

**Prince Albert Municipality
Local Economic Development Document**



Introduction

The purpose of this document is to present a draft document for discussion of the Prince Albert local economic development framework. It is a work-in progress towards the finalization of a local economic development (LED) strategy for the municipality. The LED strategy is aimed at providing a framework for municipal interventions and planning for sustainable economic development in our areas of jurisdiction.

Basis for the LED strategy

- **Updating Planning data:** the analysis in the document uses information that has been freshly sourced from MERO, PERO and other statistical sources like Global Insight and Bureau of Market Research in order to update the existing planning information
- **Alignment with the new 2017-2022 IDP:** Although council has reconfirmed its vision and mission, with no major policy shift the current IDP and LED strategy must be aligned
- **Identification of sources for funding LED programmes:** due to underdeveloped funding model for the realization of the current strategy PROGRAMMES, the strategy failed to attract resources for its implementation even from our own council. This strategy suggests various sources and resource combinations to be mobilized for the realization of the pronounced strategic intent
- **Institutional Mechanisms for LED implementation:** in order to foster high level buy-in and funding support by critical stakeholders (eg. Sector departments, Private Investors, PAM etc) this document also suggests mechanisms for distribution of roles and responsibilities among expected implementing agencies for the successful delivery of this LED strategy
- **Focused intervention:** this proposes that PAM takes strategic decision on the key driving sectors of our local economy that the council must invest heavily on and also identifies other sectors where the PAM's role will be to facilitate participation by other role players.

Local context

Prince Albert municipality is a category B municipality and forms part of the Central Karoo District. The municipal area comprises of four wards. The municipality covers an area of 8,153 square kilometers (3,148 sq mi) in the Great Karoo immediately north of the Swartberg Mountains. The main town in the municipality is Prince Albert, which as of 2011 has a population of 7,054. North of Prince Albert on the N1 national road is the village of Leeu-Gamka (population 2,727), while Klaarstroom (population 584) is to the east of Prince Albert at the mouth of Meiringspoort.

Definition

Local Economic Development is a complex and relatively difficult task to conceptualise. Therefore, it is important for a municipality to agree on a functional working definition of what LED means in terms of expected role and responsibilities from council. While there is no universal definition of LED, Gwen Swinburn (*et al.* 2004) argue that *“the purpose of local*

economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation” The municipality’s consultation sessions accepted Gwen’s definition as encompassing of its own intensions and would therefore be using it as its own definition.

Many municipalities in South African local government have over the last decade grappled with the nature and extent of this task. For the better part of the early 2000s the difficulty in understanding LED mandate for municipalities has also been compounded by the lack of a clear framework or guideline to inform decision for budgeting and expenditure. Research by Doug Hindson and Valerie Vicente (2005) finds that:

“Local economic development (LED) policy in South Africa is going through a difficult transition. During the first decade of democracy, the focus of municipal LED initiatives was on community economic development projects, many of which proved economically unviable and had no lasting impact on poverty reduction. Cooperation between government, local businesses and the voluntary sector was often weak or inexistent and non-state actors felt sidelined from most government initiatives. There was lack of consensus over the goals of LED, whether these were primarily to promote economic growth or poverty reduction. Added to this was confusion over the target groups, processes, institutional arrangements and tools of LED. Underlying these difficulties were paradigm conflicts over the role of the state and markets in development. More fundamentally, local economies were subject to powerful new forces resulting from South Africa’s opening to economic globalisation, forces that entrenched inherited spatial patterns, cross-cutting government’s efforts to integrate prosperous and impoverished localities and regions. LED practice, as pursued by (local) government, had indifferent results, both in terms of economic growth and sustained poverty reduction”

Confronted with the challenge of guiding municipalities to dispense of their LED mandate sustainably former Department of Provincial and Local Government (DPLG) (now known as Department of Cooperative Governance and Traditional Affairs (CoGTA) has produced guidelines whose main aim is to “influence the way government practitioners in all three spheres understand, approach and implement LED in South Africa”. This strategy will be informed by the National Guidelines on Local Economic Development developed and issued by the CoGTA as well as the guidelines developed by the WC Department of local government.

The National and Provincial Policy Context

The national policy environment provides a context within which this strategy is situated. The national goals and objectives all require contributions and actions which ultimately are taken at a local and individual level. At the same time, there are funding instruments and opportunities linked to national priorities which can be accessed by local stakeholders to support priority opportunities.

Three key national policies briefly reviewed here are the following:

- SA Development Plan 2030
- New Growth Plan
- Industrial Policy Action Plan 2
- Western Cape Provincial Government’s Strategic Plan 2014 - 2019

South Africa's top priority is job creation and poverty reduction (and by implication job retention):

- New Growth Path: sets a goal of 5 million new jobs by 2020 (including 350,000 manufacturing jobs and 300,000 jobs in the green economy)
- SA 2030 sets a goal to Create 11 million jobs between 2012-2030.
- The National Industrial Policy Framework aims to reduce SA's unemployment from above 20% to 15% over the next 10 years (2011-2021) and incrementally create about 430,00 direct jobs, and another 86000 indirect jobs, over the next three years (2011-2014).

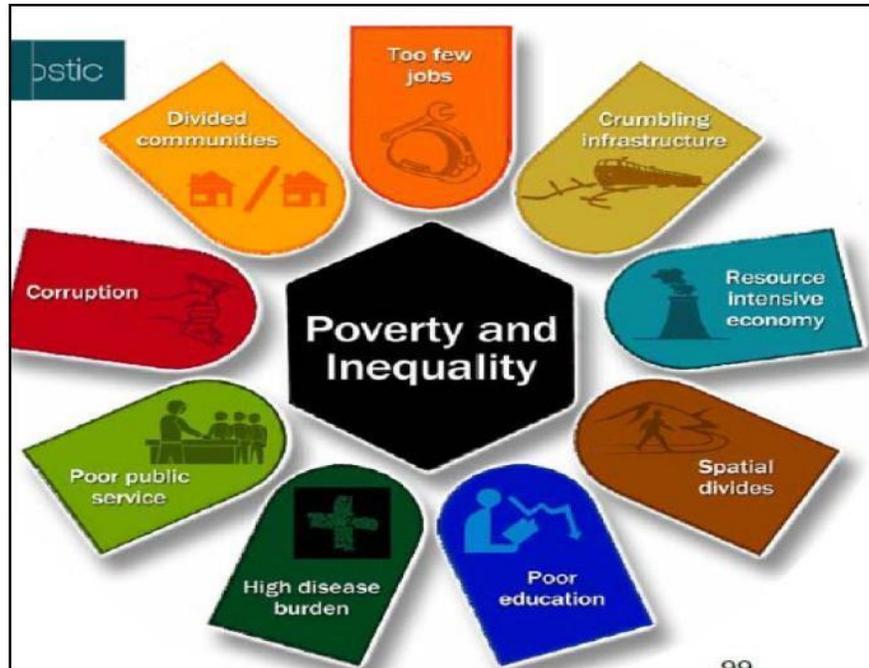
SA 2030 Development Plan:

The South African 2030 Development Plan identifies the following 9 key challenges facing South Africa:

1. Too few people work
2. The standard of education for most black learners is of poor quality
3. Infrastructure is poorly located, under-maintained and insufficient to foster higher growth
4. Spatial patterns exclude the poor from the fruits of development
5. The economy is overly and unsustainably resource intensive
6. A widespread disease burden is compounded by a failing public health system
7. Public services are uneven and often of poor quality

8. Corruption is widespread
9. South Africa remains a divided society.

SA 2030 Development Plan and South Africa's 9 key Challenges



Source: NDP 2012

Priorities for creating jobs identified by the NDP include:

- Realising an environment for sustainable employment and inclusive economic growth
- Promoting employment in labour-absorbing industries
- Raising exports and competitiveness by focusing on those areas where South Africa already has the endowments and comparative advantage, such as mining, construction, mid-skill manufacturing, agriculture and agro-processing, tourism and business services.
- Mobilising all sectors of society around a national vision.

NDP focus areas are:

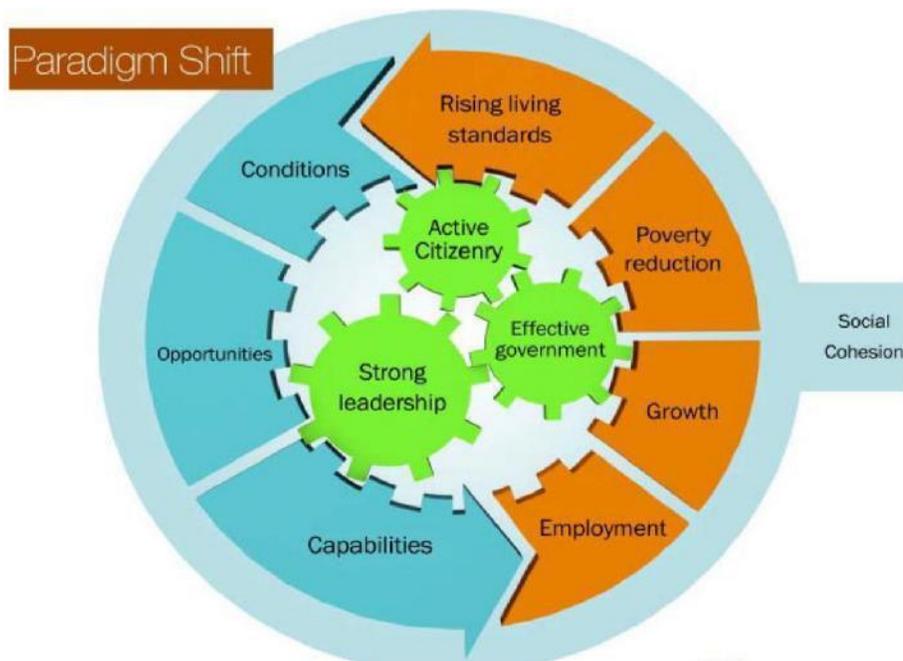
- Increase the size and effectiveness of the innovation system and ensure closer alignment with companies that operate in sectors consistent with the growth strategy. Improve the functioning of the labour market to help the economy absorb more labour, through reforms and specific proposals concerning dispute resolution and discipline. Support small businesses through better coordination of activities in small business agencies, development finance institutions, and public and private incubators.
- Improve the skills base through better education and vocational training.
- Increase investment in social and economic infrastructure to lower costs, raise productivity and bring more people into the mainstream of the economy.

- Reduce the regulatory burden in sectors where the private sector is the main investor, such as broadband Internet connectivity, to achieve greater capacity and lower prices.
- Improve the capacity of the state to effectively implement economic policy. Rural
- development including agriculture

The NDP identifies 8 Key Success Factors:

1. The active efforts and participation of all South Africans in their own development
2. Redressing the injustices of the past effectively
3. Faster economic growth and higher investment and employment
4. Rising standards of education, a healthy population and effective social protection
5. Strengthening the links between economic and social strategies
6. An effective and capable government
7. Collaboration between the private and public sectors
8. Leadership from all sectors in society.

NDP: 8 Key Success Factors:



Source: National Planning Commission (November 2011)

The New Growth Path (NGP):

The NGP prioritises efforts to support employment creation in the following key sectors:

- infrastructure;
- the agricultural value chain;
- the mining value chain;
- the green economy;
- manufacturing sectors, which are included in Ipap2; and
- tourism and certain high-level services.

As part of the implementation of the NGP, strategies and implementation plans will be developed and tabled in Parliament, in cooperation with the relevant government departments and agencies, to address the following:

- Strengthening competition policy
- Procurement reform to support local procurement
- Implementation of a revised broad-based BEE framework
- Skills enhancement and reform of the skills system
- Small business development
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- Developmental trade strategy implementation
- Improving the regulatory framework
- Promoting a competitive exchange rate
- Social dialogue
- Addressing costs pressures in the economy

As part of taking forward the NGP, 4 national accords or multi-stakeholder agreements have been finalised. Key relevant high-level aspects of these agreements are extracted in this section:

1. Accord 1: National Skills Accord
2. Accord 2: Basic Education and Partnerships with Schools (this accord is not discussed in this section)
3. Accord 3: Local Procurement Accord
4. Accord 4: Green Economy

Provincial Strategic Plan (PSP): The Western Cape Government has identified the following five strategic goals in its aim to contribute to the realisation of the aims and objectives of the National Development Plan (NDP over the five-year term).

- Create opportunities for growth and jobs
- Improve education outcomes and opportunities for youth development
- Enable a resilient, sustainable, quality and inclusive living environment
- Embed good governance and integrated service delivery through partnerships and spatial alignment

Industrial Policy Action Plan (IPAP)

IPAP is coordinated by the DTi and contains action plans and support measures to improve the competitiveness of a wide range of priority industries with growth potential, including green industries and agri-processing.

Key progress achieved and components of IPAP3 launched in March 2012 include the following (selective extracts):

Selected IPAP achievements and new initiatives

	IPAP Achievements, Progress, and New Initiatives
Industrial financing	<p>Further significant and ongoing progress has been registered with respect to the long-term reorientation of the IDC to strengthen its ability to finance IPAP and NGP sectors. Funding of R102 billion over the next five years has been earmarked by the IDC for IPAP and NGP sectors, as follows:</p> <ul style="list-style-type: none"> • R10 billion Job Creation Fund at Prime less 3% over five years; • R25 billion towards 'green economy'; • R500 million energy efficiency fund; • R7,7 billion agricultural and forestry value chains; and • R6,1 billion to support companies in distress as a consequence of the global financial crisis.
Priorities for Scaling up in future	<ol style="list-style-type: none"> 1. Green Industries: In particular, the manufacture of components for the 17,8GW renewable energy generation programme and the production of solar water heaters and components and a range of other goods and services that arise from the requirements of higher energy efficiency in the economy. 2. Agro-processing: In particular, the expediting of regulatory and support mechanisms to create a large-scale bio-fuels industry; the identification and promotion of export market opportunities to major net food-importing countries; and investment, product development and standards support 3. Metal Fabrication, Capital and transport equipment: Significant opportunities arise from the leveraging of large public

	procurements in rail and electricity; the provision of associated investment and upgrading support; and exploitation of opportunities arising from mining capital equipment investment in South Africa and on the rest of the continent.
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Socio-Economic trends

According to the 2011 census, Prince Albert municipality had a population of 13 136 persons. The projections of the Western Cape Department of Social Development, estimates the Prince Albert’s population to be around 13 956 in 2017. This total gradually increases across the 5-year planning cycle and is expected to reach 14 753 by 2023. This equates to an approximate 5.7 per cent growth off the 2017 base estimate.

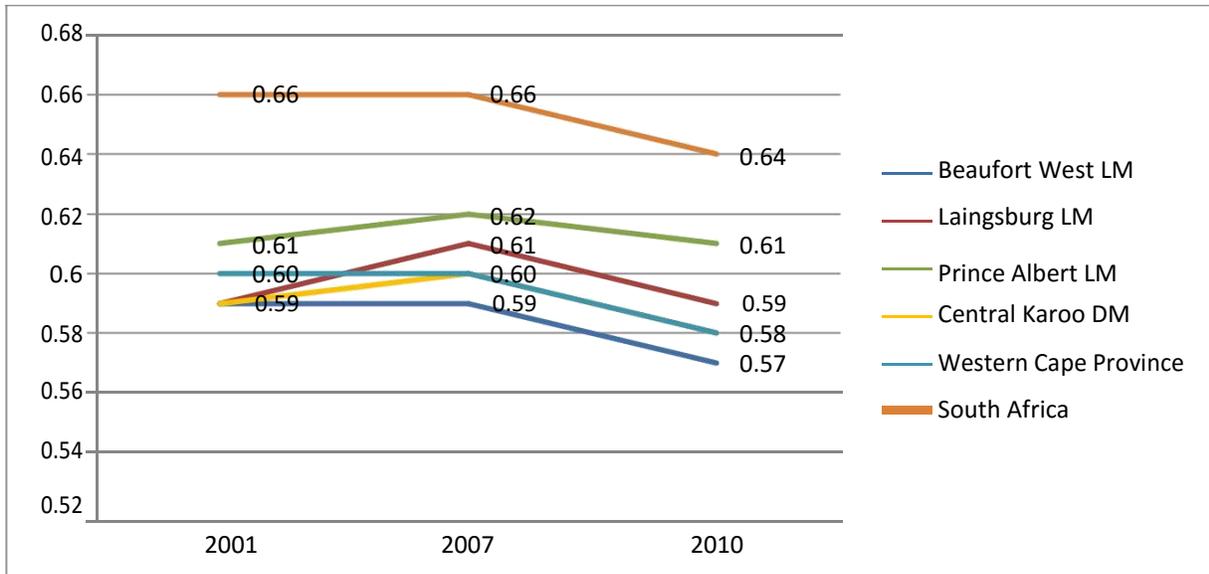
In 2017, Prince Albert’s population gender breakdown will be relatively evenly split between male (6 899, 49.4 per cent) and female (7 057, 50.6 per cent). For 2023, the split is anticipated to be 7 288 (49.4 per cent) and 7 465 (50.6 per cent) for males and females respectively.

Economy

The second largest municipal economy in Central Karoo District (CKD) is that of Prince Albert which contributed 14 per cent to GDPR and 15 per cent to employment in the region. This translates to R380 million of CKD’s R2.7 billion GDPR and 2 240 workers of CKD’s workforce of 14 600 in 2013. The most striking feature of Prince Albert municipality’s industry structure, is the relatively large size of its construction sector, accounting for no less than 16 per cent of GDPR and 17 per cent of employment in the municipal economy. The sector is significantly larger than manufacturing and also expanded at double digit growth rates over the 2005 - 2013 period, also adding to employment over the corresponding period [MERO: 2015].

Gini Coefficient

Gini coefficient is used to measure inequality in the distribution of income. A Gini coefficient of zero expresses perfect equality i.e. all households earn equal income and the value 1 represents the situation where one household earns all the income and other households earn nothing. Statistics show that South Africa’s Gini coefficient is one of the highest in the world.



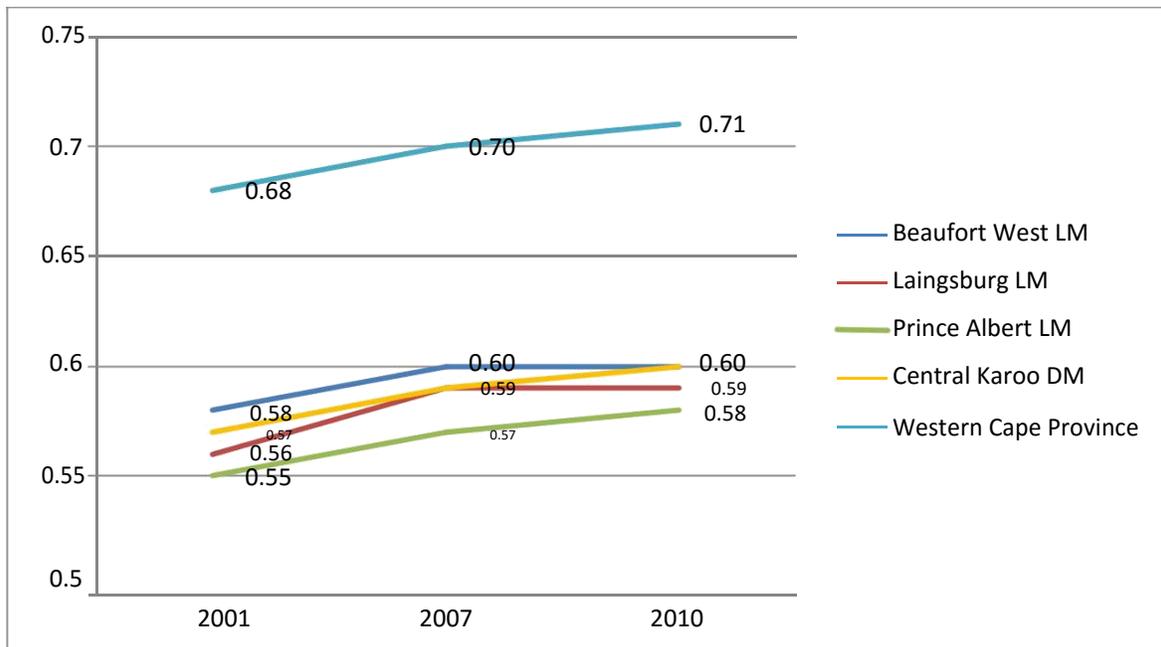
Gini Coefficients of LM's

Social

Human Development Index

Human Development Index (HDI) is a composite tool used to measure a country's average achievements in three basic aspects of human development viz. life expectancy, education (literacy and level education) and per capita income. The value of this index ranges from zero, depicting the lowest level of development, to 1 depicting the highest level of development.

HDI for Western Cape Province is highest in South Africa after Gauteng. However the Central Karoo District Municipality HDI has always been lowest in the Western Cape. This indicates the relatively poor condition of life in the district. Among the local municipalities, Beaufort West LM has the highest HDI followed by Laingsburg and Prince Albert.



Human Development Index of LM's

HEALTH

The Central Karoo District has a range of primary healthcare facilities which includes 8 fixed clinics, 9 mobile/satellite clinics, 1 community day centre and 4 district hospitals. Of these facilities, 2 fixed clinics, 2 mobile/satellite clinics and 1 district hospital are situated within the Prince Albert municipal area.

HIV

At the end of March 2016, anti-retroviral treatment (ART) was provided to over 200 000 persons in the Province, 1416 of whom were in the Central Karoo District and 264 in the Prince Albert municipal area. Compared to the previous year, at the end of March 2016, 47 new ART patients were being treated from 2 treatment sites in the Prince Albert municipal area.

In addition to improving the quality of life of the patient, anti-retroviral treatment to mothers both before and at birth, also decreases the chances that infants will contract HIV from their mothers. The most recent information for Prince Albert indicates a mother-to-child transmission rate of zero per cent which is lower than the 3.4 per cent District and the 1.4 per cent Provincial rate.

Service Delivery Households

According to Census 2011, there were 3 578 households within the greater Prince Albert region. As per the 2016 Community Survey estimates, this number increased to 4 183 which equates to 16.9 per cent growth off the 2011 base.

Water

According to the National Development Plan (NDP) all households must by 2030 have access to potable water above the minimum service level. This minimum service level is defined as any household with access to piped water less than 200 meters from their dwelling.

Access to piped water for these categories increased by 15.2 per cent from 3 554 households in 2011 to 4 095 households in 2016 and increased by 9.7 per cent across the District over the same period. The Municipality is therefore on track to achieve the minimum service level target as envisaged by the NDP.

Sanitation

It can be defined as households with access to flush toilet connected to sewerage system.

The biggest source of sanitation was access to flush toilets connected to a sewerage system/chemical toilet whilst only 2.1 per cent of households make use of other sources of sanitation. Access to flush toilets connected to a sewerage system improved by 36.9 per cent from 2 921 households in 2011 to 4 000 households in 2016 and by 25.0 per cent across the District over the same period. A total of 94 households in Prince Albert however still does not have any access to sanitation services.

Electricity

It can be defined as households with access to electricity as primary source of energy for lighting purposes.

The biggest source of energy for lighting purposes in Prince Albert in 2016 was electricity whilst 2.0 per cent of households make use of other sources of energy. Access to electricity for lighting purposes improved by 31.0 per cent from 3 092 households in 2011 to 4 049 households in 2016 and increased by 23.1 per cent across the District over the same period

Competitive Advantages and Key Assets

SWOT Analysis

Strengths

- Scenic mountain landscape
- Provides access to Oudtshoorn and the Garden Route through the scenic Swartberg Pass
- Access to water and fertile soils provide the greatest opportunity for crop and produce farming as well as tourism
- Most olive tree crops are situated in Prince Albert LM. Area also has a strong fruit industry
- Prince Albert was awarded the winners in the 2012 Western Cape “town of the year” competition, hosted by the television program Kwêla.
- The vast rural landscape is the Karoo’s most valuable commodity
- The location on the N1, N12 and adjacent rail link provide key economic opportunities
- Some access to water providing some crop and produce farming
- Diverse livestock farming in the area
- Good road and rail connectivity
- The vast rural landscape is the Karoo’s most valuable commodity
- Soil and climate quality provide some crop and livestock farming opportunities
- Dam and arable land provide some irrigation opportunities
- Currently the area features a high number of Lucerne crops and some fruit, vegetable and wine production

Weaknesses

- Seasonality of employment opportunities
- Lack of support to emerging entrepreneurs
- Fragmentation of tourism industry. Tourism has a more dispersed character, and plays out on a greater regional scale, linking across the district boundaries to the Garden Route, the Northern and Eastern Cape
- Lack of access to services (health care, protection, retail, etc)
- Sprawling development pattern contributes to social fragmentation due to distances between residences and work, community facilities and social and retail opportunities
- Poor public transport
- Poor communication facilities
- High dependency on social grants and wage income by the poor
- High poverty levels
- Low quality of road infrastructure
- Low institutional capacity
- Low rainfall

Opportunities

- Diversifying economy to secondary and tertiary sectors
- Growth in Tourism
- Brand Development
- Expanded Public Works Programme (EPWP)
- Agro-Processing and technology innovation
- Existing abattoir has capacity to take on more livestock
- Opportunities for technology changes
- Eco Tourism
- Projects for Prince Albert should enable the tourism industry
- Support small and emerging farmers while also growing commercial crop farming

Threats

- Climate change that will impact on water resources and agricultural activities
- Water supply
- Water Quality
- Electricity supply
- Political climate
- Lack of unity between public and private sector
- Prince Albert Abattoir is under capacity
- Volatile exchange rate
- Narrowing agriculture profit margins
- Fluctuations in tourism industry
- Lack of retention of skilled labour (Brain Drain)
- Global uncertainties of economic conditions
- Vastness of area
- Economy focussed on primary sectors
- Small domestic market

Stakeholders have identified the following key strategic initiatives to unlock economic opportunities and where local champions exist:

Prioritised activities

- Visioning process: Cultural heritage destination
- Agri parks, drying facility and apricot plantation
- Link businesses with growth potential to government support
- Branding and marketing
- Helix project in collab with Stellenbosch Good Governance Forum (SGGF)
- Youth entrepreneurship mentoring scheme
- Reduce water constraint to growth
- Improving intergovernmental planning and co-operation to enhance regional infrastructure planning

Strategic initiative	Visioning process: Cultural heritage destination
What is being proposed?	<ul style="list-style-type: none"> • Preserving the established heritage, while pushing for development • Value adding, eg. theme tours • Digital Heritage resources system (record all heritage resources in different categories) • Integrated heritage inventory in all categories • Story telling
Why this is important?	<ul style="list-style-type: none"> • To attract tourist • Filming purposes • Thirteen national monuments • Excursions • Contribute to economic activity in PAM
Who will champion and support implementation?	PAM
Sources of Funding	Dept of Arts & Culture, Dept of Environmental Affairs, PAM

Strategic initiative	Agri Parks, drying facility and apricot plantation
What is being proposed?	<ul style="list-style-type: none"> • To create an opportunity to partake in the supply of dryable cultivators to an established manufacturer • To establish family businesses • To address the increasing poverty by providing linkages with established businesses and establishing a market in PA through the partnership with formal established business • To investigate spin-offs such as sweets, farmers

	markets.
Why this is important?	<ul style="list-style-type: none"> • To create sustainable jobs and income • Grow the economy of PAM • Access for new entrants to the agri-value chain • Support commercial agri-sectors • Better use of communal areas
Who will champion and support implementation?	Municipal Manager, DRDLR
Sources of Funding	DRDLR

Strategic initiative	Link businesses with growth potential
Strategic initiative	Diversify tourism product/ Promote increase in Agri-Tourism
What is being proposed?	<p>Most tourist stay only for a day, PA must become known as a destination for longer stays</p> <p>Agri-tourism works well here (and could develop as in Tuscany, Italy)</p> <p>Have beautiful places, good agricultural base and entrepreneurs</p> <p>Market trend of increasing demand for farm stays</p> <p>Support and encourage more innovation</p> <p>Package variety of offers into various customer experience options</p>
Why this is important?	<p>Increasing the length of visitor stays could double tourism revenues</p> <p>Increased visitors due to more attractive offers, could increase visitor numbers as well</p>
Who will champion and support implementation?	Municipal Manager, Manager: Corporate, Strategic and Community Services; Department of Rural Development and Land Reform
Sources of Funding	Requires a few workshops with relevant stakeholders to get their buy-in

Strategic initiative	Brand and marketing
What is being proposed?	<p>Build an brand strategy for PA</p> <p>What precisely is the brand message? How to differentiate P.A?</p> <p>What are the values that we have to adhere to keep brand promises?</p> <p>Develop a destination marketing campaign</p> <p>Cross-marketing</p> <p>Re-packaging of tourism products</p> <p>Increase the awareness of what PA offers in minds of prospective customers</p> <p>Increase affinity for PA in mind of customers</p>
Why this is important?	<p>Ultimately increase the number of visitors and length of stay</p> <p>More money circulating in local economy</p> <p>More investment is likely to follow once successful</p>

Who will champion and support implementation?	Municipal Manager, Manager: Corporate, Strategic and Community Services; Dept of Tourism, Tourism Bureau
Sources of Funding	External funding to be sourced

Strategic initiative	Helix project in collab with Stellenbosch Good Governance Forum (SGGF)
What is being proposed?	<ul style="list-style-type: none"> • SGGF to implement an innovation Ecosystem • Will establish a program of innovative governance focused on inclusive development • Establish a knowledge base that will enable the municipality to implement programs and projects based on social scientific foundation • Stakeholder mapping of the community • Research of core social and economic core problems, needs and root causes. • Determination of development, economic and market opportunities • Design of bespoke solutions and enterprise development focused on inclusive development • Creating a support and management system for the establishment of sustainable community and social enterprise development.
Why this is important?	<ul style="list-style-type: none"> • An innovation ecosystem is envisaged that will deliver local based sustainable, scalable and replicable programs and projects • The project will be performed in incremental phases to ensure a continuous improvement and implementation. • The mid and longer term impact will result in catalyst projects, and long term sustainable community and social enterprises • Creating a developer and investment friendly framework • Increase social cohesion • Increasing safety
Who will champion and support implementation?	Municipal Manager, Manager: Corporate, Strategic and Community Services;
Sources of Funding	Private investments / Grant funding

Strategic initiative	Youth entrepreneurship mentoring scheme
What is being proposed?	Establish a channel for youth interested in entrepreneurship to learn and grow

	<p>Create awareness of what entrepreneurship is with schools</p> <p>Meet successful entrepreneurs event (success stories, mentoring, what it takes to succeed)</p> <p>Provide practical opportunities for aspiring entrepreneurs to prove their commitment and abilities (a quality filter that rewards you if you are good enough)</p> <p>Link young “proven” learner schemes to place the right persons in the right places</p> <p>Utilise government learner schemes to place the right persons in the right places</p>
Why this is important?	<p>Develop entrepreneurship for youth for their economic gain</p> <p>Find talent in the youth and accelerate their career opportunities</p> <p>Development role models for other to emulate</p>
Who will champion and support implementation?	<p>Manager: Corporate, Community & Strategic services</p>
Sources of Funding	<p>Department of Small Business and Enterprises</p>

Strategic initiative	Reduce water constraint to growth
What is being proposed?	<p>Water is a constraint to economic growth (drought mitigation)</p> <p>Water is available but need to increase storage capacity</p>
Why this is important?	<p>Must remove the constraint to growth</p>
Who will champion and support implementation?	<p>MM</p>
Sources of Funding	<p>MIG funding</p>

Strategic initiative	Karoo Small Town Regeneration initiative
What is proposed	<p>Improving intergovernmental planning and co-operation to enhance regional infrastructure</p> <p>planning, regional investment initiatives and regional priorities</p>
Why is this important	<p>Ensure alignment of Infrastructure Plans to the Regional Spatial Development and</p> <p>Economic Development Framework;</p>
Who will champion and support	<p>MM, Mayor, Strategic Services</p>

implementation	
Source of funding	Private Investment/ Grant funding