

**The European Union's Reconstruction and
Development Programme for South Africa**

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**"PMU to manage the implementation of
Local Economic Development in
Limpopo Province"**

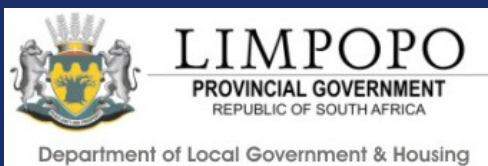
Local Economic Development Strategy

Bela Bela

**De Witt Visser
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TABEL OF CONTENTS

1.	SECTION 1 - Introduction	
1.1	Background	1-1
1.2	Global context	1-3
1.3	Overview of the South African economy	1-7
1.4	Overview of the Limpopo economy	1-11
1.5	Development policy context for Bela-Bela	1-13
2.	SECTION 2 – Status quo of Bela-Bela economy	
2.1	Spatial patterns and landownership	2-3
2.2	Ease of doing business in Bela-Bela	2-5
2.3	Socio-economic profile of Bela-Bela community	2-8
2.4	Overview of Bela-Bela economy	2-15
2.5	Overview of Bela-Bela labour force	2-18
2.6	Agriculture	2-25
2.7	Tourism	2-39
2.8	Trade	2-44
2.9	Real estate	2-46
2.10	Government	2-49
2.11	Informal sector	2-53
2.12	Infrastructure	2-56
2.13	Conclusions on how the Bela-Bela economy works	2-57
3.	SECTION 3 – The design of the economic strategy	
3.1	Points of departure for a successful economic development strategy	3-1
3.2	Economic goals to be achieved	3-2
3.3	Design of Bela-Bela LED strategy	3-3
4.	SECTION 4 – Thrusts	
4.1	Commercial agriculture	4-1
4.2	Emerging agriculture	4-7
4.3	Informal sector	4-11
4.4	Tourism	4-18
5.	SECTION 5 – Support measures	
5.1	Institutional development	5-1
5.2	Skills development	5-6
5.3	Infrastructure development	5-11
6.	SECTION 6 - Prioritizing	
6.1	Introduction	6-1
6.2	Prioritizing model	6-1
6.3		

7. SECTION 7 - Implementation plan

7.1	Introduction	7-1
7.2	Priority 1 – Immediate implementation (planning / budget cycle year 1)	7-2
7.3	Priority 2 – Prepare for implementation (planning / budget cycle years 1 – 3)	7-6
7.4	Priority 3 – Conduct further research (planning / budget cycle years 1 – 5)	7-11
7.5	Priority 4 – Put on back burner (planning / budget cycle years 1 – 10)	7-15
7.6	Summary of implementation plan	7-18
7.7	Monitoring	7-19
7.8	Immediate actions	7-21

ANNEXURES

A	The 16 decisions of the Grameen Bank
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DIAGRAMS

1.1	Growth in world GDP	1-3
1.2	Comparison between the repo rate and CPIX	1-8
1.3	Comparison between the number of new firms established and jobs created	1-8
1.4	Trends in the BCI	1-9
1.5	Trends in the TAI	1-9
1.6	Consumer Confidence Index (comparison between Whites and Blacks)	1-10
2.1	Relation between chronic poverty and non-poverty with respect to the poverty line	2-14
2.2	Growth in the number of foreign visitors to South Africa	2-40
2.3	The linkages between tourism and the rest of the economy	2-41
2.4	Retail Confidence Index	2-44

TABLES

2.1	Probability of establishing an enterprise based on formal education of the person (%)	2-10
2.2	Summary of surviving strategies of households affected by HIV / AIDS	2-12
2.3	Share of employment by three skills categories (selected sectors)	2-22
2.4	Broad comparison between study fields (final year graduates of 2001)	2-22
2.5	Agricultural production volumes in Bela-Bela (2004/05 season estimates)	2-24
2.6	Land reform financed with LRAD	2-28
2.7	Examples of recent game auctions in the area	2-33
2.8	Visitor enquiries at Bela-Bela Tourism Centre (2008)	2-43
4.1	Inter-country cost comparison for various medical procedures (US\$)	4-24
7.1	Summary of implementation programme	7-18
7.2	Broad schedule	7-23

Section 2: Status quo of Bela-Bela economy

GRAPHS

1.1	Limpopo economy – internal structure (1996 and 2006)	1-12
1.2	Production values at constant value (2000 prices), 1996 to 2006	1-13
2.1	Comparison in population growth rates	2-9
2.2	Age profile, 2006 (Black population)	2-9
2.3	Age profile, 2006 (White population)	2-9
2.4	Comparison in poverty levels (1996 to 2006)	2-13
2.5	Average price of selected foodstuff (current value) (January 2000 to May 2008)	2-15
2.6	Internal structure of Bela-Bela economy for selected years (current value)	2-16
2.7	Comparison in year-on-year growth for period 1996 to 2006 (constant value at 2000 prices)	2-16
2.8	Sectoral production at constant value (2000 prices) for the period 1996 to 2006	2-17
2.9	Comparison in <i>per capita</i> GGP	2-17
2.10	Location quotient	2-18
2.11	Comparison of size of EAP (1996, 2001 and 2006)	2-19
2.12	Comparison between relative size of formal economy and employment (2006)	2-19
2.13	Jobs created per formal sector (1996 to 2006)	2-20
2.14	Jobs created in informal sector (1996 to 2006)	2-20
2.15	Highest education levels of the EAP in South Africa (2005/06)	2-21
2.16	Employment profile per education group (South Africa - 2005/06)	2-21
2.17	A comparison in the functional literacy levels	2-23
2.18	Comparison between annual growth rates achieved in population, economy and jobs (1996 – 2006)	2-24
2.19	Farming input costs (index year: 2000)	2-27
2.20	Producer Price Index for cattle and pig production (1980 – 2007)	2-30
2.21	Producer Price Index for cotton, maize and sunflower (1980 – 2007)	2-35
2.22	Production levels achieved in Wholesale and Retail, 1996 to 2006 (2000 prices)	2-45
2.23	Production levels achieved in Finance, 1996 to 2006 (2000 prices)	2-48
2.24	Main sources of income for municipality	2-50
2.25	Medium term revenue budget	2-50
2.26	Income streams (billing) for municipality (July 2007 – Ma 2008)	2-51
2.27	Comparison between billing and collection levels	2-52
2.28	Monthly and average recovery rate	2-52
2.29	Unemployment levels compared with annual growth rate of key economic indicators	2-57

FIGURES

2.1	Model used to assess Bela-Bela economy	2-2
2.2	Relationship between the total population and the labour force	2-8
2.3	Simplified value chain for animal production	2-30
2.4	Simplified overview on value chain of game industry	2-32
2.5	Value chain and volumes of chicken produced (2006 values)	2-34

Section 2: Status quo of Bela-Bela economy

3.1	Main components and design of strategy	3-5
4.1	Simplistic perspective on main market segments	4-19
5.1	Recommended set of LED structures	5-3
5.2	Demand and supply of labour (school to work transition)	5-10
6.1	The nature of the multi-year planning – budgeting system	6-2
6.2	First level prioritisation model	6-4
6.3	Implementation matrix	6-5
6.4	Prioritisation model	6-6
6.5	Implementation matrix	6-7
7.1	Hierarchy of monitoring	7-20

MAPS

2.1	Soil potential of Bela-Bela	2-26
2.2	Overview of land claims	2-28

ABBREVIATIONS

ABET	:	Adult Basic Education and Training
BCI	:	Business Confidence Index
BEE	:	Black Economic Empowerment
BER	:	Bureau for Market Research
CASP	:	Comprehensive Agriculture Support Programme
CBD	:	Central Business District
CCDI	:	Cape Craft and Design Institute
CCI	:	Consumer Confidence Index
CPI	:	Consumer Price Index (including mortgage rates)
CPIX	:	Consumer Price Index (excluding mortgage rates)
DBSA	:	Development Bank of southern Africa
DHA	:	Department of Home Affairs
DLA	:	Department of Land Affairs
DME	:	Department of Minerals and Energy
DPSA	:	Department of Public Service Administration
DWAF	:	Department of Water Affairs and Forestry
EAP	:	Economic Active Population
ESTA	:	Extension of Security of Tenure Act
FAO	:	Food and Agricultural Organization
FDI	:	Foreign Direct Investment
FOMA	:	Municipal Fund for Street Vendors
GCS	:	Government Communication Strategy
GDP	:	Gross Domestic Product
GEAR	:	Growth, Employment and Redistribution
GEM	:	Global Entrepreneurship Monitor
GGP	:	Gross Geographic Product
GLA	:	Gross Leaseable Area
GNP	:	Gross National Product
ha	:	Hectare
HDI	:	Human Development Index
HIV / AIDS	:	Human immuno deficiency virus / Acquired immuno deficiency syndrome
ICAC	:	International Cotton Advisory Committee
ICRA	:	International Centre for development orientated research in Agriculture
IDP	:	Integrated Development Plan
IMF	:	International Monetary Fund
K/c/a	:	Kilogram per capita per annum
l/d	:	Litres per day
LADEP	:	Limpopo Agricultural Development Programme
LED	:	Local Economic Development
LIBSA	:	Limpopo Business Support Agency
LPGDS	:	Limpopo Provincial Growth and Development Strategy
LRAD	:	Land Redistribution for Agriculture Development
LSU	:	Large stock unit
LUS	:	Land Use Scheme
MAFISA	:	Micro Agriculture Finance Institutions of South Africa
MCP	:	Microcredit Programme
MICE	:	Meetings, Incentives, Conferences and Events
MIG	:	Municipal Infrastructure Grant

Section 2: Status quo of Bela-Bela economy

MVA	:	Mega Volt Ampere
NDA	:	National Department of Agriculture
NERSA	:	National Electricity Regulator of South Africa
NSDP	:	National Spatial Development Programme
NSF	:	National Skills Fund
OECD	:	Organization for Economic Cooperation and Development
PGDS	:	Provincial Growth and Development Strategy
PGM's	:	Platinum Group Metals
PPI	:	Producer Price Index
PRIDE	:	Participatory Rural Integrated Development
RESIS	:	Revitalization of Irrigation Schemes
RPO	:	Red Meat Producers Organisation
SACCI	:	South African Chamber of Commerce and Industry
SAFA	:	South African Feedlot Association
SAGIS	:	South African Grain Information Services
SAMDI	:	South African Management Development Institute
SAMIC	:	South African Meat Industry Company
SAMPA	:	South African Meat Processors Organisation
SCM	:	Supply Chain Management
SDF	:	Spatial Development Framework
SEDA	:	Small business development agency
SEF	:	Small Enterprise Foundation
SIC	:	Standard Industrial Classification
SMME	:	Small, medium and micro enterprises
STK	:	Suidelike Transvaal Kooperasie
T/d	:	Ton per day
TAI	:	Trade Activity Index
TCP	:	Tšhomisano Credit Programme
TEA	:	Total Early Stage Activity
UIF	:	Unemployment Insurance Fund
UN	:	United Nations
USA	:	United States of America
VAT	:	Value added tax
WTO	:	World Tourism Organization

EXECUTIVE SUMMARY

This document presents a 10 – year economic strategy for Bela-Bela. The strategy does not provide any recipe or formula, but rather a framework to guide the further growth and development of the Bela-Bela economy. The strategy must not be considered “final” and implemented rigidly, but must be appreciated as a “live” document to be amended in accordance with the dynamics of the ever-changing environment, which will require experimenting with new ideas and “learning by doing”.

It is important to recognise that LED involves far more than merely a list of projects. Instead, LED has a very strong strategic character and it essentially involves the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation in pursuit of a better life for all. It is therefore in essence not a "thing we do" but rather a "way we do things". International good practice in local economic development (LED) suggests that LED is a community activity whose success is closely linked to community cohesion and effective community economic governance. As such, LED *per se* is not a municipal function and the implementation of this Strategy cannot simply be allocated to the municipality. Instead, the Constitution places an obligation upon communities to assume greater responsibility for LED. Herein lies one of the key requirements of a successful LED Strategy, namely to have a set of properly constituted structures in place that deal with the local economy, such as a properly functioning Business Chamber.

The main trends underlying to and characteristics of the Bela-Bela economy can be summarized as follows:

- i. The formal economy is dominated by the tertiary sectors and in particular by Finance. By comparison, the primary sector, which one would have expected to be the main driver is comparatively small.
- ii. Despite the weak performance of Agriculture, the sector creates about 15% of all formal jobs, confirming that the sector’s labour intensive nature.
- iii. Since the late 1990’s, the formal economy has managed a high average growth rate of 9.5% p.a., compared with 3.9% for Limpopo and 4.5% for Waterberg. This should have resulted in a decrease in the levels of unemployment. However, the rate of employment creation appears to have decreased, with the level of formal job creation currently lower than the population growth, meaning that the economy is not even able to absorb the natural annual increases in the labour market.
- iv. This weak performance can at least partially be attributed to the fact that a large portion of the growth was driven by the Finance (real estate) and Trade sectors. The real estate industry involves a small fraction of the total population and hardly creates any job opportunities.
- v. A worrisome factor is the low levels of functional literacy of the Bela-Bela population. This not only lowers the market value of the general labour force, but it also limits the entrepreneurial ability of the population.
- vi. It would appear as if the informal sector has in recent times developed into an important part of the aggregate economy and as such, must be inculcated in the strategy.

Section 2: Status quo of Bela-Bela economy

The strategy comprises the following “thrusts” and “support” measures:

- i. Thrusts
 - Commercial agriculture
 - Development of a meat cluster
 - Production of hides
 - Consolidate the game and hunting industry
 - Emerging agriculture
 - Finalize water allocation to farmers at Rust de Winter
 - Support to the Tiisetso Chicken Project
 - Tourism
 - Develop a comprehensive tourism strategy
 - Encourage establishments to apply and maintain star grading
 - Develop accurate intelligence
 - Explore possibility of specific niche markets
 - Informal sector
 - Develop a comprehensive policy on the informal sector
 - Establish forums for both the hawker and flea market groups
 - Develop business plan to access the budget from Waterberg DM
 - Produce commodities for the sport industry
- ii. Support measures
 - Institutional development
 - Establish a LED Committee
 - Improve communications with customers and service levels of municipality
 - Skills development
 - Labour skills development
 - Entrepreneurial and business skills development
 - Career guidance and promotion of mathematics and science
 - Infrastructure development
 - Upgrade electricity infrastructure
 - Upgrade sanitation infrastructure
 - Engage in planning for water

SECTION	1	<h1>Introduction</h1>
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The purpose of this section is to provide the background and context for the Bela-Bela Local Economic Development (LED) Strategy. The LED strategy is an integral part of the Integrated Development Programme (IDP) for the Municipality. This section comprises the following paragraphs:

- i. **Par 1.1** Background
- ii. **Par 1.2** Global context
- iii. **Par 1.3** Overview of the South African economy
- iv. **Par 1.4** Overview of the Limpopo economy
- v. **Par 1.5** Development policy context for Bela-Bela

1.1 BACKGROUND

This document presents a 10 – year economic strategy for Bela-Bela. The strategy does not provide any recipe or formula, but rather a framework to guide the further growth and development of the Bela-Bela economy. The strategy only presents part of a much larger effort with the real challenge and crux being its successful implementation. The strategy must not be considered “final” and implemented rigidly, but must be appreciated as a “live” document to be amended in accordance with the dynamics of the ever-changing environment, which will require experimenting with new ideas and “learning by doing”. International experience in LED conclude that there is simply no “sure fire” recipe for economic development, as the environments and variables are simply too varied and dynamic¹. On another level, this concept is captured by Deng Xiaoping’s² dictum “cross the river by feeling the stones”, which means that an economic strategy sometimes requires small steps, rather than grandiose plans and programmes. This is particularly true for a small and open economy such as that of Bela-Bela, where changes in a lead sector such as tourism, or a change in political leadership, can change the landscape in a significant way, requiring a re-think and realignment of the strategy. In short, a LED “is never done”.

1.1.1 The broad approach followed

Economics and in particular Development Economics, is one of the youngest fields and only started to be recognized as a discipline in its own right during the nineteenth century. Although great strides have been made since the original

¹ OECD, 1998: *Local economic development: A geographical comparison of rural community restructuring*.

² World Bank: Commission on Growth and Development. *The Growth Report. Strategies for Sustained Growth and Inclusive Development*. May 2008

Section 2: Status quo of Bela-Bela economy

economic theories with the development of more robust models to explain economic systems and predict outcomes, there is not a simple formula for economic growth. Part of the reason lies in the fact that an economic system is not only determined by the resource base, but most importantly by human behavior. Put simply, it is human behavior that makes it impossible to fully explain economic systems or to accurately predict economic outcomes.

Most economic strategies are based on specific models or schools of thought. However, experience shows that local conditions vary too much and economic systems are too dynamic for any particular model to provide the ultimate answer. So, instead of following a particular model or school of thought, the approach followed in the development of this strategy was to learn from those economies and societies that have managed to grow their economies for prolonged periods. Experience with the so-called "miracle economies"³ shows that economic growth does not simply occur by itself, but requires specific actions that must be implemented with dedication and under strong leadership. Although great care must be taken not to simply "copy" strategies, it is believed that there are certain basic fundamentals that should be followed in the development and implementation of any economic development strategy. These fundamentals will form the basic point of departure for this strategy.

1.1.2 Introductory notes on LED

International good practice in local economic development (LED) suggests that LED is in the first place a community activity whose success is closely linked to community cohesion and effective community economic governance. Sections 155 and 156 of the Constitution set out the functions of municipalities, which include certain LED related functions. It is however important to note that LED *per se* is not a municipal function. As such, the implementation of this Strategy cannot simply be allocated to the municipality. Instead, the Constitution places an obligation upon communities to assume greater responsibility for LED. Herein lies one of the key requirements of a successful LED Strategy, namely to have a set of properly constituted structures in place that deal with the local economy, such as a properly functioning Business Chamber.

It is important to recognise that LED involves far more than merely a list of projects. Instead, LED has a very strong strategic character and it essentially involves the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation in pursuit of a better life for all. It is therefore in essence not a "thing we do" but rather a "way we do things".

The main elements include:

- i. It involves some degree of structured co-operation between and co-ordination of the activities of the various stakeholders in the local economy in order to achieve common purpose.
- ii. It seeks to mobilise the total resources, including the social and economic potential that exists in the community toward the upliftment and prosperity of all of the community through shared growth.

³ Refer paragraph 2.2

Section 2: Status quo of Bela-Bela economy

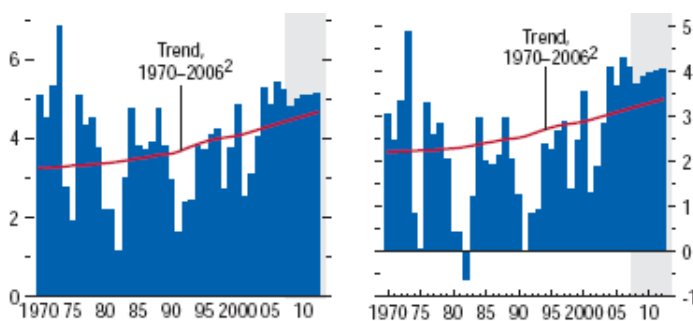
- iii. It seeks to disseminate information enabling informed development initiatives within the community.
- iv. It is essentially "home-grown". Externally driven development initiatives are most frequently "top-down" and relatively insensitive to local priorities. LED approaches seek to reflect the strengths, weaknesses, opportunities and threats of individual communities and to tailor local responses to achieve the maximum sustainable benefit for those communities. It involves local responses to local problems aligned with broad overall development guidelines provided by the provincial and national spheres.

1.2 GLOBAL CONTEXT

1.2.1 Global economic trends

According to the International Monetary Fund (IMF)⁴, the global economy has since 2004 experienced its strongest sustained period of growth since the early 1970's. Diagram 1.1 shows this trend in terms of both the real Gross Domestic Product (GDP) and *per capita* GDP.

Diagram 1.1: Growth in world GDP



SOURCE: IMF. 2008

Emerging economies contributed significantly towards this growth trajectory, particularly economies such as China, India and Russia. As an indication, the IMF calculates a growth rate of 5% during 2007, compared to the three economies mentioned which achieved growth rates of 11%, 9% and 8% respectively. This means that a number of the developing economies picked-up the slack caused by the lower growth rates

achieved by the advanced economies. Looking forward, some economists are talking about the "de-coupling" of the global economy, meaning the large emerging economies such as the Asian region, having developed sufficient momentum to carry them forward and being less sensitive to the fluctuations in the advanced economies. However, if this will actually materialize in the global economy remains to be seen.

At closer inspection, the picture is not all rosy as global imbalances⁵ have increased with large current account deficits in major economies such as the USA and surpluses in a few other countries, mainly in Asia. Also, the growth trajectory has lost its momentum due to a range of factors that include the turbulence in the financial markets⁶, as well as an increase in international inflation and very strong

⁴ IMF, 2008: *World Economic Outlook. Housing and the business cycle.*

⁵ Global imbalance is defined as the sum of current account balances as a percentage of world GDP

⁶ The turbulence in the international financial markets was mainly caused by delinquencies in US sub-prime mortgages. However, expectations are that the situation will improve in the second half of 2008, mainly as a result of the interventions of the Federal Reserve.

Section 2: Status quo of Bela-Bela economy

increase in the price of oil. Not surprisingly, this inflation is most pronounced in the fast growing economies of India and China. Corrective action by the authorities in these countries will slow these economies and have a knock-on effect for commodity producers such as South Africa. As a result, institutions such as the IMF have adjusted their projections downwards with 0.5% to 4.5% for 2008. It is important to note that the downward adjustment is not as severe, as it is expected that the larger emerging economies will take-up the slack caused by the weak performance of the traditional drivers of the global economy, most notably the USA.

World inflation has increased notably since 2006, mainly fueled by an increase in food prices. A range of factors contribute towards the higher food prices including an increase in the demand for certain commodities such as maize for use in the biofuels industry, a gradual depletion of the food inventory levels, as well as lower than average supply levels in some countries mainly due to drought. As an indication, the Food and Agricultural Organization (FAO)⁷ estimates that the average food price index has increased by 53% in the first three months of 2008 compared with the same period last year. In more detail, the international price of basic food such as vegetable oil, grain, dairy products and rice have in some countries increased by 97%, 87%, 58% and 46% respectively. This has resulted in 21 out of 36 countries in Sub-Saharan Africa experiencing critical food shortages (the Sub-Saharan region imports 45% of its wheat and 84% of its rice). The situation is worsened by political and civil strife. Whereas the advanced economies have been able to minimise the increase in inflation, developing economies are far more vulnerable due to the fact that most are net importers of food, coupled with their weak currencies. These changes have implications for local economies, and help explain why local economic development cannot be a "one off" approach.

1.2.2 Successful economies

Since 1950, 13 economies⁸ have managed to achieve an annual growth of 7% or higher for a period of 25 years or longer. At such a rate, an economy would almost double in its size every decade. These countries vary significantly in terms of their size and resource endowments. Also, not all these countries managed to maintain the growth with a number of the economies petering out (e.g. Brazil's growth phase ended at the last major oil crises in around 1979). A Commission was established⁹ to study these "miracle" economies to try and identify the main commonalities and found the following:

- i. **They used the global market** – These economies could not have grown at the rate they did with an "inward looking" economy. Although the domestic markets are vital, they also managed to penetrate and maintain international markets. In addition to a larger demand pool, an important component of the global market is access to skills and technology.
- ii. **High levels of domestic savings** – Levels of up to 20 – 25% of GDP are not unusual in these economies (very little dependence on foreign finance).

⁷ FAO, 2008: *Soaring food prices: Facts, perspectives, impacts and actions required.*

⁸ These economies are: Botswana, Brazil, China, Hong Kong (China), Indonesia, Japan, the Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan (China), and Thailand. Two other countries are on their way namely India and Vietnam.

⁹ World Bank: Commission on Growth and Development. *The Growth Report. Strategies for Sustained Growth and Inclusive Development.* May 2008

Section 2: Status quo of Bela-Bela economy

- Domestic savings include government, business and the private household. In some cases, the governments developed specific schemes to ensure savings from the private household.
- iii. **Forward looking, strong and credible political leadership** – The political leadership was able to create a clear vision and to excite and unite the nation to achieve this vision (the leadership must also be accountable).
 - iv. **Strong government system** – This involves government systems with minimal bureaucracy and strong technocratic ability to implement policies and strategies. Included in this element are focused strong monetary policies to manage inflation and money growth, as well as responsible fiscal strategies to ensure a fair and equitable tax system and focus government spending.
 - v. **Focused government investment** – This involves the development and proper maintenance of service infrastructure, as well as investment in health and educational facilities (skills development is a vital ingredient).
 - vi. **Market orientated** – The market is the best mechanism to allocate and reward resources. In essence, these economies are based on the basic principles of capitalism.
 - vii. **Policies and their implementation should be pragmatic** – Although policies are forward looking, they have to be adapted with changes in the environment. Also, policies should never be considered as absolute and sometimes a “trail and error” or “learn by doing” approach is more appropriate.

To this can be added two other elements namely:

- i. **Entrepreneurial activity** - Entrepreneurs represent the core of any economy as they combine the various production factors to create wealth. International studies such as that conducted by the OECD¹⁰ show that entrepreneurship is the result of three dimensions working together namely: conducive framework conditions, well designed government programmes and thirdly, supportive cultural attitudes. Sadly, these factors are either absent or under-developed in South Africa with studies such as Global Entrepreneurship Monitor (GEM) showing that South Africa’s so-called Total Early Stage Activity (TEA) rate was as low as 5% in 2005. This means that for every 100 adults between the ages of 18 and 64, only 5 own and manage a business. The average TEA for all developing countries is about 10, with some countries such as Venezuela having very high TEA’s of 25. South Africa therefore has one of the lowest TEA’s amongst developing countries in the world. The reasons for this can be ascribed to a lack of cultural support and a general fear for failure, often generated by an historical legacy that for the majority did little to build confidence and capacity.
- ii. **Properly functioning institutional systems** - According to *Arrow* (1999): “much of the economic backwardness in the world can be explained by a lack of mutual confidence”. The promotion of open social-dialogue to establish business networks and partnerships is considered important for the flow of information and development. This is achieved through the establishment of inclusive structures that involve local business chambers, as well as sectoral forums such as agriculture, tourism and informal traders (e.g. business needs a well structured and representative mouthpiece to talk to government).

¹⁰ OECD, 1998: *Fostering Entrepreneurship – The OECD jobs strategy*.

1.2.3 What is driving the global economy?

The current growth in the global economy can be attributed to a number of inter-related factors. The following are some of the main drivers:

- i. An increase in the volume and value of global trade, which indicates a growing market. This increase in trade volumes not only involves the exchange of goods, but also the exchange of skills and technology which further increase consumer demand and production abilities.
- ii. A growth in the number of the middle-class consumers, which increases the demand for commodities ranging from clothing to food. This increase in demand is particularly prominent in the Asian economies such as China and Japan.
- iii. The current increase in commodity prices particularly minerals such as copper and crude oil. This has resulted in record capital inflows into Africa. According to the United Nations Conference on Trade and Development's World Investment Report (2007), FDI inflows into Africa as a whole rose to a record high of US\$ 36 billion in 2006 which is double that of 2004. It is also interesting to note that about 50% of cross border acquisitions of African firms were by to Asian multinationals, mainly in the energy and mineral industries¹¹.
- iv. Growth in specific sectors such as the international tourism industry that has managed very high growth rates as a result of an affluent ageing population in developed countries as well as improved communication and transport systems. However, the industry is notoriously fickle and is affected by variables such as perceptions about recipient countries, political stability, the cost of fuel and by exchange rates.

On the downside, the increase in demand together with stagnant supply reserves, resulted in upward inflationary pressure which affect the emerging economies much more than the established economies.

1.2.4 Are these drivers present in the Bela-Bela economy?

Growth in the Bela-Bela economy is largely driven by the tertiary sectors, mainly tourism and the real estate industries. As such, the increase in commodity prices has very little positive effect on the Bela-Bela economy as no minerals of note are produced and agricultural production is relatively small. As with the rest of the world and South Africa, the increase in the inflation levels is affecting the local economy through lower purchasing power. Also, the increase in the South African interest rate is putting strong downward pressure on the real estate market and can be expected that the past high growth levels achieved will be severely affected. Thirdly, the combined effect of the increase in inflation, interest rates and fuel reduce the total value of the disposable income of South Africans, which in its turn affects the trade and tourism sectors.

¹¹ Standard Bank: *The Economy in 2008*.

1.3 OVERVIEW OF THE SOUTH AFRICAN ECONOMY

The South African economy has managed a sustained upward growth trajectory for a number of years, with an average growth rate of 5.1% achieved during 2007. This is only slightly lower than the 5.4% achieved in 2006¹². Growth varies significantly across the sectors with the traditional drivers such as Agriculture and Mining achieving low rates in 2007 whereas the Construction sector increased its already high growth rate of 14.7% achieved in 2006 to 18.1% in 2007. This can largely be attributed to the mega projects such as Gautrain, the 2010 stadiums and upgrading of the airports. By comparison, the Trade sector contracted from 7% in 2006 to 5% in 2007, mainly as a result of the higher interest rates and the introduction of the National Credit Act, both of which moderated consumer demand.

For the purposes of this strategy, the following worrying observations can be made namely:

- i. The high debt levels : A large number of people have over-extended themselves during the times of low interest rates and are now struggling to finance the debt. The financing of debt effectively mops-up a large portion of disposable income. On a national level, the debt to disposable income is about 70%.
- ii. Low savings: : Total domestic savings is at 14% of the GDP, which is not enough to finance the current rate of capital formation, resulting in South Africa becoming more dependent on foreign capital.
- iii. Low skills base : The following sobering facts from the UASA report¹³:
 - i. South Africa came last in the latest study amongst 40 countries on reading and literature skills.
 - ii. In the same study, South Africa came last in both science and mathematics (worse than countries such as Ghana and Botswana).
 - iii. A very low ratio of school goes complete grade 12 (less than 40%).
 - iv. Less than 10% of school leavers qualify for university exception.
 - v. About 6% of the South African labour force has no formal schooling, whereas the majority (41%) only has lower secondary.
- vi. Low levels of job creation : A decrease in the rate of employment creation to 2.4% for 2007 (compared with growth in GDP at 5.1%), thus putting upward pressure on the

¹² SARB, 2008: *Quarterly Report*, March 2008.

¹³ UASA, 2007: *Skill shortage – urban legend or fact? The 6th South African employment report.*

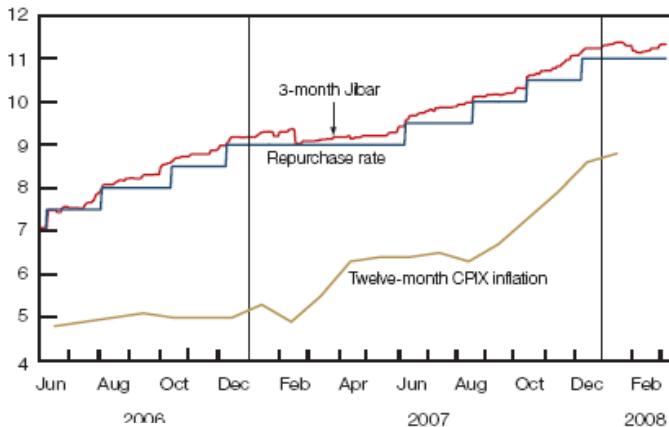
Section 2: Status quo of Bela-Bela economy

unemployment levels.

- vii. Eroding of cheap : Cheap electricity has always been one of the electricity as a competitive advantage. comparative advantages used to promote FDI in South Africa. However, the recent crises in electricity supply has effectively wiped-out or reduced the potency of this draw card.
- viii. Upward movement : The CPIX continues to increase reaching 10.4% in April 2008 with CPI at 11.1%. This inflation is cost pushed, largely fuelled by the international increase in the price of food. This dramatic increase in the price of basic foodstuff has a severe impact on the survival of the poor sector of the population. This is an international phenomenon and some commentators are expecting an increase in social unrest as a result of this. Also, it can be expected that the labour unions will demand a double-digit increase in the wages, which is reasonable but may fuel the upward move in inflation even further.
- ix. Increase in cost of : The cost of fuel based commodities, fertilizer and farm inputs imported equipment has increase dramatically. As an indication, diesel costs 63% more than what it did a year ago. Similarly, it is expected that the price of fuel, fertilizer and transport cost will increase by 75%, 90% and 52% from 2007/08 to 2008/09.

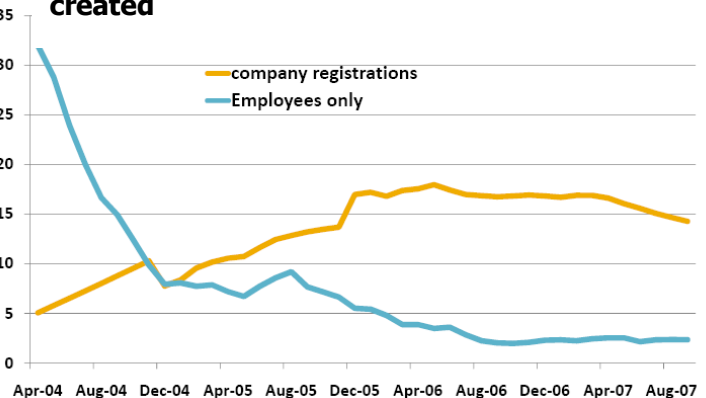
Diagram 1.3 compares the year on year growth rate in the number of new firms established (in terms of new companies registered) with the number of new jobs created. The graph clearly shows a strong negative trend in the number of new jobs, compared with a much less dramatic tapering in the number of firms established. Although the values on the graph can be questioned (e.g. the high rate

DIAGRAM 1.2: Comparison between the repo rate and CPIX



SOURCE: SARB, 2008

DIAGRAM 1.3: Comparison between the number of new firms established and jobs created



SOURCE: UASA, 2007

Section 2: Status quo of Bela-Bela economy

of creation pre April 2004), the graph confirms the general worrying trend of an economy that manages to grow, but without generating new jobs at the same rate. Jobless growth provides a major challenge for local economic development strategies.

Graph 1.2 compares the Repo rate with the CPIX and shows the strong increase in the CPIX. The first observation to be made from the above two graphs involves the slow-down in the national economy, which is in-line with the international trend. Added to this is the increase in inflation levels, which generally affects the poor section of the population much more than the higher income category. Combined, these two trends requires a higher need for "redistribution" to the poor. However, as shown in Diagram 1.3, the economy was hardly able to generate jobs during periods of high growth, which implies that the economy will be even less able to "redistribute" income under periods of lower growth (when the need is the highest).

1.3.1 What drives the South Africa economy?

A number of factors fueled the growth in the South African economy.

- i. Private consumer spending has been at an all time high for the last few years, mainly driven by the increase in the size of the middle class, as well as easier access to credit provided by both financial and non-financial institutions. However, the increase in the interest rate and the high inflation rates have tempered consumer spending and it is anticipated that this downward trend will continue for some time.
- ii. Large-scale capital projects were committed for the 2010 soccer world cup which, combined with the boom in the real estate, resulted in very high growth rates achieved in the Construction sector.
- iii. The high mineral prices helps to earn much needed foreign capital.
- iv. The abandoning of much central planning and subsidized production prior to 1994, and the slow emergence of a more effective enforcement of competition policy.

However, the future prospects look less rosy mainly as a result of the downturn in consumer spending, increase in fuel prices, the problem with electricity supply, as well as a constraint on production which is at least partially caused by a skills shortage.

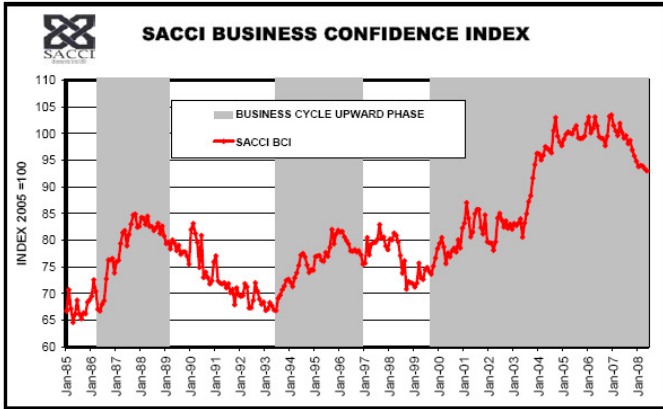
a) Business confidence and trade levels

Surveys conducted by the South African Chamber of Commerce and Industry (SACCI) indicates that the business confidence index (BCI) have now decreased to the lowest level since October 2003.

Similarly, the Trade Activity Index (TAI) has been in a general downward trend since October 2006. Diagrams 1.4 and 1.5 provide a graphic perspective on the movements and trends in the BCI and TAI.

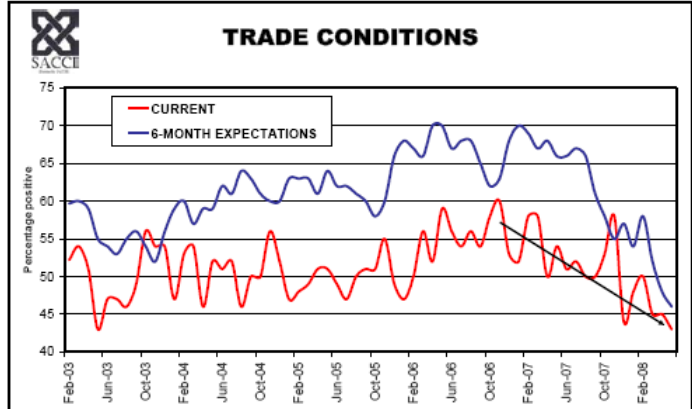
Section 2: Status quo of Bela-Bela economy

DIAGRAM 1.4: Trends in the BCI



SOURCE: SACCI, Business Confidence Index, May 2008

DIAGRAM 1.5: Trends in the TAI

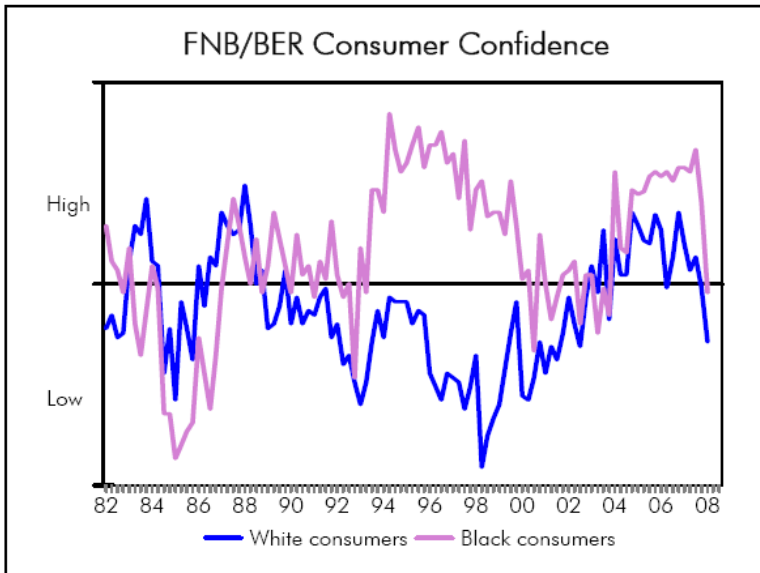


SOURCE: SACCI, Trade conditions survey, May 2008

b) Consumer confidence

The Consumer Confidence Index (CCI) is defined as the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending.

DIAGRAM 1.6: Consumer Confidence Index (comparison between Whites and Blacks)



SOURCE: BER, Business confidence drops further. Wednesday 11 June 2008.

According to the research done by the BER, the CCI has in the first two quarters of 2008 registered the largest fall in 24 years. Diagram 1.6 shows that this fall was registered amongst both the White and Black consumers.

Section 2: Status quo of Bela-Bela economy

The following factors are considered the main reasons for this significant fall:

- i. The accelerated increase in the inflation levels that are largely fueled by increases in food and transport cost, but which are under-pinned by decades of under-investment in skills and infrastructure.
- ii. The further increase in the repo rate, and the reports that the Reserve Bank may consider further increases.
- iii. A deterioration in employment prospects.
- iv. A decrease in property prices
- v. The impact of the recent xenophobia attacks, combined with the socio-economic and political unrest in Zimbabwe.

In essence, the recent research by the BER shows an increase in the negative perceptions amongst the general consumer base about the domestic economy and their own personal finance.

These observations and sentiments also apply to the Bela-Bela economy and the local consumer base. The significance is that during times of significant negative CCI, consumers cut back on their expenditure to levels below their disposable income in an effort to reduce outstanding debt. This lower expenditure levels have an impact on sectors such as Trade.

1.4 OVERVIEW OF THE LIMPOPO ECONOMY

1.4.1 Demographics

The provincial population increased at an average rate of about 1.4% p.a. from 5.0 million in 1996 to about 5.6 million 2006. The age profile shows a very young population which by implication suggest strong continued natural growth, as well as a large dependency rate, as a large portion of the population are not economically active¹⁴. The reason for the relative small economically active population is not clear, but may be attributed to the relative large student population as a large proportion of the labour force. As an indication, the dependency rate is estimated at 9.39¹⁵ which means that every employed person has to support about 9 people. The rapid expansion in the flow of new entrants onto the job market is a great challenge for LED if employment rates are to be increased.

A worrisome characteristic of the provincial population is the low skill levels as reflected in the levels functional literacy. As an indication, in 2006 only 64% of the provincial population was functionally literate, compared with the national average of 74%. However, again there are notable differences between Whites and Blacks with Whites having a high level of 99% compared with Blacks at 64%.

It would appear as if the growth experienced in the provincial economy did benefit the population as the average HDI improved from 4.5 in 1996 to 5.2 in 2006.

¹⁴ As an indication, the EAP as a percentage of the total population was only 27% in 2006 compared with a national average of 39%.

¹⁵ The *actual dependency index* refers to the number of people that are dependent on one person who is actually employed at the time

Section 2: Status quo of Bela-Bela economy

Improvements in HDI probably stem from governments social policy in health, education and in providing safety net grants rather than from economic policy. There is still considerable difference between whites and blacks with whites enjoying a high HDI of 0.84, compared to 0.50 for Blacks. However, the poverty levels remain high at 56.1% in 2006.

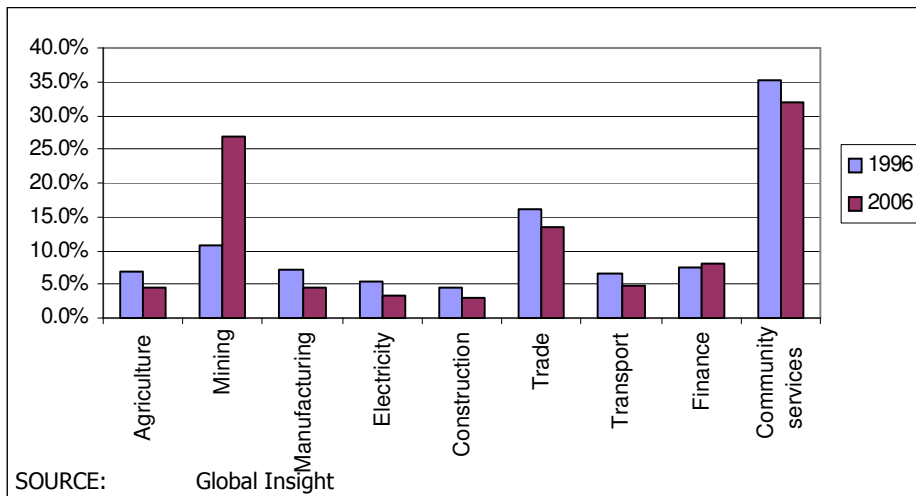
Despite the growth achieved in the formal economy, unemployment levels (expanded definition) remain high, decreasing only marginally from 45% in 1996 to 44% in 2006.

1.4.2 Economy

The GGP for Limpopo Province amounted to almost R69 billion in 2006, measured at current prices. This represents about 4.5% of the national economy. At constant values (2000 prices), the provincial economy grew from R36.5 billion in 1996 to R45.9 billion in 2006, representing an average of 2.3% p.a. compared with the domestic economy that averaged a rate of 3.4% p.a. over this period.

Graph 1.1 presents some perspective on the internal structure of the economy. It shows that the mining sector has increased its contribution significantly from 10% in 1996 to 26% in 2006. The graph also shows that agriculture contributes marginally towards the provincial economy. The largest contribution is generated by Community services which essentially involves the salaries paid to government officials.

GRAPH 1.1: Limpopo economy – internal structure (1996 and 2006)

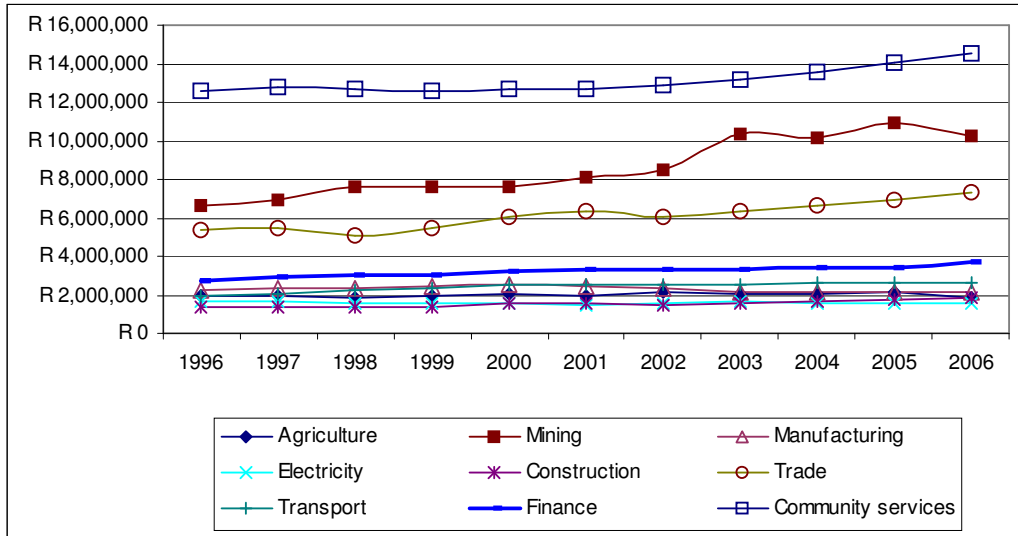


The significance of the internal structure has to be assessed in terms of the production output at constant values to gain insight into the actual increase or decrease in production values. This is provided in Graph 1.2.

Section 2: Status quo of Bela-Bela economy

Graph 1.2 clearly shows the strong increase in production output achieved in Mining, particularly in the period 2002 to 2003. By comparison, the growth in the other sectors has been slow and even stagnant.

GRAPH 1.2: Production values at constant value (2000 prices), 1996 to 2006



SOURCE: Global Insight

1.4.3 What drives economic development in Limpopo today?

The main drivers of the provincial economy are mining, mainly as a result of the continued increase in the internal price of mineral commodities, followed by government and trade. Of these, the growth in mining is most significant.

The province has considerable mineral resources in a number of strategic commodities including:

- i. PGM's,
- ii. Iron ore
- iii. Chrome and Vanadium
- iv. Copper
- v. Coal, and
- vi. Diamonds,

A number of new platinum projects are in process varying from the initial exploration phase to feasibility studies. Investments in new mining operations are concentrated in the Waterberg and Sekhukhune Districts. Within Waterberg, there are substantial investments in new platinum production in Mogalakwena Municipality and in the expansion of existing production in Thabazimbi Municipality. A further critical development in the Waterberg region is the development of the Waterberg coalfield which is set to become a vital element of South Africa's future energy sector. The contribution from mining is therefore expected to increase even further in future. However, it must be noted that minerals are by their nature a finite resource, which means that it will at some future stage become deplete. Also, the prices are determined by international demand, thereby rendering the province somewhat

Section 2: Status quo of Bela-Bela economy

vulnerable to exogenous variables. It should also be noted that the contribution of mining in terms of its gross value added is much greater than its value in terms of employment.

1.4.4 Are these drivers present in the Bela-Bela economy?

There appears to be very little similarity between the Bela-Bela and provincial economies.

Unlike the broader Limpopo economy, the mining sector is very small and contributes marginally. By comparison, the Bela-Bela economy has a large finance sector that is mainly driven by the real estate industry.

Another driver of the Bela-Bela economy is the tourism industry. The area has become a popular inland tourist destination due to major attractions such as the *Forever Resort* (formerly *Aventura*) and the availability of a large number of game lodges.

1.5 DEVELOPMENT POLICY CONTEXT FOR BELA-BELA

The Bela-Bela economy operates within a larger South African context influenced by several national and provincial policy frameworks that inform and guide local economic development. In addition, there are also a number of district level strategies, as well as the local IDP. The most important of these policy frameworks and development strategies include the following:

- i. Accelerated and Shared Growth Initiative for South Africa (AsgiSA)
- ii. National Framework for LED (DPLG)
- iii. Limpopo Provincial Growth and Development Strategy (2004)
- iv. Limpopo Agricultural Development Programme (LADEP), 2006
- v. Waterberg District LED
- vi. Waterberg Agriculture Development Strategy (2005)
- vii. Waterberg Tourism Strategy (2006)
- viii. Waterberg poverty reduction plan (2006)
- ix. Waterberg Co-operative development strategy (2006)
- x. Bela-Bela IDP (2008/09)

Secondary to these is the Limpopo Provincial Spatial Rationale (2002) and the Bela-Bela SDF.

The significance of these is discussed as background to the basic strategy design provided in Section 3.

SECTION	2	<i>Status quo</i> of Bela-Bela economy
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The purpose of this section is to provide a strategic overview on the current status of the Bela-Bela economy, the main trends, as well as the variables that impact on the growth and development of the economy. This assessment is followed by an overview of the constraints and opportunities offered by the Bela-Bela economy, which present the foundation for the economic strategy provided in Section 3.

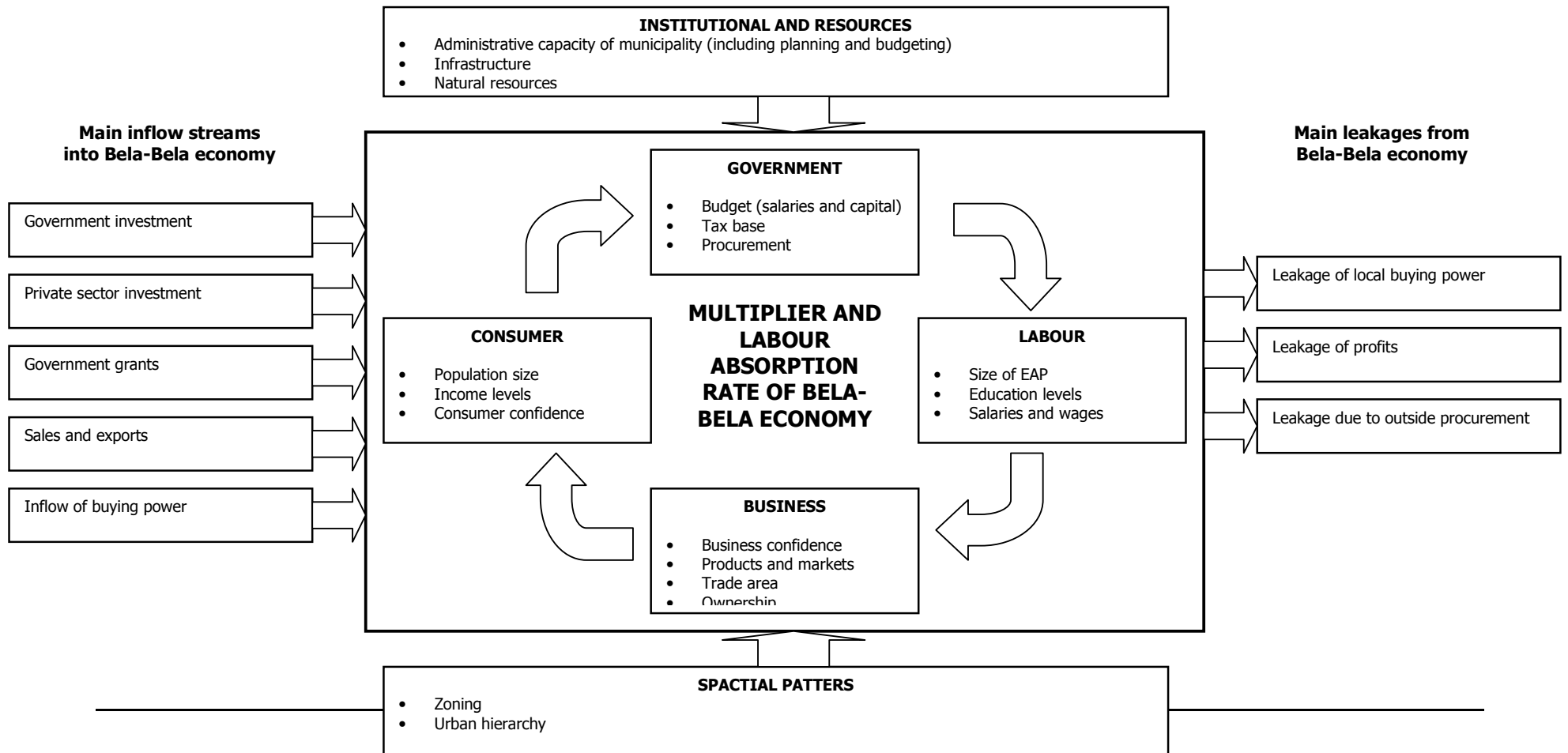
The economy was assessed using a model that is loosely based on classical economic theory. Although some critics may consider the classical model as too simplistic and outdated, it is considered sufficiently robust for a small economy such as Bela-Bela.

Figure 2.1 presents an overview of the model. The figure shows that the model involves:

- i. Inflows comprising streams such as:
 - Government and private sector investment
 - Government grants (i.e. social grants)
 - Sales and exports
 - Inflow of demand (e.g. tourism)
- ii. The internal operation of the economy which to a large extent determines the multiplier ability of the economy and comprises:
 - Government
 - Labour
 - Business (formal and informal)
 - Consumer
- iii. The outflow or leakages from the economy, which comprises:
 - Leakage of local buying power
 - Leakage of profits
 - Leakage due to outside procurement
- iv. The larger environment which comprises:
 - The spatial environment
 - Institutional and resources

Section 2: Status quo of Bela-Bela economy

FIGURE 2.1: Model used to assess Bela-Bela economy



Section 3: The design of the economic strategy

The section comprises the following paragraphs:

- vi. **Par 2.1** Spatial patterns
- vii. **Par 2.2** Ease of doing business in Bela-Bela
- viii. **Par 2.3** Socio-economic profile of Bela-Bela community
- ix. **Par 2.4** Overview of Bela-Bela economy
- x. **Par 2.5** Overview of Bela-Bela labour force
- xi. **Par 2.6** Agriculture
- xii. **Par 2.7** Tourism
- xiii. **Par 2.8** Trade
- xiv. **Par 2.9** Real estate
- xv. **Par 2.10** Government
- xvi. **Par 2.11** Informal sector
- xvii. **Par 2.12** Infrastructure
- xviii. **Par 2.13** Conclusions on how the Bela-Bela economy works

2.1 SPATIAL PATTERNS AND LAND OWNERSHIP

The municipality is in the final stages to develop a Land Use Management System (LUM) that covers the entire municipal area and not only the urban areas as was the case with the former Town Planning Schemes. The LUM will replace the Town Planning Scheme after it has been approved. The essential purpose of the LUM is to specify the particular land uses that will be allowed per zoning, as well as other matters such as height restrictions, floor areas and parking space to be provided. As such, all new township establishment and zoning applications will be considered and managed by means of the LUM. The introduction of the LUM will ease the challenges of integrated development planning. Not surprisingly, national government is requiring that the implementation of the LUM be influenced by the Municipal IDP.

On a broader level, Bela-Bela has an approved Spatial Development Framework (SDF) that provides guidelines on decisions regarding the broader spatial location of economic activities, such as an urban edge for Bela-Bela town to prevent urban sprawl. The SDF also provides recommendations on matters such as density rates, infrastructure provision and the activities that should be allowed, or not allowed, per land-use.

The sub-paragraphs following provide a broad overview on the main elements of the SDF.

2.1.1 Urban hierarchy

The urban hierarchy comprises the following (classified in accordance with the categories provided for in the Limpopo Provincial Spatial Rationale, 2002):

- i. Provincial Growth Point – Bela-Bela Town
These provincial growth points have sizeable economies and play a role in the provincial economy.
- ii. District Growth Point – none

Section 3: The design of the economic strategy

- iii. Municipal Growth Point – Pienaarsrivier
This order has a smaller economy and focus on serving the area immediately around the node with trade and other services.
- iv. Local Service Points – Settlers, Radium and Rust de Winter
- v. Lower levels - Rapotokwane

Economic activities should be located in the highest order possible to capitalize and further develop the existing forward and backward linkages, thereby developing a critical mass. In contrast, distributing economic activities to achieve an “even spread” will work against the feasibility of the activities.

2.1.2 Land-use management

The SDF divides the municipal area into a number of distinctive land-uses such as:

- i. **Conservation** – the entire western area is classified as conservation, which plays a key role in the tourism industry.
- ii. **Public and private resorts** – These developments mainly comprise facilities such as chalets, caravan parks, hotels and other recreational facilities. This group of land-uses also plays an important role in the tourism industry, mainly catering for the weekend visitors, the majority of which originate from Gauteng. The private resorts involve sectional title or share block holding to the owners, whereas the public resorts typically involve hotels, camping and chalets. There are more than 14 of these facilities that include the *Forever Resort* and *Klein Kariba*.
- iii. **Wildlife estates / private nature reserves** – This involves low-density residential developments in the deeper rural area (about 1 unit / 20 ha). The units are normally clustered to preserve the environment. Although these facilities initially catered for occasional visits, there seem to be a trend with some of the owners locating on a more permanent basis. Ownership varies from full to sectional title. Examples include *Mabalingwe* and *Het Bad*.
- iv. **Lifestyle estates** – These are very similar to the wildlife estates, but they tend to be located closer to the towns. They provide recreational facilities such as golf courses (which would be absent at the wildlife estates). Examples include *Lejwe La Meetse* and *Inthaba Indle*.
- v. **Agriculture** – This involves the farms that are predominantly used for agricultural purposes with the main activities being:
 - Maize production – Radium area
 - Cotton production – Bela-Bela area
 - Tobacco – Rust de Winter area
 - Sunflower – Radium area
 - Cattle, game, sheep, goat, horse and chicken – various locations
- vi. **Business** – The town has a well-defined CBD as well as other smaller nodes such as the Waterfront development and in those located in the various extensions. Pienaarsrivier also has a small business area.

Section 3: The design of the economic strategy

- vii. **Industrial** – There are four industrial areas with a total of about 156 sites of which 89 are still vacant (all in Warmbaths Extension 11). However, some of the sites fall within the 1 : 100 year flood line which limits their development potential. To address this problem, the SDF recommends that the industrial area to be extended.

2.1.3 Development corridors

The main corridors include the following:

- i. **N1** – This is the main corridor and not only links the area with Gauteng, but is the main corridor between South Africa and countries to the immediate north. As such, it is a strategic link for the transportation of people and goods.
- ii. **P1 / 3** – This is an alternative route to the N1, linking Gauteng with Limpopo.
- iii. **P85 / 1** – This is the main link with Mpumalanga.
- iv. **Tourism corridors** – These routes carry the tourists to the main tourism destinations and it is therefore important that they be properly maintained whilst at the same time protecting the natural environment:
 - P20 / 1 – To Thabazimbi
 - P1 / 4 – To Modimolle
 - D 180 – To Alma

2.2 EASE OF DOING BUSINESS IN BELA-BELA

2.2.1 Overview of business costs

There can be little doubt that the general level of competition in the business world is continuously on the increase, which requires that entrepreneurs have to make a conscious effort to reduce costs and at the same time, increase production output to stay in business. Apart from having access to resources and markets, a key variable in the ability of an entrepreneur to remain competitive is the institutional environment in which the business operates. The institutional environment mainly involves policies and regulations that govern issues such as the procedure to register a business, license applications, re-zoning and property ownership. Institutions such as the World Bank and the World Economic Forum conduct regular surveys to assess the business environments in the various countries in order to establish the ease and cost of doing business in a country. Although these are very broad and macro indicators, they are useful in suggesting areas that need improvement. As an example, the latest Global Competitive Report states the following as the problematic factors that hamper economic growth in South Africa:

- i. Inadequately educated workforce (i.e. the much talked about “skills shortage”).
- ii. Crime and theft – this includes both blue and white-collar crime (and the implied additional cost for business to protect themselves).

Section 3: The design of the economic strategy

- iii. Inefficient government bureaucracy (e.g. the length of time it takes to register a business and secure business rights).
- iv. Restrictive labour regulations (i.e. the cost and problems involved to “hire and fire” people).
- v. Inadequate supply of infrastructure
- vi. Poor work ethic in labour force

Clearly, Bela-Bela municipality does not have a direct influence on all these elements, but the municipality should at least strive to improve the ease and reduce the cost of doing business. It is important that this does not only refer to direct cost such as municipal services, but also the indirect costs such as administrative turn-around times and the cost to access information.

The DPLG is currently piloting tools to allow municipalities to make an objective assessment of the quality of the business environment.

2.2.2 Situation in Bela-Bela

The LUM will replace the existing Town Planning Scheme but it does not change the procedures to be followed in land-use applications, as these procedures are governed by the Townplanning and Township Ordinance (15 of 1986). However, the Land Use Management Bill, which is currently under consideration, has the capacity to change the procedures and reduce the turn-around time for land use applications.

The current situation can be summarized as follows:

- i. **Easy to apply for consent uses** – The LUM will simplify the requirements and procedures to apply for consent uses, most of which will involve home-based businesses. However, the procedures involved in other applications such as township establishment and re-zoning will remain the same (as these procedures are governed by the Townplanning and Township Ordinance).
- ii. **Communication as required in terms of the legislation** – The municipality has a Communication Strategy that was compiled in accordance with the relevant legislation¹⁶. The primary objective of this Communication Strategy is to ensure that the Municipality, both at Council and Management levels, articulate common messages in an efficient, coherent and co-ordinated manner. All notices and invitations to meetings and imbizo's (e.g. for the IDP) are planned and arranged in accordance with this Communication Strategy. However, problems are experienced on three levels namely:
 - **Enquiries made by customers (business and civil) to the municipality** – The reaction time from the municipality seems to be slow and the feedback weak. The general complaint is that customers find it difficult to make contact with the appropriate official in the municipality,

¹⁶ The Municipal Structures Act, 1998, Municipal Systems Act, 2000, the Access to Information Act, 2000 and the Constitution of South Africa, 1996 as well as the national Government Communication Strategy (GCS) and Provincial Communication Strategy, places the obligations on local government communicators and oblige high levels of transparency, accountability, openness, participatory democracy and direct consultation and communication with the citizenry.

Section 3: The design of the economic strategy

- resulting in frustration. It would appear as if some officials are regularly out of office, or do not return calls.
- **Curtsey and professionalism of officials in dealing with customers** – The general complaint is that some officials do not always honor the principles of *Batho Pele* as they are not always friendly and helpful when dealing with customers.
 - **Suggestions made by customers** – The complaint is that inputs and suggestions made by the commercial sector are rarely accepted and implemented.
- iii. **Lack of a clear policy on the informal trade sector** – The informal sector (refer Paragraph 2.11) is managed by way of a By-Law that specifies matters such as: where trading is prohibited, the restrictions on the type of trading allowed, and defines the powers of the municipality in regulating informal trade. Although the By-Law is useful for the purposes of regulation, a comprehensive policy is required on the informal sector to deal with all its dimensions in order to allow the sector to make a meaningful contribution to the local economy.
- iv. **Preferential procurement policy** – The municipality has a Supply Chain Management (SCM) policy that gives preference to local business. However, in practice, it would seem as if a large portion of municipal contracts are still awarded to businesses located outside the area.
- v. **Access to information** – There is an allegation that tenders are sometimes published over holiday periods, resulting in some of the interested parties not being aware of the tenders.
- vi. **Turn-around times for zoning and business applications** – Opinions about the turn-around for land-use applications time differ, but the following concerns were noted:
- The long time delays in approving building plans.
 - A number of developments have located elsewhere after their applications took too long.
 - Bulk service costs and contributions are increased without any consultation or reason given. The high service fees put pressure on the feasibility of developments and a number have relocated.¹⁷
- vii. **Infrastructure**
- **Roads** – The internal road infrastructure of Warmbaths and Bela-Bela is in a fairly good condition (apart from a few potholes), but the access roads (arterial distributors) to the town require upgrading. These roads are:
 - o P1/ 4 (R101) - which links Bela-Bela with Modimolle, Radium, Pienaarsriver and Gauteng and is mainly used by tourists.
 - o P20/ 1 - links Bela-Bela with Thabazimbi
 - o P85/ 1 (R516) - links Bela-Bela with Settlers
 - **Water** – Warmbaths and Bela-Bela have sufficient water until 2015.

¹⁷ In essence, the main concern is that the municipality is not encouraging business development, resulting in a number of investors having re-located their investments.

Section 3: The design of the economic strategy

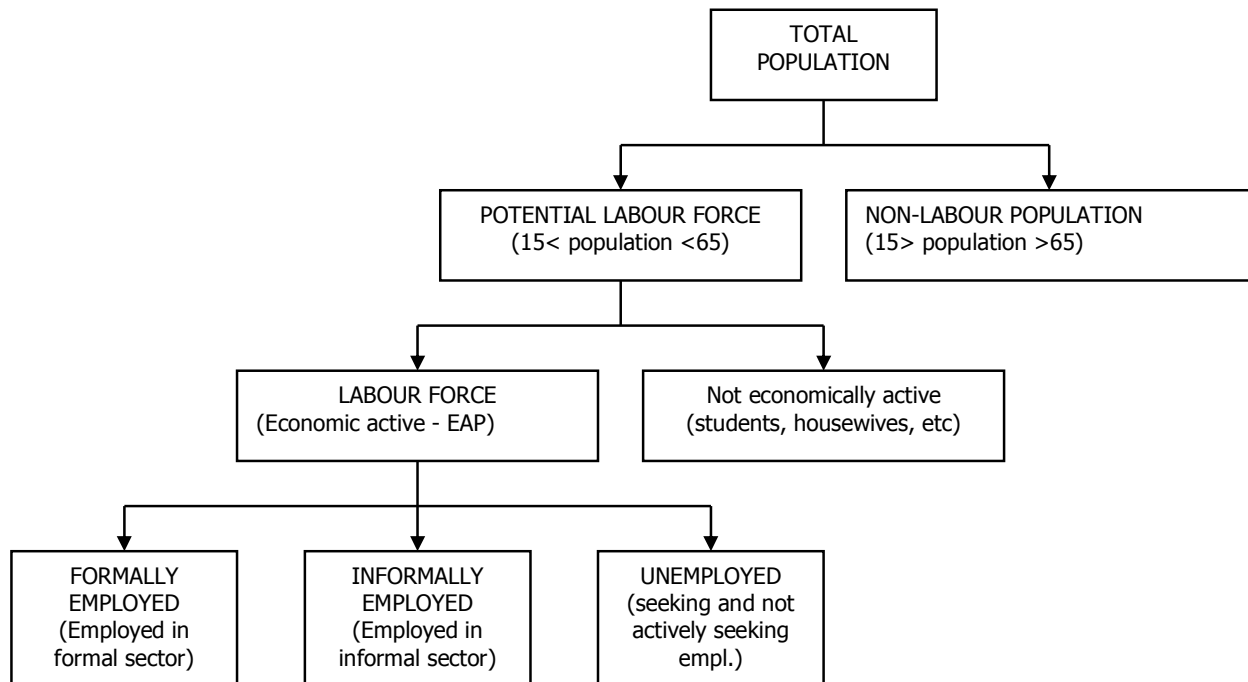
- **Sanitation** – The sanitation infrastructure in Warmbaths and Bela-Bela are overtaxed and require urgent upgrading. MIG funds have been secured for this.
- **Electricity** – The electricity demand in Warmbaths and Bela-Bela far exceeds the approved allocation from Eskom and the infrastructure requires major upgrading. Funds have been secured from DME to start addressing the problem.
- **Telecommunication** – In general, the telecommunication infrastructure (both fixed line and cellular) is well developed. Cell reception may be problematic in the deeper rural and mountainous areas.

viii. **Industrial space** – There are still ample industrial sites available.

2.3 SOCIO-ECONOMIC PROFILE OF BELA-BELA COMMUNITY

It is important that the size and composition of the labour force be understood within the context of the population structure of the particular community. As a basic point of departure, Figure 2.2 presents a simplified model to illustrate the “location” of the Economic Active Population” (EAP) within the context of the larger population.

FIGURE 2.2: Relationship between the total population and the labour force



The EAP essentially represents the potential labour force of a community. The important conclusion to be made from the figure is that the size of the EAP is largely a function of the age profile of the population. As an example, the figure shows that

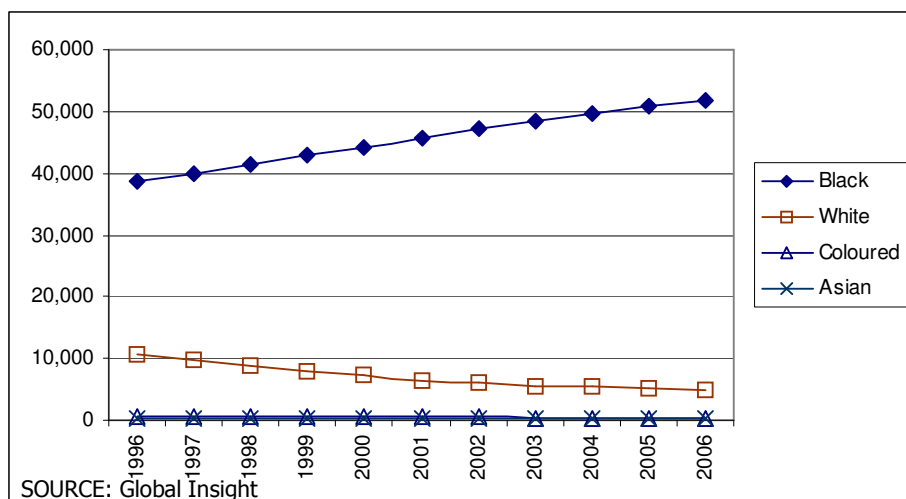
Section 3: The design of the economic strategy

a young, or very old age structure, results in a smaller EAP, which increases the dependency ratios. Also, if a large proportion of the potential labour force involves activities that would prevent them from full-time employment, such as students, the EAP will be smaller. In addition, the education and health levels of the population mainly determine the quality of the potential labour force. These variables are discussed in the sub-paragraphs following.

2.3.1 Population size, growth rate and age profile

The 1996 and 2006 populations are estimated at 10 200 and 57 350 respectively, indicating an annual growth rate of about 1.3%, compared with a growth in the GDP of 9.5% p.a. over the same period. This would imply an improvement in the socio-economic indicators such as the income levels, HDI and Gini Coefficient. However, as shown in paragraph 2.4 below, the growth in the economy was mainly concentrated in sectors such as Finance, which firstly involves a very small section of the population and secondly does not generate much employment opportunities. As a result, the good performance of the Bela-Bela economy is largely academic for the majority of the population.

GRAPH 2.1: Comparison in population growth rates



Graph 2.1 compares the population size between the main population groups and shows that the Black population has increased at a high rate, whereas it would seem as if there has been a decrease in the White population. In the absence of

further information, it can be speculated that the younger generation of the White population does not consider Bela-Bela as a place that offer much economic potential, resulting in them migrating to other areas, presumably Gauteng. On the other hand, the Black population either see Bela-Bela as a place of opportunity, or may be less mobile than the White population. This difference in perception has an impact on the age profiles as shown in Graphs 2.2 and 2.3 below.

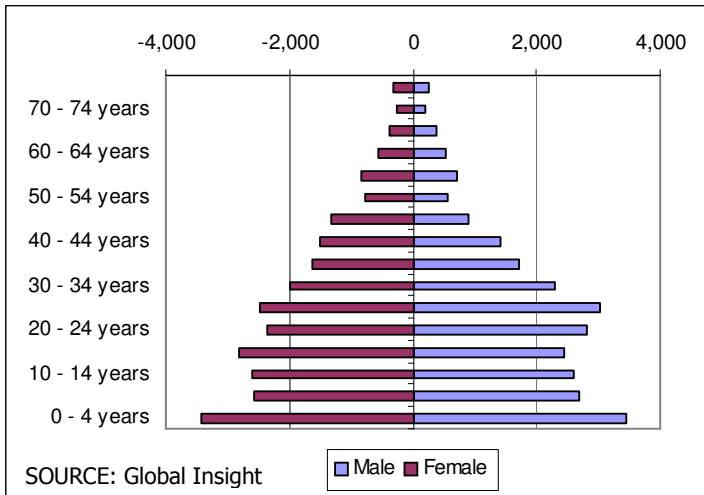
This age profile has a number of implications:

- i. The young age profile of the Black population implies a strong momentum in the natural growth rate, a high demand for certain social facilities such as schools, and a high dependency ratio.
- ii. The increase in the natural growth rate increases pressure on the labour market and demands on the LED strategy to produce jobs. For example, the 0-4 year old cohort will enter the labour market between 2017 and 2021. In this period 7,000 new jobs will need to be created to maintain current employment levels

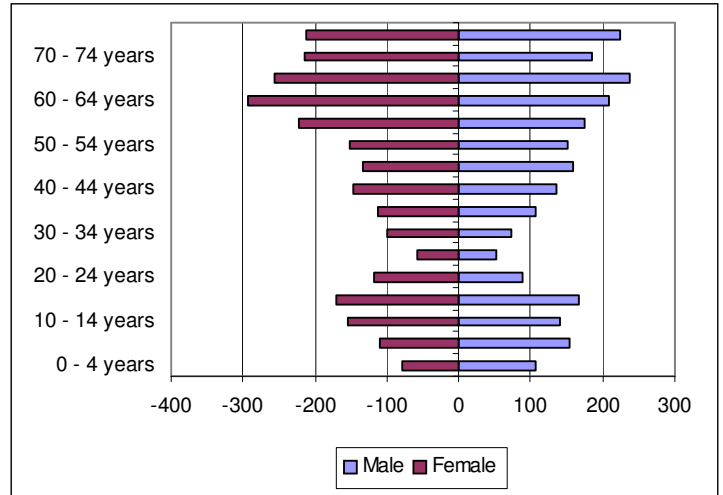
Section 3: The design of the economic strategy

- iii. The old age profile of the White population implies a low natural growth rate and a demand for facilities such as old age homes and hospital care.

GRAPH 2.2: Age profile, 2006 (Black population)



GRAPH 2.3: Age profile, 2006 (White population)



2.3.2 Education levels

Education is one of the key requirements for economic growth and development, mainly as it improves the entrepreneurial ability of the population, as well as the production capacity and quality of the labour force. In this regard, research conducted as part of the Global Entrepreneurship Monitor (GEM)¹⁸ stresses the importance of formal education to increase the success rate of entrepreneurs. The GEM report provides the statistical probability of an entrepreneur to successfully establish an enterprise, based on the formal education level of the entrepreneur. The results are summarised in **Table 2.1**. Although these figures should not be interpreted as absolute, they clearly show the correlation between formal education and the probability to establish a successful business.

TABLE 2.1: Probability of establishing an enterprise based on formal education of the person (%)

	Not completed secondary school	Completed secondary school	Tertiary education
Probability of necessity entrepreneurship	6.1	3.8	3.5
Probability of opportunity entrepreneurship	5.8	7.5	12.6
Sum of opportunity and necessity entrepreneurship	11.9	11.3	16.1
Ratio of opportunity to necessity	0.95	1.97	3.6

¹⁸ GEM, 2005: Global Entrepreneurship Monitor – South African Report.

Section 3: The design of the economic strategy

	Not completed secondary school	Completed secondary school	Tertiary education
entrepreneurship			

(SOURCE: GEM, 2005)

The data used for this study indicates that the average level of functional literacy¹⁹ for Bela-Bela is only 60% (compared the national average of 70%). Moreover, the levels varies significantly amongst the Black and White populations, with that of the Black population being 57% compared with 97% for the White population. By direct interpretation, this means a low statistical probability of local emerging entrepreneurs and in particular Black entrepreneurs, to successfully establish their businesses. This profile emphasizes the critical need for education, and in particular the need for basic business skills development amongst the Black population.

A much over-looked issue is the type or relevancy of formal education relative to the labour market. There seems to be growing consensus that a large portion of post matric students get qualifications that are less relevant to the requirements of the economy (i.e. a mismatch between the skills supplied and the actual requirement). An example is qualifications in the field of social sciences when the economy requires technical skills. As a result, there are a large number of university graduates that cannot find jobs because they have inappropriate qualifications. One of the main problem areas is the lack of proper guidance on school level and in particular, to encourage students in the fields of mathematics and science. Research indicates that South Africa has far less students in these fields than the "miracle economies", as noted in Section 1.

2.3.3 HIV / AIDS and TB

The statistics prepared by the Development Bank of Southern Africa (DBSA) indicates a drastic increase in the number of people affected with HIV/ AIDS within Bela-Bela, from 7 810 in 2001 to 14 333 in 2006.

The economic significance of HIV / AIDS is a much debated and highly sensitive topic. For the purposes of this study, the significance is three-fold namely:

- i. Its impact on the ability of the household to generate sufficient income to survive (e.g. with the main breadwinner becoming infected).
- ii. The additional cost for the households in caring for the infected person.
- iii. The cost implications for business in terms of lost man-hours, loss of expertise and direct expenses.

In addition, the increase in HIV / AIDS also implies an increase in the number of AIDS orphans which places an additional burden on the health system.

a) Impact of HIV / AIDS on the household

The affected household incurs both direct and indirect costs. Examples of direct costs include the out-of-pocket expenditure on medicine (traditional and modern)

¹⁹ Functional literacy is defined as the portion of people 20 years and older that have completed Grade 7.

Section 3: The design of the economic strategy

and funerals. The indirect cost for the household involves the loss of income that the infected person would have earned. In some cases, the person is the main breadwinner for the household, thus resulting in severe financial stress for the household.

A number of studies have been conducted on the survival or coping strategies employed by affected households. These strategies range from taking the children out of school to assist with household chores, to gaining access to some form of social grant. Concerning the latter, research by Booyesen and van der Berg (2005) confirmed the importance of social grants as a measure to soften the economic impact of HIV / AIDS on households²⁰. **Table 2.2** presents a summary of these strategies.

TABLE 2.2: Summary of surviving strategies of households affected by HIV / AIDS²¹

Minimising the loss of income	Surviving the financial cost	Minimising the loss of labour	Utilising the safety networks
The infected person remains at work for as long as possible.	Utilising all the savings, borrowing money or selling assets.	More family members entering the labour market, seeking employment (i.e. becoming economic active).	Sending the children to live elsewhere.
The household diversify the income streams.	Reducing consumption levels (e.g. eating less expensive and more affordable food)	Children taken out of school to assist with household chores.	Inter-household support and care.
The household is dissolved (e.g. by sending the children to stay with relatives).	Applying for government support	Working longer / extra hours.	Inter-household financial support.
	Getting money from burial societies and insurance.		
	Begging		

(SOURCE: Naidu and Harris, 2005)

b) Impact of HIV / AIDS on business

In a survey conducted by the Bureau for Economic Research (BER) in 2005²², it was found the majority of business are experiencing the impact of HIV / AIDS in terms of

²⁰ Booyesen, F and van der Berg, S. 2005: *The role of social grants in mitigating the socio-economic impact of HIV / AIDS in two Free State communities*. In, South African Journal of Economics Vol. 73, 2005. Special edition on HIV / AIDS.

²¹ Naidu, V and Harris, G. 2005: *The impact of HIV / AIDS morbidity and mortality on households – a review of household studies*. In, South African Journal of Economics Vol. 73, 2005. Special edition on HIV / AIDS.

²² *The impact of HIV / AIDS on selected business sectors in South Africa, 2005*.

Section 3: The design of the economic strategy

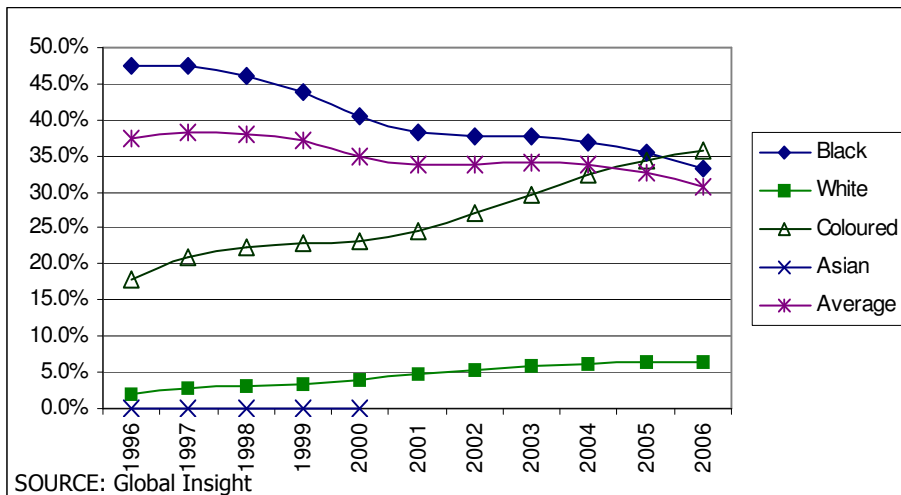
reduced labour productivity and labour absenteeism. This implies an increase in cost for the business as new people have to be recruited and trained. In the said survey, 38% of manufacturers have indicated that their profits have been affected. One of the responses to the impact is to replace labour with capital, although the survey indicated that few companies have to date followed this option.

2.3.4 Income and poverty levels

Poverty is a multi-dimensional concept and it involves matters such as the basic ability to feed yourself, ability to protect / house yourself, the ability to stay healthy, etc. As such, it is not a simple matter to express the state of poverty of a community.

The most widely used, albeit highly simplified, measure of poverty involves comparing the aggregate income to the cost of living. The Bureau for Market Research (BMR) has developed an index called the Minimum Living Level (MLL). The difficulty with the MLL is that the cost of living differs in space and in particular between the rural and urban areas, and it has to be updated regularly particularly in

GRAPH 2.4: Comparison in poverty levels (1996 to 2006)



times of high inflation rates. Despite these shortcomings, the MLL provides a rough indication of poverty levels. Based on the MLL, graph 2.4 compares the poverty levels across the main race groupings. The graph shows that very few of the White population live in poverty, whereas

more than 30% of the Black households do. The graph also indicates a decrease in the number of Black households living in poverty, but there appears to be an increase in the number of Colored and White households living in poverty. However, it can be argued that these calculations have been skewed as a large portion of the formal economy was driven by the tertiary sectors, and in particular the real estate industry, which has a narrow participation level and as a result does not create much job opportunities. Moreover, the recent strong upward movement in inflation levels, which is mostly driven by food and transport cost, affect the poor section of the population more than the affluent section. As such, it is highly questionable if the poverty levels amongst the Black population have decreased to the degree suggested by the graph and it is more probable that the actual poverty levels have in recent times worsened and not improved.

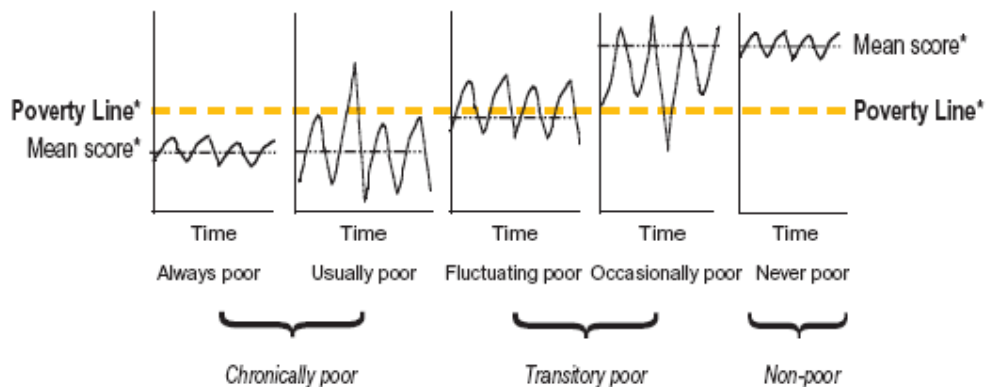
In view of the high levels of poverty noted above, it is imperative that this strategy be pro-poor. It is also important to understand the various "degrees of poverty", starting with the chronically poor at the lowest end, moving towards the

Section 3: The design of the economic strategy

“transitionally poor”, to those that are never poor on the other end of the scale. Figure 2.1 presents a schematic overview of the various levels of poverty.

Per definition, a person can be considered chronically poor firstly if his average income is lower than the poverty line and secondly if he cannot escape out of this poverty on his own ability (i.e. he requires some form of exogenous assistance). The main feature of chronic poverty is that it is not temporary or cyclical as is the case with transitory poverty, but it is a permanent state out of which escape is virtually impossible (i.e. it is effectively a “poverty trap”). The main reason for a state of chronic poverty can be a lack of economic resources or, a mismatch between the resources and the market demand (Osmani, 2007). In essence, chronic poverty is about deprivation and the lack of ability to escape from it. It is important to note that this ability does not only involve the direct production or economic ability of the person or community, but it also refers to the institutional environment. In some cases, the person or community may have the ability to lift himself out of poverty, but they are prevented from doing so by the institutional environment such as policies and legislation²³. For this reason, it is imperative that this LED strategy focuses on the institutional arrangements to be put in place to address the problem of chronic poverty.

DIAGRAM 2.1: Relation between chronic poverty and non-poverty with respect to the poverty line



*Depending on data availability, poverty could be assessed in terms of household expenditure, income, consumption, a poverty index or scale, nutritional status, or an assessment of assets.

SOURCE: Chronic Poverty Research Centre, 2006

One of the key drivers of poverty in South Africa is the steep increase in the price of food.

a) Food prices

²³ The former Apartheid policy is a classical example of an institutional environment that firstly impoverished a certain group of people and then disenfranchised the same group of people to lift themselves out of poverty. That is, the former Apartheid policies and legislations created the environment for chronic poverty (it was not the economic ability of the people that resulted in their poverty).

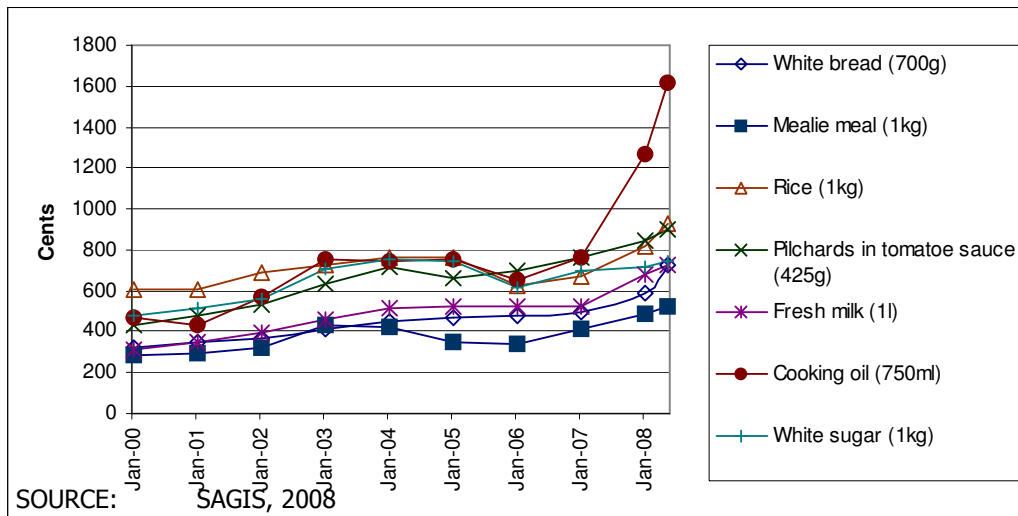
Section 3: The design of the economic strategy

The poor section of the population is particularly hard hit by inflation levels that are largely driven by the increase in food prices. As noted in paragraph 1.2.1, the Food and Agricultural Organization (FAO) estimates that, on the international level, the average food price index has increased by 53% in the first three months of 2008 compared with the same period last year. Compared with some other African countries, South Africa is very fortunate in having a surplus of basic food such as maize.

Graph 2.5 shows the gradual increase in the price of some basic foodstuff since 2000, followed by a sudden increase from 2006 in items such as bread, pilchards and in particular cooking oil. The South African Government has stressed that the solution to the high food prices does not lie in market intervention or subsidies, but rather through measures such as:

- Removing VAT from basic foodstuffs
- Revising import duties (to reduce the price)
- Food safety nets for the poor
- More investment in agriculture to boost supply, etc.

GRAPH 2.5: Average price of selected foodstuff (current value) (January 2000 to May 2008)



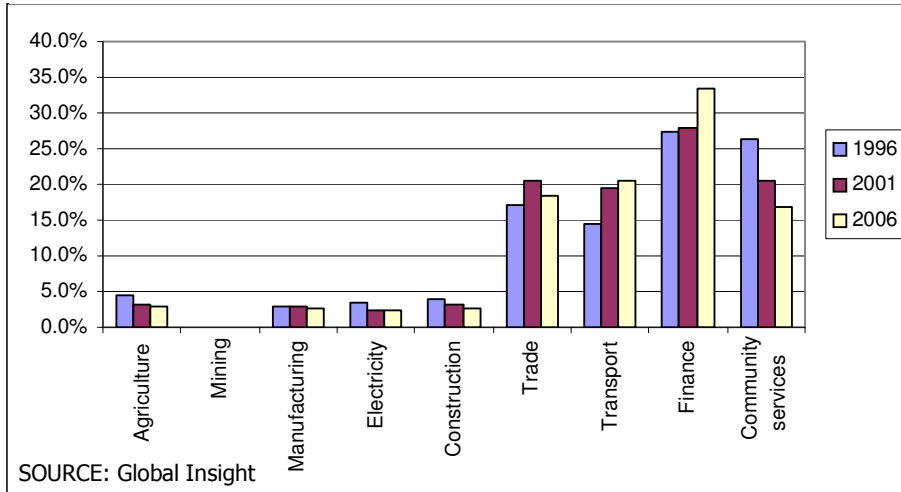
2.4 OVERVIEW OF BELA-BELA ECONOMY

2.4.1 Size, structure and growth rates achieved

Bela-Bela’s formal economy represents about 8% of the provincial economy, whereas the population represents about 9% of the provincial population. By direct interpretation, the slightly lower contribution of Bela-Bela to the provincial economy relative to the population size may suggest that Bela-Bela’s economy is slightly “under-performing”. However, the degree is not significant and the economy can be considered to perform on par with its relative population size especially as the municipality is lacking in substantive mineral resources.

Section 3: The design of the economic strategy

GRAPH 2.6: Internal structure of Bela-Bela economy for

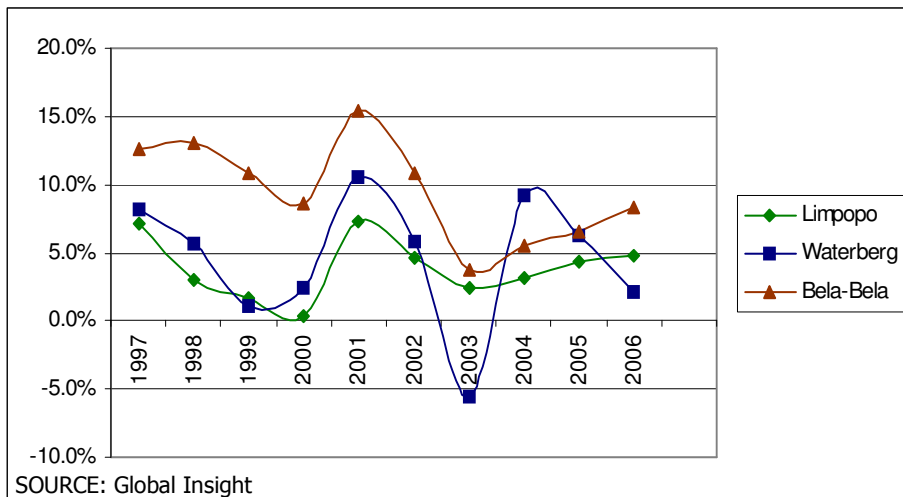


Graph 2.6 presents some perspective on the internal structure of the economy and shows the dominance of the tertiary sectors. By comparison, the primary sector and most of the secondary sectors are very small. However, the profile appears to be at odds with

observations and discussions with stakeholders as the contribution from agriculture seems to be too small and that from transport too much (i.e. there are hardly any commercial transport operators in the area and the value of storage facilities in terms of the grain silo's cannot be that significant).

Graph 2.7 drills a bit deeper and compares the year-on-year growth rates achieved by the economies of Limpopo, Waterberg and Bela-Bela for the period 1997 to 2006.

GRAPH 2.7: Comparison in year-on-year growth for period



The graph shows that Bela-Bela managed a higher average growth rate over this period at 9.5% p.a., compared with 3.9% for Limpopo and 4.5% for Waterberg. The graph also shows the significant annual fluctuations. There seem to have been a major upturn in 2001, followed by an immediate downturn from 2001 to 2003, and then a

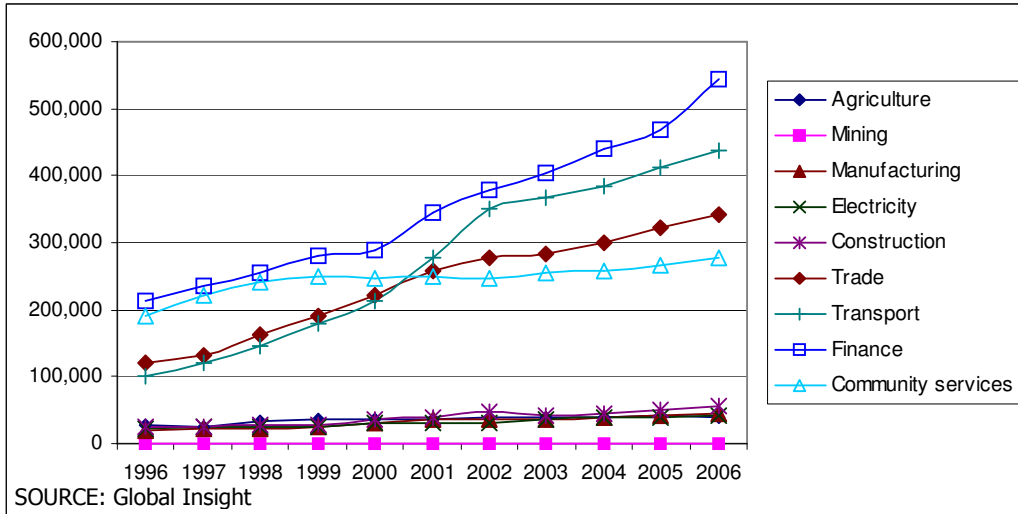
steady increase (except Waterberg). As will be seen in the following paragraph (see Graph 2.8), the underlying reasons for these fluctuations can be found in slight decreases in the production levels of the main drivers and not in an absolute decrease in the sectors. These fluctuations, which are caused by one or two of the

Section 3: The design of the economic strategy

drivers, clearly show the vulnerability of the economy (and their dependence of these few sectors).

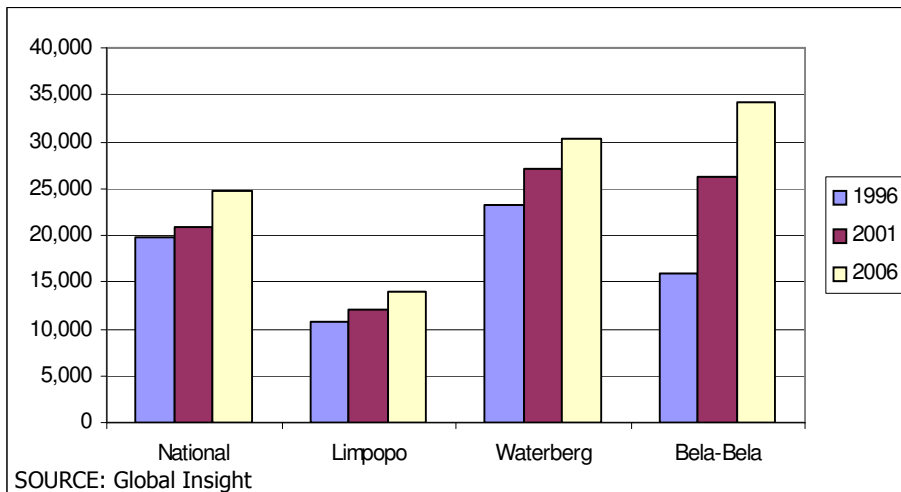
Graph 2.8 shows that Finance and Trade mainly drove the dramatic growth spurt achieved in 2001. The downturn experienced from 2001 to 2003 was caused by a decrease in the output rates of these two sectors and not as a result of any significant loss or negative rate in any of the sectors.

GRAPH 2.8: Sectoral production at constant value (2000 prices) for the period 1996 to 2006



As a result of the strong growth achieved in the formal economy of Bela-Bela, indices such as the *per capita* GDP, have improved. Graph 2.9 compares the *per capita* GDP of Bela-Bela with the national, Limpopo and Waterberg economies and clearly shows that Bela-Bela has improved from being below the national level in 1996, to being much higher than the national level in 2006. However, as noted in the previous graphs, the growth was mainly driven by Finance (real estate) and Trade. The real estate industry involves a small fraction of the total population and hardly creates any job opportunities.

GRAPH 2.9: Comparison in *per capita* GGP



From this perspective, the improvement in the *per capita* GGP is can be considered "academic" as the broader local community benefited very

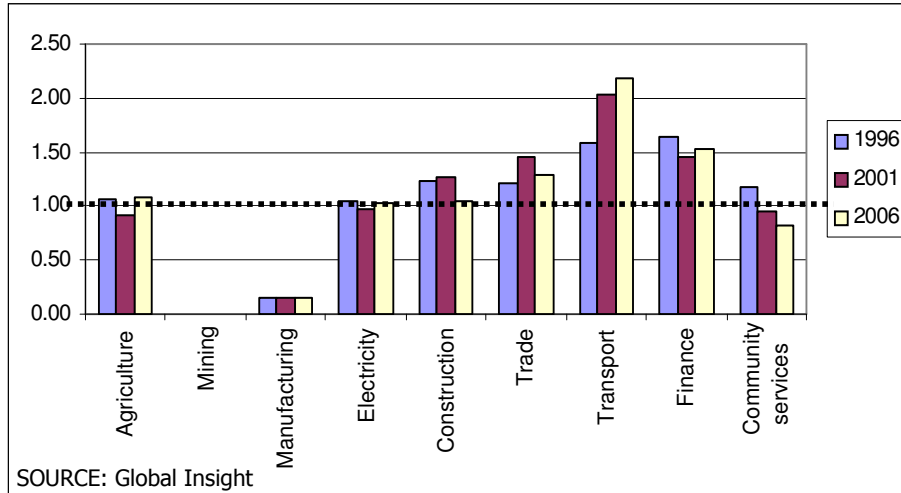
Section 3: The design of the economic strategy

little (if at all).

2.4.2 Concentration levels and comparative advantages

Graph 2.10 compares the location quotients of the various sectors and confirms the comparative advantage enjoyed by the tertiary sectors. It is interesting to note that,

GRAPH 2.10: Location quotient



although Graph 2.6 clearly showed the small contribution made by Agriculture, Graph 2.10 suggests that Bela-Bela enjoys a slight comparative advantage in this sector. This shows that agriculture should be one of the main components of

the LED strategy.

As a result of the increase in the importance of the Tertiary sectors and in particular the increase in relative contribution generated by Finance, the level of concentration in the economy has gradually increased since 1996. Measured in terms of the Tress Index, it has increased from a value of 54 in 1996 to 58 in 2006.

By direct interpretation, higher levels of concentration render an economy more vulnerable to any factor(s) that may impact negatively on the particular drivers of the economy. In the case of Bela-Bela, any set of factors that result in a decrease in Finance will have a more dramatic impact on the economy than other factors. As an example, the Bela-Bela economy is probably more vulnerable to an increase in the repo rate and / or a downturn in the real estate market than most other economies because of the dominance of the Finance sector.

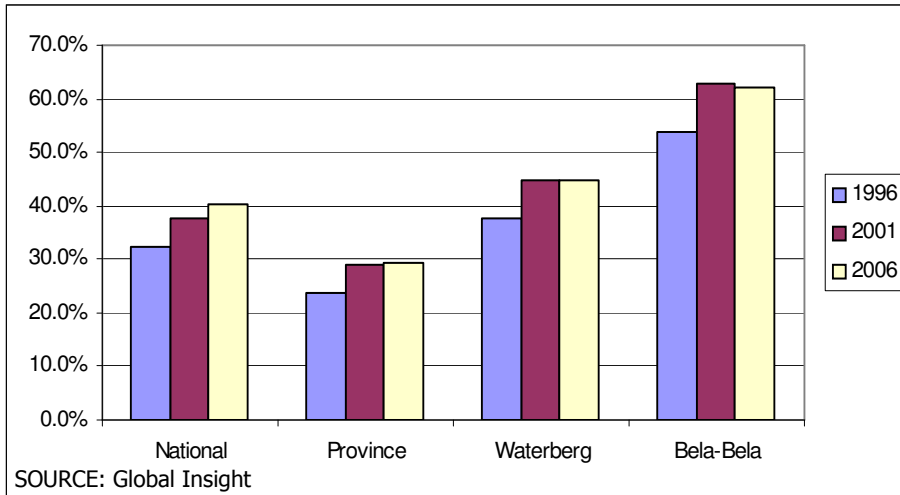
2.5 OVERVIEW OF BELA-BELA LABOUR FORCE

2.5.1 The labour market

Figure 2.2 illustrated the location of the Economic Active Population (EAP) within the larger population. Graph 2.11 builds on that and compares the relative size of Bela-Bela's EAP with that of South Africa, Limpopo and the Waterberg.

Section 3: The design of the economic strategy

GRAPH 2.11: Comparison of size of EAP (1996, 2001 and 2006)



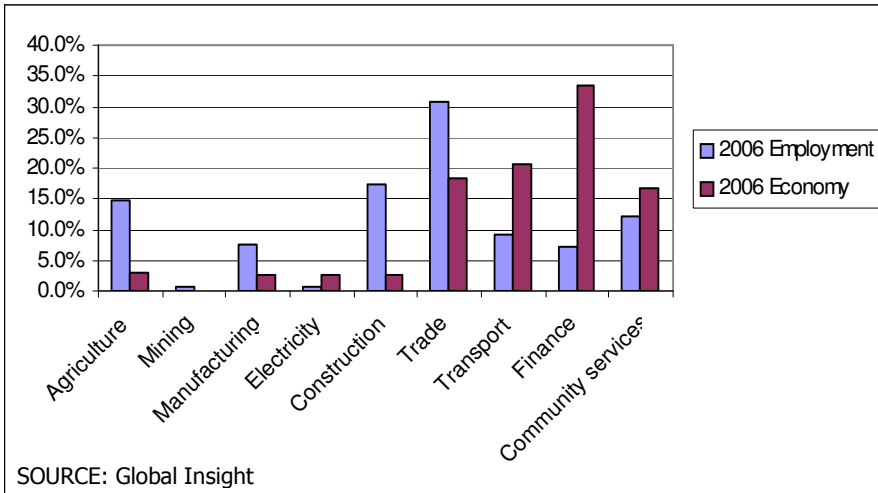
The graph shows that the Bela-Bela population has a much higher EAP than the average for South Africa, the province and Waterberg. Based on the age profile presented in Graphs 2.2 and 2.3 it can be concluded that by far the

majority of the EAP comprises the Black population. The real challenge lies in the ability of the local economy to generate employment opportunities for the EAP.

b) Sectoral employment

Graph 2.12 compares the production levels of the formal economy in terms of the sectoral contribution towards the GGP, with the formal employment created by

GRAPH 2.12: Comparison between relative size of formal economy and employment (2006)



The graph clearly shows the difference between the sectors in their ability to produce output and their ability to create employment. As an example, the graph shows that

Agriculture contributes less than 5% towards the Bela-Bela economy, but creates about 15% of all formal jobs, confirming that the sector is labour

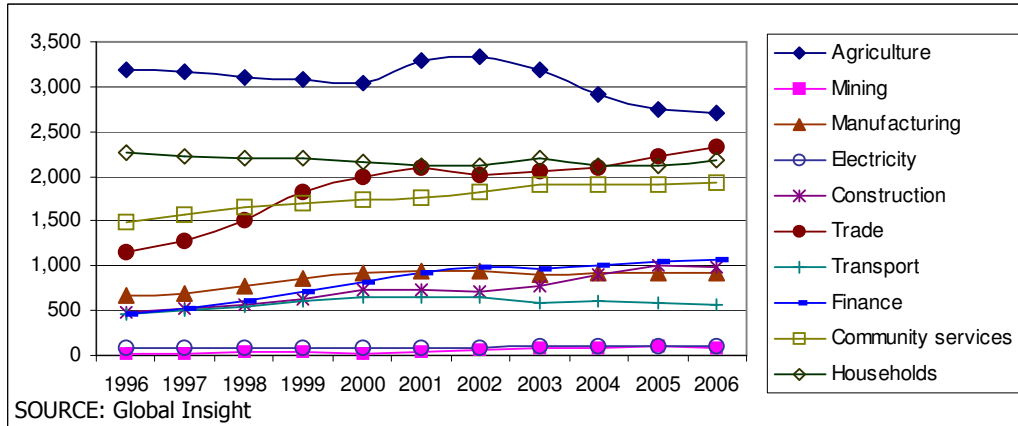
intensive. The graph suggests that Construction and Trade have a similar profile. However, but comparison, Finance and Community Services contribute far more towards the Bela-Bela economy than towards job creation, implying that these sector tend to be capital intensive. This profile clearly shows the difference in the degree of labour intensity between the various sectors, with agriculture having the highest, followed by construction and trade. By comparison, Finance, which is the driver of the Bela-Bela economy, is highly capital intensive. The conclusion is that, if the goal

Section 3: The design of the economic strategy

is to generate jobs, the focus for Bela-Bela’s LED strategy should be on Agriculture and Trade. Although graph 2.14 indicates a slow decline in employment in agriculture, this trend can be reversed with the appropriate strategies.

Graph 2.13 drills a bit deeper to detect any trends in the number of formal employment opportunities crated per sector for the period 1996 to 2006.

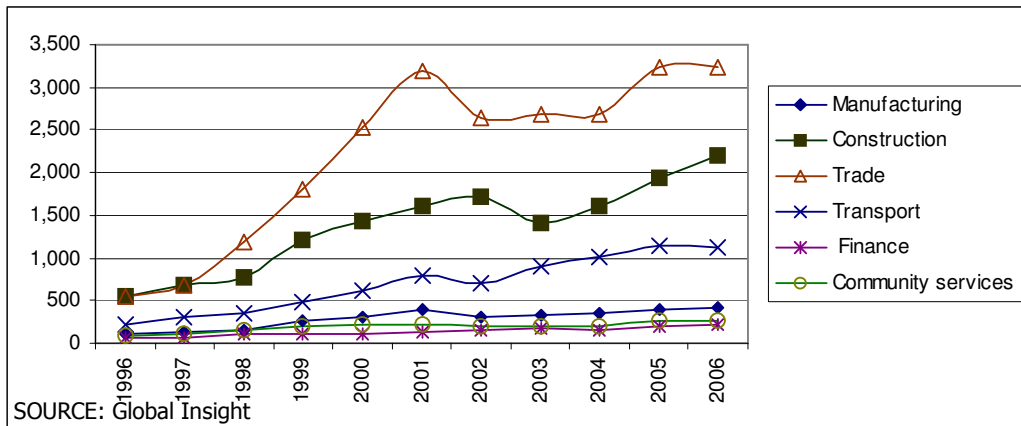
GRAPH 2.13: Jobs created per formal sector (1996 to 2006)



The graph suggests that Trade was the only sector that managed a notable increase in the number of jobs created, whereas sectors such as Agriculture have shed jobs. In the absence of more information, it can be speculated that this can probably be attributed to the growth in the local tourism industry.

The Construction sector also managed to generate jobs. However, discussions indicate that a large portion, if not most, of the construction projects are done by outside contractors and not local contractors. This is despite the Supply Chain Management policy of the municipality that gives preference to local entrepreneurs. It is important that this issue be addressed as a matter of priority. Graph 2.14 provides some insight into the jobs created in the informal sector.

GRAPH 2.14: Jobs created in informal sector (1996 to 2006)



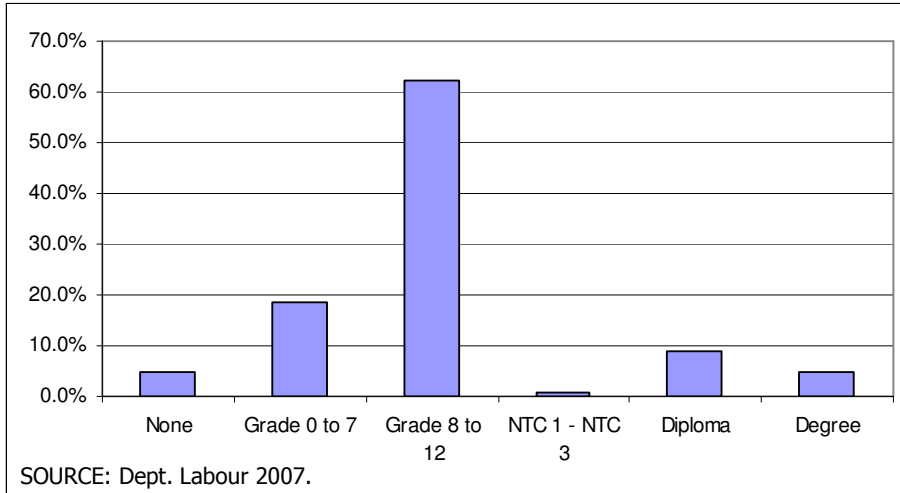
Section 3: The design of the economic strategy

The graph shows a strong increase in the number of informal jobs created in the Trade sector. The conclusion is that the LED Strategy has to take due cognizance of the structure, size and dynamics of the informal sector.

c) Education levels

A key variable in the marketability or “employability” of the labour force is the education and skill levels. As an indication of this, Graph 2.15 presents the highest formal education of the EAP of South Africa.

GRAPH 2.15: Highest education levels of the EAP in South Africa (2005/06)

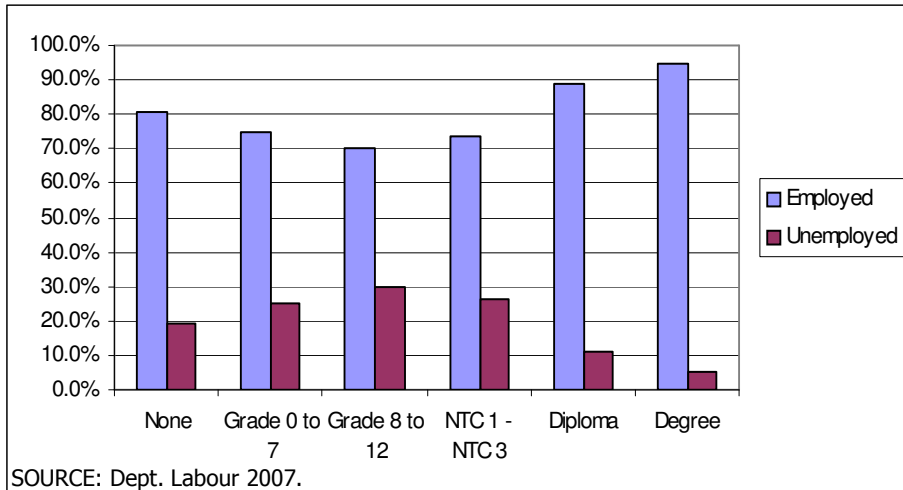


formal education of the EAP of South Africa.

The graph shows that about 5% has no education, 18% has grade 7 and lower, 9% a diploma and only 5% university degrees.

Graph 2.16 drills deeper and provides the employment profile per group.

GRAPH 2.16: Employment profile per education group (South Africa - 2005/06)



The graph shows that about 80% of those without any formal education is employed. However, it can be assumed that this will be in menial and low paying jobs. The percentage decreases and only about 70% of those with grade 12 and lower are employed. If this profile is compared with Graph 2.15, this low

level of employment can most possibly be attributed to an “oversupply” of labour in this category of education. The graph clearly shows that employment opportunities improve dramatically with post grade 12 qualification and in particular a diploma and degree qualification.

Section 3: The design of the economic strategy

With this as background, it is also important to note the shift in the demand for skilled labour in South Africa. Table 2.3 provides an indication of this shift and clearly shows the increase in the demand for semi and skilled labour and less for low skilled labour.

TABLE 2.3: Share of employment by three skills categories (selected sectors)²⁴

Sector	Year	Skilled (%)	Semi-skilled (%)	Low skilled (%)
Agriculture	1995	1	22	77
	2002	1	56	43
Mining	1995	4	77	19
	2002	4	89	7
Manufacturing	1995	6	74	19
	2002	10	75	15
Average	1995	9	59	31
	2002	11	61	29

The table clearly shows the trend towards a demand in skilled labour. Referring to Graph 2.16, it can be expected that the unemployment levels of those with no formal education will increase in future.

Despite this clear move in the demand towards higher skills, and in particular technical skills, it would seem as if students that enrol in the institutions of higher education such as Technicons and Universities, focus predominantly on the human sciences with comparatively few graduating in the technical fields. Table 2.4 provides a broad comparison between the main fields of study.

TABLE 2.4: Broad comparison between study fields (final year graduates of 2001)²⁵

Main study category	All 21 universities		All 15 technicons		Total (%)
	Under-graduate	Post-graduate	Under-graduate	Post-graduate	
Agriculture and renewable resources	445	300	687	16	6
Architecture and environmental design	509	251	773	3	6
Computer science and data processing	1 443	509	1 611	10	15
Engineering and engineering technology	1 348	687	2 336	37	18
Health care and health sciences	4 372	1 971	1 292	92	32
Industrial arts, trades and technology	34	34	336	0	2
Life sciences and physical sciences	1 306	1 607	635	16	15
Mathematical sciences	930	342	96	1	6

²⁴ Department of Labour, 2003: *State of skills in South Africa.*

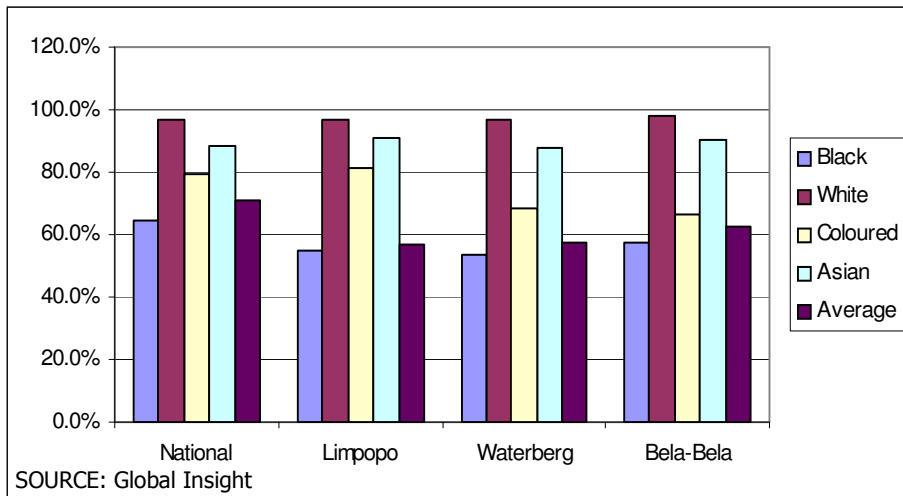
²⁵ Department of Labour, 2007: *Annual labour market bulletin (1 April 2006 – 31 March 2007)*

Section 3: The design of the economic strategy

Main study category	All 21 universities		All 15 technicons		Total (%)
	Under-graduate	Post-graduate	Under-graduate	Post-graduate	
Total	10 386	5 700	7 767	175	100

The table shows that only 18% of all graduates received a qualification in engineering and related fields, which is one of the critical areas of shortage in South Africa. As such, there seems to be a mis-match between the labour requirements of the economy on the one hand and the skills offered by the labour market on the other.

GRAPH 2.17: A comparison in the functional literacy levels



Growing economies such as that of South Africa, need technical skills. Most of these qualifications require subjects such as mathematics and science which are perceived to be "difficult" and thus avoided by school students which disqualify them from studying these skills on a tertiary level. As a result, the

South African labour market seems offer socio-economic skills (e.g. qualifications such as BA Politics), resulting in a large number of students not able to find meaningful employment.

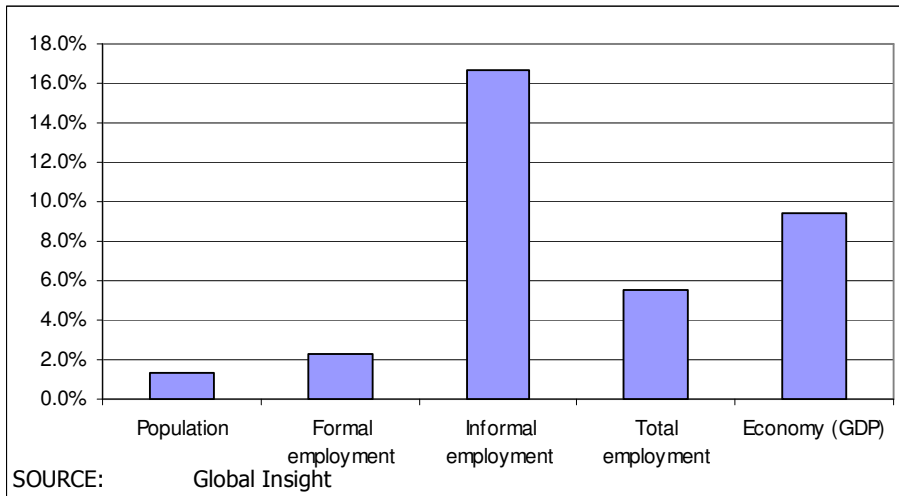
Combined, these two factors decreases the general quality of the labour force, resulting in the much talked about skill shortage.

Graph 2.17 compares the functional literacy rate of the Bela-Bela community with the national, provincial and Waterberg populations. The graph clearly shows the low levels of functional literacy. More worrying is the significant differences between the population groups with the Black community having a much lower level than any of the other population groups. This is a matter of great concern and needs to be addressed as a matter of priority.

c) Unemployment rates

Graph 2.18 puts the above discussions in perspective by comparing the annual growth rate of the population with that of the economy, formal and the informal jobs.

Section 3: The design of the economic strategy

GRAPH 2.18: Comparison between annual growth rates achieved in population, economy and jobs (1996 – 2006)

The graph shows that the economy managed an annual growth rate of about 9.4%, compared with growth in formal jobs at about 2.3%. The growth in the economy far exceeds the rate of job creation (which confirms earlier statements), with the rate of job creation in its turn

exceeding the population growth rate. This should have reduced the levels of unemployment. The official data however suggests that the unemployment level remained fairly constant at 20%, which admittedly is lower than the national and provincial levels at 37% and 47% respectively. In view of the general downturn in economic growth, it is probable that the rate of job creation has since decreased to more or less that of the population growth rate. By implication, this may result in an increase in the level of unemployment. The main point here is that although the formal economy managed a high growth rate during the least few years, the rate of job creation was at a much lower level. It stands to reason that if the formal economy was not able to reduce the unemployment levels during a period of high growth, it will be less able to do so during periods of lower growth, as is currently the case.

An important observation from the graph is the high rate in job creation in the informal sector, which confirms the importance of the informal sector in the aggregate economy.

It is also important to note that unemployment levels are much higher amongst the youth. As an indication, the Labour Force Survey of 2002 showed that 71% of those that are unemployed are between the ages 15 – 34²⁶. This profile shows the inability of the economy to absorb those that are entering the labour market for the first time. On another level, the high levels of unemployment amongst the youth can be cited as one of the main drivers of sociological problems such as crime and substance abuse.

²⁶ Department of Labour, 2003: State of skills in South Africa.

2.6 AGRICULTURE

2.6.1 Overview on production volumes and values

Table 2.5 presents a broad overview of the production volumes achieved in Bela-Bela. However, it must be noted that the figures reflect the estimates for the 2004/05 seasons and the actual volumes may differ notably on a year-to-year basis.

TABLE 2.5: Agricultural production volumes in Bela-Bela (2004/05 season estimates)

Commodity	Area / units	Estimated production	Estimated revenue (R'000)	Estimated jobs (full time equivalent)
Cash and field crops				
Cotton	?	7 089t	R15 597	?
Sunflower	15 000ha	15 750t	R27 232	497
Maize	4 625ha	15 401t	R9 241	438
Wheat	1 400ha	4 270t	R6 806	111
Sorghum	12 000ha	30 960t	R27 864	1 136
Watermelons	160ha	400 000 units	R2 000	24
<i>Horticulture</i>				
Grapes	15ha	69 210kg	R1 038	20
Citrus	200ha	7 000t	R17 500	521
Peaches	92ha	2 760t	R6 623	106
Vegetables	850ha	21 455t	R3 970	322
<i>Livestock</i>				
Eggs	40 000 layers	973 333 doz	R4 623	10
Chickens	150 000 doc/week	7 800 000 doc	R19 500	46
Broilers	10 000 birds/week	795 600t	R7 558	10
Pork	3 600 sows	5 040t	R5 796	180
Dairy	2 200 l/d	803 000l	R1 646	15
Cattle	31 000 head	3 100t	R27 900	186
Game			R400 000	482
TOTAL			R584 894	4 104

(SOURCE: Waterberg District Agriculture Development Strategy, 2005)

Although the figures may be disputed, the table provides an indication of the difference between the commodities and clearly shows the importance of sunflower, sorghum vegetables, cattle and game in terms of turnover and jobs.

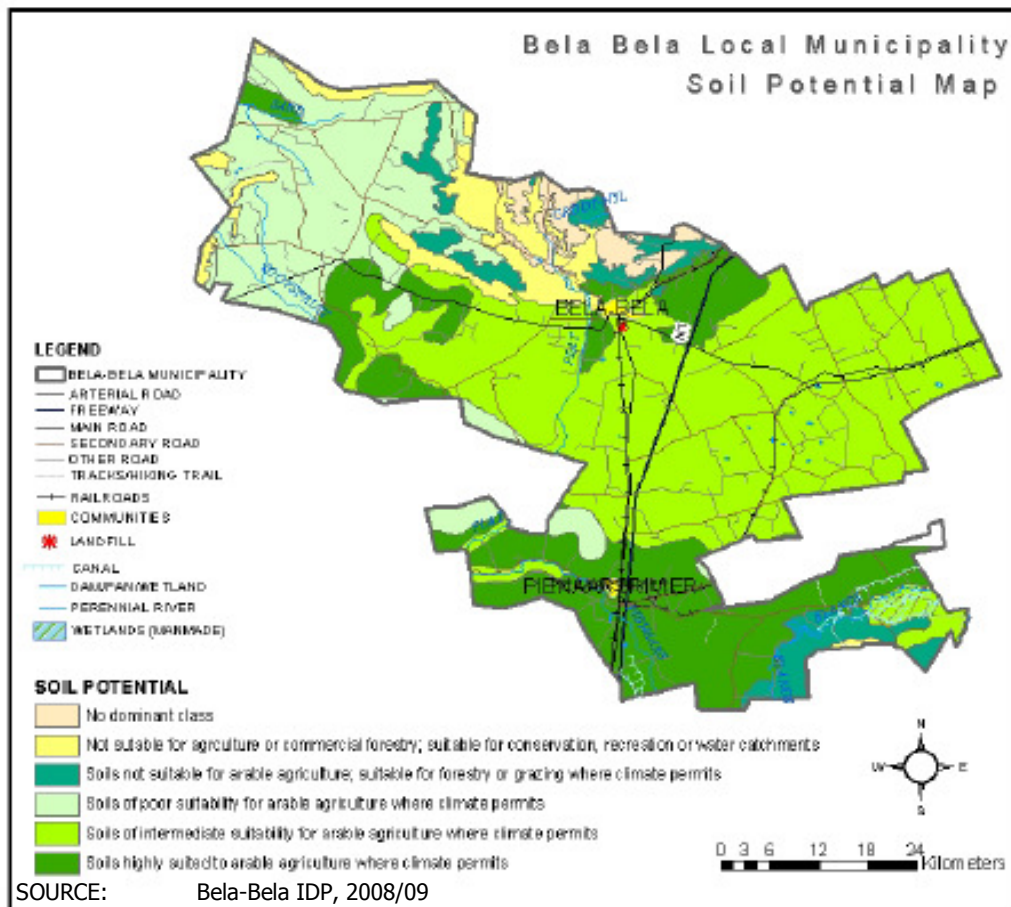
2.6.2 Key factors impacting on agriculture

a) Resource base

Map 2.1 presents a broad overview of the soil potential of Bela-Bela.

Section 3: The design of the economic strategy

MAP 2.1: Soil potential of Bela-Bela



The map shows the location of the high potential soils (dark green areas), mainly around Pienaarsrivers, Bela-Bela and an area to the west of Bela-Bela, whereas the intermediate production area (lighter green areas) involves the larger part of the Springbokflats. The northern parts are not particularly suitable for plant production, but are more suitable for grazing and therefore animal production.

b) Water

About all irrigation water used in the study area is sourced with boreholes. Indications are that some of the farmers have in the past over-exploited the underground reserves. The National Water Act (36 of 1998) now requires that farmers submit an impact assessment report to DWAF as part of their application for new developments such irrigation schemes and pivot points. The goal is to protect the underground water reserves. A number of problems hamper this goal, such as:

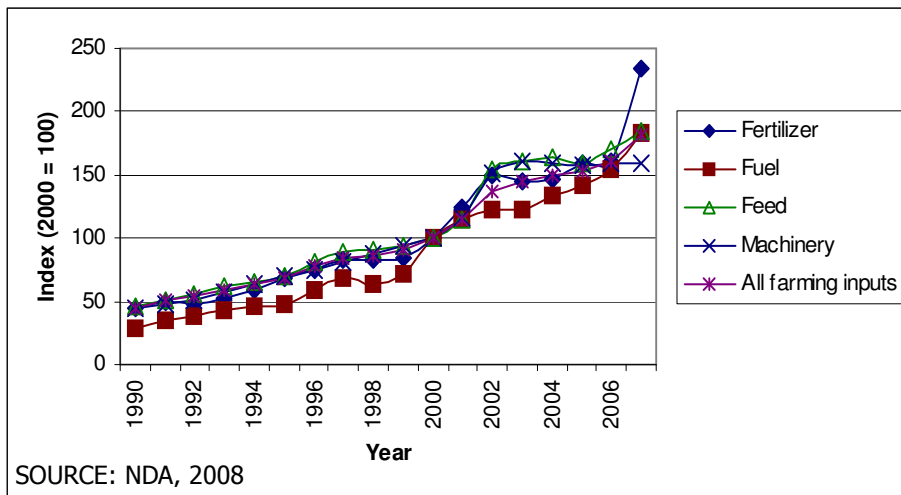
- i. The Act is not monitored properly to verify the actual consumption of farmers against their approved allocations.
- ii. There seem to be a lack of capacity within the key departments such as DWAF to assess these applications resulting in long delays and farmers missing opportunities in the market.

Section 3: The design of the economic strategy

In summary, the availability of sufficient water for agricultural production is becoming increasingly critical as a determinant of economic development.

c) Input costs

Farming input costs have increased dramatically over the last few years, and particular so in the last year, mainly driven by the increase in the price of crude oil.

GRAPH 2.19: Farming input costs (index year: 2000)

Graph 2.19 presents a graphic overview of the increase in the main items namely fertilizer, fuel, feed and machinery. The graph clearly shows the strong increase and in particular the spike in fertilizer by end of 2006 and into 2007. It can be expected that more recent data will show a further dramatic spike since

the end of 2007 and into 2008. This increase in input cost put upward pressure on the producer costs of the farmer and therefore pressure on their profit margins, as the farm gate prices may not increase at a similar rate.

d) Labour

The agriculture sector is traditionally a labour intensive industry and did not require high skill levels. However, the ability of agriculture to create jobs has decreased in recent times and there is evidence that the sector has even shed jobs. Also, it would seem as if agriculture is also demanding higher skill levels. The main reasons can be attributed to the following:

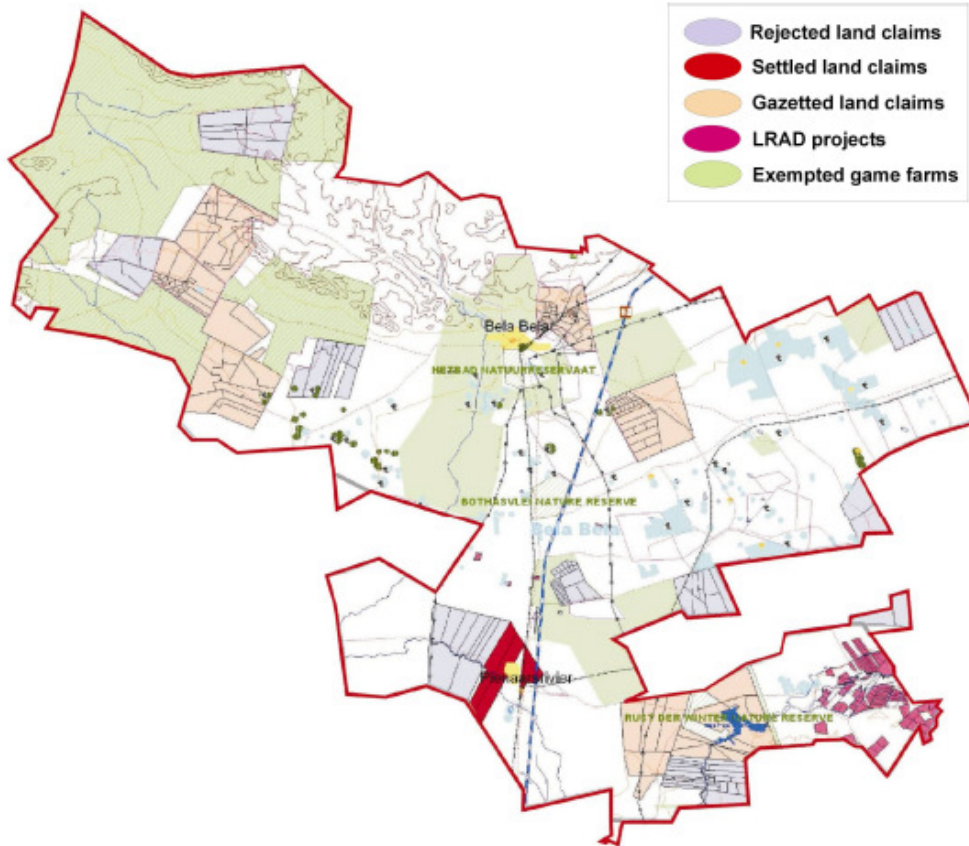
- i. **Mechanization** – As with most other sectors, there is a trend towards mechanization (e.g. precision farming) in order to increase production output (per hectare). Higher levels of mechanization require higher skill levels.
- ii. **Availability of labour** – There are claims that those people that have access to some form of social grant, may find the agriculture sector less attractive as they can probably get a similar, or very close to, a similar income through the social grant. As such, they may either withdraw their labour effort, or only offer it partially, which presents practical problems for the farmer.
- iii. **Effects of ESTA** - The Extension of Security of Tenure Act (No. 62 of 1997) (ESTA) stipulates that farm labour that has worked on the farm for longer than 10 years and is 60 years and older, has a right to stay on the farm. Some of the farmers are trying to avoid this by employing less people.

Section 3: The design of the economic strategy

e) Land ownership and land reform (including AgriBEE)

Map 2.2 presents some perspective on the location on land claims, LRAD projects and exempted farms.

Map 2.2: Overview of land claims



SOURCE: Waterberg Agriculture Development Strategy, 2005

Land in the rural area is still largely White owned. However, a total of 45 land claims, involving 109 061 ha have been submitted. To date, some of the claims have been rejected whereas the remainder is being assessed at the moment. The existence of these land claims increases the general business risk for the farmer, resulting in the postponement of investment decisions until more security has been established. It is therefore imperative that the claims be processed as speedily as possible not only to reduce the investment risk, but also to promote landownership amongst the previously disadvantaged communities. Table 2.6 presents an indication of land acquired through LRAD.

TABLE 2.6: Land reform financed with LRAD

PROJECT NAME	NUMBER OF BENEFICIARIES	FARM NAME	HA	LRAD GRANT
Dire family trust	1	Elandslaagte	1 424	R250 000
Tebogo farming enterprise	1	Langkuil	21	R61 823
Badreleng harvest	2	Rust de Winter	37	R40 000

Bela-Bela LED Strategy

Section 3: The design of the economic strategy

PROJECT NAME	NUMBER OF BENEFICIARIES	FARM NAME	HA	LRAD GRANT
Bagosi SE	1	Rust de Winter	47	R29 941
Bagosi farming	1	Rust de Winter	77	R65 232
BJM farming	5	Rust de Winter	149	R162 222
Cyferkuil disabled	29	Welgegund	42	R1 187 127
Duroc project	1	Welgegund	42	R98 639
Lema Gararo food and development	20	Omega	721	R598 820
Mahlangu KA	1	Rust de Winter	169	R62 440
Mahlangu veg. project	2	Rust de Winter	27	R40 000
Malega Moloto farming project	8	Klippan	21	R160 000
Mahikana farming	-	Vlaklaagte	500	R100 000
Modau farming	2	Rust de Winter	71	R105 304
Modau farming project	1	Rust de Winter	33	R49 512
Mothoa TP	1	Rust de Winter	77	R34 749
Ramaswi farmers	2	Rust de Winter	86	R70 062
Vhadau farming	5	Rust de Winter	34	R100 000
Fepa Setshaba	4	Blaauwboschkuil	21	R322 780
Gumani livestock farming	4	Rust de Winter	34	R100 000
Kgagara farming project	1	Blaauwboschkuil	43	R252 750
Luhlaza family farmers	4	Rust de Winter	31	R124 032
Mbena Petrus	2	Rust de Winter	31	R80 878
Madimothoa	4	Rust de Winter	31	R246 765
Mahlangu SS	1	Rust de Winter	31	R463 300
Mahlangu and Maselala	2	Rust de Winter	31	R242 000
Makgathe and Lekale farming	3	Radium	31	R56 600
Dumako Rosina Lukas farming	2	Rust de Winter	31	R97 000
Mosombuka farming	3	Rust de Winter	31	R105 000
Matsheni	2	Rust de Winter	31	?
Maubane MC	2	Rust de Winter	31	R200 000
Maubane MT	3	Rust de Winter	31	R265 660
Pilusa MF	8	Rust de Winter	31	R71 260
Mokoena	2	Welgegund	31	?
Mokona farming project	1	Rust de Winter	31	R20 000
Molete farmers	3	Rust de Winter	31	R486 132
Mphahlele farming	1	Rust de Winter	31	R49 660
Msiza crop farming	1	Rust de Winter	31	R40 000
Ndala farming	1	Rust de Winter	31	R72 872
P Pila	1	Rust de Winter	31	R161 995
Paul Baloyi	2	Rust de Winter	31	R40 000
Phanguni Cash	2	Rust de Winter	31	R117 270
Rameetshe	7	Rietfontein	31	R70 846
Sibiya	2	Rust de Winter	31	R73 224
Sithole farming	2	Rust de Winter	31	R150 254
Sizwene project	3	Rust de Winter	31	R100 000
SJ Mahlangu	1	Rust de Winter	31	R100 000
Tshehlo farming	3	Rust de Winter	31	?
Tsoane farming	4	Rust de Winter	31	?
TOTAL	164		4 544	R7 326 149

(SOURCE: Agricultural union)

The table shows that to date, about 164 people have benefited from the LRAD projects, involving 4 544ha with a value of more than R7 million.

A major concern from commercial agriculture is that not all the beneficiaries are really interested in farming, but only want to stay on the land. This results in land not used productively, or even laying fallow.

Section 3: The design of the economic strategy

2.6.2 Food security

The issue of global food security has in recent times become a key issue. According to the UN Food and Agriculture Organization (FAO) there is enough food available to feed the world. The FAO argues that the current food security problem is caused by the dramatic increase in the price of food and not in the actual shortage of food. Various reasons are cited for the increase in the price of food such as the increase in production cost, with some arguing that the increase in demand from biofuels is also adding to the shortage of some commodities.

The National Department of Agriculture (NDA) estimates that South Africa shall, for at least the 2008/09 season, have a surplus in basic food such as wheat, maize (white and yellow), sorghum. Although South Africa is fortunate not to have to import large quantities of basic food (such as a number of other African countries), the country is also victim to the high increase in the price of food.

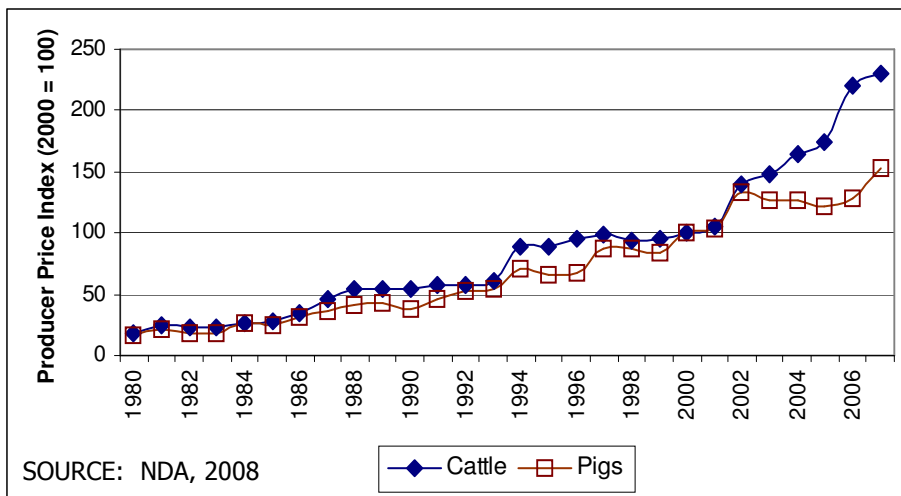
The main conclusion is that the agriculture sector will play an increasingly important role to secure food security to the South African population, therefore making it a key sector in the economy. It is therefore important that all land be used productively.

2.6.3 Commercial agriculture

a) Animal production

Graph 2.20 presents the Producer Price Index (PPI) of the two of the animals farmed with in the study area namely cattle and pigs.

GRAPH 2.20: Producer Price Index for cattle and pig production (1980 – 2007)

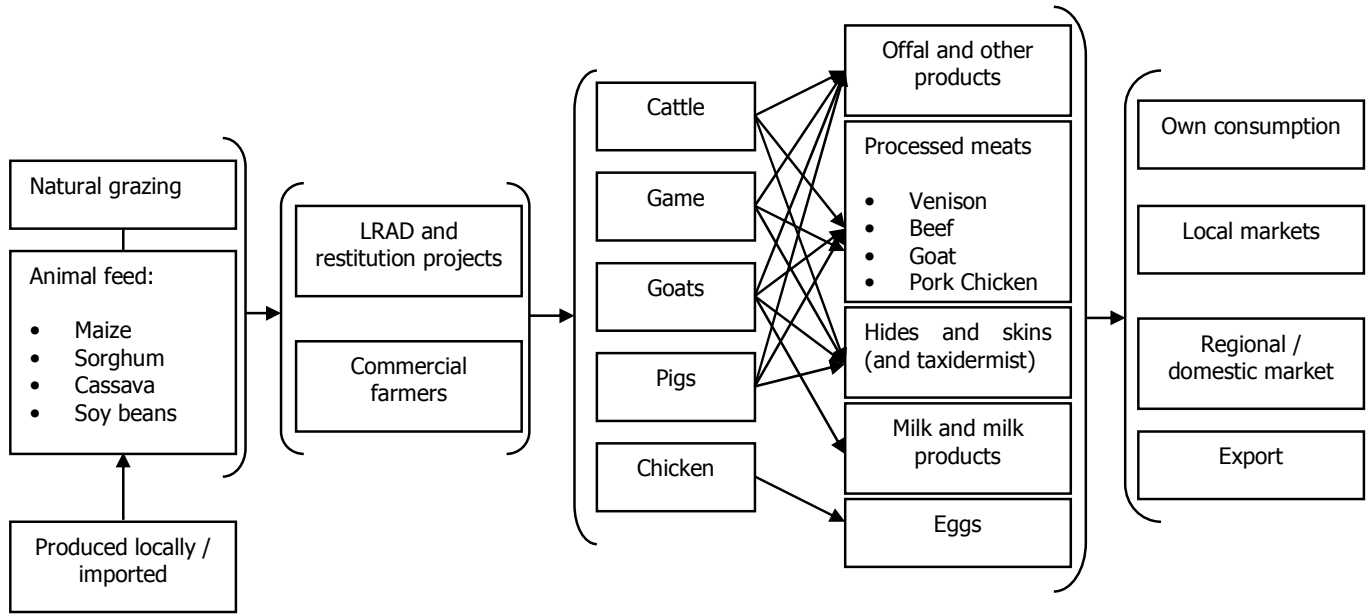


The graph shows that the PPI of cattle and pig production used to be at a similar level and increased at a similar rate up to 2002, from where the PPI of cattle production has increased at a much higher rate. In the case of the study area, this was one of the main reasons why some cattle

farmers have changed to game farming as the input cost is less. Figure 2.3 presents a highly simplistic overview of the animal production value chain. To this must be added the support and logistical framework provided by government such as the ARC, NDA Towoomba Research Station.

Section 3: The design of the economic strategy

FIGURE 2.3: Simplified value chain for animal production



Cattle

Nationally, there is a gradual decrease in the consumption of red meat from about 40kg/c/a in the 1970’s to about 25kg/c/a at present. This can most probably be attributed to the ongoing debate about the health properties of red meat versus white meat, which by comparison has experienced an increase in the corresponding period from about 7kg/c/a to about 27kg/c/a.

As noted above, there is a trend to replace beef with game, particularly in the northern and western parts of the municipal area. This trend can be attributed to a number of reasons, such as the high and growing input cost involved in beef farming relative to the farm gate price for beef. As an indication, data provided by the South African Feedlot Association indicates that the average price paid for a weaner calf in 2002 was about R8.63/kg and R12.36 by April 2008, which calculates to a growth rate of just over 6% p.a. Compared with this, Graph 2.18 shows that the PPI for beef production has increased at a much higher rate over the same period. Secondly, game farming is potentially more diverse and does not only involve hunting, but also the eco-tourism industry which has managed a high growth.

The beef value chain is becoming increasingly vertically integrated with more feedlots also having interest in abattoirs. Some feedlots even go further in the value chain and sell directly to the consumers through their own retail outlets. It is estimated that about 70 to 80% of beef produced for the formal sector is produced in feedlots.

Beef production in the Bela-Bela area involves weaner production, with the units raised until they are market ready at about seven to twelve months and sold to

Section 3: The design of the economic strategy

feedlots. The biggest player is *Karan Beef*²⁷. As such, the municipal area is only involved in the first stages of the value chain (weaner production) with virtually no further value added locally (the volume slaughtered by local butchers is minimal and the only accredited abattoir in the area is in Modimolle). Looking at the potential value chain, this implies a significant loss of business opportunities, including the economic use of other products such as the hides, offal and bones.

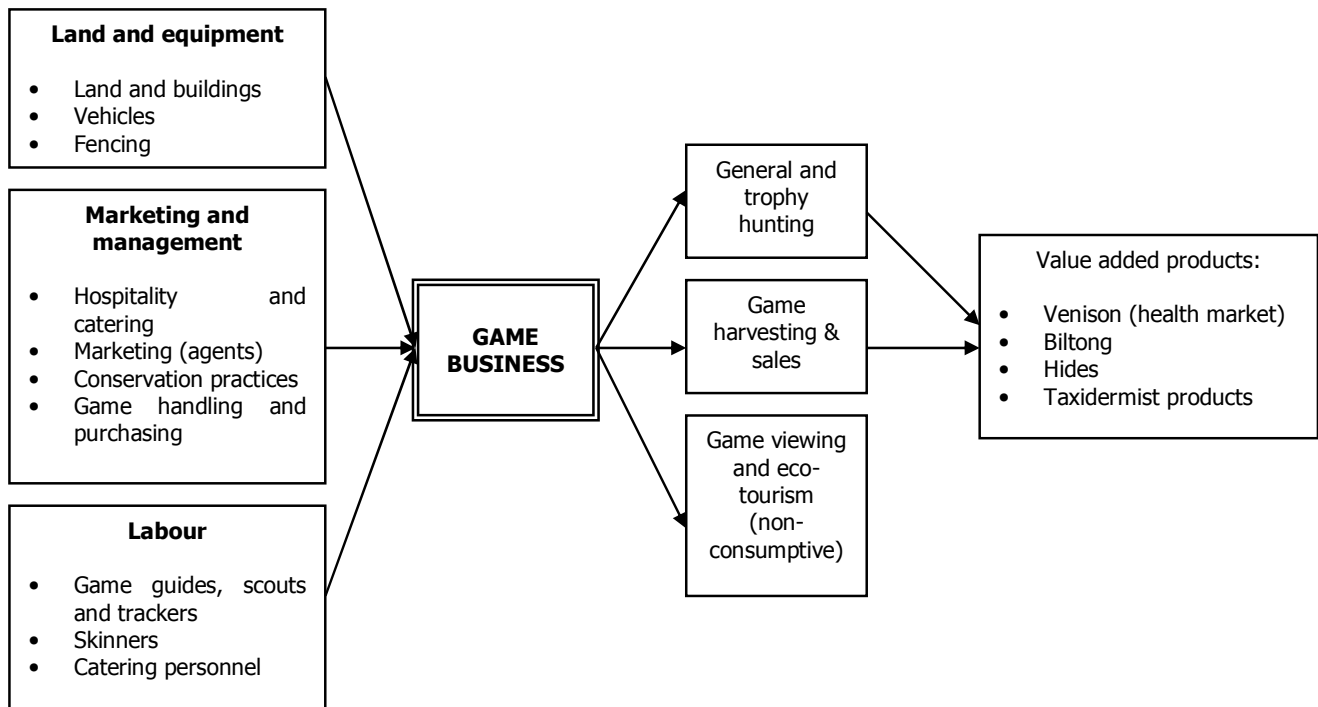
Game

Studies by the Universities of Port Elizabeth and Pretoria have shown that game farming has the potential to create four to seven times more job opportunities than conventional animal farming. The game industry has three main business legs namely:

- i. Hunting – this is the traditional model and can focus on trophy, venison or both.
- ii. Game breeding, capture and auction
- iii. Eco-tourism

The diverse nature of the industry provides it with a long and diverse value chain as illustrated by Figure 2.4.

FIGURE 2.4: Simplified overview on value chain of game industry



²⁷ *Karan Beef* is an example of a business that has integrated the value chain as the company involve feedlots (at Heidelberg) with a total capacity of 140 000 units, a feed mill with a production capacity of 1 000t/d and an abattoir (at Balfour) with freezer facilities with a capacity of 1 100 head per day.

Section 3: The design of the economic strategy

An estimated 6 000 trophy hunters visit South Africa annually. The majority come from the USA, followed by South America, Germany and Spain. About 85% of all of Africa's trophy exports come from South Africa. Foreign trophy hunters normally take packages of seven to fourteen days, spending an average of R50 000.

The local game industry has grown at a high rate with traditional cattle farmers changing to game farming for the reasons noted above. In a survey conducted in 2002, it was found that about 4.1 million ha are used in Limpopo for game farming, an area that is twice the size of the Kruger National Park. Between January and December 2002, an estimated 2 061 foreign hunters from 42 countries visited Limpopo and hunted more than 14 000 animals, making it the largest hunting ground in SA. The Limpopo industry employs an estimated 2 000 professional hunters and hunting outfitters, with a large number of jobs created in downstream and related activities such as adventure and safari excursions.

It is estimated that the provincial tourism industry generated more than R 1 - billion in 2002, with the hunting industry contributing an estimated 70%²⁸.

Table 2.7 presents an indication of the value of game auctions held in recent months in the area.

TABLE 2.7: Examples of recent game auctions in the area

Place	Date	Turn-over
Shorty de Pontes Wildhokke - Ellisras	16 June 2008	R1 459 775
Goudrivier Wildoord - Vaalwater	17 May 2008	R2 230 475
Waterberg Game Dealers – Waterberg	29 March 2008	R2 617 575
Oljaco Krale - Vaalwater	3 May 2008	R3 208 500 ²⁹
Oljaco Krale - Vaalwater	31 May 2008	R1 209 450
Mookgopong	14 June 2008	R136 600

(SOURCE: Vleissentraal)

The table clearly shows the significant value of the industry just in terms of the game sold (referring to Figure 2.5, this is only one of three elements of the industry).

Despite its large potential multiplier, the industry has up to recent received relatively little attention from government and a number of factors hamper the industry such as:

- i. The industry is not well structured in terms of support structures and coordination.
- ii. There appears to be confusion about the role of government with little headway made to date to coordinate and facilitate structured cooperation between government and the private sector.
- iii. Lack of norms and standards for biomes to ensure that the correct species are farmed with (per kind of habitat).
- iv. Lack of accurate statistics.
- v. Lack of coordinated marketing.
- vi. Lack of focused research and advisory services.

²⁸ Limpopo Dept. Finance and Economic Development (Tourism Directorate). *First discussion paper on the game industry in Limpopo Province*. December 2003.

²⁹ During this auction, a record amount of R720 000 was paid for an adult White Rhino.

Section 3: The design of the economic strategy

vii. Concerns about animal health and disease control.

The National Department of Agriculture has in 2006 published a Policy on Game farming for public comment (notice 874 of 2006). In essence, the policy aims to address the shortcomings and noted above.

Pig

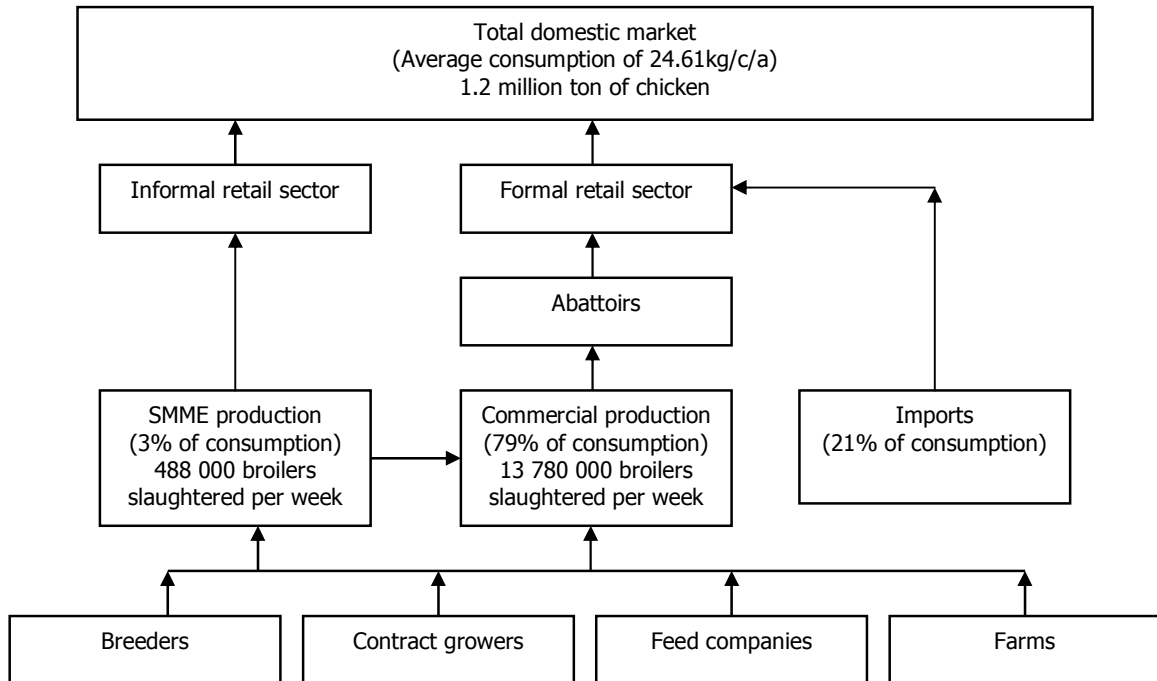
The area does not enjoy any particular comparative advantage in the production of pigs, but has a sizeable herd estimated of about 5 000 head. The same as with beef, the animals are sold and slaughtered outside the area.

Chickens and eggs

South Africa consumes about 1.2 million tons of chicken per annum, of which 960 000t is produced domestically and 294 000t is imported. This calculates to about 14 million broilers slaughtered every week in the commercial side of domestic production and another 488 000 slaughtered in the SMME sector.

Figure 2.5 presents an overview of the chicken value chain.

FIGURE 2.5: Value chain and volumes of chicken produced (2006 values)



(SOURCE: Southern African Poultry Association, 2006)

The average annual *per capita* consumption has increased from 19.74kg in 2000 to about 26.35kg by 2007. However, this is still well below the consumption rates in countries such as Brazil and the USA where *per capita* consumption is in excess of

Section 3: The design of the economic strategy

40kg/a. Figure 2.5 shows that South Africa is still importing about 21% of domestic consumption. The largest portion of this imports is sourced from Brazil, which has in recent years become the world’s largest producer and exporter of chicken, mainly on the back of government support. This suggests the potential of significant untapped market potential.

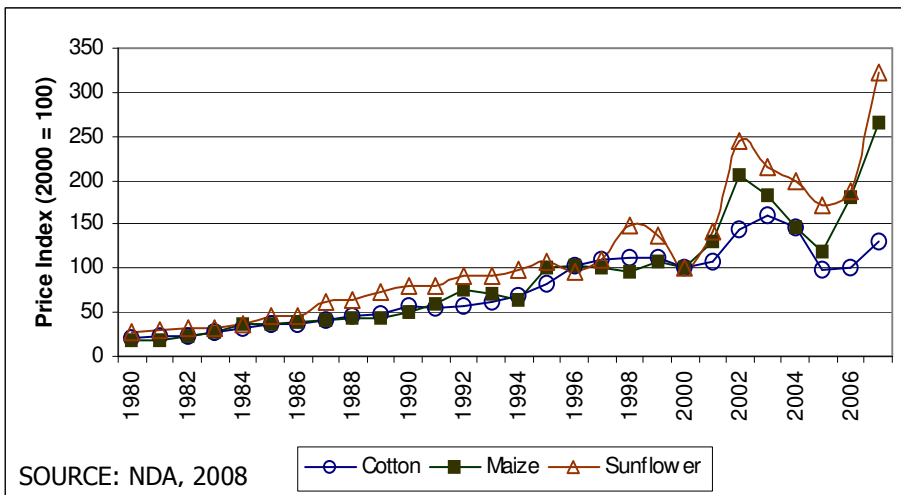
A number of farmers in the study area are involved in the production of eggs for hatching (not consumption) and the raise of young chicks. The chicks are then sold to the larger broilers located outside the area, mainly near Polokwane. As an indication of the size, the local production capacity of chicks is estimated at about 600 000 units per week.

Eggs are the most affordable broad based protein available. As a comparison, eggs average at R11/kg, compared with R14/kg from chicken R20/kg for read meat (January 2007 prices). In 2006, the average consumption increased to about 124 eggs/p/a, a growth of 5% from 2005 levels. This would suggest a large untapped market potential. Similar to the rest of agriculture, the sharp increase in input cost has put pressure on the profit margins of eggs.

b) Plant production

The total area planted varies on a year-to-year basis, depending on the climatic conditions and the market prices, but there seems to be a gradual trend to plant a smaller area, resulting in more land lying fallow or being converted into grazing. The main reason for this involves the increase in the input cost involved in plant production. At present, about 4 000ha is irrigated (both pivot points and drip irrigation) on the Springbkflats with the main commodities being cotton, seed maize, sunflower, groundbeans and millet.

GRAPH 2.21: Producer Price Index for cotton, maize and sunflower (1980 – 2007)



Graph 2.21 presents the Producer Price Index (PPI) of the main plant production in the study area namely cotton, maize and sunflower.

The graph shows a relatively slow increase in all three commodities up to 2000, followed by a period of significant fluctuations including the recent strong increase since 2005. The

increase can largely be attributed to the increase in fertilizer and fuel.

Cotton

The Springbokflats area enjoy a comparative advantage for the production of cotton due to the particular climatic and soil conditions, and there used to be a number of ginneries in the area. However, both international and national production levels have in recent years shown a downward trend. On the international level, this decrease in the propensity to plant cotton can be attributed to better farm gate prices achieved in alternative commodities such as grain, soybeans and maize. Another factor is the steep increase in the price of fertilizer, which results in farmers opting for commodities that require less chemical fertilizer than cotton. Also, world consumption seems to have flattened since 2005, and the International Cotton Advisory Committee (ICAC) expects international demand to decrease by a further 1% during 2008/09³⁰.

The decrease in domestic production already started in the 1990's with production then at about 40 000t/a and total consumption at 70 000t/a (the difference being imported). However, since then, both production and consumption have decreased to about 11 000t and 46 000 in 2007/08 respectively. Cotton South Africa expects the 2008/09 crop to be the lowest in 40 years, despite the increase in the market prices. Similarly to the reason for the decline in international production, the average South African farmer can also get higher prices for competing crops such as maize and sunflower. These alternative crops also require less managerial inputs.

In view of the steep increase in the international demand for food crops such as maize and grain, which is at least partly fuelled by the use in biofuels, it can be expected that these crops will remain to offer better options to the farmers than cotton.

d) Challenges

The following present the main challenges to commercial agriculture in the study area:

- i. The steep increase the input costs, most importantly fuel and fertilizer.
- ii. There seem to be a lack of hands-on technical support:
 - Commercial – Institutions such as DWAF and NDA used to conduct regular studies and surveys on matters such as the ground water. Water extraction was carefully monitored to ensure sustainability. This is not done anymore and there is the danger of overexploitation.
- iii. Commercial farming is by its nature a multi-generational activity. However, the industry is becoming less attractive to young people as it is considered to carry too much financial risk. As a result, there are very few young people that are actively involved in commercial farming.
- iv. Most of the commercial farmers are willing to assist emerging farmers as "mentors", but they do not have much time (commercial farming is a "24 / 7" business).
- v. The outstanding land claims must be finalized as soon as possible as they limit future planning and investment for those affected.

³⁰ Cotton South Africa, 2008. *Cotton market report as on 1 July 2008*. Reference 9/3/3/1.

Section 3: The design of the economic strategy

- vi. The concern that not all beneficiaries have a real desire to farm or to make it their primary source of income. There are many examples of beneficiaries that merely stay on the land, but do not use it effectively (loss of potential).
- vii. The Municipal Property Rates Act must be correctly phased in.
- viii. The possible implications of the Expropriation Bill on the security of full private land ownership.
- ix. The so-called "week-end" farmers – These are people that are not primarily dependent on agriculture as their income. In most cases, there are professionals from Gauteng that have purchased farms (or portions) and use these farms as their "weekend getaways". This poses the following problems:
 - The land is not optimally used, which means a loss of productive land.
 - In most cases, good veld management is not practiced which increase the risk of veld fires (e.g. Fire breaks may not be built or properly maintained).

2.6.4 Emerging agriculture

a) Rust de Winter Scheme

The main production area for emerging farmers is the so-called Rust de Winter Scheme³¹ which is said to be part of 13% of South Africa's best soils³². The scheme used to comprise of about 150 commercial farmers. In 1981 and 1982, the white commercial farmers were bought out and the Suidelike Transvaal Kooperasie (STK) was appointed to manage the farms. However, the STK withdrew and land invasions took place which were legalized in 1994 through the allocation of lease agreements³³. Since then, the new farmers have been able to purchase the land with funds accessed through Land Redistribution for Agriculture Development (LRAD) (refer Table 2.1). The farmers therefore own the land, but there are still land claims on the land that have to be finalized. The average plot size varies between 20 – 50ha.

The area has high agricultural potential with the main commodities now produced being grain, maize, sunflower, sweet melon and vegetables. In cases where the farmer cannot secure sufficient water, fodder is planted, baled and then sold to animal producers. The current production levels are much lower than the potential. This can be attributed to three problems namely:

- i. The infrastructure, and in particular the irrigation infrastructure, is in a bad state, severely limiting the production capacity.
- ii. A lack of sufficient irrigation water.
- iii. A lack of support services / extension services.

A secondary problem is the aging population, with virtually no youth being involved in the scheme.

³¹ The scheme comprises an area of 38 000ha of which 26 000ha are in Gauteng and 12 000ha in Limpopo.

³² International Centre for development orientated research in Agriculture (ICRA), 2005. Map 2.1 confirms the high soil potential of the area. Notwithstanding, this figure of 13%, as quoted from said the report, appears to be very high. The main conclusion to be made is that the area has significant agricultural potential.

³³ *Op cit.*

Section 3: The design of the economic strategy

Mainly as a result of these problems, the land cannot be optimally utilized resulting in most of the farmers having to source income elsewhere. In the research conducted by ICRA, it was found that 49% of the farmers get all their income from off-farm sources such as formal employment, social grants and remittances. Only 20% of the farmers generate some income from farm activities, but still source about 50% of income from off-farm activities.

The current water allocation given to the farmers is sufficient to irrigate about 5ha. This allocation is however dependent on the water level of the Rust de Winter Dam, which was originally built for irrigation purposes. However, primary demand (human consumption) has since increased and has to be met first before water can be released for agricultural purposes. To address the growing human demand, the Rhenosterkop dam was built downstream of the Rust de Winter dam. As a result of the water shortages, less than 8% of the land, is now irrigated with the rest used for dry land and animal farming.

The main commodities produced by the emerging farmers are:

- i. **White meat** – the market is under-developed.
- ii. **Red meat** – The farmers produce weaners which they sell to either the feedlots (e.g. *Vleis Sentraal*) or to the abattoir which is in Modimolle. However, the auctions for the feedlots take place at Bela-Bela which poses a transport and cost problem to the farmers. To address this problem, the Limpopo Department of Agriculture bought a facility at Rust de Winter and negotiations are underway with *Vleis Sentraal* to also have auctions in Rust de Winter.
- iii. **Grain** – The farmers sell at Marble Hall and Bela-Bela
- iv. **Vegetables** – The farmers sell on the Pretoria Fresh Produce. At present, no value is added to the vegetables, which implies a loss of potential income. However, there is a plant just outside the area (at Pankop) where the vegetables can be dried and a number of the farmers sell their fruit to the facility.

Due to the water shortages, animal farming far outweighs crop production. The farmers also engage in subsistence farming (e.g. goats, sheep and chickens are kept mainly for own consumption).

There is a standing committee for each of these commodities to serve as a platform to discuss issues.

Challenges

The following issues hamper emerging agriculture:

- i. The land claim must be finalized.
- ii. The water allocation must be increased.
- iii. The commodity committees do not meet regularly.
- iv. The lack of hands-on technical support (extension services).
- v. Price of land – there are farmers that want to get involved in agriculture, but the market price of land excludes them.
- vi. Land claims – some of the farmers in Rust de Winter are affected.

Section 3: The design of the economic strategy

- vii. The concern that a large number of the beneficiaries are not primarily interested in farming but only stay on the land.
- viii. The irrigation infrastructure is totally dilapidated.

b) Tiisetso Farming

Tiisetso Farming is located next to Bela-Bela Township and primarily involves the production and slaughter of chickens which are sold on contract to a buyer in Delmas (the strategic partner in the project). The initial design allowed for a capacity of 600 birds per cycle, with 8 cycles per annum. However, funds procured through Comprehensive Agriculture Support Programme (CASP)³⁴ have increased the capacity. The project is owned by three women and creates 8 permanent, as well as 60 temporary jobs to catch the birds for sending to the abattoir. To date, the project has won three awards namely:

- i. 2005 – Female farmer of the year (Waterberg District)
- ii. 2006 – Female farmer of the year (Waterberg District)
- iii. 2006 – Limpopo female farmer of the year

The poultry house, as well as the feeding and medicine machines, is electronically operated.

Challenges

A number of problems hamper the project namely:

- i. The strategic partner (i.e. the buyer in Delmas) is experiencing financial problems and cannot purchase the chickens anymore. Without such a secure market, the project is threatened.
- ii. Water – need a secure water supply.
- iii. Roads – the quality of the access roads is bad and it presents problems for the trucks that deliver the feed and collect the chickens.
- iv. Electricity – a large part of the operation is electronic and disruptions in electricity are particularly problematic.

2.7 TOURISM

2.7.1 Overview of macro trends in Tourism

Tourism has developed into one of the largest industries in the world. As an indication, the World Tourism Organization (WTO) estimated that international tourist arrivals totaled 670 million in 2004, with tourism receipts totaling US\$ 622 billion (SA Tourism, 2005).

Since the first democratic elections in 1994, South Africa has recorded a steady growth and received about 9 million international visitors in 2007. Total foreign

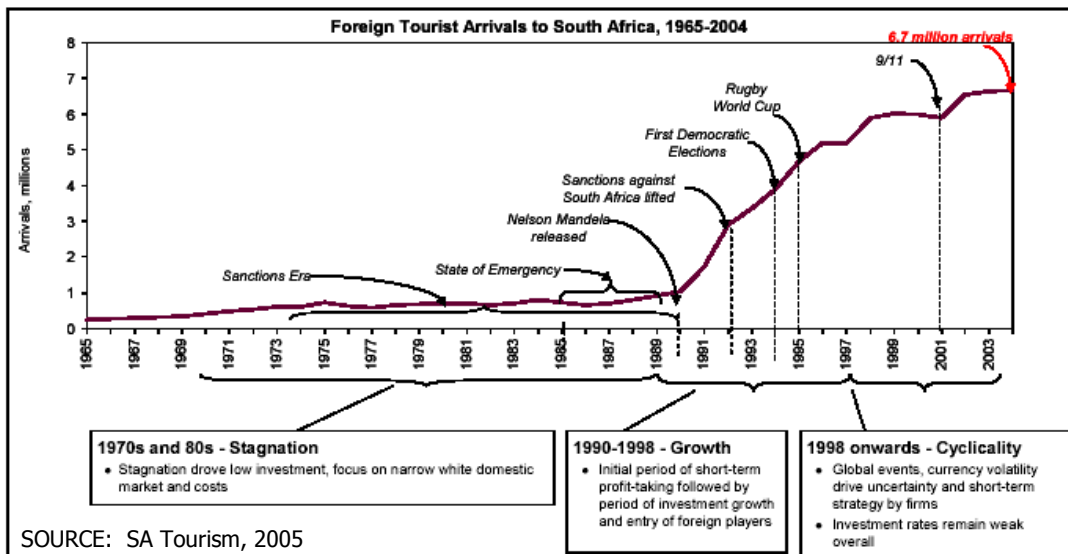
³⁴ The CASP involves a range of support measures to emerging farmers such as on and off farm infrastructure, capacity building, market development, financial support, and information & training.

Section 3: The design of the economic strategy

direct spend (including capital expenditure) was estimated at R77 billion in 2007³⁵. This is up from R74 billion in 2006. Added to the foreign visitors is the domestic market, where an estimated 36 million trips were generated in 2005 with an estimated total value of R21 billion³⁶. At present, tourism the industry contributes about 8% to GDP and employment. Little wonder than that tourism is considered by some as the “new gold” of the South Africa economy.

The tourism industry is notoriously fickle and a range of exogenous factors determines the attractiveness of a country such as: the exchange rate, political stability, the (perceived) danger of terrorist attacks & upheaval, and the occurrences of natural disasters and diseases. As an indication, Diagram 2.2 shows the steady growth achieved in the number of foreign tourist arrivals to South Africa, as well as the effects of certain events such as the release of Nelson Mandela, the Rugby World Cup and 9/11.

DIAGRAM 2.2: Growth in the number of foreign visitors to South Africa



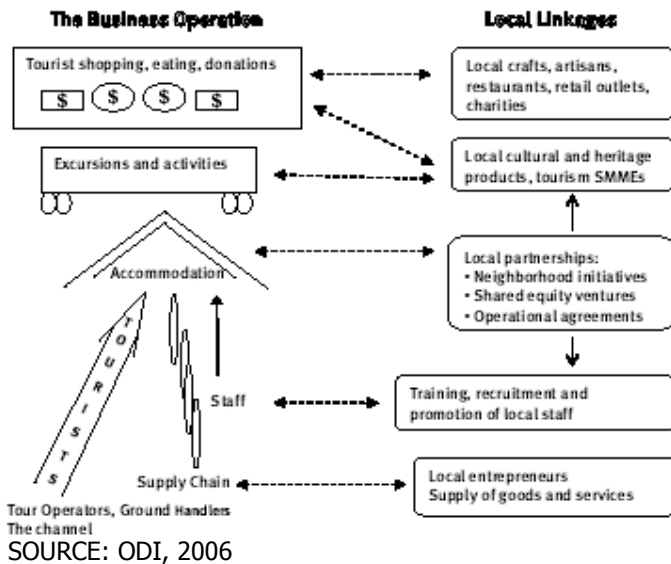
The real significance of the tourism industry lies in its strong potential multiplier effect. Diagram 2.3 presents a simple diagrammatic overview of the linkages between tourism and the rest of the economy. The diagram clearly shows the long value chain of the tourism industry, starting with the marketing and logistical arrangements such as transport and accommodation bookings (which normally take place at the place of origin and not the end destination). The money spent directly on accommodation and food is therefore only a small part of a much larger budget. However, in reality, this potential value chain is seldom developed to its full extent. Ironically, in most cases, it is the destination areas that reap the least benefit whereas the source areas normally benefit the most. The main reason for this apparent anomaly is that the destination areas are usually a less developed or have a smaller and more fragmented economies, whereas the source areas normally have more advanced economies and business structures.

³⁵ South African Tourism, 2008: *2007 annual tourism report.*

³⁶ South African Tourism, 2006: *2005 annual South African domestic tourism report.*

Section 3: The design of the economic strategy

DIAGRAM 2.3: The linkages between



The challenge is not only to maximise the spending of the tourism budget within the local economy, but also to promote more direct participation by the local population. Some regards the tourism industry as an “elitist” industry as on the demand side, it only involves those with the financial means that can afford to take holidays and go on tours. On the supply side the bulk of tourism resources are still owned by Whites, with Blacks mainly involved in the peripheral elements such as chefs, guides and cleaners. The Tourism BBE Scorecard

goes some way to address these problems, but success ultimately depends on the combined energies and attitude of the local stakeholders.

2.7.2 Performance of Tourism in Bela-Bela

a) Main attractions

Bela-Bela enjoys a comparative advantage in the tourism industry as it is easily accessible from the main market area namely Gauteng. The original tourism attraction to the area involves the hot water springs which rises to the surface at a temperature of about 53 degrees centigrade. The water is also rich in limestone minerals which give it medicinal healing qualities.

The tourism offering involves a wide array of products that include:

- i. Numerous and well known game lodges and reserves (of which some are stock the “Big 5”) such as the *Rust de Winter Nature Reserve*, *Enkeldoornspoort Nature Conservation Area*, and the *Het Bad Nature Reserve*.
- ii. Resorts, most famous of which is the *Forever Resort* that has the hot water springs, baths and a hydro.
- iii. Various activities such as: horse riding, golfing, 4X4 trails and quad biking, hiking trails, bird watching, hunting, conference and meeting facilities, a variety of water sports and a number of health and beauty spas.
- iv. Unique offerings such as the *Thaba Kwena Crocodile Farm* that has more than 10 000 crocodiles, the *Sondela* and *Bamdebela Wild Life Care Centres* that offers rescue and care facilities for wild animals, and the *De Wild Shingwedzi Cheetah and Wild Dog Breeding Project*.
- v. A number of world class golf estates such as: *Zebula Country Club & Spa* (formally known as *Mabalingwe Country Club*), *Elements Private Golf Reserve*, and *Lejwe La Meetse Golf Estate*

Section 3: The design of the economic strategy

On the basis of the resource base and facilities, Bela-Bela is considered to be a "tourism hub". However, as noted in the sub-paragraphs following, Bela-Bela barely qualifies for this status as a number of factors work against the full development of the tourism potential.

a.i) Under-developed attractions

The Rust de Winter Dam is managed by the Limpopo Tourism and Parks and is a significant resource that is currently still under-developed. At present, the dam only attracts a few anglers and campers. The Gauteng provincial government initiated the Dinokeng project which is located immediately to the south of Rust de Winter. The concept involves the development of a "Big Five Reserve". As far as could be established, the project proposal was restricted to Gauteng. The Limpopo Tourism Growth and Development Strategy recommended that the Rust de Winter Dam and the Nature Reserve be incorporated into the proposed Big Five Reserve and that a Lodge be constructed at the dam³⁷.

Limpopo Tourism and Parks has recently appointed a service provider to design and develop a 5-star hotel, conference facility, museum and a ferry. These developments will contribute towards unlocking the potential of the dam.

b) Institutional arrangements

The local tourism industry seems to be well organized with a Tourism Association and all indications are that the Association and the Tourism Information Center are functioning well. This can mainly be attributed to the fact that some of the members are not product owners, but are involved as they have a passion for tourism and not because they stand to gain anything from it. The Association is fortunate to have good infrastructure, with the buildings that house the Tourism Information Centre paid for by *Limpopo Tourism & Parks*. The Information Centre not only provides information to the potential visitor, but can also make bookings, thereby giving a service and capturing part of the upstream elements of the value chain. As an indication, during the months of April and May 2008, the Center assisted with 69 and 47 bookings respectively, with a total value of R142 800 and R90 400.

A major constraint involves the lack of accurate visitor statistics as well as the fact that a large number of establishments are not registered with the Association. A rough estimation suggest that Bela-Bela has about 10 000 beds available. However, the lack of credible data makes it impossible to arrive at an accurate overview of the number and provide of visitors, which is a major constraint to the detail planning and development of a tourism offering that can meet the particular requirements of the market.

Not all establishments are star graded, which limits their marketability.

c) Ownership

The Tourism industry is still White owned with virtually no movement on BEE.

³⁷ Limpopo Department of Finance and Economic Development, 2004: *A Tourism Growth and Development Strategy for Limpopo Province*.

Section 3: The design of the economic strategy

b) Markets and marketing

Bela-Bela used to be known as the “family holiday place” which is mainly based on the hot water springs and the wide range of associated activities. Although this remains a key element of the market, recent years have seen a shift with the development of the game lodges and the world-class golf resorts which cater predominantly for the upper-end of the tourism market.

The main domestic market comprises the Gauteng province. The family orientated segment mainly visits Bela-Bela over weekends and school holidays. December is the peak period due to long school holiday, with lesser peaks over Easter and during the winter school holidays. The winter slack is picked-up by older people visiting the hot water springs for its medicinal healing properties.

The main segment during the week involves the MICE sector from both the private and government sectors.

As an indication of the number of visitors to the main tourism attractions, the following were recorded during the December peak:

- i. Sondela – 17 918
- ii. Aventura – 40 000 overnight visitors and 70 000 day visitors
- iii. Mabalingwe – 120 600

From another perspective, Table 2.8 shows the number of visitor enquiries registered at the Tourism Information Centre alone.

TABLE 2.8: Visitor enquiries at Bela-Bela Tourism Centre (2008)

	December	January	February	March	April	May
Walk-in	909	907	479	556	885	698
Telephone	1 792	1 206	1 258	1 667	835	944
E-mail	50	139	152	83	169	240
Fax	6	27	44	11	16	82
Total	2 757	2 279	1 933	2 317	1 905	1 964

(SOURCE: Bela-Bela Tourism Association)

The table clearly shows the peak period over the December / January school holidays and the smaller peak over the Easter school holiday period.

Bela-Bela Tourism has embarked on an aggressive drive to improve marketing with the printing of a new brochure that is available at all the strategic market outlets in South Africa. The website is also well maintained and is easy to search and book accommodations.

2.7.3 Main conclusions on the Bela-Bela tourism industry

The major constrain that hampers the further development of the Bela-Bela tourism industry is the lack of a shared vision for tourism. As a result, the effort is fragmented, with each establishment pursuing its own goals, rather than working towards a shared vision.

Section 3: The design of the economic strategy

Although the industry has the proven potential to make a meaningful contribution to an economy, the following observations must be noted with specific reference to Bela-Bela:

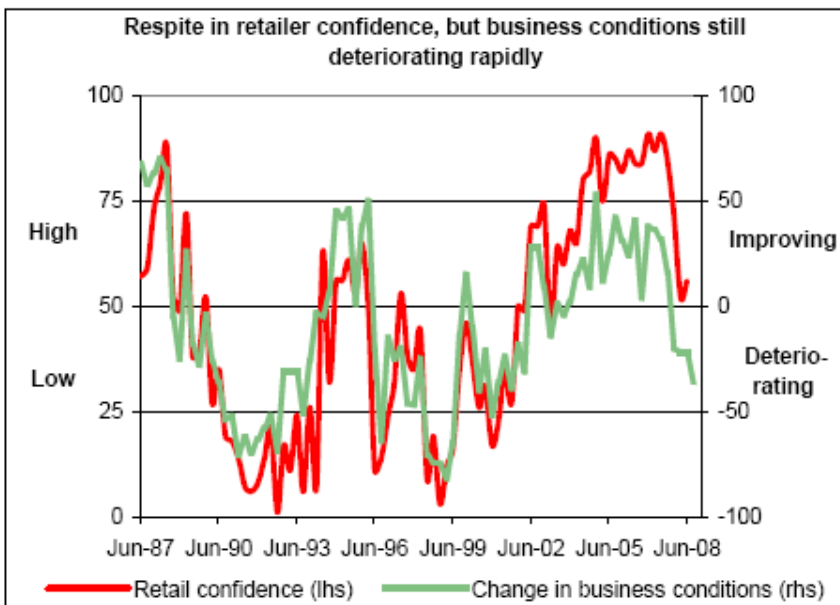
- i. Bela-Bela is not effectively branded as a tourism destination.
- ii. The town is considered a “tourism hub” but the physical appearance of the town, and in particular the entrance of the town, does not support this status.
- iii. The municipality gives very little financial assistance to tourism development and the tourism office is financed mainly through membership fees, commission fees and assistance from *Limpopo Tourism & Parks*.
- iv. A lack of tourism intelligence (e.g. the number of visitors, their demographic profile, length of stay, spend, etc.).
- v. Very few of the facilities are star graded.
- vi. Total lack of progress with BEE.
- vii. Huge leakages with establishments not buying local.
- viii. Potential market segments are not developed (e.g. medical tourism).
- ix. A number of problems are experienced with the signage such as:
 - The place names are confusing with different names used along the N1 namely “Bela-Bela”, “Warmbaths” and “Warmbad”.
 - There seems to be little control over signage in terms of where it is allowed (with the large number of signs spoiling the area) as well as the design and appearance of the signs (e.g. use of incorrect lettering and colours).

2.8 TRADE

2.8.1 Overview of macro trends in Trade

The trade sector is a good barometer of the overall performance and condition of an economy, with a bullish economy normally reflected in high levels of consumer spending and optimism and *vice versa*. As noted in paragraph 1.3.1.d), the Consumer Confidence Index (CCI) has during the first two quarters of 2008, registered its most significant fall in 24 years. The significance of this trend is that the average consumer will reduce spending, even to levels that are lower than disposable income, in order to save and reduce outstanding debt (which is becoming more expensive with the increase in the

DIAGRAM 2.4: Retail Confidence Index



spending and optimism and *vice versa*. As noted in paragraph 1.3.1.d), the Consumer Confidence Index (CCI) has during the first two quarters of 2008, registered its most significant fall in 24 years. The significance of this trend is that the average consumer will reduce spending, even to levels that are lower than disposable income, in order to save and reduce outstanding debt (which is becoming more expensive with the increase in the

SOURCE: BER, 19 June 2008

Section 3: The design of the economic strategy

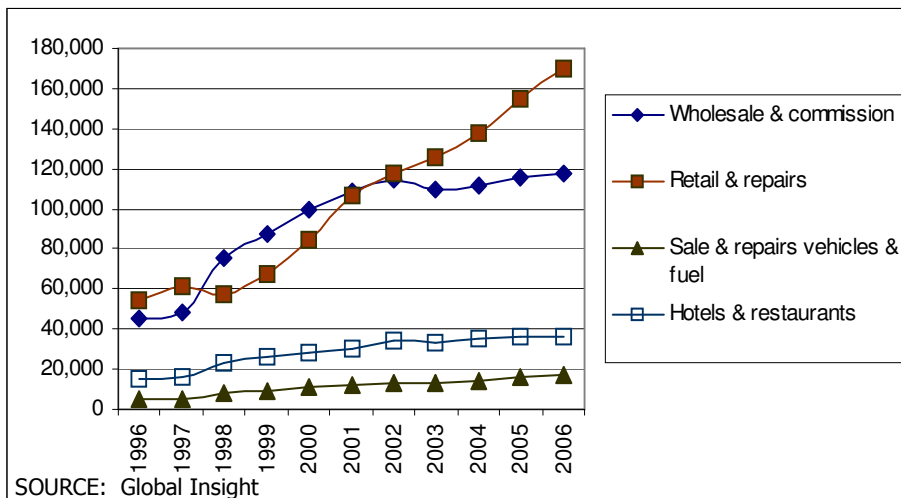
repo rate). The lower spending levels in their turn have a direct effect on the Trade sector. This is confirmed by the results of research conducted by the BER which shows that the confidence levels of retailers³⁸ have reached a five-year low in the first quarter of 2008. This downward trend is illustrated in Diagram 2.4. As can be expected, the survey showed that non-durable and necessity goods (e.g. food) still perform the best, whereas durable and luxury goods have registered a significant contraction in sales volumes. It is expected that this cyclical trend will continue for the foreseeable future, not only as a result of the increase in the inflation levels, but also as a result of the lagged effect of the past and possible future increase in the repo rate.

2.8.2 Performance of the Trade sector in Bela-Bela

The largest portion of retail trade is conducted in the CBD area of Bela-Bela with a smaller portion conducted in the smaller nodes and the various lodges and resorts. Most of the national brands and franchises have a branch in Bela-Bela, with the exception of high-end brands such as *Woolworths*.

Graph 2.22 presents the performance of the Trade sector in Bela-Bela at constant prices for the period 1996 to 2006. The graph shows a strong growth trend, which was mainly driven by Retail & Repairs, whereas the initial growth achieved in Wholesale & Commission seems to have flattened out from 2001.

GRAPH 2.22: Production levels achieved in Wholesale and Retail, 1996 to 2006 (2000 prices)



be expected that more recent figures will show a downturn in the business levels. This was confirmed in discussions with the Business Forum which indicated that a number of new enterprises have opened during the period of high consumer confidence around 2005 to the second half of 2006. However, many of these enterprises have since closed.

³⁸ The Retailer Confidence Levels reflect the percentage of respondents (in the survey) that reported that they are satisfied with prevailing business conditions.

Section 3: The design of the economic strategy

Discussions with the Business Forum and other stakeholders highlighted the following concerns:

- i. The lack of sufficient parking area in the CBD area.
- ii. The opening of a large shopping mall next to the Waterfront Development. This new development will have about the same floor area as the existing businesses located in the CBD combined (23 000m²). The concern is that this new mall will “suck-out” the limited local buying power from the CBD, which may result in the existing businesses becoming marginal. The worse case long-term scenario is the gradual degradation of the CDB area as the high-end businesses relocate (resulting in urban decay).
- iii. The proposal to rezone land to the south of the rail bridge to retail. As noted above, this may result in the gradual degradation of the existing CBD.
- iv. The trend of non-South Africans taking over local businesses. This seems to be most prevalent in the less formalized businesses in Bela-Bela.

a) The “openness” of the Bela-Bela trade sector

Small economies such as the Bela-Bela economy are “open” as the local resource base and production levels are not sufficient to cater for the entire spectrum of consumer needs (both intermediary and final). Secondly, both production and consumption volumes tend to be too small to achieve economies of scale. Thirdly, the proximity of larger nodes tend to “suck out” local buying power as these larger nodes offer a larger variety of goods and services. Another factor is the effect of large national brands in the retail sector. Although these large brands may seem to absorb local buying power and prevent the leaking of private spending, they leak the money indirectly as their profits are registered at head-office, which are often in the large nodes and not in Bela-Bela itself. Moreover, these large national brands also tend to displace the smaller and locally owned shops as they can offer goods at a lower price (due to their strong negotiation power with suppliers)³⁹.

As a result of the above, there tends to be significant interaction between small and larger economies, with small economies tending to “leak” to the larger economies, particularly with regards to private (household) consumption. The combined effect of the direct and indirect leakage minimizes the potential multiplier effect of local disposable income. Bela-Bela is no exception and although the figures on the trade sector suggest that the town has developed into a sizeable trade node, one can expect a large leakage of local buying power to nodes such as Gauteng, but in a lesser scale to Polokwane.

2.9 REAL ESTATE

2.9.1 Overview of macro trends in the Real Estate market

Following the bullish period in the building and real estate industries experienced from about 2004 to the second half of 2006, the Building Confidence Index has in

³⁹ The case study of the detrimental effect the Wall Mart group had on local “mom & pop” shops in the USA is a classic example of a large national brand displacing locally owned shops.

Section 3: The design of the economic strategy

more recent times registered a significant downturn. The decrease in demand for new construction can largely be attributed to the increase in the price of construction materials, the increase in the Repo Rate, as well as the tightening of credit standards as required in terms of the National Credit Act (2007).

2.9.2 Performance of Real Estate in Bela-Bela

According to the records, approval has been given to the following new developments:

	Location	Stands	Zoning
i.	Frishgewaagd (445KR)	164	Special (Private Resorts / Game farm)
ii.	Het Bad (456KR)	469	Residential 1 – 4, Business 3
iii.	Roodepoort (467KR)	410	Residential 1 – 3, Business 3 and Special (Admin)
iv.	Karreefontein (474KQ)	44	-
v.	Rondefontein (84JR)	27	Special (game lodge)
vi.	Roodepoort (467KR)	254	Residential 1 and Special
vii.	Roodepoort (467KR)	107	Residential 1 and 4, Business 1
viii.	Bospoort (450KR)	72	Residential 1
ix.	Bela-Bela ext 20	1 500	Residential 1 – 4 and Special (business)
x.	Bospoort (494KR)	3	Residential 2
TOTAL		3 050	

The Bela-Bela area enjoys a number of advantages for investment in the real estate market, particularly in the residential segment, namely:

- i. The area is highly accessible from Gauteng, which is also the most important market in terms of investment.
- ii. Low crime levels
- iii. The Bushveld atmosphere
- iv. Low traffic congestion
- v. Affordable rates and taxes

As a result of these factors, the area has experienced significant investment in property development in the last few years.

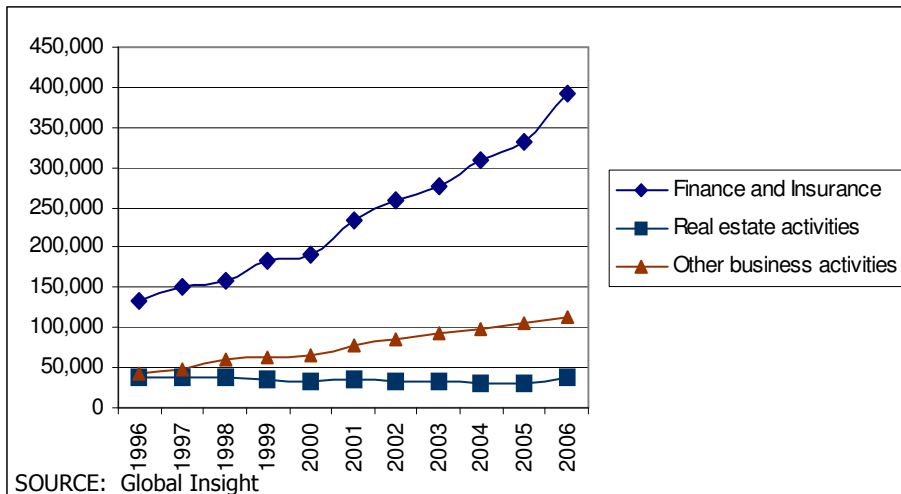
A number of developments have added to the property stock such as:

- i. A number of so-called “lifestyle estates” have been developed with stands ranging from R350 000 to R1,5-million.
- ii. A number of world-class golf courses have been developed, with more on the cards. Examples include *Zebula Country Club & Spa* (formally known as *Mabalingwe Country Club*) and *Elements Private Golf Reserve*, which are among the top golf estates in the country. *Lejwe La Meetse Golf Estate*, that borders the town, is another golf estate which is in the final approval stage where the developers are planning a development in excess of R3,5-billion.”
- iii. A new 23 000m² shopping centre.

Section 3: The design of the economic strategy

Graph 2.23 presents the production levels achieved in Finance (at 2000 prices). The graph shows that the growth achieved in Finance was largely driven by the sub-sector "Finance and Insurance" and not "Real estate", which does not make immediate sense as it is the property market that managed the high growth. According to the official statistics, the sub-sector Finance and Insurance managed an annual growth of 11.5%, whereas Real Estate only managed 0.5% p.a. The reason for this apparent anomaly lies in the definition of the sub-groups within the sectors.

GRAPH 2.23: Production levels achieved in Finance, 1996 to 2006 (2000 prices)



As far as could be established, the value of all bonds registered with banks will be allocated to "credit granting" which falls under "monetary intermediation" (SIC 81) as the transaction is registered with the financial institution. It is only the profit made by the estate agent that will be registered

under "real estate activities" (SIC 84)⁴⁰.

It is important to note the following with respect to the real estate market in Bela-Bela:

- i. The most significant property development does not involve the "conventional" residential market, but particular segments namely the golf resorts and the so-called lifestyle and wildlife estates. These segments cater for the high-end of the market, which is probably better able to absorb the recent increase in the repo rate than the lower and middle-income categories. Another important sector, although less in market value, is the retirement villages. At present, there are about 15 retirement villages with more being developed.
- ii. Compared to these developments, the turnover of existing stock is of secondary importance.
- iii. The recent property boom had very little effect on the lower end of the market or the former Black areas such as Bela-Bela. In other parts of South Africa, most notably SOWETO, the property boom resulted in these areas also developing a vibrant property market. The significance of this is that the housing stock now has real market value and is not "dead capital" anymore. Unfortunately, the same did not happen in Bela-Bela as there has been

⁴⁰ As an example, if property in Bela-Bela is purchased through an agent to the value of R1 million and the bond for the R1 million is registered with one of the large financial institutions, the R1 million will be registered under SIC 81 with only the agent's fee registered under Real Estate (SIC 84).

Section 3: The design of the economic strategy

virtually no turnover in housing stock in these areas. The main reason is probably that people prefer stay in their house rather than to considering selling it, resulting in very little stock available. Also, there is very little variety available.

The following are points of concern:

- i. The municipality has in the past increased the contribution to bulk services to such an extent that it places stress on the profit margins of the developers.
- ii. The slow turn-around time of some applications.
- iii. Incorrect invoicing of rates and taxes (and the difficulty to correct it).

As a result of the above, a number of potential developments have relocated to other areas which imply a loss to the municipality.

2.10 GOVERNMENT

2.10.1 An overview of the Municipality as a stakeholder in the local economy

The municipality is a key partner in any local economy as in most cases, it is the single largest business in the economy. This is certainly true for Bela-Bela with an annual budget of more than R100 million, of which salaries alone accounts for more than R30 million. From this perspective, the municipality plays a key role in a combination of the following:

- i. **Municipal budget** – The Bela-Bela municipality is the single largest business in the economy which implies that the municipal budget is a powerful instrument on both the income and expenditure sides. On the income side, the municipality has the power to levy property taxes and service charges. The municipality can manipulate these charges to make the area more attractive for new business investment, and / or to reduce the cost of doing business in the area. On the expenditure side, the municipality invests in the economy through the provision and maintenance of infrastructure. The municipality can also through its procurement policy generate business opportunities for the local entrepreneurs and to promote BEE.
- ii. **Employment** – The municipality employs a large number of people and their salaries constitute an important part of the local buying power. The annual municipal wage bill is about R30 million.

2.10.2 Municipal budget

a) Income streams

The two main income streams for most municipalities involve national transfers and operating revenue, which in the 2007/08 financial year will contribute 23% and 77% respectively towards the municipal budget. Of the National Transfers, the MIG is used for capital expenditure, whereas the Equitable Share, Finance Management Grant and Municipal Systems Improvement Grant can be used for operational

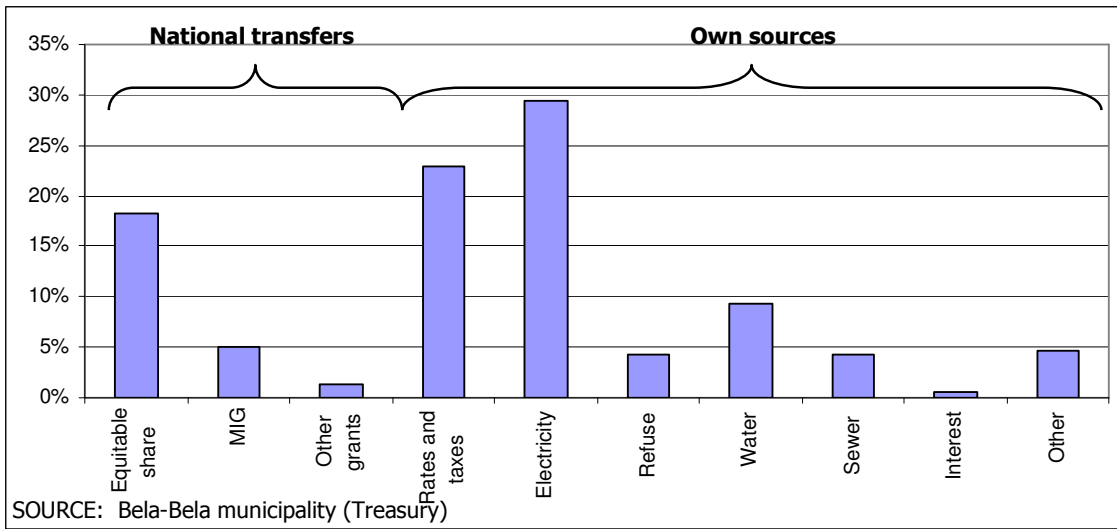
Section 3: The design of the economic strategy

expenditure. The mere fact that operating revenue contributes such a large portion shows that Bela-Bela has a very strong tax base.

Graph 2.24, provides a breakdown of the main sources of income for the municipality.

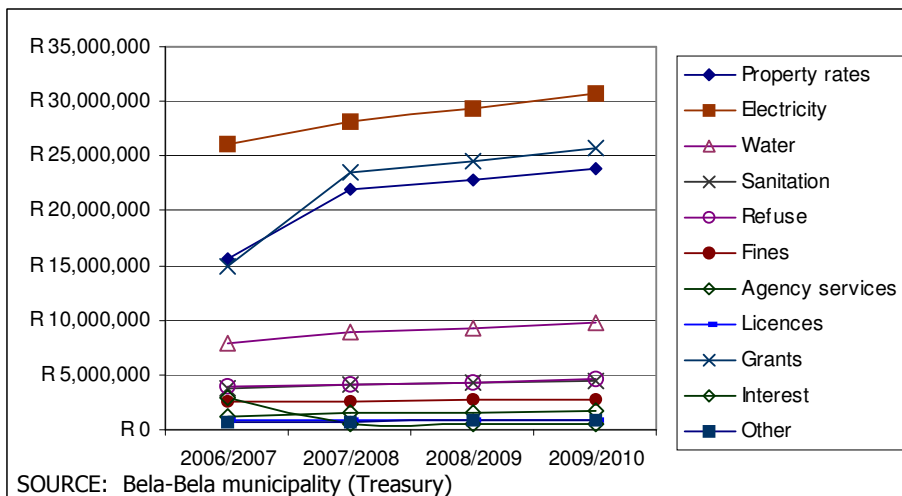
The graph shows that the sale of electricity contributes about 30% towards total revenue and with rates another 23%, making these the most important source of won income. The budget makes provision for an annual increase in the tariff fees at 6%.

GRAPH 2.24: Main sources of income for municipality



Graph 2.25 shows the projected income in the medium term budget.

GRAPH 2.25: Medium term revenue budget



The graph confirms the earlier comments about the significant contribution made by the sale of electricity. The average annual increase in the sale of electricity is about 5% - 8%. However, National Treasury has given approval to municipalities to

up their increases in order to absorb the increase approved by the National Electricity Regulator of South Africa (NERSA).

Section 3: The design of the economic strategy

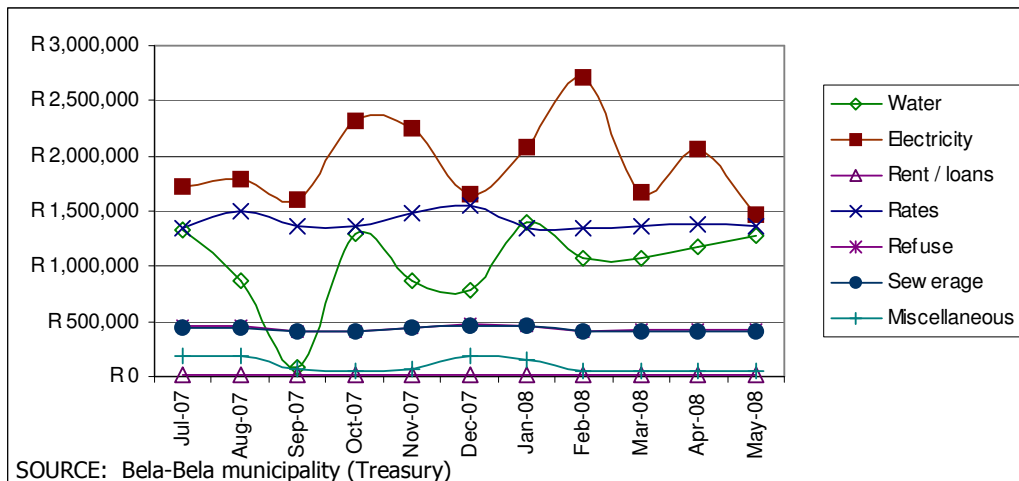
The graph also shows a steep increase (about 41%) in property rates from about R15.5 million 2006/07 to R21.9 in 2007/08 and R23.9 in 2009/10. This can be attributed to the implementation of the Property Rates Act which changed the manner in which rates are calculated. About 40% of municipal consumers involve the farm area that used to pay a rate that was based on the value of the land. In accordance with the Municipal Properties Rates Act, the rate is now calculated on the value of the land, plus any improvements to arrive at a market value. This resulted in the increase in the potential revenue stream noted above. The Bela-Bela municipality applies a rebate of 60% on farmland, but still experience problems with outstanding taxes from some of the farmers totally about R8 million.

The graph also shows a steep increase in Grants of 58% from 2006/07 to 2007/08 mainly as a result of the Finance Management Grant and Municipal Systems Improvement Grant which are now incorporated into the budget. Total national grants are budget to increase seems at about 4% p.a. for the remainder of the budget period.

For the reasons noted above, total income is budgeted to increase at 21% from 2006/07 to 2007/08, but will increase at a lower 4% p.a. in the remainder of the budget period.

Graph 2.26 provides some perspective on the billing levels on the main income streams of the municipality (i.e. own income). The graph shows notable fluctuations in the billing levels and there would seem to be some correlation in the fluctuations between electricity and water. The remainder of the income streams appears to be fairly constant. The reason(s) for such huge fluctuations is unclear.

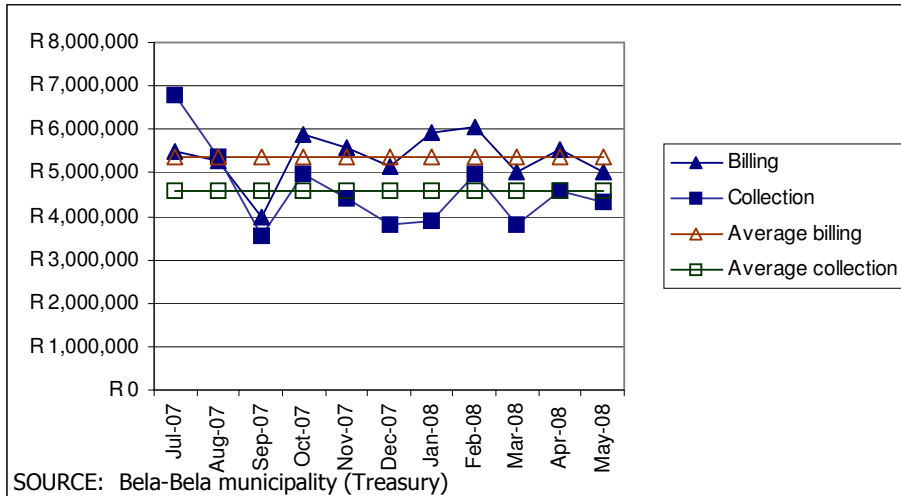
GRAPH 2.26: Income streams (billing) for municipality (July 2007 – May 2008)



Graph 2.27 compares the billing with the collection levels and also shows the average billing and collection rate.

Section 3: The design of the economic strategy

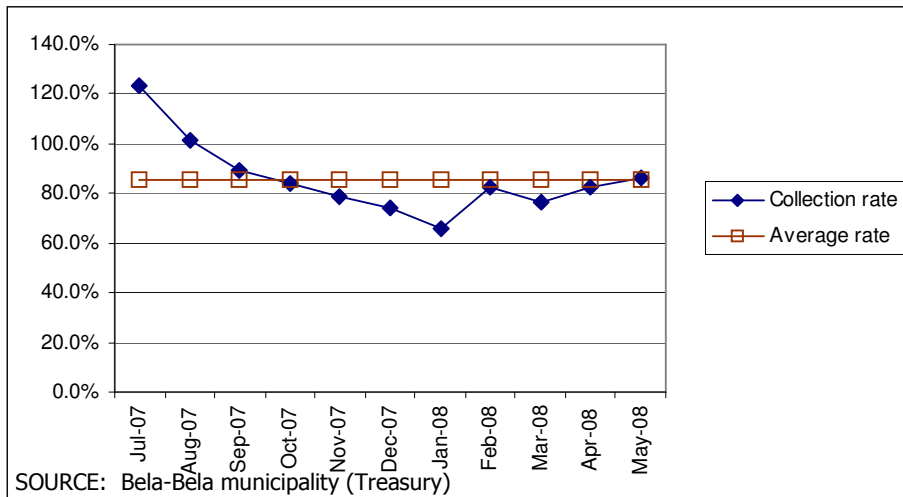
GRAPH 2.27: Comparison between billing and collection levels



The graph shows the average monthly billing to be about R5.3 million whereas the average collection level is R4.5 million, indicating an average collection rate of about 85%.

Graph 2.28 presents the monthly recovery rate and compares it with the average rate.

GRAPH 2.28: Monthly and average recovery rate



The graph shows an “over” recovery achieved in the period July to August 2007, from where the recovery rate deteriorated to a low of 65% in January. From there, it picked-up again, with a minor dip in March. These dips can most possibly be attributed to the school holidays

when a large portion of the people is not at home to pay their bills.

b) Expenditure

The capital and operational budget compares as follows for the medium term budget:

	Financial year	Operational budget	Capital budget	Capex as % of Ops budget
i.	2007/08	R100 005 012	R24 359 751	24%
ii.	2008/09	R104 304 928	R5 857 000	5.6%
iii.	2009/10	R108 998 965	R4 841 000	4.4%

Section 3: The design of the economic strategy

The table shows that Capex represents on average about 4 – 5% of the operational budget. The rebuilding of the municipal offices that were destroyed by a fire causes the comparatively high Capex budget for 2007/08.

c) Operational expenditure

The total operating expenditure for 2007/08 is budgeted at just over a R100 million, of which salaries represent about 32% of the operational budget, with general expenditure 47%. The budget will increase at about 4% p.a. to R104 million in 2008/09 and R109 million in 2009/10.

d) Capital budget

The capital budget for 2007/08 is just over R24.3 million, which then is reduced to R5.8 million in 2008/09 and R4.8 million in 2009/10. In 2007/08, the municipality will contribute over R19 million towards the capital budget of which R13 million will be an external loan and R6.5 will be sourced from own accumulated funds. The remaining R4.8 million is financed through the MIG.

e) Cash situation

The cash position of the municipality has improved notably since June 2006, as the municipality managed to change the overdraft into a positive bank balance by the end of the 2006/07 financial year.

c) Outstanding debt

Bad debt is about 10.5% of the total income which reflects the current payment levels of about 85% - 90%. The implementation of the Credit Control policy seems to be effective as the value of outstanding debt was decreased from R45 million in June 2006, to R36 million by December 2007. In more detail, the main elements of the outstanding debt comprises the following:

i.	Water	:	R5.6 million
ii.	Electricity	:	R3.1 million
iii.	Rates	:	R12.5 million
iv.	Refuse	:	R3.2 million
v.	Sanitation	:	R3.1 million
vi.	Miscellaneous	:	R8.6 million
TOTAL			R36.2 million

From the above, it is clear that rates constitute the largest portion of outstanding debt and therefore needs to be addressed as a matter of urgency. The municipality has set as a target to improve payment levels from 90% to 95%. The key instrument to achieve this goal is the Credit Control Policy.

2.11 INFORMAL SECTOR

2.11.1 Overview of informal sector

The informal sector is notoriously difficult to define and “fence” as it involves a wide spectrum of activities that can range from street hawkers in Johannesburg, to rickshaw pullers in Hanoi, garbage collectors in Cairo, to home-based electronic workers in Leeds. As a result of this disagreement on what the informal sector involves, estimations vary considerably on its size and contribution, with some suggesting that the informal workforce represent just less than 80% of all jobs in Africa and up to 90% in India.⁴¹ Schnieder (2002)⁴² estimates the size of the South African informal economy at 28% of the Gross National Product (GNP)⁴³. These figures are disputed by others claiming that the size and contribution is over-stated.

One of the main reasons for the existence of the informal sector involves the ease to enter and exit the economy. Although there is a school of thought that considers the informal sector as the answer to most economic problems, the sector has certain implications for the aggregate economy such as:

- i. The labour force is not protected and is therefore vulnerable to exploitation.
- ii. No formal taxes are paid, which implies a loss to the national fiscus.
- iii. The entrepreneurs may not be able to exploit all business opportunities as firstly they cannot take part in the government tender process and secondly, it is difficult (and sometimes risky) for an established business to incorporate an informal business into their supply chain (e.g. legislative requirements).
- iv. It is difficult for labour to improve their marketable skills base as they are hardly even offered the opportunity to attend courses.

The data presented elsewhere in this report shows beyond any doubt that the informal sector has grown into a large component of the aggregate economy. Very few LED strategies specifically address and incorporate the informal sector, mainly as a result of the reasons noted above.

2.11.2 Overview of informal sector in Bela-Bela

The informal sector in Bela-Bela can be divided into two groups name the hawkers that are located at the entrance to Bela-Bela township, and the flea market which is located at Checkers in the CBD area.

⁴¹ Chen, Jhabvala and Lund, 2002. *Supporting workers in the informal economy: A policy framework*. Working paper on the informal economy. International Labour Office : Geneva.

⁴² Schnieder, F, 2002. *The size and measurement of the informal economy in 110 countries around the world*. Paper presented at a Workshop of the Australian National Tax Centre, Canberra, Australia, 17 July 2002.

⁴³ For the sake of comparison, Schnieder estimates the size of the informal economies of the UK at 8%, Greece at 28%, Netherlands at 12%, the USA at 8%, Australia at 15% and Bolivia at 67% (2000 estimations).

Section 3: The design of the economic strategy

a) Hawkers

The hawkers are not well organized at the moment and do not have a representative committee or forum. This is a major shortcoming as they do not have a platform to define their concerns and engage in purposeful discussions with the municipality. They mainly sell commodities such as fruit & vegetables, clothing and confectionary, which they purchase from local sources such as farmers or shops in Warmbaths town.

The hawkers have been provided with a few shelters at the main entrance to Bela-Bela Township where there is high traffic volume. The shelters are supposed to provide interim space until the hawker has developed the enterprise to such an extent that he needs larger premises. To date, none of the hawkers have achieved this, which can be ascribed to a number of factors such as:

- i. Severe limitations on their potential mark-up for the following reasons:
 - The clients have the option to buy the same commodities at the shops located in Warmbaths town, where there is more variety at lower prices.
 - In some cases, the farmers (from whom he hawkers buy the fruit and vegetables) sell the same products next to the hawkers at the original purchase price.
- ii. There is virtually no differentiation in the products offered. As a result, turnover and profit levels are very low and the enterprises can be considered as survivalistic.
- iii. The shelters are not provided with any services, which present practical problems such as sanitation.
- iv. The hawkers store their goods in the shelters which pose the risk of theft.
- v. Most of the entrepreneurs have no basic business skills such as cashflow management.

b) Fleamarket

The flea market operators have a committee that provides a basic platform for communication and discussions with the municipality.

The Waterberg District Municipality has budgeted R80 000 for the further development of the flea market. The Bela-Bela Municipality still has to draft a proper business plan to access the funds.

As an interim measure, the municipality provided space for the flea market on land zoned as parking, located next to Checkers.

The flea market entrepreneurs construct their own shelters. They either manufacture the commodities themselves, or purchase them from suppliers. Their primary market differs from the hawkers as they do not target the local market, but the tourists visiting the area.

Problems include the following:

- i. The area is not serviced.

Section 3: The design of the economic strategy

- ii. Due to the lack of proper storage facilities, they have to take all their commodities with them at the end of each day, which pose major logistical problems.
- iii. Although they are well located in terms of the through-flow of tourists, very few tourists know about them and stop at the market (i.e. in most cases, the tourists will drive past to their destinations).
- iv. Flea markets tend to offer the same products and by the time the tourists have arrived at Bela-Bela, chances are very good that they would have visit similar flea markets elsewhere. The goal should therefore be to develop a unique product.
- v. As in the case of the hawkers, very few flea market entrepreneurs have even the most basic of business skills.

2.12 INFRASTRUCTURE

2.12.1 Road infrastructure

The following are considered the problem areas:

- i. There is concern that the rail bridge may become a bottleneck in future, particularly in view of the planned shopping mall at the Waterfront, combined with the recommendation that more land be made available for trade purposes on the southern side of the bridge.
- ii. The lack of parking space in the CBD area. However, this is being addressed at the moment.
- iii. There is concern about the condition of some of the major arterial routes, particularly parts of: P85/ 1 (R516), P1/ 4 (R101) and P20/1. However, these roads are the responsibility of the provincial and national spheres of government.
- iv. The need to make the CBD more pedestrian friendly, as the majority of the residents have to travel on foot.

As such, there is no fatal flaw in those elements of the road system that is the responsibility of the municipality.

2.12.2 Water and sanitation

a) Water

Bela-Bela municipality is both the Water Services Authority and the Water Services Provider. According to a study done by the municipality in 2003, the water supply should be sufficient until 2015. The municipality has already started discussions with DWAF and Magalies Water Board for the further development of the sources, as well as the further development of the borehole supply.

The golf resorts are responsible for their own water development. There are discussions in place for some of the golf resorts to buy raw sewerage from the municipality which is they can purify (for use on the grass). The municipal area does not have any industry that consumes much water and the largest consumer group is the residential sector.

Section 3: The design of the economic strategy

From an economic perspective, there is no fatal flaw with the current and future water provision.

b) Sanitation

The sanitation system is overtaxed as the current demand levels far exceed the design capacity of the treatment plant (i.e. the design capacity is 3.5 mega l/d whereas the actual flow is 6.2 mega l/d). In addition, the bulk distribution system is insufficient. MIG funds have been secured and a final decision on the upgrading will have to be taken soon.

2.12.3 Electricity

The supply of electricity is under serve strain as Eskom has approved 10 MVA, whereas the actual usage is 15 MVA. Moreover, the supply network is old and urgent upgrading is required on the substations, feeder network and switchgear. Fortunately, Bela-Bela does not have energy intensive industries. However, these network problems, coupled with the current supply constrains from Eskom, can have serious implications for the local economy as a large segment of the economy involves the service industries (e.g. the numerous tourism establishments) which demand continuous service to the clients.

The municipality has secured funding from the Department of Minerals and Energy (DME) and will start with the upgrading of the sub-station that is in most urgent need.

2.12.4 Telecommunications

a) Fixed line

The area is generally well provided with fixed line telecommunication, but new applicants seem to experience problems. As an example, a number of game lodges have experienced problems in obtaining fixed lines, which pose major problems to them in terms of bookings.

b) Cellular

The deeper rural areas do not have cellular reception.

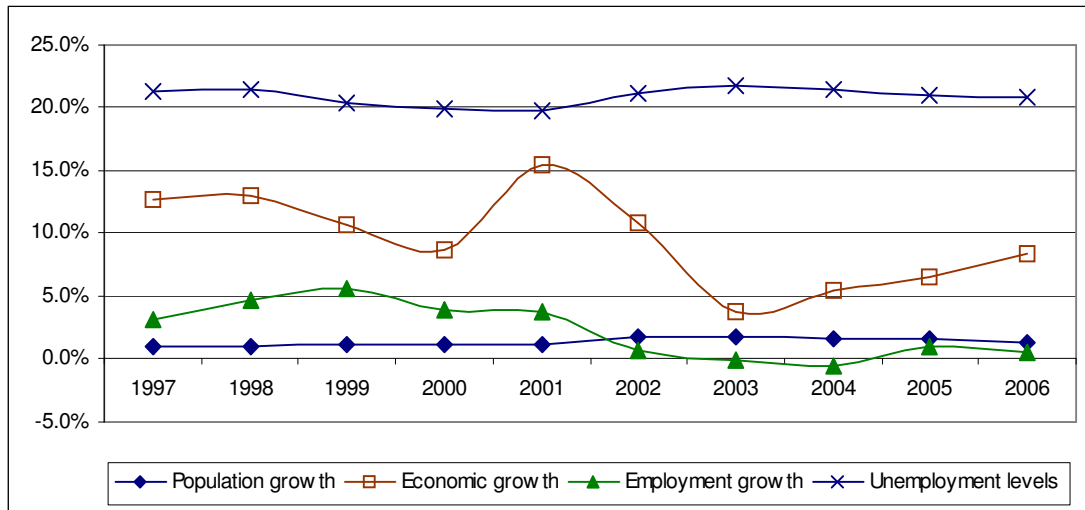
2.13 SUMMARY OF HOW THE BELA-BELA ECONOMY WORKS

2.13.1 Introduction

Graph 2.29 compares the unemployment levels with the annual growth rates achieved in the key indicators namely: the population, aggregate economy and employment.

Section 3: The design of the economic strategy

GRAPH 2.29: Unemployment levels compared with annual growth rate of key economic indicators



The following observations can be made:

- vii. The formal economy managed a higher growth rate than the population, which should have decreased the levels of unemployment. However, the rate of employment creation appears to have decreased, even during times of economic growth.
- viii. The level of formal job creation has now decreased to a rate lower than the population growth, meaning that the economy is not even able to absorb the natural annual increases in the labour market.
- ix. In view of the current downturn in the aggregate economy, which is projected to last for the next year or so, it is highly unlikely that the level of job creation will increase, resulting in a further deterioration of the unemployment levels.

The above (pessimistic) observations make it imperative that a concerted effort be made to encourage business development and job creation. The continuous refinement and implementation of this LED Strategy should provide the basic foundation for this effort.

The sub-paragraphs following provide a strategic overview on the strengths, weaknesses, threats and opportunities of the Bela-Bela economy.

2.13.2 Strengths

The strengths can be summarized as follows:

- i. Institutional:
 - A number of key plans and policies are in place such as:
 - o SDF
 - o LUM (in the final stages to approve the plan)
 - o Credit Control Policy

Section 3: The design of the economic strategy

- o Indigent Policy – the policy relieves the poor section of the community from paying the full economic cost for services, thereby supporting their household economy.
 - o Tariff policy
 - o Write-off policy
 - The various institutions, most notably the tourism industry, organized business and commercial agriculture, appears to be well organized.
- ii. Economy:
 - On paper, the poverty levels have been reduced and HDI improved as the formal economy managed a higher growth rate than the population. However, in practice, it is highly unlikely that this has happened as the economic growth was driven by sectors (e.g. Finance) that involve only a fraction of the population and do not create much job opportunities.
- iii. Municipal finance:
 - The municipality is in a sound financial state with no overdraft and is able to pay salaries and creditors on time.
 - The municipality has started to implement the MFMA successfully.
 - The municipal revenue stream has improved with the implementation of the Property Rates Act and the Credit Control Policy which has resulted in a decrease in the outstanding debt.
- iv. Infrastructure
 - The municipality should have sufficient water until 2015. Plans are underway to further develop boreholes to increase water supply and to enter into discussions with DWAF and Magalies Water to increase water supply.
- v. Tourism:
 - Bela-Bela enjoys a particular comparative advantage in the tourism industry being accessible to the largest domestic market namely Gauteng, and having a wide profile of attractions ranging from the hot water springs (which used to be the mainstay of the local tourism industry) to the high quality golf course and game ranches.
 - The local tourism industry appears to be well organized with a Tourism Association.
 - The local Tourism Information Bureau is well resourced with buildings and equipment.
- vi. Agriculture:
 - Commercial agriculture seems to be well structured with two Unions in place.
 - Commercial agriculture has, despite significant increases in input costs, managed to remain competitive, which shows the technical and business ability of the farmers.
 - There seems to be general willingness of commercial agriculture to assist with the emerging farmers (e.g. as mentors). However, the availability of time is a problem.
 - A number of emerging farmers are successful in producing for the commercial market.

Section 3: The design of the economic strategy

2.13.3 Weaknesses

The weaknesses can be summarized as follows:

- i. Institutional
 - There seem to be a lack of a proper relationship between the municipality and some of the established platforms such as the Business Forum and commercial agriculture. This cause a number of problems such as:
 - o There complaints about the unavailability of officials with customers finding it difficult to get hold of the appropriate person, thus resulting in a very slow reaction time. Also, it would seem as if officials do not always return calls and messages.
 - o There are complaints about the degree to which the officials honor the principles of *Batho Pele* with officials not always friendly and helpful when dealing with enquiries from customers.
 - o There are complains that recommendations and even offers by the business sector to assist are not accepted.
 - Regarding new property developments, there are concerns about the following:
 - o The long time delays in approving building plans.
 - o A number of developments have located elsewhere after their applications took too long.
 - o Bulk service costs and contributions are increased without any consultation or reason given. The high service fees put pressure on the feasibility of developments and a number have relocated.
- ii. Business:
 - There are signs of increased negativity amongst the business owners within the CBD. Examples of issues that cause this negativity include:
 - o Lack of parking for clients
 - o The condition of the internal roads
 - o The development of a new mall at the Waterfront
- iii. General economy:
 - Although the formal economy may have registered a fairly high growth rate, this growth was mainly generated by sectors such as Finance (i.e. real estate development) which involves a fraction of the population and does not generate much job opportunities.
 - The economy is small and open and does not have a large critical mass / threshold. As such, there is a significant leakage of buying power, particularly for the luxury items. Also, most of the tourism establishments do not purchase their consumables locally, but in Gauteng where there is more variety and possibly lower prices.
 - The income levels are highly skewed along race lines.
 - The economy was not able to increase the rate of job creation during the period(s) of growth. In fact, the rate of job creation appears to have decreased, despite the growth in the economy.
- iv. Infrastructure
 - Sanitation – the treatment works is overloaded and needs urgent upgrading
 - Electricity – a supply of only 10MVA has been approved by ESKOM but actual demand is about 17MVA – the network and stations are old and needs urgent upgrading
- v. Labour

Section 3: The design of the economic strategy

- The Bela-Bela population and in particular the Black community have low levels of functional literacy which reduce:
 - o The marketability of the Black labour force
 - o Reduces the general entrepreneurial capacity and the probability to successfully establish an enterprise.
- vi. Tourism
 - There is a lack of a strong and shared vision for the further development of the tourism industry. As a result, developments tend to be fragmented without contributing towards a common theme.
 - The full value chain is not developed, resulting in a significant loss of potential business and job opportunities.
 - The tourism industry is still white owned with virtually no progress made with BEE.
 - A large number of establishments are not star graded.
 - There is a lack of accurate data (e.g. visitor figures).
 - Not all members are registered with and members of the Tourism Association.
 - Most of the local tourism attractions, including the hot water springs, have become almost unaffordable for the local population.
 - The physical appearance of the town and in particular the entrance, is not conducive to the town being a considered a "tourism hub".
 - The municipality provides very little financial support to the tourism industry, which is one of the main drivers of the local economy.
 - A number of problems are experienced with the signage:
 - o The place names are confusing with different names used along the N1 namely "Bela-Bela", "Warmbaths" and "Warmbad".
 - o There seems to be little control over signage in terms of where it is allowed (with the large number of signs spoiling the area) as well as the design and appearance of the signs (e.g. use of incorrect lettering and colours).
 - Some niche markets have not been explored yet (e.g. medical tourism).
- vii. Real estate
 - It would seem as if the past property boom did very little to stimulate a property market in the former Black residential areas. As a result, the housing stock in these areas still have very little commercial value and add little value to wealth creation for the owners (i.e. the houses have a utility value rather than a market / commercial value).
 - There is a general concern that the municipality is not "encouraging" new property developments with long delays in applications and steep increases in bulk contributions.
- viii. Municipal budget
 - Although the recovery rate is high, property rates constitute the highest outstanding item.
- ix. Emerging agriculture
 - The Rust de Winter scheme is located on high potential soils but is totally underdeveloped, mainly for the following reasons:
 - o Water allocation too small.
 - o Irrigation infrastructure is dilapidated.
 - o A lack of extension services.
 - o The committees do not meet on a regular basis.
 - o The outstanding land claims (e.g. those in the Rust de Winter Scheme) increase the overall risk and hamper investment.

Section 3: The design of the economic strategy

- o The concern that a large number of the beneficiaries are not primarily interested in farming but only stays on the land.
- x. Commercial agriculture
 - The manner in which the Municipal Property Rates Act is implemented (implementation is not phased).
 - A lack of proper communication with the municipality.
 - The value chain, particularly in the meat and game cluster, is under-developed resulting in a loss of business opportunities.
 - There seems to be a lack of capacity in key departments such as Provincial Department of Agriculture, DWAF and the National Department of Environmental Affairs to assess the EIA's submitted by the farmers for new developments and applications for water development (e.g. pivot points).
 - A total lack of extension services.
 - The outstanding land claims increase the overall risk and hamper investment.
 - A general concern that not all the communities that benefit from the land claims are really interested in farming, thus resulting in high potential land not being used optimally, or even becoming fallow.
 - The availability of water for irrigation is becoming problematic.
 - Very few young people are interested in commercial agriculture.
 - Problems with the so-called "week-end farmers".

2.13.4 Opportunities

The opportunities can be summarized as follows:

- i. Institutional
 - Establish a LED Committee
 - Improve communication with customers
 - Full and aggressive implementation of Credit Control Policy to increase payment levels (particularly rates)
 - Finalize the outstanding land claims
- ii. Training
 - Business skills development
 - Improve the skill levels of the labour force
 - Improve the market readiness of school leavers through improved career guidance and support to mathematics and science
- iii. Emerging agriculture
 - Finalize water allocation to farmers at Rust de Winter
 - Support to the Tiisetso Chicken Project
 - Improve extension services
- iv. Commercial agriculture
 - Development of a meat cluster
 - Improve extension services
- v. Tourism industry
 - Develop a comprehensive tourism strategy
 - Encourage establishments to apply and maintain star grading
 - Develop accurate intelligence
 - Develop a BEE strategy (as part of the tourism strategy)

Section 3: The design of the economic strategy

- Further development of the tourism orientated transport such as a passenger train from Gauteng. This can play an important role in unlocking further potential for the weekend market.
- Improve the physical appearance of the town, and in particular the entrance.
- Address the problem of confusing road signage (i.e. the confusing use of place names such as Bela-Bela, Warmbaths and Warmbad).
- An aggressive “branding” programme should follow the tourism strategy.
- Investigate specific niche markets (e.g. medical tourism)
- vi. Infrastructure
 - Upgrade electricity infrastructure
 - Engage in planning for water
 - Address problems on access roads (to and from town)
- vii. Informal sector
 - Develop a comprehensive policy on the informal sector
 - Establish forums for both the hawker and flea market groups
 - Develop business plan to access the budget from Waterberg DM
 - Produce commodities for the sport industry
 - Improve awareness with tourism industry

2.13.5 Threats

The threats can be summarized as follows:

- i. Economy:
 - The increase in the inflation levels affect the poor section of the population more than the affluent section and the poverty levels have most probably worsened over the last few years.
 - The increase in the repo rate has a negative impact on the real estate market.
- ii. The increase in HIV / AIDS (and TB) pose a threat to both the households and the business environment:
 - Households – increase in both the direct (e.g. medication) and indirect costs (e.g. loss of potential income). It may also reduce the economic opportunities for children who may be taken out of school to either work and / or to manage the household.
 - Business – loss of man-hours and increase in costs (e.g. training)
- iv. Agriculture:
 - The steep increase in the input costs that are not matched by a comparative increase in the farm gate prices (putting much pressure on the profit levels).
 - The outstanding land claims (i.e. those that have not been processed) increase uncertainty both for the established and potential beneficiaries.
 - The possible impact of the Expropriating Bill.

SECTION	3	<h1>The design of the economic strategy</h1>
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The purpose of this section is to provide an overview of the basic design of the Bela-Bela LED strategy. The section provides the context for the remaining sections of the document, which present the various components of the strategy, as well as the implementation plan.

This section comprises the following paragraphs:

- xix. **Par 3.1** Basic points of departure for a successful economic development strategy
- xx. **Par 3.2** Economic Goals to be achieved
- xxi. **Par 3.3** Design of Bela-Bela strategy

3.1 POINTS OF DEPARTURE FOR A SUCCESSFUL ECONOMIC DEVELOPMENT STRATEGY

In its simplest form, a strategy is a deliberate plan of action to achieve a particular goal or set of goals. When applied to the field of local economic development (LED), typical goals include: reduction in poverty, employment creation, or an increase in production output. In short, this strategy tells the municipality the way it should be doing things in LED over a period of ten years.

Referring to the comments made in paragraphs 1.1.1 and 1.1.2 on the dynamic nature of economics, it follows that any strategy drafted to achieve economic goals cannot be considered "final". Strategic planning is by its nature not a once-off event, but a continuous process of refinement and re-alignment with the changing variables in the economic environment. Within this context, LED strategy involves much more than simply a list of projects, although project possibilities are included. Instead, a LED strategy is by its nature strategic. As stated in paragraph 1.1.2, a LED strategy is not a "thing we do" but rather a "way we do things". As such, a good LED strategy goes far beyond the technical and operational levels and includes the socio-political and administrative spheres.

Best practices show the following four elements to be the most critical requirements for a successful LED strategy:

- i. **Economic development requires that the four main groupings within a society namely business, labour, civil society and government, must cooperate and work purposefully together.**
Such purposeful cooperation is rarely achieved and there is normally a lack of effective interaction and even mistrust and animosity between these

Section 3: The design of the economic strategy

groupings. As a result, the groupings tend to operate in silos and may even undermine each other. The institutional structures for LED and the way they relate to each other must work to overcome this isolationism (see section 5.1).

ii. **There is a direct link between political stability and business investment and therefore economic growth.**

A stable political environment is required where party politics is regarded secondary to business and economic development. Unfortunately, there are ample examples in South Africa and internationally, where party politics and inter-party political fighting have been to the detriment of the economy.

iii. **Credible leadership**

Credible leadership is required to create a shared vision and generate enthusiasm and energy to pursue the vision through the implementation of the strategy.

iv. **Any strategy is worthless unless it is purposefully implemented.**

The implementation of a strategy cannot follow a rigid regime, but has to be flexible to allow for changes. This requires:

- **Realistic goals** – It is important to set realistic goals to provide a measure to monitor the overall success achieved and to highlight specific shortfalls. These goals should ideally be quantified or described in sufficient detail to enable monitoring. They should also, as is the case with the Bela-Bela strategy, be traceable back to the socio-economic analysis of the municipality.
- **Managerial and administrative capacity** – To develop the business plans and budgets and, plan the actual implementation and continuous management of the implementation process. This stage of the process is particularly resource intensive. It requires a flow of information from the field back to management, and needs management of a quality that recognizes the situation if there is variance from the strategy and which is motivated and strong enough to take corrective action.

3.2 ECONOMIC GOALS TO BE ACHIEVED

Broad goals have been set in all spheres of government, but the most important are those defined by the Bela-Bela municipality in the IDP. The 2008/09 IDP sets the following priorities for the municipality that can, for the purposes of this Strategy, be considered to represent the general economic goals to be pursued with this strategy:

- i. **Goal #1** - Decrease in unemployment levels from 33% (8 213) to 23% (5 750) by 2014.
- ii. **Goal #2** – Establish new businesses and retain existing ones.
- iii. **Goal #3** – Promote tourism and agriculture as key drivers of the local economy.

Section 3: The design of the economic strategy

- iv. **Goal #4** – Support SMME development
- v. **Goal #5** – Revive the Business Forum and establish a relevant institutional system in support of LED
- vi. **Goal #6** – Intensify Human Capital development
- vii. **Goal #7** – Identify and plug the leaks in the economy
- viii. **Goal #8** – Improve the support system and levels of municipality to economy
- ix. **Goal #9** – Informal sector to develop as an integral element of Bela-Bela economy
- x. **Goal #10** – Improve the levels of BEE

Goals 1, 2, 4 and 7 can be considered “cross-cutting” goals as they are not only achieved by any particular intervention, but through the cumulative effect of all interventions.

3.3 DESIGN OF BELA-BELA LED STRATEGY

Based on the assessment provided in Sections 1 – 2, the most appropriate design for the Bela-Bela LED would comprise a set of specific thrusts and support measures.

The purpose of the thrusts will be to drive the growth and development of the Bela-Bela economy, whereas the purpose of the support measures will be to provide the enabling environment. The basic design of the strategy is illustrated in Figure 3.1.

The thrusts, support measures and goals are as follows:

- iii. Thrusts
 - Commercial agriculture
 - Development of a meat cluster
 - Production of hides
 - Consolidate the game and hunting industry
 - Emerging agriculture
 - Finalize water allocation to farmers at Rust de Winter
 - Support to the Tiisetso Chicken Project
 - Tourism
 - Develop a comprehensive tourism strategy
 - Encourage establishments to apply and maintain star grading
 - Develop accurate intelligence
 - Explore possibility of specific niche markets
 - Informal sector
 - Develop a comprehensive policy on the informal sector
 - Establish forums for both the hawker and flea market groups
 - Develop business plan to access the budget from Waterberg DM
 - Produce commodities for the sport industry

Section 3: The design of the economic strategy

Another thrust that can be added is “trade” as it is an important mechanism to maximise the multiplier effect.

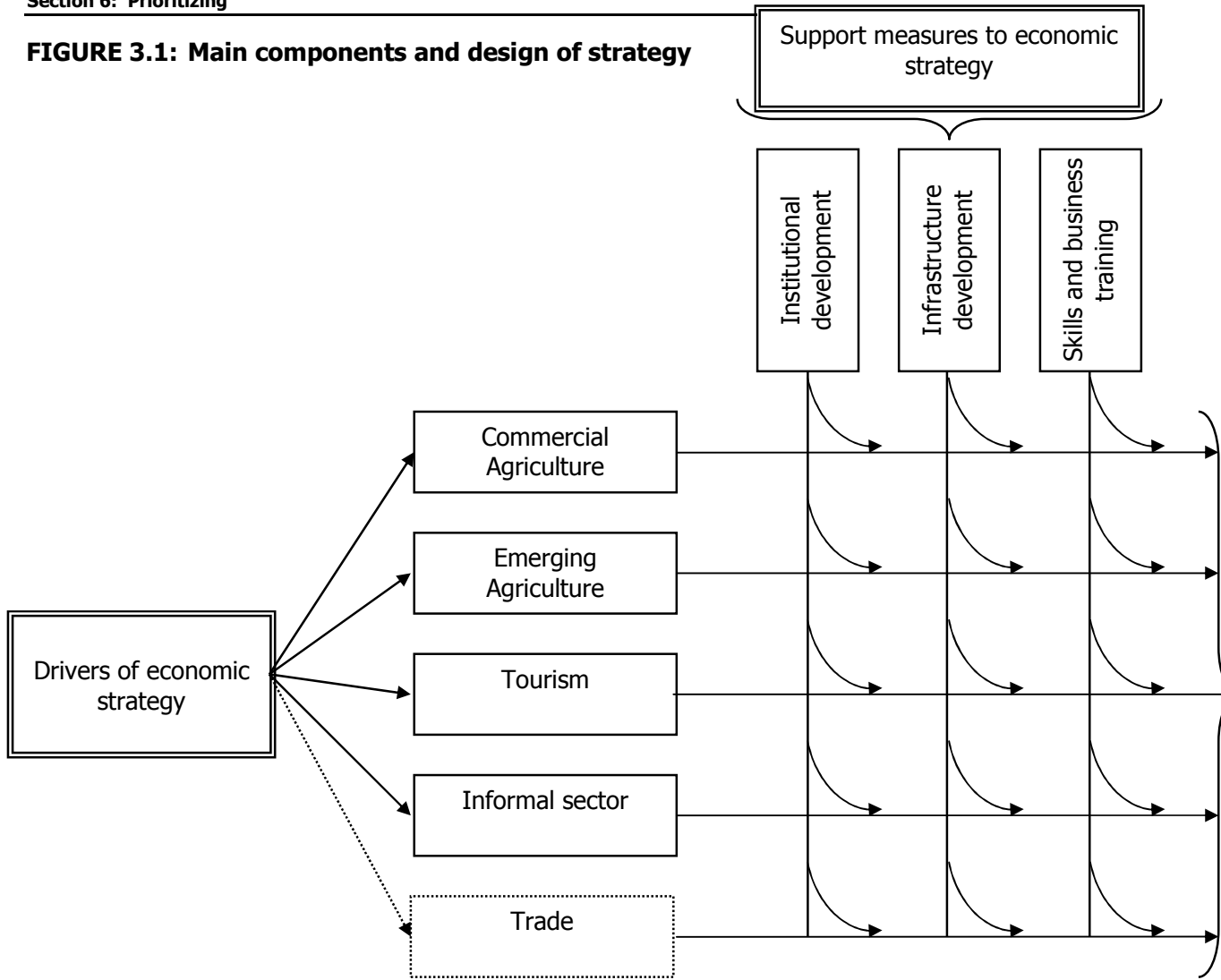
- iv. Support measures
 - Institutional development
 - Establish a LED Committee
 - Improve communications with customers and service levels of municipality
 - Skills development
 - Labour skills development
 - Entrepreneurial and business skills development
 - Career guidance and promotion of mathematics and science
 - Infrastructure development
 - Upgrade electricity infrastructure
 - Upgrade sanitation infrastructure
 - Engage in planning for water
- v. Goals (as noted in paragraph 3.2)

3.3.1 The limitations of the Bela-Bela economic strategy

It is important to keep in mind that, no matter how much effort has gone into a LED strategy such as this, the list of recommendations provided in sections 4 – 5 is not the definitive on what can or should be done to stimulate growth and development of the Bela-Bela economy. As noted in section 1, an LED strategy is a dynamic and never-ending process or series of iterations, continuously refining and improving the robustness of the local economy. **As such, this document must be appreciated as the first step in a continuous process of developing and maintaining an economic strategy for Bela-Bela.**

Section 6: Prioritizing

FIGURE 3.1: Main components and design of strategy



Section 6: Prioritizing

SECTION	4	Thrusts
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The purpose of this section is to provide the basic background and recommendations for each of the thrusts identified. Referring to section 3, the thrusts involve the following:

- i. Commercial agriculture:
 - Development of a meat cluster
 - Production of hides
 - Consolidate the game and hunting industry
- ii. Emerging agriculture
 - Development of the Rust de Winter scheme
 - Support to the Tiisetso Chicken Project
- iii. Informal sector
 - Develop a comprehensive policy on the informal sector
 - Establish forums for both the hawker and flea market groups
 - Develop business plan to access the budget from Waterberg DM
 - Produce commodities for the sport industry (memorabilia)
- iv. Tourism
 - Develop a comprehensive tourism strategy
 - Encourage establishments to apply and maintain star grading
 - Develop accurate intelligence
 - Explore possibility of specific niche markets (medical tourism)

4.1 COMMERCIAL AGRICULTURE

4.1.1 Development of a meat cluster

Refer paragraph 2.6.3a)

a) Background to recommendation

The development of red and white meat clusters is one of the key thrusts of the PGDS. In essence, the goal is to develop the entire value chain from the upstream stages of producing the animal feed (e.g. sorghum by emergent farmers), animal production, to the downstream stages of meat processing (slaughtering, processing and packaging) (refer Figure 2.3). The cluster should ideally be enlarged not only involve cattle, but also animals such as chicken, game and goats. Furthermore, the focus should not only be on the vertical dimension of the value chain, but also on the

Section 6: Prioritizing

horizontal opportunities which involve the secondary industries such as the economic use of the hides, taxidermist, production of offal and products that can be made from offal, etc.

The agriculture sector has become highly specialized. This also applies to beef production and it is estimated that between 70% and 80% of beef produced in South Africa is produced in feedlots. At present, beef production in the study area only involves the initial stages of the value chain namely weaner production. By far the largest portion of the weaners are sold, taken out of the province and prepared in feedlots, most of which are located in Gauteng. There the animals are prepared, slaughtered, the meat is processed and packaged. As a result, most of the meat bought by consumers (private and commercial) in the study area is brought in from Gauteng by the national retail chains. As far as could be established, there is only one accredited butchery close to the study area in Modimolle. Indications are that the volumes slaughtered and processed by local butchers is very small. The structure of this value chain implies a significant loss of business opportunities as the weaners represent only a small portion of the value.

As noted in paragraph 2.6.3a), there seems to be a trend towards an increase in vertical integration as more feedlots now have an interest in the downstream stages of the value chain such as the abattoirs. As a result, the downstream stages of the value chain are concentrated in a few large stakeholders. One of the main reasons for this trend can be found in the small margins which require highly specialised production processes to reduce the unit cost.

b) Description of recommendation

Referring to the value chain as illustrated in Figure 2.3, the following opportunities exist:

- i. Production of animal feed
- ii. Animal production (rearing and market preparation)
- iii. Slaughtering and processing

These opportunities are discussed in the sub-paragraphs following:

b.i) Production of animal feed

This element mainly involves two opportunities namely the growing of the feed, and the production of commercial feed.

Growing of animal feed

The growing of the feed can involve sorghum and fodder production by emergent farmers. This production needs not to take place within the study area, but anywhere in the province where the natural resource base offers a comparative advantage. One of the main factors working against this option is the good market price paid for crops such as maize and sunflower for human consumption (high opportunity cost). A factor in its favour is the tolerance sorghum has for draught conditions.

Production of commercial animal feed

As far as could be established, there is no commercial animal feed producer in the study area, with the nearest producer located in Marble Hall. The largest portion of animal feed is sourced in Gauteng (Krugersdorp and Randfontein). The key consideration in the location of an animal feed producer is the distance to the source of the inputs (e.g. grain) as it is more expensive to transport the source material than the high value end product. If sufficient volumes of source material can be produced locally, as recommended above, it will reduce this cost, thereby improving the feasibility of such a commercial animal feed option. However, it must be noted that the animal feed industry is highly competitive and concentrated. One of the reasons involves the industry risks, as incorrectly mixed or contaminated feed can have a devastating effect on the herd with direct financial consequences for the producer of the feed. As such, the industry is capital intensive and it requires a high level of technical skill.

RECOMMENDATION:

It is recommended that the production of animal feed by emerging farmers be investigated through the commissioning of a pre-feasibility study. A number of farmers in the Rust de Winter Scheme produce fodder. However, more emphasis should be placed in higher value animal feed such as sorghum.

It is unlikely that the commercial production of animal feed will become feasible in the short to medium term as the industry has high entry barriers such as the high levels of concentration, the high levels of technical skills required, capital intensive, and the supply of primary feedstock. However, the feasibility for a small-scale facility will be improved with the establishment of a meat cluster.

b.ii) Animal production

This element mainly involves the rearing and fattening of the animal to prepare them for the market by way of feedlots. In essence, a feedlot involves taking the weaners and feeding them a specific regime to get them market ready at about 200kg per unit. This normally takes about 90 to 120 days and the typical weight gain is about 1.5kg per day. Feedlots are highly specialized operations and require very strict handling procedures and hygiene protocols to ensure that the animal's health is cared for. To achieve this, the South African Feedlot Association (SAFA) has developed a strict code of conduct for its members. Feed is a key input and most feedlots manufacture their own animal feed.

Feedlots are capital intensive and require a high level of technical and management expertise as the margins are small. A critical success factor is large throughput volumes, which not only requires access to a sufficient feedstock of weaners, but also easy access to markets. One option to achieve access to markets is through vertical integration with abattoir facilities.

Section 6: Prioritizing

b.iii) Slaughtering and processing of meat

As far as could be established, there is no accredited abattoir in the study area, with the nearest one located at Modimolle (there are 11 accredited abattoirs in the whole of the Waterberg District).

Ideally, the abattoir should be vertically integrated with the feedlot as this improves control over the volume and quality. It is also important to develop the markets, which mainly involves the national retail chains such as *Checkers* and *Pick'nPay*.

RECOMMENDATION:

It is recommended that the establishment of a local feedlot be investigated which should include abattoir facilities. The ultimate objective should be to develop a local generic brand, similar to what has been achieved with the production of mutton (i.e. "Karoo Lamb"). The strategy will require discussions with industry stakeholders such as:

- i. **Red Meat Producers Organization (RPO)**
- ii. **South African Feedlot Association**
- iii. **National Emergent Red Meat Producers Organization (for the emerging agriculture sector)**
- iv. **South African Meat Processors Organization (SAMPA)**
- v. **South African Meat Industry Company (SAMIC)**
- vi. **Red Meat Abattoir Association**

Due to the complexity of the value chain and the high levels of competition, detailed market research and business planning will be required to test the feasibility.

4.1.2 Production of hides**a) Background to recommendation****a.i) Background to problems experienced with the production of hides**

Hides and skins are essentially a by-product of the meat, dairy and wool industries with the hide typically representing about 5 – 15% of the market value of the animal. Normally, there is no direct price incentive for the farmer with the result that farmers see very little value in taking special steps to produce a better hide or skin. As a result, much damage is done to the hides through parasites and scratches. Even in the downstream stages of the value chain, abattoirs are generally only interested in selling the meat.

The cost of the raw hide accounts for approximately 60% of the total cost of leather production and the quality of the hide is the prime concern for the tanner. However, tanners have virtually no control over the quality of the hide as this is determined by the upstream farm management and production methods, and to some extent, operations in the abattoir. For the tanner, the problem and implied risk is compounded by the fact that it is not possible to fully assess the quality of the hide until it is partly or fully processed. First the hair or wool needs to be removed in order to assess anything less than very serious damage. It is only after reaching the

Section 6: Prioritizing

wet blue stage (pickle in sheep skins) that the important grain layer can be inspected. Even then, the leather needs to be dyed before the finer types of damage can be assessed.

The critical element in the value chain is therefore the gap between the tanner, who is dependent on the quality of the hides, and the farmer who is in the best position to influence the quality. However, for the reasons noted above, it is very difficult to persuade farmers to engage in more expensive techniques to produce a better quality hide if they are not sufficiently rewarded.

a.ii) Overview of the South African hide industry

South Africa has a long history in the hide and tanning industry that started in the 1820's. South Africa produces about 1,9 to 2 million cattle hides and 5 million sheepskins annually, of which 50% are exported in wet blue form. The remaining 50% are wet blued, with 80% going to the automotive industry and the remaining 20% footwear industries.

Recent years have seen a strong growth in the demand for hides and skins in the automotive industry, largely as a result of the decision by BMW and Daimler Chrysler to produce their 3-Series and C-Class in South Africa. Added to this, government offers incentives, under the Motor Industry Development Act, in the form of rebates for locally produced hides. This increase in the demand for hides in the automotive industry has encouraged tanneries to produce for this sector, resulting in a shortage in supply in the domestic footwear and clothing industries. As a result, there are virtually no clothing tanneries left and just about all leather used in the clothing industry now has to be imported. However, there is the risk and uncertainty on the future of the market when this government incentive is phased out.

One of the key problems for the development of the domestic hide industry is the influx of cheap Indian Buffalo Calf (which is duty free) which is mainly used in the production of shoes. The importance of this cheap material undermines the feasibility of hide production for clothing and shoes.

b) Description of recommendation

The strategy calls for the better coordination between the tanning section of the value chain and the upstream stages, most importantly the farming stage and to a lesser extent the abattoirs. The main objective would be to develop treatment/handling regimes that will reduce damage to the hides. However, this can only be achieved if there is some form of financial incentive for the farmer to improve farming practices in order to improve the quality of the hides.

RECOMMENDATION:

It is recommended that a study be undertaken to establish the potential value of hides and skins in the study area, starting with cattle and including the game industry. The study should at least focus on the following:

- i. **The main trends (national) in the demand and supply of hides (including imports and exports) – specific focus on the drivers of**

Section 6: Prioritizing

	these trends such as the automotive industry.
ii.	The problems experienced by tanners in South Africa.
iii.	The views and opinions of the local farmers on hides and skins
iv.	The bottlenecks that exist between the local farmers and tanners
Ultimately, the study must make recommendations on how these bottlenecks can be addressed, with specific reference to the possible incentives for the farmers to improve the quality of the hides. The strategy will require discussions with industry stakeholders such as:	
i.	South African Footwear and Leather Industries Association (SAFLIA)
ii.	Skins, Hides and Leather Council (SHALC)

4.1.3 Consolidate the game and hunting industry

Refer paragraph 2.6.3a) and Figure 2.4.

a) Background to recommendation

The South African hunting industry registered a high growth rate over the last ten years, mainly fuelled by the growth in the tourism sector and the weaker exchange rate (compared to other tourism and hunting destinations). As an indication, about 6 000 hunters visited South Africa during the 2003/04 hunting season. The average stay of foreign trophy hunters is between 7-10 days and approximately R 50 000 is spent on various fees. Foreign hunters shot about 53 400 animals during the 2003/04 season with a total value estimated at R265 million. An estimated 85% of all trophy exports from Africa come from South Africa. In addition, South Africa has an estimated 200 000 resident hunters and the domestic segment alone is estimated to be worth R 2,9 billion.

On average, about 60-65 % of total the income generated on a game farm comes from hunting (trophy or venison), whereas 5-10% of the total income is derived from game viewing. The balance is derived from game auctions.

As noted in paragraph 2.6.3a), the industry has the capacity to create many jobs and at present supports between 5 000 and 6 000 jobs. Moreover, estimated 63 000 jobs are provided by secondary industries such as tourism⁴⁴. Limpopo has the largest market share with about one third of all international hunters visiting the province. The largest concentration of game and hunting operations is found in the Waterberg district. As such, there can be little doubt that game farming and the hunting industry have become a key element of the local economy and represents an area of competitive advantage. However, the industry has yet to reach its full potential as it is hampered by a range of problems, such as those listed in paragraph c) below.

b) Description of recommendation

As noted in paragraph 2.6.3a), the industry is still in its growing stages and as a result, further growth is hampered by a range of issues such as the following:

⁴⁴ However it cannot be stated that these jobs have been created only as a spin-off from hunting.

Section 6: Prioritizing

- i. Lack of transformation, with particular reference to the local communities. As a result, the industry is viewed as “elitist” and only benefiting the affluent section of the community. Transformation may include:
 - Mentoring and cooperation with the local communities
 - Economic empowerment – members of the communities should not only be employed in the peripheral positions such as trackers and chefs, but a business model is required to allow them to become shareholders.
- ii. Land ownership by foreigners. This is a highly contentious issue, particularly within context of the domestic land reform and redistribution programme.
- iii. Exploitation of foreign visitors. Most hunting establishments have increased their prices during times of the weak exchange rate. However, with the strengthening of the ZAR, very few of the establishments have adjusted their fee structure downwards. This worked against the establishment of a reputable international name and the industry experienced a decrease in the volume of international visitors.
- iv. Lack of catering for local / domestic hunters with the main focus being on international hunters.

A strategy is required to address these problems.

RECOMMENDATION:

It is recommended that a workgroup be established to investigate the extent of the problems noted above and to develop a strategy to address them. The following can be used as guidance:

- i. **There are a number of “best practices” where the local communities have been included in the business plan. Examples can be sourced from the practices and models developed in the neighbouring Waterberg Biosphere.**
- ii. **Investigate the possibility to produce venison for the international market, focussing on the health properties of the product.**

The strategy will require discussions with industry and other stakeholders such as:

- i. **Professional hunting organisation of South Africa**
- ii. **A number of tertiary institutions have considerable expertise in the fields. Examples are the Universities of Pretoria, Potchefstroom and Orange Free State (mostly in their “Agricultural Economics” department of faculty.**
- iii. **Communities and traditional leaders (?)**

4.2 EMERGING AGRICULTURE

4.2.1 Development of the Rust de Winter scheme

a) Background to recommendation

The Rust de Winter Scheme comprises highly fertile land (refer paragraph 2.6.4a). However, current production levels are well below this potential for a number of reasons, the most important of which are:

- i. The uncertainty caused by the pending land claim
- ii. A lack of irrigation water and dilapidated state of the irrigation infrastructure
- iii. Limited support services (extension services)
- iv. Not all beneficiaries are serious about agriculture and merely stay on the land rather than working the land.

As far as could be established, the first concern is being addressed and it is believed that the pending claim is not credible. The lack of water poses the main problem as it results in very little irrigation with farmers engaging in either dryland production and / or animal production, both of which produce lower yields than what is possible given the fertile soils.

Rainfall in the area tends to be erratic, with dry and wet cycled, but with a very dry cycle occurring on average once every ten years. The DWAF has allocated irrigation water for a total of 165 ha, which calculates to about 5 ha per farmer⁴⁵. However, the availability of this quota depends on the water level of the Rust de Winter dam. The only other source of water is boreholes. However, most of the boreholes are not working. Also, the water has a high fluoride context which makes it unsuitable for human consumption or irrigation. It can however be used for animal production.

As noted in paragraph 2.6.4a), the scheme is considered to have some of the best agricultural land in South Africa. However, mainly as a result of the water shortages, actual production is far below the potential and mainly involves animal production.

b) Description of recommendation

In addition to the problem of a sufficient water allocation, the strategy must also focus on the following:

- i. **Technical skills** – The high levels of competition and narrow profit margins require that farmers have sufficient technical knowledge and skills. Particularly the emergent farmer relies heavily on extension services as the main source of such technical skills. The service is provided by the Limpopo Department of Agriculture and the Bela-Bela municipality. However, at present, the service is not adequately provided, mainly as a result of staff shortages.

⁴⁵ This allocation is for irrigation and livestock farmers are not provided with an allocation.

Section 6: Prioritizing

- ii. **Access to markets** – Access to markets is a key requirement for agriculture. At present, the commodities are sold through various marketing channels, but it is felt that not all have been developed to the full potential. Three other options exist namely:
- The commercial sector – This mainly involves the local retail outlets such as *Pick'nPay* and *Checkers*. These stores prefer to buy on contract from a few suppliers to reduce the complexity in their value chain. Their main requirements are secured quantity and quality.
 - The institutional sector – This mainly involves institutions such as local hospitals and prisons. Although these institutions are bound by legislation to open-up the tender process, they can adopt a procurement policy that gives preference to local and emergent farmers.
 - The tourism sector – There are a growing number of lodges and accommodation facilities in the area.
- iii. **Use of appropriate technology** – The former white commercial farmers developed an irrigation system was based in sprinkle irrigation, using pivot points. Very little is left of this infrastructure. This technology is highly effective, but costly and requires a fairly advanced level of skill. However, it would seem as if there are few alternatives available as the soils in the area (sandy) are not suitable for flood irrigation (which is also much less effective than sprinkle irrigation). It is therefore important that an irrigation system that based on appropriate technology be designed and developed.
- iv. **Lack of access to finance** – The problem is compounded by the requirements and bureaucratic procedures by the institutions such as the Land Bank, as well as the already high levels of indebtedness of the local emerging farmers with about 50% not being able to repay existing loans.
- v. **Choice of appropriate commodities** – The choice of agricultural commodities ultimately depends on the availability of water. If sufficient water can be secured, high value crops such a vegetables can be produced. However, if this cannot be achieved, farmers must decide on the most appropriate commodities that can be produced under dryland conditions such as sorghum and sunflower.
- vi. **Real interest in farming** – There is concern that not all the beneficiaries are really serious and interested in farming with some merely living on the land with little intention of working it (apparently, some of these beneficiaries sub-lease their land)⁴⁶. This is not in the spirit of empowerment or in national interest, and the land must be allocated to those individuals that are serious about farming.

RECOMMENDATION:**The following is recommended:**

- i. **The frequency and quality of level extension services must be**

⁴⁶ There have been complaints about irregularities and unfairness in the allocation of the land.

Section 6: Prioritizing

- improved.**
- ii. **The land claims must be finalized.**
 - iii. **Strive to allocate land to those that are primarily interested in farming**
 - iv. **The issue of water allocation must be addressed (perhaps with DWAF) as this will determine the portfolio of crops that can be produced.**
 - v. **If more irrigation water can be secured:**
 - **Attention must be given to the dilapidated irrigation infrastructure**
 - **High value crops can be produced such as seed grain and vegetables**
 - vi. **If not more irrigation water can be secured:**
 - **The boreholes must be refurbished, mainly for animal production**
 - **Decide on the appropriate crops that are drought resistant (e.g. specific strains of sorghum and sunflower) – If possible, link-up with the local weaner and proposed feedlot system to supply animal feed.**
 - **Animal production that includes cattle and goats.**
 - **The possibility of game farming should be investigated.**

4.2.2 Support to the Tiisetso Chicken Project

Refer paragraph 2.6.3, 2.6.4b) and Figure 2.5.

a) Background to recommendation

Chicken is one of the most affordable sources of protein available, particularly when compared to other animal based animal-based protein. As a result, the *per capita* consumption of chicken has increased at just over 5% p.a. since 2000⁴⁷. Part of the reason for the growth in South Africa is the fact that producers have reacted to the increase in demand and was possible to capture market lost to the traditional sources such as red meat, not only through an increase in production volumes, but also by expending the product offering through value adding and brand development.

Even with this strengthening in the demand, South African *per capita* consumption still lags behind that of Brazil and the USA, where *per capita* consumption is in excess of 40kg/a. However, demand exceeds production and a sizable portion of chicken is imported, which suggests an opportunity for local producers. As an indication, about 20% of consumption is imported, of which more than 70% is sourced from Brazil⁴⁸.

As with the rest of agriculture, the cost of input (feed) has put significant pressure on the profitability of the domestic industry. As an indication, the average price of

⁴⁷ The average *per capita* consumption of chicken was 19.74kg in 2000 and has increased to 26.35kg by 2007.

⁴⁸ Brazil has in recent years overtaken the USA to become the world leader in chicken production, having now captured about 40% of world exports. This has largely been achieved in the back of government support to the industry.

Section 6: Prioritizing

broiler feed has increase by 31% from 2006 to 2007 (about R2 870/t in December 2007).

The biggest risk in broiler production is the outbreak of diseases such as Newcastle Disease. This requires a strict regime of precautionary measures, disease surveillance and control. Success in developing the sector is dependent upon accompanying management and technical capacity.

b) Description of recommendation

Referring to paragraph 2.6.4b), *Tiisetso Farming* is a Black owned business that are primarily involved in the production of slaughter chickens which are sold on contract to a buyer in Delmas (the strategic partner in the project). The initial design allowed for a capacity of 600 birds per cycle, with 8 cycles per annum. However, funds procured through Comprehensive Agriculture Support Programme (CASP) have increased the capacity. The credibility of the business is demonstrated by the fact that the owner has won several awards.

A number of problems hamper the project namely:

- v. The strategic partner (i.e. the buyer in Delmas) is experiencing financial problems and cannot purchase the chickens anymore. Without such a secure market, the project can hardly survive.
- vi. Water – need a secure water supply.
- vii. Roads – the quality of the access roads is bad and it presents problems for the trucks that deliver the feed and collect the chickens.
- viii. Electricity – a large part of the operation is electronic and disruptions in electricity are particularly problematic.

RECOMMENDATION:

The following is recommended:

- i. **A business plan be developed to address the issues listed above**
- ii. **If this venture is successful, the possibility to establish similar ventures must be investigated.**
- iii. **The feasibility of a small to medium scale egg producing plant should be investigated.**

The strategy will require discussions with industry stakeholders such as:

- i. **Southern African Poultry Association (SAPA)**

4.3 INFORMAL SECTOR

4.3.1 Develop a comprehensive policy on the informal sector

Refer paragraph 2.11 and Graph 2.14.

Section 6: Prioritizing

a) Background to recommendation

Graph 2.14 and the discussions in paragraph 2.11 show that the informal sector has grown into a key element of the Bela-Bela economy and it can broadly be divided into two sections namely the hawkers and the flea market. The hawkers sell mainly fruit & vegetables and cater for the local market, whereas the flea market sells curio and focus on the tourism market. The informal sector is currently “managed” by means of a by-law that specifies what is allowed to be traded and where trading may take place. However, by-laws by their nature are essentially “policing” instruments” and are applied reactively. In view of the growing importance of the informal sector, support measures need to be developed to allow and facilitate the informal sector to increase its contribution towards the economy.

International and national experience shows that support measures developed outside the context of a clear policy fail to achieve its goals. As an example, the pre-1990’s approach in South Africa was to police and restrict the informal sector, which contributed towards the development of mistrust between the formal and informal sectors. During the phase following, support measures typically involved provision of hides and shelters. Although this was an improvement, very little of this infrastructure is still in use today as it was either located incorrectly, or the design was inappropriate.

The informal sector is as complex and dynamic as the formal sector, which requires that the policy framework must be multi-dimensional and multi-layered to address this complex nature.

b) Description of recommendation

The policy must at least address the following:

- i. **Develop an informed understanding about the informal sector.** There is much misconception about the informal sector, particularly on the local level, with some groupings considering the informal sector as “messy” and something that should be kept away from the formal sector. On the other hand, there are those that consider the informal sector as the only realistic option available to address the high levels of poverty. It is important a balance be achieved between these two views. As a basic point of departure, the following two comments can be made:
 - The informal sector should never be “romanticized” for its robustness and ability to create opportunities. In fact, the growth of the informal sector should rather been seen as a decrease in the ability of the formal sector to absorb people, thus forcing them into the informal sector which is essentially survivalistic.
 - It is not possible to develop clear and neat definition of the informal sector or to make a clear and neat distinction between the formal and informal sector.

As part of an assessment to gain a better understanding of the informal sector, it is important to map to the various constraints faced. Typical examples of such constraints include⁴⁹:

⁴⁹ Sida, 2004.

Section 6: Prioritizing

- Infrastructure issues
 - Lack of basic services such as water, sanitation and electricity
 - Lack of support infrastructure such as storage
 - Premises not appropriately located or designed
- Institutional issues
 - Lack of basic business skills (even high levels of functional illiteracy)
 - Reliance on informal institutional structures and processes (not properly constituted)
 - Excessive government regulations
 - Limited market and product information
 - Lack of negotiation power
- Economic issues
 - Lack of ability to purchase in bulk
 - Lack of access to start-up funds and working capital
 - Lack of access to appropriate technology

ii. **Access to finance and credit.** This is possibly the single biggest obstacle to the establishment of new enterprises and is best addressed on a national level through programmes such as the Khula Finance and Credit Schemes. However, the policy must investigate other options to see how they can be developed and the information be made available. Examples include:

- Use of private funds – Research indicates that many informal entrepreneurs use private funds to start their businesses such as: retrenchment packages, Unemployment Insurance Fund (UIF) payouts, private savings, stokvels⁵⁰, etc.
- Group based lending schemes – The most famous example is the Grameen Bank that originally started in Bangladesh. In essence, a borrower must belong to a group, but the group is not required to give any guarantee for a loan to its member. Repayment responsibility solely rests on the individual borrower, while the group and the centre oversee that everyone behaves in a responsible way and none gets into a repayment problem. As such, the system is based on peer-pressure within the group to ensure the borrowers follow credit discipline. It is important to note that the philosophy does not only focus on access to money, but is based on socio-cultural values. These values are described as the so-called “16 decisions” that each member must recite and vow to follow them (refer Annexure A for the 16 decisions)⁵¹. Although there is much criticism against the system, it appears to have success.⁵²

As far as could be established, there is one initiative in South Africa that follows the basic principles of the Grameen Bank, namely the Small Enterprise Foundation (SEF), which operates from Tzaneen. The SEF

⁵⁰ Research shows that, in the Western Cape, about 80% of start-up funds are drawn from these sources (Isandla Institute, 1999).

⁵¹ One example is the undertaking to educate their children by sending them to school. Since the Grameen Bank embraced the Sixteen Decisions, almost all Grameen borrowers have their school-age children enrolled in regular classes. This in turn helps bring about social change, and educate the next generation.

⁵² As an indication of the size, by October 2007, the borrowers totalled 7.34 million people (97% of which are women). Since its inception (1979), the bank has distributed US\$ 6.55 billion in loans, and has a repayment level of 95%.

Section 6: Prioritizing

also encourages the borrowers to follow group ad offers two schemes namely: the Microcredit Programme (MCP) and the Tšhomisano Credit Programme TCP). If a person applies for loan from SEF, he must first form a group with four others whom he knows very well and trusts. Each of the five must also be interested in obtaining a loan for their own individual businesses. The five group members are then required to guarantee each others' payments, but no other collateral is required. The loans are only for enterprise and a series of checks are in place to ensure that loans are not diverted for other purposes. As one of the basic pinciple, the SEF strongly encourages the clients to save. This is done through tranng the basic skills such as how to open and operate a formal savings account. As most of the clients reside in the deep rural areas, most use the Post Bank. As at the end of December 2007 the cumulative sum of savings as held by clients in their Post Bank accounts amounted to R 9.03 million

- iii. **Infrastructure and service provision.** Traditionally the approach was to provide facilities such as shelters (e.g. hives and incubators) for hawkers. Whereas this is important support, there are examples of these hives and incubators not being utilized as they were places at the wrong locations, or their design is not appropriate. As such, it is imperative to involve the informal sector in the planning of such facilitates. International experience with these hives and incubators have highlighted the following best practices:
- They take much effort and time to mature – it is not a short-term solution.
 - They must be correctly located, correctly design and must be provided with the appropriate kind and level of service infrastructure.
 - The applicants must be screened to ensure that they have at least some sort of business plan (i.e. they must have an entrepreneurial spirit and must have applied their minds – the hive it itself will not solve the problem).
 - The entrepreneurs must be charged a certain fee and it should not be permanent – be careful to offer the service for free.
 - The entrepreneur must be provided with the appropriate support services such as funding, administrative support, equipment and business development services such as training and counseling.
 - The entrepreneur must also be assisted with advice on the most appropriate business platform to be used, product and market development.
 - There must be an "exit" strategy where entrepreneurs that are not illustrating willingness and commitment be exited from the facility.

Above all there must be professional management of any infrastructure provided.

Poor care and maintenance reduces the propensity of users to pay "rents",

thereby reducing the pool of funds available for support and a vicious circle of

decline is created.

Section 6: Prioritizing

There are a number of other schemes that have been successfully applied internationally such as (both of which requires that the informal sector be well organized through a properly constituted forum):

- Comprehensive Community Initiatives (CCI's) – This scheme was initially developed in the USA and has since been applied in South Africa. In essence, the CCI involves improved communications between the informal sector and the private sector to identify specific problem areas that the private sector can help with. The resultant support can range from financing basic infrastructure (e.g. shelters) to training in basic business skills and even the development of small service contracts for the corporate sector (e.g. cleaning services).
- Municipal Fund for Street Vendors (FOMA) – This is a fund created by the municipality to assist the informal sector. The basic principle is that the informal sector must be part of the decision making process on how the fund can be grown (i.e. sourcing seed funding) as well as the use of the funding.

- iv. **Provision of trading places.** The provision and policing of trading areas has traditionally been the extent of municipal support to the informal sector. It is important that these trading places be positioned at the appropriate locations, and that they be appropriately provided with service infrastructure such as water and sanitation. International experience shows the following best practices:
- Strict rules and policing on what can be traded.
 - The traders should pay for the facility and must be held accountable for keeping it neat and tidy.
 - Is should be provided with the appropriate kind and level of service infrastructure such as water and sanitation.

RECOMMENDATION:

The following is recommended:

- i. **That a comprehensive policy on the informal sector be developed.**
- ii. **The notes provided in this document can be used as the basis to draft the TOR so that the policy include at least the following:**
 - **An assessment and description of the local informal sector in terms of:**
 - i. **Its size and structure**
 - ii. **A detailed description of the main problems and constraints**
 - **Recommendations on matters such as:**
 - i. **Access to funding**
 - ii. **Skills development**
 - iii. **Access to support services**
 - iv. **Access to service infrastructure (this can include hides and shelters)**
 - v. **Technical support and advise for informal traders associations**

Section 6: Prioritizing

4.3.2 Establish properly constituted forums for the informal sector

Refer paragraph 2.11.

a) Background to recommendation

It was noted in paragraph 2.11 that the local hawkers do not have a properly constituted forum, with the flea market traders having at least some form of structure. The lack of such a structure severely limits the informal sector to enter into purposeful discussions with the other stakeholder groups in the economy such as the municipality and the commercial sector.

b) Description of recommendation

Both the hawkers and the flea market must establish properly constituted forums.

RECOMMENDATION:
The following is recommended:
<ul style="list-style-type: none"> i. Both groups must have their own structure as they serve different markets and therefore face different challenges. <ul style="list-style-type: none"> • The primary focus of this structure must be to deal with issues that are specific to the group ii. Ideally, there should be a structure that represents both these groupings. The rationale for such a structure is that the two structures may be too cumbersome to engage in discussions. <ul style="list-style-type: none"> • The primary focus of this structure will be to represent the combined interest of both groups. iii. The structures must be properly and formally constituted

4.3.3 Develop a business plan to access the funds from Waterberg DM

a) Background to recommendation

The Waterberg DM has made available a budget of R80 000 for the purposes of the flea market. The money has not been earmarked for any specific use, but the idea is that it should be use to augment municipal funding. As such, it can be used for infrastructural development such as permanent structures, sanitation or storage facilities.

b) Description of recommendation

RECOMMENDATION:
The following is recommended:
<ul style="list-style-type: none"> i. A business plan be developed to access and use the funds. It is strongly recommended that the marketers be involved in setting the priorities for the budget to accompany the business plan.

4.3.4 Manufacture sport memorabilia

a) Background to recommendation

A number sports events are staged in the area, including mountain bike races and golf competitions. In the case of mountain bike events, it is customary to provide each finisher some kind of memorabilia of the sport event such as a medal. These medals tend to have the same design year after year and are not always "exciting". In most cases, the medals are mass-produced from a metal alloy to keep the production cost and therefore the purchase price low at about R7 – R9 per unit (depending on the design). The low price of the medals helps to make the events affordable, as organizers always try and reduce the entry costs to attract more athletes.

Some of the athletes however, may prefer to receive a unique memorabilia, even if the item increases the entry cost. This offers the opportunity to hand manufacture a range of finisher memorabilia items from alternative materials such as wire and beads. This can be done by the local artists involved in the arts & craft industry as an additional source of income.

The same principle can also be applied to the numerous golf events staged in the area.

b) Description of recommendation

The production cost will depend on the materials used as well as the complexity of the design. If the item has a simple design, is small in size (3cm x 3cm) and is made from cloth and beads, the production cost can be as low as R10 per unit, increasing with more complex designs. A skilled crafter will work about 15 – 20 minutes per item. The retail price will be about R15, giving a R5 margin for the crafter.

A simple design made with wire and beads will have a production cost about R20 – R25, with a retail price of around R30 – R35 per unit. The average time spend per item is about 30 minutes.

This cost has to be compared with the average cost of the standard finisher medal which is about R6 – R9. If the total cost is kept at R30 per item, this means that the entry fee will increase by about R25.

RECOMMENDATION:

The following is recommended:

- i. **Conduct proper research (e.g. by way of a questionnaire that is attached to the on-line entry form) to determine:**
 - **The number of athletes that will be willing to pay a higher entry fee to get a hand-made memorabilia**
 - **The price sensitivity of the athletes (e.g. various price categories can be used in the questionnaire such as R10, R15, R20 or R25 increase)**
- ii. **Contact the organizers of the sport events to discuss the concept**

Section 6: Prioritizing

- iii. **and gain access to the local industry. Contact an institution to assist with the design, choice of material and training of the crafters. As a point of departure, the Cape Craft and Design Institute (CCDI) can be contacted.**

4.4 TOURISM

4.4.1 Development of a tourism strategy

Refer paragraph 2.7.

a) Background to recommendation

Bela-Bela enjoys a comparative advantage in the tourism industry with the wide portfolio of attractions that include world-class golf resorts, game ranches to natural hot springs. The area is also accessible to Gauteng, which is the largest domestic market, as well as the main point of entry into South Africa for foreign tourists. However, as noted in paragraph 2.7.2, the Bela-Bela tourism industry is fragmented with operators pursuing their own particular markets, without working towards a shared vision. By implication, the various operators are pursuing the same market segments, thus almost cannibalizing each other, instead of working together to grow Bela-Bela's market share. One of the most important reasons for this is the lack of a shared vision and clear strategy.

The Waterberg District Tourism Strategy defines the vision for district tourism as follows⁵³:

To position the Waterberg as a leading weekend, shortbreak, meetings and events destination for domestic travelers and a "must see" destination for international business and leisure tourists.

It is important that Bela-Bela defines its particular niche market within this larger district vision.

b) Description of recommendation

The ultimate goal with the strategy must be to define a clear vision for the future development of the Bela-Bela tourism industry, as well as a plan of action to achieve this vision. This will require a systematic analysis of the domestic and international trends in the tourism industry, as well as local resource base and offering. Such an analysis can only be conducted on the basis of detailed intelligence which is currently not available. As such, the strategy formulation will have to include the systematic collection of at least the basic intelligence. Ideally, this should be done in such a manner that it lays the foundations for process to collect certain intelligence on a continuous basis (as recommended as a separate strategy in paragraph 4.4.3).

⁵³ Waterberg DM, 2005: Tourism strategy.

Section 6: Prioritizing

The strategy itself should at least focus on the following:

- i. Market and product offering
- ii. Marketing and marketing channels
- iii. Transformation

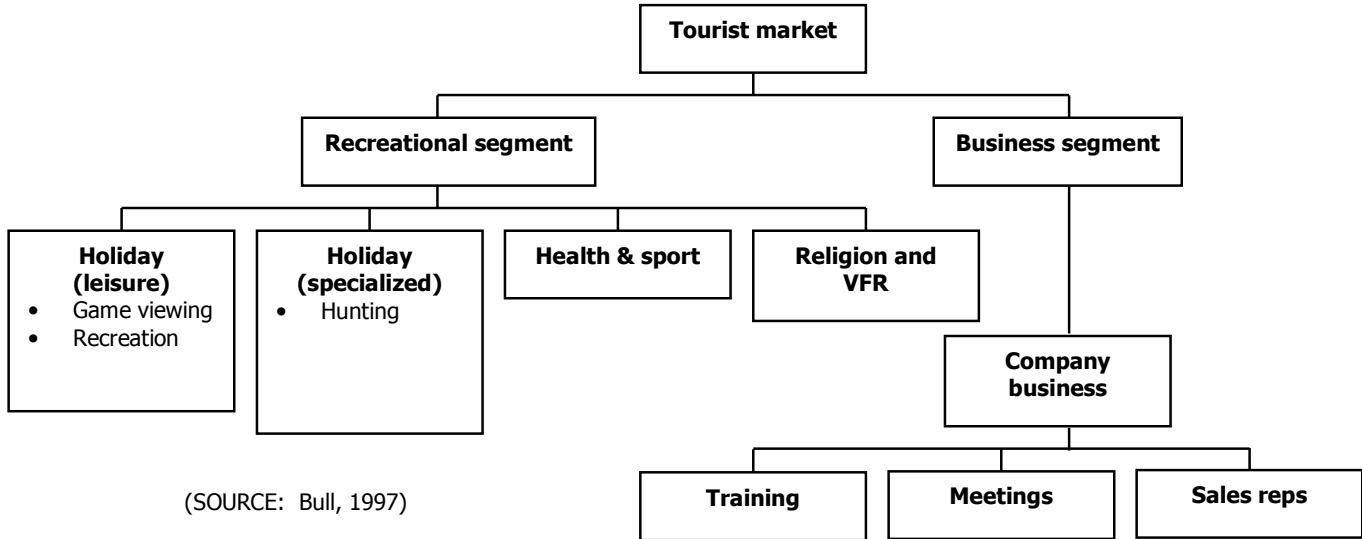
These elements are briefly discussed in the sub-paragraphs following.

b.i) Market and product offering

The tourism industry is highly competitive which requires a definition of the particular market segments to be pursued, as well as the requirements of each segment. Only once this has been defined is it possible to develop and align a product offering to match these requirements.

As a basic point of departure, it is necessary to develop an understanding of the broad market segments that visit the local attractions, distinguishing between the domestic and international visitor. Figure 4.1 presents a generic overview of the typical main segments. It is important that these segments be refined in accordance with the actual visitor profile. Once this has been achieved, each segment must be assessed to gain insight into issues such as the length of stay, spending patterns, repeater ratio, things that they perceive and experience as positive and negative.

FIGURE 4.1: Simplistic perspective on main market



Parallel to this, a critical assessment of the product offering is required. In broad, the following should be defined:

- i. Natural attractions (e.g. warm springs, wildlife, etc.)
- ii. Man-made attractions (e.g. golf resorts)
- iii. Hard infrastructure (roads and water)
- iv. Soft infrastructure (e.g. training)

Section 6: Prioritizing

- v. Support services (e.g. booking)

As an example, the man-made attractions must be described in terms of the total number of beds that are available, current occupancy levels, star grading, etc.

The market definition should typically distinguish between the following:

- i. **Core market** – This segment represents the “bread and butter” visitors and is based on the historically proven market, such as the families that visit the area over weekends and during school holidays, as well as those attending the conferences and workshops that are held during the week. This core market will typically involve a high repetition ratio, and the goal must be to expand the experience of these visitors in order to “lock them in”.
- ii. **Tactical market** – This segment mainly comprises the international market such as the visitors that engage in specialized activities such as hunting and game viewing. The tactical market is more complex as it mainly involves “once off” visitors who’s decisions are based on variables such as the exchange rate and where they will spend the remainder of their visit to South Africa.
- iii. **Growing market** – This segment involves the golf industry and the various adventure orientated offerings. Similar to the core market, this segment will mainly involve the domestic and repeater visitor. However this segment is normally not tied to weekends and school holidays.
- iv. **Undeveloped market** – This segment involves markets that do not exist or have not been explored as yet, such as medical tourism.

The final outcome must be a clear definition of the particular market segments that should form the core of Bela-Bela’s tourism offering.

b.ii) Marketing and market channels

As a basic point of departure, it is important that the existing website be properly maintained and updated to provide access to relevant information on the various product offerings, as well as providing a secure platform to make bookings.

Each of the broad market segments discussed in the previous sub-paragraph has its own marketing requirements. As an example, the core market segment can be attracted with weekend specials that can be advertised through brochures and newspaper advertisements. The tactical market requires a more comprehensive offering that includes other attractions and options in South Africa. This must be provided through the existing website with links to other relevant other sites such as the various hunting and game viewing operators.

It is also important that the area be properly branded. However, a brand can only be developed once the product offering (with the value promise) has been clearly identified and developed⁵⁴.

⁵⁴ The Waterberg Tourism Strategy recommends that a tourism brand be developed for Waterberg and presents the process to be followed to develop such a brand.

Section 6: Prioritizing

b.iii) Transformation

It was noted in paragraph 2.7.2c) that hardly any progress has been made with regards to BEE in the Bela-Bela tourism industry. At best, Blacks are involved in peripheral positions such as cleaners, chefs and trackers. This is despite the fact that the Tourism Charter and BEE Scorecard was launched in July 2004. The scorecard sets a range of targets such as that for overall direct and indirect Black ownership at 21% for the period ending December 2009, and 35% for the period ending December 2014.

Transformation can be achieved in a number of ways, but the most appropriate is through:

- i. Skills development
- ii. Business development

Skills development

The Tourism and hospitality SETA (THETA) is the key platform to promote skills development. As far as could be established, the THETA is used with students placed in a number of establishments in Bela-Bela.

Business development

It is fairly difficult and risky to enter the tourism industry through the traditional platforms such as an accommodation facility. However, as illustrated in Figure 2.2, the tourism industry has a long value chain which offers various business opportunities. At present, most of the product owners source services through their own suppliers. It is possible to identify certain service items in the value chain that can be outsourced to BEE businesses.

It is recommended that a feasibility study be conducted as part of the strategy process to assess the various services in the value chain in order to identify opportunities for BEE businesses.

RECOMMENDATION:**The following is recommended:**

- i. **That a comprehensive tourism strategy be developed to define:**
 - **A long-term vision for Bela-Bela tourism.**
 - **The particular market segments to be developed and pursued (it may be necessary to phase the development of these segments). This will require:**
 - **An assessment of the current and potential product offering**
 - **A detailed market segmentation to identify the markets per production offering and the requirements of each segment**
 - **The most appropriate marketing channels and platforms. This will include**
 - **The marketing of the product offering**
 - **The development of platforms to ensure easy research and**

Section 6: Prioritizing

- booking facilities.**
- **Transformation in the industry to achieve the goals set out in the Tourism Scorecard.**

4.4.2 Encourage establishments to get star grading**a) Background to recommendation**

Very few of the local establishments are star graded. Although it may not pose much of a problem for those establishments that focus on the “repeater” visitor, it limits the marketability of the industry in general, particularly so for the international market.

b) Description of recommendation**RECOMMENDATION:**

The following is recommended:

- i. **The local establishments be encouraged to apply for grading. If necessary, a workshop can be arranged to take the owners through the application process.**

4.4.3 Collect tourism intelligence**a) Background to recommendation**

One of the major problems that hamper the purposeful planning and monitoring of the Bela-Bela tourism industry is the lack of industry intelligence. As a result, there are only estimations on the number of beds available and even less information on the visitor numbers and occupancy rates. As far as could be established, no systematic survey has been conducted amongst the visitors to gain insight on their perceptions and experience of the local tourism product. Data is needed both to base the tourism strategy upon, and to evaluate its impact.

b) Description of recommendation

The strategy should involve a three-pronged effort namely⁵⁵:

- i. **An audit of the existing tourism product.** This can be done annually and should involve:
 - Name and contact details
 - Description of product (Ideally, this should include a description of the primary market segment which should correlate with the segments provided for in the proposed Tourism Strategy)

⁵⁵ The Waterberg Tourism Strategy also recommends that market intelligence be developed.

Section 6: Prioritizing

- Number of beds and occupancy level
 - Star grading
 - Number of jobs
 - Other (e.g. training)
- ii. **The continuous collection of visitor data.** This is a continuous process and should involve:
- The completion of a simple questionnaire by all operators and submitted to the Tourism Authority on a regular basis (e.g. quarterly). The questionnaire should provide the following:
 - Number of visitors
 - Origin of visitors
 - Length of stay
 - Purpose of visit
- iii. **Survey of occupancy rates.** These surveys involves a single questionnaire to be completed by every operator once every quarter that focus on the visitors including:
- The average occupancy rate of the establishment
 - Their origin of visitors
 - Purpose of visit
 - Duration of stay
 - How did they come to know and how was the booking done
 - Estimated spending (per day)
 - Highlights of visit
 - Low points of visit

RECOMMENDATION:

The following is recommended:

- i. **The three pronged survey to be planned and conducted, preferably as part of the strategy process.**
- ii. **In the design, the following is advised:**
- i. **The questionnaires should be short (5 questions) and open-ended questions should be avoided**
 - ii. **The survey amongst the visitors should be conducted in such a manner that it pose a minimum interference (e.g. the visitor can complete the questionnaires whilst booking in).**
 - iii. **Capturing should be kept simple (e.g. use a simple spreadsheet).**

4.4.4 Explore the potential of medical tourism

a) Background to recommendation

Bela-Bela is located very close to Gauteng, which has a number of world-class medical facilities, some of which have started to explore medical tourism. The area offers the ideal location for recuperation as it has a number of world-class golf resort and game viewing facilities. The location of Bela-Bela is within easy traveling

Section 6: Prioritizing

distance of world class Gauteng surgeons but offers a more conducive environment for medical tourism than Johannesburg or Pretoria.

Medical tourism (also called “medical travel” or “health tourism”) involves the practice of people traveling to another country to obtain health care, which include elective procedures as well as complex specialized surgeries such as joint replacement (knee/hip), cardiac surgery, dental surgery, and cosmetic surgeries. The majority of medical tourists are in the higher income categories and most are from developed countries such as North America and countries in Western Europe.

A number of factors have led to the strong increase in medical tourism such as:

- i. The high cost of health care in some countries such as the UK and USA (refer **Table 1**). Linked to the high cost is the fact that medical insurance in some countries either does not cover orthopedic surgery (such as knee/hip replacement) or imposes unreasonable restrictions on the choice of the facility, surgeon, or prosthetics to be used.
- ii. Long wait times for procedures in some countries (e.g. the time waiting for a hip replacement can be a year or more in the UK and Canada, compared with countries such as Singapore, Hong Kong, Thailand, Cuba and Colombia where the waiting period is much shorter).
- iii. The ease and affordability of international travel.
- iv. Improvements in technology and standards of care in many countries of the world. An important consideration under this point is quality assurance. This makes international healthcare accreditation critically important.

It is interesting to note that the various countries are targeting different sectors of the industry. As an indication, India is positioning itself as the primary medical destination for complex medical procedures, whereas the Southeast Asia countries are focusing on simple procedures. Singapore is positioning itself as a medical hub for health care service, medicine, biomedical research and pharmaceutical manufacturing converge. The South American countries such as Brazil tend to focus on cosmetic surgery.

Table 4.1 presents an indication of the differences in the average costs of various procedures.

TABLE 4.1: Inter-country cost comparison for various medical procedures (US\$)

Procedure	USA	Argentina	Bolivia	Brazil	Colombia	Cuba	Europe	India	Mexico
Rhinoplasty	6 000	2 300	1 200	2 100	2 000	1 950	5 500	1 700	1 500
Face Lift	15 000	4 300	2 600	4 500	4 200	3 000	12 500	4 500	3 000
Breast Augmentation	8 000	3 700	2 500	3 800	3 400	1 600	7 500	3 900	3 400
Breast Reduction	9 000	3 900	2 400	3 600	3 200	2 120	8 000	3 700	2 600
Complete Liposuction	13 500	4 500	2 700	4 700	3 800	2 600	11 000	4 800	-
Gluteal Augmentation	9 000	4 000	3 000	4 200	3 800	3 200	9 000	4 500	-

South Africa is a relative newcomer and tries to capture market share by offering so-called "medical safaris" or “scalpel safaris”, where the draw card is to see African

Section 6: Prioritizing

wildlife and get a medical procedure. According to the Association for Plastic and Reconstructive Surgeons, the industry is generating about R270 million per annum.

All indications are that the demand for medical tourism will continue to expand in the years ahead, mainly due to the following reasons:

- i. The current drivers of the industry, namely high costs of procedures in the high-income countries coupled with long waiting times, will continue and may even worsen.
- ii. By 2015, the health of the so-called vast Baby Boom generation, which represents a sizeable portion of the population in high-income countries such as the USA, will have begun to deteriorate. As an indication, it is estimated that there are more than 220 million "Boomers" in the United States, Canada, Europe, Australia and New Zealand.
- iii. Medical tourism will be particularly attractive in the United States, where an estimated 43 million people are without health insurance and 120 million without dental coverage. This figure will in all probability grow even further.

Given the anticipated increase in demand, it follows that supply will also be stepped-up with a number of countries trying to maximise their market share. As such, the competition levels will increase and the clientele will become more discerning as they will be offered a wider variety of options.

A number of factors hamper the further development of the industry in South Africa, including:

- i. The industry enjoys no official support from government. By comparison, countries such as India have integrated Medical Tourism with their larger tourism industry. This is not happening in South Africa.
- ii. The fragmented nature of the industry with only a few stakeholders offering an integrated and seamless package that includes the procedure and the recuperation period.

b) Description of recommendation

RECOMMENDATION:

The following is recommended:

- i. **A preliminary level investigation be done on the size of medical tourism in Gauteng to determine:**
 - **The number and origin of patients**
 - **The type of operation**
 - **Length of stay**
 - **Current place(s) of recuperation**
- ii. **Based on the outcome, a more informed decision can be taken on whether this market segment present any potential.**

SECTION	5	Support measures
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The purpose of this section is to provide the basic background and recommendations for each of the support measures. Referring to Section 3 (figure 3.1), the support measures include the following:

- Institutional development
 - Establish a LED Committee
 - Municipality to improve communications and service levels with customers
- Skills development
 - Labour skills development
 - Entrepreneurial and business skills development
 - Career guidance and promotion of mathematics and science
- Infrastructure development
 - Road infrastructure
 - Upgrade electricity infrastructure
 - Upgrade sanitation infrastructure
 - Engage in planning for water

5.1 INSTITUTIONAL DEVELOPMENT

5.1.1 Establishment of LED committee and supporting structures

a) Background to recommendation

Bela-Bela does not have a properly constituted forum through which the various parties to the local economy can interact purposefully to formulate specific goals and develop strategies to achieve these goals. A number of forums exist for the various industry stakeholder groupings such as the Business Forum, Tourism Association and the two local agricultural unions. What is however required is a forum that is representative of all stakeholders, including the municipality, organized labour, commercial agriculture, tourism, trade and civil society.

As far as could be established, an initiative is under-way to establish a "chairman's forum" of which the purpose and goals are similar with that described above and sub-paragraphs below. It is recommended that the proposals contained in this paragraph be taken into consideration in the establishment of this forum.

Section 6: Prioritizing
b) Description of recommendation

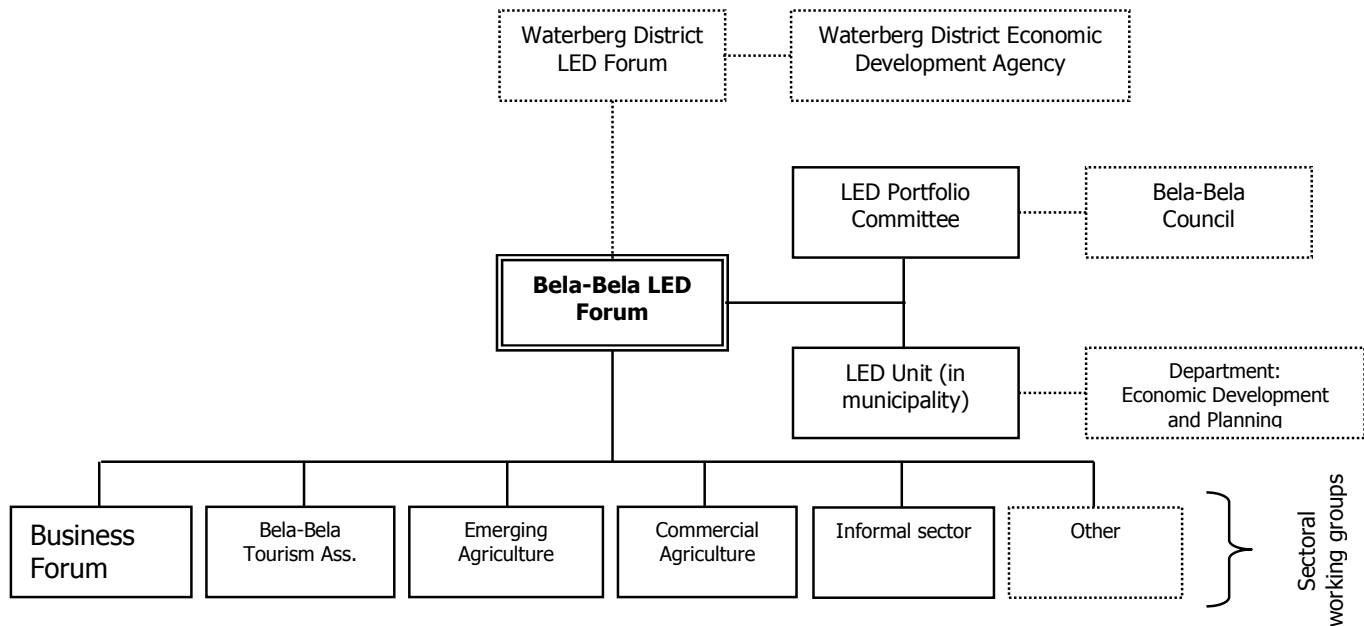
The ultimate goal is to establish a set of appropriately structured and properly constituted forums to lead and direct LED strategy formulation and implementation in Bela-Bela. As a basic point of departure, the following good practice guidelines serve to define the role of forums in LED institutional arrangements:

- i. They are to be consensus-seeking bodies to facilitate agreement between key stakeholders in regard to overall economic vision, socio-economic policy and community developmental priorities.
- ii. Where agreements are reached between stakeholders this implies a commitment to implement such agreements.
- iii. The forum holds no veto power over the actions of government or any other stakeholder. This implies that in the event of disagreement, each stakeholder is free to elect its own course in accordance with its own autonomy and conscience.
- iv. The primary role of the various structures is to facilitate debate and consultation on policy and legislation amongst the social partners, disseminate information and facilitate the participation of key stakeholders in developmental decision making of significance for the entire community.
- v. Structures should undertake joint projects to achieve local economic development objectives within the community in which the capacity, resources and expertise of the parties to the forum are optimally integrated to achieve desired outcomes in the most cost-effective way.
- vi. Structures should jointly monitor policy implementation against intended and desired community LED outcomes and develop recommendations regarding the improvement of performance.
- vii. Structures should enhance communication, co-operation and co-ordination between the key economic stakeholders in the community.
- viii. The parties to LED structures should commit themselves to working jointly to identify ways and means of:
 - Enhancing economic policy and the collective efforts of stakeholders in the local community to the sustainable benefit of the local economy and of the local community at large;
 - Addressing policy gaps;
 - Developing new policy based upon an intimate knowledge and understanding of the prevailing local economic conditions; and
 - Self-regulating local economic activity to promote economic development and the creation of viable employment.

Figure 5.1 presents a graphic perspective on the recommended structure.

No immediate provision is made for local or sub-regional structures as it is believed that the municipal area and the economy are too small to warrant such structures. Also, there is the danger that local sub-structures may fragment the larger effort with every area promoting its own priorities instead of adopting a collaborative approach to grow and develop the particular sector.

FIGURE 5.1: Recommended set of LED structures



The following is recommended:

- i. **Status of the Bela-Bela LED Forum** - The Bela-Bela LED Forum will be accorded formal recognition as an integral instrument of the local development planning processes of:
 - Local government in respect of its IDP obligations in terms of Sections 16, 17 and 29 of the Local Government Municipal Systems Act, 2000 (Act 32 of 2000).
 - Other stakeholders to the extent that it reflects a community developmental perspective. To this extent it should be a standard requirement to refer all matters with a local economic developmental implication to the Bela-Bela LED Forum and its structures.
- ii. **Size** – The forum should ideally not be larger than 20 people (permanent members).
- iii. **Sectoral working groups** – The Form itself will comprise members nominated by various sectoral working groups, some of which are already in existence.
 - Each sectoral working group will nominate two people to present its interests at the Form.
 - The size of the sectoral working groups must be decided by themselves.
 - In the cases where they do not exist, it is therefore imperative that these sectoral working groups be established as a matter of priority⁵⁶.
- iv. **Municipal representation** – The Bela-Bela municipality will have representation through both the LED Portfolio Committee and the LED Unit (in the Department of Economic Development and Planning)

⁵⁶ As an example, in view of the importance of the game and hunting industry, it is recommended that a sectoral working group be established for this sector to pursue and implement the recommendations provided in Section 4.

Section 6: Prioritizing

- v. **District representation** – The Waterberg District will have representation, which can either be through the municipality or the Waterberg District Economic Development Agency.
- vi. **Other government representation** – Other spheres of government (such as regional and local offices of national departments) can be invited to attend to discuss specific matters.
- vii. **Chairman and Execo of Forum** – The chairman, deputy chairman and Execo will be democratically elected on the basis of nominations from the various sectoral working groups.
 - Members of the Execo will serve for a period of one calendar year.
 - The Execo will provide all secretarial services.
- viii. **Recognition of all forums** – All forums established in terms of this recommendation must be fully recognized and accommodated in the Municipal Communication Strategy.
- ix. **Purpose of the sectoral workgroups** – The purpose of the sectoral workgroups will be to
 - Seek consensus on a sectoral Charter per sector as an instrument of self-regulation of the activities of role players on the sector in support of community local economic development objectives;
 - Advance the interests of the sector;
 - Advise the Bela-Bela LED Forum on matters affecting the sector in Bela-Bela; and
 - Reflect the collective views and opinions of the sector in regard to matters affecting the sector.

RECOMMENDATION:

Determine the status of the existing initiative to establish a “chairman’s form”. It is important that this effort not be duplicated or replaced, but it can be augmented and adjusted to incorporate the recommendations made in this paragraph.

5.1.2 Municipality to improve communications and service levels with customers

Refer paragraph 2.2.2.

a) Background to recommendation

The municipality has a Communication Strategy that was compiled in accordance with the relevant legislation. The main objective of the Communication Strategy is to ensure that the Municipality, both at Council and Management levels, articulate common messages in an efficient, coherent and co-ordinated manner. All notices and invitations to meetings and imbizo’s (e.g. for the IDP) are planned and arranged in accordance with this Communication Strategy. Challenges are however experienced on three levels namely:

- i. **Enquiries made by customers (business and civil) to the municipality** – The reaction time from the municipality seems to be very slow and feedback not always comprehensive. The general complaint is that customers find it very difficult to make contact with the appropriate official in the municipality,

Section 6: Prioritizing

- resulting in frustration. It would appear as if some officials are regularly out of office, or do not return calls.
- ii. **Batho Pele principles** – The general complaint is that some officials do not always honor the principles of *Batho Pele* (i.e. being friendly and helpful when dealing with customers).
 - iii. **Suggestions made by customers** – The complaint is that inputs and suggestions made by the commercial sector are rarely accepted and implemented⁵⁷. This results in frustration about the real value of inputs and suggestions.

b) Description of recommendation

The municipality should review the communication strategy to address the particular concerns noted above. At the minimum, the *Batho Pele* principles must be achieved. Cabinet puts much emphasis and has decided to revitalize *Batho Pele*⁵⁸. The revitalization programme involves about 22 interrelated programmes that focus on matters such as:

- i. Changing the culture of government to make *Batho Pele* “a way of life”.
- ii. Informing citizens about their rights so that they can call officials to account for their actions.
- iii. Officials that work directly with the public should wear nametags.
- iv. *Batho Pele* principles should be included in the performance contracts of at least senior management.

The development and implementation of the municipal communication strategy should not only be compliance driven and the following should be considered:

- i. It is of critical importance that all personnel, and in particular those dealing directly with customers (i.e. the “front office”) fully understand and subscribe to the *Batho Pele* principles. Where necessary, training courses should be offered. As far as could be established, the South African Management Development Institute (SAMDI) has, or is in the process to develop a comprehensive training module specifically for front-end staff. The training material focuses specifically on how to use the *Batho Pele* to create a “customer care ethos and practice”. Ideally, the performance assessments of the personnel should be linked to *Batho Pele*.
- ii. An effort should be made to ensure that the relevant personnel are in office at least a few days per week to deal with customer queries (i.e. The particular officials must be in office and are not allowed to attend any meetings. Their main focus during those particular days will be to deal directly with customer issues).
- iii. Systems should be put in place to report back on the status of recommendations made by customers (and reasons given why the recommendations or offers are not implemented).

⁵⁷ As an example, there was an offer to assist with the collection of outstanding rates from the farmers, but the offer was not accepted. There may be valid reasons why some of the offers or recommendations cannot be accepted or implemented, but these reasons must be communicated back to those who made the offer / recommendation.

⁵⁸ Cabinet Memorandum 40A, dated 29 July 2004.

Section 6: Prioritizing

Documentation produced by the Department: Public Service and Administration (DPSA) provide good and practical guidance on how this can be achieved⁵⁹.

This must not be seen as a once-off project or event, but an ongoing process of continues improvement. That is, the municipality must continuously strive to improve its service levels, of which communication is one of the key elements.

RECOMMENDATION:

Conduct a critical assessment of the existing communications strategy to ensure that it fully adheres to the *Batho Pele* principles and amend where required. Develop a strategy to achieve the three points noted in the receding paragraph. As a point of departure, the DPSA should be contacted to source all relevant documentation such as the:

- i. **Batho Pele Handbook – A Service Delivery Improvement Guide**
- ii. **Batho Pele Change Management Toolkit**
- iii. **From Red Tape to Smart Tape Report**
- iv. **Project Khaedu (senior management service delivery challenge) report**

5.2 SKILLS DEVELOPMENT

5.2.1 Labour skills development

Refer paragraphs 2.3.2 and 2.2.4c).

a) Background to recommendation

There is a tight but complex relationship between the skill levels of a population on the one hand, and the growth and development of the economy on the other. Broadly speaking, an increase in (global) competition and aggregate demand requires that businesses engage in more sophisticated production techniques in order to increase production output, reduce costs and stay competitive⁶⁰. Complex and more sophisticated production techniques in their turn require higher skill levels. This trend clearly played out in South Africa with the liberalization of the economy in the early 1990's, which resulted in exposure to international competition from low cost producers such as India and China. South Africa had to engage in more sophisticated production and as a result, employment of low and semi-skilled workers fell by 19% between 1990 and 1998, whereas the demand for demand for skilled and high skilled labour increased by 12%⁶¹. This trend is also shown in Table

⁵⁹ Department: Public Service and Administration: *A guide to revitalise Batho Pele*.

⁶⁰ As an example, international competition has made the South African agriculture sector to use more sophisticated production methods such as precision farming. As a result, the sector is getting increasingly mechanised, involving less people (this is an international phenomenon).

⁶¹ Department of Labour, 2003: *The state of skills in South Africa*.

Section 6: Prioritizing

2.3, which shows that in 2002, low skilled labour presented 29% of those employed, down from 31% in 1995. Skilled labour increased from 9% in 1995 to 11% in 2002.

To ensure that the labour react to this change in demand, government established the Sector Education and Training Authorities (SETA's) to plan and promote the training of employees. The Skills Development Levies Act requires that employers pay 1% of their wage bill to the skills development levy. This money goes to the SETA's and the Skills Development Fund (SDF) to pay for the training. Twenty-three (23) of these SETA's have been established, of which the following are the most important for Bela-Bela:

- i. Agricultural sector training authority (AgriSETA)
- ii. Local government (LGSETA)
- iii. Tourism and hospitality SETA (THETA)
- iv. Wholesale and retail SETA (W&RSETA)

The SETA's have received much negative reporting with allegations of mismanagement and corruption. Nevertheless, they present an important mechanism to improve the skills base of existing enterprises.

Ultimately, the goal with the SETA's is twofold namely to improve the production capacity and therefore the marketability of the labour force, and secondly to improve the production capacity of the business. The system is doomed for failure if both parties (i.e. both labour and business) do not gain from it.

Indications are that very few local businesses make use of the SETA's, despite the fact that they contribute towards the levy.

b) Description of recommendation

It is important to establish the degree to which formal businesses are making use of the SETA's, the reason(s) why they are not making use of the facility and the experience of those that have made use of it.

RECOMMENDATION:

Conduct a simple survey to determine the extent to which local businesses are making use of SETA's and in particular:

- i. **In what sector(s)**
- ii. **The number of persons sent on courses and the type of courses completed.**
- iii. **The reasons why some businesses are not taking part.**
- iv. **The experience of labour upon completing the course.**
- v. **The experience of business upon labour completing the course(s)**
- vi. **Priority should be given to:**
 - **Government (LGSETA)**
 - **Agriculture (AgriSETA)**
 - **Tourism (THETA)**
 - **Trade (W&RSETA)**
- vii. **It is also recommended to get the sector plans from each of these SETA's to assess the main trends in and strategies for the sectors**

Section 6: Prioritizing

Based on the findings of this survey, a strategy can be developed per sector to address the concerns and bottlenecks to increase the participation levels.

5.2.2 Entrepreneurial and business skill development

a) Background to recommendation

International experience shows that entrepreneurial drive and spirit lies at the core of any economy⁶². Ultimately, the success of an entrepreneur is largely determined by his business acumen and it is therefore important to distinguish between the "necessity" entrepreneur and the "business" entrepreneur⁶³. Whereas business acumen is important, basic business skills that can be learnt are just as important with numerous businesses that are inherently feasible, failing because the entrepreneur may have a correct idea but not the business skills execute the idea. Research conducted by the Human Science Research Council (HSRC)⁶⁴ shows that most emergent entrepreneurs acquire skills through "learning by doing" and networks (e.g. families) and not through formal education. This particular survey shows that more than 50% of the entrepreneurs acknowledge that they have a lack of business skills such as cashflow management, marketing, client relations, stock control, etc. The lack of such skills increases the risk of business failure which can be minimized with the appropriate training.

One of the critical problem areas for emerging entrepreneurs involves the lack of skills required to conduct systematic research to compile a bankable business plan. The real value of drafting a business plans does not only involve getting access to funding, but the procedure also forces the entrepreneur to apply his mind and systematically think about the various aspects of the enterprise.

Discussions with the informal sector entrepreneurs in Bela-Bela showed a similar profile.

b) Description of recommendation

A number of institutions offer support to emerging entrepreneurs such as the Small Business Development Agency (SEDA) and the Limpopo Business Support Agency (LIBSA).

RECOMMENDATION:

It is recommended that emerging entrepreneurs (both existing and aspirant) are made aware of and be encouraged to attend courses on basic business skills such as those offered by LIBSA and SEDA. These institutions should be invited to make presentations to the local emerging

⁶² World Bank, 2004: *Barriers to entrepreneurship*

⁶³ Broadly speaking, the necessity entrepreneur typically (has to) engage in business because of "push factors" such as unemployment, whereas the business entrepreneur engage in business as a result of "pull factors" such as a desire to have his own business.

⁶⁴ HSRC, 2005: *Skills development in very small and micro enterprises.*

business community on their services and the importance of training.**5.2.3 Career guidance and support of mathematics and science****a) Background to recommendation**

Research by the Department of Labour shows that the unemployment levels amongst the youth is much higher than for the older age groups. As an indication, the 2002 Labour Force Survey showed that 71% of those that are unemployed are between the ages 15 – 34. It is therefore imperative that more emphasis be placed firstly on preparing the school going youth for the labour market and tertiary education, and secondly by improving the marketability of the unemployed youth.

a.i) Preparing the school going youth

International experience shows the importance of a good school education system to provide the basic foundation for the labour force. The most useful measure to gain insight into the school attendance levels is the so-called Gross Enrolment Ratio (GER), which expresses the number of students enrolled in primary, secondary and tertiary levels of education, regardless of age, as a percentage of the population of official school age for the three levels. According to the UN, the GER of South Africa is 77⁶⁵, which is very low compared with countries such as Japan, Singapore and Australia which are at 86, 87 and 100 respectively. By simple interpretation, this means that only about 77% of the school going population is actually attending school in South Africa. It can be assumed that this low figure can largely be attributed to a high dropout rate. At least part of this high drop-out rate can in its turn be attributed to the effects of HIV / AIDS on the household economic survival strategies with young people either having to seek employment, or having to assist at home. The low GER has a damaging effect on both the marketability of the future labour force, as well as the entrepreneurial potential of the future generations.

Career guidance on school level

Research by institutions such as the World Bank and the United Nations has shown the importance of proper career guidance facilities on school level in order to ensure a closer match between the skills demand by the economy and the supply⁶⁶. A lack of such a system results in either an over or undersupply of certain skills that not only results in higher levels of unemployment, but also reduces the production capacity of the economy. Figure 5.2 presents a simplified model of the demand and supply of labour from the perspective of "school to work transition".

The critical link in the chain is the mediators that lie between the supply of and demand for labour. The main stakeholder in this mediator group is the Department of Education. In terms of the Revised National Curriculum Statement Policy of 2002, the Department provides career guidance from grade 1 to 9 under the learning area "life orientation". As far as could be established, career guidance is now also given

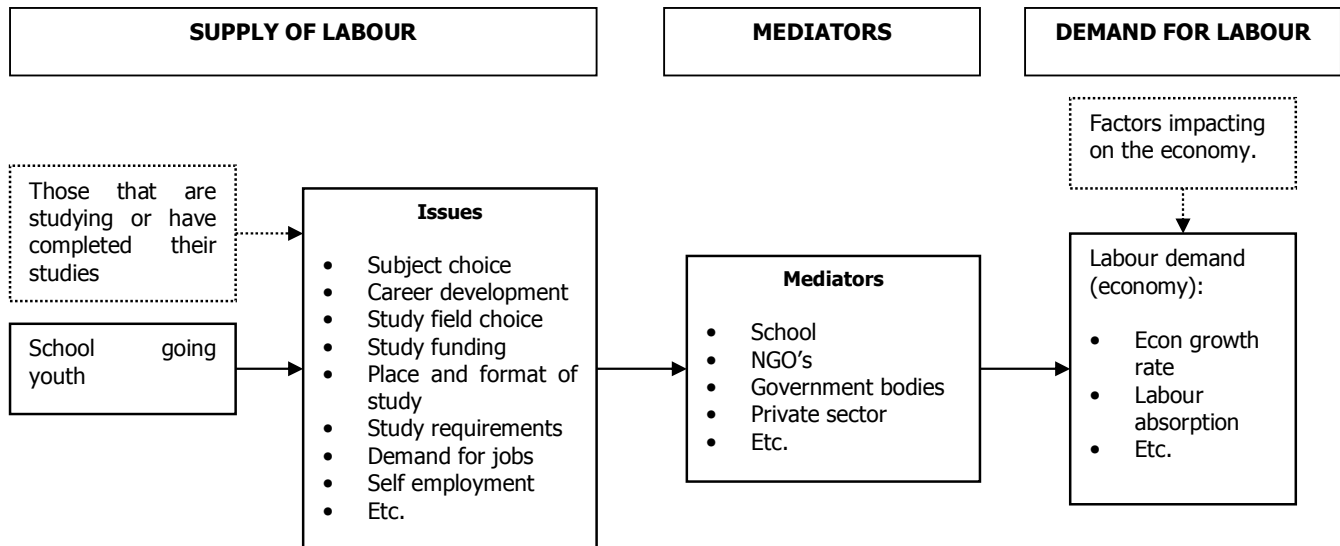
⁶⁵ UN: *Human development report, 2007/08.*

⁶⁶ Du Toit. R. 2005: *Labour markets and social policy. A review of labour markets in South Africa. Career guidance and employment services.*

Section 6: Prioritizing

to grades 10 – 12. It is not sure what the quality of this guidance is at the schools in Bela-Bela.

FIGURE 5.2: Demand and supply of labour (school to work transition)



a.ii) Improving the marketability of the unemployed youth

- i. **Skills development for unemployed youth** – This element focuses on gaining practical skills to improve the marketability of those that have completed school but are still unemployed. An example of a successful youth learnership programme was the one offered by *Shoprite Checkers* and W&R SETA in Polokwane. The programme involved skills training in matters such as stock control, quality control, pricing and teller machine. To date, 52 people have been trained. The learnership is on an NQF Level 4. The idea is that Shoprite Checkers will eventually employ all the learners upon successful completion of the programme.
- ii. **Assisting finding employment for qualified youth** – The *Umsobomvo Youth Fund* (UYF) runs the Graduate Development Programme to assist graduates to find employment or to become self-employed. Part of this initiative is the Job Opportunity Seekers (JOBS) programme which involves putting graduates on a database and linking them with employment agencies.
- iii. **Assisting unemployed youth to start their own businesses** – This involves training programmes to prepare the youth to start their own businesses and is funded by the SETA's and NSF. An example of a successful programme is that developed by W&R SETA in collaboration with *SHIELD Group* (which is a subsidiary of *Massmart*) in Springbok (2005). The students were trained over a 1 year period in business skills. They were also provided with some aftercare services as well as some of the capital outlay (containers that is used as shops).

b) Description of recommendation**b.i) Preparing the school going youth**

This element can include the following:

- i. **Advising the school going population on subject choices.** There is a tendency to avoid the “difficult” subjects such as mathematics and science which automatically narrow their choices as it disqualifies them from studying certain fields.
- ii. **Offer special classes in mathematics and science.** There are several service providers and courses available in mathematics and science to assist the student in improving their marks. However, the cost of these courses puts them out of reach for the majority of students. As an alternative, the services of retired mathematics and sciences teachers should be secured. The corporate sector can be approached to pay their fees. Another possibility is the use of the Internet where there is a wealth of support on these subjects. As access to the Internet is limited amongst those most in need of it, the corporate sector can be approached to provide assistance.
- iii. **Expose students to career opportunities through talks and excursions.** Practitioners from the local corporate sector can be invited to give a short talk to the students on the sectors that they work in.

b.ii) Improving the marketability of the unemployed youth

This element can include the following:

- i. **Skills development for unemployed youth** – Make contact with the various SETA's to establish the options for courses available to the unemployed youth (e.g. the learnership programme that was developed by Shoprite Checkers and W&R SETA in Polokwane).
- ii. **Assisting finding employment for qualified youth** – Make contact with the *Umsobomvo Youth Fund* to assess the options under the Graduate Development Programme Job Opportunity Seekers (JOBS) programme.
- iii. **Assisting unemployed youth to start their own businesses** – Make contact with the various SETA's to establish the availability of training programmes to prepare the youth to start their own businesses (e.g. the programme that was developed by W&R SETA in collaboration with *SHIELD Group* in Springbok 2005.)

5.3 INFRASTRUCTURE DEVELOPMENT**5.3.1 Road infrastructure**

Referring to paragraph 2.12.1, there is not fatal flaw in the internal road system, but the following should be noted:

Section 6: Prioritizing

- v. There is concern that the rail bridge may become a bottleneck in future, particularly in view of the planned shopping mall at the Waterfront and the recommendation that more land be made available for trade purposes on the southern side of the bridge.
- vi. The lack of parking space in the CBD area. This is however being addressed at the moment.
- vii. The need to make the CBD more pedestrian friendly, as the majority of the residents have to travel on foot.

Recommendations have been made to improve the internal road system in the CBD with the widening of certain streets and by changing the traffic flow into one-way direction in others. A qualified traffic engineer made these recommendations and it is believed that it will address most of the traffic problems currently experienced in the CBD. As far as could be established, the municipality will consider these recommendations as soon as they have completed the existing projects.

From a tourism perspective, a more significant problem involves the condition of the provincial roads and in particular parts of: P85/ 1 (R516), P1/ 4 (R101) and P20/1. Most of the problems involved potholes. It is imperative that these problems be addressed as a matter of priority.

RECOMMENDATION:

It is recommended that:

- i. **Attention be given to the recommendations made to improve the traffic flow in the CBD area.**
- ii. **Engage in discussions with the provincial level to address the bad condition of the provincial roads.**

5.3.2 Upgrade electricity infrastructure

Referring to paragraph 2.12.3, the supply of electricity is under serve strain as Eskom has approved 10 MVA, whereas the actual usage is 15 MVA. Moreover, the supply network is old and urgent upgrading is required on the substations, feeder network and switchgear.

As far as could be established, the municipality has secured some funds from DME to address these problems.

RECOMMENDATION:

It is recommended that the aging substations and network be upgraded as a matter of priority.

5.3.3 Upgrade sanitation infrastructure

Referring to paragraph 12.2.2, the sanitation system is overtaxed as the current demand levels far exceed the design capacity of the treatment plant (i.e. the design

Section 6: Prioritizing

capacity is 3.5 mega l/d whereas the actual flow is 6.2 mega l/d). In addition, the bulk distribution system is insufficient.

As far as could be established, MIG funds have been secured and a final decision on the upgrading will have to be taken soon.

RECOMMENDATION:

It is recommended that the sewer treatment capacity be upgraded as a matter of priority.

5.3.4 Engage in water planning for future

Referring to paragraph 12.2.2, the municipality should have sufficient water up to 2015.

RECOMMENDATION:

It is recommended that the municipality engage in discussions with Magalies Water to plan further water development in a proactive manner.

SECTION	6	<h1>Prioritizing</h1>
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6.1 INTRODUCTION

The implementation of recommendations, such as those presented in sections 4 to 5 of this document, requires the use resources that range from financial, to capital, manpower and institutional. Due to the scarcity of these resources, it is not possible to embark on all the recommendations simultaneously and a choice needs to be made on those recommendations that should be pursued immediately, and those that can be postponed and pursued at a later stage. It is not only the availability of resources that come into play, but also the possible impact of the recommendations. One of the challenges is to achieve a balance between implementing those recommendations that will on the one hand lay the foundation for sustainable economic growth and development, and so-called “quick wins” on the other. The former may take some time to materialize and the results are not always visible or tangible to the broader public. As such, it may be advisable to include a few “quick wins” or “low hanging” fruit that will show tangible results to support the credibility of the initiative amongst the wider public. In view of two considerations, it is imperative to get the sequencing right through the prioritization of the recommendations. The purpose of this section is to provide a model that will ensure consistency in the procedure and criteria used to prioritize the various recommendations in order to achieve these two goals.

6.2 PRIORITISING MODEL

The prioritization of recommendations is not a simple arbitrary process, but requires careful consideration as it involves committing scarce public and private resources. As such, there is an opportunity cost involved.

The ultimate aim is to achieve the goals defined paragraph 3.2. The multi-dimensional nature of these goals, and the recommendations, renders “neat” and clinical assessment methods such as Net Present Value (NPV) or the Internal Rate of Return (IRR), less useful. The simple truth is that there is no simple or a “back box” model available to assess, within the context of the multi-dimensional nature of the goals, such a wide array of recommendations as contained in this report. The only possible solution to this problem is move away from a quantified model, to a strategic approach that can on a broad level schedule the various recommendations to the appropriate budget and implementation period. The essence of such an approach involves the multi-year planning and budgeting system.

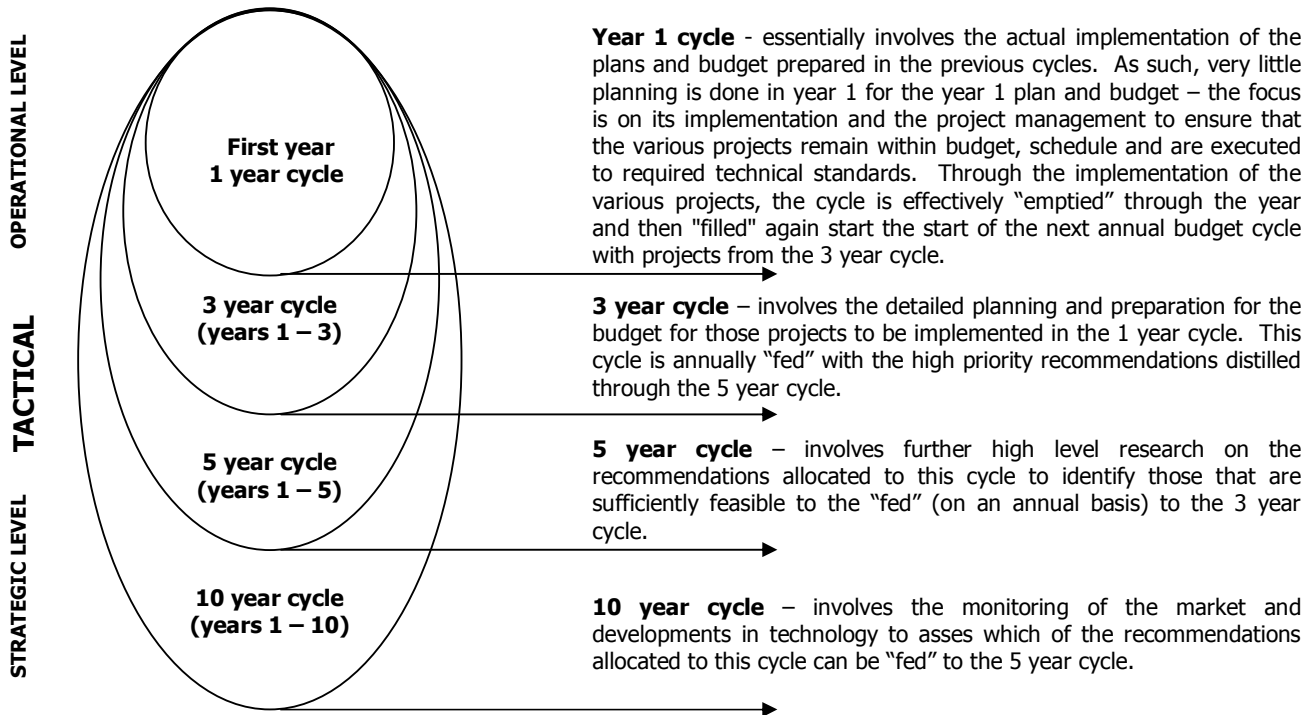
Section 6: Prioritizing

6.2.1 Multi-year planning / budgeting system

In essence, a multi-year planning and budgeting process involves a never ending or "rolling" system where the recommendations scheduled for the long term (e.g. 10 years) are continuously refined. Those found to be feasible on such a strategic level are fed into the medium term planning and budgeting cycle where they are subjected to further refinement. Those recommendations found to be feasible in the medium term cycle are ultimately fed into the 3 year budget cycle and finally into the annual budget cycle for actual implementation. As such, there is a "through flow" of projects, with them exiting the cycles through the 1st year cycle. The process therefore allows for the continuous assessment and refinement of the recommendations as they move through the various cycles, from the strategic level, to the tactical level and finally to the operational level. This "progression" is clearly illustrated in the model recommended and discussed in the sub-paragraphs following.

Figure 6.1 presents a diagrammatic overview of how the various time schedules are inter-linked for form a "rolling" system.

FIGURE 6.1: The nature of the multi-year planning – budgeting system



6.2.2 The model

The approach used here is loosely based on a model that was developed in the corporate sector to assess and decide on a broad level, which opportunities or recommendations should be pursued.

Section 6: Prioritizing

The process involves two stages namely:

- i. Stage 1 – First level prioritisation. The objective is to divide all recommendations into categories to distinguish between those that should be pursued in the short term and those that should be pursued in the longer term.
- ii. Stage 2 – Implementation matrix. The objective is to decide on the specific approach to be taken towards the implementation of each recommendation (based on the findings of the “first level prioritisation”).

6.2.1 Stage 1 – First level prioritisation

Figure 6.2 shows the basic design of the model used for stage 1. The figure shows a matrix that comprises two dimensions namely:

- i. The degree of (technical) difficulty to conduct the more detailed planning and the difficulty in implementing the recommendation. This dimension is to a large extent a function of the institutional, technical and budgetary capacity of the Bela-Bela municipality and the other relevant stakeholders.
- ii. The possible impact the recommendation will have towards achieving the goals (as stated in paragraph 3.2).

For the purposes of this model, both of these dimensions were further divided into three sub-categories. As an example, the “technical” dimension was divided into “very easy”, “intermediary difficult” and “very difficult”. This allows for a much finer prioritisation scale.

Section 6: Prioritizing

FIGURE 6.2: First level prioritisation model

		DIFFICULTY OF PLANNING AND IMPLEMENTATION		
		Very easy to plan and implement	Intermediary difficult to plan and implement	Very difficult to plan and implement
IMPACT ON ACHIEVING THE GOALS AND PROMOTING ECONOMIC DEVELOPMENT	Significant impact	<u>Category 1:</u> These recommendations are easy to plan, implement and will have a significant impact on achieving the goals.	<u>Category 2:</u> These recommendations are of intermediary complexity but will have a significant impact on achieving the goals.	<u>Category 3:</u> These recommendations are highly complex but will have a significant impact on achieving the goals.
	Medium impact	<u>Category 4:</u> These recommendations are easy to plan, but will in all probability have a medium level impact on achieving the goals.	<u>Category 5:</u> These recommendations are of intermediary complexity and will in all probability have a medium level impact on achieving the goals.	<u>Category 6:</u> These recommendations are highly complex and will in all probability have a medium level impact on achieving the goals.
	Low impact	<u>Category 7:</u> These recommendations are easy to plan, but will in all probability have a low level impact on achieving the goals.	<u>Category 8:</u> These recommendations are of intermediary complexity and will in all probability have a medium level impact on achieving the goals.	<u>Category 9:</u> These recommendations are highly complex and will in all probability have a medium level impact on achieving the goals.

6.2.2 Stage 2 – Implementation matrix

The purpose of stage 2 is to decide on the most appropriate approach and schedule towards the actual implementation of the recommendations. Figure 6.3 shows the basic design of the matrix and it makes provision for the following priorities:

- i. **Priority 1 – Immediate implementation (1st year budget cycle)** : It is easy to implement the recommendations. The appropriate action is to start immediately with implementation and the schedule is therefore **short term (year 1)**.

From the First Level Prioritisation Model, this includes category 1.
- ii. **Priority 2 – Prepare for implementation (3 year budget cycle)** : The degree of difficulty to plan is on an intermediary level, but some of the recommendations may have a high level impact. The appropriate action is to get prepared for implementation by taking appropriate actions such as improving the financial and institutional capacity (e.g. of Bela-Bela municipality). The implementation schedule is therefore **short to medium term (years 1 – 3)**.

Section 6: Prioritizing

- iii. **Priority 3 – Conduct further research to establish feasibility (5 year budget cycle)** : From the First Level Prioritisation Model, this includes categories 2, 4 and 7. These recommendations are more difficult to plan and implement and the appropriate action is to conduct further research to establish the feasibility of the recommendations. The implementation schedule is therefore **medium to long term (years 1 – 5)**.
- iv. **Priority 4 – Put on back burner for now (10 year budget cycle)** : From the First Level Prioritisation Model, this includes categories 3, 5 and 8. These recommendations are technical and difficult to plan and implement and that appropriate action is to “put them on the back burner” until such time that there is more clarity what it involves. The implementation schedule is therefore **long term (years 1 – 10)**.
- From the First Level Prioritisation Model, this includes categories 6 and 9.

FIGURE 6.3: Implementation matrix

IMPACT ON ACHIEVING THE GOALS AND PROMOTING ECONOMIC DEVELOPMENT	<i>Low Impact</i>	Priority 3 – Conduct further research (Schedule to 5 year planning / budget cycle)		Category 4 - Put on back burner (Schedule to 10 year planning / budget cycle)
	Medium impact	Priority 2 – Prepare for implementation (Schedule to 3 year planning / budget cycle)		
	Significant impact	Priority 1 - Aggressive implementation (Schedule to 1 st year planning / budget cycle)		
		Very easy to plan and implement	Intermediary difficult to plan and implement	Very difficult to plan and implement
		DIFFICULTY OF PLANNING AND IMPLEMENTATION		

Figures 6.4 and 6.5 present the populated models.

Section 6: Prioritizing

FIGURE 6.4: Prioritisation model

		DIFFICULTY OF PLANNING AND IMPLEMENTATION		
		Very easy to plan and implement	Intermediate difficulty to plan and implement	Very difficult to plan and implement
IMPACT ON ACHIEVING THE GOALS AND PROMOTING ECONOMIC DEVELOPMENT	Significant impact	<u>Category 1:</u> <ul style="list-style-type: none"> Establish LED Forum (with sectoral working groups) Municipality to improve communications and services to customers Establish forums for the hawker and fleamarket groups Support to the Tiisetso Chicken Project Business plan to access R80 000 from DM for fleamarket 	<u>Category 2:</u> <ul style="list-style-type: none"> Entrepreneurial and business skills development Develop a comprehensive tourism strategy Develop a comprehensive strategy for the informal sector 	<u>Category 3:</u> <ul style="list-style-type: none"> Development of a feedlot system. Development of the Rust de Winter Scheme Consolidate game and hunting industry
	Medium impact	<u>Category 4:</u> <ul style="list-style-type: none"> Tourism – develop comprehensive intelligence Labour skills development 	<u>Category 5:</u> <ul style="list-style-type: none"> Informal sector – manufacture memorabilia for sport sector 	<u>Category 6:</u> <ul style="list-style-type: none"> Tourism – explore niche market (medical tourism) Slaughtering and processing of meat (produced in feedlots)
	Low impact	<u>Category 7:</u> <ul style="list-style-type: none"> Encourage tourism establishments to get star graded. 	<u>Category 8:</u> <ul style="list-style-type: none"> Career guidance and promotion of science and mathematics 	<u>Category 9:</u> <ul style="list-style-type: none"> Production of hides

Section 7: Implementation plan

FIGURE 6.5: Implementation matrix

IMPACT ON ACHIEVING THE GOALS AND PROMOTING ECONOMIC DEVELOPMENT	<i>Low Impact</i>	<p>Priority 3 – Conduct further research</p> <p>(Schedule to 5 year planning / budget cycle)</p> <ul style="list-style-type: none"> • Development of a feedlot system. • Development of the Rust de Winter Scheme • Consolidate game and hunting industry • Informal sector – manufacture memorabilia for sport sector • Career guidance and promotion of science and mathematics 	<p>Category 4 - Put on back burner</p> <p>(Schedule to 10 year planning / budget cycle)</p> <ul style="list-style-type: none"> • Tourism – explore niche market (medical tourism) • Slaughtering and processing of meat (produced in feedlots) • Production of hides 	
	Medium impact	<p>Priority 2 – Prepare for implementation</p> <p>(Schedule to 3 year planning / budget cycle)</p> <ul style="list-style-type: none"> • Entrepreneurial and business skills development • Develop a comprehensive tourism strategy • Develop a comprehensive strategy for the informal sector 	<ul style="list-style-type: none"> • Tourism – develop comprehensive intelligence • Labour skills development • Encourage tourism establishments to get star graded. 	
	Significant impact	<p>Priority 1 - Aggressive implementation</p> <p>(Schedule to 1st year planning / budget cycle)</p> <ul style="list-style-type: none"> • Establish LED Forum (with sectoral working groups) • Municipality to improve communications and services to customers • Establish forums for the hawker and fleamarket groups • Support to the Tiisetso Chicken Project • Business plan to access R80 000 from DM for fleamarket 		
		Very easy to plan and implement	Intermediary difficult to plan and implement	Very difficult to plan and implement
DIFFICULTY OF PLANNING AND IMPLEMENTATION				

Section 7 presents the implementation plan developed in accordance with the outcome of this prioritization process.

SECTION	7	<h1>Implementation plan</h1>
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7.1 INTRODUCTION

The purpose of this section is to provide guidelines to prepare for and start with the implementation of the recommendations made in sections 4 – 5 and as prioritised in section 6. This section comprises the following paragraphs:

- i. **Paragraphs 7.2 – 7.4** - provide a series of tables that contain guidelines for the implementation of the recommendations. The tables provide the following information per recommendation:
 - Name of recommendation – This column provides the name of the recommendation, as well as cross-references to paragraphs elsewhere in the document where background information is provided.
 - Goal and objectives – This column provides the goals and objectives to be achieved. As such, these goals and objectives represent the basic framework for the evaluation criteria to be used in the monitoring system (also refer paragraph 7.7).
 - o Goals – each recommendation has a specific goal, which is cross-referenced to the goals stated in paragraph 3.2 (to illustrate how the recommendation supports these goal(s)).
 - o Objectives – each of the goals comprises one or a number of specific objectives⁶⁷.
 - Comments – The column provides background notes on the recommendation.
 - Actions – The column provide guidance on the immediate actions to be taken towards the implementation of the recommendation.
 - Implementing agent – The column specifies the agent that should be responsible for the implementation of the recommendation.
- ii. **Paragraph 7.6** – Provides a summary of paragraphs 7.2 – 7.5.
- iii. **Paragraph 7.7** – Provides recommendations on a monitoring system.
- iv. **Paragraph 7.8** – Provides recommendations on the immediate actions to be taken to start the implementation process

⁶⁷ One of the first tasks of the implementing agent allocated to the recommendation must be to qualify and (where possible to) quantify these objectives in more detail.

Section 7: Implementation plan

7.2 PRIORITY 1 – IMMEDIATE IMPLEMENTATION (Planning / budget cycle year 1)

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
<p>i. Establish LED Forum (with sectoral working groups)</p> <p><u>Cross references:</u></p> <ul style="list-style-type: none"> Par 5.1.1 	<p><u>Goal:</u> A set of structured and properly constituted forums to lead and direct LED strategy formulation and implementation in Bela-Bela (support goal #5).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> The successful establishment of a properly constituted and functioning the LED Forum. The successful establishment of the relevant sectoral working groups. It is recommended that at least the following be established: <ul style="list-style-type: none"> Agriculture Tourism Informal sector The development of a work programme for year 1 for each forum, using this Implementation Plan as a point of departure (also refer the broad schedule presented in Table 7.2). The development of a monitoring system to assess the implementation of the various work programmes (refer paragraph 7.7). 	<ul style="list-style-type: none"> The basic design as presented in Figure 5.1 and the recommendations as presented in paragraph 5.1.1b) can be used as the basic points of departure. Do not duplicate the existing initiative to establish a “chairman’s form”, but it can be adjusted to incorporate the recommendations made in paragraph 5.1.1b). 	<p>i. Start by drafting a constitution for each of the forums.</p> <p>ii. Establish the forums in accordance with the constitutions and use the recommendations of this strategy to develop the year work programme for year 1 (for each of the forums).</p>	<p>The initiative should be driven as a joint effort between the municipality and existing Business Forum.</p>
<p>ii. Municipality to improve communications and</p>	<p><u>Goal:</u> To improve the speed and efficiency of the communication between the municipality</p>	<ul style="list-style-type: none"> The national initiative around Batho Pele must be used as the basic reference framework. 	<ul style="list-style-type: none"> Start by assessing the three core problems as noted in paragraph 5.1.2a) as the extent and nature of 	<p>Bela-Bela municipality</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
<p>services to customers</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • Par 2.2.2 • Par 5.1.2 	<p>and its clients, with particular reference to the local rate payers (including business) (support Goal #8).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Increase the number of queries from clients addressed successfully by the various line departments (for this purpose, a record should be kept of queries lodged and addressed). • Reduction in the reaction time to queries from the clients. • Improve the standard of service at the “front line”. 	<ul style="list-style-type: none"> • This is not a once-off project, but a continuous process of improvement (i.e. the municipality must always strive and act to improve its service levels – a continuous striving towards excellence). 	<p>these issues will determine the action(s) required.</p> <ul style="list-style-type: none"> • Based on the findings, review the official municipal Communication Strategy to identify specific shortcomings. • The DPSA should be contacted to source all relevant documentation such as the: <ul style="list-style-type: none"> o Batho Pele Handbook – A Service Delivery Improvement Guide o Batho Pele Change Management Toolkit o From Red Tape to Smart Tape Report o Project Khaedu (senior management service delivery challenge) report 	
<p>iii. Establish forums for the hawker and flea market groups</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • 2.11 • 4.3.2 	<p><u>Goal:</u> Establishment of forms for the informal sector to serve as the official communication platforms between the municipality and the hawker and flea market groups (support Goal #9).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Properly constituted and functioning structures to represent the interests of the hawker and flea market groups. 	<ul style="list-style-type: none"> • The local hawkers do not have a properly constituted forum, with the flea market traders having at least some form of structure. The lack of such a structure severely limits the informal sector to enter into purposeful discussions with the other stakeholder groups in the economy such as the municipality and the commercial sector. • Both groups must have their own structure as they serve different markets and therefore face different challenges. The primary focus of these two structures will be to deal with issues that are specific to the group • Ideally, there should also be an overarching structure that represents the 	<ul style="list-style-type: none"> • Start by drafting a constitution for the two structures that set-out matters such as their composition, manner of operation, size, chairmanship, etc. • Establish the structures and use the recommendations on the informal sector to develop a programme for the first year of operation. 	<p>Informal sector work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
		<p>combined interests of both these groupings. The rationale for such a structure is that it may be too cumbersome for agents such as the municipality to at all times engage with both structures separately, specifically when the issues at hand are similar.</p>		
<p>iv. Support to the <i>Tiisetso Chicken Project</i></p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • Par 2.6.3) • Par 4.2.2 	<p><u>Goal:</u> Improve the overall commercial success of the <i>Tiisetso Chicken Project</i> (support Goal #3, 4 and 10).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Improved turn-over of the project • Increase in number of chickens bought and sold • Increase in number of jobs created by the project. 	<ul style="list-style-type: none"> • <i>Tiisetso Farming</i> is a Black owned business that is primarily involved in the production of slaughter chickens which are sold on contract to a buyer in Delmas (the strategic partner in the project). The initial design allowed for a capacity of 600 birds per cycle, with 8 cycles per annum. However, funds procured through Comprehensive Agriculture Support Programme (CASP) have increased the capacity. The credibility of the business is demonstrated by the fact that the owner has won several awards. 	<ul style="list-style-type: none"> • Interact with the current management to assess the specific problems affecting the project such as: <ul style="list-style-type: none"> o The strategic partner (i.e. the buyer in Delmas) is experiencing financial problems and cannot purchase the chickens anymore. Without such a secure market, the project can hardly survive. o Water – need a secure water supply. o Roads – the quality of the access roads is bad and it presents problems for the trucks that deliver the feed and collect the chickens. o Electricity – a large part of the operation is electronic and disruptions in electricity are particularly problematic. • Based on the findings, draft a business plan to address these issues. 	<p>LED Form and management of the <i>Tiisetso Chicken Project</i>.</p>
<p>v. Business plan to access R80 000 from DM for flea market</p>	<p><u>Goal:</u> Improve the trading conditions for the flea market group (support Goal #9).</p>	<ul style="list-style-type: none"> • The Waterberg DM has made available a budget of R80 000 for the purposes of the flea market. The money has not been earmarked for any specific use, but 	<ul style="list-style-type: none"> • The Informal Sector Workgroup to assess the particular needs and priorities of the flea market group. • Based on the findings, a business 	<p>Informal sector work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
<u>Cross reference:</u> <ul style="list-style-type: none">Par 4.3.3	<u>Objectives:</u> <ul style="list-style-type: none">A bankable business plan that specifies the best possible use of the funds (which can be augmented with municipal funds).	the idea is that it should be used to augment municipal funding. As such, it can be used for infrastructural development such as permanent structures, sanitation, storage facilities, etc.	plan can be developed.	

Section 7: Implementation plan

7.3 PRIORITY 2 – PREPARE FOR IMPLEMENTATION (Planning / budget cycle years 1 – 3)

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
i. Entrepreneurial and business skills development Cross reference: • Par 5.2.2	<u>Goal:</u> Improve the level of business skills amongst entrepreneurs (with specific focus on the emerging group) (support Goal #6). <u>Objectives:</u> <ul style="list-style-type: none"> • At least one presentation given by LIBSA and SEDA each • Four courses presented by LIBSA and SEDA each • Entrepreneurs able to engage in systematic research and the development of a bankable business plan for their business. • Fewer businesses going bankrupt as a result of bad cashflow management practices. • Entrepreneurs able to engage and stick to proper budgets. 	<ul style="list-style-type: none"> • One of the critical problem areas for emerging entrepreneurs involves the lack of skills required to conduct systematic research to compile a bankable business plan. The real value of drafting a business plans does not only involve getting access to funding, but the procedure also forces the entrepreneur to apply his mind and systematically think about the various aspects of the enterprise. • Included in this is the lack of skill to develop a bankable budget and then to stick to the budget (and avoid the temptation of spending both start up capital and the profits on "luxuries"). 	<ul style="list-style-type: none"> • Make contact with the various institutions and invite them to give presentations to the local community on the courses on offer. • Start with LIBSA and SEDA. 	LED Form
ii. Develop comprehensive tourism strategy Cross reference: • Par 2.7.2 - 3 • Par 4.4.1	a <u>Goal:</u> Develop Bela-Bela as the preferred tourism destination in the Waterberg region (support Goal #3). <u>Objectives:</u> <ul style="list-style-type: none"> • Increase the number of visitors to Bela-Bela (both domestic and international). • Increase the number of jobs 	<ul style="list-style-type: none"> • Bela-Bela enjoys a comparative advantage in the tourism industry as it offers a wide portfolio of attractions that include world-class golf resorts, game ranches to natural hot springs. The area is also accessible to Gauteng, which is its largest domestic market. • The Bela-Bela tourism industry is however fragmented at present with operators pursuing their own particular 	<ul style="list-style-type: none"> • Draft a clear TOR to describe in detail the minimum issues to be investigated, as well as the desired outcome of the strategy. • A key element of the strategy must be to provide a clear future vision for Bela-Bela tourism that describes the particular market segments to be developed. • Examples of issues to be analysed 	Tourism work group

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
	<p>created by tourism.</p> <ul style="list-style-type: none"> • Increase the number of businesses directly involved in tourism. • Improve the forward and backward linkages to increase the multiplier effect. • Improve the BEE profile of the industry. • Upgrade the infrastructure and physical appearance of Bela-Bela, particularly so the entrance to the town. 	<p>markets, without working towards a shared vision. By implication, the various operators are pursuing the same market segments, thus effectively cannibalizing each other, instead of working together to grow Bela-Bela's market share. One of the most important reasons for this is the lack of a shared vision and clear strategy.</p> <ul style="list-style-type: none"> • Also, the town is considered a "tourism hub" but the physical appearance of the town, and in particular the entrance of the town, does not support this status. 	<p>include the following:</p> <ul style="list-style-type: none"> o Confusing place names and directions. o A lack of tourism intelligence. o Lack of progress with BEE. <ul style="list-style-type: none"> • The strategy must also provide clarity on issues such as: <ul style="list-style-type: none"> o The particular market segments that should be pursued o The marketing platforms to be used, etc. 	
<p>iii. Develop a comprehensive strategy for the informal sector</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • Par 4.3.1 	<p><u>Goal:</u> To facilitate and encourage the informal sector to grow and develop as an integral element of the Bela-Bela economy (support Goal #9).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Ensure that there are sufficient support measures from the municipality and other stakeholders such as trading facilities / shelters, business skills and access to credit. • Improve the general levels of feasibility of informal enterprises. • Encourage a better link between the formal and informal sector (e.g. the manufacturing of sports memorabilia is an example) and provide support to those entrepreneurs that have the ability to progress to the formal sector. 	<ul style="list-style-type: none"> • The informal sector has grown into a key element of the Bela-Bela economy and it can broadly be divided into two sections namely the hawkers and the flea market. • The informal sector is currently "managed" by means of a by-law that specifies what is allowed to be traded and where they may trade. However, by-laws by their nature are essentially "policing" instruments" and are applied reactively. In view of the growing importance of the informal sector, support measures need to be developed to allow and facilitate the informal sector to increase its contribution towards the economy. 	<ul style="list-style-type: none"> • Draft a TOR that describes in detail the minimum issues to be investigated, as well as the desired outcome. • Examples of issues to be analysed include the following: <ul style="list-style-type: none"> o A clear understanding of the informal sector in terms of issues such as (refer paragraph 4.3.1): infrastructure issues, institutional issues and economic issues. o Access to finance and credit o Skills o Provision of facilities • The strategy should at least address the concerns listed in paragraph 2.11.2 	<p>Informal sector work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
<p>iv. Tourism – develop comprehensive intelligence</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • Par 4.4.3 	<p><u>Goal:</u> To have easy access to accurate information on the vital statistics of the tourism sector (support Goal #3).</p> <p><u>Objective:</u></p> <ul style="list-style-type: none"> • Easy access to reliable data that is regularly updated. • At least the data items listed under “actions” in this recommendation must be collected and maintained. 	<ul style="list-style-type: none"> • One of the main problems that hampers the purposeful planning and monitoring of the Bela-Bela tourism industry is the lack of industry intelligence. As a result, there are only estimations on the number of beds available and even less information on the visitor numbers and occupancy rates. On the demand side, there is no information available on the perceptions and actual experiences of the visitors to Bela-Bela. • The intelligence can be collected by way of a three-pronged survey (that can be part of the proposed tourism strategy) namely: <ul style="list-style-type: none"> o Survey of tourism product – to be conducted periodically (e.g. once a year) o Survey amongst the visitors – this should be a continuous process to ensure the data is “dynamic” and to pick-up on seasonal and longer term trends. o Survey of occupancy rates – this can be done quarterly. • In the design, the following is advised: <ul style="list-style-type: none"> o The questionnaires should be short and open-ended questions should be avoided (i.e. provide multi choice questions). o The survey amongst the visitors should be conducted in such a manner that it poses a minimum interference (e.g. the visitor can complete the questionnaires whilst 	<ul style="list-style-type: none"> • An audit of the existing tourism product. This should include: <ul style="list-style-type: none"> o Name and contact details o Description of product (Ideally, this should include a description of the primary market segment which should correlate with the segments provided for in the proposed Tourism Strategy) o Number of beds and occupancy level o Star grading o Number of jobs o Other (e.g. training) • Survey amongst visitors (to be completed by the visitors): <ul style="list-style-type: none"> o Origin o Purpose of visit o Duration of stay o How did they come to know and how was the booking done o Estimated spending (per day) o Highlights of visit o Low points of visit • Survey of occupancy rates which can involve a simple questionnaire to be completed by all operators and submitted to the Tourism Authority on a regular basis (e.g. quarterly). The questionnaire should provide the following: <ul style="list-style-type: none"> o Number of visitors o Origin of visitors o Length of stay <ul style="list-style-type: none"> • Purpose of visit 	<p>Tourism work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
		booking in). o Capturing should be kept simple (e.g. use a simple spreadsheet).		
v. Labour development skills <u>Cross reference:</u> • Par 5.2.1	<u>Goal:</u> To improve the skills base of the labour force in order to increase productivity and marketability (support Goal #6). <u>Objectives:</u> • Increase the number of local employees registering for SETA and other courses.	<ul style="list-style-type: none"> • The highly competitive global economy requires a skilled work force. This trend is also evident in South Africa with the liberalization of the economy in the early 1990's, which resulted in exposure to international competition from low cost producers such as India and China. To remain competitive, South Africa had to engage in more sophisticated production processes and as a result, employment of low and semi-skilled workers fell by 19% between 1990 and 1998, whereas the demand for demand for skilled and high skilled labour increased by 12%. • To ensure the labour market react to this change in demand, government established the Sector Education and Training Authorities (SETA's) to plan and promote the training of employees. Twenty-three (23) of these SETA's have been established, of which the following are the most important for Bela-Bela: <ul style="list-style-type: none"> o Agricultural sector training authority (AgriSETA) o Local government (LGSETA) o Tourism and hospitality SETA (THETA) o Wholesale and retail SETA (W&RSETA) • Indications are that very few local businesses make use of the SETA's, 	<ul style="list-style-type: none"> • Start off by conducting a simple survey to determine the extent to which local businesses are making use of SETA's and in particular: <ul style="list-style-type: none"> o In what sector(s) o The number of persons sent on courses and the type of courses completed. o The reasons why some businesses are not taking part. o The experience of labour upon completing the course. o The experience of business upon labour completing the course(s) o It is also recommended to get the sector plans from each of these SETA's to assess the main trends in and strategies for the sectors • Based on the findings of this survey, a strategy can be developed per sector to address the concerns and bottlenecks to increase the participation levels. 	LED Forum

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Goal and objectives	Comments	Actions	Implementing agent
vi. Encourage establishments to get graded <u>Cross reference:</u> • Par 4.4.2	<u>Goal:</u> To improve the overall standard and quality of the local tourism product (support Goal #3). <u>Objectives:</u> <ul style="list-style-type: none"> • All tourism establishments must be graded • The tourism establishments must at least maintain but preferably improve their grading. 	despite the fact that they contribute towards the levy. <ul style="list-style-type: none"> • Very few of the local establishments are star graded. Although it may not pose much of a problem for those establishments that focus on the local market or the "repeater" visitor, it limits the promotion and marketability of the industry in general, particularly so for the international market. 	<ul style="list-style-type: none"> • Make contact be made with the Grading Council of South Africa to establish the criteria, procedure and costs. • Encourage the local establishments to apply for grading. If necessary, a workshop can be arranged to take the owners through the application process. 	Tourism work group

Section 7: Implementation plan

7.4 PRIORITY 3 – CONDUCT FURTHER RESEARCH (Planning / budget cycle years 1 –5)

Name of recommendation	Outcomes	Comments	Actions	Implementing agent
<p>i. Development of the Rust de Winter Scheme</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> • Par 2.6.4 • Par 4.2.1 	<p><u>Goal:</u> Achieve optimal production levels on the Rust de Winter Scheme (support Goal #1 and 3).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Increase the land area that is actively worked. • Increase the production volumes and market value of production. • Improvement in the level of extension services provided to the local farmers. 	<ul style="list-style-type: none"> • The Rust de Winter Scheme comprises highly fertile land. However, current production levels are well below this potential for a number of reasons. • The lack of irrigation water poses the main problem as it results in very little irrigation activities with farmers engaging in either dryland production and / or animal production, both of which produce lower yields than what is possible given the fertile soils. 	<ul style="list-style-type: none"> • Develop a TOR for a strategy. The following should be included: <ul style="list-style-type: none"> o Access to water – if sufficient water can be procured, then: <ul style="list-style-type: none"> • Attention must be given to the dilapidated irrigation infrastructure • High value crops can be produced such as seed grain and vegetables o Access to water – if insufficient water be secured, then: <ul style="list-style-type: none"> • The boreholes must be refurbished, mainly for animal production • Decide on the appropriate crops that are drought resistant (e.g. specific strains of sorghum and sunflower) – If possible, link-up with the local weaner and proposed feedlot system to supply animal feed. • Animal production that includes cattle and goats. o Access to technical skills and support (specifically extension services) o Access to markets, including commercial, tourism and 	<p>Agriculture work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Outcomes	Comments	Actions	Implementing agent
			institutional <ul style="list-style-type: none"> o The use of appropriate technology o Access to finance o Choice of appropriate commodities o Ensuring that the "appropriate" people are involved (i.e. the beneficiaries must be serious about farming and should not just want to "live on the land". o Finalise the land claims 	
ii. Consolidate game and hunting industry <u>Cross reference:</u> <ul style="list-style-type: none"> • Par 2.6.3a) – game • Par 4.1.3 	<u>Goal:</u> Grow the game and hunting industry to its full potential and as an integrated element of the local economy (support Goal #3). <u>Objectives:</u> <ul style="list-style-type: none"> • Increased number of hunters visiting the area. • Increase in number of sustainable jobs created by industry. • Improvement in BEE in industry. • Increase in annual turnover of animals auctioned. • Improvement in the downstream product offering e.g.: <ul style="list-style-type: none"> o Specialised game meat products (e.g. exploit the health properties of game meat). o Local butcheries and restaurants offering specialised products. o World-class taxidermist services. 	<ul style="list-style-type: none"> • Limpopo has the largest market share in South Africa with about one third of all international hunters visiting the province. The largest concentration of game and hunting operations are found in the Waterberg district. As such, there can be little doubt that game farming and the hunting industry have become a key element of the local economy. However, the industry has yet to reach its full potential as it is hampered by a range of problems (refer paragraph 4.1.3). • A specific problem involves the image of the industry being "elitist" with very little benefits to the larger community. 	<ul style="list-style-type: none"> • Investigate the extent of the problems noted above and to develop a strategy to address them. The following can be used as guidance: <ul style="list-style-type: none"> o There are a number of "best practices" where the local communities have been included in the business plan. Examples can be sourced from the practices and models developed in the neighbouring Waterberg Biosphere. o Investigate the possibility to produce venison for the international market, focussing on the health properties of the product. • Source expertise from the relevant industry organisations such as the hunting and game organisations, as well as the research facilities at universities such as Pretoria, 	Agriculture work group

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Outcomes	Comments	Actions	Implementing agent
<p>vi. Informal sector – manufacture memorabilia for sport sector</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> Par 4.3.4 	<p><u>Goal:</u> All sports memorabilia issued locally should be manufactured by the local informal sector (support Goals #1,2 and 9).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> Increase the number of memorabilia units made and sold Number of jobs created The momentary value of the units 	<ul style="list-style-type: none"> A number sports events are staged in the area, including mountain bike races and golf competitions. In most cases, it is customary to provide each finisher some kind of memorabilia of the sport event such as a medal. There is the opportunity to manufacture these units by hand (rather than machine made). This will allow unique designs and higher value of the units. This initiative can also be extended to include corporate gifts. An immediate market for this would be the municipality itself that distributes gifts amongst the delegates at its larger conferences. 	<p>Potchefstroom and Orange Free State. The Agricultural faculties of these institutions have significant expertise in the industry.</p> <ul style="list-style-type: none"> Conduct research (e.g. by way of a questionnaire that is attached to the on-line entry form) to determine: <ul style="list-style-type: none"> The number of athletes that will be willing to pay a higher entry fee Contact the organizers of the sport events to discuss the concept and gain access to the local industry. Contact an institution to assist with the design, choice of material and training of the crafters. As a point of departure, the Cape Craft and Design Institute (CCDI) can be contacted Based on the outcome of this research a business plan can be developed to specify: <ul style="list-style-type: none"> The events to be targeted as a first priority Designs and materials (who will design) Training of the workers Price range 	<p>Informal sector work group in collaboration with the Tourism work group</p>
<p>vii. Career guidance and promotion of science and mathematics</p> <p><u>Cross reference:</u></p>	<p><u>Goal:</u> Enable students to make more informed decisions about their future to improve their chances of either becoming an entrepreneur or gaining a marketable skill</p>	<ul style="list-style-type: none"> Research by the Department of Labour shows that the unemployment levels amongst the youth is much higher than for the older age groups. As an indication, the 2002 Labour Force Survey 	<ul style="list-style-type: none"> There are two elements (each having a number of specific actions) to this namely: <ul style="list-style-type: none"> Preparing the school going youth 	<p>LED Forum</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendation	Outcomes	Comments	Actions	Implementing agent
<ul style="list-style-type: none"> • Par 5.2.3 	<p>(support Goal #6).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> • Establishing a “culture of learning” • Encouraging more students taking mathematics and science as subjects. 	<p>showed that 71% of those that are unemployed are between the ages 15 – 34.</p> <ul style="list-style-type: none"> • International experience shows the importance of a good school education system to provide the basic foundation for the labour force. • The importance of proper career guidance facilities on school level is crucial to ensure a closer match between the skills demand by the economy and the supply. • There is a tendency to avoid the “difficult” subjects such as mathematics and science which automatically narrow their choices as it disqualifies them from studying certain fields. 	<ul style="list-style-type: none"> • Advising the school going population on subject choices • Cultivating a culture of reading • Offer special classes in mathematics and science • Expose students to career opportunities through talks and excursions o Improving the marketability of the unemployed youth <ul style="list-style-type: none"> • Skills development for unemployed youth • Assisting finding employment for qualified youth • Assisting unemployed youth to start their own businesses 	

Section 7: Implementation plan

7.5 PRIORITY 4 – PUT ON BACK BURNER (Planning / budget cycle years 1 – 10)

Name of recommendations	Outcomes	Comments	Actions	Implementing agent
<p>i. Tourism – explore niche market (medical tourism)</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> Par 4.4.4 	<p><u>Goal:</u> To establish Bela-Bela as the preferred location for recuperation as part of medical tourism (#3).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> Increase the number of visitors using Bela-Bela as part of their recuperation programme after some kind of medical operation. 	<ul style="list-style-type: none"> Medical tourism involves the practice of people traveling to another country to obtain health care, which include elective procedures as well as complex specialized surgeries such as joint replacement (knee/hip), cardiac and cosmetic surgeries. Bela-Bela is ideally located and equipped to offer services for the recuperation phase of medical tourism as the area is highly accessible from Gauteng, has a moderate climate and a range of outdoor and sport facilities such as world class golf resorts. South Africa is a relative newcomer to the industry and has much potential based on the good reputation of the private health facilities. However, a number of factors hamper the development of the industry such as a lack of official national policy and the fragmented nature of the industry. This may pose an opportunity for Bela-Bela as the area can get the so-called “first mover advantage” if it reacts quickly and to capture as much market share as possible. 	<ul style="list-style-type: none"> Very little is known about the status of the industry in South Africa with the few stakeholders that are involved playing their cards close to them. It is therefore necessary to explore the potential market size, as well as the market prerequisites. This research should at least focus on the following: <ul style="list-style-type: none"> The number and origin of patients The type of operation Length of stay Current place(s) of recuperation Based on the outcome, a more informed decision could be taken on whether this market segment present any potential. The Association for Plastic and Reconstructive Surgeons is probably a good starting point for the research. 	<p>Tourism work group</p>
<p>ii. Slaughtering and processing of meat (produced in feedlots)</p>	<p><u>Goal:</u> To maximise value adding to locally produced cattle (support Goals #3 and 6).</p>	<ul style="list-style-type: none"> The development of red and white meat clusters is one of the key thrusts of the PGDS. In essence, the goal is to develop the entire value chain from the upstream 	<ul style="list-style-type: none"> The complexity and small margins of the feedlot industry requires that a detailed study be conducted to test the feasibility of this option. 	<p>Agriculture work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendations	Outcomes	Comments	Actions	Implementing agent
<p><u>Cross reference:</u></p> <ul style="list-style-type: none"> Par 4.1.1 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> Increase the volume of locally slaughtered carcasses. Develop a wide range of high quality meat products with the emphasis being on high quality and uniqueness of the product (e.g. similar to the unique game meat products sold at a butchery in Hoedspruit). Local retail outlets, restaurants and places of accommodation to stock and sell predominantly locally produced meat products. 	<p>stages of producing the animal feed (e.g. sorghum by emergent farmers), animal production, to the downstream stages of meat processing (slaughtering, processing and packaging).</p> <ul style="list-style-type: none"> At present, beef production in the study area only involves the initial stages of the value chain namely weaner production. By far the largest portion of the weaners are sold, taken out of the province and prepared in feedlots, most of which are located in Gauteng. It must be noted that the feedlot industry is highly specialized with small margins that require large volumes in order to achieve economies of scale. As part of the strategy, the marketability of the product can be improved by developing a generic local brand, similar to what has been achieved with the production of mutton (i.e. "Karoo Lamb"). 		
<p>iii. Production of hides</p> <p><u>Cross reference:</u></p> <ul style="list-style-type: none"> Par 4.1.2 	<p><u>Goal:</u> To become the producer of high quality hides that can be used in a wide range of applications (support Goals #3 and 6).</p> <p><u>Objectives:</u></p> <ul style="list-style-type: none"> Decrease the damage to hides on the farm to increase the percentage of hides that can be used. Increase the number of hides bought and used by the tanners. 	<ul style="list-style-type: none"> Hides and skins are essentially a by-product of the meat, dairy and wool industries, but there is very little financial incentive for the farmer to look after the skins as its monetary value is a fraction of the main commodity. As a result, much damage is done to the hides through parasites and scratches. Recent years have seen a strong growth in the demand for hides and skins in the automotive industry which was further fuelled by government incentives under the Motor Industry Development Act, in the form of rebates for locally produced 	<ul style="list-style-type: none"> It is recommended that a study be undertaken to establish the potential value of hides and skins in the study area, starting with cattle and including the game industry. The study should at least focus on the following: <ul style="list-style-type: none"> The main trends (national) in the demand and supply of hides (including imports and exports) – specific focus on the drivers of these trends such as the automotive industry. The problems experienced by 	<p>Agriculture work group</p>

Bela-Bela LED Strategy

Section 7: Implementation plan

Name of recommendations	Outcomes	Comments	Actions	Implementing agent
		<p>hides. This increase in the demand for hides in the automotive industry has encouraged tanneries to produce for this sector, resulting in a shortage in supply in the domestic footwear and clothing industries. As a result, there are virtually no clothing tanneries left and just about all leather used in the clothing industry new has to be imported.</p> <ul style="list-style-type: none"> • Although there may be little financial incentive at present for the farmer, the production of a high quality raw hide may improve the financial return for the farmer. • The strategy calls for the better coordination between the tanning section of the value chain and the upstream stages, most importantly the farming stage and to a lesser extent the abattoirs. The main objective would be to develop treatment/handling regimes that will reduce damage to the hides. However, this can only be achieved if there is some form of financial incentive for the farmer to improve framing practices in order to improve the quality of the hides. 	<p>tanners in South Africa.</p> <ul style="list-style-type: none"> o The views and opinions of the local farmers on hides and skins o The bottlenecks that exist between the local farmers and tanners <ul style="list-style-type: none"> • Ultimately, the study must make recommendations on how these bottlenecks can be addressed, with specific reference to the possible incentives for the farmers to improve the quality of the hides. 	

Section 7: Implementation plan

7.6 SUMMARY OF IMPLEMENTATION PLAN

Table 7.1 presents a summary of the implementation programme described in the preceding paragraphs.

TABLE 7.1 Summary of implementation programme

Recommendation	Implementing agent	1 st year budget cycle	3 year budget cycle	5 year budget cycle	10 year budget cycle	Support to goals ⁶⁸
Establish LED Forum (with sectoral working groups)	A joint venture between the Bela-Bela municipality and Business Forum	4				#5
Municipality to improve communications and services to customers	Bela-Bela municipality	4				#8
Establish forums for the hawker and flea market groups	Informal sector work group	4				#9
Support to the <i>Tiisetso Chicken Project</i>	LED Form and management of the Tiisetso Chicken Project	4				#3,4 and 10
Business plan to access R80 000 from DM for flea market	Informal sector work group	4				#9
Entrepreneurial and business skills development	LED Form		4			#6
Develop a comprehensive tourism strategy	Tourism work group		4			#3
Develop a comprehensive strategy for the informal sector	Informal sector work group		4			#9
Tourism – develop comprehensive intelligence	Tourism work group		4			#3
Labour skills development	LED Form		4			#6
Encourage establishments to get graded	Tourism work group		4			#3
Development of the Rust de Winter Scheme	Agriculture work group			4		#3
Consolidate game and hunting industry	Agriculture work group			4		#3
Informal sector – manufacture memorabilia for sport	Informal sector work group in collaboration			4		#9

⁶⁸ The goals as listed in paragraph 3.2. As noted in paragraph 3.2, Goals 1, 2, 4 and 7 can be considered “cross-cutting” goals as they are not only achieved through the implementation of any particular recommendation, but through the cumulative effect of all the recommendations. By comparison, goals 3, 5, 6, 8, 9 and 10 are more specific and can therefore be allocated to specific recommendations.

Section 7: Implementation plan

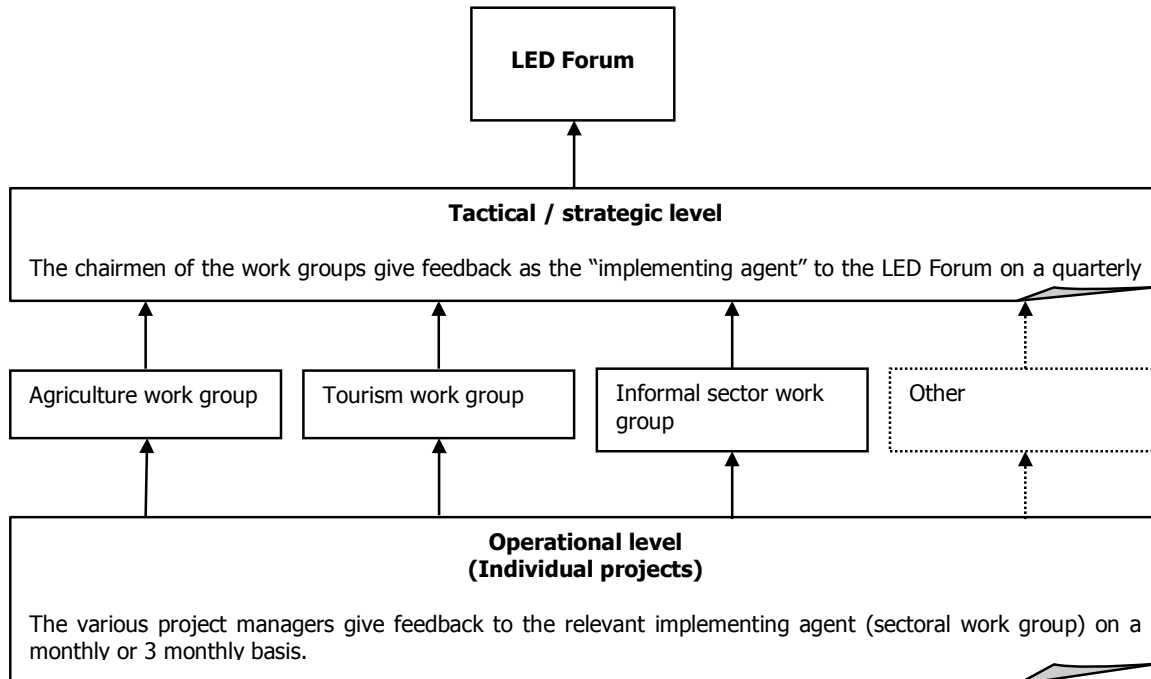
Recommendation	Implementing agent	1 st year budget cycle	3 year budget cycle	5 year budget cycle	10 year budget cycle	Support to goals ⁶⁸
sector	with the Tourism work group					
Career guidance and promotion of science and mathematics	LED Forum			4		#6
Tourism – explore niche market (medical tourism)	Tourism work group				4	#3
Slaughtering and processing of meat (produced in feedlots)	Agriculture work group				4	#3 and 6
Production of hides	Agriculture work group				4	#3 and 6

7.7 MONITORING

It is important to assess the progress made with the implementation of the various recommendations and it is recommended that monitoring be conducted on two levels namely:

- i. **Operational level (continuous monitoring for the duration of the project)** – This is the project management level where each individual project is to be managed in terms of three criteria namely: budget, schedule and technical outcomes (i.e. will the project deliver the desired outcomes?). It is recommended that each project be allocated to a specific project manager that will be responsible for the day-to-day management of the project. The project managers will report on a regular basis to the relevant LED structure.
- ii. **Tactical / strategic level (monitoring is done every six months but at least annually and at the end of the project)** – This involves two levels namely:
 - SWOT – Assess the extent to which the project has maximised and exploited the opportunities and strengths, and / or minimised the weaknesses and threats as provided in paragraphs 2.13.2 – 5.
 - Goals – Each of the recommendations have been allocated to the goal that is most relevant to it. This level involves the assessment to establish the degree to which the project is or has supported the goal(s).

The basic structure of the monitoring system is graphically illustrated in Figure 7.1. This figure must be interpreted in context of the recommendations made for the LED structures as presented in Figure 5.1.

FIGURE 7.1: Hierarchy of monitoring

7.7.1 Feedback to implementing agent

a) Operational level

It is recommended that the project manager responsible for the particular project give regular feedback to the implementing agent on the status of and progress made with the project. The intervals of feedback will depend on the project, but experience indicates that it should be monthly quarterly, or at least quarterly⁶⁹.

For the purposes of structure, it is recommended that the project manager gives a presentation and submit a written report that include at least the following:

- i. Name of project
- ii. Name of project manager
- iii. Description of project (outputs and deliverables)
- iv. Status of the project:
 - Status of tasks /action compared with schedule
 - Budget
- v. Problems experienced and actions taken to address these problems
- vi. Actions and schedule for next period

b) Tactical / strategic level

It is recommended that the various implementing agents give feedback on progress made with their annual workplan to the LED Forum. This feedback should be given

⁶⁹ A monthly feedback may be more appropriate for the smaller projects.

Section 7: Implementation plan

by the chairperson of the particular sectoral work group and it should be quarterly, but at the very least once every six months. The feedback should be distilled from the operational level feedback given by the various project managers. For the purposes of structure, it is recommended that the chairman gives a presentation and submit a written report that include at least the following:

- i. An overview of the various projects being implemented and planned.
 - Broad overview on the status of each of the projects.
- ii. How these projects relate to the nine economic goals and the degree to which they are contributing to achieving these goals.
- iii. How the projects relate to the findings of the SWOT and the degree to which:
 - The strengths and opportunities are exploited; and
 - The weaknesses and threats and minimised.

7.8 IMMEDIATE ACTIONS

7.8.1 Actions

As a first step of implementation, the following immediate actions are recommended:

- i. Constitutions must be drafted for each of the forums. The constitutions must not be too complex but should at least guide the following:
 - The composition of the forums and manner in which the members are selected.
 - The term for which members will serve on a forum.
 - The manner and procedure in which the chairman and execo be selected and the duration of their appointment.
 - Operational matters such as the frequency of meetings and keeping of minutes.
 - The development of their annual and multi-year workplans
 - The development of a monitoring system to assess progress made with the implementation of the annual multi-year workplans.
- ii. The first task for each of the forums is the development of an annual and multi-year work programme. This programme should be based on the relevant elements implementation plan as presented in paragraphs 7.2 – 7.5 (par 7.6 provides a summary).
- iii. Each forum must have a monitoring programme to track and measure progress made with the work programme. Paragraph 7.7 presents guidelines for such a monitor programme.
 - Each implementing agent must refine the recommendation specific objectives so that they can be measured. As such, the objectives should preferably be quantified. In cases where this is not possible, the objectives must be qualified to such a degree of detail that progress can be detected and assessed.

7.8.2 Broad schedule

Table 7.2 present the schedule to execute the various recommendations in the form of a Gantt Chart. The schedule only includes those recommendations scheduled to Priority 1 to 3, as those scheduled to priority 4 are too far off in the future. The

Section 7: Implementation plan

schedule shows that even those recommendations scheduled as Priority 2 and 3 can be moved forward. This would be ideal as it would increase the short-term impact of the strategy. However, this would be determined by the capacity of the implementing agents.

BELA-BELA LED STRATEGY

TABLE 7.2: Broad schedule

Recommendations	Implementing agent	SCHEDULE								
		Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mrch 2009	April 2009	May 2009	Jun 2009	Start of 2009/10 fin year
Establish LED Forum (with sectoral working groups)	A joint venture between the Bela-Bela municipality and existing Business Forum	Establish all forums			All forums successfully established and operational (immediately start preparing their annual workplans and start implementing the recommendations contained in this Gantt Chart).					
Municipality to improve communications and services to customers	Bela-Bela municipality	Implement and ongoing								
Establish forums for the hawkers and flea market groups	Informal sector work group	Establish all forums			The forums are successfully established and are operational					
Support to the <i>Tiisetso Chicken Project</i>	LED Form and management of the Tiisetso Chicken Project.	Draft business plan			Management of <i>Tiisetso Farming</i> , together with the other stakeholders as identified in the business plan, start implementing the recommendations of the business plan.					
Business plan to access R80 000 from DM for flea market	Informal sector work group	Draft business plan			The various stakeholders as identified in the business plan, start implementing the recommendations as contained in the business plan.					
Entrepreneurial and business skills development	LED Form	Conduct research on the type of business skills on offer			Arrange presentations/ courses by these institutions starting with LIBSA and SEDA					
Develop a comprehensive tourism strategy	Tourism work group	Prepare the TOR and include in municipal budget			Start tender process in July to appoint the service provider by end September and have the strategy complete by June 2010					
Develop a comprehensive strategy for the informal sector	Informal sector work group	Prepare the TOR and include in municipal budget			Start tender process in July to appoint the service provider by end September and have the strategy complete by June 2010					
Tourism – develop comprehensive intelligence	Tourism work group	Lobby within tourism industry	Start with survey of the visitors and occupancy in December to capture the peak season with the survey of the supply to follow post season.							
Labour skills development	LED Forum	Lobby amongst the formal business sector			Conduct survey amongst businesses and develop strategy that can be implemented from mid 2009					
Encourage establishments to get graded	Tourism work group	Lobby with industry			Arrange a workshop with the Grading Council to encourage tourism operators					
Development of the Rust de Winter Scheme	Agriculture work group	Lobby with Department of Agriculture and local farmers and include strategy in 2009/10 budget (project will probably run over more than one financial year)				Start preparing the TOR for the strategy. TOR will probably be ready by late 2009 and the tender process should start immediately to appoint the service provider in relay 2010.				

BELA-BELA LED STRATEGY

Recommendations	Implementing agent	SCHEDULE									
		Nov 2008	Dec 2008	Jan 2009	Feb 2009	Mrch 2009	April 2009	May 2009	Jun 2009	Start of 2009/10 fin year	
Consolidate game and hunting industry	Agriculture work group	Lobby with game and hunting industry (including the tourism industry) – also make contact with the Professional Hunting Organisation of SA as well as some of the tertiary education institutions such the University of Pretoria, Potchfestroom and Orange Free State (their Agricultural faculties has much expertise).							Start developing a strategy based o the outcomes of these discussions (it should not be necessary to appoint an outside service provider)		
Informal sector – manufacture memorabilia for sport sector	Informal sector work group in collaboration with the Tourism work group	Lobby with the organisers of the major sport events to verify if they would support such an initiative and investigate options for designs and materials to arrive at a rough cost and budget. Test the idea amongst the athletes. . Parallel to this, also test the market for corporate gifts, starting with the gifts distributed by the municipality at the larger conferences.					If feasible, start training the crafters (in the informal sector) and engage in marketing.				
Career guidance and promotion of science and mathematics	LED Forum	Engage with the National Department of Education as well as the principals of the local schools to assess the extent of curricular / subject and career guidance. This can be follow-up with a few workshops with a number of students to get their view and experience. Based on the findings and outcome, a strategy can be developed to promote: a culture of reading and the subjects of mathematics and science.							Implement		

ANNEXURE A

The 16 decisions by the Grameen Bank

1.0 We shall follow and advance the four principles of Grameen Bank --- Discipline, Unity, Courage and Hard work – in all walks of our lives.

2.0 Prosperity we shall bring to our families.

3.0 We shall not live in dilapidated houses. We shall repair our houses and work towards constructing new houses at the earliest.

4.0 We shall grow vegetables all the year round. We shall eat plenty of them and sell the surplus.

5.0 During the plantation seasons, we shall plant as many seedlings as possible.

6.0 We shall plan to keep our families small. We shall minimize our expenditures. We shall look after our health.

7.0 We shall educate our children and ensure that they can earn to pay for their education.

8.0 We shall always keep our children and the environment clean.

9.0 We shall build and use pit-latrines.

10.0 We shall drink water from tubewells. If it is not available, we shall boil water or use alum.

11.0 We shall not take any dowry at our sons' weddings, neither shall we give any dowry at our daughters wedding. We shall keep our centre free from the curse of dowry. We shall not practice child marriage.

12.0 We shall not inflict any injustice on anyone, neither shall we allow anyone to do so.

13.0 We shall collectively undertake bigger investments for higher incomes.

14.0 We shall always be ready to help each other. If anyone is in difficulty, we shall all help him or her.

15.0 If we come to know of any breach of discipline in any centre, we shall all go there and help restore discipline.

16.0 We shall take part in all social activities collectively⁷⁰.

⁷⁰ <http://www.grameen-info.org/index>.

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DISCUSSIONS AND MEETINGS

Discussions (both personal and telephonic) were held with the following:

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BELA-BELA LED STRATEGY

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