

# Dihlabeng Local Municipality

## Local Economic Development Strategy

Draft Report



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# SECTION ONE: Introduction

Economic development and -growth is part of the LED process and needs to be understood within this context. Economic development aims to improve the living standard of local communities and the economic wealth of an area. Economic growth can be defined as the increase in an economy's capacity to produce goods and services over a period of time (a year). Economic development and growth are processes that take place simultaneously and are therefore important parts of LED.

In keeping with the Constitution and the White Paper on Local Government, the onus for social and economic development, as well as job creation, rests on Local Government. In this regard, the Dihlabeng Local Municipality aims to promote these issues in order to create an environment that is conducive to economic development.

Local Economic Development is a participatory process where local people work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a tool to create decent jobs and improve the quality of life for everyone, including the poor and marginalised.

Local Economic Development encourages public, private and civil society to establish partnerships and collaboratively find local solutions to common economic challenges. The LED process seeks to empower local participants in order to effectively utilise business enterprise, labour, capital and other local resources to achieve local priorities (e.g. promote quality jobs, reduce poverty, stabilise the local economy, generate municipal taxes to provide better services, etc.)

## 1.1. WHAT IS LED?

This sub-section provides an overview of the main definitions applied to the LED concept by institutions such as the Department of Cooperative Governance, Human Settlement and Traditional Affairs (CoGTA), the World Bank and the United Nations. It is, however, important to note that although it is informative to look at these definitions for academic purposes, it is up to the Municipality to develop its own definition of LED according to local realities. This is very important, because the definition will impact on the vision, objectives, initiatives, role definitions of stakeholders, targets and so on.

Popular definitions applied to the LED Concept include:

**A. UN HABITAT & EcoPlan International definition:**

“Local Economic Development (LED) is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalized.”

**B. Department of Cooperative Governance & Traditional Affairs (CoGTA) definition:**

“Local Economic Development (LED) is an approach towards economic development which 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 in a local municipal area.”

**C. World Bank definition:**

“Local Economic Development (LED) is about local people working together to achieve sustainable economic growth that brings economic benefits and quality of life improvements for all in the community.” “Local Economic Development (LED) is the process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.

An integrated definition may be formulated, based on the three definitions presented:

Local Economic Development (LED) is an approach to sustainable economic development that encourages residents of local communities to work together to stimulate local economic activity that will result in, inter alia, an improvement in the quality of life for all in the local community.

The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment

generation to advance the economic identity, based on a local competitive and comparative economic profile.

Local economic development (LED) offers local government, the private sector and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive.

LED encompasses a range of disciplines, including physical planning, economics and marketing. It also incorporates many local government and private sector functions, including environmental planning, business development, infrastructure provision, real estate development and finance, translating into a range of sector investments.

According to the World Bank's definition, **“successful private enterprises (and productive public-private partnerships) create wealth in local communities.”** Private enterprise, however, depends upon favourable local business conditions to achieve prosperity. Local governments have an essential role in creating favourable environments for business success. LED is thus a partnership between local government, business and community interests.

The 1998 White Paper on Local Government introduces the concept of **“developmental local government”** which is defined as:

“Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.” However the same document makes it clear that: “Local Government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities”

## 1.2. PURPOSE OF THE STUDY

The purpose of this study is as follows:

To formulate a Local Economic Development Strategy that is aligned with relevant local-, provincial- and national government strategies to guide the Dihlabeng Local Municipality in terms of coordinating various role players to facilitate development, coordinate focused LED implementation, unlock latent economic development potential, encourage private sector investment and create economic development and job opportunities for the poor in its drive to alleviate poverty. Strategic guidelines will guide implementation in a structured manner, which can be measured with a performance monitoring system.



The Dihlabeng Local Municipality has identified the following main objectives for the Study:

1. To improve the understanding of LED.
2. To gain an understanding of what is economically feasible for the area.
3. To undertake an economic analysis to identify the Key Economic Trends in the area.
4. To establish and determine sectors, commodities and market opportunities that exist in the area which contribute to the economy and could be developed.
5. To develop an implementable LED Strategy that is conceptualised within the development planning of the Dihlabeng Local Municipality, in partnership with local stakeholders to support sustainable Economic Development.
6. To formulate a database of projects being implemented, as well as Economic Development Opportunities that can be pursued in future.
7. To identify institutional and financial requirements for the implementation of the Strategy.
8. To conduct a brief analysis of the local economy with emphasis on Key Opportunities for Growth.

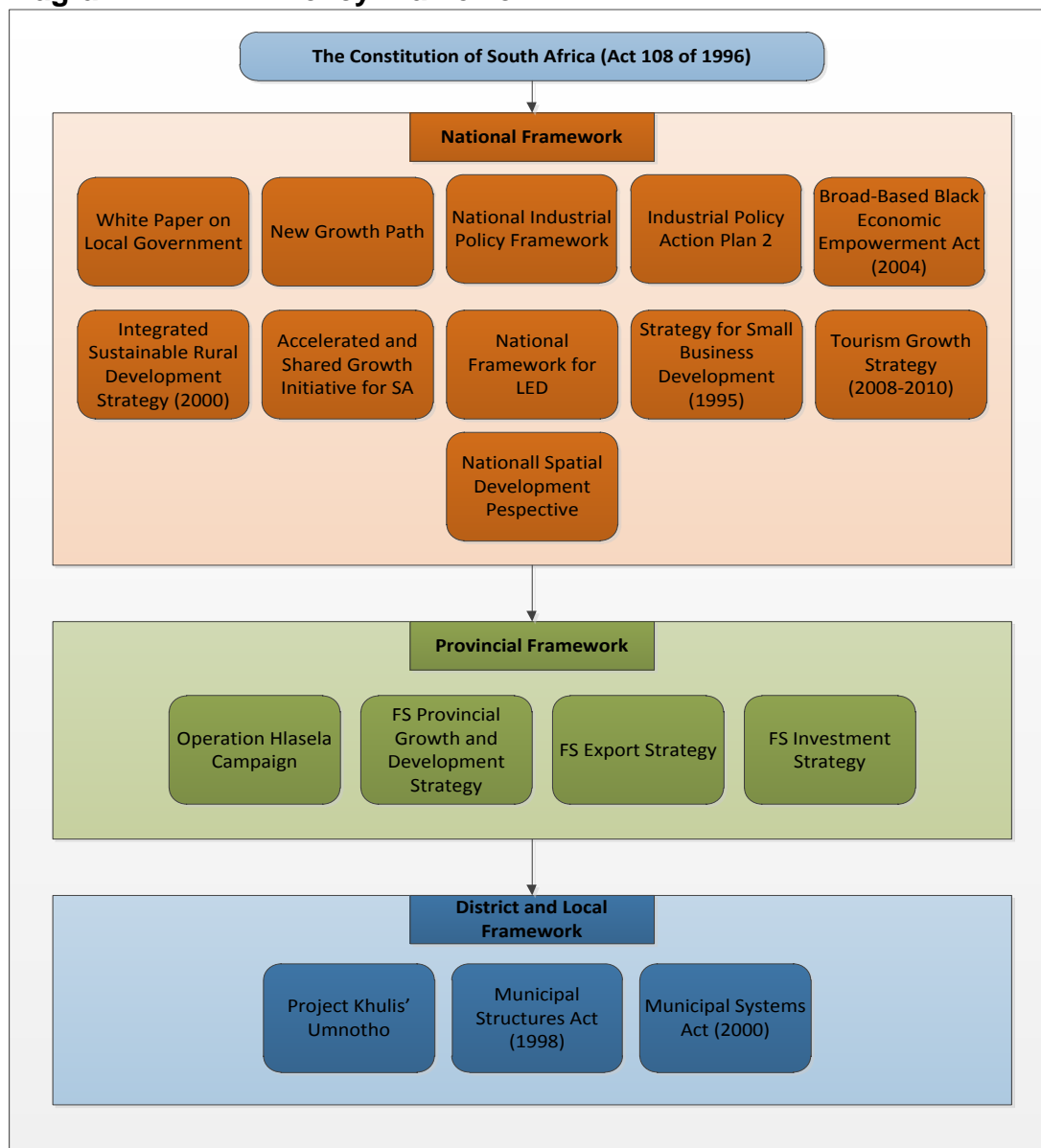
The new 2010/11 IDP also reflects the following objectives with regards to LED, Tourism and Business Development:

1. To implement measures in order to broaden the economic base of the area.
2. To create employment by promoting viable economic opportunities.
3. To improve the manufacturing sector by encouraging environmentally friendly industries that will utilise local natural resources.
4. To create an environment whereby Bethlehem will develop into a central service centre for professional services in the Eastern Free State.
5. To enhance the Agricultural Potential by implementing value-adding manufacturing process.
6. To promote & enhance Tourism Opportunities in order to become a popular Tourist Destination.
7. To market the Economic and Tourism potential of Dihlabeng.
8. To maintain an Information Office to render a professional service to visitors.
9. To improve the self-reliance of the poor and unemployed by implementing self-sustaining projects.
10. To establish supportive cooperatives whereby the unemployed can purchase material, market products and acquire professional services.

## SECTION TWO: Policy Framework

The purpose of this Section is to investigate and unpack various LED and development-orientated Policies for the purposes of alignment and integrated development (see Diagram 2.1).

**Diagram 2.1 – LED Policy Framework**



## 2.1. NATIONAL POLICY FRAMEWORK

### 2.1.1. The Constitution of the Republic of South Africa

The Constitution (Act 108 of 1996) is the cornerstone for all legislation and policy-making in South Africa. In particular, Chapter 7 defines the role of local government in its community. Five objectives of local government are described in section 152:

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

Furthermore, section 153 stipulates the following developmental duties of all Municipalities:

1. A Municipality must structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote social and economic development.
2. A Municipality must participate in National and Provincial development programmes.

#### Implications for the Dihlabeng Local Municipality:

Dihlabeng is legally bound to promote social and economic development within its community. This implies that public investment should largely focus on developing the Municipal area in terms of Local Economic Development and providing for the basic needs of the community.

### 2.1.2. New Growth Path

The New Growth Path's main focus areas are to create decent work opportunities, reducing inequality and to end poverty in South Africa. Government aims to achieve this through a New Growth Path founded on a restructuring of the South African economy to achieve labour absorption and a steady economic growth rate.

Government is committed to forging such a consensus and leading the way by:

1. Identifying areas where employment creation is possible on a large scale as a result of substantial changes in conditions in South Africa and globally.

2. Developing a policy package to facilitate employment creation in these areas, through:
  - a. A comprehensive drive to enhance both social equity and competitiveness;
  - b. Systemic changes to mobilise domestic investment around activities that can create sustainable employment; and
  - c. Strong social dialogue to focus all stakeholders on encouraging growth in employment-creating activities.

The New National Growth Path incorporates the Industrial Policy Action Plan (IPAP2) and various other policies, programmes and strategies. The aim of the New Growth Path is to ultimately create a more developed, democratic, cohesive and equitable economy and society in South Africa. Achieving the New Growth Path requires that certain key tradeoffs be addressed. This will put emphasis on government's prioritization to support employment creation, equity and the directions business must move in to facilitate a growing economy. Some key tradeoffs include:

1. Between present consumption and future growth, since that requires higher investment and saving in the present;
2. Between the needs of different industries for infrastructure, skills and other interventions;
3. Between policies that promise high benefits but also entail substantial risks, and policies that are less transformative and dynamic but are also less likely to have unintended consequences;
4. Between a competitive currency that supports growth in production, employment and exports and a stronger rand that makes imports of capital and consumer goods cheaper; and
5. Between the present costs and future benefits of a green economy.

#### Implications for the Dihlabeng Local Municipality:

Achieving enhanced economic growth and to create new employment opportunities in Dihlabeng will be the main implication of the New Economic Growth Path. This will be accomplished in the Municipality through:

1. Enhancing social equity
2. Encouraging competitiveness
3. Mobilising domestic investment
4. Stakeholder participation

The New Growth Path will especially be applicable in the following key areas in the Municipality:

1. Agriculture and agro-processing
2. Trade and Business
3. Tourism

### 2.1.3. The National Industrial Policy Framework (NIPF)

The National Industrial Policy Framework (NIPF) is a framework that aims to provide strategic direction for South Africa's industrial development. It follows the principles of the Reconstruction and Development Programme and plays a fundamental role in achieving ASGISA's goals.

The NIPF identified the following four main sets of policies as necessary conditions for industrial development:

1. A stable and supportive macro-economic regulatory environment
2. Skills and education for industrialisation
3. Traditional and modern infrastructure
4. Innovation and technology

#### Implications for the Dihlabeng Local Municipality:

The NIPF aims to contribute to the integration of the first and second economies in Dihlabeng by, firstly, encouraging and creating quality and stable employment and, secondly, by assisting people to become entrepreneurs in the economy. The main implications of the NIPF for the study are:

1. Providing strategic direction for industrial development.
2. Unlocking economic constraints that will benefit the entire economy.

Furthermore, the Policy identifies the following as fundamental elements of second economy integration and industrial development:

1. Broad Based Black Economic Empowerment
2. Provision of appropriate infrastructure
3. Appropriate placement of infrastructure

### 2.1.4. The Industrial Policy Action Plan (IPAP2)

The major weakness identified in South Africa's long-term industrialisation process is that the decline in the share of employment in the traditional tradable sectors, particularly mining and agriculture, has not been offset by a sufficiently large increase in the share of relatively labour-intensive employment in non-traditional tradable goods and services, particularly manufacturing. Consequently, the objectives of the IPAP2 are:

1. To facilitate a shift away from reliance on traditional commodities and non-tradable services and promote value-added goods and services that compete in export markets (against imports).
2. To intensify the industrialisation process and move towards a knowledge-rich economy.

3. To promote a more labour-absorbing industrialisation path, with particular emphasis on tradable labour-absorbing goods and services and economic linkages that enhance employment creation.
4. To promote a broader-based industrialisation path characterised by increased participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy.
5. To contribute to the industrial development of the African continent, with emphasis on building productive capabilities.

#### Implications for the Dihlabeng Local Municipality:

IPAP2 prioritises certain industrial sectors that have played an important role in economic development in various parts of South Africa. These sectors include:

1. Capital/Transport equipment and metals fabrication
2. Chemicals, plastic fabrication, and pharmaceuticals

In addition, IPAP envisages to fast track implementation through:

1. Maintaining momentum in the implementation of the ASGISA's prioritised sectors of Business Process Outsourcing and off shoring (BPO&O), as well as tourism and bio-fuels.
2. Implementing other substantive sector projects in diamond beneficiation and jewellery, agro-processing, film and crafts.
3. Developing strategies for sectors of mining and mineral beneficiation, agriculture, ICT (services and products), as well as creative industries.

#### 2.1.5. The White Paper on Local Government

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

1. Provide marketing and investment support in order to attract potential support to their locality.
2. Small business support services should be provided to assist small entrepreneurs.
3. To support the Local Business Support Centres Programme (i.e. SEDA) launched by the Department of Trade and Industry. The purpose of these centres is to assist local entrepreneurs with issues relating to skills, premises, information, networking, marketing and credit.
4. To provide targeted assistance (such as market research and technology provision) to a particular sector in the local economy that has the potential to expand.
5. Supplementing and tailoring the services provided by the Department of Labour to local needs through the supply of training and placement

services. This is necessary to ensure that people acquire skills and find jobs.

#### Implications for the Dihlabeng Local Municipality:

The White Paper has a direct impact on the development, policy formulation and human resource development projects in Dihlabeng. It emphasises the need and importance of Local Municipal support to businesses through training and development support.

### 2.1.6. The Accelerated and Shared Growth Initiative for SA (ASGISA)

Through ASGISA, government has set an economic growth target of 5% GDP growth per annum from 2004 to 2014. This target is broken down into two phases, namely a target of 4.5% p.a. between 2004 and 2009, and 6% p.a. from 2010 until 2014. This growth must be managed in such a way that employment opportunities are generated (labour-intensive growth) and the fruits of economic growth contribute to poverty alleviation in an equitable manner.

Economic growth constraints highlighted by ASGISA are the following:

1. Volatility and level of the currency
2. The cost, efficiency and capacity of the national logistics system
3. Shortage of suitably skilled labour, amplified by the impact of apartheid spatial patterns on the cost of labour
4. Barriers to entry, limits to competition and limited new investment opportunities
5. Regulatory environment and the burden on small and medium businesses
6. Deficiencies in state organisation, capacity and leadership.

#### Implications for the Dihlabeng Local Municipality:

Achieving accelerated growth targets in Dihlabeng will be the main implication of ASGISA. ASGISA highlights the following sectors for increased investment and development intervention:

1. Chemicals
2. Metals beneficiation, including the capital goods sector
3. Creative industries (crafts, film & TV, content and music)
4. Clothing and textiles
5. Durable consumer goods
6. Wood, pulp and paper (as mentioned in provincial projects)

The framework includes guidelines for National, Provincial and Local government on topical issues such as infrastructure investment, sector investment strategies, education and skills development, as well as eliminating the second economy



through leveraging the first economy (major interventions include the economic upliftment of women and the promotion of youth development).

### 2.1.7. National Spatial Development Perspective (NSDP)

The National Spatial Development Perspective provides a framework that discusses the future development of the national spatial economy. The purpose of 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 notes the fact that each sphere of government has its own distinct development tasks and related planning frameworks corresponding to the scale of operations and the area of jurisdiction.

#### Implications for the Dihlabeng Local Municipality:

The NSDP notes the fact that each sphere of government has its own Municipal development tasks and related planning frameworks corresponding to the scale of operations and the area of jurisdiction. The alignment of the strategy with the NSDP approach implies the following:

1. Undertaking rigorous analysis of the space economy to identify areas of economic significance with a view on focusing government investment and development interventions to ensure maximum and sustainable impact.
2. Capitalising on complementarities and facilitating consistent and focused decision making by providing a common platform for structured dialogue.
3. Moving beyond mere focusing on integration and coordination procedures to establishing processes and mechanisms to bring about strategic coordination, interaction and alignment within government.

### 2.1.8. The National Framework for Local Economic Development by CoGTA

The Framework intends 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 focus of the Framework is upon:

1. Improving the competitiveness of the 52 District and Metropolitan Municipal regions in South Africa by providing an approach to developing local economies with the participation of all relevant stakeholders.
2. Rendering economic growth compatible with social equity and safeguarding the environment.



3. What the state can do to support and reward citizens who organise locally and operate in local level partnerships to engage in greater economic activity, spreading economic activity in an even manner.
4. How the state can be a platform to facilitate the inclusion of all to participate in the economy.

#### Implications for the Dihlabeng Local Municipality:

The Framework sets out the following three key roles, which local government can play in the Local Economic Development process:

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

### 2.1.9. Integrated Sustainable Rural Development Strategy

The purpose of the Integrated Sustainable Rural Development Strategy (ISRDS) is to enhance the welfare of the poor that inhabit rural areas of South Africa. This is only possible if sustainable economies are created from which they can survive. Successful implementation involves facilitating rural development that is both sustainable and integrated in nature. Municipalities are key players in the implementation of the ISRDS due to their decentralised nature – it is only through direct participation with the rural community that one can correctly identify the developmental needs and opportunities. It is also essential for local stakeholders to be mobilised in order to create an environment in which the ISRDS can be successfully facilitated and sustained.

#### Implications for the Dihlabeng Local Municipality:

This ISRDS is a very important document concerning the implementation of a Local Economic Development Strategy. The decentralised nature of the strategy implies that Dihlabeng is responsible for catalysing the transformation of local areas into economically viable communities. To facilitate positive change requires an in-depth understanding of local rural areas, along with an excellent relationship with local business and communities.

### 2.1.10. The Regional Industrial Development Strategy (RIDS)

RIDS presents a comprehensive framework for industrial development in South Africa and builds on the outcomes of the National Spatial Development Perspective (NSDP). The NSDP acknowledges the fact that the landscape of economic development is not equal across all regions in the country.

The main intentions of RIDS are to:

1. Help to achieve the national industrial development objectives as set out in the NSDP.
2. Further the goals of the Accelerated and Shared Growth Initiative of South Africa (ASGISA).
3. Conform to the principles of the Integrated Manufacturing Strategy (IMS), the Micro-economic Reform Strategy (MRS) and the National Industrial Policy Framework.
4. Enhance the capacities and potentials identified in the Urban Spatial Competitive Framework and the Local Economic Development (LED) Framework. These seek to address spatial constraints and opportunities related to industrial development in municipalities.
5. Conform to the principles of enterprise development and Black Economic Empowerment (BEE).
6. Conform to the government's environmental and other relevant policies.

#### Implications for the Dihlabeng Local Municipality:

The main implication of RIDS for the area is to improve and diversify the manufacturing sector in the Municipality. In summary, the implications of RIDS for the study are to:

1. Attempt, as far as possible, to reduce economic disparities between regions, address the needs of both the first and the second economies and narrow the gap between them.
2. Pay particular attention to the needs of those regions, which are lagging behind the national norms.
3. Enhance current regional strengths and lead sectors of the economy.
4. Promote sustainable economic growth and employment in the Province and the Municipality.
5. Build regional competitive capabilities and firm-level support measures.
6. Enhance regional performance in attracting foreign direct investment.

### **2.1.11. The National Strategy for the Development and Promotion of Small Businesses in South Africa**

Small businesses can help South Africa in two significant ways: first, these enterprises are potential engines of growth for the national economy and second, they can aid the transformation process.

This strategy aims to create an environment where SMMEs can exist and make use of opportunities presented to them. This in turn will create employment and investment prospects. In addition, this environment will encourage entrepreneurship by offering assistance to potential entrepreneurs – especially those individuals designated by the BBBEE Act.

#### **Implications for the Dihlabeng Local Municipality:**

In promoting economic development in the region, it is essential for Dihlabeng to promote the growth of the business sectors in the Municipality. In order to do this, Dihlabeng needs to facilitate an environment where SMMEs can flourish. This can be done by increasing investment in infrastructure that encourages a competitive business environment, increased productivity, opportunities for employment and entrepreneurialism.

### **2.1.12. The Broad-Based Black Economic Empowerment Act**

In order to uproot inherited social imbalances, progressive legislature has been passed. One example is the Broad-Based Black Economic Empowerment (BBBEE) Act of 2004 where systematic measures were put in place to uplift previously disadvantaged communities. Those included in the 'broad-based black' definition are Africans, Coloureds, Indians, women, workers, the youth, disabled persons and those who live in rural communities.

#### **Implications for the Dihlabeng Local Municipality:**

Dihlabeng is responsible for transformation in the Municipality. Therefore, sector strategies and development policies established by the Municipality must align with transformation principles. This suggests that both sector strategies and public infrastructural investment should focus on the upliftment of previously disadvantaged communities and ultimately increase their participation in the local economy.

The main objective of the BBBEE Act is to transform the South African economy to better reflect the South African society, whereby commercial enterprises are largely owned and managed by previously disadvantaged individuals. This Act also aims to

support the 'broad-based black' population through promoting public and private investment in relevant communities and providing easier access to financial assistance.

### 2.1.13. The Tourism Growth Strategy

The Tourism Growth Strategy (TGS) provides a plan to boost South Africa's competitiveness in the global tourism- and travel market. Through increasing global competitiveness, the tourism industry aims to contribute significantly to ASGISA's growth target. There are, however, some key challenges which include the following:

1. Transformation of the tourism industry through increased participation of the previously disadvantaged community.
2. Increased distribution of the industry through promoting less traditional tourism routes and activities.
3. Creating an industry that is sustainable.

In order to address these challenges, the TGS stresses the need for South Africa to identify and pursue opportunities in the international, domestic and business tourism market, while simultaneously developing its existing market.

#### Implications for the Dihlabeng Local Municipality:

The Dihlabeng Local Municipality needs to develop and expand its existing tourism market in a way that promotes transformation, distribution and sustainability in the industry. This implies that the LED Strategy should be planned and implemented in a way that supports the development of local tourism.

## 2.2. PROVINCIAL POLICY FRAMEWORK

### 2.2.1. The Operation Hlasela Campaign (OHC)

Operation Hlasela (attack) is an initiative launched by Free State Premier Ace Magashule to fast track development in the Province. The focal point of the Operation Hlasela Campaign (OHC) is mass mobilisation, intervention, collaboration and partnership to fulfil the notion of "doing more together".

#### Implications for the Dihlabeng Local Municipality:

The Operation Hlasela Campaign has a broad impact on the economy of the Free State Province. It is important that the Dihlabeng LED Strategy is aligned with the goals and objectives of Operation Hlasela.

OHC aims for all social partners and civil society to collaborate with government and to jointly and urgently eliminate duplication and wastage, eradicate poverty, tackle under development and to stimulate our economy to improve the lives of our people.

### **2.2.2. The Free State Provincial Growth and Development Strategy**

The Free State PGDS is currently being reviewed by the Department of the Premier. It is based on a cross-functional, interdepartmental approach to development planning. It is essential that the project team is familiar with the GDS to be able to interpret the specified goals, objectives and conceptual framework of each policy cluster in terms of development levels and the necessary actions to be taken to improve the standards of living of communities and the economic development of the province as a whole.

#### **Implications for the Dihlabeng Local Municipality:**

The Dihlabeng LED needs to be aligned with the interventions proposed in the PGDS. The following interventions are important to promote economic growth in the Municipality:

1. Agriculture and agro-processing
2. Manufacturing
3. Tourism.

### **2.2.3. The Free State Export Strategy**

The Free State Export Strategy will direct public investment to areas of proven export volumes, as well as areas with the potential to increase their export production. The Thabo Mofutsanyane District Municipality is regarded as a Municipality with the potential to expand local export volumes significantly. It is therefore important that the Dihlabeng LED be aligned to the FS Export Strategy in such a way as to demonstrate this potential.

#### **Implications for the Dihlabeng Local Municipality:**

It is important to identify the export linkages between the Dihlabeng Local Municipality and the Free State Export Strategy. The LED Strategy should align with the Export Strategy according to the most valuable export opportunities in the region.

### **2.2.4. The Free State Investment Strategy**

The Free State Investment Strategy outlines government's intention to focus investment geographically as well as functionally to facilitate a strategic economic approach to development. The FS Investment Strategy highlights the need for

infrastructure and investment spatially across the province, to create economic advantages in strategic areas. It is therefore crucial that the LED be aligned with this investment framework to indicate the type and focus of investment that will have the most beneficial impact in terms of job and capital creation.

#### Implications for the Dihlabeng Local Municipality:

The Dihlabeng LED Strategy should align with the Free State Investment Strategy to identify the most important investment sectors and opportunities in the Local Municipality.

## 2.3. DISTRICT AND LOCAL POLICY FRAMEWORK

### 2.3.1. Project Khulis' Umnotho

Project Khulis' Umnotho was an initiative launched by the Department of Trade and Industry during 2008 to support selected District Municipalities to develop credible LED Strategies. The Thabo Mofutsanyane District Municipality developed such a LED Strategy under this support programme and as such holds important implications for the Dihlabeng LED Strategy.

#### Implications for the Dihlabeng Local Municipality:

The opportunities identified for Project Khulis' Umnotho need to be examined to inform the opportunities identified for the Dihlabeng Local Economic Development Strategy.

### 2.3.4. The Municipal Structures & Municipal Systems Act

The Municipal Structures Act of 1998 defines the types and categories of Municipalities, division of functions and powers within Municipalities, and the regulation of internal systems. Emphasis is placed on the need for co-operation between different levels of government to better achieve goals and targets.

The Municipal Systems Act of 2000 provides Municipalities with guidelines which enable Municipalities to move progressively towards the social and economic upliftment of local communities so that basic services may be met. Duties of the municipal council (within financial and administrative capacity) are given in section 4(2):

1. Exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community;
2. Provide, without favour or prejudice, democratic and accountable government;

3. Encourage the involvement of the local community;
4. Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner;
5. Consult the local community about —
  - a) the level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider: and
  - b) the available options for service delivery.
6. Give members of the local community equitable access to the municipal services to which they are entitled;
7. Promote and undertake development in the municipality;
8. Promote gender equity in the exercise of the municipality's executive and legislative authority;
9. Promote a safe and healthy environment in the municipality: and
10. Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

In addition, Section 26 stipulates that every Municipality is bound by law to produce an integrated development plan (IDP) of which LED is a core component.

#### Implications for the Dihlabeng Local Municipality:

Dihlabeng must operate in a manner that satisfies the conditions set out by the Municipal Structures Act. In addition, the Municipality must co-operate and offer assistance to the District Municipality, as well as the Free State Provincial Government, when required. According to the Municipal Systems Act, all Local Municipalities are legally bound to fulfil its duties and produce an IDP document (Including LED) to encourage development in their community. This will assist the LED Strategy in implementing strategic projects.

## 2.4. CONCLUSION

Although parliament does not specifically prescribe to local authorities, with reference to their role in LED, there are some pieces of legislation that have implications for LED at the local level. The Municipal Systems Act (2000) is one such important piece of legislation in that it sets out the platform for integrated development planning, the outcome of which is the Integrated Development Plan (IDP). The IDP, in turn, serves as one of the implementation vehicles for a municipality's LED Strategy.

Integrated Development Planning is the single, most inclusive five-year planning process of local government, within which all other processes, including Local Economic Development planning and implementation, should reside. Chapter 5 of



the Municipal Systems Act outlines the process for planning, drafting, adopting and reviewing the IDPs. The Act also provides in Chapter 6, a tool in the form of a performance management system, to effectively monitor the progress made in terms of the IDP that can be applied to local governance in general, including in the monitoring of LED. The Municipal Planning and Performance Management Regulations (2001) further highlight this approach to the monitoring of performance by local authorities.

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

The New Growth Path sets out to create new equal employment opportunities to ultimately improve the quality of life for communities in Dihlabeng. The framework document indicates that business should take a new direction to increase the labour force of the country.

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

1. Understand the government approach to Local Economic Development.
2. To plan and implement LED strategies within the context set out by various National and Provincial policy and legislative frameworks.
3. Understand their functions and duties as a Municipality and the impact of each of these on Local Economic Development.
4. Have clarity on LED roles and responsibilities for the different spheres of government and civil society in order to affect a more co-ordinated effort in realising LED ideals.



## SECTION THREE: Institutional Review

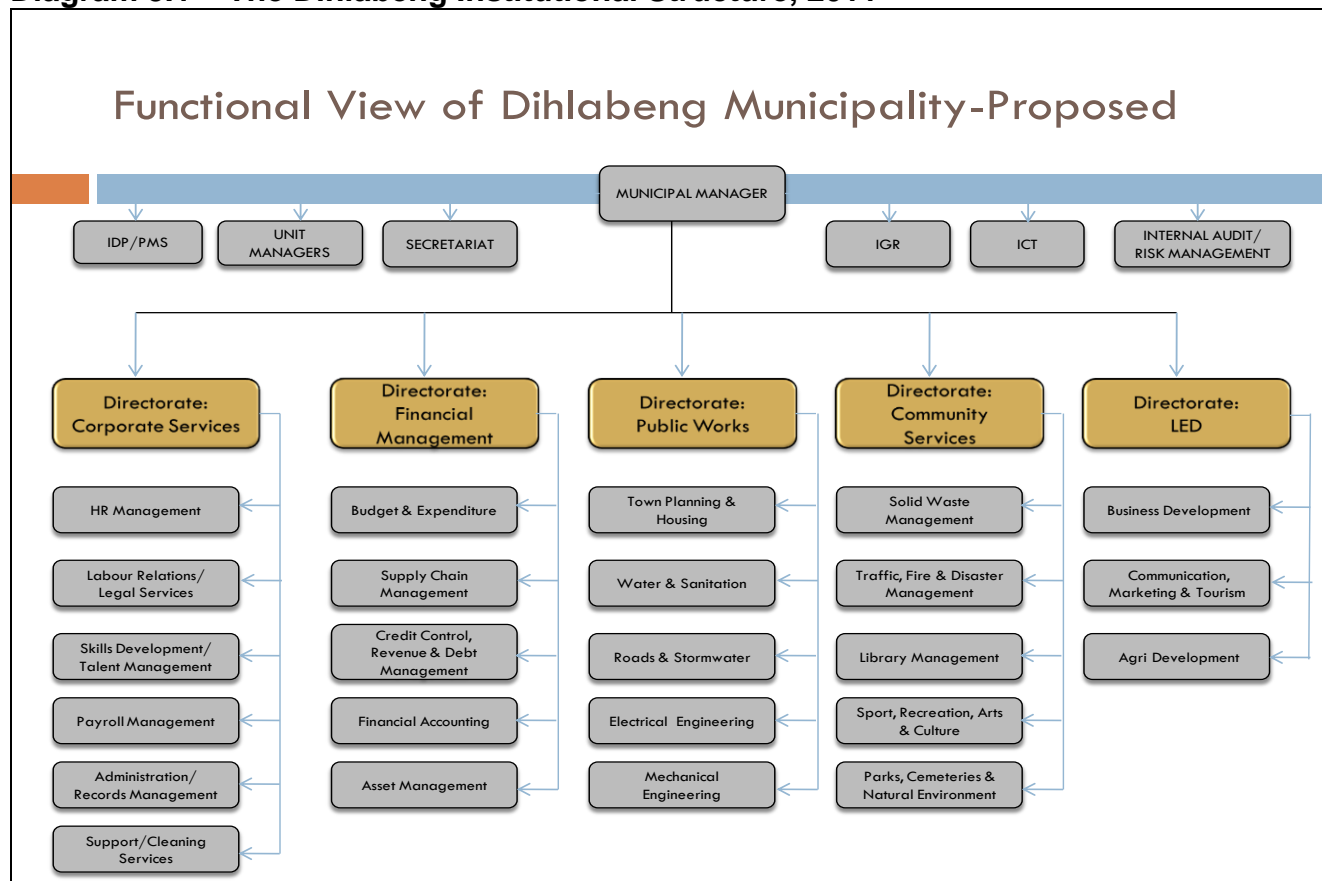
Dihlabeng's commitment to Local Economic development must be facilitated through a dedicated administration and bureaucracy. This means that the Municipality's institutional structure must be configured in such a way that it supports LED and that the whole institution be geared towards integrated planning and implementation.

The core functions of Municipalities in South Africa are prescribed by the legislative framework. The purpose of this Section is to analyse the current organisational structure of the Municipality and its LED Directorate towards a set of recommendations that would achieve optimal LED benefits (for local communities) through the implementation of Dihlabeng's core functions. This Section also aims to reconfigure the organisation of the LED Directorate within the larger bureaucratic structure of the Municipality to gear it for implementing the LED Strategy in a sustainable manner.

### 3.1. THE DIHLABENG INSTITUTIONAL STRUCTURE

The institutional structure of the Dihlabeng Local Municipality is illustrated by Diagram 3.1. From this Diagram the following observations can be made:

1. There are five Directorates on equal footing under the management of the office of the Municipal Manager in the structure.
2. LED has been structured as an independent Directorate that reports directly to the office of the Municipal Manager.
3. According to the structure, the LED Directorate has three mandates, namely (1) *Business Development*; (2) *Communication, Marketing & Tourism*; and (3) *Agricultural Development*.
4. Apart from the five Directorates the office of the Municipal Manager is directly supported by IDP/PMS, Unit Managers, Secretariat and IGR.
5. There does not seem to be any direct reporting linkages between the five Directorates and the support units linked to the office of the Municipal Manager.
6. Most of the Municipal structure is dedicated to issues relating to Human Resource and Financial Management, followed by the planning for and provision of Municipal Services to local communities.

**Diagram 3.1 – The Dihlabeng Institutional Structure, 2011**

Source: Dihlabeng Municipal Integrated Development Plan, 2010-11

### 3.2. THE LED OBJECTIVES OF THE MUNICIPALITY

As a point of departure in restructuring the LED Directorate and its position in the broader Dihlabeng Municipal structure, the LED objectives of the Municipality must be clarified.

The new 2010/11 IDP reflects the following objectives with regards to LED, Tourism and Business Development:

1. To implement measures in order to broaden the economic base of the area.
2. To create employment by promoting viable economic opportunities.
3. To improve the manufacturing sector by encouraging environmentally friendly industries that will utilise local natural resources.
4. To create an environment whereby Bethlehem will develop into a central service centre for professional services in the eastern Free State.
5. To enhance the Agricultural Potential by implementing value-adding manufacturing process.
6. To promote & enhance Tourism Opportunities in order to become a popular Tourist Destination.
7. To market the Economic and Tourism potential of Dihlabeng.
8. To maintain an Information Office to render a professional service to visitors.

9. To improve the self-reliance of the poor and unemployed by implementing self-sustaining projects.
10. To establish supportive cooperatives whereby the unemployed can purchase material, market products and acquire professional services.

These objectives can be interpreted more specifically:

1. To facilitate and promote employment creation and poverty alleviation among local communities.
2. To promote internal and external investment into the local economy that would promote the growth of existing businesses, as well as the establishment of new businesses.
3. To ensure that local entrepreneurs and SMMEs are provided with the necessary support to establish and grow their businesses.
4. To implement strategies, programmes and projects that would create an environment conducive to investment and business growth.
5. To engage and interact with potential private sector investors, with the help of the LED Forum, towards directing new investment to Dihlabeng.
6. To actively promote and market the local area to internal and external investors, in terms of local investment opportunities, planned infrastructure developments by the Municipality and development by other private investors.
7. To investigate approaches to lowering the cost of doing business in the area, as well as possible investment incentives aimed at strategic locations and economic sectors (such as Agriculture, Trade & Tourism).
8. To plan for, evaluate, manage and implement LED programmes as a coordinated effort between the units and Directorates of the Municipality in partnership with the LED Forum, as well as other role players.
9. To spearhead and drive community interaction, participation and buy-in of LED initiatives in local communities.
10. To act as the guardian of local people by ensuring that LED initiatives benefit them and that LED implementation occurs in such a way that labour intensive methods are applied.
11. To facilitate local access to and taking full advantage of LED and other development support programmes and funding sources provided by government, the private sector and other institutions (such as DTI programmes and venture capital).

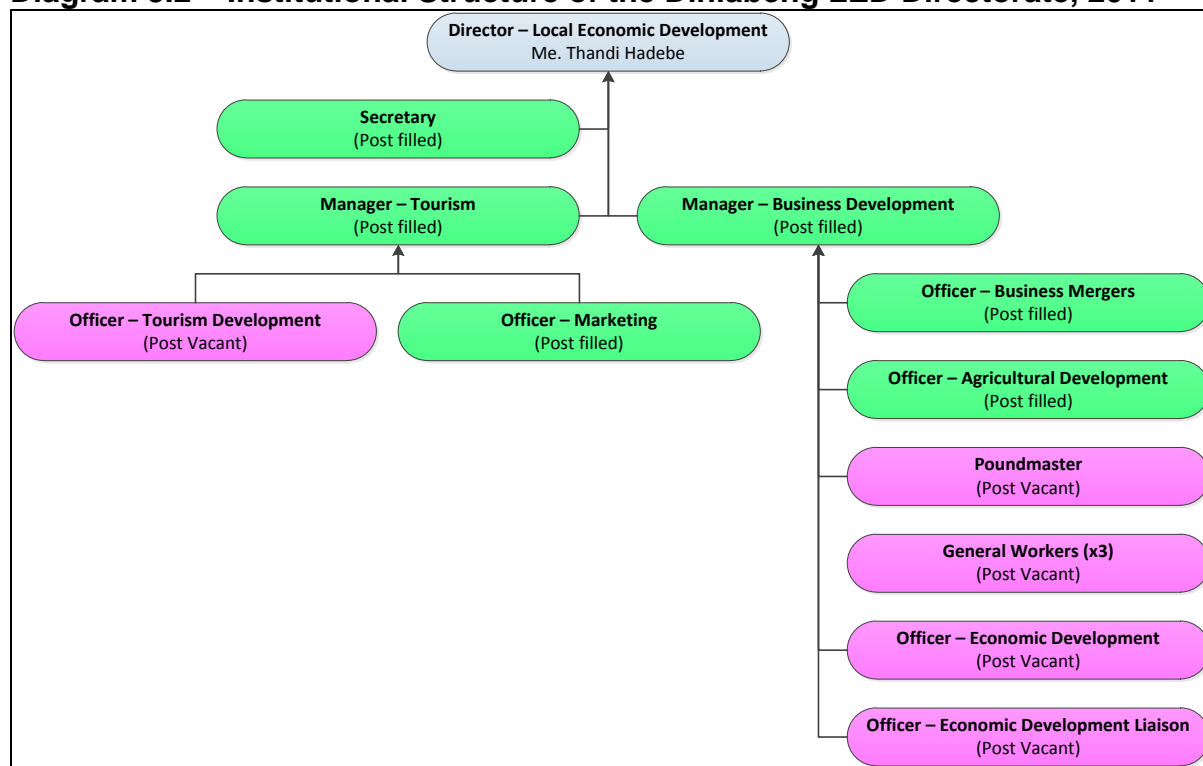
The existing institutional structure of the LED Directorate is illustrated by Diagram 3.2. From this Diagram the following observations can be made:

1. The LED Directorate caters for a total of 14 posts. Of these, 7 posts are filled while the rest are vacant. Most notably, the officer posts for Tourism and Economic Development, as well as Economic Development Liaison are vacant.
2. These vacancies place additional pressure on the Managers for Tourism and Business Development, as well as the LED Director.
3. The structure is not regarded as optimal in meeting the LED objectives of Dihlabeng. This is especially true with regards to the implementation of the

LED Thrusts on which the LED Strategy is based (i.e. Agriculture, Trade and SMME as well as Tourism development).

4. A formalised platform for integrated planning and cooperation between LED and the other Directorates are not present. This implies that such interaction needs to revert to ad-hoc communication by the LED Director, the Municipal Manager and the Dihlabeng Council.

**Diagram 3.2 – Institutional Structure of the Dihlabeng LED Directorate, 2011**



Source: Dihlabeng Local Municipality, 2011

At present, the internal organisation of the LED Directorate is not optimally structured to meet the LED objectives of the Municipality. This is mainly due to the structure not being aligned to the Strategic Development Thrusts of the LED Strategy, the absence of an integrated LED planning and implementation platform and a 50% vacancy rate.

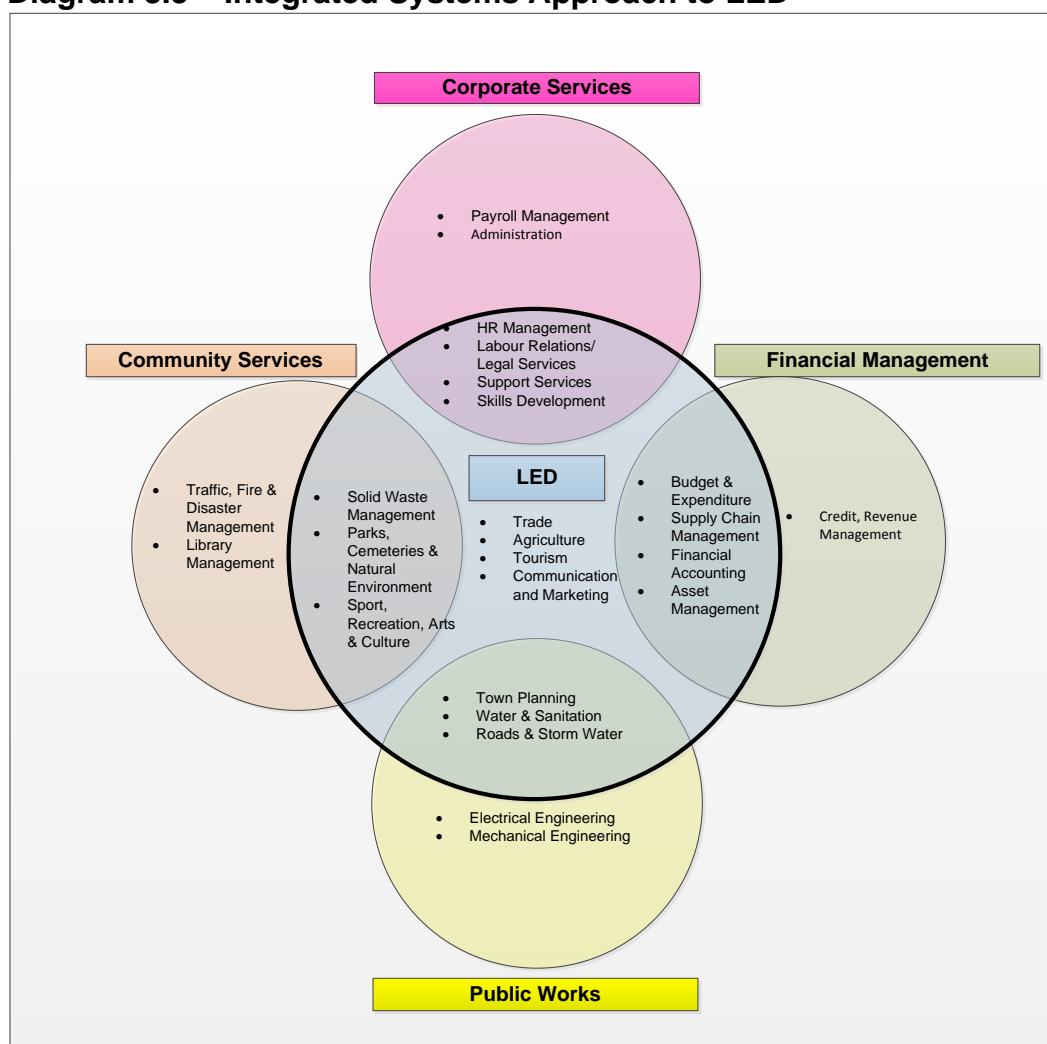
### 3.3. INSTITUTIONAL ORGANISATION RATIONALE

This sub-section sets out to investigate some of the main considerations in reorganising the institutional structure of the LED Directorate to meet the objectives identified.

### 3.3.1. Organisation and Integrated Systems

The concept of functional organisation and management in business and government institutions has developed significantly over the last 200 years. These developments mainly resulted as a consequence of larger organisations and efficiency demands. Before the 20<sup>th</sup> century, organisations functioned on a very ad-hoc basis championed by individual personalities or quasi-independent groups.

**Diagram 3.3 – Integrated Systems Approach to LED**



Source: Units derived from the Dihlabeng IDP, 2010-11

South African government institutions have come under increasing pressure to plan and act in an integrated, coordinated and efficient manner. It is important to realise that LED at municipal level requires an integrated systems approach with regards to management and the operations of the LED Directorate. This implies that the LED functions of Dihlabeng cannot be constrained to only the LED Directorate, but that these functions must be planned for and implemented through an inter-directorate system. Integrated systems development in this context may imply that job descriptions are adjusted, patterns of work are changed, supervisory roles adapted

and that specialisation in the Municipality are shared within new systems and teams in a more efficient manner.

In consideration of the above, it becomes clear that the LED Directorate of Dihlabeng will not be able to meet the Municipality's LED objectives in isolation (see heading 3.2). In fact, most of the typical LED functions would also require the participation and active involvement of other units in the Municipality, such as indicated by Diagram 3.3.

This is not to say that all of these units will be engaged in every LED initiative. LED Management will reside with the Directorate for LED, which will be responsible for coordinating the LED initiatives of Dihlabeng and the integrated systems necessary for planning and implementation.

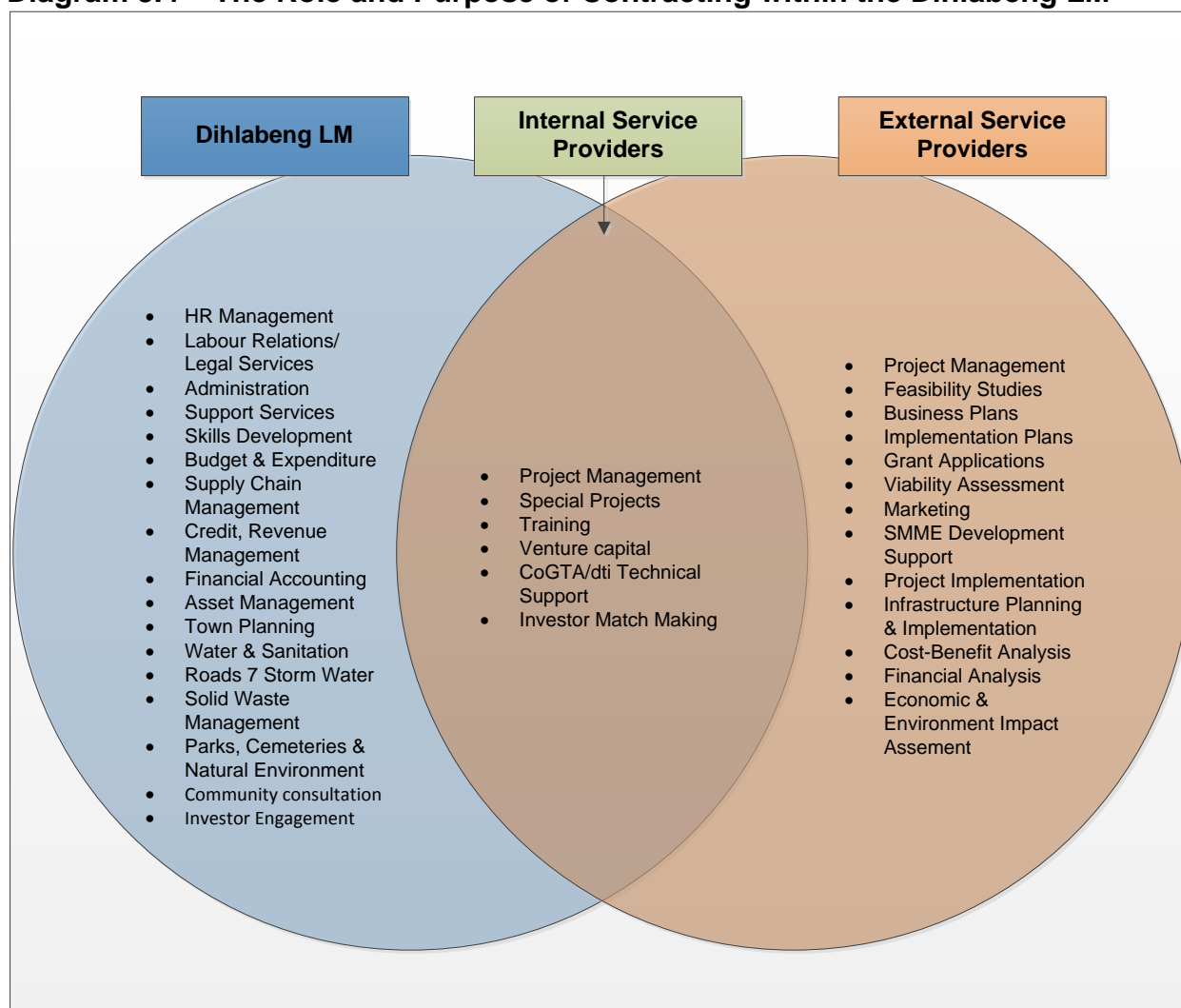
### **3.3.2. Contracting and Consulting**

Contracting or the appointment of service providers who are specialised in a certain field is a vital government mechanism to complete short term specialised tasks for which it would not be feasible to appoint permanent employees.

From an LED perspective, this is particularly relevant. Examples may include appointing service providers to conduct feasibility studies, develop business plans, drivers of specialised projects, marketing and advertising, business demand and supply analysis, project implementation, project financing options, grant applications and so on. It would, for example, not be feasible for the Dihlabeng Municipality to employ a permanent member of staff with the necessary skills to develop a business plan for a bio-diesel production plant. In such scenarios the Municipality would outsource tasks to temporary contractors.

Sub-contracting can occur both internally and externally in the LED context. Internal sub-contracting refers to a situation where the Municipality requires the assistance of a professional individual or company within the Municipality. An example of internal sub-contraction may include the appointment of a professional project manager to oversee the implementation of an LED project on behalf of the Municipality. This is deemed more feasible than external contracting, because the contractor must oversee the project on a daily basis from the Municipality and would also have a responsibility to transfer these skills to Municipal LED officials. In the recent past, professionals from Western Europe were placed with selected Municipalities for these purposes as part of an agreement between South Africa and the European Union.

External sub-contracting occurs when a Municipality appoints a contractor to complete a specific short-term task on behalf of the Municipality. In this scenario, the contractor would not be based at the Municipality for the duration of the project and would develop the required deliverables independently. In practice, this implies that the contractor would do the work as prescribed by a terms of reference and report back to the Municipality on a periodic basis. In the LED context, the Dihlabeng Municipality may, for example, appoint an external contractor to develop a business plan for a cooperative hydroponics project in the area.

**Diagram 3.4 – The Role and Purpose of Contracting within the Dihlabeng LM**

Contracting is an essential part of the LED planning and implementation process, due to the multi-disciplinary nature of the subject matter (see Diagram 3.4). It is not feasible for the Municipality to permanently appoint every conceivable professional in the LED field. On the other hand, the Municipality is responsible for driving LED and cannot outsource all of these tasks. This implies that a balance must be reflected in the Municipal organisational structure that recognises the management functions and responsibilities of Dihlabeng, while allowing the Municipality to access short-term specialised support when necessary.

### 3.3.3. Work Structures and Creativity

The management and work organisation of government in South Africa follow a bureaucratic structure. These structures are adapted according to function, available budgets and strategic planning. This implies that government aims to respond to political commitments and local challenges by adjusting their institutional structures accordingly.



Top-down bureaucratic structures are not the only institutional form of organisation, but are mainly preferred by government for the following reasons:

- It provides for an easy administrative system of managers and employees.
- It provides for a clear division of labour, based on defined responsibilities.
- Management can easily adjust the structure according to budgets, mandates and strategic planning.
- It provides for the convenient transfer of responsibilities (or units) from one government institution or department to another.
- It provides for a legal framework in which employees work with clearly defined rules and task responsibilities.
- It provides for outcomes that are predictable and routine in the work place. In this context, responsibility and accountability for tasks can be assigned and monitored with little effort.
- It allows for the centralisation of management and decision-making authority.
- It allows for the specialisation of individual units within the broader structure.
- It allows for employees to perceive greater job security, predictability of their work and expected performance rewards. Employees can also perceive clear opportunities for promotion and training in a bureaucratic structure. This allows for the employee to build a long-term identity with the employer and reduced staff turnover.
- Most importantly, it allows for management to plan, organise, coordinate and direct employees.

Bureaucratic structures are, however, not perfect and criticised for curbing innovation and creativity by 'boxing' employees or individual units in. Employees in bureaucratic structures are not typically encouraged to step outside the confines of their mandates, because such action may subtract from the system's benefits listed above (such employees may even be subjected to disciplinary action). Employees and individual units in such a structure also tend to be defensive of their role in the organisation and do not typically appreciate another employee or unit encroaching on what is perceived to be their 'turf'. So, bureaucratic structures are similar to well-oiled machines that run smoothly to perform the specific tasks they were designed for, but do not perform optimally when required to be innovative and creative.

Innovation and creativity within bureaucratic structures can be achieved in two fundamental ways. The first relates to applying the organisation restructuring tools to the bureaucratic structure to change its desired outcomes. This approach is, however, not feasible in a practical sense because it would require management to assume all responsibility for innovation and creativity, while necessitating the structure to change frequently. The second approach is to create cross-functional teams within the broader structure. This approach would require that managers cooperate and that inter-unit working relationships be clarified through the institution's top management (i.e. the office of the Municipal Manager in the case of the Dihlabeng LM).

Diagram 3.3 presented the integrated systems approach required by the Dihlabeng LED Strategy. To give effect to this approach it is necessary to define the functional



teams necessary to provide the creative and innovative environment within the Dihlabeng institutional structure for LED planning and implementation.

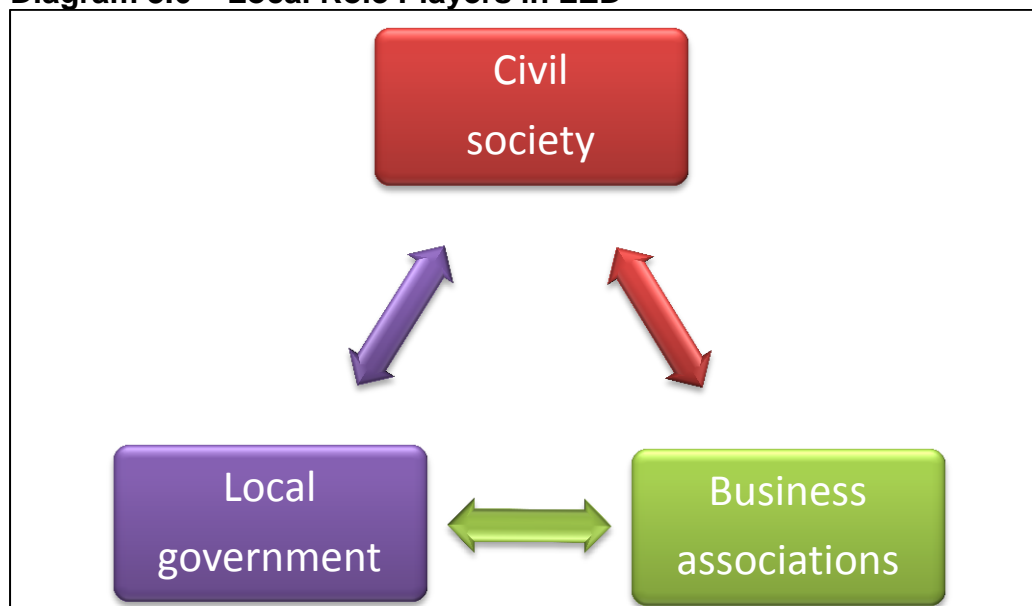
**Diagram 3.5 – LED Functional Teams within the Municipal Structure**

|   |   |  |   | Functional LED Teams             |
|---|---|--|---|----------------------------------|
| CORPORATE SERVICES  | FINANCIAL MANAGEMENT  | PUBLIC WORKS   | COMMUNITY SERVICES  | LED                              |
| <ul style="list-style-type: none"> <li>HR Management</li> <li>Labour Relations</li> <li>Legal Services</li> <li>Administration</li> <li>Support Services</li> <li>Skills Development</li> </ul> | <ul style="list-style-type: none"> <li>Budget &amp; Expenditure</li> <li>Supply Chain Management</li> <li>Credit, Revenue Management</li> <li>Financial Accounting</li> <li>Asset Management</li> </ul> | <ul style="list-style-type: none"> <li>Town Planning</li> </ul>  | <ul style="list-style-type: none"> <li>Solid Waste Management</li> </ul>  | Trade & Business Development     |
| <ul style="list-style-type: none"> <li>Labour Relations/ Legal Services</li> <li>Administration</li> <li>Support Services</li> <li>Skills Development</li> </ul>                                | <ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Asset management</li> </ul>   | <ul style="list-style-type: none"> <li>Water &amp; Sanitation</li> <li>Roads &amp; Storm Water</li> </ul>                        | <ul style="list-style-type: none"> <li>Solid Waste Management</li> <li>Parks, Cemeteries &amp; Natural Environment</li> </ul> | Agriculture & Rural Development  |
| <ul style="list-style-type: none"> <li>Labour Relations/ Legal Services</li> <li>Administration</li> <li>Support Services</li> <li>Skills Development</li> </ul>                                | <ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Asset management</li> </ul>   | <ul style="list-style-type: none"> <li>Town Planning</li> <li>Water &amp; Sanitation</li> <li>Roads &amp; Storm Water</li> </ul> | <ul style="list-style-type: none"> <li>Solid Waste Management</li> <li>Parks, Cemeteries &amp; Natural Environment</li> </ul> | Tourism Development              |
| <ul style="list-style-type: none"> <li>HR Management</li> <li>Labour Relations/Legal Services</li> <li>Administration</li> <li>Support Services</li> <li>Skills Development</li> </ul>          | <ul style="list-style-type: none"> <li>Budget &amp; Expenditure</li> <li>Supply Chain Management</li> <li>Financial Accounting</li> <li>Asset Management</li> </ul>                                     | <ul style="list-style-type: none"> <li>Town Planning</li> <li>Water &amp; Sanitation</li> <li>Roads &amp; Storm Water</li> </ul> | <ul style="list-style-type: none"> <li>Solid Waste Management</li> <li>Parks, Cemeteries &amp; Natural Environment</li> </ul> | Community & Investment Marketing |

Diagram 3.5 provides a classification of LED functional teams based on the main development thrusts of the LED Strategy. It should, however, be said that not all possible cooperative scenarios can be mapped out here and while Diagram 3.5 is useful, the actual planning and implementation of LED initiatives will determine the internal members of any specific task team. The purpose here is to illustrate the necessity of such teams to accomplish horizontal (cross-functional) tasks in a vertically aligned bureaucratic structure.

### 3.3.4. Networking and Role Player Interaction

Referring back to the definition of LED in Section one of this report, it is understood that LED is essentially a participatory approach between Local government, civil society and business associations (see Diagram 3.6). It is also these groups that are represented on the Dihlabeng LED Forum.

**Diagram 3.6 – Local Role Players in LED**

#### 3.3.4.1. The role of the Dihlabeng Local Municipality in LED

Although the LED Forum is a vital part of LED planning and implementation, the legislative mandate for overseeing this function remains with the Municipality. Dihlabeng is thus responsible for leading LED in the area, while coordinating all other role players. Leadership in this context implies that the LED Directorate maintains quality networks through relationship building with local partners, based on shared understandings and actions. The LED Directorate must develop enabling relationships through interaction and negotiation with other role players who can act as sources of information for the Municipality and on whom Dihlabeng can depend on for specialised support. Apart from the LED Forum, it would also be very helpful if the Municipality establishes a small management network between themselves and the leaders of local business and civic organisations.

Other common roles and responsibilities of Dihlabeng related to LED include:

- Coordinate & manage LED planning within the LM
- Implement LED projects
- Source funding from government and private sector for the implementation of LED projects
- Build local capacity over the long term as LED becomes embedded within the municipality's priorities
- Encourage and facilitate public participation in LED
- Promote inter-departmental collaboration
- Promote and organise PPPs
- Establish sector linkages; and
- Monitor and evaluate the implementation of the LED strategy and specific LED projects.

### 3.3.4.2. The role of National government in LED

The roles and responsibilities of National government with regards to LED are to:

- Provide an overall policy and strategic framework for LED at provincial & local government levels
- Provide legislative framework for LED
- Provide a framework for provincial and municipal capacity-building and support systems
- Support for key institutions
- Obtain support for commitment towards LED
- Maintain strong inter-governmental relationships using and strengthening existing IGR institutions
- Disseminate information to provincial and local government levels about LED support;
- Increase administrative efficiency, and
- Monitor and evaluate the impact of LED nationally.

### 3.3.4.3. The role of the Free State Provincial government in LED

The roles and responsibilities of the Free State Provincial government with regards to LED are to:

- Provide a strategic vision and strategy for integrated economic, social and community development through the Provincial Growth and Development Strategy (FSPGDS)
- Vertical and horizontal integration of the municipal IDPs
- Training and capacity building for LED
- Facilitate LED through financial and technical resources to implement and sustain LED in municipalities
- Share information (e.g., provincial economic trends, land use, investment); and
- Monitor and evaluate the impact of LED provincially.

### 3.3.4.4. The role of Thabo Mofutsanyane District Municipality in LED

The roles and responsibilities of the Thabo Mofutsanyane District Municipality with regards to LED are to:

- Establish a LED network which includes the DM and LMs to foster cooperation and coordinate LED policies, structures and projects in the district municipality;
- Identify “lead” LED sectors within the district that can drive development, by undertaking economic analysis and studies
- Collect and disseminate information to assist local municipalities with LED interventions
- Identify resource availability (grants available at provincial level, land, infrastructure)
- Maintain strong relationship with the province
- Build capacity of LMs in its area to perform their LED functions
- Monitor and evaluate LED strategy within the IDP framework
- Provide assistance to local municipalities in the accessing of funding
- Develop a district-wide LED/Economic Development strategy

### 3.3.4.5. The role of Business Associations in LED

The roles and responsibilities of local businesses and their associations with regards to LED are to:

- Interact with the LED Forum to identify win-win-solutions
- Partner with the Local Municipality to seek joint solutions to challenges
- Partner with the Local Municipality to market the area as a favourable investment destination
- Implement private sector projects and partner with the Municipality in PPPs
- Play a role in the Municipality's effort to introduce new investors to the area by availing themselves of and introducing new investors to local business networks
- Clearly outline and present business constraints to expansion and employment creation. This should be communicated through the Forum to the Municipality
- Employ people from local communities as far as possible and create opportunities for on-the-job training
- Participate in LED programmes launched by local government such as training and SMME mentorship
- Support entrepreneurs from local communities by providing advice and referrals to potential partnering and financing opportunities.

### 3.3.4.6. The role of Civil Society in LED

Local residents must be fully involved in the LED process. For successful LED processes to become community driven:

- A community must have a core of local, capable and respected leaders who are prepared to commit time and energy to LED. The active engagement of women and young people in the leadership group is essential
- Community leaders need to have or acquire the necessary skills, knowledge and attitudes necessary to manage economic change
- Leaders must operate in a transparent manner and be accountable
- Leaders must be willing to report, listen to and ensure the support of the community
- Leaders should provide inspiration and participate in developing new layers of leadership
- The community must adopt a practical development agenda which focuses on realistic and sustainable goals, long term plans and achieving some small visible improvements by getting people involved, and;
- The goals must be realistic and address the community's needs.

There is the need for a joint vision of what key community stakeholders want for the future and a commitment to the concepts of partnership and co-operation. Stakeholders need to organise themselves in a professional manner through the LED Forum to make things happen.

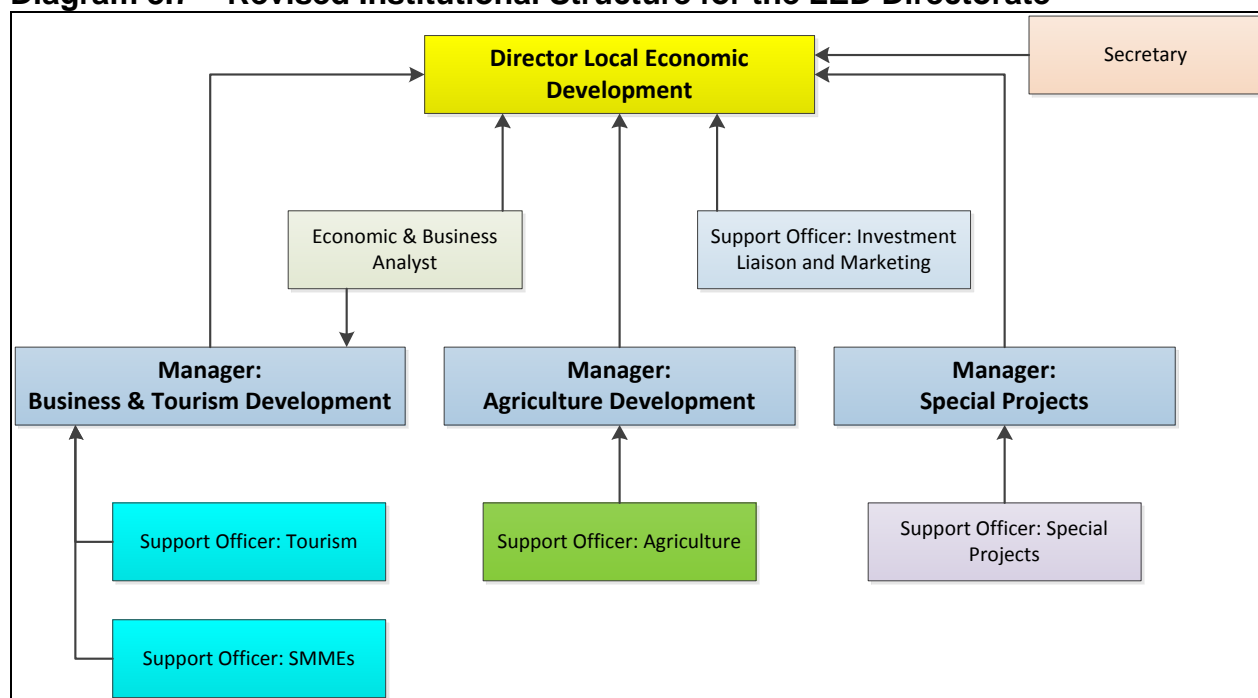
### 3.4. INSTITUTIONAL RECOMMENDATIONS

#### 3.4.1. The LED Directorate

Diagram 3.7 illustrates the recommended institutional structure for the LED Directorate, in line with the discussions in this Section of the report. This structure is deemed to be more appropriate to drive and manage the LED functions of the Dihlabeng LM due to the following reasons:

- The Structure aligns with the Development Thrusts of the LED Strategy and is therefore better geared towards implementation.
- The Structure has been streamlined to promote cooperative planning and integration within the broader Municipal structure.
- The Structure makes provision for hands-on management backed up by the necessary support.
- The Structure allows for clear and predictable performance monitoring of the LED Directorate, as well as the officials assigned to it.
- The Structure allows for Investment Marketing which is seen as a vital part of the LED Strategy.
- The Structure is organised in such a way that it allows for the monitoring of business growth and employment trends associated with the objectives of the LED Strategy.

**Diagram 3.7 – Revised Institutional Structure for the LED Directorate**



#### 3.4.2. LED within the broader Municipal Structure

The existing Dihlabeng Municipal Structure was presented and discussed at the beginning of this Section. It was found that the LED Directorate was placed on equal footing with the other directorates, which implied various challenges for implementing

the LED mandates of the Municipality. This was mainly due to the vertically isolated nature of (LED) support units. This organisation does not facilitate streamlined LED planning and implementation and the concepts of inter-directorate or LED functional teams were introduced. It was illustrated that such an arrangement will not only gear the Municipality to manage and implement LED in a creative way, but will not subtract from the benefits of the bureaucratic structure. From a technical perspective, it is advisable that closer interaction exists between the office of the Municipal Manager and the LED Directorate (see Diagram 3.8). This change in the bureaucratic structure will result in less inter-directorate conflicts and complications with the Municipal Performance Management System. It will also place Dihlabeng in a significantly stronger development position by implementing the core functions of the Municipality in such a way that it creates the maximum number of jobs.

**Diagram 3.8 – LED within the broader Municipal Structure**

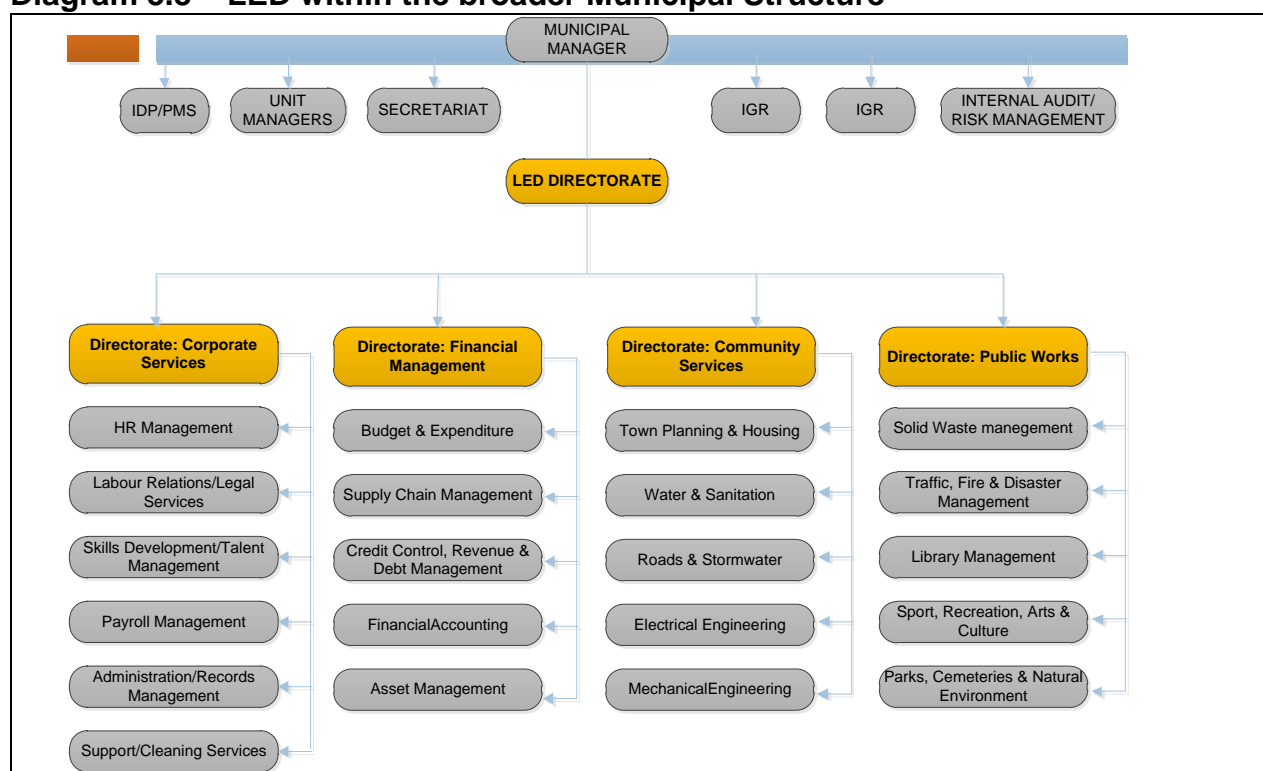


Diagram 3.5 illustrated the introduction of LED functional teams into the organisational structure of Dihlabeng. As discussed earlier, LED cannot be regarded as mere line function of one directorate but an integrated approach that requires the involvement of multiple units across the entire institutional structure.

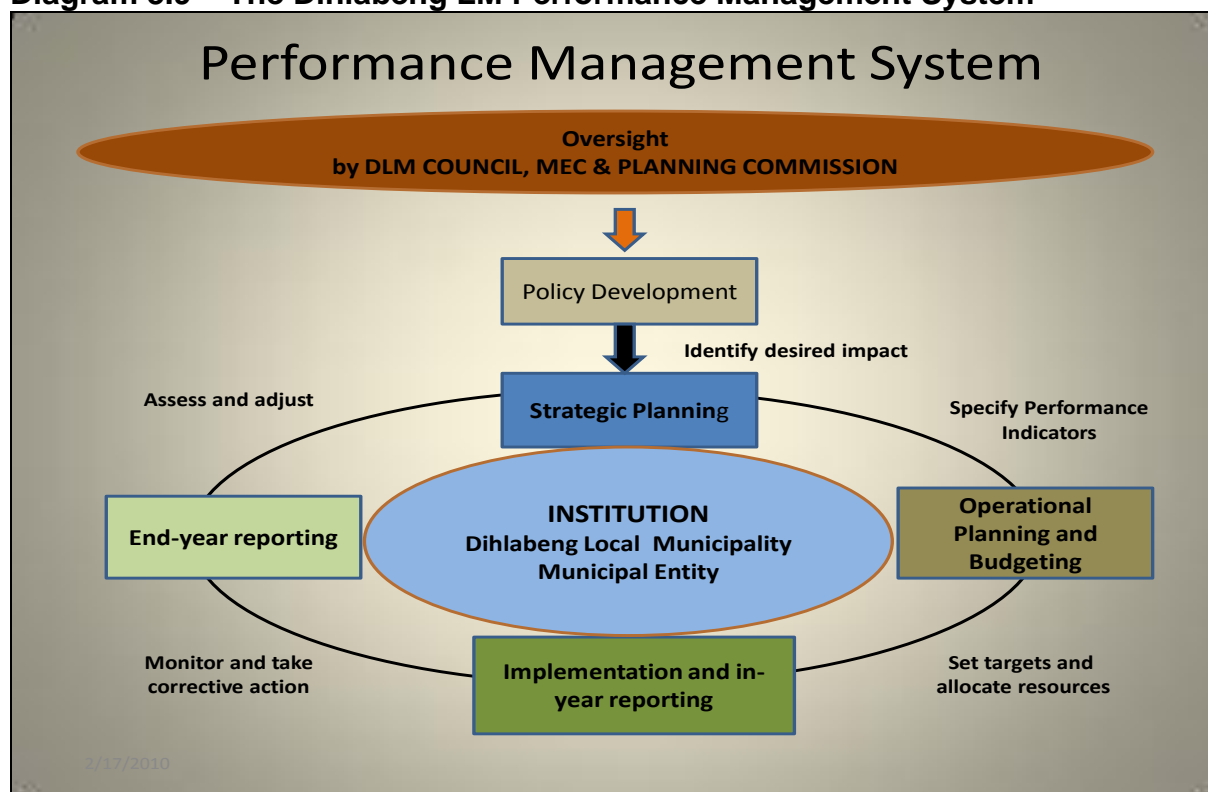
The integrated nature of LED as a municipal function must further be emphasised. Integration in this context is not only seen as the cooperation of individual units within the Municipal structure (through functional teams), but also interaction with civil society and the private sector. In practice, this interaction can be very challenging from an LED perspective, which is the main reason why the LED Strategy recommends that the LED Forum serves as a platform for this interaction. Various other platforms for interaction with local communities also exist (mainly

through the political and IDP process) which may benefit LED. Focussed interaction between the Municipality and the Private business sector is, however, not well legislated, but central to achieving the objectives of LED. This emphasises the important role of the LED Forum as a platform for communication, planning and cooperative development between Dihlabeng and local businesses. Over time it is envisioned that the LED Functional teams will align with the sub-committees of the LED Forum.

### 3.5. PERFORMANCE MANAGEMENT

The Performance Management System of the Dihlabeng LM is illustrated by Diagram 3.9. From this Diagram it is clear that continuous reporting and monitoring is part of the Municipality's planning and implementation process. This internal monitoring is overseen by the Dihlabeng Council, the MEC and the Planning Commission.

**Diagram 3.9 – The Dihlabeng LM Performance Management System**



Source: Dihlabeng Municipal Integrated Development Plan, 2010-11

The 5 Year Strategic Agenda has identified the following Key Performance Areas for Municipal evaluations:

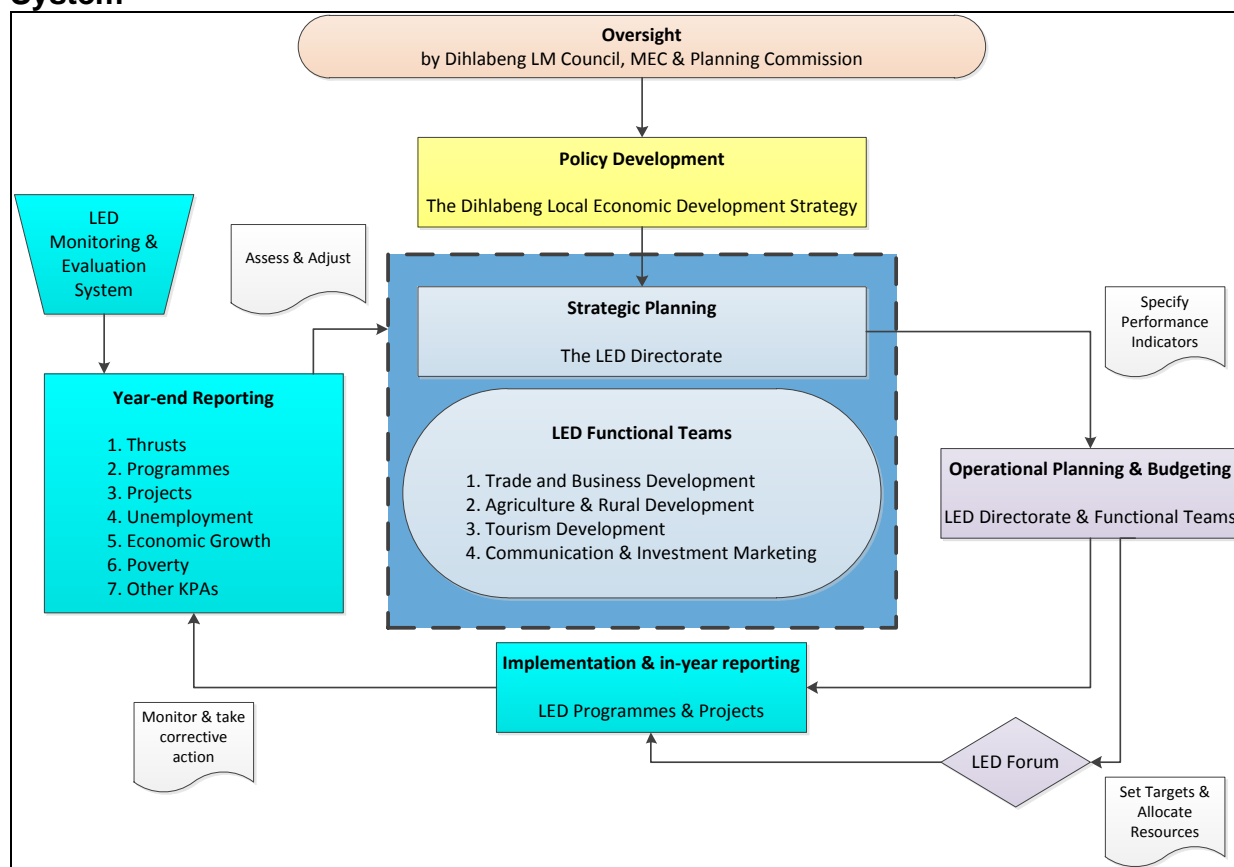
1. **Institutional Transformation:** This function focuses on activities that the Municipality perform to transform its institutional structure, as well as promoting leadership and institutional development.
2. **Basic Service Delivery:** This function focuses on implementing Free Basic Service and other infrastructure development.



3. **Local Economic Development:** This function focuses on activities and programmes that promote Local Economic Development and poverty alleviation.
4. **Financial Viability:** This function focuses on the financial viability of the Municipality, as well as its ability and effectiveness to meet its assigned responsibilities (within its current financial capability).
5. **Good governance and public participation:** This function focuses on issues of good corporate governance, public participation structures and overall accountability.

Local Economic Development is essentially seen as the integrated outcome of all five Key Performance Areas and not only KPA three. This is mainly due to the interdisciplinary nature of LED planning, management and implementation. It is a combined effort by all the units and Directorates of the Municipality and not only the LED Directorate (which is responsible for driving LED mandates).

**Diagram 3.10 – Alignment with the Municipal Performance Management System**



From the discussions up to this point, we can see that management is a central part of the LED process. This is primarily due to the fact that LED is a multi-disciplinary function, which requires the involvement of many internal and external role players (discussed in this Section). The implication of this reality is that performance management becomes challenging and complex. Diagram 3.10 indicates how LED could be aligned with the Performance Management System of the Municipality.



## SECTION FOUR: Socio-Economic Profile

### 4.1. INTRODUCTION

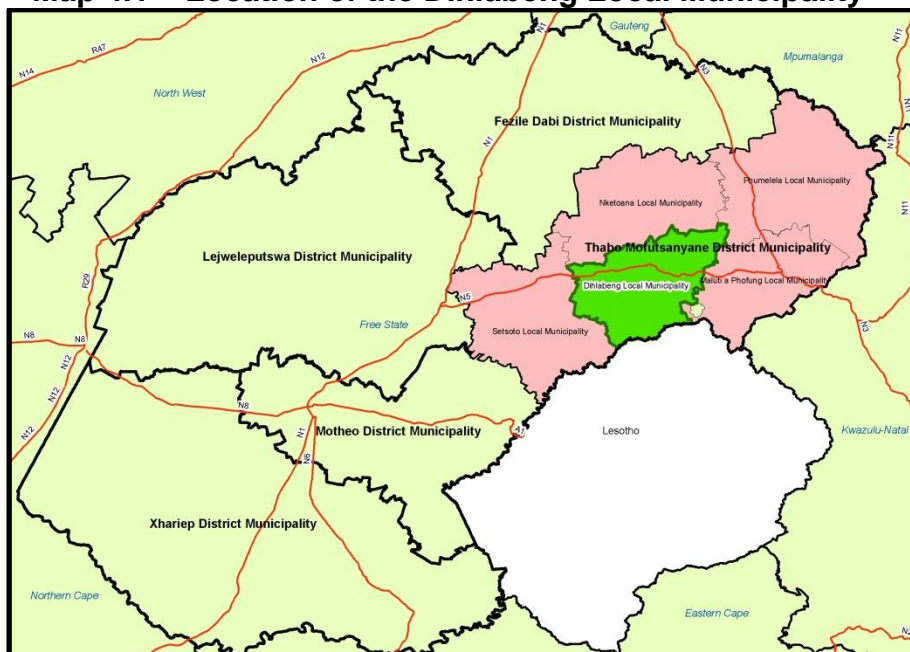
The purpose of this Section is to obtain a comprehensive and detailed insight into the nature, extent and social-economic trends of the Dihlabeng Local Municipality. In this Section the following items of analysis will be discussed in relation to the Local Municipality:

1. Defining the Area of Analysis
2. Demography
3. Infrastructure
4. Labour and Employment
5. Economic Structure and Performance

### 4.2. DEFINING THE AREA OF ANALYSIS

The Dihlabeng Local Municipality is one of five Local Municipalities located within the Thabo Mofutsanyane District Municipality in the Free State Province (refer to Map 4.1).

**Map 4.1 – Location of the Dihlabeng Local Municipality**



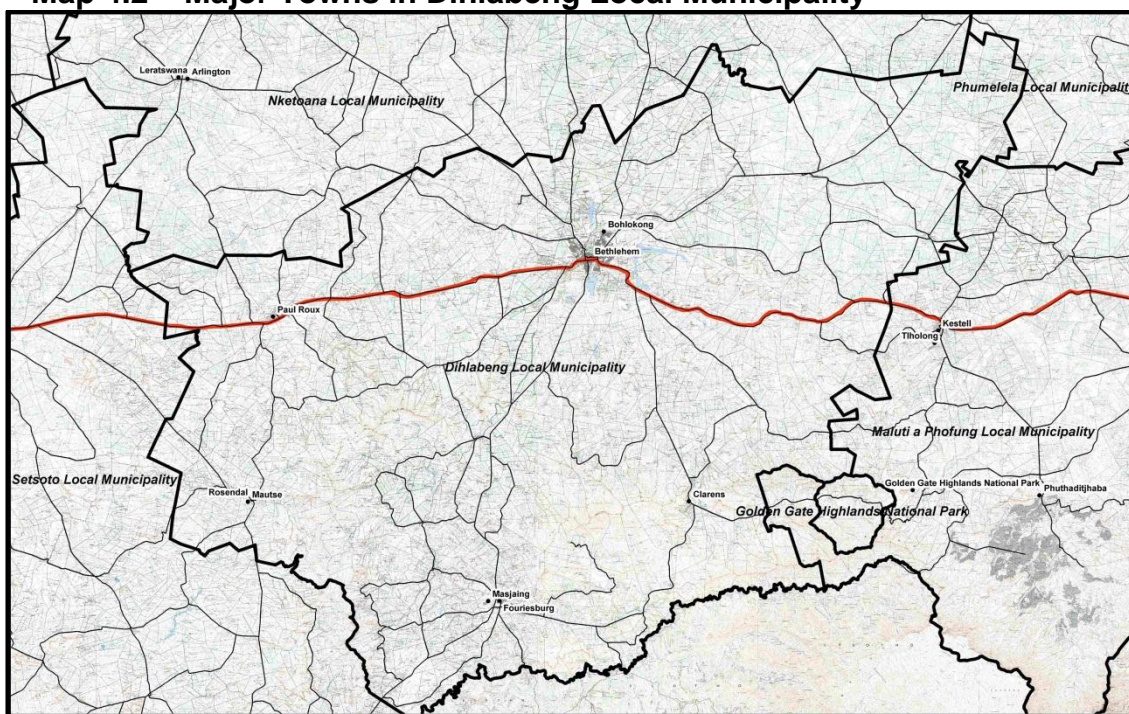
Source: GIS Mapping based on Municipal Demarcation Board Data, 2011

### 4.2.1. Major Towns

The Dihlabeng Local Municipality consists of the following main towns:

1. Bethlehem
2. Clarens
3. Fouriesburg
4. Paul Roux

**Map 4.2 – Major Towns in Dihlabeng Local Municipality**



Source: GIS Mapping based on Municipal Demarcation Board Data, 2011

#### 4.2.1.1. Bethlehem

Bethlehem was founded in 1864 on the farm Pretoriuskop and is the largest town in the Dihlabeng Local Municipality. The name Bethlehem means “House of Bread” in the Hebrew language. The town was established to serve as a centre for the growing agricultural activities in the area.

#### 4.2.1.2. Clarens

The town was established in 1912 and named after the Swiss town of “Clarens”. The town was established on the farm Lelieshoek. The Lesotho highlands Water Project also played an important part in the development of the town. The town is also one of the most popular tourist attractions in the Free State.

#### 4.2.1.3. Fouriesburg

The town of Fouriesburg was established in 1892 and was named after Cristoffel Fourie. The town's main purpose is to serve as a business centre for the surrounding farms.

#### 4.2.1.4. Paul Roux

Paul Roux is a farming town that was established in 1909 on the farm Palmietfontein. The Founder of the town was the Dutch Reformed Church Reverend Paul Roux. The town mainly serves as a commercial centre for local farms.

### 4.3. REGIONAL CONTEXT

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

**Table 4.1 – Demographic Indicators for South Africa, Free State, Thabo Mofutsanyane and Dihlabeng LM, 2010**

| Indicator                     | South Africa | Free State | Thabo Mofutsanyane DM | Dihlabeng LM |
|-------------------------------|--------------|------------|-----------------------|--------------|
| <b>Total Population</b>       | 49,991,472   | 2,824,570  | 723,378               | 114,818      |
| <b>Population Growth p.a.</b> | 1.2%         | 0.3%       | 0.0%                  | -0.9%        |
| <b>HIV/AIDS +</b>             | 12.6%        | 14.5%      | 14.3%                 | 14.7%        |
| <b>Population Groups</b>      |              |            |                       |              |
| African                       | 79.4%        | 88.7%      | 94.7%                 | 86.7%        |
| Coloured                      | 8.9%         | 3.1%       | 1.1%                  | 4.7%         |
| Asian                         | 2.6%         | 0.1%       | 0.2%                  | 0.2%         |
| White                         | 9.2%         | 8.1%       | 4.0%                  | 8.4%         |
| <b>Gender Percentage</b>      |              |            |                       |              |
| Male                          | 48.7%        | 48.2%      | 46.1%                 | 47.6%        |
| Female                        | 51.3%        | 51.8%      | 53.9%                 | 52.4%        |

Source: Quantec Research, 2011

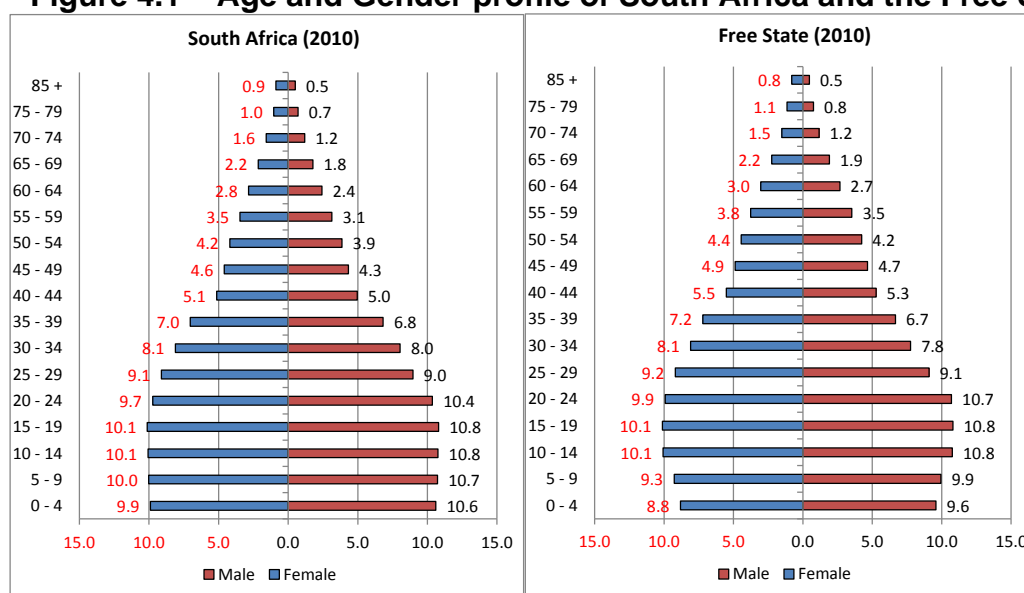
The population of South Africa increased from 28.8 million in 1980 to approximately 49.9 million in 2010 (see Table 4.1). Population groups in 2010: Africans presented 79.4% of the population in South Africa, Whites 9.2%, Coloureds 8.9% and Asians 2.6%.

In Table 4.1 the composition of the population by race, gender, HIV/AIDS and population group for South Africa, Free State, Thabo Mofutsanyane District Municipality and Dihlabeng Local Municipality are provided. The figures provided in this table are analysed in detail in the following paragraphs.

### 4.3.1 Age and Gender

A large percentage of the population in the Free State (65.8%) and South Africa (64%) falls between the ages of 15 and 64 years (see Figure 4.1). The age group of 65 years and older represents the smallest percentage of the population in both these regions (5%). In the Free State, the percentage of the population between the ages of 0 and 14 years is lower (29.2%) when compared with the South African Average (31.0%).

**Figure 4.1 – Age and Gender profile of South Africa and the Free State**



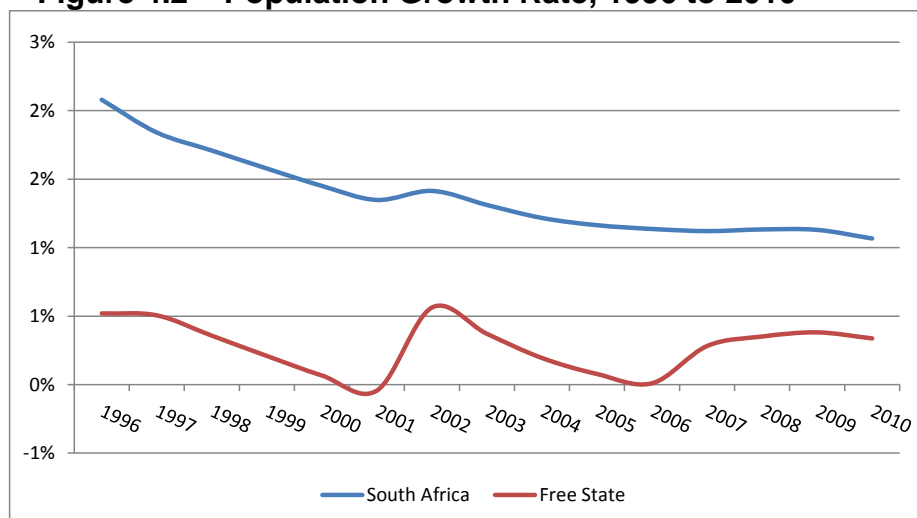
Source: Quantec Research, 2011

In South Africa and the Free State the population is almost equally distributed between male and female, although the male distribution in South Africa (48.7%) is slightly higher than is the case in the Free State (48.2%). The male and female populations between 15 and 64 years are slightly higher in the Free State than in South Africa. This implies that there is a higher concentration of working-age people in the Province when compared to South Africa as a whole.

### 4.3.2 Population Growth

The population of the Free State displayed an average growth rate of 0.3% p.a. between 2000 and 2010. For the same period, the national population growth was 1.2% p.a. which means that provincial population growth was slightly slower than the national average. Figure 4.2 indicates the growth rates of the Free State and South Africa from 1996 to 2010. South Africa clearly experienced a higher growth rate than the Province, which is mainly attributed to a higher average HIV/AIDS prevalence rate in the Free State in comparison with the national average.

**Figure 4.2 – Population Growth Rate, 1996 to 2010**

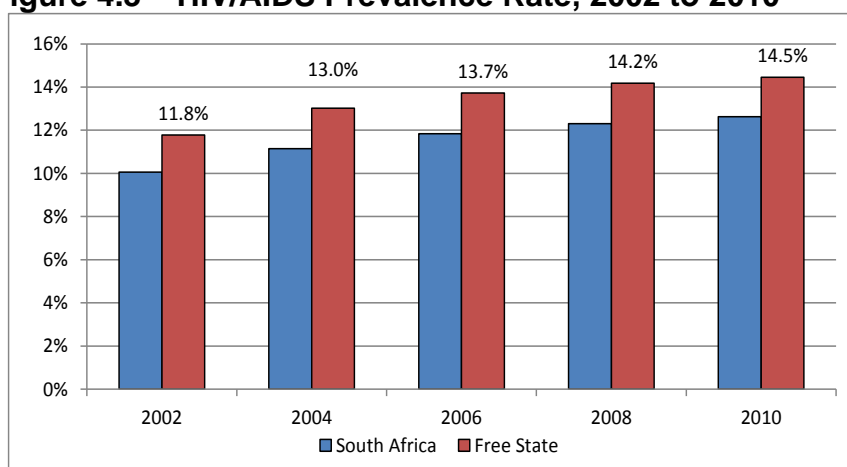


Source: Quantec Research, 2011

### 4.3.3 HIV/AIDS

The prevalence of HIV/AIDS in the Free State and South Africa is illustrated by figure 4.3. From this figure it is evident that the Free State population had a consistently higher rate of HIV/AIDS infection than compared to South Africa as a whole.

**Figure 4.3 – HIV/AIDS Prevalence Rate, 2002 to 2010**



Source: The Actuarial Society of South Africa (Model of HIV/AIDS), 2011



The HIV/AIDS prevalence rate in the Free State grew from 11.8% in 2002 to over 14% in 2010. The HIV/AIDS infection growth rate in the Free State (2.9%) is lower compared to the national average of 4.9% over the same period.

During 2000, there were an estimated 11 000 HIV/AIDS-related deaths in the Free State, which grew to over 29 000 deaths in 2010. During this period, the number of HIV/AIDS-related deaths in the Province grew by 10.2% on average per annum, compared to the national average of 9.9%.

#### **4.4. LOCAL CONTEXT**

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This section presents the socio-economic profile of the Dihlabeng Local Municipality. The purpose of this analysis is to inform the LED strategy in terms of development priorities and strategic development direction.

##### **4.4.1. Population Composition**

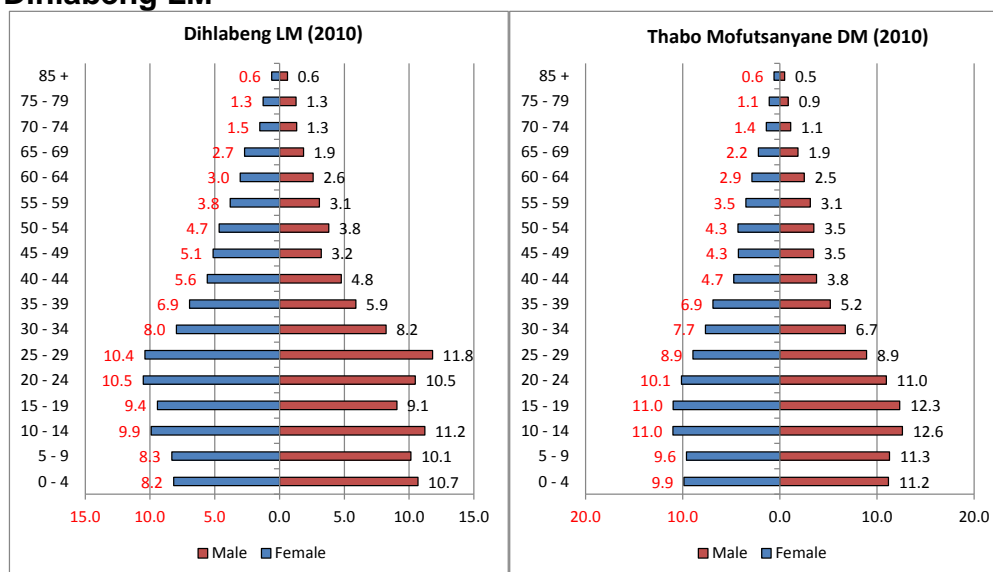
The total population of Dihlabeng is approximately 4.0% of the population in the Free State and 6.0% of the population of Thabo Mofutsanyane District Municipality. The demographic figures of Dihlabeng are now discussed in detail and compared to the population figures of the Province and the District Municipality.

###### **4.4.1.1. Age and Gender**

The age and gender profile of Dihlabeng appears relatively different to that of Thabo Mofutsanyane, with a large portion of the population under 15 years of age. The working-age population indicates the concentration of labour in the District and in the Local Municipality. Figure 4.4 illustrates the age-gender profile for Thabo Mofutsanyane District Municipality and Dihlabeng Local Municipality.

It is, however, observed that the working-age (15 to 64) population of Dihlabeng is female dominated (67.5%), where this age group is more evenly distributed between the genders in Thabo Mofutsanyane District. This can be attributed to young male workers that relocate to larger economic centres, such as Bloemfontein and Johannesburg, for better work opportunities.

**Figure 4.4 – Age and Gender Profile of Thabo Mofutsanyane DM and Dihlabeng LM**

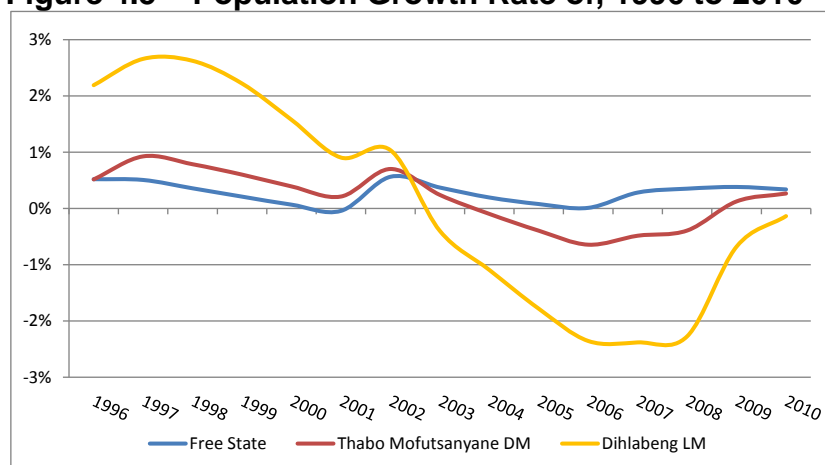


Source: Quantec Research, 2011

#### 4.4.1.2. Population Growth and HIV/AIDS

The population growth of the Free State, Thabo Mofutsanyane and Dihlabeng is illustrated by Figure 4.5. On average, the population growth rate of Dihlabeng declined by 0.7% per annum from 2000 to 2010. Thabo Mofutsanyane, on average, maintained a slow decline in population, while the Free State grew by 2.6% per annum. The reason for the decline in population in Dihlabeng and Thabo Mofutsanyane can be attributed to the migration of job seekers to larger urban centres in the Free State or other Provinces. This is due to a lack of local employment opportunities, less opportunities for employment advancement and a growing preference among young people not to work in the agriculture sector. Figure 4.7 further more reflects a low level of labour remuneration among working adults.

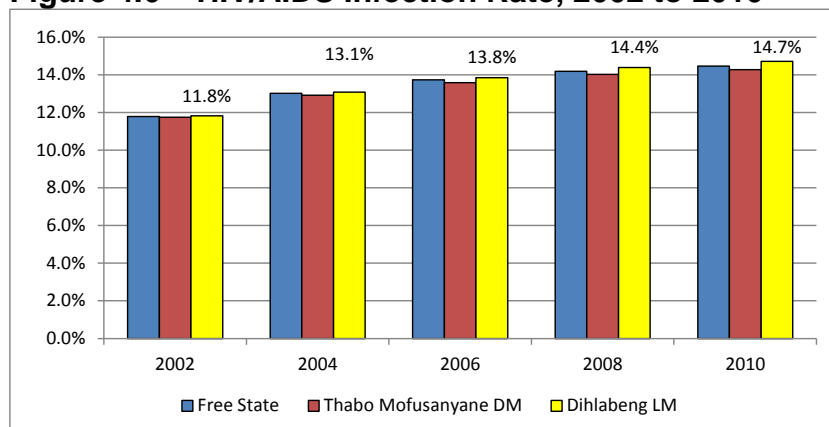
**Figure 4.5 – Population Growth Rate of, 1996 to 2010**



Source: Quantec Research, 2011

The HIV/AIDS profile of the Free State, Thabo Mofutsanyane and Dihlabeng (from 1996 to 2010) is illustrated by Figure 4.6. From this Figure it is evident that the prevalence of HIV/AIDS has increased in recent years in all of the geographic areas under discussion. The prevalence of this disease in Dihlabeng has increased from 11.8% in 2002 to 14.7% during 2010. This District has, however, managed a slightly lower rate of prevalence when compared to the Free State average (14.3% in 2010).

**Figure 4.6 – HIV/AIDS Infection Rate, 2002 to 2010**



Source: Quantec Research, 2011

#### 4.4.2. Socio-Economic Indicators

This section reflects the socio-economic status quo of the Dihlabeng population. The purpose of this discussion is to reflect a qualitative and, where applicable, a quantitative summary of social conditions in the area.

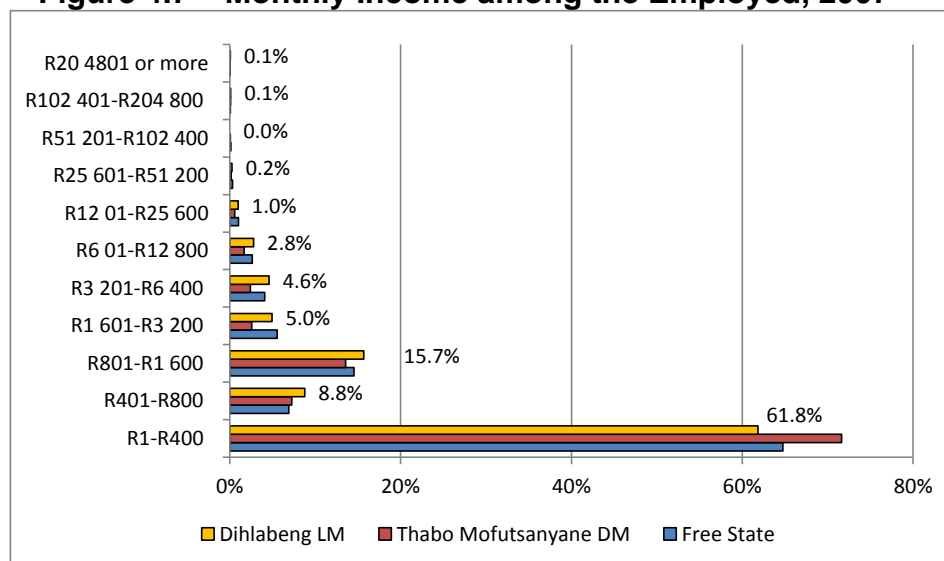
##### 4.4.2.1. Income Distribution

In order to determine the people's living standards, as well as their ability to pay for basic services, such as water and sanitation, the income levels of the local population are analysed and compared to the income levels of the Free State and Thabo Mofutsanyane. In Figure 4.7, the distribution of the employed per income group is shown (i.e. income among employees).

From Figure 4.7 it is evident that the largest portion (61.8%) of employed adults in Dihlabeng earns less than R401 per month. This trend is also observed in the Free State and Thabo Mofutsanyane, where 64.7% and 71.6% of the economically active population earns less than R401 per month respectively. The second most significant income category, of R801 to R1 600, represents 15.7% of the Dihlabeng working adults.

From these observations it is evident that the majority of the Dihlabeng population is very poor and thus experiencing low living standards. These low income levels indicate that the majority of the population is dependent on a small income, implying that the local population is less able to afford basic services, such as water and sanitation.

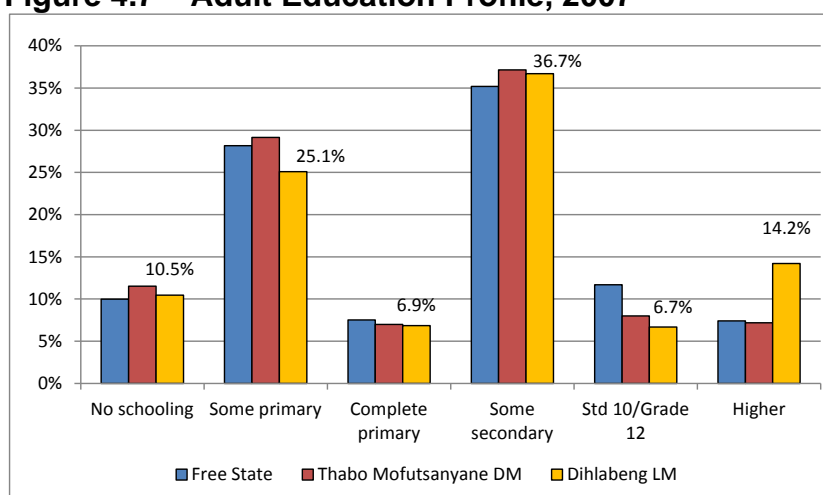


**Figure 4.7 – Monthly Income among the Employed, 2007**

Source: StatsSA Community Survey, 2007

#### 4.4.2.2. Education and Skills

Table 4.3 illustrates the level of adult education in Dihlabeng, compared to the Free State and Thabo Mofutsanyane. Less than 30% of adults in the Study Area completed Grade 12 or attained a higher education qualification, while 10.5% have no schooling at all.

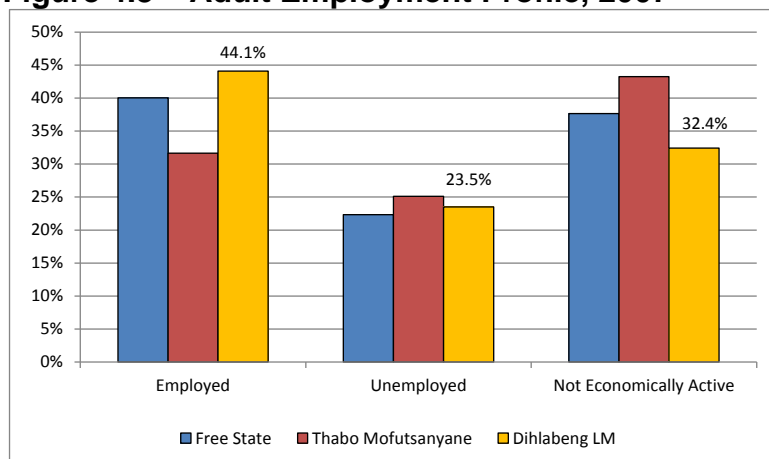
**Figure 4.7 – Adult Education Profile, 2007**

Source: StatsSA Community Survey, 2007

This has serious implications for employment and money generating opportunities for the populace. In total, 89.6% of the Dihlabeng population have some form of schooling and can be regarded as literate. The percentage of adults that have a tertiary education is relatively higher (14.2%) when compared to the Free State (7.4%) and Thabo Mofutsanyane District (7.2%).

Figure 4.8 illustrates the employment rate of Dihlabeng in 2007, in comparison with the Free State and the Thabo Mofutsanyane District. The Local Municipality had an unemployment rate of 23.5%, which is slightly lower than Thabo Mofutsanyane (25.1%). The province had an unemployment rate of 22.3% during 2007.

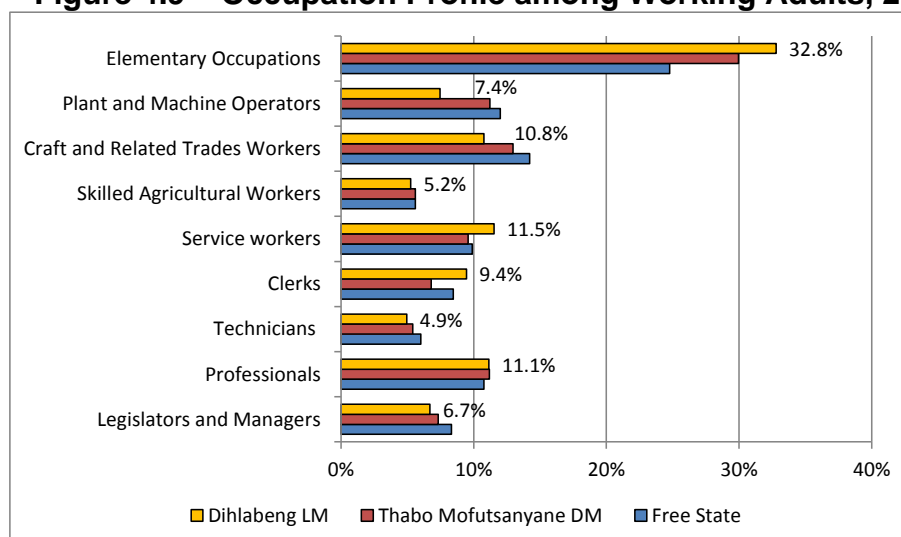
**Figure 4.8 – Adult Employment Profile, 2007**



Source: StatsSA Community Survey, 2007

The skills profile of the working age population of Dihlabeng is showed in Figure 4.9 and compared with the Free State and Thabo Mofutsanyane. The level of skills within an area is important to determine the level of potential employment. The largest category among the employed adult population in Dihlabeng (32.8%), the Free State (24.8%) and Thabo Mofutsanyane (30%) are employed in elementary occupations and can be regarded as low to semi-skilled. Approximately 11.1% of the working population in the Study Area can be categorised as professionals and regarded as high-skilled workers.

**Figure 4.9 – Occupation Profile among Working Adults, 2007**



Source: StatsSA Community Survey, 2007

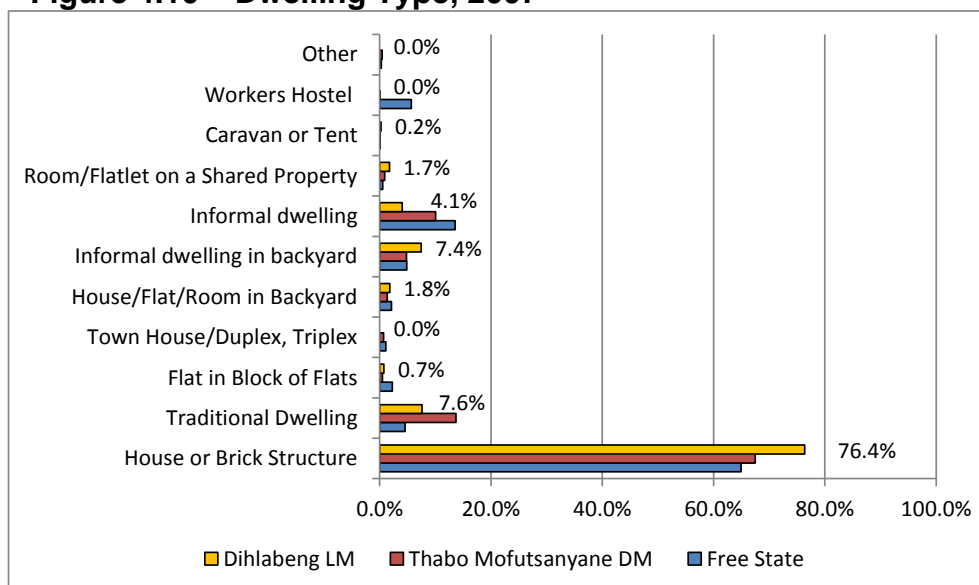
Apart from professionals, about 11.8% of the employed can be classified as service workers (shop and market sales) and 10.8% craft and related trade workers. Overall, it is observed that the working adult population is mainly low to semi-skilled, with a small portion that are regarded as high skilled.

#### 4.4.2.3. Dwelling Types

Figure 4.10 illustrates the various dwelling types found in Dihlabeng, the Free State and Thabo Mofutsanyane. The most common form of dwelling type is brick houses on individual stands. This category represents 76.4% of housing in Dihlabeng, 67.5% in the District and 65% in the Province. This means that 23.6% of households in Dihlabeng Local Municipality have to make use of alternative types of housing.

In this regard, 11.5% of households in Dihlabeng can be classified as informal (shacks), compared to 14.9% of households in Thabo Mofutsanyane and 18.9% in the Free State Province. From this it can be interpreted that Dihlabeng has a lower portion of informal settlement dwellings compared to the District and the Province.

**Figure 4.10 – Dwelling Type, 2007**



Source: StatsSA Community Survey, 2007

#### 4.4.2.4. Household access to municipal services

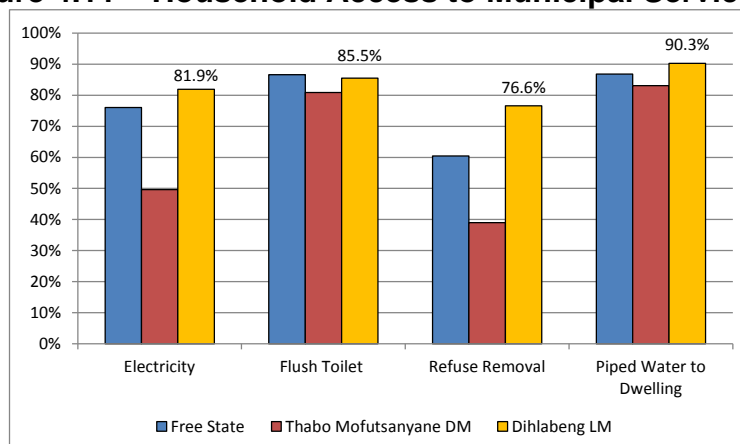
Household access to various municipal services in Dihlabeng is indicated by Figure 4.11. The majority of households in Dihlabeng are well catered for in terms of their access to municipal services.

The following observations are made:

1. About 10.9% of households were dependent on the use of candles as their main source of lighting during 2007.
2. Almost 12.4% of households indicated that they made use of their own refuse dump during 2007.

- Some 6.3% of households did not have access to any form of piped water and had to make use of alternative sources such as streams, pools, water vendors, rain tanks, etc. during 2007.

**Figure 4.11 – Household Access to Municipal Services, 2007**



Source: StatsSA Community Survey, 2007

## 4.5. CONCLUSION

The demographic and social analysis presented the following observations with reference to local economic development:

- The working-age population of Dihlabeng is female dominant, which implies that many working-age men leave the area in search of employment opportunities elsewhere.
- The population of Dihlabeng declined by 0.7% on average per annum between 2000 and 2010, compared to the provincial growth rate of 0.3%. This was mainly due to an out-migration of job-seeking young people, unemployment and poverty, as well as a higher than provincial rate of HIV/AIDS prevalence.
- An analysis of labour remuneration revealed that approximately 61.8% of the labour force in Dihlabeng earned less than R401 per month. This observation, together with the unemployment rate, implies that there are insufficient disposable income in the area and therefore low buying capacity. This has negative implications for the survival of local businesses and therefore on the trade sector in general. Furthermore, low household income levels imply that many households are not in a financial position to pay for services, municipal rates and taxes.
- Less than 30% of the Dihlabeng adult population has a Grade 12 or higher education qualification, while 10.5% have no schooling at all. The local labor force is mainly classified as low to semi-skilled. The poor education profile of the local population present serious challenges in terms of the availability of skills required for employment opportunities that might be created in the area.

5. The most common form of dwelling type is brick houses on individual stands. This category represents 76.4% of housing in the Local Municipality. This means that 23.6% of households in Dihlabeng have to make use of alternative types of housing.

## SECTION FIVE: Economic Profile

### 5.1. INTRODUCTION

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

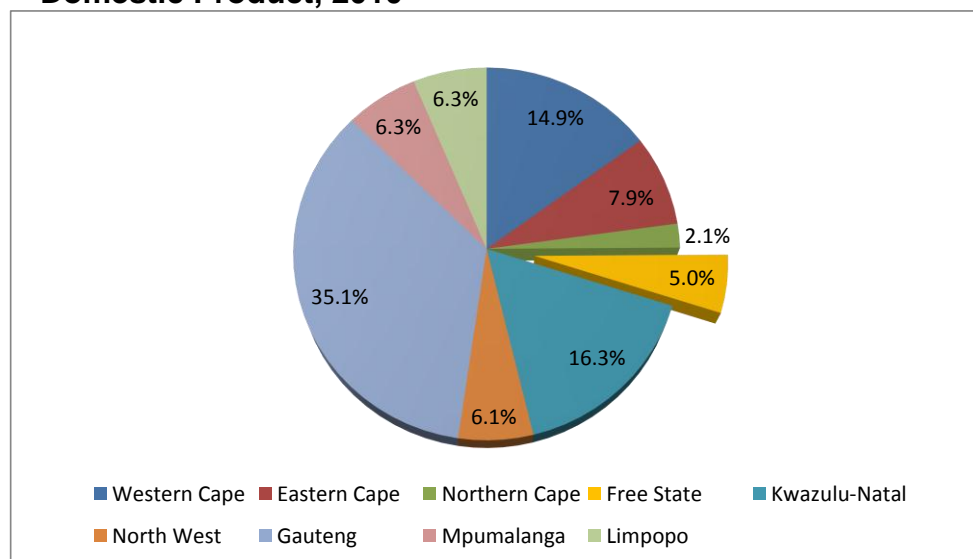
### 5.2. REGIONAL CONTEXT

The purpose of this sub-section is to interpret the economic context of Dihlabeng within the Provincial and National context. To determine the economic context of the above economies, the most important economic and labour indicators are discussed.

#### 5.2.1. Provincial Overview

The Free State Province contributed approximately 5% to the Gross Domestic Product (GDP) of South Africa in 2010.

**Figure 5.1 – Provincial Contribution to South Africa's Gross Domestic Product, 2010**



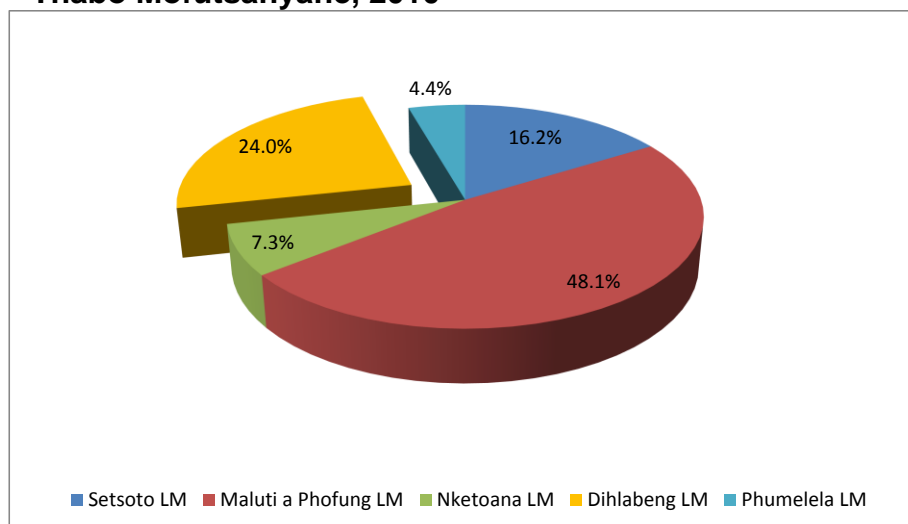
Source: Quantec Research, 2011

Figure 5.1 illustrates the Free State GDP compared to the other 8 Provinces in South Africa. The Free State recorded the 8<sup>th</sup> largest economy and Gauteng had the largest (35.1%) in 2010. Only the Northern Cape ranked lower than the Free State in terms of economic production during 2010.

## 5.2.2. Municipal Overview

Figure 5.2 illustrates the GDP contribution of the Dihlabeng Local Municipality compared to the other 4 Local Municipalities in the Thabo Mofutsanyane District. Dihlabeng contributed the second most (24.0%) to the District economy, followed by Setsoto (16.2%). Overall, Maluti-a-Phofung contributed the most (48.1%) to the economy of Thabo Mofutsanyane during 2010.

**Figure 5.2 – Municipal Contribution to the Economy of Thabo Mofutsanyane, 2010**

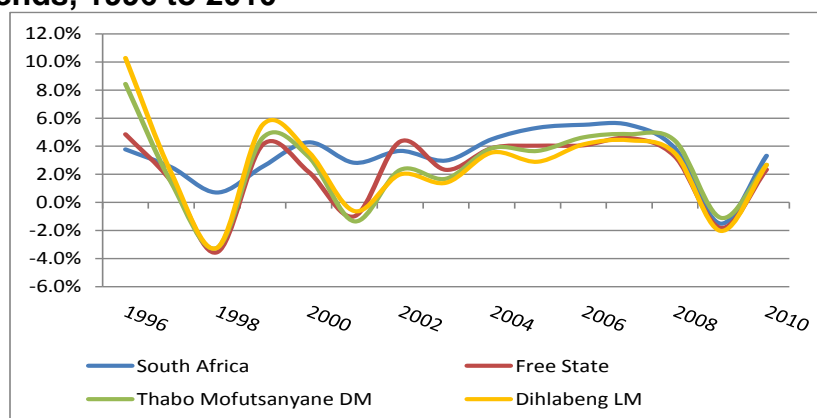


Source: Quantec Research, 2011

### 5.2.2.1. Growth

During 2000 to 2010, the economy of Dihlabeng experienced an average annual growth rate of 2.3%, compared to a 2.6% growth rate in Thabo Mofutsanyane and the Free State. Figure 5.3 indicates the annual growth rate from 1996 to 2010 in Dihlabeng, compared with the District, the Province and South Africa.

**Figure 5.3 – Regional Comparison of Economic Growth Trends, 1996 to 2010**



Source: Quantec Research, 2011

In comparison with the Province and the District, it can be observed that Dihlabeng also experienced an average decline in economic growth over the past three years. This is mainly attributed to the global financial recession during the 2008/09 period which had a negative impact on the National and regional economy.

#### 5.2.2.2. Level of Concentration

A Location Quotient indicates the comparative advantage or disadvantage of a particular economic sector in an area or region. A comparative advantage indicates a relatively more competitive production function for a product or service in that specific activity.

A Location Quotient analysis for Dihlabeng in District context is provided by Table 5.1:

**Table 5.1 – Location Quotient for Dihlabeng Local Municipality, 2010**

| Economic Sector | Sectoral contribution to total GDP (%) |              | Location Quotient |
|-----------------|--|--------------|-------------------|
|                 | Thabo Mofutsanyane DM                  | Dihlabeng LM |                   |
| Agriculture     | 6.2%                                   | 6.4%         | 1.0               |
| Mining          | 0.4%                                   | 0.3%         | 0.8               |
| Manufacturing   | 13.3%                                  | 13.2%        | 1.0               |
| Electricity     | 2.6%                                   | 0.9%         | 0.3               |
| Construction    | 2.1%                                   | 1.9%         | 0.9               |
| Trade           | 15.6%                                  | 18.1%        | 1.2               |
| Transport       | 7.2%                                   | 9.2%         | 1.3               |
| Finance         | 21.7%                                  | 19.9%        | 0.9               |
| Services        | 30.8%                                  | 30.1%        | 1.0               |
| <b>Total</b>    | <b>100</b>                             | <b>100</b>   | <b>1</b>          |

Source: Urban-Econ, 2011

A quotient larger than one indicates a comparative advantage and a quotient smaller than one indicates a comparative disadvantage in an economic activity. A quotient greater than five indicates a dependence on an industry sector.

From this Table it is evident that the Dihlabeng economy has a comparative advantage in the following sectors with regards to the District economy:

1. Agriculture
2. Manufacturing
3. Trade
4. Transport
5. Government Services

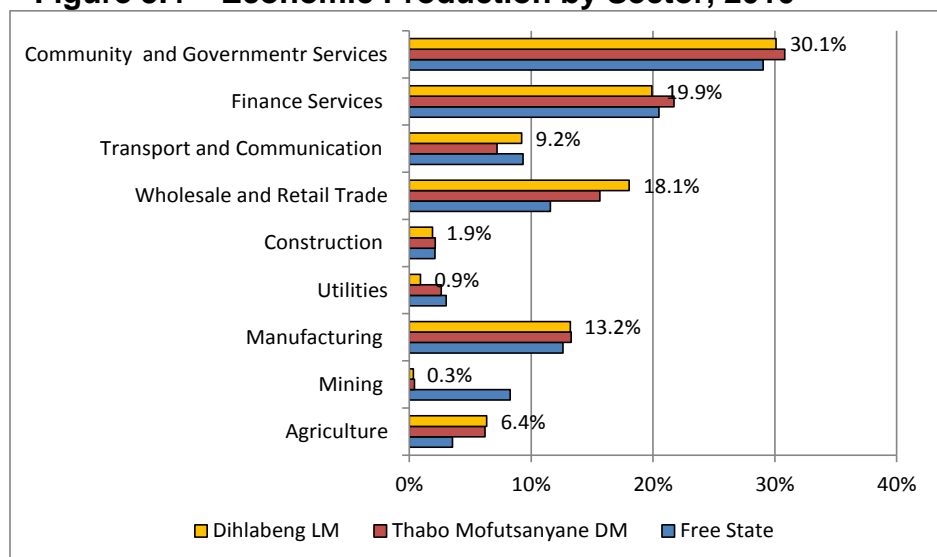


In the following Section of this report, these sectors will be further unpacked and their comparative advantages discussed.

### 5.2.2.3. Economic Sectors

The economy of Dihlabeng is illustrated by sectoral production in Figure 5.4 and compared to Thabo Mofutsanyane and the Free State. From this Figure it is evident that the local economy is dominated by the Community and Government services sector (30.1%), similar to the Provincial and District profiles.

**Figure 5.4 – Economic Production by Sector, 2010**



Source: Quantec Research, 2011

This sector was followed by the Financial Services (19.9%) and the Wholesale and Retail Trade sectors (18.1%). From Figure 5.4 it is evident that the Mining (0.3%) and Utilities (0.9%) sectors contributed the least to the local economies of Dihlabeng, the District and the Province.

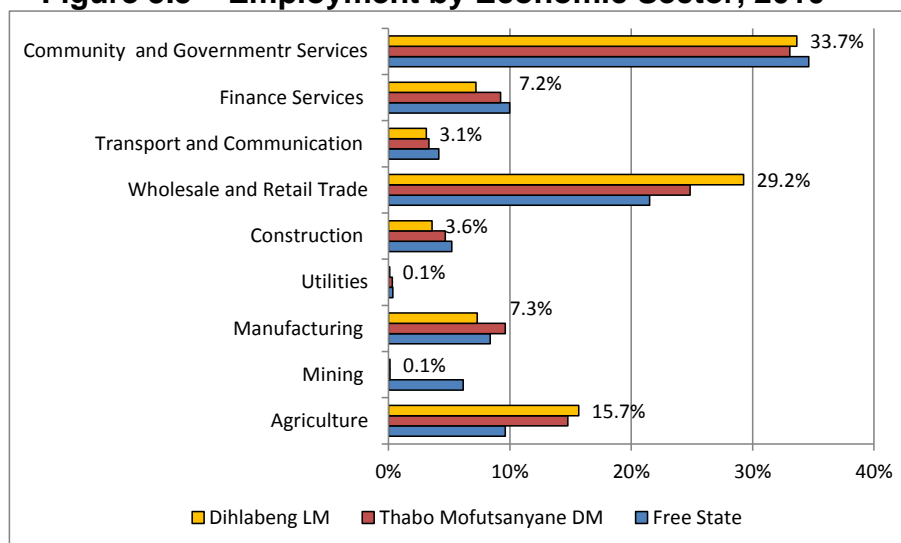
### 5.2.3. Labour

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

Figure 5.5 indicates the labour structure of Dihlabeng during 2010 by economic sector and is compared to the Free State and Thabo Mofutsanyane. Community and Government Services were the most significant employment sectors in the Province (34.6%), the District (33.1%) and Dihlabeng (33.7%). The most significant employment sectors in Dihlabeng were Community and Government Services (33.7%), Wholesale and Retail Trade (29.2%) and Agriculture (15.7%). Utilities and

Mining were the least significant employment sectors in the Municipality, with only 0.1% of people employed in these sectors.

**Figure 5.5 – Employment by Economic Sector, 2010**



Source: Quantec Research, 2011

### 5.3. CONCLUSION

The economic analysis presented the following observations with reference to local economic development:

1. Dihlabeng Contributed 24.0% to the Thabo Mofutsanyane District economy in 2010.
2. Dihlabeng experienced an average annual growth rate of 2.3%, compared to a 2.6% growth rate in Thabo Mofutsanyane and the Free State.
3. The Dihlabeng economy has comparative advantages in the Agriculture, Manufacturing, Trade, Transport and the Government services sectors.
4. The Dihlabeng economy is dominated by the Community and Government services sector (30.1%), followed by the Financial Services (19.9%) and the Wholesale and Retail Trade sectors (18.1%).
5. Community and Government Services were the most significant employment sectors in Dihlabeng (33.7%).

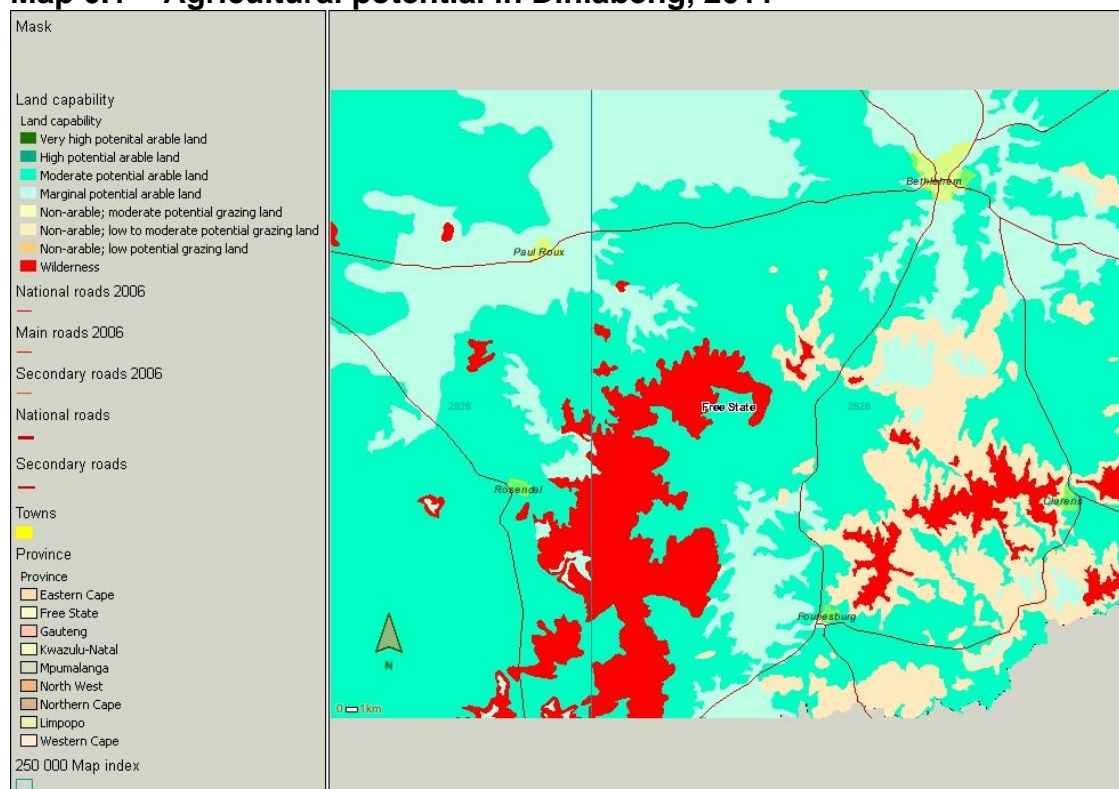
## SECTION SIX: Economic Potential Analysis

The purpose of this Section is to provide the LED Strategy with an overview of development potential in the main sectors of the local economy. The relationship between local planning and the Policies and Legislation discussed in Section two of this report should be informed by the identification of real development potential in Dihlabeng. The purpose of the LED Strategy is thus to expand information flow and knowledge about Dihlabeng which should provide Government as a whole with a better appreciation of development potential in the municipal area. The potential analysis should not only inform the Dihlabeng IDP, but also the planning framework and other medium to longer-term strategies of government.

### 6.1. AGRICULTURE

Agriculture has been identified as the dominant land use (more than 80%) in Dihlabeng. This is in contrast with this sector's contribution to GDP and employment. The Agriculture sector of Dihlabeng contributed 6.1% to the local economy and accounted for 11.1% of employment opportunities in 2010. On average, production (GDP) in the Agriculture sector declined by 1.7% per annum between 2004 and 2010.

**Map 6.1 – Agricultural potential in Dihlabeng, 2011**



Source: AGIS, 2007. *Agricultural Geo-Referenced Information System*, accessed from [www.agis.agric.za](http://www.agis.agric.za) in 2011

Privately owned commercial farms account for the bulk of production in the local Agriculture sector. Other forms of agriculture include urban-agriculture and subsistence farming on limited scale. According to the AGIS information system (see Map 6.1), farmland in Dihlabeng can mainly be classified as *moderate potential arable land*, whereas some areas surrounding Clarens are more suitable for grazing. Significant portions of rural land in the area can also be described as *Wilderness*, which cannot be used for agricultural production.

The most significant farming commodities in Dihlabeng, in terms of production and contribution to the local economy, are maize, wheat and cattle farming. Other commodities include sunflowers, fruit (peaches, cherries, and apples), cut flowers, sorghum, vegetable farming (asparagus, beans, potatoes, cabbage, carrots etc.) and asparagus.

### 6.1.1. Development Potential

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

These technological ventures could imply linkages with other sectors, such as manufacturing (agro-processing) that are vital for the diversification and growth in the local economy. The ARC-Roodeplaat Vegetable and Ornamental Plant Institute situated near the Roodeplaat Dam in Gauteng, concentrates on a wide range of horticultural crops. Research is conducted on commercial vegetables, such as onions, potatoes, tomatoes and sweet potatoes. Traditional and indigenous vegetables receiving attention include amaranthus, cassava, plectranthus, Zulu round potato, pigeonpeas, cowpeas and bambar. These farm commodities are in growing demand and may present sustainable opportunities for local communities in Dihlabeng. It is advised that the Municipality assist with the creation of a communication and education platform between the ARC Institute referred to and local farmers (especially emerging farmers).

#### a) Biodiesel

The biofuel industry involves the production of fuel derived from any biomass. There are many forms of biomass that can be used to produce biofuel, namely, liquid (ethanol, butanol etc.), solid (wood, crops, etc.) and so forth. One of the major sources for biofuel is crops that are converted into liquid biomass. For example, wheat (which is produced on large scale in Dihlabeng) can be used for the production of ethanol that is further used as automotive fuel.

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

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

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

The Biofuel Industrial Strategy for South Africa was approved by Cabinet in December 2007. Within the first five years, which is considered to be a pilot phase, the aim is to achieve a 2% penetration level of biofuels, or 400 million litres a year. In line with the focus on rural development and the provision of support to emerging farmers, the Government proposed that only dual-purpose crops should be used for the production of biofuels. Examples are sugar cane and sugar beet for bioethanol production and sunflower, canola and soya for biodiesel. Maize was taken out just before the final strategy was approved because of food-security concerns. *Jatropha*, which is not a dual-purpose crop, was excluded to allow further research into its properties. A 19 million litre ethanol project is being developed by the CEF, the Industrial Development Corporation and the Eastern Cape Government, giving effect to the Government's biofuels strategy. The project has been under development since 2007 and is expected to be commissioned in December 2011.

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

- The Energy Development Corporation, in partnership with Sasol, is researching the possibility of converting soybeans into biodegradable fuel for diesel engines.
- Parallax (KwaZulu-Natal)
- Biodiesel SA (KwaZulu-Natal) is selling used vegetable oil for use in vehicles and supports the project to establish Jaropath plantations in KwaZulu-Natal. According to Daryl Melrose, the owner of Biodiesel SA, approximately 20,000 hectares are required to make investment in bio-diesel production viable.
- Seed Oil Refinery considers establishing a refinery plant to produce bio-diesel from Jaropath imported from Mozambique and Madagascar.
- Huletts Sugar is considering the possibility of producing bio-diesel from sugar cane.

The European Union adopted a policy stating that 5.7% of diesel sold in the EU must be biodiesel. Asia, particularly Malaysia, has identified this as an opportunity to grow their biodiesel industry. Currently, the European Union demands 7-10 million tonnes of biodiesel, while the local crops can produce only between three and four tonnes of oil per annum. Therefore, there is an immense demand in the EU for imported oil.

The Manufacturing of biodiesel in Dihlabeng has significant potential for the establishment of emerging farmers and upstream business opportunities. In addition to these advantages, there are also other positive spin-offs, such as the production of renewable fuel that is also more environmentally friendly than mineral diesel. The sum-total of all these advantages therefore involve both monetary and non-monetary dimensions and can be considerable.

#### b) Value addition and diversity

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

#### **CASE STUDY**

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

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

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

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

*Source: South African Yearbook, 2003/2004*

Dihlabeng, with its strong Agricultural sector and transport links via the N5 highway, is the ideal location for agro-processing and beneficiation. Value addition to primary products could expand the market and create economic opportunities for both the investor (monetary return on exports of beneficiated goods), as well as the job market for those who are unemployed within the area.



### c) Organic Farming

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

- EcoCert
  - Website ([www.ecocert.com](http://www.ecocert.com)).
  - Telephone: 014 611 558
- SGS South Africa
  - Website ([www.sgs.com](http://www.sgs.com))
  - Telephone: 011 680 3466
- The Soil Association
  - Website ([www.soilassociation.org](http://www.soilassociation.org))
  - Telephone: 0117 314 5000

The reality is that many vendors in South Africa sell their produce as “natural” or under other similar labels, although their suppliers have not been certified as “organic” by any institution authorised to do so (such as those listed above). If genetic modification methods were applied by producers, South African vendors are also not required by law to label their products as such.

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

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

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

Organic farming is very appropriate for the inclusion of emerging farmers in Dihlabeng, because it implies traditional farming methods. Development of this market within Dihlabeng’s Agriculture sector therefore presents real opportunities for growth and subsequent job creation. The current situation on labour within the

Agriculture sector should be addressed through the provision of incentives to farmers in order to encourage labour intensive practices.

#### d) Biotechnology

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

The Genetically Modified Organisms (GMO) Act, 1997 (Act 15 of 1997), was implemented on 1 December 1999, making provision for the regulation of GMOs in South Africa, particularly new biosafety assessments. In terms of the GMO Act, the Advisory Committee, comprising scientific experts, conducts risk assessments to determine if a particular GMO is safe for humans, animals and the environment. The Foodstuffs, Cosmetics and Disinfectants Act (Act 54 of 1972) oversees the safety of food in South Africa.

South Africa has commercialised three different GM crops, namely maize, cotton and soybeans. In 2008, white GM maize plantings totalled 891 000 ha, a decrease of 14% compared to 2007, representing a market share of about 56%; yellow maize plantings totalled 724 000 ha, an increase of 21% compared to 2007, representing 72% of the total yellow maize crop; GM soybean plantings increased to 184 000 ha, representing 80% of the total soybean crop and GM cotton plantings increased to 12 000 ha, representing 90% of the total cotton crop.

The application of GMO technology has become widespread in South African Agriculture, including Dihlabeng. The potential, through application of bio-technology in this sector of the local economy, includes the following:

- Development of new GM soybean strains which are resistant to eelworm, which is regarded as a constraint to farmers in Dihlabeng. This could potentially increase local yields sufficiently for biodiesel production and other forms of beneficiation.
- Contributing to the variety of locally produced agricultural products.
- Providing opportunities for emerging farmers.
- Exploiting the demand for these products in nearby markets.
- Improving the employment creation potential of the local Agriculture sector.
- Helping local farmers to farm more sustainable.
- Greatly improving the foreign export potential of Dihlabeng. Especially to the United States under the AGOA agreement. The EU has also recently revised its legislation by allowing the importation of GM crops.

The Biotechnology Division of the Agricultural Research Council and Ornamental Plant Institute specialises in the research of vegetable, ornamental plants and grain crops. The Biotechnology Division offers expertise in research and development and the transference of biotechnology products and services to resource poor and



commercial farmers, plant breeders and other organisations. Research projects have been identified and implemented by the Biotechnology Division with the aim of developing new cultivars suited for South African conditions. The ARC is thus in an ideal position to help farmers in Dihlabeng to become more sustainable and to employ more people.

#### e) Other areas of agricultural potential

- **Marketing:** SADC membership encourages exports to neighbouring states of South Africa, especially maize. South Africa is usually a net importer of wheat and export prices have increased since 1992. It should be noted that SA wheat farmers experienced an unusually good year in 2010 and achieved a trade surplus.
- **Agro-processing:** Opportunities exist within the wider agribusiness framework for Dihlabeng to take advantage of its latent strengths and comparative advantages. This can help with the development of a support base for emerging farmers. Such opportunities include cooperative/syndicated meat processing units, vegetable processing, seed production and emergent agribusiness (such as tractor servicing, fertilizer distribution, transport contractors, etc.).
- **Game farming:** This industry can help alleviate poverty in Dihlabeng. Game farming includes linkages to agribusiness, such as processed venison products. Game farms also provide opportunities for eco-tourism development and the settlement of emerging farmers/tourist operators.

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

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

#### **6.1.2. Development Constraints**

The following constraints, relative to agriculture in Dihlabeng, have been identified.

**a) Capitalisation and Mechanisation:** Farmers in the area are increasingly becoming mechanised and substituting labour for capital. This means that the demand for farm labour is becoming less intensive. The number of Dihlabeng jobs in Agriculture decreased from about 11,000 in 2000 to less than 4,000 in 2009.

**b) Shortage of housing:** Housing for farmworkers has become a problematic issue for local farmers. There simply is not enough available housing for these workers in urban areas, which makes it difficult for local farmers to employ more workers.

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

The Agriculture Research Council (ARC) and the Centre for Scientific and Industrial Research (CSIR) are the authorities on bio-technology in South-Africa. The involvement of these institutions as providers of farming advice and information on scientific production techniques can make a positive impact on the sustainability and growth of the local Agriculture sector. It is advised that the Municipality, together with Free State Agriculture, approach these institutions.

**d) Threat of HIV/AIDS:** HIV/AIDS tends to kill the economically active workers who are the breadwinners of the family, which could leave the children abandoned and places a higher dependence on the farmer and government to provide for these families. The Free State and Dihlabeng has a higher than national average HIV/AIDS infection rate. This disease remains a key threat to families who make their living from farming. In this regard, rural communities and especially farm workers are regarded as the most vulnerable.

**e) High Input Cost:** Farmers in Dihlabeng have continuously experienced rising input costs, such as labour, fuel, plant material, machinery, fertilizer, herbicides, pesticides and so on in recent years. This coupled with the strengthening value of the Rand and the over-supply of maize and wheat in the South African market (i.e. lower market prices), have seen the commercial viability of many farmers in South Africa reduced dramatically. This is especially true with regards to dairy farming, which has seen a myriad of smaller operations closing down in recent years.

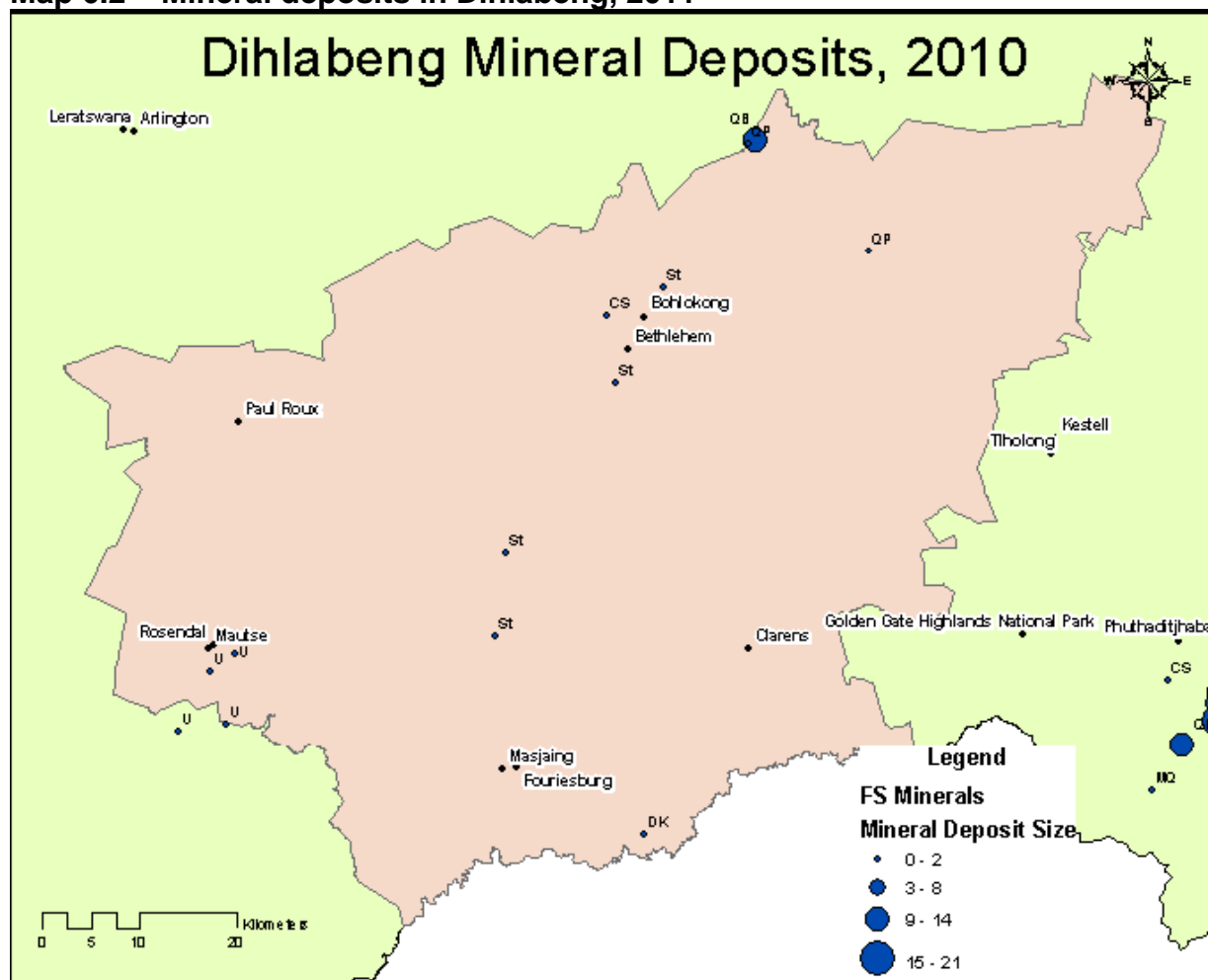
## 6.2. MINING

The Mining sector is not regarded as one of the main drivers of the local economy. In 2010, this sector contributed only 0.3% to the economy of Dihlabeng, while catering for an estimated 0.1% of local jobs.

Map 6.2 depicts the mineral deposits that can be found in Dihlabeng. These deposits are:

- Shale/brick clay - CS
- Building sand (silica) – QB
- Plaster sand – QP
- Stone aggregate; gravel – St
- Diamond (in kimberlite) – DK
- Uranium – U

Map 6.2 – Mineral deposits in Dihlabeng, 2011



Source: SA Council for GeoScience, 2011

From the above, the extraction of building sand towards the northern border seems to present the best opportunities in the local Mining sector.

### 6.3. MANUFACTURING

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

The Manufacturing sector's contribution to the South African economy declined from 18.7% in 2006 to 16.7% in 2009, mainly as a result of the global financial recession. During this period the sector shed some 32,000 jobs. It is estimated that this sector currently employs between 1.5 million and 1.6 million workers. South Africa has developed an established and diversified manufacturing base that has demonstrated resilience and the potential to compete in a global economy. The manufacturing sector provides a locus for stimulating the growth of other activities, such as services and achieving specific outcomes, such as value addition, employment creation and

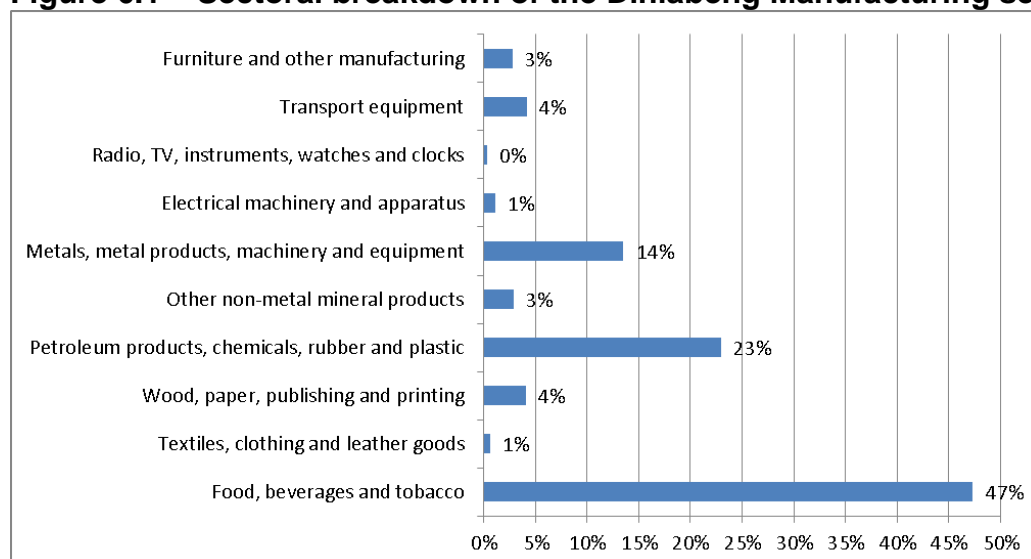
economic empowerment. This platform of manufacturing presents an opportunity to significantly accelerate growth and development.

### 6.3.1. Manufacturing in Dihlabeng

The Manufacturing sector of Dihlabeng contributes the fourth most to Municipal GDP (13.6%). It was estimated that this sector employed almost 3,000 workers in 2011 (also ranked fourth). The GDP contribution of Dihlabeng's Manufacturing sector to the District increased from 19.2% in 1995 to almost 26% in 2008.

Dihlabeng exhibits good access to raw inputs (mainly agricultural), water, energy and communications infrastructure. Although located outside the large industrial concentrations of the province, Dihlabeng provides a very attractive alternative location for manufacturing plants. Serviced industrial sites are relatively cheaper compared to certain sites in Bloemfontein and Sasolburg. Manufacturing concerns located in Dihlabeng furthermore enjoy direct links with Bloemfontein, Phuthaditjhaba and Harrismith. Bethlehem has well-established industrial areas servicing local and national demand.

**Figure 6.1 – Sectoral breakdown of the Dihlabeng Manufacturing sector, 2011**



Source: Quantec Research, 2011

Bethlehem is regarded as the main industrial focal point in Dihlabeng. Figure 6.1 illustrates the sectoral composition of the Dihlabeng Manufacturing sector during 2011. From this Figure it is evident that the sub-sector comprising *Food, beverages and tobacco products* (47.3%) is the most significant in Dihlabeng. This output was followed by production in the *Petroleum products, chemicals, rubber and plastic* sub-sector (23.0%). It is thus evident that Food & Beverages comprises the bulk of manufacturing activity within Dihlabeng. Based on commodities in the local Agricultural sector, this industry should be stimulated to expand further and create more employment opportunities for local people, as well as spin-off opportunities for SMMEs.

Most of the agricultural produce (mainly maize, wheat and cattle) is not processed or beneficiated within Dihlabeng, but mainly exported to other locations (i.e. Gauteng). The same situation is applicable to inputs sourced by local manufacturing plants. Most industries in Dihlabeng buy their inputs from outside the Municipality.

An overview of the import data recorded by SA Customs & Excise revealed the following main industrial imports to the District which represents gaps in the regional value chain:

| Imported Product or Product Group   | R value (2009) |
|---|----------------|
| Turbo-propeller engines of a power < 1100 kW  | 14,714,881     |
| Root or tuber harvesting machines   | 13,074,055     |
| Acrylic polymers in primary forms   | 8,790,963      |
| Aircraft parts  | 7,077,028      |
| Aircraft engines, spark-ignition  | 6,514,227      |
| Antiques older than one hundred years   | 3,600,047      |
| Parts of turbo-jet or turbo-propeller engines   | 3,245,543      |
| Machines for cleaning, sorting, grading eggs/fruit/etc.   | 2,888,540      |
| Parts for sprays and powder dispersers  | 2,553,139      |
| Asparagus, prepared or preserved, not frozen or in vinegar  | 2,533,894      |
| Cut corduroy cotton fabric, width > 30cm  | 2,527,225      |
| Asparagus, fresh or chilled   | 2,143,026      |
| Fats and oils and their fractions, of fish or marine mammals, whether or not refined, but not chemically modified | 1,862,027      |
| Cargo containers designed for carriage  | 1,845,270      |
| Fuel, lubricating and cooling pumps for motor engines   | 1,461,667      |
| Men's, boys underpants or briefs, of cotton, not knit   | 1,390,192      |
| Cotton, not carded or combed  | 1,278,107      |
| Kidney beans and white pea beans dried shelled  | 1,208,192      |

Source: SA Customs & Excise, 2011

### 6.3.2. Development Potential

There is ample potential for smaller industries in Dihlabeng, especially SMMEs and with proper planning this may become a thriving industry with the potential to create many employment opportunities. This potential will, however, need pro-active intervention from both the public and private sector in order to encourage industrialists and entrepreneurs to invest in the area. There is therefore a need for a dedicated industrial retention and regeneration strategy.

Theory has it that industrial growth and the development of a local economy can be achieved by way of one or a combination of the following strategies:

- an increase in downstream processing and the export of such products
- import replacement
- maintaining the market share (goods manufactured locally)

When considering the first point, the potential exists for Dihlabeng to stimulate the Manufacturing sector by adding value (processing) to raw products produced in the

Agriculture sector. Good examples would include the production of bread (from the maize and wheat in the area), or at least the milling of these crops.

Other manufacturing opportunities that have been identified in Dihlabeng include:

- Expansion of Agro-processing activities and the export market
- Expansion of agro-tourism products (organic farming)
- Biotechnology: development and testing of micro-organisms
- Value adding and packaging (ideal for SMMEs)
- Leather tannery – opportunity for linkages with motor manufacturing industries in Gauteng.

### **6.3.3. Development Constraints**

The following constraints to development in the Manufacturing sector of Dihlabeng have been identified.

#### **a) Small base**

The Manufacturing sector of Dihlabeng is fairly concentrated (in the Food and Beverage sector) and in need of diversification. This has negative implications for local production and market share. Diversification can expand the market share of local industries. The Primary sector of Dihlabeng is believed to contain many diversification opportunities for local manufacturers. This relates particularly to the beneficiation and value addition of local raw materials and produce from the Agriculture sector.

#### **b) Lack of industrial incentives**

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

#### **c) Competitive spatial disadvantages**

The Dihlabeng Manufacturing sector has a spatial disadvantage in relation to the larger industrial areas of the neighbouring Maluti-a-Phofung LM (e.g. Tshiame and Phuthaditjhaba).

#### **d) Leakage of buying power**

Increasing the total number of jobs in Dihlabeng can either be achieved by expanding the export base, or through import substitution (i.e. buying local rather than from outside). At present, no conscious efforts are in place to promote these two strategies. Manufacturing interests buy most of its inputs from outside the

Municipal boundary, causing a net outflow of capital. The implication of this is a decline in the total number of job opportunities.

To summarise, the Manufacturing sector in Dihlabeng is currently growing, but this is not believed to be fully sustainable over the long term, because it is still too small to attract more industries, while the regional competition is strong. There are little incentives for industrialists to locate to the area. With sound planning, government and private sector intervention and a range of other initiatives, this situation can be reversed.

## **6.4. TRADE**

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

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

The contribution of the small, medium and micro enterprise (SMME) sector to GDP and employment indicates the limited role that this sector is playing in the South African economy. Small and medium enterprises contribute less than half of total employment, 30% of total GDP and one out of five units exported. To address some of the problems with SMME development, it was decided to merge Ntsika and NAMAC into the Small Enterprise Development Agency (SEDA). SEDA is engaging with the provinces to establish a joint working relationship to stimulate small business development. Trade Point South Africa, which seeks to provide local-based support to SMMEs to promote exports, has reached an agreement with SEDA to make use of SEDA's local infrastructure to provide these services in the Free State (including Dihlabeng).

### **6.4.1. Trade in Dihlabeng**

The local Trade sector contributed 18.4% to the municipal GDP in 2010. During the period 2004 to 2009, the local Trade sector grew by 4.5% on average per annum. From this it is evident that the Trade sector in Dihlabeng experienced the second highest growth rate during this period.

#### **6.4.1.1. Disposable Household Income**

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



**Table 6.1 – Distribution of Household Income in Dihlabeng, 2001/07**

| <b>Household Income per Month</b>                | <b>2001 (%)</b> | <b>2007 (%)</b> |
|--|-----------------|-----------------|
| No income  | 19.3            | 4.8             |
| R 1 - R 400                                      | 13.6            | 7.7             |
| R 401 - R 800                                    | 22.7            | 8.4             |
| R 801 - R 1600                                   | 17.7            | 21.4            |
| <b>R 1601 - R 3200</b>                           | <b>11.4</b>     | <b>25.4</b>     |
| R 3201 - R 6400                                  | 7.0             | 17.5            |
| R 6401 - R 12800                                 | 5.1             | 5.7             |
| R 12801 - R 25600                                | 2.2             | 7.0             |
| R 25601 - R 51200                                | 0.6             | 1.5             |
| R 51201 - R 102400                               | 0.2             | 0.0             |
| R 102401 - R 204800                              | 0.2             | 0.4             |
| R 204801 or more                                 | 0.1             | 0.2             |
| <b>Total</b>                                     | <b>100</b>      | <b>100</b>      |
| <b>Weighted Average Monthly Household Income</b> | <b>R 3,308</b>  | <b>R 5,714</b>  |

Source: Community Survey 2007 (StatsSA)

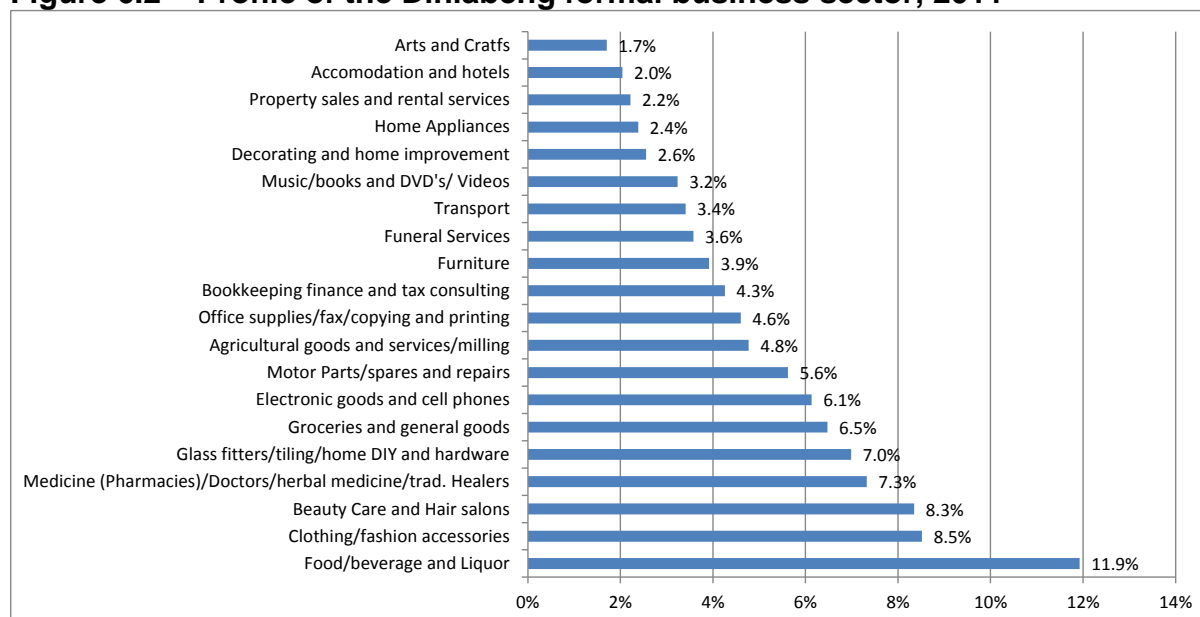
Table 6.1 indicates the monthly household income in Dihlabeng. From this Table it is clear that the majority of households earned between R1,601 and R3,200 per month in 2007. The weighted average monthly household income in Dihlabeng has increased from R3,308 in 2001 to R5,714 in 2007. This translates to an average annual growth rate of 9.5%, which indicates that household spending power in Dihlabeng is improving (because the growth in income is higher than the inflation rate of between 3% and 5%).

It should, however, also be noted that 42.2% of households earned less than R3,200 per month in 2007 and is therefore regarded as poor. Only 9.1% of households earned more than R12,800 per month in 2007. Most families in Dihlabeng are therefore dependent on low levels of income and do not have much disposable income available. As noted, this indicator is improving, which will benefit the Trade sector in future.

#### 6.4.1.2. The Formal Business Survey

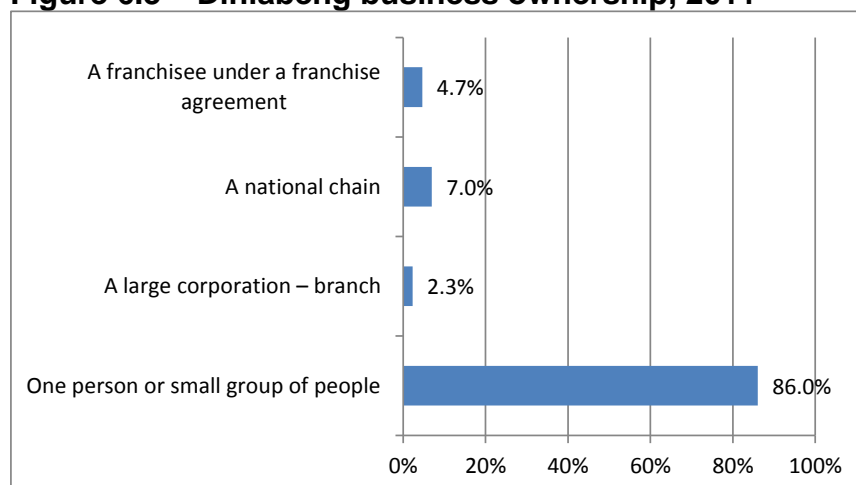
Figure 6.2 presents the trade profile of local businesses in Dihlabeng. From this profile it is evident that the largest group of businesses in the municipal area are involved primarily with the procurement and sale of food-related (11.9%) products. This group is followed by businesses which trade in clothing, fashion and textile (8.5%) products.



**Figure 6.2 – Profile of the Dihlabeng formal business sector, 2011**

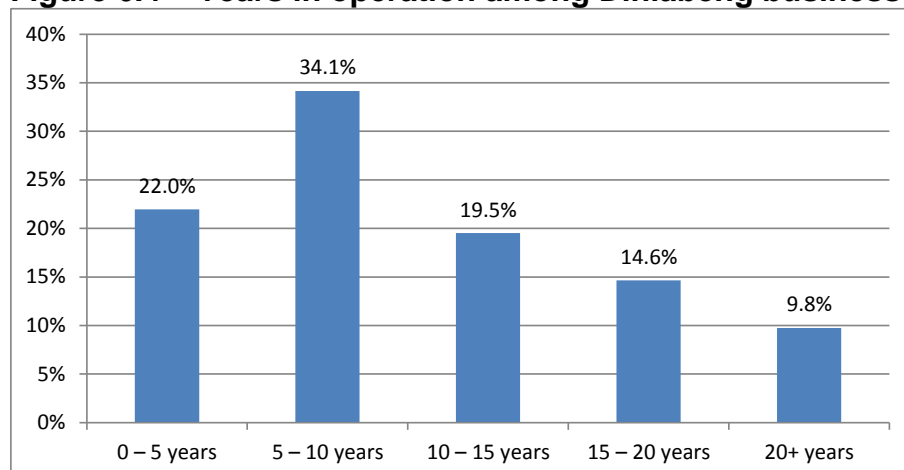
Source: Dihlabeng Business Survey, 2011

Only a small percentage of local businesses could primarily be classified under the sale of Arts & Crafts (1.7%) or establishments that provide temporary tourist accommodation (2.0%).

**Figure 6.3 – Dihlabeng business ownership, 2011**

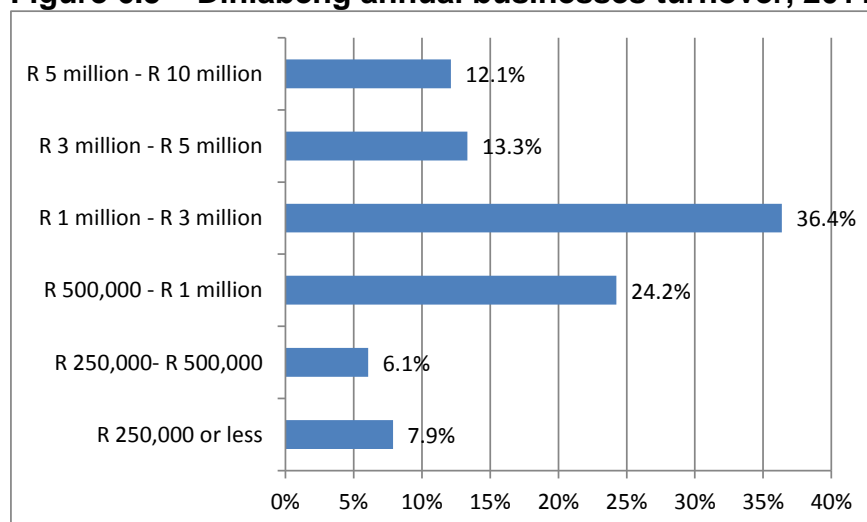
Source: Dihlabeng Business Survey, 2011

Business ownership is illustrated by Figure 6.3. From this Figure it is clear that almost 90% of local businesses are owned by one person or a small group of people. Large corporations only accounted for 2.3% of Dihlabeng businesses, while national chains accounted for 7.0% and franchises 4.7% during 2011. This profile reflects a Trade sector which is mainly dependent on SMME-size businesses.

**Figure 6.4 – Years in operation among Dihlabeng businesses, 2011**

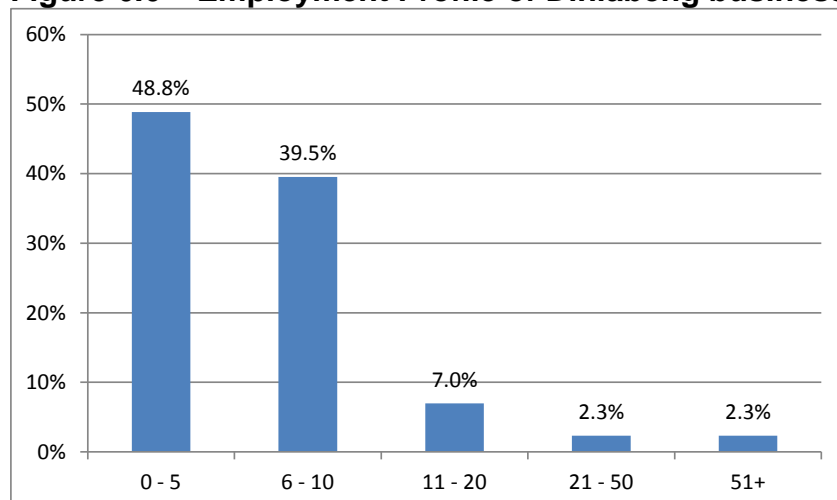
Source: Dihlabeng Business Survey, 2011

Survey respondents were then asked how long their current business has been in operation (see Figure 6.4). The largest group of businesses indicated that they have been in operation for between five and ten years (34.1%), while another 43.9% said that they have been in operation for more than ten years. This means that almost 60% of Dihlabeng businesses have been in operation for less than ten years. This is indicative of a business sector that has a high turnover rate and that many small businesses fail within their first few years of operation.

**Figure 6.5 – Dihlabeng annual businesses turnover, 2011**

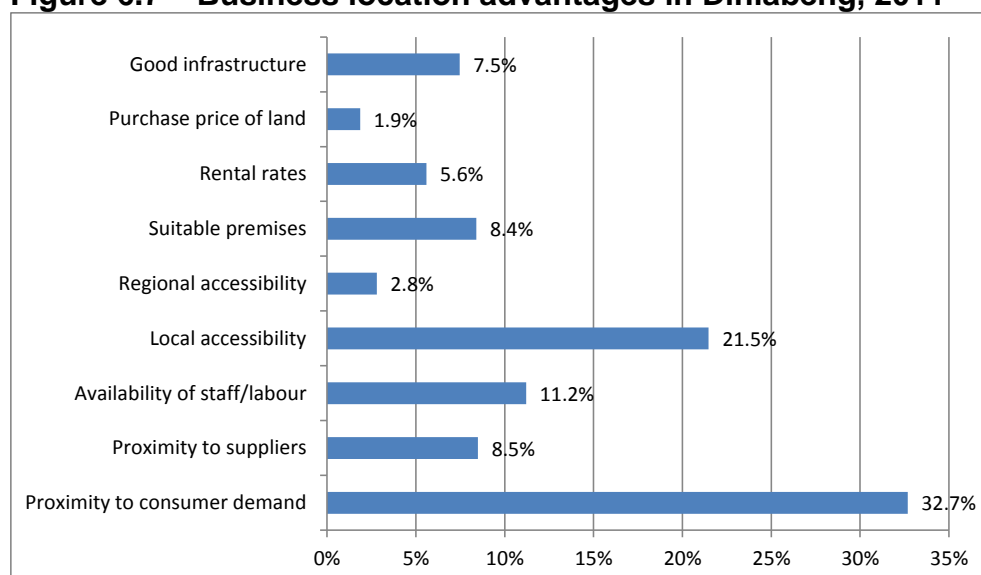
Source: Dihlabeng Business Survey, 2011

Figure 6.5 illustrates the annual turnover of businesses in Dihlabeng. Almost 40% of local businesses said that they have recorded a turnover of between one and three million Rand during 2010, while 25.5% of businesses indicated a higher turnover. This observation is in line with the majority of businesses being categorised as SMMEs.

**Figure 6.6 – Employment Profile of Dihlabeng businesses, 2011**

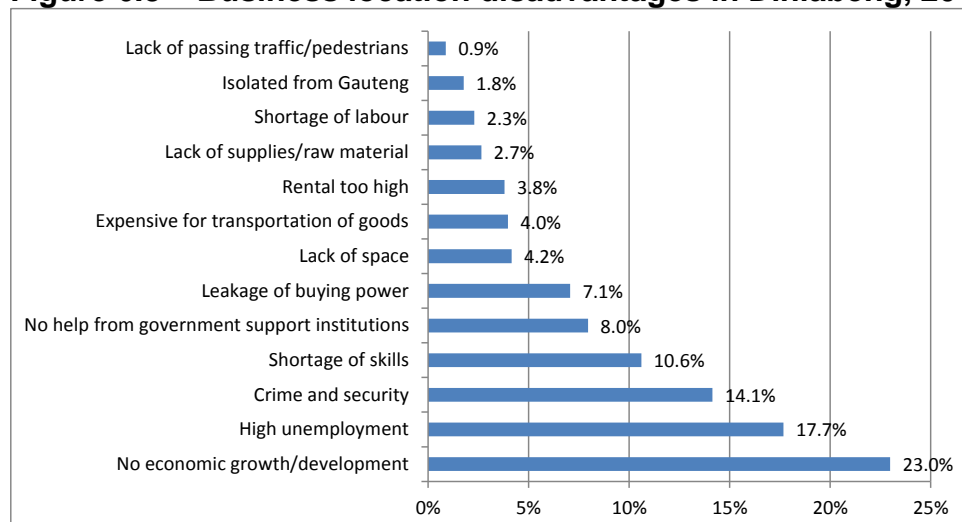
Source: Dihlabeng Business Survey, 2011

Another approach to measuring business size is to investigate employment absorption. Figure 6.6 illustrates the employment profile of local businesses. From this profile it is evident that almost half of all businesses in Dihlabeng employ less than six people, while 39.5% employ between five and ten workers. Only 11.6% of local businesses employ more than ten people.

**Figure 6.7 – Business location advantages in Dihlabeng, 2011**

Source: Dihlabeng Business Survey, 2011

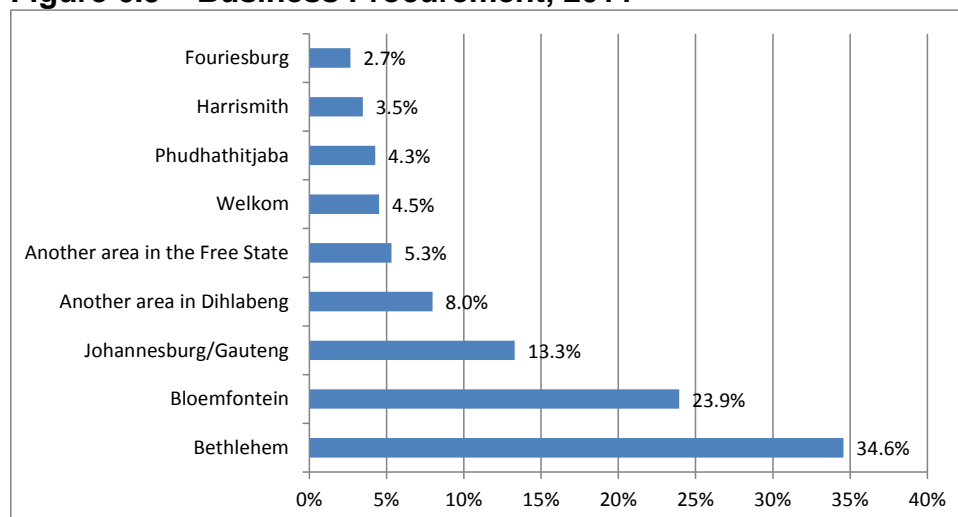
When asked why businesses preferred to be located in Dihlabeng as opposed to any other location, the largest group of respondents (32.7%) noted their proximity to local consumers/customers (see Figure 6.7), while another 21.5% felt that local accessibility was their main location advantage. Only 1.9% regarded the purchase price of land as their main reason for doing business in Dihlabeng.

**Figure 6.8 – Business location disadvantages in Dihlabeng, 2011**

Source: Dihlabeng Business Survey, 2011

Those interviewed were also asked what they regarded as the main disadvantages of being located in Dihlabeng (see Figure 6.8). Some 23.0% of respondents noted that little economic growth and development in the area was the main disadvantage to having a business in Dihlabeng. Another 17.7% of businesses indicated that high unemployment was Dihlabeng's main disadvantage, followed by crime and security issues (14.1%).

Figure 6.9 indicates the main areas from where businesses in Dihlabeng procure their stock. More than 30% of businesses said that they procure their stock locally, while 23.9% noted that they procured mainly from Bloemfontein.

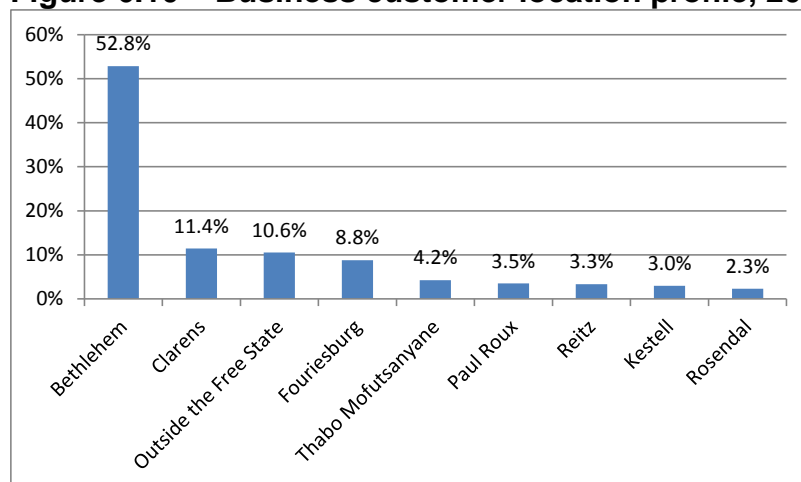
**Figure 6.9 – Business Procurement, 2011**

Source: Dihlabeng Business Survey, 2011

Overall, 57.4% of local businesses indicated that they procure mainly from outside Dihlabeng. This situation is indicative of a porous local economy, which records a

trade deficit in relation to the national economy. To create more employment opportunities in the Trade sector, local production and procurement have to be developed and expanded significantly.

**Figure 6.10 – Business customer location profile, 2011**



Source: Dihlabeng Business Survey, 2011

Respondents were also asked where the majority of their customers were located (see Figure 6.10). Most businesses (52.8%) noted Bethlehem as their main customer base, followed by 11.4% of respondents who said most of their customers were located in Clarens. Very few interviewees indicated the other towns within Dihlabeng as their main customer base. In a separate question, only 7.2% of business respondents said that they export their products to a foreign country (mainly Africa).

Some 30% of businesses in Dihlabeng belong to an organised business entity, such as a Chamber of Commerce. From this, about 80% of those interviewed said that they belong to the Bethlehem Chamber or the Clarens Chamber.

Table 6.2 illustrates a selection of business indicators reflecting trends in the Dihlabeng Trade sector over the last three years.

**Table 6.2 – Business trends in Dihlabeng from 2008 to 2011**

|                | Large increase | Small Increase | Same  | Small decrease | Large decrease |
|----------------|----------------|----------------|-------|----------------|----------------|
| Turnover       | 5.9%           | 29.3%          | 50.1% | 14.5%          | 0.2%           |
| Production     | 4.1%           | 25.8%          | 51.7% | 14.8%          | 3.7%           |
| Employment     | 9.9%           | 19.2%          | 54.3% | 13.4%          | 3.2%           |
| Market share   | 6.9%           | 17.2%          | 51.8% | 20.7%          | 3.4%           |
| Physical space | 6.8%           | 12.9%          | 70.7% | 9.6%           | 0.0%           |

Source: Dihlabeng Business Survey, 2011

The following observations were made from Table 6.2:

1. Most businesses said that their turnover remained the same (50.1%), while 35.2% noted an increase over the last three years.
2. About half of those interviewed said that their business production remained the same, while about 26% noted a small increase.
3. The majority of businesses (54.3%) indicated that they did not employ any additional workers over the last three years. Just over 16%, however, indicated that they had to reduce their workforce, while 29.1% employed more staff.
4. Slightly more than 51% of businesses said that their share of the market remained the same over the past three years. Some 20% of respondents noted a small increase or decrease, while 6.9% experienced a large market share increase.
5. Most respondents noted that they did not increase the physical size of their business floor space.

Table 6.3 illustrates the expectations of businesses in Dihlabeng for the next twelve months.

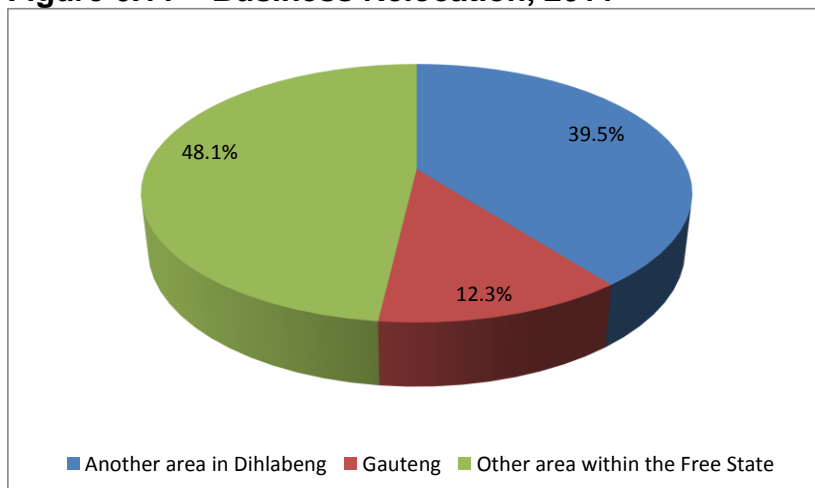
**Table 6.3 – Business expectations in Dihlabeng over the next 12 months**

|                | <b>Large increase</b> | <b>Small Increase</b> | <b>Same</b> | <b>Small decrease</b> | <b>Large decrease</b> |
|----------------|-----------------------|-----------------------|-------------|-----------------------|-----------------------|
| Turnover       | 21.1%                 | 15.8%                 | 44.7%       | 15.8%                 | 2.6%                  |
| Production     | 7.4%                  | 22.2%                 | 51.9%       | 14.8%                 | 3.7%                  |
| Employment     | 17.6%                 | 20.5%                 | 49.9%       | 11.7%                 | 0.3%                  |
| Market share   | 14.0%                 | 21.1%                 | 52.6%       | 10.5%                 | 1.8%                  |
| Physical space | 6.5%                  | 16.1%                 | 64.5%       | 12.9%                 | 0.0%                  |

Source: Dihlabeng Business Survey, 2011

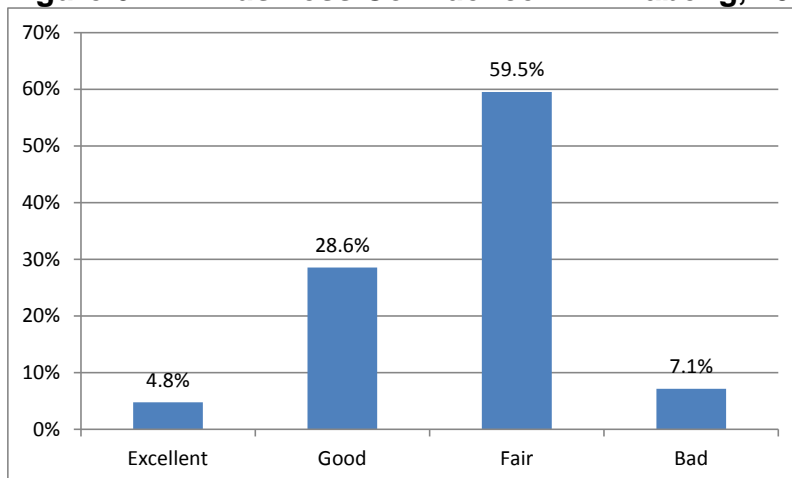
The following observations were made from Table 6.3:

1. Most businesses in Dihlabeng expect their turnover to remain the same or increase over the next twelve months. Some 21.1% of local businesses expect their turnover to increase significantly.
2. Most businesses expect their output/production to remain constant, while 29.6% anticipate an increase over the next twelve months.
3. About half of all businesses in Dihlabeng do not plan to employ more people over the next year. Some 12% of businesses indicated that they plan to reduce their workforce, while another 38.1% said that they intend to employ more people. Almost 18% anticipated a large increase in their work force.
4. The majority of businesses felt that their market share would probably not change over the near future, while 35.1% expected an increase.
5. Most businesses do not plan to increase their physical floor space.

**Figure 6.11 – Business Relocation, 2011**

Source: Dihlabeng Business Survey, 2011

More than 80% of local business respondents said they do not plan to relocate during the next twelve months. Of those that do intend to relocate, some 39.5% plan to move to another business premises within Dihlabeng, while 48.1% plan to relocate to another area in the Province (see Figure 6.11).

**Figure 6.12 – Business Confidence in Dihlabeng, 2011**

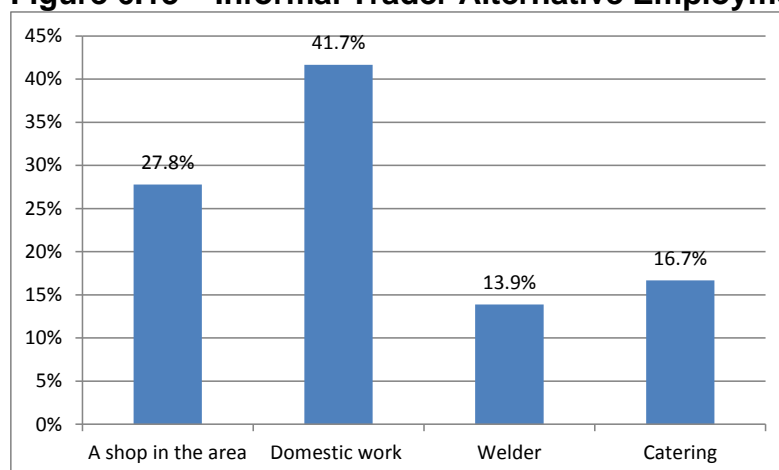
Source: Dihlabeng Business Survey, 2011

Finally, business respondents were asked to rate their confidence in doing business in Dihlabeng (see Figure 6.12). Almost 60% of those interviewed rated their confidence level as *fair*, followed by 28.6% who said *good*. About 5% of local businesses indicated that they have *excellent* confidence in Dihlabeng. Only 7.1% do not feel positive about their future in the area.

### 6.4.1.3. The Informal Business Survey

The largest group of informal traders in Dihlabeng were involved with the sale of snacks, fruit and tobacco (33.8%), followed by cell phone accessories (11.8%). Almost 80% of informal businesses were owned by one person with the remainder being owned by one person or a small group of people who owned more than one business. Almost all of the traders interviewed said that they bought their stock locally.

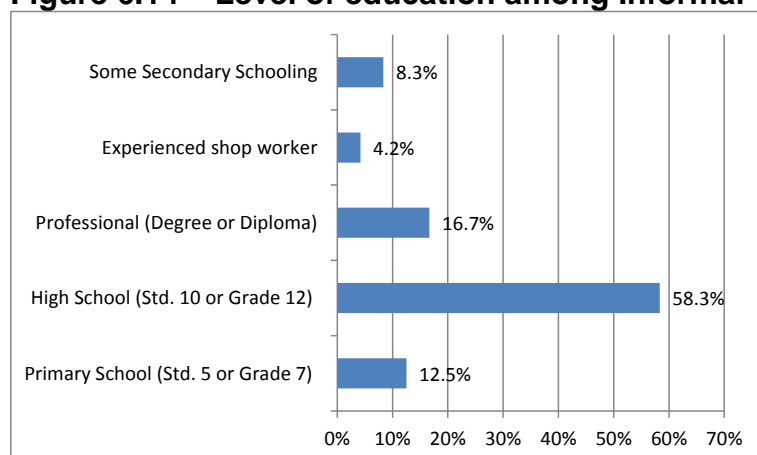
**Figure 6.13 – Informal Trader Alternative Employment, 2011**



Source: Dihlabeng Business Survey, 2011

Just over 70% of informal traders said that they do not have another job. Of those who do engage in alternative employment, 41.7% indicated *domestic work* in Dihlabeng (see Figure 6.13). Another 27.8% said they also work at a local shop.

**Figure 6.14 – Level of education among Informal Traders, 2011**



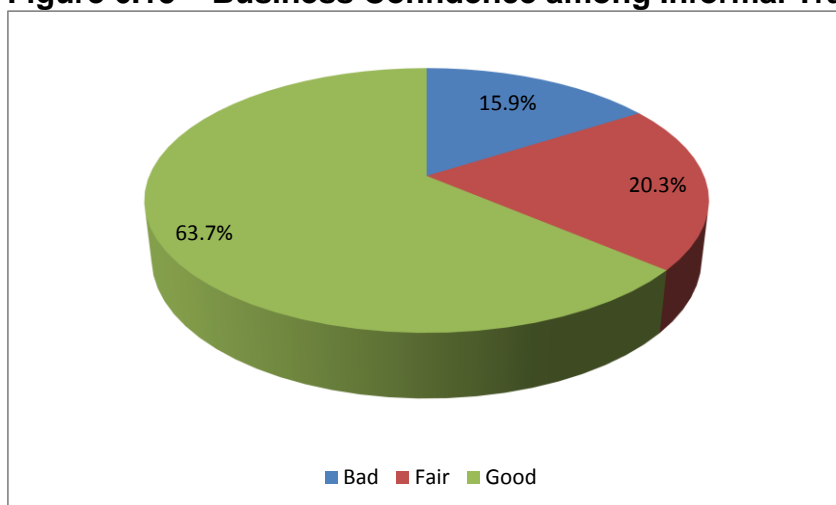
Source: Dihlabeng Business Survey, 2011

Figure 6.14 depicts the level of education among the informal traders of Dihlabeng. Almost 60% of traders noted that they have completed matric as their highest level of



education, while 12.5% only completed some primary school. Interesting to note is the fact that 16.7% of informal traders have a tertiary degree or diploma.

**Figure 6.15 – Business Confidence among Informal Traders, 2011**



Source: Dihlabeng Business Survey, 2011

Figure 6.15 depicts the level of business confidence in Dihlabeng by informal traders. From this Figure, 63.7% of traders said that they have *good* confidence in Dihlabeng as a place to do business, while another 20.3% rated their level of confidence as *fair*. It is interesting to note that informal businesses are generally more positive about the area than their formal business counterparts.

#### 6.4.2. Development Potential

Potential LED opportunities to support the Trade sector include the following:

1. Community shopping centres
2. Regional market for agricultural produce
3. Spaza centre development
4. Entrepreneurial initiatives
  - a. Small-scale trade of agricultural produce
  - b. Local arts & crafts for the tourism market
5. SMME mentorship programme
6. Establishment of a Business Processing and Outsourcing Centre
7. Development of a local SMME web-portal
8. Establishment of a SMME village (training incubator)
9. Development of an informal traders market
10. Establishment of a Local Business Support and Export Centre
11. Soft (non-production) services can include:
  - security
  - industrial cleaning and plant hygiene
  - garden/landscaping
  - interior plant management
  - consumables

- catering
- personal protective equipment
- legal/logistic activities
- consultants (IT, environmental and industrial)
- waste management
- painting services, etc.

## 6.5. TOURISM

Defining the tourism industry is difficult, as it includes many different sources of goods and services. 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.

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

### 6.5.1. Dihlabeng Overview

Bethlehem lies on the banks of the Jordaan River which forms part of the Pretoriuskloof Nature Reserve (a sanctuary for birds and small game). A myriad of guest houses, hotels and other tourism accommodation establishments can be found in Bethlehem. The museum in Miller Street depicts the history of the area.

Clarens is often described as the "Jewel of the Free State", owing to its spectacular scenery and San paintings in the area. Clarens, and to a lesser extent Fouriesburg, have become major tourism attractions to visitors from Gauteng, while the towns of Paul Roux and Rosendal are presently in their infant stage in the tourism industry. These towns rely mainly on weekend and holiday tourists.

### 6.5.2. The Tourism Survey

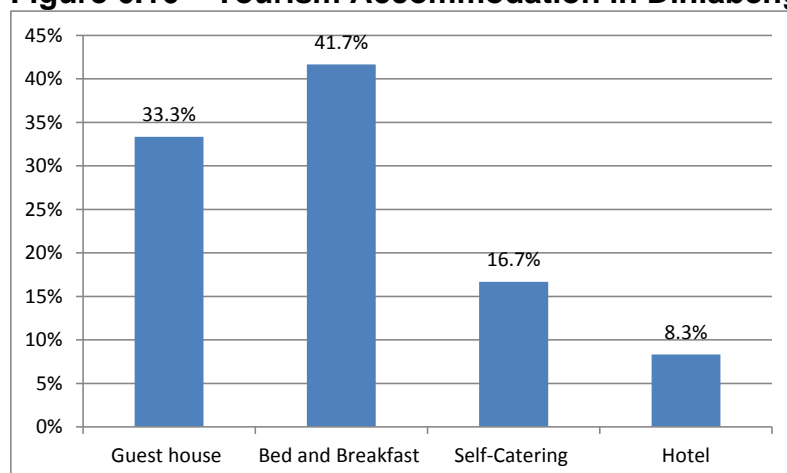
Figure 6.16 illustrates the profile of tourism accommodation establishments in Dihlabeng. From this Figure it is evident that Bed & Breakfast establishments are the most popular (41.7%). A Bed & Breakfast (B&B) establishment is defined as a private home that accommodates guests and where the owner lives permanently. The second largest group is Guest Houses (33.3%), which is similar to B&Bs, but the owner does not actually live there. It is therefore evident that most tourism accommodation establishments are small privately owned entities in line with the broader business profile of Dihlabeng.

Interviews with the owners of these establishments revealed that only 58.3% are graded by the Tourism Grading Council of South Africa. The majority of these



establishments (91.7%) also do not cater for business tourism by providing conference facilities.

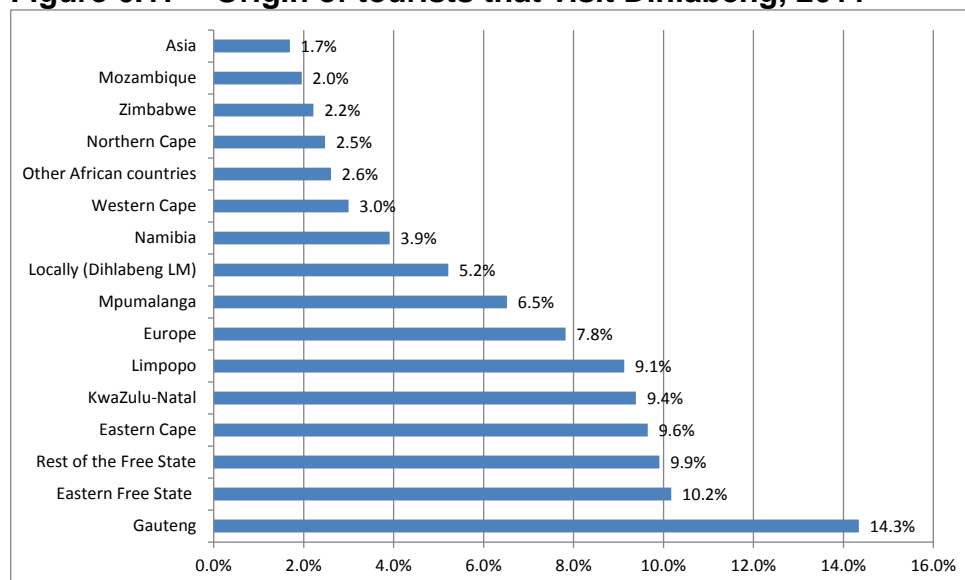
**Figure 6.16 – Tourism Accommodation in Dihlabeng, 2011**



Source: Dihlabeng Tourism Survey, 2011

When asked where the majority of their guests come from, the largest group of respondents (14.3%) indicated Gauteng (see Figure 6.17). This group was followed by tourists from the Eastern Free State (10.2%) and the rest of the Province (9.9%). A very small portion of tourists originated from other African countries, in contrast with the national trend. Overall, some 90% of all tourists that visit Dihlabeng are South Africans.

**Figure 6.17 – Origin of tourists that visit Dihlabeng, 2011**

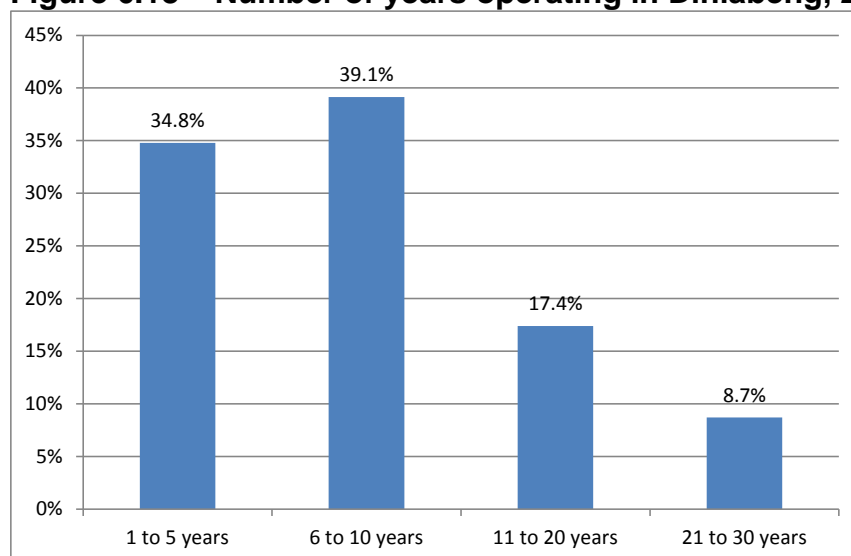


Source: Dihlabeng Tourism Survey, 2011

The largest group of tourism business owners (39.1%) in Dihlabeng said that they have been in operation for between six and ten years (see Figure 6.18). Only 26.1% of these businesses indicated that they have been doing business in Dihlabeng for

more than ten years. This observation is also similar to the general business profile of the area.

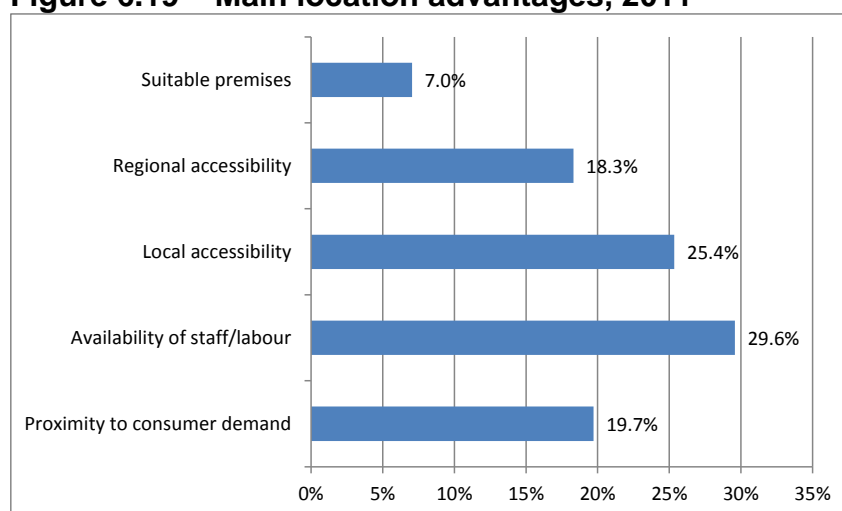
**Figure 6.18 – Number of years operating in Dihlabeng, 2011**



Source: Dihlabeng Tourism Survey, 2011

During interviews, the owners of tourism businesses were asked what the main location advantages of Dihlabeng were with regards to tourism (see Figure 6.19). Almost 30% of respondents noted the availability of labour as the main advantage, followed by good local accessibility (25.4%). Another 19.7% noted their proximity to local consumer demand. Only 7.0% of those interviewed said that the suitability of their premises were their main advantage.

**Figure 6.19 – Main location advantages, 2011**

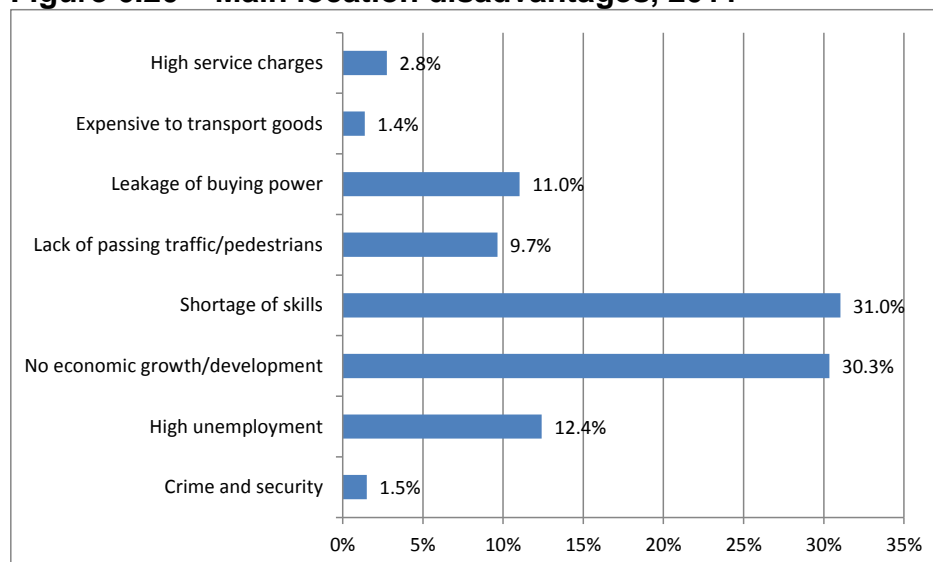


Source: Dihlabeng Tourism Survey, 2011

On the other hand, the main locational disadvantages are depicted by Figure 6.20. Just over a third of respondents said that the shortage of labour skills was their main constraint to being located in Dihlabeng, followed by little economic growth and

development in the area (30.3%). Some 12% noted high unemployment, while 11% indicated a leakage of buying power. Very few businesses felt that crime and security issues were a locational disadvantage for Dihlabeng (in contrast with the formal business survey).

**Figure 6.20 – Main location disadvantages, 2011**



Source: Dihlabeng Tourism Survey, 2011

Table 6.4 illustrates business trends according to selected indicators among tourism entities in Dihlabeng.

**Table 6.4 – Tourism Business Trends over the last three years in Dihlabeng**

|                    | Large increase | Small Increase | Same  | Small decrease | Large decrease |
|--------------------|----------------|----------------|-------|----------------|----------------|
| Turnover           | 0.8%           | 36.4%          | 38.5% | 20.2%          | 4.0%           |
| Number of Tourists | 0.5%           | 37.6%          | 36.8% | 20.9%          | 4.2%           |
| Employment         | 0.4%           | 37.0%          | 38.2% | 20.3%          | 4.1%           |
| Market share       | 0.6%           | 33.7%          | 40.4% | 21.1%          | 4.2%           |

Source: Dihlabeng Business Survey, 2011

The following observations were made from Table 6.4:

1. Most businesses said that their turnover has increased marginally, or remained the same. Some 20% noted a decrease in turnover over the last three years.
2. Almost 40% of those interviewed said that they experienced a small increase in the number of tourists who visited Dihlabeng.
3. Some 38.2% said they did not employ any additional staff, while 20.3% reported a small decrease in their number of workers.
4. The largest group of respondents indicated that their market share did not change over the past three years. About 25% of respondents did, however, say that their market share decreased during this period.

Table 6.5 illustrates business expectations according to selected indicators among tourism entities in Dihlabeng.

**Table 6.5 – Tourism Business Expectation for the next 12 months in Dihlabeng**

|                    | Large increase | Small Increase | Same  | Small decrease | Large decrease |
|--------------------|----------------|----------------|-------|----------------|----------------|
| Turnover           | 0.6%           | 15.3%          | 57.3% | 26.8%          | 0.0%           |
| Number of Tourists | 0.2%           | 16.6%          | 54.1% | 29.1%          | 0.0%           |
| Employment         | 0.4%           | 17.6%          | 53.3% | 28.7%          | 0.0%           |
| Market share       | 3.7%           | 14.8%          | 55.7% | 25.8%          | 0.0%           |

Source: Dihlabeng Business Survey, 2011

The following observations were made from Table 6.5:

1. Most businesses did not anticipate any changes in terms of the selected indicators over the next twelve months.
2. Between 20% and 30% do, however, expect a small decrease with regards to the indicators under discussion.
3. Most tourism businesses do not plan to employ more workers (53.3%), while 28.7% anticipate that they may have to downscale their workforce slightly.

### 6.5.3. Development Potential

The value chain of the tourism sector is quite distinct from those of other (more traditional agricultural, manufacturing, mining etc.) sectors in that, with the latter, a tangible product is (typically) produced and then exported (or locally utilised). Points of production and consumption tend to be quite distinct. In the case of the tourism sector, however, the “customer” must typically come to the place of production to “consume” the product. This consumption of the product is as much about interacting with the physical component of the service, as it is about the experience thereof. This makes for a relatively short and direct value chain for the sector (see Figure 6.21).

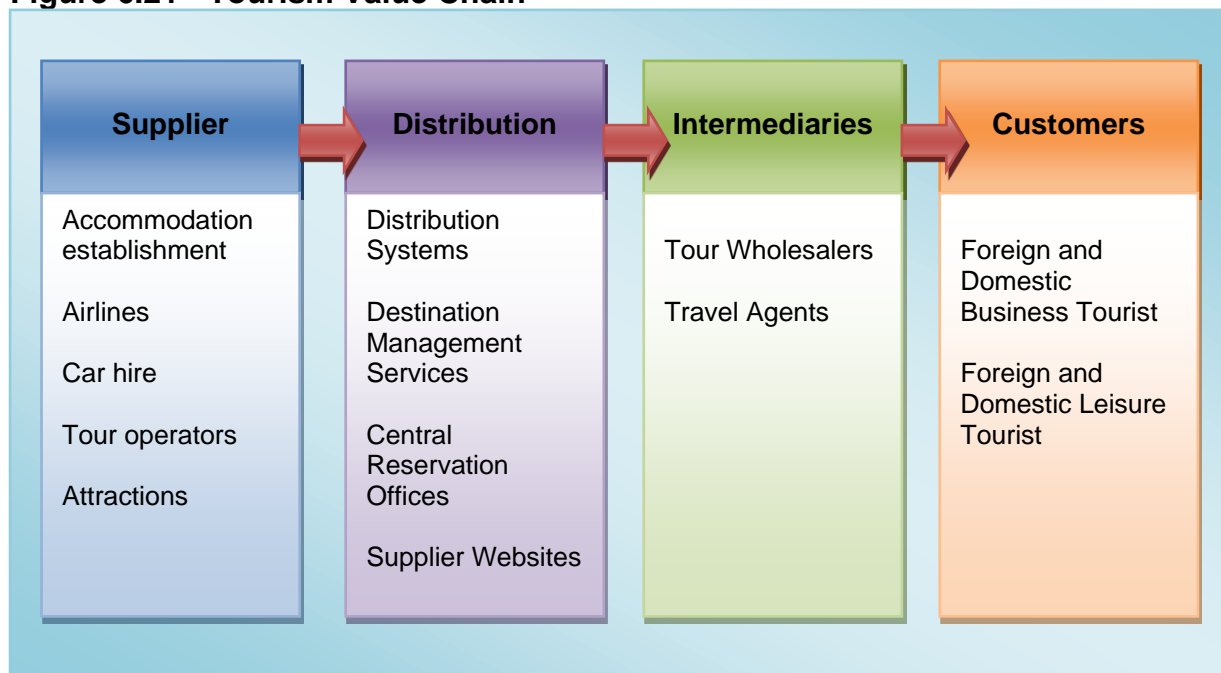
The value chain presents opportunities in which value could be added to the tourism industry. The tourism industry could be seen as an opportunity for Dihlabeng to create job opportunities, encourage transformation and empowerment. The different areas within the value chain all present opportunities for the Municipality as follows:

#### Suppliers

The supplier component determines the ability of Dihlabeng to attract day and overnight tourists. This component includes accommodation facilities, transport, tour operators and attractions in the area.

#### Distribution

Insufficient tourism marketing is done for Dihlabeng, generating an opportunity to create a Tourism marketing strategy for the Municipality.

**Figure 6.21 - Tourism Value Chain**

### Intermediaries & Customers

The intermediary component creates opportunities for SMME development to take place, particularly focusing on increasing awareness of products and its geographic spread within Dihlabeng. Group affiliation is an important part of accessing business. Role players in the Municipality, including government, private sector supplier groups and community structures, must provide a united and compelling value proposition to influence intermediaries to communicate and sell tourism to customers.

Below are the strengths, weaknesses, opportunities and threats (“SWOT”) analysis of Dihlabeng as a tourism destination.

| STRENGTHS   | WEAKNESSES  |
|---|---|
| <ul style="list-style-type: none"> <li>• The study area has a wonderful scenic attraction and in general is easily accessible from Gauteng.</li> <li>• Clarens and the Golden Gate Highlands National Park are popular attractions in the area and the only national park protecting the highland grasslands in South Africa.</li> <li>• The area is relatively close to two metropolitan areas, namely Johannesburg and Durban (both about three to four hours’ drive from DLM).</li> <li>• It is a wilderness area suitable for adventure tourism and there are opportunities for arts &amp; culture</li> </ul> | <ul style="list-style-type: none"> <li>• The main weaknesses affecting tourism to and in the area include lack of sufficient budget and lack of trained staff to market the destination properly.</li> <li>• There is generally a poor understanding of what tourism means to the community.</li> <li>• Many accommodation establishments are not graded, therefore there is some level of uncertainty about the quality of accommodation in the area.</li> <li>• There is also a lack of involvement of the black community.</li> <li>• The extreme weather conditions (snow, fog, etc.) can have negative effects on</li> </ul> |



| <p>excursions.</p> <ul style="list-style-type: none"> <li>• One unique attraction is the dinosaur fossils found in the area, as well as traditional San paintings.</li> </ul>   | <p>tourism.</p>  |
|---|--|
| OPPORTUNITIES   | THREATS  |
| <ul style="list-style-type: none"> <li>• DLM has opportunities which can contribute positively to tourism development if managed properly.</li> <li>• Strengthening links between already established tourism destinations such as Clarens with towns like Rosendal and Fouriesburg.</li> <li>• Strengthening existing products and developing new ones, particularly around nature, adventure and culture tourism.</li> <li>• Penetration into the Johannesburg, Durban and Bloemfontein tourism markets (especially those that would use the routes passing through the area).</li> <li>• Rosendal and Fouriesburg could be developed and better marketed as tourism destinations.</li> <li>• A new dinosaur interpretation center is being planned for the Golden Gate National Park.</li> </ul> | <ul style="list-style-type: none"> <li>• Threats are those factors that can potentially have negative impacts on the tourism to the area.</li> <li>• Lack of resources and funding for tourism development from the Province where tourism have to compete for funding with 'important budget' items such as education, health and housing.</li> <li>• Deterioration of infrastructure and attractions.</li> <li>• Lack of understanding of the tourism industry by local communities.</li> <li>• Lack of appropriate skills, specifically management skills.</li> <li>• Leisure use of the N5 &amp; R26 possibly declining, because of extended periods of road works.</li> </ul> |

The SWOT analysis raises a number of strategic issues /questions which should be considered when developing the Strategy component in the next Section. These questions include:

- Does Dihlabeng want to attract new markets to the area or try and consolidate the existing business and transit market?
- What kind of new market does Dihlabeng want to attract?
- Does Dihlabeng have the required tourism products to attract the new markets?
- Does Dihlabeng have the budget to develop new products and to attract the new tourism markets?

## SECTION SEVEN: Development Strategy

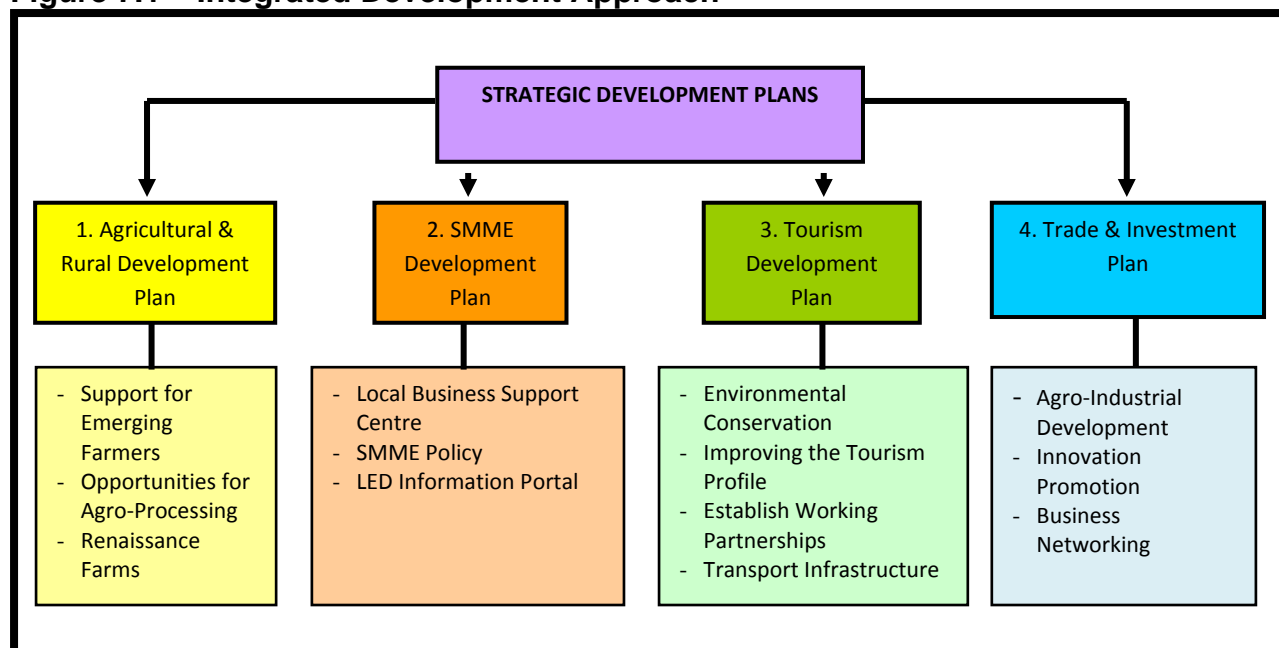
The purpose of this Section is to present the Strategic Development Plans for the local economy of Dihlabeng. The Development Plans are now packaged as the core of the Dihlabeng LED Strategy, together with implementation programmes and associated anchor projects. These focus areas also serve as the point of alignment with the municipal IDP and the development policies presented in Section two of this report.

### 7.1. THE STRATEGIC DEVELOPMENT PLANS

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

The integrated approach for stimulating economic growth and development within Dihlabeng is illustrated in Figure 7.1 below.

**Figure 7.1 – Integrated Development Approach**



Based upon this Figure, there are **4 main Strategic Development Plans** for stimulating growth and development within the Dihlabeng economy.

These Development Plans are based on the situation experienced within the Dihlabeng local economy and aim to utilise existing strengths and opportunities by transforming these into workable programmes and actions that will assist in reducing threats and alleviate the weaknesses in the local economic environment. The

Development Plans are supported via the development of programmes that aim to enable the specific sector. Distinct actions are formulated in order to reach the targets of each programme.

Each of the abovementioned Strategic Development Plans is discussed below, each containing the following discussion points:

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

## **7.2. PLAN 1: AGRICULTURE AND RURAL DEVELOPMENT**

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

- Rural Beneficiation and Diversification
- Tools & Instruments

Each of these components is briefly discussed in the subsequent paragraphs in order to highlight the salient features which must be incorporated into the Agriculture and Rural Development Plan.

### **7.2.1. Rural Beneficiation and Diversification**

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

Agribusiness enterprises are primarily labour-intensive small and medium sized enterprises located near agricultural production sites in rural areas or in rural centres, such as Dihlabeng. Economic success of these agricultural enterprises is increasingly determined by the performance and capacity of upstream and downstream sectors. Agribusiness entities need to respond by improving their efficiency and market orientation. What is required in agribusiness is access to expertise, the availability of market information and sufficient management skills.

Agribusiness support in itself must be an integral part of the economic development concept and must be targeted towards the creation of jobs and income in Dihlabeng.

In line with a common business concept, the guiding principle is always the market orientation of all support services. Employment promotion and poverty alleviation in rural areas are additional goals of promoting agribusiness. Agribusiness does not only focus on the primary production of products, but also requires additional workers. New employment opportunities are created in the processing industry and, especially, in the service sector.

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

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

## 7.2.2. Tools and Instruments

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

- *HIV/AIDS* and its influence on productivity. This instrument is best implemented and utilised if the coordination of the relevant (health) authorities with the rural development initiatives is viewed as a priority. The influence of HIV/AIDS should be anticipated / viewed as a long term impact.
- *Knowledge management* is a relatively new instrument to Rural Development. This instrument entails the improvement and optimal utilisation of tacit knowledge within communities. However, this also includes the transfer of explicit knowledge to communities within Dihlabeng. Usually, this instrument is placed under the ambit of “human resources development” and is also included under this heading in the strategic plan.
- The use of *appropriate agricultural technologies and techniques* is a major element that requires attention. The rationale behind the utilisation of appropriate technologies and techniques will increase the agricultural yields in addition to the protection of environmental resources. This increased productivity can be viewed as the relationship between the input and output ratios. The following prerequisites need to be in place before such activities can be successfully implemented:
  - Better and more effective co-ordination between Dihlabeng and Free State government entities.
  - More effective communication of Rural Development policies and actions between Dihlabeng, local farmers and research institutes.
  - Practical training, education and awareness building in rural areas.
  - Rural development technology demonstrations.

- The *improved communication* between all local role-players and stakeholders are required as the primary element that influences the achievability of rural development initiatives. This should be strengthened through the formalisation of collaboration between agriculture and other sectoral activities through the Dihlabeng LED Forum.

These abovementioned approaches to rural development are by no means exhaustive, but provide a clear indication of the specifics required in order to utilise LED as a vehicle to improve the “wealth situation” of especially rural and poor communities.

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

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

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

- Coherent Pro–Poor Agricultural Sector Policy Framework.
  - Increase agricultural productivity; lower transport costs; increase rural-, employment- and food security and integrate remote and lower potential areas into the Dihlabeng LED strategy.
  - Use appropriate institutional structures to encourage involvement of the private sector and civil society (e.g. the LED Forum).
  - Encourage the private sector and enhance market reforms (increase competition between agribusinesses).
- Public and Private sector institutions.
  - Define the roles and responsibilities of the public and private sectors, taking account of local situations.
  - Build institutional capacity to manage the programme and to provide rural services.
- Introduce new management practices to tackle biases against farmworkers and women.
- Improve the target resources.
  - Increase funding for rural development initiatives.
  - Target a greater proportion of funds directly at rural communities, farm workers and women.
  - Increase investment in lower potential areas and develop services for the poor and women to integrate them into the LED growth process.
- Ensure the participation of the poor and women in programme preparation and services.

- Representatives and civil organisations representing rural communities and farm workers must be consulted during programme/project identification.
- The Dihlabeng LM must assist these communities to establish such civic organisations that represent their interests (outside the political process).
- Rural LED initiatives identified through the LED Forum and by the Municipality should be presented to the target rural communities or intended beneficiaries to accommodate any comments or concerns they may have.
- Establish systems to monitor and evaluate the impact of development initiatives in these rural areas.

Rural development and agriculture play an important role in determining the livelihoods and standard of living of many low income communities in Dihlabeng, particularly when these communities are asked to pay for their use of basic municipal services. Increasing agricultural productivity is, therefore, a key area in the fight against poverty. For the poorest, whose only asset is their labour, returns are vital.

### **7.2.3. Development Programmes**

The elements of this Plan aim to stimulate Rural Development in Dihlabeng through improved efficiency and utilisation of the Agriculture sector. Agriculture is used in the general meaning and incorporates all aspects of the topic, including forestry, aquaculture, commercial and subsistence farming.

The various development programmes address the issues identified in the previous Sections of this report. If local conditions are not conducive to development, they contribute to an overall syndrome of poverty and backwardness. Therefore, conditions conducive to such entrepreneurial development (e.g. agribusinesses) must be created.

#### **7.2.3.1. Programme 1: Support Emerging Farmers**

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

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

The provision of support for emerging farmers should be closely linked to the existing needs of the Dihlabeng farming community, while being sensitive to market-related



products/produce required. In other words, guidance should be provided to emerging farmers with regards to market dynamics and how to exploit it without the creation of a “dependency syndrome” among local emerging farmers.

## A) CORE COMPONENTS

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

- Extension services: Currently, extension services are provided by the Free State Department of Agriculture. These services need to be re-evaluated in terms of the functions being fulfilled. Additionally, the level of service delivery should be examined and the reasons for the poor service levels must be addressed. Sensitivity should be employed, as it is likely that resistance to the investigation will be experienced. It is vitally important that improvements to extension services be facilitated as a catalytic process that will be able to generate momentum in the other development programmes. It is therefore necessary for officials from the Free State Department of Agriculture to serve on the Dihlabeng LED Forum.
- Development of demonstration plots: As the majority of existing emerging farmers employ relatively “old” technology and techniques, the establishment of a mechanism through which these entrepreneurs can be empowered must be included. The development of demonstration plots throughout Dihlabeng is an appropriate mechanism that can be applied with immediate effect. The provision of information and technical know-how on farming methods, market trends and production opportunities are undertaken on these demonstration plots. An added benefit is that close linkages can be developed between existing commercial farms and demonstration plots. However, as a result of the characteristics of these demonstration farms, access to information and support from the demonstration plots is more readily available due to its “open nature”.
- Access to markets is a major barrier to the optimal functioning and development of emerging farmers in Dihlabeng. Therefore, the facilitation of access to markets by emerging farmers is extremely important. In other words, this core component aims to address issues related to accessing markets such as SADC, through NEPAD, by emerging farmers. These issues are related to other issues, such as transport distances from markets, limited market penetration and small market share (non-diversified/homogenous products) being offered. In order to overcome these issues, the preceding mechanisms (i.e. the improvement of extension services and the development of demonstration plots) must be implemented, to act as primary drivers to point the development efforts in the right direction.



- A critical consideration in the provision of support for emerging farmers is the implementation, where required and justified, of special infrastructure.

## **B) PROGRAMME IMPORTANCE**

At present, agricultural potential in Dihlabeng is under-utilised. Given the high unemployment rate and associated poverty levels, emerging farmers should be targeted in order to include them in the formal economy.

## **C) KEY ROLE PLAYERS**

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

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Department of Cooperative Governance, Traditional Leadership and Human Settlement
- Emerging Farmers
- Agriculture Research Council & CSIR
- Department of Water Affairs & Forestry
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency
- Free State Agriculture
- Department of Agriculture
- Eskom
- Development Bank of Southern Africa

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

The Free State Department of Agriculture is one of the main driving forces behind the implementation of mechanisms and measures to improve support to emerging farmers in the Province. However, the Dihlabeng Local Municipality should act as the driver of such projects at local level. This championing should be conducted in close consultation with the representatives of Free State Agriculture in the area (who represent farmers in the Province).

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

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

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

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

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

1. Identification of appropriate land in Dihlabeng.
2. Sourcing of funds to develop infrastructure.
3. Development of strategic municipal infrastructure, such as water and electricity.
4. Alignment of developmental activities with regard to demonstration plots.
5. Create awareness of demonstration plots and attract local emerging farmers to attend demonstrations.
6. Constantly review activities being undertaken in terms of knowledge gained by emerging farmers and the effective utilisation of this knowledge/skills.
7. Lobbying with supportive organisations and NGOs.

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

1. Formalisation and establishment of regional market areas.
2. Formulation of an informal trading policy, as well as the actual enforcement of the policy.
3. Alignment and utilisation of available development programmes to develop independent agro-production entrepreneurs. Such programmes can be accessed through the National Department of Land Affairs, the Land Bank, DBSA, Khula Enterprises, etc. Commercial Banks in South Africa also have their own loan programmes for emerging entrepreneurs in South Africa (such as ABSA Micro-Finance).

#### 7.2.3.2. Programme 2: Provide opportunities for Agro-processing in Dihlabeng

The development of the agro-processing sector is the second focus of the Agriculture and Rural Development Plan. The rationale is that the critical mass of locally produced agro-produce must be sufficiently expanded to guarantee the sustainability of local agro-industries. Therefore, this development programme focuses on stimulating these activities in the local economy of Dihlabeng.

Market orientation and targeting are important for the successful implementation of the development programme. This implies that local producers and emerging farmers be organised in such a way that value-chains and local linkages are established between the Primary sector and agro-industries.

Such improvements can only be achieved through the organisation of the producing communities and the launching of linkages/networks between the producers and the agro-businesses. However, various opportunities exist for the establishment of agro-businesses that will be able to exploit the local opportunities throughout the region.

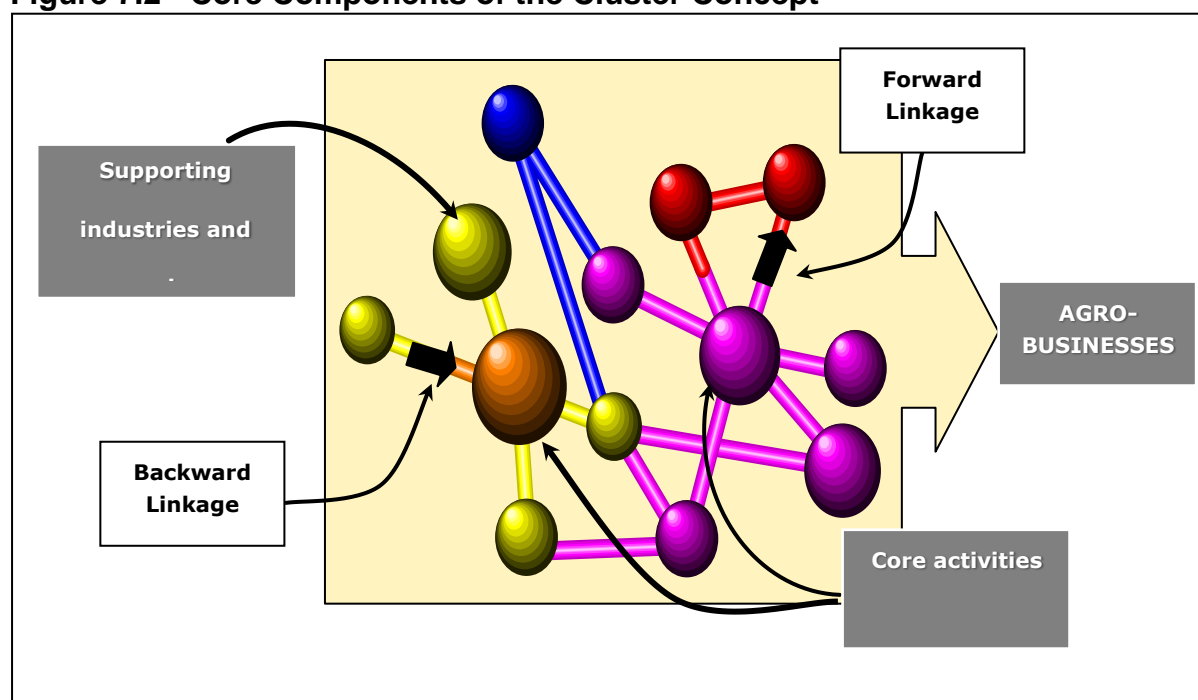
Central to the establishment of agro-businesses is the fact that efforts should be undertaken to facilitate the establishment of these activities. This development programme focuses on the clustering of the activities in both a geographical, as well as a functional fashion.

### A) CORE COMPONENTS

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

The process of clustering is characterised by the following core components. The components are briefly discussed and the interrelatedness is graphically illustrated in Figure 7.2. The cluster concept is an internationally acclaimed approach to development. A cluster has at its core a sector (or product), but what is drawn into the cluster is everything that impacts on the competitiveness of that cluster. The latter refers to the forward-, as well as backward linkages, to integrate the total value chain. The viability of the formed cluster is dependent on several elements, including the number of linkages, availability of raw materials, marketing and supporting services.

**Figure 7.2 - Core Components of the Cluster Concept**



New facilitation techniques are increasingly required to enable the development of clusters towards increased competitiveness. A prerequisite for the successful

development of the cluster, associated with investment and delivery of results, is the need to directly involve the industry players in the initiative.

## **B) PROGRAMME IMPORTANCE**

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

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

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

## **C) KEY ROLE PLAYERS**

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

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Free State Department of Agriculture
- Free State Agriculture
- Department of Cooperative Governance, Traditional Leadership and Human Settlement
- Commercial Farmers in Dihlabeng
- Agriculture Research Council & CSIR
- Department of Water Affairs & Forestry
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency

- Eskom
- Development Bank of Southern Africa

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

- The Department of Trade & Industry (dti)
- The Department of Transport & SANRAL
- The Bethlehem Chamber of Commerce
- The Free State Development Corporation (FDC)
- The Grow Free State Programme (GFS)

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

The formation of an industrial cluster in Bethlehem is an ongoing process that must be championed by appropriate business leaders from Dihlabeng. The formation of a localised cluster formation task team is central to the successful implementation of the clustering process. This task team should be constituted as a sub-committee of the LED Forum and focus on local opportunities that can be exploited in terms of their forward and backward linkages in the local economy. These identified opportunities should be debated within the LED Forum. Efforts to develop the opportunities must be coordinated with the appropriate development bodies (such as the FDC and GFS). Additionally, the Dihlabeng LM must coordinate the developmental activities of the other development programmes to ensure that a critical mass is generated in all aspects that are required to successfully initiate and sustainably implement the LED programme.

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

In order to fast-track the identification and implementation of the various linkage-opportunities within the Dihlabeng local economy, the foundation of a cluster formation task team (as part of the LED Forum) to drive the processes involved is vitally important. Subsequent to the formation of this team, the following activities should be undertaken:

- Discussions with local business to identify potential linkages and to determine which inputs can be obtained locally.
- Identify outputs that are currently not being beneficiated locally and assess development opportunities and potential products.
- Communicate opportunities and development requirements to the LED Forum as platform for entrepreneurial and SMME development.
- Establish linkages with other industries and businesses whereby certain costs of doing business can be shared. Such costs may include transport, training, infrastructure, communication, social responsibility, web portals and packaging.
- Constantly monitor and evaluate the establishment of strategic alliances, as well as the functioning of linkages and new ventures.

### 7.2.3.3. Programme 3: Renaissance Farms

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

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

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

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

The programme consists of the following phases:

- Establishing a core farm and providing training to farmers
- Establishing farm units of 10-20 selected families
- Incorporating additional farming families in the programme

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

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

An irrigation system on the core farm should be installed to cover an area of 10 ha, 6 ha of which will be irrigated by drip irrigation and 4 ha by mini sprinklers. After the establishment of the core farm, 10 selected families will receive (on loan) one hectare of irrigation each. Electrical pumps should be used to create the required pressure and flow rate.



## **B) PROJECT IMPORTANCE**

Poverty and unemployment is a challenge in Dihlabeng and efforts need to be undertaken to halt the current economic decline in the area. As agriculture throughout the municipality is under-developed, opportunities for exploiting natural resources through a sustainable approach is highly desirable. This development programme will not only benefit local communities through the creation of sustainable employment, but also through the augmentation of food security among these communities. Additionally, this programme will initiate skills development and wealth creation. Dihlabeng has the advantage of implementing these activities from an established agricultural base and expertise within the area.

## **C) KEY ROLE PLAYERS**

Local communities must be organised in order to participate in the formulation and implementation of the renaissance farms. Strong leadership is required to guide them through the initial planning and establishment phases. A task team should be established as a sub-committee of the LED Forum to guide and steer the implementation of the programme. Members from the following institutions should assist in the implementation and be represented on the task team.

- Dihlabeng Local Municipality
- Department of Land Affairs
- The Dihlabeng LED Forum
- Free State Department of Agriculture
- Existing farmers cooperatives
- Free State Agriculture
- Department of Cooperative Governance, Traditional Leadership and Human Settlement
- Commercial Farmers in Dihlabeng
- Agriculture Research Council & CSIR
- Department of Water Affairs & Forestry
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency
- Eskom
- Development Bank of Southern Africa

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

A task team should be established within the LED Forum to oversee the entire programme in Dihlabeng. This task team should comprise of representatives of, especially, the agriculture fraternity. The management of the core farm should be the responsibility of an experienced local commercial farmer. It is also advisable to assign an oversight role to Free State Agriculture. This will ensure higher levels of expertise and contribute to socio-political cohesion among local communities. One of the primary aims of the institutional aspects is to transfer the technical know-how to farmers participating in the project. Initial investments in the core farm are anticipated to be approximately R2 million to R5 million.



## E) MAIN FACILITATION / IMPLEMENTATION ACTIVITIES

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

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

### 7.3. PLAN 2: SMME DEVELOPMENT

SMME support systems are a critically important aspect of local economic development due to this sector's employment creation characteristics. The Dihlabeng business survey classified some 80% of local businesses as SMMEs. This Development Plan's main focus is to establish and expand SMMEs in Dihlabeng. Thus, the strategy has a dual aim, including:

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

Therefore, the objective of this Plan is to facilitate the establishment of new SMMEs, to provide support during the initiation phases of establishment and to provide sustainable information and support for new and existing SMMEs within the local area.

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

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

The focus areas/pillars of this Development Plan are to:

- Ensure that existing SMMEs and micro enterprises become more sustainable due to the fact that many SMMEs in Dihlabeng close within their first five years of operation.
- Create a business friendly environment for the establishment of new SMMEs, and

- Create a structure through which the Dihlabeng District Municipality can facilitate SMME development and provide sustainable information and support.

By implementing this Development Plan, Dihlabeng can reap the following benefits:

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

To become prosperous business entities, SMMEs need:

- Opportunity, which can be created by a more favourable business environment. This environment can be achieved by:
  - Establishing viable business support facilities
  - Effective networking
  - Nurturing of an entrepreneurial culture.
- Knowledge of business opportunities through information channelling networking, service outreach and networking. The LED Forum will play a central role in fulfilling this function.
- The ability to perform, which can be enhanced through proper training, business advice, finance, high quality business infrastructure and efficient business structures.

### **7.3.1. Utilisation of government programmes**

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

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

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

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

1. Investigating the availability of alternative funding sources to implement SMME development programmes by the Dihlabeng Municipality and its LED Forum. Funding options could also include different PPP structures, donor assistance, discounted rates for municipal services, competitive sale prices for municipal property, etc. It is thus essential that officials at the Dihlabeng Municipality become familiar with the different SMME support options.
2. Establishing a database of the different funding options for the Dihlabeng Municipal area. For example, information is needed on the different funding organisations available (such as the dti & FDC), their contact details, their scope of funding and the way to approach these organisations.
3. The development of a financial management model for the Municipality from where the allocation of funds, budgets, donor assistance, private sector contributions and project implementation can be monitored.
4. The establishment of a proper communication strategy and information exchange platform for government officials dealing with LED/SMME development. This entails the establishment and maintenance of a platform from where the different spheres of government, including the Dihlabeng municipality, can frequently interact and communicate with each other on relevant development issues. This will establish a basis from where important information can be shared (such as strategies and programmes implemented, alternative funding sources, etc.). The establishment of a communication system can be done in various ways, such as via Internet and intranet facilities, the development of a municipal information database, discussion forums and regular SMME reviews through newsletters/bulletins.
5. The formulation of appropriate partnership structures and programmes. Best practice has indicated that there is no single organisational type or structure that is best suited to deliver all the SMME development services that are necessary. Services provided through a mix of public, private and NGO delivery agents generally are more successful than those with a single institutional delivery system. Public, private and NGO structures have different perspectives, motivation and strengths, which together provide a stronger web of economic development support structures. This is why these entities should all be represented in the Dihlabeng LED Forum.
6. The Municipal Systems Act (2000) conditionally provides for a municipality to enter into an alternative service delivery agreement with a third party for the delivery of municipal services, given that the municipality has a legal mandate to deliver the service (such as programmes aimed at poverty alleviation and job creation). Currently, institutional vehicles available for service delivery by municipalities include the Thabo Mofutsanyane Development Agency and the Free State Development Corporation. It is envisioned that most LED initiatives in Dihlabeng will be implemented by members and associations in the LED Forum.

### 7.3.2. Development programmes

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

|                          |   |
|--------------------------|---|
| Development programme #1 | Dihlabeng Local Business Support Centre |
| Development programme #2 | SMME Policy                             |
| Development programme #3 | LED Information Portal                  |

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

#### 7.3.2.1. Programme 1: Dihlabeng Local Business Support Centre

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

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

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

- The end users of the service can already exist and comprise potential entrepreneurs in the formal or informal sector. The LBSC will target small businesses in Dihlabeng with emphasis on:
  - Small disadvantaged start-ups
  - Individuals who are considering starting a business
  - Diverse types of businesses (including franchises)
  - Businesses with an export focus
  - Businesses of the disabled
  - Businesses owned and operated by women
- Components of the service: The main mandate of the LBSC should be to provide support with respect to the following:
  - Business planning, objective decision making, strategies and policies
  - Organising, office automation, technology transfer
  - Staffing and human resource management
  - Motivation, leadership and communication
  - Control techniques, performance measures and quality control
  - Financing, skills development and marketing
  - Regulation and taxation
  - Capital formation
  - Procurement assistance

- Product distribution
- Site selection
- Compliance with environmental regulations
- Service functions: Apart from a strong support function to existing and potential entrepreneurs, the LBSC should also include assistance, support and advise in at least the following main business functions:
  - Identification of potential entrepreneurs
  - Identification of potential products and/or services
  - Development of a product and services data register
  - Provide advice on business development issues
  - Assist with the set-up/establishment of new businesses
  - Provide maintenance and after-care to ensure the establishment of viable new businesses
  - Mobilisation of business and entrepreneurial development funds from local, provincial, national and international sources
  - Source of business information

## **B) PROJECT IMPORTANCE**

The importance of this project is underlined by the following:

- Unemployment - The high unemployment rate in Dihlabeng is the main motivation for this project. Indications are that many of the unemployed possess important skills that could be utilised in the development of the small business sector of Dihlabeng.
- Informal sector - Estimates show that a significant portion of the labour force is involved in informal sector economic activities. Although these activities do not contribute directly to the Dihlabeng tax base, they utilise services, facilities and available space. Furthermore, with proper support programmes, a substantial number of these businesses have the potential to become viable formal business enterprises.
- Migration trends – Dihlabeng is experiencing an out-migration of skilled people. Through economic development, this loss of skills could be reversed.
- Business development - The importance for small business development as a strategy to generate new growth opportunities are well documented. Dihlabeng has the opportunity to support its small and developing businesses through a Local Business Support Programme.

## **C) KEY STAKE HOLDERS**

The development of a LBSC should be facilitated by the Dihlabeng LM as a strategic pilot programme for the area. This should ideally be planned and launched through the LED Forum. Other potential role-players are the following public and non-public sector organisations:

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Department of Cooperative Governance, Traditional Leadership and Human Settlement
- Commercial Farmers in Dihlabeng
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency



- Development Bank of Southern Africa
- SEDA
- Trade Point South Africa
- The Bethlehem and Clarens Chambers of Commerce
- Local Tourism Associations
- The Free State Development Corporation
- The Grow Free State Programme

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

Although a wide spectrum of key role players was identified in the preceding sub-section, it must be emphasised that a driver for the initial establishment of the LBSC is required. The Dihlabeng Municipality should, through its LED Department and the LED Forum, drive the initiation of the programme. However, it is not envisaged that the Municipality should be the actual implementing agency. In other words, the Municipality should broker and attract a suitable implementation agency, or partner, that can develop the LBSC. Potential candidates for implementing the LBSC include the FDC, the Thabo Mofutsanyane Development Agency and the Grow Free State Initiative. During the operation of the LBSC, the Local Municipality should support the implementation and operation through suitable implementation incentives, such as the provision of land and discounts on service levies, etc.

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

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

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

##### 7.3.2.2. Programme 2: SMME Policy

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

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

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



## A) CORE COMPONENTS

This programme primarily targets the formulation of appropriate SMME-targeted policies. There are subtle differences between the various policy instruments that strive to improve the economic efficiencies of SMMEs. Various beliefs exist regarding the justification of interventions, based on the removal or compensation of perceived market imperfection. As the national system focuses, in short, on the creation of employment and alleviation of poverty (such as the New Growth Path and IPAP 2), any local policy framework for SMME development and support must also focus on the same objectives.

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

It must be emphasised that the policy framework needs to incorporate all elements and activities of the Municipality in such a way that opportunities for “alternative service delivery” are addressed. Through the utilisation of such opportunities, the Dihlabeng Local Municipality can create employment directly, in a manner that will bolster the visibility of LED activities throughout the area.

The Dihlabeng SMME development policy should focus on the following:

1. **Support SMMEs:** The use of the policy framework should indicate the specific types of infrastructure that will be provided for utilisation by SMMEs. Such infrastructure does not only include municipal services, but also SMME specific development infrastructure, such as an incubator, a local business support centre (LBSC) or an entrepreneurial support centre.
2. **Supporting SMME Enterprise:** As already mentioned, alternative service delivery mechanisms are a useful tool that the Local Municipality can employ to stimulate local economic activities. The fulfilment of Dihlabeng’s role in terms of facilitating LED through these tools is vitally important.
3. **Support Human Resource Development:** Limited scope exists for Local Government to partake directly in the development of human resources within Dihlabeng. Through the policy framework, active lobbying of training institutions is set in perspective. The lobbying needs to be focused on measures to attract private and public service providers to Dihlabeng in order to specifically focus the services being offered within the area.

## B) PROGRAMME IMPORTANCE

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



Cooperation between the Dihlabeng Municipality, the private sector and other role players is important. Such cooperation will lead to targeted, informed and aligned decision-making. The decision making process of the private sector is primarily influenced by market conditions, while it is the mandate of local government to adjust the conditions being experienced within the market to facilitate SMME development. The LED Forum is thus anticipated to play a key role during the development and implementation of the SMME Policy.

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

The aim of this programme is essentially to create a conducive environment for SMMEs in Dihlabeng by following an “opportunity” approach. Key role players include:

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Municipal Service Providers active in the area
- Department of Public Works
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency
- SEDA
- Trade Point South Africa
- The Bethlehem and Clarens Chambers of Commerce
- Local Tourism Associations
- The Free State Development Corporation

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

The new Dihlabeng SMME Policy will provide the framework for other entities and role players to align their developmental activities with that of the Municipality. The Municipality must, however, be the custodian of the SMME Policy to ensure optimal implementation and maximum benefit for local small businesses. In this regard the policy should not only focus on local procurement, which is regarded as only one component of such a policy. Among other elements, the policy must obtain buy-in from other role players and outline the division of tasks, activities and development programmes.

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

The formulation of a SMME Policy for Dihlabeng is very important to guide future business development throughout the area. The following steps towards developing this Policy will realign the Municipality’s planning approach and re-adjust the focus of local role players with regards to SMME support.

- Identify which existing policies, by-laws and programmes adopted by Council in the past have an impact on the local SMME development environment. These must be re-interpreted as SMME development tools and instruments for SMME support:
  - Overall development policy
  - Procurement policy

- Approach to alternative service delivery
- Investment incentives
- Outsourcing alternatives
- Privatisation alternatives
- Etc.
- Establish specific objectives for SMME development, as well as role players
- Formulate revised policy frameworks and programmes
- The draft SMME Policy must be presented for public comment
- Review by the LED Forum
- Adoption by Council
- Implementation of the revised SMME Policy

#### 7.3.2.3. Programme 3: LED Information Portal

The main purpose of the Dihlabeng Information Portal will be to offer potential investors with salient information about the local business environment and a comprehensive service in setting up a local business in the area. These services will include identifying, promoting and facilitating bankable investment opportunities, as well as promoting trade to assist local companies in identifying new markets and export opportunities for their products.

### **A) CORE COMPONENTS**

The main objectives of this programme are:

- To facilitate new investment into the Dihlabeng local economy.
- To increase and manage awareness of investment opportunities in Dihlabeng based on existing research, as well as opportunities identified by the Municipality and the LED Forum.
- To increase the number of SMME investment and export opportunities within Dihlabeng.
- To package and promote SMME and trade opportunities within Dihlabeng's key economic growth sectors.
- To contribute to a conducive investment environment in Dihlabeng for investors and established businesses.
- To develop a knowledge infrastructure for information dissemination.

Apart from the basic functionality issues that must be addressed in the development of an internet-based web portal, it will be necessary to develop a framework for data management. This is necessary to collect and manage the data and information that will be available on the web portal. It is envisaged that the following information would be made available on the SMME web portal.

- Dihlabeng SMME and business advantages
  - Local resources
  - Competitive advantages
  - Transport Networks
  - Niche Markets
  - Clusters and Networks

- SMME infrastructure
- Taxes and Legal Requirements
  - Dihlabeng rates and taxes
  - SA Company and personal taxes
  - Registering a business in SA
- Dihlabeng Socio-Economic Overview
  - Demography
  - Local Economic Development
  - Development Indicators
  - Available labour and skills
  - Quality of life in Dihlabeng
  - Dihlabeng Growth Sectors and Industries
- SMME and Entrepreneurial Support
  - Dihlabeng support programmes
  - Skills development and training
  - Mentorship and match-making
  - Development incentives
- Access to Capital
  - The FDC
  - The dti
  - SEDA
  - Venture capital
  - Industrial Associations
- Local Companies and Networks
  - The Dihlabeng LED Forum
  - Organised business in Dihlabeng
  - Export products
- Establishing a business in Dihlabeng
  - Available business plots
  - Available Infrastructure
  - Access to SMME finance
  - Business registration
  - Buying an existing business
  - Available labour and skills
  - Potential investment partners

The web page interface must have links to, especially the Bethlehem and Clarens Chambers of Commerce, the Local Municipality, SEDA, the FDC, as well as other national departments such as the Department of Trade & Industry (DTI), Department of Environmental Affairs and Tourism (DEAT) as well as the Department of Agriculture.

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

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

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

## **B) PROGRAMME IMPORTANCE**

This programme is important for three main reasons. Firstly, information relating to the Dihlabeng investment environment will be collected and categorised in a user-friendly manner. This information will include identified investment opportunities, local competitive advantages and a description of regulatory requirements. Secondly, this information will be marketed internally and externally to potential investors who would be assisted to invest in Dihlabeng. Thirdly, the Information Portal would complement the LED Forum as a vehicle for local collaboration between businesses, role players and government support institutions.

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

## **C) KEY ROLE PLAYERS**

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

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- The Bethlehem and Clarens Chambers of Commerce
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency
- SEDA
- Trade Point South Africa
- Local Tourism Associations
- The Free State Development Corporation
- Local Industrialists
- Local SMMEs

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

Access to information is regarded as one of the main building blocks in Local Economic Development. This programme aims to fill that void and thereby contribute to investment facilitation and collaboration between role players. The importance of this programme should be elevated and fast-tracked for implementation. In fact, this measure can potentially have such a huge impact that it is advisable to appoint a professional service provider to develop and implement the Information Portal. One potential service provider with the necessary expertise is a company named WOW Interactive (<http://www.wowinteractive.co.za/>). As indicated earlier though, a database of SMMEs and local information for the investor should first be collected and categorised by the LED Forum and the Dihlabeng Municipality. The financial costs of such a Portal can vary significantly depending on the technical requirements but can be reduced significantly if “open-source” software is used rather than more expensive “proprietary” software (applicable licencing fees). Updating the information on the website can easily be done locally by an official at the Municipality. Overall the main effort in this programme will be the collection of the necessary SMME and investment information (as indicated under the Core Components sub-section of this programme).

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

The process that needs to be followed in order to establish the Dihlabeng LED-information portal is relatively simple. Firstly, the information indicated under the Core Components sub-section of this programme needs to be collected. This must be done in collaboration between the LED Forum and the Municipality. Secondly, the Municipality must appoint an external service provider to develop and implement the Information Portal. This will ensure a professional product that is optimised on internet search engines (such as Google), hosted on international web servers, properly maintained, and fitted with an easy-to-use mechanism that would allow the Municipality to update the information on the site with very little effort. Overall, it must be ensured that the actual LED-information portal is easy to use and understandable. An example of a proper LED-information portal can be viewed at <http://www.michiganadvantage.org/>.

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

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

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

Liaising with selected large firms via the LED Forum in Dihlabeng is important in order to establish whether opportunities for outsourcing exist and to determine who can champion the strategic alliance. Such activities should include capacity building and an advice component through which the larger firms can transfer expertise to the participating alliances. Where outsourcing is anticipated and undertaken, it is important that appropriate mentoring and assistance is given to the alliance participants to guarantee quality standards of products and reliability of delivery to the larger firms.

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

#### 7.4. PLAN 3: TOURISM DEVELOPMENT

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

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

This broader definition does not only include leisure tourism but also business and even medical tourism.

#### DEVELOPMENT ELEMENTS

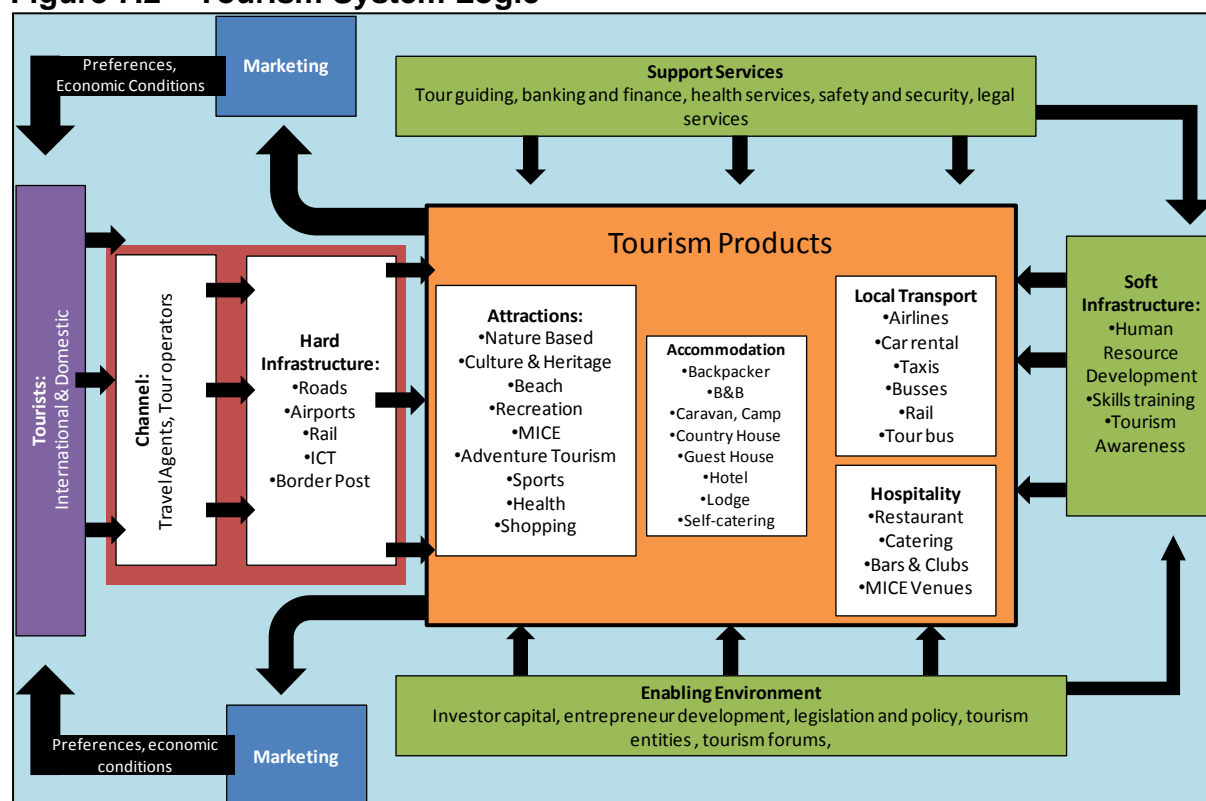
Tourism products and their foundations are far more perishable than manufactured products. For example, if a manufacturer of gearboxes discovered that the demand for the product has increased in a certain region the manufacturer can supply products to those areas. However, when a new hotel is developed in a region and a large capital investment was made and the travel market decides to go elsewhere, it is costly, if not impossible to move. In order to understand tourism dynamics, Figure 7.2 is used to describe tourism and to assist in the identification of the various components within the tourism system.

The tourism system logic was adapted from Gunn's functional tourism model, which has the underlying rationale that tourism is a system of major components linked together in an intimate and interdependent relationship. According to Figure 7.2, the



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

**Figure 7.2 – Tourism System Logic**



These subsystems include the following:

The Local Transport subsystem, which includes local travel at destinations, the gateways that facilitates travel (e.g. bus terminals) and transport infrastructure that link attractions and gateways. The tourist journey takes the visitor through a series of gateways or entry points, routes, staging posts, distribution points or springboards to various destinations and attractions. Consequently, the visitors utilise several modes of transport on one trip e.g. automobile, taxi, bus etc. Passenger transportation is a vital component of the tourism system and provides the critical linkage between market source and destination.

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

The tourism retailing subsystem (combination), also known as the distribution system, consists of travel agencies and intermediaries, who facilitate travel. Many visitors make use of the local distribution system that is composed of tour operators, travel agents, consolidators and wholesalers.



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

#### 7.4.1. Development Programmes

The development programmes are clustered together in a manner that clarifies the specific sub-system within the Dihlabeng tourism system as a whole.

##### A) Destination subsystem

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

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

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

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

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

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

##### B) Transport subsystem

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

The provision of appropriate transport infrastructure in order to facilitate the movement between local nodes is vitally important. Close linkages with the Transport planning framework of Dihlabeng are implied in this development programme.

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

##### 7.4.1.1. Programme 1: Environmental Conservation

Dihlabeng incorporates a natural environment conducive to various tourism categories, including eco- and adventure- tourism (see Section 6). These systems are unique to specific areas in Dihlabeng and should act as important stimuli for a sustainable tourism industry.

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

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

### **A) CORE COMPONENTS**

Sustainable Development can be defined as improving the urban environment and the quality of life where natural and man-made resources are used in such a way that present needs are met without compromising the ability of future generations to meet their own needs. The concept of sustainable development has multiple interrelated dimensions - economic, environmental and social. Environmental sustainability is the primary objective of this specific development programme, thus emphasis will be placed on this particular component of sustainability.

The underlying principles of sustainable ecological development include:

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

### **B) PROGRAMME IMPORTANCE**

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

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

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

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

- The Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- The Free State Tourism Authority
- Free State Department of Economic Development, Tourism and Environmental Affairs
- Local Tourism Associations
- The Bethlehem and Clarens Chambers of Commerce
- Local Communities
- The Thabo Mofutsanyane District Municipality
- The Thabo Mofutsanyane Development Agency
- Local Tourism related SMMEs and other businesses

- Local Travel Agencies and Tour operators
- The land owners of tourist attractions (such as game farms and adventure tourism activities).

#### **D) INSTITUTIONAL ASPECTS**

The programme, by its nature, implies policy and administrative implications for institutions on various levels. The environmental protection policy and diversification of activities and land use are supported by the principles set out in both the Rural Development Strategy and the New Growth Path, and are therefore in compliance with national policies and guidelines.

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

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

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

The Dihlabeng Local Municipality is responsible to facilitate and co-ordinate environmental conservation in the area. In this regard, the following must be done:

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

##### 7.4.1.2. Programme 2: Improved Profile

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

## A) CORE COMPONENTS

The core components of the development programme are:

- The attraction of a large investor, such as an international group e.g. Sun International. Such an investment will act as a catalyst for the improvement of the local tourism profile.
- The attraction of a well-known resort group, such as Aventura Resorts. In order to implement this project, sufficient land must be allocated to a potential investor to develop the resort. Given the natural Dihlabeng environment, the demand for the proposed resort will increase if it is linked to, or established in the form of a game farm with sufficient numbers of wildlife populations. Seasonal hunting activities can also be promoted at the resort. It is suggested that this intervention be implemented in tandem with tourism development near Clarens.
- The marketing of Dihlabeng. Marketing the Unique Selling Points (USP) of Dihlabeng should receive high priority in the implementation of the Tourism Development Plan.
- The creation of other tourist destinations apart from Clarens throughout Dihlabeng will support the improvement of the tourism profile. This is especially relevant with regards to Rosendal and Fouriesburg. The core of tourism development in the area lies in the creation and strengthening of tourist destinations. The perception of Dihlabeng, specifically as a holiday destination, should gradually be created.

## B) PROJECT IMPORTANCE

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

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

In short, the project impact will be as follows:

- Spatial Impact: The specialisation of certain nodes (such as Bethlehem, Clarens, Rosendal and Fouriesburg) in tourism activities will result in concentrations of economic activities.
- The provision of overnight facilities and other supporting services will also ensure traveller convenience.
- Social Impact: Unemployment can be addressed by training community residents to respond to tourism needs. The attraction of tourist buying power will strengthen the economic and social base of communities.

- Economic Impact: The various segments of this Plan will not only result in the broadening of the economic base of Dihlabeng, but also create economies of scale in which several backward and forward linkages will be created.

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

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

- The Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- The Free State Tourism Authority
- Free State Department of Economic Development, Tourism and Environmental Affairs
- Local Tourism Associations
- The Bethlehem and Clarens Chambers of Commerce
- Local Communities
- The Thabo Mofutsanyane District Municipality
- The Thabo Mofutsanyane Development Agency
- Local Tourism related SMMEs and other businesses
- Local Travel Agencies and Tour operators
- The land owners of tourist attractions (such as game farms and adventure tourism activities).

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

Improvement of the tourism profile is an undertaking that must have political commitment and buy-in from all participants. A specific champion is required to perform the various steps and to facilitate coordination of the different activities. The role of the Dihlabeng LM is parallel to that of the existing tourism marketing institutions in the region (such as Clarens Tourism and the Thabo Mofutsanyane Development Agency). Therefore, as far as practically possible, Dihlabeng LM should facilitate the matchmaking of development opportunities with identified investors in order to implement the activities required to improve the tourism profile of the municipal area. It is envisioned that the Municipality will be supported by existing tourism institutions and the LED Forum.

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

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

- Identify potential investors and provide sufficient assistance to these investors.
- Solicit community input, especially at nodes where extensive tourism-related projects are planned (such as Clarens and Bethlehem).
- Establish Public-Private Partnerships amongst role-players to secure funding and effective implementation of the programme.
- Link this development programme with an aggressive marketing campaign of Dihlabeng.
- Coordinate this development programme with current planning initiatives and projects for the tourism industry on provincial and regional level.

- Initialise planning and implementation of infrastructure provision.
- Compile an inventory of available tour packages, facilities, services and operators in the area and review current services offered.
- Involve relevant organisations in order to compile a strategy for business and educational tourism.

#### 7.4.1.3. Programme 3: Working Partnerships

There is a need to combine the efforts undertaken to develop the local tourism industry into a unique and dynamic plan in which tourism facilities can be marketed as one route. Tourism nodes that should be included in the route are Bethlehem, Clarens, Rosendal and Fouriesburg. Paul Roux is located next to the N5 National Highway and does not offer any tourism products that are significantly marketed. Although a historic battle field is located nearby, Paul Roux should develop stop-over packages for tourists as a point of departure for tourism development.

Possible attractions for route development include the Sol Plaatjies Dam, the Loch Athlone Dam (resort), the Pretorius Kloof Nature Reserve, the Ikgatholleng Holiday Resort, townships in Dihlabeng, Golden Gate, the Rosendal Equestrian Centre and Game Park, Titanic Rock, the Clarens Museum, the Ash River Outfall, Mushroom Rock and the Bethlehem Museum in Miller Street.

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

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

The development programme implies the formation of a “Collaborative Action Group” in order to drive tourism. The aim of this collaborative action is to facilitate the cooperation of the private and public sector to develop the potential of Dihlabeng tourism and thereby impact positively on the local economy. This Group should ideally be established as a sub-committee of the Dihlabeng LED Forum.

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

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



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

The Tourism Development Programme implies a broader focus than just developing the local tourism industry. Although tourism poses a number of opportunities which can be developed, there are other elements to tourism which can be developed with great success in an integrated manner to cater for different purposes and tastes.

Examples include the following:

- Agro Tourism, in which experimental farms (demonstration plots) can be utilised to accommodate school trips, etc. These farms can also be utilised for research purposes for university students, incubator students, etc.
- Business-related tourism, where conference centres, exhibition halls, etc. are provided to accommodate the business visitor. These can be linked with proposed hotel and lodge developments.
- Educational tourism, in which establishments in Dihlabeng are utilised for educational purposes (e.g. fieldtrips, courses undertaken in holidays, etc.).

## **B) PROJECT IMPORTANCE**

Numerous tourism-related opportunities exist throughout Dihlabeng that could be developed in a sustainable manner. It is, however, necessary to ensure that a critical mass of activities is generated that can be applied to over-arching activities in order to share costs. Marketing and administrative costs are examples of such over-arching activities.

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

## **C) KEY ROLE PLAYERS**

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

- The Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- The Free State Tourism Authority
- Free State Department of Economic Development, Tourism and Environmental Affairs
- Local Tourism Associations
- The Bethlehem and Clarens Chambers of Commerce
- Local Communities



- The Thabo Mofutsanyane District Municipality
- The Thabo Mofutsanyane Development Agency
- Local Tourism related SMMEs and other businesses
- Local Travel Agencies and Tour operators

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

Institutional aspects are central to this development programme, as it involves the coordination of tourism development activities throughout Dihlabeng. A vital link is the establishments of the Dihlabeng Collaborative Action Group as a sub-committee of the LED Forum. The implementation of the Group should be viewed as a critical element with regards to the formation of working partnerships. The Group is at the grass-roots level for the establishment of a communication network through which tourism activities can be aligned and holistic development facilitated.

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

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

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

- Establishment of the Collaborative Action Group at part of the LED Forum.
- Identification and development of tourism opportunities that can be linked to a wider tourism theme/route.
- Initiate collaborative communication channels between activities.
- Investigate methods to link activities through tourism travel.
- Approach local tour-operators to expand activities offered to include new tourism developments.
- Market the consolidated tourism activities (i.e. tourism route) as a set of affordable packages.
- Constantly monitor the performance of the various activities to guarantee quality of the entire tourism product and experience.

##### 7.4.1.4. Programme 4: Transport

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

Elements of this programme will typically include:

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

Accessibility is seen as an enabler of tourism in rural areas and the upgrading and maintenance of rural roads are crucial to ensure a sustainable tourism industry within Dihlabeng.

Tourism road signage is a continuous process, as new attractions are developed and some cease to exist. Moreover, road signage needs to be integrated with the offerings mix and the marketing strategy of Dihlabeng and requires planning and collaboration between various fields of expertise.

## 7.5. PLAN 4: TRADE AND INVESTMENT PLAN

The concept of Trade and Investment Promotion, in the case of Dihlabeng, refers to the expansion of current business and industrial activities, improved local networking and optimising the use of local resources and assets, such as industrial areas and serviced business properties. Broadly, this implies the attraction of new investment to Dihlabeng, retaining existing businesses and industries and encouraging local capital to invest locally.

The Trade and Investment Plan is based upon the creation of a vibrant, diversified and sustainable economic development base for investment in Dihlabeng, which includes the agro-processing sector. This, however, requires strong, visionary leadership and cooperation between the various LED role players of Dihlabeng to effectively link local and regional opportunities, markets and technology and entrepreneurship to potential investors (also referred to as investment matchmaking). This necessitates the establishment of a representative and efficient LED Forum in Dihlabeng which represents both local government and the private sector.

Business networking is a widely advocated, internationally acclaimed technique that has been implemented successfully in other countries, with the ultimate aim of stimulating economic development and job creation. The qualitative approach represents one of the latest international trends in networking analysis and is at the forefront of international LED developments. The central theme that is identified throughout the qualitative methodology is one of cooperation. The growing trend appears to be an increasing openness between businesses in a local economy and between the business network and local government. The emphasis has moved from competition to cooperation, with businesses and industries creating joint forums from where they share information.

In Europe, this sharing has reached the stage where in-house functions, such as production, marketing, research, etc. are pooled between businesses in a network. This has proved to reduce costs and increase productivity. The first step generally taken is the establishment of a Network Development Forum (or in the case of Dihlabeng, the LED Forum). Further actions taken in the establishment of a supporting local area network base include:

- **Obtain buy-in:** The purpose is to devise the most appropriate ways and means of obtaining buy-in and support from all the stakeholders in a given

area, such as Dihlabeng. This is regarded as a vital aspect of any business networking study and to ensure that acceptance and involvement are attained. The expertise and skills of a communication specialist should be utilised. The focus should be on attaining buy-in from private sector role-players, but also to attract new investment and development, thus “selling” the network concept as a viable concept.

- **Stakeholder contact-making:** An inventory of stakeholders and representatives for business networking must be identified. Criteria applied in the identification of these representatives include sectoral specialisation and representation of economic sectors; technical knowledge; institutional and interest group representation; Provincial Government departments; organised labour; organised business; the Local Municipality, development institutions, such as the FDC, etc. This inventory should be compiled by the LED Forum.
- **Participation:** In general, the Dihlabeng LED Forum will act as a mouthpiece where problems and challenges facing local business networks are aired. The Forum must keep abreast with local and international trends occurring in similar business networks, specifically with regards to technology advances, consumer trends, changes in demand, etc. Furthermore, the LED Forum should act as the central body in identifying solutions to the abovementioned problems and challenges and it must act as an implementation agent in applying new techniques and development projects within local networks.

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

A high level of innovation has also been identified as one of the key performance indicators in SMME development. Innovation is a concept that pervades every aspect of the economy – from education to social traditions and mind sets, employee reward systems and government support. Although it is not easy to formulate an effective prescription to stimulate innovation in the Dihlabeng economy, some measures should be incorporated to stimulate innovative ideas. In the New Growth Path Policy of South Africa, it states that new sources of competitiveness lie in innovation and productivity supported by skills, infrastructure and efficient government action. Among the important components of innovation is the ability to adapt to changing consumer demands, as well as the application of information technology within businesses and the networks they form part of.

Globally, a structural shift can be observed away from commodity production and raw material-intensive manufactured goods towards knowledge-intensive goods and services, focusing on innovation and knowledge-based economies. The basis for any knowledge-based economy is networking. Networking in this context implies that a local economy will become more competitive if businesses innovate and compete

collectively (rather than each business trying to compete individually). This concept is critical to development in Dihlabeng where most SMMEs have poor survival rates.

The benefits of business networks in Dihlabeng are envisioned to include the following:

- Effective distribution of information and knowledge of trade opportunities
- Better communication and cooperative platforms that encourage innovation
- A support structure for local businesses (especially SMMEs)
- A structure that will facilitate local procurement and job creation
- Business efficiencies through the sharing of costs (such as transport, marketing, research and training) and bulk buying
- Developed networks will also create a critical mass around which support industries can develop

The Trade and Investment Plan for Dihlabeng consists of three main programmes:

- The Agro-Industrial Development Programme
- Innovation Promotion Programme
- Business Networking Programme

### **7.5.1. Development Programmes**

#### **7.5.1.1. Programme 1: The Agro-Industrial Development Programme**

This development programme centres around the facilitation/promotion of agro-industries and processing activities in Dihlabeng, based on the principles of networking and supportive services. The main objective of this programme is therefore to establish sustainable local and other investment that can be integrated into the local economy, with the result of maximum social and economic benefits.

The main function of this programme is to facilitate agro-industrial development and investment in Dihlabeng by securing the establishment of anchor industries, the establishment of linkages between these tenants and other local businesses.

#### **A) KEY ROLE PLAYERS**

Potential role players in this programme include:

- Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Free State Agriculture
- The Free State Department of Agriculture
- The Grow Free State Programme
- Local Industrialists
- The Bethlehem and Clarens Chambers of Commerce
- Thabo Mofutsanyane District Municipality
- Thabo Mofutsanyane Development Agency
- SEDA
- Trade Point South Africa
- The Free State Development Corporation
- Trade and Investment South Africa (TISA)
- Industrial Development Corporation (IDC)

- Department of Trade and Industry (DTI)
- Representatives of existing cluster and other industrial development initiatives in the country (such as Industrial Development Zones)
- Research institutions, such as CSIR, Agricultural Research Council, UFS, etc.

## **B) IMPLEMENTATION ACTIVITIES**

The following main implementation activities are associated with this programme:

- Identification of appropriate land for agro-industrial development
- Develop and provide preferential incentives for agro-industrial investors
- Establish an agro-processing sub-committee as part of the LED Forum
- Provide the necessary infrastructure necessary for industrial development
- Target agro-related industrialists in line with the Trade and Investment Development Plan
- Ring-fence appropriate funding for agro-industrial development in Dihlabeng

### 7.5.1.2. Programme 2: Innovation Promotion Programme

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

The primary focus of this programme is the development and utilisation of appropriate technology and processes to enhance the production outputs of local economic activities and improve their competitiveness.

The following main implementation activities are associated with this programme:

- The establishment of a Technical Mentoring System (as part of the Dihlabeng LED Forum) from where industrial experts (in or outside Dihlabeng) can provide technical know-how on product and process design and improvement, measured against international standards of quality and productivity.
- The development of a Local Innovation Network, whereby institutions of higher education (such as the University of the Free State and the Central University of Technology) can provide local business owners with new insights, innovative ideas and best practice benchmarks (case studies).
- The provision of technical and market-related information to investors through the LED Information Portal.
- Compile an inventory of institutions and programmes that provide financial assistance locally (especially for innovative products).
- Developing a school-support programme through which scholars and students can be introduced to the industrial and business innovation environment.
- Compile a database of sector research studies and programmes applicable to the Dihlabeng local economy and make it available to local role players with the use of information technology.

- Assistance (financial or otherwise) to knowledge-based start-up businesses.

## KEY ROLE PLAYERS

Supportive role players in this programme include:

- The Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- Educational and training institutions
- International industrial organisations and researchers
- Research institutions in South Africa (e.g. TISA, DTI, CSIR, Agriculture Research Council etc.).
- The Bethlehem and Clarens Chambers of commerce
- The Free State Development Corporation
- The Thabo Mofutsanyane Development Agency
- The Free State Department of Economic Development, Tourism and Environmental Affairs

### 7.5.1.3. Programme 3: The Business Networking Programme

Efficient networking between local businesses (specifically with regards to procurement and the cost of doing business in Dihlabeng), and their suppliers can optimise the competitiveness of the Dihlabeng private sector, which will stimulate business retention, expansion and new investment.

The supportive projects and main implementation activities associated with this programme include:

- The Dihlabeng LED Forum must be re-established and properly constituted as a matter of priority. The mandate of the Forum must include the identification of all businesses in Dihlabeng (captured on a database) to ensure inclusive membership. The main purpose of the Forum will be to provide members with a platform to initiate discussions, representation and participation and the exchange of sector-specific knowledge. The Forum can furthermore take responsibility for organising activities, such as conferences, exhibitions, seminars and workshops, which will benefit all Dihlabeng enterprises.
- Electronic infrastructure can be utilised to stimulate this process of participation in the Forum, for example through the establishment of an internal website for Dihlabeng enterprises that provides discussion platforms. Other information dissemination platforms such as Mobile SMS, Facebook, MiXit and Twitter can complement this system and contribute to broader participation in the LED Forum (principles of a knowledge economy).
- A database needs to be implemented and information distributed that can be used to assist investors and Dihlabeng enterprises in the sourcing of suppliers and matchmaking with potential entrepreneurs, local contractors and international manufacturers. This can effectively be done through a 'One-Stop Centre' (within the LED Forum) from where specific economic information can be obtained.



- A dedicated unit within the LED Forum must be established that can take responsibility for matching and initiating investment opportunities in the Dihlabeng area with suppliers in the rest of the area and country. It is very important that officials from the Dihlabeng LM participate in this unit.
- This programme must also include the task of linking/coordinating supporting services with development in Dihlabeng. This entails liaising with financial institutions, real estate agents, tour operators, freight transport contractors, public transport companies, etc.

## KEY ROLE PLAYERS

Role players in this programme, as well as potential projects, include:

- The Dihlabeng Local Municipality
- The Dihlabeng LED Forum
- International industrial organisations and researchers
- The Bethlehem and Clarens Chambers of commerce
- The Free State Development Corporation
- The Thabo Mofutsanyane Development Agency
- The Free State Department of Economic Development, Tourism and Environmental Affairs
- Local businesses and industries
- Researchers who can provide information on suppliers and international sourcing opportunities
- Trade Point South Africa
- Industry-specific experts
- Department of Trade and Industry
- Potential suppliers and other service providers (commercial banks, transport companies, etc.)
- SA Industry Associations (see <http://www.thedti.gov.za/links/links.htm>)

## 7.6. CONCLUSION

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

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

1. Be appropriately structured to facilitate cross-functional collaboration between different departments and institutions (also see Section three of this report).
2. Be appropriately capacitated in terms of resource allocations and qualified staff to ensure that deliverables/activities are performed as planned.
3. Be appropriately staffed with individuals that are motivated and committed to the LED development process.
4. Have a willingness to actively engage with the LED Forum, local businesses, potential investors and local communities.



It is important to note, however, that the Dihlabeng Local Municipality must possess the capacity to enforce these Development Plans and their programmes. As this may not always be the case, Dihlabeng should take cognisance of the role of the Thabo Mofutsanyane District Municipality (including the Development Agency), the Free State Development Corporation (FDC), the Free State Department of Economic Development, Tourism and Environmental Affairs (DETEA), as well as the Free State Department of Cooperative Governance, Traditional Affairs and Human Settlements (COGTA), in providing assistance and resources where it is limited in Dihlabeng. It is also important for the Municipality to apply for the development programmes (funding) provided by the National Department of Trade and Industry where these programmes align with the Development Plans identified in this Section.

Following the LED Development Strategy, will be the identification and prioritisation of LED projects and an Implementation Plan.

## SECTION EIGHT: Implementation Plan

This section presents the Implementation Plan for the Dihlabeng LED Strategy. In the previous Section of this report, various Development Plans and programmes have been identified. The success of these Plans will depend on the role players of Dihlabeng's ability to create a conducive LED environment and attract investment to the area. This will require the implementation of selected turn-key projects as well as the provision of effective investment brokering activities to attract especially private sector investment.

Successful investment facilitation will also have a significant impact on the implementation of other projects under the LED umbrella (spin-of opportunities). Systematic targeting and negotiations with potential investors are usually left to the last phases of project implementation – resulting in less time spent on this exercise. For this reason it is central that this Strategy should, from the start, establish a framework through which investors could be attracted. It is anticipated that the Dihlabeng LED Forum would provide the basis for such a framework.

This section builds on the Potential Analysis and the LED Development Strategy (Plans), and serves as a basis for implementation.

### 8.1. THE INTEGRATED IMPLEMENTATION PLAN

The primary goal of the Integrated Implementation Plan is to facilitate the streamlined and fast-tracked delivery of the various LED Development Plans and their respective development programmes. It is important to realise that the Implementation Plan can be sub-divided into four “gears”. Figure 8.1 presents a graphical illustration of the various components/gears of the Integrated Implementation Plan.

Each of the gears has a critical role to play in the overall LED implementation effort. These four gears are:

- Development Principles
- Development programmes
- Sectoral focus
- Institutional Focus

These gears are now discussed in a practical, action orientated, context within the overall Integrated Implementation Plan. It is important to consider the integrated nature of these gears to ensure alignment and a coordinated approach to development. Each gear's specific emphasis is highlighted in the following paragraphs.

### 8.1.1. Gear 1: Development Principles

Table 8.1 presents the primary principles according to which the implementation of the various Strategic Development Plans and their programmes should be undertaken.

**Table 8.1 – Development Principles**

| <b>PRINCIPLES</b>                                    | <b>DESCRIPTIONS</b>   |
|--|---|
| <b><i>Sustainability</i></b>                         | Sustainability is important on terms of economic, social as well as environmental impacts. Accurate assessment of this dimension prior to the implementation of any LED initiative must be undertaken to limit the irresponsible application of resources.  |
| <b><i>Broad Based Black Economic Empowerment</i></b> | In light of the distribution of opportunities in terms of demographic characteristics, the development of the economy should be performed against the background of national BBEE guidelines.   |
| <b><i>Employment</i></b>                             | All development projects that are implemented must be guided by employment creation as the ultimate goal of the project. In other words, where applicable labour intensive methods should be employed.  |
| <b><i>Income</i></b>                                 | LED initiatives must aim to better the income profile of local households and communities. As far as possible steps should be taken to ensure an equitable distribution of income emanating from projects. Good results in this regards can be observed among cooperatives and PPPs.  |
| <b><i>Comparative advantage</i></b>                  | The Development Plans have been identified based on the rationale of building on local comparative advantages. Local economic sectors with such advantages should be targeted for investment and expanded upon. Investment constraints should also be mitigated through development interventions (e.g. a lack of serviced business plots).   |
| <b><i>Identified needs</i></b>                       | LED Initiatives should be presented to targeted local communities and beneficiaries before implementation. The purpose of such communication is not only to obtain buy-in and support but also to identify additional community needs which the project can potentially address in a creative manner.<br><br>These needs should be translated into development priorities for the implementation of LED projects. |
| <b><i>Investment</i></b>                             | Investment attraction from outside the Dihlabeng Municipality is important as this implies that funds are   |

| PRINCIPLES              | DESCRIPTIONS   |
|-------------------------|--|
|                         | injected into the local economy. This also implies efforts to increase local levels of investment as well as the circulation of locally generated capital.   |
| <b>Capacitation</b>     | A key element to the success of LED initiatives is the availability of skills and the competency of workers. As most workers in Dihlabeng are regarded as low to medium skilled, capacity building should form part of all projects. It is recommended that this component be addressed in the feasibility study and business plans of LED projects to ensure it is properly budgeted for. Contributing factors also includes business mentoring and SMME Incubation.  |
| <b>Latent potential</b> | Existing but under-utilised resources and development opportunities are regarded as latent potential. Such resources and opportunities should be presented to the LED Forum and information made available through the LED Information Portal.   |
| <b>Linkages</b>         | Linkages in the LED context refer to both the flow of economic goods and services as well as the communication of both government and non-government entities with each other. <b>The basis of any LED Strategy is to strengthen these communication channels or establish them where they do not exist.</b> The Dihlabeng LED Forum and Information Portal are initiatives in this regard but seen as only the start in a process of strengthening linkages and communication.  |
| <b>Efficiency</b>       | Efficiency improvement can be regarded as an increase in the rate at which work (or specific tasks) is completed. This concept focuses on the outcomes that must be achieved. An overall improvement of efficiency is central to LED implementation and applicable to all role players in Dihlabeng. This term is viewed as “ <b>doing things right</b> ”. The road to improved efficiency can be achieved through rethinking institutional mandates and organisational arrangements (such as task teams and institutional systems). |
| <b>Effectiveness</b>    | Closely related to efficiency is effectiveness. This term is, however, aimed at the improvement of the relationship between the outputs and the energy or inputs required to perform a specific task. Therefore, the focus should be “ <b>doing things right with less</b> ”. This concept is central to LED which will always be faced with resource constraints.   |

| PRINCIPLES                 | DESCRIPTIONS  |
|----------------------------|---|
|                            | Effectiveness in LED is achieved through a partnership between role players and creative thinking.  |
| <b>Poverty alleviation</b> | Specific focus should be placed on poverty alleviation throughout the implementation process. Although market forces would determine the optimal location of investment (e.g. a new shopping centre), communities subject to poverty and hardship should always be considered during project planning. If market forces dictate that a project will not be feasible in such an area the business plan must outline how the initiative will benefit those who are most disadvantaged in Dihlabeng society. |

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

### 8.1.2. Gear 2: Sectoral Focus

The first gear provided a description of the principles that apply during LED implementation. The second gear emphasises the main sectors of intervention. This is outlined here because the LED Strategy is seen as a living document subject to review and change over time. The Dihlabeng Local Municipality, the LED Forum or any other role player is not restricted to only the Plans, programmes or projects identified in this report. The sectoral focus assumes a broader framework to guide development planning and implementation in Dihlabeng.

It should however be clarified that the sectoral focus is not strictly economic in nature but rather of a generic nature. In other words, while the interventions are referred to as sectoral, cross-cutting sectors are also incorporated. More specifically the non-economic sectors, which are cross-sectoral, are:

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

The remaining sectors, which have been distilled from the research, are:

- Agriculture development
- SMME development
- Tourism development
- Business & Industrial development (Trade & Investment)

These sectoral focus areas, both the cross-cutting as well as the other sectors, are the main intervention points at which the implementation activities should be aimed. The seven areas are of such nature that their impact on the economic welfare of

local communities within Dihlabeng is either direct or indirect. Table 8.2 denotes the specific direct and indirect LED benefits of these sectoral focus areas.

**Table 8.2 – Direct and Indirect Sectoral Focus**

| Sector   | Direct Benefits   | Indirect Benefits  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• The institutional sector</li> <li>• The human resource development sector</li> <li>• Rural Development</li> </ul>   | <ul style="list-style-type: none"> <li>• Skills &amp; Institutional development</li> <li>• Trust &amp; Participation</li> <li>• Better Information Flows</li> <li>• Good Governance</li> <li>• Efficiency &amp; Effectiveness</li> <li>• Informed Spatial Planning</li> </ul> | <ul style="list-style-type: none"> <li>• Entrepreneurship</li> <li>• Poverty Alleviation &amp; Employment creation</li> <li>• Business retention</li> <li>• Investment Attraction</li> <li>• Strategic Infrastructure provision</li> <li>• Innovation and creativity</li> </ul>                            |
| <ul style="list-style-type: none"> <li>• Agriculture development</li> <li>• SMME development</li> <li>• Tourism development</li> <li>• Business &amp; Industrial development (Trade &amp; Investment)</li> </ul> | <ul style="list-style-type: none"> <li>• Employment Creation</li> <li>• Increased local production</li> <li>• Increased local consumption</li> <li>• Broader tax base for the Municipality</li> </ul>   | <ul style="list-style-type: none"> <li>• Entrepreneurship</li> <li>• Business Expansion</li> <li>• Investment Attraction</li> <li>• BBBEE</li> <li>• Reduced monetary leakages</li> <li>• Innovation and creativity</li> <li>• Marketing of the area</li> <li>• Broader tax base for government</li> </ul> |

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

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

### 8.1.3. Gear 3: Development Programmes and Projects

The development programmes as listed and discussed in the preceding phase (refer to Section 7) is the actual tasks, which must be performed to facilitate an improvement in the local economic climate. Similarly these development programmes are aligned with the specific sectoral focus areas. The main implementation and/or facilitation activities associated with the respective Plans are now presented.

### 8.1.3.1. Plan 1: Agriculture & Rural Development Plan

The main LED initiatives associated with this Plan are:

#### **Programme 1: Support for Emerging Farmers**

- Realignment and provision of extension services
- Development of demonstration plots
- Establishment of a regional fresh produce market
- Strategic provision of infrastructure
- Cooperative cattle farming

#### **Programme 2: Provide Opportunities for Agro-Processing**

- Establishment of an Agro-Processing Hub
- Soybean Processing (i.e. crusher)
- Application of Bio-Technology and GMOs
- Aqua-culture (fish farming)
- Hydroponics and shade netting production units
- Agricultural Marketing
- Vegetable packaging & processing

#### **Programme 3: Renaissance Farms**

Establishment of the core farm  
Infrastructure development  
Installation of irrigation system  
Establishment of farming units  
Mentoring and training  
Marketing Strategy

### 8.1.3.2. Plan 2: SMME Development Plan

The main LED initiatives associated with this Plan are:

#### **Programme 1: Local Business Support Centre**

- Development of an SMME database
- Development of a skills database
- Development of an Informal Traders database
- Business Plan and Implementation of the LBSC
- Provision of infrastructure
- LBSC community outreach project
- Demarcation of an SMME manufacturing cluster
- Informal trade market
- Linking SMMEs with government incentives

#### **Programme 2: SMME Policy**

- Review existing SMME programmes and policies
- Review by-laws applicable to business applications
- Review by-laws applicable to informal traders



- Develop a comprehensive Dihlabeng SMME Policy
  - SMME and Informal Trader support
  - SMME support coordination (between role players)
  - The role of the LED Forum in SMME development
  - The mandate of the LBSC
  - Investment Incentives
  - Amendments to by-laws

### **Programme 3: LED Information Portal**

- Develop a Data Management Framework
  - Capture all necessary information for the Portal
    - Dihlabeng business advantages
    - Business registration and entrepreneurial support
    - Available resources, properties & infrastructure
    - Transport Networks
    - Local business networks and clusters
    - Regulatory & legal requirements
    - Access to investment capital
- Develop a Role Player Collaboration Framework
  - Identification and mandate clarification of role players
  - Conceptualisation of LED Networks
  - Identify opportunities for SMME mentorships and partnerships
  - Develop Role Player Collaboration Framework
  - Potential Strategic Alliances
- Technical Development and Implementation of the Portal
  - Internet Portal Development (investment facilitation)
  - Targeted Investment Marketing
  - Networking and Collaboration Platform

#### **8.1.3.3. Plan 3: Tourism Development Plan**

The main LED initiatives associated with this Plan are:

#### **Programme 1: Environmental Conservation**

- Identification of all natural resources and assets
- Development of a local Conservation Policy in line with Tourism development objectives
- Align tourism and environmental objectives with the SDF
- Waste recycling and greening initiatives

#### **Programme 2: Improving the Tourism Profile**

- Development of a database of all available land suited for tourism investment
- Development of a Tourism Investor Marketing Strategy
- Development of a Tourism Resort
- Agro-tourism
  - Weekends on Organic Farms
  - Production of Essential Oils & Aroma Therapy

- Self-catering fishing lodges
  - Wildlife safari-lodges and Game Hunting
- Adventure Tourism
  - Hiking
  - Off-road 4x4 routes and challenges
  - Skydiving
  - Canoeing
  - Bird and Butterfly Watching Sanctuary
- Township Tourism
  - Conference facilities associated with existing attractions
  - Guest house development
  - Traditional cuisine restaurants
  - Township Tours
- Festival Identification and Promotion
- Tourism Marketing Strategy
  - Development of Tourism Packages

### **Programme 3: Establish Working Partnerships**

- Development of a Tourist Attraction and Accommodation Database
- Establishment of the Tourism Collaborative Action Group within the LED Forum
- Identification of potential Tourism Routes (incl. township routes)
- Development of Route Tourism Packages

### **Programme 4: Transport Infrastructure**

- Provision of Tourism Information Centres throughout Dihlabeng
- Road maintenance and upgrading (linked to tourist destinations)
- Provision and upgrading of road signage
- Development of a Tourist Accessibility Plan as part of the Municipal Master Transport Plan

## **8.1.3.4. Plan 4: Trade & Investment Development Plan**

The main LED initiatives associated with this Plan are:

### **Programme 1: Agro-Industrial Development Programme**

- Identification suitable properties for agro-industrial development (database)
- Establishment of an Agro-Processing Hub
- Development of an Investment Incentive Package for agro-industrial investors
- Establishment of an agro-processing sub-committee as part of the LED Forum
- Provision of strategic infrastructure
- Targeted Investor Marketing
- Ring-fence Municipal funding for agro-industrial development

### **Programme 2: Innovation Promotion Programme**

- Establishment of a Technical Mentoring System (as part of the Dihlabeng LED Forum)

- Development of a Local Innovation Network (as part of the Dihlabeng LED Forum)
- Development of the LED Information Portal
- Developing a school-support education programme
- Development of a research and knowledge database
- Development of an Investors Incentive Package targeted at innovative and creative businesses and industries.
- Manufacturing Advice and Incubation Centre (MAC)

### **Programme 3: Business Networking Programme**

- Re-establishment of the LED Forum
- Develop a database of land owned by the Municipality
- Industrial Marketing Strategy
- Development and implementation of the LED Information Portal
- Development of a comprehensive business and skills database
- Establishment of a business and investor One-Stop centre
- Business and investor matchmaking programme

#### **8.1.3.5. Project Prioritisation**

Annexure A prioritises the programmes/projects identified according to the following criteria:

1. Strategic Importance
2. Economic Impact
3. Employment Creation
4. BBBEE & Capacity Building
5. SMME Development
6. LED
7. Potential Anchor Project

From the prioritisation model the following main Anchor Projects have been identified:

1. The re-establishment of the Dihlabeng LED Forum
2. The establishment of a Renaissance Farm
3. The development and implementation of the LED Information Portal
4. The establishment of the Local Business Support Centre
5. The establishment of an Agro-Processing Industrial Hub
6. The identification and development of Tourism Routes

These projects have received the highest rating in the project prioritisation model due to their strategic importance to the Dihlabeng local economy, their potential to support entrepreneurs and small businesses as well as the potential impact they are anticipated to have on employment creation.

#### 8.1.4. Gear 4: Institutional Focus

The actual implementation of the various activities associated with the LED Strategy and the respective Development Plans must primarily be facilitated by the Dihlabeng Local Municipality while being supported by the LED Forum and other role players.

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

Given the fact that effective planning, management and implementation of the LED Strategy will be especially effective in terms of poverty alleviation and employment creation, focused efforts should be undertaken to ensure that the LED Strategy is comprehensively executed. It is therefore necessary to highlight the specific roles and responsibilities of the Dihlabeng Municipality as well as the Thabo Mofutsanyane District Municipality (and its Development Agency) throughout the LED process.

##### 8.1.4.1. Role of the Dihlabeng Local Municipality

The institutional assessment and recommendations for the Dihlabeng Local Municipality was presented in Section three of this report. Overall the main roles of the Municipality in LED are:

- Primary driver and implementer of LED projects and initiatives
- Actively participate in the Dihlabeng LED Forum
- Policy and planning - strategic focus and alignment
- Research and development – identify areas of strategic development
- Prioritise LED initiatives within the IDP to ensure funding and legitimacy
- Facilitate/ coordinate LED role players within Dihlabeng
- Marketing LED opportunities in Dihlabeng to potential investors
- Assisting investors with a streamlined and efficient service
- Develop and maintain various LED related databases (such as available skills, local businesses and networks, available business plots etc.)
- Providing support services to property developers, SMMEs, entrepreneurs and investors
- Acting as a coordinator between the various role players of LED
- Identify, prioritise and select LED projects for implementation
- Oversee the management, monitoring and evaluation of LED initiatives.
- Ensure that capital projects are labour intensive with a focus on the local job seekers
- Conflict resolution and management
- Identify strategic and high potential growth areas – geographic and functional
- Act as a coordinator and instigator of business and industrial networks and linkages
- Availing and marketing of LED and business development information

- Lobbying development agencies, the higher spheres of government and other support institutions for funding and technical assistance towards local implementation.
- Overall Monitoring and Evaluation of the LED Strategy and its impact on the local economy.

#### 8.1.4.2. Role of the Thabo Mofutsanyane District Municipality

The roles of the Thabo Mofutsanyane District Municipality are to:

- Maintain internal and external communication
- Marketing of the main LED investment opportunities in the District
- LED capacity building of Local Municipality officials
- LED planning and coordination at a District level
- Manage District LED initiatives such as cross-border initiatives
- Implementation of large District LED Anchor Projects
- Ensure that all Local Municipalities in the District have a LED Strategy
- Provide financial and technical assistance to Local Municipalities for LED
- Develop an integrated District LED Strategy
- Lobby Government for LED financial assistance on behalf of the Local Municipalities
- Identify markets and investment opportunities
- Coordinate and align LED activities across the District
- Establish and maintain partnerships to facilitate LED activities at a District level
- Monitor and evaluate the impact of LED activities at a District level
- Facilitate and drive a District LED Forum which is composed of the Forums in the Local Municipalities in the District

Apart from the roles and responsibilities, which must be internalised, the actual strengthening of the Dihlabeng LED Department is vitally important as this Department must guide and facilitate the LED Strategy and support and coordinate its actions (see Section three).

The strengthening of the Dihlabeng LED Department is the first step towards the creation of an enabling institutional environment within which the necessary capacity development can be undertaken. This Department will be tasked with performing the necessary functions and activities associated with LED. Therefore, the strengthening of the LED Department must be undertaken to facilitate and initiate the re-structuring of the current LED implementation environment. The capacitation of the LED Department is viewed as a catalyst in the overall economic development of the Dihlabeng Municipality.

#### 8.1.4.3. Role of the Dihlabeng LED Forum

It must be understood that local government is limited in terms of its legal mandate and especially resources in the context of LED. In fact, a Municipality is legally not permitted to register and operate a private business (to create jobs for unemployed people). According to the legislative framework a Municipality's mandate is to implement its core functions which are limited to urban planning and the provision of municipal services (such as water, electricity, sanitation, road construction and maintenance, refuse removal and so on). The role of the Municipality in LED is therefore to implement its core functions in such a way that it will have the most beneficial economic development impact on local communities. A good example would be were the Municipality develops an Industrial Hub on state owned land, provide it with the necessary municipal infrastructure, provides investment incentives such as reduced rates on electricity and water, sells the business plots to private investors, and market the Hub to potential investors and buyers of the products being produced there.

It is therefore critically important that the private business sector is involved in the LED process. A mechanism is needed to facilitate integrated planning and development between the Municipality and the business sector. This mechanism should not constrain the function of local government but rather align and time the various implementation activities in an integrated manner. It is therefore proposed that a LED Development Forum be established in Dihlabeng.

It is understood that an LED Forum has existed in the past and that Dihlabeng intends to re-establish this Forum. From a practical implementation perspective it is recommended that a small permanent management group be identified to start the Forum. This should be a dedicated group comprised of members of the Bethlehem and Clarence Chambers of Commerce as well as officials from the Municipality's LED Department. This management group should have various characteristics that will support its successful operation. The characteristics include:

1. Have clarity on its purpose and function.
2. Operate independently, but within agreed parameters with the Municipality.
3. Have a clearly defined mandate.
4. There should be regular report-backs on progress to the Municipality. Monitoring mechanisms should be put in place.
5. Be 'lean' and focussed.
6. Be a-political.
7. Have a commercial/business approach with a strong project management and co-ordination function.

The overall purpose of the Forum management group would be to re-establish the Dihlabeng LED Forum, conceptualise its Constitution and mandate and develop its operational systems. The second step would then be to formally establish the Dihlabeng LED Forum with all its members, role players and stakeholders as described in this report.

As indicated the Forum management group needs to conceptualise the Constitution and mandate (at least in draft form) before the official launch of the Dihlabeng LED Forum. In this regard the following issues should be considered:

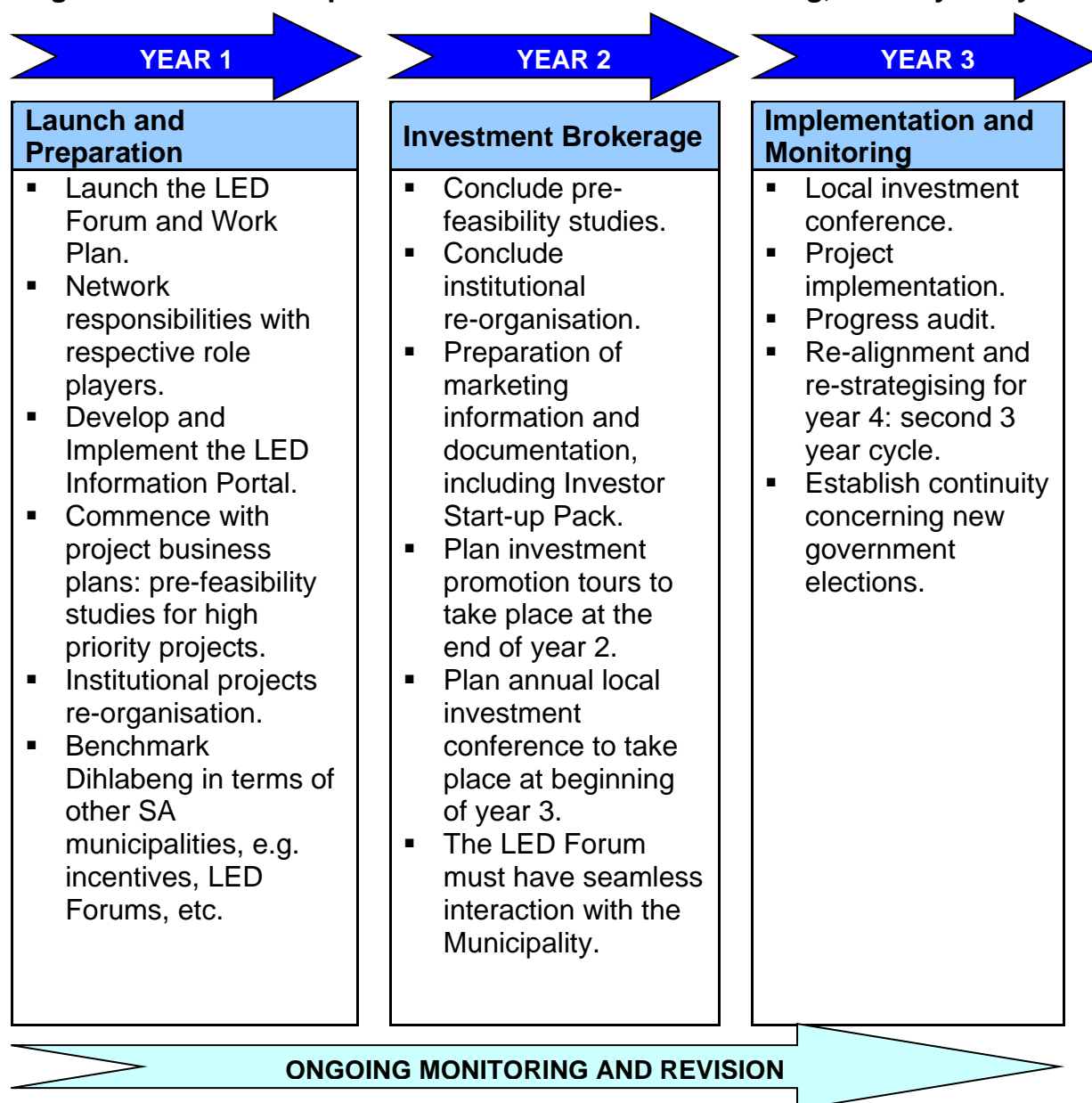
1. Clarifying the relationship between the LED Forum and the Dihlabeng LM at the outset.
2. Marketing local investment opportunities and lobbying internal and external investors.
3. Adopting a coordinated approach to development between the Municipality, the business sector and civil society.
4. Obtain “buy-in” and commitment from stakeholders, communities and role players. History has shown that LED Forums are at risk of losing momentum and the interest of their members.
5. Identify potential business and industrial networks for discussion.
6. Development, maintenance and marketing of various information databases (such as SMMEs, available business plots, available land for development, available skills etc.).
7. Providing dedicated support mechanisms for local SMMEs, emerging farmers and entrepreneurs such as business mentoring, matchmaking and networking. Other groups such as women, youth and disabled should also be targeted.
8. Implement effective communication and feedback processes.
9. Consider the environmental impact of LED development initiatives and recommend possible mitigation options.
10. Outline the entire business registration process and identify which components can be decided within the LED Forum to support inclusivity and participation.



## 8.2. PHASED IMPLEMENTATION AND ROLL-OUT PLAN

A phased approach to implement the LED Strategy is illustrated by Figure 8.1. The Figure summarises important actions and financial considerations pertaining to the first of a number of consecutive three year implementation and revision cycles.

**Figure 8.1 - Phased Implementation and Financial Planning, First 3-year cycle**



Budgetary allowances for business plans, investment tours and the investment conference should provide for R700 000 to R1 million per annum over the first three year cycle.

The more detailed Roll-Out Plan is provided in Annexure B of this report.

### 8.3. LED MARKETING PLAN

The findings of the opportunity analysis together with the proposed Development Plans have a host of implications for Dihlabeng with reference to the image of the area and what is required to change how the area is being perceived. These implications inform the marketing plan, but there are a number of issues that are worth highlighting.

#### 8.3.1. LED Marketing Principles

Dihlabeng has a number of salient features that needs to be strengthened and exposed in order to drive and underpin the LED marketing of the area.

- **Existing strengths on which to build:** LED Place Marketing should not be about re-inventing Dihlabeng but rather about doing everything possible to ensure that specific audiences really understand what the area has to offer them now despite what their perceptions might be.
- **Growing a local sense of place.** Many people throughout Dihlabeng have strong feelings of connection to specific parts of the area (such as Clarens); for many others the area is an 'adopted' home. Although much of the marketing drive will be externally focused, it must also ensure that the people already working and living in the area understand the region and are willing to speak up for it.
- **Clarifying the message:** Some locations in Dihlabeng such as Clarens and Bethlehem are well-known in their own right, while others such as Rosendal and Paul Roux are only known among specific audiences. However, the entire Dihlabeng Municipality as an entity is not well known. The marketing efforts need both to build basic awareness of the geographic make-up of the area and also to identify and link the locations and attractions, which are in close proximity and, combined, present an even more attractive offer to the target audience. When addressing individual audiences it is vital to create awareness of the best Dihlabeng has to offer and ensure that people understand that this is what Dihlabeng offers them.
- **Ensure cross functional involvement:** In a marketing context Dihlabeng is "owned" by its local communities and all the role players associated with LED. All these entities must buy into the marketing process and communicate the same message to target audiences.

#### 8.3.2. LED Marketing Objectives

Based on these principles the following LED place marketing objectives have been identified for Dihlabeng:

1. Develop a common language to describe Dihlabeng and ensure that this language is used consistently across the Municipality.

2. Improve the Dihlabeng's image in the eyes and minds of specific audiences whose perceptions of the area have an impact on the economic wellbeing of the area.
3. Support and extend the work of partners across Dihlabeng, where their planned activities make a direct contribution to the delivery of changed perceptions among the target audiences.

#### 8.3.2.1. Objective 1: Developing and using a common language

Dihlabeng needs a compelling, up-to-date description (words and images) of what the area is and what it is like to live and work in the area. It needs to be a description that not only makes the connections and associations across the area that people inside and outside the area do not currently make, but also builds an understanding and awareness of the physical boundaries of the area. In developing the first version of this description across multiple media the following actions need to be incorporated:

- **Do not seek to re-brand Dihlabeng.** The value of a re-branding exercise will not, in the short term, solve image problems. Indeed, a re-branding exercise risks masking some of the positive aspects of the current image behind Dihlabeng. Furthermore, there is considerable work to do to resolve the broader use of brands throughout Dihlabeng and beyond. It would be erroneous to embark on a re-branding exercise for the Municipality before the wider branding context is resolved.
- **Develop a small number of concise, focused messages** which address key aspects of living in, working in, investing in and visiting Dihlabeng which are linked to specific images.
- **Focus specifically on raising awareness of the rural and natural parts** of Dihlabeng, both as part of the overall area and as major contributors to not only the area's economy but also to its quality of life.
- **Build on the knowledge people already have about locations and icons** of the area, and extend from these to build links with places, themes and people that are not generally associated with the area.

#### 8.3.2.2. Objective 2: Improving Dihlabeng's image among key audiences

Attention has to be focused on improving Dihlabeng's image in the eyes and minds of five specific audiences whose perceptions have an impact on the economic wellbeing of the area. These audiences are:

1. **Business decision-makers** who are making investment, location and re-location decisions on behalf of businesses whose continued presence in the area or who's choice of Dihlabeng as a location for one or more of their operations would contribute to the delivery of the marketing drive (also see the

discussion about the LED Information Portal in the previous Section of this report).

2. **Visitors to the area** who come to the area for a short period of time. These may be tourists, business visitors, people who visit family or friends and so on. Marketing efforts should be focussed on instilling positive images on these visitors as an area that provides for a good quality of life with excellent business opportunities.
3. **The national and international media community** and specifically the Free State media community who need to better understand for themselves the make-up and strengths of Dihlabeng and, as a result, be better placed to portray the area positively and fairly.
4. **Local communities**, specifically three groups: school children who can be educated on the history, make-up and potential future of Dihlabeng; the 16-34 population group who are already enjoying the lifestyle on offer in the area and whose long-term perceptions of it can be influenced by marketing; and the local and national decision-makers who belong to or came from Dihlabeng.

Choices made by members of the first two target audiences have quantifiable effects on the health of the local economy. The media community, the third audience, directly influences the perceptions of the members of the first two.

It is necessary to recognise that while specific focus needs to be placed on external audiences, emphasis has to be placed on the need to ensure that the population of Dihlabeng understands the area and recognises the messages that are employed to attract external audiences.

The actions aimed to improve the image among each target audience will clearly be tailored to each. The image is determined in part by each audience's perception of Dihlabeng's ability to meet their needs – whether the needs of a prospective investor or of a family planning a day-trip.

As a result, the actions employed to shift the perceptions of each audience will comprise product development to ensure Dihlabeng can meet the audience's needs, and also communications programmes to ensure that the audiences understand not only that their needs can be met, but also how the offer compares to that of competing areas.

#### 8.3.2.3. Objective 3: Supporting and extending the work of partners

The marketing drive must recognise that there is already marketing activities underway or planned across the area (e.g. the Clarens Tourism), which directly contributes to the aims of the marketing drive, particularly the delivery of changed perceptions among target audiences.

It is vital to consider the marketing drive as a framework for coordinating the activities of organisations around the area and specifically a framework for ensuring that, by making the right connections across sub-areas and organisations, marketing resources of the area is used as effectively as possible to change perceptions.

Therefore, the marketing drive should be integrated with the networking and collaboration activities of the Dihlabeng LED Forum.

### **8.3.3. Implementation Actions**

The marketing drive needs to be owned and delivered by people and organisations around Dihlabeng. At the same time the right balance needs to be achieved between mandating a group, with the right expertise, accountable for and able to deliver a particular objective. The following steps or actions for delivering the marketing objectives are now discussed.

#### **8.3.3.1. Action 1: Developing and using a common language**

The Dihlabeng Municipality must co-ordinate local role players in the development of a compelling, up-to-date description of what the area is and what it is like to live and work here.

A delivery group of 10-15 people from across Dihlabeng should be commissioned to develop creative concepts behind the development of a common language. At key stages of development, they will engage with other marketers and communications professionals from across the Thabo Mofutsanyane District and use this group as a sounding board for their ideas.

The short-term actions of the delivery group will include:

- Produce a description (across multiple media) of Dihlabeng as a place to live and work
- Create a bank of digital images that represent the area
- Disseminate the description to public and private organisations across the area
- Find ways to encourage use of the new description and image bank across the area and monitor its adoption
- Agree on a procedure for refreshing this description and image bank over time

#### **8.3.3.2. Action 2: Improving Dihlabeng's image among key audiences**

Delivery and consultation groups should be established through the LED Forum for each of the four target audiences. Although the target audience of each delivery group is different, the actions required of each are similar. They are to:

1. Understand the target audience's starting point in terms of perceptions of the Municipality.
2. Agree on quantifiable objectives by audience and how progress towards achieving these will be measured.
3. Understand how Dihlabeng currently addresses this audience and the work that is being undertaken.
4. Develop and deliver awareness-building and image-development campaigns to each audience both within and beyond Dihlabeng which build on and extend current work.

5. Develop and deliver a programme of awareness-building and education to key contacts within media to which the audience is exposed to which build on and extend current work.
6. Measure and report on progress.

The delivery and consultation groups for each target audience will comprise:

- **Business decision-makers.** The Dihlabeng LED Forum should lead this delivery group, comprised not only of businesses from across the area, but also business intermediaries and partner organisations, including organised business, who works with businesses looking to locate to and re-locate within the area.
- **Visitors to the area.** The dedicated team should lead the “Business & Leisure Visitors” delivery group, joined by conference/hospitality businesses.

#### 8.3.3.3. Action 3: Supporting and extending the work of partners

The Dihlabeng Municipality should lead this delivery group, joined by individuals from the private, public and voluntary sectors. The short-term actions of this group will include:

- Establishing a baseline from which it will be possible to measure the performance of the marketing drive.
- Constructing a balanced programme of support of partners’ activities.
- Putting in place arrangements with third party providers to monitor performance vs. objectives.
- Publishing an annual report on progress for dissemination across the area.

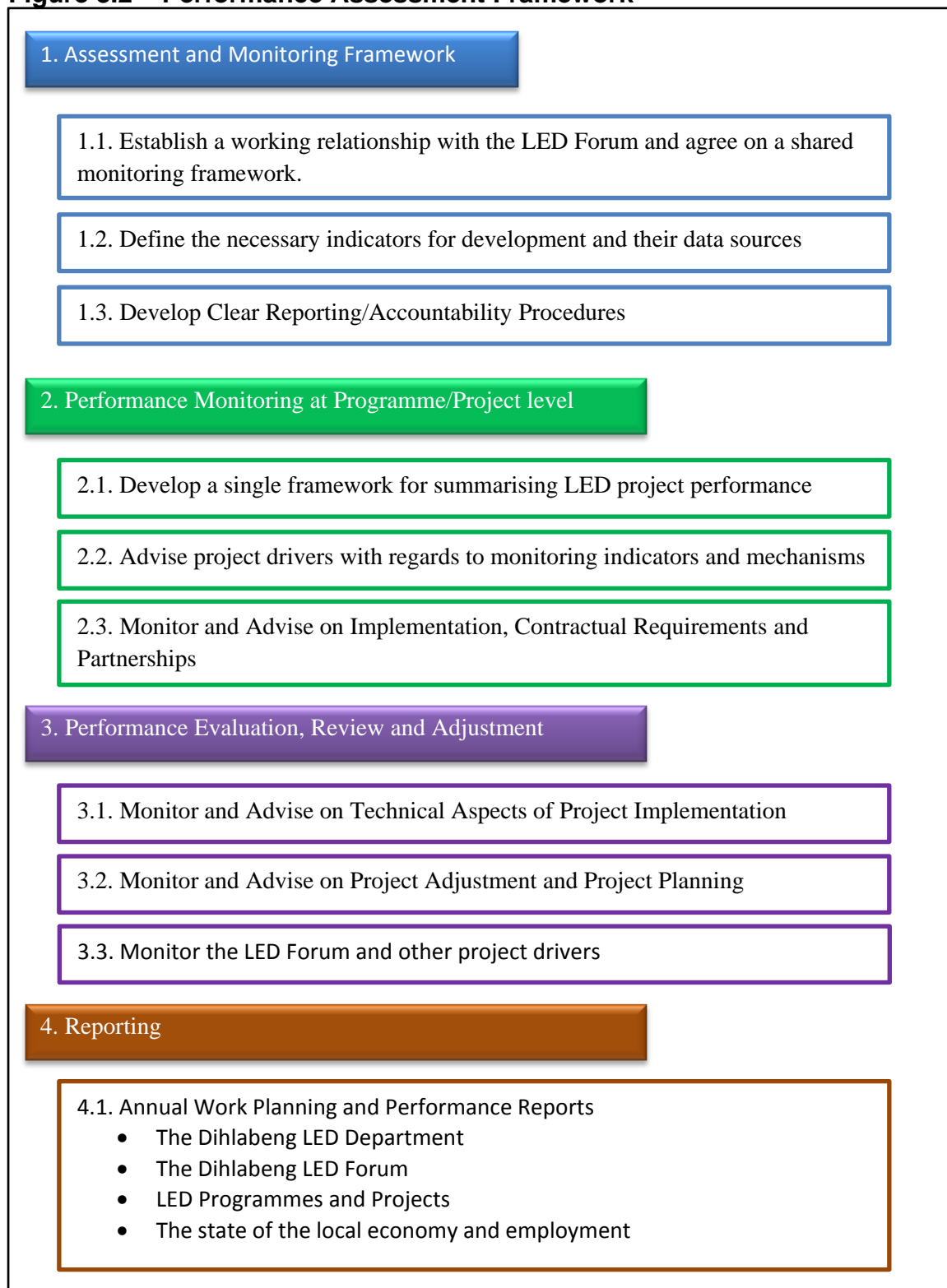
### **8.4. MONITORING & EVALUATION**

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Implementation of the LED Strategy needs to be monitored on an ongoing basis. Progress with respect to new investment and the impact thereof on Dihlabeng’s economy needs to be constantly assessed and monitored over the implementation period of the strategy. To enhance efficiency and effectiveness of the strategy, continuous adjustments need to be made, based on market fluctuations and demand changes. This entails continuous strategic re-positioning.

#### **8.4.1. Performance Assessment Framework**

The Performance Assessment Framework is a set of recommendations provided for the benefit of the Dihlabeng LED Manager. These recommendations or actions will allow for effective monitoring and evaluation during the implementation of the LED Strategy.

**Figure 8.2 – Performance Assessment Framework**



### 8.4.2. LED Strategy Monitoring and Evaluation

The overall implementation of the LED Strategy and its impact should also be monitored. A Framework for monitoring the implementation of the Dihlabeng LED Strategy is provided by Figure 8.3.

**Table 8.3 – Annual Monitoring and Evaluation of the LED Strategy**

| Evaluation Statement   | Level of agreement with statement | Comments |
|--|-----------------------------------|----------|
| The Dihlabeng LED Forum has been re-established and conducts regular meetings.             | Low Medium High                   |          |
| The Trade & Investment Plan was satisfactorily implemented                                 | Low Medium High                   |          |
| The Tourism Plan was satisfactorily implemented  | Low Medium High                   |          |
| The Agricultural and Rural Development Plan was satisfactorily implemented                 | Low Medium High                   |          |
| The SMME Plan was satisfactorily implemented   | Low Medium High                   |          |
| LED Programmes and projects adequately achieved their stated objectives                    | Low Medium High                   |          |
| The Roll-Out Plan was implemented within the planned timeframe                             | Low Medium High                   |          |
| The resources were sufficient to carry out the Roll-Out plan                               | Low Medium High                   |          |
| The leadership and capacities of role players and the organisations were sufficient        | Low Medium High                   |          |
| The partnerships and networks formed in the LED process will be sustained and strengthened | Low Medium High                   |          |
| Implementation challenges, both anticipated and unexpected, were adequately addressed      | Low Medium High                   |          |
| The results achieved this year can be sustained  | Low Medium High                   |          |

| Evaluation Statement   | Level of agreement with statement | Comments |
|--|-----------------------------------|----------|
| LED resources could not have been used differently or been substituted, to have produced more results within the estimated costs | Low Medium High                   |          |
| LED resources could not have had the same results for less money or effort.  | Low Medium High                   |          |
| Resources were managed in the most efficient way possible to achieve the project objectives.                                     | Low Medium High                   |          |
| LED initiatives were implemented as a partnership between the Municipality and the LED Forum                                     | Low Medium High                   |          |

#### 8.4.3. Monitoring and Evaluation of LED Programmes & Projects

The feasibility studies and business plans of all LED Projects must contain a detailed monitoring and evaluation plan based on the objectives and targets of the project as well as other relevant development indicators. Table 8.4 provides a broad framework for the monitoring and evaluation of LED initiatives.

**Table 8.4 – Annual Monitoring and Evaluation of LED Projects**

| <b>Project Name:</b><br><b>Project Driver:</b><br><b>Project Location:</b><br><b>Project Funder:</b> |                     |                  |   |          |          |          |
|--|---------------------|------------------|---|----------|----------|----------|
| Project Objectives   | Performance Measure | Baseline Measure | Period 1  | Period 1 | Period 1 | Period n |
| • Objective 1  | • PM 1              | • BM 1           |   |          |          |          |
| • Objective 2  | • PM 2              | • BM 2           |   |          |          |          |
| • Objective n  | • PM n              | • BM n           |   |          |          |          |
|  |                     |                  | <b>Example</b>  |          |          |          |
| Data source  |                     |                  | Project Financial Statements                              |          |          |          |
| Data collection frequency  |                     |                  | Once per quarter  |          |          |          |
| Data collection methods  |                     |                  | Business survey, community survey, labour statistics etc. |          |          |          |
| Parties involved and responsibilities  |                     |                  | The LED Forum: Collection, management, evaluation         |          |          |          |
| Results: Where they are stored, communicated, and who has access                                     |                     |                  | The Dihlabeng LED Manager                                 |          |          |          |

# Annexure A

## Project Prioritisation

**DIHLABENG: LED PROJECT PRIORITISATION**

| PROJECTS / ACTIONS  | STRATEGIC IMPORTANCE | ECONOMIC IMPACT | JOB CREATION | BEE / CAPACITY BUILDING | SMME DEVELOPMENT SUPPORT | LED | POTENTIAL ANCHOR PROJECTS | PROJECT EVALUATION |                   |                | VALUE | PRIORITY |
|---|----------------------|-----------------|--------------|-------------------------|--------------------------|-----|---------------------------|--------------------|-------------------|----------------|-------|----------|
|   |                      |                 |              |                         |                          |     |                           | HIGH IMPACT (3)    | MEDIUM IMPACT (2) | LOW IMPACT (1) |       |          |
| <b>Plan 1: Agriculture &amp; Rural Development Plan</b>                                 |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <b>Programme 1: Support for Emerging Farmers</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Establishment of a regional fresh produce market  | 3                    | 2               | 2            | 2                       | 3                        | 2   | 2                         | 2                  | 5                 | 0              | 50.00 | 1        |
| Realignment and provision of extension services   | 2                    | 2               | 2            | 3                       | 2                        | 3   | 1                         | 2                  | 4                 | 1              | 46.00 | 2        |
| Development of demonstration plots  | 3                    | 2               | 2            | 3                       | 2                        | 2   | 1                         | 2                  | 4                 | 1              | 46.00 | 2        |
| Human Resource Development (HRD)  | 3                    | 1               | 2            | 3                       | 2                        | 2   | 1                         | 2                  | 3                 | 2              | 42.00 | 3        |
| Strategic provision of infrastructure   | 2                    | 2               | 1            | 2                       | 3                        | 3   | 1                         | 2                  | 3                 | 2              | 42.00 | 3        |
| Cooperative cattle farming  | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 4        |
| <b>Programme 2: Provide Opportunities for Agro-Processing</b>                           |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Soybean Processing (i.e. crusher)   | 2                    | 3               | 2            | 2                       | 2                        | 3   | 2                         | 2                  | 5                 | 0              | 50.00 | 1        |
| Application of Bio-Technology and GMOs  | 3                    | 2               | 2            | 2                       | 1                        | 2   | 2                         | 1                  | 5                 | 1              | 42.00 | 2        |
| Vegetable packaging & processing  | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 3        |
| Hydroponics and shade netting production units  | 2                    | 2               | 1            | 2                       | 2                        | 2   | 1                         | 0                  | 5                 | 2              | 34.00 | 4        |
| Aqua-culture (fish farming)   | 2                    | 2               | 1            | 2                       | 1                        | 2   | 1                         | 0                  | 4                 | 3              | 30.00 | 5        |
| Agricultural Marketing  | 3                    | 2               | 1            | 1                       | 2                        | 1   | 1                         | 1                  | 2                 | 4              | 30.00 | 5        |
| <b>Programme 3: Renaissance Farms</b>   |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Establishment of the core farm</i>   | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Establishment of farming units  | 3                    | 3               | 2            | 3                       | 3                        | 3   | 1                         | 5                  | 1                 | 1              | 58.00 | 2        |
| Infrastructure development  | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 3        |
| Mentoring and training  | 3                    | 2               | 1            | 3                       | 2                        | 2   | 1                         | 2                  | 3                 | 2              | 42.00 | 3        |
| Installation of irrigation system   | 3                    | 2               | 1            | 2                       | 1                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 4        |
| Marketing Strategy  | 2                    | 2               | 1            | 1                       | 2                        | 2   | 1                         | 0                  | 4                 | 3              | 30.00 | 5        |
| <b>Plan 2: SMME Development Plan</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <b>Programme 1: Local Business Support Centre</b>                                       |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Business Plan and Implementation of the LBSC</i>                                     | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Demarcation of an SMME manufacturing cluster  | 3                    | 2               | 2            | 3                       | 3                        | 2   | 2                         | 3                  | 4                 | 0              | 54.00 | 2        |
| LBSC community outreach project   | 2                    | 2               | 2            | 2                       | 3                        | 3   | 1                         | 2                  | 4                 | 1              | 46.00 | 3        |
| Informal trade market   | 2                    | 2               | 2            | 2                       | 3                        | 2   | 2                         | 1                  | 6                 | 0              | 46.00 | 3        |
| Linking SMMEs with government incentives  | 3                    | 2               | 2            | 2                       | 3                        | 2   | 1                         | 2                  | 4                 | 1              | 46.00 | 3        |
| Provision of infrastructure   | 3                    | 2               | 1            | 1                       | 2                        | 2   | 2                         | 1                  | 4                 | 2              | 38.00 | 4        |
| Development of an SMME database   | 3                    | 1               | 1            | 2                       | 2                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 5        |
| Development of a skills database  | 3                    | 1               | 1            | 2                       | 2                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 5        |
| Development of an Informal Traders database   | 2                    | 1               | 1            | 2                       | 2                        | 2   | 1                         | 0                  | 4                 | 3              | 30.00 | 6        |
| <b>Programme 2: SMME Policy</b>   |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Develop a comprehensive Dihlabeng SMME Policy   | 3                    | 2               | 2            | 2                       | 3                        | 3   | 1                         | 3                  | 3                 | 1              | 50.00 | 1        |
| Review by-laws applicable to business applications                                      | 3                    | 2               | 2            | 2                       | 1                        | 3   | 1                         | 2                  | 3                 | 2              | 42.00 | 2        |
| Review by-laws applicable to informal traders   | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 3        |
| Review existing SMME programmes and policies  | 2                    | 2               | 1            | 2                       | 2                        | 1   | 1                         | 0                  | 4                 | 3              | 30.00 | 4        |
| <b>Programme 3: LED Information Portal</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Technical Development and Implementation of the LED Information Portal</i>           | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Develop a Role Player Collaboration Framework   | 3                    | 3               | 2            | 2                       | 3                        | 3   | 2                         | 4                  | 3                 | 0              | 58.00 | 2        |
| Develop a Data Management Framework   | 3                    | 2               | 1            | 1                       | 2                        | 3   | 1                         | 2                  | 2                 | 3              | 38.00 | 3        |
| <b>Plan 3: Tourism Development Plan</b>   |                      |                 |              |                         |                          |     |                           | 0                  | 0                 | 0              | -     |          |
| <b>Programme 1: Environmental Conservation</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Align tourism and environmental objectives with the SDF                                 | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 1        |
| Waste recycling and greening initiatives  | 2                    | 2               | 2            | 2                       | 2                        | 2   | 2                         | 0                  | 7                 | 0              | 42.00 | 1        |
| Development of a local Conservation Policy in line with Tourism development objectives. | 3                    | 2               | 2            | 2                       | 2                        | 1   | 1                         | 1                  | 4                 | 2              | 38.00 | 2        |
| Identification of all natural resources and assets                                      | 3                    | 2               | 1            | 1                       | 2                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 3        |
| <b>Programme 2: Improving the Tourism Profile</b>                                       |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Development of a Tourism Resort   | 2                    | 3               | 3            | 3                       | 2                        | 2   | 2                         | 3                  | 4                 | 0              | 54.00 | 1        |
| Development of a database of all available land suited for tourism investment           | 3                    | 2               | 2            | 2                       | 2                        | 3   | 1                         | 2                  | 4                 | 1              | 46.00 | 2        |
| Tourism Marketing Strategy  | 3                    | 2               | 2            | 2                       | 2                        | 2   | 2                         | 1                  | 6                 | 0              | 46.00 | 2        |
| Development of a Tourism Investor Marketing Strategy                                    | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 3        |
| Festival Identification and Promotion   | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 3        |
| Agro-tourism  | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 4        |
| Township Tourism  | 2                    | 2               | 1            | 2                       | 2                        | 2   | 2                         | 0                  | 6                 | 1              | 38.00 | 4        |
| Adventure Tourism   | 2                    | 2               | 2            | 1                       | 1                        | 2   | 2                         | 0                  | 5                 | 2              | 34.00 | 5        |
| <b>Programme 3: Establish Working Partnerships</b>                                      |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Development of Route Tourism Packages</i>  | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Establishment of the Tourism Collaborative Action Group within the LED Forum            | 3                    | 2               | 2            | 2                       | 2                        | 3   | 1                         | 2                  | 4                 | 1              | 46.00 | 2        |

| PROJECTS / ACTIONS   | STRATEGIC IMPORTANCE | ECONOMIC IMPACT | JOB CREATION | BEE / CAPACITY BUILDING | SMME DEVELOPMENT SUPPORT | LED | POTENTIAL ANCHOR PROJECTS | PROJECT EVALUATION |                   |                | VALUE | PRIORITY |
|--|----------------------|-----------------|--------------|-------------------------|--------------------------|-----|---------------------------|--------------------|-------------------|----------------|-------|----------|
|  |                      |                 |              |                         |                          |     |                           | HIGH IMPACT (3)    | MEDIUM IMPACT (2) | LOW IMPACT (1) |       |          |
| Identification of potential Tourism Routes (incl. township routes)   | 3                    | 2               | 2            | 2                       | 2                        | 2   | 2                         | 1                  | 6                 | 0              | 46.00 | 2        |
| Development of a Tourist Attraction and Accommodation Database   | 3                    | 2               | 1            | 1                       | 2                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 3        |
| <b>Programme 4: Transport Infrastructure</b>   |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Road maintenance and upgrading (linked to tourist destinations)  | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 1        |
| Development of a Tourist Accessibility Plan as part of the Municipal Master Transport Plan                   | 3                    | 2               | 1            | 1                       | 2                        | 2   | 1                         | 1                  | 3                 | 3              | 34.00 | 2        |
| Provision of Tourism Information Centres throughout Dikhalabeng  | 2                    | 2               | 1            | 1                       | 1                        | 2   | 1                         | 0                  | 3                 | 4              | 26.00 | 3        |
| Provision and upgrading of road signage  | 2                    | 2               | 1            | 1                       | 2                        | 1   | 1                         | 0                  | 3                 | 4              | 26.00 | 3        |
| <b>Plan 4: Trade &amp; Investment Development Plan</b>   |                      |                 |              |                         |                          |     |                           | 0                  | 0                 | 0              | -     |          |
| <b>Programme 1: Agro-Industrial Development Programme</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Establishment of an Agro-Processing Hub</i>   | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Targeted Investor Marketing  | 3                    | 3               | 3            | 2                       | 2                        | 3   | 1                         | 4                  | 2                 | 1              | 54.00 | 2        |
| Development of an Investment Incentive Package for agro-industrial investors                                 | 3                    | 3               | 2            | 2                       | 2                        | 3   | 1                         | 3                  | 3                 | 1              | 50.00 | 3        |
| Ring-fence Municipal funding for agro-industrial development   | 3                    | 3               | 2            | 2                       | 2                        | 2   | 1                         | 2                  | 4                 | 1              | 46.00 | 4        |
| Identification of suitable properties for agro-industrial development (database)                             | 3                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 1                  | 5                 | 1              | 42.00 | 5        |
| Establishment of an agro-processing sub-committee as part of the LED Forum                                   | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 6        |
| Provision of strategic infrastructure  | 2                    | 2               | 2            | 1                       | 2                        | 2   | 1                         | 0                  | 5                 | 2              | 34.00 | 7        |
| <b>Programme 2: Innovation Promotion Programme</b>   |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| Manufacturing Advice and Incubation Centre (MAC)   | 3                    | 3               | 2            | 2                       | 3                        | 3   | 2                         | 4                  | 3                 | 0              | 58.00 | 1        |
| Development of a Local Innovation Network (as part of the Dikhalabeng LED Forum)                             | 3                    | 3               | 2            | 3                       | 3                        | 2   | 1                         | 4                  | 2                 | 1              | 54.00 | 2        |
| Development of an Investors Incentive Package targeted at innovative and creative businesses and industries. | 3                    | 3               | 2            | 3                       | 2                        | 3   | 1                         | 4                  | 2                 | 1              | 54.00 | 2        |
| Establishment of a Technical Mentoring System (as part of the Dikhalabeng LED Forum)                         | 2                    | 2               | 2            | 3                       | 3                        | 3   | 1                         | 3                  | 3                 | 1              | 50.00 | 3        |
| Development of a research and knowledge database   | 2                    | 2               | 1            | 1                       | 2                        | 3   | 1                         | 1                  | 3                 | 3              | 34.00 | 4        |
| Developing a school-support education programme  | 2                    | 2               | 1            | 2                       | 1                        | 2   | 1                         | 0                  | 4                 | 3              | 30.00 | 5        |
| <b>Programme 3: Business Networking Programme</b>  |                      |                 |              |                         |                          |     |                           |                    |                   |                |       |          |
| <i>Re-establishment of the LED Forum</i>   | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Development and implementation of the LED Information Portal   | 3                    | 3               | 3            | 3                       | 3                        | 3   | 3                         | 7                  | 0                 | 0              | 70.00 | 1        |
| Business and investor matchmaking programme  | 3                    | 3               | 3            | 3                       | 3                        | 3   | 2                         | 6                  | 1                 | 0              | 66.00 | 2        |
| Development of a comprehensive business and skills database  | 3                    | 3               | 3            | 2                       | 2                        | 3   | 2                         | 4                  | 3                 | 0              | 58.00 | 3        |
| Industrial Marketing Strategy  | 3                    | 3               | 2            | 2                       | 2                        | 2   | 1                         | 2                  | 4                 | 1              | 46.00 | 4        |
| Develop a database of land owned by the Municipality   | 3                    | 2               | 2            | 1                       | 2                        | 3   | 1                         | 2                  | 3                 | 2              | 42.00 | 5        |
| Establishment of a business and investor One-Stop centre   | 2                    | 2               | 2            | 2                       | 2                        | 2   | 1                         | 0                  | 6                 | 1              | 38.00 | 6        |

# Annexure B

## LED Roll-Out Plan

## DIHLABENG: LED PROJECT PRIORITISATION

| PROJECTS / ACTIONS  | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |  |
|---|------|------|------|------|------|------|------|------|------|------|------|--|
| Plan 1: Agriculture & Rural Development Plan  |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 1: Support for Emerging Farmers   |      |      |      |      |      |      |      |      |      |      |      |  |
| Establishment of a regional fresh produce market  |      |      |      |      |      |      |      |      |      |      |      |  |
| Realignment and provision of extension services   |      |      |      |      |      |      |      |      |      |      |      |  |
| Development of demonstration plots  |      |      |      |      |      |      |      |      |      |      |      |  |
| Human Resource Development (HRD)  |      |      |      |      |      |      |      |      |      |      |      |  |
| Strategic provision of infrastructure   |      |      |      |      |      |      |      |      |      |      |      |  |
| Cooperative cattle farming  |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 2: Provide Opportunities for Agro-Processing                                  |      |      |      |      |      |      |      |      |      |      |      |  |
| Soybean Processing (i.e. crusher)   |      |      |      |      |      |      |      |      |      |      |      |  |
| Application of Bio-Technology and GMOs  |      |      |      |      |      |      |      |      |      |      |      |  |
| Vegetable packaging & processing  |      |      |      |      |      |      |      |      |      |      |      |  |
| Hydroponics and shade netting production units  |      |      |      |      |      |      |      |      |      |      |      |  |
| Aqua-culture (fish farming)   |      |      |      |      |      |      |      |      |      |      |      |  |
| Agricultural Marketing  |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 3: Renaissance Farms  |      |      |      |      |      |      |      |      |      |      |      |  |
| Establishment of the core farm  |      |      |      |      |      |      |      |      |      |      |      |  |
| Establishment of farming units  |      |      |      |      |      |      |      |      |      |      |      |  |
| Infrastructure development  |      |      |      |      |      |      |      |      |      |      |      |  |
| Mentoring and training  |      |      |      |      |      |      |      |      |      |      |      |  |
| Installation of irrigation system   |      |      |      |      |      |      |      |      |      |      |      |  |
| Marketing Strategy  |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Plan 2: SMME Development Plan   |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 1: Local Business Support Centre  |      |      |      |      |      |      |      |      |      |      |      |  |
| Business Plan and Implementation of the LBSC  |      |      |      |      |      |      |      |      |      |      |      |  |
| Demarcation of an SMME manufacturing cluster  |      |      |      |      |      |      |      |      |      |      |      |  |
| LBSC community outreach project   |      |      |      |      |      |      |      |      |      |      |      |  |
| Informal trade market   |      |      |      |      |      |      |      |      |      |      |      |  |
| Linking SMMEs with government incentives  |      |      |      |      |      |      |      |      |      |      |      |  |
| Provision of infrastructure   |      |      |      |      |      |      |      |      |      |      |      |  |
| Development of an SMME database   |      |      |      |      |      |      |      |      |      |      |      |  |
| Development of a skills database  |      |      |      |      |      |      |      |      |      |      |      |  |
| Development of an Informal Traders database   |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 2: SMME Policy  |      |      |      |      |      |      |      |      |      |      |      |  |
| Develop a comprehensive Dihlabeng SMME Policy   |      |      |      |      |      |      |      |      |      |      |      |  |
| Review by-laws applicable to business applications                                      |      |      |      |      |      |      |      |      |      |      |      |  |
| Review by-laws applicable to informal traders   |      |      |      |      |      |      |      |      |      |      |      |  |
| Review existing SMME programmes and policies  |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 3: LED Information Portal   |      |      |      |      |      |      |      |      |      |      |      |  |
| Technical Development and Implementation of the LED Information Portal                  |      |      |      |      |      |      |      |      |      |      |      |  |
| Develop a Role Player Collaboration Framework   |      |      |      |      |      |      |      |      |      |      |      |  |
| Develop a Data Management Framework   |      |      |      |      |      |      |      |      |      |      |      |  |
|   |      |      |      |      |      |      |      |      |      |      |      |  |
| Plan 3: Tourism Development Plan  |      |      |      |      |      |      |      |      |      |      |      |  |
| Programme 1: Environmental Conservation   |      |      |      |      |      |      |      |      |      |      |      |  |
| Align tourism and environmental objectives with the SDF                                 |      |      |      |      |      |      |      |      |      |      |      |  |
| Waste recycling and greening initiatives  |      |      |      |      |      |      |      |      |      |      |      |  |
| Development of a local Conservation Policy in line with Tourism development objectives. |      |      |      |      |      |      |      |      |      |      |      |  |



