



# Review of LED Strategy: Harry Gwala District LED Strategy and Implementation Plan

HGDA-LED 01/14/15

## Final Report Harry Gwala LED Strategy and Implementation Plan

Final: Submitted: 09<sup>th</sup> June 2015

To: Project Steering Committee (PSC), Harry Gwala Local Economic Development Strategy  
Accounting Officer: Harry Gwala Development Agency

Submitted by

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# 1 Background

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This report represents the collation of the 3 reports produced during the project namely:

- Report 1: The Situational Analysis (30.01. 2015)
- Report 2. Strategic Framework and Catalytic District LED Initiatives (09.03.2015)
- Report 3 : Draft Final: Strategic Framework for District Local Economic Development (LED) and Catalytic District LED Initiatives (15.04.2015)

All 3 reports were reviewed at Project Steering Committees held on 8<sup>th</sup> December 2014, 9<sup>th</sup> February 2015, 16<sup>th</sup> April 2015 and 9<sup>th</sup> May 2015, and were reviewed publically at a District Consultative workshop on the 12<sup>th</sup> March 2015.

The point of departure for this assignment was to work with key LED role players in the Harry Gwala District to define key catalytic initiatives that would form the basis for continued design and development by the Harry Gwala Development Agency and other role players, particularly the LED units in the local municipalities within Harry Gwala District. The x initiatives described in this report, are those that Harry Gwala LED role players and stakeholders undertook to take forward to final realization.

The process of Strategy formulation and implementation is seldom a linear process, and things seldom materialize exactly as they were originally conceived. But the value of the time and resources that went into this process should be judged less on what is written on the pages of the report, but the extent to which they are taken forward in the years to come.

## 1.1 Objectives

The purpose of this strategy and implementation plan is facilitate the review and formulation of a LED strategy for the Harry Gwala District Municipality in the short and medium term which

- addresses the **district's competitive advantages;**
- articulates with both **local economic realities and provincial and national enabling frameworks,** particularly with respect to the availability of national and provincial funding sources that can be leveraged
- identifies **catalytic economic initiatives** where there are committed partners and capacity to kick start economic activity
- credibly guides **public, private and civil society investment** and activity in the district
- puts in place an institutional framework for implementation , monitoring and evaluation

- Based on **participatory planning processes** to ensure that economic actors take responsibility for driving processes; if there are no local champions, there will be no progress on implementation.

Specific objectives include:

- Formulation of a District LED Development Strategy and Implementation plan that is aligned to National and provincial frameworks (NDP, PGDS ) and local municipal IDPs and LED Strategies
- An Implementation plan with clear sectors and commodities of intervention
- Report on consultation with all relevant stakeholders : District Municipality, local municipalities, government departments, funding agencies, service providers, organized business structures
- A set of interventions with key performance indicators, outputs and activities together with a monitoring and evaluation framework
- An Implementation Framework

## 1.2 Approach

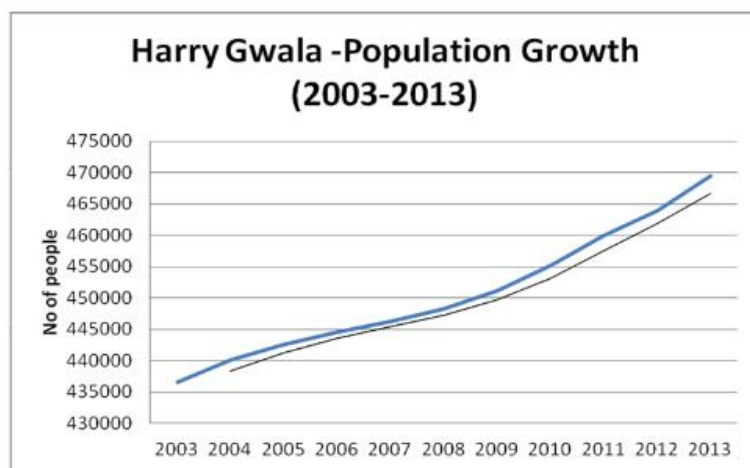
- The LED strategy seeks to catalyze a competitive district economy and focuses on those areas in which the district has a **marketable or unique advantage** and where it has achieved a distinctive competence or a current or potential competitive advantage.
- The LED strategy seeks to catalyze **partnerships** between business, government and civil society, and further to stimulate partnership between competitive established businesses and sectors and aspirant and emerging black business formations and BEE investors.
- The strategy seeks to focus on a few **practical actions**. The strategy cannot address every economic issue in the district. It focuses on those few areas where there is **real commitment, capability and where there is the greatest chance of success and impact**.

## 2. Key District Economic Indicators

### 2.1 Demographic Trends, Issues and Implications

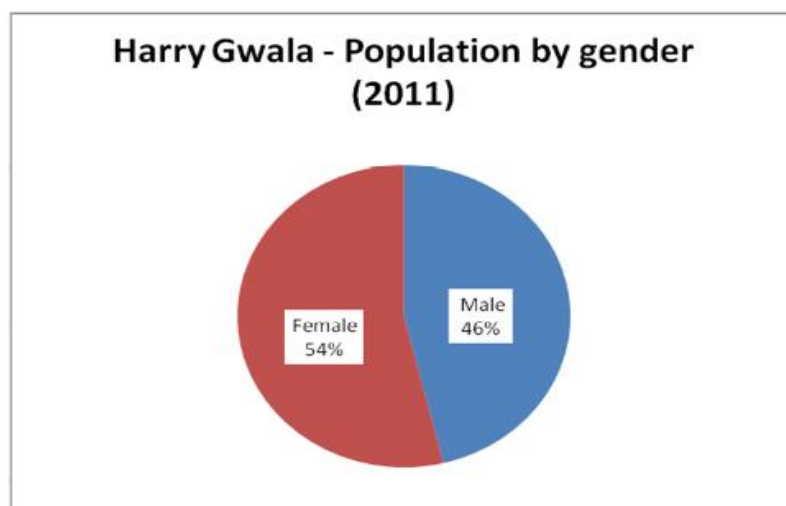
#### 2.1.1 Population Growth and distribution

The population of Harry Gwala District Municipality continues to grow at an average of less than 1% with the census for 2011 providing a clear marker of **461 422** in 2011, with it reaching just under 470 000 in 2013.



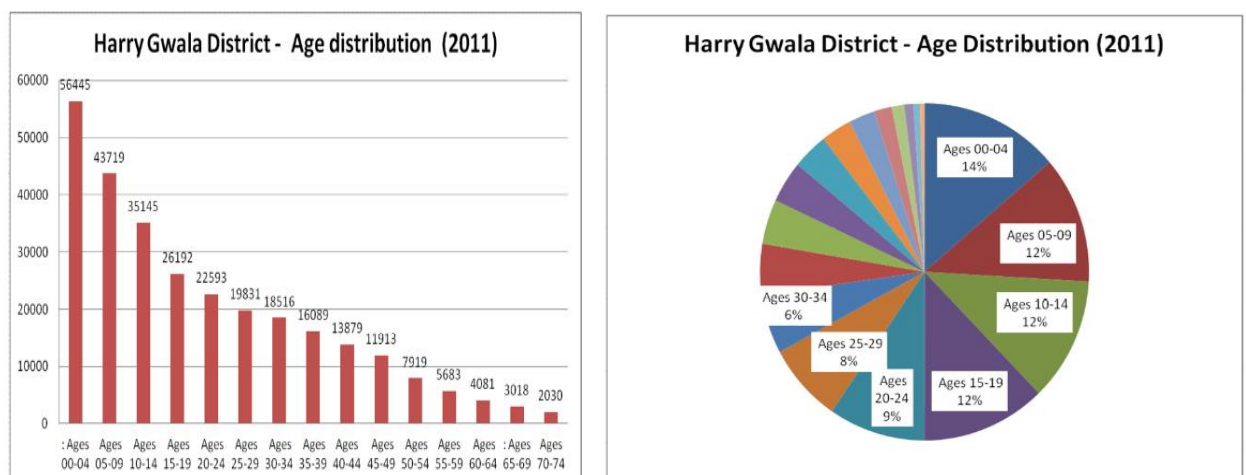
**Figure 2: Graph indicating Population growth 2003 – 2013**  
Quantec 2014

Common to many predominantly rural areas of KwaZulu –Natal, there are a higher proportion of females than males (**54%: 46%**)



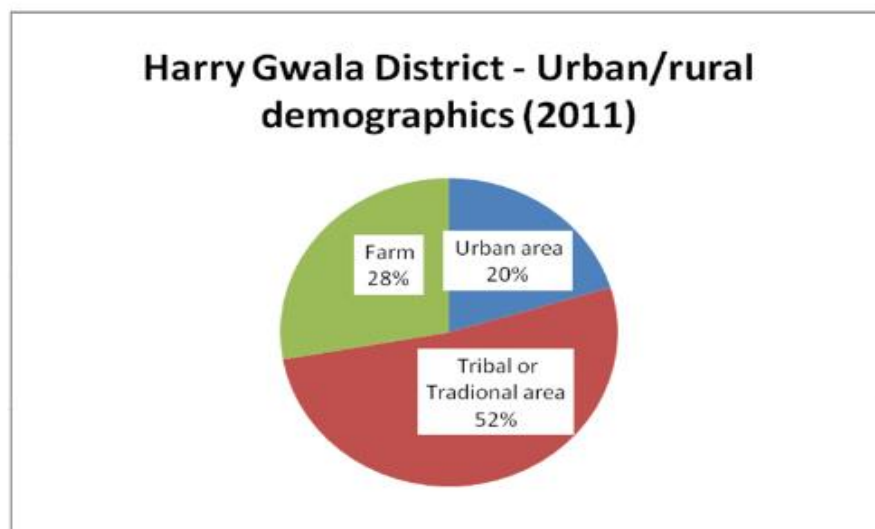
**Figure 3: Chart indicating Harry Gwala District population By Gender: Stats SA, 2011**

The population is heavily skewed towards the youth with **50%** of the population under the age of 19. This presents significant challenges for the absorption of working age people into the workforce.



**Figure 4: Harry Gwala District Age Distribution: Stats SA, 2011 Census**

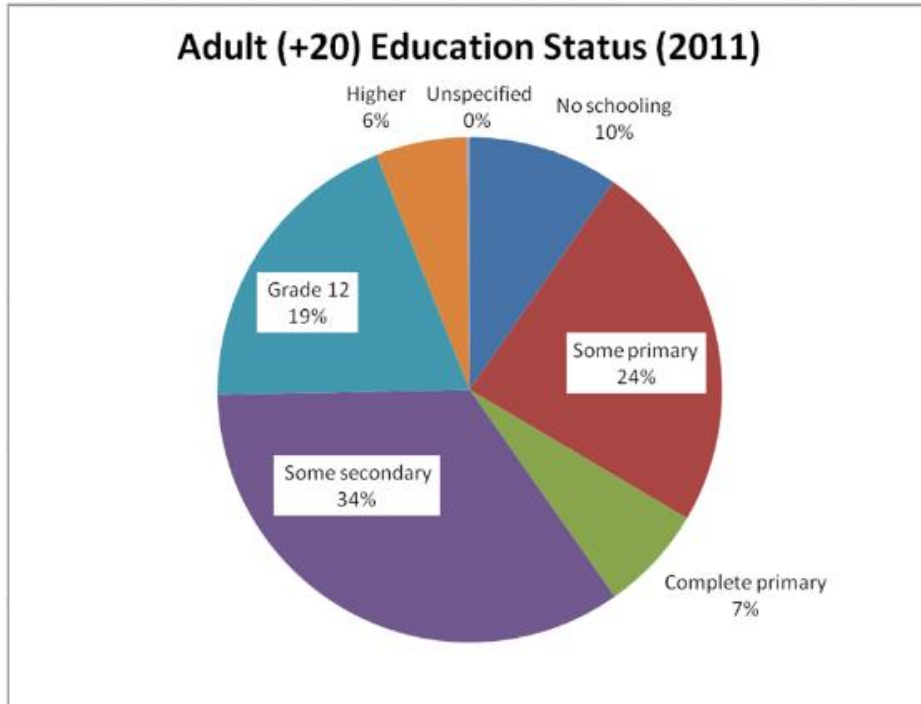
The district remains largely rural, with more than **52% of** residents living in traditional rural areas, with urban population comprising only **20%** of the population. Urban areas in South Africa have shown significantly higher growth than rural areas (SA Cities Network, 2013)



**Figure 5: Urban/Rural Settlement pattern: Stats SA, 2011 Census**

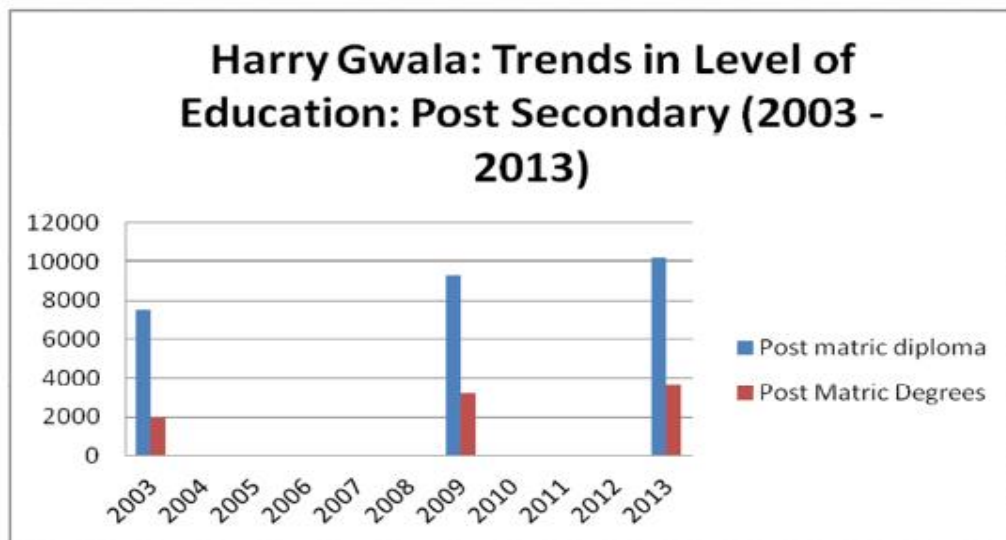
### 2.1.2 Population and Education

In the short-to-medium term, the district will have a significant shortage of suitably educated people. Currently only **6%** of residents over the age of 20 have a post-matric qualification, with nearly **64%** having not completed secondary school education.

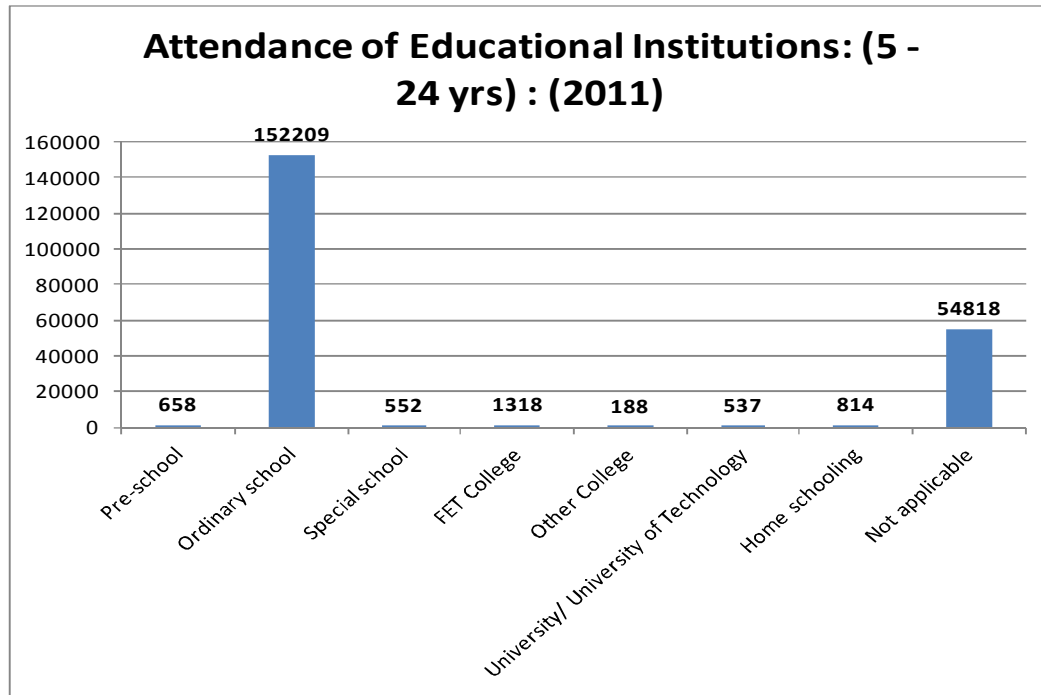


**Figure 6: Chart indicating educational status of adults over 20 in Harry Gwala District, Stats SA, 2011**

There has been an increase in adults over 20 with post- matric degrees and diplomas, but these are at a lower rate than required, with adults over 20 with University or University Degrees increasing by 1714 from **1940** to **3654** over the period 2003 – 2013.



**Figure 7: Chart indicating trends, Adults with post matric qualifications: (2003 – 2013)**



**Figure 8: Attendance of Educational Institutions: Population (5 – 24 years) Stats SA, Census 2011**

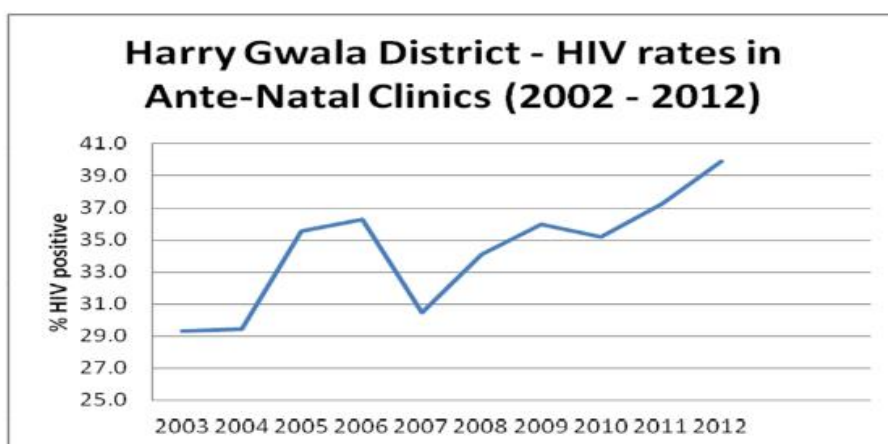
An even more alarming picture is that provided by Figure 8 above. It confirms that **26% (54818)** of the youth of Harry Gwala District between the ages of 5 – 24 were not attending any educational institution in 2011. While this may include those in the 19 – 24 year group who most likely would have completed their school or post school education and were now to be found in the ranks of the employed, it is far more likely that a significant component of those **54 818** youth are neither studying nor working in 2011.

Only **537** are to be found at institutions of Higher Learning (Universities or Universities of Technology).

### **2.1.3 Population Health**

Statistics from the Department of Health relating to ante natal clinics indicate that the levels of HIV infection are increasing, although the rate of infection of young pregnant women is significantly higher than that which would be found in the general population.



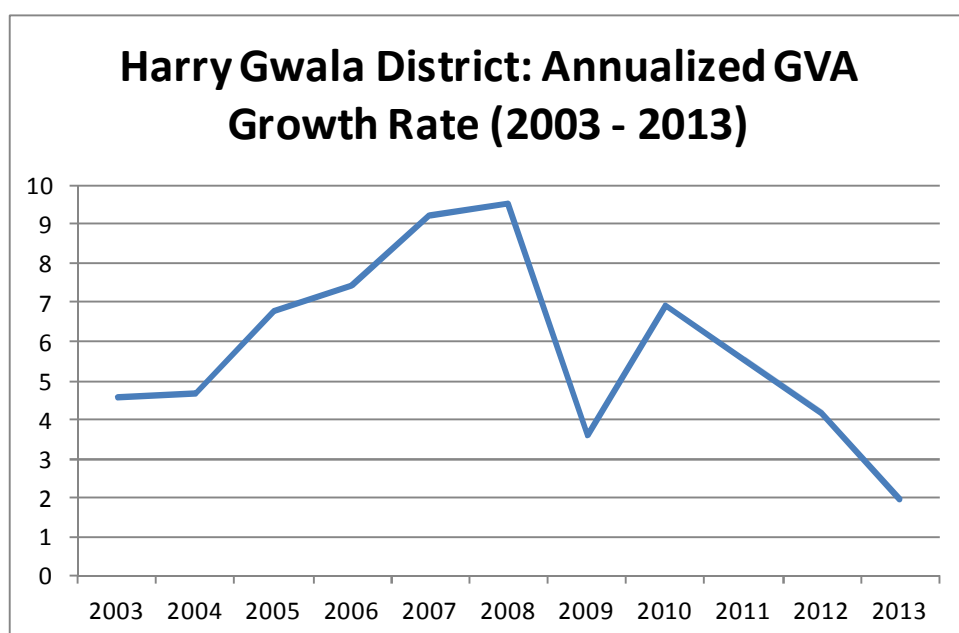


**Figure 9: HIV Prevalence Rate, Ante Natal Clinics in Harry Gwala District, Quantec, Department of Health (2014)**

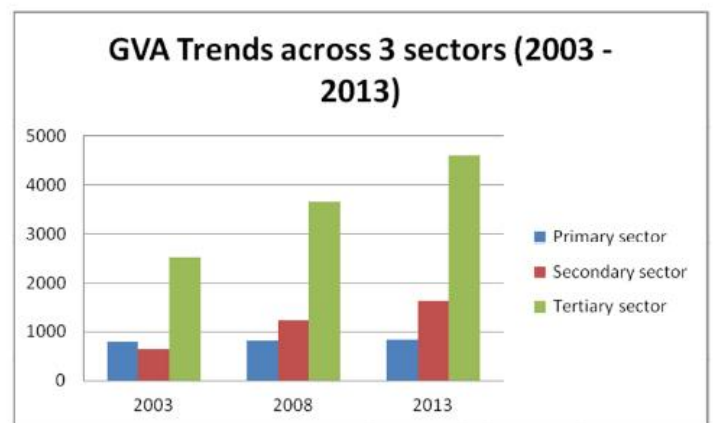
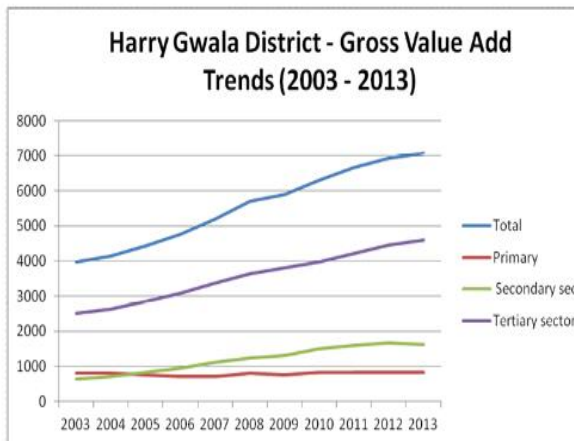
## 2.2 Economic Output

### 2.2.1 Economic Output

The District economy has grown using 2005 base prices at a from a value of **R3966 billion** in 2003 to **7066 billion** by 2013, and annualized growth rate average of **5,83%** , peaking in 2007/8 and dropping sharply to just below 2% by 2013.

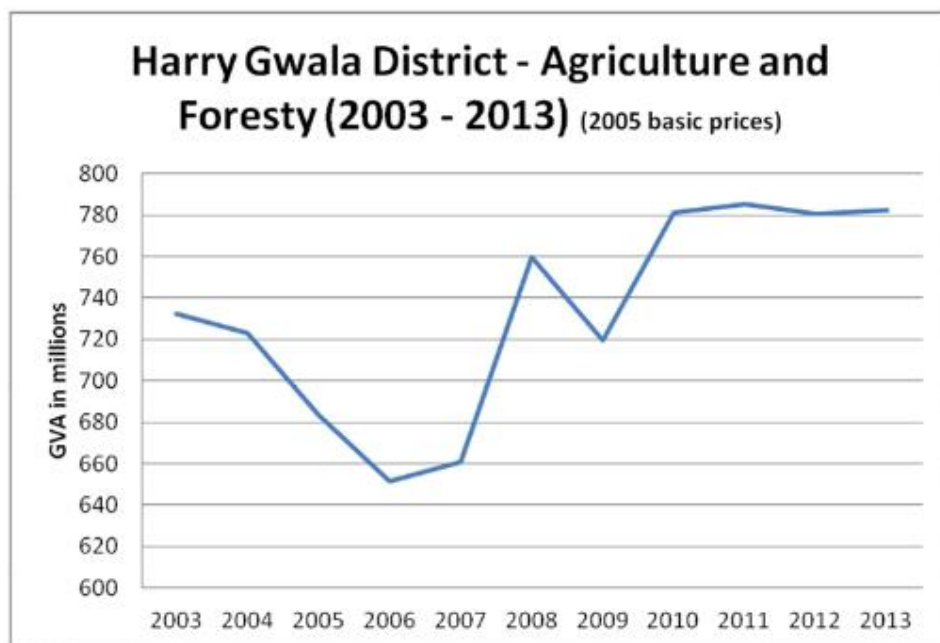


**Figure 10: Annual GVA Growth Rate:2003 – 2013: Quantec: Standardized Regional Output and GVA at basic Prices 2006 Local Municipality 1995 – 2013 (V1 20<sup>th</sup> June 2014)**



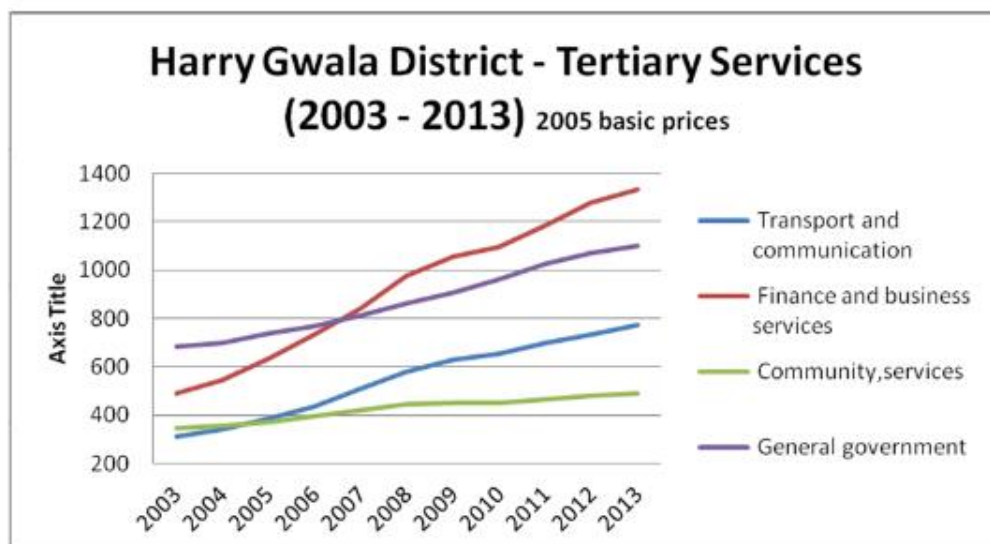
**Figure 10: Gross Value Add (GVA) trends across 3 sectors: Standardized Regional Output and GVA at basic Prices 2006 Local Municipality 1995 – 2013 (V1 20th June 2014)**

What is strongly evident from the Quantec economic data is that the Agriculture and Forestry sector grew very slowly over the 10 year period, in fact dropping significantly in the period 2004 to 2006, and then recovering in 2008 to slightly above their 2003 value.



**Figure 11: GVA for Agriculture and Forestry: 2003-2013: Standardized Regional Output June 2014**

The tertiary sector is now the main driver of economic growth, with good finance and business services sub-sector rising the sharpest, but also transport and communications, and general government.



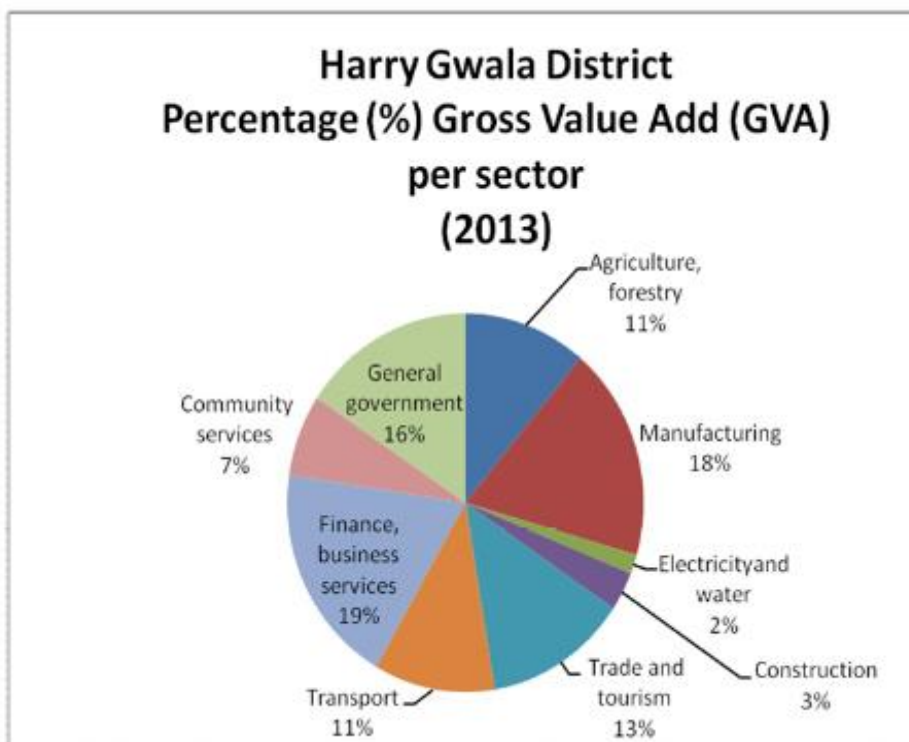
**Figure 12: GVA in the Tertiary Sector by Sub-Sector in Harry Gwala District: Quantec Standardized Regional Output (June 2014)**

### 2.2.2 Gross Value Add by sector

As of 2013, Finance, business and insurance contributed the largest share of Gross Value Add (**19%**), followed by manufacturing (**18%**) and then government (**16%**). Agriculture now only contributes **11%**, down from 19% in 2003. Other sectors whose share of GVA have shrunk are Trade and Tourism (-5%) and General Government (-1) and Construction (-1%).  
VhTrade and Tourism

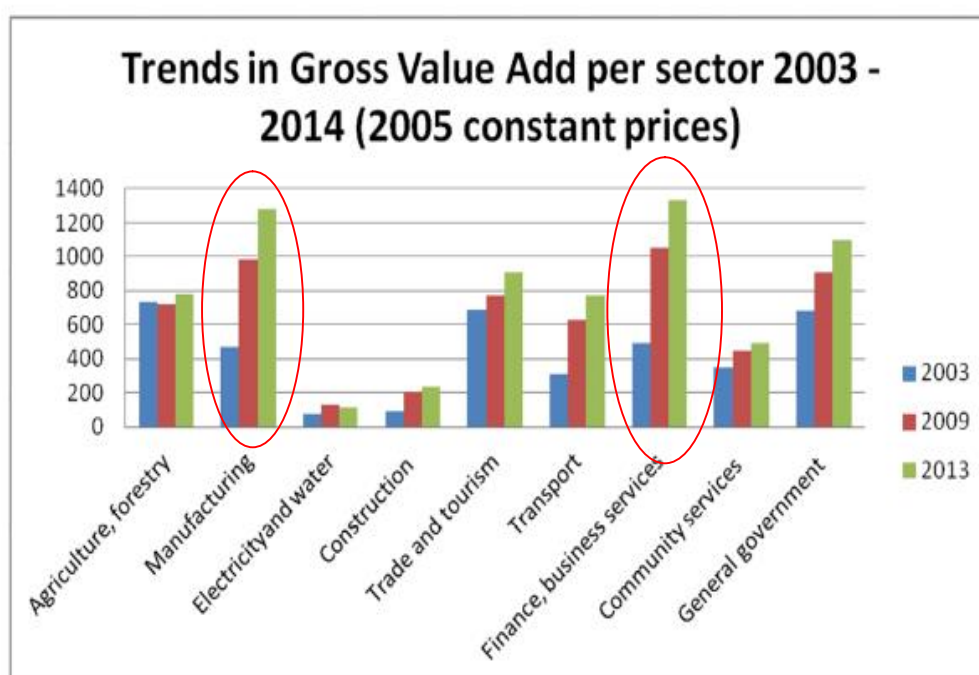
Ranking	Sector	Share 2003	Share 2013	10 year change
1	Finance, Insurance, Business	13%	19%	+6%
2	Manufacturing	12%	18%	+6%
3	General Government	17	16%	-1%
4	Trade and Tourism	18%	13%	-5%
5	Agriculture and Forestry	19%	11%	-8%
6	Community Services	9%	7	+2
7	Construction	2%	3	-1
8	Electricity and Water	2%	2%	0

**Figure 13: Changes in share of GVA per Sector: (2003 – 2013): extracted from Quantec 2014**



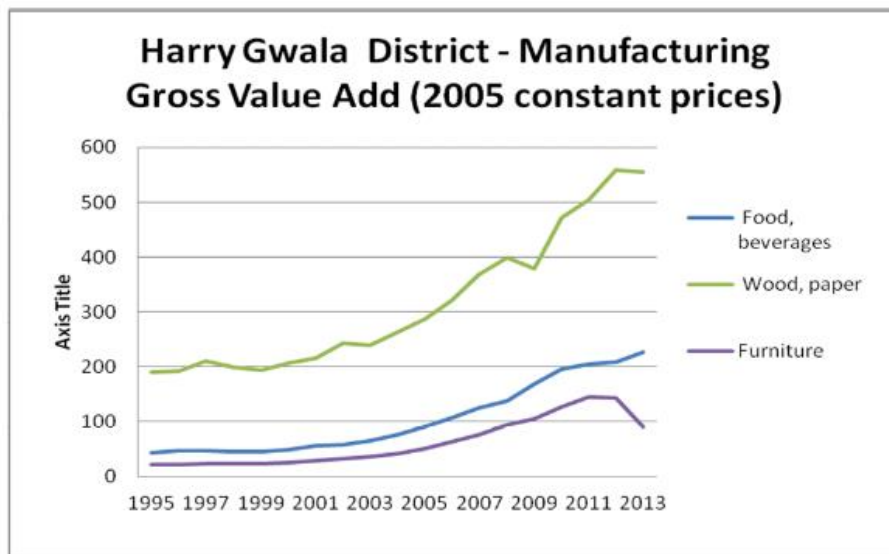
**Figure 14: Sector share of GVA 2013: Quantec Standarized Regional Output (June 2014)**

Although Trade and Tourism, Construction and Transport sectors and even Agriculture have shown growth, none of them have grown to the same extent as Manufacturing, Finance and business services in the period 2003 – 2013 as shown in Figure 15 Below.



**Figure 15: Trends in GVA per Sector at 2005 Constant prices, Quantec Standarized Regional Output (June 2014)**

Although manufacturing has shown high growth, this is largely attributable to the wood and paper section, with food and beverage and furniture showing far more modest growth.

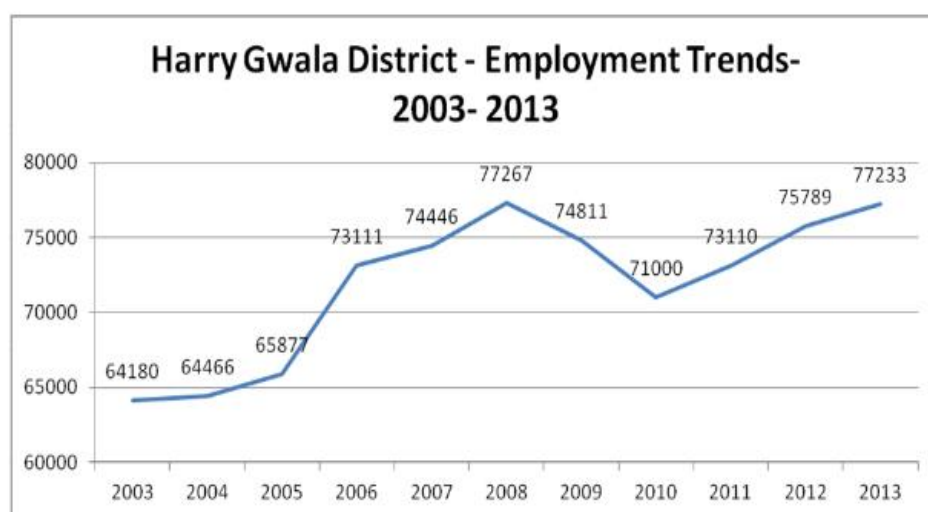


**Figure 16: Manufacturing Gross Value Add (GVA) for Harry Gwala District. Quantec Standardized Regional Output (June 2014)**

## 2.3 Labour Market Indicators

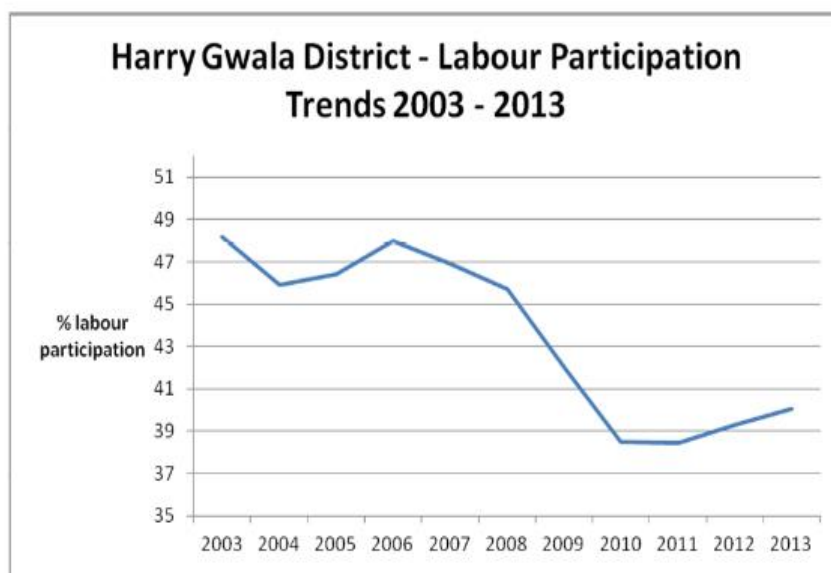
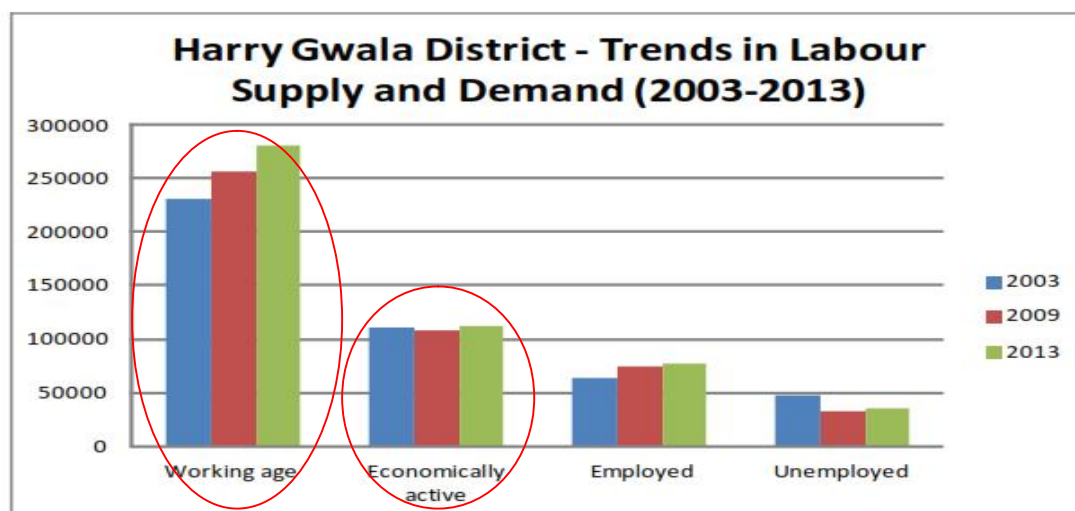
### 2.3.1 Employment, Unemployment and Labour Participation Rates

Employment (formal and informal) in Harry Gwala District has shown some growth, although there was a sharp drop off in 2008, which has still to recover fully to 2008 levels with 2013 reflecting **77 233 employees**.



**Figure 17: Employment in Harry Gwala District: Quantec: June 2014**

But the slow but steady rise in employment is not keeping track with a sharp increase in the working age population (15-24).



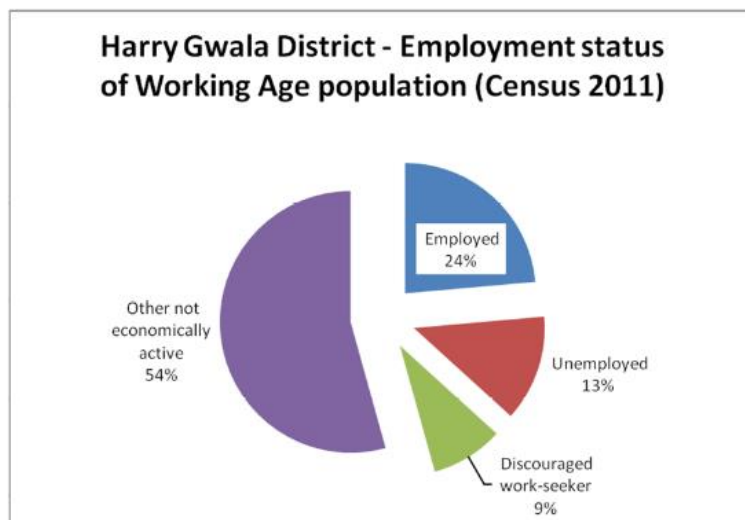
**Figure 18: Labour Force Participation Rate: Quantec 2014**

The **labour force participation rate** is calculated as the percentage of the working age population which is economically active (the employed and the unemployed, i.e. those unemployed but actively seeking work). This has decreased from **48%** to **39%** over the past 10 years, although the local economy has arrested the downward trend since 2010. The district faces a significant crisis where close to 6 out of 10 people of working age are not economically active.

The **labour absorption rate** calculates the percentage of the working age population which is employed. The 2011 census figures for Harry Gwala indicates that while **24%** of working age was employed, some **13%** were unemployed at the time of the census, with a further **9%** defining themselves as discouraged work seekers, and a further **54%** not being economically



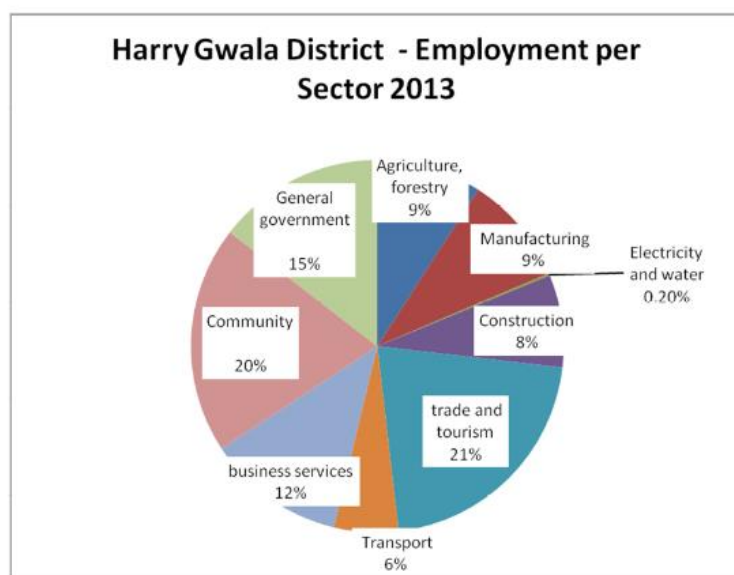
active, which includes school going children older than 15, students, full time house makers, retired people, or anybody else unwilling or unable to work. The census data of 2011 suggests a lower rate of discouraged work seekers, although there might be many who did not identify themselves as such, in which case they would have fallen under “not economically active”.



**Figure 19: Employment Status of Adults (15 – 64): Harry Gwala District Stats SA, Census 2011**

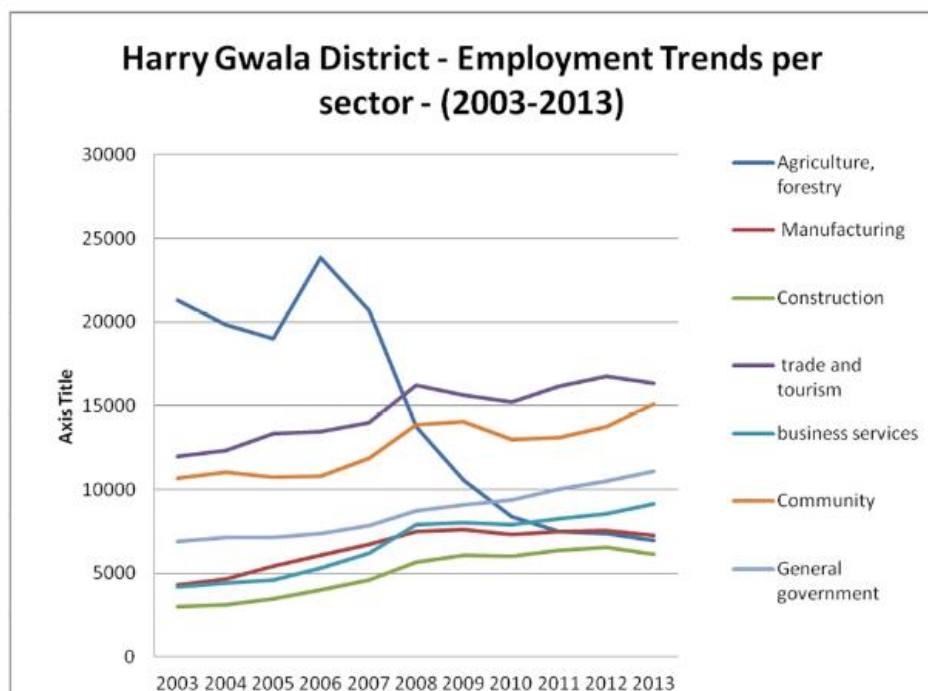
### 2.3.2 Employment Trends per sector: Statistic South Africa,

Wholesale, retail, catering and tourism are now the largest sector employers (**21%**), followed by community Services (**20%**), government (**15%**), and business services (**12%**). Agriculture now only accounts for **9%** of all employment in Harry Gwala District – just less than **1 out of 10 people** are now employed in Agriculture and Forestry in the District.



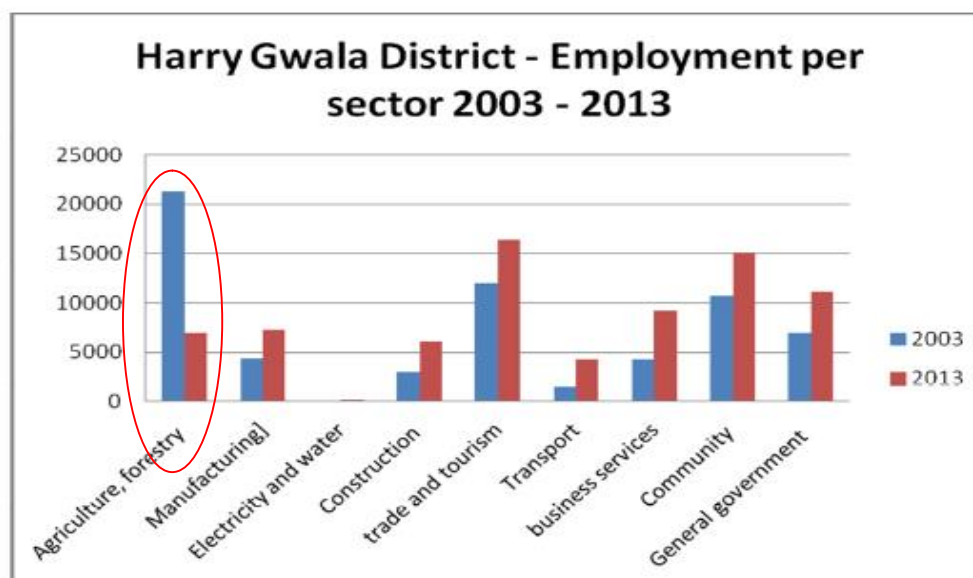
**Figure 20: Share of Employment per Sector: Quantec 2014**

Agricultural employment has shown the most dramatic decline over the past 10 years, with the labour force declining from **21 229** in 2003 to **6976** workers in 2013, with a very steep decline from 2006.



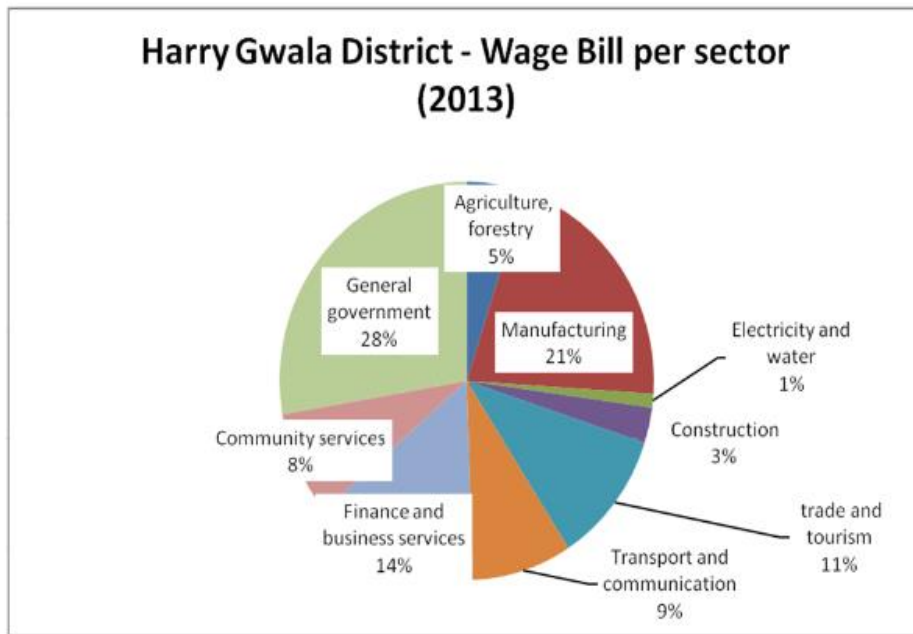
**Figure 20: Employment Trends per Sector (2003 – 2013): Quantec 2014**

Employment in Trade and Tourism, Business Services, Community and Government have shown the most positive growth, but the overall effect of the performance of agriculture and forestry on employment creation has resulted in very modest growth in job creation overall.



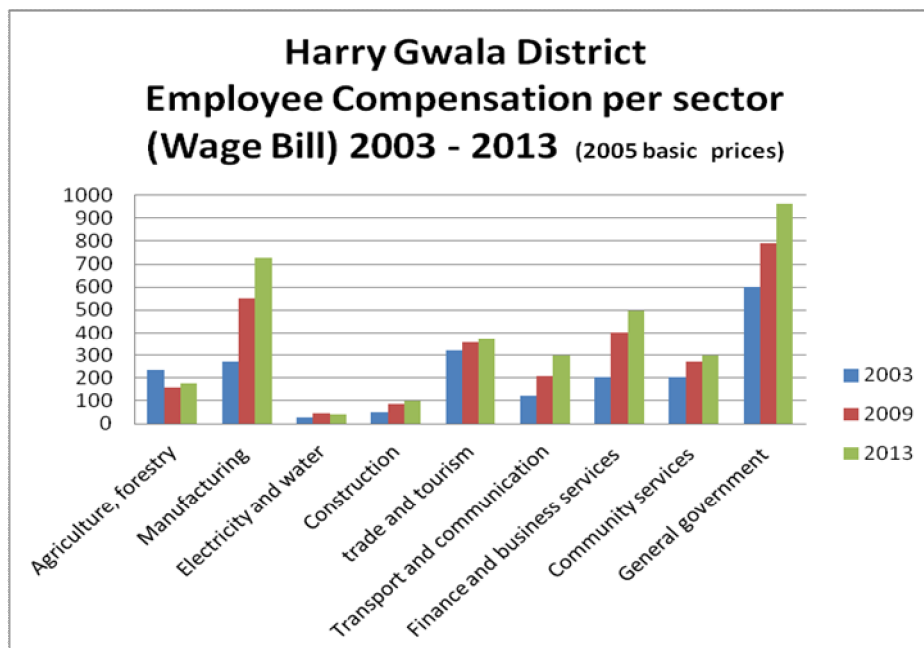
**Figure 21: Employee Compensation per sector: 2003 and 2013: Quantec 2014**





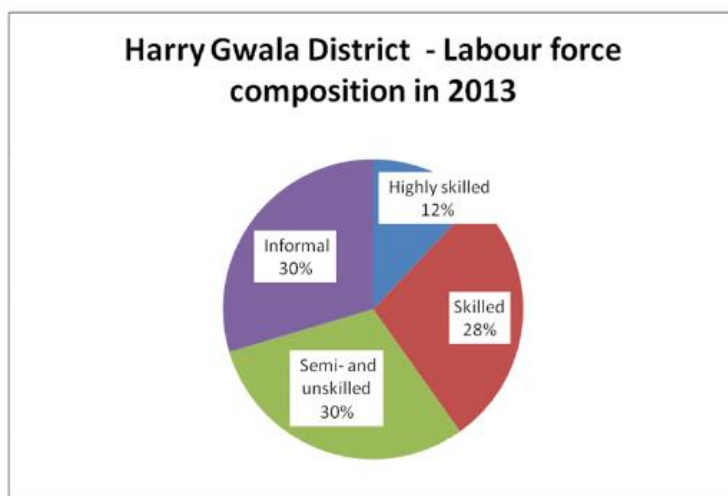
**Figure 22: Employee Compensation per sector: 2003 and 2013: Quantec 2014**

The district wage bill, clearly shows the dominance of government (**28%**) followed by Manufacturing (**21%**) and then Finance and Business Services (**14%**). Agriculture now only contributes 5% of the district's wage bill. Trends over a decade indicate that Government and Manufacturing have seen the fastest growth in employee compensation with Agriculture and Trade and Tourism lagging.



**Figure 23: Employee Compensation per sector: 2003 and 2013: Quantec 2014**

Of the **77 232** employed people in Harry Gwala Municipality the largest proportions are either semi – or unskilled (**30%**) or workers in the informal economy (**30%**). Only **12%** are highly skilled and **28%** are skilled.

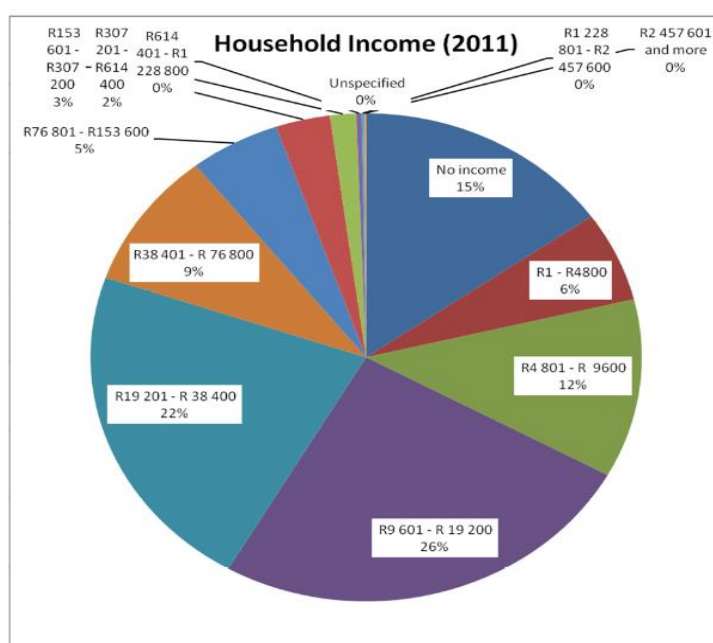


**Figure 24: Labour force composition: 2013: Quantec 2014**

## 2.4 Household Income and Expenditure

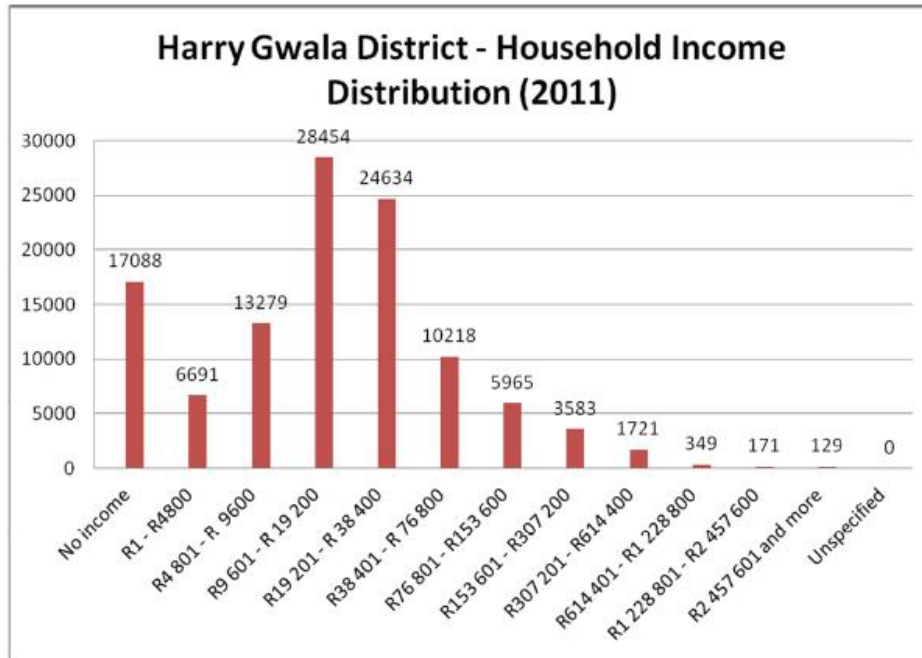
### 2.4.1 Household Income and Expenditure

Household income is highly skewed, with the largest segment (**26%**) reflecting a total annual household income between R9601 and 19200 per annum, followed by **22%** with between R19201 and R38400. **15%** of households reflect no income. **59% of households in Harry Gwala District had an annual household income of less than R1600 per month in 2011**



**Figure 25: Distribution of Household Income Harry Gwala District, Statistics SA, Census 2011**

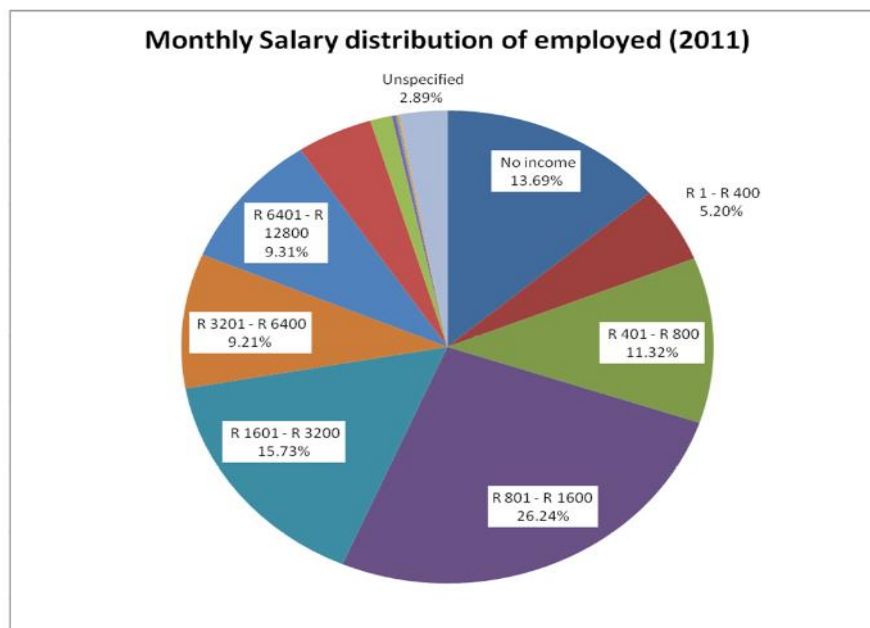
Levels of inequality are extremely high in Harry Gwala District with **300** households reflecting an income in excess of R1,2 million of which 171 households had a household income exceeding **R2, 45 million** per annum and more.



**Figure 26: Annual Household Income distribution, Harry Gwala District Statistics South Africa, Census 2011**

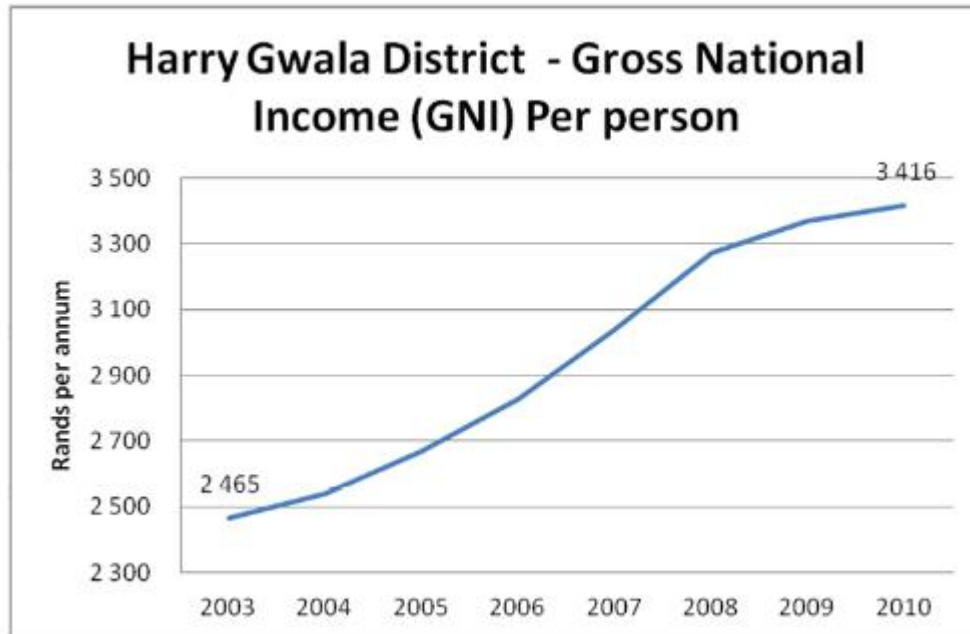
## 2.4.2 Employment Income Trends

Of those employed, a full **51.25%** earned less than R1600 per month in 2011.



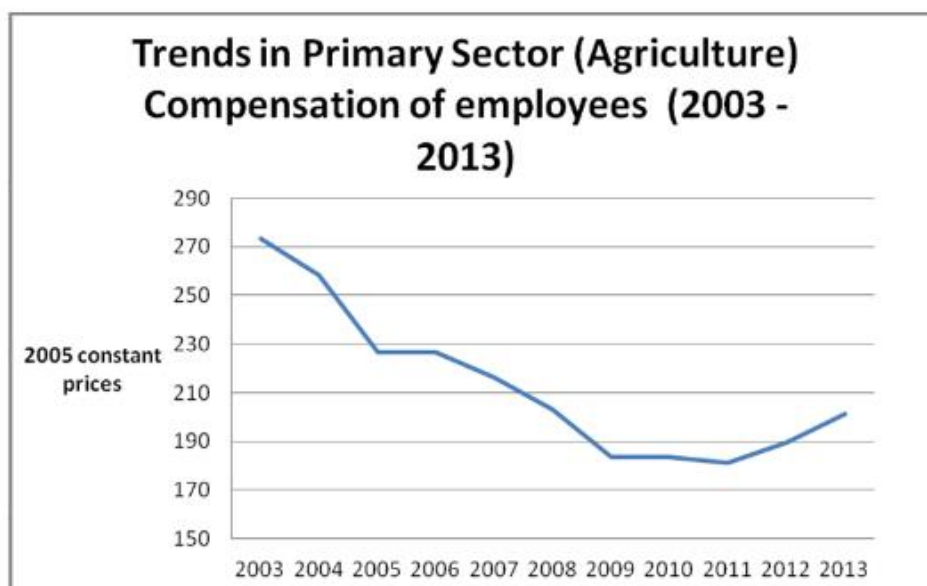
**Figure 27: Monthly Salary Income Distribution of Employees: Harry Gwala District Statistics South Africa, Census 2011**

However Gross National Income per person grew from **R2465** to **R3416** at 2005 basic prices between 2003 and 2013, but as the income distribution in Figure 26 above has indicated that growth has been highly unequal.



**Figure 28: Gross National Income (GNI) per person: 2003 – 2013, Quantec 2014**

This is further evidenced by the data on compensation of employees (agricultural wage bill) in the primary agriculture section between 2003 and 2013 which declined from R 270 million to R 200 million at 2005 basic prices.

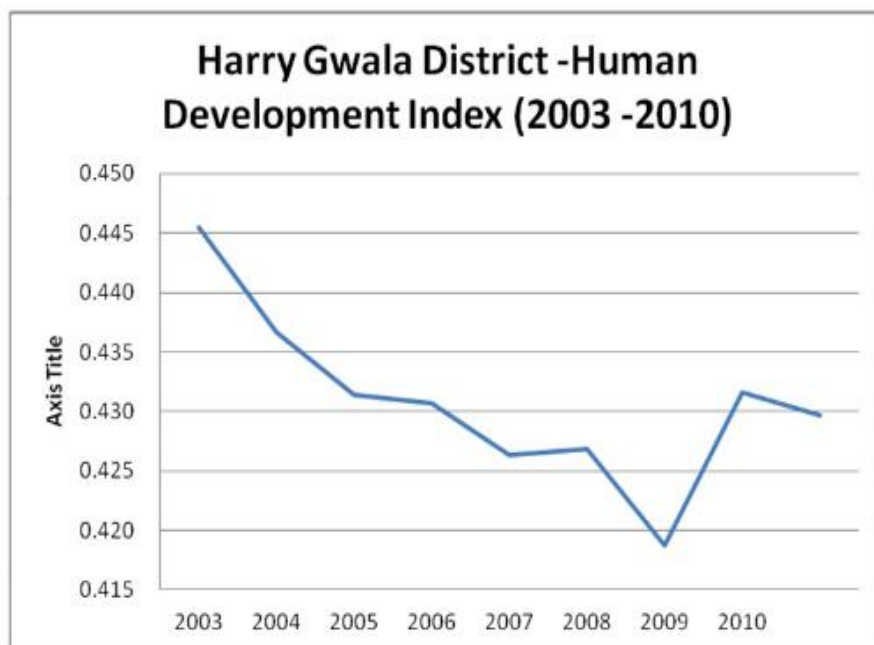


**Figure 29: Trends in Primary Sector Compensation of Employees 2003 – 2013 Quantec 2014**

## 2.5 Development Indicators

### 2.5.1 Human Development Index

The Human Development Index (HDI) is a standardized international UN index that measures 3 elements for assessing socio-economic development. These are longevity, knowledge and standard of living with a measure between **0** (lowest human development) to **1** (Highest human development). The data below indicates a small but disturbing downward trend in the HDI for the Harry Gwala District between 2003 and 2009 from **0.445** to **0.420** with a small recovery to **0.43** thereafter. A low score below 0,5 remains a matter for concern.



**Figure 30: Human Development Index, 2003 – 2010: Quantec 2014**

## 2.5.2 Services

The graph below shows the trend in the supply of water to households in the district. While the supply of potable water either within dwellings, yards has improved, the number of families still dependent on springs, rivers or dams still remains high. What is noticeable is the slowing increase of supply of potable water in the second 5 year period (2009 – 2013).

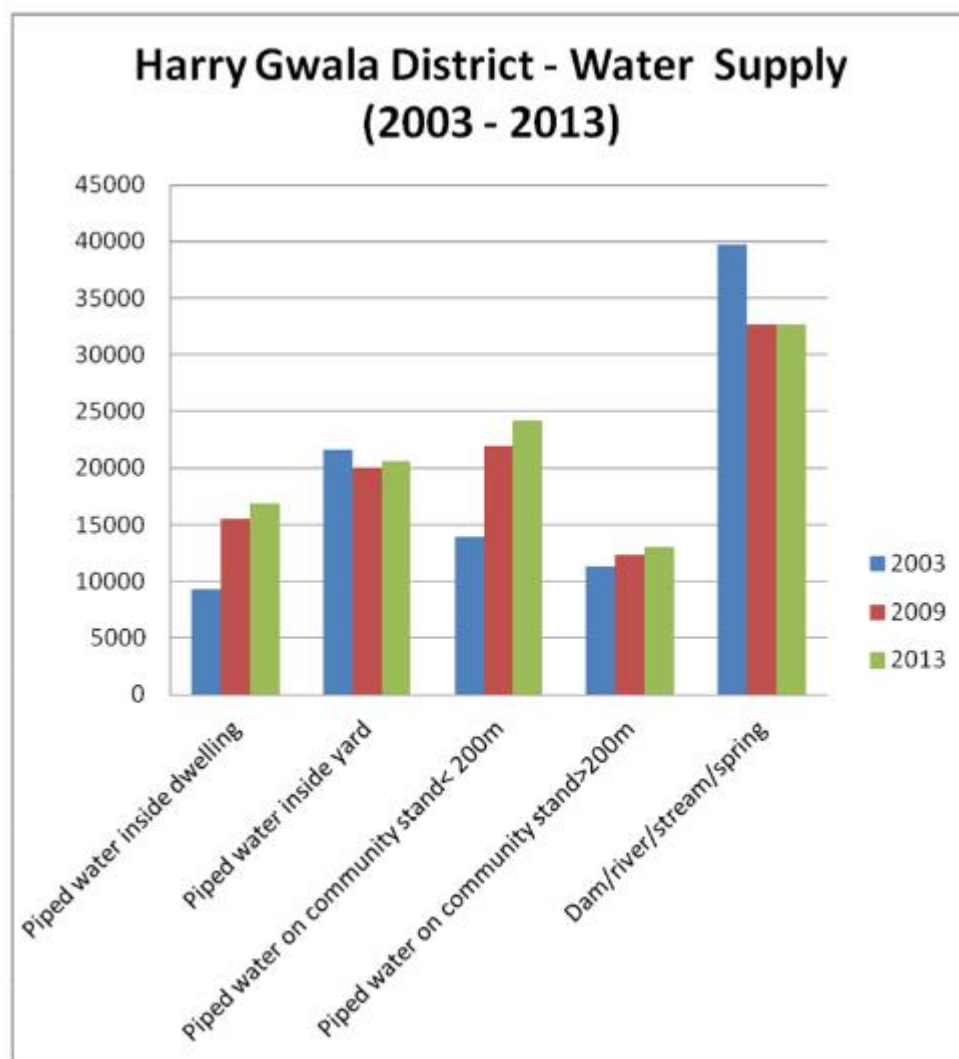
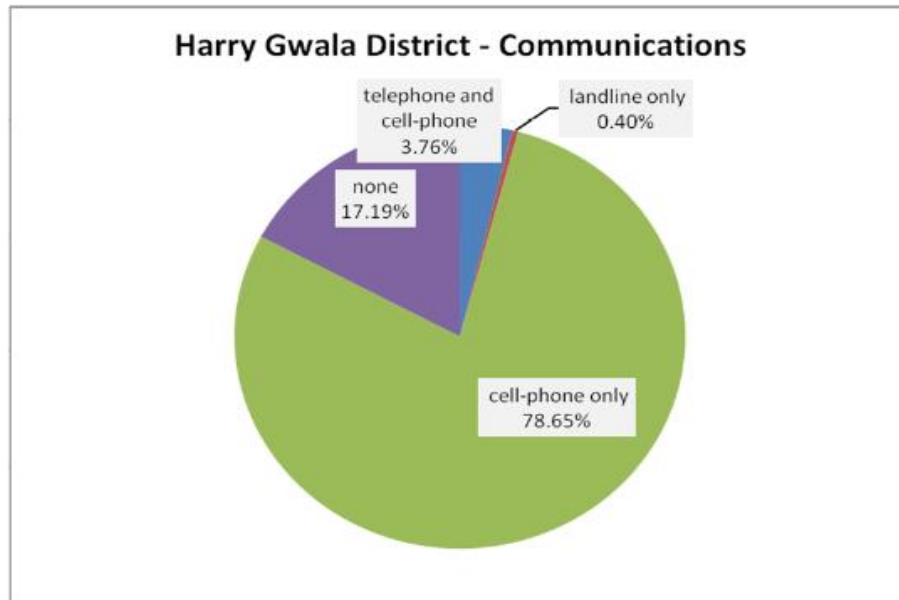


Figure 30: Source of Water Supply: 2003, 2009 and: Quantec (June, 2014)

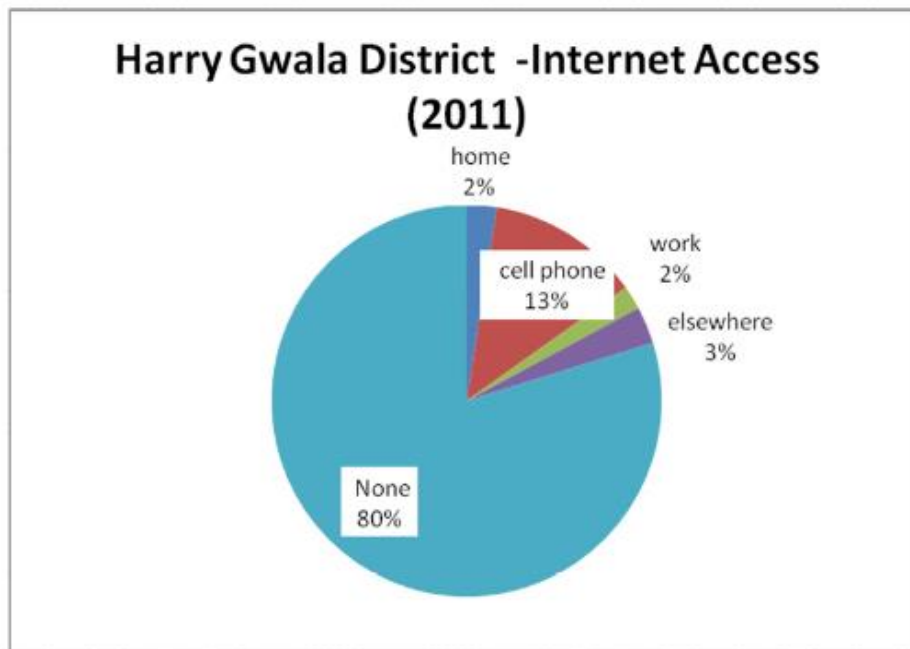
### 2.5.3 Access to technology

The graph below drawn from the 2011 census data indicates that more than **80%** of households have access to cell phone.



**Figure 32: Household Access to communication technology  
Harry Gwala District: Statistics SA, Census 2011**

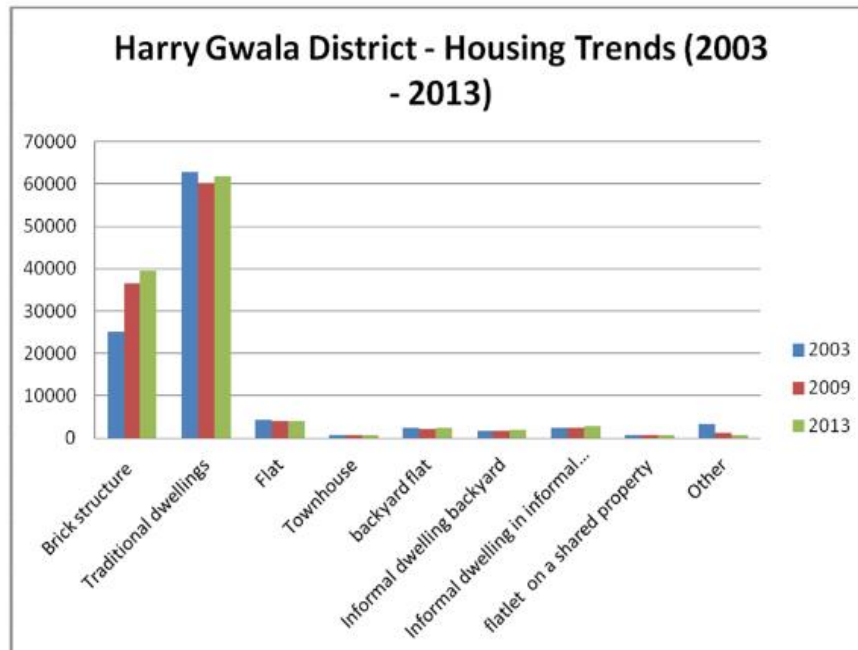
Although cell phone coverage is extensive, access to the internet remains limited to less than **20%**, **13%** of which is accessed through cell phones.



**Figure 33: Household Access to Internet, Harry Gwala District: Statistics SA, Census 2011**

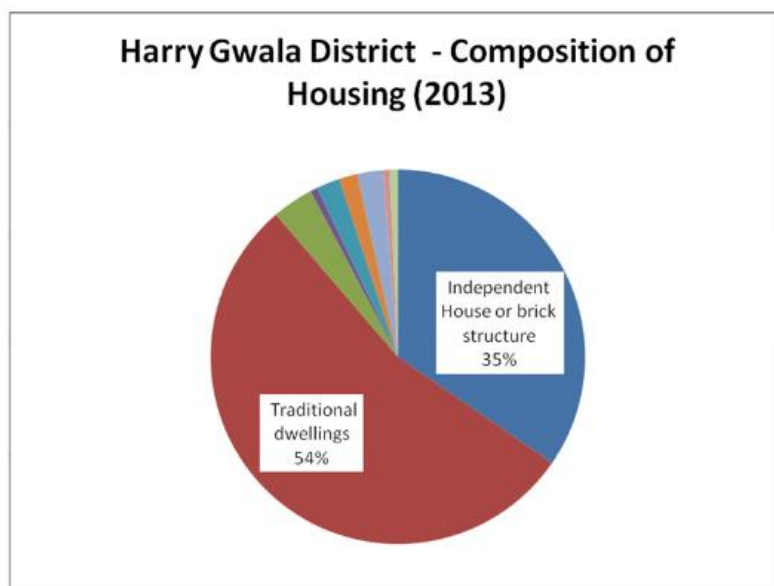
## 2.5.4 Housing per households

The graph showing the housing situation in the Harry Gwala district shows a steady increase in brick structures, but traditional housing remains the largest component of housing.



**Figure 34: Housing trends in Harry Gwala District: Quantec June 2014**

More than half (**54%**) of households in Harry Gwala still live in traditional dwellings, and (**35%**) live in independent brick structures in 2013



**Figure 35: Housing composition in Harry Gwala District: 2013: Quantec June 2014**



## 2.6 Poverty

### 2.6.1 Number of people living in poverty

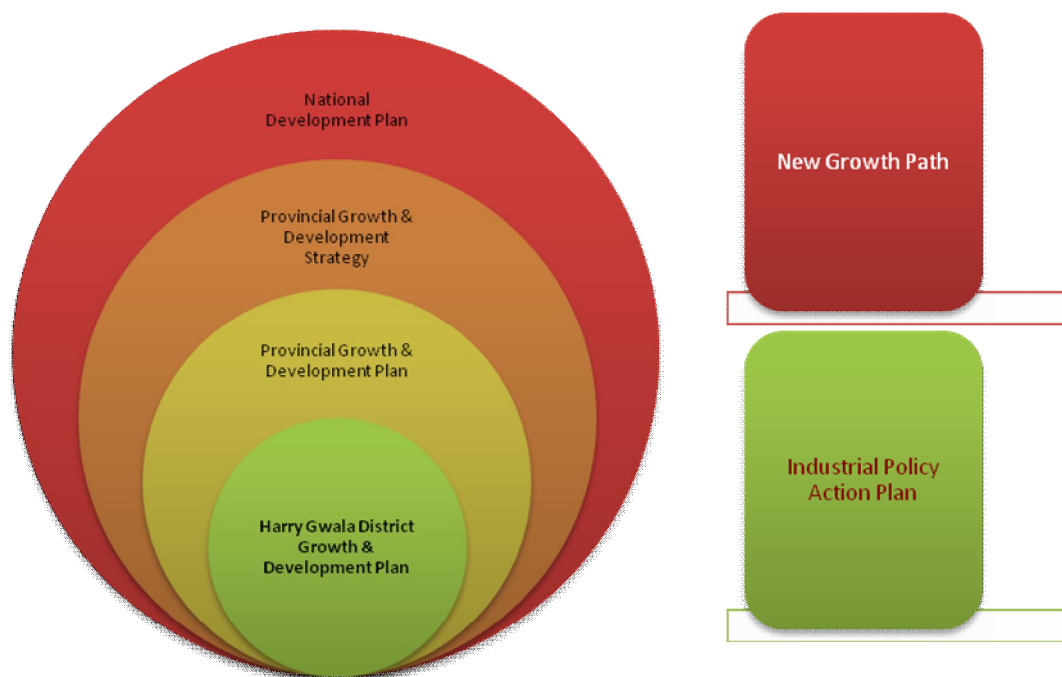
Approximately **33%** of the population within the District is defined by Stats SA as living in poverty. Of the **461 420** residents of Harry Gwala district in 2011, **154 114** were defined as living in poverty

### 3. Key National and Provincial Frameworks and Resources for LED

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The National Development Plan<sup>1</sup> represents national policy and is therefore, in theory, what should inform planning and development in the Harry Gwala District.

In terms of an overall framework, the NDP should inform the Provincial Growth and Development Strategy (PGDS), which in turn informs the Provincial Growth and Development Plan (PGDP), which in turn informs the District Growth and Development Plan (DGDG). This is a process that is taking shape, although the linkages are not always direct.



**Figure 37: South Africa's National Planning Framework**

There are other national and provincial policies, incentives and funding initiatives that are also relevant to the Harry Gwala District in terms of potential development funding. These are not necessarily consistent with each other, but must be acknowledged since they may provide practical development funding within the District.

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<sup>1</sup> National Planning Commission, National Development Plan 2030 (DPME, 2011)

## 3.1 NDP fundamentals

The National Development Plan aims to eliminate poverty and reduce inequality by 2030. It identified nine key challenges, and set out plans to address these challenges in four thematic areas.

The challenges are:

1. Too few people work (jobs)
2. School education for black people is poor
3. Infrastructure is poorly located, inadequate and under-maintained
4. Spatial divides hobble inclusive development
5. The economy is unsustainably resource intensive
6. The public health system cannot meet demand or sustain quality
7. Public services are uneven and often of poor quality
8. Corruption levels are high
9. South Africa remains a divided society.

The Commission believes that the country can create **11 million jobs by 2030** through a comprehensive range of sustained initiatives. These jobs include an additional 643 000 direct jobs and 326 000 indirect jobs in the agriculture, agro- processing and related sectors by 2030.

Those areas of specific relevance to the Harry Gwala District, and where it can make a difference includes:

### 3.1.1 Economy and Employment

- Increase rail, water and energy infrastructure
- Invest in labour intensive projects
- Build public-private partnerships to facilitate direct investment
- Plan and cooperate with other government agencies and the private sector
- Support small businesses
- Support initiatives that will increase exports

### 3.1.2 Economic Infrastructure

- Build infrastructure (housing, water, roads, parks, etc.)<sup>2</sup>
- Provide access to clean, potable water
- Provide public transport
- Upgrade informal settlements

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<sup>2</sup> The NDP says government should move away from investing its capital, and increase its investment in all fixed infrastructure.

- Provide cheap municipal level fibre-optic networks and a good ICT infrastructure
- Generate domestic gas feedstock (biogas)

### 3.1.3 Inclusive Rural Economy

- Support job creation through agricultural development, based on effective land reform and the growth of irrigated agriculture and land production.
- Develop industries such as agro- processing, tourism, fisheries and small enterprises.

Public officials should focus most of their attention on a few strategic priorities

## 3.2 New Growth Path (NGP)

In 2011 government adopted the New Growth Path (NGP) as the framework for economic policy and the driver of the country's jobs strategy. The framework emerged from the national Department of Economic Development.

The NGP objectives include a reduction in income inequality, faster economic growth and the development of a green economy.

Employment creation is the NGP's principal objective. It promises to create **5 million jobs by 2020**. This is made up of 250 000 jobs per annum in infrastructure, 300 000 households in smallholder agricultural, and 145 000 jobs in agro-processing by 2020. The NGP sees the largest share of future employment growth happening in the productive sectors and in infrastructure provision (as opposed to the service sector which it does not regard as a key area for growth)

The NGP proposes restructuring land reform to support smallholder agriculture schemes with comprehensive support around infrastructure, marketing, finance, extension services, etc.

In tourism, the NGP wants to strength measures to expand the tourism infrastructure and services, promote targeted marketing campaigns, improve training, and identify employment and entrepreneurial opportunities for the youth.

It stresses that the ICT sector will be a key driver for economic development and job creation.

At a practical level the NGP proposes that development finance institutions such as the IDC (Industrial Development Corporation) and the PIC (Public Investment Corporation) be used to provide development finance for projects aligned with the NGP framework.

### 3.3 Industrial Policy Action Plan (IPAP)

The Industrial Policy Action Plan (IPAP) emerges from the Department of Trade and Industry. IPAP's objectives are based on international thinking about industrial policy. Its purpose is to support the expansion of South Africa's industrial base and diversify exports; employment creation is a clear policy priority. It summarizes South Africa's industrial policy objectives as being:

- The diversification of traditional industrial commodities and services, and increasing the value added to these.
- The intensification of industrial processes and the development of a knowledge economy.
- The promotion of industrial activities that absorb labour.
- Increased participation of historically disadvantaged people and marginalised regions.
- Industrial development on the African continent.

Within the broad remit, The IPAP targets thirteen widely different sectors of the economy:

#### 3.3.1 Manufacturing

- Metal fabrication, capital equipment and transport equipment
- 'Green' and energy-saving industries
- Automotives, components and medium and heavy commercial vehicles
- Plastics, pharmaceuticals and chemicals
- Clothing, textiles, leather and footwear
- Cultural industries: crafts and film
- Advanced manufacturing.

#### 3.3.2 Primary Production/Manufacturing Nexus

- Agro-processing
- Downstream minerals beneficiation
- Bio-fuels
- Forestry, paper and pulp, and furniture.

#### 3.3.3 Services

- Tourism Business
- Process Services.

The point of departure of the IPAP that mining, agriculture and manufacturing are the sectors with the most productive potential. It places emphasis on import substitution. IPAP's provides a target 350 000 additional jobs in manufacturing by 2020, but provides little further guidance.

Projects compliant with IPAP are eligible for significant incentives<sup>3</sup>:

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<sup>3</sup> The Section 12I Tax Allowance Incentive provides R900 million for any preferred Greenfield project, R550 million for any other Greenfield project, R550 million for any Brownfield project with a preferred status, R350 million for any other Brownfield

- Investment in manufacturing assets, to improve the productivity of the South African manufacturing sector; and
- Training of personnel, to improve labour productivity and the skills profile of the labour force.

Since 2010 incentives have supported 42 projects with an investment value of R43 billion. These projects are within the priority sectors identified in the Industrial Policy Action Plan (IPAP).

Projects must:

- Upgrade an industry within South Africa (via an innovative process, cleaner production technology or improved energy efficiency);
- Provide general business linkages within South Africa;
- Acquire goods and services from small, medium and micro-sized enterprises (SMMEs);
- Create direct employment within South Africa;
- Provide skills development in South Africa; and
- In the case of a Greenfield project, be located within an Industrial Development Zone (IDZ).

### 3.3 Department of Trade and Industry (DTI)

The Department of Trade and Industry (DTI) offers over twenty different cash grants and subsidies, each of them focusing on a particular sector, product, or profile of the applicant.

Support is available to incentivize entrepreneurs in the manufacturing, agricultural, green economy and tourism industries. Incentives include<sup>4</sup>:

- 12I Tax Allowance
- Aquaculture Development and Enhancement Programme (ADEP)
- Automotive Investment Scheme (AIS)
- Medium and Heavy Commercial Vehicles Automotive Investment Scheme (MHCV-AIS)
- People-carrier Automotive Investment Scheme (P-AIS)
- Black Business Supplier Development Programme (BBSDP)
- Business Process Services (BPS)
- Capital Projects Feasibility Programme (CPFP)
- Critical Infrastructure Programme (CIP)

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project. An additional training allowance of R36 000 per employee may be deducted from taxable income. A maximum additional training allowance of between R20 and R 30 million is allowable per project.

<sup>4</sup>See DTI, A Guide to the dti Incentive Schemes 2012/13.

- Co-operative Incentive Scheme (CIS)
- Clothing and Textile Competitiveness Improvement Programme (CTCIP)
- Employment Creation Fund (ECF)
- Export Marketing and Investment Assistance (EMIA)
- Film and Television Production Incentives
- Incubation Support Programme (ISP)
- Innovation and Technology Funding instruments
- Isivande Women's Fund
- Manufacturing Competitiveness Enhancement Programme (MCEP)
- Manufacturing Investment Programme (MIP)
- Production Incentive (PI)
- Sector-Specific Assistance Scheme (SSAS)
- Support Programme for Industrial Innovation (SPII)
- Seda Technology Programme (STP)
- Technology and Human Resources for Industry Programme (THRIP)
- Tourism Support Programme (TSP)

### 3.4 Provincial Growth and Development Strategy

The PDGP is produced by the KwaZulu-Natal Provincial Planning Commission in the Office of the Premier. It is premised on, and linked to the National Development Plan. It is intended to ensure coherence in policy development and planning, covering a 20 year period to 2030 (consistent with the time frames of the NDP).

It is informed by a provincial vision that KwaZulu-Natal will be a prosperous Province with a healthy, secure and skilled population, acting as a gateway to Africa and the World. Under this are seven strategic goals, each supported by 30 specific objectives. The strategic goals are:

1. Job creation
2. Human resource development
3. Human & community development
4. Strategic infrastructure
5. Environmental sustainability
6. Governance and policy
7. Spatial equity

The PGDS serves as the overarching strategic framework for KwaZulu-Natal. The strategy is given more applied substance by the Provincial Growth and Development Plan (PGDP)

### 3.5 The Provincial Growth and Development Plan (PGDP)

The PGDP is aligned to the Millennium Development Goals (MDGs), and specifically to the 14 national outcomes identified in the National Development Plan.

It identifies high priorities and key interventions in each of the seven strategic areas. Some of those relevant to the Harry Gwala District are identified below.

Proposed interventions relevant to the Harry Gwala District include:

- Support for and Development of Commercial Farmers (new entrant, small-scale, land reform and ITB farmers)
- Enhancement of agricultural value-adding and marketing
- Improve the Efficiency and Productivity of the Maritime and Transport and Logistics Sectors
- Development of Special Economic Zones and Industrial Hubs
- Support enhanced implementation of the EPWP (including the CWP) Programme
- Facilitate expanded access to the Jobs Fund
- Strengthen the partnerships between public sector, private sector, and research institutes and tertiary institutions
- Develop facilities for local markets.
- SIP 8: Green Energy in support of the South African economy: To support sustainable green energy initiatives on a national scale through a diverse range of clean energy options and to support biofuel production facilities.
- Development of Road and Rail Networks (the rail networks in KZN must provide efficiently for cargo needs)<sup>5</sup>
- Expand and Maintain Core Rail Freight Network and the Branch Lines
- Revitalise Branch Rail Lines <sup>6</sup>
- Research and promote skills development for more localised water harvesting
- Promote sustainable land use practices to preserve and enhance agricultural potential

### 3.6 Special Economic Zones (SEZ)

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<sup>5</sup> The PDGP stresses the ‘critical importance is the achievement of the proposed and planned for modal shift from road to rail’

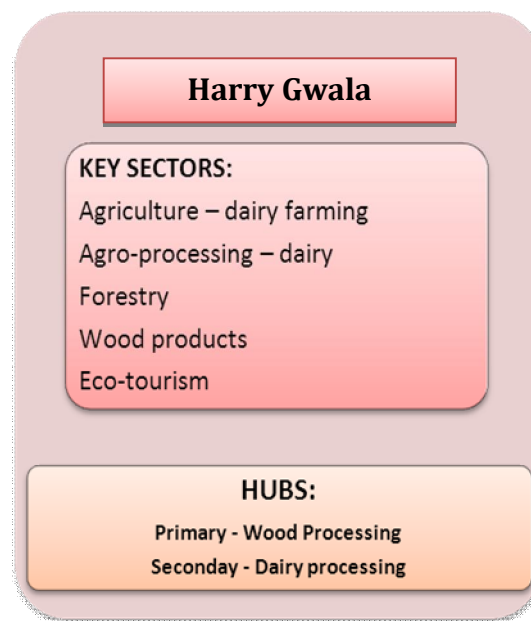
<sup>6</sup> The PGDP clearly notes the need for a greatly improved rail network for economic development, as is well illustrated by the example of timber.



A SEZ is a designated area that has special economic regulations that are different from other areas in the same country. These regulations contain measures that are conducive to foreign direct investment, including tax incentives and the opportunity to pay lower tariffs.

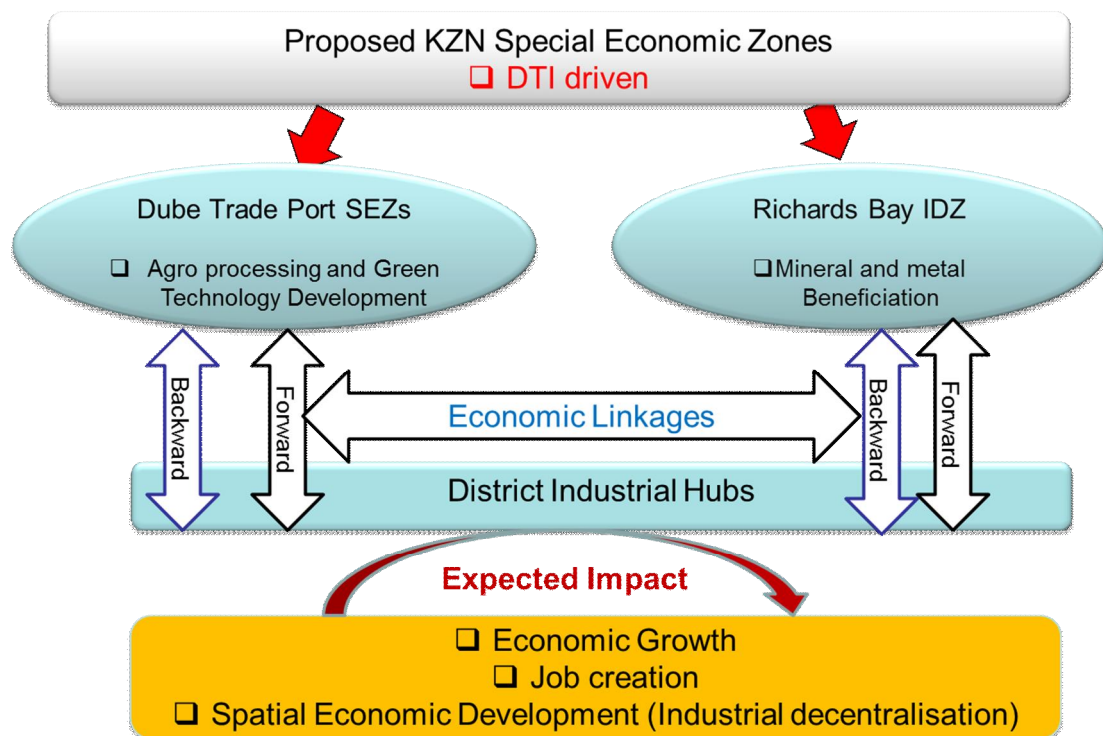
Examples of SEZ's include Industrial Development Zones, Free Ports, Industrial Parks/Estates, Science and Technology Parks, Sector Development Zones, Spatial Development Corridors

Eleven industrial district SEZs have been identified and submitted to the DTI, including Harry Gwala District.

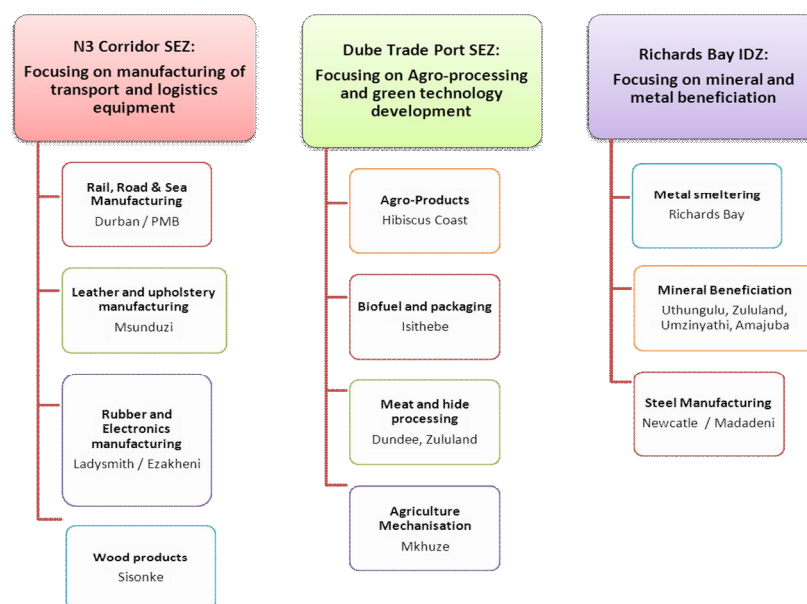


**Figure 38 Harry Gwala Industrial Hub, DGDP, 2014**

The SEZ's (or hubs) identified are intended to fit into a broader strategy



Thus, the Harry Gwala hub feeds the N3 Corridor SEZ, with a focus on wood and wood products:



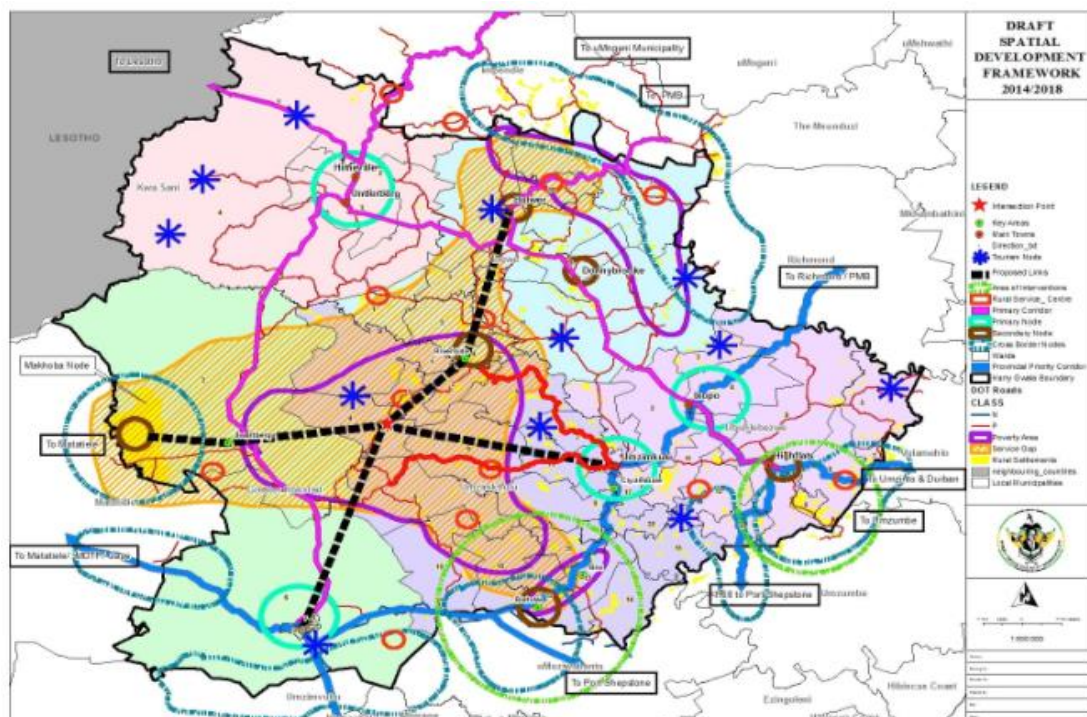
**Figure 39 Proposed KZN Economic Zones, PGDP (2012)**

The project manager for the Harry Gwala District relates specifically to wood processing (Mr. Dobson). This initiative could be linked not simply to processing and value-added, but also to the entire value chain, including freight and logistics.

### 3.8 Corridor Projects

The district spatial plan identifies and shows 5 primary development nodes (Ixopo, Kokstad, Matatiele, Underberg, Creighton), 4 secondary nodes (Cedarville, Himeville, Highflats, Bulwer), and 4 tertiary nodes (Donnybrook, Pevensy, Franklin, Polela)

The corridors are based on the recommendations in the PGDP with a view to improve or extend access to areas with economic potential within areas of high poverty, and maximise opportunities to promote growth and investment.



**Figure 40: Harry Gwala District Municipality: Spatial Development Framework (Harry Gwala IDP, 2014)**

#### Provincial Priority Corridors

- SC 2: Kokstad – Umzimkulu – Msunduzi (Secondary Corridor)
- SC6: Port Shepstone – St Faiths – Ixopo (Secondary Corridor)

## 4. District Strategic and Planning and Project Frameworks

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### 4.1. District Growth and Development Plan

Draft Harry Gwala District Growth and Development Plan<sup>7</sup>

The Harry Gwala District Growth and Development Plan was developed in the context of the national and provincial planning hierarchy. It is informed by the PGDP and thus also linked to the NDP.



**Figure 41: Harry Gwala DGDP (October 2014)**

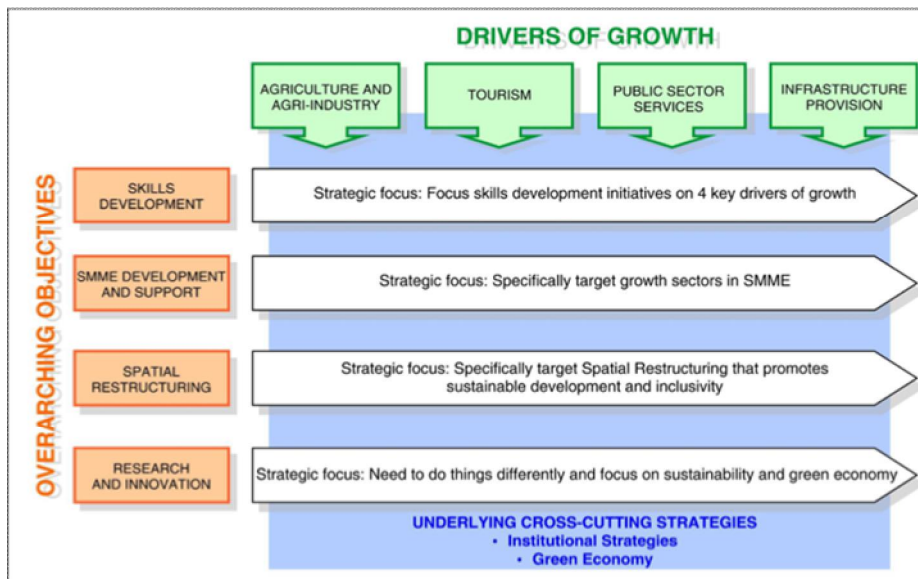
The Harry Gwala DGDP suggests that whilst the Agriculture and Tourism sectors are important to the development of the District, another key potential growth stream is through development and support of SMMES.

Four key sectors were identified as potential drivers of growth and development in the area:

1. Agriculture and agro-industry
2. Tourism
3. Public Sector
4. Strategic Infrastructure Delivery

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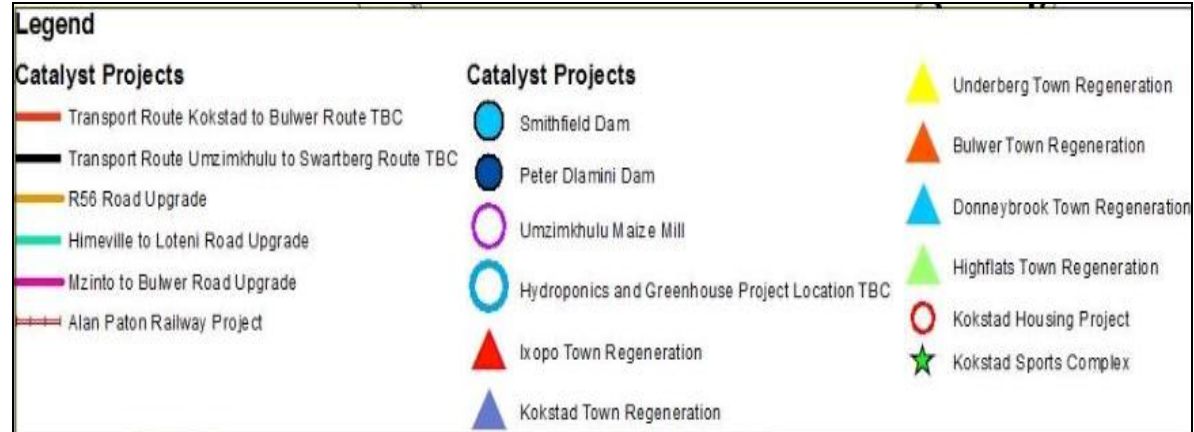
<sup>7</sup> The Harry Gwala District Growth and Development Plan (October, 2014)



**Figure 42: Harry Gwala District DGD (October 2014)**

The recommendations resonate with those in the NDP, which emphasize focusing on limited number (4) key priorities.

The Harry Gwala DGD identifies catalytic projects valued at R50 million and over.



**Figure 43: Harry Gwala DGD (October 2014)**

Projects not mapped include:

### Infrastructure

Integrated Municipal Infrastructure Delivery Strategic Infrastructure Project 6 (SIP 6) - Roads

Integrated Municipal Infrastructure Delivery Strategic Infrastructure Project 18 (SIP 18) – Regional Bulk Water Schemes

- Rural Electrification Programme
- Ubuhlebezwe Electrification
- Greater Kokstad Electrification
- Ingwe Electrification
- Renewable Energy Supply

### **Economic Development and Tourism**

- Industrial / Agro-processing Economic Hubs
- Concrete Products Manufacturing Plant
- SMME Business School

### **Social and Housing**

- Kokstad Sports Complex
- Sports fields Development
- Community Health Service Centre
- Ubuhlebezwe Housing Projects
- Ingwe Housing Projects

The plan does not apply criteria for short listing or selecting priority projects, or any detail for modes of implementation

## **4.2 District and Local IDPs and LED Strategies**

### **4.2.1 Harry Gwala District (formerly Harry Gwala) LED strategies**

Harry Gwala District (formerly Harry Gwala) produced a detailed LED strategy in 2008. In 2012, the Harry Gwala Development Agency produced diagnostic report on the district economy and a high level LED strategy.

The 2012 presentation described the LED strategy with clearly identifiable objectives, with outcomes and outputs defined, with times frames ranging from 3 to 5 years. Related to this was an industrial strategy focused on agriculture, tourism, trade and social services. Key district products were identified: soybean, sugar cane, maize, citrus fruit, tomatoes, potatoes, beef; poultry, dairy and wood products were identified as viable commodities for investment, development and expansion.

A local business retention and expansion programme was outlined, emphasizing local procurement opportunities, business support and tender advice. An associated SMME strategy revolved around second economy interventions, including support to cooperatives, with a focus on financial services, social enterprises, youth enterprises and small business.

The strategy stressed the importance of coordination of strategic development interventions within the district. It proposed:



- Coordinated spatial planning and development interventions through IGR structures such as the Mayor`s forum, the municipal managers forum, etc.
- Joint Investment Attraction through a “one-stop-shop” as “information clearing house” on development applications
- A balanced strategy focusing on urban sprawl and rural decay
- Small towns’ regeneration program focused on primary and secondary nodal economic hubs.
- Functional Geographical Information System (GIS) providing spatial locations for each economic development intervention.
- Shared development planning capacity

Furthermore, it stressed the importance of building social partnerships through annual LED summits with resolutions integrated into the IDP/LED & SDBIP, district LED & Tourism Forums and MOU’s with commodity organizations such as Milk SA, Potato SA, and Forestry SA.

The document identified agriculture as the primary sector, soil being fertile and of high agro-ecological potential, with diverse climatic conditions suitable for a variety of products including crops and vegetables, livestock and sugar cane around Ixopo and High flats area. The main enterprises for which the District was suitable included intensive livestock enterprises such as dairy, and horticulture crops. It identified prime competitive advantages in agro-processing, dairy and poultry.

Also described as a prime sector was forestry which the report notes being small but vibrant, and a creator of jobs. The biggest challenge was described as the availability of wood logs and industry and operator non compliance to the forestry charter. This had apparently led to the collapse of the sawmilling industry with large-scale job losses.

Agro-processing was identified as a potential as a driver for future economic growth in the district. There were a number of issues impacting on it:

- Adverse climatic conditions – storms, hail, snow and frost
- Rugged terrain limits crop production
- Distances from access to machinery, plant and raw materials supply (Durban and Pietermaritzburg)
- Distances from established markets and commercial hubs;
- Economies of scale and volume production inhibit further beneficiation and production of dairy products such as cheese and yoghurt.

Despite these threats significant opportunities exist for the expansion of agro-processing including:

- Land suitable for deciduous fruits and high value crops

- Land reform programmes supported by significant public sector investment and parastatal bank loans
- Arable land and water
- Globalisation and access to export markets
- Government support and support institutions, funding, technical advice, research etc
- New production techniques, tunnel / hydroponics and shaded production
- Processing, packaging and distribution of local produce – canning, drying, freezing and further product beneficiation
- Forestry, milling and production of related products.

As a strategy going forward, the strategy proposed special economic zones, agri-parks or agribusiness development zones, the leveraging of resources against land reform farms for the production of cash crops, and investment in high-value crops.

#### **4.2.2 Ingwe Local Municipality IDP 2014/15**

The IDP notes that over half the population of the area is female. Fewer than 10% of people are employed, and 58% have no income at all.

The municipality has three nodes Creighton (municipal head office), Bulwer (commercial and services node), Donnybrook (commercial). Ingwe falls outside the primary nodes and corridors of the Harry Gwala District Municipality and is not considered a primary area of investment by government.

Ingwe has 19 sites of conservation significance, 1 private game reserve and a biosphere reserve. There are eight formally protected areas within Ingwe. Of these seven are state forest areas and the eighth is the Impendle Natural Reserve. There are also three land claim projects in process (Mnywaneni /Sunrise, Ingudwini Forest, and state land to the north of the Mkhomazi River).

In terms of local economic and social development, the IDP identifies key performance areas relating to economic growth, job creation, culture, etc. Within these is an assortment of LED projects valued at about R12 million to 2017.

The 2014/15 IDP identified a variety of opportunities, somewhat broadly described, and includes:

- Eco-tourism activities and the associated routes
- Agricultural Potential
- Regional/provincial corridor and trade route which carries both local and passing traffic.
- Location in relation to Impendle Nature Reserve and the Ukhahlamba, and the surrounding eco-tourism
- Link to Midlands Meander through Impendle
- Role of Creighton, Donnybrook and Bulwer Town within the district.



- Structures responsible for conservation and planning that operates within Ingwe LM
- Umzimkhulu and Umkhomazi Rivers - Resources for activity and water sports.
- Biodiversity- Birdlife advantageous for (AVI-Tourism)
- Conservation Areas - natural heritage sites etc.

Agro-processing, SMME development, and job creation initiatives (EPWP) - (LED Projects) (CWP) are also mentioned as part of measures to promote and drive local economic development and tourism. Reference is made to local government support to emerging farmers, caterers, crafters and artists, and promotion of tourism with the Harry Gwala Stimela Tour Train as an attraction over the Aloe Festival celebrated in Ingwe. It has detailed plans for a bio-fuel project.

Forestry has been identified as an appropriate vehicle for local economic development through the creation of jobs and addressing poverty in the rural areas. A number of potential new projects have been identified, including the establishment of a timber hub at Donnybrook.

The 2014/15 IDP states that ‘the Harry Gwala District economy is, like in the Ingwe Local Municipality, overly reliant on agriculture which accounts for 38% of GDP.’ As a basis for planning this assumption needs to be questioned. Quantec data for 2013 indicates that agriculture accounts for just 11% of GDP<sup>8</sup>.

In the dairy sector, the IDP mentions attempts to include emerging dairy farmers into the primary dairy sector, through the Heifer project.

In tourism, reference is made to existing products including mountain-biking, canoeing, hiking, rail tourism, birding, missions, and the Aloe Festival.

In terms of broad economic trajectory, the IDP emphasises the continued development of rural service centres/commercial hubs, transport route which also serve as development corridors, and agricultural land which needs to be preserved while also unlocking opportunities for tourism and other economic development initiatives, and the importance of integrating development plans with neighbouring local municipalities within the Harry Gwala District.

#### **4.2.3 KwaSani Local Municipality IDP 1014/15**

KwaSani is described as the gateway to the southern Drakensberg and the Ukhahlamba Park and world heritage site. Owing to its natural beauty, abundant water supply and rich agricultural potential, the area is a notable tourist attraction.

The Agricultural sector is the most important economic sector in the Municipality and the commercial farming sector is well-developed. The main agricultural activities are:

- Beef and Dairy Farming

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<sup>8</sup> Assumptions, narrative and data are often uncritically replicated from year to year within IDPs, and may give rise to planning on the basis of incorrect assumptions.

- Seed Potatoes
- Maize
- Sheep
- Timber.

The second core economy is tourism. Major regional tourism attractions include:

- Ukhahlamba Heritage Park
- Sani Pass
- Vergelegen Nature Reserve
- Lotheni Nature Reserve
- Garden Castle
- Hiking Trails and Rock Art
- Fly Fishing
- Events and adventure tourism.

However, the local population is largely poor and rural. The majority of the population is between the 21 to 34 years old. Agriculture is the largest employer, which is low-paying sector.

The focus of local economic development planning is on tourism, agriculture, and SMME development. Its local economic development programme includes:

- A SMME Incubation Centre
- A strategic economic infrastructure programme
- Dairy sector processing
- A tourism enhancement programme
- Agricultural support in Enhlanhleni, Mqatsheni, KwaPitela, Okhahlamba and Phumlani
- Rock art, mountain and fly fishing guides
- Promotion of trading opportunities with Lesotho
- The development of informal sector trading centre
- A recycling programme

Underberg and Himeville are urbanized. They are surrounded by tribal areas with informal settlement which are reliant on Underberg for employment, goods and services. Underberg is a primary commercial node. Himeville is an administrative centre. Mqatsheni is a potential node where a range of service and economic activities could be concentrated. The IDP proposes a further tourism and recreation nodes at Garden Castle, Sani Pass, and Bushman's Nek.

The R617 is the primary corridor that links the municipality to Howick in the east and Kokstad to the south leading to the South Coast. It serves the commercial agriculture sector, rural communities and as a tourism link. The MR 265 through Coleford Nature Reserve creates a loop around R617 and is a secondary corridor that provides access to additional areas. Local economic development is promoted along these routes in support of the tourism sector.

KwaSani is part of the Port Shepstone/St Faiths/Ixopo Corridor, which has the focus of linking the southern Drakensberg with coastal areas in order to expand tourist destinations and spending options.

KwaSani sees opportunities for investors in property development, tourism and agro-processing.

#### **4.2.4 Ubuhlebezwe Local Municipality IDP2014/15**

Agriculture is said to be the backbone of the local economy, with the main drivers being timber, cropping, and livestock. Tourism is described as a competitive advantage to the local economy, relating to rail, adventure, mission, and avi- and agri- tourism

Ubuhlebezwe has strong north-south linkages and east-west linkages within its region. Ixopo is the primary development node of the Municipality. The municipality faces serious financial constraints, service delivery backlogs, limited land for expansion, and a long standing inability to attract investment into the area. Notwithstanding, it has identified a number of opportunities, including:

- Optimizing the opportunities presented by uBuhlebezwe location along R56 Secondary Corridor as identified in the PSEDS between Pietermaritzburg and the Eastern Cape, P68 Port Shepstone, St Faiths and Ixopo corridor and R612 linking Ixopo to the South Coast and the Southern Drakensberg.
- Tourism potential- missionary tourism, rail tourism, adventure and avi tourism Agricultural and Forestry attributes in terms of soil types, climate diversity and rainfall
- Water Resources, uBuhlebezwe is bounded by UMzimkhulu River and Umkomaas River.

Specifically, its plans to 2017 include:

- **Nodal Development:** Ubuhlebezwe Spatial Development Framework identifies important nodes, such Ixopo (Primary Node), Highflats (Secondary Nodes) and Hlokozi, Hluthankungu, Nokweja, Jolivet, Mahehle (Tertiary Nodes). This is contingent upon attracting inward investment.
- **Development of Highflats Precinct:** Highflats is identified in the Spatial Development Framework.
- **Preparation of the wall to wall scheme** as required in terms of the KwaZulu Natal Planning and Development Act.
- **Establishment of the tourism routes:** Combining mountain/quad bike, hiking and drive route/s
- **Revamping of the Alan Paton Railway:** Restoration of the line between uMzimkhulu to Ixopo.
- **Establishment of the Ubuhlebezwe Visitor Information Centre:** A one-stop facility for tourism information and orientation
- **Land Release Programme:** Accessing land for the development of agriculture, commerce, tourism, manufacturing.

- **Development of Ixopo Public Office Park:** Department of Public Works
- **Development of Ixopo Taxi Rank**

The approach to local economic development is said to be premised on:

- Job creation
- Partnership between stakeholders (local authority, communities, private sector)
- Local leadership
- Entrepreneurship;
- The use of local resources and skills
- Creating an environment that facilitates economic growth

The municipality has LED and SMME, business support and tourism development programmes. Curiously, agro-industry, industrial development, and large-scale tourism development are described as ‘non-preferred’ activities. Its LED projects range from the development of an agricultural plan, to investigating the feasibility of Carisbrooke station, to a cemetery development plan.

#### **4.2.5 uMzimkhulu Local Municipality : IDP 2014/15**

UMzimkhulu is the most populated of the Harry Gwala municipalities, accounting for **39%** of the district’s population. The population of uMzimkhulu is about 180 302 people. Approximately **46.6%** of the population is unemployed out of which about 56.8% are youth. About **90.8%** of the residents live in rural areas, while the remaining 9.2% are urban based.

UMzimkhulu Town and ClydeHGDAle are identified as a single primary node that will function as the main administration and economic town servicing uMzimkhulu Municipality. The areas of Rietvlei and Riverside are identified as Secondary Nodes. The R56 is considered the “primary corridor” which is a movement corridor between Kokstad, Ixopo and Richmond, linking to the Pietermaritzburg N3, Harding that links to Port Shepstone

Major land claims are located on the central and eastern areas of uMzimkhulu and that many of them are unsettled claims requiring major investigation prior to resolution. These are sizeable areas amounting to a total of 23 618 hectares of land located mainly on state land.

In terms of private sector development, there has been increasing retail development in the CBD coupled with major infrastructure investment. Amongst the recent developments, was the opening of the uMzimkhulu Mall as a regional shopping centre servicing the adjacent towns.

In 2011, there were **18753** people employed out of a working age population of 131 008 (This represent a Labour absorption rate of **14.3%**, which is exceptionally low). General government was the largest sectoral employer (**21%**) followed by wholesale and retail (**20%**), together with community services (**20%**). Agriculture accounts for **6%** of employment. In income

terms, 42% of the population had no income, and a further 32% had an income of less than R400 per month.

The largest contributors to the uMzimkhulu economy include the following:

- Finance, insurance, real estate and business services sector with **23.8%**,
- General government services with **18.8%**,
- Wholesale and retail trade, catering and accommodation sector with **15.3%**, and
- Manufacturing sector with **15.2%**

Agriculture only accounts for **7.9%** of the uMzimkhulu local economy

The key agricultural products of the local economy are timber production, citrus and livestock/cattle re sugar cane. Forestry is largely controlled by Singisi Forests (Hans Merensky) who hold 60 000 hectares of forest land. Tourism is undeveloped and comprises nature based ventures.

SMME's account for **19%** of Gross Value Add (GVA). SMMEs' activities in uMzimkhulu include mainly catering & accommodation, retail trade and allied services, construction, restaurants, general dealers, supermarkets, butcheries, professional & financial services, burial services, liquor retailers.

Manufacturing is among the major sectors in the uMzimkhulu economy contributing 15.20% to GVA and 9.8% to the total employment of the municipality. Like the agricultural sector, manufacturing in uMzimkhulu Municipality is a dichotomy between highly developed manufacturing enterprises and subsistence manufacturers. Manufacturing sector in uMzimkhulu is characterized by two main types of activities including the following:

- Whole product manufacturing (60% of the sector), and
- Components manufacturing (40 %)

The manufacturing companies in the area make cement blocks, sawing garments, welding, citrus manufacturing, baking breads, and making card boxes for packaging. uMzimkhulu also has small-scale manufacturing businesses including among others, honey production, brick, and block manufacturing.

In terms of employment, government is the main source of employment. It employs approximately **21%** of the municipal's population. Community, social and personal services and wholesale are the second source of employment each absorbing approximately 20% of the municipal's population, followed by finance 16%, manufacturing 10%.

The uMzimkhulu municipality has allocated the following resources for LED related activities in 2014/15:

Revised uMzimkhulu Tourism Strategy	370 000
Conduct Agricultural awareness campaigns at targeted wards/schools	35 000
Conduct a skills audit of SMME's and Co-ops on the database	60 000
Implement Informal Traders Plan	1 005 000
Implement agricultural plan	1 420 000
Conduct Small, Medium and Micro Enterprise and coop training workshop	200 000
Management of trading facilities (Market stalls) in the old CBD	500 000
Prepare and submit LED business plans to potential funders	310 000
Implementation of the Local Economic Development strategy	300 000
Development of the uMzimkhulu Marketing Strategy	140 000
Facilitate mentoring of Coop	120 00
Coordinate Community Tourism Forum meeting	15000
Coordinate sittings of the community tourism organization	15000
Review of the uMzimkhulu Tourism Strategy	370 00
Conduct tourism awareness campaigns and event (aloe	80 000
Development of Tourism business plans for presentation to potential funders	200 000
<b>Total</b>	<b>5 140 000</b>

**Figure 44: uMzimkhulu Municipality: LED Budget (IDP 2014)**

#### **4.2.6 Greater Kokstad Municipality IDP 2014/15**

The Greater Kokstad Municipality functions as the district node and dominant commercial centre in the Harry Gwala District Municipal. Urban areas in the Greater Kokstad Municipality comprise of Kokstad Town and Franklin. The population of the Greater Kokstad has had a population growth of 17% between 2001 and 2011 to **65981**. Greater Kokstad population is relatively young, with **70%** of the population being youth under the age of 35.

The major economic sectors in the Greater Kokstad Municipality are agriculture, government and community services followed by wholesale and retail. The remaining sectors (manufacturing, business services and construction) are relatively small but appear to play significant role in the local economy

Despite growth in most sectors the municipality has however experienced higher and rising unemployment rates (30.80%). The following are some of the reasons noted for the continued and rising unemployment in the municipal area:

- Growing sectors such as Finance are not necessarily major employers and also require skills that the GKM cannot offer such as finance, actuarial technicians, etc.
- The skewed labour supply which is not aligned to industry needs coupled with lack of new investments in the agricultural sector, construction (which predominantly short term and unsustainable) and declining manufacturing sector hampers local employment creation opportunities.

There are a number of land claims that have been lodged on farms in Greater Kokstad. The priority redistribution is in the Pakkies area. The only transferred redistribution claim within the study area is the Kokstad Commonage redistribution project.

Industrial development is concentrated in Kokstad Town. The Greater Kokstad Municipality is traversed by a number of important transportation routes, such as the N2 Development Corridor that links the area to the major economic hubs of Port Shepstone and Durban and in the KwaZulu-Natal Province and Umtata in the Eastern Cape Province. The town of Kokstad has a good location being on the N2 between the north east and Umtata in the South.

Kokstad CBD is experiencing a gradual but constant process of physical and economic deterioration and decline. However in response to the above current situation, Greater Kokstad municipality in partnership with Harry Gwala District Municipality has conducted an urban regeneration study which aims to achieve the following outcomes:

- Guide the decision makers towards the right direction for the implementation of plans
- Guide the local economic development vision of the municipality which is to ensure an economical vibrant city by strengthening and

diversifying of economic sectors thereby delivering sustainable and affordable services in a safe and healthy environment.

- Improve the physical appearance of the town, allow better functioning and attract investors as well as tourist to the area.

The Greater Kokstad Municipality has also obtained funding from the Kwazulu-Natal department of cooperative governance and traditional affairs through the small town rehabilitation programme to assist the municipality on face lifting its town. The project under this programme entails the rehabilitation of storm water drainage in Kokstad town, provision of parking and sidewalks, urban greening, streetlights and market stalls.

## 4.3 Potential funding sources

The Harry Gwala District has a number of economic development plans and strategies. It is generally consistent and compliant with national and provincial strategies and development policies. These plans need to be practically developed to a point where they can be funded.

There are a variety of funding sources for which proposals can be developed with funds from under a million to well over R350 million available for compliant projects. Potential sources include:

### 4.3.1 DTI

- 12I Tax Allowance
- Capital Projects Feasibility Programme (CPFP)
- Employment Creation Fund (ECF)
- Export Marketing and Investment Assistance (EMIA)
- Incubation Support Programme (ISP)
- Sector-Specific Assistance Scheme (SSAS)
- Tourism Support Programme (TSP)

### 4.3.2 Other

- PIC
- Soft loans with public sector investment through the GEPP
- IDC
- National Treasury (Formerly DBSA) Jobs Fund
- EPWP
- COGTA
- Gijima KZN LCFI: Grants up to R5 million with 20% grantee co-funding.



# 5. Framework for District Catalytic LED Initiatives

## 5.1 Dairy Sector

The dairy sector remains the district's most competitive industry producing **10%** of the milk consumed in South Africa and **35 percent** of Clover Milk is from this area (Diagnostic Report 2012)

But the sector has shown significant concentration and restructuring, with the number of dairy farmers in KwaZulu-Natal having reduced by **29%** in the last 7 years from 385 to 274. The overall national reduction has been even more dramatic, more than halving (**53%**) from 3899 in 2007 to **1824** in 2014.

Harry Gwala accounts for **330 million liters** of raw milk per annum (approximately **904 000** litres per day. (S Roberts, Dec 2014).

Table 4: Number of milk producers per province, 2006 – 2014.

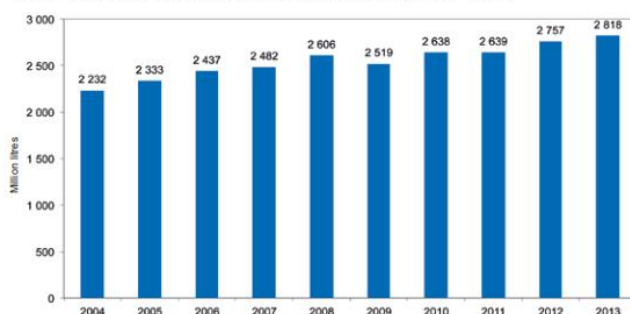
Province	Jan '07	Jan '08	Jan '09	Jan '11	Jan '12	Jan '14	Sep '14	% Change Jan '07-Sep '14
Western Cape	827	815	795	683	647	529	533	-36
Eastern Cape	420	407	387	314	283	264	256	-39
Northern Cape	37	34	37	28	21	25	20	-46
KwaZulu-Natal	385	373	373	323	322	281	274	-29
Free State	987	919	884	601	535	389	316	-68
North West	596	549	540	386	352	233	210	-65
Gauteng	245	228	217	127	126	109	102	-58
Mpumalanga	357	302	286	201	164	117	101	-72
Limpopo	45	38	32	23	24	14	13	-71
<b>TOTAL</b>	<b>3 899</b>	<b>3 665</b>	<b>3 551</b>	<b>2 686</b>	<b>2 474</b>	<b>1 961</b>	<b>1 825</b>	<b>-53</b>

Source: MPO

Figure 45: Number of Milk Producers per Province 2005 – 2014: Milk Producers Organization (2014)

Milk purchases have shown small but steady growth over the period, with an average growth of 2,6% per annum over the past 10 years. 2014 showed a 2, 2% increase up to 2,881 million litres (MPO, January 2015)

Figure 17: Annual raw milk purchases (million litres), 2004 – 2013.



Source: 2004 - 2005 MPO, SAMO, Milk Board  
2006 - 2013 Milk SA.

Figure 46: Annual Raw Milk purchases in South Africa, Milk SA (Nov 2014) Milk Producers Organization (2014)

In terms of various dairy product demands, fresh milk demand has decreased since 2012, while on a 3 year average packed cheeses (**22%**) butter (**10.5%**) and UHT milk (**7.2%**) have shown the largest growth.

Table 1 Retail market growth, formal market

Product	Annual percentage growth for 12 months to				
	Dec-10	Dec-11	Dec-12	Dec-13	Jun-14
Fresh milk	4,6	2,6	-4,8	-5,9	-3,4
UHT milk	5,1	10,6	7,6	8,0	6,0
Flavoured milk	3,5	5,8	16,0	1,5	-0,4
Yoghurt	8,5	8,3	3,9	1,2	1,3
Pre-packed cheese*	8,6	17,8	21,1	17,1	28,4
Butter	6,0	1,1	4,3	17,2	10,1

\* Market movement from bulk to pre-packed cheese may have inflated figures in the past.

Source: Nielsen figures supplied by SAMPRO

Figure 45: Retail product market growth trends: Key Market Signal, MPO, and November (2014).

Retail pricing for dairy indicates a far higher rate of increase then the producer price, reflecting a **300%** mark up from farm gate to consumer.

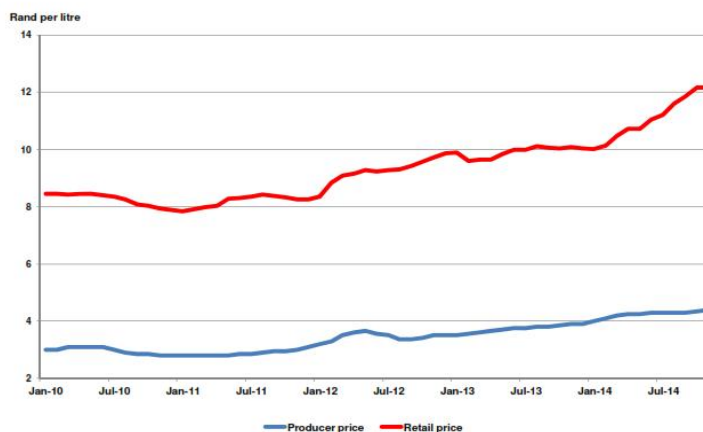


Figure 8 Monthly producer and retail prices, 2010-2014

Source: MPO, Stats SA

Figure 47: Monthly Producer and retail prices: 2010 – 2014: MPO based on Stats SA (November 2014)

The current structure of the dairy industry is geared towards greater consolidation. For the Harry Gwala district economy, this poses significant challenges in terms of broadening participation in the sector, barriers to entry and opportunities for job creation and retention. Proponents of the current consolidation argue that this represents a necessary response to current market conditions over which both producers and processors have little influence. Others point to oligopolistic or monopolistic behavior by both processors and retailers in the supply and value chain, whose market dominance as buyers has resulted in the exercise of market power in depressing prices. (Business Day October 2013).

At a Dairy sector workshop comprising key actors from the Dairy Sector in the district on the 24<sup>th</sup> November 2014, the district's competitive strengths were re-affirmed in terms of the following issues: bio-climatic conditions, proximity to markets, the existing cluster of skills, technology and experience. There was an acknowledgement that the Midlands dairy sector were better placed locationally, but that Harry Gwala District had more potential for expansion through the availability of additional land

Climate, soils, water, altitude - Ideal conditions for dairy
Dairy skills clustering -intergenerational knowledge and innovation
Established farmers – skills, technology and experience
Proximity to markets, although N3/Midlands are better placed
Availability of labour
Availability of additional land/potential for expansion

**Figure 48: Harry Gwala District: Dairy Sector: Competitive Advantages (District Dairy Workshop 24th November 2014)**

Key weaknesses relate to relative distance to market, reliance on external based suppliers and processors, Harry Gwala District's history of weak electricity supply relative to other districts, road quality and the shortage of skills

Issue	Comment
<b>Distance from Market</b>	Less favourably located such as KZN Midlands (N3)
<b>Access to Services</b>	Most services come from outside the area and are provided on a fragmented basis. Most inputs are coming from Pietermaritzburg or further away e.g. Meadow Feeds, DeHeus
<b>Eskom Power Supply</b>	While Eskom has national weaknesses, Harry Gwala's electricity supply problems exceed other districts
<b>Land Redistribution and Restitution</b>	Uncertainty, failed transfer of dairy farms, hobbling investment decisions. The issue had been discussed extensively at the District Land Summit on the 18 <sup>th</sup> November 2014. A "Technical Committee" was to take the process further. HGDA was to be part of the Technical Committee
<b>Processing</b>	Processing largely takes place outside the district
<b>Road Quality</b>	Road quality impacts negatively on the transport of dairy commodities and increases transport costs
<b>Skills</b>	Limited technical and other skills. Lack of Human Resource Planning at district level (demand/supply); lack of support to emerging farmers

**Figure 49: District Dairy Sector: Competitive Disadvantages: District Dairy Workshop, 24th November 2015**

Through the District Dairy Workshop, two potential catalytic initiatives were identified for the dairy sector, to be further examined in terms of further conceptualization and feasibility. These were:

- A supply chain initiative to bring the Umzimkhulu state lands at River Side under dairy linked to increasing the volume of agro – processing in the district

- The establishment of a Whole Milk Powder initiative under very specific conditions.

	Name	Brief Description	Initial “Process Champion”
1.	Whole Milk Powder (WMP) Export Market Development Initiative	The establishment of a Whole Milk Powder Agro-processing capacity in the district. Subject to feasibility due to volatility of international market prices and the need to seek public-private partnership to stabilize supply and sustainability	John Bredin and Clover Trust <a href="mailto:jbredin@futurenet.co.za">jbredin@futurenet.co.za</a>
2.	Riverside State Land Dairy Farm Supply and Value Chain Development	State lands at Riverside highly suitable for expanding dairy supply, linked to infrastructure development (road between Creighton and Franklin) and release/disposal of state land. Also linked to increased Dairy processing opportunities (eg. Creighton dairies)	Thulani Cele, Umzimkhulu Municipality <a href="mailto:celet@umzimkhululm.gov.za">celet@umzimkhululm.gov.za</a> Ken Stone, Creighton Dairies <a href="mailto:stonekc@vodamail.co.za">stonekc@vodamail.co.za</a> Dudley Smith, Ingwe Municipality <a href="mailto:smithd@ingwe.gov.za">smithd@ingwe.gov.za</a>

**Figure 50: Preliminary proposed Catalytic Dairy Initiatives: District Dairy Sector Workshop (24th November 2014)**

## 5.2 Linking Rail Tourism, Rail Freight and the Forestry Sector

This section takes as a point of departure the various feasibility studies, and economic development plans that have been conducted, and frameworks that have been put in place in the Harry Gwala District.

These include The Provincial Growth and Development Plan, The Harry Gwala District Growth and Development Plan<sup>9</sup>, the local and District Integrated Development Plan,<sup>10</sup> the Furniture Manufacturing Proposal for Low Cost Housing.<sup>11</sup>

Two recent studies are of particular relevance. The first is the investigation into the feasibility of rail tourism on the Riverside to Donnybrook rail line.<sup>12</sup> The second is the investigation of the viability of a timber hub in the Harry Gwala District.<sup>13</sup>

The rail tourism study identified the viability of rail tourism contingent upon the rehabilitation of the rail line between Riverside and Donnybrook at a cost of R10 million. Such infrastructure development might be written off over a period of ten years against profits of R6 million in the same period. Given this, such returns might not be sufficient to warrant the required investment.

*The railway line is a significant piece of infrastructure, which could be used to leverage further economic value, development and jobs within the district.*

The study into the feasibility of a timber hub in the district identified specific new projects in the forestry sector (wattle clearance, charcoal manufacture, and mobile saw milling). If developed in the Riverside area these could link to, and make economic use of the railway line, and so justify an investment of R10 million in its rehabilitation.

### 5.2.1 Rail tourism

The 2014 study into the Feasibility of Rail Tourism on the Cape-Natal Branch Line found that 'If the line and stations are rehabilitated, and rail tourism can be run regularly on the line, then the possibility exists to run day train

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<sup>9</sup> The Planning Initiative, The Harry Gwala District Growth and Development Plan (27 November 2014 Final Full Report)

<sup>10</sup> Reference was also made to the minutes of the ANC Harry Gwala District Economic Transformation Sub-committee (November 2014) which referenced initiatives identified in the District Growth and Development Plan (above).

<sup>11</sup> Department of Economic Development and Tourism, 2014

<sup>12</sup> Development Index, The Feasibility of Rail Tourism on the Cape-Natal Branch Line (October 2014)

<sup>13</sup> Department of Economic Development and Tourism, Feasibility Study on the Wood Processing Hub (June 2014)

excursions profitably and potentially extend the operations of the Harry Gwala Stimela as far as Underberg, or beyond.’ In order to make this happen, funds will have to be found for the repair and rehabilitation of the line between Riverside and Donnybrook.

An in-principle agreement has been reached between Transnet and the Ingwe Municipality that Transnet will rehabilitate the line and stations at a cost of R9 million, thereafter Ingwe Municipality will manage and maintain the line. A further R1.3 million will be required to set up a workshop and related infrastructure for the maintenance of the train and rolling stock.

The capital establishment costs are as follows:

#### 5.2.1.1 Capital investment

<b>Item</b>	<b>Cost</b>
Line and station repair & rehabilitation	R9 140 182
Rolling stock repair, workshop facilities & infrastructure	R1 135 557
<b>Total establishment costs</b>	<b>R10 275 739</b>

The capital investment required amounts to R10.2 million. However, direct income from the running of the train is not large, amounting to revenue of R380 000 per annum, or R3.8 million over ten years (unadjusted for inflation).

#### 5.2.1.2 Revenue generated

Ticket price	200
Number of passengers	80
Trips per annum	24
Revenue per annum	R384 000

The enterprise could create 38 direct local jobs in line maintenance and tourism and hospitality at Riverside and Donnybrook. The cost per job is about R168 000.

#### 5.2.1.3 Jobs created

Track and perway maintenance	11
Train operations and maintenance	5
Catering	5
Tourism related at Riverside and Donnybrook <sup>14</sup>	17
<b>Total</b>	<b>38</b>

If the capital investment in the line is written off over a period of 10 years, it will be matched by just R3.8 million in direct income from the train.

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<sup>14</sup> Notionally: Catering for visitors at Riverside - 5 jobs; Station cleaning and maintenance – 2 jobs; perway maintenance – 10 jobs.

Further revenue could be generated through diversifying rail tourism offerings such as overnight luxury trips, and through developing tourism related community-driven products at Riverside and Donnybrook.

What is clear from the data is that the rehabilitation of the line and stations between Donnybrook and Riverside makes a significant positive impact on the economic viability of rail tourism, and could also create employment for 38 local people.

However, the generation of R3.8 million over ten years against an investment of R10 million may not be sufficient to justify such investment.

Additional economic activities associated with the rehabilitation of the railway line will make investment in the rehabilitation of the line economically attractive. Such economic value-adding to the railway line can come through clearly defined projects in the forestry sector.

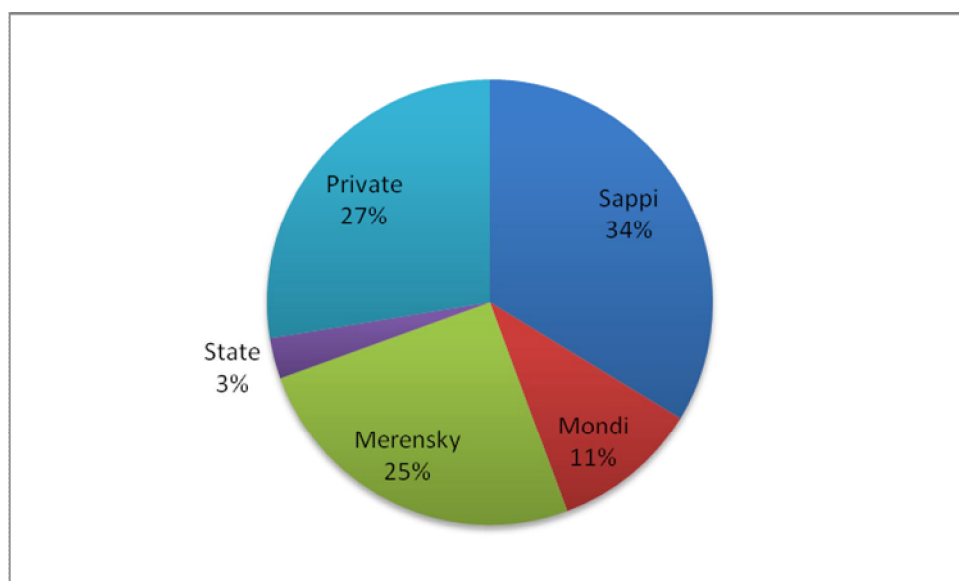
### 5.2.1 Forestry

Some 114 873 Ha of land is under forestry in the Harry Gwala District.<sup>15</sup>

	<b>Eucalypt</b>	<b>Wattle</b>	<b>Pine</b>	<b>Clearfell</b>	<b>Mixed</b>	<b>Total</b>
<b>Sappi</b>	17414	7099	8485	5638	72	38708
<b>Mondi</b>	5960	958	2880	2438	14	12250
<b>Hans Merensky</b>	6111	3077	9798	9779	86	28851
<b>State</b>	589	23	1854	913		3379
<b>Private</b>	18255	5404	4678	2807	540	31685
<b>Total Area</b>	<b>48329</b>	<b>16561</b>	<b>27695</b>	<b>21575</b>	<b>712</b>	<b>114873</b>

**Figure 51: Status of Forestry Sector: Harry Gwala District: Feasibility on the Wood Processing Hub: DEDT (June 2014)**

Ownership is divided as follows:



**Figure 52: Status of Forestry Ownership: Harry Gwala District: Feasibility on the Wood Processing Hub: DEDT (June 2014)**

The Department of Economic Development and Tourism's Feasibility Study on the Wood Processing Hub (June 2014) examined potential industries within the forestry value chain. The analysis emphasized the importance of locating enterprises near raw material supply in order to access processing. It recommended that the concept of a Wood Processing Hub be reviewed to focus on partnerships with existing processors.

It recommended the clearance of alien invasive plants and the afforestation of 25 000 hectares of commercial plantation in the uMzimkhulu catchment.

It also recommended the processing of lumber for use in the construction of Timber Frame Housing. This was the subject of a separate specific proposal.<sup>16</sup>

The different options recommended include:

- Sawmilling (mobile and fixed).
- Charcoal.
- New afforestation
- Timber related businesses in furniture manufacture
- Construction of timber frame housing.

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<sup>15</sup> Data from, Department of Economic Development and Tourism, Feasibility Study on the Wood Processing Hub (June 2014).

<sup>16</sup> D. Dobson, Furniture Manufacturing Proposal for Low Cost Housing (Department of Economic Development and Tourism, (October 2014). The HGDA may wish to consider this proposal. It is not discussed here since the focus is upon creating economic linkages with the rail infrastructure.



The study's SWOT analysis clearly revealed the need to approach any wood processing venture on a partnership basis.

It is possible to link forestry related projects to the use of the Riverside to Donnybrook railway line in a way that will add value to local communities, the forestry sector, and the rail tourism sector.

### **Wattle and alien invasive clearance**

The feasibility study suggests that 25 000 ha of alien weeds be cleared and planted to commercial forest over an 8 year period, creating 741 permanent jobs. The Department of Water Affairs has apparently agreed to permit new afforestation in the Umzimkhulu catchment on condition that a comparable area of alien invasives are removed. This alien vegetation has the potential to provide raw material for charcoal businesses.

### **Saw milling**

'Small mobile sawmill operators have low fixed costs and mobility and are well positioned to establish themselves under current market conditions. However, they need access to a new market that does not compete with already established sawmilling activities. In the case of sawmilling the cost of the logs delivered to the saw mill plays an important role in the profitability of the venture. Log transporting costs have a significant impact on sawmill profitability. Crickmay and Associates (2013a) cite an example from their Intermill comparison using a transport range of 31 km to 40 km where the lowest transport cost was R1.47/m<sup>3</sup>/km and the highest being R2.89/m<sup>3</sup>/km. The difference between the two of R1.42/m<sup>3</sup>/km over 35 km amounting to R49.70/m<sup>3</sup> of log or R104.74/m<sup>3</sup> for the lumber which, if saved, would naturally boost profits.'<sup>17</sup>

Profits have implications for the sustainable employment, for continued investment in the area. The economic impact of reducing the cost of transportation through utilization of the railway line is therefore significant.

The study estimated that a mobile sawmill could process 8m<sup>3</sup> per day, or about 2000 m<sup>3</sup> per annum. Earnings before tax and interest would amount to R978 per m<sup>3</sup>.<sup>18</sup> With production of 2000m<sup>3</sup> per annum, this is income, after the costs of sales, of R1 956 000 per annum. A series of mobile operations is possible, each potentially employing 10 or more people.

Mobile saw milling is a suitable small enterprise, with relatively low capital start up costs (between R80 000 to R100 000), with the potential to create jobs in the community, and to link to rail freight on the Riverside to Donnybrook line.

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<sup>17</sup> Ibid.

<sup>18</sup> Ibid. p. 42.

## **Charcoal**

Charcoal manufacture is another relatively low tech enterprise suitable to new entrants with low capital requirements (R75 000 for a kiln). Local producers could be set up, but would need to partner with existing industry operators in order to access the market. However, jungle wattle is a relatively abundant and available raw resource.

The timber hub feasibility study noted that kiln operators would need to burn charcoal close to the timber source. The charcoal would then be delivered to an industry partner bagging and delivery. It noted that Silicon and Blaze Charcoal are already involved with Working for Water in the alien clearing operation underway in the uMzimkhulu catchment.<sup>19</sup>

The feasibility study indicates that charcoal manufacturing has low barriers to entry, a ready market, and opportunities for multiple small operators, and modest profitability. A single operation could employ 15 people and produce 2 400 tons per annum, generating revenue of up to R1 million.

Charcoal production does not necessarily link to, or add value to the development of rail freight between Riverside and Donnybrook since mass is likely to be low and rail freight is not necessarily required. It does, however, follow as a logical enterprise if alien invasive and wattle is clear to make way for commercial forestation in the Riverside area, which could profitably make use of rail freight.

### **5.2.3 Timber rail freight**

Of the private operators, the Mabandla Trust is the first community owned and driven forestry enterprise. It was established in 1999 as a land reform project supported by government. It owns land 20 km south of Riverside, stretching up to the Coleford Nature Reserve. Initial planting of 1300 Ha was harvested in 2007, with a further 900 Ha under rotation on a nine year cycle. It is a professionally managed, profit-making operation with an established skills development programme, and generates revenues of R14 million per annum, with profits accruing to the community, and it has 120 permanent employees.

Expansion plans include the establishment of a sawmill with funding from the IDC to the value of R4 million, the establishment of a further 7000 Ha under pine under a biodiversity agreement with Ezemvelo Wildlife in the Mgano Nature Reserve, the cultivation of hazel nuts under commission to Ferero Roche, and the establishment of a commercial seedling nursery.

It has also set up Mgano Eco Adventures, and adventure tourism subsidiary operating in the Riverside area. This has potential to link destination activities for passengers on the steam train once it arrives at Riverside.

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<sup>19</sup> Ibid. p. 51-53.

Presently harvested timber is freighted by road to Donnybrook where it uses the Transnet railway siding for loading timber for onward transport using Timber 24 as its contractor to transport timber to Sappi Saiccor in Umkomas.

Road transport of timber is significantly more expensive than rail freight in terms of capital investment and operating costs. For example, the Mabandla Trust has had to raise capital of R2.5 million through the IDC specifically for the transport of timber by road to Donnybrook. Thereafter, it must make use of an external contractor at a rate of R324/ton to transport its product the 190 Km to Umkomas.

The Mabandla Trust estimates that if it were able to use the line between Riverside and Donnybrook for timber freight, the transport cost would drop to R196/ton, a saving of R130/ton. With present volumes of 21 600 tons per annum being dispatched from Donnybrook, this would amount to R2.8 million per annum in additional profits which would accrue directly to the bottom line of the Mabandla Trust for potential use in economic development, job creation, and community upliftment projects.

Put differently, the use of the line between Riverside and Donnybrook for timber freight could increase profitability by 23%.

## 5.2.4 Summary

Linking the rehabilitation of the railway line between Riverside and Donnybrook to tourism, timber freight and other forestry related projects creates a strong case for the investment of R 10 million in its rehabilitation. This investment could be matched in revenues generated in just one year. Normally infrastructure is written off over extended periods. In ten years, revenues arising from the R 10 million investments could be R 119 million, a return of 116% in one year, and over 1000% over ten years.

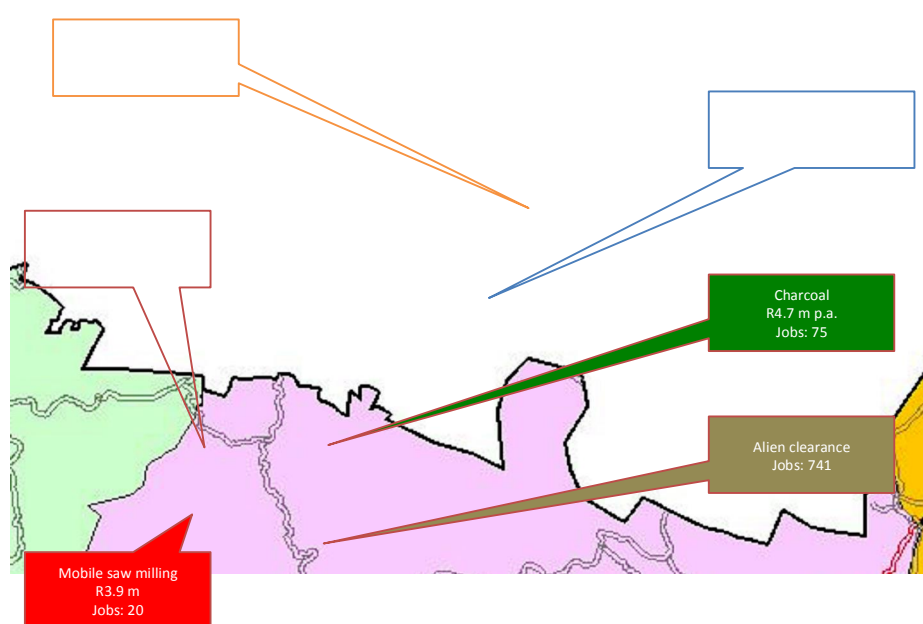
	Revenue over 1 year	Revenue over 10 years	Jobs created
Steam train	R384 000	R3 840 000	21
Tourism-related, Riverside <sup>20</sup>	R117 300	R1 173 000	17
Timber freight (Mabandla Trust) <sup>21</sup>	R2 800 000	R28 000 000	28
Wattle and alien invasive clearance	-	-	741

<sup>20</sup> R115/day 5 days per month, linked to preparation and running of train.

<sup>21</sup> Estimate based on 120 employed, increased by 23%, in line with increased profitability.

Charcoal <sup>22</sup>	R4 764 000	R47 640 000	75
Mobile saw milling <sup>23</sup>	R3 912 000	R39 120 000	20
<b>Total</b>	<b>R11 977 300</b>	<b>R119 773 000</b>	<b>902<sup>24</sup></b>

If linked to other economic activities, particularly timber freight, even on a limited scale, the investment of R10 million in the rehabilitation of the Riverside to Donnybrook railway line presents a strong case in terms of economic value added, and in terms of job creation.



### 5.2.5 Recommendation

The Jobs Fund has an open window for agriculture-related concept note proposals. This closes on 27 February 2015. It is recommended that a concept note be produced and submitted.

The concept is that a total of R20 million can be raised from the Jobs Fund (R10 million) and DCOG (R 10 million) by linking the rehabilitation of the Riverside to Donnybrook rail line, with rail tourism, timber freight, and forestry-related projects.

This can be achieved in the following way:

<sup>22</sup> 2400 tons per annum @ R397/ton. Indicatively, 15 employees. 5 (up to 10) operations are possible.

<sup>23</sup> Assumes 2 mobile operations (more is possible), each employing 10 people.

<sup>24</sup> Given R10 275 739 investment in the railway line, and 902 jobs created. The average cost per job is just R11 397.

- The HGDA partner with the Mabandla Trust to manage job creation projects in the forestry sector
- The HGDA leverage matching funding of R10 million from DCOG for the rehabilitation of the railway line
- Projects will be in wattle clearance and reforestation in the Riverside area, charcoal manufacture, mobile saw milling as identified as economic opportunities in the Department of Economic Development and Tourism, *Feasibility Study on the Wood Processing Hub* (June 2014)<sup>25</sup>

This core funding could also be linked to additional projects for which seed funding should be found. Such projects could include:

- Community-run entertainment for steam train tourists upon arrival at Riverside
- Catering for train passengers at Riverside
- Cleaning and maintenance of the station at Riverside and Donnybrook
- Community-based perway maintenance and invasive alien clearance along the railway line in the vicinity of Riverside.

Additionally, the linkages could be established between the steam train operation and Mgano Eco Adventures to develop of more diversified tourism offering.

A further proposal could be developed for the clearance of alien invasive, materials from which could feed the charcoal enterprises. This could be put to the Department of Water Affairs, or the Extended Public Works Programme.

There exists an opportunity to bring the Riverside – Donnybrook Railway line into operation for both Rail Tourism and Forestry freight transport that will contribute positively to local economic development in both Umzimkhulu, and Ingwe.

Forestry is a potentially significant user of a rehabilitated railway line between Riverside and Donnybrook. Timber freight has usually to be transported by road to Transnet main network lines for onward transport. Rail freight could be R130 cheaper per ton than it is by road. This is a potentially very significant. Forestry yields between 450 000 and 600 000 tons of utilizable timber per year. Annual turnover of the plantations and sawmilling sector is estimated to exceed R300 million. While the figures have not yet been quantified, any forestry operation within 50 km either side of the Riverside to Donnybrook line would likely benefit from the use of the line for freight.

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<sup>25</sup> See specifically, Department of Economic Development and Tourism, *Feasibility Study on the Wood Processing Hub* (June 2014).

## 5.3 Integration of Emerging and Small Contractors in the Infrastructure Sector

### 5.3.1 Introduction and Rationale

These initiatives and projects are influenced by the strategic vision and objectives of the Harry Gwala Development Agency (HGDA). This initiative seeks to establish systems and mechanisms that will align emerging and small contractors to infrastructure projects within the Harry Gwala District Municipality.

The proposal is to re-orientate and enhance the planning and delivery of infrastructure development starting with infrastructure projects of the Harry Gwala District Municipality.

It suggests an incubator-type approach where qualifying contractors (recruits) would receive a basket of accredited and quality assured skills training, technical supervision and business mentorship for them to succeed in the executing of their infrastructure projects spanning beyond one year.

This approach plans to prepare the targeted contractors to graduate to higher levels (based on CIDB Grading) and for them to increase local employment opportunities.

The entire built-environment sector provides multiple opportunities. These opportunities are available in the following infrastructure projects;

- Low cost housing by local municipalities
- Community water supply projects by Harry Gwala District Municipality
- Household sanitation projects by Harry Gwala District Municipality
- Construction and maintenance of district and access roads by the District Municipality, local municipalities and the KZN Department of Transport
- Farming infrastructure provided by the national Department of Rural Development and Land Reform, and by KZN Department of Agriculture and Rural Development
- Provision of community infrastructure like clinics, halls, schools, crèches, etc by other KZN departments/bodies

However, this report notes that the emerging and small construction sector faces at least three major constraints that inhibit their participation in infrastructure programmes. There are;

- Complicated entry into public and private infrastructure projects. The procurement net seems to miss many deserving emerging and small contractors. It appears that there is no role for co-operatives in this sector.

- Those contractors that secure public sector contracts tend to fail in their first year of operation as a result of delayed payment by the public sector. This is aggravated by inability to access to loan finance.
- Lack of management skills. Although some contractors may have requisite technical skills, many still do not have the required business management capacity.
- The disintegrated supportive institutional arrangements further aggravate the status quo. This phenomenon is largely evidenced by ever ending delays of payments by the public sector institutions.
- The public sector, and particularly the Harry Gwala District Municipality and its five sister local municipality has a huge spend in water and sanitation provision, bulk electricity provision, precinct development and low cost housing projects.

The purpose of this planning report is to motivate Harry Gwala District Municipality to consider the following initiatives in the next five years, to;

- use its annual Municipal Infrastructure Grant (MIG) allocation particularly water and sanitation provision programme to design and implement initiatives that will see many emerging and small contractors benefiting and graduating to higher levels
- attract other state entities/departments particularly the Department of Public Works and the Department of Rural Development and Land Reform to replicate best experience of the project
- target strategic projects in each of the local municipalities to test, learn and improve this programme in the first year with a view of rolling the programme out to the entire District Municipality
- prioritize the operation and maintenance (O&M) of community water supply projects/schemes, rural sanitation and school sanitation by embracing the non-governmental organisation and co-operative O&M models

In the context of LED, infrastructure is a key determining factor to enterprise development and location. Business enterprises prefer to locate in areas with adequate infrastructure and services such as roads, water, electricity, social infrastructure and so forth. Infrastructure provision and service is in the domain of local government.

This planning report proposes that the Harry Gwala District Municipality leads by example. It proposes that the District Municipality uses its Municipal Infrastructure Grant (MIG) allocations for water and sanitation services to initiate, plan and implement this project for the next five years.

It also proposes that HGDA targets a specific number of emerging contractors (including aligned service providers and co-operatives) and offer opportunities to participate in this initiative.

### 5.3.2 The Project Goal

To contribute towards the empowerment of emerging and small contractors (and aligned service providers) in disadvantaged communities by developing a viable, skilled work force in the construction and building sector.

This motivation is influenced by the Construction Sector Transformation Charter that wants to achieve the objectives of the BBBEE Act by advancing the historically disadvantaged contractors through targeted procurement, skills development and overall capacity building interventions. It is also influenced by the experiences of Vukuzane Emerging Contractor Development by the KZN Department of Transport and the Masakhe Emerging Contractor Development by the KZN Department of Public Works.

Both programmes have a robust database system that affords the two Departments an effective tool inclusion of emerging contractors, and for ongoing performance monitoring of participating contractors and the programme impact assessment in relation to the sector transformation agenda, that is, Construction Sector Transformation Charter. There are two main objectives of the Vukuzakhe and Masakhane Emerging Contractor Development.

- Objective 1: To establish and operate a structured, focused and effective programme for emerging contractor development
- Objective 2: Promotion of SMMEs and increased spending to emerging contractors so that the construction sector transformation agenda can be realised

These two objectives are realised by;

- Establishing a credible database of emerging contractors which profile the HDI status, technical and business management competence, performance monitoring and a system designed to elevate participating emerging contractors through the CIDB grading system
- Creating and sustaining a conducive environment in which emerging contractors can thrive, and most importantly by facilitating access to markets (targeted procurement), business and technical training and mentorship and financial support;

It is imperative the District Municipality and the HGDA learn from these experiences in order to design a simple but useful database (procurement) system and capacity building programme for the targeted emerging contractors.

#### 5.3.2.1 Project Objectives

There are three main objectives of this initiative.



- Objective 1 To design a programme that will facilitate the skilling of work force in all disadvantaged communities to participate meaningfully and benefit in the water and sanitation construction sector. This project wants to recruit and to mentor (incubate) emerging and small contractors.
- Objective 2: To support the Harry Gwala District Municipality to mobilise additional funding (and technical support) to pilot and roll-out this project in the entire District in the next three years. Emerging and small contractors (and aligned service providers) will be recruited, trained, contracted and supervised (and/or incubated) to execute their contracts successfully.
- Objective 3: To build and mentor community based teams (contractors) to support the operation and maintenance (O&M) of community water supply schemes and school sanitation facilities in the District. This will be realized by supporting the establishment of block and concrete manufacturing companies and/or co-operatives in three local municipalities.

#### 5.3.2.2 Project Deliverables

The main deliverables and results of this project include, but not limited to;

- A simple programme of action to train, capacitate, supervise and mentor and emerging and small contractors to participate in the built-environment sector of the District
- A selection criteria or procurement plan for emerging and small contractors and aligned service providers
- A minimum of 5 emerging contractors and/or co-operatives are recruited and supported each year.
- A database of emerging and small contractors (including aligned service providers)
- A list of funded projects (current and planned) where the selected contractors will be deployed
- A training and capacity building plan emerging and small contractors that include specific EPWP procurement documentation, specifications and standards is developed
- Performance management guidelines and procedures to ensure quality service delivery by contractors are developed

#### 5.3.2.3 Project Description

The following are ten key performance areas that have been identified for this project. These are;

- Establish an oversight Project Steering Committee (PSC) constituted by the two heads of departments/executive directors (Water Services Authority and Infrastructure Services Department) of the Chief Executive Officer of the Harry Gwala Development Agency to lead this project

- House and co-ordinate this project from the Harry Gwala Development Agency
- Investigation of cost-effective ways and means to increase emerging and small contractor involvement in the provision, operation and maintenance of water and sanitation services infrastructure that should result in the co-ordinated approach of engaging emerging and small contractors
- Identification (and allocation of budgets) of all community water supply projects that are at the operations and maintenance phases
- Identification of schools that require operations and maintenance service of their sanitation facilities and sourcing of funding from the KZN Department of Education and the Department of Public Works
- Identification (and allocation of budgets) of large current and/or planned sanitation projects in each local municipality
- Identification (and allocation of budgets) of current and/or planned community water supply projects
- Co-ordination and monitoring of training and supervision programmes to ensure acceptable training standards are maintained and that the environment for skilled persons is sustained
- Transparent and simple procurement system of the emerging and small contractors (and aligned service providers) to participate in this project
- Secure participation of public supporting institutions, mainly, the national Department of Rural Development and Land Reform to co-ordinate collaborative dialogue with state institutions such as the Department of Water and Sanitation, the Energy and Water SETA, the Local Government SETA, the Construction SETA (CETA), CIDB, the KZN Department of Education and the KZN Department of Public Works

### 5.3.2 3 Opportunities

The Water Services Act (1997) makes provision for the regulation and provision of water services. It establishes two instruments within the district municipalities, that is, the Water Services Authority (WSA) and the Water Services Provider (WSP). The WSA is responsible for planning and regulation of water services while the WSP is charged the delivery of water services to the users (communities). In other words the WSP is responsible for the operation and maintenance of water services.

This planning report is influenced by the findings and recommendations of the sanitation status quo study published by the Department of Performance Monitoring and Evaluation in The Presidency in March 2012. The report is titled, “Sanitation Services - Quality of Sanitation in South Africa, Report on the Status of Sanitation Services in South Africa”. This study was championed by Department of Performance Monitoring and Evaluation in The Presidency (DPME), and supported by the Department of Human Settlements (DHS), the Department of Water Affairs (DWA), the Department of Cooperative Governance and Traditional Affairs (DCoGTA) and National Treasury (NT).

The study made some startling findings that 1.4 million households have no access to a sanitation service and 3.8 million households have no adequate access to sanitation albeit having benefited from the sanitation programme.

In particular, this report concluded that the Harry Gwala District Municipality had a sanitation backlog of 78 919 units or 14.2% of the KwaZulu-Natal province backlog. Two years later the KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (DCoGTA) found that 56 689 or 50.5% of households were still not provided with sanitation facilities – which was 22 230 households less.

#### 5.3.2 4 Investigation of Cost Effective Ways to Increase Emerging and Small Contractor Involvement

In developing a strategy that addresses emerging and small contractor development, the following should be borne in mind:

- That the three major constraints should be resolved. These include
  - finding ways for opening contractor opportunities to the greatest number of community based operators;
  - payment of contractors within 30 days; engagement of financial institutions to extend necessary credit to the contractors;
  - providing structured and focused institutional support by the public sector and the enhancement of both technical and business management skills.
- That not everyone has the aptitude to become a contractor. Therefore this initiative should prioritize the existing contractors that demonstrate the required prerequisite expectations.
- That not all emerging and small contractors will benefit at the same time. The number of emerging contractors that will benefit will depend on the volume of available in the market place.
- That the initiative will focus on scarce skills and shall endeavour not to create an over-demand in certain skills
- In order that the aforementioned issues may be effectively managed, it is essential that an integrated, structured approach be adopted in the implementation of a development programme for emerging and small contractors.

It is therefore recommended that this project should be championed collaboratively by the Harry Gwala Development Agency (HGDA), the Infrastructure Services Department, the Water Services Authority (WSA) and the Water Services Provider (WSP) of the District Municipality. However, it is highly recommended that the HGDA appoints a project leader that will breathe life into this project.

#### 5.3.2.5 Co-ordination of M&E of Training and Supervision

There are three main human resource development components in the infrastructure industry. These are trade skills, project management and business management skills. However, the emerging and small contractors require that these skills be broken into smaller (reasonable) and achievable

training units. And for this reason, the Harry Gwala Development Agency should take a lead facilitation role to bring the key institutions in skills development in the construction sector. These are the Construction SETA (CETA), the Energy and Water SETA (EWSETA), the local FET College, the Department of Labour and the CIDB. These institutions will be able to take the emerging and small contractors through the required development path.

The training and capacity building programme should produce competent contractors that are ready to contracts as laid down by the CIDB in areas of general building and maintenance and civil works. A small percentage of these contractors should be trained of operation and maintenance of community water schemes and school sanitation facilities.

#### 5.3.2.6. Key Roles of an Oversight Project Steering Committee

##### 5.3.2.6.1 The Harry Gwala Development Agency

The Harry Gwala Development Agency (HGDA) is an entity that has been established by the Harry Gwala District Municipality to execute a specific mandate of facilitating and promoting Local Economic Development (LED) in the District Municipality. The LED priorities such as the creation of sustainable jobs opportunities, facilitation of LED aligned skills development initiatives, alignment of SMMEs and co-operatives to participate meaningfully and profitably during and after the construction phases of infrastructure projects falls squarely onto the HGDA.

##### 5.3.2.6.2 The Water Services Authority (WSA) Department

The Water Services Act (Act 108 of 1997) makes provisions for two critical structures within the Local Government in the provision of water and sanitation services, i.e. the Water Services Authority (WSA) and the Water Services Provider (WSP).

And, in this instance, the Water Services Act establishes Harry Gwala District Municipality as a Water Services Authority (WSA).

The WSA Department is therefore responsible for providing regulatory oversight which includes planning and performance monitoring of water service provision priorities. This Department is also responsible for securing funding from public sector institution to fund the planning and construction phases of the dam.

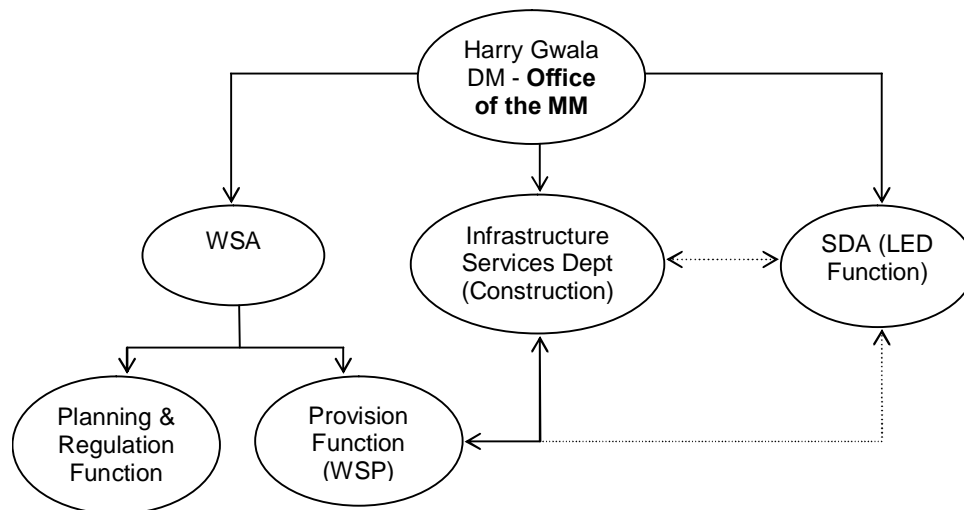
In other words, the WSA is responsible for planning of projects and ensuring that water services projects are fully operation. The provision function is executed by the Water Services Provider (WSP) which is established by the WSA.

##### 5.3.2.6.3 The Infrastructure Services Department

The implementation of approved water and sanitation projects is not only the responsibility of the WSA Department but of the Infrastructure Services Department. This Department is responsible for ensuring that approved

infrastructure projects are implemented in accordance to prevailing policies, standards and procedures.

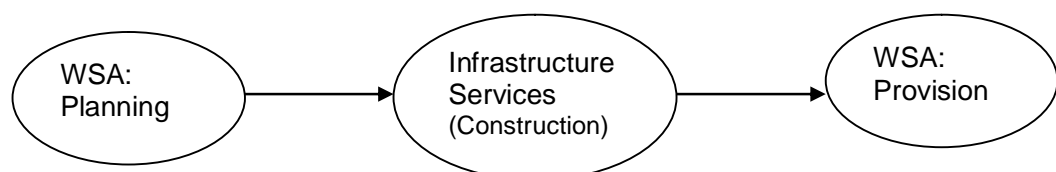
#### 5.3.2.6.4 Interface: WSA, Infrastructure Services Department and the HGDA



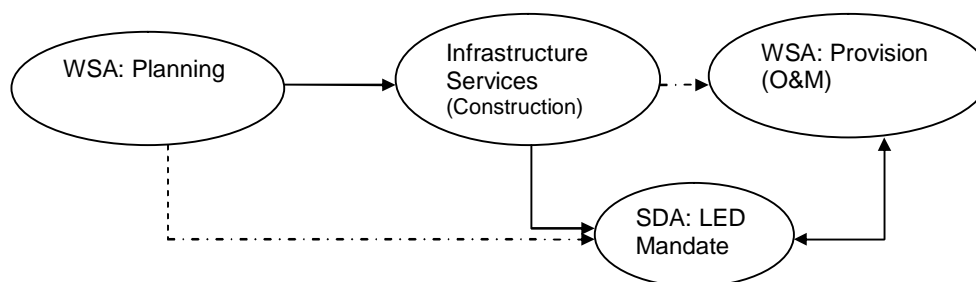
**Diagram showing interface amongst the 3 municipal institutions**

The WSA Department is responsible for both planning and provision of water and sanitation services. The provision function is the core mandate of the Water Services Provider (WSP) within the WSA.

The WSA delegates the implementation of infrastructure (construction) functions to the Infrastructure Services Department. The Infrastructure Services Department constructs and commissions water services projects and hands back them to the WSA so that the WSP can execute its operations and maintenance (O&M) mandate. In a linear presentation, the current water services provision function looks like this.



The proposed water services provision function will look like this.



#### 5.3.2.7. Emerging and Small Contractor Development Path

Emerging and small contractors will follow a simple path skills development and supervision programme specifically designed for civil and particularly water and sanitation operation and maintenance. The following approach and programme is recommended;

- Study, analyse and identify pilot projects in each of the local municipalities where emerging and small contractors will be deployed during training and mentorship phase
- Engage the public skills development institutions, i.e. EWSETA, CETA, the CIDB and the Department of Labour. The NYDA is one of the key players that should participate in this initiative.
- Allocate ring-fence annual budget for the contractors in the identified projects
- Study and analyze the current database of contractors
- Identify and agree the selection process of contractors
- Verify whether contractors are operational, CIDB level, current jobs etc
- Advertise locally calling emerging and small contractors in the water and sanitation sector
- Adjudicate, identify gaps in the procurement approach and put corrective measures in place
- Invite selected contractors to an introductory meeting to present a construction and business management course (and present the full training and capacity building programme)
- Allocate pilot projects to the contractors and provide on-going supervision and mentorship

#### 5.3.2.8. Targets: 2015/2016 to 2017/2018

The following interventions are proposed in the first three years of the project.

- This will commence with detailed planning amongst the 3 institutions in the District. These are the WSA Department, the Infrastructure Services Department and the Harry Gwala Development Agency.
- The scope of work and the terms of reference for the oversight Project Steering Committee (PSC) should be drawn up and adopted as part of this LED Strategy and Implementation Plan.
- A specialist service provider should be engaged to assist the oversight PSC to plan and develop a detailed implementation plan.

- It is recommended that a minimum of 5 emerging and small contractors are recruited and contracted each year for this project. It is also recommended that some of these contractors should be co-operatives that should take the operation and maintenance (O&M) functions for the stand-alone community water supply projects and school sanitation maintenance projects.

The following is further recommended;

- Ring-fence at least R30 Million (R25 Million for construction and R5 Million for O&M) solely for emerging and small contractors this financial year.
- Resuscitate the Umzimkhulu Sanitation Manufacturing Plant and establish another plant in Highflats (Ubuhlebezwe Municipality) in order to supply the entire District. A new equity scheme should be developed to cater for private equity, co-operatives and the civil society ownership. This is discussed in details in the next section.
- Set up and/or support co-operatives to support the WSA to operate and maintain community water schemes. These co-operatives should also be established to maintain not more than 10 school sanitation facilities in their neighbourhood. The funding for the maintenance of school sanitation facilities should be provided by the KZN Department of Education through the Department of Public Works.
- Support 10 emerging and small contractor to graduate from CIDB level 1 or 2 to level 3 in the first year of the project. Some contractors will take construction jobs in water projects and others in sanitation projects.
- Engage the EWSETA to provide grant funding to recruit and train youth and women as water monitors and others to be trained as sanitation and health promoters. These will be targeted skills programmes.
- Engage a reputable non-governmental organisation (NGO) to assist with sanitation and health promotion in water and sanitation projects in the District.

## 5.4 Youth integration into local economic development strategy and implementation plan

### 5.4.1 Challenges Facing the Youth Sector

The main challenges facing youth are discussed below.

#### 5.4.1.1 Unconvincing Interest in Self-employment

There is a gross insufficiency of incentives when it comes to self-employment and entrepreneurship. The Harry Gwala Development Agency (HGDA) needs to resolve two major contradictory perceptions;

- that the youth has not shown interest in self-employment, and

- a general fallacy that the majority of youth favours self-employment as opposed to employment.

What is evident is that the majority of youth is looking for internships and opportunities of employment. This may be blamed to the nature of rural economies and lack of access to suitable financial services that continue to challenge the emerging enterprises. This is one major albatross for youth to enter the self-employment sector.

#### 5.4.1.2 Lack of Co-ordination

There is lack of co-ordinated effort in most areas of youth development such career guidance, skills development, social development and entrepreneurship. Social development of the youth cannot be relegated to the periphery if we want the youth to participate meaningfully to economic development.

The tendency by local municipalities of the district municipality is to operate independently from each other. This does not only undermine their development potential, but also the potential of the District Municipality. And in this instance, the Harry Gwala District Municipality is constituted by 5 local municipalities that are supposed to work together in all service delivery initiatives.

#### 5.4.1.3 Insufficient Technical and Financial Support

A lot of opportunities have been identified. And a lot of projects have been suggested in the past, but unfortunately there has been insufficient technical and financial support for these projects. Currently there is not funding model for the youth development programmes. The solution to this quagmire lies with the District Municipality establishing a Development Fund that will provide incentives and small loans to youth enterprises. However, it will also be useful to explore partnerships especially with non-governmental organizations and international donors to fund this initiative.

#### 5.4.1.4 Poor Skills Development Co-ordination

The agriculture sector is the dominating sector in the District Municipality. Business tourism and government services are also recognised in the Municipality. The challenge is that the efforts of investing on skills development so that the youth can be absorbed by these industries have not produced results yet. For instance, it remains very hard to prove that the public sector is absorbing the youth into infrastructure projects or the built-environment sector such as low cost housing, town regeneration, water provision (and maintenance), household sanitation and provision of electricity.

#### 5.4.1.5 Limited Capacity to Absorb Learnerships and Internships

The capacity of local government to develop inclusive and fundable Workplace Skills Plans (WSP) has always been under the microscope. Many



municipalities tend to focus to mobilize resources from the Local Government Sectoral Education and Training Authority (SETA) and ignore other programmes from other SETAs. The local industry is yet to share its Social Labor Plans with the local government.

Although there is recognition that the District has no control over the external drivers of job creation, but lack of co-ordination between local employers in the Harry Gwala District Municipality and training providers remain the biggest constraint yet to be resolved.

### **5.4.2 Key Legislative Instruments Supporting Youth Development**

A handful of pro-youth development instruments (policies and strategies) have been enacted since democracy. These are;

- National Youth Commission Act (Act No. 19 of 1996)
- The National Youth Development Policy Framework 2002-2007
- The National Youth Policy 2009-2014

#### **5.4.2.1 National Youth Commission Act**

The National Youth Commission (NYC) was mandated with tasks for advancing youth development priorities. The NYC and supportive policy documents are informed by two major underlying principles.

- First, it is about the provision of opportunities to the youth through the programmes and services provided by all development sectors in the country, namely, the public sector, the business community and the civil society sector – in order to enable the youth to reach their full potential as active participants in society.
- Second, and related to the point above, it is about the active involvement of the youth in national development through promoting a spirit of co-operation and co-ordination of government departments, non-government organization and youth groups in youth development

#### **5.4.2.2 National Youth Development Policy Framework**

The National Youth Development Policy Framework 2002-2007 was developed by the National Youth Commission. It is aimed at promoting holistic and integrated approach to youth development through the identification of strategic intervention areas to address specific needs, challenges and opportunities confronting the youth of South Africa. It sets out in a comprehensive guide for youth development. It also provides an outline for the mainstreaming of youth development as an integral part of the broader transformation project and challenges in South Africa.

#### **5.4.2.3 National Youth Policy 2009-2014**

The National Youth Policy 2009-2014 is informed by the experiences of youth development between 1994 and 2007. It reveals that in many instances, youth development initiatives have resulted in far-reaching transformation. However, there are still too many gaps and inefficiencies that need to be

plugged. This policy wants to close the identified gaps, address the challenges and recommending new measures to improve and accelerate implementation of pro-youth development programmes and ensuring that positive impacts are felt by the communities.

### **5.4.3 Interpretation/Analysis**

One of the offerings of the HGDA is skills development and training. And besides running learnerships and internships for the youth in different economic sectors, the HGDA should also facilitate linkages that will connect the youth to meaningful jobs and enterprise development.

There are four main funding instruments that the HGDA should utilize to open windows for the youth. These are;

- The National Skills Fund (NSF)
- The National Empowerment Fund (NEF)
- Small Enterprise Finance Agency (SEFA)
- Private sector driven initiatives

The implications for the HGDA can be summarized as follows:

- Creation of an environment conducive for economic development, these include amongst others, enhancing the capacity of government institutions and non-governmental organisations to facilitate integrated development that promote skills development, employment and entrepreneurship. This includes amongst others the competencies to partner with the business community and civil society on a range of key youth development drivers such as facilitation of skills development, promotion of technology and innovation, leveraging procurement and development of infrastructure to support youth participation in service delivery and economic growth.
- Provision of direct support to the second economy through localized support to the emerging, survivalist and small economic sector such as advisory services, development and maintenance of a data base on developments as well as development and training to upgrade overall productive capability. The activities of the HGDA have to be evaluated against these imperatives set out by the National Policy.
- Identification of key economic sectors that will achieve both job creation and economic growth objectives of the country. It is recommended that this will be achieved through the improvement of the regulatory framework, identifying investment opportunities as well as opportunities along the value chains. The youth of the District Municipality are best positioned to benefit from the following sectors;
- Public sector driven infrastructure development (water services, low cost housing)
  - Information and Communication Technology (ICT) sector
  - Green energy (solar energy) and waste recycling

- General services and home industries
  - Agriculture and agro-processing
  - Performance and visual arts
  - Cultural and heritage tourism
- The development of the agricultural sector in rural communities is further supported by the Comprehensive and Rural Development Strategy that envisages that the transformation of rural South Africa will be possible through the change in systems, patterns of land control and skills development.

#### **5.4.4 Proposed Interventions**

The application of youth policy and national strategic development strategies should be informed by three key thrusts, namely,

- First, is the admission of the women and youth are continually affected by unemployment and poverty; and that poverty is worse in rural communities
- Second, there should be concerted effort to integrate youth development programmes into public sector infrastructure projects
- Third, is the commitment of government to skills development, job creation and meaningful economic transformation and particularly through entrepreneurship
- Last, is the admission that HGDA should take on a facilitation role to co-ordination education and training interventions in the District.

And based on these realities above, two priority interventions should be prioritized. These are;

- Priority 1: Strengthening youth co-ordinating activities at municipal level first.
- Priority 2: Set initial targets for the first three financial years, i.e. July 2015 to June 2018.

##### **5.4.4.1 Priority 1: Strengthen youth co-ordinating activities at a District level**

This is the most important preparatory activity for the Municipality. For the youth projects to happen, the Municipality needs to invest time in inviting the private and civil society sector to support youth development initiatives. And besides engaging intimately with the NYDA, the HGDA should consider the following actions.

The HGDA should conclude a Memorandum of Understanding (MoU) with the NYDA that should define the following;

- The establishment of youth co-ordination structure for the District such as the Local Youth Advisory Centre
- Staffing of the Youth Advisory Centre with key staff members, namely, office administrator, youth programmes manager, local economic development officer, career guidance officer and outreach programmes officer. This office should be under direct supervision of the HGDA. The

NYDA should provide training and salaries for the staff at least for the first 36 months.

- Amongst other things, the Youth Advisory Centre will be responsible for;
  - Planning and facilitation of youth training programmes
  - Provision of training and job information to youth (learnerships, internships and job)
  - Community-based service projects
  - Mainstreaming youth participation in capital projects
  - Mainstreaming Information and Community Technology (ICT) to support youth development

Identify (map) pro-youth development organisations outside the District Municipality. These may include, but not limited to;

- School Leavers Opportunity Training (SLOT). SLOT is a non-profit, non-government organization which has a focus of empowering youth to take advantage of opportunities which they are presented with.
- The Hope Factory is an established Enterprise Development Non Profit Company. It is established and governed by the South African Institute of Chartered Accountants (SAICA). Its goal is to develop black business owners. It offers a strategic mentorship programme to help entrepreneurs achieve their goals, vision and purpose to grow their business, and to ultimately give back to their community.
- Non-Governmental Organisations involved in youth development. World Vision South Africa is one example of the international NGO that has concluded a Memorandum of Understanding with Ubuhlebezwe Municipality. All of its projects are youth focused.
- Identify a non-governmental organisation (NGO) or a non-profit company (NPC) in the District Municipality to facilitate and solicit funding from the private sector. This NGO or NPC should engage with funders through Tshikululu Social Investments.
- All major private companies in South Africa have Corporate Social Investment (CSI) strategies. CSI initiatives are becoming crucial in the corporate environment. Tshikululu Social Investments is South Africa's leading corporate social investment (CSI) manager. It was formed to support companies to implement their CSI objectives. Tshikululu does not provide funding; however they facilitate linkages between client companies and social enterprises. Tshikululu provides private sector entities with a one-stop service to undertake comprehensive social investment and community grant making. The team of professionals offers financial management, risk and legal services and expertise in education, health, social development, job creation, agricultural

livelihoods, bursary management, the environment, arts, culture and heritage and capital projects.

- Engage the local industries mainly Mondi, Sappi, Illovo Sugar, Shanduka Foundation and others.

#### 5.4.4.2 Priority 2: Set initial targets for the first three financial years

In the main, this includes aligning the public sector service delivery programme to youth skills development and entrepreneurship agenda.

The HGDA should plan to conclude Memorandum of Understanding (MoUs) with selected development players in the region. These MoUs should be able to trigger the initiation of sustainable youth projects. These are listed below.

- The NYDA
- Public sector funding agencies such as SEFA and the IDC
- Private sector funding agencies such as Mondi Zimele and Anglo-American Zimele
- Tshikululu Social Investments in order to unlock the Corporate Social Investment (CSI) funding in the Republic
- Department of Rural Development and Land Reform (DRDLR) and KZN Agri-business Development Agency (ADA)

The HGDA should also consider the following interventions/programmes between now and June 2017.

- Given an enabling environment, co-operatives can contribute substantially to meeting development goals. And also given that the Expanded Public Works Programme (EPWP) aims to promote the creation of work opportunities in both public and non-government sector institutions. And that the entire built-environment sector provides multiple opportunities. A percentage of work should be ring-fenced for youth in the following infrastructure projects; Low cost housing by local municipalities Community water supply projects by Harry Gwala District Municipality Household sanitation projects by Harry Gwala District Municipality
- The ICT sector (services) in all small towns of the District Municipality. Municipal libraries and Thusong Centres provide strategic infrastructure to host ICT services to the youth.
- Green energy and distribution of solar lamps (and solutions) to households. For instance, Mahehle and Ufafa are communities that are not yet connected on the national grid in the Ubuhlebezwe Municipality. However, the green energy products should be promoted and sold throughout the District.
- Waste recycling in all towns of the District Municipality.
- Mobilise the youth to enter into the agro-processing including bee keeping/honey processing industries
- Cultural, heritage and performance arts.
- However, these initiatives require warm bodies at the HGDA and the local private partner for them to take-off.

Shanduka foundation strives to develop South Africa's human potential in various ways. From building schools to supporting black entrepreneurs and from making university studies possible for disadvantaged students to providing work experience for young work seekers. Over the last decade, Shanduka has created opportunities for educational development career growth and entrepreneurial advancement. This is achieved through a five tiered partner network as follows:

- Adopt-a-school foundation: it mobilizes companies and individuals to invest in education by adopting disadvantaged schools throughout South Africa.
- Kagiso Shanduka Trust (KST): A collaboration between Free state department of education Kagiso Trust and Shanduka Foundation to develop and implement a district wide school development model.
- Shanduka Black Umbrellas (SBU): It develops qualifying 100% black owned businesses to a level where they may gain meaningful access to markets, networks and finance.
- The Cyril Ramaphosa Education Trust: It provides bursaries to disadvantaged students and organises holistic holiday work programmes for all its students.
- The Shanduka Experiential Work Programme: Provides opportunities for selected graduates and job seekers within the Shanduka group and partner network.

In conclusion, the HGDA should take a more long term vision by participating in non-local government mandates such as initiatives that seek to overhaul our education and training system which is crucial to the calibre of school leavers that the system produces. The HGDA should take interest in selected social development interventions that support children and the youth;

- Teacher training and retraining from grades R to 12
- Learner discipline and teacher commitment
- Curriculum changes in order to make local school to provide subjects/learning areas that are required by the local industries mainly agriculture (timber, sugar, dairy, bee keeping and vegetable production), wholesale and retail, tourism, built-environment, culture and heritage
- Structured and integrated career guidance (career open days, tours to industries, frequent visits by prospective employers to schools and encourage schools to participate in industry-driven events and competitions)

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## 7. Annexure A: Indicative Work plans: Emerging contractors

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<b>Objective</b>	Enhance and maintain a Supply Chain Management (SCM) system that accommodates the emerging sector and the co-operatives							
Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Develop a usable and simple database of emerging contractors and co-operatives	<ol style="list-style-type: none"> <li>1. Analyse the current database system used by the DM</li> <li>2. Engage the Infrastructure Services Department to provide the list of registered emerging contractors</li> <li>3. Recruit and select 25 co-operatives to be supported each financial year</li> <li>4. Recruit and select 10 emerging contractors to be supported each financial year</li> <li>5. Facilitate discussion and planning to accommodate the priority emerging contractors and co-operatives in the HGDM's database system</li> </ol>	<ol style="list-style-type: none"> <li>1. Resolution allowing the DM to improve the current supplier database system</li> <li>2. Simple MS Excel database system is developed</li> <li>3. SMMEs and co-operatives are registered in the HGDA's and HGDM's databases</li> <li>4. 60% of co-operatives and emerging contractors have more than 30% youth participation</li> </ol>	R120 000	R140 000	R160 000	R180 000	R200 000	R800 000

Objective	Train, capacitate and mentor emerging contractors and co-operatives							
Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Train and capacitate the total of 50 emerging contractors and 125 co-operatives over a period of 5 years	<ol style="list-style-type: none"> <li>Develop an annual training and mentorship plan for the emerging contractors and co-operatives (with clear training outcomes)</li> <li>Engage the services of a training provider to train the 3 trainers of co-operatives and 2 trainers of emerging contractors</li> <li>Integrate a variety of co-operatives targeting mainly constructors, crop producers, maize producers, bee keepers, textiles and broilers</li> <li>Train and supervise youth (interns) to provide bookkeeping, administrative and technical support to co-operatives and the emerging sector</li> <li>Organise monthly training and supervision sessions for co-operatives and emerging contractors</li> </ol>	<ol style="list-style-type: none"> <li>A complete capacity profile is developed for each co-operative and each emerging contractor – and a complete Portfolio of Evidence is developed for each contractor and co-operative (CIPC and SARS tax compliance, company profile, etc)</li> <li>A secondary shared-services co-operative is established for the District Municipality</li> <li>Sector-specific secondary co-operatives are established (construction, farming, textiles, bee keeping and broilers)</li> <li>Secondary shared-services co-operative support all Co-operatives Development Centres</li> </ol>	R550 000	R550 000	R650 000	R750 000	R850 000	R3 350 000

<b>Objective</b>	Facilitate the procurement of emerging contractors and co-operatives
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Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Facilitate the procurement of targeted emerging contractors and co-operatives by the local and provincial government institutions in the Harry Gwala District Municipality	<ol style="list-style-type: none"> <li>1. Ring-fence certain projects or municipal services for the emerging contractors and co-operatives</li> <li>2. Provide targeted emerging contractors and co-operatives are provided with start-up capital to start their operations (10 emerging contractors and 25 co-operatives each financial year)</li> <li>3. Assist the emerging contractors and co-operatives to secure funding and/or loan finance for public donors and private financiers</li> <li>4. Facilitate the leasing of public infrastructure to the emerging contractors and co-operatives (farms, hydroponics, block making yards, municipal buildings)</li> <li>5. Provide technical and financial support to a secondary shared-services co-operative</li> </ol>	<ol style="list-style-type: none"> <li>1. 2 block and concrete products co-operatives are supported with production yards and off-take agreements from the District Municipality (Infrastructure Services Department)</li> <li>2. 2 hydroponics vegetable production farms are leased to co-operatives</li> <li>3. Mountain View Farm is leased to a co-operative</li> <li>4. 75% of emerging contractors participate in the water services projects</li> <li>5. The secondary shared-services co-operatives provides production loans to qualifying applicants</li> </ol>	R200 000	R200 000	R220 000	R220 000	R240 000	R1 080 000

<b>Objective</b>	Enhance and maintain a Supply Chain Management (SCM) system that accommodates the emerging sector and the co-operatives
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Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Develop a usable and simple database of emerging contractors and co-operatives	6. Analyse the current database system used by the DM 7. Engage the Infrastructure Services Department to provide the list of registered emerging contractors 8. Recruit and select 25 co-operatives to be supported each financial year 9. Recruit and select 10 emerging contractors to be supported each financial year 10. Facilitate discussion and planning to accommodate the priority emerging contractors and co-operatives in the HGDM's database system	5. Resolution allowing the DM to improve the current supplier database system 6. Simple MS Excel database system is developed 7. SMMEs and co-operatives are registered in the HGDA's and HGDM's databases 8. 60% of co-operatives and emerging contractors have more than 30% youth participation	R120 000	R140 000	R160 000	R180 000	R200 000	R800 000

<b>Objective</b>	Train, capacitate and mentor emerging contractors and co-operatives
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Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Train and capacitate the total of 50 emerging contractors and 125 co-operatives over a period of 5 years	6. Develop an annual training and mentorship plan for the emerging contractors and co-operatives (with clear training outcomes) 7. Engage the services of a training provider to train the 3 trainers of co-operatives and 2 trainers of emerging contractors 8. Integrate a variety of co-operatives targeting mainly constructors, crop producers, maize producers, bee keepers, textiles and broilers 9. Train and supervise youth (interns) to provide bookkeeping, administrative and technical support to co-operatives and the emerging sector 10. Organise monthly training and supervision sessions for co-operatives and emerging contractors	5. A complete capacity profile is developed for each co-operative and each emerging contractor – and a complete Portfolio of Evidence is developed for each contractor and co-operative (CIPC and SARS tax compliance, company profile, etc) 6. A secondary shared-services co-operative is established for the District Municipality 7. Sector-specific secondary co-operatives are established (construction, farming, textiles, bee keeping and broilers) 8. Secondary shared-services co-operative support all Co-operatives Development Centres	R550 000	R550 000	R650 000	R750 000	R850 000	R3 350 000

<b>Objective</b>	Facilitate the procurement of emerging contractors and co-operatives
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Main Activity	Role of HGDA	Indicator of Achievement	Targets					Indicative budget of 5 years
			2015/16	2016/17	2017/18	2018/19	2019/20	
Facilitate the procurement of targeted emerging contractors and co-operatives by the local and provincial government institutions in the Harry Gwala District Municipality	6. Ring-fence certain projects or municipal services for the emerging contractors and co-operatives 7. Provide targeted emerging contractors and co-operatives are provided with start-up capital to start their operations (10 emerging contractors and 25 co-operatives each financial year) 8. Assist the emerging contractors and co-operatives to secure funding and/or loan finance for public donors and private financiers 9. Facilitate the leasing of public infrastructure to the emerging contractors and co-operatives (farms, hydroponics, block making yards, municipal buildings) 10. Provide technical and financial support to a secondary shared-services co-operative	6. 2 block and concrete products co-operatives are supported with production yards and off-take agreements from the District Municipality (Infrastructure Services Department) 7. 2 hydroponics vegetable production farms are leased to co-operatives 8. Mountain View Farm is leased to a co-operative 9. 75% of emerging contractors participate in the water services projects 10. The secondary shared-services co-operatives provides production loans to qualifying applicants	R200 000	R200 000	R220 000	R220 000	R240 000	R1 080 000





## 8. Annexure B: Concept Proposal for the development of a Dairy Value Chain in the Harry Gwala District: Riverside State Farms

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### 1. Introduction

The purpose of this document is to set out a preliminary concept proposal for the development of a Dairy Supply and Value Chain () in the Harry Gwala District which will be based on the development of the Riverside State farms in the Umzimkhulu local municipality, and a partnership with existing market actors to expand existing processing capacity as well as broadening product range and distribution

There is significant additional work that still needs to be undertaken to develop the proposal into a detailed business plan and feasibility study together with an existing partnership that has been recently developed through the Harry Gwala Local Economic Development Strategy. The principal role players are:

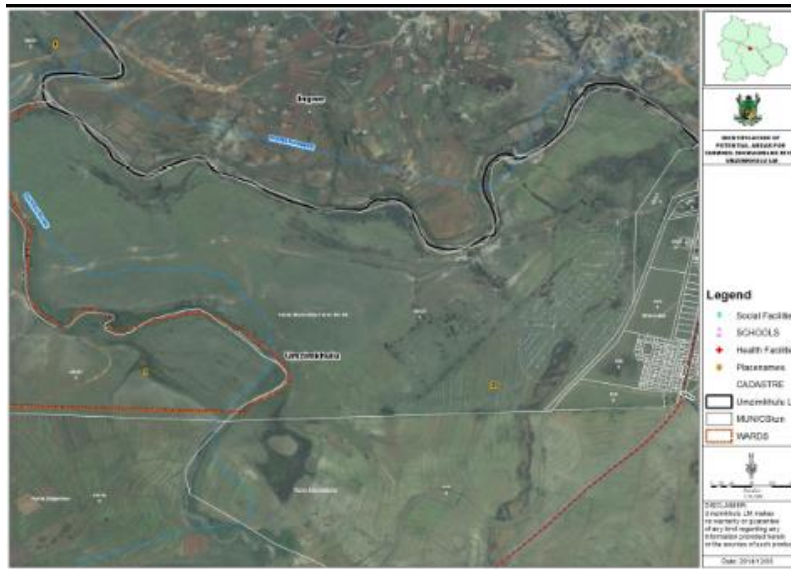
- Umzimkhulu Local Municipality
- Creighton Dairies (Farmgate)
- Ingwe Municipality
- Mabandla Trust.
- Sisonke Development Agency
- Harry Gwala District Municipality

### 2. Contact Persons

Mpume Molefe	Sisonke Development Agency	Local Economic Development Planner	<a href="mailto:mpume.molefe@thesda.co.za">mpume.molefe@thesda.co.za</a>
Thulani Cele	Umzimkhulu Municipality	Local Economic Development Manager	<a href="mailto:celet@umzimkhululm.gov.za">celet@umzimkhululm.gov.za</a>
Bonani Ngqaimbana	Sisonke Development Agency	Industrial specialist	<a href="mailto:bonani.ngqaimbana@thesda.co.za">bonani.ngqaimbana@thesda.co.za</a>
Dudley Smith	Ingwe Municipality	Local Economic Development Manager	<a href="mailto:smithd@ingwe.gov.za">smithd@ingwe.gov.za</a>

### 3. Location of Riverside State Farms, Umzimkhulu District

Riverside Farm 60 is situated on the boundary between Ingwe Municipality and Umzimkhulu on the Ngwangwane River. The land is designated State Land/ Property Management Unit of the Department of Rural Development and Land Reform.



The Riverside state farms are unoccupied, with access to sufficient water from the Ngwangwane River and are considered by key dairy sector role players in the Harry Gwala district to be some of the most suitable land for dairy production, in a district which is already competitively positioned for dairy (See 4 below).

### 4. Motivation for the selection of the site as a production site in the development of a Dairy Value Chain

#### 4.1 The dominant role of Dairy in the Harry Gwala District

The dairy sector remains the district's most competitive industry producing 10% of the milk consumed in South Africa and 35 percent of Clover Milk. Harry Gwala accounts for 330 million liters of raw milk per annum (approximately 904 000 litres per day. (S Roberts, Dec 2014).

At the same time it must be noted that the dairy sector has undergone significant concentration and restructuring, with the number of dairy farmers in KwaZulu-Natal having reduced by 29% in the last 7 years from 385 to 274.

**Table 4: Number of milk producers per province, 2006 – 2014.**

Province	Jan '07	Jan '08	Jan '09	Jan '11	Jan '12	Jan '14	Sep '14	% Change Jan '07- Sep '14
Western Cape	827	815	795	683	647	529	533	-36
Eastern Cape	420	407	387	314	283	264	256	-39
Northern Cape	37	34	37	28	21	25	20	-46
KwaZulu-Natal	385	373	373	323	322	281	274	-29
Free State	987	919	884	601	535	389	316	-68
North West	596	549	540	386	352	233	210	-65
Gauteng	245	228	217	127	126	109	102	-58
Mpumalanga	357	302	286	201	164	117	101	-72
Limpopo	45	38	32	23	24	14	13	-71
<b>TOTAL</b>	<b>3 899</b>	<b>3 665</b>	<b>3 551</b>	<b>2 686</b>	<b>2 474</b>	<b>1 961</b>	<b>1 825</b>	<b>-53</b>

Source: MPO

**Figure 45: Number of Milk Producers per Province 2005 – 2014:**

At a Dairy sector workshop comprising key private sector actors from the Dairy Sector in the district on the 24th November 2014, the district's competitive strengths were re-affirmed in terms of the following issues: bio-climatic conditions, proximity to markets, the existing cluster of skills, technology and experience, and most importantly the potential for expansion through the availability of additional land

Climate, soils, water, altitude - Ideal conditions for dairy
Dairy skills clustering -intergenerational knowledge and innovation
Established farmers – skills, technology and experience
Proximity to markets, although N3/Midlands are better placed
Availability of labour
Availability of additional land/potential for expansion

Key weaknesses relate to relative distance to market, reliance on external based suppliers and processors, Harry Gwala District's history of weak electricity supply relative to other districts, road quality and the shortage of skills

Issue	Comment
<b>Distance from Market</b>	Less favourably located such as KZN Midlands (N3)
<b>Access to Services</b>	Most services come from outside the area and are provided on a fragmented basis. Most inputs are coming from Pietermaritzburg or further away e.g. Meadow Feeds, DeHeus
<b>Eskom Power Supply</b>	While Eskom has national weaknesses, Harry Gwala's electricity supply problems exceed other districts
<b>Land Redistribution and Restitution</b>	Uncertainty, failed transfer of dairy farms, hobbling investment decisions. The issue had been discussed extensively at the District Land Summit on the 18 <sup>th</sup> November 2014. A "Technical Committee"

	was to take the process further. SDA was to be part of the Technical Committee
<b>Processing</b>	Processing largely takes place outside the district
<b>Road Quality</b>	Road quality impacts negatively on the transport of dairy commodities and increases transport costs
<b>Skills</b>	Limited technical and other skills. Lack of Human Resource Planning at district level (demand/supply); lack of support to emerging farmers

**Figure 49: District Dairy Sector: Competitive Disadvantages: District Dairy Workshop, 24th November 2015**

#### **4.2 The Identification of the “Riverside State Land Dairy Farm Supply and Value Chain Development” as a Catalytic District Local Economic Development Initiative**

Since November 2014, the Sisonke Development Agency has facilitated the formulation of the Harry Gwala District Local Economic Strategy with the assistance of external service providers (McIntosh, Xaba and Associates). A key component of the strategy has been the identification of District Economic Development Catalytic initiatives involving public-private partnerships. This has involved sector workshops as well as a District Consultative LED workshop on the 12th March 2015 to review the strategy, particularly the identification and prioritization of catalytic Local Economic Development initiatives. The Riverside State Land Dairy Farm Supply and Value Chain Development Project was clearly identified and validated as a priority initiative

	Name	Brief Description	Initial “Process Champion”
	Riverside State Land Dairy Farm Supply and Value Chain Development	State lands at Riverside highly suitable for expanding dairy supply, linked to infrastructure development (road between Creighton and Franklin) and release/disposal of state land. Also linked to increased Dairy processing opportunities (eg. Creighton dairies, FarmGate)	Thulani Cele, Umzimkhulu Municipality <a href="mailto:celet@umzimkhulu.gov.za">celet@umzimkhulu.gov.za</a> Ken Stone, Creighton Dairies <a href="mailto:stonekc@vodamail.co.za">stonekc@vodamail.co.za</a> Dudley Smith, Ingwe Municipality <a href="mailto:smithd@ingwe.gov.za">smithd@ingwe.gov.za</a>

#### **4.3 Socio –Economic Status of Umzimkhulu**

UMzimkhulu is the most populated of the Harry Gwala municipalities, accounting for 39% of the district’s population. Approximately 46.6% of the population is unemployed out of which about 56.8% are youth. About 90.8% of the residents live in rural areas, while the remaining 9.2% are urban based.

In 2011, there were 18753 people employed out of a working age population of 131 008 (This represent a Labour absorption rate of 14.3%, which is exceptionally low Agriculture accounts for 6% of employment. In income terms, 42% of the population had no income, and a further 32% had an income of less than R400 per month.

#### **4.4 Public-Private Partnerships**

The initiative has already brought together a dynamic set of private sector actors who are committed to taking the initiative forward. This includes:

##### **4.4.1 The Mabandla Trust**

It was established in 1999 and is one of very few commercially successful community land reform entities. Its first focus was on forestry, initially planting 1300 Ha of timber which was harvested in 2007, with a further 900 Ha under rotation on a nine year cycle. It is a professionally managed, profit-making operation with an established skills development programme, and generates revenues of R14 million per annum, with profits accruing to the community, and it has 120 permanent employees.

##### **4.4.2 Farmgate, Creighton Dairies**

Creighton Dairies, a milk transport business owned by 26 farmers in Southern KZN, has tapped into the lucrative secondary milk processing market. The group has erected an Ultra High Temperature (UHT) processing plant in Creighton. it can process 80 000l/day.

### **5. Project Planning and Way forward**

There are significant processes that are still required to bring the dairy supply chain into development, including the finalization of leases, the establishment of the Dairy production units, key infrastructure including the upgrading of the road between Franklin and Creighton. This will require focused support and investment from government over the next years.

Should this proposal receive in-principle approval, detailed planning and feasibility would then be undertaken which would address all the key elements of the initiative including:

- Detailed information on the land and its agricultural potential, water access and rights
- The business model for the dairy production units including capital and operational costs, institutional arrangements for production
- The ownership and partnership linkages with expanding processing capacity within the district principally based on the current Creighton Dairies (FarmGate). This would also include issues relating to product development and marketing

### **6. Conclusion**

The initiative clearly meets the key criteria for selection as a district catalytic initiative. It is based on the district's competitive advantage in dairy, with a high level of skill, technology and experience already located in the district that can be leveraged to ensure the success of the project. The initiative is

based on bringing unutilized state land into economic activity and integrating black dairy producers into the supply and value chain. The land under consideration is of high value and highly suitable for dairy, with access to water. The initiative cannot take place without state investment as there are significant issues to be addressed with respect to both regulating state land access, ownership and the installation of core economic infrastructure, both on and off farm. The initiative will take place in a local municipal area with significant challenges of unemployment and rural poverty.

## 9. Annexure C: Monitoring and Evaluation Framework

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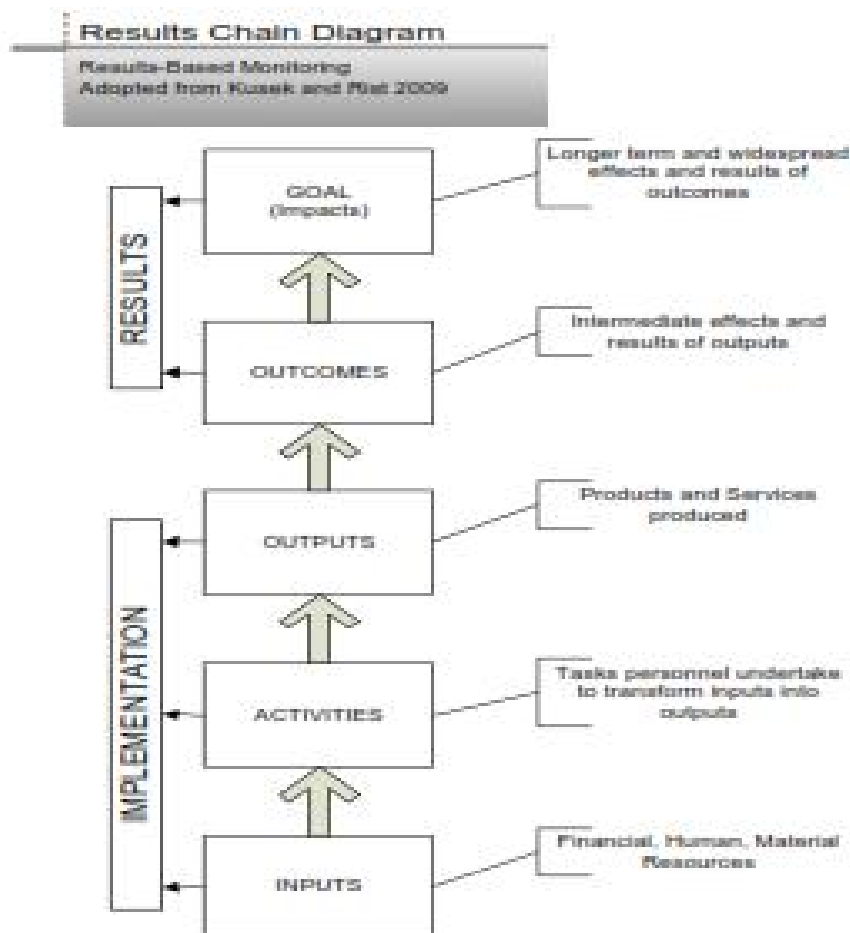
### 9.1 Introduction

The conversion of LED strategies to implementation is notoriously poor in South Africa. Furthermore there is never a simple straight line between strategy formulation and implementation.

But if this strategy is going to be subject to a measure of monitoring and evaluation, it would be important that the framework is in place

The most robust framework for monitoring and evaluation is that of Results Based Management. This would require that the specific catalytic initiatives are formulated along a Results Chain

### 9.1 Overview of Results Based Management



The Results Based Management System is based on the Results Chain which follows a logical step between inputs (budgets) – activities – outputs – to outcomes-goals and can be tracked down again – Goal – outcome- output-activities to inputs.

Put another way:

We implement projects/programmes to pursue certain **Objectives** in response to identified needs/constraints. Projects use **Inputs** and **Activities** which result in **Outputs**, which allow for the obtainment of pre-determined desired **Outcomes /Objectives**. In the longer term, outcomes will be reflected as **Impacts**. This logical progression is called the Results Chain.

The key elements of Results Based management are:

- Managing for outcomes and not outputs
- Setting out a project's theory of change & anticipated results upfront
- Robust monitoring systems that track key aspects of the theory of change
- Regular project review informed by monitoring and evaluation learnings
- Track progressive realization of project and programme level outcomes
- Reporting progress against the LED outcome indicators

Key Elements of Monitoring and Evaluation in Results based Monitoring

- Promote accountability by demonstrating progress or the lack thereof toward the achievement of stated goals.
- Support the systematic collection, documentation and dissemination of critical implementation data.
- Ensure the regular and timely reporting on lessons of practice, study findings and results on individual projects and the portfolio, contributing to informed decision making.
- Early detection of project and portfolio implementation challenges, affording managers the ability to take timely remedial action.
- Engendering public confidence and programme credibility through the transparent reporting of programme performance results.

## 9.3 Measuring Results for Harry Gwala LED Strategy and the Catalytic Initiatives

The key challenge will to define the key indicators that will be used for measuring each of the catalytic initiatives. Until detailed Business Plans or realization plans have been put into place, it will only be possible at this stage to define some of the general indicators for each of the interventions



### 9.3.1 High Level Indicators for the Dairy Value Chain Development Initiative (Riverside)

Outcomes	<ul style="list-style-type: none"> <li>No of permanent jobs created</li> <li>No of seasonal jobs created</li> <li>No of partnerships created</li> <li>Increase in household income for participants</li> <li>Increase in local revenue</li> <li>Increase in investment</li> </ul>
Output indicators	<ul style="list-style-type: none"> <li>Litres of Milk produced (weekly, monthly)</li> <li>Revenues</li> <li>Litres of milk transported to processors</li> <li>Litres of Milk to the processor</li> </ul>
Activities Indicators	<ul style="list-style-type: none"> <li>Finalization of land-legal issues (Leases, disposal)</li> <li>Partnership Agreements</li> <li>Raising investment (public and private)</li> <li>Selection of farmers</li> <li>Training of Farmers</li> <li>Establishment of infrastructure (Parlours, Grazing units)</li> <li>Establishment of production systems – feeding, animal health, milking, storage, transport.</li> <li>Establishment of Revenue, Cost Model (RCM)</li> </ul>
Input indicators	<ul style="list-style-type: none"> <li>Value of Private Sector Investment</li> <li>Value of Public Sector Investment</li> </ul>

### 9.3.2 Linking Rail Tourism, Rail Freight and the Forestry Sector

Outcomes	<ul style="list-style-type: none"> <li>Forestry Related (permanent /seasonal)</li> <li>Freight related jobs (permanent/casual)</li> <li>Rail maintenance permanent d</li> <li>Tourism Related jobs</li> <li>Local Revenue generated (Rs)</li> <li>Investment generated (Rs)</li> </ul>
Output indicators	<ul style="list-style-type: none"> <li>Rail Tourism Trips</li> <li>No of Tourists</li> <li>Tons of timber transported</li> <li>Hectares of Forestry Cleared</li> <li>Kilometers of rail line maintained</li> <li>Upgrading of Riverside and Donnybrook stations</li> </ul>
Activities Indicators	<ul style="list-style-type: none"> <li>Establishment of Rail tourism products</li> <li>Establishment of timber haulage systems</li> <li>Rail infrastructure maintenance</li> <li>Wattle clearance</li> <li>New plantation establishment</li> </ul>
Input indicators	<ul style="list-style-type: none"> <li>Partnerships</li> <li>Value of Private Sector Investment</li> <li>Value of Public Sector Investment</li> </ul>

### 9.3.3 Emerging Contractors

Outcomes	<ul style="list-style-type: none"> <li>• Number of emerging contractors including co-operatives participate in water and sanitation provision</li> <li>• Number of emerging contractors including co-operatives participate in low cost housing programme</li> <li>• Increased local employment of women and youth</li> <li>• Increased technical and business skills</li> </ul>
Output indicators	<ul style="list-style-type: none"> <li>• Number of emerging contractors and co-operatives supported by HGDA and other public institutions</li> <li>• Number of emerging contractors and co-operatives secured grant and/or loan finance</li> <li>• Number of projects successfully completed where emerging contractors and co-operatives participated</li> <li>• Number of emerging contractor and co-operatives that have moved to the next higher CIDB level</li> </ul>
Activities Indicators	<ul style="list-style-type: none"> <li>• Database of SMMEs, emerging contractors and co-operatives</li> <li>• Preferential procurement policy decision secured from the HGDM Council</li> <li>• Funding and operational model approved by the HGDM Council</li> <li>• A supervision and/or incubation plan is developed and adopted</li> <li>• District co-ordination team/PSC established by HGDA and economic cluster provincial departments</li> <li>• Infrastructure projects for emerging contractors and co-operatives are identified and budgeted for</li> <li>• Off-take agreement for block and concrete manufacturing contractors and co-operatives are secured</li> </ul>
Input indicators	<ul style="list-style-type: none"> <li>• Budget for supporting the emerging contractors and co-operatives for each financial year</li> <li>• Value of provincial economic cluster investment</li> <li>• Value of loan finance secured by emerging contractors and co-operatives</li> </ul>

### 9.3.4 Youth Integration

Outcomes	<ul style="list-style-type: none"> <li>• 30% of youth participate in LED and infrastructure service delivery programme</li> <li>• Number of youth-led enterprises</li> <li>• Number of youth employed by youth-owned enterprises</li> </ul>
Output indicators	<ul style="list-style-type: none"> <li>• Youth structures are established in the District</li> <li>• Collaboration agreements with public institutions charged with youth development e.g. NYDA</li> <li>• Number of LED initiatives</li> <li>• Number of skills development initiatives</li> </ul>
Activities Indicators	<ul style="list-style-type: none"> <li>• Budget for supporting youth initiatives</li> <li>• Youth priority projects are identified, feasibility studies carried out and business plans submitted for funding</li> <li>• M&amp;E framework captures youth involvement in LED and infrastructure projects</li> </ul>
Input indicators	<ul style="list-style-type: none"> <li>• Value of local municipality Investment</li> <li>• Value of district municipality Investment</li> <li>• Number of partnership agreements between the HGDA and youth supporting institutions</li> </ul>