Executive Summary

Maruleng LED Strategy
SECTIO N A -  e c onomic analysis

- The Maruleng economy in the Mopani District of Limpopo Province is significant but small (R1.9 billion in 2006), influenced by the global and national economies, and structurally dependent on the economies of the Limpopo and Mpumalanga Province.

- South Africa’s economy has reclaimed remarkable macro-economic stability since 1994, but has remained capital intensive and has struggled to deliver employment, skills transfers and revenue streams to the vast majority of the population that was politically disenfranchised under apartheid.

- Whilst South Africa has the macro-economic fundamental to survive the global economic crisis, the current account deficit, low savings rate and dependence on manufactured imports remain a concern. It is inevitable that the current global downturn will affect South Africa, resulting in slower economic growth, more difficult labour absorption and heightened scrutiny of economic policy.

- The Limpopo economy presents many of the hallmarks of South Africa’s economy, being dependent on the extraction of raw materials, agriculture and a growing tourism and services sector. Between 2001 and 2007, when world commodity prices were increasing, Limpopo experienced significant growth. Much of this growth accrued to capital and skill intensive corporations. As such the period of growth did not impact significantly on poverty.

- A significant portion of economic activity in Limpopo is undetected in official figures, and public perceptions do not always reflect the economic reality of the province. Large volumes of money change hands and some employment is created in the informal sector, particularly in the services (transport, micro-lending, funeral and food and beverages sector).

- The provincial government in Limpopo, and indeed all spheres of government in South Africa, have a crucial role to play in supporting socio-economic development. Unless regulated, incentivised and governed, markets and private sector companies are unlikely to deliver the type of economic growth that is required to redress South Africa’s socio-economic legacy. The crafts of “developmental government” and particularly “enterprise support”, are a necessary prerequisite for socio-economic development, but also much lacking in Limpopo’s highly politicised civil service. It is this institutional deficit that frustrates development.
• Growth in the Maruleng economy between 1996 and 2006 was volatile but averaged 3.1%, which is below the national (3.5%) and provincial (3.9%) average.

• Locals described the Maruleng economy as a “service town” evolving around Hoedspruit and the surrounding farms. In reality the municipal economy is now more complex, with significant contributions from the provincial and national government (including to the local airforce and army base), a multi-faceted secondary and tertiary sector, a burgeoning informal sector and a rapidly growing tourism sector that support the long standing agricultural activity. Agriculture remains important for the employment and export revenue that it generates, but as a sector contributes less to Maruleng’s GDP than community services, transport, finance and trade (which includes tourism).

• Significantly the three leading sectors are not classic growth sectors, and are not labour intensive. Each of them imposes costs on the economy and economic activity at the same time as contributing to growth.

• Maruleng’s LED Unit is located in the Directorate of Spatial Development and Economic Planning, but enjoys a lowly status and almost no budget. There is no appointed Senior LED Officer in Maruleng. Officials in the Community Services Directorate, and officials responsible for infrastructure do not see themselves as being responsible for LED.

• The Maruleng economy is constrained by the lack of a clear identity as a result of its former status as part of Bohlabela District, its former designation as a “Plaaslikeraad” and its inclusion of a former homeland and people from very different socio-economic backgrounds.

• The majority of the population of Maruleng reside in the villages that were formerly part of Lebowa homelands and are required to travel between 60 and 120 kilometres to the major commercial centre of Hoedspruit. This imposes a significant transaction cost (transport costs) burden on aspirant job seekers, retailer and shoppers, and accounts for multiple market failures in Maruleng.

• Unemployment in Maruleng is acute at 19%. Maruleng’s space economy act as a disincentive to job seekers and in part explains the 53% of the population that is economically inactive – many of whom are “discouraged workers”.

• The municipality does not own any land in Maruleng which prevents it from providing key municipal services such as solid waste removal, the provision of affordable housing and schools, for employees and the commissioning of transport and trading hubs.
• The Maruleng municipality has comparative advantage in irrigated agriculture where water is available along the banks of the Blyde River. The striking natural landscapes and proximity to Kruger National Park and other iconic natural parks ensures a sophisticated and expanding tourism sector.

• MIG expenditure in Maruleng has improved systematically over the past 3 years, which has resulted in the extension of basic services to a greater proportion of the Maruleng population. In the remote rural villages of the former Lebowa services remain absent or unreliable.

• Both agriculture and tourism in Maruleng under-perform relative to their potential. In the case of agriculture this can be attributed to the uncertainty created for all parties by the poorly managed land reform process, and the lack of supporting services. The municipal tourism sector benefits from its proximity to the Kruger National Park is world class, and has scope for expansion, but is poorly marketed.

• A number of Maruleng enterprises (The Bombyrx More Silk Farm, Otter's Den River Lodge and Hot Air Ballooning, The Oaks Furniture Manufacturer, Itereleng Vegetable Co-operative) have, established internationally competitive businesses. Lessons can be drawn from these businesses and replicated across the municipality’s enterprise support efforts.

• As in other municipalities, fiscal support for economic activities, whether it is joint ventures in agriculture, infrastructure projects or the formation of new enterprises tends to be poorly monitored and as such does not always yield value for investment in either financial or social terms.

• Maruleng has an active and functional LED Forum that does assist in steering LED planning. Conspicuously, the large corporations that that dominate the municipal economy - fruit packing and trading, game farms, Pick ‘n Pay - are not represented on this forum.

• The institutional environment under which businesses operate in Maruleng is undermined by uncertainty. The predominant uncertainty is created by the pending Moletele CPA land settlement, but confusion over other land development initiatives, water allocations, fiscal support for projects and enterprises, public sector tenders and the awarding of mining concessions at the small-scale mica mine contribute to the lack of certainty under which businesses are required to operate and invest. There is an acute need for more effective communication between the local and provincial government and business and communities.

• Maruleng has, in the past, been used opportunistically by the knowledge economy as a test-bed for the speculative biofuel, bio-prospecting or medicinal plants, the generation
of hydro-electric power and inappropriate technology transfer projects. The challenge is to move away from speculative innovation projects towards innovative long-term partnerships with the knowledge sector.

- The over-riding challenge for the Maruleng economy is to promote inclusion and growth. Necessarily this will involve addressing the apartheid spatial legacy and reconciling existing businesses and the local population.

SECTION B - Short and long-term thrusts to address the socio-economic development challenges

Short-term thrusts:

- The development challenges in Maruleng can not be addressed by business as usual, and so there is a need for judicious government intervention in the economy. Section B of the strategy describes 12 short-term and 6 longer-term thrusts, which are to form the focus of the Municipality’s LED effort over the next 10 years.

- The emphasis in the next 3 years should be on the 12 short-term thrusts. These include:

  i. Define Maruleng as a place of global leadership in sustainable development, and showcase the advantages of addressing human and ecological needs simultaneously.

  ii. Redress the space economy through increased affordable housing in Hoedspruit, greater competition in and between the taxi and bus sectors, improved road infrastructure and, in the long term, rail networks and services.

  iii. Focus on the socio-economic returns on the infrastructure spend by creating greater awareness of the mechanisms by which infrastructure leads to LED and by consulting communities and businesses prior to infrastructure roll-outs.

  iv. Develop enterprise support skills within the municipality so as to better assist emerging businesses, and more effectively engage the private sector. Enterprise support involves a process rather than a once-off transfer of funds. Central to this process is the securing of markets for goods and services. Too many LED projects involve either exotic or sophisticated goods and services of which local people have little experience.

  v. Support growth and employment in the agricultural sector as a means of protecting employment and generating export revenue.
vi. Promote the tourism sector and facilitate better linkages between tourism lodges and the local economy.

vii. Proactively manage land reform so as to prevent a rural catastrophe and an economic liability that will burden the municipality. Central in this regard is the Moletele land Claim. It is proposed that the Moletele CPA assume the role of landlords only and does not try and manage businesses on its land. Businesses can be run by separate entities from within or without the beneficiary group. These entities should lease land and assets from the CPA.

viii. Implement the National water Act so as to ensure a more rational distribution of the scarce water resources, and to use water a development tool. This requires a functional CMA and WUAs and a regulated water market.

ix. Support higher economic multipliers on public sector salaries by facilitating local transactions and encouraging gender equity in public sector employment.

x. Enter the knowledge economy by way of long-term and co-ordinated innovative partnerships with universities and agencies, so as to ensure that knowledge products and the use of technology reflect local capacity and needs.

xi. Establish a municipality-wide socio-economic monitoring and evaluation system so as to ensure better use of available resources and to hold offices to account.

- The strategy identifies the specific components of these 12 thrusts as well as the steps required to pursue the thrusts. In addition important stakeholders, timeframes and success criteria are specified.

- Longer-term thrusts involve more complex issues but are no less important. The proposed longer-term thrusts include:

  i. Increasing private tenure to allow more of the population to benefit from property price rises.

  ii. Highlighting important social choices between modernity and traditionalism.

  iii. Establishing new rail networks and services.

  iv. Providing an international customs point at Eastgate Airport

  v. Controlling malaria

  vi. Developing a sustainable development strategy.
MARULENG LED STRATEGY

Section A: Analysis of Maruleng Economy in the context of the national and provincial economy

March 2009
Abbreviations

ANC       African National Congress
ASGISA    Accelerated and Shared Growth Initiative
BEE       Black Economic Empowerment
BUSIA     Business Association of South Africa
CAPEX     Capital expenditure
CBED      Community-based economic development
CEO       Chief Executive Officer
CPIX      Consumer price inflation excluding mortgages
DBSA      Development Bank of South Africa
DLGH      Department of Local Government and housing
DPLG      Department of Provincial and Local Government
DTI       Department of Trade and Industry
FCD       Free State Development Corporation
GDP       Gross Domestic Product
GGP       Gross Geographic Product
GIS       Geographic information system
GVA       Gross value added
HACCP     Hazard Analysis Critical Control Point
HSRC      Human Sciences Research Council
HR        Human resources
IDC       Industrial Development Corporation
IDP       Integrated Development Plan
ICT       Information and Communication technology
IMF       International Monetary Fund
JSE       Johannesburg stock exchange
LED       Local economic development
<table>
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<tr>
<td>LEDF</td>
<td>Local Economic Development Fund</td>
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<td>LEDA</td>
<td>Local economic development agency</td>
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<td>LFS</td>
<td>Labour Force Survey</td>
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<td>LIBSA</td>
<td>Limpopo Business Support Agency</td>
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<td>LIMDEV</td>
<td>Limpopo Development Corporation</td>
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<td>LM</td>
<td>Local municipality</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and evaluation</td>
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<td>ME</td>
<td>Municipal entity (as defined in the MFMA)</td>
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<td>MFMA</td>
<td>Municipal Finance Management Act</td>
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<td>MIG</td>
<td>Municipal Infrastructure Grant</td>
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<td>MSA</td>
<td>Municipal Systems Act</td>
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<td>MTEF</td>
<td>Medium-term expenditure framework (of government)</td>
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<td>NAFU</td>
<td>National Agricultural Farmers Union</td>
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<td>NWA</td>
<td>National Water Act</td>
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<td>NWRS</td>
<td>National Water Resource Strategy</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>PMC</td>
<td>Palaborwa Mining Company</td>
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<tr>
<td>Pty</td>
<td>Private limited company</td>
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<tr>
<td>SARB</td>
<td>South African Reserve Bank</td>
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<td>SDF</td>
<td>Spatial Development Framework</td>
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<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
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<td>SMME</td>
<td>Small, micro and medium-sized enterprise</td>
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<tr>
<td>TIL</td>
<td>Trade and Investment Limpopo</td>
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<tr>
<td>TORs</td>
<td>Terms of reference</td>
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<td>WUA</td>
<td>Water Users Association</td>
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1. INTRODUCTION

This Local Economic Development (LED) Strategy outlines the principles, processes and specific steps that should inform activities that will expand the economy and create employment in Maruleng Municipality.

The strategy is grounded in South Africa’s evolving approach to LED. This approach draws on local government’s Constitutional obligation to oversee the socio-economic well-being of local citizens (Chapter 7, Section 152, Constitution of South Africa, 1996). This responsibility has been subsequently codified in the Municipal Systems Act (32 of 2000) and the Municipal Structures Act (117 of 1998). In this strategy LED is not a discrete deliverable or the line function responsibility of the Municipality’s LED Unit or Directorate of Spatial Development and Economic Planning. Rather the LED, as described in this strategy, involves an approach to managing the municipality’s fiscal and legislative responsibilities so as to create economic opportunities for local residents, and particularly those local residents that would struggle to access these opportunities without public interventions.

The strategy applies lessons learnt from the failure of the Local Economic Development Fund (LEDF) by emphasising the need for financially sustainable initiatives that will enhance the mainstream economy. This is in contrast to grant-driven projects on the periphery of the economy with little prospect of achieving self-sustainability.

The strategy is intended for the Maruleng Municipality and as such focuses on The State’s role in LED. Classically this involves providing public goods and creating the preconditions for successful enterprises, and there is a strong emphasis in this strategy on businesses and community enterprises as the implementers and beneficiaries of government’s efforts (dplg, 2007). In Maruleng, however, with its profound historical legacy and development deficit, and structural constraints on growth, waiting to play the enabling and facilitating role will result in continued underdevelopment for the simple reasons that there is inadequate economic activity to enable and facilitate. In Maruleng there is a case for a more proactive role for local government in stimulating and shaping economic growth. This role is consistent with the focus on “developmental government” emerging in the wake of the ANC’s Polokwane Conference (2007), and is not inconsistent with roles of governments in other successful developing countries (see Appendix A). The real challenge, in this context, will be to ensure that local government support is effective.

The overarching aim of this document is to provide principles to inform Maruleng’s effective engagement with the local economy.

The Maruleng LED strategy that follows below is divided into 3 sections:

Section A provides a situational analysis, describing the prevailing economic context and the national, provincial and district level.

Section B outlines the actual LED strategy for Maruleng.

The final Section C provides a workplan for the implementation of the strategy.

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1 dplg (2007) LED toolkit
2. THE PROCESS OF STRATEGY FORMULATION


The study drew on purchased data from Global Insights and Quantec. The paucity of reliable poverty and business data at the local level in South Africa (see Meth, 2006; Meth 2007) necessitates circumspection when drawing inference from the presented figures. To address this problem the strategy includes anecdotes collected during three weeks of project visits, stakeholder consultation and business analysis. These anecdotes reflect the local insights and perceptions (both true and misconceived) that constitute the economic landscape. In many ways this subjective landscape is more relevant to the task of economic development planning than the volume of questionable statistics.

The process of strategy development took place under truncated time and budget allocations. As such the participation that is prescribed in dplg’s “Toolkit for LED” was reduced, but in spite of this the Municipality’s LED Officer and Acting Director of Spatial Development and Economic Planning was instrumental in securing successful engagements with business and government stakeholders. Critical to the research process was the securing of political and Traditional Authority (Kgoshi) support prior to engaging civil servants, businesses and communities. This is deemed the appropriate procedural sequence for ensuring the legitimacy of this document. It also allowed the LED Officer to identify local stakeholders to be consulted in the process of strategy formulation.

On acceptance of this strategy, it will be incumbent upon the Municipality to ensure widespread awareness of its content and implications.

3. SECTION A: ANALYSIS OF THE MARULENG ECONOMY IN THE CONTEXT OF THE BROADER ECONOMY

3.1. Purpose of the analysis

Section A aims to generate a shared understanding of the needs and opportunities that exist within the Maruleng economy. It is this shared understanding that provides the platform for decisions regarding the allocation of resources. Past support for LED tended to reflect the whims of councillors, mayors, municipal managers and charismatic residents or influential personalities from universities and agencies such as the CSIR. It was this approach that led to the “pet-project” syndrome that characterised dplg’s Local Economic Development Fund between 1998 and 2003 (MXA, 2003). Officials within Maruleng articulate the need for a more rigorous process to project selection and LED implementation. This process begins with analysis, leads to implementation and is followed by monitoring, evaluation and incremental adjustments.

2 Late in 2008 Stats SA announced the plans for a definitive poverty survey, “The Living Conditions Survey”, a welcome initiative that should address the current lacuna.
The analysis phase aims to reveal the basis for economic development activities in Maruleng as defined by inherent economic potential – measured by comparative advantage and existing activities, and need - measured by poverty or dependency.

### 3.2. The National Economic Context

The Maruleng economy is small and structurally dependent on the provincial and national economy. Trends affecting the national and provincial economy influence Maruleng, and an analysis of the Maruleng economy necessarily has to reflect on the national and provincial context.

Nationally, South Africa has comparative advantage (as manifested in exports) in minerals, but is subject to comparative disadvantage in processed and manufactured goods. Critically South Africa is a net importer of oil.

The first democratic government of South Africa inherited the multiple challenges of restoring economic growth, managing a budget deficit of 7% (1993/1994), addressing a development backlog defined by the spatially and racially skewed investment policies of the previous 150 years, and meeting rampant public expectation that things were set to improve. At the same time South Africa re-entered the global economy, exposing itself to the vagaries of international capital flows and the rigours of international investor perceptions and economic treaties.

The period 1998-2002 was defined by macro-economic austerity, low growth and increasing unemployment. This allowed public debt as a percentage of GDP to be reduced from 46% to 23%, and the budget deficit to be reigned-in. From this platform of macro-economic stability, the South African economy began to accelerate between 2003 – 2006. Growth was driven by:

- The international surge in commodity prices\(^3\).
- Wealth-driven consumption supported by rising property prices in conjunction with relatively low interest rates and rising real remuneration in the non-agricultural formal sector. In 2006 average remuneration in the non-agricultural formal sector increased 9.1% while inflation was fractionally above 5%.
- A rapid expansion of social grant disbursement that supported the increase in consumption demand (Van den Berg et al., 2005).
- A 13% per annum growth in tourism and moderate manufacturing expansion on the back of the boom in commodity prices.
- Stabilisation of the agricultural sector, which had been in a contraction and labour-shedding phase since 1996.

\(^3\) Historically commodity cycles have been in the region of 18 years long. If this continues to be the case it would imply that we are approaching the height of the current cycle, although China and India’s growth may present a novel influence on this cycle.
Figure 1: South Africa's moderate GDP growth has been driven by consumption trends, and public investment. The trade balance and fixed private investments have, in the context of growth, been disappointing (OECD, 2008).

Accelerating growth between 2002 and 2007 permitted an accumulation of foreign exchange reserves (see Figure 2), bolstered the currency and further aided macro-economic stability. The growth, however, did little to boost South Africa’s economic standing amongst developing nations many of which were experiencing similar and greater growth (Figure 3). Neither was the growth accompanied by major foreign direct investment. Gross fixed capital investment as a percentage of GDP remained in the order of 14% for the period 1994-2005, below that of South Africa’s peer economies in Asia, Latin America and Eastern Europe (World Bank, 2005b). Unemployment impacts were similarly marginal. Unemployment fell by 3.5% between 2001 and 2006, but remained high at 25.5%.

Figure 2: South Africa’s growing forex reserves have contributed to macro-economic stability
Critically, the growth experienced between 2002 and 2007 remained capital and skill intensive and exposed the national dislocation between corporate profits on the one hand and poverty alleviation and employment creation on the other. By way of illustration, the Johannesburg Stock Exchange rose by 40.5% on the year to May 2007, but the number of people living in absolute poverty remained almost unchanged, as did unemployment. Central to this dislocation is the fact that South Africa does not have a large land holding agrarian population. Most poor rural households reside on land under traditional communal tenure and experienced no gains from the rapidly rising property prices that benefitted the land holding classes between 2002 and 2007.

![Figure 3: GDP per capita in PPP terms (OECD, 2008)](image)

Between 1985 and 2004, the world spent 1.75% - 2.25% of its GDP on oil. When the oil price peaked at US$ 140 bbl in early 2008, the world spent 8% of its GDP on oil (USB, 2008) and an economic downturn became inevitable. As a relatively small and integrated member of the global economy, South Africa was not isolated from the downturn that began in mid-2007 and manifested in a global liquidity crisis. The full impact and duration of the global downturn remain to be seen. In September 2008 Morgan and Stanley estimated that capital flows to developing countries would drop by 25% in the coming year – by March 2009 this estimate appears conservative. The indications are, however, that the South African economy is weathering the decline better than some of its peer countries; a testimony to its macro-economic rigour, foreign exchange controls, the benefits of its flexible exchange rate policy and the ironic fact that South Africa has never been particularly successful in attracting international capital. There is also evidence that the domestic pressures on inflation (CPIX) in South Africa may be easing: new private motor vehicle sales dropped by 30% in the first quarter of 2009 and by January of 2009 CPIX had fallen to 8.1%.
Economic growth in South Africa in 2008 was forecast at between 3.2% and 3.7% in August, but Fourth Quarter growth of -1.8% saw eventual growth at 3.1% for the year (StatsSA, 2009). The current Treasury forecast for 2009 is for 1.2% growth. Global growth forecasts have been similarly difficult to predict. Between April 2008 and February 2009, the IMF lowered its global growth forecast for 2009 five times – from 3.8% to 0.5%. (IMF February 2009).

The global downturn has placed the South African economy under renewed scrutiny. This scrutiny has revealed cause for concern about:

- The R50 billion (7.5%) drop in revenue collected that was forecast for 2009 in February 2009, relative to the forecast for the same period a year earlier.
- South Africa’s current account deficit. The balance of trade in goods and services spiked to a 26 year high of 9% deficit (or R195 bn) in the first quarter of 2008 after a small surplus in 2002 and remained at 7.9% through the third quarter of 2008, placing pressure on the currency.
- The continued decline in domestic savings in conjunction with household debt in excess of 70% of household income (Figure 4), and the gap between disposable income (R9.8 bn) and expenditure (R11.1 bn) as reported by the labour Force Survey at the provincial level.
- Continuing high inflation. CPIX came in at 8.1% in February 2009, much higher than the production growth for the same period (3.1%) which suggests that South Africa is becoming less competitive.
- Weak export performances. In 2007 South Africa’s share of the global export market was only 86% of its 1994 levels by value.
- The misalignment between slowing economic growth and increasing demand for imported goods, most critically machinery and transport equipment required for mining which constitutes 38% of all imports, and manufactured goods and articles which account for 20% of all imports and oil which comprises 18% of all imports.
- Inadequate manufacturing supply. In spite of a weak currency South Africa has struggled to stimulate domestic supply of manufactured goods.
- Structural constraints on the labour market that has seen a shortage of critical technical skills, inability to harness existing skills to their potential, poor alignment between opportunities and emerging skills in the labour market, and the loss of skills to foreign markets.
- Growing dependence on social grants combined with higher reserve prices for unemployed labour and a greater proportion of “discouraged workers”. Only 5 million tax payers support 12.5 million welfare beneficiaries.
- Continuing weaknesses in the civil service’s ability to spend fiscal allocations in an accountable and constructive manner. This in turn has meant that macro-economic gains have not been converted into socio-economic improvement for the vast majority of South Africans.
Figure 4: Household debt in South Africa remains high suggesting that much of the consumption led-growth has depended on debt. This in turn has seen a secular decline in domestic savings rates which places the monetary system (most notably the interest rate) under pressure.

Of these concerns, the two greatest at the beginning of 2009, must be the current account (and balance of trade) deficit in conjunction with high unemployment. While South Africa experiences a negative balance of trade, the currency will remain under pressure. This in turn will make it difficult to reduce interest rates, which, in the midst of a global downturn will make it difficult to protect job losses.

Figure 5: South Africa’s trade balance 2002 - 2008

In addition to the systemic influences of the international credit crisis, the global loss of liquidity is expected to be particularly damaging to South Africa’s ability to generate electricity. South Africa’s
under-investment in energy generation and transmission infrastructure over the past 20 years has seen rolling power outages affect the country. The outages began in 2005 and required an industry-wide Power Conservation Programme (PCP) in 2008. The programme involved a voluntary 10% reduction in energy consumption, and is estimated to have cost South Africa R75 for every foregone kilowatt hour (BUS, 2008). Worryingly energy shortages appear set to continue, with consequences for economic expansion (see Figure 5). Research undertaken by Anton Eberhard at the Graduate School of Business suggests that ESKOM require R400 - R500 billion worth of CAPEX to avoid future energy crises, but in the current economic environment have managed to raise less than 10% of this amount. Faced with this financial shortfall, energy costs in South Africa will have to more than double in the next three years.

The implication is that economic expansion will have to become more energy efficient, less reliant on ESKOM energy and more dependent on decentralised renewable sources such as wind and solar.

Figure 6: Predicted demand (blue) and supply (red) of ESKOM energy. The arising shortfall necessitates a new approach to energy provision with an emphasis on a wide geographical spread of renewable technologies and energy efficiency

The recent economic constraints have made it more difficult to convert the hard-won political victory of 1994 into broad-based economic growth, without foregoing economic stability. In 2004. Obdurate poverty in conjunction with extreme inequality (in 2004 South Africa’s Gini Co-efficient was 0.58, above that of Brazil, China, Chile Turkey, Mexico and all European Union countries, World Bank, 2004) was considered unfortunate during the periods of accelerating economic growth. In the current economic slow-down, it threatens the fragile fabric of South African society. It is this feature of the South African economy that has seen growing social disquiet and increasing calls from organised labour for policy change.
The 2009 Budget Speech captured the changing mood and the implications of the global economic downturn by increasing State expenditure (R834 billion), and for the first time highlighting 5 guiding macro-economic principles: “protecting the poor”, “creating employment”, “investing in infrastructure”, “promoting competitiveness” and “fiscal sustainability”. The increased budget has been divided across the provinces (R25 billion) and seen increased allocations for health care and education, social grants (R13 billion), low income housing (R3.7 billion), public transport, roads and rail networks (R6.4 billion) and for municipal bulk water systems (R5.3 billion).

Table 1: Macro-economic trends in the South African economy 2001-2005

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<td>1.688</td>
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<td>1.796</td>
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<td>1.911</td>
<td>1.993</td>
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<td>Real GDP Growth</td>
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<td>4.3%</td>
<td>5.0%</td>
<td>5.1%</td>
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<td>Unemployment</td>
<td>29.5%</td>
<td>30.5%</td>
<td>28.2%</td>
<td>26.2%</td>
<td>25.3%</td>
<td>25.5</td>
<td>23.2</td>
<td>(21.3)</td>
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<td>National debt (% of GDP)</td>
<td>41.4%</td>
<td>37.1%</td>
<td>35.7%</td>
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<td>0.1%</td>
<td>0.7%</td>
<td>-1.5%</td>
<td>-3.2%</td>
<td>-3.7%</td>
<td>-5.2%</td>
<td>-7.2%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Consumer Price Index (SA)</td>
<td>5.7%</td>
<td>9.2%</td>
<td>5.8%</td>
<td>1.4%</td>
<td>3.4%</td>
<td>4.6%</td>
<td>7.2%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>


Changing economic policy may not be as easy as some might imagine. South Africa has, to its detriment, never had an easily recognisable or manoeuvrable economic orientation. Macro-economic policy is officially guided by ASGISA, which focuses on alleviating six perceived constraints to growth: (i) the relative volatility of the exchange rate; (ii) inadequate infrastructure and logistics; (iii) skills shortages; (iv) barriers to entry and competition in key economic sectors; (v) the regulatory environment, particularly the burden on small and medium enterprises (SMMEs); and (vi) capacity limitations within the government. There are, however, widely divergent views on the relative importance of these constraints and the best means of addressing them. This much is evident in the gap between policy and practice in South Africa, and the sometimes contradictory pursuits of the major State institutions.

For example:

- The Reserve Bank has doggedly pursued monetary austerity and inflation targeting, while the Department of Finance has adopted a fiscally expansive infrastructure programme, reduced...
corporate taxes and encouraged the privatisation of parastatal companies thereby foregoing its influence on strategic transport, energy and telecommunication costs.

- The Department of Trade and Industry (DTI) has simultaneously supported the quest for competitiveness that is embedded in GEAR and ASGISA, and an industrial policy (as described in the National Industrial Policy Framework) that involves subsidies for industrial development zones (IDZs), and protection for the motor vehicle, sugar industry and the synthetic fuel industries.
- DTI has also launched a successful competition commission, but continues to turn a blind-eye to anticompetitive import parity pricing in the fuel sector and the abuse of monopoly power by state-owned companies in the aviation, energy, telecommunications and rail sectors.
- The Presidency has verbally encouraged the devolution of economic decision making to local authorities but retained strategic mining and energy responsibilities within national government.
- The Presidency has prioritised employment creation and entrepreneurship whilst at the same time overseeing an increase in the distribution of social grants and dependency on unemployment support.
- The Department of Water Affairs successfully nationalised the country’s water resources in its internationally acclaimed National Water Act (1998) but has proven reluctant (or unable) to deploy water in a way that would support a redistribution of wealth.
- The Department of Agriculture insists that beneficiaries of land redistribution (as opposed to restitution) should become commercial farmers, but systematically dismantled the marketing boards that allowed most white farmers in South Africa to become commercially viable prior to 1996.
- The Department of Provincial and Local Government has acted on its Constitutional mandate to devolve socio-economic responsibility to local governments, whilst at the same time promoting most of its successful staff to provincial and national headquarters.

Such policy contradictions are not unique to South Africa, but the lack of a clear economic orientation has confused international and local investors, made it difficult to implement a system of corporate governance and handed undue influence to opportunists and local elites. Critically for this strategy, the policy environment has also lead to uncertainty among local government decision makers, and made it
difficult to hold decision makers and their processes to account. The ambiguity is reflected in the range of different countries that are cited as providing suitable development models for South Africa. The Asian Tiger economies, Mauritius, European economies, Brazil, Cuba, China and Germany all feature as potential role-models in local government discourse, and are the target of study tours and partnership relations in spite of their marked differences.

One of the legitimate ways in which governments can support economic growth and development is through investment in infrastructure. Public good and economic infrastructure remain in deficit in South Africa and fiscal allocations to infrastructure have constituted the focus of much of the “development” expenditure at local government level since 2002. This trend is set to continue and should ameliorate the extent of the current economic downturn. In 2007, R124 billion of the national CAPEX budget of R128 billion was spent (Landman, 2008), and between 2009 and 2011 a further R787 is budgeted for infrastructure - R67 billion is allocated for MIG projects with an additional R45 billion for the supply of services to houses. Strategic infrastructure projects include:

- In 2007 ESKOM spent R17.7 billion in new infrastructure. The ESKOM investment targets for 2008 and 2009 are R46 billion and R80 billion respectively.
- Transnet is committed to investing R78 billion over the next 5 years to improve South Africa’s dilapidated rail network.
- The construction of 31 hospitals in 2009.
- Hosting the 2010 World Cup will necessitate new infrastructure worth R22 billion. Roughly half of this will be spent on stadia that are unlikely to contribute to growth and are more likely to become liabilities, but the balance of the investment is on transport, safety and security and communication.

Efforts to promote export trade offer further development potential. South Africa is currently a net importer of goods and services and carried a trade deficit of R17.4 into March 2009 in spite enjoying a trade surplus in 2002. Beginning in the early 1990’s, South Africa progressively embraced a process of re-integration into the global economy, coupled with the adoption of WTO’s “Uruguay Round” statutes and market liberalisation. Government support for agriculture (as measured by the OECD’s Producer Support Estimate⁴) fell from 22% in 1990 to 1.8% in 2001, a move that has not been reciprocated by South Africa’s chief trading partners. Only in 2000, once South Africa had embraced integration and market liberalisation, did the reality that globalisation could be damaging to those countries that had yet to establish competitive industries become apparent. This reality has been driven home by the rise of China’s export oriented economy and its adverse affect on South Africa’s nascent textile and manufacturing sector. As Stiglitz and Charlton (2005) point out, “Trade liberalization created

⁴ The Producer Support Estimate (PSE) is an indicator of the annual monetary value of gross transfers from consumers and taxpayers to support agricultural producers, measured at farm gate level, arising from policy measures, regardless of their nature, objectives or impacts on farm production or income.
opportunities for economic development, but other factors determined the extent to which those factors were realized."

In an attempt to bolster South Africa’s position in the international economy, competitive advantage and particularly SMME competitiveness became a central part of the economic discourse after 2002. In spite of this, South Africa dropped in competitiveness (as measured by the World Economic Forum’s Competitiveness Survey) from 36th to 44th amongst the 131 countries surveyed, between 2006/7 and 2007/8. Increasing crime against businesses was cited as the principle reason behind the drop. South Africa did, however, rank 35th out of 178 countries in 2008 in terms of “ease of doing business” as surveyed by the World Bank and the International Finance Corporation.

Arguably too much emphasis has been placed on the role of competitiveness and entrepreneurship as panacea for addressing the country’s unemployment problem, without due acknowledgement of the role that government plays in providing the preconditions for entrepreneurship, innovation and efficiency (see Figure 7). Anti-competitive markets continue to provide a constraint on the development and market access available to small and emerging businesses. Oligarchic and collusive activities are rife within private sector companies in the processing and retail of food, mining and financial sectors, and the rent-seeking practices of State-owned monopolies such as TELKOM, ISCOR and SASOL continue at the expense of the broader economy. More generally South Africa has failed to establish the broad entrepreneurial partnerships between government and businesses that would allow for the type of collaborative efforts that enhance national competitiveness.
Figure 7: Reasons cited for lack of innovation by South Africa firms (% of companies). Source: HSRC Innovation Survey

<table>
<thead>
<tr>
<th>Country</th>
<th>Kbps</th>
<th>USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>60000</td>
<td>140</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>50000</td>
<td>120</td>
</tr>
<tr>
<td>Korea</td>
<td>40000</td>
<td>140</td>
</tr>
<tr>
<td>France</td>
<td>30000</td>
<td>120</td>
</tr>
<tr>
<td>Italy</td>
<td>20000</td>
<td>100</td>
</tr>
<tr>
<td>Austria</td>
<td>20000</td>
<td>80</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10000</td>
<td>60</td>
</tr>
<tr>
<td>Canada</td>
<td>5000</td>
<td>40</td>
</tr>
<tr>
<td>Belgium</td>
<td>4000</td>
<td>40</td>
</tr>
<tr>
<td>Ireland</td>
<td>3000</td>
<td>30</td>
</tr>
<tr>
<td>Denmark</td>
<td>2000</td>
<td>20</td>
</tr>
<tr>
<td>Australia</td>
<td>1000</td>
<td>10</td>
</tr>
<tr>
<td>South Africa</td>
<td>500</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: OECD Broadband statistics and national sources.

Figure 7: South Africa experiences poorer quality and more expensive broadband internet costs than most industrialised countries. The high cost and poor quality of telecommunications in South Africa undermines enterprise and government efficiency

3.3. National Development Context

Independent research by Amartya Sen (2001) and Stewart et al (2000) shows that those countries that focus on human development achieve higher levels of economic growth and sustain growth for longer than those that simply prioritise economic growth. While a measure of macro-economic resilience has been achieved in South Africa since 1994, a range of indicators show that converting stability into human development and poverty alleviation has proven more difficult.

- Treasury has proposed an “indigence poverty line” of R2,400 per household per month in 2006 prices. Applying this measure retrospectively would have seen 55% of the population recorded in the 2000 census, classified as “living in poverty” although Global Insights puts the national figure at 44.6%.

- In 2005 the UNDP ranked South Africa 121 out of 177 countries measured in terms of its human development index (HDI). Interestingly South Africa’s HDI ranking is far below its GDP per capita ranking, suggesting that mean income has not been as effectively converted into quality of life in South Africa as in other countries such as Vietnam which experiences less than 30% of South Africa’s GDP per capita but has a higher HDI ranking.

- In 1998 the maternal mortality ratio was 150 per 100 000 deaths, in 2003 this figure rose to 166 and in 2004 it was 185 per 100 000 deaths (Treasury, 2008).

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As Seekings (2007) points out, pro-poor policies in South Africa have not delivered a pro-poor economic development path. The South African Constitution (Chapter 7, Section 152), places responsibility for the socio-economic welfare of the country’s citizens on local governments. It is in the context of this responsibility that LED and SMME’s have been proposed as a means of generating additional employment and meeting the country’s development challenges. The emphasis on LED is supported by dplg’s National Framework for LED 2006-2011 and “Draft Toolkit for Local Economic Development” (2007). The toolkit emphasises the important principles of, “competitiveness”, “public sector leadership and governance” and “sustainable, developmental community investment”.

To date the development focus of local governments has not been on competitiveness, enterprise creation and support or even employment, but on redressing the infrastructure and services backlog – houses, bulk water, energy, solid waste and transport. The key instrument with regard to infrastructure is the Municipal Infrastructure Grant (MIG). The size of the MIG allocation to specific municipalities is determined by the infrastructure backlog, the number of people living in poverty and the demonstrated capacity to spend the allocation. MIG allocations and expenditure have become progressively more efficient since 1998 (the MIG was previously called CMIP), and the delivery of basic services has been slow but steady. Between 1994 and March 2007 the percentage of the national population with access to basic water and sanitation services increased from 59% to 94% - progress that has multiple automatic development impacts (MDG, mid-term country report, 2008). However linking infrastructure projects with economic development has proven more difficult. Too often infrastructure expenditure has failed to bring new contractors into the market, reduce the cost of doing business or enhance the mobility of labour and goods.²

²As Nobel Laureate Joseph Stiglitz points out, “Ensuring results now that we are all Keynesian” is not as easy as some people think.
The budget allocations illustrated in Figure 9 show that education and health care have featured prominently, alongside infrastructure, in national fiscal allocations. The subsequent 2009 budget allocation continued this focus by increasing allocations to the provinces by R25 billion spending, "mainly for education and health care" and R13 billion for social assistance grants and heir administration. In spite of these allocations frustrations have been experienced in extending quality education and health care to all South Africans. For example whilst official youth literacy figures are reported to be over 96%, only 40% of each cohort successfully completes grade 12 and functional literacy remains low in spite of increased education expenditure (CDE, 2007). Only 5% of the candidates who wrote matric in 2006 passed mathematics on the higher grade (Taylor, 2007), prompting the Finance Minister to query the quality of return on his allocations in his October 2008 mini-budget speech.

Figure 9: Social spending by the South African government 2000-2007. The “transfer” category refers to the conditional grant. (Source: IMF 2008)

Current allocations to education (R140 billion) are the result of an annual increase of 14% a year for the past 3 years, but will only have an economic impact in 15 years time when learners begin contributing to the economy. In the interim, the combination of infrastructure and education back-logs manifests in low labour productivity (see Figure 10). The continued paucity of South Africa’s human capital stock frustrates efforts to convert the country’s increasing integration into the global economy into development opportunities. Instead new opportunities have passed the majority of South Africa’s population by, and accrued to long-standing or well-resourced companies that constitute a corporate and social elite.

Creating employment is central to improving livelihoods in South Africa. South Africa has set itself the target of halving unemployment by 2014. To achieve this target 2 million unskilled workers will have to find employment (IMF, 2008) against a backdrop that has seen the agricultural sector – a traditional employer of unskilled labour - shed 150,000 unskilled jobs in the past decade. High levels of unemployment are officially attributed to low skill-levels and a mismatch between required and
available skills. While the formation and retention of appropriate skills remains a constraint, the utilisation of available skills continues to be defined by structural barriers related to language, ethnicity, social capital (social connections) and geography that impede the clearing of the labour market. The increasing cost of commuting and finding work, in conjunction with spatial misallocation of workers created by the residual apartheid economy is problematic in this regard and has seen an increasing number of aspirant employees increasing their “reserve price” - the wage at which they are prepared to enter into the labour market (OECD, 2008).

Figure 10: Labour productivity in GDP per employee

In spite of the difficulties, South Africa did (as far as can be reliably inferred from the data) manage to reduce the number of people living in poverty between 2002 and 2007 (Van der Berg, et al., 2006 Meth, 2007). This much can be inferred by comparing the National Living Standards Measures between 1994 and 2006 produced by the South African Advertising Research Foundation (see Figure 11). The data show a general trend into higher earnings categories, and highlight an increase in inequality due to the fact that the rich have become richer more quickly than the poor have become less poor. The resultant inequality creates a precarious socio-institutional environment in South Africa, particularly in the context of the ongoing economic downturn.

The HR manager for SASOL Nitro highlighted how that company had overcome a long standing skills deficit by better understanding the “social landscape”, something that the company’s top management were poorly equipped to do. This proved more successful than “throwing money at the procurement problem.” According to the company’s HR office the need is to shift beyond a “Personnel Manager” to an informed human resources and change management function.
The moderate (and contested extent of) gains that were made can be attributed to:

- The increasing efficiency with which social grants (i.e. the tax financed child support grant, disability grant, and state pensions) have been disbursed since 2001 (Van den Berg, et al.,2006). An estimated 10.5 million people benefit directly from social grants to the value of R75 billion per annum.
- The contribution of new unemployment benefits. 2 million people receiving UIF payments in 2006/7.
- Slowing fertility rates leading to lower dependency ratios.
- Moderate employment gains especially in the public sector.
Figure 12: A subjective study by StatsSa (reported in Seekings, 2007) asked the question, “How often did a child in your household go hungry through lack of food in the past 12 months?” The collected data reveal moderate improvements over the period 2002-2005, but very little improvement in the poorest population groups.

Figure 13: Number (in millions) of beneficiaries of social security grants 1993-2006. Source: Seekings (2007).

Given that South Africa continues to search for an economic paradigm that can serve its purposes, it is worth reflecting on what can be learnt from the experiences of other developing countries – and particularly those that have experienced more development than South Africa in the post-World War 2 period. Appendix A outlines the development strategies followed by a suite of Asian countries (Japan, North Korea, Hong Kong, Singapore, Thailand, India, Malaysia and China), Latin American countries (Brazil and Mexico). It is inappropriate to generalise across countries, but a number of broad insights emerge from the experiences of these countries.

- There is no “one size fits all” approach to economic development. Economists themselves do not understand everything about the process of economic development (Stiglitz & Charlton, 2005). Accordingly, developing countries and municipalities within those countries should be given some scope for tailoring their strategies to their own idiosyncratic circumstances. In this sense international or domestic policies that try and enforce a narrow policy prescription on developing municipalities are inappropriate.
• Given that we cannot perfectly predict the best development path for a country, or a municipality, approaches that allow “learning by doing” tend to be most effective. Such approaches encourage experimentation in small increments and in built monitoring and evaluation of impact and performance.

• Economic growth alone will not reduce poverty or inequality. Pro-poor social policies are important, but not as important as a pro-poor economic growth path (Seeking, 2007).

• To date no successful developing country has pursued an overtly free-market approach to development. Governments have a critical role to play in economic development. This role includes conventional support for business through the provision of skills, infrastructure and a stable macro-economic environment. However it may also include strategic interventions involving support and protection for certain sectors. Government intervention is also a feature of failed economies, implying that it is not so much whether or not governments intervene that is important, but rather the skill with which government support is crafted.

• The order in which development actions take place is critical. Pursuing market liberalisation before domestic firms are able to compete in the international market is imprudent. Similarly, inviting multi-national companies to invest in a region before the mechanisms to regulate the behaviour of those companies and ensure their competitive practices, will yield adverse development impacts. Financial market liberalization is unlikely to be positive for growth unless fiscal sustainability has first been secured. In as many people as possible should be given secure rights and the ability to participate in the economy before it is exposed to external competition.

• Countries that have invested in human development – education, primary health care and job creation – and public infrastructure, have experienced more growth and more sustained growth than those that have simply invested in corporate development (Stewart, 2002).

• Innovation is essential in the global economy. Many developing and developed countries have successfully linked their resource sectors to a knowledge economy thereby ensuring innovation and value addition on the back of commodity chains.

• Markets for goods and services are critical. Unless goods and services can be competitively traded at some stage in the future, the companies and enterprises that support them have little prospect of surviving. Comparative advantage suggests that companies trading goods in which a country is well endowed are likely to be competitive. History suggests that comparative advantage is dynamic and not static, and can be influenced but effective government policies

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Zalduendo, Juan, Pace and of Policies(June 2005). IMF Working Paper No. 05/ 118
and particularly policies creating human capital. The aim with such interventions should be to convert comparative advantage into competitive enterprises.

- Neither trade liberalization nor foreign direct investment are, on their own, able to raise living standards of the poor. Trade and investment are vital to economic growth but the real challenge is to ensure that this growth enhances productive capacity and results in higher incomes for the poor and unemployed.

3.4. The Limpopo Economic Context

The Limpopo economy bears many of the characteristics of the national economy, most obviously competitive advantage in minerals (platinum, diamonds, coal, copper, ferrochrome and phosphate), agriculture, an emerging tourism sector, disparate levels of income and development and a dependence on fiscal transfers in the form of equitable share, conditional grants and government employment.

In 2008/9 Limpopo received R28 billion from national government, which together with employment in government sectors provides the key pillar to the provincial economy. Mining, agriculture and tourism are well established in confined regions, and rising property prices in the urban centres since 2001 have contributed significantly to the wealth of property owners. Outside of the urban centres people live on tribal land in poverty; structural unemployment and deprivation remain a feature of day-today life for all but a few local elites (see Figure 13). Out of a population of 5.6 million in 2005, more than 1.5 million people in Limpopo rely on social security grants, while more that 1.1 million needy children receive supplementary nutrition from their schools.

In 2006 Limpopo recorded GDP growth of 3.9% which was below the national average, but growth accelerated to over 6% in 2007. Official growth figures vary depending on source, but Limpopo’s contribution to national GDP is small (6.8 per cent). Between 2000 and 2005 this contribution was declining, and reached a low of 4.8% in 2005, but in the past two years this trend has been reversed (Figure 13). The large fiscal transfer from national government is not always well spent in Limpopo, resulting in the second highest provincial inflation rate in 2008 (after the Eastern Cape) - 8.8% (StatsSA, 2009).

As can be seen from Figure 16, Limpopo’s growth has been lead by the mining sector and based on the global boom in mineral commodity prices. Real estate and government services have further contributed to provincial growth. Economic dependence on government services, which are tax financed and non-additional, is a cause for concern for the Limpopo economy. GDP per capita in Limpopo (R21,787) was below the national average (R36,607) in 2006 (Global Insights), and in national economic discourse the province continues to be considered as “underdeveloped”.

Maruleng LED Strategy 2009
Figure 14: Limpopo Index of Multiple Deprivation at Ward Level, based on Provincial deciles. (Source: Centre of Analysis of South African Policy, University of Oxford)

Figure 15: National GDP growth relative to Limpopo province Growth (1996-2006) in R’000. (Source Rexdata)
Recent economic growth has been driven by expanding tourism and community service sectors and by higher international prices for mined products. Mining growth accrued to capital intensive companies that employ relatively few people. As a result, growth in this sector has not been matched by employment creation. On the contrary, Limpopo was one of two provinces (Mpumalanga was the other one) that failed to increase its labour absorption during the economic growth of 2005 (LFS, 2006); the percentage of working aged adults with jobs fell from 28.2% to 27.6% in 2005.

**Figure 16: Economic growth in Limpopo’s sectors 1996-2006 (R 000 000). (Source: Rexdata)**

Table 2: Sectoral contribution to Limpopo GGP (1996-2006)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Industries</td>
<td>5846</td>
<td>13906</td>
<td>22242</td>
<td>22691</td>
<td>30460</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>980</td>
<td>1473</td>
<td>1894</td>
<td>2986</td>
<td>3216</td>
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<tr>
<td>Mining and Quarrying</td>
<td>4865</td>
<td>12250</td>
<td>20348</td>
<td>19705</td>
<td>27234</td>
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<tr>
<td>Secondary Industries</td>
<td>3923</td>
<td>5145</td>
<td>6082</td>
<td>6974</td>
<td>8934</td>
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<tr>
<td>Manufacturing</td>
<td>1651</td>
<td>2265</td>
<td>2819</td>
<td>3266</td>
<td>3995</td>
</tr>
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<td>Electricity and Water</td>
<td>1266</td>
<td>1689</td>
<td>1899</td>
<td>2395</td>
<td>3097</td>
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<tr>
<td>Construction</td>
<td>1006</td>
<td>1191</td>
<td>1364</td>
<td>1313</td>
<td>1842</td>
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<tr>
<td>Tertiary Industries</td>
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<td>34668</td>
<td>42696</td>
<td>53742</td>
<td>65949</td>
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<td>Trade, Hotels &amp; restaurants</td>
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<td>7482</td>
<td>8801</td>
<td>10815</td>
<td>13062</td>
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<td>Transport and Communication</td>
<td>2416</td>
<td>4537</td>
<td>5846</td>
<td>7756</td>
<td>8785</td>
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<tr>
<td>Finance, Real estate &amp; business services</td>
<td>5965</td>
<td>8503</td>
<td>11035</td>
<td>14513</td>
<td>19629</td>
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<tr>
<td>Community, social and personal services</td>
<td>1725</td>
<td>2828</td>
<td>3440</td>
<td>4195</td>
<td>5008</td>
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<tr>
<td>General government services</td>
<td>6556</td>
<td>11318</td>
<td>13575</td>
<td>16463</td>
<td>19464</td>
</tr>
<tr>
<td>All industries at basic prices</td>
<td>31313</td>
<td>56537</td>
<td>71021</td>
<td>83407</td>
<td>105333</td>
</tr>
<tr>
<td>Taxes less subsidies on products</td>
<td>3029</td>
<td>5418</td>
<td>7136</td>
<td>9622</td>
<td>13533</td>
</tr>
<tr>
<td>GDPR at market prices</td>
<td>34342</td>
<td>58954</td>
<td>78167</td>
<td>93029</td>
<td>118866</td>
</tr>
</tbody>
</table>
The Limpopo Province has the second highest unemployment rate in the country (27.6%), and unemployment is systematically higher among women. Unemployment, by the narrow definition, has fallen in Limpopo since 2001 but this is chiefly attributable to the reduced number of people seeking work. In 2005, Limpopo had the highest proportion (19.8%) of discouraged work seekers in the economically active cohort (LFS, 2006), a phenomenon that reflects the high costs (transport and information) of seeking working in a large, remote province poorly serviced with roads and transport. Seventy six percent of the people interviewed in the labour force survey had never heard of the Government’s “Expanded Public Works Programme” – a testimony to the difficulties in extending public development programmes to remote rural communities.

The transition to secondary and tertiary sectors and associated labour absorption is frustrated in Limpopo, by the fact 77% of the population remains in the Living Standards Measures (LSM) 1-4, while only 3% of the population occupy the LSM levels 8-10.

Table 3: Unemployment rates 15-65 years by gender and province (2007)

<table>
<thead>
<tr>
<th>Province</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>16.3</td>
<td>17.6</td>
<td>17.0</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>19.9</td>
<td>26.9</td>
<td>23.1</td>
</tr>
</tbody>
</table>
In 2006, total labour remuneration by mining companies in Limpopo was roughly R8 billion. By comparison the community services sector contributed R18 billion, and trade, transport and finance jointly contributed R19 billion. Some analysts would reference the “commodity curse” or “Dutch disease” as the reason why an abundance of high value resources leads to a lack of economic diversification and poor growth, but countries such as Australia, Finland and the USA have built diverse and successful economies on the back of resource intensive economies (Lorentzen, 2008).

The “commodity curse” implies that economies that can afford to rely on resource wealth fail to develop processing capacity and economic diversity, and ultimately suffer when resources run out or the commodity price turns down.

Figure 18: Proportion of “discouraged workers” in the population aged 15-65 (LFS, 2006)

Tertiary sectors in Limpopo have begun to show propensity for growth, and it is important to establish functional links between these sectors and the traditional activities in the primary sector. It is equally
important, as the Finance Minister pointed out in his medium term budget Speech (October, 2008), that as many of the province’s residents as possible are granted a stake in the economy as it grows. In this regard, the respective processes of land and water reform are essential, as is broad-based BEE, including employee shareholding schemes. These efforts form part of a strategic economic development strategy and ought to be prioritised above the prevailing crony-driven attempt to create new black oligarchs.

Basic services are essential for both economic growth and in assisting people to realise economic opportunities. Currently a third of the population of the Limpopo province still does not have access to electricity and a quarter of the province has no access to reticulated water. The scarcity of Limpopo water resources, and the lack of access to these water resources provide a burden on individual livelihoods and a constraint on economic growth in the mining and agricultural sectors. The province has been adversely affected by the difficulties experienced by DWAF in its quest to implement the National Water Act (1998) and allocate water in an economically more rational manner.

3.5. The Provincial Development Focus

An cursory assessment of Limpopo’s development statistics reveals a daunting challenge, and yet the statistics do not relate the complete story. The development deficit is indeed great, but the idiosyncratic Limpopo economy is not easily captured by the available statistics. It is widely acknowledged that informal employment, animal husbandry, unrecorded remittances, non-tax paying businesses and transactions and some crime buoy the provincial economy to a greater extent than is captured in the statistics. The industries that support funerals, and the activities of the Zionist Christian Church, for example, have experienced significant growth in the past decade, much of which is not reflected in the data.

It is equally acknowledged that the province exports some human capital to Gauteng and Mpumalanga such that the available human capital stock inadequately reflects the ability to generate human capital. The problem with much of the un-captured and “informal” activities is that the benefit streams remain in small circles: poorly paid contract farm workers, monopsonist taxi bosses and predatory micro-lenders are all features of Limpopo’s unregulated economy. The development challenge is to bring these activities into the formal economy, and to establish trade linkages between them and other provincial enterprises.

Given the evidence that business as usual is unable to tackle the above issues or reduce the development backlog, State institutions in Limpopo have a key role to play in the provincial development process. The most obvious requirement of government is the provision of public goods such as basic services, infrastructure and education that were systematically neglected during apartheid.
Based on existing Provincial Government budgets and expenditure (see Figures 18 and 19), it would appear as if these priorities are being targeted with allocations. Indeed infrastructure provision has, in some regions, represented the almost exclusive development focus in Limpopo. Provided the budget continues to be effectively allocated and utilised these fiscal allocations can be expected to yield benefits in the future. It is for, example, recognised that investments in female education yield positive economic returns, but only 15 years after the investment has been made (Cassen, 1994).

Figure 19: Public spending of the Limpopo budget reveals a commitment to the social sector. A key challenge involves ensuring that this expenditure draws people back into the productive economy (R’000 000).

Figure 20: Within the social sector, government spending prioritises education and health, an appropriate allocation, but ensuring that this investment yields value for money is critical by way of human capital (R’000 000).

The Limpopo Provincial Growth and Development Strategy (2004-2014) identifies seven sectors for future efforts. Each cluster is confined to a designated “development cluster”.

- Platinum and chrome – Sekhukhune and Waterberg
- Coal and petrochemicals – Waterberg
- Fruit and vegetable – Vhembe, Mopani and Bohlabela
- Logistics – Capricorn
- Tourism – all districts
- Forestry – Mopani and Vhembe

Most of the sectors supported by the PGDS (mining, forestry, tourism, petrochemicals) are both capital and skill intensive and it is unsurprising that growth in these sectors between 2002 and 2007 did not impact upon unemployment. There is some correlation between the economic growth over the past decade and the selected clusters, and the province does have unutilised mineral reserves (see Figure 18), and tourism has greater potential than is currently exploited and can involve labour absorption. But under business as usual it is unlikely that future growth in these sectors would be any more successful at
including and benefitting Limpopo residents, most of whom are capital poor and lack skills, than the growth experienced in the 2002-2007 period.

Horticulture, which is similarly capital intensive, and vegetables are highlighted in the PGDS as presenting potential in Vhembe, Mopani and Bohlabela. Agriculture is not a significant growth sector in Limpopo but does employ disproportionately high numbers of unskilled labour, and there is scope for further local processing and value addition within the agricultural sector. Livestock husbandry, which is by far the most common form of agriculture in Limpopo and is practiced by both commercial and non-commercial farmers, is not mentioned in the PGDS.

The PGDS does propose “smart partnerships” in turning comparative advantage into sustainable development, but is silent on how government might go about creating and supporting these partnerships. There is a desperate need for successful precedents – the type that might be considered “best practice” - with regards to public private partnerships.

The PGDS aside, the future development of the Limpopo economy is likely to hinge on:

- The ability to convert the relatively high dependence on fiscal transfers and government employment into sustainable economic opportunities.
- The ability to establish linkages between the current resource economy and the higher value knowledge and service economies in a way that extends opportunities to the currently disenfranchised and unemployed citizens of the province.
- The ability to increase agricultural production in a manner that provides large numbers of rural households with revenue streams and affordable food.
- The ability to compete for a share of the growing domestic and international tourism market.
- Strengthening of the civil service so as to ensure higher socio-economic returns on the fiscal allocations.
- The ability to create “employable” graduates and to retain these graduates in the Limpopo economy.
- The ability to generate sufficient fiscal revenue in order to take care of those South Africans (40-65 year olds) that have been rendered unemployable in the private sector due to the legacy of apartheid, and to marshal the available fiscal resources to these people specifically in order to prevent them becoming a social burden.
Figure 21: Examples of the mineral surveys conducted by Mintek (2008). The surveys show the Mopani district to have unutilised deposits of granite, precious stones, dolerite (in the west), sandstone, quartzite and uranium.

The development environment in Limpopo is meant to be enhanced by the activities of three parastatal provincial development agencies: LIBSA (responsible for institutional support and business planning), LIMDEV responsible for the extending of development finance) and Trade and Investment Limpopo (responsible for attracting domestic and foreign fixed direct investment and the showcasing of Limpopo’s products and opportunities on the international stage).

**LIMDEV:** LIMDEV received roughly R80 million from the Provincial Department of Economic Affairs and Tourism in the 2006/7 financial year. The agency has assets worth just under R 1 billion, many of them acquired from the former Homeland Development Corporations, and claims to have created 2,100 jobs with this money (at the reasonable expense of R38,000 per job). Details of how this employment was created are scarce, and the agency has been indicted in a number of corporate governance disputes emanating from its role as both parastatal and shareholder in private companies and public entities such as Great Northern Transport. In March 2007 LIMDEV had a loan book valued at R124 million (1,080 borrowers) of which half the debt was owed by SMMEs. The 2006/7 LIMDEV Annual Report celebrates a profit of R104 million, without an apparent thought for the fact that this profit was generated using public funds and at the expense of profits generated by the private sector. In Maruleng LIMDEV is more often a hindrance to development than a support. The finance extended by LIMDEV is derived from national tax payers’ but is in no obvious way distinguishable from the finance provided by commercial banks who raise capital in international markets. This is particularly the case as commercial banks in South Africa become more adept at lending money to people on tribal land and business people without significant collateral. In many instances LIMDEV finance is more expensive than commercial finance.
The greatest development obstacle created by LIMDEV’s is provided by its ownership of significant property and industrial infrastructure. LIMDEV owns over 610 thousand hectares of industrial, commercial and residential Limpopo property, from which it gathered over R40 million in rental in 2006/7. One small recycling project visited in the course of this study was struggling in the face of the R4,000 per month that it pays LIMDEV for a poorly maintained warehouse in Giyani. Ironically the funding for this project was provided by LIBSA, which is funded by Limpopo DEDAT – the same company that funds LIMDEV.

LIMDEV has, through the fiscal advantages afforded it, gained the position of a considerable economic player in the Mopani District, of which Maruleng is part. It is reasonable to ask how many of the benefits that it claims to have generated would have occurred regardless (or possibly more efficiently) had LIMDEV not performed the role that it does, and rather left this role, and the associated budget, to local governments and to the private sector. The agency has an office in Giyani that is responsible for the Mopani District but is poorly integrated into existing LED activities. In an interview with the local representative, Mr Chauke, very little detail was forthcoming except that LIMDEV has a loan book valued at R15 million in Mopani. Some of these loans are to government departments in the form of vehicle finance, and mortgages, thereby creating very cumbersome funding loop.

**TIL:** The role of Trade and Investment Limpopo (TIL) which serves at the provincial government’s official investment and trade promotion agency is similarly difficult to tie-down, although of less direct impact on Maruleng. TIL receives R30 million from the provincial government, of which R21 million is spent internally on salaries and overheads. The agency claims to have “facilitate(d) R2.7 billion worth of investment in the 2006/7 financial year” (TIL, 2008), but details of this investment and what TIL, as opposed to normal business processes, did in order to allow it to claim credit for the investment, are unclear. The construction of the 2010 Football World Cup stadium, cited as an example of TIL’s investment promotion, would probably have taken place with or without the agency.

**LIBSA:** The Limpopo Business Support Agency aims to provide a business support service to the business community of Limpopo. In reality much of its work is focussed on the institutional deficit confronted by small and aspirant businesses, and involved writing business plans, compiling funding proposals, market research, provision of basic accounting services and the registering of legal entities.

One of the valuable services that LIBSA does provide, is assistance in identifying appropriate funding sources for businesses. Private banks, parastatal development banks such as DBSA, development agencies such as LIMDEV offer a combination of loan and grant funding. In addition the European Union,
different provincial departments, mayors and some companies such as ESKOM and Agrilek have funds that they allocate in support of small businesses. It is bewildering for small businesses to know where best to apply for funds, and something of a lottery in terms of who receives what from whom. LIBSA does assist in coordinating funding opportunities and in guiding applications with regards to the respective funding criteria.

4. A PROFILE OF THE MARULENG ECONOMY

The spatial development plan, citing DWAF 2006\textsuperscript{10}, reports 107,247 people and 46,000 households living in the 3,251 km\textsuperscript{2} that now constitute Maruleng Municipality (NP335). The 2008-2011 IDP, citing the 2007 Community Survey estimates the population to be 95,779, constituted by 24,589 households. Both sources agree that the population is predominantly (98%) rural, and that there are 15% more women in the cohort 15-34, reflecting the fact that economically active men tend to seek work outside of the municipality. Women are also disproportionately likely to be unemployed in Maruleng.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure22.png}
\caption{The Mopani District Municipality showing the location of the Maruleng Local Municipality in the south-east. (Source: Municipal Demarcation Board, 2006).}
\end{figure}

The 2001 Census recorded the average GDP per capita as R10,140, and employment at 28%. By 2006 Global Insights reported per capita income to be R13,091, and inconsistently, GDP per capita to be over R17,000. Since 2001 some growth has been experienced. From a low base, the Maruleng economy has grown erratically, over the past 10 years. In 1997 growth was at almost 8%, but following the regional

\textsuperscript{10}DWAF Limpopo, Sanitation Status Review, Summary Report.
floods in 2000 this figure fell to -5.6%. Average growth over the past decade has been 3.1%. The Municipality's gross geographic product was R1.9 billion in

![Percentage growth in Maruleng economy 1997-2008](image)

**Figure 25: Maruleng GDP growth 1997-2006**

2006 (Global Insights, 2008), which represents 7% of the Mopani economy and 1.65% of the provincial economy. Average GDP per capital remains below the national and provincial average, and the growth that has occurred has not been evenly distributed – in 2001 74.8% of households earned less than R800 a month. The local inequality is reflected in a gini-coefficient of 0.68 in 2006 (Global Insights) which is above the District (0.65) and National (0.58) level. The obvious discrepancies and inaccuracies in the data are a problem, but should not detract from the reality that Maruleng remains an under-developed rural municipality in which a thin layer of affluent households co-exist with a large number of extremely poor households. Figure 23 below suggests that insufficient progress has been made since 1994 in addressing this state.

In the context of the arid Mopani District Municipality, Maruleng Municipality has the relative advantage of the perennial Blyde River which enables irrigated agriculture along its banks. The municipality also contains striking escarpment landscapes and abundant wildlife which underscore its comparative advantage in tourism. The Hoedspruit airport base and shared border with the Kruger National Park are important components of the local economy.
Figure 23: Distribution of income by households 1996-2001. The figure illustrates some movement between the R6,000–R12,000 p.a. category to the categories involving R12,000–R18,000 and R18,000–R30,000 p.a., but significant improvement in household income over the reported period. (Source: Global Insights).

It is not possible to understand Maruleng without reference to the region’s peculiar space economy. Economically, the municipality is focused around the town of Hoedspruit, established in 1869 and surrounded on the north, east and south by privately owned game farms and agricultural land. The vast majority of the municipality’s population, however, reside some 40km–100km from Hoedspruit in rural villages (36 official communities) in the north west of the region that formerly constituted the Lebowa Bantustan. These villages are under the supervision of three Traditional Authorities (Kgoshi Sekororo, Mametja and Letsoalo), but remain poorly serviced, and defined by low levels of economic activity. Kampersrus represents the second largest commercial centre after Hoedspruit.

Maruleng was, prior to the defining of new local government boundaries in 2000, a lowly “Plaaslike Raad”. As such it did not own any land, a situation that has never been remedied, and is difficult to remedy given that land in Hoedspruit and the immediate surrounding is almost entirely owned by either private individuals or the Defence Force (Department of Public Works). Mr De Jaeger, who owns much of the commercial property in Hoedspruit, is not resident in the town and is accused by locals of having no interest in re-investing in the town’s development. The lack of land at the disposal of the Maruleng Municipality has made it impossible to carry out basic public sector responsibilities such as solid waste management, the development of affordable housing with the Provincial Government, and the provision of public amenities such as a taxi rank and recreation facilities. In 2008 housing backlog was estimated...
at 2,383 units (IDP 2008/11), and the municipality is lobbying provincial DHLG to release land and provide these houses through in-fill and "greenfield" extension developments in the next two years.

Figure 24: Location of places of residence in Maruleng. Source: Poverty Nodes, Profiling Study

The functioning and identity of the municipality has been further complicated by its transfer from Bohlabela District Municipality which was jointly overseen by Limpopo and Mpumalanga, to Mopani District Municipality in Limpopo in 2005. Among other things, the transfer saw Maruleng inherit priority projects (such as the achar factory and the detergent manufacturing plant at The Oaks) that were poorly conceived and have subsequently become a liability.

Hoedspruit is the commercial centre of Maruleng. Local residents describe Hoedspruit as a "seasonal tourist town". The reality is that it has become much more than that. Whilst tourism remains important, Hoedspruit contains a large shopping complex, industries that support the local agricultural sector, and a small internal trade and services sector. In spite of this both Maruleng and Hoedspruit continue to struggle for an adequate consumer market, and for a shared identity. In many ways the municipality is caught between being a glamorous tourist destination, a retirement enclave, an airforce base, an emerging business and trade centre, a border municipality, a former homeland with dormitory villages and a farming region. Forging an identity is essential for the region’s economic development, as this identity will inform difficult decisions and trade-offs that the region confronts. It is proposed in Section B of this strategy that Maruleng become a place of outstanding sustainable development in which human development and environmental considerations are addressed jointly.
The third defining feature of Maruleng’s space economy involves the land under unsettled claims. The Spatial Development Framework reports that 15 claims have been settled and that a further 18.5% (600km) of land remains subject to 45 unsettled claims (although the IDP 2008-2011 claims that this land is only subject to 25 claims). The prevailing perception is that the entire district is under claim; a perception that contributes to widespread economic uncertainty and frustration and prevents farms and businesses from using land as collateral to raise finance.

A critical development decision for Maruleng involves whether to pursue a policy of commercial and residential decentralisation in which retail and work opportunities are taken to the rural villages, or to pursue a policy of commercial and residential centralisation in which businesses are encouraged to invest and grow in Hoedspruit, and consumers are enabled to live closer to town and commute more efficiently into town. Given the size of the local market, and the concentration of buying power around Hoedspruit and the army and airforce base, the policy of concentration makes greater economic sense. This is only possible, however, if land is secured for housing and commercial expansion in and around Hoedspruit.

This centralisation of retail and manufacturing does not preclude investment in agriculture and tourism in the rural areas. Neither should it prevent smaller initiatives such as the taxi and traders rank currently being established at The Oaks. Rather it should inform the large scale trade, manufacturing and retail planning of the municipality. Necessarily it should be accompanied by efforts to broaden the ownership of land and opportunities in Hoedspruit. Failure to include previously disadvantaged people in an expanded Hoedspruit space-economy, runs the risk of perpetuating apartheid’s distribution of opportunities and benefits; a risk that is presented by the unchecked efforts of property developers and speculators.

For Maruleng officials the challenge includes a departure from the small-scale project approach to assisting black communities, and a shift towards a more constructive engagement with the whole municipal economy.
In the light of South Africa’s inability to capture export markets and simultaneous dependence on imports, Maruleng’s trade balance gains significance. Exports from Maruleng are increasing, but still represent less than 1% of Maruleng’s GGP – compared to Mopani 10.6% and Limpopo 3.6%, nationally 23.4%. Recorded exports were a mere R78 million in the period 1996-2006. This figure appear incorrect given that the municipality supports an export fruit industry, but this is more than 10-fold the reported value of imports (R6.5 million) recorded for the same period in Global Insights data.

Perhaps more interesting than the absolute export numbers, which highlight the importance of agriculture tourist hunting as the key export revenue earners.

Table 4: Maruleng’s major exports between 1996 - 2006 (ZAR)

<table>
<thead>
<tr>
<th>Export</th>
<th>Total value: 1996 - 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Agriculture and hunting</td>
<td>63 711 953</td>
</tr>
<tr>
<td>2. Other unclassified goods</td>
<td>5 269 855</td>
</tr>
<tr>
<td>3. Furniture and other items not elsewhere classified and recycling</td>
<td>3 536 871</td>
</tr>
<tr>
<td>4. Textiles, clothing and leather goods</td>
<td>1 097 062</td>
</tr>
<tr>
<td>5. Other mining and quarrying</td>
<td>1 027 672</td>
</tr>
<tr>
<td>6. Electrical machinery and apparatus</td>
<td>969 843</td>
</tr>
<tr>
<td>7. Metal products, machinery and household appliances</td>
<td>927 234</td>
</tr>
<tr>
<td>8. Food, beverages and tobacco products</td>
<td>814 770</td>
</tr>
</tbody>
</table>

Figure 26: Stylised land use in Maruleng.
The contribution of the agricultural and hunting sector to export revenue should be seen as strategic to Maruleng's economic expansion.

4.1 Labour Market

Officially only 28% of the Maruleng population is employed, 19% of the total population is officially unemployed and 53% of the population is classified as economically inactive. This category includes youth and the aged, as well as a large number of "discouraged workers" which in Maruleng includes people for whom the cost of searching and commuting to work does not justify the probability of finding work or the remuneration for that work. The large number of discouraged workers is a feature of Maruleng, where the distances between the rural villages and Hoedspruit, the chief place of employment, and the high cost of commuting, which combine to dis-incentivise job seeks. Of those in an economically active cohort, 43.6% are unemployed. The large number of youth and aged imply that every employed person is required to support just under 3 dependents in the municipality. Women are disproportionately unemployed, with 59.5% of economically active women unemployed. Most employees in Hoedspruit commute daily from Acornhoek.

Unemployment represents the defining feature of Maruleng society, and the desire for employment among Maruleng people is acute. There is currently too little private sector job creation and a great dependence government for employment. This much was evidenced by the more than 1,000 people that commuted into Hoedspruit to apply for 10 gardening and site maintenance posts with the Municipality in late-2008.

Of concern in Maruleng is that exodus of graduates who either find better job prospects in Gauteng or who are practically unemployable because their skills do not match local labour market needs.

Internationally new employment is being created in the knowledge economy a trend that is matched in South Africa, but not in Maruleng. A key challenge for Maruleng involves accessing the knowledge
economy and associated innovation in ways that are commensurate with the available skill and relevant
to the challenges confronted by the region. The linking of currently marginalised people and
communities via wireless and mobile communication networks, improved dissemination of medicines
and health care advice, an environmentally friendly elimination of the malaria threat, household tests
for malaria and HIV, conservation and the K2C biosphere and the provision of off-grid energy, all have
the potential to both benefit from and contribute to knowledge economy innovations.

The ability to match the national trend by creating employment in the construction sector is contingent
upon speedy resolution of land claims and more effective deployment of the MIG. Manufacturing in
Maruleng could be introduced in the form of agri-processing and the local supply of technologies such as
solar water heaters and improved irrigation technologies.

Given the dependence on public sector employment and the State's commitment to development, it is
unfortunate that women in Maruleng are proportionately less likely to receive employment than men.
Female employment tends to generate higher economic multipliers and greater investment in education
than male employment, and as such plays a central role in LED efforts.

4.2 Sectoral Analysis

Sectoral analysis is critical to a more detailed understanding of the Maruleng economy.

A break-down of sector contributions shows that Community Services (government employment) is by
far the greatest contributor – a statistic that is enhanced by the presence of the airforce and army base.
Crucially "Community Services" cannot provide an engine of growth. Whilst public sector employment
has contributed to employment stability and some human development, the public sector cannot grow
beyond the ability of profit generating companies to support it with tax transfers.
The prevalence of trade, which includes tourism, is encouraging and should be supported in Maruleng, as should the relatively labour intensive agriculture and constructions sectors.

Figure 28: Contribution to the Maruleng economy (blue), Maruleng employment (red) and labour intensity of each sector (green), in the year 2006.
A more detailed sectoral break-down is provided below, but to understand the development challenges on the Maruleng economy, it is necessary to appreciate that the largest sectors are neither labour intensive nor particularly conducive to growth and the most labour intensive sector, agriculture, is not known for its rapid growth (see Figure 28). Whilst the growth in the transport and finance sector benefits incumbents, these two sectors exert costs on the day-to-day activities of the Maruleng economy.

The emphasis in this strategy is on combining growth with labour absorption. This involves stimulating labour intensive sectors and, where possible, increasing the labour intensity and economic multipliers associated with growth sectors.

### 4.1.1 Retail, trade and manufacturing

Commercial retail opportunities are concentrated in Hoedspruit, although a range of small grocery outlets and informal activities exist in the rural areas. The traders’ stalls constructed at The Oaks taxi rank represents an effort to take retail opportunities closer to the villages. This decentralisation is likely to be restricted to food and informal opportunities while the larger opportunities remain in Hoedspruit, where the bulk of the buying power is located.

Hoedspruit does include a light industry sector comprising many small businesses – electricians, refrigeration and air-conditioning, construction and 21 places to eat. The town also accommodates a SPAR and a Pick ‘n Pay. The local Pick ‘n Pay has been in operation for 2 years and serves as the anchor tenant in a newly constructed retail mall. The store has reported a growing trade in its first two years (with increasing “price sensitivity” in the last 6 months of 2008), which it attributes to its week-end trade from people spending their grants and government salaries. The store does supply Maruleng spaza shops, and procures meat from Polokwane, Phalaborwa and Tzaneen and vegetables from a fresh produce hub in Johannesburg. The Hoedspruit SPAR has experienced similar growth but has a defined policy of procuring as much of its produce locally as is possible. The local petrol station and Steers fast food vendor also report growing trade as visitor numbers to Hoedspruit have swelled. Steers receives all its produce from “Famous Brands” suppliers located in Johannesburg. Speculation about the arrival of a Toyota car retailer and service garage and a Mr Price clothes and household goods outlet continue to enhance the confidence of Hoedspruit’s business sector.

Retailers in Hoedspruit all concur that the shortage of land in and around the town affects them both in terms of the physical expansion of their businesses and the size of the local market. Among the other constraints listed by retailers is:

- Freight of produce and supplies.
- The mobility of consumers and their staff.
• The lack of a secondary school in Hoedspruit, which sees most consumers shopping once a week when they collect their children from boarding school in Nelspruit or Tzaneen.
• Poor signage in town and on the main roads leading to town.
• Poor street lighting on the major R40, 4-way intersection.
• Power outages causing loss of stock and excessive downtime.
• Erratic water supply.

These constraints classically form part of the “enabling environment” for business in Hoedspruit. Many of them could be easily addressed by the Maruleng Municipality in conjunction with provincial authorities to the great benefit of the businesses and people of Maruleng.

A specific retail challenge involves greater linkages with the region’s lodges and farms. Lodge estimates range between 70 and 250 (depending on the definition of a lodge and the source of the information), and there are an estimated 250 farms in the municipality. Both lodges and farms purchase their stock monthly in the province’s major towns outside of Maruleng. Efforts to match lodge needs with local supply would go some way to enhancing the local retail sector.

The Lebothato Furniture Manufacturing enterprise at The Oaks is a small, successful initiative that is revealing of how a more vibrant manufacturing sector could be established in Maruleng. The owner of the business was retrenched from a Limpopo mine in 2002 and had the good sense to invest his package in a lithe and other carpentry equipment in order to fall back on his long-standing carpentry skills. The business has not received support from government, but employs five people and has a growing client base from the region. His products include cabinets, doors and coffins and affects repairs to school and church furniture. He procures wood from Tzaneen and Nelspruit. He has expanded his business proportionately with sales, but maintains low overheads and still operates from his home. His desire is for a catalogue and marketing exposure, and possibly for a showroom. Buyers with whom the owner is familiar are allowed to purchase furniture on an account.

Why is it that this business has succeeded, where so many have failed?:

• The product is relevant to local needs, and is supported by local demand. It does not require novel marketing approaches or entry into a market with which the owner is unfamiliar.
• The owner knows and understands his market, and is familiar with the product he is making and the processes of carpentry.
• The enterprise has grown at a measured pace, and has not over-capitalised its activities with expensive equipment.
• It is not a capital intensive business, but has used an appropriate mix of capital and labour.
- The owner has always known that he should take responsibility for his financial independence and has taken the appropriate steps. He has never been dependent on grant funding for his success, but has requested State support in order to allow him to expand. In the process he has trained 5 employees.

The project should be contrasted to the failed detergent and achar factories in the same location. These projects were capital intensive, were always "supply driven" by people who had the initial idea but were not involved in the day-to-day success of the project, it never had secure markets and required "beneficiaries" to engage in activities of which they had very little knowledge.

The manufacturing, trade and retail sector has scope for expansion, greater employment creation and numerous forward and backward linkages in Maruleng. In supporting this sector it is essential that lessons are learnt from the available success stories in Maruleng, and that good practice in enterprise support become more common.

4.1.2 Mining

The Mintek mineral survey of Limpopo shows the Maruleng Municipality to have few mineral deposits relative to the rest of the province, with the exception of sparse industrial minerals. Mining is a small contributor to the municipal economy.

Small-scale mica and feldspar mining has taken place at the village of Mica, but when visiting this site in late 2008 no activity was in evidence. As with other mining operations the concessions to mine at Mica are issued between the National and Provincial Department of Minerals and Energy. Municipal employees appear to know little about how these concession were allocated, the nature of the activity or exit agreements with the mine. Mining throughout Limpopo employees relatively few people, and in these ways is largely unaccountable to the economic and ecological context in which it operates. The mandatory "social labour plans" and "environmental management plans" required of mines are not in general circulation within the municipality. As a result employment figures at the mine, along with the mine's electricity or water consumption, are not known by the municipality. As with elsewhere in the province of Limpopo, there is a need to harness mining efforts so as to ensure that they contribute more to LED. This can only be achieved with improved corporate governance of mining businesses, implemented through collaborative provincial and local government.
4.1.3 Transport

Transport is the second largest sector in Maruleng. The transport sector’s contribution can be explained by the large distances that commuters, work seekers and goods are required to travel in Maruleng in order to reach markets, and the presence of the airport. While transport operators have, no doubt, benefitted from this trade the overall affect on the economy is more accurately understood in terms of a transaction cost. The cost of transporting goods and services is the critical constraint on economic growth in Maruleng.

Walking is the most common means of accessing markets for Maruleng residents. A one way taxi journey from Metz to The Oaks cost R20 in 2008, and R13 from Metz to Hoedspruit. In spite of the costs an estimated 3,000 people commute from Acornhoek to Hoedspruit every day in taxis, and a further 8,000 people travel from the villages in the west into Hoedspruit on a daily basis. Farm workers travel into Hoedspruit once a month using farm transport.

There are three official taxi ranks in Maruleng – Hoedspruit, The Oaks and Metz, but the majority of residents rely on walking for their form of mobility. There are two official taxi associations in Maruleng, and permission to operate a service must be issued from the District Municipality. The taxi associations, which own roughly 80 vehicles between them, do not compete with each other on the same routes, but do compete with buses. Taxi operators complain about poor communication with the District and Local Municipality regarding routes, fees and taxi ranks and about the Government’s use of buses but not taxis for official use. The Taxi Recapitalisation Programme has seen those drivers with insurance and passenger liability cover receive R50,000 for new vehicles, but generally the programme has been poorly supported due to the reluctance of the industry to formalise.

A bus service is in operation in the mornings (6am-9am) and afternoons (3pm-5pm) only, between Metz, Hoedspruit, Acornhoek and Burgersfort, and is contracted by the provincial government for schools and functions. Bus tickets tend to be 75% of the price of taxi tickets, but provide a slower service. To the annoyance of taxi operators the bus industry, which is part owned by LIMDEV, receives a state subsidy.

The obvious constraint on mobility provided by large distances and a lack of affordable public transport means that goods, labour and commercial opportunities in Maruleng do not come in contact as often as they should – a form of market failure. A taxi rank and hawkers/traders site is being constructed at The Oaks, which serves as transport node between the villages and major towns, and represents a positive development. Designating and constructing a similar formal site in Hoedspruit would not only aid the transport of people, but would support commerce in the town.
The Transnet operated passenger rail service between Hoedspruit and Acornhoek is meant to run twice a week, but is unreliable.

The Gateway airport has experienced steady growth, and in 2007 processed 30,000 people, but the lack of an international customs service has constrained its customer reach.

### 4.1.4 Finance

Finance is the third largest sector in Maruleng, but similar reasoning should be applied to the growth in the finance sector as is applied in the transport sector. The expanding reach of banks and credit facilities to Maruleng’s rural poor households might have some positive impacts, but too much of the financial sectors behaviour involves hire-purchases, the extension of furniture and clothing credit to unwitting consumers and extortionist funeral policies. This component of the sector is predatory and extortionist and once again impairs rather than supports economic expansion.

### 4.1.5 Tourism and conservation

Maruleng’s tourism industry is based on the region’s striking landscapes and proximity to the Kruger National Park. The mild winter climate in Maruleng sees many Gauteng people attracted to the region at this time, and the hunting season between May and September represents lucrative business for the lodges. The municipality’s comparative advantage has supported the emergence of world class tourist facilities including Timbavati Private Reserve, Otter’s Den rest camp and ballooning, Hoedspruit endangered species centre, Thorny Bush and Selati game farms, the Khamai Reptile Park and the Bombyrx More Silk Farm. The tourism industry is afflicted by the presence of malaria, but relative to its offering the region is under-acknowledged and under-marketed in the national and international tourism market.

Lodges tend to operate autonomously, flying in clients on charter flights and procuring their goods and food monthly from either Nelspruit or Tzaneen. This is their prerogative, but efforts to understand lodge procurement needs and to begin meeting these needs with local supplies would enhance the LED contribution made by the enterprises.

Adventure tourism, including tubing and rafting on the Blyde River, abseiling, paintball and quad biking, is a recent and popular addition to Maruleng’s growing tourism industry.
Figure 29: Map of public (light green) and private (dark green) conservation areas in and around Maruleng. The map also shows the boundary of the K2C Biosphere Reserve.

The region forms part of the UNESCO designated "Kruger to Canyon" biosphere (see Figure 30). UNESCO do not provide funding, but do provide international recognition of the region’s biodiversity, cultural heritage and development profile, as well as linking the region to international research. On the back of this designation the European Union LED Support Programme provided R3 million for the creation of a Biosphere Tourism Office in partnership with Maruleng Municipality. People behind the biosphere concept have proposed a number of supporting programmes including waste recycling, the use of sugarcane bagasse in the manufacturing of punnets and a local biofuel industry. What is lacking is a framework in which to evaluate these concepts and a process for developing options. The biosphere designation has further assisted Maruleng in tapping the international birding industry.

Tourism is both a growing industry with potential for further growth in Maruleng, and is relatively labour intensive making it suitable in terms of the development challenges in the municipality. Tourism is also a highly specialised and competitive industry. It is not plausible to assume that first-time SMMEs in the former homelands will establish competitive luxury lodges or attract large numbers of international clientele to these areas. Neither is it reasonable to expect land reform beneficiaries with no experience of the tourism industry to establish and manage competitive facilities on their own. The development
challenge involves expanding the competitive elements of Maruleng’s tourism sector so as to increase employment and transfer skills.

Delivering on this challenge is not assisted by the competing interests in the sector. There are two “tourism offices” and a too many distinct tourism routes of different names. Consolidating the industry under a common identity and complementary product offerings, is in the interests of LED. The local municipality has a crucial role in overseeing this coherence, but should seek to achieve this without stifling the industry’s success.

Figure 30: Maruleng’s landscapes support the region’s tourism industry.

4.1.6 Agriculture
Agriculture is perceived to be one of the most important sectors in Maruleng, although it is behind “community services”, “trade”, “finance” and “transport” in terms of GDP contribution. The sector is, in spite of this, strategic due to its ability to absorb large numbers of unskilled people and its contribution to export revenue (see Table 4).

- Commercial agriculture is dominated by the export oriented citrus, mango and nut orchards and vegetable cultivations along the Blyde River. The river supports 8,970 hectares of irrigated land: 50% citrus, 40% mangoes and 20% vegetables. The packing and marketing companies
Capespan, Dole and Inter-trading all have a packshed and trading presence in the municipality, which accounts for significant employment.

- Small-scale growers and co-operatives such as Itereleng Vegetable Co-operative produce crops for the local market.
- In the north west of the municipality, subsistence farmers keep livestock and maize.
- The IDC identified Hoedspruit as one of five South African towns targeted for the production of bioethanol from sugarcane as part of a R3 billion national project. Sugarcane is successfully cultivated under contract to TSB millers to the south in the Inkomati Basin, but given the water requirements of the crop and the shortage of water in Maruleng, this project should be scrutinised before receiving approval.
- The breeding and trading of game animals for distribution to game farms represents a poorly recorded but vibrant activity in Maruleng. Hoedspruit is in the “red zone” for “Foot and Mouth” disease, and local buffalo are known to be affected. They are however quarantined prior to sale in order to overcome this issue. In 2008 a single antelope from the Selati game lodge was auctioned for R3 million.
- The wild harvest of medicinal plants, fuel wood, bush meat, marula berries and thatch grass takes place on a seasonal basis throughout Maruleng. The collected produce supports rural livelihoods, but the unregulated manner in which these harvests takes place, places them and the natural systems that support them, at risk.

Agriculture is the one activity with which poor people in Maruleng are familiar. It is proposed that stimulating agriculture represents an important opportunity to support poverty alleviating growth. The emphasis in this regard should be on linking producers and markets, low-capital intensive practices, achieving higher yields and more efficient use of available water and land.

Land claims and settlements (and particularly the Moletele Claim) represent a critical concern for the agricultural sector. A redistribution of land represents a necessary step in creating a more just and equal society, but the extent of claims, the uncertainty that claims have generated and the delays experienced in receiving post-settlement support on those farms that have be redistributed have already disrupted investment and in some instances halted production. Given the contribution of commercial farms to employment, Maruleng cannot afford to lose productivity on these farms.

By way of contrast, the formation of Itereleng Vegetable Co-operative at The Oaks in 2002 is instructive as to how effective agricultural support can contribute to rural economic growth. Itereleng consists of seven women and one man. The project acquired 5 hectares of fertile land from the traditional authority, and received a water users right from DWAF and irrigation low-tech infrastructure from the Department of Agriculture. The co-operative uses borehole water when they are unable to get water.
from the Blyde River. They produce tomatoes and other vegetables for the local hawker market and supply SPAR on occasion. Whilst the group has unutilised land and justifiably complains about their lack of water, they have distinguished themselves from so many other agricultural schemes by becoming financially viable and self-supporting. The Itereleng property is protected by a fence that was purchased with donor money. While the project has suffered under the confusing and wide range of people involved in development assistance, it is successful due to the fact that:

- It is not over-capitalised,
- Participants are familiar with the business activity,
- Secure and easily accessible markets exist for the produce,
- The activities are labour intensive and the project generates enough income to cover operating costs.

This is in stark contrast to the many projects that are overly capitalised with equipment and grants relative to the labour they involve, are premised on exotic “top-down” ideas with which local people are unfamiliar and which are poorly aligned to the available skill set, and most crucially tend not to have established or secure markets.

Where projects such as Itereleng can be assisted to increase their market share and their production, the rural economy will be enhanced. Similar success stories are required in the land reform context and particularly in the formation of joint ventures. Partnerships between communities, employees and commercial white farmers have arisen in the wake of land claims in an attempt to ensure that farms remain operational. However the need to invest in the formation and continuity of these partnerships has not been acknowledged. In too many instances in Maruleng, this has lead to the institutional and financial collapse of once-productive farms, with the associated job losses. Much has been learnt about agricultural joint ventures and how to ensure their success since they were first applied in the Western Cape in 1994. These lessons need to be transferred to Maruleng by the Department of Agriculture and the Department of Land Affairs so as to protect employment and revenue streams while land reform continues.

### 4.1.7 Construction

Hoedspruit and its surrounds experienced a boom in property prices between 2002 and 2007. The boom resulted in the building of upmarket wildlife estate developments such as Raptors Lodge around Hoedspruit, housing upgrades in the rural villages. In spite of this the housing backlog is estimated to be over 2,300 units (IDP, 2008/11). In conjunction with an increasing local and district level MIG allocation,
the building resulted in construction sector growth. Construction is labour intensive\textsuperscript{11}, ideal for including new entrants in the formal economy and has multiple backward linkages into the local economy. The construction sector and the sand, stone, bricks, transport and labour that it requires present many opportunities for the involvement of SMME’s, and government control of its infrastructure budget, allows it to marshal the associated opportunities in a developmental manner. For these opportunities to be realised the Maruleng Municipality should network contractors and suppliers, and provide them with the opportunities through which to develop trusting working relationships.

Sadly, a number of construction initiatives, including a recent housing development at Kampersrus, has been halted, and employment lost, due to uncertainty over land ownership. The developer in this project points out that this predicament could have been avoided had the Land Claims Commissioner in Tzaneen responded to requests for communication and clarity on the planned course of action. The municipality has an important role to play in facilitating the necessary communication and investment certainty. It also has responsibility to ensure that future growth of the construction sector does not disrupt the region’s tourism and conservation potential or perpetuate the existing social exclusion. The request that “affordable housing” be included in the proposed Zandspruit, Amsterdam and Berlin housing developments prior to the approval of development plans is exemplary in this regard.

4.3 Governance, amenities and services

4.2.1 Governance and services

If growth in Maruleng is to be stimulated, and to be of a quality that can address the prevailing socio-economic needs, then the public sector needs to play a more constructive and active role in the local economy.

The municipality currently organises itself around the stated vision, “To be the powerhouse of socio-economic development through integrated tourism and agricultural development”, and adheres to the mission statement that, ”Maruleng is committed to the provision of basic services and the promotion of social-economic development in an integrated and sustainable manner.”

The statements are suitably aspirational, but the reality is that the municipality is poorly capacitated and resourced to deliver on their intent. Even if capacity and financial constraints are ignored, the implementation environment has become overly complex and frustrated by

\textsuperscript{11} In the fourth quarter of 2008, construction is attributed with having reduced South Africa’s unemployment in spite of employment contraction in almost all other sectors.
short-term political agendas. The municipality has the advantage of being a designated ISRDP node, which has allowed it to benefit from DBSA’s Siyenza Manje technical support and improve its MIG expenditure, and in 2007 received a provincial LED reward.

The Maruleng Municipality contains 12 wards, and three traditional authorities. None of the ward councillors are full-time, which frustrates efforts to gauge needs and deliver services. According to the Municipal Demarcation Board (2006) the supply of basic services remains in arrears. The statistics show that:

- Only 41% of households (1,300 houses) are without electricity,
- 35% are without piped water,
- 93% of households do without solid waste removal services
- 78% of households have no telephone lines.
- Candles and paraffin are the most common lighting fuel source for households that are not connected to the grid. Wood is commonly (37% of households) used for heating and cooking.
- Hoedspruit’s solid waste is collected at Kampersrus, but the site is officially illegal, and an environmental and safety hazard.

Clearly services remain in deficit and the distribution of available services is delineated according to the apartheid spatial planning – with the former homelands being the most deprived. A lack of access to housing and basic services frustrates rural household’s ability to forge meaningful livelihoods whether through seeking work or subsistence activities.

A purpose built Thusong Centre at Metz Central (completed in 2008) provides the municipality with a much needed conduit through which to administer its services. Other amenities include one public library, two sports grounds, one police station and one satellite station.

The IDP has been recently reviewed and will now serve until serve as the official planning guideline until 2011. The municipality’s institutional environment is strengthened by an excellent Spatial Development Framework and a detailed Housing Chapter in the 2008-2011 IDP, however a lack of land is a fundamental constraint on the operations of the municipality. The municipality is busy trying to TRANSNET and Department of Public Works land around Hoedspruit, but the process has been way-laid in the public lands disposal processes. In order to fulfil its municipal responsibilities towards housing, administration and solid waste disposal it is estimated that the municipality would require an additional 100 hectares. A concerted effort, supported by budget allocations, between dplg, DLA and the

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The quality of these documents are largely the work of the competent acting head of the Directorate of Spatial Planning and Economic Development, and constitute an asset to Maruleng’s development effort.
Department of Public Works to acquire land is necessary if the Maruleng Municipality is going to perform its duties as instructed in the Municipal Systems Act (2000) and take up the responsibility of "developmental local government".

4.2.2 Water

Water is an economic and social constraint in Maruleng, rated as the greatest constraint on development by Maruleng households outside of Hoedspruit. Whilst agricultural water supply along the Blyde Irrigation Scheme is reasonably secure, beyond the irrigation scheme water supplies are unreliable and a number of villages rely on poorly surveyed groundwater resources. The statistics report that only 10% of households have flush toilets linked to bulk sewer systems, but water and sanitation have been prioritised by Mopani District Municipality in the past three years and the situation on the ground is reported to have improved. Given that only 10% of households have flush toilets linked to bulk sewer systems, groundwater is constantly at risk of contamination.

In spite of the general water shortages, only 0.4% of households have rainwater tanks.

Three irrigation schemes operate in Maruleng.

- A Homeland Irrigation scheme that supplies subsistence farmers at The Oaks.
- A scheme that supplies commercial farmers in Trichardsdal and Hoedspruit.
- The Blyde River Scheme that was upgraded in 2003 by Rand Merchant Bank (RMB) with a loan of R150 million. This loan lapsed due to non-payment by users, so that the scheme now belongs to RMB. The scheme is intended for residential use but does include 800 hectare-litres that was set-aside for subsistence farmers that has not, yet, been formally allocated. In an attempt to recoup their funding, RMB have hiked water fees over the past 3 years. In 2008 users paid R2,700 per hectare-litre per month plus a water tax of R300 per annum.

Maruleng falls under the Lower Olifants Catchment Management Agency, and in 2002 registered a Water Users Association in terms of the NWRS. The municipality currently purchases R1.4 million worth of water (380 hectare-litres) from the Department of Public Works that it resells to affluent water users in Hoedspruit at a profit. Department of Public Works has an under-utilised water allocation that once served the airforce and military residences at Drakensig. Once the Blyde Scheme is operational it is assumed that the Municipality will pay Rand Merchant Bank directly for their water and that more water will be available.
As a matter of priority the complicated institutional environment governing water allocation in Maruleng needs to be addressed. Ideally this would see DWAF exercising its discretion as the water licensing authority transferring the Blyde Scheme from RMB to the Catchment Management Agency (with compensation to RMB), and the municipality having access to cheaper and more abundant water.

It is important that water, which was declared a public good in 1998 by the National water Act, in Maruleng be allocated to achieve the best possible socio-economic result. Opportunities for enhanced water allocation include (1) allocating the Blyde 800 resource to users that can either improve their livelihoods directly through businesses or agriculture, use the water in their households or create employment with this water (2) redeploy the excess water that is currently allocated to Depelle Mines but not fully utilised (3) support off-stream water storage on the Blyde River for capture of flood water (4) enhance the efficiency with which water is transported and irrigated from the Blyde Dam to the former villages that formerly constituted Lebowa, so as to avoid leakages and wastage (5) support for a more functional water market once water use rights have been allocated in a progressive manner consistent with the broad-based BEE principles enshrined in the NWRS. The prevailing water market only permits trade for a 2 year period and does not contribute to water use efficiency.

4.2.3 Infrastructure

MIG expenditure has improved since 2006 due to the assistance of the Siyenza Manje programme run by DBSA, and accordingly the Maruleng MIG allocation is expected to more than double to R23 million in 2009/10. In 2008/9 the local municipality allocated its small MIG expenditure (R10.4 million) exclusively to the tarring roads. Maruleng has not, however, managed to secure private or loan finance for infrastructure. Towns and major villages are connected by tar roads, but remote communities continue to be isolated during rainy periods. Farmers complain that the quality of roads damages their fruit and lowers the export potential of their harvest in transit.

In general signage on roads is poor, and the major arterial route, the R40, does not actually pass through the town of Hoedspruit, creating the distinct possibility that outsiders would pass the town without knowing it was there.

Two railway lines converge in Hoedspruit, one leading through Mica to Soekmekaar and the other to Palaborwa. A single line runs south from Hoedspruit to Acornhoek. In the past these lines served commuters, but are now used only for the occasional goods train and very occasionally for a luxury train (Rovos Rail). A passenger train is meant to run twice weekly between Hoedspruit and Acornhoek, but is considered unreliable. Similarly the airforce used to freight their fuel by rail and citrus growers used to use rail transport, but both now use road transport.

Hoedspruit’s Eastgate Airport is privately owned and dispatches two SA Express flights a day to Johannesburg. In conjunction with private charter flights, Eastgate processed 30,000 visitors in 2007.
4.2.4 Safety and security
Hoedspruit town has experienced a reported increase in crime, mainly cash in transit heists, in the past three years. A number of gangs, linked to organised crime units, are suspected to operate in the region. By all accounts the local police office is poorly capacitated to deal with the new threat which has seen private security firms flourish.

4.2.5 Health care
There are twelve clinics and 1 hospital at the airforce compound in Drakensig, and a number of mobile clinics. Very few (less than 3%) of residents live in informal housing, but the shortage of land around Hoedspruit means that people either reside some way from the place of their work, or are forced to rent accommodation in town (11% of the population). There are approved plans to build 2154 houses around Hoedspruit to address this problem. Significantly only 28% of Maruleng residents own their houses outright; 55% reside under “Permission To Occupy” tenure arrangements that deprive them of the opportunity to accrue wealth through property appreciation.

4.4 LED in Maruleng
The structure of the civil service, and the location of personnel responsible for LED within this structure in Maruleng, is shown in the figure below.
Figure 31: Organogram of the Maruleng Municipality’s civil service, showing the municipal manager, the directors, senior managers and managers. LED currently falls under the Spatial and Economic Development directorate, which is managed by and acting Director. The directorate includes a town planner, a building inspector and an LED officer but has vacant posts for a Senior LED Officer and a Tourism and Agricultural Officer. The lack of a interaction and collective understanding between the Spatial and Economic Development directorate and other directorates is a problem for developmental local government.

The positioning of LED personnel within the municipality’s organogram reveals one of the reasons why Maruleng, like other municipality’s in South Africa, struggles to implement LED as a cross-cutting and multi-disciplinary theme, encompassing all municipal resources and inclusive of the private sector economy. LED occupies a lowly and distinct position involving specific junior staff and very little budget. Personnel involved in community services, finance and infrastructure have very little concept of LED, and because the municipality’s socio-economic development goals are poorly defined and efforts are poorly co-ordinated, the respective directorates often operate in isolation.

The lack of a well-defined and all-encompassing development mandate or goal, also allows directorates to operate and spend without considering the opportunity cost of their actions. As a result pockets of the municipality’s budget remain unaccountable to the notions of socio-economic upliftment. This much is evident in the R 845,000 allocation to the Office of the Maruleng Mayor in 2008/9. The allocation includes R400,000 worth of “discretionary funds” for “mayoral awards”, R70,000 for refreshments, a further R100,000 for sundries and travel and R80,000 for accommodation. Relative to the budget afforded to LED, the fiscal allocation to the political office of the mayor, appears inordinately large. But it is difficult to make this point in the absence of a system that marshals all of the municipality’s resources.

The municipality does have the benefit of some excellent, and developmentally skilled people. It also has the benefit of a vibrant LED Forum and some willing and able supporters in the private and NGO sectors. The lack of a resource allocation system that is accountable to the socio-economic well-being of Maruleng residents, is exacerbated by the fact that almost none of the municipal staff have experience of having worked in the private sector. This makes it very difficult for them to engage private sector companies constructively, or to conceptualise effective enterprise support. The result is that the private sector in Maruleng remains largely outside of the municipality-lead development effort, and the task of poverty alleviating economic growth becomes even more difficult.

A common refrain from both private sector and NGOs in Maruleng is that poor communication from the municipality adds uncertainty to the business environment and undermines investment. There is an apparent need to improve the lines of communication between the municipality and Maruleng residents and to restore the goodwill towards the municipality within the private sector and civil society, so as to enable collaborations. This can only be achieved through a dedicated outreach and communication of plans and intentions (including communication of projects that will not take place, and the intention to promote spatial integration in Hoedspruit), better participation and the honouring of service agreements and plans.
The municipality does apply the “Strategic Score Card” to evaluate its performance but in reality civil servants tend not to evaluate their performance in terms of measurables such as GGP, unemployment, returns on investment or the number of people living in poverty, and the municipal budget is not managed so as to maximise returns. Establishing goals and intermediate targets necessary to achieve these goals, and implementing improved monitoring and evaluation of the municipality’s socio-economic impacts is a necessary step in overseeing effective LED.

4.5 Moletele land claim

It is not possible to discuss economic development in Maruleng without referencing the Moletele land claim. The claim is bought by the Moletele CPA which consists of 1,700 households and 16,000 beneficiaries, and involves over 500 properties. The claim is divided into 5 phases, the first of which involves 29 farms, three former owners, and has been settled. In these cases the former owners have remained in management positions in joint ventures on the farm, but the partnerships are being constrained by a lack of financial support for claimants and internal conflicts within the claimant groups.

Redressing the injustice of forced land expropriations in the past is a necessary process in South Africa. Equally providing land access and ownership to new people is an important component of creating a more just and equitable society in South Africa - and Maruleng in particular where inequality is acute. The Moletele claim, however, gives many grounds for concern. Chief among these is the scale of the claim and the number of people in the CPA. Managing the expectations of 16,000 beneficiaries without the formation of elite groups or allegations of mismanagement and conflict will be extremely difficult. Equally ensuring that that area of land, which includes enterprises such as the highly acclaimed Silk Farm, remains productive and continues to employ people during the transfer and transition will prove difficult. These concerns become acute in the context of the DLA’s provide the level of institutional and financial support required by joint ventures and restitution settlements, and the track-record of CPAs showing them to be very clumsy entities for the management of business activities.

The claim has a legal premise and should be allowed to proceed, but to ensure its success it should not proceed until management structures have been put in place, suitable technical and farming support for the claimants is available, the requisite funding and finance to ensure that the land continues to be effectively utilised has been raised and means of communicating with all beneficiaries has been established.
In its current format the settlement is designed to fail, and when it fails it will risk affecting the entire Maruleng economy. Similarly, without the prerequisite steps outlined above there is the possibility that land will end up in the hands of a smaller group of owners than is currently the case, or in the hands of lending institutions.

Section B of this strategy proposes that the CPA assume responsibility for leasing the properties and assets under its ownership to separate businesses. Businesses could be constituted from among its members or from outside, but the CPA’s only responsibility would be for collecting rents and ensuring that the land is maintained.
### 4.6 Maruleng SWOT analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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</table>
| - Economy is stable due to public sector salaries  
- Mild climate  
- Striking landscape  
- Functional LED forum  
- Some proactive LED staff  
- A few exceptional enterprises and amenities that reveal what is possible when people and resources are correctly handled.  
- Proximity to Kruger National Park  
- Growing tourism sector  
- Functional airport that receives commercial carriers.  
- Kruger2Canyon Biosphere designation provides a platform with which to link to the knowledge economy and the basis for sustainable development.  
- 9,000 hectares of irrigated land provides high-value agricultural potential. | - Economic dependence on government for employment and revenue.  
- Money that enters Maruleng in the form of salaries and grants exits very quickly due to low economic multipliers which is turn is the result of short-value chains.  
- Economic dependence on government for employment and revenue.  
- Money that enters Maruleng in the form of salaries and grants exits very quickly due to low economic multipliers which is turn is the result of short-value chains.  
- Segregated space economy and large distances  
- Insufficient water and electricity to meet business and residential needs.  
- The need for electricity supplies to new houses at a time when ESKOM electricity is scarce and becoming expensive.  
- Lack of basic water supply to rural households. Lack of available land for expansion of housing and commercial property, limits the size of the consumer market.  
- Insufficient purchasing power to support local business.  
- Space-economy involves villagers a long way from employment and retail opportunities.  
- Remoteness and high transport costs for people and business.  
- Lack of competition in the transport sector makes for high transport costs.  
- Malaria restricts tourism.  
- Basic services – water, sanitation, roads and energy – still in arrears.  
- Politicisation of civil service in conjunction with poor monitoring of returns on municipal budget and salaries.  
- Commercial property owners live outside of Maruleng and don’t invest |
<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Maruleng becomes internationally recognised as a global leader in sustainable development.</td>
<td>• The need for housing and commercial development destroys the natural environment on which tourism depends or tourism interests prevent the meeting of human needs.</td>
</tr>
<tr>
<td>• Support and market the concept of the Maruleng biosphere by implementing the renewable energy, water efficient and recycling technologies that are necessary if Maruleng is going to develop.</td>
<td>• Tourism lodges develop independently of linkages with the Maruleng economy due to a lack of interaction and failure to meet the lodge's needs.</td>
</tr>
<tr>
<td>• More extensive commuter rail services link would increase the mobility of labour and reduce commuter costs.</td>
<td>• High unemployment and high proportion of discouraged workers.</td>
</tr>
<tr>
<td>• More than doubling of the MIG allocation in 2009/10</td>
<td>• Excessive reliance on unquantified groundwater resource.</td>
</tr>
<tr>
<td>• Blyde 800 water allocation could boost economy and livelihoods.</td>
<td>• Contamination of groundwater due to lack of a reticulated sanitation system. Withdrawal of District Municipality to Tzaneen will remove significant economic activity.</td>
</tr>
<tr>
<td>• Improved efficiency of former Lebowa irrigation system could provide higher return on the available water.</td>
<td>• LED continues to be seen as distinct from the broader economy.</td>
</tr>
<tr>
<td>• Settlement of the Moletele claim could be used to secure land for the municipality.</td>
<td>• Private sector withdraws from socio-economic planning due to lack of communication and frustrations.</td>
</tr>
<tr>
<td>• Department of Public Works has under-utilised land</td>
<td>• Hoedspruit land ownership in hands of people who live outside Maruleng.</td>
</tr>
<tr>
<td>• Zandspruit’s “affordable housing” included in planning permission sets a developmental precedent.</td>
<td>• HIV afflicting the economically active and governance structures.</td>
</tr>
<tr>
<td>• A secondary school in Hoedspruit would encourage local shopping for food and clothes.</td>
<td>• Shortage of electricity.</td>
</tr>
<tr>
<td>• The need for housing and commercial development destroys the natural environment on which tourism depends or tourism interests prevent the meeting of human needs.</td>
<td>• Shortage of water and economically irrational allocation of water.</td>
</tr>
<tr>
<td>• More than doubling of the MIG allocation in 2009/10</td>
<td>• Insufficient funds to maintain existing infrastructure.</td>
</tr>
<tr>
<td>• Blyde 800 water allocation could boost economy and livelihoods.</td>
<td>• Politicisation of local government and entrenchment of patronage networks as opposed to merit based allocations.</td>
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5. Appendix A: Development strategies pursued by successful developing countries in the post-Second World War period.
Section B: Short and long-term thrusts for improved socio-economic development

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7. LED IN MARULENG

Section A of this strategy provides the national, provincial and local economic context in which the Maruleng economy operates. A measure of consensus on the nature of this socio-economic environment is necessary if Maruleng is to agree on the challenges that its needs to tackle. To date a consensual understanding of the Maruleng economy has been lacking, but based on Section A it is suggested that the key challenges involve:

- Higher and more stable growth.
- Greater levels of employment.
- Defining an spatial and social identity, based on Maruleng’s comparative advantage. that will both support the business environment, focus social development efforts, guide investment and attract tourists.

Important intermediate steps in achieving these goals include:

- Creating affordable housing in Hoedspruit so as to reduce commuter costs, create critical demand and reform the disjointed space economy.
- Securing land for the municipality.
- Developing a entrepreneurial relationship between the municipality and the private sector in which appropriate labour intensive businesses are effectively supported in their growth endeavours.
- Improved value for money and local economic multipliers on the MIG infrastructure spend.
- Provision of energy, water and sewerage and solid waste removal services to all residents.

The SWOT analysis that concludes Section A of this strategy includes a large number of strengths and opportunities, as well as threats and weaknesses that require attention. It is implausible that the Maruleng Municipality achieve, or even attend to, all of these issues in the immediate term. Section B proposes that the municipality focus on those interventions that (1) will achieve the greatest impact and (2) are achievable in the next three years. Emphasis is placed on principles and processes rather than projects. It is principle-based decisions that will result in socio-economic improvements. This good practice includes effective project selection, but is much more than a simple list of projects.

The proposed interventions are divided into a manageable number of short and long-term “strategic thrusts”. The 12 short-term thrusts represent the focus for the next three years, and can be expected to yield measurable results in this period. Longer-term thrusts require immediate attention but, due to the complexity of the issues they address, may take more than three years to until impacts are felt.
8. SHORT-TERM LED THRUSTS

8.1 Define Maruleng as a place a global leadership in sustainable development:

What kind of place does Maruleng aspire to become, and what identity is capable of including and serving the diverse Maruleng population? More than anything Maruleng lacks a shared vision for the type of place that it hopes to become. This stems from its history as a "Plaaslikeraad" not a fully fledged municipality, its straddling of Mpumalanga and Limpopo and its inclusion of affluent white (and even fewer black) households and chronically poor residents of a former homeland.

It is proposed that Maruleng distinguish itself by developing an identity as a global leader in sustainable development.

This is both an opportunity and a necessity:

- By way of opportunity Maruleng would do well to attach its identity to a concept that is internationally popular, but in urgent need of real-life examples. Maruleng is already a designated UNESCO Biosphere Reserve (an identity that is under-appreciated) and could enhance this status by implementing projects that benefited both people and the environment. Examples include, committing to supply renewable energy to every household and business, the recycling of solid waste, the application of water efficient and grey water technologies, organic farming, integrated pest management, the conservation of soil carbon and nitrogen on farmlands, the acknowledgement of the role played by biodiverse ecosystems in supporting the economy, enforcement of the ecological water reserve and the application of sustainable off-takes to the hunting and wild-harvesting sectors. Adopting these measures would not only give Maruleng access to funding such as ESKOM’s solar water heater subsidy, NGO budgets for sustainable development and the carbon trading market but would also raise the profile of the municipality and attract investors and create employment. Remarkable places of sustainable development increasingly attract the interest of research institutions and academics, receive media attention and become the focus of documentaries. Crucially Maruleng has the environment and the human capacity to fulfil this opportunity.

- At the same time sustainable development is a necessity in Maruleng. The municipality has very little choice but to implement the type of development described above, if they are going to meet the housing and economic needs of its residents without destroying the remarkable
cultural and natural heritage on which so much of the Maruleng economy depends. When the environment is compromised and does not deliver the provisioning services (clean air, fertile soil, clean water, crops and animals) that it should, the economy suffers, and this impact is felt disproportionately by poor people who depend more directly on the environment for their well-being. Where the Maruleng environment is compromised, lifting people out of poverty will become more difficult.

There simply is not enough affordable coal-based energy in South Africa, or water in the Lower Olifants Basin to provide for all residents if the housing needs in Hoedspruit and the development needs in the villages are to be met in the same way (ESKOM energy and abundant water) as has taken place in the past. It is also unlikely that rural households (or the municipality of they are subsidising electricity) will be able to afford the cost of future ESKOM energy and associated carbon taxes. Water charges too will increase unless new systems are introduced. Similarly, there is not enough land and insufficient capacity to absorb all solid waste if the required 2,000 houses are to be built in Hoedspruit. A new approach is necessary if Maruleng is going to supply the mandated services to households. Sustainable development technologies and approaches possess all the components of the required approach.

Environmental concern and notions of sustainable development are often perceived to be at odds with the development of people. Maruleng is well placed to demonstrate that this need not be the case. The type of sustainable development envisaged for Maruleng would be focussed on poverty alleviation, and involve environmental justice for all of Maruleng’s people. The technologies and activities mentioned are more labour intensive, and more localised, than those that they would be replacing and the protection of environmental goods and services will protect the livelihoods of the poor. To be equitable, this approach would have to be accompanied by the issuing of rights in a pro-poor manner. The National Water Act (1998) already does this for water. Similar harvesting and access rights would have to be afforded to energy, biodiversity, soil fertility and grazing.

NGO’s that have both a human and ecological development agenda, such as WWF, Conservation International, UNESCO, the Global Environmental Facility (GEF) the Inter-governmental Panel on Climate Change, UNEP, UNDP, DANIDA, IDRC and the World Resources Institute are well placed to advise and lend financial assistance for such a programme. They should be approached by the municipality in a coordinated manner headed by the Municipal Manager, and not by individual stakeholders within Maruleng.

**Action points for Maruleng:** Municipal Manager to lead the forging of a new identity as a global leader in sustainable development. Approaches to include a commitment to renewable energy, organic and resource cognisant agriculture and water wise technologies. Maruleng to demonstrate to the world the importance of addressing ecological and human development simultaneously. International and local NGOs and universities to be engaged for support.

*Maruleng LED Strategy 2009*
8.2 Elevate the concept of LED within the municipality

Maruleng has a functional LED Forum, but within the municipality LED is seen as the responsibility of one person with very little budget. Personnel involved in infrastructure, finance and community service do not see LED as their responsibility. LED activities are largely distinct from the economy that drives the town of Hoedspruit and the rural areas. This represents a gross discounting of the mandate given to local governments in Section 153 of the Constitution of South Africa, namely to “Promote social and economic development of the community”. The blame for this rests with LED itself. The is perceived as a specialist discipline (complete with specialist consultants, training courses and terminology) instead of something akin to socio-economic development and developmental government.

The concept of LED needs to be elevated so that it accords with the notion of “developmental government” and includes ideas and resources from the Traditional Authorities, MIG, LIMDEV, Community Services, DWAF, Land Affairs and the private sector. Necessarily this municipality-wide approach to LED would have to be lead by the Municipal Manager. Securing business and line department support would require a process (of at least a year) of communication and outreach in order to establish trust and co-operation between these stakeholders. The proposed shift need not involve the promotion of existing LED staff, but will require greater development facilitation skill among a wider set of municipal employees.

Action points for Maruleng: Municipal Manager to oversee a more encompassing approach to LED in line with the Constitution of South Africa and the concept of “developmental local government”.

Maruleng LED Strategy 2009
8.3 Redress the space economy

The Maruleng space economy cripples the municipal economy, a phenomenon that has been well documented by the municipality’s Spatial Development Framework.

- A shortage of land for housing and houses in Hoedspruit limits the purchasing power in that town making it difficult to attract new investment and difficult for retailers and light industry to sustain their businesses.
- The lack of land available to the municipality makes it impossible for the local administration to fulfil its responsibilities for service provision and for socio-economic development as mandated by the Constitution.
- The distances between the densely populated villages and Hoedspruit, and high transport cost associated with covering these distances, are good for the taxi and bus industries but discourage job seekers and increase transaction costs for all businesses.

The White Paper on Spatial Planning and Land Use Management (July 2001, tabled as a Bill in April 2008) is clear, “Land is a national resource. It falls squarely within the national legislative competence.” The White Paper proceeds to nominate local municipalities as “land use regulators” to oversee spatial planning decisions. The Bill contains controversial clauses perceived to be a threat to tenure security, but if it were to be responsibly implemented would provide the basis for a more effective local municipality and a more egalitarian society.

In the long run, the solution to Maruleng’s spatial legacy and resultant factor immobility, lies in extending and refurbishing the public rail network - a project that will require support from Transnet and the provincial Government, but which should be lobbied for by Maruleng.

In the immediate-term the problem can be addressed by:

- Collaboration between dplg, DLA and the Maruleng Municipality so as to acquire land for the municipality and for housing in the market.
- Accelerating a land transfer from the Department of Public Works (who own land in Nelspruit) to the Municipality.
- Securing land near Hoedspruit in the process of settling the Moletele land claim.
- Accelerated road construction
- Overseeing greater competition within the taxi sector (which requires the two associations to compete on the same routes) and competition between the bus and taxi industries.
- Businesses coming together to combine logistical and freight arrangements.
- Making the municipal vehicle fleet available to small and emerging businesses on a nominal rental basis.
• Persisting with the insistence that newly constructed private “wildlife estates” include affordable housing.
• Providing government built affordable housing close to Hoedspruit.
• Engage absentee commercial property landlords such as Mr De Jaeger on developments that will expand the size of the Hoedspruit market and benefit the economic future of the town.

The creation of traders stalls and commercial opportunities at The Oaks does promote access to basic foods and retail items for the residents of the villages. The over-arching spatial strategy should, however, aim to create a critical mass of people and purchasing power in Hoedspruit, and ensure that this town becomes racially inclusive and is not constrained by a lack of land and housing.

**Action points for Maruleng:** Oversee a spatial concentration of housing and commercial opportunities at Hoedspruit and ensure that the town’s residential make-up becomes more inclusive. Improve mobility of people and goods between the villages and Hoedspruit.

### 8.4 Focus on the return on the infrastructure spend

Maruleng, with the assistance of Siyenza Manje have successfully spent their MIG allocation in the past two years. This success will see them receive a more-than-doubled R23 million in 2009/10.

It is now time to ensure that reasonable socio-economic returns on this infrastructure spend are received, without jeopardising expenditure. As the Finance Minister said in his 2009 Budget Speech, “It’s what the money buys that matters”.

For the links between MIG and LED are to be realised, the longstanding mechanisms (beginning with the work of John Maynard Keynes in the 1930s) by which infrastructure contributes to socio-economic improvements are understood by a wider set of civil servants. Principle among these mechanisms is:

• The use of infrastructure budget to employ people that would not otherwise be employed, particularly women. Creating female employment in infrastructure programmes, for example, tends to increase the local demand for additional food and clothing which provides a stimulus to the local economy. It also transfers skills that can be used elsewhere in the economy.
• The use of infrastructure to provide a fiscal injection to the local economy and growth via the “Keynesian Multiplier”. Economic multipliers are contingent upon the extent to which the fiscal injection remains in the local economy, and so supporting local traders, local employment and local content is important in linking MIG and LED.
• The use of infrastructure to reduce transaction costs, increase businesses competitiveness and attract investment. New road and rail links, improved telecommunications infrastructure, water
supply infrastructure and secure clean energy supplies all enhance the environment in which businesses operate. They also attract additional investment. Supply of this infrastructure is central to the creation of an "enabling environment" for LED. The infrastructure benefits to businesses are most effectively reduced when business are consulted in the design and roll-out of infrastructure.

- Infrastructure for human development. Countries in which human development (as measured by the World Bank's Human Development Indicator) is high, experience more growth, and more sustained growth, than others (Sen, 2001). Infrastructure can improve human development by providing easily accessed potable water, treating sewage in reticulated systems so as to prevent diseases, providing affordable and clean energy for cooking, lighting and heating and by providing public recreation amenities. Households that are not burdened by disease or the need to find fuel and water on a daily basis are better able to contribute to the labour market. The links between infrastructure and human development are most likely when communities are consulted in terms of their needs prior to infrastructure roll-out.

A critical aspect of effective MIG allocations in Maruleng involves ensuring that the Municipality has the budget to maintain infrastructure functionality. In too many instances MIG allocations are made but infrastructure becomes obsolete due to inadequate infrastructure.

Action points for Maruleng: (1) Higher socio-economic returns from MIG allocation by ensuring that businesses and communities are consulted prior to infrastructure delivery and through a wider appreciation of the mechanisms by which infrastructure spending leads to economic and human development. (2) Infrastructure maintenance plan to be quantified by the municipality and to appear in the Maruleng budget.

8.5 Develop enterprise support skills

The under-development, missing markets, market failure and structural constraints on the Maruleng economy, legitimises municipal support for local enterprises. There is, however, a poor correlation in Maruleng between public support for enterprises and enterprise success, suggesting the need to improve the way in which the municipality goes about meeting its “developmental” responsibilities.

Identifying potentially successful enterprises is difficult, while ensuring that these enterprises take responsibility for their success while receiving public funding is even more difficult. It is proposed that Maruleng develop the skill of effective enterprise support among a wider group of employees, and that this skill be guided by the following enterprise development principles:

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14 Economists refer to the potential for public funding to distort the incentives faced by private firms as “moral hazard” - a phenomenon that can lead to market failure.
• Secure markets as a first step. Market share is essential for any business. Whether through government procurement, an agreed off-take contract with a local supermarket, a contract farming arrangement, or an initial order, the securing of sales should be prioritised before production budget is released. Marketing is the most difficult component of any business and should receive a higher priority in all enterprise support efforts.

• Practice "learning by doing". It is not possible to know if an enterprise will succeed before it has begun, meaning support for enterprises should be cautious and incremental. Businesses should be allowed to grow at a pace that suits their capacity and appetite for risk and funding should be provided in support for accountable enterprise management. The following principles inform this mode of enterprise support:

  i. Support labour intensive businesses with a track record of success.
  ii. Agree an exit strategy for government support before you begin.
  iii. Provide grant funding commensurate with an "own contribution".
  iv. Provide grant funding in smaller increments, with future increments dependent on successful and accountable use of earlier increments.
  v. Establish performance criteria such as jobs per rand of grant funding, return on investment, ratio of public and private investment that can be used to evaluate applications for support, marshal funds towards the most beneficial projects, and hold projects and enterprises accountable.
  vi. Showcase successful enterprises, so that emerging business can learn from their success.
  vii. Showcase effective enterprise support, identify the reasons behind the success and communicate these to councillors and municipal employees.
  viii. Enterprise support is a process, not simply a transfer of funds. Monitoring and evaluation, technical support and facilitating market access should necessarily accompany incremental funding.

It is unsurprising that the municipality’s capacity to engage the private sector in an entrepreneurial manner is poor if one considers that very few municipal employees at any level have ever worked for large corporations, or have family members who have worked for large corporations. Accordingly it is very difficult for them to appreciate the systems and processes that take place within these companies, and their engagements with them tends to be defined either by suspicion or by intimidation – neither of these approaches is constructive. It is proposed that senior and middle-management employees in Maruleng Municipality spend time on internships with the senior management in South Africa’s most successful corporations – SAB Miller, Chrysler, Investec Bank, for example. Such an exercise will not only provide important insight into corporate practice and investment decisions, but will also build the trust, understanding necessary for effective public-private interaction.
Action points for Maruleng: Create local competency in enterprise support. Competency characterised by greater ability to evaluate business opportunities, effective financial support for enterprise start-ups and the linking of emerging businesses to markets. Maruleng Senior Management to spend time on relationship building and work experience internships in large, successful South African companies.

8.6 Support agriculture

In his recent 2009 Budget Speech, the Minister of Finance announced an additional R1.2 billion for rural infrastructure projects and agricultural starter packs, and an additional R20.3 billion over the next three years for land reform and restitution.

Agriculture is not a rapid growth sector, but it does employ a lot of people and in Maruleng, and agriculture does account for the greatest export earnings of all sectors. Crucially there is also scope for improvements in agricultural production and efficiency: At The Oaks a previous citrus farm lies derelict while the trees are harvested for firewood, strategic partnership farms are at a standstill due to a lack of post-settlement support and even the celebrated Itereleng Vegetable Co-operative does not farm all of the land available to it due to a broken water pump.

Assisting agriculture to fulfill its potential, in line with the emphasis in the 2009/10 budget, represents a means of employing people that otherwise might be unemployed. It also provides the resources and salaries that can be used to develop secondary activities.

Agriculture in Maruleng can be supported by:

- Assisting commercial farms under strategic partnerships to acquire the funding and institutional stability so as to return to full production.
- Supporting the distribution of "starter packs" for rural producers.
- Accessing DWAF funding for efficient irrigation technology.
- Linking growers with markets through the provision of (1) collective transport schemes and (2) facilitated meetings between growers and retailers to establish needs and market requirements. (3) overseeing HACCP compliance in value chains (4), bar-coding eggs for retail (5) developing suitable packaging and labelling for honey farmers.
8.7 Promote tourism and create linkages with tourism lodges

There are between 75 and 200 tourist lodges in Maruleng – the range depending on what you define as a lodge and different studies. Remarkably most of these lodges report reasonable and growing trade, aided by the growing hunting and birding industries. However, the region, and many of its world class attractions such as Otter’s Den, the Silk Farm and the Blyde Canyon are relatively poorly known in local and international tourism circles. The municipality would do well to undertake generic marketing of the region - this marketing could include the hosting of media groups and agents acting on behalf of the international film industry. The municipality could further host local tourism expositions, and support local lodges and tourism operators to attend international tourism showcases.

In return for generic marketing and municipal support for international expos, Maruleng should be allowed to facilitate greater linkages between the lodges and the local economy. Lodges cannot be forced to procure their food, linen and transport locally. Neither can they be forced to display local crafts or local adventure tourism opportunities on their promises. However, workshops that establish relationships between the lodges and local suppliers and raise awareness as to what is available locally and what the lodges require by way of products and services, could benefit both parties. It is quite plausible to imagine, for example, that local lodges stock linen from the Silk Farm, that they offer the local balloon rides to their clients, and that they shop for groceries in Hoedspruit. For this to take place, greater awareness of local products, and greater interaction between local suppliers and lodge owners is required. Where these linkages can be facilitated by the municipality, the LED contribution of lodges will be enhanced.

Action points for Maruleng: Promote local lodges and the region at local and international tourism expos. Establish workshops between lodges and local suppliers of goods and services to increase the economic multipliers on lodge activities.

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15 The international film industry has an increasing presence in South Africa, due the good weather, landscapes, cultural diversity and relatively low costs that the country can offer the industry. Locations that feature in movies get good exposure and occasionally become renown simply due to the film’s success.

Maruleng LED Strategy 2009
8.8 Proactively manage land redistribution to avoid a rural catastrophe

Land claims in Maruleng have the potential to destroy the economy if the process is poorly managed; which it currently is. Where productive farms become unproductive due to a lack of finance, poor skills, investor uncertainty or internal conflict, jobs are lost and LED suffers a set-back.

The aim of South Africa’s land reform programme was always three fold: justice (reparations for forced removal), equity (a more equal distribution of land as a means of creating a more equal society) and economic efficiency. With regards to the final aim – economic efficiency – the intention was to bring idle land into production and to ensure that existing land would be more intensively farmed to yield higher production. There has, however, been a systematic under-appreciation by Departments of Land Affairs and Agriculture of the resources and processes that are required to ensure that land redistribution contributes to improved productivity.

If the Moletele land claim fails, the economic fall-out will become the responsibility of the municipality. It is in the municipality’s interest to oversee meetings between DLA, previous farm owners and claimants and the Department of Agriculture to ensure that productivity and employment is retained on transferred farms. Equally it is in the municipality’s interests to provide clear and precise communication to stakeholders as to the state of claims and settlements, so as to create the certainty that investors and banks require.

A special case of oversight is required for the Moletele land claim. The claim has a legal basis, but practically it could result in the collapse of the rural Maruleng economy. It is very difficult for a CPA to manage the expectations and material needs of 16,000 members. It is equally untenable for the CPA – even with the assistance of Mabedi, a subsidiary of ECI Africa - to manage the economic activities on the large extent of land that is under claim.

It is proposed that the CPA take up the position of landlord only, and that it package and rent the opportunities to farm, graze, hunt and build on its land to people who are well equipped to undertake the respective tasks. This could include members of the CPA who from sub-groups or companies. In this way the CPA will only collect rental income, which will be easy to monitor and to distribute to its members. This concept (which is becoming known in land restitution circles as the “shopping mall concept” as it mimics the way in which individual shops lease space and retail opportunities form the owner of large shopping malls) represents the only viable opportunity for managing the economic consequences of Moletele claim sustainably. “Tenants” of the CPA could lease farms as individuals, joint ventures or as community groups depending on their desire, but the CPA’s only concern would be that
tenants pay the stipulated rent and that they steward the land in a responsible manner as per their contract.

**Action points for Maruleng: Municipal Manager to oversee steps with DLA, DoA, DWAF and the sellers and claimants of Maruleng land, to ensure claimed land remains productive. Manage land transfer processes so as to create certainty and to allow for effective communication to the public. Apply the “shopping mall concept” to the Moletele land claim, and acknowledge the resources that are required to manage a claim of this scale.**

### 8.9 Implement the National Water Act

Water in South Africa is a public good, and subject to deployment by the State. It is also a valuable economic resource in Maruleng and could be better marshalled as part of developmental government by applying indices such as “jobs per drop”, or “rand per drop” in economic and water-use planning. As a matter of necessity all households should be provided with their entitlement of a minimum of 50 litres per person per day from either a stand-pipe or a tap in their place of residence.

Given the constraint that water places on the Maruleng economy, conserving water is tantamount to creating a revenue stream, and allocating water to poor households (in line with the National Water Resource Strategy) represents one means of transferring wealth. Even if poor households are unable to use this water due to other constraints, if they should be able to lease their “water use right” to generate a revenue stream.

The indiscriminate reliance on boreholes in the rural villages represents the risk of aquifer drainage, land subsidence and water contamination. In the longer-term DWAF needs to survey ground water resources and usage, so as to manage these sustainably.

In the short-term water needs to be recovered and managed in the following ways so as to enhance the economy:

- Allocate the Blyde 800 resource to users that can either improve their livelihoods directly through businesses or agriculture, use the water in their households or create employment with this water
- Redeploy the excess water that is currently allocated to Depelle Mines but not fully utilised
- Support off-stream water storage on the Blyde River for capture of flood water
- Enhance the efficiency with which water is transported from the Blyde Dam to the former villages that formerly constituted Lebowa, and upgrade irrigation technology so as to avoid leakages and wastage.
- Support for a more progressive (in line with the pro-poor policy of broad based BEE) allocation of water rights, and then a functional water market that gives these rights financial value and allows for water transfers to those best able to generate revenue and employment with the water. The prevailing water market only permits trade for a 2 year period and does not contribute to water use efficiency.
- Water harvesting on site through the use of rainwater collection tanks and grey-water systems. See www.clearedgeprojects.com/ for an example of what these types of schemes look like. Water harvesting in this manner is consistent with the notion of Maruleng as a place of international "sustainable development" excellence.

The concepts of water demand management, water allocation reform and local water harvesting are advocated in the National Water Act (1998) and the NWRS (September 2004). In some instances funding is available for the steps outlined above. Implementing The Act should not only be seen as a legislative obligation, but as an economic opportunity.

An equally important part of the NWA involves establishing the institutional environment for integrated water resource management, including the establishing of operational Catchment Management Agencies and water Users Associations. The current situation in the Lower Olifants Basin, in which RMB control much of the water available to Maruleng and Department of Public Works have access to an allocation that they sell to the municipality is institutionally clumsy and inefficient. DWAF must be encouraged to intervene to ensure that the CMA and respective WUA’s associations regain control of the water basin and are placed in a position to allocate water in line with the principles of NWA. Included in this is the protection of the “environmental reserve”, which itself could be upheld as part of Maruleng’s distinguished commitment to sustainable development.

Much of the above is a DWAF responsibility, but the municipality has a vested interests in supporting DWAF to fulfil its responsibilities in this regard so as to better honour municipal developmental obligations.

**Maruleng Action Points:** Support DWAF in the implementation of water efficiency, water harvesting and water allocation reform measures. Contribute to the simplification of the water management institutions on the basin. Present the "environmental reserve" as a sustainable development initiative.
8.10 Support economic multipliers

Maruleng receives significant money from the National Government every month in the form of civil servant salaries, grants and MIG allocations. It also receives a large volume of money in remittances from the country’s urban centres. Economic multipliers dictate how long such fiscal injections remain in the economy and contribute to GDP and employment creation. For a small open municipality multipliers between 1.2 – 1.8 would be impressive and would imply that every rand coming into the economy generates R1.2-R1.8 worth of GDP for Maruleng.

Multipliers are reduced by imports, savings and taxes all of which represent leakages to the economy. Maruleng Municipality can only influence the dependence on imports, and accordingly should aim to enhance the multiplier by substituting imports with locally provided goods and services.

Linking Maruleng’s tourism lodges to local services and goods has already been discussed as one means of enhancing the multiplier. Other steps that would have a similar impact include:

- Supporting viable manufacturing enterprises to process local agricultural produce.
- Convening meetings aimed at establishing local supermarket requirements and substituting imported supermarket supplies with local produce.
- Establishing a secondary school in Hoedspruit so as to prevent parents of school children shopping in Tzaneen and Nelspruit.
- Linking local suppliers of gravel, stone and bricks to infrastructure and housing projects. Public sector procurement of local goods and services where quality and price is comparable.
- Redressing the gender imbalance in public sector employment, as salaries paid to women tend to have a higher multiplier than salaries paid to men.
- Advertising local goods and services in a monthly Maruleng “classified” publication such a newspaper or a web-page. This would allow local residents to become more aware of the goods and services available locally.

Action points for Maruleng: Support the Maruleng economic multiplier by establishing linkages in the local economy that will result in greater number of local transactions, fewer imports and more local procurement. Oversee female employment in the public sectors a means of enhancing the multiplier. Support this employment through the through proactive recruitment in government sector and the provision of child-care crèches.
8.11 Move from innovation projects to innovative partnerships

Globally it is the knowledge economy that has provided the highest growth and the greatest employment gains over the past two decades. For most people, the knowledge economy conjures up images of information communication technology (ICT), space research and hi-tech business clusters in developed countries, but it has under-acknowledged potential in rural and developing contexts.

There are two components of the knowledge economy worth pursuing in Maruleng.

i. The first involves the transfer of technology and improved services to businesses and communities: SMS weather forecasts to resource poor farmers, or SMS reminders to recipients of ARV medication, renewable energy technologies, more efficient soil moisture monitoring and irrigation scheduling, bar-coding of rural products to allow for HACCP tracking and export market access, satellite imagery of indigenous vegetation, 2nd generation biodiesel technologies that produce fuel from cellulosic waste and improved internet access throughout Maruleng. These are examples of existing technologies that could be brought to Maruleng to serve specific purposes. In many instances bulk ICT infrastructure (particularly wireless) is a prerequisite for the innovation. Providing this infrastructure should be seen as part of providing access to information and the development process.

ii. The second important knowledge economy focus involves the formation and marketing of “knowledge products”: Documented cultural heritage, the finding of new medicinal uses for plants, the UNESCO Biosphere Reserve, participation in the carbon trading market, inventories of bird diversity, centres of special scientific interest and – significantly for the central theme of this LED strategy – the notion of Maruleng being a “world leader in sustainable development”, are examples of products or concepts that do not currently exist, but which could be created in Maruleng and sold to the local and international market.

It is important to note that innovation can include new locally produced products, or simply products that are new to Maruleng.

The key to accessing the knowledge economy involves long-term partnerships with tertiary institutions and research agencies. Ideally these institutions involve business and local government as well. The B-U-G model (business, universities and government), also known as the “triple helix” describes the importance of this interaction. In Maruleng this would represent a departure from the current norm in which universities and research agencies such as CSIR inter-act on a piece-meal and sometimes opportunistic manner with local communities and the natural environment. The CSIR’s involvement in bio-prospecting, the use of rural communities as guinea-pigs for new technologies and the number of pilot projects that lead to no follow up (including the speculative nomination of Hoedspruit as one of 5 towns to be targeted by the IDC and Central Energy Fund as part of a R3.2 billion rand biofuel industry)
are testimony to the unstructured ways in which tertiary institutions and agencies currently engage with Maruleng.

It is incumbent on the municipality to document and structure the interaction of the agencies and institutions so as to make them more accountable and to ensure that they deliver products that are consistent with the development focus of the region. Long-term research projects with universities have the potential to deliver important innovations as well as relationships that link locals to a broader community and expanded markets. University research projects bring with them investment, exposure, and a flow of academic tourists.

Maruleng action points: Move from innovation projects to innovative partnerships, involving business, universities and government supporting each others’ interests. Municipality to lead a more extensive but structured engagement with universities and research agencies such as CSIR, HSRC and the Agricultural Research Council (ARC). Innovation to lead to the introduction of appropriate technologies that are new to Maruleng, and to the creation and marketing of “knowledge products”.

8.12 Set up municipality wide socio-economic monitoring

International evidence suggests it is the manner in which the public sector engages in development that is more critical than the precise model of development that is applied. Post-Polokwane Conference (2007) changes in the political and economic environment are likely to see local governments encouraged to play a more active hand in development and economic issues. This is a good thing, provided local governments are effective and accountable.

It is not possible to know how effective or accountable Maruleng local municipality is being unless it establishes measurable goals and implements municipality wide monitoring and evaluation of all budgets and staff. Measures relating to employment, poverty alleviation and investment feature among the appropriate goals. In this way municipal resources would be deployed in a more effective and truly developmental manner and civil servants would be encouraged to focus on the value of their work and time.

As the Finance Minster points out, there is need for, “Stricter oversight of the activities and executive remuneration in agencies and government enterprises”. ..... “a more active role in challenging accounting officers to plan their efficiency saving initiatives up front, and report regularly on progress. A greater sense of responsibility needs to permeate the ethos of government all the way through the accountability chain.” Monitoring and evaluation efforts should, in particular, be applied to the support for programmes and projects. Measures such as the “public cost of employment created”, “financial
return on public sector investment” and “ratio of public versus private sector investment” would normally be an integral part of any investment decision but do not feature in Maruleng LED documents. As such it is difficult to choose objectively between projects and to know which projects are succeeding and which are not until it is often too late. Equally it is difficult to know which municipal staff are better and supporting development and which are not.

Action points for Maruleng: Design and implement a municipality wide monitoring and evaluation system that will allow the municipality to gauge its success as a developmental local government.

9. LONG-TERM LED THRUSTS

The 12 thrusts described above are for immediate action and have the potential to deliver short-term gains. There are a number of other initiatives that are important in the long term if Maruleng is to prosper. These involve complex issues, very often involving national authorities, and it should not be expected that they can be resolved in the short term. This should not prevent Maruleng municipality raising these issue and their negative local impacts on the appropriate platforms.

9.1 Increasing private tenure

The recognition of Traditional Authorities (Kgoshi’s) as custodians of some State-owned land in the former homelands was one of the concessions that characterised political negotiations in the pre-1994 transition. Large swathes of land (roughly 900 km²) in Maruleng are under the stewardship of three Kgoshi’s, with residents on this land having Permission to Occupy (PTO) tenure security. It is the property market that has accounted for the greatest increase in wealth for middle-class white South Africans over the past 50 years, but the reality is that traditional forms of tenure are not seen as secure by banks, and deprive the majority of the black population of any gains to be had in the property market.

9.2 Modernity or traditionalism

In the post-Polokwane political environment there has been a tendency to emphasise traditional African values and processes. In some instances traditional systems constitute the only form of social security available to rural residents, but in many instances they are also at odds with tenets of the modern social democracy that South Africa has sought to become since 1994. In this modern state political parties and the civil service are independent. Markets drive the economy within well regulated environments and strong competition policy guidelines.

This conflict between modernity and traditionalism is prevalent in Limpopo and Maruleng, where there is a conflation of party and state. It also manifests in expenditure patterns; private fees paid for funeral services exceed private investment in education, skills accrual and health care. The municipality confronts this tension in its day-to-day workings and has a responsibility to provide clear orientation in Maruleng LED Strategy 2009.
guiding society through the consequent decisions. This represents an ongoing process of education and awareness-raising, and in some instances will require strong leadership to tackle deeply vested interests in the traditional system.

9.3 New rail networks and services

Much emphasis is placed in this strategy on the need for improved mobility of people and goods in Maruleng. Improved roads and more competitive taxi and bus services represent a short-term means of achieving this, but in the long run South Africa needs to re-establish the goods and commuter rail network that served the apartheid economy so effectively. Necessarily this involves Transnet, the Department of Public Enterprises and the Provincial Government, but Maruleng has a role to play in bringing the need to the relevant authorities attention and ensuring that it receives its portion of whatever infrastructure and services are supplied.

9.4 Airport customs link and increasing flights

Maruleng’s Eastgate airport serves the region – and particularly the tourism industry – well, processing over 30,000 visitors in 2007. The airport can accommodate long-haul flights but does not have an international customs point meaning that foreigners are required to check into Nelspruit or OR Tambo airports before coming to Maruleng. In the long-run the Municipality should lobby for a customs point at the airport as a means of attracting foreign visitors. The same point could serve as a border post with neighbouring countries and facilitate important southern-African retail trade.

9.5 Improved education environment

Education is the greatest determinant of development, and South Africa’s education system has failed its democracy. This is not Maruleng’s responsibility directly, but it does affect Maruleng by limiting the human capacity available to undertaken new initiatives and enter the knowledge economy.

These failing makes it very difficult to open a secondary school in or near Hoedspruit, and result in parents travelling to Nelspruit or Tzaneen to educate their children. The same failings are usually used to conduct their shopping. As part of an identity involving “sustainable development” Maruleng could commit itself to improved education opportunities by offering housing incentives for local teachers, educating parents as to the importance of education, assisting learners who also have children by providing crèches and in encouraging adult learning. There are, in particular, links between female education and socio-economic development and between private investment in education and economic development. As an aspiring “world leader in sustainable development” Maruleng could showcase its commitment to these linkages, and the ensuing results.
9.6 Control malaria

Maruleng is a "marginal" malaria region and incidences do occur in the rainy seasons. Travel agents and doctors advise against entering Maruleng with small children and without adults taking prophylactic medicines. Among the indigent population malaria still accounts for some deaths and undermines the productivity of the workforce.

Malaria can be cleared from a region, although current methods tend to involve DDT or oil and are not consistent with an identity as a "leader in sustainable development". It is however in Maruleng’s tourist interest to prevent the spread of Malaria and to apply environmentally friendly means of managing the disease.

9.7 Develop a sustainable groundwater use strategy

In a water constrained municipality such as Maruleng, the judicious use of groundwater reserves can alleviate economic constraints and promote socio-economic improvements. Where this growth and improvement involves the economy shifting away from primary activities, the use of groundwater can reduce aggregate water consumption.

The danger, however, is that groundwater use will lead to depletion, subsidence and expose users to contamination. Groundwater is difficult, but not impossible, to survey. A Maruleng groundwater survey would allow the municipality to develop a strategy of sustainable groundwater use. In doing this the municipality would not only be regulating existing borehole use, but would assist in alleviating a critical constraint on the local economy.
DEFINE MARULENG AS A GLOBAL LEADER IN SUSTAINABLE DEVELOPMENT

LONG-TERM
Increase private tenure

LONG-TERM
Redress the space economy with housing and transport solutions around Hoedspruit

LONG-TERM
Elevate the concept of LED in Maruleng to concur with "developmental local government"

LONG-TERM
Sustainable groundwater strategy

LONG-TERM
Airport customs point

LONG-TERM
Control malaria

LONG-TERM
New rail networks and services

LONG-TERM
Enabling environment for education

- Implement the National Water Act
- Link to the knowledge economy
- Support social and ecological and financial sustainability in agriculture
- Focus on value for money infrastructure and sustainable infrastructure and technology
- Develop enterprise support skills and greater involvement with the private sector and civil society.
- Promote tourism and establish linkages with lodges.
- Proactively manage land restitution and redistribution
- Support economic multipliers.
- Shift from innovation projects to innovative partnerships.
- Set up municipality wide M&E

- Increase private tenure

- Redress the space economy with housing and transport solutions around Hoedspruit

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- Modernity or traditionalism

- Sustainable groundwater strategy

- Control malaria

- New rail networks and services

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10. CONCLUSION

This Section B of the Maruleng Strategy is grounded in the analysis of Section A, and outlines 12 short-term thrusts to be pursued by the Maruleng Municipality in order to bring about accelerated and improved socio-economic growth. The emphasis with these thrusts is on processes and principles rather than projects. It is the craft of development, and perhaps most particularly enterprise support, that is in most need of improvement if Maruleng is going to become a developmental local government. It is the same craft that is in deficit in so many municipal activities and structures.

The over-arching themes for the 12 thrusts rests on (1) the elevation of the concept of LED in Maruleng, and (2) committing the municipality to developing an identity as a “world leader in sustainable development”. The emphasis on sustainable development is seen as both necessary if Maruleng is going to balance its development needs with the available environmental resources, and opportunistic in terms of giving Maruleng a much need national and international profile. Realising this identity has implications for the way in which water is allocated, energy is provided, solid waste is handled, houses are built and food is produced. In each instance the emphasis should be on making goods and services more affordable, more labour intensive and less damaging to the environment. Maruleng has both the people and the technologies to make this possible.

Central to the way in which Maruleng goes about delivering on these themes is:

- A redressing of the region’s space-economy in order to create market power in Hoedspruit, reform the spatial exclusion policies of the past and reduce transport costs for commuters and businesses. It is proposed that this involve a combination of housing in Hoedspruit, improved transport infrastructure (including rail) and more competition in and between the taxi and bus industry. It is also proposed that the best way to achieve this, given the limited natural resources, is by drawing on renewable energy, water efficient and solid waste handling technologies.

- Inclusion of the private sector and civil society (including universities and NGOs) is essential in any developing economy. In Maruleng in particular there is a need to incorporate the mainstream economy in the development agenda. This can only be achieved with much enhanced communication, greater experience of the private sector, and more effective enterprise support.

- Greater accountability on civil servants time and budgets, which is only possible of a municipality-wide approach to monitoring and evaluating the socio-economic impact of actions and expenditure.
Section C: Roles, responsibilities and schedule for the implementation of the short-term LED thrusts

March 2009
11. INTRODUCTION

Section B of the Maruleng LED strategy identified short and long term thrusts consisting mainly of processes and principles. The work plan in this Section C tabulates short-term thrusts, as well as the specific steps that are necessary if the Maruleng economy is to grow in a manner that contributes to the required socio-economic development. In addition, the people and departments responsible for these steps are identified, and the respective thrusts are scheduled.

The Maruleng LED strategy identifies the critical role of the Municipal Manager (ex officio) in overseeing the deployment of all municipal resources for socio-economic progress. Necessarily this involves and elevation of the principles of LED so as to enable “developmental government”. The Municipal manager is also the correct person to convene approaches to the private sector and civil society. The Municipal Manager is also critical to the proposed Maruleng identity as a “world leader in sustainable development”.

Once this identity has been defined and communicated to all Maruleng staff, many of the aspects of the proposed LED strategy will become easier. This highlights an implicit aspect of this workplan, namely the sequence with which activities take place. There is, for example, no point in approaching business or civil society for practical and financial support for a concept or programme unless that concept or programme has been fully conceptualised within the municipality. Equally a concerted effort to include the private sector in LED is only likely to succeed once civil servants have had greater experience of the private sector, and when the municipality is clear on its development priorities and monitoring and evaluation criteria.

Section C of the Maruleng LED Strategy duly proposes a schedule or hierarchy of events and identifies sub-components, responsible parties, measures of success and appropriate timeframes.
Figure 1: Schematic of the hierarchy of LED thrusts proposed for Maruleng.
Table 1: Workplan of short-term GGM LED thrusts, sub-components and specific steps, including responsible parties, intended outcomes and measurements and timeframes

<table>
<thead>
<tr>
<th>Broad LED Thrust</th>
<th>Components of broad thrust</th>
<th>Critical steps in implementation of thrust</th>
<th>Who responsible/involved</th>
<th>What outcome/measure of success</th>
<th>Timeframe</th>
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<tbody>
<tr>
<td>Define Maruleng as an internationally acknowledged place of sustainable development</td>
<td>Maruleng recognised as a world leader in sustainable development. Development needs met through consideration of ecological constraints. Maruleng is marketed as a place of sustainable development.</td>
<td>Public visioning exercise to allow people to imagine a sustainably developed Maruleng. Develop the UNESCO Biosphere Status. Introduce wholesale solar water heaters on houses. Develop renewable energy industries. Promote domestic water harvesting and grey water systems. Promote sustainable and organic agriculture.</td>
<td>Municipal Manager, Mayor, UNESCO K2C Biosphere, International NGOs such as WWF, Conservation International, UNEP, UNDP, GEF, IDRC, WRI.</td>
<td>• Economic growth. • All residents are aware of Maruleng’s proposed identity. • Development plans and actions support the notion of sustainable development. • Greater human development. • International recognition of Maruleng as a place where sustainable development is practised. • Financial support for Maruleng’s sustainable development. • Reduced energy and water intensity of development.</td>
<td>2009-2012</td>
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<td>Elevate the concept of LED</td>
<td>LED seen as municipality-wide socio-economic development</td>
<td>Highlight synergies between ecological and human development. Cultural heritage included in Maruleng’s development planning. International NGOs and universities attracted to Maruleng for reasons of sustainable development.</td>
<td>Municipal Manger to champion “developmental government”. Municipal manager to oversee the conceptual and institution reform process. Technical services,</td>
<td>LED (which may become known as socio-economic development), to become the framework for decision making in municipal decisions. All municipal staff to understand their role in socio-economic development.</td>
<td>2009-2010</td>
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<td>Redress Maruleng’s space economy</td>
<td>Maruleng to acquire land for its municipal functions. Hoedspruit to become a much larger and racially integrated town. Transport costs within Maruleng to be reduced.</td>
<td>Concentrate on the development of Hoedspruit and include more people in the Hoedspruit housing and retail market. Acquire land and build 2000 affordable houses in Hoedspruit. Secure land in the settlement of the Moletele claim. Acquire land from Department of Public Works.</td>
<td>Municipal Manager, Directorate of Spatial Planning and Development in Maruleng, Department of Land Affairs, Department of Public Works, Private property developers,</td>
<td>Economic growth and employment. Hoedspruit develops critical market size and self sustaining consumer power. Hoedspruit becomes a more racially inclusive town. Transport and commuter costs reduced for people in Maruleng.</td>
<td>2009-2011</td>
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<td>Improve road infrastructure</td>
<td>Widespread appreciation of the links between infrastructure and socio-economic development.</td>
<td>Greater local and female employment in MIG projects.</td>
<td>Mucklele CPA.</td>
<td>Transports share of Maruleng GGP is reduced.</td>
<td>2009-2010</td>
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<td>Increase competition in and</td>
<td>Higher socio-economic returns on the MIG allocation.</td>
<td>Clauses in MIG contracts to encourage greater use of local content – stone, bricks and timber – in</td>
<td>Municipal Manager,</td>
<td>Infrastructure spend leverages greater socio-economic development.</td>
<td>2009-2010</td>
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<td>between the taxi and bus</td>
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<td>infrastructure projects.</td>
<td>Technical Services</td>
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<td>industries.</td>
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<td>Municipality to create a list of potential local suppliers to infrastructure projects.</td>
<td>Siyanza Manje.</td>
<td>Incidences of poorly maintained or white elephant infrastructure are reduced.</td>
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<td>Re-establish a rail network and</td>
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<td>service.</td>
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<td>Ensure value for money on</td>
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<td>Greater consultation with business and communities prior to delivery of infrastructure.</td>
<td>Municipal Manager, Private sector specialists.</td>
<td>Greater financial viability, profitability and employment creation of supported local enterprise.</td>
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<td>Infrastructure maintenance budget to be included prior to delivery of infrastructure so as to ensure sustainability.</td>
<td>Successful South African Corporations.</td>
<td>More systematic approach to supporting the private sector.</td>
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<td>Develop enterprise support skills</td>
<td>Maruleng officials to have a greater basis with which to engage the private sector leading to an entrepreneurial partnership between labour intensive private sector forms and the municipality.</td>
<td>Financial assistance given in support of proven accountability. Provide grant funding commensurate with &quot;own contributions&quot;. Provide grant funding in smaller incremental steps. Market share as a pre-requisite.</td>
<td>Municipal Finance Manager,</td>
<td>Fewer over-capitalised projects, and less wasted enterprise development budget.</td>
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<td>for enterprise support. Articulate a clear exit strategy for all projects. Own contributions to become a standard in enterprise support. Best and worst development practice identified, and lessons learnt from each. Government exit strategy to be identified as part of each enterprise support project. Municipal staff to undertake relationship building and exposure gathering internships with leading South African LED officers/managers. Ward councillors.</td>
<td>LED officers/managers. Ward councillors.</td>
<td>Governments ability to support socio-economic development is enhanced. Less enterprise dependency on government grants.</td>
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<td><strong>Tourism promotion and lodge linkages</strong></td>
<td>Maruleng tourism to enjoy a higher profile locally and internationally. Growth in local lodge businesses to contribute more to Maruleng growth and employment.</td>
<td>Improved road infrastructure.</td>
<td>Municipal Manager, LED Officer Local lodges and tourism operators.</td>
<td>Growth in revenue and employment in the Maruleng tourism sector. Higher economic multipliers lodges and Maruleng economy.</td>
<td>2009-2010</td>
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<td><strong>Proactively manage land restitution and redistribution process</strong></td>
<td>Ensure productivity of transferred farms is maintained.</td>
<td>More support – financial and institutional – for land reform process prior to and after settlements.</td>
<td>Municipal Manager, Director of Spatial Development and Economic Planning, Department of Land Affairs, Department of Agriculture, DWAF, Mabedi NGO.</td>
<td>Land reform farms remain productive.</td>
<td>2009-2010</td>
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<td></td>
<td>Avoid a rural catastrophe around the Moletele land settlement.</td>
<td>Moletele CPA to adopt the &quot;shopping mall concept&quot;, that is the CPA acts as landlord only, not as a business entity.</td>
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<td>Wealth is more evenly distributed in Maruleng.</td>
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<td>Ensure that land settlements realise some land for the municipality.</td>
<td>Proactive communication by the municipality around the land settlement process to avoid dis-investment.</td>
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<td>Land is more widely owned in Maruleng.</td>
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<td>Broad based black economic empowerment in the agricultural sector.</td>
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<td>Agricultural land is more intensively farmed in Maruleng.</td>
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<td><strong>More rational water management</strong></td>
<td>More water available for allocation.</td>
<td>Allocate the Blyde 800 to create jobs and revenue for poor residents.</td>
<td>DWAF, RMB, Lower Olifants Catchment</td>
<td>Higher returns on local water use.</td>
<td>2009-2012</td>
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<td>Available water used more efficiently.</td>
<td>Redeploy water that currently</td>
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<td>More water available to Maruleng.</td>
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<td>Water allocated to those sectors that generate the greatest revenue and employment.</td>
<td>goes to Depelle Mines.</td>
<td>management Agency, Water Users Associations, Municipal Manager, Department of Agriculture.</td>
<td>Greater ownership of water use rights by rural women.</td>
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<td>Managed use of the groundwater resource.</td>
<td>Support for off-stream water storage on the Blyde.</td>
<td>Local farmers association.</td>
<td>Functional and financially viable CMA and WUA established.</td>
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<td>Repair leakages to the Lebowa irrigation scheme.</td>
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<td>Water harvesting on houses.</td>
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<td>Once water rights have been equitably allocated, oversee a functional water market in Maruleng.</td>
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<td>Survey of available groundwater and groundwater use conducted by DWAF.</td>
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<td>Functional CMA and WUA in</td>
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<td>Broad LED Thrust</td>
<td>Components of broad thrust</td>
<td>Critical steps in implementation of thrust</td>
<td>Who responsible/involved</td>
<td>What outcome/measure of success</td>
<td>Timeframe</td>
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<tr>
<td>Support economic multipliers</td>
<td>Civil servants spend more of their time and money in Maruleng.</td>
<td>Workshops with local supermarkets, lodges and farmers to establish potential for local transactions.</td>
<td>Municipal Manager, LED officer, local businesses.</td>
<td>Accelerated economic growth.</td>
<td>2009-2012</td>
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<td></td>
<td>Local service providers and retailers able to compete more competitively for a share of local market.</td>
<td>Public sector increases its share of local procurement provided goods and services are comparable on price and quality.</td>
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<td>Higher economic multipliers.</td>
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<td></td>
<td>Link local suppliers and labour to MIG contracts.</td>
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<td>More competitive local firms.</td>
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<td>Redress gender imbalance in public sector procurement as a means of enhancing the multiplier.</td>
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<td>Establish a local newspaper (free to readers) promoting local goods and services.</td>
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<td>Broad LED Thrust</td>
<td>Components of broad thrust</td>
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<td>Link to the knowledge economy</td>
<td>Introduce appropriate innovations to Maruleng for the benefit of health care, agriculture, energy provision, water use and purification, irrigation, transport and communication. Develop and market knowledge products including a centre for sustainable development, a carbon market, birding routes, cultural and heritage tourism.</td>
<td>Develop long term working and research relationships with universities, research agencies and NGOs. Indigenous knowledge with regards to ecology and heritage is enriched and packaged to become marketable. Prevent opportunistic or experimental and piece-meal development of research and innovation projects in Maruleng. Academics and research products attracted to Maruleng for research. Knowledge products gain international recognition.</td>
<td>Municipal Manager, CSIR, HSRC, Universities, UNESCO, Traditional Authorities, IDC.</td>
<td>Growth of the Maruleng economy. Revenue associated with knowledge products. Universities and research agencies play a structural and long-term role in socio-economic development. K2C Biosphere gains a higher profile. Knowledge products used to enforce Maruleng’s identity as a place of sustainable development.</td>
<td>2009-2012</td>
</tr>
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<td>Implement</td>
<td>More effective use of All LED activities evaluated in</td>
<td>All LED activities evaluated in</td>
<td>Municipal Manager,</td>
<td>Socio-economic M&amp;E system</td>
<td>2009-2010</td>
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<td>Broad LED Thrust</td>
<td>Components of broad thrust</td>
<td>Critical steps in implementation of thrust</td>
<td>Who responible/involved</td>
<td>What outcome/ measure of success</td>
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<td>municipality wide monitoring of all socio-economic developments</td>
<td>municipal resources to promote socio-economic development</td>
<td>terms of labour and revenue creation absorption capacity.</td>
<td>Financial Director,</td>
<td>designed and implemented.</td>
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<td>Evaluation of programmes and projects in terms of labour and revenue creation potential.</td>
<td>Cost of employment in existing programmes and activities quantified.</td>
<td>LED Officer.</td>
<td>More accountable LED activities.</td>
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<td></td>
<td>Less profligate internal expenditure for Maruleng.</td>
<td>Labour intensive programmes and enterprises supported.</td>
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<td>Hallmarks of labour absorbing LED identified, documented and supported.</td>
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<td>Greater accountability over expenditure.</td>
<td>Exit strategy agreed for failed projects.</td>
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<td>More efficient use of municipal resources.</td>
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<td>Officials evaluated in terms of their contribution to socio-economic development.</td>
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<td>Profligate or ineffective officials brought to account.</td>
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<td>Municipal expenditure on internal items and salaries evaluated against socio-economic returns.</td>
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APPENDIX
12.

Appendix A: Summary of economic growth strategies pursued by select developing countries in the post-second world war period

East Asia: The success of East Asia began with Japan. Within two decades after the Second World War Japan had become the second largest economy and experienced sustained growth rates in excess of those anywhere else in the world. Japan’s economic growth was followed by South Korea, Taiwan, Hong Kong and Singapore then by Thailand, Indonesia, Malaysia and most recently by China.

The East Asian success refuted the belief at the time (Lewis, 1955, Kuznets, 1955) that inequality was necessary for growth. East Asian growth created widespread wealth; in Malaysia and Thailand incidences of poverty declined by 50% in the 1960s (Stiglitz & Charlton, 2005). It is often assumed that the East Asian success can be generically attributed to market liberalisation (Samuelson, 1962) and free-market philosophy, but there were important differences between the policies pursued by East Asian countries. To attribute the regional success to a single factor would be wrong, and the approaches adopted by East Asian countries were significantly different the prescribed free-market orthodoxy in a number of respects.

Korea and Japan actively restricted foreign direct investment (which made up less than 5% of GDP in the period 1987-92), in an attempt to nurture large domestic industrial companies. In contrast, Singapore and Malaysia actively pursued foreign multinational companies and encouraged clusters of activity to develop around them. Foreign Direct Investment in these countries was above 30% of GDP in the early 1990s.

The East Asian Economies did have certain things in common. All countries pursued investment in infrastructure and human capital (skills and education), all countries boosted the growth of their agricultural sector and they all experienced declining fertility - although more recent work by Robert Cassen shows that fertility declines may have been the result, and not the cause, of economic growth. In all the East Asian countries the State played a significant role. East Asian countries did ensure stable macro-economic fundamentals, low inflation, a real exchange rate and a reliable legal framework which promoted competition and social stability – the basic tenets of the neo-liberal orthodoxy (as described in the so called “Washington Consensus”). However, East Asian countries also had large and well-capacitated public sectors. While the countries did prioritise competitive companies in their growth
strategy, government supported these firms with physical and institutional infrastructure, with targeted innovation from universities and carefully selected technology transfers. Subsidised credit from State banks and in some instances market protection that allowed companies to establish their market position before facing full competition, were provided selectively and intelligently. With regards to international trade, many East Asian countries followed a two-track policy of protection of industries not yet ready to compete internationally and promotion of competitive industries (Stiglitz & Charlton, 2005).

**Latin America**: Motivated by the industrial success of developed countries prior to and during the Second World War, governments in South America sought to generate successful domestic industries capable of substituting existing imports. Differential exchange rates – high for imports and low for exports - were introduced to encourage exports and to protect local manufacturers. In this way “infant industries” or “pioneering firms” were protected and sometimes supported while they established themselves. The approach was successful for a while. Growth in the region averaged more than 6% in the 1970s, but then collapsed spectacularly in the 1980s when oil prices spiked and the extensive amounts of money borrowed by Latin American countries to finance their approach became unsustainably expensive. Ironically the region’s very open financial capital markets (as opposed to goods markets) appeared to aggravate the problem by allowing rapid exit of financial investments. East Asia, which applied a much more regulated approach to its capital markets did not experience the same problem until 1997, and then to a lesser extent.

Within Latin America, Brazil, which has subsidised its biofuel industry since the 1970s, has eventually reaped the benefits of this programme in the form of growth and stability in the face of the 2005-ongoing oil price shocks. The success of the industry allowed Brazil to become the dominant supplier of global biofuel and to withdraw import protection of domestic biofuels in January 2007, and to export significant volumes of this strategic commodity. Similar success has been enjoyed by Brazil’s small aircraft manufacturers, which were protected for much of the 1980s, although the similarly protected Brazilian nuclear industry was never able to become competitive.

**Mexico**: In 1994 Mexico entered the North American Free Trade Agreement (NAFTA) with the United States. NAFTA gave Mexico trade access to the largest economy in the world and in terms of neo-liberal economics should have been hugely beneficial for Mexico, but experiences have been mixed. Since the implementation of NAFTA, exports have increased at roughly 10% per annum, FDI has also increased quickly and the agreement has allowed the country to survive international shocks better than it might have. At the same time, growth has been slower, mean wages have declined and some of the poorest people in rural areas have been rendered worse off as subsidised American agricultural products flooded the Mexican market. Mexico has struggled with the power-imbalance in its relation with the United States, a relationship that has seen it become the supplier of cheap labour and commodities, and the importer of more expensive manufactured goods. Mexico has not achieved adequate innovation, has had low levels of patenting (compared with East Asia), poor regulatory effectiveness and
acknowledged corruption. With the rise of China, which is now out-competing Mexico in the supply of cheap commodities and goods into the United States, the Mexican economy is now vulnerable.