



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

Sustainable Regional Economic Development in South Africa

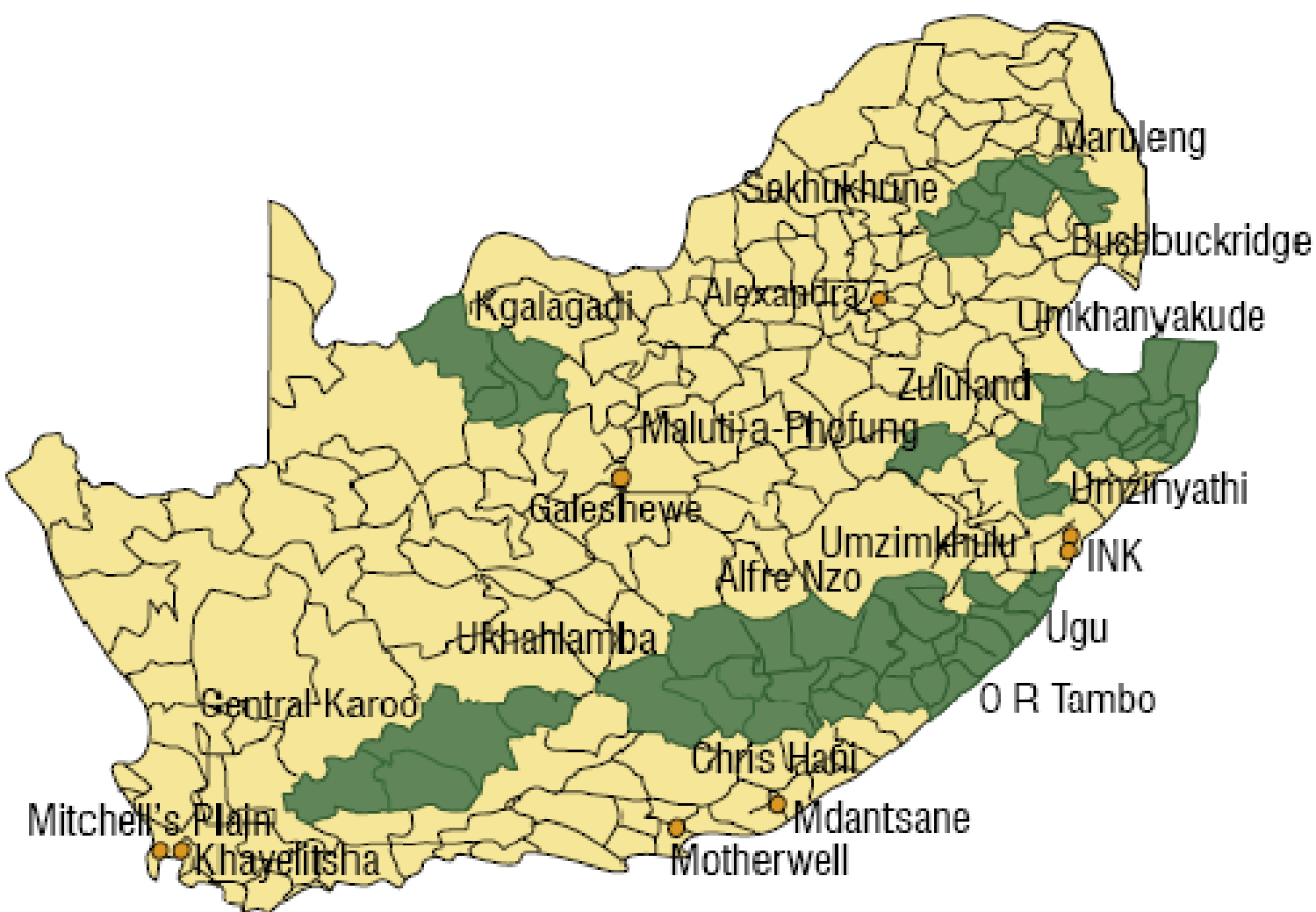
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URBAN AND RURAL DEVELOPMENT
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Presidential poverty nodes

In 2001, the State President Mr. Thabo Mbeki announced an initiative to address underdevelopment in the most severely impoverished areas (Presidential poverty nodes) in South Africa. It is estimated that these nodes (rural and urban) are home to around 10 million people.



Rural Nodes	
1	Alfred Nzo
2	Bushbuckridge
3	Central Karoo
4	Chris Hani
5	Kgalagadi
6	Maluti-a-Phofung
7	Maruleng
8	O R Tambo
9	Sekhukhune
10	Ugu
11	Ukhahlamba
12	Umkhanyakude
13	Umzimkhulu
14	Umninyathi
15	Zululand
Urban Nodes	
1	Alexandra
2	Galeshewe
3	Inanda, Ntuzuma, Kwamashu (INK)
4	Khayelitsha
5	Mdantsane

Rural Context



ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

BACKGROUND

Government Initiatives

- ❖ **Government has initiated a series of policies and strategies since 1994**
- ❖ **At macro level, economic growth has progressively increased from 2.7% per annum between 1994-2000 to 5% in 2006**
- ❖ **The National Spatial Development Perspective (NSDP) initiated in 2003 and reviewed in 2006 has contributed to a better understanding of national spatial economy**
- ❖ **The Provincial Growth and Development Strategies are progressively being used for intergovernmental planning**

ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

BACKGROUND

Government Initiatives Cont:

- ❖ **The Regional Industrial Development Strategy (RIDS) is actively working towards targeted support programmes to address spatial disparities**
- ❖ **The LED Framework outlines aspects for public sector leadership**
- ❖ **Within this context, the Nodal Economic profiles seek to guide action at a micro level within the Presidential Urban and Rural nodes in the first instance**
- ❖ **The aim is to focus on the comparative and competitive advantages within this region to guide decisions for both public and private investment.**

ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

NSDP

**The National Spatial Development Perspective
Shared Understanding of National
Space Economy**

PGDS

**Provincial Growth and Development Strategy
Long term view of province's development trajectory**

IDP

**Integrated Development Plans
Planning Instrument for local decision making**

National Spatial Development Perspective

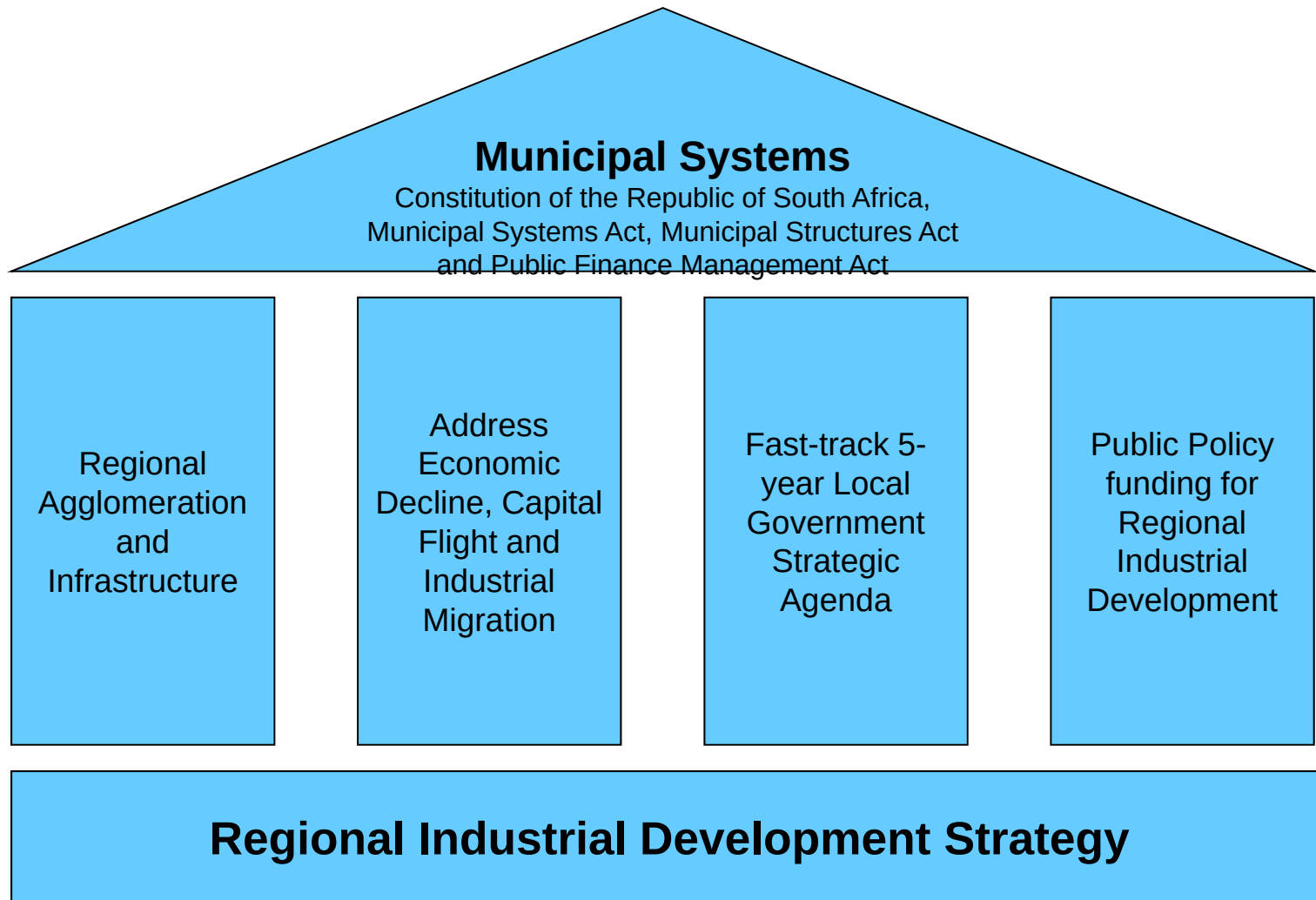
National Spatial Guidelines
are increasingly recognised as tools to

- Coordinate government action and alignment
- Provide rigorous base for interpreting strategic direction
- Maximise overall social and economic impact of government development spending

- Enable a shared understanding of the national space economy
- Provide a principle-based approach to coordinate and guide policy implementation across government

NSDP is South Africa's first set of national spatial guidelines that establish an overarching mechanism

Key Levers for Regional Industrial Development By DTI



ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

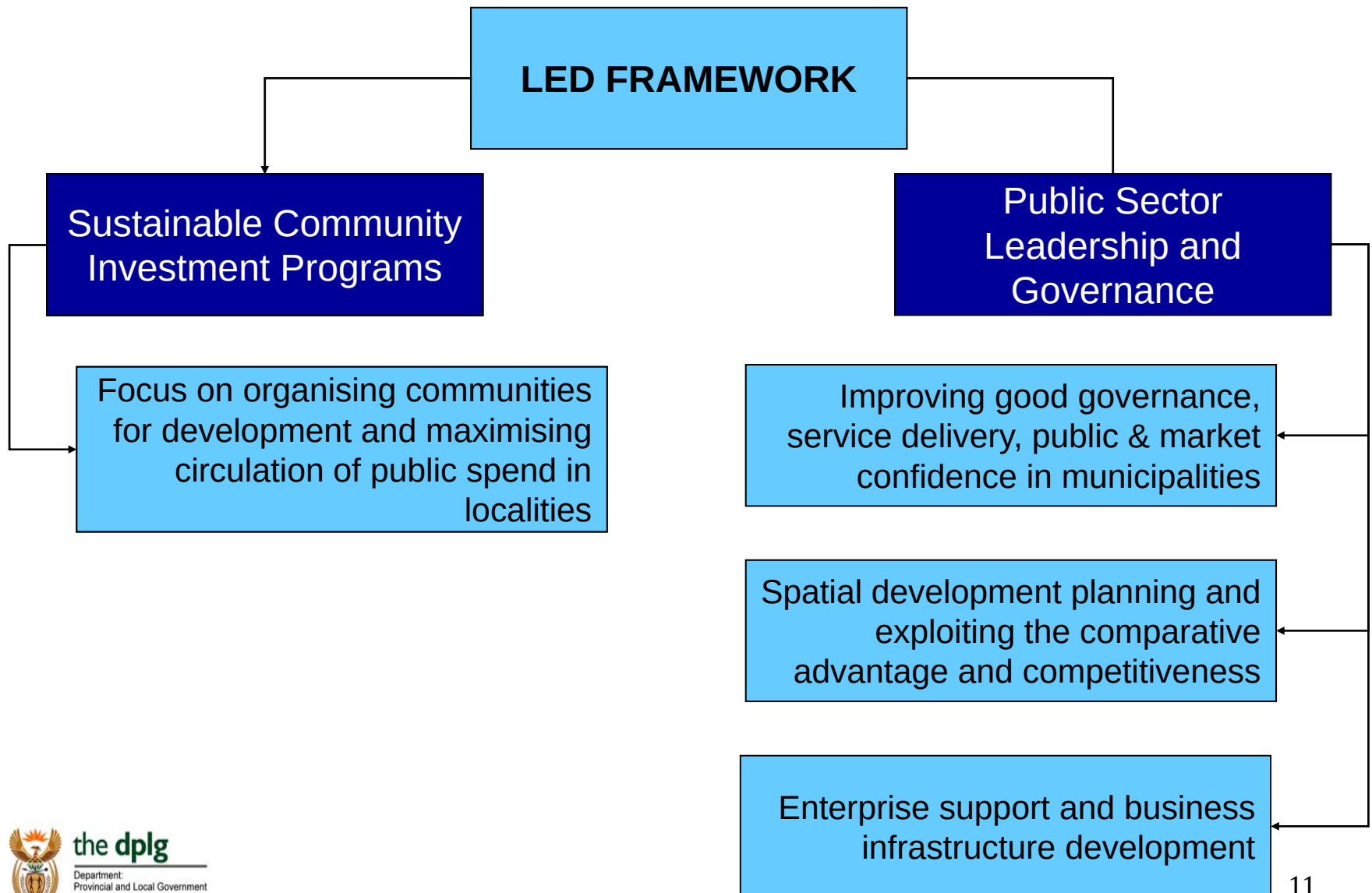
Context

National LED Framework

Launched in 2006, with 4 key strategies:

- ✓ improving good governance, service delivery, public and market confidence in municipalities,
- ✓ Spatial development planning and exploiting the comparative advantage and competitiveness of districts and metros,
- ✓ Enterprise support and business infrastructure development and
- ✓ Introduce sustainable community investment programmes focussing on organising communities for development and maximising circulation of public spend in local economies.

National LED Framework



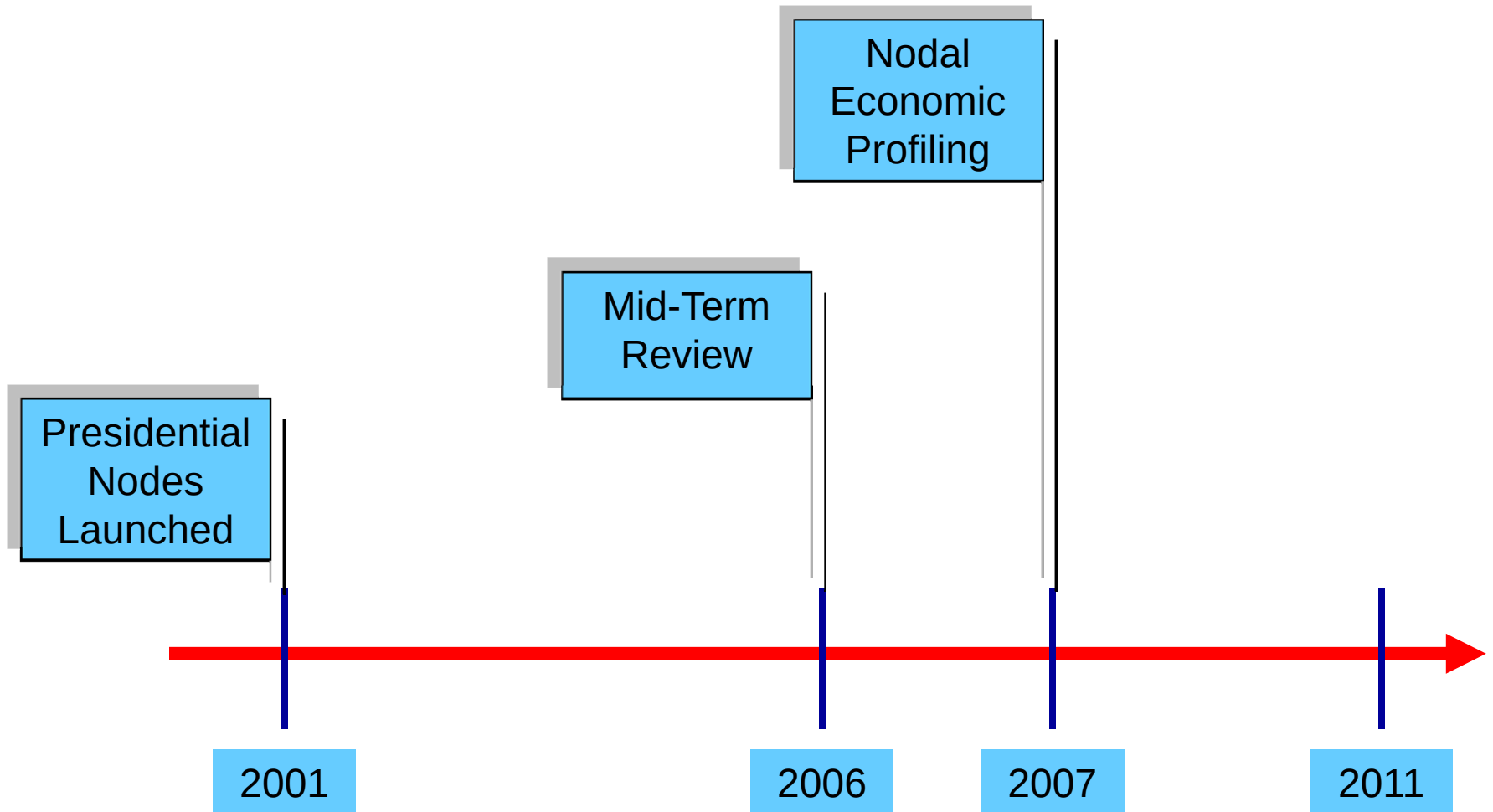
ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

Problem Statement:

Without good intelligence on economic challenges and opportunities the poverty nodes are unable to trigger the required economic responses:

- 1. Insufficient and unreliable economic data**
- 2. Project-specific approach to development vs. holistic**
- 3. Weak economic inputs into nodal plans (IDPs, PGDS)- resulting in over-ambitious plans**
- 4. Funding for stimulating private sector investment into the nodes**
- 5. Limited economic productive capacities in the nodes: education, training, capital, economic and social infrastructure, marketing information, appropriate technologies**
- 6. Unclear role-definition for economic development support**

ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT



ISRDP AND URP NODAL ECONOMIC PROFILING: PROJECT

Response:

The project objectives were therefore to provide:

- **Detailed analysis of the economies of the nodes**
- **Identify barriers and constraints**
- **Identify opportunities for public and private investment**
- **Recommend strategic interventions by the public sector to improve the nodal business climate**

Economic Process & Profiling Approach

High-Level Issues

Focused Analysis

Node Overview

The Nodal Economy

Sector Analysis

The Enabling Environment

Investment Opportunities

- The Node
- Performance against key devt indicators
- Critical high-level developmental issues and challenges

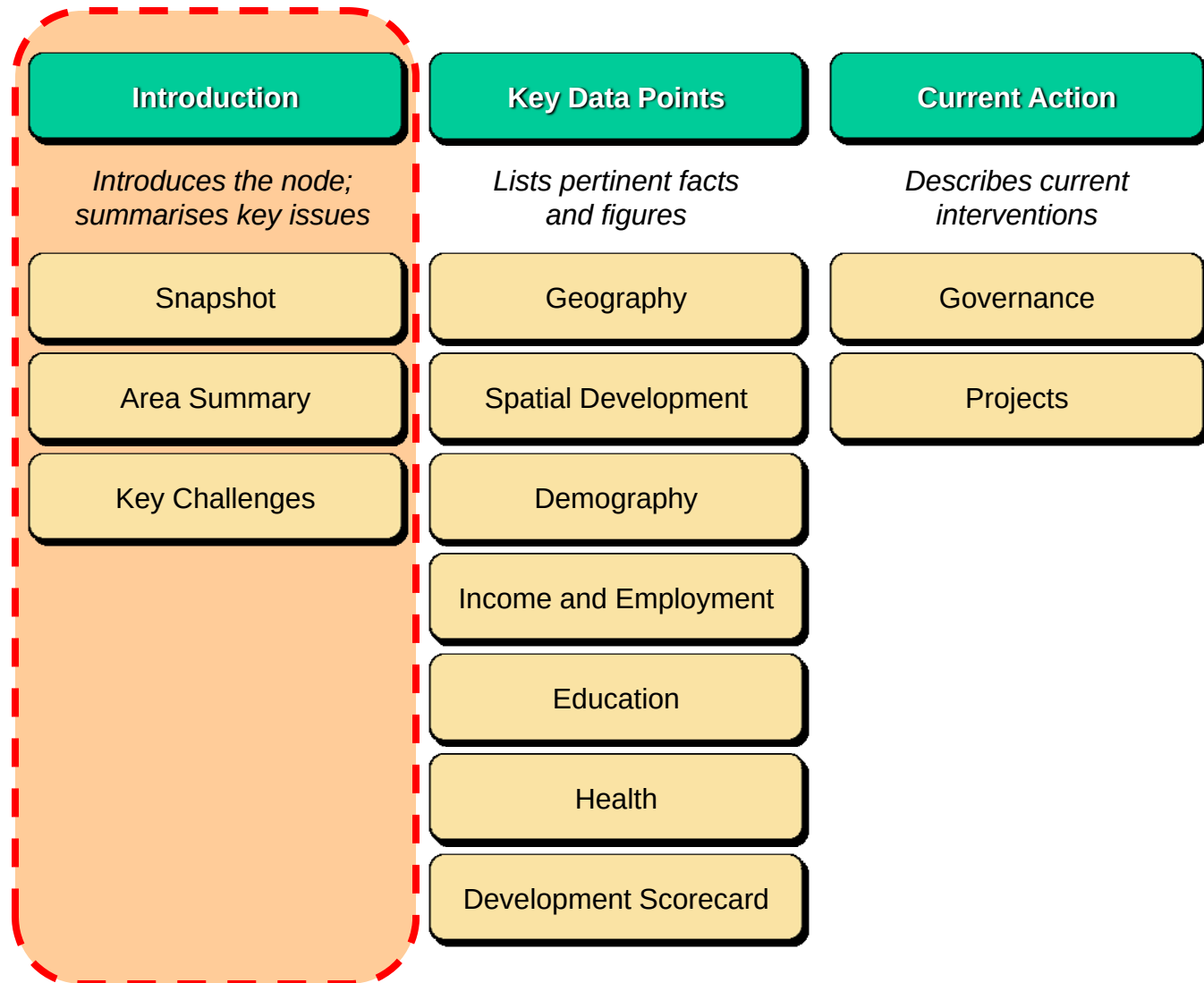
- Economic activity within and around the node
- The main sectors

- Sectors which offer the greatest potential for growth and employment

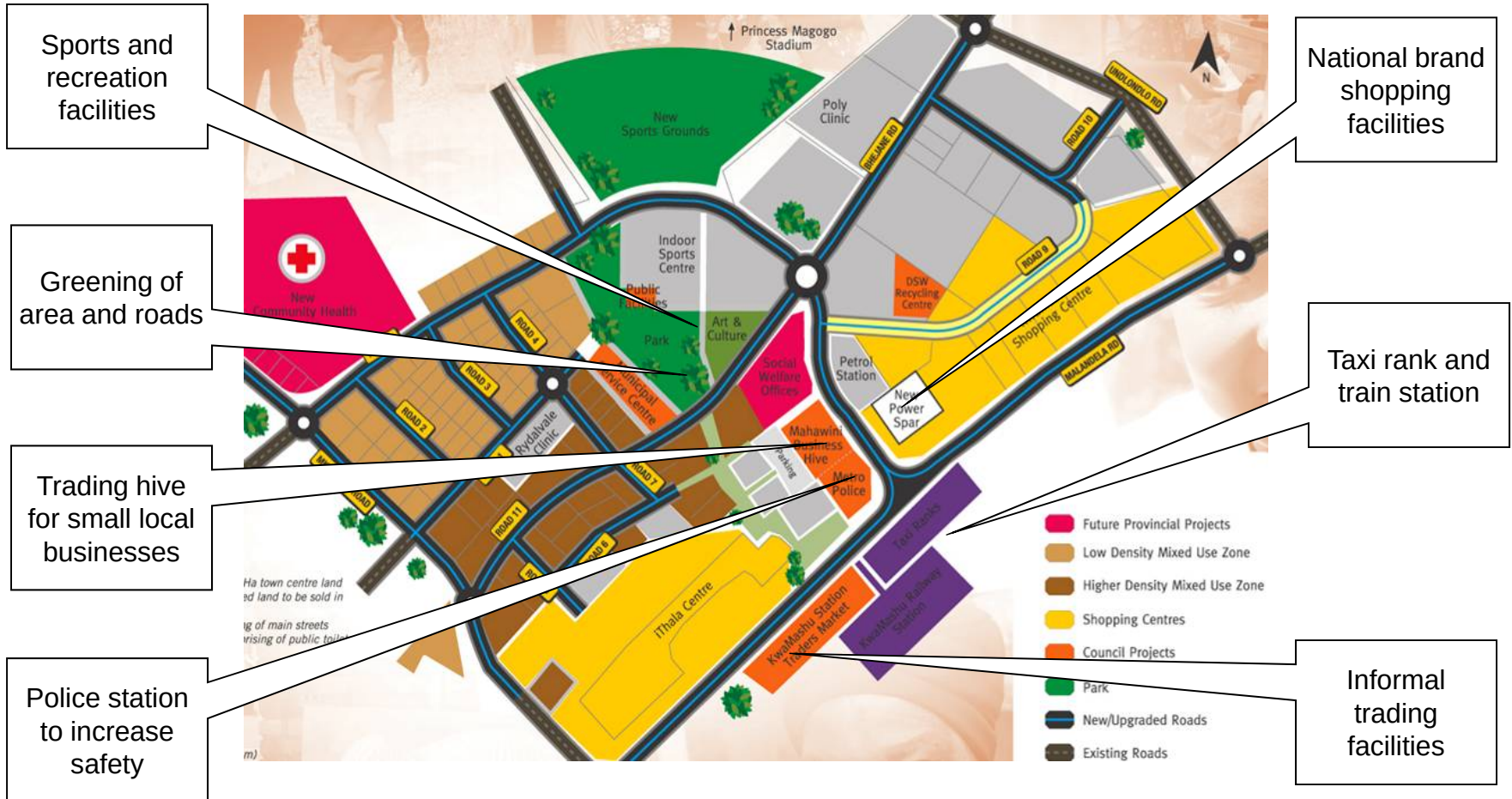
- Factors constraining the development of a favorable investment climate
- Constraints to the potential of key sectors

- Sector-level investment opportunities
- Enterprise-level investment opportunities

Node Overview Structure



Local Spatial Aspects



Example of IDP Review

Actions Proposed	
Examples of key actions proposed in IDP	Examples of key actions <u>not</u> proposed in IDP
• LED – Tourism capture and promotion – Investment policy refinement • Basic Services – Eliminate service backlogs – Infrastructure maintenance and improvement • Address constraints in the IDP process – Community participation • Ensure financial viability – Creation of a model for shared municipal services • Improve capacity of local government – Performance management systems – Role clarification and executive development	• Agriculture – Only one action around agri-processing is identified

Assessment
<i>Highly action oriented</i>  <i>Key action areas not covered</i>

Support of Implementation of the Proposed Actions
• Frequent inclusion of timelines for proposed actions • Some quantification of cost over a 3 year period • Responsibility identified at municipal official level • Achievements so far identified • Some key performance indicators included • Source funders identified in the majority of cases • Supporting actions identified for many items proposed

Assessment
<i>Drives implementation well</i>  <i>Does not drive implementation</i>

Content Overview: Rural Profile

- Research Process

- Node Overview

- Introduction
- Key data points
- Current action

- Node Economy

- Overview

- GDP and employment
- Prioritization of economic sectors

- Selected Sector: Tourism

- Description of current value chain
- Growth constraints and solutions
- Potential for sector

- Selected Sector: Agriculture

- Description of current value chain
- Growth constraints and solutions
- Potential for sector

- Investment opportunities

- Summary

- Understanding the node
- Potential sources of economic growth – short term
- Potential sources of economic growth – long term
- Assessment of current activities

- Appendix

- Itineraries of field trips
- Key stakeholders
- Key documents
- Conversation records
- Photo collage

Summary of Rural Profiles: What needs to be done? Solutions to Constraints / Investment Opportunities

Zululand

- Create the incentives for tourists and operators to come to the area: complete roads, build accommodation in eMakhosini, create attractions, develop products, etc.
- Work with tour operators and tourism businesses within and nearby the node to create and market attractive packages that link multiple destinations
- Support key investment opportunities, including the Pongolapoort Dam development and the construction of lodges in eMakhosini Valley
- Build a mentorship system between established and emerging farmers
- Create structures / organizations to aggregate emerging farmers and decrease input and transport costs
- Attract private investment – a key place to start is the opportunity for a sugar mill on the Makatini flats, which would be a great boost to emerging sugar farmers in Zululand

Maluti

- Address skills gap within municipalities
- Mentorship programmes to bridge the skill gap between emerging and commercial farmers
- Develop an effective marketing strategy and delivery mechanism for tourism
 - There is a need for supporting investments in the sector, because this is the sector that provides the multiplier effect for growth in the rest of the economy
 - Black entrepreneurs need to be educated and trained to be able to participate in this sector and reap rewards from it. This must be done in conjunction with creating new tourism products highlighting the area scenic beauty

Sekhukune

- Water, infrastructure and skills are all common constraints across most sectors
- Promising investment opportunities include:
 - Mining: Several new mines to be developed; opportunities for supporting industries (accommodation, housing, retail, restaurants / catering, processing)
 - Agriculture: Bio-diesel production to supply mining industry; fruit and vegetable processing plant
 - Tourism: Vacation property and resort development

INVESTMENT OPPORTUNITIES

Key projects have been selected per node that could form the basis for kick starting the nodal economy (96 projects in the rural nodes, 25 in the urban nodes).

For each investment opportunity, a profile is provided with the following information:

- description
- economic rationale
- employment
- enabling conditions
- contact details
- status of available documents

These investment opportunities are not intended to be a comprehensive list of opportunities in the nodes, but can provide a basis for focussed and targeted public and private sector intervention to kick-start the nodal economies.

Example of Profiling of an Investment Opportunity: Production of Starch from Cassava

Cassava will be grown on the banks of the Pongolo River



Illustrative examples of machinery that could be used in the extraction of starch from cassava

Concept	Data and Commentary
Description	- The project involves growing cassava (a root vegetable with a high starch content) in the Makhatini Flats area. The starch will be extracted and sold to paper manufacturers - Size of the project: R250m investment (required funding at a conceptual stage) - The factory would work 180,000 tons of cassava per annum, aiming to extract 40-50,000 tons of starch - On dry land, 20 tons of cassava per hectare: 9,000 hectares required. On irrigated land, 45 tons per hectare: 4,000 hectares required
Economic rationale	- A factory would be set up to extract the starch and sell it to the paper industry - South Africa currently imports 60 tons of starch annually; this production would aim to substitute part of these imports
Employment	- Partnership between the Agriculture Research Council, providing the technical input for cultivation, and local farmers managing the production and getting a share of the profits from the starch sales - Local farmers have the skills required; approximately 10,000 will be involved
Enabling conditions	- Resolution of access to land issues - Changing the mindset of farmers from subsistence to commercial
Other	Challenges: land is owned by the state, but there is a strong presence of tribal control and local communities; hence, the government has asked the project managers to negotiate with those communities and come to a mutually agreed decision regarding the access to the land
Contact Details	Juri Steyn (Institute for Industrial Crops), Peter Prince (PGA)
Documentation	Humphrey Glass Report, Interviews

INTERVENTIONS PER NODE FOR KEY GOVERNMENT DEPARTMENTS

For each node, public sector interventions have been identified per key sector department.

60% Vs 40% Public/Private investment

These public sector investments in local areas will need to be supported by Provincials and National Levels of government.

There is a need for provincial ownership in coordinating and directing government spending by local municipalities in support of regional economic growth.

Economic profiling project: actions for sector departments

Rural Nodes (Sample)

- 1. Agriculture; Initiate mentorship programmes for emerging farmers**
- 2. Department of Environment and Tourism; Assist municipalities to integrate local tourism strategies to SA global tourism plan**
- 3. Department of Land Affairs; Expedite land claims**
- 4. Department of Provincial and local government; increase municipalities ability to provide basic services and bulk infrastructure**
- 5. Department of Trade and Industry; create greater viability on investment opportunities through support mechanisms inclusive of training**

Rural Nodes: Department of Land Affairs

Summary of Actions for Dept of Land Affairs

Bushbuckridge	Settle claims on Bushbuckridge Conservation Area and other estates where claims have halted development process
Maruleng	Resolve land claims as speedily as possible to prevent any unnecessary disruption of agricultural production.
OR Tambo	- Make land claim/tenure process more transparent - Speedily expedite outstanding land claims
Sekhukhune	Facilitate private ownership of land for the development of Mountain Resort and associated Drakensberg Escarpment Cluster of Projects
Ugu	Prioritise land that has high tourism potential, and use this as a lever to convince the key stakeholders of the economic benefit of expediting the process
Ukhahlamba	Speedily expedite outstanding land claims
Umkhanyakude	Work with the Land Claims Commission to resolve existing claims
Umzinyathi	Make land claim/tenure process more transparent
Zululand	Speedily expedite land claims near around Pongolaport Dam

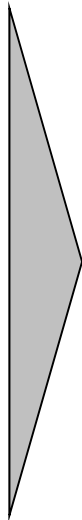


1. Formulate a policy applicable to all nodes – especially former homelands to fast track all claims.
2. Expedite the land claims as they seem to be the primary deterrent to private investment

Rural Nodes: Department of Provincial and Local Government

Summary of Actions for dplg

Alfred Nzo	• Improve basic road, water and electricity infrastructure • Target private sector investment with an aggressive investment promotion programme
Bushbuckridge	• Increase capacity in LED, especially in Tourism • Address skills gap in local municipality to decrease reliance on consultants. • Improve basic road, water and electricity infrastructure
Central Karoo	• Improve basic road, water and electricity infrastructure
Chris Hani	• Improve basic road, water and electricity infrastructure
Kgalagadi	• Ensure that beneficiaries take control for LED Projects
Maluti-a-Phofung	• Address skills gap in local municipality
Maruleng	• Improve basic road, water and electricity infrastructure
OR Tambo	• Support private/public sector model to incentivise investment in the tourism and forestry sector • Address skills gap in local municipality
Sekhukhune	• Improve basic road, water and electricity infrastructure • Create framework to ensure that local businesses benefit from mining boom
Ugu	• Improve basic road, water and electricity infrastructure • Provide new incentives for local investment
Ukhahlamba	• Improve basic road, water and electricity infrastructure • Assist in creating and supporting of a public/private sector model to incentivise private sector investment
Umkhanyakude	• Improve basic road, water and electricity infrastructure • Focus on investments that will lead into direct revenue for municipality –e.g. the proposed hydro-electric power station at the Jonzi Dam
Umzinyathi	• Improve basic road, water and electricity infrastructure • Address skills gap in local municipality
Zululand	• Improve basic road, water and electricity infrastructure

- 
1. Increase municipality's ability to provide basic services and bulk infrastructure by
 - Addressing capacity shortages in local municipalities
 - Provision of adequate funding
 - Up-skill the municipality to become more efficient in dealing with the private sector
 - Focus on few specific LED opportunities that are bankable
 2. Create and support private/public sector equitable partnerships that attract private sector investment

Rural Nodes: Department of Trade and Industry

Summary of Actions for Dept of Trade and Industry

Alfred Nzo	Target private sector investment with an aggressive investment promotion programme
Central Karoo	Promote Karoo Lamb as a protected brand to increase the value of
Chris Hani	Capacitate district municipality to create a growth strategy for the Queenstown industrial area
OR Tambo	Support private/public sector model to incentivise investment in the tourism and forestry sector
Sekhukhune	Create framework to ensure that local businesses benefit from mining boom
Ugu	Build a larger Chamber of Commerce and align it with the Durban Chamber of Commerce to allow better visibility on investment opportunities
Ukhahlamba	Assist in creating and supporting of a public/private sector model to incentivise private sector investment
Umzinyathi	Assist in creating and supporting of a public/private sector model to incentivise private sector investment
Zululand	- Support tourism development around Pongolapoort Dam - Attract private investment into sugar mill on Makatini Flats



1. Support a public/private sector model to incentivise private sector investment
2. Create greater visibility on investment opportunities for the private sector

SUMMARY AND CONCLUSIONS

- ❖ The dti and dplg are presently collaborating on an LED Capacity Building programme targeting 6 rural nodes and 2 urban nodes
- ❖ The intended outcome is viable economic development strategy in the regions and viable projects for targeted support
- ❖ The Business Trust is piloting an enterprise support programme (MABEDI) focusing on Agriculture and Tourism
- ❖ Access to finance and technical support facilities remains a challenge in the rural areas (Challenge Fund proposed).
- ❖ Government is committed shared growth approach towards sustainable job creation (Public/Private/Civil Society)
- ❖ The President has called for a definitive Rural Development Strategy

THANK YOU