluate the impact of the LED initiatives that will be implemented based on this strategy. There are two possible approaches to monitor and evaluate the impact of the LED Strategy namely, the direct and indirect impact of the LED Strategy. The direct impact approach would need to put measures in place to determine the impact of each project. However, this approach is too costly and time-consuming and therefore the indirect approach is recommended.

Indicators can help describe changes over time with a common base value, identify benchmarks and progress in relation to goals as well as reflect the status. Indicators are measurements that give us information about the changes in the condition of something over time. Indicators help us define the nature and size of environmental problems, set goals for their solution, and track progress towards those goals. They are useful because they help to express a large quantity of data or complex information in a simple way. Some examples of indicators are: daily temperature (it tells us about weather conditions), colour in fruit (it tells us about how ripe the fruit is), the consumer price index (CPIX gives an indication of how affordable market goods and services are), and the Dow Jones Sustainability Index (DJSI gives an indication of the financial performance of all companies listed on this index, for comparison with other companies).

Economic indicators are usually reports which contain specific information, e.g. on population growth, GDP growth, etc. The indicators were selected on the basis that they would be reflective of the objective that

they were designed to measure. They were also designed to be able to be measured on an annual basis, and be based on reliable data.

10.5.1 Development Indices

LED implementation Index: The number of LED projects successfully implemented, the number of LED actions per programme successfully facilitated, the number of direct permanent employment, and the number of direct temporary employment generated per year gives an indication of how effective the Mogale City Local Municipality's LED unit are in the implementation of this LED Strategy. This Index thus seeks to measure the effectiveness of the LED Unit in implementing the projects and programmes set out by this LED Strategy. Through this index, the LED Unit can measure its performance in implementing this strategy and its effect on the local economy. The indicators utilised as performance proxy for the performance of the LED unit are:

1. The number of LED projects successfully implemented
2. The number of LED actions per programme successfully facilitated
3. The number of direct permanent employment opportunities created
4. The number of direct temporary employment opportunities created

Agriculture Hub Index - The objective of this thrust is to add value to agricultural activities through establishing local manufacturing and processing plants, which utilise local raw materials and resources as primary inputs. Agriculture Sector employment and GDP growth are used as indicators of the development of the Agriculture Sector value chain on the basis that as the sector develops there will be increasing opportunities for job and GDP growth. The level of employment as well as GDP in the Food, beverages and tobacco sub sector of the Manufacturing Sector were used as proxies for the extent to which agro-processing was taking place. The land audit study currently underway will inform the baseline for the percentage of agricultural land owned by BEE persons. The following proxies are used to measure this index:

1. Agriculture Sector GDP
2. Agriculture Sector Employment
3. Agro-processing GDP
4. Agro-processing Employment

Business Development Index- This Thrust focuses on the creation of an enabling business environment that provides a supportive platform for SMEs and large businesses to develop and existing businesses to grow

and expand. It is aimed at providing local business owners and entrepreneurs with the necessary skills and knowledge to effectively manage their businesses, as well as providing financial support and increasing access to external markets. The successful implementation of this Thrust would not only see increased direct employment, but also the generation of indirect job opportunities and further spin-off effects in the local economy. The Thrust is also aimed at seeing GDP growth, thereby increasing the incomes of local people and improving their quality of life.

The following indicators are used as a proxy to measure the success of the LED Unit in implementing this Thrust:

1. Overall GDP;
2. Overall Employment; and
3. Tress Index for GDP.

Tourism Index- The objective of this thrust is to stimulate the development of the tourism industry through the development and promotion of local resources and activities.

The Tourism Grading Council of South Africa's (TGCSA) lists the number of graded establishments on a web based directory. This figure should subsequently be obtained from the Responsible Tourism Development Strategy (RTDS) and be included as the baseline figure. The catering and accommodation GDP and employment levels were extracted from the Wholesale Retail and Trade Sector statistics, as provided by the Quantec Resource database. Annual sport and tourism-related events can focus favourable attention on the municipality as a tourist destination, giving local tourism activities and attraction more exposure and increasing tourist flows into the area. For the duration of events, tourist spending also increases in the region, as visitors take up local accommodation, utilise local services and retail shops and visit local attractions. In utilising events as a monitoring and evaluation indicator for this Thrust, the hosting of events is defined as a significant scheduled happening which will attract attention. The following indicators are used as proxies to measure the success of the LED in increasing number of tourists and tourist spending, namely:

1. GDP growth for catering and accommodations
2. Employment growth for catering and accommodations
3. Number of establishments accredited by the TGCSA
4. Number of events held annually

10.5.2 Monitoring and Evaluation Matrix

In order to monitor and evaluate the effective implementation of the LED Strategy, a Monitoring and Evaluation Matrix has been developed setting out the different indices discussed above. The Matrix is provided in Annexure B.

The following are important aspects that need to be considered in populating the matrix:

- The matrix should be 'populated' with real values, so that inflation is unaccounted for
- The baseline data is for 2010
- The 2008/2009 financial year is the first year to be 'populated' in the model

Lastly, a critically important aspect for the successful implementation of this LED Strategy is to develop the LED unit and to provide the LED unit and the municipality with the rightful recognition as it deserves, and secondly is the need to ensure that all stakeholders and parties involved in the LED process take ownership of the programmes and projects identified in this strategy. It is also suggested that the monitoring and evaluation matrix be incorporated into the performance management system so as to ensure accountability and responsibility for the implementation of the LED Strategy and its programmes.

10.6 Conclusion

The implementation guidelines phase of this project was to draw a map of the thought processes in planning project implementation. We looked at the projects identified in the Potential Analysis phase, and added some public sector projects to the ones already identified. The Enabling Environment was looked at and it was from that process that the additional projects arose. Thereafter, comprehensive lists of potential sources of funding and small business support services were provided. An overview of the type of skills that will be required in the municipality, based on current economic activity as well as on the projects identified, was given and the chapter ended with practical step by step instructions of processes to be completed in project implementation.

Section 11 - Recommendations and the Way Forward

11.1 Recommendations

The successful implementation of this LED Strategy urges the need for the proposed institutional drivers to be established as a matter of urgency. This is essential in ensuring that momentum and commitment is not lost, particularly as it could be difficult to turn around and could negatively influence future efforts to initiate similar development initiatives. Furthermore, the institutional drivers will probably not succeed unless the political ambition to ensure success is not included in the LED process as a whole. This political ambition can be initiated and developed through the inclusion of all interested and affected parties, stakeholders and role players during the planning and implementation phases. Through the participation and inclusion of all of these stakeholders, the political will, interest and communication is stimulated, which when combined, will contribute to the success of the Strategy.

Another critically important aspect for the successful implementation of the LED Strategy is the need to ensure that all stakeholders and parties involved in the LED process take ownership of the programmes and projects identified. It is also important that the monitoring and evaluation elements of the LED Strategy are incorporated into the performance management system of the Mogale City Local Municipality. This will ensure accountability and responsibility for the implementation of the LED Strategy and its programmes, and will eradicate potential conflicts.

Based on the formulation of the strategy with the numerous potential products and projects, the following is recommended to achieve optimal sustainable local economic development, employment creation, and increase in living conditions and standards, as well as human resource development:

- ✓ Start focusing on the sectors with the highest development potential, followed by the sectors with less potential. Ensure balanced stimulation of growth and development within all sectors; do not focus solely on one sector
- ✓ Before deciding on the implementation of specific projects, ensure that adequate funding sources and management capacity are in place
- ✓ Start implementing projects with the highest potential for stimulating economic growth and development
- ✓ Ensure economic development is balanced along all economic sectors
- ✓ Make sure that the projects that stimulate economic growth do not adversely affect the environment or human living conditions

- ✓ Set reasonable time frames for implementation and ensure effective and continuous monitoring of project progress and effects

11.2 Way Forward

Numerous opportunities exist in Mogale City Local Municipality. However, the possibility of implementing all of the potential projects is not realistic. Financial, institutional as well as market limitations are a constraining factor. The need for the local economy to be prepared is however critically important. In other words, the local economy of Mogale City needs to be primed to become not only receptive to opportunities, but also to implement developmental projects.

An essential component is the priming of the local entrepreneurial spirit. The development of selected sectoral development strategies to achieve economic diversification within the Mogale City economy is part of a continuous process. The formulation of the strategies is the current step in the economic development process. This builds on the previous processes such as the IDP. In other words, the status quo and its relevant findings are employees as a departure point for the formulation of guidelines according to which economic development can be undertaken for the following 5-years.

A LED Strategy is a living document and must be updated and maintained on a continuous basis, the world is constantly changing both socially and economically. LED must adapt to the changes or face the possibility of being left behind in economic growth.

Annexure A – Project Prioritisation Results

Project Prioritisation

| Project | Priority | Score (31) |
|--|----------|------------|
| THRUST 1: DEVELOPMENT OF A COMPLETE AGRICULTURAL HUB | | |
| Organic farming | 9 | 18.30 |
| Expansion of existing vegetable farming | 5 | 22.50 |
| Expansion of existing chicken farming for commercial purposes | 2 | 26.70 |
| Oil Seeds and Oil Extraction | 11 | 18.30 |
| Herb and Essential Oils | 7 | 22.50 |
| Diversify horticulture in the form of organic farming | 6 | 22.50 |
| Food cluster, with focus on processing, packaging & exporting in Tarlton | 4 | 26.70 |
| Fresh Produce Market | 1 | 30.90 |
| Develop agri-villages in rural areas | 8 | 22.50 |
| Establish regional farmers association | 9 | 18.80 |
| Increasing the number of farmers on the LRAD programme | 12 | 14.60 |
| Establishment of on-site training at local farms | 3 | 26.70 |
| Bursaries for emerging farmers and young people at agricultural colleges | 10 | 18.30 |
| THRUST 2: BUSINESS DEVELOPMENT | | |
| Skills revitalisation project | 10 | 18.80 |
| Industry Information Network | 18 | 14.60 |
| Provide Industry Assistance | 19 | 14.60 |
| Industrial zone infrastructure project | 4 | 26.70 |
| Property and Infrastructure Assistance | 20 | 18.30 |
| Support Services | 14 | 18.30 |
| Inter-regional Integration of Business | 13 | 18.80 |
| Industrial Recruitment and Targeting | 12 | 18.80 |
| Land and Industry Supply Initiative | 17 | 18.30 |
| Area Targeting and Regeneration | 11 | 18.80 |

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| | | |
|--|----|-------|
| Industry Investment Strategy | 2 | 30.90 |
| Marketing Plan | 5 | 26.70 |
| Establishment of a SMME one stop centre | 1 | 30.90 |
| Small business forum linked to MCCI | 8 | 22.50 |
| SME procurement/outsourcing database | 6 | 26.70 |
| Agric. projects involving emerging farmers: Hydroponics, floriculture | 7 | 22.50 |
| Small business development in accommodation facilities | 15 | 14.60 |
| SMME tour operators | 9 | 22.50 |
| Establishment of on-site training at local businesses | 3 | 26.70 |
| Bursaries for entrepreneurs to attend tertiary training facilities for business and financial management | 16 | 18.30 |
| THRUST 3: INTEGRATED TOURISM SECTOR | | |
| Establishment of tour operators | 10 | 18.80 |
| Development/Establishment of Entertainment Venues | 9 | 18.80 |
| Develop Educational Tours | 14 | 10.90 |
| Integrated Tourism Association (public + private) | 8 | 18.80 |
| Tourism Marketing Strategy | 1 | 26.70 |
| Tourism Node and Routes Identification | 11 | 18.30 |
| Tourism database (attractions, accommodation, operators) | 5 | 22.50 |
| Urban renewal projects | 6 | 22.50 |
| Improvement of transport infrastructure and linkages | 3 | 26.70 |
| Improvement of signage | 12 | 18.30 |
| Establish and Develop Adventure Activities | 7 | 22.50 |
| Establishment of a tourism forum | 4 | 22.50 |
| Establishment of on-site training at local tourism attractions and events | 2 | 26.70 |
| Bursaries for entrepreneurs, tourism operators and owners to attend tertiary training facilities for | 13 | 18.30 |

tourism and hospitality training

Source: Urban-Econ Prioritisation Model, 2010

Annexure B – Monitoring and Evaluation Matrix

Monitoring and Evaluation Matrix

| INDEX | PROXY INDICATORS | BASELINE (2010) | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 |
|------------------------------------|--------------------------------------|-----------------|-----------|-----------|-----------|-----------|
| Agriculture Hub Index | Agriculture sector GDP | | | | | |
| | Agriculture sector employment | | | | | |
| | Number of new products introduced | | | | | |
| | Number of organic farming operations | | | | | |
| | Number of agric. product exporters | | | | | |
| SMME Development and Support Index | Overall GDP | | | | | |
| | Overall employment | | | | | |
| | Number of registered SMME's | | | | | |
| Tourism Development Index | Tourism sector GDP growth | | | | | |
| | Tourism sector employment growth | | | | | |
| | Number of accredited establishments | | | | | |
| | Number of events held annually | | | | | |
| BRE&A Index | Number of New Businesses | | | | | |
| | Number of new incentives introduced | | | | | |

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| | | | | | | |
|--------------------------|---|--|--|--|--|--|
| | Total GDP contribution of businesses | | | | | |
| LED Implementation Index | Number of LED projects successfully implemented | | | | | |
| | Number of direct permanent employment opportunities | | | | | |
| | Number of indirect permanent employment opportunities | | | | | |