

Bushbuckridge Local Municipality

Local Economic Development Strategy

2010 – 2014



Table of Contents

1	Introduction	12
1.1	Process and Methodology	14
1.1.1	Profile	15
1.1.2	Sector Plans	16
1.1.3	Ward Consultation	16
1.1.4	Business Consultations	18
1.1.5	Leadership Consultations	18
1.2	Acknowledgements	19
1.3	Outcome	20
1.4	Bushbuckridge Municipality IDP and Vision.....	21
1.5	The Municipality's role in Local Economic Development	21
2	Executive Summary	24
2.1	Introduction	24
2.1.1	<i>Short term Objectives</i>	24
2.1.2	Medium term Objectives.....	25
2.1.3	Long term Objectives	26
2.2	The 2010/2014 Strategy	26

2.2.1	Socio-Economic Profile.....	27
2.2.2	Institutional Context	28
2.2.3	Agriculture Sector	29
2.2.4	Tourism Sector	30
2.2.5	Infrastructure and Public Works	31
2.2.6	SMMEs.....	33
2.2.7	Community Work Program.....	34
2.2.8	M&E	35
2.2.9	Conclusion	36
3	The Municipal Social and Economic Profile	38
4	Institutional Context.....	41
5	Agriculture Sector.....	44
5.1	Irrigation Schemes (Small Holder Vegetable Farmers).....	45
5.2	Orchard Estates	49
5.3	Informal Micro-production	50
5.4	Livestock Production	50
5.5	Short Term – Projects	51
5.5.1	New Forest and Dingley Dale Irrigation Scheme Refurbishment (two projects with interrelated infrastructure)	51

5.5.2	Saringwa Estate CPP	57
5.5.3	Lisbon Estates CPP	60
5.5.4	Injaka Estate Forestry Plantation	63
5.6	Medium Term - Program	72
5.6.1	Conceptualisation and project packaging of other proposed agriculture CPP projects	72
6	Tourism Sector	73
6.1	Key strategy interventions	74
6.2	Spatial prioritisation	74
6.3	Short Term – Projects	75
6.3.1	Cork Community CPP: Sabie River Safari Lodge	75
6.3.2	Newington C CPP: Ulusaba/Newington C Lodge and Training Academy	78
6.3.3	Cork/Thulani CPP: Integrated Tourism Node	83
6.3.4	Belfast Community CPP: Funekani Lodge.....	86
6.3.5	Welgevonden Chalets CPP.....	90
6.4	Medium Term - Program	95
6.4.1	Conceptualisation and project packaging of other proposed CPP projects	95
7	Infrastructure	97
7.1	Objectives	97
7.2	Key strategy interventions	97

7.3 Spatial prioritisation	98
7.4 Short Term – Projects	99
7.5 Medium Term - Program	102
8 SMMEs.....	103
8.1 Short Term – Projects	104
8.1.1 Tourism Opportunities	105
8.1.2 Infrastructure Opportunities	105
8.2 Medium Term - Program	106
9 Community Work Program (CWP)	107
10 M&E and Implementation	109
10.1 Strategic Focus.....	109
10.2 Implementing Partners.....	112

Glossary

ABBREVIATIONS

DESCRIPTIONS

ASGISA

Accelerated Shared Growth Initiative for South Africa is one of South Africa's macroeconomic policies designed to help spur rapid "shared" growth in the country. The overriding objectives of this policy are; to half unemployment and poverty by the year 2014, to achieve growth targets of 4,5% or more for 2005- 2009 and 6% for 2010- 2014 and lastly to create equitable growth.

BBBEE

Broad Based Black Economic Empowerment is the process by which the South African government is trying to ensure economic equity amongst race groups. It is governed by the BBBEE Act, Act 53 of 2003. The act encourages transformation by including black people in the economy. It covers aspects such as equity ownership (shares in the business), management of the business, skills development, employment equity (staffing), procurement (where you purchase your supplies), enterprise development and corporate social responsibility

CPI

Consumer Price Index is the official measure of inflation in South Africa. It is a series of figures showing how average price levels of all goods and services bought by customers' changes over time.

CPA

The Communal Property Associations Act, 28 of 1998, allows for communities to form juristic persons called "communal property associations" (CPAs) and to hold and manage immovable property under a written constitution. For example, 120 households on 540 hectares of land, of which the ownership vests in a CPA, should register the CPA at the Department of Land Affairs. Thereafter the CPA should form an internal committee to administer its affairs. The CPA's constitution will, among other things, prescribe how to acquire a household site in communal land held under a CPA; what the procedures for the alienation of the land are; regulate alienation of CPA property to non-members; describe the dissolution and liquidation of the CPA; giving of proxies, etc.

CPP	On land claim and/ or communal land, a tourism community/private partnership (CPP) is a contractual agreement whereby a private party undertakes certain development and/or operation and/or marketing and/or maintenance functions on behalf of the owners of specific land-use rights thereby assuming substantial financial, technical and operational risks associated with the development/ operations/ maintenance functions. The private party receives fees according to predetermined performance criteria.
GDP	Gross Domestic Product or Gross Domestic Income (GDI) is a measure of a country's overall economic output. It is the market value of all final goods and services made within the borders of a country in a year.
GVA	Gross Value Added is a measure in economics of the value of goods and services produced in an area, industry, or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.
IDP	The Integrated Development Plan is a 5 year municipal plan that links, integrates and coordinates plans and takes into account proposals for the development of the municipality. It aligns the resources and capacity of the municipality with the implementation of the plan and forms the policy framework and general basis on which annual budgets must be based.
LED	Local Economic Development is the process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve quality of life for all.
NSDP	The National Spatial Development Perspective is South Africa's first set of national spatial guidelines that establishes an overarching mechanism which enables a shared understanding of the national space economy by describing the spatial manifestations of the main social, economic and environmental trends. It is a set of principles and mechanisms for guiding infrastructure investment and development decisions.
PPP	Public Private Partnerships is defined by South African law as a contract between a public sector institution/municipality and a private party, in which the private party assumes substantial financial, technical and operational risk in the design, financing, building and operation of a project.

SDF	A Spatial Development Framework aims to positively shape the way a municipal area develops in space into the future. It includes the preparation of plans that will guide the physical development of a locality (where, what and when). An SDF is therefore a useful and effective tool with which to manage and monitor growth and development in the city, and informs investors about what they are 'buying' and where development opportunities exist in the short and longer term.
------------	--

List of acronyms

ASGISA	Accelerated Shared Growth Initiative for South Africa
BBBEE	Broad Based Black Economic Empowerment
BLM	Bushbuckridge Local Municipality
BOT	Build Operate Transfer Principle
BRCNP	Blyde River Canyon National Park
CASP	Comprehensive Agricultural Support Programme
CBD	Central Business District
CDF	Community Development Forum
CDW	Community Development Workers
COGTA	Department of Cooperative Governance and Traditional Affairs
CPA	Communal Property Association
CPP	Community Private Partnership
CPPP	Community Public Private Partnership
CWP	Community Works Programme
DAFF	Department of Agriculture Forestry and Fisheries
DEAT	Department of Environmental Affairs and Tourism
DEDET	Department of Economic Development, Environment and Tourism

DRDLR	Department of Rural Development and Land Reform
DWAF	Department of Water Affairs and Forestry
EIA	Environmental Impact Assessment
FEECA	Forestry Expert Extension and Consulting Association
GDP	Gross Domestic Product
GVA	Gross Value Added
ICT	Information Communication Technology
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
ILO	International Labour Organisation
ISRDP	Integrated Sustainable Rural Development Programme
KNP	Kruger National Park
LED	Local Economic Development
LIMA	Lima Rural Development Foundation
M&E	Monitoring and Evaluation
MABEDI	Maruleng and Bushbuckridge Economic Development Initiative
MEGA	Mpumalanga Economic Growth Agency
MLL	Minimum Living Level
MRDP	Mpumalanga Rural Development Programme
MTPA	Mpumalanga Tourism and Parks Agency
NGO	Non-governmental Organisation
PGDS	Provincial Growth Development Strategy
PPP	Public Private Partnership
PTO	Permission to Occupy Land

RSA	Republic of South Africa
RLCC	Regional Land Claims Commissioner
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SETA	Services Sector Education and Training Authority
SMME	Small Medium and Micro Enterprise

List of Annexes:

Annexure 1: Bushbuckridge Socio-Economic Profile

Annexure 2: Sector Plan Report

Annexure 3: Ward Consultations Report

Annexure 4: Business Consultations Report

Annexure 5: Monitoring and Implementation Schedules

List of Figures

Figure 1 - LED Planning Framework.....	13
Figure 2 - LED Planning Methodology.....	14
Figure 3 - Map of Bushbuckridge.....	15
Figure 4 - LED Targets (2010 to 2012).....	24
Figure 5 - Agriculture Jobs & Wages.....	29
Figure 6 - Agriculture Objectives	30
Figure 7 - Tourism Jobs & Wages	31
Figure 8 - Tourism Objectives.....	31
Figure 9 - Implementation Frame.....	113

List of Tables

Table 1 - Injaka Estate.....	64
Table 2 - Claimant Communities	66
Table 3 - Stakeholders	70
Table 4 - Cash Flow	71

1 Introduction

Bushbuckridge Local Municipality embarked upon reviewing its Local Economic Development Strategy as a result of the re-demarcation of provincial and municipal boundaries. A Steering Committee comprising of Mpumalanga's DEDET, COGTA and MRDP, representatives from Ehlanzeni District Municipality and Bushbuckridge Local Municipality as well as members of the former Department of Provincial Local Government's economic development project team, MABEDI, was established to assist the municipality.

In recognition of the fact that these participating institutions have, for all intents and purposes, the most current knowledge of the area and the institutional context, it was agreed that with the coordination of DEDET and technical inputs from MABEDI, a credible LED strategy could be developed. The primary emphasis was on:

- Achievable plans
- High impact strategies
- Realistic objectives

One challenge facing Municipalities – across the board – is the sheer extent of service delivery and job creation demanded by residence. The combination of these can leave municipal officials paralysed since it is not possible to achieve all needs at a given time with the limited resources. In the case of BLM, the LED office is required to attend to a myriad of socio-economic challenges that may not be directly linked to the challenge of local economic development. Similarly, previous LED strategies tended not to take cognisance of the actual local and institutional context in which their recommendations were made.

Against that background, the 2010 LED review team sought to develop a strategy that will:

- Provide LED officials with a set of clear and achievable projects and programs
- Create a platform for the successful implementation of projects which deliver tangible jobs, revenues and investments within the short term

- Distinguish between projects that yield immediate results, studies that develop a pipeline of medium term projects, and programs that address systemic issues to improve future LED prospects

The initial generic framework for conceptualising the BLM LED strategy was sketched as follows:

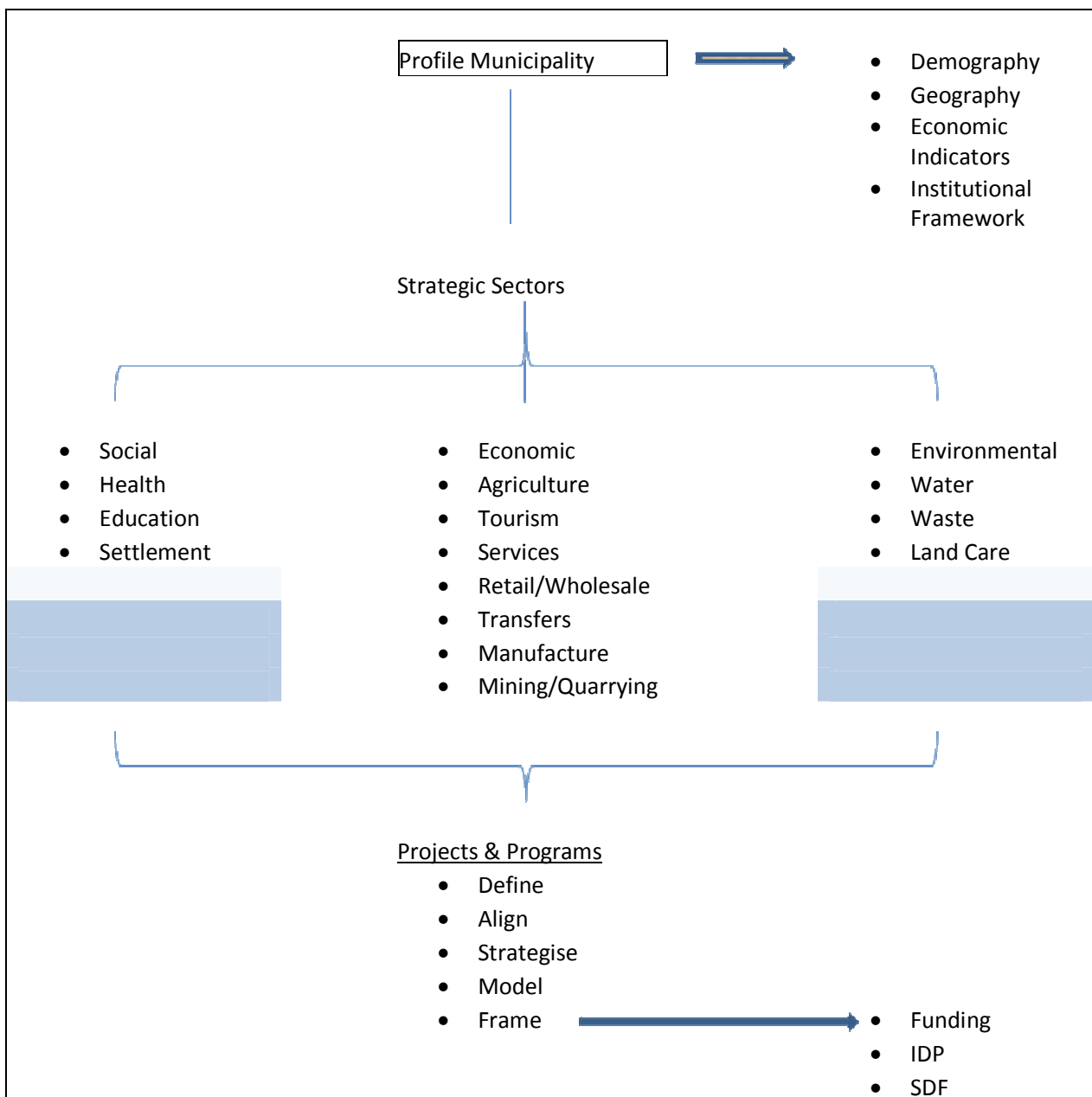


Figure 1 - LED Planning Framework

This framework suggests that, within a given socio-economic profile, there exist three interrelated factors namely Social, Economic and Environmental. A credible LED strategy must therefore take cognizance of the socio-economic profile as well as the underlying factors when identifying strategic sectors that contribute to LED. It finally suggests that the identified LED initiatives should be modelled in such a way as to:

- Be successfully funded (or secure the necessary resources)
- Be included (or eligible for inclusion) in the IDP
- Be compliant with (or complimentary to) the SDF

1.1 Process and Methodology

In order to be both realistic (in other words, cognisant of the socio-economic as well as institutional context) and inclusive (of citizens, departments, programs and business interests), the following methodology was adopted.

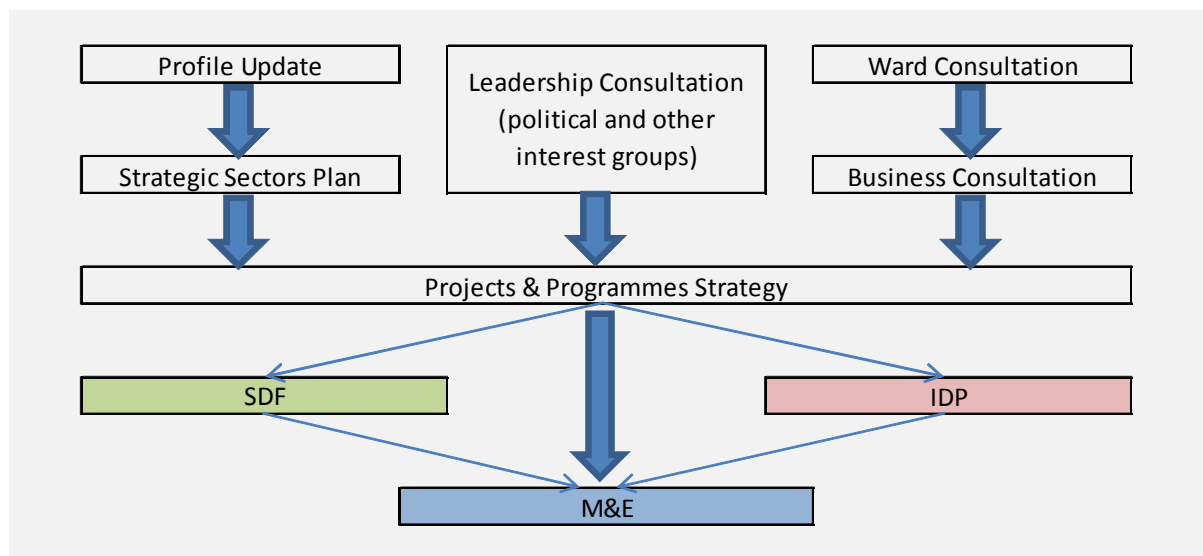


Figure 2 - LED Planning Methodology

1.1.1 Profile

The demographic and socio economic profile of Bushbuckridge was updated based on source data obtained from Statistics South Africa, the ISRDP, independent reports from the Monitor Group and other sources as quoted in the profile (attached as ANNEX 1). The draft profile was presented to the review team in January 2010 and, following numerous inputs from team members, the revised profile document was submitted in May 2010.

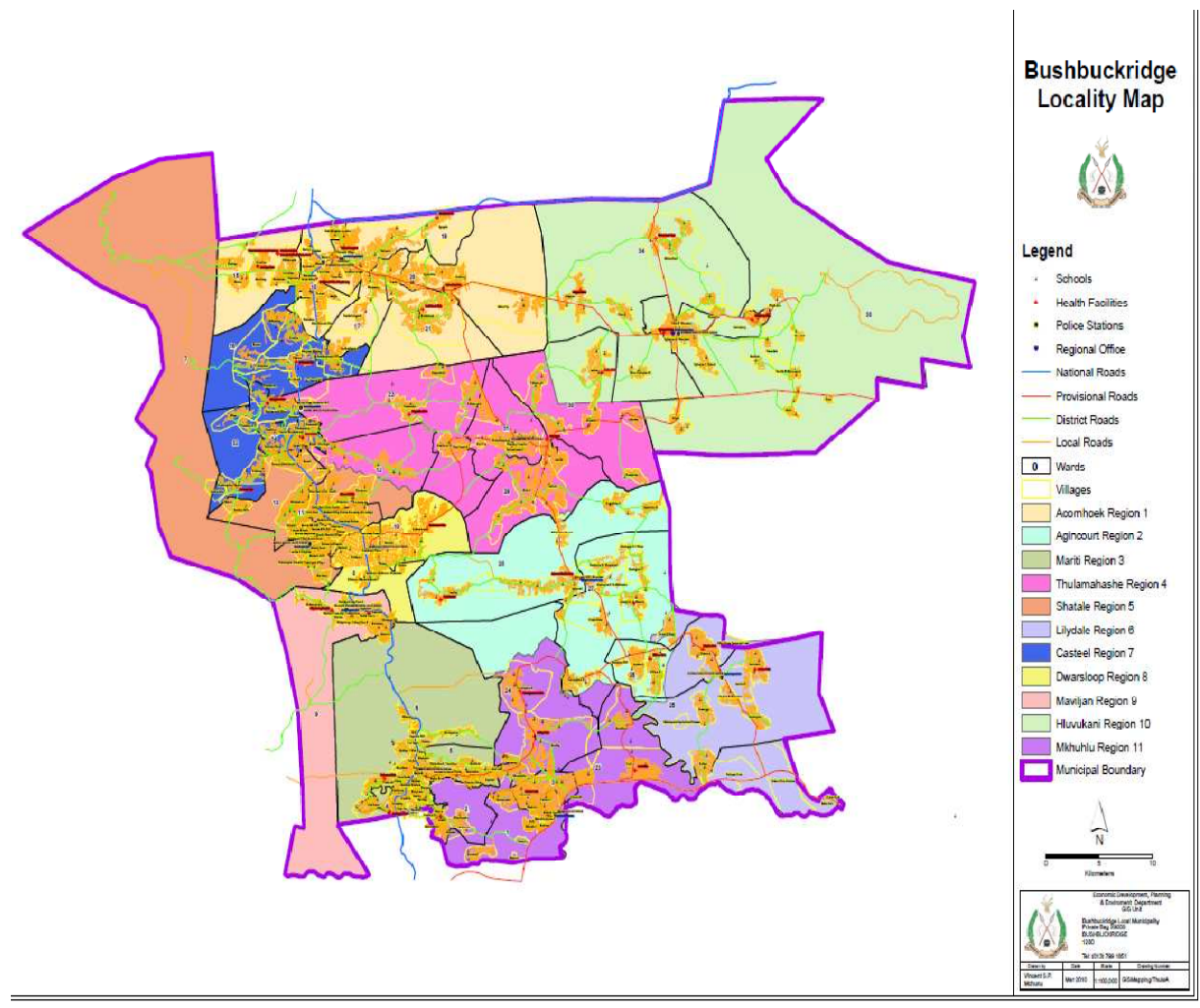


Figure 3 - Map of Bushbuckridge

1.1.2 Sector Plans

The technical input which forms the basis for sector specific projects and programs put specific emphasis in the strategic sector strategies on:

- Review of previous LED strategy recommendations
- Interpretation of the socio-economic and institutional context of the BLM
- Identification and packaging of high impact, bankable projects (for short term implementation)
- Strategic recommendations (for medium to long term systemic change)

The technical inputs were developed as a desktop exercise but with calls for inputs from all team members (specifically for existing DEDET projects, BLM infrastructure projects, LIMA public works projects and MABEDI agriculture projects). The draft LED projects plan was circulated in April 2010 and presented to the review team in May 2010. (The complete technical report is attached as ANNEX 2).

1.1.3 Ward Consultation

A volunteer group of facilitators from within the LED review team facilitated the ward consultation process. These interactions were undertaken to directly inform areas where strategy formulation is required and provide the opportunity to ascertain the interest of role players in the implementation process. The participation of role players also contributed towards a more informed understanding of the local context and ensured that the eventual strategy is tailored to the specific needs of the Bushbuckridge community. This team comprised of members from MABEDI, the MRDP, Ehlanzeni and the BLM LED office.

Ward consultations commenced on the 3rd of March 2010 and finished on the 30th of March 2010. Thirty three out of the thirty four wards were work-shopped with a total number of 828 participants. Workshops were attended by Ward Councillors, Community Development Workers, Community Development Forums, local African National Congress branches, ward committees, traditional councils and home based care centre representatives. Attendance figures fluctuated between highest 57 (ward 28 - Agincourt) and lowest 7 (ward 24 – Mkhuhlu).

The initial meetings had lower attendance rates - perhaps resulting from uncertainty regarding consultation content, but generally the meetings were well attended.

Consultations were guided by questionnaires designed by the Mpumalanga Rural Development Programme, covering economic profiling (including economic linkages and leakages), business support services, good governance, economic vision (including project priorities), infrastructure provision, and land claims. The average time for completion of questionnaire was three hours.

The majority of consultation time was spent on the economic profiling question. This gives rise to questions around the presence (or lack) of knowledge systems within the local structure context as well as the role of Community Development Workers in terms of collecting and sharing of information (between departments and communities and vice versa). The alleged absence of business support services was surprising - the majority of all respondents did not have access to information on support services. This may be interpreted as local structures not understanding their roles in accessing and distributing information (from the public sector for instance) or simply that the information is available within wards but not being accessed. At the same time there were questions that were facilitated in a way that lead to misinterpretation of the particular issue (economic leakages – “Why are you unable to buy identified products and services within your ward?” - for example. This lead to very monotonous responses, which are not very useful for possible future intervention. Not surprisingly, participants used this platform to criticize the municipality for lack of service delivery. For this reason it was important that the municipality facilitated the sessions to show commitment to the process of Local Economic Development.

Out of the 34 wards, only two wards raised issues that precluded the LED consultation process (ward 31 and ward 13), noting non-service delivery and cronyism as the reasons. Within Ward 13 it appeared that there was some political hostility (infighting) and some of the participants to the session accused the ward councillor of cronyism. At Ward 31, it appears that some projects that have been discussed with the Thulamahashe business community (Neighbourhood Development Projects funded by Treasury) were not implemented. They demanded feedback on these projects as well as a presentation on the existing LED strategy before agreeing to participate in the workshops. The meeting was subsequently conducted with the attendance of the Director of the LED Unit, Mr. T. Kolokoto.

(The complete ward consultation report is attached as ANNEX 3).

1.1.4 Business Consultations

The consultation process was conducted by representatives from the DEDET as well as representatives from the BLM LED office.

The business consultations commenced on the 8th of April and the last (but not final) meeting was on the 24th of May 2010. This happened during the municipal strikes, influencing the attendance rate of the respective sectors invited.

Out of the targeted business sectors, all were interviewed with the exception of the construction sector.

Within the banking sector, only one institution was interviewed, that is First National Bank. Several attempts were made to secure appointments with Capitec, Nedbank, ABSA, Standard Bank and Old Mutual. The municipal regional offices were tasked to organise the meeting with the construction sector, but only four people attended. This sector will be reconvened at a later stage. The agriculture sector had the highest attendance, perhaps a reflection of the dominant presence of small-scale farming in the BLM municipal area. In total 64 people were consulted from the above-mentioned sector.

One of the challenges encountered was in securing the relevant people to attend. The numbers were also not too impressive. Out of all the people invited, only approximately one quarter attended. As with the ward consultations, the various participants also used this platform to criticize the municipality. For example the agricultural sector stated that they do not want politicians involved in the agricultural forum and that the municipality is not delivering on promises with regards to the launch of the agricultural forum. They also stated that they do not get any feedback from the municipality on written requests submitted for support.

(The complete business consultation report is attached as ANNEX 4).

1.1.5 Leadership Consultations

No formal process for consultation with either political leadership or other interest groups was conducted during the course of developing this LED strategy. (The review team did however

present to the BLM council at the outset – detailing the expected outcome and the planned process).

1.2 Acknowledgements

1. DEDET

- a. Stanley Mohlala, Director: LED, smohlala@mpg.gov.za
- b. Le Roux Mgiba: Assistant Director: LED, lmgiba@mpg.gov.za
- c. Marcus Schweidinger: LED Advisor (DED – German Development Service)

2. COGTA

- a. Jabu Mayindi, Deputy Director: LED, JMayindi@mpg.gov.za
- b. Bonginkosi Buthelezi, Assistant Director: Institutional Development (LED), BSButhelezi@mpg.gov.za
- c. Lebone Malele, Assistant: Institutional Development (LED), LMalele@mpg.gov.za

3. MRDP

- a. Mefika Matsebula, LED Advisor, mefika.matsebula@giz.de
- b. Andrew Rylance, LED Expert, Andrew.rylance@giz.de
- c. Catherine Churchill, Capacity Development and Programme Impact Analyst, catherine.churchill@giz.de
- d. Michael Glueck, MRDP Programme Coordinator, Michael.glueck@giz.de

4. MABEDI

- a. Andrew Cochran, Regional Manager – LIMA, Andrew@lima.org.za
- b. Emile de Kock, Director, emile.dekock@eciafrica.com
- c. Geoff de Beer, Transactional Advisor, geoffdb@icon.co.za
- d. Jacqueline Saaïman, CPP Coordinator, Jacqueline.saaïman@eciafrica.com

5. BLM LED

- a. Solomon Nyembe, LED Manager, nyembes@bushbuckridge.gov.za
- b. Thomas Kolokoto, LED Director, tskolokoto@webmail.co.za
- c. Norman Nkuna, LED Officer, nkunan@bushbuckridge.gov.za
- d. Miyelani Ndaba, LED Office Assistant, miyelanindaba@yahoo.com

6. Ehlanzeni District Municipality

- a. Charles Mnisi: Deputy Director: LED and Tourism, cmnisi@ledc.co.za
- b. Godfrey Maile: Assistant Manager: Tourism, kmaile@ledc.co.za

1.3 Outcome

Although it was the team's intention to complete the strategy development process by the end of March 2010, this was only achieved during the month of June. Based on the vast number of diverse issues identified during the ward and business consultation processes, it was decided to cluster the strategy according to a sequence of project readiness:

- Packaged – for immediate commencement (2010/2012)
- Identified (but requiring packaging) – for further study (2010)
- Conceptualised (but requiring identification) – for further study (2010/12)

The **packaged** projects were selected from within the agreed strategic sectors including:

- Institutional – The alignment of functions and responsibilities
- Agriculture – There are 2 Capitalisation projects and 3 Community Private Partnerships
- Tourism – There are 5 Community Private Partnerships
- Infrastructure – There are 10 Labour absorbing (Works Type) projects
- SMMEs – 20 contractor type SMME projects (linked to the 10 infrastructure projects above) in a ration of 2 SMMEs per infrastructure project

Amongst the **identified** projects are those which are known to members of the review team (within the tourism and agriculture sectors) but require project planning in order to become “packaged” projects. The **conceptualised** projects also include those myriad projects identified during the community consultation process (both ward level and business consultations) but which require further analysis and/or definition.

There was no specific or formal link made to the SDF, IDP and M&E components. These are the final elements of an LED strategy which require attention as the strategy document is translated into implementation. In other words, the inclusion of projects into both the SDF and the IDP

is in fact a matter of implementation. So too the appropriate M&E strategy will require joint planning and implementation amongst the implementing partners and institutions.

1.4 Bushbuckridge Municipality IDP and Vision

The Municipality's vision is: *"Bushbuckridge Local Municipality strives for a developmental and prosperous life for all"*. This is complimented by its mission statement: *"Through accountability, transparency and responsible governance, the municipality commits itself to provide affordable and sustainable services by enhancing community participation"*.

The vision guides the municipality's overall integrated development plan for 2010/2011, including the LED vision: *"To broaden the economic base of the local economy with the sustainable utilisation of resources and in order to generate maximum opportunities"*.

1.5 The Municipality's role in Local Economic Development

The role of the municipality in Local Economic Development has for the past ten years been informed by a range of national, provincial, and local government policies and strategy frameworks.

The Constitution and White Paper on Local Government: The municipality's role in LED is set out in the Constitution and in the White Paper on Local Government (1998).

- **The Constitution** says that the duty of a municipality is *to structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community*.
- **The White Paper on Local Government (1998)** says that ***Local Government is not directly responsible for creating jobs***. Rather, "it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities."

Accelerated Shared Growth Initiative (ASGISA): The core objective of the National Government is to halve poverty and unemployment by 2014. The Accelerated Shared Growth Initiative (ASGISA) was a national strategy for achieving these key objectives through a growth rate of 5 %.

However AsgiSA recognised that in order to achieve the objectives of halving poverty and unemployment, achieving a growth rate of 5% is not enough and this will need to be coupled with improvements to the environment and improved opportunities for labour intensive economic activities. Moreover, the benefits from increased growth need to be shared equitably in order to eliminate inequalities. AsgiSA identified six constraints and endeavored to balance or match them to the following six thematic areas:

- Macroeconomic issues
- Infrastructure programs
- Sector investment strategies (or industrial strategies)
- Skills and education initiatives
- Second economy interventions
- Public administration issues

National Spatial Development Perspective (NSDP): The rationale of the NSDP was that, in order to maximise return on investment, government should focus investments in relatively few areas that demonstrate positive agglomeration economies and economic potential. In areas of low economic potential but high need, government should maintain the current distribution of fiscal resources, but shift investment into less fixed assets. In other words, only basic levels of infrastructural services should be provided and the additional money should focus on providing skills development, labour-market information and other resources to enable people living in these areas to access economic opportunities within the area and elsewhere.

National Framework on LED Strategy and Municipal IDP: The role of municipality in local economic development (according to the National Department of Provincial and Local Government – the former DPLG) was that it should, “improve the social environment through developing social capital; assist with the development of co-operatives that will provide communities with the capacity to fend for themselves; support SMME development; prepare and implement technically good, viable and sustainable LED components for their Integrated Development Plans(IDPs), in alignment with the Provincial Growth and Development Strategies (PGDS).

Against this background – and even amidst current revisions to the national perspective to achieve a more developmental role for the state - the role of the local municipality is clearly one of

facilitation: *"Its function is to create an environment in which economic opportunities can increase, without being directly responsible for creating the opportunities themselves."* It can stimulate investment through improved spatial and regulatory frameworks. It can improve competitiveness by increased quality and access to information. It can positively influence public spending based on analyses of employment, SMME and private investment responses to current and past public spending. It also plays the role of coordinator, using the IDP to draw together the developmental objectives, priorities, strategies and programs of the municipality. The municipality can use the IDP to ensure that LED initiatives are coordinated with other municipal programs, and appropriately linked to national and provincial initiatives.

The Mpumalanga Provincial Growth and Development Strategy, as supported by the 2014 plan, outlines the outcome of decent employment through inclusive economic growth. The Province is intending to achieve these outcomes through the expansion of economic opportunities for the poor and marginalised sectors of our society. Government spending is to be targeted to create jobs on a massive scale and help to stimulate the growth of small and medium sized enterprises.

The 5 year local government strategic agenda encourages the national and provincial spheres of government to support the municipalities in preparing implementable LED strategies aligned with IDPs.

The development of the LED plan is also guided by the LED model to make the final outcome credible. This includes ensuring that the economic profile of the area is scanned, communities and relevant stakeholders participated and the strategy is developed with an implementation framework and a monitoring and evaluation system.

2 Executive Summary

2.1 Introduction

The 2010/2014 LED strategy is a high impact, low risk approach to local economic development with a strong emphasis on job creation in the short term and sustained economic growth potential in the medium to long term. The strategy builds on BLM's economic opportunities (including the significant agriculture and tourism resource base) whilst considering its limitations (including the institutional constraints and regulatory shortcomings).

The approach of this LED strategy enables the municipality to achieve real and tangible growth indicators in the short term (including jobs and investment), to sustain that growth path in the medium term (through building on the initial successes) and to accelerate it in the long term (through improved regulatory and spatial frameworks).

The themes of this LED strategy are based on the following:

- Focus on existing resources and capacity – *it is not useful to develop plans and strategies that are dependent on numerous complex resource and capacity injections in the absence of which no progress is made*
- Success breeds success – *it aims to address specific key LED challenges and build on the lessons and experiences attained. Therefore, the following objectives are set (for the respective time frames):*

2.1.1 Short term Objectives

Sector	Objective	Result
Agricultural	Total Jobs	10,170
	Wage Revenues	R170,856,000
	Rent Revenues	R680,000
Tourism	Total Jobs	2,388
	Wage Revenues	R55,620,500
	Rent Revenues	R3,945,000

Figure 4 - LED Targets (2010 to 2012)

These “results” do not capture the full extent of economic impact since there exists numerous multipliers (including multipliers which stem from the impact of growth in any sector within the value chain as well as the impact of the circulation of money within the local economy as a result of increased revenue flows). The indirect economic multipliers are not so easy to track but the values associated with indirect employment in the value chain are reflected above based on the benchmark of 1 direct job gives rise to 2 indirect jobs.

The pursuit of short term objectives is a matter of implementing the project plans as contained within this strategy document. Such implementation is dependent on three key factors:

- Clear alignment and commitment for the planned priority projects by the respective provincial and national line departments (under the guidance of the municipality)
- Reliable commitment of capital budgets by the respective provincial and national line departments (under the guidance of the municipality)
- Limited supplementary budget for the contracting in of transaction advisory services in the formation of CPPPs (Community Public Private Partnerships) through the municipality and its implementing partners

2.1.2 Medium term Objectives

Each of the sectors targeted in the short term, makes it possible for increased “learning by doing” – or in other words, increased efficiency and effectiveness in achieving economic growth within those sectors. That is to say, the successes achieved during short term implementation can be replicated and/or scaled up in subsequent periods. In preparation for this, a number of new project targets need to be set (based on the framework developed in the short term and targeting the new projects that are to be defined and identified in the short term for implementation in the medium term).

In order to set the scene for the medium term wave of projects, the following pre-emptive studies are required:

- A more detailed study / status quo of the incomplete, partially complete and completed projects (across the spectrum) that were identified during the ward level consultations

- A more detailed study of the systemic, infrastructural and institutional challenges identified during the business consultations
- A socio-economic analysis of the larger scale agricultural and tourism projects that have been identified as collapsed or dysfunctional through the desk-top sectors analysis
- An analysis of potential linkages and strategic opportunities identified during the implementation of the short term project objectives

In the medium term stage of this LED strategy, it is important to maintain and develop the consultation process (both ward and business level - but also including that of interest groups). This will improve the depth and quality of analysis whilst at the same time making the efforts (and successes of the BLM) more visible to the residents, investors and stakeholders within this municipal context.

2.1.3 Long term Objectives

- Building on the successes of the short term (which include tangible and visible projects that yield direct jobs and increased revenue flows)
- And within a more defined and better understood LED framework for the medium term (that stems from improved studies and consultations within the local context)

The BLM will be in a position, with some external assistance, to roll out a structured set of spatial plans and integrated development plans. These will be managed within an appropriate and strategic regulatory framework that promises to provide a conducive investment environment, from the small entrepreneur to the large scale public private partnership.

2.2 The 2010/2014 Strategy

This strategy document is intended to provide a framework of projects and programs for the period 2010/2014. In effect the document focuses on short term objectives that can be achieved during the period 2010/2012 whilst indicating a framework within which the implementing partners will continuously develop a pipeline for ongoing implementation based on the 2010/2012 successes and experiences.

That being said, it should be noted that the core content is focused on providing clear implementation targets and strategies for the short term (if not the immediate).

2.2.1 Socio-Economic Profile

The following key issues and trends are highlighted in the strategy:

- **Demographic trends:** BLM has a large population of about 509,970 (2007) people and it is expected to grow to over 530,000 by 2014.
- **Poverty situation:** It is estimated that between 25-50% are unemployed and as a result about 75% of the BLM population live below the MLL (which makes BLM one of the poorest 3 places in RSA).
- **Structure of the economy:** Collectively public sector spending is largely responsible for over 70% of gross value addition (GVA), and this is indicative of an economy that is not very self sustaining and not very robust as it is not based on commercial productivity.

In terms of productive sectors the only other substantial opportunities that are known to have good inherent but under-utilised development potential, are the agriculture and tourism sectors.

- **Inherent and under-utilised development potential:** The performance of the agriculture and tourism sectors in BLM is a matter of great concern since it is within these two sectors that BLM has its greatest natural resource potential.
- **Policy and strategy context:** In context of the structural economic issues identified above, it is important for the public sector planning processes and policy makers to understand why tourism and agriculture do so badly in BLM. Key issues to be considered in the design of an LED Strategy for BLM will include:
 - What policy and strategy priority do these sectors actually get in IDP or LED?
 - What are the obstacles to agriculture and tourism development?
- **Public sector capacity:** technical skills and financial capacities.

2.2.2 Institutional Context

To date there has been no clear allocation of responsibility between the province (and by extension the national offices) and the local municipality. LED officers are often (and very much on an ad hoc basis) allocated responsibility for everything from water problems to economic sector failures (e.g. agriculture project, reticulation projects, land reform disputes, education results, healthcare initiatives and so on). The introduction of IDP officers first and LED officers later, was intended to improve coordination and integration of state projects and programs but the unintended result was simply the addition of more complexity which comes with additional layers of stakeholders and consultations. Effective coordination and integration as a prerequisite requires role clarity first and foremost. The necessary chronology is as follows:

- Define the role of the province (and each provincial line department) within the municipality
- Define the responsibilities of the municipality (in terms service delivery)
- Define the resource base for:
 - Provincial projects and programs funded by the national budget
 - Municipal projects and programs funded by the national budget
 - Municipal services that qualify for local cost recovery

Within this “defined” context, the IDP office will be better able to track both provincial and local projects and programs and monitor the effectiveness of delivery as well as the progress towards intended commitments or outcomes. Similarly, within this “defined” context, the LED office will be well positioned to assess local economic means and thus the LED office will be in a position to be the primary source of information to guide the socio economic projects and programs implemented by the various provincial offices.

With improved role clarity, the local municipality will, through both political and organisational structures, play their proper role as representatives of the needs of the local community. They will be in a position to lobby for additional resources in priority areas and they will be able to motivate for targeted projects and programs by articulating both the socio economic and the socio political realities on the ground.

2.2.3 Agriculture Sector

The agricultural sector in Bushbuckridge is characterised by six types of primary production:

1. Scattered micro enterprise broiler producers who raise less than 500 chickens per week and market these live to the general public or to the Champaign Chicken abattoir.
2. Small holder vegetable producers who, situated on any of the four irrigation schemes in the area, sell fresh produce primarily to the hawker trade and to some extent to the local retail outlets.
3. Small scale fruit growers – formally out growers participating in the former development corporations' irrigated orchard estates – who trade informally in mangos (for hawker trade).
4. Small scale macadamia growers – established under the Mpumalanga Department of Agriculture's Greening Mpumalanga program in the past two or three years and not yet of harvesting or marketing maturity.
5. Dry land farmers producing maize and sugar beans with low productivity levels and primarily for subsistence purposes but also to an extent for sale to the informal market. Dry land farmers proliferated in the past two years with the expansion of the Mpumalanga Department of Agriculture's Masibuela Emasimini project.
6. Cattle farming which is essentially not beef production per se since these small, scattered herds serve primarily as a store of wealth and not as a commercial asset. These herds graze throughout the municipality and provide beef for funerals, festivals and ceremonies.

Figure 5 - Agriculture Jobs & Wages

Direct	jobs	4270
	annual wages R	49,560,000
Indirect	jobs	5900
	annual wages R	99,120,000
Total	jobs	10170
	annual wages R	148,680,000

In seeking to target agriculture as an intuitively obvious strategic sector, the potential for each of these production practices to become an

economic driver must be clearly understood in the local context. From the current perspective, the BLM LED strategy focuses on 4 large investment based projects in the short term. The following table depicts the planned objectives:

		Saringwa Citrus	Injaka Forrestry	Lisbon	NewForest & Dingley Dale	Total
Direct Jobs	permanent	200	150	280	1000	1630
	seasonal	150	300	190	2000	2640
	Wages	R 4,620,000	R 5,040,000	R 6,300,000	R 33,600,000	R 49,560,000
Investment	Public	R 7,000,000	R 1,000,000	R 13,000,000	R 40,000,000	R 61,000,000
	Private	R 20,000,000	R 14,000,000	R 25,000,000	R -	R 59,000,000
Concession	Rent	R 300,000	R -	R 380,000	R -	R 680,000

Figure 6 - Agriculture Objectives

2.2.4 Tourism Sector

BLM has vast amounts of prime tourism real estate based on communal and land claim areas. The inherent development potentials are as a result of the BLM's location in the Mpumalanga 'Lowveld' which is a well established nature based tourism destination. At a more specific level, the tourism development potential in BLM is direct as a result of the potential availability of communal and/or land claim land immediately adjacent to Kruger National Park, the Blyde Canyon Nature Reserve, the Sabi Sand Game Reserve, the Manyeleti Game Reserve and the Timbavati Game Reserve.

The BLM area also offers tourists a very wide range of other tourism activities that are available within BLM and in its immediately areas, such as Hazyview, Sabie, Graskop, Pilgrims Rest, Blyde Canyon Nature Reserve, Hoedspruit and the Panorama Route (second busiest tourism route in RSA).

The communal land areas in BLM also provide further opportunities for guided horse trails and hikes as well as easy access to tourism products based on local traditional culture (including Tsonga, Shangaan and Swazi cultures) in the nearby villages, including overnight 'home stays'.

The BLM planning area is a high potential tourism development area. In view of the high potential tourism investment opportunities, there can be little doubt that BLM should become an important area for tourism investment and product development. The private sector will be encouraged to invest in BLM through the implementation of public sector policies which understand and appropriately match the requirements of the investor with the needs of the communities.

There is no clear opportunity for small scale tourism development within the BLM that shows potential to have any large scale LED impact (unlike the agricultural sector for example where there are hundreds if not thousands of small scale farmers already active in the area). Small and micro businesses would be able to develop linkages to new markets once large scale tourism operations are established. The short term emphasis is therefore on the development of high impact community private partnerships that will yield massive investment, large numbers of jobs and millions of Rands of guaranteed revenue streams whilst increasing local capacity in the medium to long term. The achievement of this objective requires:

- Application of community/public/private partnership (CPPP) methodologies in support of tourism development based on communal land assets.

Direct	jobs	796
	annual wages	R 22,248,200
Indirect	jobs	1592
	annual wages	R 33,372,300
Total	jobs	2388
	annual wages	R 55,620,500

Figure 7 - Tourism Jobs & Wages

- Implementation of the 5 identified demonstration projects as defined in this document.
- Approval of long-term leases on those communal lands in the identified priority spatial development areas.

The short term objectives are summarised in the following table:

	Direct Jobs		Investment		Concession
	permanent	Wages	Public	Private	Rent
Welgevonden	18	R 503,100	R 1,800,000	R 12,000,000	R 180,000
Belfast	50	R 1,397,500	R 7,000,000	R 3,000,000	R 165,000
Cork/ Thulani	600	R 16,770,000	R -	R 650,000,000	R 2,400,000
Newington C	48	R 1,341,600	R 1,000,000	R 19,000,000	R 600,000
Sabi River Safari	80	R 2,236,000	R -	R 20,000,000	R 600,000
Total	796	R 22,248,200	R 9,800,000	R 704,000,000	R 3,945,000

Figure 8 - Tourism Objectives

2.2.5 Infrastructure and Public Works

Within the current (national) climate, infrastructure projects aim to simultaneously achieve three interrelated objects (over and above the primary objective of providing either essential or strategic infrastructure):

- 1 Service Delivery (including water, electricity, road networks, healthcare and education facilities)

- 2 Employment creation (and skills development) through a labour intensive public works approach
- 3 SMME development (in the contractor sector) by creating significant demand for low sophistication type services

In terms of LED at a municipal level, these are the areas of employment creation and SMME development that enjoy priority in the short term whilst strategic infrastructure is important in the medium to long term.

The development and/or maintenance and/or upgrading of basic infrastructure is primarily an issue to be addressed as part of the BLM IDP and SDF. However, as part of this LED strategy formulation process, a preliminary analysis and assessment of potential infrastructure projects in BLM that could be implemented based on labour intensive construction in support of public works has been adopted. The intention with this 'infrastructure public works program' is to create **local employment** and training for willing participants from the BLM community, whilst at the same time developing/upgrading/maintaining basic infrastructure in BLM.

Inherent in the "developmental" strategy of infrastructure projects is also the use of local SMME contractors. This 2010/2014 LED strategy thus focuses on **SMME development** within the context of the infrastructure development projects. The combined monitoring of the labour absorption and SMME spin off effects of infrastructure projects will enable the municipality to make future recommendations and/or submissions based on empirical evidence of the economic impacts of well structured (public works type) infrastructure development projects in the medium term. *(It will be far more credible to extrapolate a set of revenue and employment numbers for future projects based on a monitored set of 10 projects during the 2010/2012 period than it is to project the theoretical benefits of so called strategic infrastructure – from a municipal point of view).*

It is a common occurrence that municipal officials come under tremendous pressure from various interest groups in the context of infrastructure investment. Councillors lobby hard for service related infrastructure in support of their constituencies. With 34 wards, there exist immediate competing interests from 34 councillors. In addition to this, business interests persist with requirements ranging from roads, to water, to electrical supply. Then there are first and second tier imperatives to link local developments to the strategies and priorities of ASGISA and the

PGDS. Amidst these pressures, municipal officials are required to make inputs to and/or support projects initiated from a provincial or national level (e.g. agriculture infrastructure or bulk water respectively). What is essential in this highly dynamic and charged context, is for the LED office to limit itself to the aspects of infrastructure development which are immediately and obviously of LED relevance (especially in the short term). Whilst it is a given that all types of infrastructure projects (regardless of whether local, provincial or national in source) will have an LED impact, the inclusion of infrastructure projects within the LED strategy should be clearly delineated.

2.2.6 SMMEs

Due to the fact that most SMMEs are faced with very severe structural constraints in terms of access to finance, technical capacity, and business experience, they are often characterised by a lack of competitiveness. This real or even perceived lack of competitiveness (i.e. ability to produce quality goods/services, consistently and on time) makes it all the more difficult for emerging entrepreneurs to establish or grow their businesses. In order to enhance their competitiveness, and in order to ensure access to market opportunities, a number of interventions are proposed.

Given the diverse range of issues and considering the role uncertainty around SMME development with respect to planning, funding, incubating, monitoring etc, it is unlikely that the BLM can develop a comprehensive support strategy in the short term. This view is justified by the fact that numerous third party interventions have been attempted in the context of “enterprise support” within the Bushbuckridge area (including projects of the ILO and the Business Trust in recent years) and with limited success.

In the medium term, the municipality should conduct a more thorough analysis of the various constraints (including the effectiveness of support and funding agencies such as SEDA, MEGA and the Land and Agricultural Bank). In the short term however, a targeted pilot project approach will be most effective.

There are two compelling areas for immediate SMME development (albeit SMME tracking which may better inform SMME support approaches in the future). These are within the tourism CPPs and the municipal infrastructure projects. Here the municipality can develop a data monitoring set which clearly indicates the growth of SMMEs (including the number of SMMEs, their revenue

as well as their employment trends) as a direct result of the expansion of infrastructure and of new tourism investments.

2.2.7 Community Work Program

The CWP has a single objective: “To create regular work for those who need it.” In achieving this, a range of other outcomes ought to be achieved and contribute to the following key concerns of the Government;

- Strengthening community participation in local development planning and community development
- Creating an institutional mechanism that facilitates integrated development at the local level
- Strengthening the economic ‘agency’ of poor people in marginal areas: and countering the impacts of structural dependency

Furthermore, it is important for the CWP to search and demonstrate linkages with economic development and investment initiatives of Bushbuckridge in order to maximize both the social and physical gains from this expanded public workforce. The combination of high impact employment and high impact outputs from the CWP will ensure that government achieves not only the critical employment creation objective, but that it also achieves a tangible set of infrastructure and environmental gains – even in the short term.

To date, 2200 residents of Bushbuckridge have participated in the program. The potential to double or triple this number over the period of this LED strategy is subject to the ongoing improvements to the program as well as fiscal resource allocations. Notably, the program provides both a social safety net and a means for developmental objectives to be integrated into market based local economic development.

2.2.8 M&E

This chapter of the LED strategy seeks to summarise and prioritise the key areas that require attention during implementation. What is critical, is recognition of the fact that: (a) a structured approach is required and (b) concurrent actions should not detract from maintaining a structured approach. In order to aid this so called “structured thinking”, the current LED strategy can be defined in terms of four distinct growth areas:

1. Private Sector Investment (CPPs in agriculture, tourism and forestry) which generates jobs, revenues and SMME opportunities
2. Public Sector Investment (Infrastructure and PPPs) which generate jobs and SMME opportunities, complementing investments for LED
3. Small and Micro Enterprises (which are stimulated by either private or public investments as well as pure entrepreneurial endeavour within the 34 wards) generating revenues and jobs
4. Right to Work Programs (CWP) generating jobs

There is a clear emphasis on the link between investment and jobs with employment being the key indicator in this regard. There is also interrelatedness amongst the four growth areas.

In the short term, there is a combination of project implementation and project identification across all sectors. These processes must necessarily be monitored separately (but concurrently) in order to ensure implementation is progressing according to schedule whilst at the same time ensuring that the pipeline of medium term opportunities is being sufficiently developed for ongoing implementation of growth generating activities.

The viability of the implementation plan is highly dependent on both understanding the resource requirements and achieving commitment around project specific and process specific inputs.

In terms of projects, a distinction can be made between direct financial inputs (including public budgets in infrastructure, agriculture or tourism projects) and financial inputs for services facilitating investments (e.g. transaction advisory services for CPPs and for the provision of SMME facilitation services in tourism and infrastructure sectors). From a skills level and process point of view, the municipality requires support in the development and management of the

monitoring and evaluation strategy as well as in the additional practical research and analysis of the ward level SMMEs and related projects. Again a structured approach is important to ensure that both implementation and pipeline development (and the monitoring thereof) is continuous and is not undermined by unrealised expectations or assumptions.

2.2.9 Conclusion

The 2010/2014 LED strategy is a high impact, low risk approach to local economic development with a strong emphasis on Job creation in the short term and sustained economic growth potential in the medium to long term. The key growth and employment drivers in this strategy are investment, SMMEs and expanded public works. As such the key role players are the private sector, local entrepreneurs and the public sector.

Taking a three to four year time horizon, the LED strategy seeks to achieve and/or monitor the following measurable outputs (per growth area):

1. Private Investment = 12,000 jobs (with 10,000 from agriculture and 2000 from tourism)
2. SMMEs = 30 (with 10 from tourism CPPs and 20 from public infrastructure projects)
3. Expanded Public Works = 5000 jobs (doubling the current part time jobs on the CWP)

For the medium to long term, the strategy includes the ongoing development of a project pipeline through, inter alia:

1. Identifying and packaging 5 new potential CPPs per annum (in tourism, agriculture and forestry)
2. Monitoring the SMME development impact of public infrastructure and CPP projects to better inform future project plans
3. Analysing the existing SMME base on a ward level to better inform support programs
4. Analysing the diverse subsistence and semi-commercial agricultural components to better inform agricultural support programs

The Bushbuckridge LED strategy will be driven by the LED office within the municipality and will be supported by the MRDP, COGTA and DEDET on a provincial level. These “participant” institutions will jointly form the BLM LED forum and will take joint responsibility for the

provision of supplementary resources as well as the alignment of provincial and national programs.

3 The Municipal Social and Economic Profile

The following are the most important key issues and trends arising from the base line socio-economic profile that was prepared as part of the BLM LED 2010-2014 process:

- **Demographic trends:** BLM has a large population of about 509,970 (2007) residents and it is expected to grow to over 530,000 by 2014.
- **Poverty situation:** What is striking about BLM's population is that it is estimated that between 25-50% are unemployed and as a result about 75% of the BLM population live below the MLL (which makes BLM one of the poorest 3 places in RSA).
- An important fact that makes this already dire situation worse in terms of stimulating a turn-around is that education levels are very poor and BLM has the lowest levels of education from grade 12 and above - and also has the worst pass rates - in Mpumalanga in terms of the Senior Certificate.
- **Structure of the economy:** Looking at the structure of the economy a number of key trends are important:
 - The local economy is overwhelmingly reliant on the 'public services and administration' sector which comprises 39% of GVA (2004).
 - The next largest contributor to GVA is the 'services and retail' sector which comprises 34% of GVA (2004) - and again the scale of these activities are essentially underpinned by and reliant on the salaries of local government employees and contractors.
 - Collectively public sector spending is largely responsible for over 70% of GVA, and this is indicative of an economy that is not very self sustaining, and not very robust.

In terms of productive sectors the only other substantial opportunities that are known to have good inherent but under-utilised development potential, are the agriculture and tourism sectors. Of concern in terms of current trends is that:

- The contribution of these sectors is still very small
- In terms of trends, the agriculture sector is declining and tourism is poorly understood and substantially under-developed compared to the natural resources and location potentials.

- **Inherent and under-utilised development potential:** The performance of the agriculture and tourism sectors in BLM is a matter of great concern since it is within these two sectors that BLM has its greatest natural resource potential. Both the agriculture and tourism sectors do not have very high educational 'barriers to entry'. The fact that communities and land claimants own or have the use rights to vast areas of potentially highly productive land located in close proximity (or often immediately adjacent) to the Kruger National Park, the Sabi Sands and the Timbavati Private Nature Reserves, is an obvious opportunity to boost productive activities. What makes this situation of under-development all the more extraordinary is that both agriculture and tourism development enjoy a very high policy priority in terms of South African and Mpumalanga Government development strategies.
- **Policy and strategy context:** In context of the structural economic issues identified above, it is important for the public sector planning processes and policy makers to understand why tourism and agriculture do so badly in BLM. Key issues to be considered in the design of an LED Strategy for BLM will include:
 - What policy and strategy priority do these sectors actually get in IDP or LED? Related to this question is whether or not there are clearly defined programs and projects with associated budgets?
 - What are the obstacles to agriculture and tourism development? - Why are people unable to utilise the inherent natural resources potential? Related to this, the following issues must be considered:
 - land tenure problems
 - public sector response times
 - training and experience levels of government officials
 - the friendliness of the regulatory framework, and whether or not the private sector is easily able to invest in agriculture and tourism development projects. Similarly, in terms of the development of community based agriculture and tourism development, does the regulatory environment help small and medium scale local entrepreneurs to develop businesses?
 - lack of strategic infrastructure and deteriorating existing infrastructure
 - lack of government technical and financial support
 - lack of experience in successful economic participation

- The incidence and impact of lack of market access for local and community based agriculture and tourism enterprises.
- **Public sector capacity:** Although not mentioned in the base line study, it is common knowledge that (similarly to most municipalities in South Africa) the BLM experiences substantial capacity constraints in terms of technical and financial capacities. In terms of technical capacity the underlying problems include a shortage of suitable formally qualified and experienced staff as well as substantial vacancies. The financial capacity shortage has a direct impact on the ability of the state to address the technical capacity issues and is substantially due to the tremendous demand for public sector finance to address problems related to service delivery as well as health and welfare priorities.

Neither the technical or financial capacity problems of the public sector will be resolved in the short to medium term. An acceptance of this is particularly important for agriculture and tourism development because it means that support strategies must look at alternative approaches to securing much needed technical and financial investment in support of agriculture and tourism development. In addition, if it is common knowledge that there are severe technical and financial constraints, it is not advisable or helpful to develop excessively comprehensive or complex LED strategies since they are unlikely to be understood and agreed to, and even less likely to be successfully implemented.

4 Institutional Context

Since the inception of IDPs (in 1999), there was a recognition of the need for improved alignment of projects and programs – both within local municipalities and between local offices and provincial departments. Poor municipalities have consistently struggled to coordinate and prioritise projects and programs as they grapple with the challenge of extraordinary social needs and a vastly insufficient resource base.

Bushbuckridge was until 2008, a cross-border municipality. The challenges of coordinating provincial programs in the context of cross-border municipalities are extreme with neither province (the former Limpopo or the subsequent Mpumalanga) being able to formulate either a long term strategic plan or a comprehensive set of functional and political relationships amongst local and provincial officials. The result is simply a municipality in limbo.

With the eventual allocation of Bushbuckridge to the Mpumalanga Province, a new vacuum of integration emerged where there was no institutional memory, no historic accountability and no functional relationships. In this context, the municipality remained both subject to and divorced from the new provincial administration. During the period 2007 to 2010, numerous provincial agriculture projects targeting the municipality (including Masibuyele Emasimini and a number of CASP initiatives on irrigation schemes) were characterised by stop-start operations and by often changing rules of engagement with virtually no communication between the provincial and local structures.

These types of dynamics were worsened by recurrent changes at the provincial level (including Head of Departments, Members of the Executive Council, Chief Directors and the like) which invariably compounded the inability of officials and politicians to develop effective working relationships.

In order for a local municipality to make any meaningful contribution to LED, the roles and functions must be clarified – both internally as well as vis-à-vis the province. In its most basic formulation, respective responsibilities would be shaped as follows:

- Service Delivery (including water, sanitation, electricity, waste management, commercial infrastructure, town planning, spatial planning and zoning, bylaw enforcement and the provision of social infrastructure) are municipal functions with primarily local externalities
- Socio Economic Development (including agriculture, health, safety and security, environmental management, education, research and development, social services, minerals and energy) are provincial functions with externalities that impact on the broader region and on national welfare

To date there has been no clear allocation of responsibility between the province (and by extension the national offices) and the local municipality. LED officers are often (and very much on an ad hoc basis) allocated responsibility for everything from water problems to economic sector failures (e.g. agriculture project, reticulation projects, land reform disputes, education results, healthcare initiatives and so on). The introduction of IDP officers first and LED officers later, was intended to improve coordination and integration of state projects and programs but the unintended result was simply the addition of more complexity which comes with additional layers of stakeholders and consultations. Effective coordination and integration requires role clarity first and foremost. The necessary chronology is as follows:

- Define the role of the province (and each provincial line department) within the municipality
- Define the responsibilities of the municipality (in terms service delivery)
- Define the resource base and for:
 - Provincial projects and programs funded by the national fiscus
 - Municipal projects and programs funded by the national fiscus
 - Municipal services that qualify for local cost recovery

Within this “defined” context, the IDP office will be better able to track both provincial and local projects and programs and monitor the effectiveness of delivery as well as the progress towards intended commitments or outcomes. Similarly, within this “defined” context, the LED office will be well positioned to assess local economic means and thus the LED office will be in a position to be the primary source of information to guide the socio economic projects and programs implemented by the various provincial offices.

With improved role clarity, the local municipality will, through both political and organisational structures, play their proper role as representatives of the needs of the local community.

They will be in a position to lobby for additional resources in priority areas and they will be able to motivate for targeted projects and programs by articulating both the socio economic and the socio political realities on the ground.

5 Agriculture Sector

The agricultural sector in Bushbuckridge is characterised by six types of primary production:

1. Scattered micro enterprise broiler producers who raise less than 500 chickens per week and market these live to the general public or to the Champaign Chicken abattoir.
2. Small holder vegetable producers who, situated on any of the four irrigation schemes in the area, sell fresh produce primarily to the hawker trade and to some extent to the local retail outlets.
3. Small scale fruit growers – formally out growers participating in the former development corporations’ irrigated orchard estates – who trade informally in mangos (for hawker trade or archar).
4. Small scale macadamia growers – established under the Mpumalanga Department of Agriculture’s Greening Mpumalanga program in the past two or three years and not yet of harvesting or marketing maturity.
5. Dry land farmers producing maize and sugar beans with low productivity levels and primarily for subsistence purposes but also to an extent for sale to the informal market. Dry land farmers proliferated in the past two years with the expansion of the Mpumalanga Department of Agriculture’s Masibuyele Emasimini project.
6. Cattle farming which is essentially not beef production per se since these small, scattered herds serve primarily as a store of wealth and not as a commercial asset. These herds graze throughout the municipality and provide beef for funerals, festivals and ceremonies.

In seeking to target agriculture as an intuitively obvious strategic sector, the potential for each of these production practices to become an economic driver must be clearly understood in the local context.

Bushbuckridge, with its population of over 500,000 people, is a net importer of food. The over 1500 small holder farmers and vast number of broiler producers as well as the small-scale fruit farmers are seemingly unable to meet the demand of the local population. Previous analysis of the Champaign Chicken Abattoir revealed that, despite significant local supply of broilers, the abattoir is not able to market competitively within the local retail sector and when it did achieve

some level of market penetration, the related pricing was below the break even cost of production.

Provisional interpretations of the potential for economic development within the sector pointed to the opportunities for beneficiation (in value adding) and for vertical integration (in the value chain). However, from an economic development point of view, these types of specialisation tend to be preceded by successful primary production followed by improved productivity, followed by improved efficiency, followed by diversification and then specialisation – value adding etc.

In order to take a structured look at the sector, Bushbuckridge's agriculture can be divided into the following categories:

- Irrigation schemes which were established over the past 50 to 60 years and which cover some 5000 hectares of high value land with extensive state sponsored infrastructure. This includes both the small holder vegetable farms and the out grower fruit farms.
- Informal micro-production which collectively covers the macadamia producers, the chicken farmers and the dry-land farmers.
- Livestock which essentially covers the cattle owners.

Whilst it may be tempting for theorists to suggest the introduction of new technologies and diversified production regimes, it is far more practical to commence with building on the existing core resources and identifying know areas for improvement. The combination of state and local resources determined the viability of any chosen strategy and hence an existing resource base already provides some platform on which to build.

5.1 Irrigation Schemes (Small Holder Vegetable Farmers)

The Small-holder Irrigation Schemes in Bushbuckridge are supported under the department of Agriculture, Land Affairs and Rural Development of Mpumalanga province. The two largest schemes of Dingley Dale and New Forest have about 1,200ha and 1,317 farmers. Sabi River and Hoxana have 109 farmers and a total of about 2,000 ha.

There are at most six extension staff supporting the four schemes. This is against a backdrop of at least 20 extension staff that supported just the two schemes of New Forest and Dingle Dale before the withdrawal of this level of government support under the homeland system.

The National Department of Agriculture has initiated the National Extension Recovery Implementation Plan covering the period 2008 to 2011 at a cost of R500m. This was initiated by defining norms and standards for extension and advisory services. In 2006/07, the department conducted a survey on the state of agricultural extension and advisory services. The department has 2,458 extension staff against a target of 9000. In its National Extension Recovery Plan Framework, April 2008, the department also noted the serious need to re-skill the existing staff. As of that period, three areas were isolated for attention: 1) enhancement of skills and knowledge capacity, 2) attachment of experts from other countries to guide local staff, and 3) provision of Information and Communications Technology (ICT) tools to extension personnel. The department managed to recruit an additional 232 extension staff and provide ICT training to 360 staff as well as purchase laptops for 620 extension staff. Seven staff out of a targeted 2210 had received bursaries to go and further their skills. The department is seeking to attain the following extension worker to farmer ratios: crop farming (1:400), livestock farming (1:500) and mixed farming (1:500).

Clearly, the extension recovery plan will take time before farmers will start enjoying its benefits. Alternative extension and advisory services need to be explored.

Agriculture is one of the world's most competitive sectors and one which is faced with some of the greatest uncertainties in primary production. Farmers essentially require a set of seven generic services in order to operate effectively within this uncertain and competitive context.

These include:

1. Land – the clear definition of land access policies and/or land use rights improves the stability of production and the potential for investment within the sector (either by existing farmers or by new farmers or by farmers who wish to expand their production). On the Bushbuckridge schemes, land is communally owned and thus subject to Permission To Occupy (PTOs) from the tribal authority. This is not in itself an obstacle to investment however it is unlikely that high value (long term) investments will be made in this context.

2. Water – the consistent and reliable supply of water is essential to production. In the New Forest and Dingley Dale schemes, the over 120kms of canal networks have not received the necessary levels of maintenance spending in over 30 years. As a result vast areas of the schemes are either without water in winter, or water logged in summer. The canal leakages can account directly for over 40% of lost production potential on the schemes. At Sabi River and Hoxane, flood damage to pumps ten years ago still negates production on these highly fertile schemes. Some farmers have invested in their own pumps but the decade long promise of government investment in irrigation infrastructure has reduced the incentive for farmers to invest.
3. Mechanisation – five years ago, there were 20 private tractor operators in the central parts of Bushbuckridge and at least 10 in the South. With the introduction of government tractors throughout the municipality (in 2008) these operators were put out of business. The subsequent to and fro type approach around tractor use and management by the provincial department has had a devastating effect on those farmers on the road to commercialisation.

Essentially the policy shifted from “tractors to be managed within each scheme” in early 2008 to “tractors to be managed by the municipality throughout the municipal area” later in 2008 to “tractors being only available for subsistence farmers and not commercial farmers” in 2009 to “tractors being suspended for budget reasons” in the first quarter of 2010.

4. Inputs – there are no remaining input suppliers within the Bushbuckridge areas. The closest stores are in Hoedspruit or Hazyview. The result of this is not only an added cost per unit of any given input (as a result of transport costs) but also often a less than optimal application of inputs (since these are not readily available).

To the extent that local entrepreneurs have taken the opportunity to stock certain basic products, these tend to 1) come at a high price, 2) come in a limited range of generic products and 3) risk inappropriate storage and application which may be a health hazard to both users and consumers.

5. Credit – The vast majority of small holder family farmers are black listed. This may be the result of past lending within the production context or as a result of purchasing of consumer

- goods on credit (in a context where spouses tend to be married in community of property). That combined with the fact that the longer agricultural output cycle (6 months from soil prep to sales) makes these farmers unlikely candidates for micro-finance institutions (who typically require monthly instalments from the date of credit issue).
6. Information/Technology – these essential ingredients in any competitive environment are typically the result of Research and Development (R and D) and in agriculture, this was traditionally the role of the state. Contemporary agriculture has seen increasing R and D within the private sector but Bushbuckridge is too far removed to feel the benefits of these “high-end” commercial advancements. The extension services within the area are unfortunately ill-equipped to meet the needs of the farmers and the result is very limited (if any) progress or innovation.
 7. Markets – the final component of the agricultural value chain – require consistency and reliability. With the weaknesses in the aforementioned service areas, the Bushbuckridge small holders are highly unlikely to maintain any market penetration for very long.

The beginnings of a systemic solution to the challenges raised above lie in a coordinated effort across three institutional fronts:

1. The State (and more specifically the provincial department) must reduce its participation in the economics of the sector (which includes providing inputs and mechanisation) and focus on the provision of critical infrastructure (including irrigation infrastructure, access roads, erosion reducing gabions and contours).
2. The NGOs should provide farmer support services in the form of information, new technologies and methodologies, institution building and group support schemes – all of which contribute to sustainability.
3. The Private Sector, given the opportunity and the “investor friendly” climate of state investment in productive infrastructure and Non Governmental Organization (NGO) support of productive activities, will respond by making inputs available.

This will have the knock on effect of inducing credit suppliers (who can profit from the increased purchase of inputs and the general increased production). Once the input-credit components of the value chain are introduced through the private sector, networks emerge with what is often referred to as “embedded services”. These refer to forward and backward

linkages where sellers of inputs are incentivised to assist producers in identifying markets (since more sales by producers means more purchases of inputs). The same applies for credit providers (who also often have clients at different levels within the sector's value chain).

These are the generic cornerstones of the fresh produce sector – the ingredients for a healthy and growing “small-holder” sector which, if optimally used could accommodate up to 1500 primary producers, 5000¹ part time workers and generate a conservative R60m/an² in sales.

5.2 Orchard Estates

The approximately 2000 hectares of mango and citrus orchards in Bushbuckridge are all dysfunctional. Some farmers do continue to make use of the surviving orchards but this is in the absence of any formal land use rights or even tacit arrangements. There is thus no incentive to invest nor is there any real commercial activity. Lisbon, Saringwa, Alandale, Zoeknag, Injaka Coffee, Champaign – all have collapsed in the absence of bona fide development strategies and institutional arrangements.

Ten years ago, there was some level of private sector interest in reinvesting in the Bushbuckridge.

Two years ago this interest finally waned with a failed attempt at partnering with Saringwa followed by the collapse of its neighbour, Lisbon. The degradation set in during the late 1980s and early 1990s as State support dwindled and the Development Corporations were unbundled.

The situation was worsened with the transfer of Bushbuckridge to Mpumalanga and the subsequent loss of institutional memory and “ownership”. The final straw was the succession of malpractices and organisational changes within the provincial agriculture department (together with the collapse of the formally state sanctioned management company, SAFM).

The possibility still exists for these orchard estates to become targets of massive private investment (and this could result in the generation of thousands of direct jobs in the primary sector and indirect jobs in the value chain). Bushbuckridge remains a potentially prime citrus and mango

¹ At a ratio of 3 part time workers per family farm (conservatively)

² At R20k per hectare per annum. (It could in fact be 5 times that at peak i.e R300m at R100k per hectare)

orchard area (with excellent linkage potential to Hoedspruit which is the country's largest exporter of Citrus and Mangos as well as transport linkages to Maputo Port in future). The following are prerequisites for a successful revitalisation:

1. Medium scale public private partnerships in infrastructure development (including irrigation and packhouses) – potentially R150m over 5 years
2. Tribal and local authority interventions in the area of land use rights and the role of informal land occupiers as well as setting aside the illegal land trading which occurs on these formally prime estates (within the community but mostly with opportunistic private individuals)
3. Pre-approval by the provincial department and/or the Minister of Land Affairs for long term leases on the estate areas
4. Suitably qualified and experienced transaction advisors to structure meaningful community private partnerships that maximise the revenue, skills transfer and empowerment gains of the local community whilst allowing for a reasonable profit to the private sector investors

5.3 Informal Micro-production

The small scale activities, whether of poultry farmers or macadamia farmers remain important potential sources of revenue and employment. At the time of writing, the actual numbers of producers and the values and areas involved were not known. More in depth assessment would thus be required before any meaningful recommendations can be made. It is suggested that a consultant be appointed to quantify the status quo and that this information be considered during the 2011 LED review process.

5.4 Livestock Production

The nature of livestock production within Bushbuckridge is that of a store of value and is not commercial in nature. Theoretical potential exists for formalising the sector and introducing feedlots, slaughter facilities, beneficiation in tanneries and various value adding activities. These are however unlikely to achieve success in the short term given the existing cultural norm.

It is also not probable that any form of commercial livestock farming can be initiated through partnering with the private sector for example (and in the hope of some copy-cat type knock on effect) since the area is already characterised by over-grazing. The total head count of cattle

within the municipality was not concluded at the time of writing but it is estimated that some 10,000 head graze amongst the villages of the East and South East of Bushbuckridge alone.

A first step towards achieving improvements in the livestock sector will be that of defining the vision and/or policy of the livestock sector. Currently, cattle farmers have no allocated ranch land. This results in conflicts between livestock owners and dry land farmers as well as between livestock owners and potential investors (whether in tourism, agriculture or urban development) as these are all activities that are mutually exclusive and which threaten the already limited grazing areas.

Such “definition” may include the fencing of designated grazing areas (according to a zoning plan), the installation of water points (for improved hygiene and for reduced damage to irrigation canals) and the construction of winter feed paddocks (with planted pastures that have higher carrying capacity). These initiatives could capably be managed by the livestock and veterinary sections of the agriculture department and imply formalisation through the improved management of livestock practices as well as zoning. Formalisation is often a first step towards economic development (which would then yield opportunities for beneficiation).

To reiterate however, formalisation is not consistent with the existing culture of livestock ownership. Neither, unfortunately, is the existing culture sustainable given the increasing pressure from urban and other economic expansion on an already over-utilised natural resource base.

5.5 Short Term – Projects

5.5.1 New Forest and Dingley Dale Irrigation Scheme Refurbishment (two projects with interrelated infrastructure)

5.5.1.1 Strategic Objectives

- The re-establishment of 1000 viable and sustainable small holder farming enterprises
- Sustainable agriculture based employment creation with 1000 long term job opportunities (based on 1 permanent job per unit) and an additional 2000 part time opportunities
- Economic growth with agriculture based revenues increasing from a 2006 level of R2m per annum to a 2014 level of R50m per annum

- Broad Based Black Economic Empowerment through the redistribution of income from the traditional large scale commercial sector to the local small holder sector
- Skills and contractor development with 200 short term jobs during the construction phase

5.5.1.2 Project location and objectives

These projects are located in the BLM area at the existing Dingley Dale and New Forest Irrigation Schemes.

The refurbishment of the New Forest and Dingley Dale Irrigation Schemes is seen as the key to unlocking the potential of the irrigation schemes. In the climate in which the schemes are situated, access to water is the life-line to farming success. This project will have a tremendous impact on the whole area, reducing poverty, creating jobs and increasing the amount of income generated in the areas which will up-lift the entire community.

With refurbished irrigation canals, water will be used more efficiently and effectively. The 60% of the irrigation schemes currently lying fallow can be productively cultivated, and the area will become more attractive to outside investors to fund pack houses, processing plants and further required infrastructure. The potential of the area for agriculture has been shown to have the added advantage of being able to produce during winter. This presents a market opportunity as a very small percentage of the productive area in the country is able to produce summer crops in winter.

The refurbishment of the canals will be done in such a way that the farmers and community will be trained in the construction work thereby putting them in a position to successfully maintain and manage the canals in the future and take full ownership and responsibility for their biggest asset and opportunity.

The two largest schemes of Dingley Dale and New Forest consist of about 1,757 ha and 1,213 farmers. Sabie-Hoxane has 100 farmers and approximately 1,000 ha.

5.5.1.3 Project components

The New Forest and Dingley Dale irrigation schemes cover an area of 1668ha in total and there are 1065 farmers' allocated lands (1-5ha) that potentially have access to water. The irrigation canals, which comprises of the main canals, secondary canals, infield canals and storage dams, have been surveyed. The survey has indicated the extent of the damage to the infrastructure and the need for repair or replacement of certain sections. All documentation regarding previous work done on the irrigation scheme by various other consultants has been collaborated to avoid duplication.

From an institutional perspective, it is proposed that a Community Management Contract approach is applied in terms of which the project is managed by the Water Users Associations' management committees. The committees will be empowered in the construction, running and maintenance of the irrigation schemes.

They will be responsible for the appointment of labour, consultants and will be accountable for the entire process. One of the objectives on the community managed contract is that the farmers' associations will be left with the capability and skills of repairing and maintaining the irrigation infrastructure.

The project plan entails the use of labour intensive methods to repair or replace all canals throughout the irrigation schemes, as indicated by the canal survey. The estimated 200 workers will be sourced from the surrounding villages, thus partly addressing the unemployment crisis and further developing skills in the area.

The aim is to improve supply reliability and overcome poor usage and wastage of water within the irrigation schemes, thus increasing water use efficiency. The canal survey has also identified areas along the canals where foot bridges, vehicle/animal crossings, drinking troughs and washing areas need to be installed to prevent future damages to the infrastructure.

5.5.1.4 Land-use and development rights

- The farmers at both New Forest Irrigation Scheme and Dingleydale Irrigation Scheme have the support of the Department of Agriculture (DOA) through the commitment of the Extension

Officers and departmental support staff. DOA is an instrumental role-player in the refurbishment of the irrigation schemes and has shown their support to the farmers and this proposal.

- The land on which the irrigation schemes are located is tribal land which has been allocated by the chief to farmers for agricultural use. There are three tribal authorities in Dingley Dale namely Moreipusho, Moletele and Sehlare and one tribal authority in New Forest, namely Amashanga. The farmers have an understanding working relationship with the four traditional authorities represented on the schemes and jointly they implement a successful land rental system. Farmers have had the usufruct rights on this land for many generations and land tenure is secure. This is reinforced by the positive response from farmers to a land rental system with a total of 74ha currently being rented and used productively. Land is rented for R800 per hectare per annum. R100 is paid to the traditional authority, R100 to the Management Committee and R600 to the land owner.

5.5.1.5 Infrastructure issues

- The New Forest and Dingleydale irrigation schemes were established half a century ago with a view to creating productive potential in homeland areas. Presently, the key problem is that an ever decreasing quantity of water reaches the farmers as a result of leakages throughout the unmaintained supply system. Downstream usage is also compromised due to the wasted water from the dilapidated upstream irrigation infrastructure. The large number of users and the vastness of the supply networks compound problems associated with maintenance and the organization that such maintenance requires. These previously dependant farmers have neither the resources nor the incentive to organize themselves. The result is a combination of unreliable supply throughout the year and inconsistent supply to the various users.

As a result a key component of this project will be the refurbishment of the irrigation canals in the two irrigation schemes. The proposed infrastructure for the project is as follows.

- Complete repair of the existing main and infield canals.
- Repair of sluice gates, dam inlets and valves.
- Gabion support to the canal where necessary.
- Constructing foot bridges, washing basins and drinking troughs.

- Establishing a site office
- Dredging of dams

5.5.1.6 Potential development impacts

- **Short Term Employment:** The project implementation plan is based on a labour intensive system. About 200 local labours (120 general labourers and 60 skilled plasterers) will be employed that report to 12 supervisors. The reason for using local employees is twofold. Firstly it addresses the issue of poverty and unemployment and secondly it assists with skills transfer and capacitates the local community with the necessary skills to maintain the canals in the future sourced from the surrounding communities.
- **Long Term Employment:** The vast majority of small holders, when entering the commercialisation stage, employ between 2 and 5 part time workers. Since it is envisaged that the refurbishment of the canals will enable the current levels of production to at least double, approximately 1000 small holders will be active in the sector within the medium term as a direct result of this increased water sustainability. A conservative estimate of employment creation is therefore 2000 jobs (excluding the own labour provided by family farmers).
- **Training:** The supervisors report to the site foremen who provide training, mentoring and manage the progress on site. The community will be represented by a community liaison and the existing Management Committee will be a key role-player and link to the farmers. Training will take place through a practical setting. All labour will be trained on site by the site agent and foremen, who will be skilled construction employees able to train and disseminate information across to the labour.
- **Medium term revenue (Gross Domestic Product) growth:** With 1000 farmers in production, and considering the strategy of transforming Bushbuckridge from a food importing to a net supplying area, local revenues from output should grow to R50m in the medium term.
- This is based on a modest R50,000 per farming unit (which could in fact be far surpassed in the longer term).

5.5.1.7 Investor/investment mobilisation

- The estimated project cost is R38.5 Million. The intention is that this investment amount is to be mobilised from the public sector.

- The proposed investor/investment mobilisation model is a community/public/private partnership (CPPP) where the public sector provides the core capital requirements (rebuilding of the canals) and the private sector invests technical and financial support in partnership with the water users in terms of agricultural production and marketing.

5.5.1.8 Implementation responsibility

- The Management Committees at New Forest Irrigation Scheme and Dingleydale Irrigation Scheme are responsible for the entire project. They will appoint consultants, labour and service providers. They will take complete ownership for the refurbishment of the irrigation infrastructure both during and after its completion. The Water Users Associations, once established, will be supported by MABEDI and Teba Development.
- The Management Committees are currently responsible for the operation and maintenance of the irrigation canals; however, they have limited capability to implement regulations as the canals are in such a state of disrepair that farmers are not willing to contribute to the maintenance and use of the canals and water. There are water user committees that attempt to regulate water use and manage maintenance needs; these committees require further capacity training however. After skills have been transferred during the refurbishment project, local skills will be put in place to do future maintenance and repairs.
- The farmers involved in the two irrigation schemes have been loosely organized in the past into various structures. They are currently registered as New Forest Irrigation Scheme CC and Dingley Dale Irrigation Scheme CC and are a customer of the Department of Water Affairs and Forestry (DWAF) and associated with the Inkomati Catchment Management Association. New Forest has completed the development of their constitution and Dingley Dale is near completion.
- The most active organisational structures in both irrigation schemes are the Management Committees, set up by the farmers to coordinate all activities on the schemes. These committees are well structured and were recently undergoing organisational training and mentoring by a MABEDI consultant. The Management Committees of New Forest Irrigation Scheme comprises of 28 members including a Chairperson. Reporting to the Management Committee of New Forest are four Ward Committees, Edinburgh, New Forest A, New Forest B and Orinoco C. The Ward Committees are responsible for the distribution of water and the maintenance of a section of the irrigation

scheme. There is also a Technical Team Committee that assists with all technical aspects such as crop selection, correct planting information and marketing. Reporting to the Management Committee of Dingley Dale are ten Dam Committees, each responsible for water management and maintenance.

5.5.1.9 Time frameworks for implementation

- The estimated project implementation period (canal refurbishment) is 18 months. Following from that, consideration should be given to the development of an extensive medium term soil rehabilitation program which could persist for a further 36 months and continue to employ (and improve) the services of the approximately 200 works employees.

5.5.2 Saringwa Estate CPP

5.5.2.1 Strategic objectives

- The re-establishment of a viable and sustainable citrus hub in the South of Bushbuckridge
- Sustainable agriculture based employment creation yielding 200 direct jobs
- Economic growth emanating from the initial R27m investment as well as multipliers in the agricultural value chain in the ongoing process of production
- Broad Based Black Economic Empowerment through skills transfer, the redistribution of income (in the form of turnover sharing) and the development of productive infrastructure (to be transferred according to the BOT principle)

5.5.2.2 Project location and objectives

The project is located on the farm Belfast 296KU. The farm is located on the southern side of the R536 (to Kruger Gate) about 30kms from Hazyview and is about 2300 hectares in size. The specific objective of the project is the re-establishment of between 300-360 hectares of citrus.

5.5.2.3 Project components

Saringwa was established in the 1980s as an outgrower project with a combination of citrus and mango producers operating under centralised management (the development corporation). During the 1990s the subsidised development corporation ceased providing centralised support and the project was handed over to the 30 registered outgrowers to manage independently. In the absence of established capacity and capital, the project rapidly declined to the point where

all of the citrus trees died and only some blocks of resilient mangos remained in production (albeit of a non-commercial standard).

With components of the bulk infrastructure still in place, and given the excellent soil and climate conditions on site, the Saringwa project presents an excellent opportunity for re-establishment of up to 300 hectares of citrus for export. Between 2007 and 2009, the Department of Agriculture invested some R4m plus in irrigation infrastructure and mechanisation as well as the rebuilding of a perimeter fence. TRAC-MP, a Mpumalanga based NGO also re-verified the beneficiaries and reconstituted these in the form of a registered private company.

Over the course of 2009, a combination of coordination failures led to the cessation of refurbishment activities and rendered the project in a state of limbo. The opportunity therefore exists for the revitalisation of the Saringwa site with clear planning, guidance and coordination. It is envisaged that the establishment of a Community Private Partnership will provide the strongest foundation of a sustainable and commercially viable operation.

5.5.2.4 Land-use and development rights

The project site falls under the Mathibela Tribal Authority and as such, the outgrowers that make up the 30 beneficiaries of the Saringwa project are required to pay the marginal annual fee required to maintain their PTOs. Given the historic existence of the project (over 25 years) these land use arrangements are considered secure. There have however been reports of the illegal sale of certain portions which will require identification and nullification. There are also arrears on payments of the majority of PTOs and the implications of this will have to be negotiated with the tribal authority.

5.5.2.5 Infrastructure issues

- Main lines and in field lines require complete refurbishment. To some extent work has commenced in this area through an earlier allocation of the Comprehensive Agricultural Support Programme (CASP) funding by the Department of Agriculture. There is no current data on the value or extent of these works.
- Fencing has been repaired (also by the CASP allocation) but the specs of the new 1,4 metre high bonox fence will have to be assessed for protection from live-stock (cattle and goats).
- There are disparate views on the feasibility of the existing holding dam with some specialists suggesting that a new dam would be required for a fully functional 300 hectare irrigated orchard.

- All citrus trees require re-planting.
- All thirty residential units constructed for the outgrowers require renovation as well as repairs to the potable water connections and electrical supply.
- The Eskom transformer may need to be replaced.

5.5.2.6 Potential development impacts

- Employment: 200 plus direct jobs
- The potential exists for the re-establishment of the Saringwa/Lisbon hub with Lisbon contributing a further 280 plus direct jobs (thus yielding close to 500 direct jobs and as much as 1000 indirect jobs in total).

5.5.2.7 Investor/investment mobilisation

- The proposed investor/investment mobilisation model is a community/public/private partnership (CPPP) where the public sector provides the core capital requirements (rebuilding of the canals) and the private sector invests technical and financial support in partnership with the water users in terms of agricultural production and marketing.
- Estimated capital requirements are R27 million.
- The public/private combination of capital is not yet defined however in terms of the initial CASP allocation this mix would be approximately 50/50.

5.5.2.8 Implementation responsibility

The Provincial Department of Agriculture is the primary authority and thus responsible for implementation of the refurbishment works. The private sector will however be a long term partner in the CPP arrangement and should thus give direct input into the structuring of the infrastructure plan as well as the phasing of implementation. (MABEDI or a suitable alternative should provide transaction advisory services including investor mobilisation for the project).

5.5.2.9 Time frameworks for implementation

This project would take a minimum of 30 months which is comprised of 6 months for the initial investor mobilisation and deal structuring stage, 18 months of infrastructure upgrade (concurrently with the lead time for newly ordered trees) and a further 6 months for tree planting.

5.5.3 Lisbon Estates CPP

5.5.3.1 Strategic objectives

- The re-establishment of a viable and sustainable citrus hub in the South of Bushbuckridge
- Sustainable agriculture based employment creation yielding 280 direct jobs
- Economic growth emanating from the initial R38m investment as well as multipliers in the agricultural value chain in the ongoing process of production
- Broad Based Black Economic Empowerment through skills transfer, the redistribution of income (in the form of turnover sharing) and the development of productive infrastructure (to be transferred according to the BOT principle)

5.5.3.2 Project location and objectives

The project is located on the remainder of the farm Lisbon 297 KU. The farm straddles the R536 (to Kruger Gate) about 36kms from Hazyview and is 5 kilometres from the Kruger Gate entrance to the Kruger National Park. The property is 1466 hectares in size.

Project beneficiaries are the Nhangwini trust which comprises of residents from Cork, Huntington, Lillydale, Belfast and Mkhuhlu areas. It has 836 households with about 3 000 beneficiaries. Female-headed households are more than 395.

The objective of the project is the restoration of at least 280 direct jobs, the re-establishment of 380 hectares citrus and 190 hectares mango orchards and the possible development of tourism facilities.

5.5.3.3 Project background

Lisbon Estates, previously known as Gazankulu Vrugte Boerdery, was part of the former homeland strategy to provide and fund rural employment and development on high value agricultural estates. These estates were predominantly run by external (to the local community) management and were highly capital intensive. Lisbon Estates was developed around citrus and mangoes and was one of the largest exporters of mangoes in the country, producing 1.2 million cartons. In 1996, responsibility for the estates was passed onto the newly formed Agricultural and Rural Development Corporation (ARDC).

In August 2004, the property was officially handed over to the Nhangwini Trust in settlement of the land claim by that community of 836 households with about 3000 beneficiaries. The community comprises of residents from Cork, Huntington, Lillydale, Belfast and Mkhuhlu areas who had been forcibly removed from Lisbon up until about 1965. The community entered into a strategic

partnership with Slipknot Investment (Boyce Group) who operated the farm as SAFM (South African Farm Management). However, by August 2009, SAFM was being liquidated due to over R100m in overdrafts and operational loans that it was unable to pay. The moveable assets and irrigation equipment were sold off in the liquidation, operations ceased on the estate resulting in dieback on the orchards. Currently lawyers representing the beneficiaries of the trust are seeking an interdict to prevent trustees from selling or encumbering the land and for the removal and replacement of trustees including three independent trustees.

5.5.3.4 Project components

The majority of the bulk infrastructure is still in place and the soil and climatic conditions are favourable for citrus and mango production as attested to by the historic production record. With the current legal initiatives taking place, which would include three independent professionals on the board of trustees, the possibilities for good governance and stakeholder involvement is high.

The Department of Rural Development and Land Reform has committed 25% of its R4bn budget to revitalising land reform projects and given the prominence of this projects position and history, it is a good candidate for this assistance.

It is envisaged that the establishment of a Community Private Partnership will provide the strongest foundation of a sustainable and commercially viable operation. The risk of failure such as that experienced previously can be mitigated by properly assessing financial standing and ability of prospective partners to perform as planned.

The best opportunities for success lie with a combination of agriculture and tourism development, given the farm's location adjacent to the Kruger Park and Sabi Sands Game reserve.

5.5.3.5 Land-use and development rights

The land is held by the Nhangwini Trust, registration No. IT 1476/04, which comprises 836 households with about 3 000 beneficiaries. SAFM had commissioned PPA Construction Project Managers (Pty) Ltd to design and plan the Lisbon Golf Estate , an 18 hole golf course, clubhouse, hotel & health spa, 650 residential units, 40 sectional title and 40 fractional ownership units, airstrip, retail centre, filling station. The developer has already made submissions for environmental impact assessment for various subdivisions which would be affected. In addition, the Department of Agriculture approval has been received for certain subdivisions for the development. The total development was planned on approximately 500 hectares.

5.5.3.6 Infrastructure issues

All infield irrigation requires replacement as they were disposed of in the liquidation sale. The bulk infrastructure has been vandalised and some items stolen and requires a detailed assessment and repairs/replacement where necessary. All packhouse equipment, tractors and machinery require replacement as it was disposed of in the liquidation sale.

All of the citrus orchards require replanting while the mango orchards being more resilient than the citrus, require pruning, and spraying. Some mango orchards may require replanting.

5.5.3.7 Potential development impacts

- Agricultural employment: 280 direct and 500 seasonal employment opportunities. Tourism potential for employment approximately 60 full time jobs – though this requires further assessment.
- The re-establishment of the Saringwa/Lisbon hub with Saringwa contributing a further 200 plus jobs (thus yielding close to 500 direct jobs and as much as 1000 indirect jobs in total).

5.5.3.8 Investor/investment mobilisation

- The proposed investor/investment mobilisation model is a community/public/private partnership (CPPP) where the public sector provides the core capital requirements and the private sector invests technical and financial support in partnership with the water users in terms of agricultural production and marketing.
- The estimated capital requirements are R37.05m on the agriculture (based on a development cost of R65,000 per hectare), which could be reduced depending on the result of the detailed infrastructure assessment.
- The estimated cost of the tourism development component could be approximately R300 million (though this requires further assessment).

5.5.3.9 Implementation responsibility

The Provincial Department of Agriculture along with the Land Claims Commission and the Land Claimants (once confirmation is in place that the land claim is successful) need to select and appoint suitable transaction advisors to design and implement a related investor mobilisation, investor selection and deal structuring process. The selected strategic private partner would need to assume a key role in the design of the infrastructure development plan, and would also

assume the primary technical and financial responsibility for the long-term development, operation, management and marketing of the agricultural production components.

5.5.3.10 Time frameworks for implementation

Similar to Saringwa, this project would take a minimum of 30 months for the agricultural component which is comprised of 6 months for the initial investor mobilisation and deal structuring stage, 18 months of infrastructure upgrade (concurrently with the lead time for newly ordered trees) and a further 6 months of tree planting.

If applicable, the tourism component could be implemented in parallel to the agricultural component, and would require approximately 6 months for the investor mobilisation and deal structuring process. It is further estimated that the Environment Impact Assessment processes would require at least 12-18 months for securing of development permissions.

The development of facilities could potentially commence 6-12 months after all the necessary development approvals have been secured.

5.5.4 Injaka Estate Forestry Plantation

5.5.4.1 Strategic objectives

- The establishment of viable and sustainable community owned forestry enterprises
- Sustainable forestry based employment creation of 150 direct jobs
- Economic growth and development during the initial cash injection of approximately R15m and subsequent operating expenditures (in excess of R10m per annum)
- Broad Based Black Economic Empowerment through the redistribution of wealth (the assets) and income (the turnover) as well as skills development

5.5.4.2 Project location and objectives

Injaka Estate 592, is a Department of Water Affairs and Forestry (DWAF) plantation, which since April 2009 falls under the newly formed Department of Agriculture, Forestry and Fisheries (DAFF). The plantation consists of four properties, Beestekraalspruit, Diepdrift, Injaka and Waterfall. The properties are in varying stages of transfer to three claimant communities who have agreed in principle to work together to manage the plantation as a consolidated block.

Because of its location surrounding Injaka dam and picturesquely situated below the Drakensberg escarpment, it is highly valuable property and an important asset in the Bushbuckridge community from both an agricultural, tourism and commercial aspect. The project presents

opportunities for large scale financial investment by private sector partners in a Community Private Partnership (CPP) model with various potential enterprises that can be developed including crop agriculture, livestock/game, aquaculture, forestry, tourism, residential development and medium/small scale enterprises.

5.5.4.3 Property description and size

The total area is approximately 4,000 hectares with a plantation area of 2,176.3 hectares in extent according to the IDC commissioned business plan of 2009, compiled out by Forestry Expert Extension and Consulting Association (FEECA).

Portion 2 of Marite 287 KU is also under management of DWAF but is not under land claim. It is 149.38 in extent and has 25.75 ha of plantation.

It may be beneficial to incorporate this portion into the land transfer parcel so as to maintain the plantation boundaries and keep the plantation as a unit.

The following table shows the land portions where DWAF is the registered land user and the plantations that are on those properties (note the plantation size discrepancy against that measured by FEECA above).

Table 1 - Injaka Estate

Property description	Portions	Extent (ha)	Plantation (ha)
Inyaka 267 KU	1,2,3,8,9,10,11,12,13,14,15,16,21,22,23	1,098.36	379.63
Waterval 273 KU	2,9,10,35,36,38	949.63	160.93
Diepdrift 288 KU	Rem,3,4,5,6,7,8,9,11,12	1,550.31	993.75
Beestekraalspruit 270 KU	2,3,7,10,11,17,18,19,20,36	453.45	258.91
Injaka Dam portions	Injaka 26,27,31,33	112.31	0
Beestekraalspruit	Rem,39,40	557.93	453.91

The soils on the properties are mostly red dystrophic apedal and red structured soils which are high potential soils suitable for crop or sub-tropical fruit production, depending on gradient. The plantations are well located in terms of commercial forestry markets, forestry input suppliers and contractors.

5.5.4.4 Property location

The properties are located in wards 29 and 24 of Bushbuckridge Local Municipality, Ehlanzeni District in Mpumalanga Province, approximately 25km north of Hazyview of the R40 arterial route. The R533 from Bushbuckridge passes through the property Beestekraalsruit on the way to Graskop. This is a transition zone between the Drakensberg escarpment and the Lowveld, falling into the Legogote Sour Bushveld vegetation type.

5.5.4.5 Plantation size and condition

The plantation has been managed as a composite unit and according to the above-mentioned business plan, is in a severe state of neglect, yields are estimated to be 42% below potential. However it is the opinion of the business plan that the plantation is located in extremely favourable environmental conditions, making it a high potential plantation.

The plantation is 2176.3 hectares in extent (as measured by FEECA) and requires 714.1 hectares of replanting, since no re-establishment has taken place since 1995. There is currently 714.1 hectares of temporary unplanted and low production areas from burnt eucalyptus areas and clear felled pine. The Mean Annual Increment (MAI) potential determined by FEECA according to the site and environmental conditions is 31.8m³/an (or 21.8t/ha/an), an extremely high yield. This yield can be realised under good management practices.

5.5.4.6 Project components

5.5.4.6.1 Community claims

The following tribal authorities registered as stakeholders on the Injaka Dam project which lies on the properties Waterval and Injaka: Kgarudi Tribal Authority; Moreipuso Tribal Authority; Thabakgolo Tribal Authority; Mathibela Tribal Authority; and Injaka-Waterval Community.

According to the Injaka Dam Resource Management Plan (RMF), seven land claims have been lodged on the farms Injaka 267 KU and Waterval 273. The claimants are the Injaka-Waterval community, as defined in terms of Section 2 of the RLRA as amended. According to DAFF officials, there are three land claimants on the property affected by the plantation, consisting of approximately 1089 beneficiaries. These three claimant communities and their respective chairpersons are indicated in the table below.

Table 2 - Claimant Communities

Communal Property Association (CPA)	Property Claimed	Chairperson
Mahlangani CPA	Beestkraalspruit 270 KU	Alfred Mnisi (072 965 6881)
Thlarisimadi CPA	Diepdrift 288 KU	MJ Mbowane (082 969 3553)
Injaka/Waterval CPA	Inyaka 267 KU	
Waterval 273 KU	Enos Mkontho (073 304 0602)	

A part of the land under claim is used for forestry purposes. The greater part of the claimed land is not being used, except by local residents for seasonal cropping. A portion of the Injaka 267 KU was previously used for coffee production by the Agricultural Rural Development Corporation (ARDC). Currently, the project has been abandoned.

5.5.4.6.2 Plantation production plan

The Department of Agriculture, Forestry and Fisheries has budget to replant 570 hectares of plantation in the current financial year, however once the properties are transferred out of the State, the budget cannot be used on non-State owned land. The Department is able to enter into a management agreement with a private sector partner prior to the transfer of the properties to the claimant communities and to make available the replant budget to such a company. This would be highly beneficial to ensure continuity of production and the replant of a large proportion of the plantation area.

A detailed business plan with planting and production recommendations has been compiled and is available from DAFF.

5.5.4.7 Land-use and development rights

5.5.4.7.1 Land ownership

The Department of Land Affairs (now renamed the Department of Rural Development and Land Reform) as the successor in title to the South African Development Trust and former Lebowa Government currently owns a greater part of the farms Injaka 267 KU, Waterval 273 KU Beestkraalspruit 270 KU and Diepdrift 288 KU. The plantation land is managed by the Department of Agriculture, Forestry and Fisheries.

5.5.4.7.2 Water licence and planting permits

The listing below provides the water licence and planting permits for the four properties, a total of 2013.1 hectares. The area under plantation measured by FEECA during their consultation was 2176.3 hectares, a discrepancy of 163 ha or 8.1%. There is 25.75ha under DWAF plantation on Marite 287 KU which may have been counted by the consultants who measured the plantations.

5.5.4.8 Infrastructure issues

- Roads and loading zones

Forest roads are vital to the operation of the estate for management activities, fire protection and cost effective delivery to market. Injaka Estate has two good quality tar roads running through the compartments and a district road in poor condition. Other roads are classified according to importance and a detailed survey carried out by FEECA is available in the Injaka Business Plan.

- Buildings

There are numerous buildings on the properties including offices workshops and residences, however a detailed audit of buildings and their condition has not been carried out.

- Electricity

Electricity is available on the property.

5.5.4.9 Potential development impacts

- Employment and training

Currently the plantation is under-staffed, being managed and operated by 31 persons. In the business plan proposed by FEECA, a total of 144 persons would be required. The primary increase in employment would be through doing all operations in-house instead of contracting out operations. One of the concerns raised by the consultants is that currently lowest wage rates are far in excess of the minimum (being R3,000 in 2009), resulting in unsustainable operations. This would need to be addressed by DAFF before the properties are transferred.

Training needs have been identified by DAFF and will be forwarded to the relevant SETA for assistance.

- SMME opportunities

In spite of the above discussion on increasing employment, there are numerous opportunities for contractors to carry out silviculture and harvesting activities and also security.

- Vertical integration opportunities

These opportunities still need to be identified with a business planning process.

- Alternative production in non plantation areas

High potential land, water availability and access to markets indicate numerous opportunities for alternative production enterprises that would be identified in a detailed planning process.

5.5.4.10 Investor/investment mobilisation

A Community Private Partnership (CPP) model would be recommended. CPP's have been introduced from the tourism sector where they have worked successfully for many years.

They were introduced by MABEDI into the agricultural sector after it became evident that the typical "joint venture" deals were failing. The following principles underpin the CPP model:

- Rural communities lack technical and financial capacity and experience and should generally not assume such related risks. CPA's own/control significant portions of high value agriculture real estate. Providing access to land and infrastructure assets is the most suitable contribution CPA's can make in a deal.
- The private party by virtue of their greater technical and financial capacity and experience in the agriculture industry takes on the major burden of these risks in exchange for the opportunity to invest and operate in a particular prime agriculture location, and its existing asset base. This should enable the private partner to make healthy financial returns.

Selection of a technically and financially strong private partner is critical to developing a sustainable and successful CPP.

- Financial capacity
- Technical capacity
- Marketing capacity and access
- Track record

The private party needs to be allocated enough time to develop/restructure/upgrade agricultural activities, to recover costs, and to make market related profits. Agriculture development/establishment, operations and marketing is fundamentally a long-term business

opportunity. The private party needs to be allocated the responsibility for all commercial related activities.

- Since the private party will be expected to mobilise (at own risk) all financial and technical resources, and at the same time commit to certain guaranteed payments, they need to be given the related rights and obligations.
- Community Property Associations (and typically most marginalised rural communities with high levels of poverty) needs to secure low risk revenue and general benefit flows for their communities through the following methods:

1. Lease/concession fees are the most appropriate 'low' risk revenue streams (guaranteed 'base rentals').

2. An element of turnover based income is appealing for those times where business is booming.

3. Profit based revenue is generally excessively high risk in the early years of establishing farming operations and markets. Same applies to 'equity' sharing – marginalised rural communities are very poorly positioned to assume any downside risks and/or to make required financial investments. These high risk/reward revenue streams should only be accessed once the positive and sustainable growth trend is confirmed.

5.5.4.11 Roles and responsibilities

The Department of Agriculture Forestry and Fisheries (DAFF) has the responsibility to manage and maintain the plantation until transfer. They have approval to replant 570 hectares in this financial year. It is important that co-ordination between DAFF and the Land Claims Commission takes place so that planting occurs before the properties are transferred and the land parcels be transferred as a unit.

Private sector investors should be identified and mobilised in collaboration with the communities before transfer to ensure continuity and securing the assets. Facilitation with the communities needs to take place to identify and communicate objectives, capacitate the leadership and train administration staff for ownership.

5.5.4.11.1 Potential investors

There are a number of potential investors for this plantation, Ulusha Projects and TWK are two that have already indicated an interest. However there are companies surrounding the property that would benefit in terms of scale by incorporating Injaka into their existing operations, including Mondi, Tritimco, and Komatiland.

5.5.4.11.2 Request for proposals

RFP would require preparing a portfolio of the property should the CPA's agree to follow that route.

5.5.4.11.3 Implementation responsibility

Once transfer has taken place, DAFF will continue to assist from Directorate: Forestry Development.

Small Enterprise Development Agency (SEDA) would be invite to assist the CPA's to form a co-operative to jointly manage their asset in conjunction with a private sector partner.

The following relevant stakeholders have been identified.

Table 3 - Stakeholders

GOVERNMENT		
BLM:	Mr Kolokoto, Mr Dennis Chavane	
RLCC:	Thembi Silinda 0828276014; tsilinda@dla.gov.za)	
DARDLA representative		
DEDET:	Bheki Mhlanga 082 633 6508	
DAFF: Forestry Development: Land Management	Shakespear Soyizwapi	
Marius Brundyn083 633 4294		
082 809 2069		
CLAIMANT COMMUNITIES		
Mahlangani CPA:	Alfred Mnisi	072 965 6881
Thlarisimadi CPA:	MJ Mbowane	082 969 3553
Injaka/Waterval CPA:	Enos Mkontho	073 304 0602
POSSIBLE INVESTORS:		
Ulusha Projects Nick Elliott	nic@ulusha.co.za	
Johan Zietsman	083 625 6975	
Transvaal Wattle Co-op (TWK)	Johan Nel	017 8241000
TRANSACTION ADVISORS		
MABEDI	Emile de Kock	0823726356
SEDA	Eva Ramalepe	013 799 1961

Within the CPP structure will be a skills development and preferential employment component, giving the private sector partner the responsibility to up-skill CPA members.

5.5.4.12 Time frameworks for implementation

DAFF has budget to replant the 570 hectares of plantation land in 2010 financial year as well as technical support and facilitation. MABEDI has largely committed budget to other projects for the duration of its final year of operation, but has capacity to mobilise private sector investors and prepare concept plans.

Table 4 - Cash Flow

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Income	12,625,029	10,515,815	9,232,134	8,726,441	8,769,663	9,413,664	9,711,894	9,716,216	9,910,713	9,893,424	14,845,680
Expenditure	12,480,485	11,338,812	10,345,544	9,940,458	9,956,327	10,304,703	10,540,154	10,527,371	10,923,258	10,916,674	12,375,900
Profit/Loss	144,544	822,997	1,113,410	1,214,017	1,186,664	891,039	828,260	811,155	1,012,545	1,023,250	2,469,780

(Source: IDC, Business Plan For Injaka Estate 592, 2009. Prices at constant 2009.)

The Business Plan projects a profit only in 2020 and the accumulated profit without interest cost, becoming positive in 2023. The severe state of neglect with areas out of production and the large capital input is blamed for the slow turn around. It is clear that the investor who would be interested in this project would require a long time frame in order to recover costs and show profit. The investor would require substantial capital or access to capital, which would perhaps suit an adjoining property where equipment can be used on both properties.

Facilitation with community – can begin immediately. RLCC's responsibility for budget. Obtain mandate from CPAs to pursue CPP model. May include visits to existing CPP sites by claimant communities. The CPAs should form a co-operative or joint venture company through which the plantation can be administered and funds distributed. Estimated time required 3 months.

Investor identification and mobilisation – can take place once mandate is obtained from CPAs. In principle discussions can begin once stakeholders players are in agreement with the model, which can be fine tuned during the process. Estimated time required 1 month.

Replant of plantation – should take place in conjunction with an identified investor as they will have a vested interest in seeing a good effort. DAFF needs to spend funds in current financial year and can only spend the funds prior to land transfer. Estimated time required 5 months, should begin in spring.

Signing of CPP agreement – the signing of the agreement can and should take place prior to transfer of land. Once the CPAs have agreed on their preferred partner and terms and condition, the agreement can be entered into. Estimated time 1 month.

5.6 Medium Term - Program

5.6.1 Conceptualisation and project packaging of other proposed agriculture CPP projects

In addition to the above mentioned five priority agriculture CPP projects that have been prioritised for implementation as part of the BLM LED Strategy 2010-2014, there are a number of further projects that will need to be conceptualised and packaged for implementation in the medium term. The following list of projects have been identified as part of the process of preparing the BLM LED Strategy 2010-2014, and are all located in the priority spatial development areas as identified above. It is proposed that the packaging process be based on the CPP and CPPP principles and approaches. The projects are as follows:

- Allandale Citrus Farm
- Champagne Citrus Farm
- Sabie-Hoxane Irrigation Scheme
- Sabie-River Irrigation Scheme
- Zoeknag Coffee Estate

It is envisaged that, based on the successes and lessons from implementation of projects already packaged for investment in the short term, the municipality will structure similar opportunities for a range of other potential projects over the medium term. These projects may be previously existent (as those listed above), green-fields opportunities (as may exist within the locality) or newly identified projects (as proposed by stakeholders and/or communities).

By adhering to (and improving) successful methodologies to project development, the municipality will in the long term optimise the primary production side of the agricultural sector. Concurrently and/or subsequently to this optimisation of primary output (with its associated employment and GDP growth), new opportunities for beneficiation and productivity enhancing technologies will emerge organically.

6 Tourism Sector

BLM has vast amounts of prime tourism real estate based on communal and land claim areas. The inherent development potentials are as a result of the BLM's location in the Mpumalanga 'Lowveld' which is a well established nature based tourism destination. At a more specific level, the tourism development potential in BLM is directly as a result of the potential availability of communal and/or land claim land immediately adjacent to Kruger National Park, the Blyde Canyon Nature Reserve, the Sabi Sand Game Reserve, the Manyeleti Game Reserve and the Timbavati Game Reserve.

The BLM area also offers tourists a very wide range of other tourism activities that are available within BLM and immediately adjacent to BLM. To mention only a few of the more obvious nearby tourism nodes/destinations that on their own are increasing well known nationally and internationally, and which offer a broad range of tourism products that are easily accessible:

- Hazyview
- Sabie
- Graskop
- Pilgrims Rest
- The Panorama Route (second busiest tourism route in RSA)
- Hoedspruit
- (and many others...)

The communal land areas in BLM also provide further opportunities for guided horse trails and hikes as well as easy access to tourism products based on local traditional culture (including Tsonga, Shangaan and Swazi cultures) in the nearby villages, including overnight 'home stays'.

The BLM planning area is a high potential tourism development area. In view of the high potential tourism investment opportunities, there can be little doubt that BLM should become an important area for tourism investment and product development. Fundamentally the reason for the current lack of tourism product development and product diversity in BLM is as a result of the fact that the private sector has been 'crowded out' by restrictive and unfriendly public sector policies which has made BLM an investor unfriendly environment.

6.1 Key strategy interventions

There is no clear opportunity for small scale tourism development within the BLM that shows potential to have any significant LED impact (unlike the agricultural sector for example where there are hundreds if not thousands of small scale farmers already active in the area). The short term emphasis is therefore on the development of high impact community private partnerships that will yield massive investment, vast numbers of jobs and millions of rands of guaranteed revenue streams whilst increasing local capacity in the medium to long term. The achievement of this objective requires:

- Application of community/public/private partnership (CPPP) methodologies in support of tourism development based *on communal land* assets.
- Implementation of the 5 identified demonstration projects as defined in this document.
- Approval of long-term leases on those communal lands in the identified priority spatial development areas.

6.2 Spatial prioritisation

The priority geographical areas for tourism based developments in the BLM are as follows:

1. Communal and land claim areas immediately adjacent to the western boundary of the Sabi Sands.
2. Communal and land claim areas on the western boundary of Manyeleti as well as Manyeleti Game Reserve.
3. Communities on the southern boundary of Andover Game Reserve, including the Welverdiend land between Andover and Manyeleti.
4. The entire area of land south of the R536 road (to Kruger Gate) and the northern boundary of the Kruger National Park.
5. The Bushbuckridge Nature Reserve is a large portion of land with potentially beautiful scenery and a good strategic location. From an investment and tourism development perspective it has good potential (particularly for the domestic tourism market, for budget to mid-market products, for consumptive tourism [hunting based]), although this reserve's reputation as being "poorly managed and dangerous" make any private sector investment unlikely, and it is doubtful that any informed tourists would use this facility whilst the security situation is considered to be so poor.

6. Blyde Canyon Nature Reserve is historically one of the most important tourism and conservation areas on BLM. Within the BLM sections of Blyde Canyon Reserve there are also strategically important areas of land that are subject to land claims. One such example being the area where the Welgevonden Chalets are located. Regrettably these chalets have fallen into an advanced state of disrepair due to lack of maintenance and utilisation. The strategic location of the Welgevonden Chalets, as well as the fact that their further development and upgrading already form part of the approved reserve tourism and conservation management plans, provides a good opportunity for the establishment of a viable tourism enterprise.
7. The Injaka Dam area has great potential for tourism (as well forestry and agriculture) development.

Successfully achieving these spatial plans is in all probability a medium term objective. In the short term, at least the spatial approvals of those five following demonstration projects is a prerequisite. The success of the demonstration projects will on the other hand strengthen the municipalities efforts to achieve a comprehensive spatial development framework in support of its medium to long term tourism development strategy.

6.3 Short Term – Projects

6.3.1 Cork Community CPP: Sabie River Safari Lodge

6.3.1.1 *Strategic objectives*

- Sustainable tourism based employment creation of 80 direct jobs
- Economic growth through the initial R20m investment as well as ongoing operational expenditure
- Tourism product development (new) which contributes to the regional tourism product offer
- Establishment of low and medium risk revenue flows to rural communities including the minimum (escalating) R250,000 annual base rental (plus an additional turnover component estimated at over R500,000 per annum)
- Broad Based Black Economic Empowerment through a redistribution of wealth (in the form of asset ownership) and a redistribution of income (in the form of turnover shares and the market based return to land assets).
- SMME development and skills development

6.3.1.2 *Project location*

The project area is situated in the 'Lowveld' of Mpumalanga. The project site is located midway between the Hazyview and the Kruger Gate entrance to the Kruger National Park (KNP). This road access to the KNP is surfaced (R536). The Kruger Gate Entrance to the KNP is well located relative the Panorama Tourism Route (the second busiest tourism route in South Africa) and is perceived by many to be a safer route into KNP from White River and Nelspruit.

6.3.1.3 *Project components*

- The development of between 80 and 100 beds of tourist accommodation.
- Ancillary staff accommodation and core facilities.
- The construction of game proof fencing (to KNP specifications) around the back and sides of the development site to facilitate the fencing-in of the site into KNP.

6.3.1.4 *Land-use and development rights*

The land will need to be rezoned to allow the development of tourism facilities. The private party assumes responsibility for securing the specific necessary land-use rights and zonings. The proposed land-uses and tourism developments are fully consistent with the Bushbuck Ridge IDP and SDF which have identified these portions of land as being suited for tourism related developments.

6.3.1.5 *Infrastructure issues*

The development of the necessary on-site or off site solid and liquid waste disposal systems (developer responsibility within context of prevailing legislation).

To establish the bulk water supply (from Sabie River) to the site, as well as the on-site water reticulation. (developer responsibility). It would be the responsibility of the Cork Community Development Trust to secure the necessary abstraction rights from Sabie River, as well as to identify a location for a dedicated pump station.

To develop on-site electricity reticulation as required (developer responsibility if applicable). Provision of bulk supply would be the Cork Development Trust Responsibility.

To develop to a suitable standard the access route onto the site from the R536 (developer responsibility). The Cork Development Trust would be responsible for providing the necessary rights of way to enable the developers to fulfil their responsibilities.

All costs associated with the erection of the required game proof fencing will be for the account of the consortium.

6.3.1.6 *Potential development impacts*

Employment: Based on operational model where the facility is operated as a catered four star facility, employment would be provided for an initial 46 staff, but this would grow to around 80 staff once the Lodge was fully operational. Total wages in year 1 are estimated to be R2,158 million, and by year 5 would be R3,158 million.

SMME development: In addition a number of SMME opportunities are also expected to arise including game-viewing in purpose-built game drive vehicles in KNP; horse-back and/or hiking trail guides; transfer operators; security personnel; refuse removal; firewood supply; curios; fresh produce for consumption by the tourism facilities; and culture based entertainment. Initial expenditure (refuse and laundry only) that could be directed towards SMMEs start at R315,360.

Lease fees: The project is based on an effective 49 year lease. The minimum base rental has been set at R240,000-00 per year. In addition it has been agreed that a turnover based payment clause set at 6% will operate (higher of base rental or turnover percentage will apply). The indicative financial feasibility indicates that this should result in a Year one payment to the Cork Community Development Trust of R262,800-00, and this amount should grow to over R613,200-00 by year 5.

6.3.1.7 *Investor/investment mobilisation*

The estimated investment value for this project is R20 million. The Cork Community Development Trust has already secured a suitable strategic private partner, and related contracting is completed (facilitated by MABEDI).

6.3.1.8 *Implementation responsibility*

As noted above, the CPP contract has already been signed for this project. At a general level, the following principles apply in this partnership.

The private party (the consortium of private investors), by virtue of their greater technical and financial capacity and experience in the tourism industry, takes on the major burden of these risks in exchange for the opportunity to invest and operate in this prime tourism location, and its substantially developed existing asset base. This should enable the private partner to make healthy financial returns.

The community partner will provide access to the location and the existing facilities based on a long-term lease at market related rates, and will also carry primary responsibility for the socio-political risk which is critically important to the tourism industries long term sustainability.

The government is the party responsible for ensuring compliance with prevailing regulatory frameworks and procedures.

6.3.1.9 *Time frameworks for implementation: Key milestones to be achieved*

The only outstanding issue hampering the implementation of this project is the approval of the long-term lease to the Cork Community. The necessary application and motivation to the National Minister has been prepared and submitted by DRDLR. The matter is being finalised by national Government.

6.3.2 Newington C CPP: Ulusaba/Newington C Lodge and Training Academy

6.3.2.1 *Strategic objectives*

- Sustainable tourism based employment creation of 50 direct jobs
- Economic growth through the initial R20m capital investment as well as normal operating capital
- Tourism product development (new) which creates the potential for numerous similar initiatives on the boundaries of this or similar eco-tourism assets
- Establishment of low and medium risk revenue flows to rural communities (including but not limited to the R600,000 initial base rental per annum plus a turnover share)

- Broad Based Black Economic Empowerment through the intensive skills development program, the BOT principle (which guarantees a transfer of ownership) and the introduction of the community to the formal tourism sector
- SMME development with inherent additional skills and capacity development
- Tourism related training and capacity building (including bursaries to the Sir Richard Branson School of entrepreneurship)

6.3.2.2 Project location

The project is located on about 700ha of communally owned land in the Newington C community. The land is located immediately adjacent to the western boundary of Ulusaba (which Sir Richard Branson's Private Game Reserve and is part of the Sabi Sands)

6.3.2.3 Project components

To establish, on the basis of a community/private partnership (CPP), a new 24-bed ecotourism lodge and tourism training facility on communal lands that will be formally incorporated into the Sabi Sands Private Nature Reserve.

6.3.2.4 Land-use and development rights

The land in question is currently used for farming. It will need to be formally included into the Sabi Sands Private Nature Reserve. This will be the first portion of 'community' land formally incorporated in the Sabi sands.

6.3.2.5 Infrastructure issues

6.3.2.5.1 Infrastructure requirements (Private partner responsibility)

- Waste disposal: The development of the necessary on-site or off site solid and liquid waste disposal systems.
- Water supply: To establish the bulk water supply (from boreholes, as is the case for Ulusaba Lodge) to the lodge.
- Electricity supply: To develop on-site electricity reticulation as required.
- Roads: To develop to a suitable standard the access route to the lodge site as part of the Sabi Sands road network. Initially this access will be via either Newington or Shaws Gates.

- Community cattle project: In principle agreement has been reached that Virgin Limited Edition (Ulusaba) will cover the costs of the development of 2-4 cattle drinking troughs outside the boundary of the 'inclusion land. (This support is subject to the implementation of the perimeter fence via the DEAT Social Responsibility Program – as described below.)

6.3.2.5.2 Infrastructure requirements (Public sector responsibility)

In principle agreement has been reached with The DEAT funded Social Responsibility Program that they will take responsibility for the construction of the game proof fence to the specification of the Sabi Sands Game Reserve and electrified game proof fence.

In support of the project it is proposed that the support of the Mpumalanga Department of Agriculture be secured to assist with the planning and construction of 2-4 cattle grazing camps which are intended to be set aside for grazing in the dry months.

6.3.2.6 Potential development impacts

(NOTE: These are indicative figures as proposed by Ulusaba Game Lodge. They are still subject to final approval of Virgin Limited Edition.)

- Proposed financial offer: The indicative base rental (assuming a land inclusion of around 700 hectares) would be about R50,000-00 per month or R600,000-00 per year. The base rental payment would/should commence as soon as the portion of land is fenced into Sabi Sand. Based on best practice in the region for similar 'ecotourism lodge' type operations, Virgin Limited Edition would pay a turnover based rental of about 9%. (This amount generally includes a minimum 'base rental' from the day of first operations. Principle of 'higher of base rental or turnover' would apply.)
- Financial flows: These include direct capital and operational investment; rental payments to the community (as described above); and equity sharing options that can be exercised by the Newington C Community Development Trust at a time in the future when the risk profile of the enterprise looks attractive to the community.
- Employment: Based on operational model where the facility is operated as a catered four star facility, employment would be provided for an initial 24 staff (including training facility staff), but this would grow to around 48 staff once the Lodge and training facilities were

fully operational. Total wages in year 1 are estimated to be above R750,000-00 , and by year 5 would be R1,500,000-00.

- Training: In the case of this particular development initiative, there is a very substantial emphasis on the training of members of the local community via world class accredited training. In this regard, all the students will receive training AT NO COST plus they will receive wages at the minimum level per job category. As such the students are being educated on a full scholarship/bursary with monthly salary! Formal collaboration with the Sir Richard Branson School of Entrepreneurship have also been proposed by Ulusaba.
- SMME/BBBEE: In addition a number of SMME opportunities are also expected to arise including transfer operators; security personnel; refuse removal; firewood supply; curios; fresh produce for consumption by the tourism facilities; and culture based entertainment.

6.3.2.7 Investor/investment mobilisation

The Newington C community has been in discussions and negotiations with Virgin Limited Edition (Ulusaba Game Lodge) around this project since 2008. The investor mobilisation and CPP structuring process has been facilitated by MABEDI throughout this period. Based on the most current negotiations the following is proposed:

Proposed capital investment: It is estimated that proposed capital investments of around R20 million will be required in terms of this project. This investment will be made available by Virgin Limited Edition.

Lease required: Virgin Limited Edition will require a long-term lease over the property in order to secure their investment. (Ideally an effective 39 years).

6.3.2.8 Implementation responsibility

The key risks that need to be allocated in this proposed Community Private Partnership (CPP) have been identified as including financial, technical, marketing, operations, maintenance, tourist and staff emergency evacuation, socio-political stability, infrastructure, and the enabling environment. At a general level, the following principles should apply in this partnership.

The private party: The private party (The Virgin Limited Edition), by virtue of their greater technical and financial capacity and experience in the tourism industry, takes on the major burden of these risks (specifically including financial, technical, marketing, operations, maintenance, and infrastructure) in exchange for the opportunity to invest and operate in this prime tourism location. This should enable the private partner to make healthy financial returns.

The community partner (The Newington C Community Development Trust – [to be established]) will provide access to the location and the existing facilities based on a long-term lease at market related rates, and will also carry primary responsibility for the socio-political risk which is critically important to the tourism industries long term sustainability.

The Sabi Sands management will be responsible for ensuring that the lodge and associated activities are developed and operated in a manner that is consistent with the existing regulatory framework for the Sabi Sands.

The government is the party responsible for ensuring compliance with prevailing regulatory frameworks and procedures, as well as for the financing of the development cost of the game proof fence (as described above).

6.3.2.9 Time frameworks for implementation

The finalisation of this CPP is subject to the following key milestones being achieved:

- Firstly, securing a formal community resolution supporting this project.
- Secondly, the establishment of a Community Development Trust.
- Thirdly, the formal surveying of the community land to be incorporated into Sabi Sands.
- Fourthly, the approval of the long-term lease by the National Minister RDLR.
- Fifthly, finalisation of the CPP contract documentation.

MABEDI will continue to provide transaction advisory services to the Newington C Community (financial and technical support) until the end of 2010. The Mpumalanga Rural Development Programme will also provide ongoing facilitation and capacity building support to the Newington C Community Development Trust for at least the same period. The completion of the above tasks should be attainable within this time framework.

6.3.3 Cork/Thulani CPP: Integrated Tourism Node

6.3.3.1 Strategic objectives

- Sustainable tourism based employment creation of over 600 direct jobs
- Economic growth through the initial R600m investment as well as the ongoing operating capital requirements and the multiplier effects of the over R15m in local wage incomes per annum
- Establishment of low and medium risk revenue flows to local communities – in particular the R3m per annum base rental as well as the guaranteed share of turnover
- Tourism product development (new) which complements the successive new tourism products on offer in Bushbuckridge (potentially contributing to more integrated tourism development)
- Broad Based Black Economic Empowerment through the long term ownership of infrastructure and commercial assets as well as through skills development
- SMME development at the construction stage as well as on an ongoing operational basis

6.3.3.2 Project location

The project is located on communal land. The land in question straddles the boundary of the Cork and Thulani communities. The land measures about 600ha in size. The project area is situated in the 'Lowveld' of Mpumalanga. The project site is located midway between the Hazyview and the Kruger Gate entrance to the Kruger National Park (KNP). This road access to the KNP is surfaced (R536).

The Kruger Gate Entrance to the KNP is well located relative the Panorama Tourism Route (the second busiest tourism route in South Africa) and is perceived by many to be a safer route into KNP from White River and Nelspruit. The project is located about 8km to the west of the Cork Sabie River Safari Lodge CPP.

6.3.3.3 Project components

This project entails the development of a very large integrated tourism development node comprising the following key elements:

- Phase 1 – 100 residential stands
- Phase 2 – 18 hole golf course
- Phase 3 – 1st hotel of 200 beds
- Phase 4 – 2nd hotel of 200 beds
- Phase 5 – 20 bed luxury lodge

6.3.3.4 Land-use and development rights

The land will need to be rezoned to allow the development of tourism facilities. The private party to assume responsibility for securing the specific necessary land-use rights and zonings.

The proposed land-uses and tourism developments are fully consistent with the Bushbuckridge IDP and SDF which have identified these portions of land as being suited for tourism related developments.

6.3.3.5 Infrastructure issues

A project of this large scale will require the development of substantial amounts of new on site infrastructure and facilities. The principle has been agreed that it will be the private party's responsibility to develop, operate and maintain all required on-site infrastructure.

In terms of public sector responsibilities for infrastructure development, this will be limited to ensuring adequate bulk supplies to the edge of the site. It is likely that this will be limited to bulk electricity supply only, since it will be the private sector's responsibility to abstract and purify water from the Sabie River, and to develop an on-site sewage processing works.

6.3.3.6 Potential development impacts

- Capital Investment amount: Between R600 million to R1 Billion
- Base rental amount: R 250,000-00 per month or R3,000,000-00 per year (Consumer Price Index linked)
- Turnover based amount (medium risk): 6% T/O on all hotels, lodges etc.
- Employment (once completed): + 600 jobs
- Wages (@R2,000-00 per month average): Estimated R15,600,000-00 p.a.
- Training: Commitment to enrol all staff in Learnership Programs

- SMME development: Commitment to support establishment of local enterprises (Game drives, excursions, curios, security etc)
- Social investment: Support for establishment of day care centre, day clinic

6.3.3.7 *Investor/investment mobilisation*

The Cork and Thulani Communities have identified a potential Strategic Private Partner in October 2009 following an investor mobilisation process facilitated by MABEDI with the Mpumalanga Development Programme (MRDP) providing facilitation support.

The strategic private partner is the Mirage Group which has a well established track record in South Africa and internationally for undertaking the ‘mega’ scale integrated tourism developments.

6.3.3.8 *Implementation responsibility*

Although this project is still in the early stages of contract negotiation (March 2010) the following principles have already been agreed with the private sector partners. The private party is to assume all commercial risks and responsibility including:

- All funding for construction, development, marketing and operational funding
- Development of proposed infrastructure and facilities (including all planning approvals)
- Marketing of proposed developments
- Operations of the proposed developments
- Maintenance of the proposed developments

6.3.3.9 *Time frameworks for implementation*

There are a number of key milestones that need to be attained in terms of this project before the implementation process can commence.

- Negotiation of contract terms and conditions (MABEDI)
- Finalisation of CPP contract documentation (MABEDI)
- Survey of the proposed land (in support of the lease application to national government) (MABEDI)
- Technical application to National Government for long-term lease (MABEDI)

- Securing approval from National Government for long-term lease (Support from BLM and DRDLR is required)
- Securing appropriate land-use zonings for the project. (Support from BLM is required)
- Development of site development plans and building plan approval (private sector partner)

6.3.4 Belfast Community CPP: Funekani Lodge

6.3.4.1 Strategic objectives

- Sustainable tourism based employment creation of 50 direct jobs (yielding over R1m per annum in new wage earnings)
- Economic growth from the initial R10m investment as well as ongoing operating capital spent
- Tourism product development (new) further complementing the overall tourism product offer within Bushbuckridge (and potentially contributing to additional product development)
- Establishment of low and medium risk revenue flows to rural communities (including the guaranteed base rental – initially around R165,000 per annum – plus the turnover share)
- Broad Based Black Economic Empowerment through the application of the BOT principle which guarantees ownership of the commercial assets as well as through direct participation in the formal tourism sector
- SMME development during the refurbishment as well as during the ongoing operational stages

6.3.4.2 Project location

The project area is situated in the ‘Lowveld’ of Mpumalanga. The project site is located midway between the Hazyview and the Kruger Gate entrance to the Kruger National Park (KNP).

This road access to the KNP is surfaced (R536). The Kruger Gate Entrance to the KNP is well located relative the Panorama Tourism Route (the second busiest tourism route in South Africa) and is perceived by many to be a safer route into KNP from White River and Nelspruit.

The project site offers prospective tourism developers/operators exceptional access. The site will take access directly off the main road into the KNP (R536). In addition, the site is located about 12km from the Kruger Gate entrance and about 21km from the Phabeni Gate. The latter issues are important for those tourists who intend using the accommodation and wish to self drive with the KNP. The site is located immediately adjacent to the R536. This has advantages and

disadvantages. The advantage is that vehicle access is excellent. The limited disadvantage is that parts of the site experience relatively high levels of noise pollution from the road, and could potentially also experience noise pollution from the day-to-day activities of the Belfast community that is located relatively nearby. The site is probably best suited for development as budget to mid-market self catering accommodation.

6.3.4.3 Project components

The development of a maximum of 100 beds of tourist accommodation is required for ancillary staff accommodation and core facilities.

6.3.4.4 Land-use and development rights

The site is currently largely un-utilised for any productive activities. The land will need to be rezoned to allow the development of tourism facilities. The proposed land-uses and tourism developments are fully consistent with the Bushbuckridge Integrated Development Plan and the Spatial Development Framework which have identified these portions of land as being suited for tourism related developments.

6.3.4.5 Infrastructure issues

The project is in the conceptualisation stage. Since it proposed that this project be implemented in a manner that is consistent with CPP principles, it is proposed that in mobilising a suitable strategic private partner/investor that the normal CPP principles that apply to infrastructure development should apply. As such, the following guidelines are proposed:

- The development of the necessary on-site or off site solid and liquid waste disposal systems (developer responsibility within context of prevailing legislation).
- To establish the bulk water supply (from Sabie River) to the site, as well as the on-site water reticulation. (developer responsibility [It would be the responsibility of the Belfast Community Development Trust to secure the necessary abstraction rights from Sabie River, as well as to identify a location for a dedicated pump station])
- To develop on-site electricity reticulation as required (developer responsibility if applicable). Provision of bulk supply would be the Belfast Community Development Trust responsibility.

- To develop to a suitable standard the access route onto the site from the R536 (developer responsibility).
- All costs associated with the erection of the required game proof fencing will be for the account of the developer.
- The construction of a game proof fencing (to KNP specifications) around the back and sides of the development site to facilitate the fencing-in of the site into KNP.

6.3.4.6 Potential development impacts

Since the project is in the conceptualisation stage, and since no proposals or negotiations with an identified strategic private partner have been undertaken, the estimates contained below are based on MABEDI's indicative feasibility study that was completed in 2008 only:

- Employment: Initial employment would be around 24 people, and this would grow to about 40-50 once the facility is fully operational.
- Wages: Total wages for year 1 would be about R1,040,000-00, and by year 5 this would grow to R 1,522,000-00.
- SMME/BEE: Initial expenditure towards this item would be R164,250-00 (laundry and refuse only. Fresh produce, fire wood, would be extra).
- Revenue generation: Under this scenario the facility would also be in a positive revenue situation (Net income of about R42,000-00) from end of year 1 (excl. cost of borrowing and tax). By year 5 the facility would have a positive income of R1,467,670-00 Million. NOTE: The issue of borrowing is significant. This project was initially earmarked for a capital investment of R7 million via the Department of Environmental Affairs and Tourism (DEAT) Poverty Relief Fund (Social Responsibility Protects).

It is possible that this funding could still be mobilised, providing that the community institutional arrangements are properly sorted out. In the event that the developers required a loan amount of R10 million, the interest cost alone of that loan would amount to at least R1,2 million per year, which is about four times as much as the projected net income before tax.

- Lease payments: Under this scenario lease payments would commence at about R164,250-00, and this amount would grow to R383,250-00 by year 5. It would be important and

appropriate to negotiate, as part of the CPP contracting process, a suitable guaranteed minimum base rental payment (probably of about R120,000-00) for the project.

6.3.4.7 Investor/investment mobilisation

It is proposed that an investor mobilisation process be implemented. As a CPP based project, it is proposed that the standard risk allocation principles should apply. They are:

- The private party by virtue of their greater technical and financial capacity and experience in the tourism industry takes on the major burden of these risks in exchange for the opportunity to invest and operate in this prime tourism location, and its substantially developed existing asset base. This should enable the private partner to make healthy financial returns.
- The community partner will provide access to the location and the existing facilities based on a long-term lease at market related rates, and will also carry primary responsibility for the socio-political risk which is critically important to the tourism industries long term sustainability.
- The government is the party responsible for ensuring compliance with prevailing regulatory frameworks and procedures.

6.3.4.8 Time frameworks for implementation

This project was initially conceptualised in 2007. Despite the very good inherent development potential of the site, the fact that there was good investor interest in this partnership opportunity, the fact that the National Government had earmarked R7 million for development support for the project, and the fact that the project enjoyed broad based community support, it was never implemented. The reason for the failure of the project was institutional problems (inter-personal struggles) within the Belfast Community Development Forum. As a result of these institutional disruptions and the subsequent inability of the Community Development Forums to conduct meetings and make project related decisions, MABEDI had to withdraw their development support.

However, the fact remains that this project still has very good development potential, and if correctly structured could contribute meaningfully to the BLM LED Strategies objectives in terms

of investment mobilisation, employment creation, capacity building and training. It is for this reason that this project will be restarted as part of the BLM LED Strategy 2010-2014. In this regard the following milestones are important:

- Secure a formal community resolution in support of the project.
- Confirm whether or not DEAT will confirm their financial support for the project.
- Implement a CPP investor mobilisation process.
- Negotiate and finalise a suitable CPP contract arrangement.

6.3.5 Welgevonden Chalets CPP

6.3.5.1 Strategic objectives

- Sustainable tourism based employment creation
- Economic growth
- Tourism product development (new)
- Establishment of low and medium risk revenue flows to rural communities
- Broad Based Black Economic Empowerment
- SMME development

6.3.5.2 Project location and objectives

The Welgevonden Chalets are located in the north-eastern part of the BRCNP, in dense indigenous forests on the Lowveld Escarpment. The nearest town is Bushbuckridge (gravel 'Watt Road' road) some 30km to the south of Welgevonden). Tarred road access from the north is via Klaserie (about 36kms).

It is well known that the local communities in this area experience substantial levels of poverty with unemployment levels being at over 50%.

The primary objectives that are to be achieved by the project for the CPA are as follows:

- To better utilise the inherent development potential of this currently under-utilised asset in order to derive a variety of socio-economic benefits for the adjacent CPA community.
- To establish a sustainable new tourism based enterprise within which the CPA will derive a range of sustainable benefit flows including permanent employment and wage-based

income, capital investment (fixed and working), SMME development opportunities, capacity building and training.

- To mobilise private sector investment and expertise in a partnership with the CPA. In this regard the CPA will enter into joint venture arrangements with a chosen private sector partner or partners. (Related risk allocation principles are discussed below.)
- It is also the intention of the CPA to include specific selection criteria into the investor evaluation process that will ensure that opportunities for BBBEE and for SMME development are maximised in the development and operation of the proposed tourism facilities.

6.3.5.3 Project components

The intention (based on the feasibility study, and supported in terms of the BLM LED Strategy 2010-2014) is that the Welgevonden Hiking Chalets will be operated as a public/private partnership. (Note: Assuming that the land claim is successfully finalized, this partnership would in fact be a community/public/private partnership CPPP).

The Project Promoters wish to develop up to 36 beds of eco-tourism oriented accommodation. Potential products that have been identified as possibilities are oriented towards catered and/or self catered accommodation with key activities including photographic tourism and short hiking trails within the neighbouring (Lowveld section) BRCNP. The key elements of the project will include:

- The initial refurbishment of the three chalets and expansion of the accommodation facilities up to 36 beds.
- For upgrading the existing access roads to the chalets so that the operators can access these facilities in (nearly) all weather conditions without impacting negatively on the natural environment.
- For the maintenance of the internal link road (an existing forestry road) linking Mariepskop to Welgevonden via Salique.
- For the refurbishing of the hiking routes around Welgevonden. This will not be funded via the Poverty Relief project but as part of DWAFs ongoing operations.

- For upgrading the picnic site facilities near Welgevonden (located off Watt Road near natural rock pools) as a facility for community access.

6.3.5.4 Land-use and development rights

The land is currently subject to a land claim, and was expected to be transferred to the CPA during 2008. In terms of the settlement agreement the ownership of the land will be 'freehold' but the use of the land will be strictly controlled in terms of the prevailing tourism and conservation management frameworks that have been approved for the BRCNP. Significantly, the settlement agreement also states that the ecological integrity of the BRCNP as a National Protected Area shall be upheld in perpetuity.

The proposed project is located within a Low Intensity Leisure Zone. In terms of this approved zoning, the development is limited to activities sympathetic to recreation, tourism and management of the BRCNP. Approved activities include picnic sites linked to game/scenic drives; self guided day walks; cycling; game viewing and rock climbing. Approved facilities include picnic sites; ablution facilities; staff housing, offices (for camp management) and workshops (for camp management).

The Project Promoters have, as part of the existing regulatory framework for the BRCNP, secured the necessary planning and environmental approvals for the development of 36 beds of accommodation. Presently there are 3 log cabins on the site which provide 16 beds of accommodation. The selected private partner will have the right to renovate and/or upgrade and/or add to these facilities (as part of the 36 bed total) in terms of its concession rights. In terms of the use of these existing facilities on this current 'footprint' no further EIA approvals will be required. It should be noted that the selected private partner will be required to comply with EIA procedures in respect of any proposed new buildings located off the current 'footprint'.

In terms of security of tenure for the selected private partner, the Project Promoters intend entering into a long-term lease/concession agreement based on terms that ensure a win-win situation for both parties, and thereby a sustainable business development partnership. The length of the concession will be determined as an outcome of the negotiation process with the selected private partner.

6.3.5.5 Infrastructure issues

See project components section above

6.3.5.6 Potential development impacts

Since the project is in the conceptualisation stage, and since no proposals or negotiations with an identified strategic private partner have been undertaken, it is only possible at this stage to indicate the categories of benefits flows that the local community has identified as desirable. The Mahubahuba a Bakone CPA will require that the partnership with a Strategic (Private) partner will deliver the following set of benefit flows:

- Financial flows: These include direct capital and operational investment; rental payments to the community; and equity sharing options that can be exercised by the Mahubahuba a Bakone CPA at a time in the future when the risk profile of the enterprise looks attractive to the community.
- Employment: In particular preferential employment to members of the local Welgevonden community.
- Wages: Associated with the preferential employment opportunities, which in turn will result in increased disposable cash income in the local economy.
- SMME development opportunities: Related to the need for certain production inputs (fresh food, firewood etc), services (guides, taxi services, refuse removal, laundry etc.), and lodge maintenance and/or expansion.
- Training and capacity building: The intention of the Mahubahuba a Bakone CPA is to structure this CPPP agreement in a manner that specifically makes it a requirement of the Strategic (Private) partner to train local staff as a means of building local capacity.
- Maintenance of assets: As part of this CPPP it is likely that buildings of considerable value will be upgraded and developed. Since the proposed partnership will be based on the Build Operate Transfer (BOT) concept, the buildings are a major asset for the Mahubahuba a Bakone CPA and as such they need to be properly maintained over the period of the lease, and then transferred back to the community at the end of the lease period. Contracting arrangements for this CPPP should make provision for the proper maintenance of these facilities at the cost of the Strategic (Private) partner for the duration of the lease.

6.3.5.7 Investor/investment mobilisation

The investment opportunity should be marketed on the basis of a competitive bidding process as per the approved guidelines from national Treasury (PPP Tourism Toolkit). Bidder selection criteria will be commensurate with the guidelines provided for SMME development opportunities in the Tourism PPP Toolkit developed by national Treasury in 2005. (Note: At the time of writing, the land claim had not as yet been finalised, and as such the land/assets in question are still 'state' owned.)

6.3.5.8 Implementation responsibility

As a CPPP based project, it is proposed that the standard risk allocation principles should apply. They are:

- The private party: The private party by virtue of their greater technical and financial capacity and experience in the tourism industry takes on the major burden of these risks in exchange for the opportunity to invest and operate in this prime tourism location, and its substantially developed existing asset base. This should enable the private partner to make healthy financial returns.
- The community partner will provide access to the location and the existing facilities based on a long-term lease at market related rates, and will also carry primary responsibility for the socio-political risk which is critically important to the tourism industries long term sustainability.
- The government is the party responsible for ensuring compliance with prevailing regulatory frameworks and procedures. It should be noted that the National Government had via the Social Responsibility Program approved limited financial resources in support of this project (approximately R1,8 million). It would be important to confirm whether or not this financial support is still available to support the project.

6.3.5.9 Time frameworks for implementation

This project was initially conceptualised in 2007 but appears to have become dormant due to institutional problems within MTPA which led to a shortage of funds. Initiatives are underway to secure additional funding via the Social Responsibility Program, and the fact remains that this

project still has very good development potential, and if correctly structured could contribute meaningfully to the BLM LED Strategies objectives in terms of investment mobilisation, employment creation, capacity building and training. It is for this reason that this project will be restarted as part of the BLM LED Strategy 2010-2014.

6.4 Medium Term - Program

6.4.1 Conceptualisation and project packaging of other proposed CPP projects

In addition to the above mentioned five priority tourism based CPP projects that have been prioritised for implementation as part of the BLM LED Strategy 2010-2014, there are a number of further projects that will need to be conceptualised and packaged for implementation. The following list of projects have been identified as part of the process of preparing the BLM LED Strategy 2010-2014, and are all located in the priority spatial development areas as identified above. It is proposed that the packaging process be based on the CPP and CPPP principles and approaches as described in various sections of this document. The projects are as follows:

- Athol Community CPP: Sabi Sands joint game farming project
- Utah Community CPP: Sabi Sands Lodge development project
- Dixie Community CPP: Sabi Sands lodge development project
- Huntington Community CPP: Sabi Sands Lodge development project
- Andover Game Reserve
- Manyeleti Game Reserve
- Mangwazi Nature Reserve
- Bushbuckridge Nature Reserve

As with the agricultural sector, the approach adopted suggests that the municipality will, as a result of successful implementation of at 5 tourism CPPs in the short term, be very well positioned to initiate additional projects. This expectation is based on the combined effect of improved experience with project development and implementation as well as the inducing effect that new investment tends to have within a given sector.

In other words, the more successful tourism investments that are made within Bushbuckridge, the more demand for new investment will be forthcoming within the sector **and** the more able the

departments and institutions responsible will be to facilitate and realise those investment opportunities.

The CPP model is proposed (across the board) as the best low-risk approach to pro-poor private sector led investment. As officials and practitioners become familiar with the principles and approaches applicable to Community Private Partnerships, the methodologies are bound to be refined and the multipliers are bound to be enhanced.

7 Infrastructure

Based on the findings of the stakeholder consultation process it appears that the short term focus is not so much on the development of bulk services (road and water supply) in support of tourism or retail development, as is the priority to:

- Rehabilitate existing and/or develop new bulk water supply to agriculture development projects.
- Implement basic infrastructure development projects in support of human settlements.
- Maximise the opportunities for employment creation and training that can be associated with the design and implementation of a labour based public works development program.

7.1 Objectives

During the current (national) climate, infrastructure projects aim to simultaneously achieve three interrelated objects (over and above the primary objective of providing either essential or strategic infrastructure):

- 4 Service Delivery (including water, electricity, road networks, healthcare and education facilities)
- 5 Employment creation (and skills development) through a labour intensive public works approach
- 6 SMME development (in the contractor sector) by creating significant demand for low sophistication type services

In terms of LED at a municipal level, employment creation and SMME development enjoy priority in the short term whilst strategic infrastructure is important in the medium to long term.

7.2 Key strategy interventions

The upgrading of **strategic infrastructure** on prioritised irrigation estates will be implemented as part of the 'demonstration project' component defined in the agriculture section of this document.

The development and/or maintenance and/or upgrading of basic infrastructure is primarily an issue to be addressed as part of the BLM Integrated Development Plan (IDP) and Spatial Development

Framework (SDF). However, as part of this LED strategy formulation process, a preliminary analysis and assessment of potential infrastructure projects in BLM that could be implemented based on labour intensive construction in support of public works has been adopted. The intention with this 'infrastructure public works program' is to create **local employment** and training for willing participants from the BLM community, whilst at the same time developing/upgrading/maintaining basic infrastructure in BLM.

Inherent in the "developmental" strategy of infrastructure projects is also the use of local SMME contractors. This 2010/2014 LED strategy thus focuses on **SMME development** within the context of the infrastructure development projects. The combined monitoring of the labour absorption and SMME spin off effects of infrastructure projects will enable the municipality to make future recommendations and/or submissions based on empirical evidence of the economic impacts of well structured (public works type) infrastructure development projects in the medium term. *(It will be far easier to extrapolate a set of revenue and employment numbers for future projects based on a monitored set of 10 projects during the 2010/2012 period than it is to project the theoretical benefits of so called strategic infrastructure – from a municipal point of view).*

7.3 Spatial prioritisation

The rehabilitation and upgrading projects in support of agriculture development are to be prioritised in accordance with the identified priority short term agriculture demonstration projects as defined in the "agriculture projects" section of this document.

In terms of the basic infrastructure projects in support of human settlements in the larger settlement/urban areas, a preliminary assessment was made of infrastructure development projects that have been approved as implementation priorities for BLM (Source: BLM Projects to Achieve Service Delivery 2010-2013). Out of the total list of infrastructure development projects, a list of initial categories of infrastructure projects that are potentially well suited for implementation as part of a specifically designed program that would favour labour intensive construction and maintenance as well as providing opportunities for locally based SMMEs was developed. Although more projects could well be added to the list below, the following

categories of projects have been identified as being suited to labour intensive 'public works' infrastructure demonstration projects:

1. Education projects:

- (a) Refurbishment of unsafe structures
- (b) Building of classrooms
- (c) Renovation of classrooms

2. Water projects

- (a) Water reticulation projects
- (b) Construction of pipelines
- (c) Construction of reservoirs

3. Roads, bridges and stormwater

- (a) Rehabilitation and maintenance of roads and bridges
- (b) Construction of stormwater channels
- (c) Paving of roads

4. Waste disposal projects

- (a) Construction of waste disposal sites

5. Environmental management projects (as funded via the Neighbourhood Development Partnership Grants)

- (a) Greening, street lighting and paving

7.4 Short Term – Projects

It is a common occurrence that municipal officials come under tremendous pressure from various interest groups in the context of infrastructure investment. Councillors lobby hard for service related infrastructure in support of their constituencies. With 34 wards, there exists competing interests from 34 councillors. In addition to this, business interests persist with requirements

ranging from roads, to water, to electrical supply. Then there are first and second tier imperatives to link local developments to the strategies and priorities of ASGISA and the PGDS. Amidst these pressures, municipal officials are required to make inputs to and/or support projects initiated from a provincial or national level (e.g. agriculture infrastructure or bulk water respectively). What is essential in this highly dynamic and charged context, is for the LED office to limit itself to the aspects of infrastructure development which are immediately and obviously of LED relevance (especially in the short term). Whilst it is a given that all types of infrastructure projects (regardless of whether local, provincial or national in source) will have an LED impact, the inclusion of infrastructure projects within the LED strategy should be clearly delineated.

In 2010, the BLM is characterised by limited capacity to make short term recommendations in terms of strategic infrastructure. The BLM has committed infrastructure contracts in excess of its short term budget. This result of this will be that the municipality is locked into a given set of infrastructure projects in the medium term.

The most effective short term strategy is therefore for the BLM's LED office to seek to capitalise on the existing spectrum of infrastructure projects. In order to achieve this, the LED office will be required to develop a structured monitoring system – a system that will enable it to not only track the actual objective LED gains from these projects, but will also enable it to make sound future recommendations (both locally and to the other tiers of government) in the preparation of local infrastructure plans.

For a systematic approach, there are three core elements that should be tracked over the life of each project:

- Labour Absorption: how many jobs were created? What was the duration of employment (and at what wage level)? Did any of the workers achieve subsequent contracts (on other infrastructure projects or in other sectors)?
- SMME Development: how many contractors participated on the project (and how many were local)? What was the gross revenue (per contractor and in total) from the project? Did any of the contractors achieve subsequent contracts (on other infrastructure projects or in other sectors either locally or in the region)?

- Strategic Impact: What is the planned impact of the project? Can a baseline be developed? What are the key indicators to track (e.g. number of active farmers and/or average gross revenue per farmer)?

The above indicators are considered inherent in infrastructure projects but at a local level, the actual revenue impacts (from employment) and development impacts (from re-employment or sustainability) are seldom accounted for. By developing an effective monitoring system the BLM will achieve three important short term objectives:

1. It will be in a position to take credit for a (presumed) significant quantity of new labour (wage based) incomes
2. It will be in a position to record objective progress towards SMME development
3. It will be in a position to make credible recommendations (if not prescriptions) on the nature of and approach to infrastructure projects in the future

Each of these objectives is important in its own right – in other words the ability to demonstrate and take credit for actual numeric development gains. Perhaps more important is the fact that they will enable the municipality to assert its position as “local authority” – both within its constituency and in relation to the other tiers of government.

At the time of writing, no comprehensive list of infrastructure projects with approved funding and implementation cycles was available for inclusion. The road and water projects at New Forest and Dingley Dale were cited as were the access road projects to Zoeknag and Manyeleti. So too the Bushbuckridge greening and cleaning project was proposed as well as a suggested electricity improvement project. Each of these has significant merit. The proposed approach – to be strengthened during the M&E development stage together with implementing partners, is to select at most 2 projects from the 5 general categories of infrastructure project identified above. These projects must be approved, budgeted and preferably contracted for short term implementation (i.e. not at a conceptualisation phase). From that point, the suggested indicators can be tracked (without requiring complex processes of proposal development, interest group approval or participation in the awarding of contracts).

7.5 Medium Term - Program

In the medium term, the BLM will be required to develop a comprehensive infrastructure development plan (which goes beyond LED and enters the realm of the IDP). From an LED perspective however, there are significant inputs to be made and significant planning to be done.

The core LED type infrastructure will logically point to the core or strategic sectors. In the BLM case these are agriculture, tourism and retail/services sectors (or CBD). The repeated reference to “spatial perspective” within the sector plans of this document go some way in pointing towards spatial focus. In the medium term, the BLM has the opportunity to refine this spatial perspective based on a combination of project implementation (including the current agriculture, tourism and general infrastructure projects) and spatial planning. The sources of additional information for improved medium term planning are numerous but the following sources are necessarily priority:

- Municipal Wards – the ward level consultations gave rise to a range of projects (from reticulation to roads) which require further assessment, classification and prioritisation (whether of an LED or service level type)
- Business Interests – the business level consultation named a limited set of key requirements (including road quality, electricity supply and water reliability)
- Agriculture Sector – both CPPs in orchard estates and works projects on irrigation schemes point to significant strategic infrastructure requirements
- Tourism Sector – limited public funded infrastructure requirements exist since the bulk of investment is required to be provided by the private sector (save for complementary fencing)

From an LED perspective, it is reasonable to strive for the development of a medium term infrastructure plan which clearly allocates budgets to non-municipal tiers of government (e.g. DWA and DRDLR for agriculture, DEAT for tourism, public works -to a limited extent at a ward level - treasury’s NDG for CBD development) and the balance from municipal budgets.

8 SMMEs

As a key process in preparing the BLM LED strategy, a process of stakeholder consultation was implemented at a ward level. The process was informed by discussions with local stakeholders according to a standard questionnaire. On the basis of the raw data collected from the stakeholder consultation process a number of common issues and related underlying problems were identified. These issues, underlying problems and proposed remedial actions are described below:

- The lack of funding and development support for SMMEs.
- Existing and/or potential entrepreneurs are unable to prepare business plans that would potentially enable them to access SMME related development support.
- There are critical technical capacity constraints amongst the would be entrepreneurs that result from the fact that they have very little experience of being 'in business' and as a result of education and training limitations these same entrepreneurs have very limited understanding of basic business practice and procedures.
- Potential entrepreneurs are poorly informed as to the availability of existing SMME development support programs. There is no information board for procedures of business registration, business support centres, leaf-lets on Business Development Services etc.
- Existing and potential entrepreneurs do not have a suitable forum or networking structure to share information and experiences related to the mobilisation of SMME development support and/or the development and operation of SMME based businesses.
- There is no existing SMME development support strategy for the BLM.
- The BLM has very limited own institutional, technical and financial capacity to support SMME development.
- Within the entrepreneurial communities, there is reportedly a high level of conflict (especially within cooperatives) which undermines entrepreneurial development.
- Lack of available sites for business development in BLM.
- Confusion around how to access land for business (from Tribal Authorities or BLM).
- Issuing of land (one portion) to multiple applicants.
- No defined and zoned land for business.
- Absence and/or inadequacy of physical infrastructure (i.e. water and electricity).

- Lack of business support infrastructure (such as internet Cafe's).
- Business registration problems.
- Market and credit access for emerging farmers.

Bushbuckridge Local Municipality has not been issuing business licenses, particularly for SMMEs, due to capacity constraints. The impact of this is that the municipality has very little or no revenue income from business thus resulting in the loss in potential revenue to the municipality.

Due to the fact that most SMMEs are faced with very severe structural constraints in terms of access to finance, technical capacity, and business experience, they are often characterised by a lack of competitiveness. This real or even perceived lack of competitiveness (i.e. ability to produce quality goods/services, consistently and on time) makes it all the more difficult for emerging entrepreneurs to establish or grow their businesses. In order to enhance their competitiveness, and in order to ensure access to market opportunities, a number of interventions are proposed.

Given the diverse range of issues and considering the role uncertainty around SMME development with respect to planning, funding, incubating, monitoring etc, it is unlikely that the BLM can develop a comprehensive support strategy in the short term. This view is justified by the fact that numerous third party interventions have been attempted in the context of "enterprise support" within the Bushbuckridge area (including projects of the Internal Labour Organization and the Business Trust in recent years) and with limited success.

In the medium term, the municipality should conduct a more thorough analysis of the various constraints (including the effectiveness of support and funding agencies such as SEDA, Mpumalanga Economic Growth Agency and the Land and Agricultural Bank). In the short term however, a targeted pilot project approach will be most effective.

8.1 Short Term – Projects

There are two compelling areas for immediate SMME development (albeit SMME tracking which may better inform SMME support approaches in the future).

8.1.1 Tourism Opportunities

This LED document deals extensively with the development of high value CPPs in tourism and lists 5 projects for implementation in the short term (with a probably 10 projects in the medium term). In each of these instances, it is noted that the CPP contract typically makes provision for preferential procurement. An external facilitator may be required in order to assist local SMMEs to take advantage of these opportunities. The SMME opportunities are diverse but typically include:

- Construction stage contractors (including raw materials supply, building contractors, electricians, plumbers, fencing contractors, road builders and landscapers). With close to R1bn in short term capital spend planned, these contracts are potentially very significant.
- Operations stage contractors (including laundry, waste removal, grounds maintenance, building maintenance, security, tour guides and operators, food and produce supply). Again, with the collective turnovers of these lodges running into hundreds of millions of Rand, specialisation in any of these areas represent a tremendous entrepreneurial opportunity.

It is through a structured approach to monitoring the adherence to preferential procurement principles and through the ongoing identification and mitigation of obstacles to successful SMME provision of these services, that the municipality will develop sound competence, systems and relationships for making improvements in the future.

8.1.2 Infrastructure Opportunities

This LED document lists 5 generic categories of infrastructure projects in which it is assumed that the principle of preferential procurement applies. It is a given that the infrastructure spend within the municipality exceeds R150m per annum (and is likely to peak at R300m per annum in the coming years). Although these projects ought to strive for labour intensivity, the bulk of capital goes to raw materials supply and machine hire.

By initiating pilot structured approach to tracking contractor type SMMEs within the infrastructure development context, this pilot will enable the municipality to monitor the LED impact of empowering local contractors within the public works and related developmental programs. By selecting 2 contractors per priority infrastructure project (that is 20 SMMEs participating as

contractors on the 2 out of each of the 5 identified categories of labour absorbing infrastructure projects), the municipality will develop a sound basis on which to make project identification and project structuring suggestions (in future) that will optimise the LED impact of works type projects. It will also better equip the municipality to understand and motivate for the multiplier effects of preferential procurement arrangements and the possible support needs of emerging and growing contractors.

8.2 Medium Term - Program

Whilst the short term pilot projects of tracking SMME engagement in both the infrastructure and tourism sectors will enable improved support strategies in the future, there is additional preparatory planning required to prepare a sound medium term strategy to SMME development. Specifically this refers to a systematic analysis of the issues raised at ward level (including an assessment of the SMMEs names at ward level).

Be it matters of issuing licenses, providing business sites, reducing rights allocation confusion, improving business infrastructure or addressing basic support needs, these are a vast range of important and sometimes complex issues.

It is understood that in the short term, not all of the identified issues can be addressed. It is also recognised that in the short term not all of the support needs can even be objectively listed.

For this reason, the short term approach is to focus on achieving realisable short term success – the notion of success breeds success.

There is however a substantial basis for further analysis which has been provided through the ward level consultations (with both project identification and systemic obstacle identification elements to it). A case can thus be made for the municipality (and its implementing partners) to commence a systematic analysis of the ward level SMME landscape – in terms of actual projects and in terms of systemic obstacles to success.

Such a process may last the remainder of 2010 and will form the basis of a 2011 review that is inclusive of the SMME sector beyond just tourism and infrastructure.

9 Community Work Program (CWP)

“Job creation, skills development and community upliftment” are some of the words used to describe the Community Work Program. The CWP has been operational in Bushbuckridge since June 2009 and has 2200 participants involved in various activities in 12 wards, covering 22 villages. These include Wards 6 (Marite), 12 (New Forest B), 14 (Casteel), 18 (Greenvalley), 20 (Burlington and Cottondale), 22 (Dingley Dale), 23 (Thulani, Cork and Belfast), 25 (Mabarhule, Justicia, Huntington and Somerset), 26 (Kildare A, Kildare B and Lillydale), 30 (Ludlow and Edinburg), 32 (Zoeknog) and 34 (Islington).

The work done in each village is selected by the community and falls into four different categories – Agriculture, Construction, Health or Education. The work outline is supported by the project steering committee (a sub-committee of existing ward committees) and is implemented under the guidance of Lima Rural Development. In the Agricultural sector teams have been establishing food gardens at schools and clinics. They have also assisted vulnerable homesteads with the establishment and maintenance of home food gardens. The construction teams have been involved in clearing and cleaning community irrigation and water canals, painting schools, building toilets at schools and fencing projects.

In many villages, LIMA has been able to link up with the local home based care groups (HBCs) or the clinic, to add additional support to the HBC programs that exist. Over 1000 households are assisted through providing care, cleaning services, assisting people to take their medication or accompanying people to the local clinic. Within the education sector participants with grade 12 are being placed in local schools to act as “teacher aids” to the often very overcrowded classrooms. They assist in controlling the classes, school security, filing library books marking attendance registers and other administrative functions.

Skills development forms an integral part of the program and training programs in health (First Aid) and agriculture (development of organic food gardens) have been conducted.

The CWP has a single objective: “To create regular work for those who need it.” In achieving this, a range of other outcomes ought to be achieved and contribute to the following key concerns of Government;

- Strengthening community participation in local development planning and community development
- Creating an institutional mechanism that facilitates integrated development at the local level
- Strengthening the economic 'agency' of poor people in marginal areas: and countering the impacts of structural dependency

Furthermore, it is important for the CWP to demonstrate linkages with economic development and investment initiatives of Bushbuckridge in order to maximize both the social and physical gains from this expanded public workforce. The combination of high impact employment and high impact outputs from the CWP will ensure that government achieves not only the critical employment creation objective, but that it also achieves a tangible set of infrastructure and environmental gains – even in the short term.

In the medium term, the municipality (together with LIMA) will extrapolate a strategic set of complementary implementation strategies that enable the municipality to demonstrate the combined impact of social, physical and environmental gains.

10 M&E and Implementation

The M&E framework will, in the final analysis, be a strategy developed jointly between the implementing partners. To that end, this chapter of the LED strategy seeks to summarise and prioritise the key areas that require attention during implementation. What is critical, is recognition of the fact that one: a structured approach is required and two: concurrent actions should not detract from maintaining a structured approach. In order to aid this so called “structured thinking,” the current LED strategy can be defined in terms of four distinct growth areas:

- Private Sector Investment (agriculture, tourism and forestry) which generate jobs, revenues and SMME opportunities
- Public Sector Investment (Infrastructure) which generate jobs and SMME opportunities
- Small and Micro Enterprises (which are stimulated by either private or public investments as well as pure entrepreneurial endeavour within the 34 wards) generating revenues and jobs
- Right to Work Programs (CWP) generating jobs

There is a clear emphasis on the link between investment (either public or private) and jobs with employment being the key indicator in this regard. There is also interrelatedness amongst the four growth areas.

10.1 Strategic Focus

In the short term, there is a combination of project implementation and project identification across all sectors. These processes must necessarily be monitored separately (but concurrently) in order to ensure implementation is progressing according to schedule whilst at the same time ensuring that the pipeline of medium term opportunities is being sufficiently developed for ongoing implementation of growth generating activities.

On a per sector basis, the following basic processes can be distinguished:

- Implementation monitors the number of projects entering implementation, the investment levels, concluding of implementation contracts, project initiation jobs, permanent jobs and part time jobs as well as ongoing revenue streams to community.

- a. Agriculture: Saringwa; Lisbon; New Forest and Dingley Dale; Injaka
 - b. Tourism: NewingtonC; Cork/Thulani; Belfast; Welgevonden; Sabi River
 - c. CWP: the LIMA Rural Development contract
- Pipeline development includes a combination of packaging future high value partnerships (in agriculture, forestry and tourism) as well as the ongoing identification of infrastructure and SMME opportunities that provide a strategic link to either job creation or other economic opportunities.
 - a. **Investment Sectors** (Agriculture, Forestry and Tourism): A range of projects have already been identified that lend themselves to the community private partnership model (and associated investment, employment and revenue benefits). These projects require additional packaging and definition in order to enter the implementation pipeline.
 - b. **Infrastructure:** From the five generic categories of infrastructure type projects (both current and in the future) active within the BLM, the municipality is required to monitor strategic projects on a limited scale in the short term in order to establish the practice of impact monitoring. To this end, there will only be 10 projects identified and monitored in the first year (with this number growing on an annual basis for example 2010, 10 projects, 2011, 20 projects, 2012, 30 projects etc). The strategic focus in selecting pilot projects for monitoring in the first and subsequent years will be on:
 - i. Labour absorption potential – that is projects that are justified on the basis of their high job and skills creation potentials. The municipality is required to monitor the extent to which investment translates into employment (and develop Investment/employment ratios for example)
 - ii. SMME development potential – that is projects that suggest a high SMME support opportunity (e.g. contractors). The municipality is required to monitor to what extent contractors are empowered (financially and otherwise) through preferential procurement contracts on local infrastructure projects (and any related employment or growth indicators emanating from the project).

The extent to which the municipality can reasonably measure and/or monitor the actual impact of so called “strategic infrastructure” is limited in the short term. Practically, what this means is that new road links for example, will be difficult to quantify in terms of their direct and indirect benefits (through increased local retail or savings in vehicle maintenance). This is therefore not a meaningful component of the short term monitoring plan and may be considered within a longer term, more technically complex M&E framework.

c. **SMMEs:** Opportunities have been identified from three distinct sources:

- i. Infrastructure related opportunities (as discussed above): the process of monitoring a pilot set of SMMEs arising from local infrastructure projects will serve the purpose of developing the municipality’s capacity to better understand this area of opportunity. In the medium term, this improved conceptual capacity will enable the municipality to make meaningful contributions to informing the approach to infrastructure contracting arrangements that maximise SMME development without jeopardising the effectiveness of infrastructure implementation.
- ii. Tourism related opportunities: all tourism projects proposed within this LED strategy, assume an inherent allowance for preferential procurement opportunities to local contractors (in both the construction and ongoing operation stages of the development). The municipality is therefore required to monitor the realisation of these opportunities which will enable it, in the medium term, to develop strategies for SMME support as well as possible inputs to contracting arrangements that maximise this opportunity for local contractors (again without jeopardising the effectiveness of the arrangements for all parties).
- iii. Ward level SMMEs: during the ward consultations, a number of SMMEs were identified (in various sectors) ranging from small scales agriculture operations, retail and entertainment outlets and separate contractor businesses. These were neither sufficiently classified nor sufficiently defined for any immediate meaningful strategy. At the baseline, the municipality is required to identify, categorise and classify these disparate SMMEs (per

ward and per type). This classification is a project in its own right that will require further analysis. From that point, the municipality will be in a position to pilot certain support interventions but these are only likely to become broad based and comprehensive in the medium term.

- d. Community Work Program: The potential for scaling up the CWP as well as the development of a complimentary approach to focusing CWP projects in order to maximise the overall socio-economic impact requires additional participative consultation (on a municipal forum) and the development of a CWP specific medium term strategy.

10.2 Implementing Partners

The viability of the implementation plan is highly dependent on both understanding the resource requirements and achieving commitment around project specific and process specific inputs.

In terms of projects, a distinction can be made between direct financial inputs (including public budgets in infrastructure, agriculture or tourism projects) and indirect financial inputs (for the provision of transaction advisory services for CPPs and for the provision of SMME facilitation services in tourism and infrastructure sectors). From a process point of view, the municipality requires support in the development and management of the monitoring and evaluation strategy as well as in the additional research and analysis of the ward level SMMEs and related projects. Again a structured approach is important to ensure that both implementation and pipeline development (and the monitoring thereof) is continuous and is not undermined by unrealised expectations or assumptions. Again, the completion of a detailed resource schedule requires a joint, consultative approach where commitments are defined and explicitly agreed.

This strategy document suggests that the BLM formalise a partnership with the Mpumalanga Rural Development Program (MRDP) as its key monitoring and implementation partner and that this arrangement reflects the collaboration between the MRDP and COGTA. The BLM and MRDP will then be in a position to, through a facilitated process, develop an implementation partners and resources schedule that clearly defines:

- Project resources
 - Public sector budgets (per project per sector)
 - Private sector partners (per project per sector)
 - Transaction advisors (per project per sector)
 - SMME facilitators (per project per sector)
- Process resources
 - M&E development and management
 - Ward level project analysis and definition
 - Consultation facilitation (ward, business and interest groups)
 - Baseline development and LED reporting and review

Fundamentally, the LED strategy is one that establishes a medium term framework for meaningful growth and development of the municipality's key economic resources and opportunities. The combination of immediate short term projects and a growing pipeline of medium term projects will necessitate a constant engagement of the key implementing partners.

		Current	Pipeline
CPPs	Tourism		Package new deals
	Agriculture		
	Forrestry		
SMMEs	Tourism		Research, analyse, monitor and recommend
	Ward Level		
	Infrastructure		
	Supply Chain		
Public Works	Health		Monitor, refine and expand
	Education		
	Household		

Figure 9 - Implementation Frame

During the implementation stages, project details are bound to evolve and change. So too, stakeholders and participants will come and go in changing orders of priority. Within this

changing (and dynamic) context, it is essential that there be maintained a constant set of implementing partner representatives that will ensure that the structured approach to both implementation and monitoring is maintained in the medium term and that institutional memory is not lost.

A detailed implementation schedule is developed under separate cover as ANNEX 5.