



**2014**

# Merafong City Growth and Development Strategy

**May 2014**

2015/2016 IDP REVIEW



**URBAN-ECON**  
Development Economists

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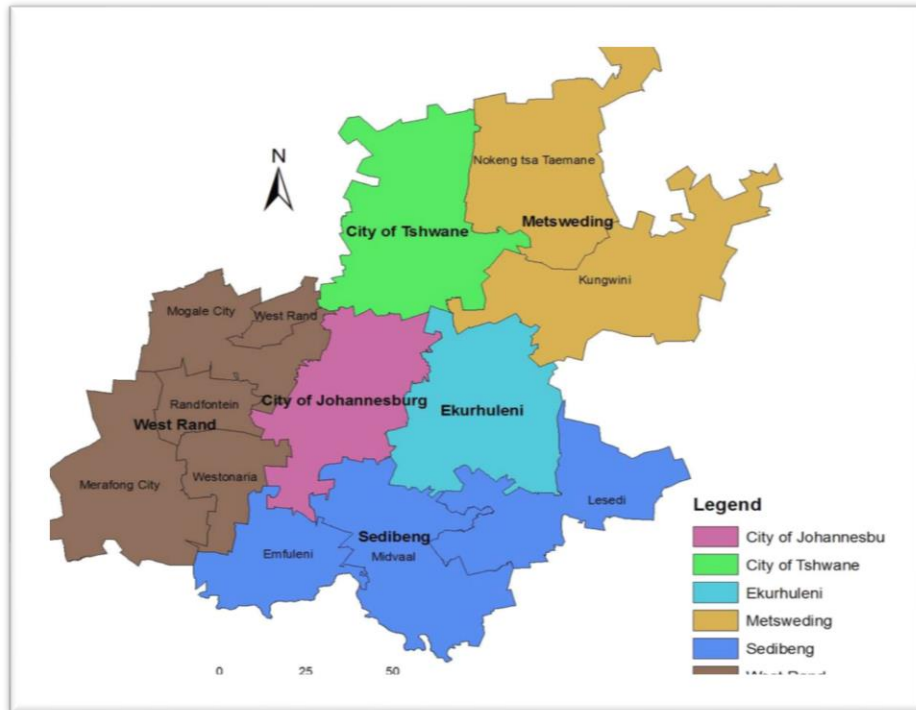
# PREAMBLE

Urban-Econ: Development Economists was appointed by the Merafong City Local Municipality to assist in the compilation of a Growth and Development Strategy to guide the future development of the area.

The Merafong City Local Municipality embarked on processes to compile comprehensive Growth and Development Strategy in 2008 which were reviewed in 2010 and it is again updated now in 2014.

Merafong City is located within the wider, functionally connected Gauteng City Region and the long-term development vision for the *City Region* could hold in significant benefits for Merafong City. It forms part of West Rand District Municipality which consists of four local municipalities namely: Mogale City, Randfontein, Westonaria and Merafong City. The municipality encompasses an area of 1 631 km<sup>2</sup>. It is therefore important for Merafong City Local Municipality to position itself within the City Region and, more specifically, as part of the West Rand economic node. For this reason, the *Merafong City Growth and Development Strategy* is aligned with the development *strategies and priorities of the Gauteng Province and the West Rand District*.

*MCLM is situated in the South Western part of the Gauteng Province*



This document consists of the following components:

**Section 1: Development Profile**

The compilation of an up to date Development Profile for Merafong City entails updating existing profiles of the area by using the latest economic data and aligning the development priorities of the Local Municipality with those of the District and Province.

**Section 2: Opportunity Analysis**

During the Opportunity Analysis phase, the existing strengths and comparative advantages of the local economy were identified and analysed, and specific development opportunities were identified for each economic sector.

**Section 3: Business audit**

During the Development Profiling and Opportunity Analyses phases of the project, information gaps were identified that needed to be addressed in order to gain sufficient understanding of the local economy. The audit was conducted to compile a database of existing local businesses and gather information on trends, expectations, problems and perceptions in the local business sector.

**Section 4: GDS Strategy – Strategic framework**

This phase entails the compilation of a Strategic Framework to guide future development in Merafong City. It includes a development vision for the local economy, together with implementation guidelines, development thrusts, programmes and projects, recommendations regarding a suitable institutional framework and suggested phasing and timeframes of development.

The following diagram represents a “roadmap” of the document:

Sections One and Two, the Socio-economic development profile and Opportunity analysis, were compiled in an innovative user-friendly format, consisting of “fact sheets” that give an easy to understand economic overview of each sector.

#### **Business Forum engagement**

A local Business Development Summit for Merafong City was conducted in October 2013, at which stakeholders from different interest groups and economic sectors were represented. The Development Profile and Opportunity Analysis were presented, after which comments and inputs were received from those present. The inputs from the Summit were incorporated into the Strategic Framework for the Merafong City GDS.



Merafong City Local Municipality

# Growth and Development Strategy – Section 1

Socio-Economic Profile and Trends



**URBAN-ECON**  
Development Economists

May 2014

## Introduction

This document has as its purpose the analysis of the socio-economic status quo in Merafong City. **Urban-Econ: Development Economists** are in the process of studying the Merafong City economy, in order to gain insight into the important factors underlying the economic situation and to identify the most appropriate and effective strategies for growth and development.

The document includes an analysis of social and economic trends, the relevant policy directives from district and provincial government level, and the implications of these for the future growth and development of Merafong City.

The document is in a user-friendly format, and is meant to stimulate debate and discussion about growth and development potential in Merafong City.

### Development Themes

- ❖ Demographic and socio-economic trends
- ❖ Spatial factors
- ❖ Economic performance
- ❖ Sectoral structure and performance
- ❖ Agriculture
- ❖ Mining
- ❖ Manufacturing
- ❖ Utilities (Electricity and water)
- ❖ Construction
- ❖ Trade
- ❖ Transport and communications
- ❖ Finance and business services
- ❖ Community and personal services
- ❖ Government services
- ❖ Summary of employment trends
- ❖ Infrastructure and access to services
- ❖ Water provision
- ❖ Housing

# 1. DEMOGRAPHIC ANALYSIS

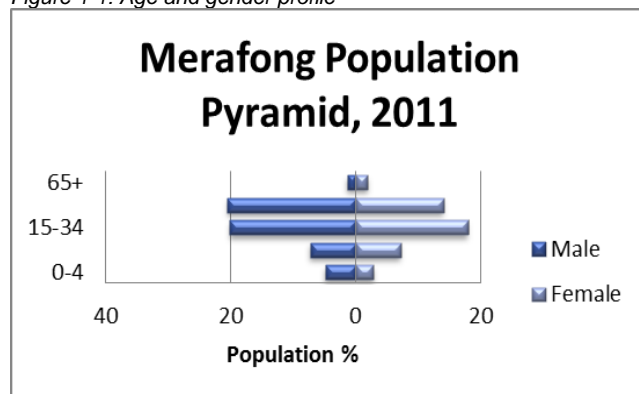
The population of any geographical area is the cornerstone of the development process, as it affects economic growth through the provision of labour and entrepreneurial skills, and determines the demand for production output. Examining population dynamics is essential to gaining an accurate perspective of those who are likely to be affected by any prospective development or project.

Table 1-1: Demographic and Socio-Economic Trends

## Population data, 2011

- According to the Census 2011, Merafong's population was 197 520
- This makes up 24.1% of the district municipality's population and 1.6% of the provincial total.
- The population has declined by 6.2% from 210 483 in 2001 to 197 520 in 2011.
- The municipality has a population density of 121.1 people per km<sup>2</sup>.

Figure 1-1: Age and gender profile

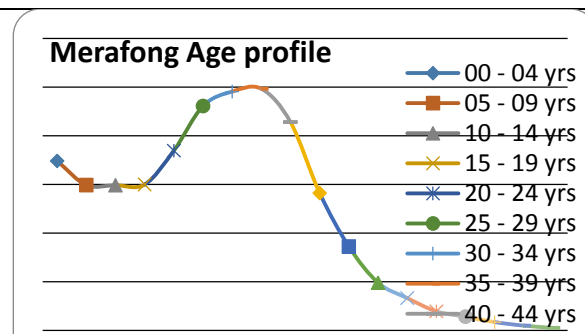
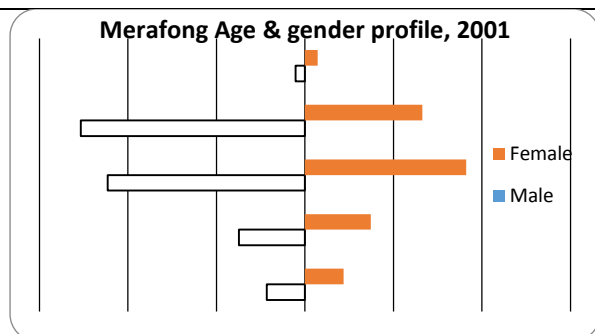


Source: Urban-Econ calculation based on Quantec data, 2013

## Age and gender profile

- As shown in the pyramid, the Merafong population profile is male-dominated
- The males make up 54.3% of the total population while females make up the remaining 45.7%.
- This can be attributed to the in-migration of male workers in the mining industry.
- The population can be classified as a young population with 62.2% of the population being younger than 35.

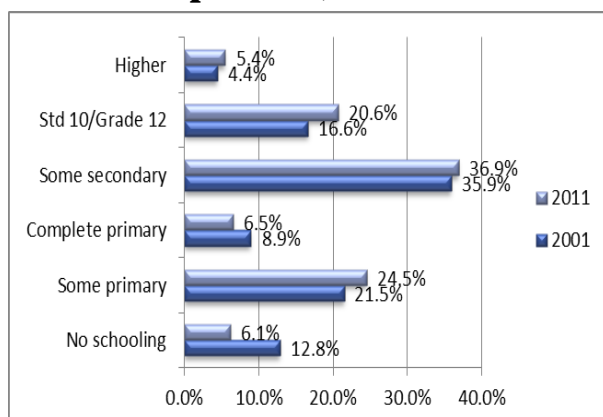
## Comparison with 2001 Demographic & Socio-economic trends



### Demographic Trends

- 1) Current population estimated at 287,607 in IDP of 2007/08.
- 2) As measured in 2001, Merafong population profile is male-dominated, mainly due to in-migration of male workers in mining industry. (Male: 57%, Female: 43%).
- 3) If trends observed between 1996 and 2001 were assumed to persist between 2001 and 2007, Merafong would have a much more balanced gender distribution in 2007.
- 4) This indicates a slightly larger % of the population is dependent on others for their livelihood.
- 5) In 2001, largest proportion of population (75%) was between the ages 15-64 years, which represents the economically active population. Estimate for 2007 indicate a slight decrease to 73%.
- 6) High and climbing HIV infection rate (Number of infected 2004: 35,085. Estimate for 2007: 42,105) (Source: Quantec Research & Urban-Econ calculations)
- 7) Annual AIDS related deaths: 2,235 in 2004 (Estimate for 2007 is 2,950) (Source: Quantec Research & Urban-Econ calculations).

**Figure 1-2:  
Education profile, 2011**

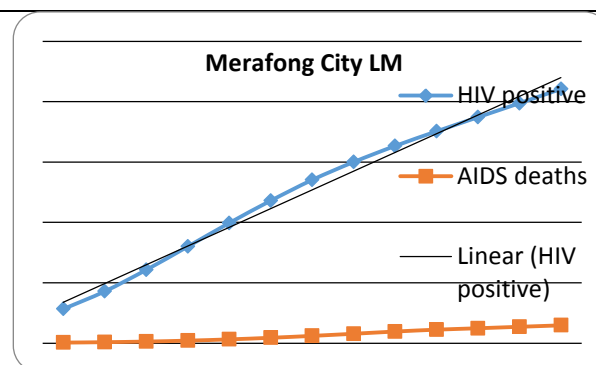
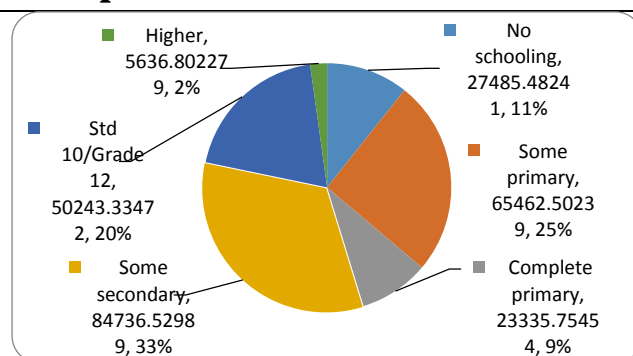


Source: Urban-Econ calculation based on Quantec data, 2013

## Education profile

- 6.1% of the population had no education at all,
- 30.9% have primary education and 57.5% have secondary education.
- Those with a higher educational qualification accounted for 5.4% of the population.
- These figures indicate an increase in all categories since 2001, except for the no schooling category which decreased by 6.7% indicating a higher percentage of people attending school.

## Comparison with 2007



- 1) Estimated education profile for 2007:
- 11% of population of Merafong has no schooling, compared to 9% in Gauteng and 16% in RSA (Source: Quantec Research & Urban-Econ calculations).
  - 20% of Merafong's population has completed Grade 12, compared to 28% in Gauteng and 27% in RSA (Source: Quantec Research & Urban-Econ calculations).

### Gauteng GDS

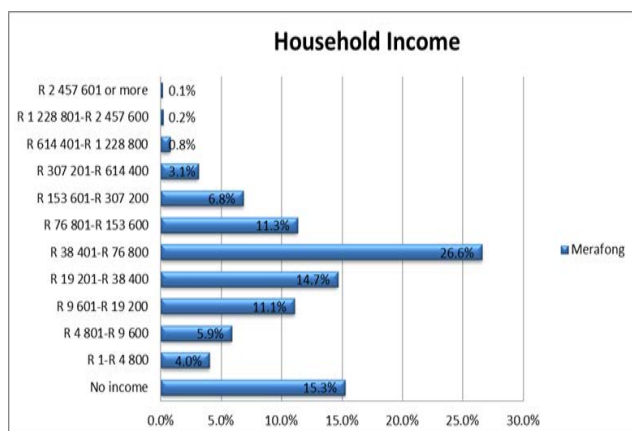
- Socio-Economic Development
  - Integrated Development
  - Sustainable Development
  - Holistic, participatory planning
- Provide Economic Growth
- Reduction in Poverty
- Job creation, and
- Improving social service delivery targets

### West Rand GDS

- Building capacity and skills in the district through cooperation with provincial & national government and funding SMME-training.
- Expanding public infrastructure investment throughout the district.

Improve the quality of education throughout the district, and increasing the number of tertiary institutions.

**Figure 1-3:  
Household income, 2011**



Source: Urban-Econ calculation based on Quantec data, 2013

*Households and household income*

- According to the Census 2011 the total number of households in MCLM was 66 625.
- In 2011, 15.3% of the households had no income at all. These households are dependent on state grants, charity and possibly extended family/social networks for survival.
- 50.1% of the total household number earned an income of R3 200 or less. This means that half of the households in MCLM experience difficulty in meeting their basic needs.
- The average monthly weighted household income was R6 619 in 2012 prices.

**Comparison with 2001 and 2007**

**Household income**

- 1) According to Census 2001, almost 70% of the population of Merafong City had a household income of R3,200 or less.
- 2) The Average Weighted Income (AWI) as measured in 2001 was as follows:

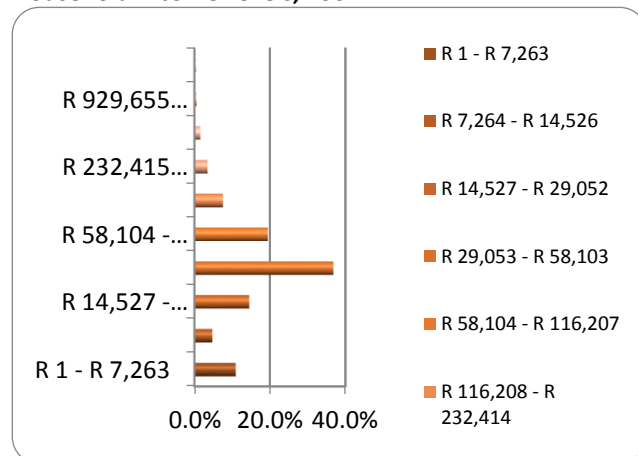
South Africa	Gauteng	Merafong
R5,443	R5,015	R4,004

Source: Quantec and Urban-Econ calculations

- 3) Assuming that the % distribution of households by income category remain constant between 2001 and 2007, the estimated AWI\* of Merafong in 2007 is R4,809, compared to R6,019 in Gauteng (Source: Quantec Research & Urban-Econ calculations).

\*AWI is the average income of households, taking into account the distribution of households across income categories.

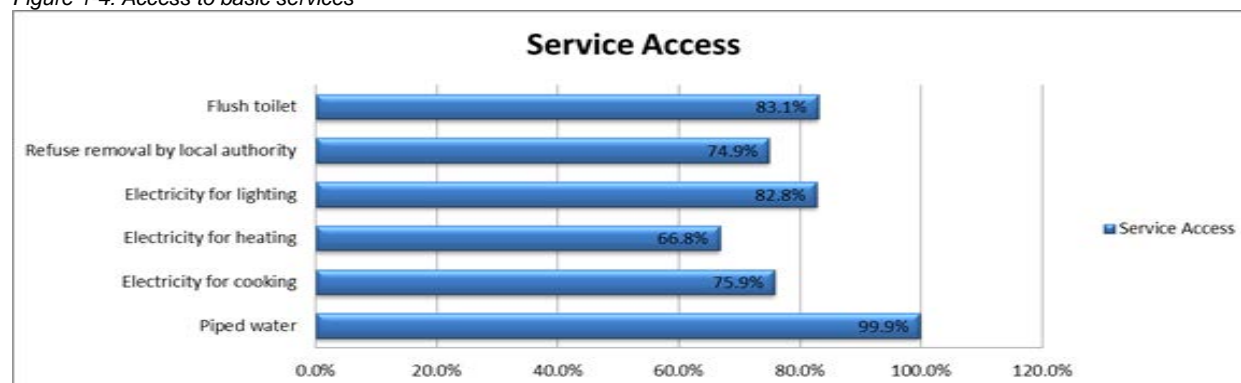
**Household Income Levels, 2007**



Source: Quantec Research and Urban-Econ calculations

## Access to basic services, 2011

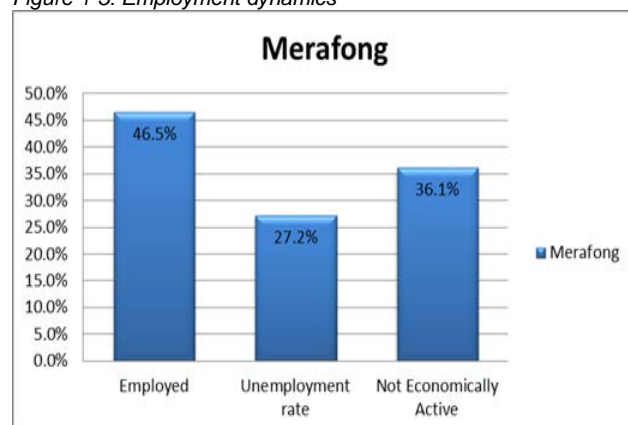
Figure 1-4: Access to basic services



Source: Urban-Econ calculation based on Quantec data, 2013

## Employment Profile, 2011

Figure 1-5: Employment dynamics



Source: Urban-Econ calculation based on Quantec data, 2013

### Employment

- The Merafong local municipality has a labour force of 91 521, of which 66 635 are employed.
- Official unemployment data as per Census 2011 estimates unemployment rate at 27.2%. This rate excludes those people who are classified as “not economically active”. Taking this into account, it is suspected that real unemployment rate is much higher.
- The labour force participation rate is the percentage of working-age persons and for the local municipality it was 63.9% in 2011.

## 2 ECONOMIC PROFILE

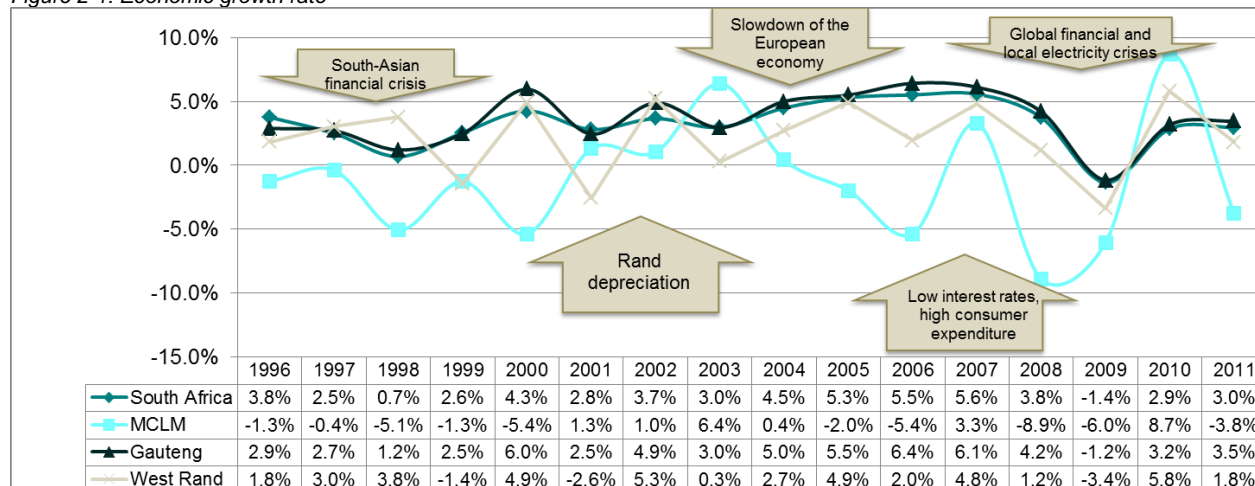
### 2.1 Economic Performance

The size of the Merafong Local Municipality economy was estimated at R14.9 billion in 2012 prices, approximately a third of the West Rand District’s total GDP of R44.8 billion and 1.6% of the Gauteng economy.

In terms of economic growth Merafong Local Municipality has a negative average annual growth rate of 1.1%. This is lower than the growth rate of Gauteng, the West Rand and national growth rate. The low growth rate can be attributed to a continuous decline in the mining sector and Merafong’s dependence on this sector. It is evident that the 2008 Global Recession also had a negative impact which caused a sharp decline in economic growth, for all economies. From 2010, the national economy experienced an upturn and has been in steady recovery, this is however, not the case for MCLM. The MCLM economy experienced a sharp increase in 2010; this could be attributed mainly to

the increase in the mining sector’s contribution to the local GDP. This sharp increase was followed by a huge drop, which coincided with labour unrest at the mines.

Figure 2-1: Economic growth rate



Source: Urban-Econ calculations based on Quantec data

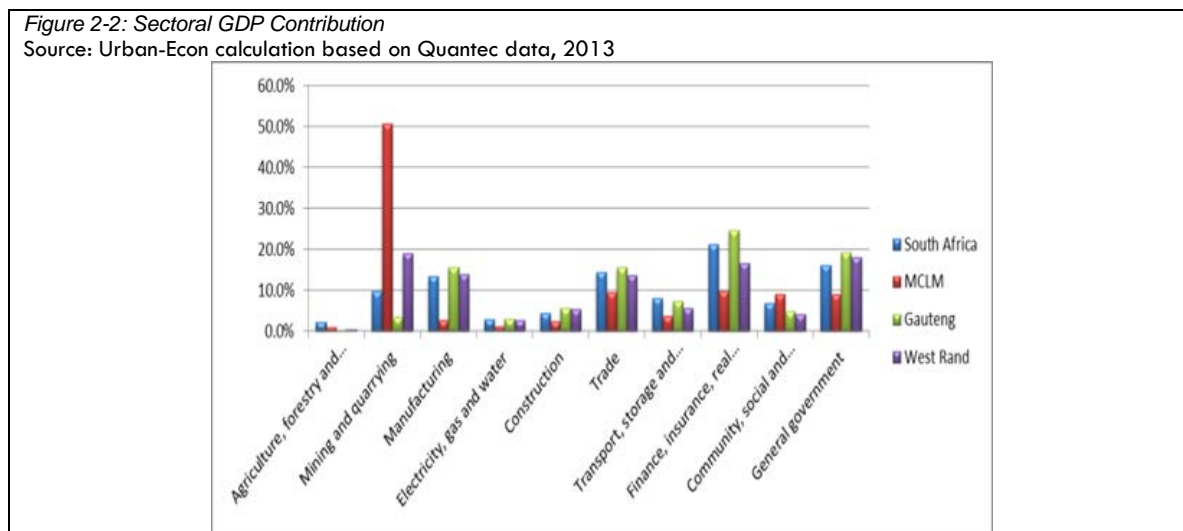
## 2.2 Sectoral Economic Structure and Performance

The economy of Merafong city is still dominated by the mining sector, which contributed 50.7% to GDP in 2011. Although the mining sector is still dominant in the economy of Merafong City, there has been a decline in both production and its contribution to GDP. The trade (9.7%), finance and business services (9.9%), community services (9.2%) and general government (9.1%) are also important contributors to the GDP of Merafong.

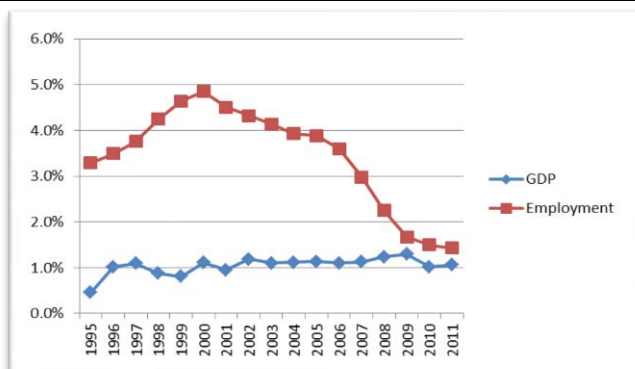
The following table gives an overview the sectoral performance in terms of GDP contribution and employment.

Figure 2-2: Sectoral GDP Contribution

Source: Urban-Econ calculation based on Quantec data, 2013



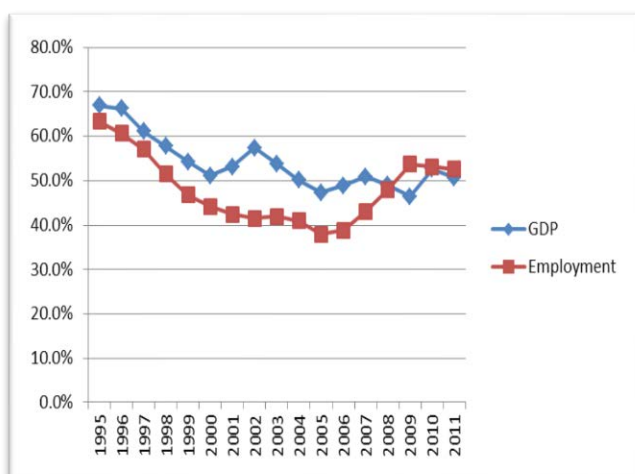
## AGRICULTURE



### TRENDS:

- Almost constant contribution towards GDP over the past decade. There was, however a sharp increase in GDP contribution of the agricultural sector between 2008 and 2009
- There was an increase in the contribution to employment of the agricultural sector over the period 1995-2000. Employment in this sector has been in decline since 2001

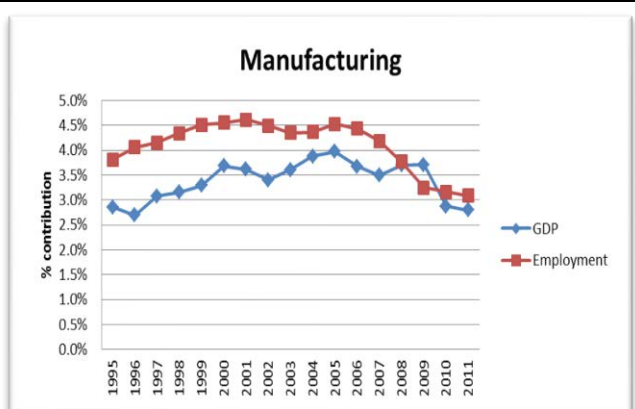
## MINING



### TRENDS:

- Mining is the dominant sector in the economy of Merafong City
- Over the period from 1995 to 2000 the mining sector experienced a decline this could be attributed to the decline in international gold prices. There were notable increases in contribution towards GDP in 2001, 2007 and 2010. The fluctuations in contribution are as a result to this sector's dependency on international prices and exchange rates
- The employment in the sector was also in decline over the period 1995 to 2005 but there has been positive growth since

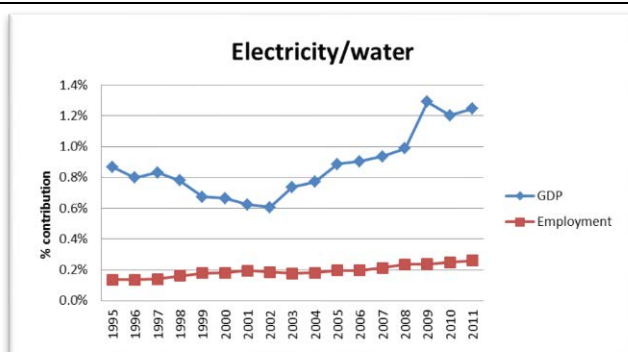
## MANUFACTURING



### TRENDS:

- The GDP and employment trends for the manufacturing were almost similar
- Although employment in this sector has been in decline since 2005
- On the other hand GDP contribution of the manufacturing sector has been fluctuating over the period analysed

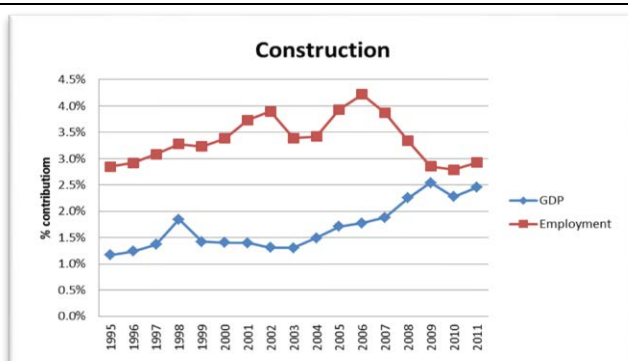
## ELECTRICITY/WATER



## TRENDS:

- The GDP contribution for the utilities sector has been increasing
- Meanwhile, the employment contribution of this sector has been almost constant over the years
- The sector is not a significant contributor to both employment and GDP

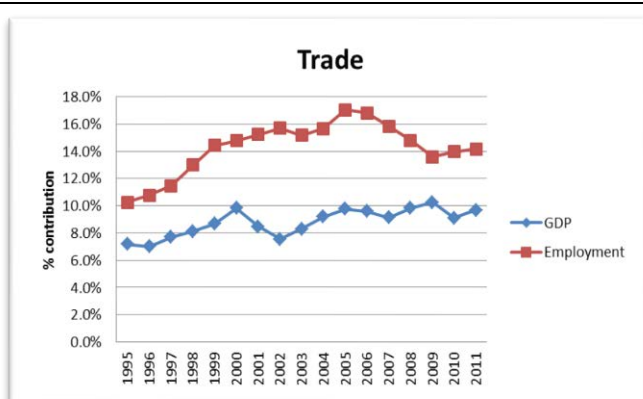
## CONSTRUCTION



## TRENDS:

- The GDP contribution for the construction sector shows an upward trend
- Meanwhile the employment contribution of this sector over the past five years has been in decline
- Sector's contribution to GDP is smaller than that of employment

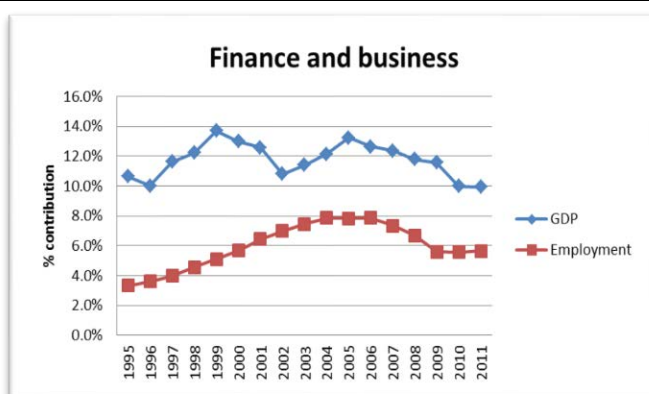
## TRADE



## TRENDS:

- The GDP contribution for the trade sector exhibits a general increasing trend
- It contributes 9.7% in GDP to the economy of Merafong City
- The employment contribution shows an upward trend over the period 1995 to 2005 and declined between 2006 to 2009 but has been in increase over the past few years
- In 2011, it was the second largest contributor to employment, employing a total of 11 164 people

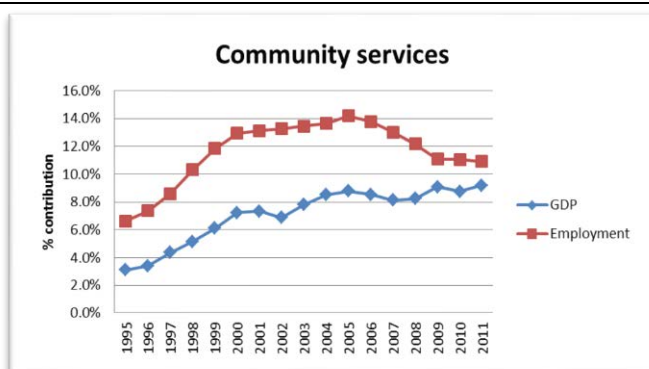
## FINANCE AND BUSINESS



### TRENDS:

- The GDP contribution for the finance and business sector exhibits
- The employment contribution showed an upward trend over the period 1995 to 2006 but has declined since then
- The sector employs 4 454 of the employed and contributes 9.9% to the municipality's GDP

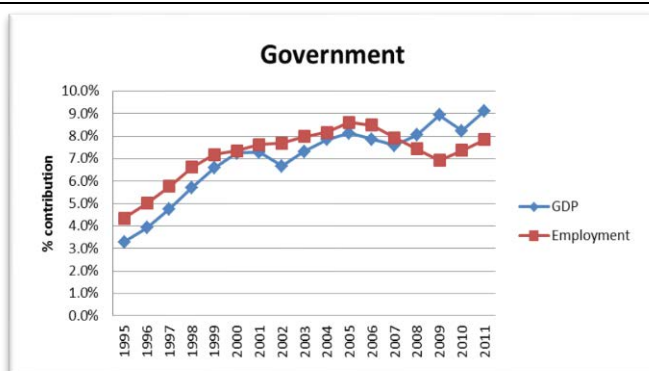
## COMMUNITY SERVICES



### TRENDS:

- The GDP contribution for the trade sector exhibits an upward trend. It contributes a significant percentage of GDP to the
- Although the employment contribution is higher than the GDP contribution, it seems to have declined over the past five years

## GOVERNMENT



### TRENDS:

- Upward trend in GDP and employment contribution
- The government services sector is an important contributor to GDP (9.1%)
- In 2011, the sector employed 6 178 people

## 2.3 Comparative Advantage

A comparative advantage indicates a relatively more competitive production function for a product or service in a specific region than the aggregate economy. It therefore measures whether a specific economy produces a product or renders a service more efficiently than the other.

One way to measure the comparative advantage for a specific economy is by way of the location quotient. Location quotient compares the regional share of economic activity in a particular industry to the national share of economic activity in the same industry. The result reveals the degree of regional specialization in each industry. If a specific economy has a location quotient larger than one in a particular sector or activity, per interpretation, that economy enjoys a comparative advantage in that particular sector or activity. A quotient larger than one indicates a comparative advantage and a quotient smaller than one indicates a comparative disadvantage in an economic activity. A location quotient of less than one does not necessarily mean that there is no potential to grow that sector of the economy. It could, for instance mean that the advantages the sector holds have been overlooked while focusing on the dominant sector(s) in that area. A low location quotient (comparative advantage) does not mean that these sectors do not have the capacity to evolve and become substantial contributors to the income of the Merafong City Local Municipality. The potential needs to be investigated.

Table 2-1: Location quotient of the Merafong Local Municipality 2005-2011

INDUSTRY	2005	2006	2007	2008	2009	2010	2011
Agriculture, forestry and fishing	0.4	0.4	0.4	0.5	0.6	0.6	0.6
Mining and quarrying	6.3	5.9	6.1	5.4	5.1	5.8	5.1
Manufacturing	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Electricity, gas and water	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Construction	0.6	0.7	0.7	0.8	0.8	0.7	0.8
Trade	0.7	0.8	0.8	0.9	1.0	0.9	1.0
Transport and communication	0.5	0.6	0.6	0.7	0.7	0.6	0.6
Finance and business services	0.6	0.7	0.6	0.7	0.7	0.6	0.7
Community and personal services	1.4	1.6	1.6	1.8	1.9	1.8	1.9
General government	0.5	0.6	0.6	0.7	0.7	0.7	0.8

Source: Quantec data, 2013

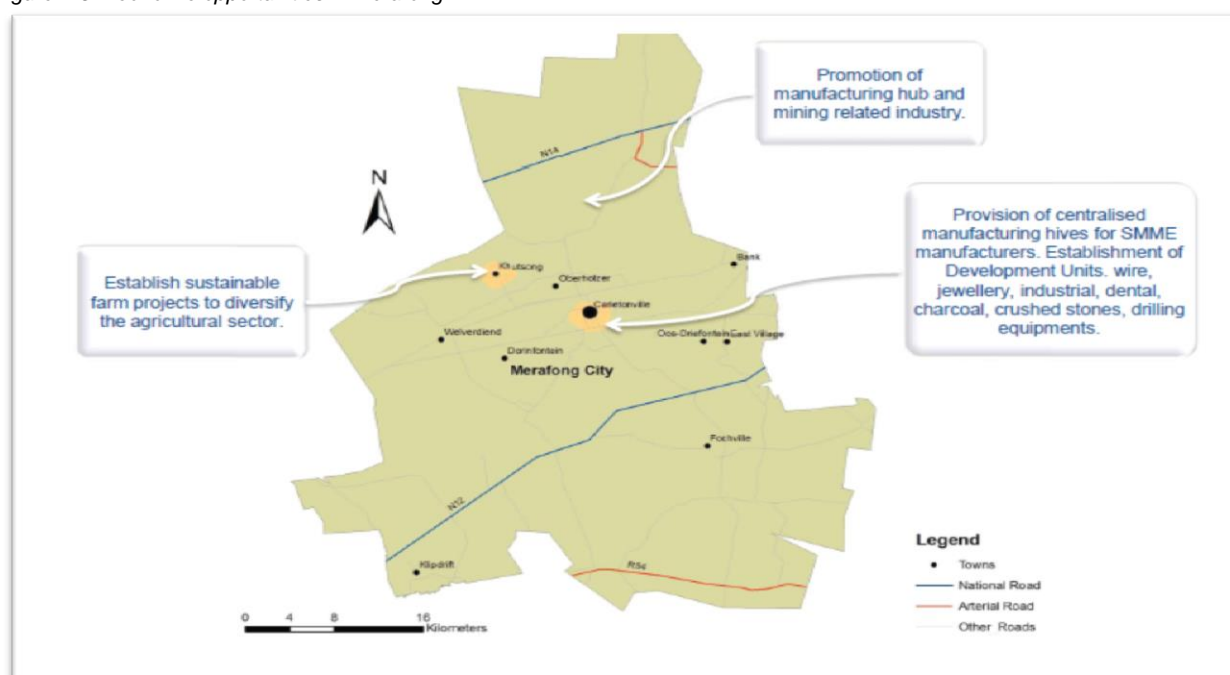
The results of the location quotient can be summarised as follows:

- Merafong City has a strong comparative advantage in mining. However, as already mentioned, the mining industry in Merafong City has experienced a decline in recent years, which points to a need for a diversification of economic activities.

- Merafong City performed relatively well in the community, social and personal and trade sectors, but these sectors are completely overshadowed by the mining sector GVA.
- Merafong City has the potential to expand into, for instance, mining related manufacturing and services
- A weak economic base is also impinging on the prospects for growth for the Manufacturing, Construction, Transport and Government services sectors. This does not mean that these sectors do not have the capacity to evolve and become substantial contributors to the income of the Merafong City Local Municipality. Rather these classifications indicate that attention needs to be paid to increasing the competitiveness of these sectors as well as their linkages to other sectors in the local economy.

## 2.4 Development Opportunities per Economic Sector

Figure 2-3: Economic opportunities in Merafong



Source: Gauteng Economic Opportunity Atlas, 2011

The economic opportunities in Merafong City LM, as outlined in the figure above:

- Around the Khutsong area:
  - Establish sustainable farm projects to diversify the agricultural sector
- Around Carletonville:
  - Provision of centralized manufacturing hives for SMME manufacturers.
  - Establishment of Development Units (wire, jewellery, industrial, dental, charcoal, crushed stone, drilling equipment).
- Alongside the N14:
  - Promotion of manufacturing hub and mining related industry

### Agriculture

The Agricultural Sector in the West Rand has repeatedly been identified as a sector with the potential to stimulate economic growth and job creation in the area. According to Gauteng

Department of Agriculture and Rural Development (GDARD) officials, Merafong City LM is identified as one of the areas that are currently dominated by maize fields and which forms the core of the Maize Triangle. Below is a list of agriculture related development opportunities relevant to the municipality.

- Intensive commercial farming opportunities:
  - Labour intensive agriculture projects
  - Vegetable production
  - Speciality vegetable production
  - Cut flower production
- Small-scale commercial farming:
  - Conventional crop production: maize, green maize & dry beans
  - Low-input maize production
  - Egg production
  - Milk production
  - Broiler production
- Subsistence farming:
  - Per-urban irrigated plots for fruit & vegetable production
  - Homestead food production (i.e. cabbage, tomatoes, onion, potatoes, beans, green maize, etc.)
  - Homestead egg laying units
- Other development opportunities within the agricultural sector:
  - Demonstration plots: Plots with various crops and nursery products for the community, showing production techniques and crop options supported by extension services and access to information
  - Agro-processing industries/activities: Leather tanning, flour milling, dairy product processing
  - Agro-based tourism: Tourists visiting the large commercial farms in the area, e.g. ostrich farm

## **Mining and quarrying**

Mining is still a very important economic sector in Merafong City, both in terms of production and employment. Gold is the most important mineral mined in MCLM, with some of the largest unmined gold reserves in South Africa. The mining industry is set to play an important role in the economy of the municipality for many years to come. There is still considerable potential to utilize the mining sector as a catalyst for developing other economic activities, by strengthening local backward and forward linkages. Some of these opportunities include:

- New gold mining projects:
  - E.g. new mines and exploration programmes
  - Although decisions regarding new mining projects are mainly made by mining houses and depend on approval by the Department of Mineral Resources, opportunities to supply materials, machinery, etc. to new mines should be fully exploited
- Improving the profitability of mines:

- The main controllable factor in improving profitability is by the improvement of employee productivity, through:
  - Literacy education
  - Introducing share motivation schemes
- Small Scale mining:
  - Although small scale underground operations are not an option, some potential does exist in terms of surface operations, e.g. reworking of mining dumps, brickworks, etc.
- Strengthening local backward linkages:
  - Local manufacturing enterprises can benefit substantially if suppliers can negotiate more/larger contracts with the mines. This is currently hampered by an inability to meet demand in terms of quality, quantities and competitiveness, as well as unwillingness of mines to support local businesses. This could be addressed by:
    - Establishing an appropriate partnership structure/initiative
    - Local information and manufacturing exhibitions
- Mining assisted small business development:
  - SMME's in the mining industry could most efficiently be involved in the rehabilitation of mining dumps and slimes dams
  - Opportunities also exist in terms of the provision of construction materials and services to the mines
- Processing and beneficiation of mining produce:
  - Establishment of downstream-gold activities in the area:
    - Application of gold in catalysis and other industrial uses, e.g. electronics, dentistry
    - Refinery
    - Jewellery manufacturing
- Mining Centre of Excellence:
  - Utilising available facilities and infrastructure to establish an International Centre of Excellence in the Gold Mining Industry:
    - Training in mining operations for trainees from across Africa and the rest of the world
    - Innovation in mining techniques and quality control
    - Investment promotion in the mining value chain
    - Environmental monitoring

## Manufacturing

In general, the industrial base in MCLM is relatively small; however, manufacturing has been identified by the Gauteng Economic Development Opportunity Atlas as a development opportunity in the municipality. The Gauteng Economic Development Opportunity Atlas is a document prepared by the Gauteng Economic Development Agency (GEDA) in a bid to map and give a spatial expression of sectoral opportunities in different areas around Gauteng with the aim to ensure growth and development. Development opportunities in the manufacturing sector include:

- Industrial cluster development:

- Manufacturing development can be promoted through the development of industrial clusters around growth sectors that appear to have a comparative advantage or potential, e.g. industries linked to the mining sector, textiles.
- Manufacturing opportunities in niche markets
  - SMME manufacturing, incl. clothing, upholstery, arts and crafts, etc.
- Manufacturing activities using local produce as inputs
  - Mining product beneficiation, e.g. jewellery manufacturing
  - Agro-industrial processing, e.g. Dairy processing, grain milling
- Supportive and service industries linked to the mining sector:
  - These industries should be targeted for growth, since more/larger contracts for the delivery of services/inputs to the mines will improve backward linkages
- Chemical Waste Sector
  - The current environmental problems experienced in the West Rand due to chemical/toxic seepage, points to an urgent gap in terms of waste management agencies/companies. The West Rand should investigate opportunities in the waste disposal sector, which includes the safe and appropriate disposal of waste, as well as the utilization/recycling of waste, e.g. chemical waste processing and refinement.

## Utilities (electricity, gas and water) and Construction

Growth in the utility and construction sectors can occur as a result of strong linkages with other sectors in the economy. An expansion in any industry, such as manufacturing, retail, offices, residential, etc. will increase water and electricity consumption as well as construction activities. Encouraging investment in other economic sectors will subsequently also have a positive effect on the utilities and construction sectors. Opportunities in these sectors include:

- Assessment and upgrade of service infrastructure
- Urban renewal and inner city rejuvenation
- Green building practices
- Investigating and developing alternative energy resources
- CBD Regeneration and Industrial development

## Wholesale and retail trade

Retail development is a derived demand, influenced by, e.g. disposable income levels in the area. The formal retail market is concentrated in the CBD's of major towns, such as Carletonville. Smaller local shopping centres cater for day-to-day needs in local neighbourhoods.

- Gaps in regional retail hierarchy
  - Provide shopping facilities to fill the gaps experienced
- Mining and agriculture supplies and services
  - All services and supplies needed by the mining and agricultural sector
- Fresh produce market
  - A local fresh produce market would act as a local off-set point for the product of farmers, which could lessen transportation costs
- Development of commercial clusters

## Transport and communications

Transport and communications sector is seen as crucial for unlocking development potential, with no exception to the municipality Focus falls on improvement of communication and transport links along identified development corridors and between core areas/nodes. Special focus is placed on development corridors that link up with Gauteng; of relevance for Merafong City is the Treasure Corridor along N12. Development opportunities in the transport and communications sector include:

- Utilising existing infrastructure optimally through proper routine maintenance and rehabilitation routines
  - This could also stimulate the creation of job opportunities, e.g. public works programme
- Improvement of existing infrastructure with the aim of increasing accessibility to the area
- Transportation corridor development with surrounding areas and economic of importance
  - This should also entail attracting investment and creating business opportunities, especially along the transportation corridor(s)
- Improving the safety and efficiency of rail commuter services, in order to utilise the system to full capacity
- Introducing new communication technology, i.e. logistics, ICT, networking platforms, call centres, etc.
- Possibility of a Logistics/Distribution Centre in the West Rand should be investigated

## Services

The services sector includes community, government and personal services oriented businesses. Although development potential within this sector primarily depends on the supply and demand within the area, opportunities for development include:

- Provision of services to the mines
- Strategic partnerships with Mining companies with regards to provision of higher order social facilities

## Tourism

Tourism is not an economic sector in its own, but forms part of other sectors especially the trade, transport and finance sectors. However, due to its increasing importance as an income and employment creator in South Africa, it is believed that this sector's developmental opportunities should be discussed separately from the other sectors. The opportunities of relevance to MCLM include:

- Promotion, information and infrastructure
  - Improved and focused marketing of the area as a tourist destination
  - Development of tourism packages
  - Improvement of tourism infrastructure, incl. transport links, signage, information services
  - Stop crime
- Development of tourism attractions:
  - Development of edu-tourism
  - Development of eco-tourism

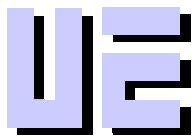
- Mining based tourism
- Development of specific tourist routes
  - Mine Route
- Tourism and hospitality training
  - Ensure that the demand for skilled and semi-skilled labour in the tourism sector is met through, e.g. a hospitality training college, training programmes, bursaries
- Tourism facilities
  - Development and improvement of tourism facilities and accommodation for the emerging, middle and high income tourist market
  - Development of a conference venue - there are limited facilities to carry the capacity for people who would want hold a conferencing event
- SMMEs in tourism
- Focusing on strengthening the role of SMMEs within the tourism sector in order to maximise employment creation
- Use events to drive geographic spread of visitors, i.e. mini events such as an organised pub/shebeen crawl in the Merafong area every quarter. Package products together to create economy of scale, i.e. use Merafong transport operators and guides (visitors do not drive themselves to avoid drinking and driving), use local entertainment groups at the pubs/shebeens, include in the package accommodation in the area, etc.

Merafong City Local Municipality



# Growth and Development Strategy – Section 2

Research Sheets for the Analysis of Potential



**URBAN-ECON**  
Development Economists

May 2014

## Introduction

The purpose of this document is to identify, for further investigation, the constraints to development and areas of perceived potential in the economy of Merafong City. It is therefore not a final and complete potential analysis, but *Research Sheets* that give an indication of the demonstrated and latent potential of the different economic sectors. A colour-coded system is used, whereby green blocks provide a definition of each sector, yellow blocks contain data related to economic performance and potential, the pink blocks discuss the constraints to development, the blue blocks identify areas of perceived potential and the purple blocks contain some innovative concepts for consideration.

The identification of potential and comparative advantage was informed by the *Spatial Profiles* contained in the *National Spatial Development Perspective (NSDP)* of 2006, which provides information on the Gross Value Added (GVA) of different localities (national, provincial, district and local) in the different economic sectors.

The NSDP and its principles were designed to act as a guide for policy coordination, with emphasis on the spatial and economic implications of development policy and programmes of national, provincial and local government. According to the NSDP, all three spheres of government should use the notion of potential to inform an analysis of the space economy, to identify areas of economic significance and the relative and dynamic comparative advantage of localities.

In relation to economic potential, the NSDP uses six categories:

1. Innovation and experimentation
2. Production of high-value differentiated goods
3. Production of labour-intensive mass-produced goods
4. Public services and administration
5. Retail and private-sector services
6. Tourism

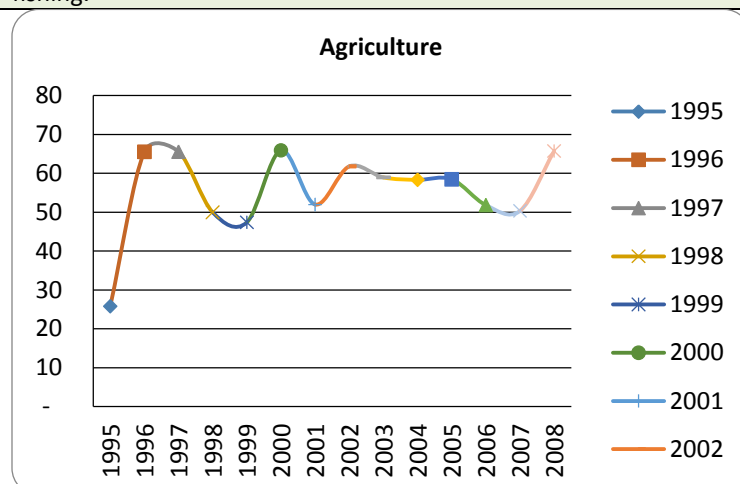
These categories were designed to enable an identification of areas of economic significance, highlight key characteristics and unique attributes of localities, and provide signals as to which sectors need to be supported in order to promote and maintain areas of demonstrated economic significance.

The assumption underlying the NSDP approach is that localities that exhibit high levels of economic activity in a particular category are more likely to have the potential to do so in the future. Economic potential is therefore demonstrated through existing economic activities and especially through the generation of Gross Value Added (GVA) for the specific geographic area. The relevant NSDP statistics are included in this document.

The client and stakeholders are encouraged to comment on the content and findings of this document, after which a more complete potential analysis of each economic sector will be conducted and the areas of perceived potential identified in this document will be further investigated.

## Agriculture

The **agriculture** sector incorporates establishments and activities that are primarily engaged in farming activities, but also includes establishments focusing on commercial hunting and game propagation and forestry, logging and fishing.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) Sector characterised by stagnating production and employment over the past decade.
- 2) Merafong is the 2<sup>nd</sup> greatest contributor to Agriculture GVA in the District.
- 3) Therefore, Merafong City does currently exhibit a comparative advantage in this sector.
- 4) Merafong contains high potential agricultural areas with potential for more intensive agricultural production.

### Constraints

- 1) Lack of available land:
  - a. Mining receives priority in land use
  - b. Large tracts of land owned by mining companies
  - c. Use of land restricted by the Far West Rand Dolomitic Association
- 2) Water availability:
  - a. Mining receives priority in water use
  - b. Use of dolomitic water compartments restricted by the Far West Rand Dolomitic Association
  - c. No new water rights awarded in Merafong City, which especially has negative implications for emerging farmers
- 3) High input costs, e.g. labour costs.
- 4) Very little value added to primary products, i.e. maize, wheat.
- 5) Leadership and champions in agricultural projects needs to be identified.

### West Rand District GVA in Agriculture, Forestry and Fishing

Municipality	% of Prov GVA	% of National GVA
Mogale City	5.02	0.22
Randfontein	1.75	0.08
Westonaria	1.35	0.06
West Rand	1.32	0.06
Merafong	4.38	0.20
<b>West Rand District Total</b>	<b>13.82</b>	<b>0.62</b>
<b>GP Prov Total</b>	<b>100</b>	<b>4.5</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

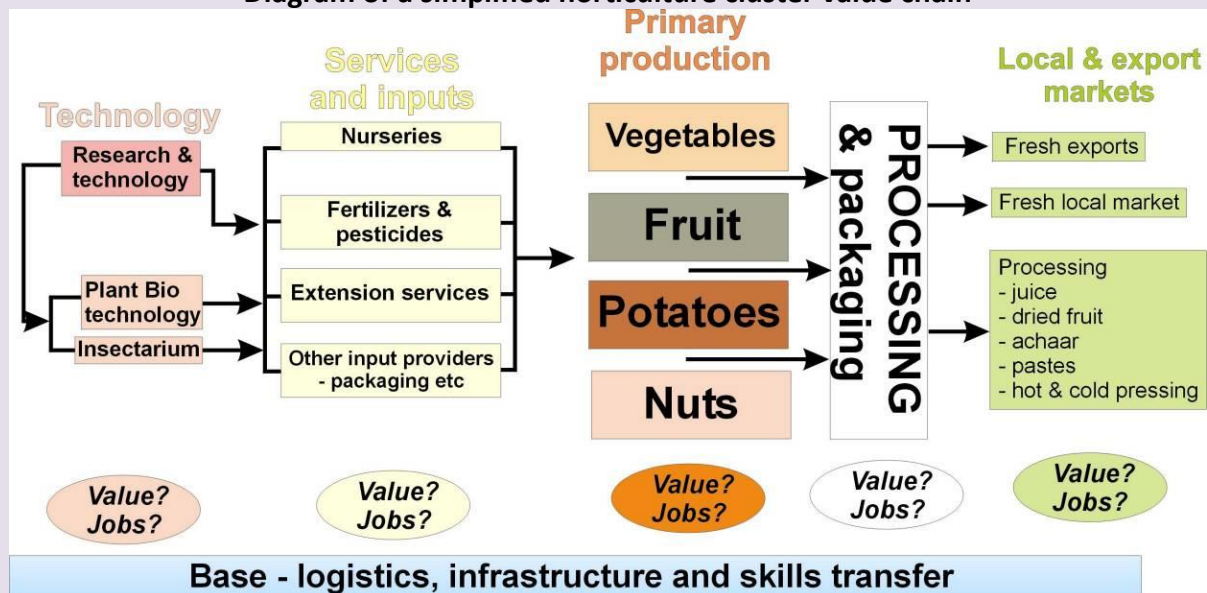
- 1) **Value addition** to primary products, e.g. processing/packaging of maize, wheat, meat
- 2) Investigation of possibility to **utilise dolomite aquifers** to increase agricultural production
- 3) **Diversifying** into new crops/products, with specific focus on practices suitable for small-scale/emerging farmers, e.g.:
  - a. Horticulture (vegetables, tobacco)
  - b. Floriculture (expansion of existing floriculture project)
  - c. Aquaculture (cultivation of fish)
  - d. Organic farming - Exploiting growing niche market for organic agricultural products
  - e. Biotechnology – Improving the yield of local crop production, reducing crop failure risks, improve profitability, introducing new varieties into local agricultural sector

- 4) Investigating the potential for development of **feed lots** in Merafong City
- 5) Investigation of economic linkages, e.g.:
  - a. Current sources of inputs and opportunities for local sourcing and **production of inputs**, e.g. seeds, fertilizer, implements
  - b. Production of **animal feed** using local agricultural products as inputs
  - c. Opportunities for **delivery of agricultural products** to local mines and supermarkets within and outside Merafong City
- 6) Investigation of ways to link struggling agricultural projects, e.g. cut foliage, with more successful projects, e.g. Living Gold, in order to **create economies of scale** and improve economic viability
- 7) **Linking** agricultural projects with the agricultural school and small-scale farming initiatives. This could:
  - a. Provide **on-site training** opportunities to emerging farmers and agricultural students
  - b. **Improve management and profitability** of agricultural projects
- 8) Establishment of an **agriculture hub** in Merafong City which incorporates current projects by mines, i.e. the cut foliage project, Living Gold, water purification, as well as the proposed agricultural school. This project is still in conceptual phase (*Living Gold Expansion Project Charter, 2007*).
- 9) Investigation of **enabling services/support structures** needed by commercial/emerging farmers.

### Innovative concept for consideration

**Horticulture cluster:** A geographic concentration of horticulture farms or establishments related to horticulture, that either have close buy-sell relationships with other industries in the region, use common technologies, or share a specialised labour pool that provide the horticulture industry with a competitive advantage over the same industry in other places (Hill and Brennan, 2000). Horticulture includes the production and marketing of floral crops, vegetables, fruit, tobacco, etc.

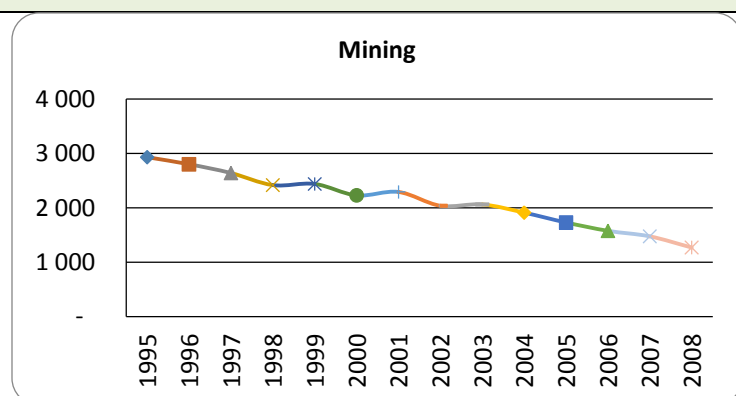
Diagram of a simplified horticulture cluster value chain



Source: Waterberg Agricultural Development Strategy, 2006

## Mining

The **mining** sector includes the extracting or beneficiating of minerals occurring naturally, including solids, liquids and crude petroleum and gases. It also includes underground and surface mines, quarries and the operation of oil and gas wells and all supplemental activities for dressing and beneficiating for ores and other crude materials.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) Characterised by declining production and employment until 2005.
- 2) Since 2005, a significant increase in international gold prices and, subsequently, the sales revenue and profitability of gold mines in Merafong City.
- 3) Increase in gold price has also extended the operational lifetime of mines in Merafong City, and led to an expansion of mining activity.
- 4) Merafong is the second largest contributor to mining GVA in the District.
- 5) The comparative advantage of Merafong City is thus currently located in the mining sector.

### Constraints

- 1) No beneficiating of mining products
- 2) Many products and services used by mines are purchased outside Merafong City (East Rand, Johannesburg)
- 3) Shortage of skilled labour
- 4) Effect of HIV on the labour force
- 5) Sensitivity of the mining sector to international commodity prices and exchange rates
- 6) High input costs, e.g. steel and labour costs
- 7) Limited economic diversification is currently hampering growth in the broader economy.

### West Rand District GVA in Mining and Quarrying

Municipality	% of Prov GVA	% of National GVA
Mogale City	3.32	0.43
Randfontein	4.67	0.60
Westonaria	16.02	2.07
West Rand	0.00	0.00
Merafong	15.32	1.98
<b>West Rand District Total</b>	<b>39.33</b>	<b>5.09</b>
<b>GP Prov Total</b>	<b>100</b>	<b>12.9</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

- 1) **Beneficiating of mining by-products** (e.g. charcoal produced from used timber, crushed stones used in construction)
- 2) Increasing the **local sourcing and provision of goods/services** to mines, e.g. drilling equipment, explosives, laundry, catering and cleaning services.
- 3) Development of service industries linked to mining sector, e.g. steel cutting and metal fabrication activities.
- 4) Investigating potential for **linkages with the gemstone industry** in e.g. the Northern Cape
- 5) Opportunities for **small-scale mining**
- 6) Projects involving **environmental rehabilitation** of land and water bodies by mines
- 7) Investigation of **social investment by mines**, and involvement of mines in social/economic development projects
- 8) Opportunities for training and information provision to **mining-related SMME's**

### Innovative concept for consideration

**The Mining Charter:** The Broad-based Socio-economic Charter for the Mining Industry was developed in consultation between the mining and minerals industry and Government, and has the following goals:

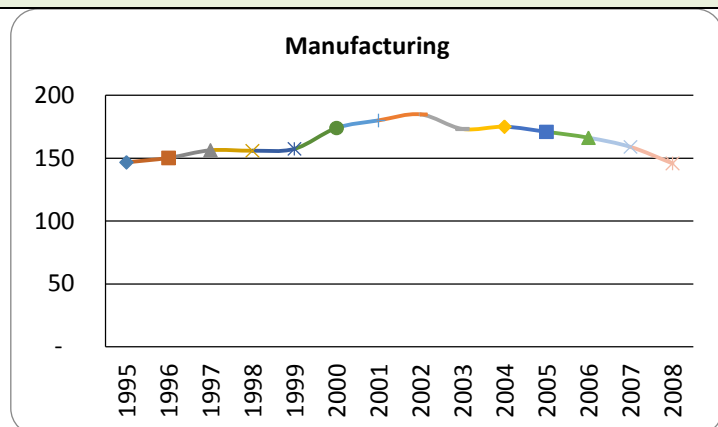
- To promote equitable access to mineral resources to all people of South Africa
- To substantially and meaningfully expand opportunities for HDSA's to enter the mining and minerals industry and to benefit from the exploitation of the nation's mineral resources
- To utilise the existing skills base for the empowerment of HDSA's
- To promote employment and advance the social and economic welfare of mining communities and major labour sending areas
- To promote beneficiation of South Africa's mineral commodities

Due to the implementation of the Mining Charter, mines now have a responsibility to cooperate with local mining communities in their area to devise strategies and initiatives that promote employment creation, improved living standards and beneficiation of local mining products.

## Manufacturing

The **manufacturing** sector is broadly defined as the physical or chemical transformation of materials or compounds into new products and can be classified into 10 sub-groups of which the most relevant are:

- Fuel, petroleum, chemical and rubber products;
- Other non-metallic mineral products, e.g. glass;
- Metal products, machinery and household appliances;
- Electrical machinery and apparatus



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) This sector has witnessed an upward trend in production, but not in employment, which has generally been in decline.
- 2) Merafong City is in 3<sup>rd</sup> position in the District in terms of GVA in labour-intensive manufacturing.
- 3) In terms of GVA in highly differentiated goods, Merafong City is in 2<sup>nd</sup> position in the District.
- 4) Merafong City is thus slightly more efficient in the production of highly differentiated goods than in labour-intensive manufacturing.
- 5) The relative inefficiency in labour-intensive manufacturing has negative implications for employment creation.

### Constraints

- 1) Current underutilisation of industrial land/stands
- 2) Underutilisation of railway linkages
- 3) Poor quality of roads
- 4) Spatial disadvantage relative to manufacturing industries in Ekurhuleni and the City of Johannesburg
- 5) Lack of labour with the necessary skills
- 6) Lack of diversification in industrial base, since industries are mainly linked to the mining sector
- 7) Inputs sourced mainly outside Merafong City
- 8) High input costs, e.g. labour and steel costs
- 9) Lack of marketing and exposure to investors/regions outside Merafong City
- 10) Lack of industrial incentives
- 11) Lack of an industrial development strategy

### West Rand District GVA in Manufacturing

Municipality	% of Prov GVA	% of National GVA
Mogale City	3.13	1.29
Randfontein	1.28	0.53
Westonaria	0.33	0.13
West Rand	0.15	0.06
Merafong	0.18	0.07
<b>West Rand District Total</b>	<b>5.06</b>	<b>2.08</b>
<b>GP Prov Total</b>	<b>100</b>	<b>41.2</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

- 1) Due to the fact that the mining industry is by far the largest economic agent and source of private capital in the area, the development of manufacturing in Merafong City should be catalysed by the mining industry. **Cooperation with mines** in devising a strategy for industrial development is therefore critical.
- 2) The development of the **manufacturing** industry should therefore be **linked to the mining industry** if it is to be economically viable with sufficient market demand and capital investment.
- 3) Some manufacturing possibilities to be investigated include:
  - a. Agro-processing
  - b. Beneficiation of mining products
  - c. Materials/equipment used in the mining sector, e.g. drilling, explosives
  - d. Recycling plant (waste recycling)
  - e. Packaging/distribution of pharmaceuticals
- 4) The need for a local **Industrial Development Strategy**
- 5) The use of **incentives**, e.g. DTI incentive structures

### Innovative concepts for consideration

#### Integrated Manufacturing Strategy for South Africa

The Integrated Manufacturing Strategy aims to integrate interventions related to competitiveness. These interventions include market access, beneficiation and value addition, regional production, equity and economic participation, knowledge intensity and service integration, and the development of integrated value matrices. The objective of this IMS is to address key drivers in transforming the industrial sector's growth path.

#### National Industrial Policy Framework

The National Industrial Policy Framework (NIPF) is a framework that aims to provide strategic direction for South Africa's industrial development. The NIPF identifies the following four main sets of policies as necessary conditions for industrial development:

- A stable and supportive macroeconomic regulatory environment
- Skills and education for industrialisation
- Traditional and modern infrastructure
- Innovation and technology.

The successful implementation of the NIPF is to be achieved through the following objectives:

- providing strategic direction to industrial development and
- unlocking economic constraints that will benefit the entire economy.

Furthermore, the Policy identifies the following as fundamental elements of second economy integration and industrial development:

- Broad Based Black Economic Empowerment
- Provision of appropriate infrastructure
- Appropriate placement of infrastructure

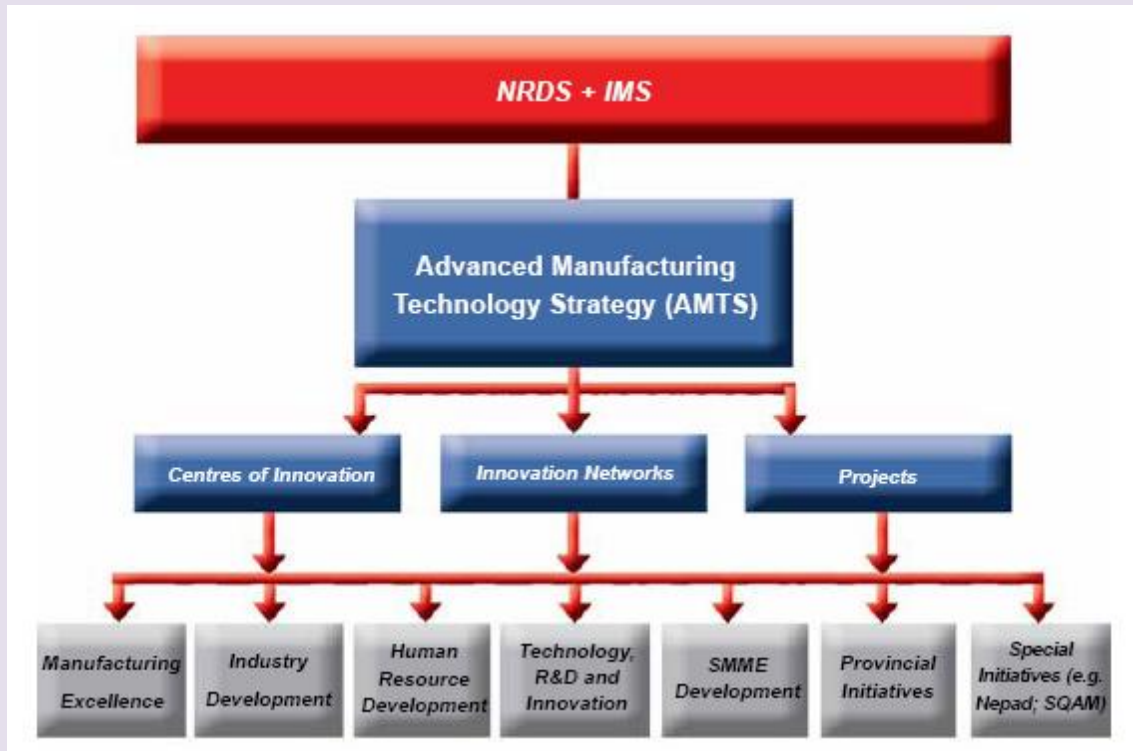
#### National Advanced Manufacturing Technology Strategy for South Africa (2002)

The Integrated Manufacturing Strategy acknowledged that South Africa's future competitiveness will depend on the capacity of the manufacturing sector to master advanced technology domains, to innovate and to meet the precise demands of customers. Failure to upgrade resource-based industries to more knowledge-intensive manufacturing will make South Africa vulnerable to deteriorating terms of trade for commodity producers.

The technological vision for South Africa's industrial sector in the Advanced Manufacturing Technology Strategy is of technology upgrading in order to become more competitive in global markets. The most appropriate indicator of technological upgrading is an improvement in technology intensity, defined as technology spending per capita. This technological vision for the South African industrial sector must also link competitiveness with national and social goals such as economic growth, job creation, equity and geographic distribution. The link between stronger competitiveness and contribution towards growth and employment lies principally in the choice of priority sectors.

The strategy implementation will be achieved through a combination of *Centres of Innovation*, *Innovation Networks* and specific *projects*, which will be identified and developed. The three key strategies that will provide the driving force behind achieving the technological vision, will therefore be the *National Research and Development Strategy* (NRDS), the *Integrated Manufacturing Strategy* (IMS) and the *Advanced Manufacturing Technology Strategy* (AMTS). The following diagram represents the strategy implementation process:

### Diagram of the Strategy Implementation Process

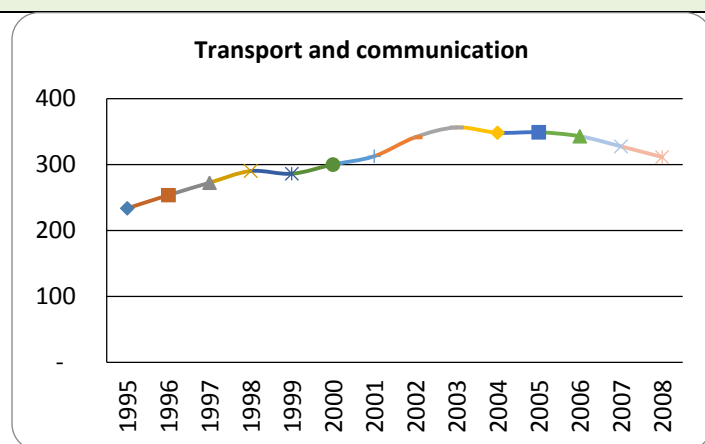


Source: National Advanced Manufacturing Technology Strategy, 2002

## Infrastructure (Utilities, Transport, Communications)

The **utilities** sector includes the supply of electricity, gas and hot water, the production, collection and distribution of electricity, the manufacture of gas and distribution of gaseous fuels through mains, supply of steam and hot water, and the collection, purification and distribution of water.

**Transport and communications** as an economic sector refers to activities concerned with land transport, railway transport, water transport, transport via pipelines, air transport, and activities of travel agencies, post and telecommunications, courier activities, as well as storage and warehousing activities.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) The utilities sector is characterised by a decline in production, while the transport/comms sector has exhibited a fairly stable production trend.
- 2) Both sectors have experienced an increase in employment since 2004.
- 3) Merafong City is in 3<sup>rd</sup> position in the District in terms of GVA in Construction and Infrastructure.

### Constraints

- 1) Lack of availability of land
- 2) Sinkhole formation and the presence of dolomitic land create problems for services and infrastructure provision
- 3) No more new water rights awarded in Merafong City
- 4) Poor quality of roads
- 5) Unmet demand for affordable public transport
- 6) The relocation of Khutsong residents will pose a significant challenge for infrastructure and service delivery.
- 7) Large percentage of households in Merafong City still does not have access to water and sanitation services. The uncontrolled disposal of "grey water" can contribute to sinkhole formation.

### West Rand District GVA in Transport and Communications

Municipality	% of Prov GVA	% of National GVA
Mogale City	3.20	1.02
Randfontein	1.36	0.43
Westonaria	0.34	0.11
West Rand	0.07	0.02
Merafong	0.77	0.24
<b>West Rand District Total</b>	<b>5.73</b>	<b>1.83</b>
<b>GP Prov Total</b>	<b>100</b>	<b>31.9</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

- 1) Investigation of the **implications of the planned transport corridor** along the N12 for Merafong City
- 2) **Alignment of infrastructure provision** across government spheres
- 3) Expansion of the role of Merafong City Local Municipality as a **water provision authority** and **utilisation of subterranean water**: Potable water pumped out of water compartments by the mines into Moosrivier could be recycled/processed in order to be used for residential and/or industrial purposes.

### Infrastructure potential: Utilisation of sub-terranean water

A project, steered by the local mines, is underway to investigate the possibility of utilising sub-terranean water in the local water supply grid, instead of pumping it into the rivers. This project is now in pre-feasibility phase to determine:

- what the impact of water removal from the river will be on other users;
- which technology will be the most suitable to process the water; and
- what the legal requirements will be for the project

The feasibility phase of the project is expected to span 6 months, commencing in July 2008, after which a formal feasibility report will be made available.

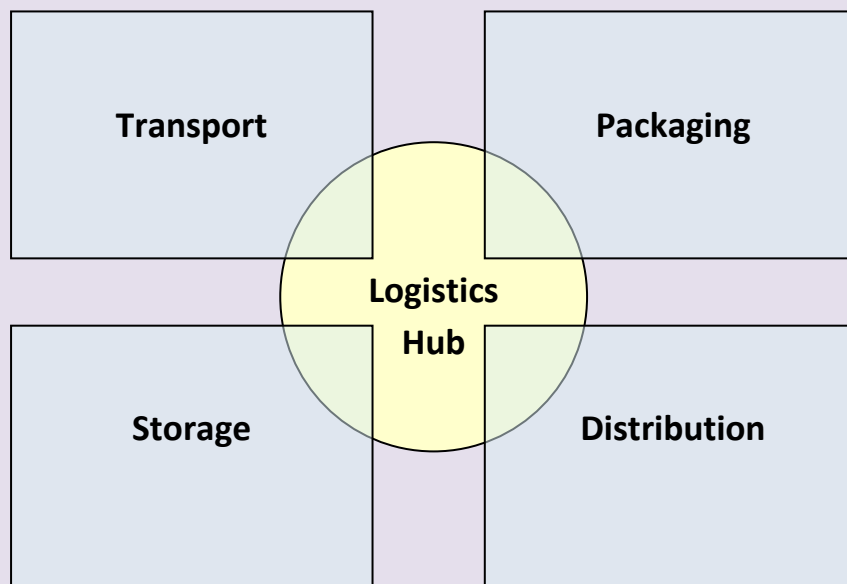
### Innovative concept for consideration

**Logistics park/hub:** A Logistics Park is a single site, one-stop logistic shop where commodities are delivered to and where they are further sorted, packaged and distributed from. The facility could incorporate the following :

- Transport infrastructure offering improved logistic services areas and integrated nodal development
- Sites where shipments could be transferred from one mode to another (so called inter-modal nodes)
- Hotel, garage and fuel
- Variety of logistic service providers on site, e.g.
  - Warehousing, cold storage, sorting and packaging and freight forwarding

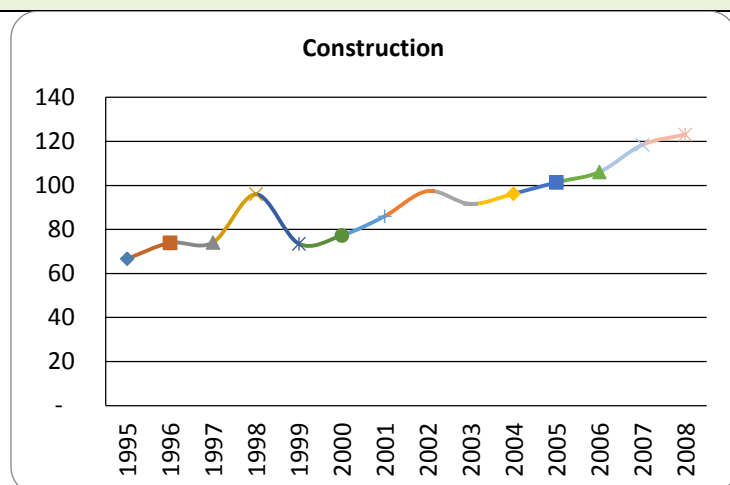
Source: South Africa's New Regional Industrial Development Strategy, 2006

**Diagram: Elements of a Logistics Park/Hub**



## Construction

The **construction** sector includes the site preparation, building of complete constructions or parts thereof, civil engineering, building installation, building completion and the renting of construction or demolition equipment with operators.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) Sector has experienced strong growth over the past decade.
- 2) Merafong City is in 4<sup>th</sup> position in the District and 7<sup>th</sup> in terms of GVA in Construction and Infrastructure.
- 3) Merafong still falls behind its district counterparts when it comes to construction.

### Constraints

- 1) Although funding has largely been secured for addressing the housing backlog as well as the relocation of Khutsong residents, government process delays are a constraining factor in the resettlement project.
- 2) Lack of funding for social infrastructure still needs to be addressed
- 3) Lack of land suitable for human settlement is another constraining factor
- 4) Lack of labour with the necessary skills

### West Rand District GVA in Construction

Municipality	% of Prov GVA	% of National GVA
Mogale City	3.87	1.72
Randfontein	0.91	0.40
Westonaria	1.59	0.70
West Rand	0.37	0.16
Merafong	0.59	0.26
<b>West Rand District Total</b>	<b>7.32</b>	<b>3.25</b>
<b>GP Prov Total</b>	<b>100</b>	<b>44.4</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

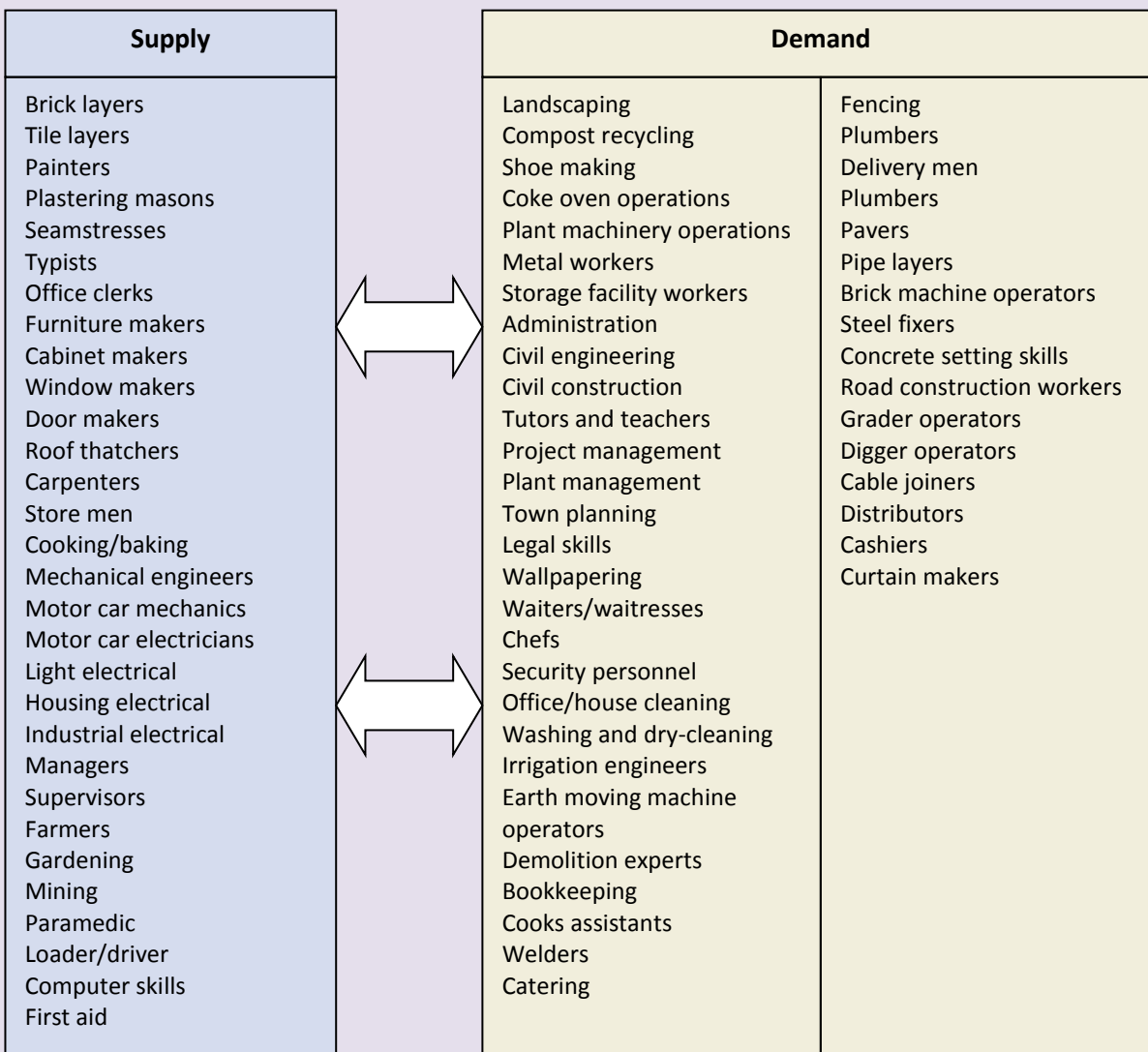
- 1) The necessary **relocation of Khutsong** will provide an **economic injection** to the construction sector. Ways in which the relocation can have maximum benefits in terms of job creation and business development should be investigated.
- 2) Investigation of opportunities for local **SMME's to be procured in the resettlement operations**
- 3) An **economic impact assessment** will be conducted in order to measure the potential impact of the **Khutsong resettlement** project on the local economy. Mitigation measures to minimise potential negative effects, as well as to maximise positive effects will be identified.

### Innovative concept for consideration

**Skills Supply-Demand Matchmaking:** The relocation of Khutsong will provide a significant injection for the construction industry in Merafong City. One way in which the benefits of this injection can be maximised, i.e. increase economic growth, job creation and competitiveness in the sector, is through the improved utilisation of available resources, including human resources. Employment creation, the availability of human resources to meet the demand for labour and/or the establishment of training infrastructure capable of developing skills to requirements are important issues.

The transfer of skills to local entrepreneurs and households therefore lie at the heart of this approach, along with engagement in a dedicated skills matchmaking process that is based on the derived skills needs that result from the type of activities of the relevant project. The following is an example of the different skills to be considered in the supply-demand matchmaking process for the construction sector:

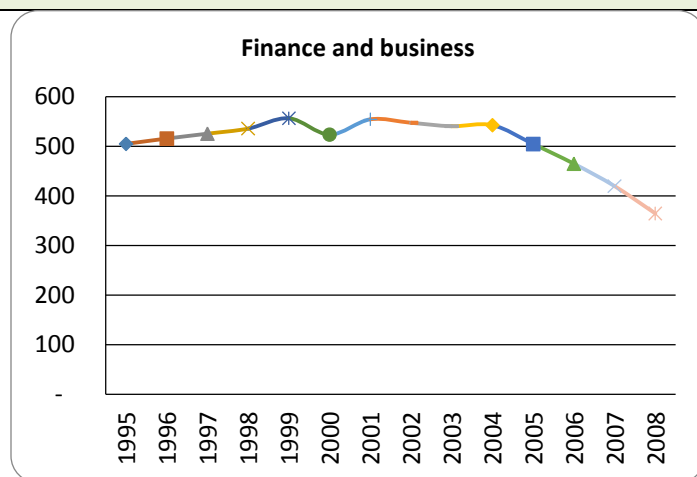
**Diagram: Skills Supply-Demand Matchmaking**



## Services and Retail (Trade, Finance and Business Services)

The **trade** sector entails wholesale and commission trade; retail trade; repair of personal household goods; sale, maintenance and repair of motor vehicles and motor cycles; hotels, restaurants, bars, canteens, camping sites and other provision of short-stay accommodation.

The **finance and business services** sector includes *inter alia* financial intermediation; insurance and pension funding; real estate activities; renting of transport equipment; computer and related activities; research and development; legal; accounting; bookkeeping and auditing activities; architectural, engineering and other technical activities; and business activities not classified elsewhere.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) The finance and business services sector has experienced strong growth in production and employment, however it has started to decline during the last 4 years.
- 2) The trade sector only experienced moderate growth in production and employment.
- 3) Merafong City is in 3<sup>rd</sup> position in the District in terms of GVA in Services and Retail.
- 4) Merafong City does not have a comparative advantage in this sector.

### Constraints

- 1) Leakage of local buying power, e.g. Westgate
- 2) Inputs sourced mainly from outside Merafong City
- 3) Lack of disposable income in areas in Merafong City, especially outside Carletonville and Fochville
- 4) Lack of accommodation and entertainment facilities
- 5) Business tends to move to bigger centres during difficult economic times.

### West Rand District GVA in Services and Trade

Municipality	% of Prov GVA	% of National GVA
Mogale City	6.04	2.31
Randfontein	1.71	0.65
Westonaria	0.55	0.21
West Rand	0.23	0.09
Merafong	1.20	0.45
<b>West Rand District Total</b>	<b>9.73</b>	<b>3.71</b>
<b>GP Prov Total</b>	<b>100</b>	<b>38.5</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

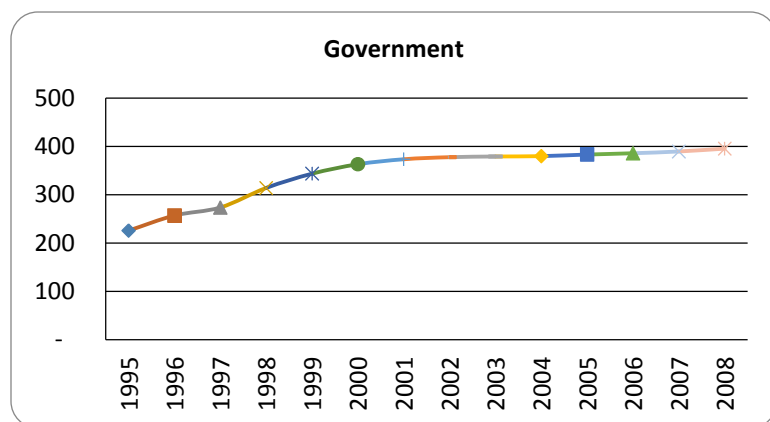
- 1) Investigation of the possibility for **mines to source financial services locally**
- 2) Investigation of **gaps in the local retail hierarchy**
- 3) Investigation of **economic linkages** – Linkages with manufacturing/processing sector, linkages with services sector, inc. services provided to mines
- 4) Investigation of need and potential for an **informal market facility**
- 5) Investigation of need for **entertainment facilities**
- 6) Investigation of the **potential impact of a proposed shopping centre** in the **Khutsong** relocation area, especially on the Carletonville and Fochville CBD's.

**Innovative concept for consideration**

**Business audit:** In order to determine consumer demand and buying patterns in Merafong City, a business audit will be necessary. This could consist of a questionnaire completed by each business in Merafong City, after which the data will be computerised and analysed. Such an exercise could provide insight into the types and geographical distribution of businesses in the study area, as well as the extent of the leakage of buying power, both in terms of consumers and input sourcing by businesses.

## Community and Government Services

This sector includes public administration and defence activities, activities of government, government departments and agencies; education, public and private; health and social work; sewage and refuse disposal, sanitation and similar activities; activities of membership organisations; recreational, cultural and sporting activities; washing and dry-cleaning of textiles and fur products, hairdressing and other beauty treatment, funeral and related activities.



Source: Quantec Research and Urban-Econ calculations

### Economic Performance & Trends

- 1) Government services have experienced significant growth in production since 2001, while community/personal services experienced more moderate growth.
- 2) Merafong City is in 3<sup>rd</sup> position in the District in terms of GVA in Public Services and Administration.

### Constraints

- 1) Lack of local government finance
- 2) Services backlog
- 3) Lack of population density in certain areas
- 4) Relocation of Khutsong residents will pose a significant challenge to this sector
- 5) Lack of capacity to implement economic development initiatives

### West Rand District GVA in Public Services and Administration

Municipality	% of Prov GVA	% of National GVA
Mogale City	3.11	1.24
Randfontein	1.33	0.53
Westonaria	0.47	0.19
West Rand	0.02	0.01
Merafong	0.62	0.25
<b>West Rand District Total</b>	<b>5.54</b>	<b>2.21</b>
<b>GP Prov Total</b>	<b>100</b>	<b>39.9</b>
<b>National Total</b>		<b>100</b>

Source: Urban-Econ calculations based on Quantec data and NSDP 2006 – Spatial Profiles

### Areas of perceived potential

- 1) Investigation of ways to create **enabling environment** for economic development
- 2) Investigation of **enabling services/support structures** needed to promote LED
- 3) Provision of supporting **services to SMME's**
- 4) Investigation of **spatial planning** element and coordination of service points, pension pay-points, development nodes, one-stop shops

## Tourism

**Tourism** is not an economic sector in its own, but forms part of other sectors especially the trade, transport and finance sectors. However, due to its increasing importance as an income and employment creator in South Africa, it is believed that this sector should be discussed separately from the other sectors. Defining the tourism sector is therefore difficult as it includes many different sources of goods and services. The World Trade Organisation's definition of tourism states that "tourism comprises the activities of persons travelling to, and staying in places outside their usual environment, for not more than one consecutive year, for leisure, business and other purposes. The usual environment of a person consists of a certain area around his/her place of residence, plus all other places he/she frequently visits, e.g. the workplace".

### Economic Performance & Trends

- 1) According to NSDP 2006, Merafong City is in 3<sup>rd</sup> position in the District in terms of GVA in tourism.
- 2) Merafong City therefore does not exhibit a comparative advantage in the tourism sector.
- 3) Lack of tourist attractions and accommodation is constraining growth in the tourism industry.

### Constraints

- 1) The area is not regarded as a prime tourism destination
- 2) Shortage of tourism infrastructure
- 3) Poor quality of roads
- 4) Shortage of accommodation/dining facilities catering for the tourist market
- 5) Shortage of marketing strategy for the area
- 6) Inadequate packaging of tourist attractions
- 7) Shortage of necessary skills

### Areas of perceived potential

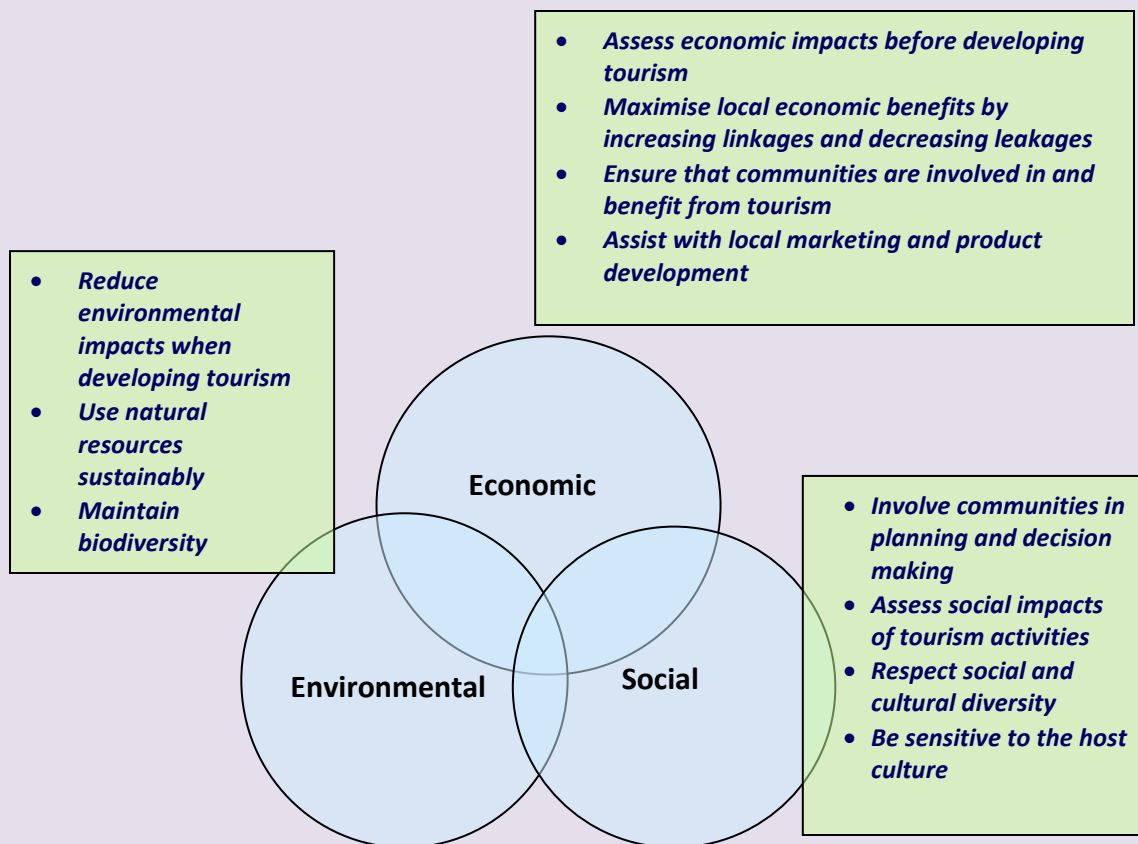
- 1) The most important factor in devising a strategy for the development of tourism in a local municipality is **alignment with the tourism strategy of the district and province**, since it is mainly the district/province that will be marketed as a tourism destination, rather than Merafong City itself.
- 2) Investigation of alignment with the **Treasure Corridor Spatial Development Initiative**
- 3) Investigation of **cooperation with mines** in terms of tourism initiatives, e.g. Goldfields involvement in the rehabilitation and development of the Gatsrand Nature Reserve and Abe Bailey Nature Reserve, and maximising job creation in these initiatives
- 4) Investigation of opportunity to develop a continuous "corridor" of vacant mine-owned land into a nature reserve, bordering the N12 (Kraalkop Game Reserve).
- 5) Investigation of development of potential tourism sites, e.g. Matabele kraals, caves, Anglo-Boer War trenches, Deelkraal paleontological sinkhole
- 6) Investigation of development of facilities at **dam near Khutsong**
- 7) Investigation of possibilities for **hospitality training**
- 8) Eco-tourism
- 9) Adventure tourism
- 10) Mining tourism

### Innovative concept for consideration

**Responsible tourism:** Tourism that promotes responsibility to the environment through sustainable use, responsibility to involve local communities in the tourism industry, responsibility for the safety and security of visitors and responsible government, employees, employers, unions and local communities.

The *Responsible Tourism Guidelines*, published by the Department of Environmental Affairs and Tourism (DEAT) in 2002 is the most recent addition to the South African tourism development policy environment. Responsible Tourism Development (RTD) provides the opportunity to maximise the socio-economic potential of the tourism industry, by influencing the planning process of tourism development. RTD provides a more sustainable approach to tourism development and enhances both the natural and cultural environment. The diagram below indicates the inter-connectedness of the different dimensions of responsible tourism towards sustainable development, as well as the accompanying guidelines for each dimension as suggested by DEAT.

**Diagram: Dimensions of responsible tourism and accompanying guidelines**



Source: *Responsible Tourism Guidelines*, DEAT (2002)

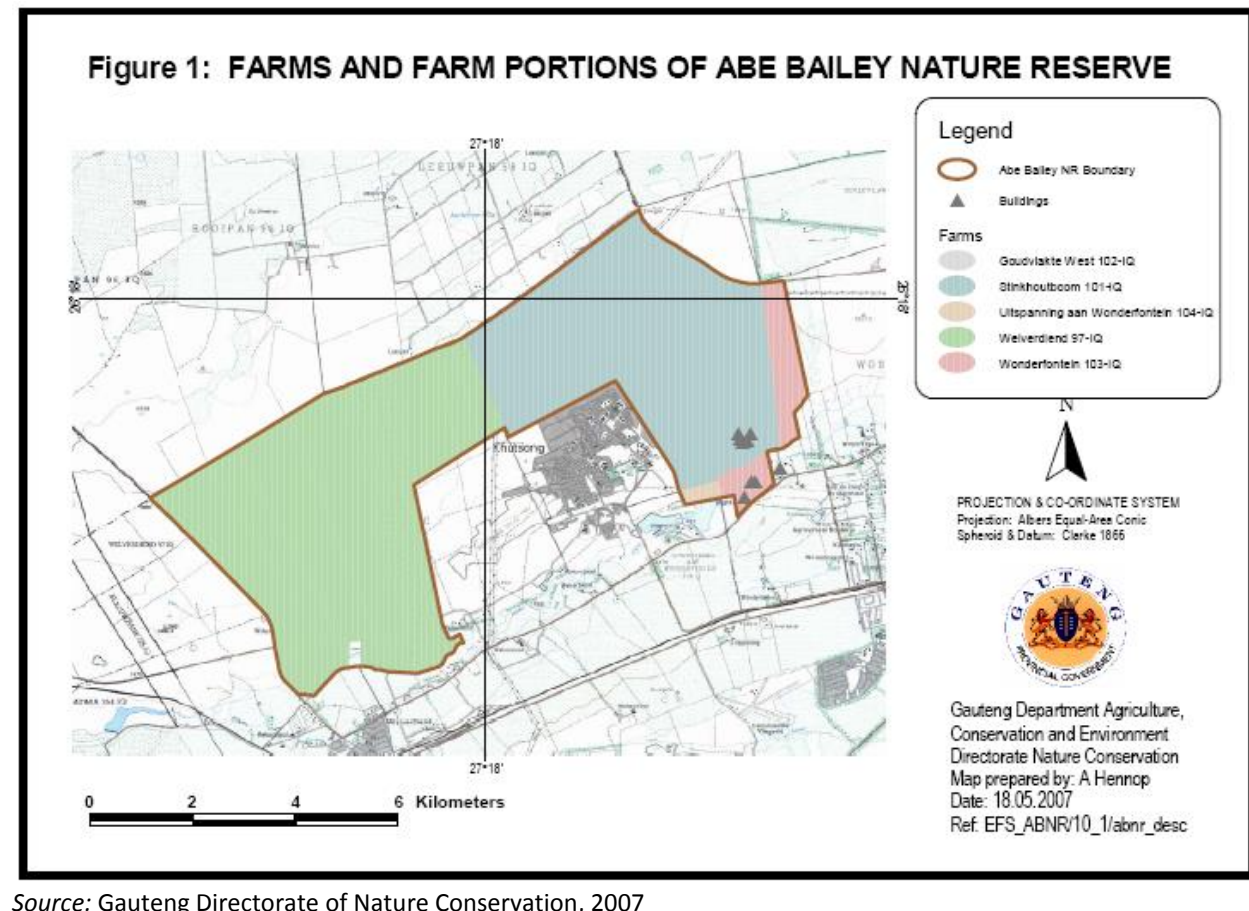
## Tourism potential: Nature Reserves within Merafong City

There are currently two nature conservation areas within Merafong City with firm tourism potential. These are the Abe Bailey Nature Reserve and the Kraalkop Game Reserve. These areas, together with the large number of caves and some other historical heritage sites, can form the basis for tourism development in Merafong City.

The **Abe Bailey Nature Reserve** covers an area of  $\pm 9,780$  ha (after the addition of land donated by the Far West Rand Dolomitic Water Association and the local mining houses) and is located about 90km West of Johannesburg and 7km North West of Carletonville. It therefore falls within the jurisdiction of Merafong City and comprises what was previously five farm portions (See Map 1 below).

**Kraalkop Game Reserve** is situated about 6km South of Carletonville, between the N12 and R500 roads.

Map 1: Abe Bailey Nature Reserve and Surrounds



### **Abe Bailey Nature Reserve**

According to the *Abe Bailey Nature Reserve Ecological Management Plan* (Gauteng Directorate of Nature Conservation, 2007), the area has not yet been proclaimed as a nature reserve in terms of the provisions of Section 3 of the Nature Conservation Ordinance (Ordinance 17 of 1967). However, it is important to conserve the biodiversity, natural resources and heritage of Abe Bailey, with specific reference to the grassland biome, the wetland, and sub-terranean ecosystems. This heritage should be utilised on a sustainable basis for the benefit of the community.

Although there are no red or orange data plant species in the reserve, medicinal plants are currently protected within the boundaries of the reserve. A medicinal plant nursery was also established in 2001 as a pilot project.

In terms of the introduction of game to the reserve area, a list of recommended game species was compiled within the *Abe Bailey Nature Reserve Ecological Management Plan, 2007*. Water bodies within Abe Bailey are non-perennial and it will therefore be necessary to provide artificial water points for game.

Important challenges facing Abe Bailey are changes in land use causing a loss and fragmentation of natural habitat in surrounding areas, wind and water borne pollution, as well as socio-economic factors such as poverty that lead to the over-exploitation of natural resources.

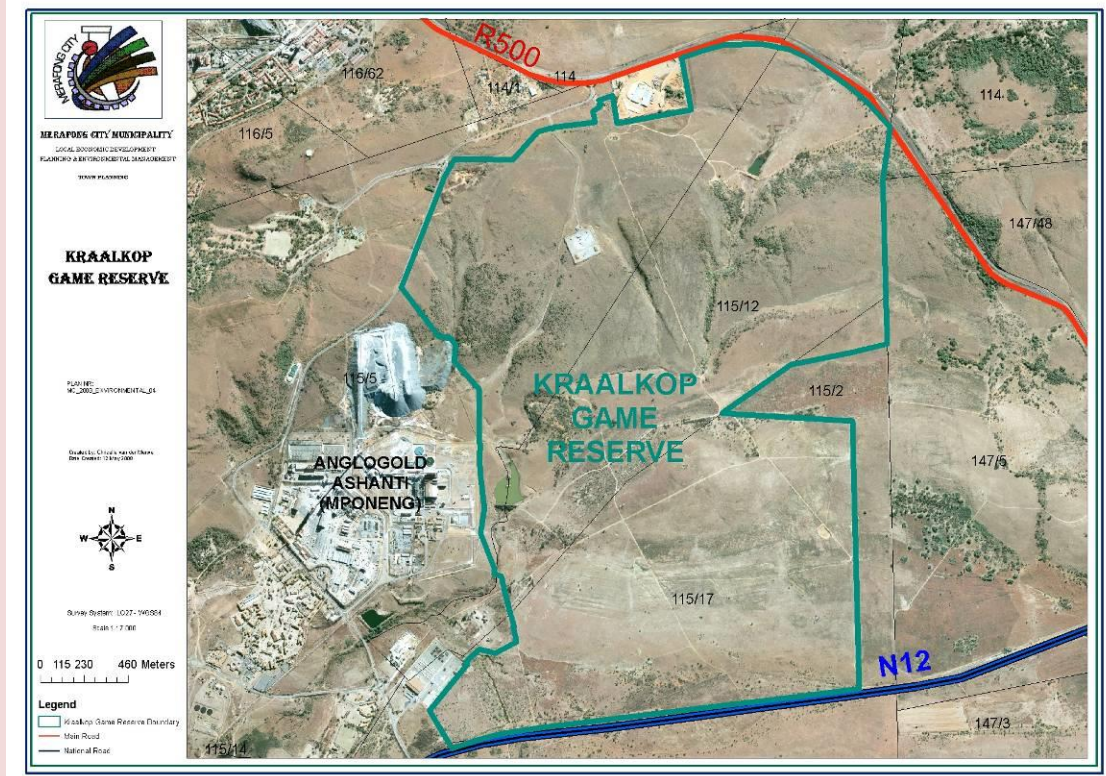
Apart from the important conservation function to be fulfilled by the Abe Bailey Nature Reserve, the following activities can attract tourists to the area:

- 1) Hiking trails
- 2) Group camps
- 3) Environmental education
- 4) Conference facilities

The local mining houses are currently involved with the development of the Abe Bailey Nature Reserve. Apart from the donation of land, their involvement with the project includes the additional stocking of animals, the rehabilitation of sections of the Wonderfonteinspruit and the development of agricultural activities on the southern boundary of the reserve (*Abe Bailey Nature Reserve Project Charter, 2007*).

## Kraalkop Game Reserve

Map 2: Kraalkop Game Reserve



Source: Merapong City Local Municipality, 2008

The Kraalkop Game Reserve, located to the south of Carletonville and to the east of Anglo Gold Ashanti's Mponeng mine, is **ideally situated** to make the most of opportunities offered by the **N12 Treasure Route**. The Treasure Route is a Spatial Development Initiative of the North West provincial government, and follows the N12 west from where it enters the province near Carletonville/Fochville, through the goldfields via Potchefstroom, Stilfontein and Klerksdorp, and then follows the Vaal River through Wolmaransstad, Bloemhof, Christiana en route to Kimberley. The Treasure Route is being marketed as a major tourism route by the Tourism Enterprise Programme (TEP). The fact that it is situated between two important regional roads (N12 and R500), has positive implications for the **accessibility** and tourism potential of Kraalkop. Not only can the entrance to the game reserve be easily accessible to travellers on the Treasure Route, but a highly visible **tourism information centre** can be located adjacent to the N12. Such an information centre will hold benefits not only for Kraalkop, but tourism generally in Merapong City.

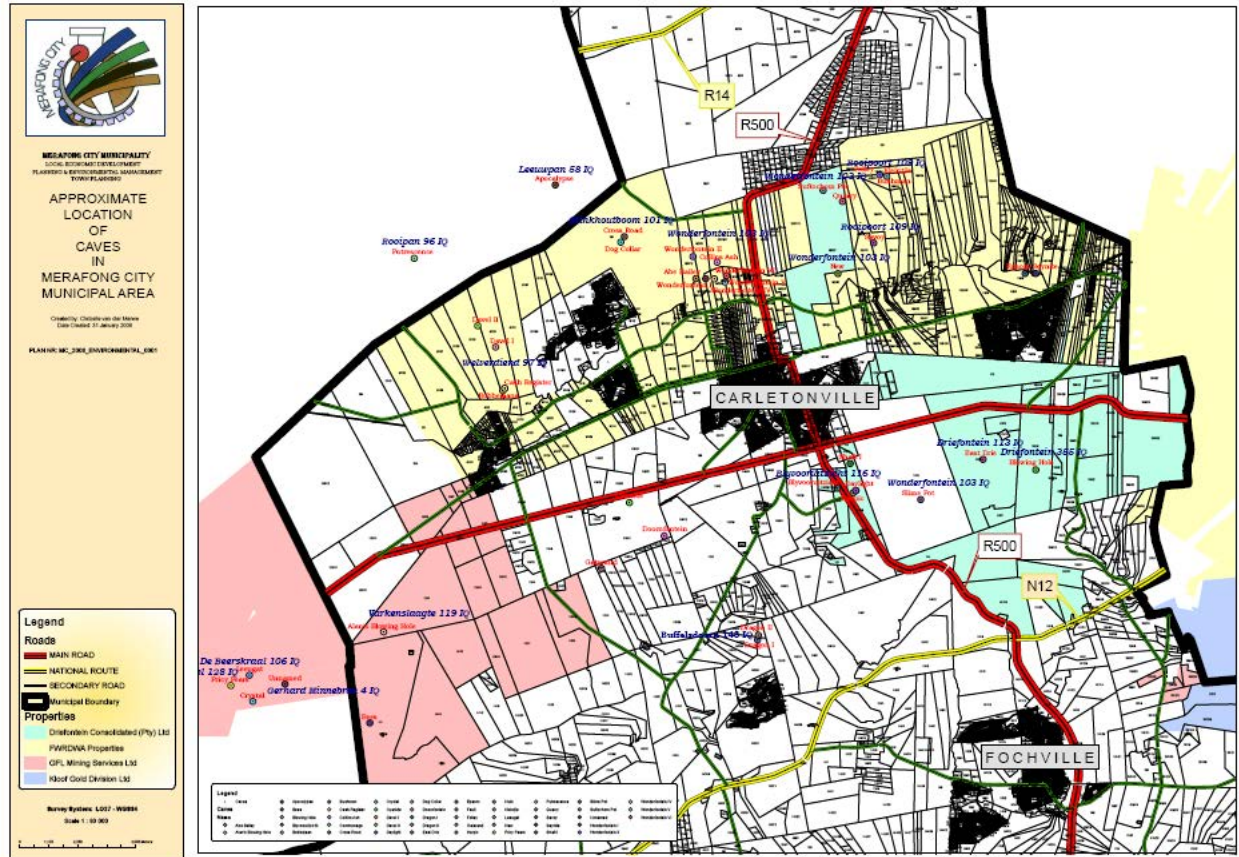
#### Proposed Gatsrand Nature Reserve

As part of the closure plans of mines in the area, a conceptual plan has been put forward to rehabilitate and develop mine-owned land along Gatsrand into a sustainable nature conservation area after mine closure. Large tracts of land along Gatsrand are currently owned by the mines. The concept involves the transfer of rehabilitated mine-owned land into a nature reserve that could include up to 50,000 ha.

(Source: Gatsrand Nature Reserve Project Charter, Driefontein Gold Mine, 2007)

### Caves within Merafong City Municipal Area

Map 3: Approximate location of caves in Merafong City municipal area



Source: Merafong City Local Municipality, 2008

There are a multitude of **caves** within Merafong City, a unique attribute due to the geology of the area. The caves, scattered in a roughly circular pattern around Carletonville, are an additional potential tourism attraction for visitors to the area. If these are combined with the development of the conservation areas and other tourist facilities, a unique package of attractions can be offered to tourists visiting the area.

A **tourism route** can also be developed to lead visitors along a trail to all the main attractions: Abe Bailey, Kraalkop, important caves, the Deelkraal paleontological sinkhole and historical sites like the Matabele kraals and Anglo-Boer War trenches.

Merafong City Local Municipality



# Growth and Development Strategy – Section 3

Business Audit and Recommendations



**URBAN-ECON**  
Development Economists

May 2014

## 1. Introduction

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Urban-Econ was contracted by the Merafong City Local Municipality (MCLM) to assist in developing a Business Development Support Strategy. As part of the study, it was deemed necessary to conduct a business audit in order to understand the local business dynamics and needs and also to update information on the business activities in the area. This audit was conducted during 2013.

## 2. Approach and methodology

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With the help of maps provided by the Merafong City Municipality Town Planning Department, areas of business concentration were identified. A business audit was therefore conducted in Blybank, Blyvoor, Carletonville, East Driefontein, Fochville, Khutsong, Kokosi, Oberholzer, Wedela and Welverdiend.

Using data obtained during the 2008 business audit as a baseline and the online directory of businesses, a desktop count showed a total of 695 businesses in the Merafong City Municipality. Of this total, 591 businesses (85% of the total) were approached for participation in a survey and 538 (approximately 77% of the total business count) participated fully in the survey. In cases where the business did not want to participate in the survey, the name of the business and, where possible, contact details for the business was obtained. Some of the business owners did not want to participate in the survey, citing that they had already been part of the previous audit and the municipality had not done anything to improve their business operations.

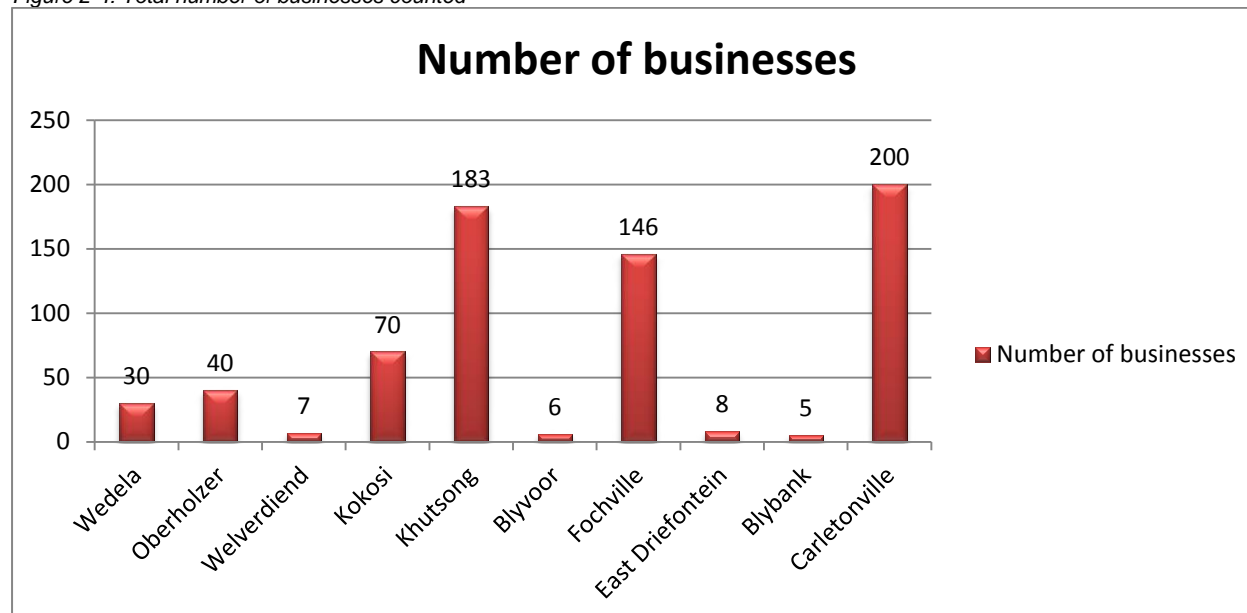
The questionnaire focused on the following areas:

- Background information of the business, such as name of the business, name of the owner and contact details.
- Business characteristics, including ownership, maturity, services offered employment.
- Business compliance, including company registration, registration with the South African Revenue Services (SARS)
- Locational aspects, including the location of the business and the advantages/disadvantages of the location, as well as whether relocation is considered.
- Business linkages, including source of main inputs, as well as the location of the client base.
- Historic trends and future expectations for the turnover and employment of the business.
- Business turnover.

### 3. Business audit data: Number of businesses in Merafong City

According to a desktop research, there were a total of 695 businesses counted in Merafong City. The chart below shows the business distribution across the municipality.

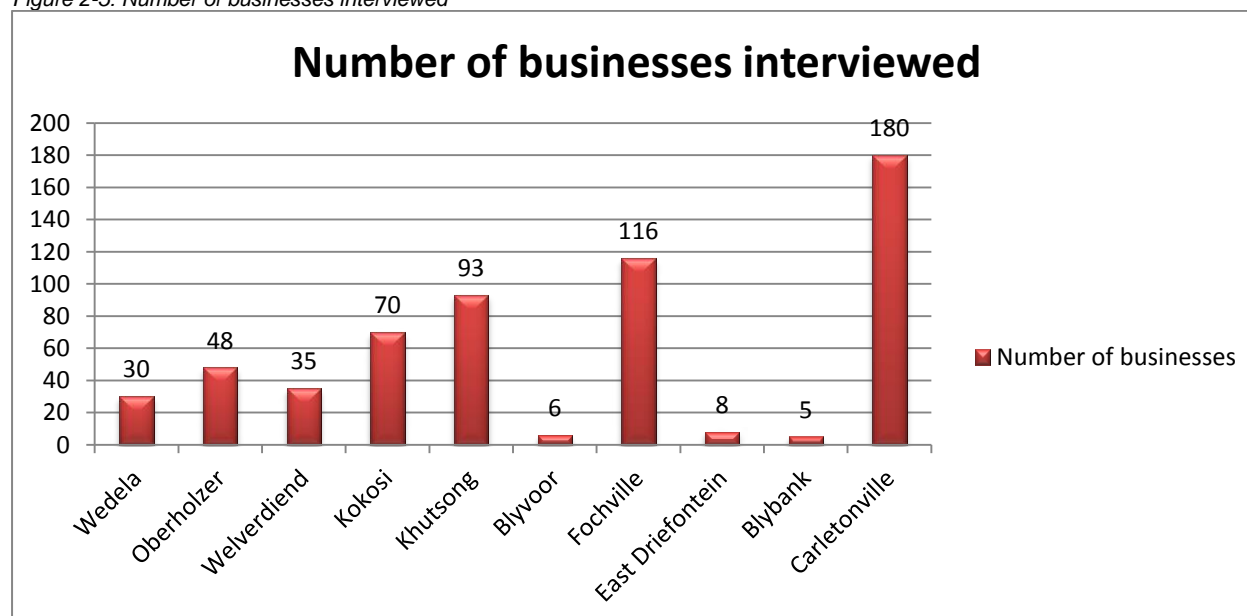
Figure 2-4: Total number of businesses counted



Source: Desktop research and Urban-Econ Business Audit 2008

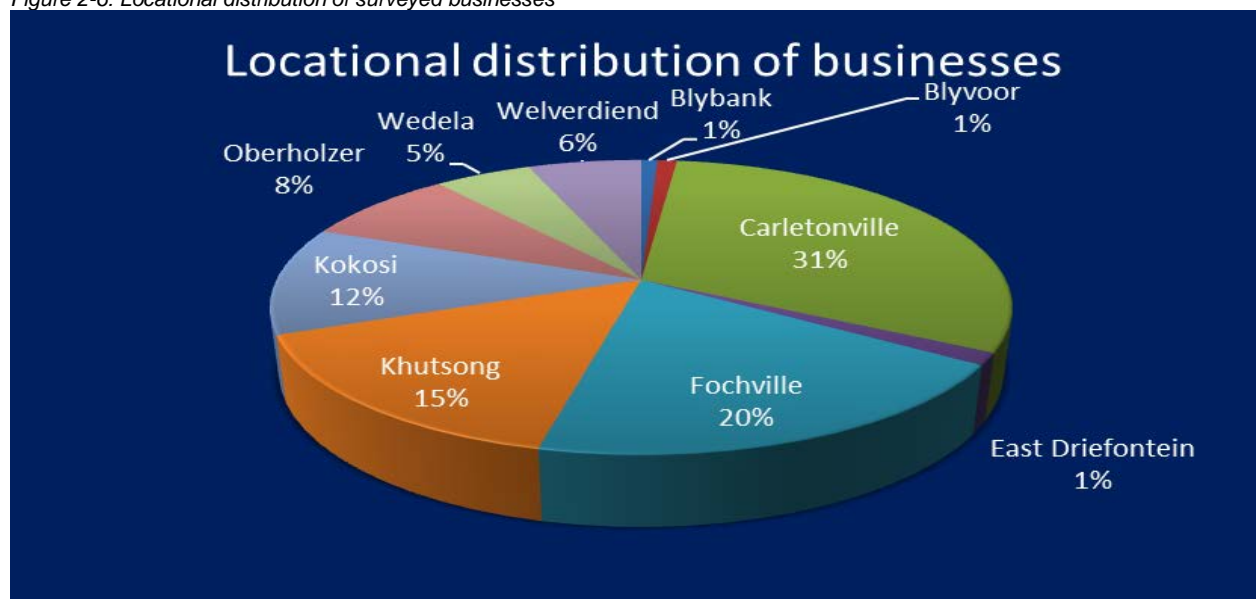
The chart below shows the distribution of the local businesses that were approached for participation in the business audit survey. A total of 591 businesses were approached, of which 538 participated in the survey through completion of a questionnaire.

Figure 2-5: Number of businesses interviewed



Source: Urban-Econ Business Audit, 2013

Figure 2-6: Locational distribution of surveyed businesses



Source: Urban-Econ Business Audit, 2013

Table 2-2: A comparison between the 2008 and 2013 business audits

	2008	2013
Desktop count	672	695
Audited businesses	377	538
Response rate	55.7%	77.4%

## 4. Profile of businesses

This section explores the characteristics of the local businesses that were interviewed, for example in terms of their employment size, sector, legal status, age and business ownership.

### 4.1 Economic sector analysis

Standard Industrial Classification (SIC) is used as a means of classifying business establishments by the type of economic activity in which they were engaged.

In terms of economic sectors, the majority of all the businesses surveyed in Merafong City were engaged in the wholesale and retail trade sector (50.9%). The three other most prominent sectors were community, social and personal services (23%), finance and business services (6%), and manufacturing (5%).

Table 2-3: Sectoral distribution of surveyed businesses

SECTOR	INDUSTRY	NUMBER OF RESPONDENTS		PERCENTAGE OF SAMPLE	
		IN SECTOR	IN INDUSTRY	IN SECTOR	IN INDUSTRY
Agriculture	Animal Feed	2	1	0.4%	0.2%
	Nursery		1		0.2%
Mining	Small-Scale Quarrying	2	2	0.4%	0.4%
Manufacturing	Clothing	30	11	5.3%	1.9%
	Furniture Making/Woodworking		2		0.4%
	Printing/Photography		1		0.2%
	Steelworks		4		0.7%
	Jewellery		2		0.4%
	Aluminium Glass/Tiles		1		0.2%
	Cultural Works/Art/Beadwork		1		0.2%
	Scrapyard (Recycling)		4		0.7%
Construction	Home Building	21	9	3.7%	1.6%
	Installations		4		1.0%
	Rental of Construction Equipment		2		0.5%
	Plumbing		1		0.3%
	Painting/Tiling/Renovations		5		1.3%
Wholesale and Retail Trade	Wholesale	287	5	50.9%	0.9%
	Food, Drinks and Tobacco		97		17.2%
	Liquor Store		15		2.7%
	Small Consumer Goods		103		18.3%
	Pharmacy		10		1.8%
	Automobile Retail/Rental		15		2.7%
	Automobile Repair		16		2.8%
Catering and accommodation	Accommodation	47	11	8.3%	1.9%
	Take-away		31		5.5%
	Restaurants		5		0.9%
Transport, Storage and Communication	Transportation	9	4	1.6%	0.7%
	Communication (Phones)		5		0.9%
Financial and Business Services	Employment Agency	32	2	6.0%	0.4%
	Money Lenders		4		0.8%
	Real Estate/Rental Agency		5		0.9%
	Information Technologies		9		1.7%
	Legal		3		0.6%
	Other		9		1.7%
Community and Personal Services	Hair Salon/Beauty Treatment	130	47	23.0%	8.3%
	Medical Practice		6		1.1%
	Funeral Services		11		1.9%
	Laundry/Dry Cleaning		8		1.4%
	Skills Development Programme		8		1.4%
	Veterinarian/pet services		2		0.4%
	Car Wash		7		1.2%
	Daycare/Crèche		4		0.7%
	Entertainment		14		2.5%
	Other		23		4.1%

Source: Urban-Econ calculations based on business audit, 2013

In terms of the study areas analysed the table below gives an indication of the main economic sectors of the businesses surveyed.

Table 2-4: Economic sector per area surveyed

Economic Sector	Carletonville	Fochville	Khutsong	Kokosi	Wolverdiend	Oberholzer	Wedel a
Agriculture	0.0%	0.7%	0.0%	0.0%	2.9%	0.0%	0.0%
Mining and quarrying	0.6%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Manufacturing	5.1%	4.2%	8.1%	3.0%	11.8%	0.0%	3.3%
Electricity, gas and water	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%
Construction	6.3%	1.4%	4.7%	0.0%	2.9%	2.2%	0.0%
Wholesale and retail trade	50.9%	53.5%	54.7%	48.5%	38.2%	56.5%	53.3%
Catering and accommodation	8.6%	9.2%	4.7%	15.2%	5.9%	6.5%	10.0%
Transport, storage and communication	2.3%	1.4%	2.3%	0.0%	0.0%	2.2%	3.3%
Finance, insurance, real estate and business services	8.0%	4.2%	2.3%	6.1%	8.8%	4.3%	6.7%
Community, social and personal services	18.3%	23.9%	23.3%	27.3%	29.4%	28.3%	23.3%

Source: Urban-Econ Business Audit, 2013

Carletonville and Fochville are very similar in terms of the sectoral distribution of businesses, with the majority in both falling under the wholesale and retail trade sector. The significant differences are the slightly higher percentage of finance and business services, manufacturing and construction businesses within Carletonville compared to Fochville. Within Kokosi, Khutsong and Welverdiend, the same trend is apparent with most surveyed businesses falling within the wholesale and retail trade sector. Of note though is the high percentage of manufacturing businesses in Welverdiend as compared to the rest of the areas under analysis. The business operations in Wedela and Oberholzer are less diverse with the highest percentage of businesses again falling in the retail trade category and also in the community and personal services sector.

Table 2-5: Economic sector comparison

Economic sector analysis		
	2008	2013
<b>Agriculture</b>	-	0.4%
<b>Mining</b>	-	0.4%
<b>Manufacturing</b>	9%	5.3%
<b>Electricity, gas and water</b>	-	0.4%
<b>Construction</b>	-	3.7%
<b>Wholesale and Retail Trade</b>	75%	50.9%
<b>Catering and accommodation</b>	-	8.3%
<b>Transport, Storage and Communication</b>	1%	1.6%
<b>Financial and Business Services</b>	10%	6.0%
<b>Community and Personal Services</b>	5%	23.0%

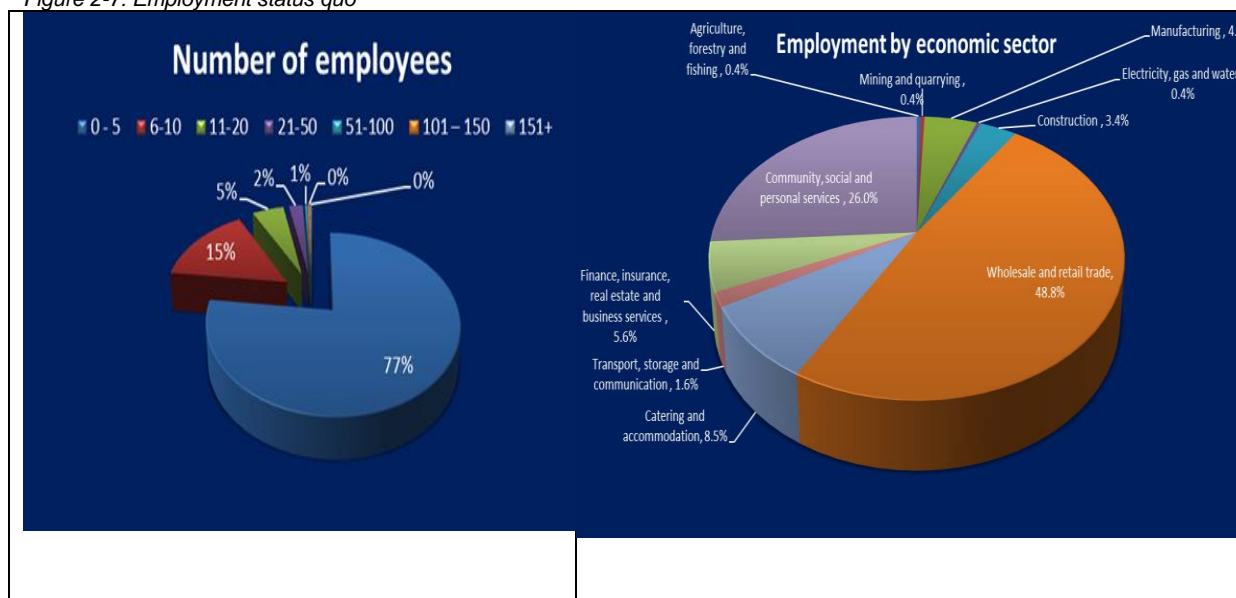
- The wholesale and retail trade sector continues to dominate the municipality's economy.
- Compared to five years ago there has been a decrease in the number of businesses in the manufacturing sector.
- Community and personal services oriented businesses, which include, salons, car wash and funeral services have increased remarkably over the past five years.
- Although the city boasts of mining being its economic driver, there are few mining sector businesses located in the city – mineral beneficiation and mining related industrial development projects need to be promoted locally

## 4.2 Employment size and structure

In terms of employment, the majority of businesses in Merafong City employ five people or less. Of businesses surveyed in the local municipality, 77% have five or less employees. It can be concluded that the majority of businesses can be classified as Small, Micro and Medium Enterprises (SMMEs). The two other most important employment categories are businesses with six to ten employees (15%) and businesses with ten to 20 -employees (5%). Only 1% of surveyed businesses employ 51 people or more. The employment numbers exclude those workers employed directly at mines.

In terms of sectoral employment, the wholesale and retail trade sector (48.8%) creates the most employment opportunities in the Merafong Local Municipality. Community, social and personal services (26%) is the second largest employer followed by the catering and accommodation sector (8.5%).

Figure 2-7: Employment status quo



Source: Urban-Econ Business Audit, 2013

Table 2-6: Number of employees by economic sector

Number of employees	Wholesale and retail trade	Catering and accommodation	Finance, insurance, real estate and business services	Community, social and personal services
0 – 5	75.2%	80.9%	74.2%	79.2%
6-10	15.9%	12.8%	16.1%	14.6%
11-20	5.9%	4.3%	6.5%	2.8%
21-50	1.9%	2.1%	3.2%	2.1%
51-100	0.4%	0.0%	0.0%	0.7%
101 – 150	0.4%	0.0%	0.0%	0.7%
151+	0.4%	0.0%	0.0%	0.0%

Source: Urban-Econ Business Audit, 2013

A very similar distribution by employment structure is evident in all the study areas.

Table 2-7: Employment size comparison

Employment size		
	2008	2013
<b>0 – 5 employees</b>	49%	76.9%
<b>6-10 employees</b>	21%	15.2%
<b>11-20 employees</b>	19%	4.9%
<b>21-50 employees</b>	7%	2.2%
<b>51-100 employees</b>	2%	0.4%
<b>101 – 150 employees</b>	0%	0.4%
<b>151+ employees</b>	2%	0.2%

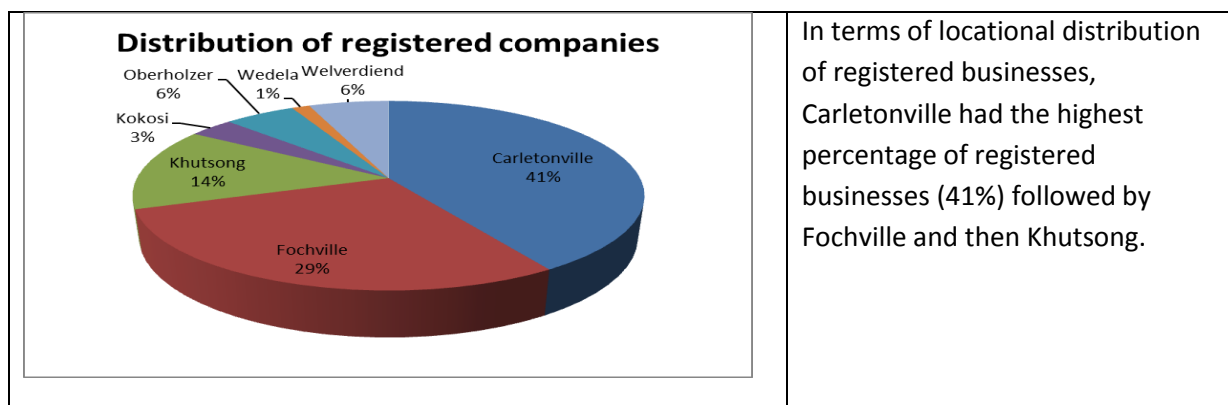
- More businesses seem to be employing less people compared to five years ago.
- Over three quarters of the surveyed businesses employ five or less people – there is a need to encourage the development of businesses that create more employment opportunities

### 4.3 Legal status (Company registration)

Of the businesses surveyed, a total of 350 (59%) interviewees responded to the question on business compliance. 26% of the businesses interviewed claimed to be registered with the Companies and Intellectual Property Commission.

Figure 2-8: Business registration

Sectoral distribution of registered businesses		In this regard a significant difference between service-providing and retail businesses was illustrated:
Agriculture, forestry and fishing	0.4%	
Mining and quarrying	0.4%	
Manufacturing	6.1%	
Electricity, gas and water	0.4%	
Construction	5.3%	
Wholesale and retail trade	50.2%	
Catering and accommodation	4.1%	
Transport, storage and communication	1.6%	
Finance, insurance, real estate and business services	9.8%	
Community, social and personal services	21.6%	



Source: Urban-Econ Business Audit, 2013

## 4.4 Business licensing

When asked “are you operating with a business license”, 60% of the respondents claimed to be operating with a business license while 29% said they were not and the remaining percentage did not respond. Of the respondents with business licenses, 54.2% belonged to the wholesale and trade sector while 20.1% is in the community services sector.

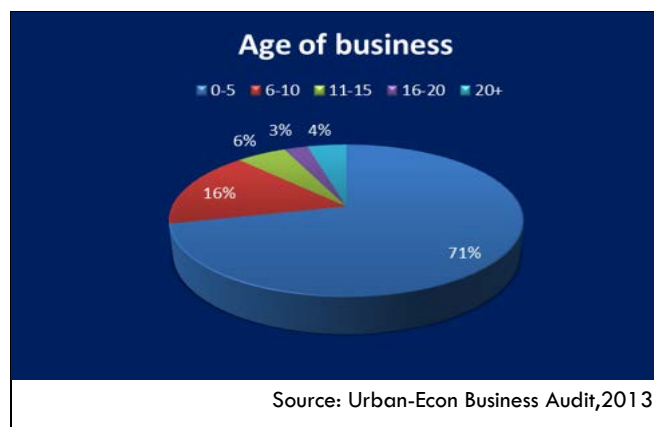
## 4.5 Compliance with VAT, PAYE, UIF and income tax

4% of the surveyed businesses claimed to have a tax clearance certificate and are also registered with the UIF. This means that only 4% of the businesses are VAT-registered, this is surprising since approximately 51% of the businesses are operating in wholesale and retail trade therefore a greater percentage of VAT-registered businesses is expected.

Figure 2-9: Operational years

## 4.6 Age of business

This section shows the age of the local businesses interviewed in the business audit. One of the objectives of the Business Development Strategy – the final deliverable of this study is to promote sustainable growth and development of established businesses in the MCLM. Therefore, the survey included existing businesses at various stages of development measured according to their duration of operations, level of employment and annual turnover.



Approximately 71% of the total number of businesses interviewed gave a response to this section of the questionnaire.

Figure 3.3 illustrates the length of time the surveyed businesses have been in operation for. The majority of businesses in Merafong City are quite young in terms of their operating age. About 71.4% of surveyed businesses have been in operation for five years or less. A possible explanation

might lie in the macro-economic climate in South Africa of 2008. With the tough economic environment, the easiest, quickest and cheapest business to enter in order to generate income (be it income for those who had lost their jobs or for those in need of extra income), would have been one of a retail nature. This might explain the high proportion of retail businesses in the start-up phase. 16.3% of the surveyed businesses have been in operation for between six and ten years, while the number of businesses that have been in operation for more than twenty years is 4.3%. The low percentage of businesses that have been in operation for more than ten years could be attributed to many business operations closing down in the area.

Table 2-8: Maturity of business comparison

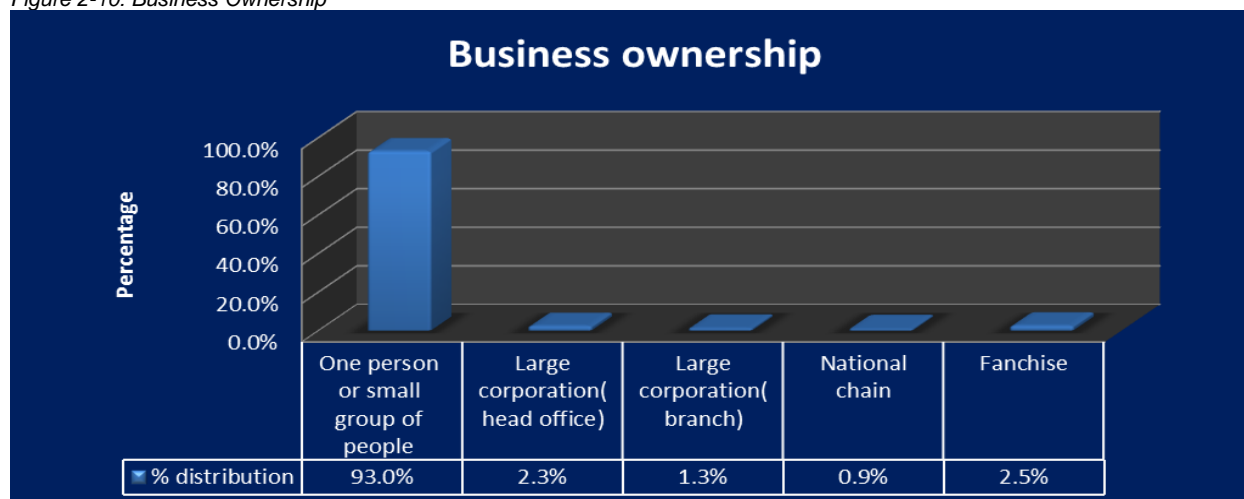
	Age of business	
	2008	2013
<b>0-5 years</b>	35%	71.4%
<b>6-10 years</b>	23%	16.3%
<b>11-15 years</b>	11%	5.4%
<b>16-20 years</b>	8%	2.6%
<b>20+ years</b>	23%	4.3%

- Compared to five years ago there is a large number of young businesses
- The high percentage of young businesses represents growth of small enterprises in the municipality
- However, the declining percentage of older businesses, is an indication of unsustainability of established businesses in the city

## 4.7 Business ownership

In terms of the ownership structure of businesses in the Merafong City Local Municipality, the majority of businesses (93%) are owned by a single person or a small group of people. These businesses therefore generally fall under the category of Small, Medium and Micro Enterprises (SMME's) that confirms the earlier assertion.

Figure 2-10: Business Ownership



Source: Urban-Econ Business Audit, 2013

Table 2-9: Business ownership comparison

Business ownership	Business ownership	
	2008	2013
One person or small group	81%	93%
Large corporation(head office)	1%	2%
Large corporation(branch)	8%	1%
National chain	5%	1%
Franchise	5%	3%

- Similar to five years back, the majority of businesses in Merafong are owned by either one person or a small group
- However, the number of large corporations , national chains and franchises in the municipality have decreased over the years

## 4.8 Summation

To summarise:

- The dominant business economic sectors are the wholesale and retail trade sector (50.9%); community, social and personal services (23%); finance and business services (6%); and manufacturing (5%)
- 77% of the businesses employ five or less employees
- The wholesale and retail trade sector (48.8%) creates the most employment opportunities in the MCLM followed by community, social and personal services (26%); and catering and accommodation (8.5%)

- 26% of the businesses interviewed claimed to be CIPC registered
- 60% of the respondents claimed to be operating with a business license
- 4% of the businesses are VAT-registered
- 71.4% of surveyed businesses have been in operation for five years or less
- 93% of the businesses are owned by a single person or a small group of people
- Majority of businesses in MCLM fall under the category of SMMEs

## 5. Business location and linkages

In this section, findings on the suitability of Merafong City as an area of business operations will be presented. A special focus will be paid to the advantages and disadvantages of operating businesses in the areas where the survey was conducted.

### 5.1 Advantages

Figure 2-11: Advantages of doing business in Merafong City Local Municipality



The main advantages of doing business in Merafong City as cited by the interviewees include:

- Proximity to consumer demand
- Local accessibility
- Proximity to suppliers
- Proximity to housing

Source: Urban-Econ Business Audit, 2013

Table 2-10: A comparison of advantages of doing business in MCLM

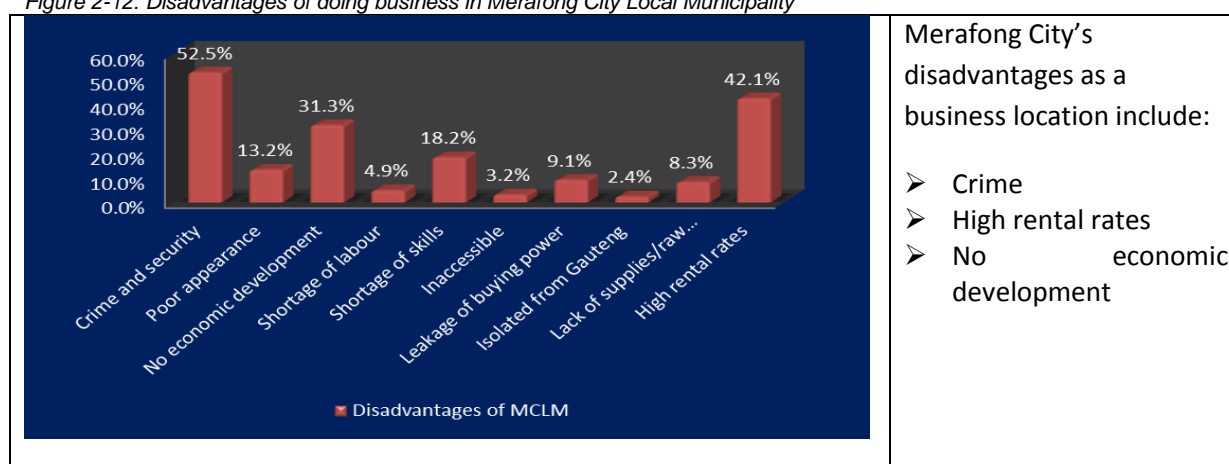
Advantages	Advantages	
	2008	2013
Proximity to consumer demand	55.9%	58.8%
Proximity to suppliers	21.4%	32.1%
Proximity to housing	-	30.1%
Availability of staff/labour	-	24.8%
Local accessibility	43.4%	37.3%
Regional accessibility	-	6.4%
Suitable premises	31.6%	21.8%
Rental rates	20.3%	17.2%

Purchase price of land	-	3.4%
Potential for expansion	-	13.0%
Good infrastructure	33.2%	24.3%

- The majority of business owners still cite Merafong's proximity to consumer demand as an advantage of doing business in the city
- Compared to five years ago, fewer businesses think that the municipality's infrastructure is good – there is need for increased infrastructural investment

## 5.2 Disadvantages

Figure 2-12: Disadvantages of doing business in Merafong City Local Municipality



Source: Urban-Econ Business Audit, 2013

Table 2-11: A comparison of the disadvantages of doing business in MCLM

Disadvantages	Disadvantages	
	2008	2013
Crime and security	36.4%	52.5%
Poor appearance	21.9%	13.2%
No economic development	29.9%	31.3%
Shortage of labour	-	4.9%
Shortage of skills	-	18.2%
Inaccessible	-	3.2%
Leakage of buying power	-	9.1%
Isolated from Gauteng	-	2.4%

Lack of supplies/raw material	-	8.3%
High rental rates	20.3%	42.1%

- Crime and security issues need to be addressed
- Many business owners point out that the rental rates in the municipality are too high
- According to 31.3% of the respondents the municipality is lacking in economic development
- All the issues raised in the 2008 business audit are mimicked by the 2013 audit respondents – municipality needs to make an effort to address issues raised by the local business owners

### 5.3 Plans for relocation

When asked whether the business was considering relocating to outside Merafong, 4% responded 'yes' while 89% responded 'no' and 7% did not respond.

### 5.4 Business linkages

The sourcing of inputs within and outside the study area gives an indication of linkages within the local business sector. The sourcing of inputs is an indication of backward linkages. The location of the main customer or client base is an indication of forward linkages.

In terms of the sourcing of inputs, the majority of surveyed businesses indicated that their main supplier is located in Johannesburg (41.8%). 32.6% of the businesses source their inputs locally, which is an improvement from five years ago when only 25.7% (MCLM Business Audit, 2008) sourced their inputs locally. The table highlights the location of the main suppliers of the respondents.

The 'other' category includes areas such as Cape Town, Potchefstroom, Randfontein and Roodepoort.

Table 2-12: A comparison of supplier locations

Supplier location		
	2008	2013
Carletonville	18.7%	24.4%
Fochville	7.0%	7.1%
Johannesburg	63.1%	47.8%
Pretoria	4.3%	2.4%
Khutsong	-	1.1%
Westonaria	-	1.7%
Krugersdorp	1.1%	-

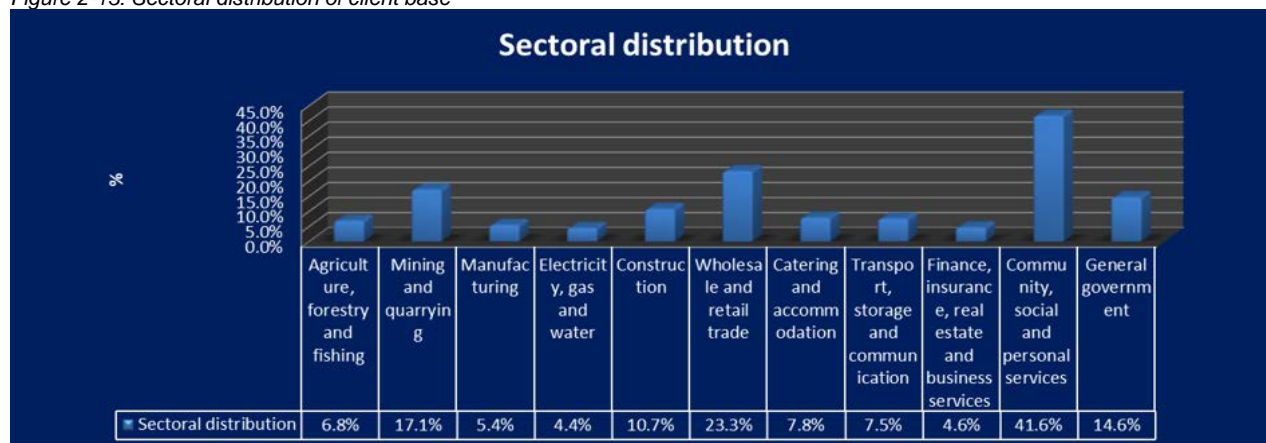
<b>Potchefstroom</b>	3.7%	-
<b>Other</b>	13.4%	16.6%

In terms of the location and main economic sector of the client/customer base:

- 93% of the businesses' clients are based within the local municipality

The figure below gives an indication of the main economic sector that the clients belong to.

Figure 2-13: Sectoral distribution of client base



Source: Urban-Econ Business Audit, 2013

It is interesting to note that several businesses have established client bases inside the municipality, businesses should therefore be assisted to strengthen linkages outside the local municipality. It is essential for local businesses to show potential to develop and maintain a national client base, as this bodes well for the future of the local business sector.

Table 2-13: A comparison of location of client base

Main offset area for goods and services		
	2008	2013
<b>Local</b>	88.2%	93%
<b>Johannesburg</b>	5.3%	-
<b>Pretoria</b>	3.2%	-
<b>Randfontein</b>	3.7%	-
<b>Krugersdorp</b>	3.7%	-
<b>Potchefstroom</b>	5.9%	-
<b>Other</b>	12.8%	-

- There continues to be strong ties between local businesses and the rest of Gauteng
- The client base is less diverse in terms of local distribution compared to five years ago

## 6. Business performance

This section gives an analysis how businesses have performed in the last five years in terms of employment size and turnover and their expectations for performance the next five years.

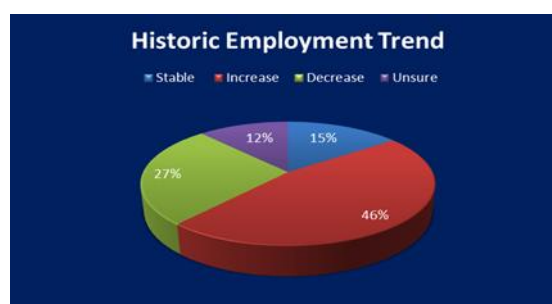
### 6.1 Employment

The total number of employees employed at the 553 companies responding to the survey was 3 107, of which the majority were employees from the local municipality. In the case where employees were sourced from outside Merafong City, the respondents attributed this to a lack of skills of the locals.

The West Wits Operations situated approximately 7 km south of Carletonville employs 15 258 (Sustainable Development Projects 2012-2013, AGASA) and most of these are supposedly from within the local municipality.

#### Numbers employed compared to five years ago

The current study is concerned with mechanisms for improving levels of employment creation among small businesses. To this effect, survey respondents were asked to comment on how their employment levels changed in the previous five years.



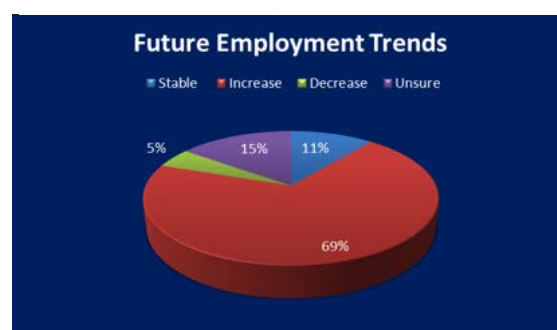
Source: Urban-Econ Business Audit, 2013

The majority of surveyed businesses in the Merafong City Local Municipality (46.5%) experienced an increase in employment over the previous five years. 26.6% of surveyed businesses had experienced a decrease, while 15% experienced a stable employment trend, i.e. the number of employees had remained the same. The following graph indicates the distribution of surveyed businesses in Merafong City Local Municipality according to historic employment trends.

Figure 2-15: Future Employment Trend

#### Number of people expected to be employed in the next five years

69% of the businesses surveyed expect an increase in employment over the next five years while 11% expect their employment to remain the same and 5% expect a decrease. 15% of the respondents were unsure of what to expect in the future.



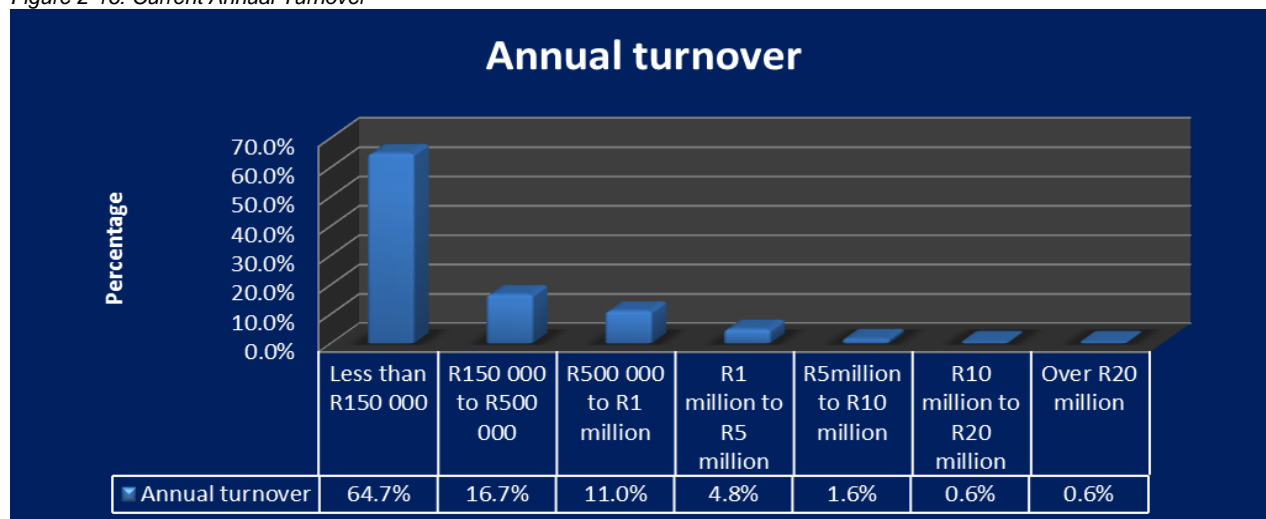
While reported growth and planned expansion levels are encouraging it is important to promote the translation of this growth into increased employment opportunities.

## 6.2 Turnover

### Current

Approximately 64.7% of all respondents had yearly revenues of less than R150 000, while businesses with yearly revenues of over R5 million accounted for approximately 2.8% of the respondents.

Figure 2-16: Current Annual Turnover

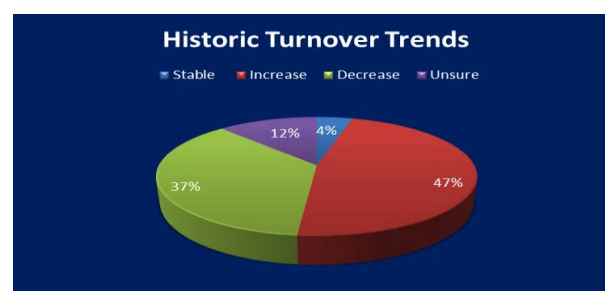


Source: Urban-Econ Business Audit, 2013

### Turnover now compared to five years ago

In terms of turnover trends during the previous five years, 47% of surveyed businesses in the MCLM experienced an increase, while 37% experienced a decrease. The turnover for 4% of the surveyed businesses remained stable, while 12% was unsure.

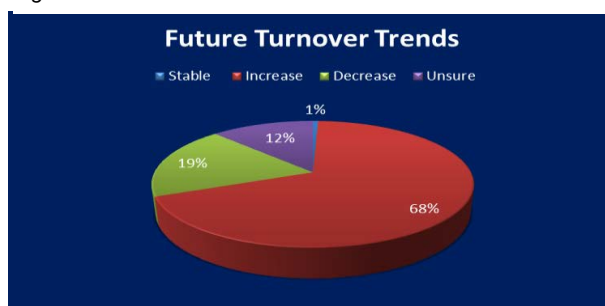
Figure 2-17: Historic Turnover Trends



### Expectations of turnover in five years' time

In terms of expected turnover trends, the majority of surveyed businesses in the MCLM (68%) expected an increase in business turnover over the next five years. Only 19% of surveyed businesses expected a decrease in turnover over the next five years, while 1% expected their business turnover to remain stable. 12% of surveyed businesses were unsure about the expected trend in the turnover of their business.

Figure 2-18: Future Turnover Trends



**Turnover trends**

	2008	2013
<b>Stable</b>	18%	4.3%
<b>Increase</b>	45%	47.3%
<b>Decrease</b>	30%	36.3%
<b>Unsure</b>	7%	12.0%
<b>Future</b>		
<b>Stable</b>	13%	0.6%
<b>Increase</b>	47%	68.3%
<b>Decrease</b>	30%	18.7%
<b>Unsure</b>	7%	12.3%

**Employment trends**

<b>Historic</b>		
<b>Stable</b>	46%	15.0%
<b>Increase</b>	29%	46.5%
<b>Decrease</b>	2%	26.6%
<b>Unsure</b>	4%	11.9%
<b>Future</b>		
<b>Stable</b>	39%	10.9%
<b>Increase</b>	39%	69.5%
<b>Decrease</b>	7%	4.8%

- **Historic turnover and employment trends indicate a fairly positive trend**
- **There is no reason to believe these trends will change negatively, except in the event of unrest among mine workers**

## 7. Synopsis: Merafong Business Audit: A Comparison

*Comparison of survey results in 2008 and 2013*

COMPARISON	2008	2013
Number of respondents (n=)	377	538
Response rate	55.7%	77.4%
<b>Profile of businesses</b>		
<b>Economic sector analysis</b>		
Agriculture	-	0.4%
Mining	-	0.4%
Manufacturing	9%	5.3%
Electricity, gas and water	-	0.4%
Construction	-	3.7%
Wholesale and Retail Trade	75%	50.9%
Catering and accommodation	-	8.3%
Transport, Storage and Communication	1%	1.6%
Financial and Business Services	10%	6.0%
Community and Personal Services	5%	23.0%
<b>Employment size</b>		
0 – 5 employees	49%	76.9%
6-10 employees	21%	15.2%
11-20 employees	19%	4.9%
21-50 employees	7%	2.2%
51-100 employees	2%	0.4%
101 – 150 employees	0%	0.4%
151+ employees	2%	0.2%
<b>Age of business</b>		
0-5 years	35%	71.4%

COMPARISON	2008	2013
6-10 years	23%	16.3%
11-15 years	11%	5.4%
16-20 years	8%	2.6%
20+ years	23%	4.3%
<b>Business ownership</b>		
One person or small group	81%	93%
Large corporation(head office)	1%	2%
Large corporation(branch)	8%	1%
National chain	5%	1%
Franchise	5%	3%
<b>Business location and linkages</b>		
<b>Advantages</b>		
Proximity to consumer demand	55.9%	58.8%
Proximity to suppliers	21.4%	32.1%
Proximity to housing	-	30.1%
Availability of staff/labour	-	24.8%
Local accessibility	43.4%	37.3%
Regional accessibility	-	6.4%
Suitable premises	31.6%	21.8%
Rental rates	20.3%	17.2%
Purchase price of land	-	3.4%
Potential for expansion	-	13.0%
Good infrastructure	33.2%	24.3%
<b>Disadvantages</b>		
Crime and security	36.4%	52.5%
Poor appearance	21.9%	13.2%

COMPARISON	2008	2013
No economic development	29.9%	31.3%
Shortage of labour	-	4.9%
Shortage of skills	-	18.2%
Inaccessible	-	3.2%
Leakage of buying power	-	9.1%
Isolated from Gauteng	-	2.4%
Lack of supplies/raw material	-	8.3%
High rental rates	20.3%	42.1%
<b>Supplier location</b>		
Carletonville	18.7%	24.4%
Fochville	7.0%	7.1%
Johannesburg	63.1%	47.8%
Pretoria	4.3%	2.4%
Khutsong	-	1.1%
Westonaria	-	1.7%
Krugersdorp	1.1%	-
Potchefstroom	3.7%	-
Other	13.4%	16.6%
<b>Main offset area for goods and services</b>		
Local	88.2%	93%
Johannesburg	5.3%	-
Pretoria	3.2%	-
Randfontein	3.7%	-
Krugersdorp	3.7%	-
Potchefstroom	5.9%	-

COMPARISON	2008	2013
Other	12.8%	-
<b>Turnover trends</b>		
<b>Historic</b>		
Stable	18%	4.3%
Increase	45%	47.3%
Decrease	30%	36.3%
Unsure	7%	12.0%
<b>Future</b>		
Stable	13%	0.6%
Increase	47%	68.3%
Decrease	30%	18.7%
Unsure	7%	12.3%
<b>Employment trends</b>		
<b>Historic</b>		
Stable	46%	15.0%
Increase	29%	46.5%
Decrease	2%	26.6%
Unsure	4%	11.9%
<b>Future</b>		
Stable	39%	10.9%
Increase	39%	69.5%
Decrease	7%	4.8%
Unsure	15%	14.9%

## 8. Conclusion and recommendations

The following are the key findings from the small business survey, which inform the drafting of recommendations for the Enterprise Development Policy:

- The Merafong City business sector is dominated by retail trade activities and fairly small businesses. The local business sector is therefore fairly undiversified and vulnerable to economic downturns and any external economic shocks.
- Businesses are mostly owned by a single person or a small group of people, and the majority of businesses employ five or less employees
- Businesses in Merafong City are quite young in terms of operating age and the majority of businesses are in operation for five years or less. A contingent of well-established businesses is located mostly in Carletonville
- Business owners are much more likely to finance the establishment and expansion of businesses out of their own savings than through a formal financial institution
- There are high levels of growth and planned expansion among respondents; however this is rarely linked to significant levels of employment creation. There is a large desire for skills development, especially business management skills
- Some business owners have mentioned the need for assistance with advertising their businesses. Local government could potentially provide assistance in this regard. Cost savings can be realised through joint marketing of local businesses and the local municipality can play an instrumental role in launching such a campaign. Networking between local businesses should also be encouraged, in order to create opportunities for information and resource sharing, and the forging of local business linkages
- Top business challenges indicated by respondents include access to financing, affordable land and business premises
- Awareness of business support is low, however there are potential gains as far as local business development and consequently local economic development from promoting support organisations to business owners in the municipality
- Although many respondents expect the municipality to directly address their business challenges, a significant number have also ceased to rely on local government for any form of support. Establishing a cooperative relationship between local government and the business sector is therefore of prime importance
- The most common recommendations for improving existing support services include increasing the visibility of support offered; providing training and workshops; and visiting business owners to increase their knowledge of the businesses operations and challenges

- The MCLM should pursue the SMME support opportunities by promoting awareness among local economic actors and assisting with the applications
- A key concern raised by small business owners is the absence of an enabling business environment, due to high levels of crime, poor infrastructure and high rates
- Many respondents also recommend that the municipality provide consistent support to small business owners and cease to discriminate on race, nationality and patronage
- The presence of too many unregulated businesses is an issue that was cited by many business owners. Unregistered businesses are perceived as having an unfair advantage over registered businesses and causing a saturation of the market for certain products and services.

Taking into account the analysis of the local economy, its existing strengths and the identified sectoral development opportunities, as well as the aforementioned national and provincial policy directives, the next step is to investigate the most appropriate strategic direction for the development of the local economy.

Several important issues need to be considered going forward to the economic summit and for strategic intervention identification. These will be discussed under the following headings:

1. Significant features of the local economy
2. Trends and dynamics in the local business sector
3. Alignment with the national and provincial policy environment

These three factors hold important implications for the Merafong City Business and Economic Development Strategy and should point to the appropriate direction for development.

## Significant features of the local economy

- The strongest growing sectors in the local economy are **construction, catering and accommodation and community and personal services businesses.**
- The sector in which the area's strongest comparative advantage is situated is still the **mining** sector.
- The mining sector has the potential to act as a catalyst for the development of other sectors, especially manufacturing.
- According to the *National Spatial Development Perspective*, Merafong City is relatively efficient in the production of (i.e. has a comparative advantage in) highly differentiated goods, construction, retail and services.

## Trends and dynamics within the local business sector

- The local business sector is dominated by relatively small businesses, owned by a single person or small group of people, with five or less employees.
- A few larger, more established businesses are concentrated mainly in Carletonville and Fochville.
- Historic turnover and employment trends indicate a fairly positive trend
- Business linkages indicate a **very strong economic link with Gauteng**.
- Local businesses also have **strong ties with the mining sector**, and many businesses are geared toward the provision of goods and services to mines
- The client base of most businesses is mainly local.

## Policy alignment

In terms of strategic directives for economic development in South Africa, the government views the development and diversification of the manufacturing sector as of prime importance. Most of the economic-related strategic and policy documents issued over the past decade therefore focus on strategies for industrial development and issues related thereto.

Government is strongly encouraging development and investment in the following industrial sub-sectors:

- Agro-processing
- Mineral beneficiation
- Capital/Transport equipment
- Metal fabrication
- Automotives and components
- Chemicals, plastics fabrication and pharmaceuticals

Other important focus areas of the government include business process outsourcing and tourism.

## 9. Implications for the Merafong City Growth and Development Strategy

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The Merafong City business sector is dominated by retail trade activities and fairly small businesses. The local business sector is therefore fairly undiversified and vulnerable to economic downturns and any external economic shocks. There is also a significant income leakage due to a large number of business inputs being purchased outside the local area.

The large number of small businesses trading in the same goods and services leads to a saturated market, especially where disposable income of the local consumer market is limited. Not only do business owners feel that too many of the same products and services are traded, but also that unregistered businesses have an unfair advantage in that lower rates are paid.

The business sector in general tended to have a negative view of the local government and the role it is playing in local business development. **Establishing a cooperative relationship** between local government and the business sector is therefore of prime importance. This can be addressed by establishing a well-functioning **local business forum**, especially one on which small business is well represented. During the business audit, many small business owners expressed their willingness to attend meetings with the local government to discuss issues that affect them.

Local government also has an important role to play in creating an **enabling environment** for businesses. Issues regarding crime, safety and political stability were raised, together with rates and taxes paid by small business and land owners. These are important aspects that need to be addressed by the Merafong City Local Municipality in order to create an environment conducive to business development.

Most of the businesses are fairly small with limited budgets for aspects such as marketing and advertising, and local government could potentially provide assistance in this regard. Cost savings can be realized through **joint marketing of local businesses** and the Local Municipality can play an instrumental role in launching such a campaign, together with the local business forum. Networking between local businesses should also be encouraged, in order to create opportunities for information and resource sharing, and the forging of local business linkages.

An important point raised by especially manufacturing/engineering business owners, was the **need for more serviced industrial stands** in order to expand their businesses. Industrial stands in

Merafong City need to be made more attractive and amenable, and should also be marketed to attract potential investors. An **industrial incentives package** to attract more industrial firms to the area should be considered.

A lack of funding and appropriate business skills were issues raised mostly by small businesses in Khutsong. The Local Municipality can play an important role in **facilitating skills and business development** and **access to funding** for small businesses in Merafong City. In the case of Khutsong, a potential partner/“broker” to assist the municipality in this regard is the existing Khutsong Business Forum, as well as *Morning Dew Trading*, a company (located in Khutsong) which provides business development services.

Merafong City Local Municipality



# Growth and Development Strategy – Section 4

Strategic Framework



**URBAN-ECON**  
Development Economists

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## 1. Introduction

This section has as its focus the formulation of a strategic framework to guide future economic development within Merafong City. This document therefore follows directly on Section 1 (*Analysis of economic and social trends*) and Section 2 (*Research sheets for the analysis of potential*), and should be read in conjunction with these documents.

Apart from the development profile of Merafong City and the sectoral opportunity analysis to investigate development potential within the local economy, a business audit was also conducted in order to gain an understanding of the business dynamics in the locality. The findings of these analyses will serve as inputs into the compilation of the strategic framework, culminating in an integrated Growth and Development Strategy for Merafong City Local Municipality.

An overview of the policy environment for economic development planning will firstly be provided, as encompassed in national and provincial strategic directives and policy documents applicable to Merafong City Local Municipality. After an overview of the study area economy, its existing comparative strengths and identified development opportunities, the main characteristics of the local business sector will be highlighted, including prominent business trends and linkages.

## 2. Overview of relevant policies and strategic and documents

### 2.1 National policy review

This chapter focuses on the review of national policies, strategies and frameworks to determine the direction that government set with respect to local business development and the achievement of socio-economic objectives.

Table 2-14: National Level

The Constitution of the Republic of South Africa	
<b>Description</b>	<p>The Constitution of South Africa is the supreme law of the country. It provides the legal foundation for the existence of the republic, sets out the rights and duties of its citizens, and defines the structure of the government. It defines three spheres of government, namely national, provincial and local. For each level of government the Constitution provides a legislative framework and a measure of legislative authority.</p> <p>At local level the Constitution defines the development responsibilities of municipalities including:</p> <ul style="list-style-type: none"> <li>• Promotion of the communities' social and economic development</li> <li>• Participation in national and provincial development programmes</li> <li>• Regulation of 'trading' and 'street trading' within their jurisdiction</li> <li>• Creation of an environment conducive to SMME growth.</li> </ul>

<b>Implications</b>	The Constitution gives municipalities the mandate to enable small businesses development and regulate trading.
<b>National Framework for Local Economic Development (LED)</b>	
<b>Description</b>	<p>The Framework is intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. It seeks to mobilise local people and local resources in an effort to fight poverty. The objectives of this framework are:</p> <ul style="list-style-type: none"> <li>• To shift towards a more strategic approach to LED and move away from supporting non-viable projects or start-ups</li> <li>• To support local economies in realising their optimal potential and making local communities active participants in the national economy</li> <li>• To elevate the importance and centrality of local economies in growing the national economy</li> <li>• To alleviate poverty more effectively through local level debates, strategies and actions</li> <li>• To improve community access to economic initiatives, support programmes and information</li> <li>• To improve the coordination of economic development planning and implementation across government, and between government and non-governmental role-players</li> <li>• To build greater awareness about the global importance and role of localities and regions.</li> </ul>
<b>Implications</b>	The framework directs all local economic development in the country and also advocates for municipalities to intensify their support for SMMEs and business infrastructure development.
<b>Micro-Economic Reform Strategy (MERS)</b>	
<b>Description</b>	<p>The MERS is informed by the 2001 Integrated Economic Action Plan. The strategy aims to remove constraints on economic growth and development within the micro-economy. The MERS highlights four key areas for intervention:</p> <ul style="list-style-type: none"> <li>➤ Technology - increase funding for research and development, the encouragement of knowledge sharing, and establishment of technology focused tertiary institutions</li> <li>➤ Human Resource Development - improve implementation of the integrated human resource strategy</li> <li>➤ Access to Finance - enhance access to finance and black economic empowerment through the coordinated efforts of existing support structures</li> <li>➤ Infrastructure - develop an integrated system for the planning and implementation of infrastructure improvements.</li> </ul>
<b>Implications</b>	The MCLM Enterprise Development Strategy and Policy needs to incorporate the interventions as mentioned above.

<b>New Growth Path (NGP)</b>	
<b>Description</b>	<p>The NGP is a policy aimed at enhancing growth, employment creation and ensuring that all of the country's benefits are shared more equitably by all citizens. It identifies and analyses areas where job creation is possible in a bid to achieve its principal target of creating five million jobs by 2020. These areas include:</p> <ul style="list-style-type: none"> <li>• Infrastructure</li> <li>• The agricultural value chain</li> <li>• The mining value chain</li> <li>• The green economy</li> <li>• Manufacturing sectors outlined in the IPAP2</li> <li>• Tourism and certain high-level services.</li> </ul> <p>To specifically promote SMME development, the NGP will:</p> <ul style="list-style-type: none"> <li>• Strengthen and consolidate initiatives and give support to small and micro-enterprises, thus improving small businesses access to finance</li> <li>• Reduce the overhead costs of public finance organisations to make more resources available to small businesses</li> <li>• Integrate small and micro-enterprise support into all sector strategies</li> <li>• Eliminate red tape, simplify procedures and remove any bias against small businesses</li> <li>• Improve workplace skills through certified on-the-job skills programmes and finalisation of the National Skills Development Strategy</li> <li>• Explore measures to subsidise production and innovation in targeted sectors</li> <li>• Address small business concerns about access to, and cost of, retail space.</li> </ul>
<b>Implications</b>	<p>The enterprise development policy should prioritise the creation of decent jobs in the small business sector, especially in the growth sectors identified. The Policy should also explore the options for small enterprise growth laid out in the New Growth Path and determine where these are feasible at a municipal level.</p>
<b>National Development Plan (NDP)</b>	
<b>Description</b>	<p>The National Development Plan is a plan for the country to eliminate poverty and reduce inequality by 2030 through uniting South Africans, unleashing the energies of its citizens, growing an inclusive economy, building capabilities, enhancing the capability of the state and leaders working together to solve complex problems. It can be viewed as a long-term economic strategy, encompassing political and social development objectives. In terms of small business development and job creation, the NDP advocates for:</p> <ul style="list-style-type: none"> <li>• Bargaining and labour relations that support investment, but also secure human rights</li> <li>• Improving service delivery and business related infrastructure</li> <li>• Increased participation of rural areas in the local economy and business creation</li> <li>• Reforms to public and private procurement to provide opportunities for small business</li> <li>• Simplifying or removing employment equity and skills development compliance and reporting requirements for small businesses.</li> </ul>

<b>Implications</b>	The New Development Plan is mainly based on partnership between government and the private sector and the Enterprise Development Policy needs to take into consideration the existence of such partnerships and where they do not exist, suggest possible partnerships.
<b>Industrial Policy Action Plan (IPAP)</b>	
<b>Description</b>	This action plan represents the fourth annual iteration of IPAP objectives and presents the progress and challenges experienced since commencement of the first IPAP in 2008. The purpose of these action plans is to promote sustainable development and meaningful job creation by shifting from consumption to production-driven economic growth. The IPAP3 seeks to enhance economic production through the improvement of manufacturing capabilities.
<b>Implications</b>	The emphasis placed on enhanced manufacturing capabilities by the IPAP documents is to be echoed in the business development policy. The Policy will also target those growth sectors with significant potential in the municipality and reflect changes to local procurement policy and legislation. In addition, the opportunities provided by the new funding mechanisms and expanded industrial financing should be explored.
<b>Regional Industrial Development Strategy (RIDS)</b>	
<b>Description</b>	<p>The RIDS addresses the development gap between South Africa's regions, through targeted industrial intervention, strengthening existing support structures and developing new support mechanisms where necessary. RIDS calls on all regions to build their industrial economies based on local competitive advantages and opportunities by pursuing the following strategies:</p> <ul style="list-style-type: none"> <li>• Localise direct support to the district municipalities through technical assistance funds</li> <li>• Promote a stable regional investment and business climate to attract private sector investment</li> <li>• Increase regional markets competitiveness, diversity, and level of production, with the intent of expanding export potential and job creation</li> <li>• Improve appropriate infrastructure support to regions</li> <li>• Build effective industrial, trade and productive capacity</li> <li>• Encourage all regions to attain their full economic and development potential</li> <li>• Promote continued growth and development in already successful regions.</li> </ul>
<b>Implications</b>	The municipality's Enterprise Development Policy should be aligned with the strategies outlined in RIDS by considering the municipality's competitive advantages and opportunities', exploring partnerships with the private sector, and improving the availability and quality of technical support services.

### National Industrial Policy Framework (NIPF)

<b>Description</b>	<p>The NIPF is a policy framework whose core objective is to set out South Africa's industrialisation path and hence help align both private and public sector efforts towards this end. In order to contribute to government's economic goals for 2014 and beyond, the NIPF vision for South Africa's industrialisation path is as follows:</p> <ul style="list-style-type: none"> <li>• Diversification of the industrial base beyond the current reliance on traditional commodities and non-tradable services</li> <li>• Intensification of South Africa's industrialisation process and a move towards a knowledge economy</li> <li>• Promotion of more labour-intensive industrialisation</li> <li>• Promotion of a broader-based industrialisation path with greater levels of participation by historically disadvantaged people and marginalised regions in the mainstream industrial economy</li> <li>• Contributing to industrial development on the African continent.</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy needs to consider the municipality's potential for industrial development and diversification.</p>

### Integrated Small Business Development Strategy (ISBDS)

<b>Description</b>	<p>This document lays out a strategy for the development of small businesses in South Africa over a ten year period (2004-2014). It provides a rationale for a strategic and integrated response to the needs, challenges and opportunities facing the small business sector. The ISBDS government intends to enhance the role of small businesses in job creation, economic empowerment and poverty alleviation by implementing a series of directions and actions in the following three strategic areas:</p> <ul style="list-style-type: none"> <li>➤ Promoting entrepreneurship</li> <li>➤ Unlocking potential through better business environments</li> <li>➤ Promoting more competitive small businesses.</li> </ul> <p>Within these strategic areas the ISBDS aims to pursue the following objectives:</p> <ul style="list-style-type: none"> <li>• Increase small businesses contribution to the growth of the South African economy</li> <li>• Promote an enabling environment for small businesses that allows it to compete with large businesses, reduces the gap between urban and rural businesses, and promotes entrepreneurship</li> <li>• Create sustainable long-term jobs and ensure that previously disadvantaged individuals, women, people with disabilities, and the youth are represented in the small business sector</li> <li>• Increase the sectors competitiveness so it may take advantage of new opportunities</li> <li>• Improve communication between government and the small business sector.</li> </ul>
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<b>Implications</b>	The Enterprise Development Policy for the MCLM should be aligned with the objectives of the ISBDS and should address job creation and poverty alleviation.
<b>Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (ISPESE)</b>	
<b>Description</b>	<p>The strategy acknowledges the need for focused support to designated target groups and priority geographical areas and sectors, as well as support for fostering enterprise organisation forms (such as co-operatives), and the infusion of special institutional arrangements. Through its implementation the ISPESE sets out to achieve the following:</p> <ul style="list-style-type: none"> <li>➤ Increase the supply of financial and non-financial support services by streamlining public sector resources and crowding-in private sector resources</li> <li>➤ Increase demand for small business products and services by leveraging the public procurement strategy and BEE codes of good practice</li> <li>➤ Reduce the regulatory constraints on small enterprises by establishing a regulatory impact assessment framework and business environment monitoring mechanism.</li> </ul>
<b>Implications</b>	The MCLM Enterprise Development Policy should take into consideration the objectives of the ISPESE. Also, all stakeholders need to be consulted and included in the municipality's promotion of business growth.
<b>Broad-Based Black Empowerment Act (B-BBEE)</b>	
<b>Description</b>	<p>The objective of the B-BBEE Act of 2003 is to promote economic transformation that includes the meaningful participation of 'black' people, referred to as Africans, Coloureds and Indians, in all facets of the economy. It involves the empowerment of all black people including women, workers, youth, people with disabilities and those living in rural areas through diverse but integrated socio-economic strategies. These strategies include, inter alia:</p> <ul style="list-style-type: none"> <li>• Increasing the number of black people that manage, own and control enterprises and productive assets</li> <li>• Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises</li> <li>• Human resources and skills development</li> <li>• Achieving equitable participation in all occupational categories and levels in the workforce</li> <li>• Preferential procurement and investment.</li> </ul>
<b>Implications</b>	The B-BBEE Act is relevant to small businesses in the MCLM in that it seeks to empower communities, women and enterprises in rural areas with entrepreneurship and other skills. The MCLM Enterprise Development Policy should be aligned with the principles of empowerment outlined in the act.

<b>Broad-Based Black Empowerment Strategy</b>	
<b>Description</b>	<p>The B-BBEE Strategy is the outcome of extensive consultation within government and between government and the private sector, to develop a comprehensive strategy for attaining the objectives of black economic empowerment outlined in the B-BBEE Act. The strategy is based on the principles that black economic empowerment is broad based; inclusive; associated with good governance; and part of the national growth strategy.</p> <p>The strategy is intended to provide clarity on government's approach to B-BBEE. It is also a call to action for all sectors of the economy and society to contribute to the process of empowerment. It specifically promotes small business development through a framework for increasing the number of SMMEs owned and controlled by Previously Disadvantaged Individuals (PDI), as well as advocating for increased access to finance for black owned small businesses.</p>
<b>Implications</b>	The Enterprise Development Policy should seek to incorporate the objectives of B-BBEE through application of the strategy.
<b>National Tourism Sector Strategy (NTSS)</b>	
<b>Description</b>	<p>The NTSS is a document prepared by the National Department of Tourism which seeks to grow a sustainable tourism economy in South Africa, with domestic, regional and international components, based on innovation, service excellence, meaningful participation and partnerships</p> <p><b>Theme 1: Tourism growth and the economy</b></p> <ol style="list-style-type: none"> <li>1. To grow the tourism sector's absolute contribution to the economy</li> <li>2. To provide excellent people development and decent work within the tourism sector</li> <li>3. To increase domestic tourism's contribution to the tourism economy</li> <li>4. To contribute to the regional tourism economy</li> </ol> <p><b>Theme 2: Visitor experience and the brand</b></p> <ol style="list-style-type: none"> <li>5. To deliver a world-class visitor experience</li> <li>6. To entrench a tourism culture among South Africans</li> <li>7. To position South Africa as a globally recognised tourism destination brand</li> </ol> <p><b>Theme 3: Sustainability and good governance</b></p> <ol style="list-style-type: none"> <li>8. To achieve transformation within the tourism sector</li> <li>9. To address the issue of geographic, seasonal and rural spread</li> <li>10. To promote 'responsible tourism' practices within the sector</li> <li>11. To unlock tourism economic development at a provincial and local government level</li> </ol>
<b>Implications</b>	The municipality needs to recognise tourism development as an opportunity for economic development.

## 2.2 Provincial policy review

In this section relevant provincial level documents will be reviewed to determine among others the possible alignment between the current study and the economic vision for the province.

<b>Gauteng Provincial Growth and Development Strategy (GDS)</b>	
<b>Description</b>	<p>This Growth and Development Strategy (GDS) aims to address the above mentioned issues. It recognises the leadership role of government in driving integrated, holistic, sustainable and participatory growth and development. At the same time, it acknowledges and identifies the role of other sectors of society in ensuring socio-economic transformation. The GDS is guided by the following strategic objectives which it aims to achieve:</p> <ul style="list-style-type: none"> <li>➤ Provision of social and economic infrastructure and services that will build sustainable communities and contribute to halving poverty</li> <li>➤ Accelerated, labour absorbing economic growth that increases per annum and that will create long-term sustainable jobs and contribute to decrease unemployment</li> <li>➤ Sustainable socio-economic development</li> <li>➤ Enhanced government efficiency and cooperative governance</li> <li>➤ Deepening participatory democracy, provincial and national unity and citizenship</li> <li>➤ Contributing to the successful achievement of the New Partnership for Africa's Development's (NEPAD's) goal and objectives</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy should take into account the vision of the GDS of creating a better life of all citizens and should align with the strategic objectives of the strategy.</p>
<b>Gauteng SMME Policy Framework (2009-2014)</b>	
<b>Description</b>	<p>The Gauteng SMME Policy Framework provides a comprehensive qualitative and quantitative framework for the development of Small, Medium and Micro Enterprises (SMMEs) in the Gauteng Province. It recognises the unique roles performed by this diverse and dynamic sector in the province in the creation of employment, contribution to economic growth, and the provision of sustainable livelihoods. The framework aims to promote the development and transformation of the provincial economy through a six-pillar framework. The six pillars are:</p> <ul style="list-style-type: none"> <li>➤ Non-financial entrepreneurial support initiatives with a particular focus on entrepreneurial training</li> <li>➤ Financial entrepreneurial support initiatives</li> <li>➤ Capacity building initiatives</li> <li>➤ Regulatory reform and supporting the informal economy SMME sub-sector</li> <li>➤ Research on specific sectors and the role of SMMEs and building partnerships</li> <li>➤ Employment retention and linking with the National Training Layoff Scheme.</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy must align with the SMME Policy Framework in terms of SMME development projects and take cognisance of the six pillars that aim to promote development of the provincial economy.</p>

<b>Gauteng Employment, Growth and Development Strategy (GEGDS)</b>	
<b>Description</b>	<p>The GEGDS aims to drive the provincial economy onto a new economic growth path by focusing on three areas: innovation, green growth and inclusivity. The innovation will not only be building on the high technology sectors of the economy, but will also focus on using existing resources, skills and institutions more effectively. The GEGDS explains the strategic interventions by which Gauteng will work to make the innovative, green and inclusive economy a reality. The strategic interventions are categorised into five 'strategic pillars'. The five pillars are:</p> <ul style="list-style-type: none"> <li>➤ Transforming the provincial economy through improved efficiency (economic dimension)</li> <li>➤ Sustainable employment creation (economic dimension)</li> <li>➤ Increasing economic equity and ownership (equality dimension)</li> <li>➤ Investing in people (social dimension)</li> <li>➤ Sustainable communities and social cohesion (social dimension).</li> </ul>
<b>Implications</b>	The Enterprise Development Policy should take into account the vision of the GEGDS of becoming an inclusive Gauteng City Region and should align with the strategic pillars of the strategy.
<b>Gauteng Industrial Policy Framework (2010-2014)</b>	
<b>Description</b>	<p>This industrial policy framework is firmly located within National Government's efforts to promote a new economic growth path and the National Industrial Policy Framework (NIPF) and Industrial Policy Action Plans (IPAPs) that will help drive the South African economy onto this new growth path. Its main aim is the creation of decent work opportunities. The strategic thrusts of the GIPF include, among others:</p> <ul style="list-style-type: none"> <li>• Expansion of decent work opportunities</li> <li>• Development and expansion of medium tech labour-intensive manufacturers</li> <li>• Strengthening inter-sectoral linkages through supply chain development</li> <li>• Enhancement of value addition and upgrading along supply chains</li> <li>• Creation of an integrated and diversified industrial base in Gauteng.</li> </ul>
<b>Implications</b>	The municipality's business development support policy needs to be aligned with the GIPF's strategic objectives.
<b>Gauteng Cooperatives Development Policy</b>	
<b>Description</b>	<p>The Policy outlines the role of local government as far implementation of the national and provincial policy framework on co-operatives is concerned. The local government structures within the Province are responsible for the following:</p> <ul style="list-style-type: none"> <li>• Work closely with existing national and provincial government support measures</li> <li>• Establish institutional administrative capacity within their localities in order to support the implementation of the Co-operatives Development Policy</li> <li>• Provide specific minimum support measures required within the provincial implementation strategy</li> </ul>

	<ul style="list-style-type: none"> <li>Align co-operative development with local economic development plans, particularly in terms of poverty eradication plans, IDPs and other developmental interventions. To this end, local governments are expected to promote these linkages in local government policy and utilise its cooperative administrative capacity to coordinate such linkages</li> <li>Establish participatory forums to build strong partnerships with local co-operative movements within their jurisdiction</li> <li>Coordinate its co-operative development efforts very closely with provincial government.</li> </ul>
<b>Implications</b>	The Enterprise Development Policy needs to take into account the municipality's responsibilities as given in the Cooperative Development Policy.
<b>Gauteng Rural Development Strategy (GRDS)</b>	
<b>Description</b>	<p>The focus of this strategy is on stimulating economic growth and reducing poverty in the rural areas. The strategy hinges on seven pillars, namely:</p> <ul style="list-style-type: none"> <li>➤ Promotion of sustainable land reform in Gauteng</li> <li>➤ Support of rural infrastructure development, access to services and sustainable livelihoods</li> <li>➤ Access to sufficient food security for all</li> <li>➤ Job creation linked to skills training and capacity building</li> <li>➤ Sustainable use of natural resources and protection of the environment</li> <li>➤ Good governance</li> <li>➤ Risks and vulnerability</li> </ul>
<b>Implications</b>	The Rural Development Strategy reiterates the importance of addressing SMME development in rural areas. It also notes that cooperatives are an important area for SMME development, as they have the potential to pool scarce resources and access services at more affordable rates
<b>Gauteng ICT Development Strategy</b>	
<b>Description</b>	<p>The ICT Strategy has the primary aim of lowering participation cost in the economy; with a particular focus on reducing communication barriers. The goals of the ICT Strategy are:</p> <ul style="list-style-type: none"> <li>➤ Economic productivity: to create the environment for ICT-focused economic development through broadband mobilisation to SMMEs</li> <li>➤ Economic networks: to foster the diffusion of ICT fixed and mobile broadband infrastructure and the connectedness of SMMEs</li> <li>➤ Economic capacities: to address the demand for skills in the broad ICT infrastructure and ICT services sectors as a means to increase South Africa's competitiveness and laying the foundation for ICT innovation and sector development.</li> </ul> <p>In addition the strategy outlines the following as its strategic objectives:</p> <ul style="list-style-type: none"> <li>➤ To provide universal access to broadband (as defined by the national broadband policy) for citizens, businesses as well as government institutions</li> <li>➤ To build the Network Infrastructure and Information Super-Highway to encourage the development of an advanced workforce with better ICT skills</li> <li>➤ To enhance economic productivity through ICT infrastructure development in order to lower the cost of doing business and increase</li> </ul>

	<p>connectivity for companies especially SMMEs</p> <ul style="list-style-type: none"> <li>➤ To increase the ICT skills capacity within the public and the private sectors to create a pool of ICT practitioners and entrepreneurs</li> <li>➤ To improve service delivery by providing high quality ICT services through e-government</li> <li>➤ To build an economic and industrial sector with a focus on ICT, and in particular, software industry</li> <li>➤ To ensure that innovation becomes part of the economic network in Gauteng Province in relation to ICT</li> <li>➤ To reduce the carbon footprint of the province through Green ICT</li> <li>➤ To create employment in the ICT sector.</li> </ul>
<b>Implications</b>	ICT provides the scope for lowering communication and transactional costs, furthermore it also reduces turnaround times thereby reducing the costs of businesses.
<b>Gauteng Spatial Development Framework (GSDF)</b>	
<b>Description</b>	<p>The Gauteng Province has adopted the Gauteng Spatial Development Framework (GSDF) as the core policy framework intended to guide decisions relating to the location and nature of physical development in Gauteng. The five critical factors that have been identified to direct future spatial development in Gauteng are:</p> <ul style="list-style-type: none"> <li>➤ Resource-based economic development: three strategic thrusts have been formulated to guide future economic development: <ul style="list-style-type: none"> <li>○ The re-alignment of the manufacturing sector towards high value added activities</li> <li>○ The development of the province as the smart centre of the country</li> <li>○ The development of the finance and business services sectors with emphasis on financial services and technology, auxiliary business services, corporate head office location and business tourism</li> </ul> </li> <li>➤ Contained urban growth through the implementation of the urban edge as vehicle that is determined at a provincial level and informed by local government</li> <li>➤ Re-direction of urban growth that aims to implement the principles of planning legislation and policy where the integration of residential areas with areas of employment opportunities take place.</li> <li>➤ Rural development beyond the urban edge (the greenbelt) to achieve a more balanced growth system</li> <li>➤ Mobility and accessibility that underpin the principles of development. Hence, road and rail development should be geared at implementation to above proposals.</li> </ul>
<b>Implications</b>	The Enterprise Development Policy must be guided by the Spatial Development Framework in terms of planned development projects and take cognisance of the five critical factors directing the spatial development in the Province.
<b>Gauteng Tourism Sector Strategy (GTSS)</b>	
<b>Description</b>	The vision of the Gauteng Tourism Sector Strategy (2011) is for Gauteng to become “Africa’s must-see, vibrant, big city visitor’s experience”. The strategic objectives for the Gauteng Tourism Sector Strategy have been

	categorised into three themes, namely; <ul style="list-style-type: none"> <li>➤ tourism growth and the economy</li> <li>➤ visitor experience and the brand</li> <li>➤ sustainability and good governance</li> </ul>
<b>Implications</b>	The tourism sector and tourism development in the MCLM should be aligned with the objectives and goals of the province.
<b>Gauteng Global City Region Strategy (GGCRS)</b>	
<b>Description</b>	<p>The primary objective of the Global City Region (as highlighted in the Gauteng Growth and Development Strategy) is to build Gauteng into an integrated and globally competitive region where the economic activities of different parts of the province complement each other in consolidating Gauteng as an economic hub of Africa; and an internationally recognised global city region. The main aim of this is to encourage great internal coherence and cooperation within the Province, for greater external competitiveness.</p> <p>The strategy seeks to align the various planning instruments, structures and sectors in Gauteng in order to realise the “Global City Region”. Gauteng’s rapid economic growth and expanded social service delivery has accelerated in-migration and placed increasing pressure on the environment. The growing social and environmental challenges are an increasing burden on Gauteng’s stability and sustainability. Unless these challenges are addressed they will pose a significant complication for the future prosperity and development of the Province. Thus, issues of environmental planning; integrated waste management; and pollution abatement must be addressed as essential ingredients of Gauteng’s sustainable development.</p>
<b>Implications</b>	The Enterprise Development Policy should align with the objective of Gauteng becoming an integrated and globally competitive Global City Region.
<b>Gauteng Trade And Industry Strategy (GTIS)</b>	
<b>Description</b>	<p>The GTIS adopts a broad approach to the economic development of the province and is comprised of five strategic thrusts:</p> <ul style="list-style-type: none"> <li>➤ The re-alignment of the manufacturing sector towards more sophisticated and value-added production</li> <li>➤ The development of the Gauteng Province as the smart ‘capital’ of South Africa</li> <li>➤ The development of the finance and business tourism sectors</li> <li>➤ Encouragement of new business activity to draw in participants in ownership and management levels from a wide spectrum of people</li> <li>➤ Employment generation and the benefits of this in income redistribution and poverty alleviation.</li> </ul> <p>The GTIS identifies two strong economic sectors in Gauteng that are a pivotal focus for the growth strategy, namely the financial services sector and business tourism.</p>
<b>Implications</b>	The Enterprise Development Policy should take cognisance of the key strategic thrusts identified and should focus on business development support in the key economic sectors, such as business tourism.

## 2.3 Local policy review

In this section local level (district and local municipality) documents are reviewed to identify any possible links with the formulated renewable energy strategy.

<b>West Rand District Municipality (WRDM) Regional Growth and Development Strategy</b>	
<b>Description</b>	<p>The Regional Growth and Development Strategy is developed to bring all strategies and programmes of the District together and to promote inclusive development and growth. The vision of the 2012 GDS is to “develop and sustain an integrated, socio-economically and economically thriving and green environment with a unified society.” The GDS identifies the following aspects as priority areas to be focused on:</p> <ul style="list-style-type: none"> <li>➤ spatial integration</li> <li>➤ physical infrastructure</li> <li>➤ economic development</li> <li>➤ environmental management</li> <li>➤ social development</li> <li>➤ good governance</li> </ul> <p>The GDS sets out the promotion of easy and affordable businesses as one of the strategies of good governance with the following key focus areas:</p> <ul style="list-style-type: none"> <li>• Reducing the cost of businesses and improving the ease of doing business</li> <li>• Developing a central registry for business and SMMEs within the district</li> <li>• Investigate the possibility of development pre-approvals in line with Environmental Management Framework (EMF).</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy must be informed by the strategic priorities and key focus areas as identified through the Growth and Development Strategy, specifically where promotion of easy and affordable business is concerned.</p>
<b>WRDM Tourism Sector Strategy</b>	
<b>Description</b>	<p>The vision of the 2011 WRDM Tourism Sector Strategy is that by 2016 the West Rand will be Gauteng’s most preferred nature and heritage visitor experience. The mission of the WRDM Tourism Sector Strategy is as follows:</p> <ul style="list-style-type: none"> <li>• Geographically spreading the benefits of the visitor economy throughout the district</li> <li>• Focused (prioritised) tourism development growing from the core of the Cradle</li> <li>• Increasing both overnight and day visitor numbers and visitor yields</li> <li>• Superlative customer experiences – safe, quality, authentic and service excellence</li> <li>• Public and private sector collaboration</li> <li>• Demand-led development meeting market potential and needs, related to experiences</li> <li>• Responsible tourism ensuring sustainability and benefits for all.</li> </ul> <p>The vision as outlined above will be achieved through the following key actions:</p> <ul style="list-style-type: none"> <li>• Focus on visitors not tourists – because there is an understanding of visitors and how to treat them</li> </ul>

	<ul style="list-style-type: none"> <li>• Selling experiences and not geographic destinations</li> <li>• Practicing “call to action” marketing rather than “destination awareness” marketing. Each marketing activity has a visitor target</li> <li>• All municipalities/areas within the district are not equal in tourism</li> <li>• Tourism development will be focused then allow growth to create spill over and spread</li> <li>• Alignment to GTSS as well as National Tourism Sector Strategy and New Growth Path</li> <li>• Tourism must be an integral component of district IDP and have a strong political champion</li> <li>• Alignment to provincial and district economic and spatial objectives and economic growth paths.</li> </ul>
<b>Implications</b>	The WRDM Tourism Sector Strategy identifies certain actions to become Gauteng’s most preferred nature and heritage tourism destination. These actions should be taken into account and aligned to the Enterprise Development Policy where the tourism sector is concerned.
<b>WRDM Local Economic Development Strategy</b>	
<b>Description</b>	<p>The vision of the West Rand LED Strategy is to promote long-term sustainable growth within the WRDM, through job creation, the eradication of poverty and unemployment, meeting the socio-economic needs of the community and diversification of the economic base.</p> <p>The objectives of the West Rand LED Strategy include the following:</p> <ul style="list-style-type: none"> <li>• Higher regional growth</li> <li>• Beneficiation of primary products</li> <li>• Build upon the comparative advantage of the areas</li> <li>• Increase sustainable employment opportunities</li> <li>• Increased labour absorption capacity of the economy</li> <li>• Creation of competitive skills base</li> <li>• Aid the improvement of annual household income</li> <li>• Improved living standards</li> <li>• Implementing support services</li> <li>• Increase SMME opportunities</li> <li>• Increase economic linkages in the region</li> <li>• Increase municipal capacity building</li> <li>• Building partnerships for economic growth and development</li> <li>• Promote Broad Based Black Economic Empowerment (BBBEE)</li> </ul> <p>The West Rand LED identified the following strategic thrusts:</p> <ul style="list-style-type: none"> <li>➤ Thrust 1: Expansion of the Agricultural Sector</li> <li>➤ Thrust 2: Industrial and Beneficiation Development</li> <li>➤ Thrust 3: Waste Recycling/Processing</li> <li>➤ Thrust 4: SMME Development and Support Centre</li> <li>➤ Thrust 5: Human Resource Development</li> <li>➤ Thrust 6: Tourism Development</li> </ul>
<b>Implications</b>	The Enterprise Development Policy should align with the programmes and projects as identified by the LED Strategy in order to eradicate poverty and inequality in the MCLM.

## WRDM Regional Spatial Development Framework

<p><b>Description</b></p>	<p>The purpose of the West Rand District Municipality’s Regional Spatial Development Framework (RSDF), <i>West Rand 2020</i>, is to chart a way forward for the current and future development of the region.</p> <p>The key strategies summarise the approach that is needed to develop the district area and are as follows:</p> <ul style="list-style-type: none"> <li>➤ Managing the growth of the district: <ul style="list-style-type: none"> <li>○ urban edge</li> <li>○ infrastructure provision and management</li> <li>○ managing suburban and rural development</li> </ul> </li> <li>➤ Developing quality place: <ul style="list-style-type: none"> <li>○ activity centres and nodes</li> <li>○ sustainable neighbourhoods and housing</li> </ul> </li> <li>➤ Promoting and managing regional and local accessibility: <ul style="list-style-type: none"> <li>○ road linkages</li> <li>○ public transport</li> <li>○ pedestrians</li> </ul> </li> <li>➤ Providing and managing environmental areas and an open space network.</li> </ul> <p>The principles of the RSDF are integral to the manner in which the RSDF should be implemented and ought to shape the RSDF and guide decisions on planning transport and infrastructure investment. These principles are:</p> <ol style="list-style-type: none"> <li>1. <b>Inclusive growth and development:</b> everybody shares in the benefits from a multi-sector and diverse economy and quality developments.</li> <li>2. <b>Quality designed developments and environments:</b> new and re-developed developments contribute positively to creating better urban and rural environments.</li> <li>3. <b>Clean and safe environments:</b> people can enjoy and partake in social and recreational events, be proud of their communities and businesses are willing to invest and develop.</li> <li>4. <b>Viable infrastructure and service provision:</b> growth and development ought not to put a burden on the financial capacities of the district and infrastructure and services should be planned and developed in a manner that is affordable for the communities as well as the District.</li> <li>5. <b>Adaptability:</b> the District will have to monitor future and past trends in order to be prepared to adapt strategies and policies when faced with changes and unexpected situations.</li> </ol>
<p><b>Implications</b></p>	<p>The Enterprise Development Policy should take into account the spatial guidelines and consideration as outlined in the RSDF, especially in terms of development nodes and corridors.</p>

### WRDM Integrated Development Plan (IDP) 2011/12-2015/16

<b>Description</b>	<p>The WRDM IDP (2012-2016) provides guidance for development and planning, with the aim of ensuring comprehensive Integrated planning and economic development within the District. The IDP is one of the key tools for the local Government to achieve its developmental role and seeks to arrive at decisions on issues, such as municipal budgets, promotion of local economic development and institutional transformation in a consultative, systematic and strategic manner. The West Rand District Municipality's mission is to provide a developmental district governance system for a better life for all in the West Rand District. The core values of the WRDM are service excellence, pride, integrity, responsibility, innovation and teamwork. The following regional goals have been identified:</p> <ul style="list-style-type: none"> <li>• Regional development planning</li> <li>• Bulk infrastructure development/maintenance (electricity, water, solid waste, cemeteries, sewerage, roads, and community/municipal buildings)</li> <li>• Health and social development</li> <li>• Public safety services (regional support services)</li> <li>• Environmental Management</li> <li>• Economic Development</li> <li>• Sustainable governance for local communities</li> <li>• Business excellence within the WRDM</li> </ul>
<b>Implications</b>	<p>The Integrated Development Plan identifies regional goals and also subsequent objectives that have to be aligned to the Enterprise Development Policy, specifically economic development and business excellence within the WRDM.</p>

### MCLM Growth and Development Strategy

<b>Description</b>	<p>The MCLM GDS provides a framework for the future development of the area. The GDS identifies five thrusts that aim at utilising existing economic strengths and opportunities by transferring these into workable programmes and projects. These thrusts are:</p> <ul style="list-style-type: none"> <li>➤ Thrust 1: Development of the Agricultural Sector</li> <li>➤ Thrust 2: Industrial and Beneficiation Development</li> <li>➤ Thrust 3: Infrastructure Development</li> <li>➤ Thrust 4: Local Business Development</li> <li>➤ Thrust 5: Human Resource Development and Empowerment</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy should be aligned with the principles and priorities of the GDS, specifically through local business development. The policy should also encourage the Municipality to take advantage of its development potential.</p>

### Merafong Regional Spatial Development Framework

<b>Description</b>	<p>The Merafong Municipal Spatial Development Framework (MSDF), forms part of a hierarchy of plans feeding into the Integrated Development Plan (IDP) it concentrates on the spatial aspects of development planning. The strategic thrusts of the SDF mimic those of the GDS namely:</p> <ul style="list-style-type: none"> <li>➤ Thrust 1: Development of the Agricultural Sector</li> <li>➤ Thrust 2: Industrial and Beneficiation Development</li> <li>➤ Thrust 3: Infrastructure Development</li> <li>➤ Thrust 4: Local Business Development</li> <li>➤ Thrust 5: Human Resource Development and Empowerment</li> </ul>
<b>Implications</b>	<p>The Enterprise Development Policy should ensure business development occurs in a manner that is consistent with the objectives of the MCLM Spatial Development Framework. More specifically, the Policy will promote the enhancement of industrial nodes; the development of areas with identified potential; and investment along transport corridors.</p>

### MCLM Integrated Development Plan 2012/13

<b>Description</b>	<p>The IDP serves as a single broad strategic guide of the broader community and residents of the MCLM priority issues that the Government should implement in this term of Council. It also assists administration to prepare a medium-term finance framework and annual budget that seek to allocate resources to address all these needs. The developmental objectives and needs of the municipality are categorised according to the six Key Performance Areas (KPA's). These are:</p> <ul style="list-style-type: none"> <li>➤ KPA 1: Basic Service Delivery</li> <li>➤ KPA 2: Local Economic Development</li> <li>➤ KPA 3: Municipal Transformation and Organisational Development</li> <li>➤ KPA 4: Financial Viability and Management</li> <li>➤ KPA 5: Good Governance and Public Participation</li> <li>➤ KPA 6: Spatial Rationale/Analysis</li> </ul>
<b>Implications</b>	<p>The Integrated Development Plan identifies municipal goals and also subsequent objectives that the Enterprise Development Policy has to be aligned to.</p>

### 3. National Development Plan: A summary of objectives

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<b>1) Economy and Employment</b>		
<ul style="list-style-type: none"> <li>○ The unemployment rate should fall from 24.9 percent in June 2012 to 14 percent by 2020 and to 6 percent by 2030.</li> <li>○ The proportion of adults working should increase from 41 percent to 61 percent.</li> <li>○ The proportion of adults in rural areas working should rise from 29 percent to 40 percent.</li> <li>○ The labour force participation rate should rise from 54 percent to 65 percent.</li> <li>○ Gross Domestic Product (GDP) should increase by 2.7 times in real terms, requiring average annual GDP growth of 5.4 percent over the period. GDP per capita should increase from about R50 000 per person in 2010 to R110 000 per person in 2030 in constant prices.</li> <li>○ The proportion of national income earned by the bottom 40 percent should rise from about 6 percent today to 10 percent in 2030.</li> <li>○ Broaden ownership of assets to historically disadvantaged groups.</li> <li>○ Exports in volume terms should grow by 6 percent a year to 2030 with non-traditional exports growing by 10 percent a year.</li> <li>○ Increase national savings from 16 percent of GDP to 25 percent.</li> <li>○ The level of gross fixed capital formation should rise from 17 percent to 30 percent with public sector fixed investment rising to 10 percent of</li> </ul>	<ol style="list-style-type: none"> <li>1. Reduce the cost of living for poor households and costs of doing business through microeconomic reforms.</li> <li>2. Develop proposals for an acceptable minimum standard of living and proposals on how to achieve this over time.</li> <li>3. Remove the most pressing constraints on growth, investment and job creation, including energy generation and distribution, urban planning etc.</li> <li>4. Position South Africa to attract offshore business services, and build on the advantage provided by its telecommunications, banking and retail firms operating in other countries.</li> <li>5. Increase the benefit to the country of our mineral resources by: <ul style="list-style-type: none"> <li>○ Giving clear certainty over property rights (the right to mine)</li> <li>○ Increasing rail, water and energy infrastructure</li> <li>○ Structure a taxation regime that is fair, equitable and predictable and that recognises the non-renewable nature of mineral resources.</li> </ul> </li> <li>6. Broaden the expanded public works programme to cover 2 million fulltime equivalent jobs by 2020.</li> <li>7. Offer a tax incentive to employers to reduce the initial cost of hiring young labour market entrants. Facilitate agreement between employers and unions on entry-level wages.</li> <li>8. Give a subsidy to the placement sector to identify,</li> </ol>	<ul style="list-style-type: none"> <li>● Development of business, trade and service activities that are geared towards mining and agriculture</li> <li>● Investigate if there is potential for mining output exports which will benefit the local municipality</li> <li>● Investigation of localisation of mining supplies</li> <li>● Municipality can play an advisory role</li> <li>● Assist with access to funding for businesses</li> <li>● Identify projects for potential business development</li> <li>● Raise awareness of small business support services</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<p>GDP by 2030.</p> <ul style="list-style-type: none"> <li>○ Public employment programmes should reach 1 million by 2015 and 2 million people by 2030.</li> </ul>	<p>prepare and place matric graduates into jobs.</p> <ol style="list-style-type: none"> <li>9. Business and labour to develop their own proposals to reduce youth unemployment.</li> <li>10. Adopt a more open immigration approach to expand supply of high-level skills.</li> <li>11. Adopt an approach to handling probationary periods that reflects the intention of probation.</li> <li>12. Simplifies dismissal procedures for non-performance or misconduct, especially for smaller firms.</li> <li>13. Strengthen dispute resolutions mechanisms in the labour market with a view to reducing tension and violence.</li> </ol>	
<b>2) Economic infrastructure</b>		
<ul style="list-style-type: none"> <li>○ The proportion of people with access to the electricity grid should rise to at least 90 percent by 2030, with non-grid options available for the rest.</li> <li>○ The country would need an additional 29 000MW of electricity by 2030. About 10 900MW of existing capacity is to be retired, implying new build of more than 40 000MW.</li> <li>○ At least 20 000MW of this capacity should come from renewable sources</li> <li>○ Ensure that all people have access to clean, potable water and that there is enough water for agriculture and industry, recognising the trade-offs in the use of water.</li> <li>○ Reduce water demand in urban areas to 15 percent below the business-as-usual scenario by 2030.</li> <li>○ The proportion of people who use public transport for regular commutes will expand significantly. By 2030, public transport will be user-friendly, less environmentally damaging, cheaper and integrated</li> </ul>	<p><b>Coal</b></p> <ol style="list-style-type: none"> <li>1. Ensure domestic security of coal supply for existing power stations through industry compact, more comprehensive coal field planning and opening up the Waterberg for coal mining.</li> <li>2. Invest in a new heavy-haul rail corridor to the Waterberg coal field, upgrade the central basin coal network and expand export capacity in the line to Richards Bay.</li> </ol> <p><b>Gas</b></p> <ol style="list-style-type: none"> <li>1. Enable exploratory drilling to identify economically recoverable coal seam and shale gas reserves, while environmental investigations will continue to ascertain whether sustainable exploitation of these resources is possible. If gas reserves are proven and environmental concerns alleviated, then development of these resources and gas-to-power projects should be fast-tracked.</li> <li>2. Incorporate a greater share of gas in the energy mix, both through importing liquefied natural gas</li> </ol>	<ul style="list-style-type: none"> <li>• Improvement of infrastructure and general appearance of CBD's and townships</li> <li>• Communities need to be consulted and their inputs on the spatial planning of the physical environment solicited</li> <li>• Concentration of trade and commercial activity along the N12 in order to capitalise on economic and spatial linkages and to create economies of scale</li> <li>• Revitalising and improving the general appearance of business areas</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<p>or seamless</p> <ul style="list-style-type: none"> <li>○ Durban port capacity should increase from 3 million containers a year to 20 million by 2040.</li> <li>○ Competitively priced and widely available broadband.</li> </ul>	<p>and if reserves prove commercial, using shale gas. Develop infrastructure for the import of liquefied natural gas, mainly for power production, over the short to medium term.</p> <ol style="list-style-type: none"> <li>3. Move to less carbon-intensive electricity production through procuring at least 20 000MW of renewable energy, increased hydro-imports from the region and increased demand-side measures, including solar water heating.</li> <li>4. Move Eskom's system operator, planning, power procurement, power purchasing and power contracting functions to the independent system and market operator and accelerated procurement of independent power producers.</li> <li>5. Ring-fence the electricity distribution businesses of the 12 largest municipalities (which account for 80 percent of supply), resolve maintenance and refurbishment backlogs and develop a financing plan, alongside investment in human capital.</li> <li>6. Revise national electrification plan and ensure 90 percent grid access by 2030 (with balance met through off-grid technologies).</li> <li>7. Upgrade fuel refineries to ensure they meet new fuel quality standards and insist on larger strategic fuel stocks to ensure security of supply.</li> <li>8. Continue to import refined fuels, ensuring that the growing deficit in petroleum products is met, and defer decision on a new refinery to 2017.</li> </ol> <p><b>Water resources</b></p> <ol style="list-style-type: none"> <li>1. A comprehensive management strategy including an investment programme for water resource development, bulk water supply and wastewater management for major centres by 2012, with reviews every five years.</li> </ol>	

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p>2. Complete phase 2 of the Lesotho Highlands water project by 2020.</p> <p>3. Timely development of several new water schemes to supply urban and industrial centres, new irrigation systems in the Umzimvubu river basin and Makhathini Flats, and a national water conservation programme to improve water use and efficiency</p> <p>4. Create regional water and wastewater utilities, and expand mandates of the existing water boards (between 2012 and 2017).</p> <p><b>Transport</b></p> <p>1. Consolidate and selectively expand transport and logistics infrastructure, with key focus areas being:</p> <ul style="list-style-type: none"> <li>○ Upgrading the Durban-Gauteng freight corridor, including a new port at the old Durban airport site.</li> <li>○ Expanding capacity of the coal, iron ore and manganese lines, with consideration given to concessioning parts of this network.</li> <li>○ Building the N2 road through the Eastern Cape.</li> <li>○ Public transport infrastructure and systems, including the renewal of the commuter rail fleet, supported by enhanced links with road-based services.</li> </ul> <p><b>Information and communications infrastructure</b></p> <p>1. Establishing a national, regional and municipal fibre-optic network to provide the backbone for broadband access; driven by private investment, complemented by public funds required to meet social objectives.</p> <p>2. Change the regulatory framework to ensure that Internet broadband capacity improves, prices fall significantly and access improves.</p>	

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<b>3) Environmental sustainability and resilience</b>		
<ul style="list-style-type: none"> <li>○ A set of indicators for natural resources, accompanied by publication of annual reports on the health of identified resources to inform policy.</li> <li>○ A target for the amount of land and oceans under protection (presently about 7.9 million hectares of land, 848kms of coastline and 4 172 square kilometres of ocean are protected).</li> <li>○ Achieve the peak, plateau and decline trajectory for greenhouse gas emissions, with the peak being reached around 2025.</li> <li>○ By 2030, an economy-wide carbon price should be entrenched.</li> <li>○ Zero emission building standards by 2030.</li> <li>○ Absolute reductions in the total volume of waste disposed to landfill each year.</li> <li>○ At least 20 000MW of renewable energy should be contracted by 2030.</li> <li>○ Improved disaster preparedness for extreme climate events.</li> <li>○ Increased investment in new agricultural technologies, research and the development of adaptation strategies for the protection of rural livelihoods and expansion of commercial agriculture.</li> </ul>	<ol style="list-style-type: none"> <li>1. An independent Climate Change Centre, in partnership with academic and other appropriate institutions, is established by government to support the actions of government, business and civil society.</li> <li>2. Put in place a regulatory framework for land use, to ensure the conservation and restoration of protected areas</li> <li>3. Carbon price, building standards, vehicle emission standards and municipal regulations to achieve scale in stimulating renewable energy, waste recycling and in retrofitting buildings.</li> <li>4. Carbon-pricing mechanisms, supported by a wider suite of mitigation policy instruments to drive energy efficiency.</li> <li>5. All new buildings to meet the energy efficiency criteria set out in South African National Standard 204.</li> <li>6. Channel public investment into research, new agricultural technologies for commercial farming, as well as for the development of adaptation strategies and support services for small-scale and rural farmers.</li> </ol>	<ul style="list-style-type: none"> <li>• Support services need to be developed for small scale and rural farmers</li> <li>• Mining waste management</li> <li>• Energy efficient buildings – new buildings should meet energy efficiency criteria and retrofitting of old buildings</li> </ul>
<b>4) Inclusive rural economy</b>		
<ul style="list-style-type: none"> <li>○ An additional 643 000 direct jobs and 326 000 indirect jobs in the agriculture, agro-processing and related sectors by 2030.</li> <li>○ Maintain a positive trade balance for primary and processed agricultural products.</li> </ul>	<ol style="list-style-type: none"> <li>1. Rural economies will be activated through improved infrastructure and service delivery, a review of land tenure, service to small and micro farmers, a review of mining industry commitments to social investment, and tourism investment.</li> <li>2. Substantially increase investment in irrigation infrastructure in Makhathini Flats and Umzimvubu River Basin.</li> </ol>	<ul style="list-style-type: none"> <li>• Mining industry commitments to social investment need to be reviewed – especially for the support of rural economies</li> <li>• Support services for rural farmers</li> <li>• Establishment of sustainable farm projects</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	3. Create tenure security for communal farmers, especially women, investigate different forms of financing and vesting of private property rights to land reform beneficiaries that does not hamper beneficiaries with a high debt burden.	
<b>5) South Africa in the region and the world</b>		
<ul style="list-style-type: none"> <li>○ Intra-regional trade in Southern Africa should increase from 7 percent of trade to 25 percent of trade by 2030.</li> <li>○ South Africa's trade with regional neighbours should increase from 15 percent of our trade to 30 percent.</li> </ul>	<ol style="list-style-type: none"> <li>1. Focus trade penetration and diplomatic presence in fast-growing markets (Asia, Brazil and Africa).</li> <li>2. Implement a focused regional integration strategy with emphasis on: <ul style="list-style-type: none"> <li>• Road, rail and port infrastructure in the region</li> <li>• Reducing red tape, corruption and delays at border posts</li> <li>• Using financial institutions to partner with businesses wanting to expand on the continent</li> <li>• Strengthening regional cooperation in food and energy markets and water management.</li> <li>• Identifying and promoting practical opportunities for cooperation based on complementary national endowments.</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Identify investment opportunities within the Municipal Area associated with the Treasure Spatial Development Initiative zone.</li> </ul>
<b>6) Transforming Human Settlements</b>		
<ul style="list-style-type: none"> <li>○ Strong and efficient spatial planning system, well integrated across the spheres of government.</li> <li>○ Upgrade all informal settlements on suitable, well located land by 2030.</li> <li>○ More people living closer to their places of work.</li> <li>○ Better quality public transport.</li> <li>○ More jobs in or close to dense, urban townships.</li> </ul>	<ol style="list-style-type: none"> <li>1. Reforms to the current planning system for improved coordination.</li> <li>2. Develop a strategy for densification of cities and resource allocation to promote better located housing and settlements.</li> <li>3. Substantial investment to ensure safe, reliable and affordable public transport.</li> <li>4. Introduce spatial development framework and norms, including improving the balance between location of jobs and people.</li> <li>5. Conduct a comprehensive review of the grant and</li> </ol>	<ul style="list-style-type: none"> <li>• Make use of the Merafong Spatial Development Strategy</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p>subsidy regime for housing with a view to ensure diversity in product and finance options that would allow for more household choice and greater spatial mix and flexibility. This should include a focused strategy on the housing gap market, involving banks, subsidies and employer housing schemes.</p> <ol style="list-style-type: none"> <li>6. National spatial restructuring fund, integrating currently defused funding.</li> <li>7. Establish a national observatory for spatial data and analysis.</li> <li>8. Provide incentives for citizen activity for local planning and development of spatial compacts.</li> <li>9. Introduce mechanisms that would make land markets work more effectively for the poor and support rural and urban livelihoods.</li> </ol>	
<b>7) Improving education, training and innovation</b>		
<ul style="list-style-type: none"> <li>○ Make early childhood development a top priority among the measures to improve the quality of education and long-term prospects of future generations. Dedicated resources should be channelled towards ensuring that all children are well cared for from an early age and receive appropriate emotional, cognitive and physical development stimulation.</li> <li>○ All children should have at least 2 years of pre-school education.</li> <li>○ About 90 percent of learners in grades 3, 6 and 9 must achieve 50 percent or more in the annual national assessments in literacy, maths and science.</li> <li>○ Between 80 – 90 percent of learners should complete 12 years of schooling and or vocational education with at least 80 percent successfully</li> </ul>	<p><b>Early childhood development</b></p> <ol style="list-style-type: none"> <li>1. Design and implement a nutrition programme for pregnant women and young children, followed by a childhood development and care programme for all children under the age of 3</li> <li>2. Increase state funding and support to ensure universal access to two years of early childhood development exposure before grade 1.</li> <li>3. Strengthen coordination between departments, as well as the private and non-profit sectors. Focus should be on routine day-to-day coordination between units of departments that do similar work.</li> </ol> <p><b>Schooling</b></p> <ol style="list-style-type: none"> <li>1. The interests of all stakeholders should be aligned to support the common goal of achieving good educational outcomes that are responsive to</li> </ol>	<ul style="list-style-type: none"> <li>• Provide training for school leavers and unemployed youth with a focus on skills development</li> <li>• Provide skills development for students currently in school with a focus on grooming entrepreneurial attitude</li> <li>• Promote skills development for new sectors to ensure that students with the skills identified as lacking in small enterprise sector are produced</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<p>passing the exit exams</p> <ul style="list-style-type: none"> <li>○ Eradicate infrastructure backlogs and ensure that all schools meet the minimum standards by 2016.</li> <li>○ Expand the college system with a focus on improving quality. Better quality will build confidence in the college sector and attract more learners. The recommended participation rate of 25 percent would accommodate about 1.25 million enrolments.</li> <li>○ Provide 1 million learning opportunities through Community Education and Training Centres</li> <li>○ Improve the throughput rate to 80 percent by 2030.</li> <li>○ Produce 30 000 artisans per year.</li> <li>○ Increase enrolment at universities by at least 70 percent by 2030 so that enrolments increase to about 1.62 million from 950 000 in 2010.</li> <li>○ Increase the number of students eligible to study towards maths and science based degrees to 450 000 by 2030.</li> <li>○ Increase the percentage of PhD qualified staff in the higher education sector from the current 34 percent to over 75 percent by 2030.</li> <li>○ Produce more than 100 doctoral graduates per million per year by 2030. That implies an increase from 1420 in 2010 to well over 5 000 a year.</li> <li>○ Expand science, technology and innovation outputs by increasing research and development spending by government and through encouraging industry to do so.</li> </ul>	<p>community needs and economic development.</p> <ul style="list-style-type: none"> <li>○ Educational institutions should be provided with the capacity to implement policy. Where capacity is lacking, this should be addressed as an urgent priority.</li> <li>○ Teachers should be recognised for their efforts and professionalism. Teaching should be a highly valued profession.</li> </ul> <ol style="list-style-type: none"> <li>2. Introduce incentive schemes linked to the annual national assessments to reward schools for consistent improvements.</li> <li>3. Top performing schools in the public and private sectors must be recognised as national assets. They should be supported and not saddled with unnecessary burdens.</li> <li>4. Strengthen and expand Funza Lushaka and ensure that graduates of the programme are immediately absorbed into schools. It should not be left to graduates to find placements in schools.</li> <li>5. Investigate introducing professional certification. Newly qualified teachers would need to demonstrate certain competencies before they are employed in schools, and after that they would be offered preliminary or probationary certification, to be finalised based on demonstrated competence. The professional certification of all teachers would need to be renewed periodically.</li> <li>6. Change the appointment process to ensure that competent individuals are attracted to become school principals. <ul style="list-style-type: none"> <li>○ Candidates should undergo a competency assessment to determine their suitability and identify the areas in which they would need development and support.</li> </ul> </li> </ol>	

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<ul style="list-style-type: none"> <li>○ Eliminate union influence in promoting or appointing principals. The Department of Basic Education and provincial departments of education must ensure that human resources management capacity is improved and recruitment undertaken correctly.</li> <li>○ Implement an entry level qualification for principals.</li> </ul> <p><b>Further education</b></p> <ol style="list-style-type: none"> <li>1. Support the development of specialised programmes in universities focusing on training college lecturers and provide funding for universities to conduct research on the vocational education sector.</li> <li>2. Build the capacity of FET institutions to become the preferred institutions for vocational education and training. Learners should be able to choose the vocational pathway before completing Grade 12. Expand the geographical spread of FET institutions.</li> <li>3. Build a strong relationship between the college sector and industry. SETAs have a crucial role in building relationships between education institutions and the employers.</li> <li>4. Implement a National Programme to develop the Next Generation of Academics for South African Higher Education.</li> <li>5. Complete the construction of two new universities in Mpumalanga and the Northern Cape; new medical schools in Limpopo and a number of academic hospitals; expand the infrastructure of existing institutions and allow all universities to use of distance education to reach more learners.</li> <li>6. Provide an option of a four-year university degree, combined with bridging courses and more support</li> </ol>	

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p>for universities to help students from disadvantaged backgrounds.</p> <p>7. Provide all students who qualify for the National Student Financial Aid Scheme with access to full funding through loans and bursaries to cover the costs of tuition, books, accommodation and other living expenses. Students who do not qualify should have access to bank loans, backed by state sureties. Both the National Student Financial Aid Scheme and bank loans should be recovered through arrangements with the South African Revenue Service. Service-linked scholarships should be available in areas such as nursing, teaching and social work.</p> <p>8. Relax immigration requirements for highly skilled science and mathematics teachers, technicians and researchers. All graduates from foreign countries should be granted 7-year work permits.</p>	
<b>8) Health care for all</b>		
<ul style="list-style-type: none"> <li>○ Increase average male and female life expectancy at birth to 70 years.</li> <li>○ Progressively improve TB prevention and cure.</li> <li>○ Reduce maternal, infant and child mortality.</li> <li>○ Significantly reduce prevalence of non-communicable chronic diseases.</li> <li>○ Reduce injury, accidents and violence by 50 percent from 2010 levels.</li> <li>○ Deploy primary healthcare teams provide care to families and communities.</li> <li>○ Everyone must have access to an equal standard of care, regardless of their income.</li> <li>○ Fill posts with skilled, committed and competent individuals.</li> </ul>	<p><b>Address the social determinants that affect health and disease</b></p> <p>1. Promote healthy diets and physical activity.</p> <p><b>Strengthen the health system</b></p> <p>1. Bring in additional capacity and expertise to strengthen health system at the district level; implement a national health information system to ensure that all parts of the system have the required information to effectively achieve their responsibilities; put in place a human resource strategy with national norms and standards for staffing, linked to a package of care; determine minimum qualifications for hospital managers.</p> <p><b>Prevent and reduce the disease burden and promote</b></p>	<ul style="list-style-type: none"> <li>● Building of new and maintenance of existing health infrastructure</li> <li>● Ensuring availability of trained health personnel</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p><b>health</b></p> <ol style="list-style-type: none"> <li>1. Prevent and control epidemic burdens through deterring and treating HIV/AIDS, new epidemics and alcohol abuse; improve the allocation of resources and the availability of health personnel in the public sector; and improve the quality of care, operational efficiency, health worker morale and leadership and innovation.</li> <li>2. Implement the scheme in a phased manner, focusing on: <ul style="list-style-type: none"> <li>○ Improving quality of care in public facilities</li> <li>○ Reducing the relative cost of private medical care</li> <li>○ Increasing the number of medical professionals</li> <li>○ Introducing a patient record system and supporting information technology systems.</li> </ul> </li> </ol> <p><b>Build human resources in the health sector</b></p> <ol style="list-style-type: none"> <li>1. Accelerate the production of community health specialist in the five main specialist areas (medicine, surgery, including anaesthetics, obstetrics, paediatrics, and psychiatry) and train more nurses.</li> <li>2. Recruit, train and deploy 700 000 community health workers to implement community-based primary health care.</li> </ol>	
<b>9) Social protection</b>		
<ul style="list-style-type: none"> <li>○ Ensure progressively and through multiple avenues that no one lives below a defined minimum social floor.</li> <li>○ All children should enjoy services and benefits aimed at facilitating access to nutrition, health care, education, social care and safety.</li> <li>○ Address problems such as hunger, malnutrition</li> </ul>	<ol style="list-style-type: none"> <li>1. Together with social partners, determine a social floor that can be progressively realised through rising employment, higher earnings and social grants and other aspects of the social wage.</li> <li>2. Increase the supply of four categories of social service professionals to 55 000, to respond to the demand for appropriate basic social welfare</li> </ol>	<ul style="list-style-type: none"> <li>● <b>Strong focus on social development in order to empower people especially in areas that lack significant economic development opportunities</b></li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<p>and micronutrient deficiencies that affect physical growth and cognitive development, especially among children.</p> <ul style="list-style-type: none"> <li>○ Address the skills deficit in the social welfare sector.</li> <li>○ Provide income support to the unemployed through various active labour market initiatives such as public works programmes, training and skills development, and other labour market related incentives.</li> <li>○ All working individuals should make adequate provision for retirement through mandated savings. The state should provide measures to make pensions safe and sustainable.</li> <li>○ Social protection systems must respond to the growth of temporary and part-time contracts, and the increasing importance of self-employment and establish mechanisms to cover the risks associated with such.</li> <li>○ Create an effective social welfare system that delivers better results for vulnerable groups, with the state playing a larger role compared to now. Civil society should complement government initiatives.</li> </ul>	<p>services, i.e. social workers, auxiliary or assistant social workers, community development workers, and child and youth care workers.</p> <ol style="list-style-type: none"> <li>3. Identify the main elements of a comprehensive food security and nutrition strategy and launch a campaign.</li> <li>4. Create incentives that encourage a culture of individual saving for risks and loss of income due to old age, illness, injury or loss of work for workers in both the formal and informal sectors.</li> <li>5. Explore designs of a mixture of financing and institutional frameworks that enables those in the informal economy to participate in contributory social insurance schemes.</li> <li>6. Pilot mechanisms and incentives to assist the unemployed to access the labour market.</li> <li>7. Expand existing public employment initiatives to create opportunities for the unemployed.</li> <li>8. Develop a consolidated institutional framework that supports coherent policy implementation, integrated social security administration, and effective regulation and oversight of the system.</li> </ol>	
<b>10) Building Safer Communities</b>		
<ul style="list-style-type: none"> <li>○ In 2030 people living in South Africa feel safe and have no fear of crime.</li> <li>○ They feel safe at home, at school and at work, and they enjoy an active community life free of fear.</li> <li>○ Women can walk freely in the street and the children can play safely outside.</li> <li>○ The police service is a well-resourced professional institution staffed by highly skilled officers who value their works, serve the community,</li> </ul>	<ol style="list-style-type: none"> <li>1. Safety audits done in all communities focusing on crime and safety conditions of the most vulnerable in the community.</li> <li>2. All schools should have learner safety plans.</li> <li>3. Demilitarise the police force and train all police personnel in professional police ethics and practice.</li> <li>4. Increase community participation in crime prevention and safety initiatives.</li> </ol>	<ul style="list-style-type: none"> <li>• Crime and security issues need to be addressed</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
safeguard lives and property without discrimination, protect the peaceful against violence, and respect the rights of all to equality and justice.	<ol style="list-style-type: none"> <li>5. The National Rural Safety Strategy Plan must be implemented in high risk areas involving all role-players and stakeholders.</li> <li>6. Mobilise youth for inner city safety to secure safe places and spaces for young people.</li> <li>7. A judiciary-led independent court administration must be developed.</li> <li>8. Clear criteria for appointment of judges must be put in place. (With emphasis on the candidates' progressive credentials and transformative judicial philosophy and expertise).</li> <li>9. Compulsory community service must be extended to all law graduates to enhance access to justice and provide work opportunities for graduate lawyers.</li> </ol>	
<b>11) Building a capable and developmental state</b>		
<ul style="list-style-type: none"> <li>○ A state that is capable of playing a developmental and transformative role.</li> <li>○ A public service immersed in the development agenda but insulated from undue political interference.</li> <li>○ Staff at all levels has the authority, experience, competence and support they need to do their jobs.</li> <li>○ Relations between national, provincial and local government are improved through a more proactive approach to managing the intergovernmental system.</li> <li>○ Clear governance structures and stable leadership enable state-owned enterprises (SOEs) to achieve their developmental potential.</li> </ul>	<p><b>Stabilise the political-administrative interface</b></p> <ol style="list-style-type: none"> <li>1. Create an administrative head of the public service with responsibility for managing the career progression of heads of department. Put in place a hybrid approach to top appointments that allows for the reconciliation of administrative and political priorities.</li> <li>2. Enhance the role of the Public Service Commission to champion and monitor norms and standards to ensure that only competent and suitably experienced people are appointed to senior positions</li> <li>3. Amend the Public Service Act to locate responsibility for human-resources management with the head of department.</li> </ol> <p><b>Make the public service and local government careers of choice</b></p> <ol style="list-style-type: none"> <li>1. Establish a formal graduate recruitment scheme</li> </ol>	<ul style="list-style-type: none"> <li>• Improve inter-departmental coordination and cooperation</li> <li>• Municipal staff must have the authority, experience and support they need to do their jobs</li> <li>• The IDP process needs to be led by the municipality and not outsourced to consultants</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p>for the public service with provision for mentoring, training and reflection. Formulate long-term skills development strategies for senior managers, technical professionals and local government staff.</p> <ol style="list-style-type: none"> <li>2. Use assessment mechanisms such as exams, group exercises and competency tests to build confidence in recruitment systems</li> <li>3. Use placements and secondments to enable staff to develop experience of working in other spheres of government.</li> <li>4. Use differentiation to ensure a better fit between the capacity and responsibilities of provinces and municipalities. Take a more proactive approach to resolving coordination problems and a more long-term approach to building capacity.</li> <li>5. Develop regional utilities to deliver some local government services on an agency basis, where municipalities or districts lack capacity.</li> <li>6. Adopt a less hierarchical approach to coordination so that routine issues can be dealt with on a day-to-day basis between mid-level officials. Use the cluster system to focus on strategic cross-cutting issues and the Presidency to bring different parties together when coordination breaks down.</li> <li>7. Develop public interest mandates for SOEs. Improve coordination between policy and shareholder ministries by making them jointly responsible for appointing the board. Ensure appointment processes are credible and that there is greater stability in appointments</li> </ol>	
<b>12) Fighting corruption</b>		
<b>A corruption-free society, a high adherence to ethics throughout society and a government that is</b>	<ol style="list-style-type: none"> <li>1. The capacity of corruption fighting agencies should be enhanced and public education should be part of the mandate of the anti-corruption agencies.</li> </ol>	

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
<p><b>accountable to its people.</b></p>	<ol style="list-style-type: none"> <li>2. The National Anti-Corruption Forum should be strengthened and resourced.</li> <li>3. Expand the scope of whistle-blower protection to include disclosure to bodies other than the Public Protector and the Auditor-General. Strengthen measures to ensure the security of whistle-blowers.</li> <li>4. Centralise oversight of tenders of long duration or above a certain amount.</li> <li>5. An accountability framework should be developed linking the liability of individual public servants to their responsibilities in proportion to their seniority.</li> <li>6. Clear rules restricting business interests of public servants should be developed.</li> <li>7. Corruption in the private sector reported on and monitored by an agency similar to the Public Protector.</li> <li>8. Restraint-of-trade agreements for senior civil servants and politicians at all levels of government.</li> <li>9. All corrupt officials should be made individually liable for all losses incurred as a result of their corrupt actions.</li> </ol>	
<b>13) Nation building and social cohesion</b>		
<p>Our vision is a society where opportunity is not determined by race or birth right; where citizens accept that they have both rights and responsibilities. Most critically, we seek a united, prosperous, non-racial, non-sexist and democratic South Africa.</p>	<ol style="list-style-type: none"> <li>1. At school assembly the Preamble of the Constitution to be read in language of choice.</li> <li>2. Bill of responsibilities to be used at schools and prominently displayed in each work place.</li> <li>3. Sustained campaigns against racism, sexism, homophobia and xenophobia.</li> <li>4. The Commission of Gender Equality and the ministry should audit and deal with gaps in legislation and develop joint targets, indicators and timelines for monitoring and evaluating progress</li> </ol>	<ul style="list-style-type: none"> <li>• Municipality needs to engage communities in their spaces - elected representatives and administrative officials should be prepared to go to community organisations</li> </ul>

OBJECTIVES	ACTIONS	RELEVANCE/ IMPLICATIONS TO MCLM
	<p>towards gender equality</p> <ol style="list-style-type: none"> <li>5. Employment Equity to continue and new models of BEE to be explored to improve the efficacy of the programme. Clear targets should be set for broadening economic participation, enhancing predictability for economic actors.</li> <li>6. Improving public services and spaces as well as building integrated housing and sport facilities in communities to ensure sharing of common spaces across race and class.</li> <li>7. Incentivising the production and distribution of all forms that facilitate healing, nation building and dialogue</li> <li>8. All South Africans to learn at least one indigenous language, business to encourage and reward employees who do so.</li> <li>9. Promote citizen participation in forums such as Integrated Development Plans, Ward Committees, School Governing Boards and Community Policing Forums.</li> <li>10. Work towards a social compact for growth, employment and equity.</li> </ol>	

## 4. Legislative and regulatory review

### 4.1 Legislative Review

This section identifies national legislation with the greatest impact on small business development as well as the regulations governing small business start-ups.

Municipal Systems Act	
<b>Description</b>	<p>In South Africa, municipalities have a regulatory role mandated to them by the Constitution. The Municipal Systems Act states that this regulatory role includes:</p> <ul style="list-style-type: none"> <li>• Implementing applicable national and provincial legislation and its by-laws</li> <li>• Imposing and recovering rates, taxes, levies, duties, service fees and surcharges on fees, including setting and implementing tariffs; rates; and tax and debt collection policies</li> <li>• Promoting a safe and healthy environment</li> <li>• Passing by-laws and taking decisions over prescribed local matters.</li> </ul> <p>The act also strengthens the developmental mandate of local government and provides them with the legislative capabilities to promote LED and enterprise growth.</p>
<b>Implications</b>	<p>The Municipal Systems Act gives Municipalities the right to implement and enforce financial, safety and environmental regulations that may impact small business development.</p>
Companies Act	
<b>Description</b>	<p>The Companies Act (Act 71 of 2008) constitutes a new corporate law for South Africa, replacing the out-dated 1973 Companies Act. The objective of the new companies act is to include development of the South African economy by encouraging entrepreneurship, enterprise development and employment opportunities. The Companies Act focuses on:</p> <ul style="list-style-type: none"> <li>• Simplifying the procedures for forming a company</li> <li>• Reducing the cost of forming a company and maintaining its existence</li> <li>• Promoting innovation and investment by providing for flexibility in the design and organisation of companies</li> <li>• Providing for a predictable and effective regulatory environment</li> <li>• Promoting the efficiency of companies and their management</li> <li>• Encouraging transparency and high standards of corporate governance</li> <li>• Assembly the company law to be compatible with best practice jurisdictions internationally.</li> </ul> <p>The relevance of the new Companies Act to small business development is that it defines the different categories of companies and regulates their</p>

	formation, administration and dissolution
<b>Implications</b>	The Companies Act 71, 2008 describes the process required for registering a company and obtaining a certificate of business. In promoting the establishment of small businesses in the MCLM the Enterprise Development Policy should be aware of this process.
<b>National Small Businesses Act, 1996</b>	
<b>Description</b>	<p>In 1995, the Government published a White Paper on small businesses entitled 'A National Strategy for the Promotion of Small Business in South Africa' which was later transformed into the Small Business Act, 1996. The act and the strategy seek to address the following challenges faced by SMME'S:</p> <ul style="list-style-type: none"> <li>• An unfavourable legal environment</li> <li>• Lack of access to markets and procurement</li> <li>• Lack of access to finance and credit</li> <li>• Low skills levels</li> <li>• Lack of access to information</li> <li>• Shortage of effective supportive institutions.</li> </ul> <p>The act categorises and defines SMMES as micro, very small, small and medium enterprises and is responsible for creating many of the nation's SMME support structures including:</p> <ul style="list-style-type: none"> <li>• Centre for Small Business Promotion</li> <li>• Ntsika Enterprise Promotion Agency</li> <li>• Khula Enterprise Finance</li> <li>• National Coordinating Office for Manufacturing Advisory Centres (NAMAC)</li> <li>• Provincial SMME Desks</li> <li>• Land Bank</li> <li>• National Empowerment Corporation.</li> </ul>
<b>Implications</b>	The Enterprise Development Policy will address the challenges identified in the Small Business Act. It should also adopt the categories and definitions of small businesses provided in the act. Finally, the act established numerous support systems that should be considered and incorporated into the policy.
<b>Licensing of Business Bill, 2013</b>	
<b>Description</b>	<p>The purpose of the act is amongst others to:</p> <ol style="list-style-type: none"> <li>a) Promote the right to freedom of trade, occupation and profession and any rights contained in the Constitution.</li> <li>b) Promote the development of the South African economy by providing a standardised regulatory framework within which business licensing would take place.</li> <li>c) Encourage a conducive environment that promotes compliance and sustainability of businesses.</li> <li>d) Set essential norms and standards applicable nationally, provincially and</li> </ol>

	<p>in municipalities relating to licensing of businesses.</p> <p>The bill has the following aims:</p> <ul style="list-style-type: none"> <li>• To provide for a simple and enabling framework for procedures for application of business licenses by setting national norms and standards</li> <li>• To provide for framework for co-operative governance and harmonisation of standard procedures and minimum requirements for application of business licenses;</li> <li>• To provide a framework for support monitoring and standard setting by national Government in order to transform local Government into an efficient frontline agency capable of integrating the activities of all spheres of government for the overall social and economic upliftment of communities in harmony with their local natural environment</li> <li>• To provide for the appointment of inspectors</li> <li>• To provide for framework of penalties and administrative fines for non-compliance</li> <li>• To repeal the Businesses Act, 1991 and all proclamations, notices, and regulations promulgated under that law</li> <li>• To provide for matters connected therewith.</li> </ul>
<b>Implications</b>	The Enterprise Development Policy needs to be aware of the process of obtaining a business license in the promotion of business development.
<b>Merafong City Local Municipality Trading By-Laws</b>	
<b>Description</b>	<p>The trading by-laws give regulations with regard to informal trading in the local municipality in terms of:</p> <ul style="list-style-type: none"> <li>• Where to trade</li> <li>• General conduct</li> <li>• Prohibitions of carrying on business</li> <li>• Health requirements</li> <li>• Obstruction of vehicular traffic</li> <li>• Application to lease a stand or a stand with facilities</li> <li>• Offences for which street vendors may be found guilty of</li> <li>• Responsibility of persons carrying on business</li> <li>• Responsibility of business owners' employees</li> <li>• Actions warranting impoundment/removal or disposal</li> <li>• Signage by the municipality indicating trading restriction areas</li> <li>• Penalties for contravening the by-laws</li> </ul>
<b>Implications</b>	

## 4.2 Regulatory Review

The regulatory impact of municipal government on small businesses is directly linked to its responsibility for local development and service delivery. Municipalities have a direct regulatory impact on small business development through:

- property valuation
- rates, tariffs, levies and user charges

- debt collection
- debt and credit control
- supply chain management.

There are also many other regulatory issues, including labour laws and environmental compliance that are the responsibility of the state. Although they are not designed by the municipal government, often inefficient local implementation and enforcement places an additional burden on small business owners. One specific example, described in detail below, is the process of registering a new business.

Table 2-15: Registering a business in South Africa

Step	Procedure	Time	Associated Cost
<b>1</b>	<b>Reserve a company name with the Registrar of Companies</b> The company name can be reserved electronically or at a Companies and Intellectual Property Commission (CIPC). Once approved it is valid for two months within which the company can be incorporated. Name registration is only approved if the applicant has a positive balance in their bank account.	3 Days	ZAR 50
<b>2</b>	<b>Lodge formation documentation with CIPC</b> A certificate to commence business is required by law before a company can legally trade or raise finance. This certificate, together with prescribed formation documentation, must be sent to CIPRO to complete registration.	5-7 days	ZAR 350 (fee) + ZAR 60 (certificate) + 0.5% of capital
<b>3</b>	<b>Open a bank account</b> In order to open a bank account, the applicant needs to have a proof of the names of the directors, and the original company documents.	1-2 days	No charge
<b>4</b>	<b>Register with the office of the Local Receiver of Revenue (SARS) for income tax, VAT, and employee withholding tax (PAYE and SITE).</b> Businesses with annual taxable income of more than ZAR 1,000,000 are required to pay VAT. The company also has to register as an employer (pay employee withholding tax). Once a company is incorporated by CIPRO, SARS allocates them an income tax number.	12 days *steps 4,5 and 6 can be done at the same time	No charge
<b>5</b>	<b>Register with the Department of Labour for Unemployment Insurance.</b>	3-5 days	No charge
<b>6</b>	<b>Register with the Commissioner according to the Compensation for Occupational Injuries and Diseases Act.</b> Does not have to be completed for businesses to start operating.	Approx. 10 days	No charge

<b>Implications</b>	The regulations governing business registration are relevant to the MCLM business development strategy as they impact the rate of small business establishment, and the transformation of a business from the informal to the formal economy.
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### Municipal Supply Chain Management Regulations

<b>Description</b>	Currently, the following preference point systems are applicable to all bids: <ul style="list-style-type: none"> <li>• the 80/20 system for requirements with a rand value of up to R1 million</li> <li>• the 90/10 system for requirements with a rand value above R1 million</li> </ul>
<b>Implications</b>	The bidding process is sometimes a tedious one and often proves to be costly especially for small business owners. It is also difficult for small businesses to score

	high points.
<b>Suggestions</b>	<p>To provide for preferential local procurement, a local content component can be introduced in the preference point system, for example:</p> <p>Price and functionality: 80 points</p> <p>50% black ownership: 10 points</p> <p>Woman owned/managed: 3 points</p> <p>Disabled employees: 2 points</p> <p>Local company: 5 points</p>

## 5. The local economy: Strategic factors for consideration

Taking into account the analysis of the local economy, its existing strengths and the identified sectoral development opportunities, as well as the abovementioned national and provincial policy directives, the next step is to investigate the most appropriate strategic direction for the development of the local economy.

Several important issues need to be considered in order to focus the strategy formulation process. These will be discussed under the following headings:

1. Salient features of the local economy
2. Trends and dynamics in the local business sector
3. Alignment with the national and provincial policy environment

These three factors hold important implications for the Merafong City Growth and Development Strategy and should point to the appropriate direction for development.

### 5.1 Salient features of the local economy

- a) The strongest growing sectors in the local economy are **manufacturing, construction, trade and finance & business services**.
- b) The sector in which the area's strongest comparative advantage is situated is still the **mining** sector.
- c) The mining sector has the potential to act as a catalyst for the development of other sectors, especially manufacturing.

- d) According to the *National Spatial Development Perspective*, Merafong City is relatively efficient in the production of (i.e. has a comparative advantage in) highly differentiated goods, construction, retail and services.
- e) The local manufacturing sector has a lack of labour-intensive manufacturing activities.

## 5.2 Trends and dynamics within the local business sector

- a) The local business sector is dominated by relatively small businesses, owned by a single person or small group of people, with five or less employees.
- b) A few larger, more established businesses are concentrated mainly in Carletonville and Fochville.
- c) Historic turnover trends indicate a fairly positive trend, while employment trends have remained stable.
- d) Business linkages indicate a **very strong economic link with Gauteng**.
- e) Local businesses also have **strong ties with the mining sector**, and many businesses are geared toward the provision of goods and services to mines
- f) Although the client bases of most businesses are mainly local, several businesses have established client bases in Klerksdorp, Vereeniging, Rustenburg and across the country.

## 5.3 Policy alignment

In terms of strategic directives for economic development in South Africa, the government views the development and diversification of the manufacturing sector as of prime importance. Most of the economic-related strategic and policy documents issued over the past decade therefore focus on strategies for industrial development and issues related thereto.

Government is strongly encouraging development and investment in the following industrial sub-sectors:

- a) Agro-processing
- b) Mineral beneficiation
- c) Capital/Transport equipment
- d) Metal fabrication
- e) Automotives and components
- f) Chemicals, plastics fabrication and pharmaceuticals

Other important focus areas of the government include business process outsourcing and tourism.

## 5.4 The Gauteng “Global City Region” concept

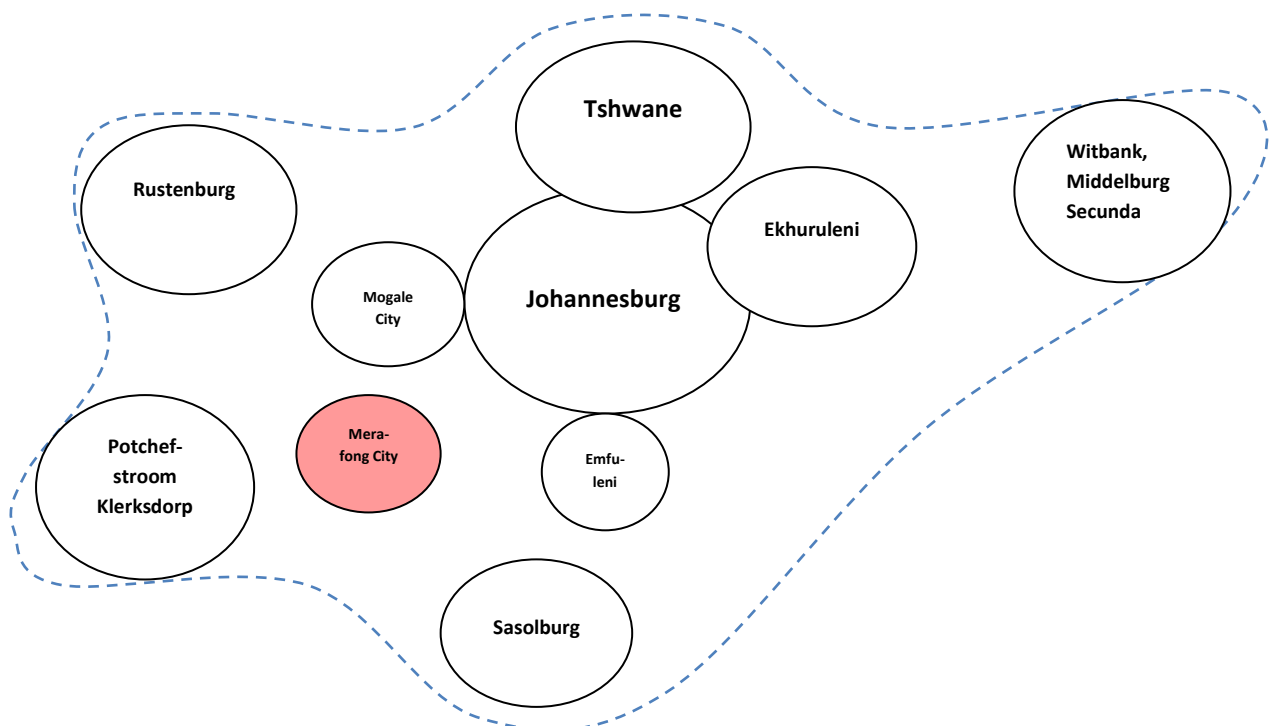
Although Merafong City has now been demarcated as part of the North-West Province, it still retains very strong linkages with the Gauteng economy and for all intents and purposes forms part of the economic functional area of the Gauteng conurbation. The *Gauteng Global City Region Strategy* therefore holds important implications for Merafong City, since it will effectively form part of the western economic hub of the “global city region”.

According to the *Economic and Development Programme for the Gauteng City Region* (Gauteng Provincial Government, July, 2008), the concept of the Gauteng “City Region” encompasses the following:

- Cities (such as Johannesburg, Tshwane, Ekurhuleni, Mogale City, Emfuleni); and
- Economically linked regions (including Witbank, Middelburg, Secunda, Sasolburg, Rustenberg, Potchefstroom, Klerksdorp and, potentially, Merafong City).

The Gauteng City Region “footprint” can be graphically illustrated as follows:

**Figure 1: Schematic footprint of Gauteng City Region**



Source: Adapted from *Economic Development and Planning Programme for the Gauteng City Region, 2008*

The Gauteng City Region is in competition with other city regions in Africa and across the world to attract investment, visitors and skilled workers. The economic development and planning programme for the Gauteng City Region is therefore focused on enhancing the global competitiveness of the area.

The main goals of the Gauteng City Region development programme are to:

- a) Advance the positioning of the City Region as an economically active, globally competitive and sustainable city region;
- b) Integrate the planning, implementation and coordination of economic growth and competitiveness strategies;
- c) Growing and managing a knowledge-based economy in the City Region;
- d) Improve coordination, collective decision making and resource sharing across departments and municipalities;
- e) Branding and marketing the Gauteng City Region.

The development of the Gauteng City Region is a long term programme that could hold significant benefits for Merafong City, due to the fact that it is located within the wider, functionally connected City Region. It is therefore important for Merafong City Local Municipality to position itself within the City Region as part of the West Rand economic node.

## 5.5 Implications for the Merafong City Growth and Development Strategy

Given the local economy's existing strengths in mining-related manufacturing and services, especially the manufacturing of metal products, together with its close proximity to and strong economic linkages with the Gauteng market, Merafong City has an opportunity to establish itself as a major manufacturing hub within the greater economic Global City Region, specializing in:

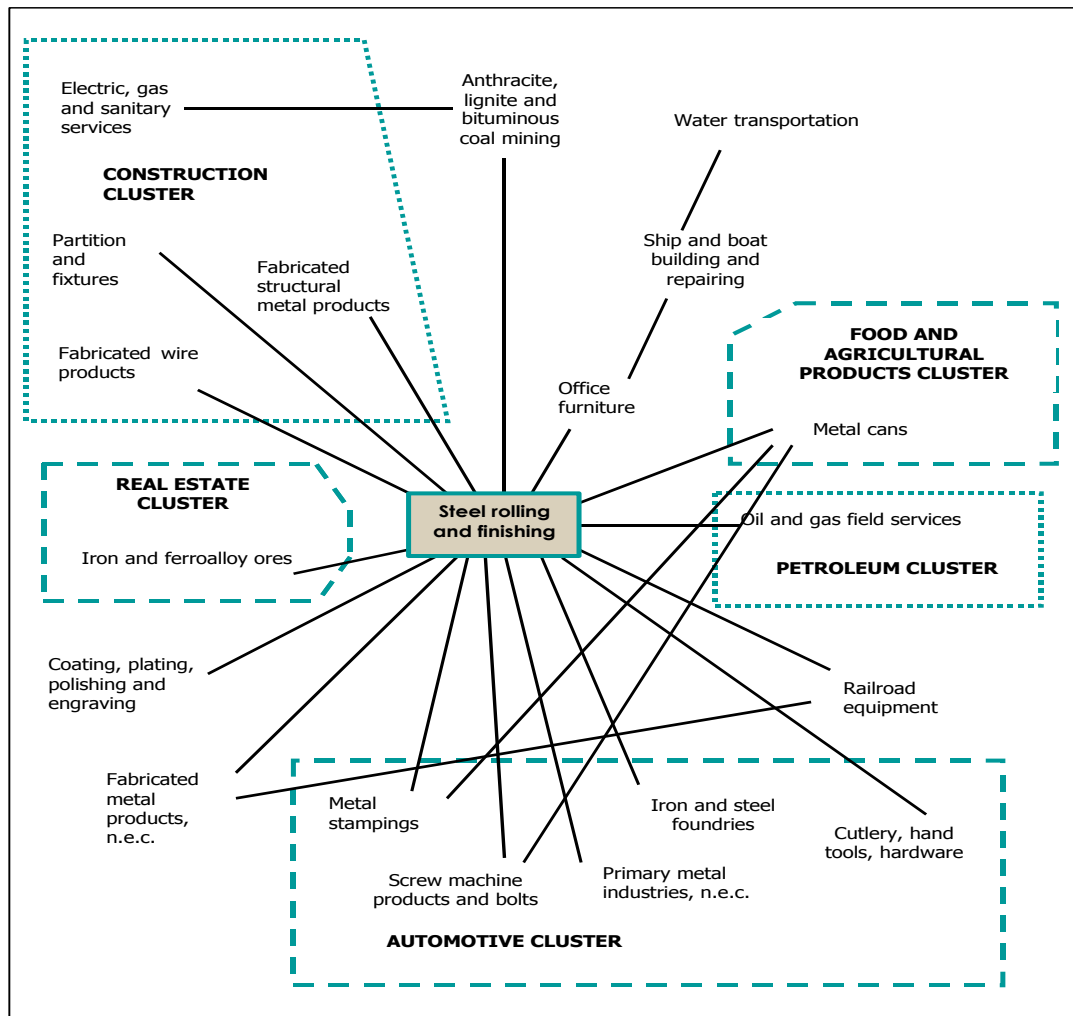
- Metal products, metal fabrication and engineering works
- Mining-related service industries and manufacture of mining inputs, e.g. drilling and other equipment, explosives
- Beneficiation of mining products and by-products, i.e. gold, uranium, stone, cement
- Manufacture of construction and building materials
- Processing and beneficiation of agricultural produce

With development and diversification of the proposed manufacturing hub, further capabilities could possibly be developed in capital and transport equipment, automotives and components, chemicals and plastics fabrication.

The proposed manufacturing hub and diversification of manufacturing activities could act as a catalyst for growth in the Merafong City economy through economic linkages and multiplier effects. The establishment of agro-processing activities could stimulate the agricultural sector, while downstream benefits may accrue to the trade, transport and business services sectors.

The following diagram illustrates a typical iron and steel cluster:

**Figure 2: Iron and steel macro-cluster**



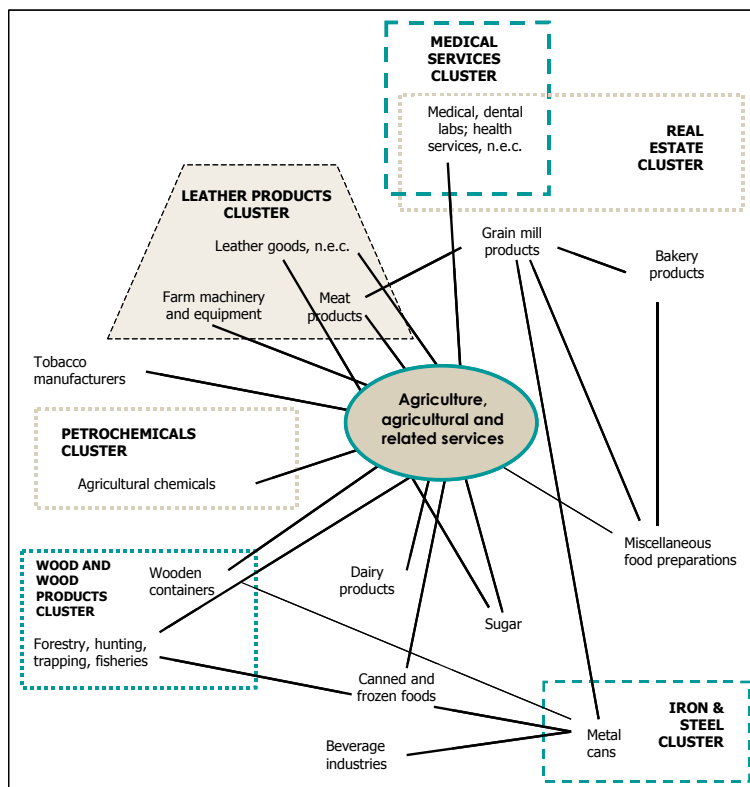
Source: Czamanski, 1976

The potential benefits for other economic sectors can be illustrated by looking at the industrial cluster concept. An industrial cluster refers to *a group of industries/sectors that are located in the same geographical area and which are economically linked with each other. These industries complement the total value chain of the catalyst/core activity.*

As can be seen in the Figure 2 above, a cluster of metal manufacturing activities can potentially be linked to agro-processing, automotive, construction and chemical industries.

Figure 3 illustrates a typical food and agricultural products cluster:

**Figure 3: Food and agricultural products macro-cluster**



Source: Czamanski, 1976

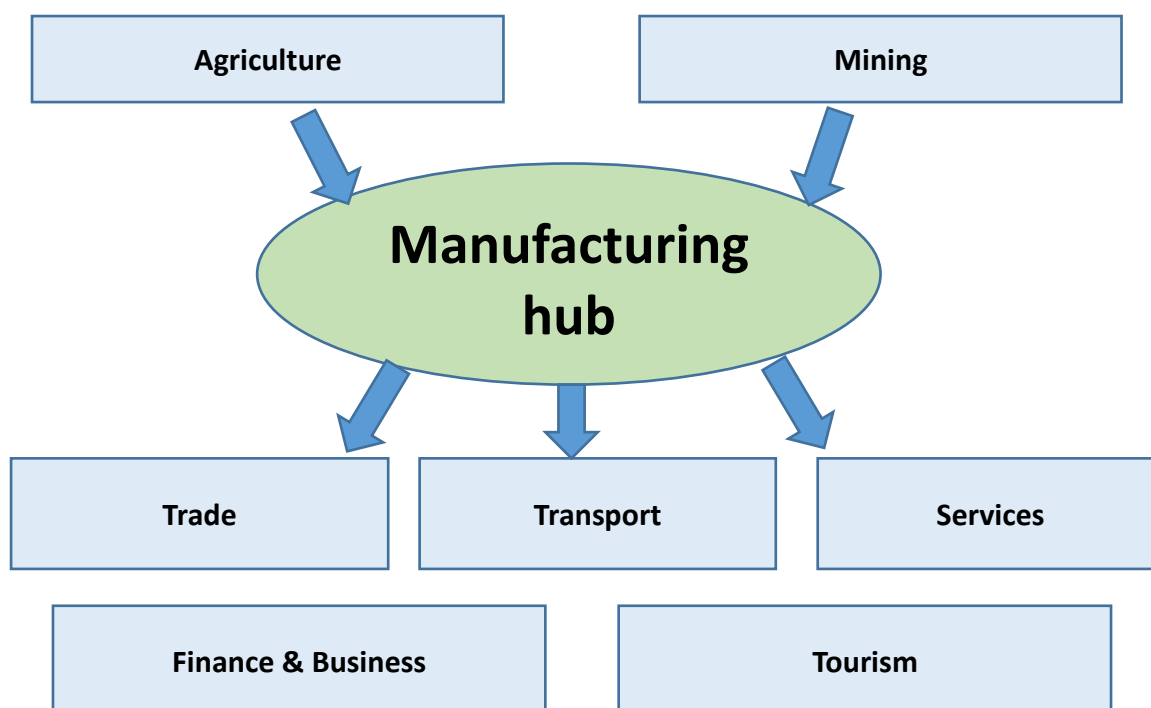
The development of food processing activities can lead to the strengthening of linkages to agriculture, leather and leather products, wood and wood products, chemicals and metals. It is therefore clear that many different sectors within the economy will stand to gain from the development of a strong industrial base.

The following locational factors are relevant to the establishment of the proposed manufacturing node:

1. **Land** – Suitable land must be selected for the development of manufacturing activities. The location of the land must be easily accessible from major transport routes. Although vacant industrial land is available in Merafong City, the stands must be adequately serviced and provided with the necessary infrastructure to attract investors.
2. **Availability of resources** – The necessary inputs for the proposed manufacturing node can be fairly easily obtained due to the close proximity of the area to Gauteng. Agricultural and mining produce are also readily available in the area to serve as inputs into mineral beneficiation and agro-processing activities. The possibility of utilising underground water, currently pumped out by mines, for residential as well as industrial use is currently being investigated.

3. **Labour** – An important requirement for the successful establishment of a manufacturing node is the availability of labour with the necessary skills. A lack of skilled labour in the area could be a constraining factor.
4. **Location/accessibility** – Merafong City is located in a relatively advantageous position, directly adjacent to Gauteng and serviced by major transport routes. Roads and related transport infrastructure must be in excellent condition in order to provide good accessibility to the proposed manufacturing node.
5. **Agglomeration/linkages** – The proposed manufacturing node holds great potential for the strengthening of linkages between different sectors of the economy, as well as with other functionally connected economies within Gauteng and the greater City Region. The agglomeration of certain manufacturing activities can result in economies of scale and other benefits, such as the attraction of other, related manufacturing and service activities to the area. The manufacturing node has the potential to strengthen linkages with especially the agricultural, mining, trade and transport sectors, resulting in positive spin-off effects for these industries.
6. **Markets** – Merafong City is well located in terms of access to important markets, most notably the large Gauteng market. Several local businesses in Merafong City, especially those linked to the mining sector, have also managed to establish a national client base and penetrate markets outside the local area. This bodes well for market access of goods produced locally within the proposed manufacturing hub.

**Figure 4: Sectoral linkages to proposed manufacturing hub**



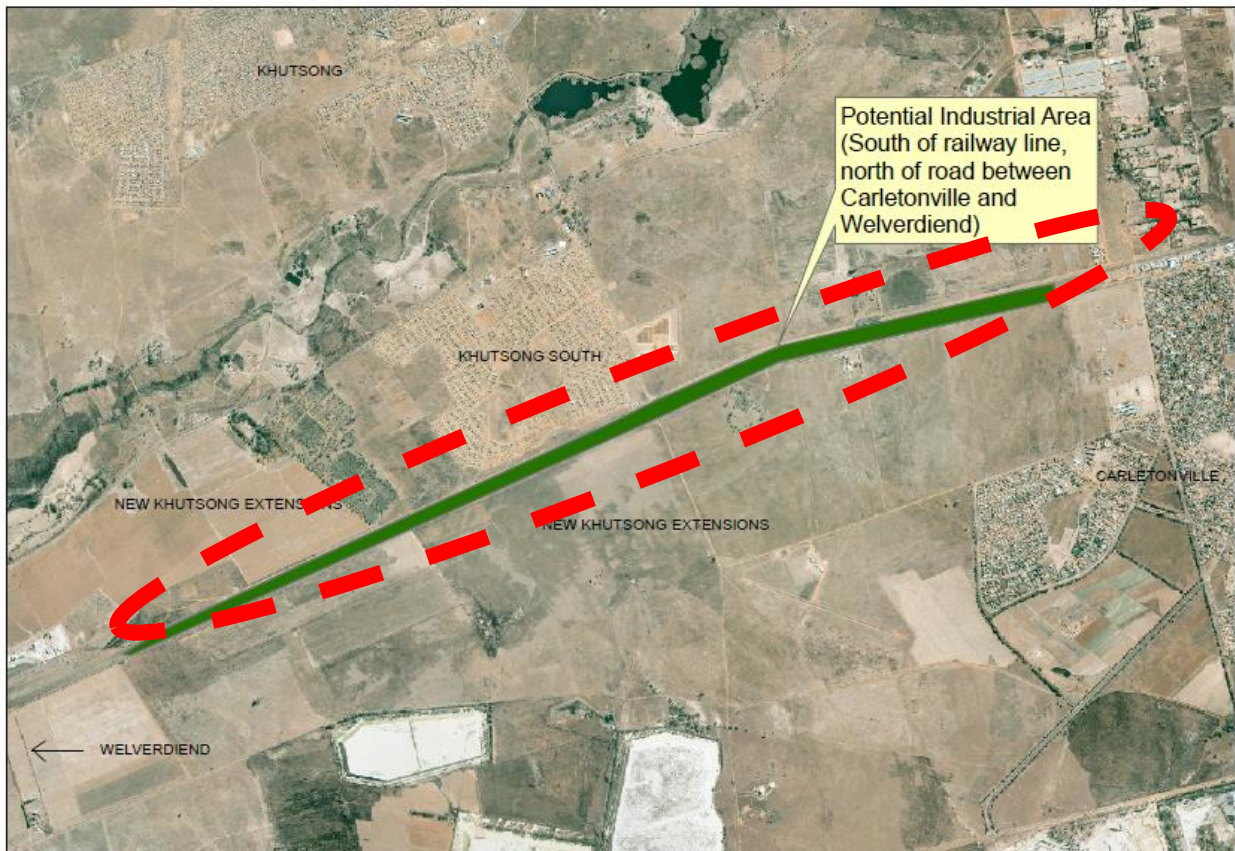


The advantages of the above location are:

- a. It is situated in an existing industrial area, already zoned for industrial land uses.
- b. Linkages can easily be established with existing manufacturing concerns.
- c. A large amount of erven (those coloured in dark green on the map) is owned by the local municipality and can therefore be utilised at the discretion of local government.
- d. The site is in close proximity to and integrated with the Carletonville CBD.

Figure 6 indicates the second possible location for the proposed manufacturing hub.

**Figure 6: Potential location along the Potchefstroom/Welverdiend road**



Source: Merafong City Local Municipality

The advantages of the location in Figure 6 are:

- a. It is situated along an important regional road, providing easy accessibility and regional linkages.
- b. A railway line runs along the road, providing access to rail transport.
- c. The piece of land and much of the surrounding area currently lies vacant, providing an ideal opportunity for development.
- d. The fact that the area lies adjacent to the new Khutsong extensions, serves as a means to integrate the Khutsong township into the mainstream economy of Merafong City and the broader economic region.

## 6. Development projects per economic sector

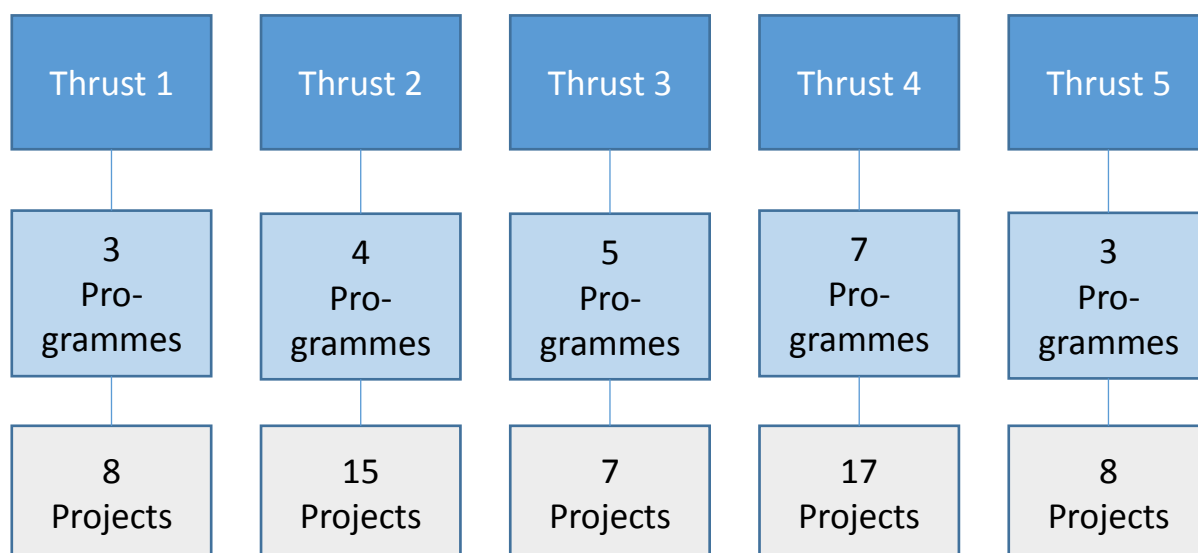
Taking the above development vision into account, together with the analysis of development opportunities within the local economy, a strategic framework with specific development projects per sector can be compiled. The identification of programmes and projects are therefore based on the development opportunities identified in the Opportunity Analysis phase of the Growth and Development Strategy.

These projects should not only reflect the development opportunities within each sector, but also tie in with the proposed development vision of a manufacturing hub within Merafong City. The identified potential projects can be grouped into different development thrusts, namely:

1. Agricultural Development
2. Industrial Development
3. Infrastructure Development
4. Business and Services Development
5. Human Resource Development and Empowerment

The thrusts aim at utilising existing economic strengths and opportunities by transferring these into workable programmes and projects. Under each of the five thrusts, several programmes and projects have been identified, as illustrated in Figure 7.

**Figure 7: Diagram of thrusts, programmes and projects**



The following tables contain information on the proposed strategic thrusts, development programmes and associated projects.

## 6.1 Thrust 1 – Development of the agricultural sector

### Thrust 1: Development of the Agricultural Sector

**Vision:** To expand the agricultural sector of Merafong City into new products and markets, specifically niche and export markets.

Programmes	Projects	Time frame	Role players
1. Diversifying into new crops/products with focus on practices suitable for small-scale farming	• Horticulture (Vegetables, tobacco)	• Medium term	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Dept. of Agriculture</li> <li>• Local farmers</li> <li>• Cooperatives</li> <li>• CSIR/ARC</li> <li>• Mining houses</li> </ul>
	• Floriculture (expansion of existing projects and introduction of new species)	• Medium term	
	• Aquaculture	• Medium term	
	• Organic farming (Exploit growing niche market for organic produce)	• Medium term	
2. Value chain development	• Production of inputs into agricultural sector (seeds, fertilizer, implements)	• Long term	
	• Production of animal feeds (using local agricultural produce)		
	• Marketing and delivery of local agricultural produce to markets and supermarkets		
3. Linking struggling agricultural projects with more successful ones	• E.g. linking cut foliage project with Living Gold rose project to create economies of scale and improve economic viability	• Medium term	

## 6.2 Thrust 2 – Industrial and Beneficiation Development

### Thrust 2: Industrial and Beneficiation Development

**Vision:** To establish a manufacturing hub within Merafong City that will capitalise on existing strengths and its location within the Global City Region. This will serve to strengthen backward and forward linkages in the local economy and add value to primary sector products.

Programmes	Projects	Time frame	Role players
1. Establishment of manufacturing hub	• Long term development initiative to attract and retain investment in Merafong City by manufacturing concerns	• Long term	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• DTI</li> <li>• IDC</li> </ul>
2. Agriculture-related and agro-processing industrial development	• Value chain development, including production, processing, packaging and distribution of agricultural products	• Long term	<ul style="list-style-type: none"> <li>• Mining houses</li> <li>• Manufacturing concerns</li> <li>• Organised business</li> </ul>
	• Grain products beneficiation (flour milling, chicken feed)	• Long term	
	• Vegetable processing and packaging plant	• Long term	

	<ul style="list-style-type: none"> <li>White meats (Pork, poultry, eggs) processing activities</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Floriculture logistics development</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Production of seeds, fertilizers, pesticides and agricultural equipment for agricultural practices in Merafong City and the country</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
3. Metal/Mineral beneficiation and mining related industrial development	<ul style="list-style-type: none"> <li>Metal beneficiation activities, e.g.:               <ul style="list-style-type: none"> <li>Gold: Coins, jewellery, industrial, dental</li> <li>Manganese: Batteries, chemicals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Manufacture of structural steel products (used in construction industry)</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Foundries – Manufacture of pumps, valves, pipes (inputs in mining and manufacturing sectors)</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Manufacture of protective clothing used in mining operations</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
	<ul style="list-style-type: none"> <li>Manufacture of mining machinery and other equipment (e.g. explosives, drilling tools)</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
4. Industrial development support and incentives	<ul style="list-style-type: none"> <li>Industrial investment incentive packages</li> </ul>	<ul style="list-style-type: none"> <li>Short term</li> </ul>	
	<ul style="list-style-type: none"> <li>Industrial marketing campaign</li> </ul>	<ul style="list-style-type: none"> <li>Short term</li> </ul>	
	<ul style="list-style-type: none"> <li>Industrial development strategy for Merafong City</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	

### 6.3 Thrust 3 - Infrastructure Development

#### Thrust 3: Infrastructure Development

**Vision:** To create an enabling environment for economic growth and development, through the targeted provision of infrastructure. This bears relevance to utilities, construction, transport and communications.

Programmes	Projects	Time frame	Role players
1. Upgrading of transport infrastructure	<ul style="list-style-type: none"> <li>Improvement of transport linkages and transport infrastructure, especially along N12 (and other important routes)</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Local and provincial government</li> <li>Organised business</li> <li>Local SMMEs</li> </ul>
2. Urban renewal	<ul style="list-style-type: none"> <li>Improvement of infrastructure and general appearance of CBD's and townships</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	
3. Provision of adequate infrastructure in industrial areas	<ul style="list-style-type: none"> <li>Provision of serviced industrial stands</li> <li>Provision of additional infrastructure and services to attract investment in industrial areas</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	
4. Utilisation of subterranean water	<ul style="list-style-type: none"> <li>Expansion of the role of Local Municipality into water provision authority.</li> <li>Potable water pumped out by mines to be processed and utilised for residential/industrial use.</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	

5. Procurement of local businesses and SMMEs in construction operations	<ul style="list-style-type: none"> <li>Maximising the potential benefit for the local economy and small businesses by procuring SMMEs in construction operations, e.g. Khutsong Resettlement</li> <li>Employment of local labour in Khutsong Resettlement operations</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	
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## 6.4 Thrust 4 – Local Business Development

### Thrust 4: Local Business Development

**Vision:** To promote and support the development of a vibrant local business community that can drive economic growth and job creation through activities in the trade, finance, business and services sectors. To create an enabling and supportive environment for SMMEs and Black Economic Empowerment.

Programmes	Projects	Time frame	Role players
1. Strengthening of linkages between trade and other economic sectors	<ul style="list-style-type: none"> <li>Development of business, trade and service activities that are geared towards mining and agriculture</li> <li>Development of trade, transport and logistics activities to link up with the proposed manufacturing hub</li> <li>Distribution and marketing of products from agriculture, mining and manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Local and provincial government</li> <li>Organised business</li> <li>Local SMMEs</li> <li>Mining houses</li> </ul>
2. Strengthening of trade and commercial activities along the N12	<ul style="list-style-type: none"> <li>Concentration of trade and commercial activity along the N12 in order to capitalise on economic and spatial linkages and to create economies of scale</li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	
3. CBD Revitalisation	<ul style="list-style-type: none"> <li>Revitalising and improving the general appearance of business areas</li> <li>Incentives to attract new business development into the area</li> <li>Implementation and enforcement of street by-laws</li> <li>Rezoning of business sites</li> <li>Encouragement of residential and office development</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	
4. Regulation and improvement of trading activities	<ul style="list-style-type: none"> <li>More efficient regulation of informal traders</li> <li>Provision of centralised market facilities for informal traders and SMMEs</li> </ul>	<ul style="list-style-type: none"> <li>Medium term</li> </ul>	
5. Tourism development	<ul style="list-style-type: none"> <li>Alignment with Treasure Route SDI</li> <li>Mining tourism</li> <li>Cooperation with mines in development of local nature reserves               <ul style="list-style-type: none"> <li>Abe Bailey</li> <li>Gatsrand</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Long term</li> </ul>	

	<ul style="list-style-type: none"> <li>○ Deelkraal</li> <li>• Development of tourism sites, e.g. Matabele kraals, caves, Anglo-Boer War trenches, Deelkraal paleontological sinkhole</li> <li>• Tourism information centre adjacent to the N12</li> <li>• Cultural village along N12</li> <li>• Township tourism routes</li> </ul>		
6. Cooperation with mines in the provision of higher order social facilities	<ul style="list-style-type: none"> <li>• Training facilities <ul style="list-style-type: none"> <li>○ Agriculture</li> <li>○ Hospitality</li> <li>○ Technical</li> </ul> </li> <li>• Addressing the need for local leisure/entertainment facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Long term</li> </ul>	
7. Local business forum	<ul style="list-style-type: none"> <li>• Establishment of a local business forum/Chamber of Commerce where government and the private/business sector can discuss relevant issues</li> <li>• Improvement of networking among local businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Short term</li> </ul>	

## 6.5 Thrust 5 – Human Resource Development and Empowerment

### Thrust 5: Human Resource Development and Empowerment

**Vision:** To enable the development and optimal utilisation of local human resources and create a supportive environment for the empowerment of women, the youth and Historically Disadvantaged Individuals.

Programmes	Projects	Priority	Role players
1. Skills matchmaking	<ul style="list-style-type: none"> <li>• Identification of skills shortages in different economic sectors</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term</li> </ul>	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Organised business</li> <li>• Dept. of Education</li> <li>• Mining houses</li> <li>• Dept. of Labour</li> <li>• DTI</li> <li>• SMMEs</li> </ul>
	<ul style="list-style-type: none"> <li>• Recruitment database</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term</li> </ul>	
2. Training facilities/projects	<ul style="list-style-type: none"> <li>• Tertiary training facilities and bursaries in the following skills areas: <ul style="list-style-type: none"> <li>○ Business management</li> <li>○ Agricultural</li> <li>○ Technical</li> </ul> </li> <li>• Tourism and hospitality</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term</li> </ul>	
	<ul style="list-style-type: none"> <li>• Establishment of on-site training facilities/projects</li> </ul>	<ul style="list-style-type: none"> <li>• Medium term</li> </ul>	
	3. Projects focused on the support of small businesses	<ul style="list-style-type: none"> <li>• Small business support centre</li> <li>• Appropriate market facilities for informal traders and SMMEs</li> <li>• Joint marketing of businesses</li> </ul>	<ul style="list-style-type: none"> <li>• Short term</li> </ul>

## 7. Strategic framework for industry support

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In order to provide an enabling environment and support for the development of a local manufacturing hub in Merafong City, several important requirements must be met. This section highlights the most important strategic support factors the local government of Merafong City must address in order to provide sufficient support to industrial development within the area.

The strategic support elements include:

1. Infrastructure and Logistics support
2. Skills Development
3. Investment Facilitation
4. Industrial Finance
5. Research and Development/Innovation
6. Institutional Development

### 7.1 Infrastructure and Logistics Development

The provision and maintenance of adequate infrastructure is one of the most important factors in successful industrial development, in particular, and economic development, in general. Local government has an important role to play in ensuring the presence of sufficient infrastructure that will make industrial development possible.

Physical and economic infrastructure has the most direct impact on competitiveness and development potential of the industrial sector and includes:

- Transport infrastructure;
- Water and bulk services;
- Electrification;
- Technology development;
- Information and Communication Technologies (ICTs); and
- Servicing of land and factory space.

Social infrastructure, such as schools, libraries and health facilities, have an important, but less direct impact on industrial development of an area, as these influence the general economic potential and attractiveness of the area for investors.

Effective value chains and access linkages will be especially important and emphasis should be placed on creating efficient transport linkages with important urban areas/markets and rural areas, as well as the development of cost-effective freight transport (on road and rail).

The following are therefore critical infrastructure projects:

- a. Upgrading of major transport routes
- b. Upgrading of rural transport network
- c. Upgrading of rail transport services and infrastructure
- d. Upgrade existing industrial areas and stands
- e. Logistics park
- f. Cold chain facilities

## **7.2 Skills Development**

The success of economic development will depend on a large degree on the skills and entrepreneurial mindset of the local population. This is especially relevant to industrial development, due to the fact that very specific, and relatively scarce, skills are required for successful implementation of the industrial vision for Merafong City.

Interventions that focus on growth of the local skills base and entrepreneurial dynamism of the local population is therefore of prime importance. There is a great need for closer alignment between industrial policy and development and education development. The type of skills necessary to foster growth and development in the manufacturing sector must be identified and addressed through vocational training.

Focus should fall on the following:

- a. Perform a skills audit to ascertain available skills and identify local skills shortages
- b. Maximise the impact of local institutions in skills development, by ensuring there are programmes that address skills needs

- c. Harness and maximise the local impact of national skills development initiatives
- d. Form partnerships with the private sector to promote on-the-job training and skills development

### 7.3 Investment Facilitation

Investment facilitation will play an important role in attracting investors to the area and create the environment to make accelerated industrial development possible. Investment facilitation may include the following elements:

- Removal of constraints on new industrial development
- Subsidisation of pilot projects in new areas that will attract other investors, if successful
- Incentives to attract new investments
- Investment promotion (including project development)

Incentives to promote industrial development can be provided by local, provincial or national government. These incentives may be grant-based, tax-based, duty credit-based and loan risk-based, amongst others.

The DTI is currently offering a range of incentives, such as:

- a. The Critical Infrastructure Programme, designed to attract large-scale investment
- b. The Small Medium Enterprise Development Programme, which provides grants of up to 10% of new industrial investment by SMMEs

In general, local governments can incentivise new industrial investment through the provision of infrastructure, subsidisation of enterprise start-ups (e.g. through local development agencies), concessional land sales and concessions on rates and municipal services for new investors.

## 7.4 Industrial Finance

Access to finance and capital remains one of the key constraints to economic growth and new developments. The state can play an important role in alleviating these difficulties through the provision of finance for economic development.

National government has established a number of financing instruments, including the Industrial Development Corporation (IDC), National Empowerment Fund, Development Bank of Southern Africa (DBSA) and Khula, amongst others. There are also a number of grant-based instruments focused on poverty alleviation and economic development.

The local government of Merafong City will need to engage with these different financial instruments/programmes and ensure that development priorities and plans are aligned with the stated objectives of these instruments.

It might also be necessary to establish a special purpose vehicle that will focus on the compilation of project-specific business plans, feasibility studies and funding applications from these institutions.

## 7.5 Research and Development/Innovation

Investment in research, innovation and technology is generally underprovided by the market and government can play a critical role in creating incentives for R&D and innovation, especially in the manufacturing sector. The importance of technology and the promotion of innovation is emphasised in several national policy documents, namely National Research and Development Strategy, Advanced Manufacturing Technology Strategy, Integrated Manufacturing Strategy and the Industrial Policy Action Plan.

Innovation in technology and industrial development entails different elements, such as:

- Technology upgrading within industries;
- Entry into more complex activities;
- Local innovations and design incorporated into manufacturing activities

In order to promote technology innovation and greater knowledge intensity in local industrial activities, local government should engage with the following national government instruments that support manufacturers in R&D development:

- a. Innovation Fund
- b. Competitiveness Fund
- c. Support Programme for Industrial Innovation
- d. National Research Fund
- e. Technology and Human Resource for Industry Programme (THRIP)
- f. Khula Technology Transfer Fund

Awareness of these incentives and funding instruments must also be promoted within Merafong City.

## 7.6 Institutional Development

The National Industrial Policy Framework, Industrial Policy Action Plan and ASGISA emphasise the important role to be played by government in facilitating industrial diversification and development. The intent of national government is therefore to become a “developmental state”, which must coordinate and champion a collective effort towards economic development and diversification.

In order for local government to fulfil its developmental role, it must possess the following features:

- a. Develop and articulate a coherent development vision and coordinate actions across different sectors, departments and government spheres to attain that vision.
- b. Develop and maintain the capabilities necessary to formulate and implement projects that are aligned to the development vision.
- c. Develop sufficient autonomy in order to avoid being captured by elites or strong interest groups, while still encouraging public participation and remaining responsive to local needs.

## 8. Cross-cutting implementation guidelines

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The following section provides general strategic guidelines for the implementation of the Growth and Development Strategy within Merafong City. This includes recommendations regarding the appropriate institutional framework for implementation, investment incentives and potential funding sources, marketing guidelines and a monitoring and evaluation framework.

## 8.1 Institutional framework

Institutional arrangements are extremely important to ensure the successful coordination, implementation, management and monitoring of GDS initiatives. Certain structures, networks and organisational arrangements therefore need to be established as mechanisms through which the GDS Strategy for Merafong City can be successfully implemented. The following sub-section will therefore focus on the role of local municipalities in local economic development, and make recommendations towards strengthening the implementation capacity of the local economic development unit.

### 8.1.1 Role of local government in Local Economic Development (LED)

The DPLG *National Framework for Local Economic Development* promotes a shift to a more strategic approach to the development of local economies and emphasises the importance of alignment with the **National Spatial Development Perspective (NSDP)**, the **National Industrial Policy Framework and Action Plan**, the **Industrial Policy Action Plan, ASGISA** and the **Provincial Growth and Development Strategies (PGDSs)**.

The role of the Merafong City Local Municipality Economic Development Department relates to the municipal roles and responsibilities. This includes, inter alia:

- Coordination and management of Local Economic Development (LED)
- Creating an enabling environment
- Providing infrastructure
- Building local capacity
- Encouraging public participation in LED
- Promoting inter-departmental collaboration
- Promoting and facilitating public-private-partnerships (PPPs)
- Monitoring and evaluating the LED Strategy
- Facilitating LED

Local government is however, **not** responsible for:

- Running of businesses and projects
- Creating an unfair advantage for some role-players
- Creating new industries
- Developing and handing out business plans to potential entrepreneurs

It is required of the Local Economic Development unit/department to take responsibility for the co-ordination and management of the Growth and Development Strategy programme as a whole. The responsibilities of the District LED Unit further include:

- Acting as a driving force for development;
- Coordinating actions and communication between all stakeholders;
- Building capacity among various stakeholders to be able to fulfil their individual functions;
- Allowing for improved participation and input at community level; and
- Developing project level institutional arrangements to carry out the implementation of individual projects associated with LED programmes. The development of institutional arrangements is not restricted to the LED unit itself, but extends to the development of institutions to create public involvement in the community, including partnerships and forums.

### 8.1.2 Role and importance of a local LED forum

Due to the great importance of the participation of the local community and private sector in economic development initiatives and implementation, the establishment of an effective and well-represented **business forum or local Chamber of Commerce** is crucial. It is also of great importance that different sectors, such as agriculture, mining, manufacturing, small business concerns, tourism, etc. are adequately represented on such a Forum. There is currently a lack of such a body within Merafong City and therefore constitutes a serious gap within the institutional framework.

The establishment of such a body is therefore the first recommendation regarding institutional arrangements and will assist greatly in the successful implementation of economic development initiatives.

The goal of a Business or LED Forum is to:

- Coordinate and ensure effectiveness of Local Economic Development in Merafong City
- Ensure that all stakeholders have the same understanding and interpretation of Local Economic Development initiatives
- Mobilise internal and external resources, capacities and skills required for the implementation of LED projects
- Ensure optimal utilisation of available resources
- Ensure involvement of all potential stakeholders

- Ensure the economic development opportunities and needs of local municipalities are identified and addressed
- Promote sharing of strategies, priorities, activities and information with other departments, municipalities and service providers
- Ensure coordination in terms of implementation and monitoring of LED initiatives
- Ensure that programmes are linked to the LED sector plan in IDPs

### 8.1.3 Implementation vehicle for the Industrial Development Vision

Due to the fact that the manufacturing sector and industrial development and diversification is seen as the potential catalyst for economic development in Merafong City, with widespread multiplier effects and the ability to create upstream and downstream benefits for all other economic sectors, the implementation of the vision for industrial development requires a dedicated implementation effort.

For this reason it can be recommended that a **Development unit or committee** be established that will focus on the planning, implementation and marketing of the proposed manufacturing hub. This implementation vehicle or body may form part of the Department: Economic Development within the Merafong City Local Municipality and therefore constitute a sub-committee within the department. On this committee, the following stakeholders should be represented:

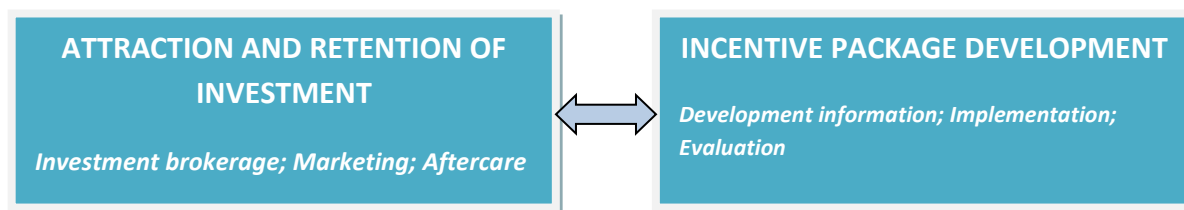
- a. Local government
- b. Provincial government
- c. Local businesses and manufacturing concerns
- d. Mining houses
- e. Local community groups
- f. Potential external partners, e.g. IDC, DTI, DBSA.

The main purpose of the development committee or unit will be to act as a facilitator in the attraction and realisation of investment. This facilitation function also entails actions such as investment brokerage, lobbying and aftercare.

Although the different stakeholders should have representation within the unit on an *ad hoc* basis, it should also have full-time staff assigned with the responsibility to initiate, coordinate and manage the development investment process.

The function of the development unit should rest on two pillars, namely the attraction and retention of investment on the one hand, and the development of appropriate investment incentives on the other. The dual function of the unit can be diagrammatically illustrated as follows:

**Figure 8: Two pillars of Development Unit function and actions**



## 8.2 Investment incentives and potential funding sources

This section aims to identify potential funding sources that can be utilised for different aspects of the development programme, as well as a range of incentives that can form part of the incentives package to attract the required investment.

### 8.2.1 Potential funding partners

A range of institutions have been identified which could possibly be utilised as potential funding sources. Each of the institutions mentioned is categorised according to the type of economic support for which they could provide funding for. The list of potential national funders is illustrated in the following Table.

Type of Support	Potential Funders	Comments
Skills development and support	Department of Labour	Skills support programmes
	National Productivity Institute Dept. of Labour DPLG	Social plan programme
Community economic development	Local Government	Consolidated Municipal Infrastructure Programme
	DWAF	Working for water programmes
	National government (all departments)	Poverty relief programmes
	Independent Development Trust	Development of the local capacity of communities and business ventures

<b>Community economic development</b>	DTI	<ul style="list-style-type: none"> <li>• Incentive packages for SMME development</li> <li>• Khula provides loans and guarantees to reduce risk for SMMEs</li> <li>• Small and Medium Enterprise Development Programme</li> </ul>
	Ntsika	Support and funding
	DPLG	Social plan fund
	ARTPAC	Financial capacity support for small contractors and artisans
	Business Partners	Support services for small businesses
	NAMAC	<ul style="list-style-type: none"> <li>• Small Enterprise Development Fund</li> <li>• Business Referral and Information Network (BRAIN)</li> <li>• Franchise Advice and Information Network</li> </ul>
	Industrial Development Corporation (IDC)	Financial incentives to encourage exports
	Dept. of Arts, Culture, Science and Technology	GODISA, which strives to create economic growth and long-term employment opportunities through the enhancement of technological innovation, improvement of productivity, sustainability and international competitiveness of SMMEs
DTI	The Support Programme for Industrial Innovation	
<b>Technological support</b>	Dept. of Communications	Bridging the Digital Divide programme
	Small Business Project	Private Sector Initiative
<b>Tourism Promotion</b>	Dept. of Environmental Affairs & Tourism	Tourism related activity benefit
	DTI	Tourism development finance
<b>Manufacturing Development</b>	Business Partners	Support services to SMMEs
	NAMAC	Coordinates, facilitates, monitors and evaluates activities of MAC's
	Coega Development Corporation	Job creation community-based projects
	CSIR	Conducts research, development and implementation activities
	DTI	<ul style="list-style-type: none"> <li>• Sector Partnership Fund</li> <li>• Support Programme for Industrial Innovation</li> <li>• Competitiveness Fund</li> <li>• Technology and Human Resources for Industry</li> </ul>

		Programme <ul style="list-style-type: none"> <li>• Competition Policy</li> <li>• Procurement reform</li> <li>• Finance for textile, clothing, leather and footwear industries</li> </ul>
	IDC	Low interest loans
	Development Bank of South Africa	Donor funding
<b>Agricultural Development</b>	Agricultural Research Council	Research
	DTI	Agro-industry Development Fund
<b>Local Economic Development promotion</b>	DPLG	LED fund for job creation
	Khula Enterprises	<ul style="list-style-type: none"> <li>• Equity Fund</li> <li>• Emerging Entrepreneur Fund</li> </ul>
	DPLG	Consolidated Municipal Infrastructure Programme

### 8.2.2 Investment incentives

A range of different incentives could form part of the investment incentives package. The use of financial incentive packages by local governments to attract investors to their locality is regulated by the *Municipal Finance Management Act 56 of 2003*. Typical incentives include a combination of the following:

- **Infrastructure:** These concessions often involve the provision of serviced industrial and commercial sites of special efforts to develop infrastructure and services in selected commercial areas in response to the needs of prospective investors.
- **Land and Buildings:** An incentive package of this type may involve the sale, transfer or rental of land, buildings or other facilities owned by the local authority on concessionary terms in order to attract investment or to assist the development organization. However, local authorities must ensure that they are in compliance with national and provincial legislation on the disposal of public assets.
- **Regulatory reform:** These concessions involve special efforts by the local authority to reduce constraining regulation and zoning that may stand in the way of potential business development.
- **Approval process:** One of the most basic incentives involves facilitating prompt decisions such as the approval of building plans and rezoning applications. The establishment of a one-stop shop could facilitate this process more efficiently.
- **Tax incentives:** Local authorities in the United States, for example, often use reduced tax rates as an incentive to encourage investment. South African local authorities are currently prevented from utilizing these types of concessions.

- **Finance:** Some international cities provide financial assistance in the form of special grants, access to start-up capital, bridging finance and credit, loan guarantees or the underwriting of risks. However, South Africa local authorities are currently prohibited from undertaking these activities.

When looking at the experience of other local authorities in South Africa in the provision of incentives, the most important lesson learnt is that the **active participation of the local authority** through investment brokerage is an important “pull factor”. This active brokerage linked to aggressive marketing of the area is one of the major factors which will influence investors’ choice of location.

A further important success factor in attracting investors is the service offered by the local authority in terms of the **approval process** and **regulatory reform**. It is therefore of prime importance to address these two elements when embarking on an investment attraction exercise.

### 8.3 Implementation actions and phasing of development

This section will outline the most important steps to be followed during the implementation phase. The development process aims to benefit local communities through projects that will lead to economic growth and diversification, job creation and empowerment. It is therefore important that communities should form part of the ongoing development and planning process through interactive participation.

#### i. Establish the Development Unit

This entails the compilation of the mandate and the establishment of the organisational structure. A **clearly articulated goal and objectives** for development must be formulated and the **specific target activities** to be performed by the Development Unit must be clarified. **Responsibilities for the different target activities** must be assigned, and **funding sources** identified for the activities of the Unit.

#### ii. Establish incentive scheme

An **incentive scheme** that is competitive with neighbouring local authorities must be established in order to **improve the local investment climate**. The incentives must be sustainable and viable. **Regulatory reform** and increased effectiveness of the approval process should form a large part of the scheme.

### iii. Develop marketing strategy

A **coherent and focused marketing strategy** should be developed. This is essential to **create an awareness** of what Merafong City has to offer among key audiences and to attract investors to the area.

### iv. Brokerage/Lobbying

Active lobbying and brokerage is a key element in the attraction of investment. It should also be carried out **on a continuous basis**. Focus should fall on the **provision of information** to relevant stakeholders, **investment matchmaking** and **facilitation** of feasibility studies and/or EIA's, infrastructure provision and application processes.

### v. Follow-up projects and business retention

Projects that will further enhance the investment climate of Merafong City must be identified. Once investments have been attracted to the area, **after-care** also becomes a priority. This will involve the **identification of opportunities and linkages** that will develop due to the initial investments.

## 8.3.6 Phasing of development

Refer to paragraph 3.2 Objectives and projects for implementation and table 3.2 Project Implementation Strategy

## 9. Conclusion

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A critically important aspect for the successful implementation of the LED Strategy is the need to ensure that all stakeholders and parties involved in the LED process take ownership of the programmes and projects identified. A performance management should also be incorporated in the implementation of the Merafong City Growth and Development Strategy. This will ensure accountability and responsibility for the implementation of the GDS and its programmes, and will eradicate potential conflicts.

Based on the formulation of the strategy with the numerous potential products and projects, the following is recommended to achieve optimal sustainable local economic development, employment creation, improvement in living conditions and standards, as well as human resource development:

- Start focusing on the sectors with the highest development potential, followed by the sectors with less potential. Ensure balanced stimulation of growth and development within all sectors by not focusing solely on one sector
- Before embarking on the implementation of specific projects, ensure that adequate funding sources and management capacity are in place
- Start implementing projects with the highest potential for stimulating economic growth and development
- Make sure that the projects that stimulate economic growth do not adversely affect the environment or human living conditions
- Set reasonable time frames for implementation and ensure effective and continuous monitoring of project progress and impacts

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# MUNICIPAL ENTERPRISE DEVELOPMENT POLICY GUIDELINE

Including the establishment of a  
Business Support Centre



Prepared by:



URBAN-ECON DEVELOPMENT ECONOMISTS  
1088 Pretorius Street, Hatfield  
Tel: 012 342 8686  
Fax: 012 342 8688  
E-mail: [memory@urban-econ.com](mailto:memory@urban-econ.com)

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## EXECUTIVE SUMMARY

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This Policy guides the MCLM in governing and supporting enterprise development and growth.

This Policy is the culmination of over three years of research and studies during which various aspects of the Merafong economy and business profiles, problems and opportunities were investigated. A consultative process was followed in that a number of business surveys were conducted and a Business Development Summit was held in November 2013. The report is divided into 5 sections that provides an overview of the previous work leading to the formulation of the vision, strategies, goals, objectives and the identification of implementable projects. The sections address the following:

Chapter 2: Profile of Business Development in Merafong. This chapter gives a summary of the previous reports and results from the Summit discussions. It also outlines the needs, gaps and opportunities as identified during those processes.

Chapter 3: Vision and Development Strategy. This chapter gives an economic development vision for the municipality aimed at redirecting the existing mining based economy to a new future that extends beyond the cessation of mining activities.

Chapter 4: Enterprise Development Strategies. This chapter provides the strategic goals and objectives for business development in the municipality.

Chapter 5: Conclusion and Recommendations. This chapter provides a list of priority actions that need to be taken for the successful implementation of the strategy.

Due to the development challenges faced by businesses in Merafong the ultimate Vision 25 years from now is:

***“To create a “new” economy for Merafong loose from mining based on the existing development opportunities in Merafong, and to direct and enhance the current resources to promote sustainable, diversified and effective economic development at the local level creating employment and income for the people and business.”***

The strategy for achieving business development is informed by the research and tempered by an understanding of the municipality’s responsibility, capacity and resources. It is based on the following strategic pillars:

1. Establishing a business investment friendly environment that aims at building the confidence levels of the businesses in the future of the Merafong economy ;
2. Business Support Systems
3. Access to finance
4. Business development tools

5. Developing a new future for business in Merafong during the transition period and after mining has closed in the municipality.

One of the key project actions that is taken in terms of this Policy and Strategy is the establishment of an Enterprise Development Centre. A MoU has been formulated between the municipality and Anglo Gold Ashanti for the establishment of the Centre.

In order for the Municipality to ensure that the resources available are utilised responsibly and effectively towards economic growth, it is imperative that a rigorous de-bottlenecking of projects be undertaken. In this regard, it is important that those factors which are inhibiting the progress and actualisation of projects be addressed as a matter of priority.

## **HIGH PRIORITY PROJECTS**

- 5.1.1 Develop and formulate a development strategy to create a "New" economy for the municipality loose from mining and to be implemented over the long term. Creativity and innovation will be key to the formulation of the strategy. The buy-in of all stakeholders into this strategy will be fundamental to its success. The strategy may need to be based on resources and strengths that do not currently exist in the municipality but that need to be developed. Opportunities of using public spaces and unlocking the dynamic and vibrant energy of the youth may form the corner stones of the strategy.
- 1.3.1 Implement a Business Expansion and Retention Programme that is reviewed annually and feeds into the municipal structures to address the problems of businesses on a short and medium term basis.
- 2.3.3 Increasing the local sourcing and provision of goods/services to mines;
- 1.1.1 Institute monthly meetings between the municipality and the business community where the needs, gaps and opportunities are addressed. The Business Expansion and Retention programme results may also feed into these meetings to structure discussions.
- 5.5.1 Provision of services to the mines
- 5.5.2 Provision of supporting services to SMME's
- 2.3.7 Social investment by mines
- 1.4.1 This programme would have two main components (i) establishment of Urban Improvement Precinct in the main business concentration areas and (ii) implement by-laws that encourage business to renovate, upgrade and maintain their buildings and even vacant buildings in the main business areas

The efficient and effective execution of projects and actions is contingent on the ability of the municipality to monitor and evaluate the project outcomes. In terms of monitoring and with regards to each of the projects, a table has been developed by which an audit of projects implemented can be done.

Evaluating the information gathered as part of the monitoring process will allow the Merafong Local Municipality to make necessary changes to increase the efficiency and effectiveness of programmes and to adjust their policies where necessary. It will also allow the MCLM to draft promotional material for the programmes, highlighting the success of specific businesses and encouraging further participation. Finally, demonstrable success might allow the MCLM to attract additional funding from government departments and development agencies.

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# 1. INTRODUCTION

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This report is the final one in a series of studies and reports dealing with the economic development of Merafong City. The report presents a Municipality Enterprise Development Policy Guidelines which incorporates the establishment of a Business Development Support Centre

The Policy identify the most applicable options that will meet the needs of the local enterprises and that will have a noticeable impact on the business environment within which they operate. Policy provides an action plan providing guidelines on:

- Short term actions to facilitate the implementation of high priority programmes and strategic projects for immediate impact on the economy.
- Medium term investment and marketing actions to facilitate the marketing and implementation of the second round of programmes and projects.
- Long term actions: for the ongoing marketing and facilitation of investment in economic opportunities.
- Fast-track implementation projects: Action plan for the effective implementation of quick-win projects.

The National Development Plan acknowledges the crucial role of small, medium and micro enterprises (SMMEs) in the creation of decent work opportunities and overall success of the economy. It also acknowledges that public policy can be supportive through lowering barriers to entry, reducing regulatory red tape and providing an entrepreneurial environment for business development. However, it is understood that there is specific concern with respect to the general lack of sustainable local small business development and growth in the Merafong City Local Municipality (MCLM). This coupled with the decline of the mining sector which is the main contributor to the municipality's economy has led the MCLM to seek assistance in the development of a business development strategy.

This Policy is the culmination of over three years of research and studies during which various aspects of the Merafong economy and business profiles, problems and opportunities were investigated. A consultative process was followed in that a number of business surveys and interviews were conducted and a Business Development Summit was held in November 2013.

## 2. CURRENT ENTERPRISE ENVIRONMENT IN MERAFONG

This chapter gives a summary of the nature and status of the current environment within which enterprises operate in Merafong.

### 2.1 Profiling the SMME in Merafong

Merafong City Local Municipality is faced with the challenge of limited and poor participation of local businesses in the economy. It is also faced with the difficulty of identifying sectors that possess potential for business development in the light of a declining mining sector. As such the municipality has undertaken a situational analysis of the Merafong local economy to identify opportunities and constraints in respect of local business development. The current environment is profiled in three components

- Socio-economic profiling;
- Policy review;
- Analysis of businesses in Merafong.

#### Socio-economic profiling

The profiling had as its purpose to provide an overview of the socio-economic status quo in Merafong City which also included the identification of development opportunities per economic sector.

Examining population dynamics is essential to gaining an accurate perspective of those who are likely to be affected by any prospective development or project. A summary of the results of the demographic analysis is given in Figure 2-1. For a more detailed analysis the summit document can be consulted.

The local municipality is home to just under 200 000 people, which is equivalent to 24.1% of the district municipality's population.

The male population is marginally

greater than that of the female population. 72.5% of the population comprises of the working age population (i.e. population aged 15-64 years), which may be good news when viewed from the perspective of an increased workforce. However, given the high levels of unemployment in South

- Merafong's population is **below 200 000**
  - **24.1% of the district municipality's population** (200 000 people)
- **72.5% of the population** (144 250 people)
- **Male-dominated** mainly due to in-migration in mining industry. (Male: 54.3%, Female: 45.7%)
- **72.5% between the ages 15-64 years** (the economically active population)
- The municipality hosts 66 625 households, hence **average household size of 3.0**
  - Slightly low average household size compared to West Rand DM and Gauteng (3.1)
  - **15 % of the households had no income**
  - **50 % of the total household number earned an income of R3 200 or less**
  - **average monthly household income is R6 620**

Figure 2-1: Demographic analysis summary

Africa, the potential of the workforce is already underutilized. This implies a greater challenge to the municipality to match a growing workforce with growing job opportunities as well as greater capacity in municipal service delivery.

The size of the municipality's economy was estimated at R14.9 billion in 2012 prices, approximately a third of the West Rand District's total GDP of R44.8 billion and 1.6% of the Gauteng provincial economy. Growth of the economy is low, and this can be attributed to a continuous decline in the mining sector and the underperformance of the other sectors.

Breaking down GDP growth into sectors helps to determine the relative importance of a sector within the economy, and the comparative advantage of a sector relative to the national economy. The results can be used to prioritise sectors that do well and to provide support to others that perform otherwise.

The economy of Merafong is strongly driven by the mining sector which contributed 50.7% to GDP in 2011. Although the mining sector is still dominant in the economy of Merafong City, there has been a decline in both production and its contribution to GDP. The trade (9.7%), finance and business services (9.9%), community services (9.2%) and general government (9.1%) are also important contributors to the GDP of Merafong.

The location quotient was used to measure the comparative advantage of Merafong's economy. The result reveals the degree of regional specialization in each industry. If a specific economy has a location quotient larger than one in a particular sector or activity, per interpretation, that economy enjoys a comparative advantage in that particular sector or activity. A quotient larger than one indicates a comparative advantage and a quotient smaller than one indicates a comparative disadvantage in an economic activity. A location quotient of less than one does not necessarily mean that there is no potential to grow that sector of the economy. Table 2-1 shows the location quotients of the ten economic industries.

Table 2-1: Location quotient of the Merafong Local Municipality 2005-2011

**A LQ value greater than 1 (one) points to a comparative advantage**

INDUSTRY	YEAR						
	2005	2006	2007	2008	2009	2010	2011
Agriculture, forestry and fishing	0.4	0.4	0.4	0.5	0.6	0.6	0.6
<b>Mining and quarrying</b>	<b>6.3</b>	<b>5.9</b>	<b>6.1</b>	<b>5.4</b>	<b>5.1</b>	<b>5.8</b>	<b>5.1</b>
Manufacturing	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Electricity, gas and water	0.4	0.4	0.5	0.6	0.6	0.6	0.6
Construction	0.6	0.7	0.7	0.8	0.8	0.7	0.8
Trade	0.7	0.8	0.8	0.9	<b>1.0</b>	0.9	<b>1.0</b>
Transport and communication	0.5	0.6	0.6	0.7	0.7	0.6	0.6

Finance and business services	0.6	0.7	0.6	0.7	0.7	0.6	0.7
Community and personal services	1.4	1.6	1.6	1.8	1.9	1.8	1.9
General government	0.5	0.6	0.6	0.7	0.7	0.7	0.8

The table above points to a need for diversification of economic activities so as to increase the municipality's economic growth.

### Policy review

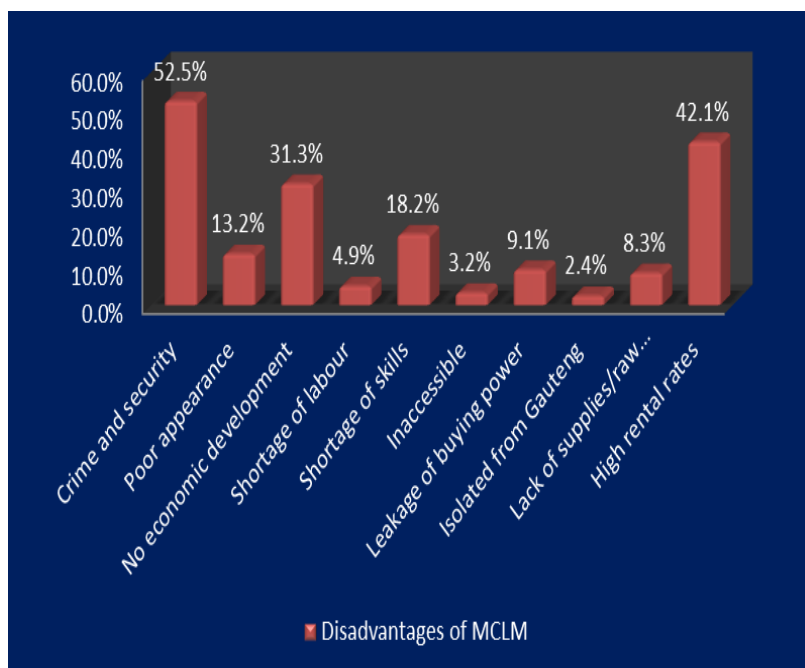
The purpose of the Policy Review is to assist in the shaping of this report to the context of the entire country which in turn ensures that it is in direct alignment with national and provincial objectives and takes into account local circumstances. A list of the main policies taken into consideration is given below:

- 🚩 National Development Plan-2030;
- 🚩 Gauteng Provincial Growth and Development Strategy and Gauteng Vision 2055;
- 🚩 West Rand Regional Growth and Development Strategy; and
- 🚩 Merafong City Local Municipality Growth and Development Strategy.

The review of the policies and strategic documents presented in the summit document suggests that the primary objectives of the development in the country is to improve the livelihoods of the communities through stimulation of economic activities, creation of new employment opportunities, addressing service delivery challenges and ensuring sustainable use of the environment.

The business (particularly, SMME development) and local economic development policy objectives as identified in the various strategic documents can be summarised as follows:

- Supporting local economies in realising their optimal potential
- Promotion of SMME development by;
  - **Reducing cost** of forming a company and maintaining its existence
  - **Reducing regulatory constraints**
  - Addressing small business concerns about access to, and cost of retail space
  - Improving small businesses access to finance
- **Improved service delivery** and business related infrastructure
- **Enhancing economic production** through improvement of manufacturing capabilities
- Focus on **labour absorptive sectors**
  - Primary sectors (Agriculture, Mining)
  - Secondary (Manufacturing, agro-processing, mineral beneficiation)
- Providing for **preferential local procurement**
- Increase the economic growth rate
- Unlocking **tourism economic development** at local government level
- **Economic diversification** - The provincial economy is dominated by the mining sector, which accounted for 27% of provincial GDP in 2003, the largest share of private commercial activity
- SMME growth - Increasing the number and success rate of SMMEs in the province has been identified as key to job and wealth creation in the province
- **Integration of the informal sector into the formal economy**
- Spatial redistribution



➤ Cluster development.

### Business audit analysis

The business audit had as its objectives to understand the local business dynamics and needs and to update information on the business activities in the area.

Over 500 local businesses were surveyed as part of the audit. Analysis of data obtained from the surveys reveals that the dominant business economic sectors are

the wholesale and retail trade sector (50.9%); community, social and personal services (23%); finance and business services (6%); and manufacturing (5%). The majority of businesses in MCLM fall under the category of SMMEs. The disadvantages of doing business in Merafong as cited by the survey participants are given in **Figure 2-2**.

**Figure 2-2: Disadvantages of doing business in MCLM**

Requests to the local municipality were also made by the survey respondents. These are summarised in **Figure 2-3**.

- strengthen security and reduce crime in the local community
- reduced rates (rental, electricity and water)
- assist with obtaining trading license
- attract investment in Merafong
- avail land to purchase
- make business support more accessible
- improved buildings for business operations
- assist with advertising their businesses
- financial and technical support
- business skills development
- industrial development
- local economic development
- assist with equipment
- stop illegal trading and reduce the influx of foreign traders
- provide training and workshops

**Figure 2-3: Requests from businesses to the local municipality**

## 2.2 Perceptions on Business Development in Merafong

The Business Development Summit held in October 2013 was characterised by a series of presentations and a panel discussion. The discussions provided some information which will be used in formulation of this strategy and also to identify key role-players that can drive the process of business development. Some of main issues as derived from the Summit discussions include:

- Restructuring of the MCLM economy due to the gradual demise of the mining sector over 25 years and to cater to the basic needs of residents;
- Lobbying the involvement of partners to develop industrial policy for the Municipality;
- Lack of common business vision;
- Municipal inefficiency in the procurement processes;
- Politically favourable environment for women which should be taken advantage of;
- Economic linkages with other regions needs improvement;
- Lack of organised business structures;
- SMMEs can be instrumental in the promoting economic growth;

- **The wholesale and retail trade sector (48.8%) creates the most employment opportunities** followed by community, social and personal services and catering and accommodation
- **77% of the businesses employ five or less employees**
- **93% of the businesses are owned by a single person or a small group of people**
- **71.4% of businesses established less than five years or less**
- 26% of the businesses - CIPC registered
- 60% of the businesses - operating with a business license

- Marketing MCLM as a tourist destination;
- The presence of energised youth that are anxious to get involved in economic activities and opportunities.

The thematic building blocks included the challenges that the municipality is facing and identifying opportunities with respect to local business development despite a declining trend in mining sector, while also sustaining economic growth and diversification and also creating employment.

## 2.3 Conclusion: Needs, Gaps and Opportunities in SMME Development

This section provides a number of pertinent findings related to the needs of local businesses in Merafong; gaps that need to be bridged to realise the local economy's optimal potential; and market and value chain opportunities that local businesses should be assisted to capitalise on more fully.

The information gathered here assists in:

- Identifying new policies or modifying existing policies that affect local business development and in turn local economic development;
- Establishing new and/or strengthening existing economic development programmes and practices;
- Prioritising actions that will be implemented most effectively use existing resources.

### Needs

The needs as derived from the business surveys and existing local documents include:

- Economic diversification – moving away from a mining dependent economy;
- Promotion of local media;
- Improved buildings for business operations;
- Business skills development;
- Assistance with advertising of businesses;
- Improved access to business finance;
- Affordable land and business premises;
- Consistent local small business support;
- Conducive business environment – reduced crime and improved infrastructure;
- Regulated trade – unregistered, especially foreign businesses are causing market saturation of certain products and services.

### Gaps

The gaps that need to be bridged include:

- Awareness of business support organisations and programmes;
- A cooperative relationship between local government and the business sector;
- Skills that might help optimise the local potential;
- Local business partnerships.

### Opportunities

Through engagement with local business owners and/or managers and analysis of Merafong's economic status quo potential opportunities for further business development and economic growth were identified. These opportunities include, among others:

- **The people of Merafong**

- The people of Merafong especially the youth are a highly motivated and energised community anxious and willing to engage in economic opportunities;
- Skill and experience levels of the general population is relatively low but once assistance is provided this is likely to be the greatest resource and opportunity in Merafong to address the weaknesses and gaps.
- **Agriculture**
  - Small-scale commercial farming;
  - Agro-processing industries/activities;
  - Agro-based tourism e.g. ostrich farm.
- **Mining**
  - Processing and beneficiation of mining produce;
  - Increasing the local sourcing and provision of goods/services to mines;
  - Projects involving environmental rehabilitation of land;
  - Development of service industries linked to mining;
  - Small-scale mining, e.g. reworking of mine dumps, brickworks;
  - Investigation of social investment by mines, and involvement of mines in social/economic development project.
- **Manufacturing**
  - Mining product beneficiation, e.g. jewellery manufacturing;
  - Agro-industrial processing, e.g. Dairy processing, grain milling;
  - Materials/equipment used in the mining sector, e.g. drilling, explosives;
  - Recycling plant (waste recycling);
  - Packaging/distribution of pharmaceuticals.
- **Retail trade**
  - Provision of all services and supplies needed by the mining and agricultural sector;
  - Provide shopping facilities to fill the gaps experienced.
- **Transport and communication**
  - Improvement of existing infrastructure;
  - Improving the safety and efficiency of rail commuter services.
- **Services**
  - Provision of services to the mines;
  - Strategic partnerships with mining companies with regards to provision of higher order social facilities;
  - Provision of supporting services to SMME's.
- **Tourism**
  - Development of a conference venue;
  - Mining based tourism;
  - Development of tourism packages which include Merafong as a destination.

## 3. POLICY VISION AND ENTERPRISE DEVELOPMENT STRATEGY

Faced with the inevitable cessation of mining activities in about 25 years' time, the vision and strategy strives to provide an economic development approach which redirects the existing mining base economy to a "new future" loose from mining by focusing resources on initiatives that are most likely to enhance the prospects of sustainable economic growth. Implemented effectively, the selected initiatives are likely to stimulate growth in many sectors, whilst also strengthening local competitive advantage. This growth should lead to improved business opportunities and increased employment.

### 3.1 Long-Term Future Vision

The vision is a point of departure to guide the Merafong City Local Municipality (MCLM) towards a common goal of local economic development. It provides an opportunity for the MCLM, business community and other relevant stakeholders to think in broad general terms about the future. The vision is aligned to the MCLM Growth and Development Strategy, MCLM IDP, National Development Plan 2030 and the Gauteng Vision 2055.

*"To create a "new" economy for Merafong loose from mining based on the existing development opportunities in Merafong, and to direct and enhance the current resources to promote sustainable, diversified and effective economic development at the local level creating employment and income for the people and business."*

#### A vision of economic development independent from mining

Globally, mining companies are facing a series of economic, financial and operational challenges. Local mining companies must also account for uniquely local issues with profound operational implications. Some of the pressing issues include:

- Global challenges
  - Slow global economic recovery;
  - Industrialisation and urbanisation;
  - Stagnant or falling commodity prices;
  - Resource nationalism.
- Local challenges
  - Uncertain regulatory environment;
  - Rising demands by government;
  - Labour unrest;
  - Margins under pressure.

These challenges coupled with the depletion of mineral resources in the Merafong City region point to an uncertain mining future for the municipality. It is therefore imperative that the municipality starts planning an economic future which is loose from mining.

### A shift from mining to a “new” economy

Diversification of economic activities is one of the key factors for local economic development. MCLM should aim at diversifying their economic structure, rather than focusing exclusively on mining, in order to widen and multiply the opportunities of economic growth and to benefit from the several external economies arising from the presence of different kinds of economic activities. Benefits that could arise from a more diversified economy include:

- Less exposure to external shocks;
- Increase in trade;
- Higher productivity of capital and labour; and
- Better regional economic integration.

The opportunity to develop new business or retain existing ones is affected by a number of factors, including the availability and price of competitive business sites, the readiness of infrastructure to accommodate business expansions and relocations, and future regional transportation and development patterns.

## 3.1 Business Development Strategies

The strategy for achieving enterprise development is based on the following strategic pillars:

1. Establishing a business investment friendly environment that aims at building the confidence levels of the businesses in the future of the Merafong economy ;
2. Business Support Systems
3. Access to finance
4. Business development tools
5. Developing a new future for business in Merafong during the transition period and after mining

Each of the Business Development Strategies is explained below.

### Strategy 1: Establishing a business investment friendly environment

**Goal:** To create an enabling environment for business development.

The creation of an enabling business environment is essential for the promotion of enterprise growth and development as it provides incentive for entrepreneurship and investment by reducing the cost of running a business and thus increasing the likelihood of sustainability. To create an enabling business environment the MCLM must expand and improve the efficiency and effectiveness of municipal services. The strategic objectives for creating an enabling environment are:

- ✚ To institute an effective and continuous communication mechanism between the LM and business
- ✚ To provide business with information and data on business development information, data and opportunities
- ✚ To ensure effective delivery of municipal services to the business community
- ✚ To improve business related infrastructure; and
- ✚ To reduce crime.

### Strategy 2: Business support systems

**Goal:** To facilitate the provision of effective and efficient business support

The South African government, non-profit and private sectors have recognised the need for small business support and addressed this through the creation of numerous support agencies and organisations. Significant emphasis is made on business development as demonstrated by the range of public support organisations profiled in the Summit document. Despite their efforts however, knowledge of support organisations is extremely low amongst micro and small business owners. To address this issue, the Enterprise Development Policy advocates four strategic interventions:

- Increasing the visibility of existing support services;
- Coordinating the efforts of support organisations and agencies;
- Exploring options for increasing access to business finance; and
- Facilitating necessary skills development.

### Strategy 3: Access to finance

**Goal:** To explore the options for increasing access to business finance

In South Africa small business finance is provided by a range of public and private organisations, many of which are summarised in the Business Support section of the Summit document. Despite this, however, small business surveys typically find that South African entrepreneurs, especially those with start-up and micro-businesses, believe lack of finance is their greatest business constraint. Results from MCLM Business Audit Surveys corroborate these findings, with finance listed as overwhelmingly the greatest challenge for micro-enterprise and start-ups.

Another common finding is that few business owners use a bank loan to establish their business. Alternative methods of finance, including personal savings were much more common. Although these methods often come at lower interest rates and typically require no collateral, they are not a sufficient replacement for bank finance. There are several economic advantages of increasing access to bank loans, including the preparation of reliable accounts, presentation of business plans, exposure to financial institutions and increased formalisation.

Objectives and interventions for the MCLM to pursue in directly and indirectly providing access to finance are:

- To increase awareness of financing options.

### Strategy 4: Business development tools

**Goal:** To tackle the main challenges impeding business development

Internationally, the cost of compliance with regulation is noted as a key inhibitor to small, micro and medium enterprise (SMME) development. Increasingly governments are realising that, while regulation may be necessary, the cost of regulation should be monitored and controlled. Although the national government is responsible for drafting business and labour related legislation, there is an important role for local government in regulatory reform. Local authorities implement and control a variety of policies and regulations and it is they who determine how cumbersome or effective they are in governing small business development. An effective and efficient business regulatory environment coupled with the addressing of the problems and gaps that businesses experience and the promotion of local investment on Merafong are some of the necessary business development tools required to fine-tune local business activities.

## Strategy 5: Developing a new future for business

**Goal:** Promote multi-sector business development

The promotion of small business development by local government necessitates that authorities play a largely facilitative role in identifying and promoting development opportunities. In developing this Strategy, the Merafong Local Municipality has expressed a desire to facilitate sustainable business development which promotes economic diversification and growth, creates employment and improves residents' quality of life. This approach is supported by the National LED Framework (2006), which describes a need to move away from 'non-viable projects or start-ups' towards sustainable development alternatives. Small and micro businesses operate in all sectors and industries, thus, their promotion requires recognition of the specific opportunities and challenges inherent to each.

### 3.2 Objectives and Projects for Implementation

Each one of the Business Development Strategies breaks down further in one or more Objectives and then implementable projects. This is illustrated in the diagramme below and unpacked in the table that follows.

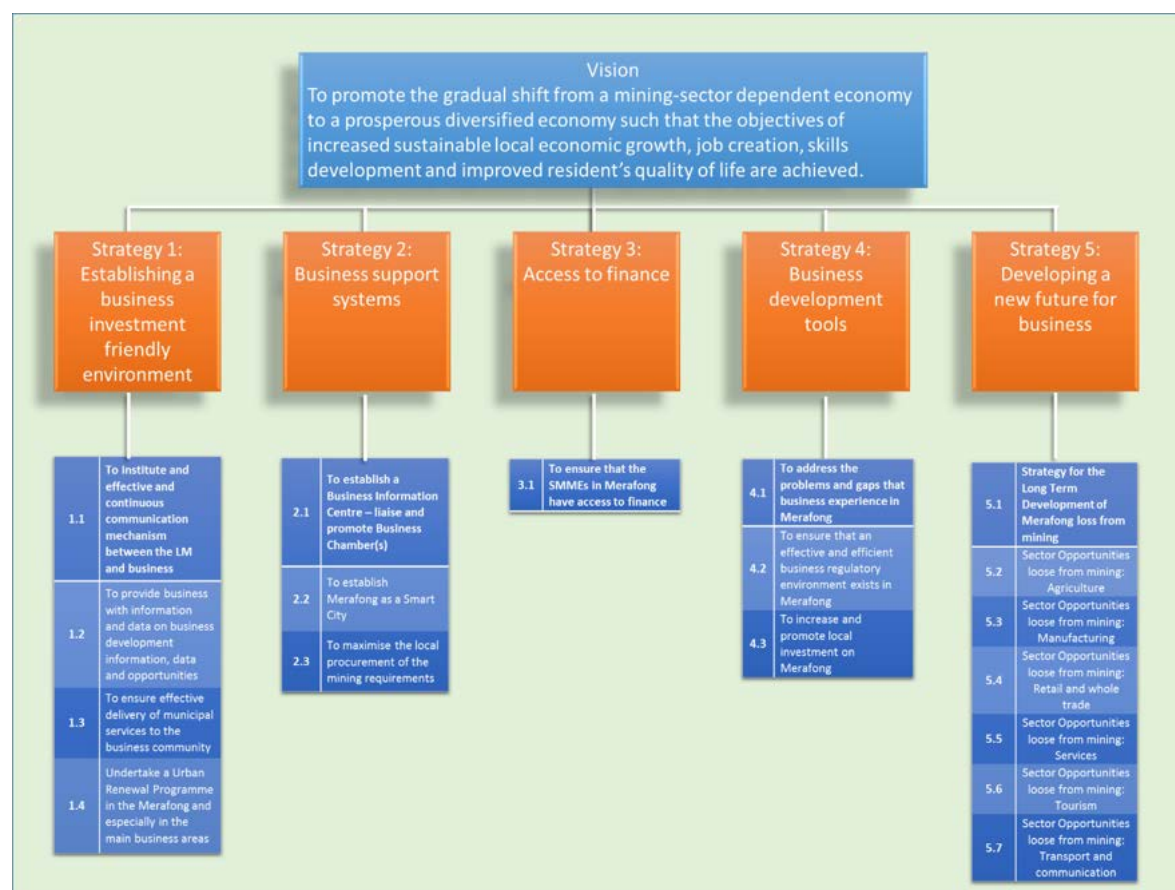


Table 3-1: Framework outline for the business development strategies

The implementation importance of each project is assessed in terms of the i) resources required; (ii) the strategic importance of the project and (iii) the urgency with which the project should be implemented.

GOALS	OBJECTIVES		PROJECTS AND ACTIONS		PRIORITY PROJECTS / ACTIONS FOR IMPLEMENTATION			
					RESOURCES REQUIRED	STRATEGIC IMPORTANT	URGENCY	TOTAL SCORE
<b>BUSINESS DEVELOPMENT STRATEGY 1</b>					<b>L=3; M=2; H=1</b>	<b>L=1; M=2; H=3</b>	<b>L=1; M=2; H=3</b>	
GOAL: Establish a business investment friendly environment that aims at building the confidence levels of the businesses in the future of the Merafong economy	1.1	To institute and effective and continuous communication mechanism between the LM and business	1.1.1	Institute monthly meetings between the municipality and the business community where the needs, gaps and opportunities are addressed. The Business Expansion and Retention programme results may also feed into these meetings to structure discussions.	L	M	H	H
	1.2	To provide business with information and data on business development information, data and opportunities through the Enterprise Development Centre	1.2.1	Information pertaining to business development is to be provided on the municipal website. Opportunities pertaining to projects/tenders and procurement to be published in the local press and the municipal website.	M	M	L	M
	1.3	To ensure effective delivery of municipal services to the business community	1.3.1	Implement a Business Expansion and Retention Programme that is reviewed annually and feeds into the municipal structures to address the problems of businesses on a short and medium term basis.	M	H	H	H
	1.4	Undertake Urban Renewal Programme in Merafong and especially in the main business areas and create linkages in accordance with the Spatial Development Framework	1.4.1	This programme would have two main components (i) establishment of Urban Improvement Precinct in the main business concentration areas and (ii) implement by-laws that encourage business to renovate, upgrade and maintain their buildings and even vacant buildings in the main business areas	H	H	M	H

GOALS	OBJECTIVES		PROJECTS AND ACTIONS		PRIORITY PROJECTS / ACTIONS FOR IMPLEMENTATION			
					RESOURCES REQUIRED	STRATEGIC IMPORTANT	URGENCY	TOTAL SCORE
<b>BUSINESS DEVELOPMENT STRATEGY 2</b>					<b>L=3; M=2; H=1</b>	<b>L=1; M=2; H=3</b>	<b>L=1; M=2; H=3</b>	
GOAL: Business Support Systems	2.1	To establish an Enterprise Development Centre incorporating a Business Information Centre – liaise and promote Business Chamber(s)	2.1.1	Encourage GEP to open local satellite offices in Merafong and to provide a One-stop business information service. The hosting of the GEP office will be done by the municipality at premises such as libraries and business hives decentralised throughout Merafong..	M	H	M	M
	2.2	To establish Merafong as a Smart City	2.2.1	Formulate and implement a long term programme to establish Merafong as a Smart City. Providing free Wi-Fi access for all businesses may be a first priority	H	M	M	M
	2.3	To maximise the local procurement of the mining requirements	2.3.1	Interface between mines and their procurement requirements	L	M	M	M
			2.3.2	Increasing the local sourcing and provision of goods/services to mines;	M	H	H	H
			2.3.3	Projects involving environmental rehabilitation of land;	H	M	L	L
			2.3.4	Development of service industries linked to mining;	H	H	H	M
			2.3.5	Small-scale mining, e.g. reworking of mine dumps link with environmental rehabilitation	H	M	M	M

			2.3.6	Social investment by mines	M	H	H	H
GOALS	OBJECTIVES		PROJECTS AND ACTIONS		PRIORITY PROJECTS / ACTIONS FOR IMPLEMENTATION			
					RESOURCES REQUIRED	STRATEGIC IMPORTANT	URGENCY	TOTAL SCORE
<b>BUSINESS DEVELOPMENT STRATEGY 3</b>					L=3; M=2; H=1	L=1; M=2; H=3	L=1; M=2; H=3	
GOAL: Access to finance	3.1	To ensure that the SMMEs in Merafong have access to finance	3.1.1	Implement through the GEP offices to-be-established a link to the Small Enterprise Finance Agency and their programmes and assist business in the submission of applications for finance	L	H	H	H
<b>BUSINESS DEVELOPMENT STRATEGY 4</b>					L=3; M=2; H=1	L=1; M=2; H=3	L=1; M=2; H=3	
GOAL: Business development tools	4.1	To address the problems and gaps that business experience in Merafong	4.1.1	Undertake Business Expansion and retention surveys on an annual basis and distribute information to businesses and make sure it links into the municipal structures and systems	M	H	M	M
	4.2	To ensure that an effective and efficient business regulatory environment exists in Merafong	4.2.1	Through the Business Expansion and Retention Programme review the Policies, Regulations and By-laws that has a significant negative impact on business	M	M	M	M
	4.3	To increase and promote local investment on Merafong	4.3.1	Formulate an Incentive Policy and use it in the promotion of the municipality as an Investment destination	M	M	M	M
			4.3.2	Issuing an Investment Brochure				
<b>BUSINESS DEVELOPMENT STRATEGY 5</b>					L=3; M=2; H=1	L=1; M=2; H=3	L=1; M=2; H=3	

GOAL: Develop a new future for business in Merafong during the transition period and after mining has closed in the municipality	5.1	Strategy for the Long Term Development of Merafong loss from mining	5.1.1	Develop and formulate a development strategy to create a "New" economy for the municipality loose from mining and to be implemented over the long term. Creativity and innovation will be key to the formulation of the strategy. The buy-in of all stakeholders into this strategy will be fundamental to its success. The strategy may need to be based on resources and strengths that do not currently exist in the municipality but that need to be developed. Opportunities of using public spaces and unlocking the dynamic and vibrant energy of the youth may form the corner stones of the strategy.	L	H	H	H
GOALS	OBJECTIVES	PROJECTS AND ACTIONS	PRIORITY PROJECTS / ACTIONS FOR IMPLEMENTATION					
			RESOURCES REQUIRED	STRATEGIC IMPORTANT	URGENCY	TOTAL SCORE		
	5.2	Sector Opportunities loose from mining: Agriculture	5.2.1	Small-scale commercial farming;	M	M	M	M
			5.2.2	Agro-processing industries/activities;	M	M	M	M
	5.3	Sector Opportunities loose from mining: Manufacturing	5.3.1	Agro-industrial processing, e.g. Dairy processing, grain milling;	M	M	M	M
			5.3.2	Identify Materials/equipment used in the mining and industry sectors, e.g. drilling, explosives that can create business opportunities	M	M	M	M

			5.3.3	Recycling plant (waste recycling);	M	M	M	M
	5.4	Sector Opportunities loose from mining: Retail and whole trade	5.4.1	Provision of all services and supplies needed by the retail sector	M	M	M	M
			5.4.2	Provide suitably zoned land and bulk services in-line with the SDF for shopping facilities to fill the gaps experienced	M	M	M	M
	5.5	Sector Opportunities loose from mining: Services	5.5.1	Identify services that can be provided to the mines by businesses.	M	H	H	H
			5.5.2	Provision of supporting services to SMME's.	M	H	H	H
	5.6	Sector Opportunities loose from mining: Tourism	5.6.1	Development of a conference venue;	M	M	M	M
			5.6.2	Mining based tourism;	M	M	M	M
			5.6.3	Tourism Route Development include Merafong as a destination.	M	M	M	M
	5.7	Sector Opportunities loose from mining: Transport and communication	5.7.1	Improvement of existing infrastructure;	M	H	M	M
			5.7.2	Develop integrated transport node.	M	M	M	M

### 3.3 Implementation Strategy

The priority projects selected for implementation by the municipality are designed to work in conjunction with one another to improve the environment for small business growth and development; increase the visibility, accessibility and coordination of business support services and funding; and enhance the opportunities for local business owners and their employees.









To ensure the successful implementation of these projects, the following key aspects need to receive attention:

- Officials responsible for the implementation of the projects must be appropriately trained to enable the effective execution of the additional duties and responsibilities placed on them;
- The municipality needs to put in place specific performance management systems and clear targets, quality and efficiency measures for the implementation of each of these projects. Progress should be continuously monitored and the outputs evaluated against the previously set quality and efficiency standards. Accountability for and reporting on progress can also be dealt with at the LED Forum.







Important to note with respect to the implementation of the projects is that all the projects, whether of a High or Medium value needs to implemented to achieve the Vision. Most of the projects require that some initial actions need to be taken immediately although, depending on the priority value of the project, some required more intense action immediately than others of a lower priority value.



Table 3-2 on the following pages contains the Project Implementation Strategy

Table 3-2: Project implementation strategy

	PROJECT / ACTION	STRATEGIC PARTNERS / STAKEHOLDERS	OVERALL PRIORITY	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
1.1.1	Institute monthly meetings between the municipality and the business community	<ul style="list-style-type: none"> <li>Local municipality</li> <li>Business owners</li> <li>Local business associations</li> </ul>	H					
1.3.1	Implement a Business Expansion and Retention Programme	<ul style="list-style-type: none"> <li>LED Unit</li> </ul>	H					
1.4.1	Establishment of Urban Improvement Precinct in the main business concentration areas and implementation of related by-laws	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Local and provincial government</li> <li>Local SMMEs</li> </ul>	H					
2.1.1	Encourage GEP to open local satellite offices in Merafong and a One-stop business information service	<ul style="list-style-type: none"> <li>LED Unit</li> <li>SEDA</li> </ul>	M					
2.2.1	Formulate and implement a long term programme to establish Merafong as a Smart City	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Department of Communications</li> <li>Local ICT businesses</li> </ul>	M					
2.3.1	Interface between mines and their procurement requirements	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Mining houses</li> <li>Local businesses</li> </ul>	M					
2.3.2	Increasing the local sourcing and provision of goods/services to mines	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Mining houses</li> <li>Local businesses</li> </ul>	H					
2.3.3	Projects involving environmental rehabilitation of land	<ul style="list-style-type: none"> <li>Dept. of Environmental Affairs</li> <li>Local municipality</li> </ul>	M					
2.3.4	Development of service industries linked to mining	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Mining houses</li> <li>Local businesses</li> </ul>	M					
2.3.5	Small-scale mining, e.g. reworking of mine dumps link with environmental rehabilitation	<ul style="list-style-type: none"> <li>LED Unit</li> <li>Mining houses</li> <li>Local businesses</li> </ul>	M					



	PROJECT / ACTION	STRATEGIC PARTNERS / STAKEHOLDERS	OVERALL PRIORITY	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
5.3.1	Agro-industrial processing, e.g. Dairy processing, grain milling	Same as 5.2.2	M					
5.3.2	Identify Materials/equipment used in the mining and industrial sector, e.g. drilling, explosives that can create business opportunities	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• DTI</li> <li>• IDC</li> <li>• SEDA</li> <li>• Local business</li> </ul>	M					
5.3.3	Recycling plant (waste recycling)	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Local business</li> </ul>	M					
5.4.1	Provision of all services and supplies needed by the retail sector	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• DTI</li> <li>• IDC</li> <li>• SEDA</li> <li>• Local business</li> </ul>	M					
5.4.2	Provide suitably zoned land and bulk services in-line with the SDF for shopping facilities to fill the gaps experienced;	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Local municipality</li> </ul>	M					
5.5.1	Identify services that can be provided to the mines by business	Same as 5.4.1	H					
5.5.2	Provision of supporting services to SMME's.	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• SEDA</li> <li>• Organised business</li> <li>• SMMEs</li> </ul>	H					

	PROJECT / ACTION	STRATEGIC PARTNERS / STAKEHOLDERS	OVERALL PRIORITY	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
5.6.1	Development of a conference venue;	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Dept. of Tourism</li> <li>• DTI</li> <li>• IDC</li> </ul>	M					
5.6.2	Mining based tourism;	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Dept. of Tourism</li> <li>• DTI</li> <li>• IDC</li> <li>• Mining houses</li> </ul>	M					
5.6.3	Tourism Route Development include Merafong as a destination	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Dept. of Tourism</li> </ul>	M					
5.7.1	Improvement of existing infrastructure;	<ul style="list-style-type: none"> <li>• LED Unit</li> <li>• Local municipality</li> <li>• Dept. of Infrastructure</li> </ul>	M					
5.7.2	Develop integrated transport node	<ul style="list-style-type: none"> <li>• Local municipality</li> <li>• Dept. of Transport</li> </ul>	M					

### 3.4 Performance Monitoring and Evaluation Plan

The efficient and effective execution of projects and actions is contingent on the ability of the municipality to monitor and evaluate the project outcomes. In terms of monitoring and with regards to each of the projects, a table has been developed to illustrate the ways by which an audit of projects implemented can be done.

Evaluating the information gathered as part of the monitoring process will allow the Merafong Local Municipality to make necessary changes to increase the efficiency and effectiveness of programmes and to adjust their policies where necessary. It will also allow the MCLM to draft promotional material for the programmes, highlighting the success of specific businesses and encouraging further participation. Finally, demonstrable success might allow the MCLM to attract additional funding from government departments of development agencies.

Table 4-3: Project monitoring and evaluation summary

PROJECT/ACTION		IMPLEMENTATION PERFORMANCE INDICATOR	SOURCE OF DATA	COST OF DATA COLLECTION
1.1.1	Institute monthly meetings between the municipality and the business community	Minutes of monthly meetings	Committee secretariat Admin LED	Low
1.3.1	Implement a Business Expansion and Retention Programme	Annual results report of BER programme	BER programme manager	Low
1.4.1	Establishment of Urban Improvement Precinct in the main business concentration areas and implementation of related by-laws	Feasibility study Constitution and registration	Registered company	Low
2.1.1	Encourage GEP to open local satellite offices in Merafong and a One-stop business information service	Existence of the GEP satellite office and entrepreneurial corners proof of its launch	GEP	Low
2.2.1	Formulate and implement a long term programme to establish Merafong as a Smart City	Free Wi-Fi for local businesses Integrated business and municipal communication systems	Merafong Smart City Committee (to be established)	Low
2.3.1	Interface between mines and their procurement requirements	Proof of registered businesses on portal Quarterly procurement reports	Procurement documents and reports produced by the mines	Low
2.3.2	Increasing the local sourcing and provision of goods/services to mines	Quantify the number of local enterprises supplying to mines/ Supplier database	Business survey	Low
2.3.3	Projects involving environmental rehabilitation of land	Rehabilitation licence issued by DMR	DMR	Low
2.3.4	Development of service industries linked to mining	Number of service SMMEs involved serving the mines	Business survey	Medium
2.3.5	Small-scale mining, e.g. reworking of mine dumps link with environmental rehabilitation	Licenses issued by DMR	DMR	Low
2.3.6	Social investment by mines	Increase in social projects financed by mining houses and proof (SLP's)	From mining companies / monthly reports	Low

3.3.1	Establish a link to the Gauteng Enterprise Propeller and their programmes	Number of entrepreneurial corners established and beneficiaries allocated Number of SMME's capacitated Number of co-operatives supported 'goqa abolova'	GEP	Low
4.1.1	Undertake Business Expansion and retention surveys annually	Results of surveys to be published on municipal website	BER programme manager	Low
4.2.1	Review of Regulations, by-laws and policies that have a significant negative impact on business	Number of by-laws, policies and regulations gazetted	Municipality	Low
4.3.1	Formulate an Incentive Policy	Incentive policy document	Municipality	Low
4.3.2	Development of investment brochure	Investment brochure document	Municipality	Low

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## 4. ENTERPRISE DEVELOPMENT CENTRE

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Objective 2.1 of the Enterprise Development Policy identifies the establishment of the AN Enterprise Development Centre as one of the important strategic actions to be undertake.

OBJECTIVE		ACTION	
2.1	To establish an Enterprise Development Centre incorporating a Business Information Centre – liaise and promote Business Chamber(s)	2.1.1	Encourage GEP to open local satellite offices in Merafong and to provide a One-stop business information service. The hosting of the GEP office will be done by the municipality at premises such as libraries and business hives decentralised throughout Merafong.

In respect of this objective a Memorandum of Understanding has been entered into between AngloGold Ashanti Limited and Merafong City Local Municipality. In the MOU the Parties commit to founding of an Enterprise Development Centre with the objective to develop and nurture local community based entrepreneurs to establish self-sustaining businesses and create employment for members of local community. The agreement between the Parties also include a Terms of Reference, Scope of Work, Monitoring and Evaluation criteria, and other agreements as may be required from time to time.

The MoU commit the parties to implement the objective to establish the Centre and to operate it in accordance with on a sustainable basis beyond the Project Period, which is two years. The Parties also recorded that Anglo Gold Ashanti has to undertake various other commitments and obligations under the Mining Charter and that the Project is being implemented in pursuance of these obligations.

In terms of the MoU the Parties will make the following contributions to the Project:

- Anglo Gold Ashanti (AGA): An amount of R 15 000 000 (fifteen million rand) over the Project Period made subject to the provisions of Jobs Fund; and
- The Municipality: Office facilities, including without limitation, office space, fax and telephone facilities.

With respect to the Jobs Fund it is agreed that AGA apply for funding for the Project to the Jobs Fund. Which if granted, will result in the Jobs Fund granting for the purposes of the Project an amount of R 15 000 000 (fifteen million rand) or any other amount as AGA and the Jobs Fund may agree and subject to the terms and conditions of the Grant Agreement (“Grant Amount”).

The Parties further record and agree that AGA will negotiate the terms and conditions of and conclude the Grant Agreement on terms and conditions, which AGA, in its sole discretion, deems fit and appropriate. The Municipality undertakes to promptly furnish any such information and sign any such documents as may be reasonably required for the purposes of AGA concluding the Grant Agreement and/or obtaining the Grant Amount. The Parties agree that the Grant Agreement will impose obligations on AGA relating to the implementation and operation of the Project, including compliance with certain indicators and achieving various milestones. The Parties will ensure that the

Project Vehicle and the Parties as members and/or stakeholders in the Project Vehicle will comply with these provisions of the Grant Agreement and generally will do all acts necessary to assist AGA in compliance with its obligations in terms of the Grant Agreement. Nothing in the Agreement shall be construed as imposing an obligation on AGA to conclude the Grant Agreement or to obtain the Grant Amount.

In the event that the Job Fund Grant Agreement is not concluded the provisions of this Agreement pertaining to the Grant Agreement and the Grant Amount shall be deemed pro non scripto and be severed from the balance of this Agreement and shall not affect the validity or enforceability of the balance of the Agreement, which shall remain binding on the Parties.

The Parties agree to establish a Steering Committee and pending the incorporation of the Project Vehicle, a joint committee to oversee and manage the initial planning and implementation of the Project. Each member of the Party shall designate 2 (two) representatives to the Steering Committee. The Parties shall ensure that their representatives to the Steering Committee attend the meetings of the Steering Committee and have sufficient authority to ensure their meaningful participation. The Meetings shall be held at least monthly or as required from time to time on 14 (fourteen) days' written notice.

The Parties agreed to cooperate in order to align their respective social and labour plan and integrated development plans, in respect of the Municipality, for the purposes of implementation and operation of the Project so as to have maximum socio-economic impact, which cooperation shall include, without limitation:

- cooperation in identifying beneficiaries of the Project;
- promotion of the Project amongst local community;
- facilitate and promote that the Project and its beneficiaries have access to local, regional and national opportunities as and when they arise.

The Scope of Work agreed between the Parties of the EDC are the following:

### **1 Development of Business Institutional Framework**

- It is vital that the bid must contain clear and detailed road map / explanation as to how and when the EDC will reach organizational and financial sustainability by submitting
- Establishment (incubation) to exit (mature) institutional framework for the EDC (inclusive of the legal entity recommended to assume ownership beyond the initial period)
- Establishment (incubation) to exit (independent ownership) of the EDC
- Establishing an increasing major client base e.g. Council other industries

### **2 Opportunity identification development processes**

#### **2.1 Entrepreneurial Resources Development**

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It is understood that the pool of entrepreneurial motivated individuals and organizations are limited but that the success of the EDC is largely dependent on this source of human capital. In this respect Bidders are required to submit the following;

- Methodology that is employed to recruit/select entrepreneurs?
- Criteria to be used and how these were validated by third parties
- Current / actual success ratings with the selection process.
- Existence of a potential verified pool of entrepreneurs
- Existence of current linkages with other organizations and development agencies
- Information dissemination

## 2.2 Demand Side Development

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The EDC is required to utilize the total demand curve of host communities (not only the mining industry) to establish a fully inclusive local economic development cycle. Bidders are required to submit an analysis of the risks and opportunities (competitive & comparative advantages) within host communities based on:

- Total demand side by main commodities / categories:
  - Capex
  - Services
  - Consumables
- Analysis and current gaps to regulators (DMR & DTI) codes of good practice guidelines
- Analysis of the formal business linkages
- Analysis of socio economic trends with host communities and beyond
- Understanding/Alignment of regional and national trends/demands, i.e. IDP, GDP, NDP, Merafong Strategic Framework, etc.
- Export Market
- Market penetration strategies and steps
- Priorities on the above.

The above will form the baseline against which regional progress can be measured and bidders are required to submit EDC yearly targets for growth in especially BEE & Local procurement

## 2.3 Database Development

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It is vital for the stakeholders that a credible database be established and maintained to support the EDC. Bidders are required to submit methodologies on;

- SMME Database
- Job Seeker Database
- Corporate Buyers Database
- Business Linkages
- Employment linkage to initiatives
- Economic Development Agencies
- Matching of AGA/Merafong demand to Local Business
- State Incentives & funding
- Cooperative supply resources

## 2.4 Development of Local Economic Development Capacity

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Given the limited available entrepreneurial resources and legacy shortfalls in education the need to develop and support the entrepreneurial opportunities is considered a key success factor for the EDC.

- Bidders are required to submit methodologies / capacities /outcomes in
- Capacitating and development
- Linkages and utilization on industry based training facilities
- Training on technical skills
- Business Training
- Linkages with FET & NWU& Other
- Apprentice training programs
- Technical skills for mining
- Skills training
- Finance
- Entrepreneurial / Life Skills
- Management
- ICT
- Business skills
- Supplier development programs
- Create new enterprises
- Develop local suppliers
- Mentorship programs

### 2.5 Enterprise Development Centre (Virtual vs Physical)

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It is not the view of AGA/Merapong to necessarily create a physical park to accommodate small scale businesses, support, services, etc. Bidders should however submit their views and methodologies as to how to create/facilitate the following:

- Clustering of similar commodities services, etc. groupings
- Need for offices
- Need for small workshops
- Central services
- Office & technical equipment sharing
- Access to EDC experts
- Warehousing
- Hospitality Services
- Meeting rooms
- Catering
- Booking and accommodation

It is important to note that it is not necessary to submit detailed architectural designs etc. but a view and potential solutions to the above issue

### 3 Rendering and Development of Support Services

These are the core functions of the Centre and given the above base, bidders are required to submit how the support will be rendered with clear outcomes (key performance indicators), the monitoring of these outcomes and associated costs within the EDC & to stakeholders.

- Liaison between SMME and corporate clients
- Quality assurance to corporate clients
- Administration
  - Finance
    - General Accounting
    - Bankable Business Plans
    - Procurement/tender
  - Legal
    - Administration of contracts
    - Health and Safety
  - Secretarial
  - IT
    - SARS & Regulators
    - Regulators State
    - Mining Standards
    - Council Standards
    - Forum Standards
- Risk / Opportunity Assessments on a regional basis and alignments
- Development and establishing Businesses
  - Business Model
    - Defining product features
    - Defining operational features
  - Organizational Arrangements
    - Secure community/market buy-in
    - Established company and resources
  - Marketing
    - Opportunity search for small business
    - Business linkages
    - Build business network and client base
    - Promotional activities
- Financial Plan
  - Capex requirements
    - Funding model
      - EDC
      - Entrepreneur/Existing Business
    - Operational costs
    - Cash flow projections
  - Human Resources Plan
    - Identify key staff (including accommodating local content)
    - Remuneration
    - Operational manuals
  - Risk Analysis
    - Project risks
    - Opportunities

- Quality Assurance
- Implementation
  - Establishment of small business enterprises
  - Provide/facilitate financial assistance to new and existing businesses
- Exit strategies (incorporating market linkages)
  - EDC
  - Entrepreneur/Existing Business
  - This is required per main service level step (e.g. what is the trigger event?)

#### **4 Minimum Submission Requirements**

To summarize, in order to make an informed assessment on the proposed bids the following is at a minimum required by the above defined main activity areas

Flow diagram of the process that an entrepreneur / interested entity will experience in accessing the EDC

An organizational structure linked to key performance indicators to deliver on the main activities identified

Financial resources required per main activities and the budgeted cash flow over 3 years aligned to the respective contributions by

- AGA/Merafong
- Centre Revenue
- Entrepreneurs

#### **5 Strategic Alignment with AGA/Merafong Procurement**

An briefing session will be held with all preferred bidders to create a better understanding of the current opportunities and challenges for the proposed Enterprise Development Centre (EDC) as to pertains to the current AGA/Merafong procurement sections

- Payment regimes /concessions
- Allowable purchase premiums for local / empowered business
- Tendering processes
- Quality Concerns
- Confidentiality
- Liabilities
- Employee Induction Processes
- Fees / Commission
- Exit strategies
- Determine definitions in codes e.g. local to district

## 5. CONCLUSION AND RECOMMENDATIONS

This report formulates a Policy framework which provided goals for promoting enterprise development in the Merafong City Local Municipality, as well as a comprehensive list of objectives and interventions for achieving each. In recognition of the implementation and resource capacity of the MCLM as well as the desire to facilitate tangible gains in enterprise development, all projects as indicated in the strategic framework must be implemented by the Merafong Local Municipality over a period of five years.

Due to the development challenges faced by businesses in Merafong the ultimate Vision 25 years from now is:

***“To create a “new” economy for Merafong loose from mining based on the existing development opportunities in Merafong, and to direct and enhance the current resources to promote sustainable, diversified and effective economic development at the local level creating employment and income for the people and business.”***

The strategy for achieving enterprise development is informed by preceding research and tempered by an understanding of the municipality’s responsibility, capacity and resources. The policy is underlain by the following strategies:

Strategy 1: Establishing a business investment friendly environment

Strategy 2: Business support systems

Strategy 3: Access to finance

Strategy 4: Business development tools

Strategy 5: Developing a new future for business

One of the key objectives for the implementation of the policy is

- To establish an Enterprise Development Centre incorporating a Business Information Centre.

In order for the Municipality to ensure that the resources available are utilised responsibly and effectively towards economic growth, it is imperative that a rigorous de-bottlenecking of projects be undertaken. In this regard, it is important that those factors which are inhibiting the progress and actualisation of projects be addressed as a matter of priority.

### HIGH PRIORITY PROJECTS

5.1.1 Develop and formulate a development strategy to create a "New" economy for the municipality loose from mining and to be implemented over the long term. Creativity and innovation will be key to the formulation of the strategy. The buy-in of all stakeholders into this strategy will be fundamental to its success. The strategy may need to be based on resources and strengths that do not currently exist in the municipality but that need to be developed. Opportunities of using public spaces and unlocking the dynamic and vibrant energy of the youth may form the corner stones of the strategy.

- 1.3.1 Implement a Business Expansion and Retention Programme that is reviewed annually and feeds into the municipal structures to address the problems of businesses on a short and medium term basis.
- 2.3.3 Increasing the local sourcing and provision of goods/services to mines;
- 1.1.1 Institute monthly meetings between the municipality and the business community where the needs, gaps and opportunities are addressed. The Business Expansion and Retention programme results may also feed into these meetings to structure discussions.
- 5.5.1 Provision of services to the mines
- 5.5.2 Provision of supporting services to SMME's
- 2.3.6 Social investment by mines
- 1.4.1 This programme would have two main components (i) establishment of Urban Improvement Precinct in the main business concentration areas and (ii) implement by-laws that encourage business to renovate, upgrade and maintain their buildings and even vacant buildings in the main business areas

## **MEDIUM PRIORITY PROJECTS**

- 4.2.1 Through the Business Expansion and Retention Programme review the Regulations and by-laws that has a significant negative impact on business;
- 4.1.1 Undertake Business Expansion and retention surveys on an annual basis and distribute information to businesses and make sure it links into the municipal structures and systems;
- 2.3.4 Development of service industries linked to mining;
- 2.1.1 Encourage GEP to open local satellite offices in Merafong and to provide a One-stop business information service. In motivation this SEDA office creative opportunities needs to be explored with private sector businesses such as the local banks or the Chamber to host the offices on their premises;
- 4.3.1 Formulate an Incentive Policy and use it in the promotion of the municipality as an Investment destination;
- 2.2.1 Formulate and implement a long term programme to establish Merafong as a Smart City. Providing free Wi-Fi access for all businesses may be a first priority;
- 2.3.1 Interface between mines and their procurement requirements;
- 5.3.1 Agro-industrial processing, e.g. Dairy processing, grain milling;
- 5.2.2 Agro-processing industries/activities;
- 5.6.1 Development of a conference venue;
- 5.7.1 Improvement of existing infrastructure;

- 5.7.2 Develop integrated transport node;
  - 5.3.2 Materials/equipment used in the mining sector, e.g. drilling, explosives;
  - 5.6.2 Mining based tourism;
  - 5.4.1 Provision of all services and supplies needed by the retail sector;
  - 5.3.3 Recycling plant (waste recycling);
  - 5.2.1 Small-scale commercial farming;
  - 5.6.3 Tourism Route Development include Merafong as a destination;
  - 2.3.2 Processing and beneficiation of mining produce;
  - 1.2.1 Related to # 1.1 implement a monthly newsletter aimed at providing business with local information and data on developments in the municipality and aimed to distribute information and data on the local and district economy.
  - 2.3.6 Small-scale mining, e.g. reworking of mine dumps, brickworks, link with environmental rehabilitation
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## **APPENDIX B**

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# BUSINESS SUPPORT

This section explores awareness and usage of both private sector and government supplied business support.

## 1. Awareness of organisations offering business support

Most of the respondents (81.8%) were not aware of any organisation that gives support to business owners. Service providers (65% claimed no awareness) were more likely to be aware of support organisations than retailers (75% claimed no awareness).

## 2. Accessibility to business support organisations

In terms of accessibility to organisations offering business support, an even greater percentage (93.6%) of respondents did not have access to such support organisations.

## 3. Businesses that have received support and type of support received

When asked whether the businesses had received any support and the type of support they had received, 95.2% responded that they had not received any support. The sample of businesses that however received support is too small for further analysis.

## 4. Existing Business Support

Small, medium and micro enterprises (SMMEs) have come to play an increasingly important role in South Africa's economy and development. The government has therefore targeted the SMME sector as an economic empowerment tool for previously disadvantaged people. Various key players in the South African economy share the importance of investing in small business support. The growing and widespread commitment to fostering entrepreneurship and promoting small enterprises goes beyond the government and its institutions. It extends to other role-players in the economy, such as large corporations, the media, Non-Governmental Organisations (NGOs), chambers of commerce and commercial banks. This is evidenced by the growing number and range of support programmes, products and services initiated by the various role-players that have emerged both inside and outside the public sector, as discussed in more detail below (integrated strategy on the promotion of entrepreneurship and small business enterprises such as the dti).

This sub-section provides brief summaries and contact details of relevant small business and entrepreneurial support organisations together with the different support programmes, products and services initiated by the various role-players. The intention is to alleviate the numerous challenges faced by South African businesses including access to finance and markets, issues of competitiveness and productivity, limited research and development, and skills shortage. It is recommended that the Merafong City Local Municipality pursue these opportunities by promoting awareness among local economic actors and assisting with the applications. The section will be further divided under the following headings:

- support organisations
- incentives/support programmes
  - investment and enterprise development incentives
  - competitive enhancement incentives
  - export incentives
  - industrial financing
  - industrial participation
  - social responsibility
  - tax incentives

## Support organisations

### *Development Bank of South Africa (DBSA)*

Objectives	Eligibility
The DBSA seeks to promote economic growth and development, human resource development, institutional capacity building and facilitation of development projects in the region.	The DBSA funds private and public sector projects that: <ol style="list-style-type: none"> <li>1. Support infrastructure development</li> <li>2. Impact the lives of those in the communities they support</li> <li>3. Promote economic, financial, social, and environmental responsibility</li> </ol>
Support Services	Contact details
The DBSA offers several support avenues which include : <ol style="list-style-type: none"> <li>1. Financier – grants, loans, investment, guarantees</li> <li>2. Advisor – training, enterprise development</li> <li>3. Partner – information, research, analysis, technical assistance and evaluation</li> <li>4. Implementer – facilitate capacity improvements</li> <li>5. Integrator – mobilise and link stakeholders</li> </ol>	Tel: 011 313 3911 Web: <a href="http://www.dbsa.org">www.dbsa.org</a>

### *Industrial Development Corporation (IDC)*

Objectives	Eligibility
The IDC provides finance for high impact, labour intensive industrial development projects with a preference for those operating in new industries, priority sectors and high-risk markets.	<ul style="list-style-type: none"> <li>• Established medium and large businesses in growth sectors</li> <li>• Gro-E Scheme requires BEE certification</li> <li>• Risk Capital Facility requires 25% ownership by previously disadvantaged individuals and prioritises those outside Gauteng and the Western Cape</li> <li>• Businesses must have high potential for job creation</li> </ul>
Support Services	Contact details
<ul style="list-style-type: none"> <li>• <b>Gro-E Scheme:</b> Finances start-ups and expansions in IDC priority sectors</li> <li>• <b>Transformation and Entrepreneurship Scheme:</b> Finance for start-ups and expansions by marginalised groups in IDC priority sectors           <ul style="list-style-type: none"> <li>○ Includes a grant for business plans, training and mentorship</li> </ul> </li> </ul>	Tel: 011 269 3000 Web: <a href="http://www.idc.co.za">www.idc.co.za</a>

<ul style="list-style-type: none"> <li>• <b>Risk Capital Facility:</b> provides risk finance for SMEs:</li> <li>• <b>Direct Channel:</b> Operates alongside the IDCs main businesses</li> <li>• <b>Niche Fund Channel:</b> Provides venture capital for businesses with a development focus in specific sectors</li> <li>• <b>Third Party Channel:</b> Provides co-investments with other funding institutions</li> </ul>	
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### **Land and Agricultural Development Bank of South Africa**

<b>Objectives</b>	<b>Eligibility</b>
The Land Bank is a development finance institution promoting growth and reform of the agriculture sector by increasing access to land, supporting rural farmers and raising rural incomes.	<ul style="list-style-type: none"> <li>• Established and emerging farmers</li> </ul>
<b>Support Services</b>	<b>Contact details</b>
<ul style="list-style-type: none"> <li>• <b>Special Mortgage Bonds:</b> Finances land purchases by emerging farmers</li> <li>• <b>Instalment Sale Finance:</b> Finances moveable farming assets and equipment as well as livestock</li> <li>• <b>Establishment Loan:</b> Finances equipment, structures and implements for farmers of perennial crops</li> <li>• <b>Short Term Seasonal Loans:</b> Finances short-term needs in the agriculture production cycle</li> </ul>	Tel: 012 686 0500 Email: info@landbank.co.za

### **Y-Age (Youth and Graduate Entrepreneurship)**

<b>Objectives</b>	<b>Eligibility</b>
Y-Age was established in 2011 and provides training, funding and mentorship to youth entrepreneurs. Currently operating in Gauteng, Y-Age plans to expand into a national organisation in 2012.	<ul style="list-style-type: none"> <li>• Supports South African youth aged 18-35</li> </ul>
<b>Support Services</b>	<b>Contact details</b>
<ul style="list-style-type: none"> <li>• <b>Funding:</b> A combined grant/loan for entrepreneurs with an existing business or business idea</li> <li>• <b>Training:</b> Offer a series of courses on business management, marketing, bookkeeping and other skills</li> <li>• <b>Mentorship:</b> On-going mentorship for small businesses</li> </ul>	Tel: (010) 590 0260

### **South Africa Micro-Finance Apex Fund (SAMAF)**

<b>Objectives</b>	<b>Eligibility</b>
SAMAF is a wholesale funding institution that works through Financial Service Co-operatives (FSCs) and Micro-Finance Institutions (MFIs) to deliver financial and non-financial services	<ul style="list-style-type: none"> <li>• Supports survivalist entrepreneurs and the working poor</li> </ul>
<b>Support Services</b>	<b>Contact details</b>
<ul style="list-style-type: none"> <li>• <b>Micro-enterprise Loans:</b> A combination of grants and loans to finance the start-up, growth and expansion of micro and small businesses with a total income of not more than R3,500 per month</li> <li>• <b>SAMAF Fund:</b> To enhance the institutional capacity of FSCs and MFIs through partial subsidisation of their operation costs and the development of reporting systems, policies and procedures</li> <li>• <b>SAMAF Savings Mobilisation:</b> Assists existing unregistered co-operatives, savings groups and clubs to formally register and improve their overall capacity</li> <li>• <b>SAMAF Technical Support:</b> Assists FSCs and MFIs with financial management</li> </ul>	Tel: (018) 384 0766 Email: tefol@samaf.org.za

**Small Enterprise Development Agency (SEDA)**

Objectives	Eligibility
SEDA's mandate is to create a standard national delivery network for SMME support. Their objectives are to improve access to finance, reduce regulatory barriers, expand market opportunities and provide training, information and advice.	<ul style="list-style-type: none"> <li>All SMMEs including start-ups and expansions in both the formal and informal sector</li> </ul>
Support Services	Contact details
SEDA has a branch in each district that provides: <ul style="list-style-type: none"> <li>access to information</li> <li>business linkages and referrals</li> <li>skills training</li> <li>funding for marketing materials</li> <li>mentorship programmes</li> <li>advice on legal and regulatory issues</li> <li>specific advice for co-operative enterprise development</li> </ul>	Tel: 011 408 6500 Web: <a href="http://www.seda.org.za">www.seda.org.za</a>

**Small Enterprise Finance Agency (SEFA)**

Objectives	Eligibility
SEFA's mandate is to provide affordable financing products and services to SMMEs for the purpose of economic and value-chain development.	<ul style="list-style-type: none"> <li>All entrepreneurs and small business owners</li> </ul>
Support Services	Contact details
SEFA offers: <ul style="list-style-type: none"> <li>Wholesale SMME business loans</li> <li>Micro-finance business loans</li> </ul> These are channelled through the following financial products: <ul style="list-style-type: none"> <li>Revolving loan – short-term capital or bridging finance for delivery of contracts or orders</li> <li>Bridging loan – funding for businesses that have orders or tenders but insufficient capital to fulfil the tender or order</li> <li>Asset finance – for acquisition of fixed assets</li> <li>Terms loan – for longer term business expansion requirements and specific capital acquisitions</li> <li>Working capital – for working capital such as stock, overheads, etc.</li> <li>Guarantees – provides guarantees such as performance, supplier, loan payment facilities, etc.</li> </ul>	Tel: 086 000 7332 Web: <a href="http://www.sefa.org.za">www.sefa.org.za</a>

**Business Partners Limited**

Objectives	Eligibility
Business Partners Limited provides specialist financing from R250,000 to R20 million, as well as mentorship for small and medium businesses in all major sectors	<ul style="list-style-type: none"> <li>Entrepreneurs with established small and medium businesses</li> </ul>
Support Services	Contact details
<ul style="list-style-type: none"> <li><b>Property Investments:</b> Provides up to 100% investment financing for a range of commercial and industrial properties</li> <li><b>Fishing Investments:</b> Provides investment financing and services for entrepreneurs in the South African fishing industry</li> <li><b>Business Partners-Khula Start Up Fund:</b> A joint venture with Khula Finance Limited to finance black entrepreneurship</li> <li><b>Mentor Services:</b> Enlist senior business people to provide practical and tested advice to small business owners</li> </ul>	Tel: 086 176 3346 Email: <a href="http://www.businesspartners.co.za">www.businesspartners.co.za</a>

**Grofin**

Objectives	Eligibility
Grofin is a private multi-national organisation that provides finance and support to small and medium enterprises in all sectors.	<ul style="list-style-type: none"> <li>• Supports start-ups and expansions</li> </ul>
Support Services	Contact details
<ul style="list-style-type: none"> <li>• Loans of R500,000 to R10 million</li> <li>• Mentorship and advice: <ul style="list-style-type: none"> <li>○ Inception Support: Aid with applications and business plans</li> <li>○ Mentorship: Business advice throughout duration of the loan</li> <li>○ Post-Finance Support: To ensure business sustainability</li> </ul> </li> </ul>	Tel: 012 998 8280 Web: <a href="http://www.grofin.com">www.grofin.com</a>

**National Youth Development Agency (NYDA)**

Objectives	Eligibility
The NYDA seeks to increase the economic participation of young people through education, skills development, information services, career guidance and access to finance.	<ul style="list-style-type: none"> <li>• Supports South African youth aged 18 to 35</li> </ul>
Support Services	Contact details
<ul style="list-style-type: none"> <li>• <b>NYDA Small, Medium Enterprise (SME) funding:</b> Provides small business funding from R100,000 to R5 million</li> <li>• <b>NYDA Microfinance:</b> Provides micro loans of R1,000 to R10,000 with terms structured according to individual needs</li> <li>• <b>Business Consulting Services Voucher Programme:</b> Provides technical assistance and managerial support</li> <li>• <b>Business Opportunity Support Service:</b> Identifies BEE opportunities for youth owned companies in public and private sector procurement</li> <li>• <b>Volunteer Enterprise Mentorship:</b> Facilitates the transfer of business skills and knowledge by corporate volunteers and post-graduates</li> </ul>	Tel: 011 651 7000 Web: <a href="http://www.nyda.gov.za">www.nyda.gov.za</a>

**South African Women Entrepreneurship Network (SAWEN)**

Purpose and Function	Eligibility
SAWEN is a networking forum for individuals and organisations that are committed to the promotion and advancement of women entrepreneurs.	<ul style="list-style-type: none"> <li>• Women with existing and emerging micro and small businesses</li> </ul>
Support Services	Contact details
<ul style="list-style-type: none"> <li>• Provide networking and showcasing opportunities through conferences and exhibitions</li> <li>• Provide opportunities for women to combine their services and increase their capacity to meet large orders</li> <li>• Training and capacity-building programmes</li> <li>• The provision of pertinent business information and advice that leads to business opportunities;</li> <li>• Facilitating trade missions and exposure to global economy</li> <li>• Maintaining a reliable database of South African female entrepreneurs</li> </ul>	Tel: 012 0201/0202/0203

**Gauteng Growth & Development Agency (GGDA)**

Purpose and Function	Eligibility
The GGDA is tasked with facilitated and driving economic growth and development in the Province.	<ul style="list-style-type: none"> <li>All SMMEs which are in line with priority projects as set by GGDA</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>Education</li> <li>Skills improvement and development</li> <li>SMME development</li> <li>Global competitiveness/reducing the cost of doing of business and</li> </ul>	Tel: 011 085 2400 Web: <a href="http://www.ggda.co.za">www.ggda.co.za</a>

**Gauteng Enterprise Propeller**

Purpose and Function	Eligibility
To promote SMME development and job creation	<ul style="list-style-type: none"> <li>Established SMMEs in Gauteng</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>Competitive loan financing</li> <li>Advice and mentoring</li> </ul>	Tel: 011 950 9870 (West Rand) Web: <a href="http://www.gep.co.za">www.gep.co.za</a>

**Gauteng Tourism Authority**

Purpose and Function	Eligibility
Promoting sustainable tourism and to assist in making Gauteng a world-class tourism destination and in addition contribute to economic growth and uplifting the local people.	<ul style="list-style-type: none"> <li>Established tourism businesses in Gauteng</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>Offers a host of services to businesses, associations and event planners to assist in the planning and successful execution of an event or conference.</li> </ul>	Tel: +27 11 085 2500 Web: <a href="http://www.gauteng.net">www.gauteng.net</a>

**West Rand Development Agency**

Purpose and Function	Eligibility
To act as the economic development agent for the West Rand is so far as to stimulate, facilitate, implement and support economic development and job creation projects and initiatives that will contribute to the regional economic development.	<ul style="list-style-type: none"> <li>All SMMEs</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>direct investment</li> </ul>	Tel: 011 692 1550

**West Rand Chamber of Commerce**

Purpose and Function	Eligibility
Providing advice and acting as a reference centre for small business owners in the West Rand.	<ul style="list-style-type: none"> <li>All SMMEs</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>Providing advice</li> <li>Entrepreneurship development programmes</li> </ul>	Tel: 011 692 1550

**Incentives/support programmes****National Empowerment Fund (NEF)**

Purpose and Function	Eligibility
The NEF advances B-B BEE through transformation and funding solutions to increase the economic participation of black owned businesses and entrepreneurs.	<ul style="list-style-type: none"> <li>Supports black owned businesses and entrepreneurs</li> <li>Available to established formal businesses with over 51% black ownership</li> </ul>
SMME Support Services	
<ul style="list-style-type: none"> <li><b>The Imbewu Fund:</b> <ul style="list-style-type: none"> <li><i>Entrepreneurship Finance:</i> risk capital and mentorship</li> <li><i>Procurement Finance:</i> provides working capital to complete procurement contracts</li> <li><i>Franchise Finance:</i> provides equity shortfall for the establishment of a South African franchise</li> </ul> </li> <li><b>Umnotho Fund:</b> <ul style="list-style-type: none"> <li><i>Acquisition finance:</i> BEE applicants seeking equity purchase in established business</li> <li><i>New venture finance:</i> provides capital to BEE participants in medium sized greenfields project (R5m to R75m)</li> <li><i>Expansion capital:</i> provides capital to expand business</li> <li><i>Capital markets:</i> invests in BEE businesses, particularly women owned, that seek to list on the JSE</li> <li><i>Liquidity and warehousing:</i> assists BEE shareholders who need to sell a portion or all of their shares</li> </ul> </li> <li><b>Rural and Community Development:</b> Aims to increase ownership and management by workers, co-operatives and other collectives</li> <li><b>Non-Financial Business Support:</b> Provides on-going support including funding advice, planning, management skills, mentorship programmes, legal services and strategies for businesses in distress</li> <li><b>Strategic Projects Funds:</b> Provides venture capital finance within identified growth sectors</li> </ul>	
Contact details	
Tel: 011 305 8000	
Email: info@nefcop.co.za	

**Isivande Women's Fund**

Objectives	Eligibility
Isivande Women's Fund (IWF) is an exclusive fund that aims to accelerate females' economic empowerment.	<ul style="list-style-type: none"> <li>Formally registered, 60% women-owned and/or managed enterprises that have been in existence and operating for two or more years</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>Providing more affordable, usable and responsive finance than is currently available</li> <li>Provides loans ranging from R30 000 to R2 million</li> </ul>	Tel: 011 772 7910 Web: <a href="http://www.idf.gov.za">www.idf.gov.za</a>

**Women Entrepreneurship Fund**

Objectives	Eligibility
To promote the advancement of women entrepreneurs and women owned businesses.	<ul style="list-style-type: none"> <li>Formally registered, 50% women-owned and/or managed enterprises</li> <li>Businesses committed to employing women</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>loan funding for business establishment or growth (max R30mil)</li> </ul>	Web: <a href="http://www.idc.co.za">www.idc.co.za</a>

**Transformation and Entrepreneurship Scheme**

Objectives	Eligibility
The scheme aims to stimulate and develop small and medium enterprises, and make the mainstream economy accessible to marginalised groups.	<ul style="list-style-type: none"> <li>economically and financially viable businesses</li> <li>Operate in one of the IDC's mandated sectors</li> <li>Employ people with disabilities</li> </ul>
SMME Support Services	Contact details
Five funding schemes: <ul style="list-style-type: none"> <li>Women Entrepreneurial Fund;</li> <li>People with Disabilities Fund;</li> <li>Equity Contribution Fund;</li> <li>Development Fund for Workers; and</li> <li>Community Fund</li> </ul>	Web: <a href="http://www.idc.co.za">www.idc.co.za</a>

**Black Business Supplier Development Programme (BBSDP)**

Purpose and Function	Eligibility
The BBSDP offers cost-sharing grants to black-owned SMEs to increase their competitiveness, sustainability and job creation.	<ul style="list-style-type: none"> <li>• Companies must be established, majority black-owned and managed with a turnover of R250 000 to R35 million per year</li> <li>• The company must have one year in operation and trading as a business</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>• Provides grants of up to R1 million <ul style="list-style-type: none"> <li>▪ Up to R800,000 for tools, machinery and equipment on a 50:50 cost-sharing basis</li> <li>▪ Up to R200,000 for business development and training to improve corporate governance, management, marketing, productivity and technology on a 80:20 cost sharing basis</li> </ul> </li> </ul>	Tel: 012 394 1115 Web: <a href="http://www.thedti.gov.za">www.thedti.gov.za</a>

**Co-operative Incentive Scheme (CIS)**

Purpose and Function	Eligibility
The Co-operative Incentive Scheme's (CIS) objective is to improve the viability and competitiveness of co-operative enterprises by lowering their cost of doing business.	<ul style="list-style-type: none"> <li>• Co-operatives with a majority black ownership</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>• Grant of 90% for business development services</li> </ul>	Tel: 012 394 1115 Web: <a href="http://www.thedti.gov.za">www.thedti.gov.za</a>

**Jobs Fund**

Purpose and Function	Eligibility
The objective of the Jobs Fund is to co-finance projects by public, private and non-governmental organisations that will significantly contribute to job creation.	<ul style="list-style-type: none"> <li>• Proposals from municipalities, government departments, private sector and non-governmental organisations that show development potential linked to job creation.</li> </ul>
SMME Support Services	Contact details
<ul style="list-style-type: none"> <li>• Matching grant depending on the type of venture</li> </ul>	Tel: 086 100 3271 Web: <a href="http://www.jobsfund.org.za">www.jobsfund.org.za</a>

## Industry specific support programmes

<b>Agriculture and Agro-processing</b>	
<b>Comprehensive Agricultural Support Programme (Managed by Department of Agriculture</b>	
<b>Objectives</b>	The objective is to support beneficiaries of land reform and other producers in order to increase farming output, employment and sustainability.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Once-off grant</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Targets previously disadvantaged farmers</li> <li>• Agricultural activities having the required level of institutional and technical support</li> </ul>
<b>Ilima-Letsema</b>	
<b>Objectives</b>	To assist vulnerable communities with increasing agricultural production and improving farming skills.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Cash grant</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• The disadvantaged group</li> </ul>
<b>Micro-Agricultural Financial Institutions of South Africa</b>	
<b>Objectives</b>	To address financial services needs of the smallholder farmers and agribusinesses.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Short to medium term production loan</li> <li>• Savings mobilization</li> <li>• Capacity building for member based financial institutions</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Historically disadvantaged (designated) group</li> </ul>
<b>Agro-Industries Strategic Business Unit (Managed by IDC)</b>	
<b>Objectives</b>	To promote development of the agriculture value-chain and encourage rural economic growth and job creation.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Provides loan and equity finance for new or establishes businesses</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• New or existing South African companies operating within the agro-industries sector</li> <li>• project must create jobs; and</li> <li>• funding request must be for at least R1-million</li> </ul>

<b>Mining</b>	
<b>Mining and Mineral Beneficiation Strategic Business Unit</b> <i>(Managed by IDC)</i>	
<b>Objectives</b>	To support small to medium scale mining, beneficiation and jewellery making businesses.
<b>Support</b>	Provide financial and technical support for: <ul style="list-style-type: none"> <li>• Mining and mineral beneficiation</li> <li>• Junior mining and related activities</li> <li>• Empowerment through asset acquisition</li> <li>• Value-addition in the jewellery industry</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Emerging and established mine-related businesses</li> </ul>
<b>Zenzele Technology Demonstration Centre</b>	
<b>Objectives</b>	Zenzele's aim is to nurture accelerated growth, skills development, job creation and assisting enterprises to successfully compete in their markets.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Skills development</li> <li>• Access to marketing channels for mining products;</li> <li>• Access to finance</li> <li>• Provide the necessary technical and other support in setting up mineral value adding (beneficiation) enterprises</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Emerging and established small-scale miners</li> </ul>
<b>Small-Scale Mining Support</b> <i>(Managed by Council of Geoscience)</i>	
<b>Objectives</b>	To provide the institutional support required to assist aspirant small-scale miners in developing and formalizing their mining business ventures.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Assistance with prospecting activities</li> <li>• Skills development</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Emerging mining companies</li> </ul>

<b>Construction</b>	
<b>Vuk'uphile Learnership Programme II</b> <i>(Managed by Department of Labour and the Expanded Public Works Programme)</i>	
<b>Objectives</b>	As part of the Expanded Public Works Programme (EPWP) Vuk'uphile builds capacity among contractors in labour intensive modes of construction
<b>Support</b>	<ul style="list-style-type: none"> <li>• Vuku'phile Learnership Programme: A two year training programme to develop the entrepreneurial, business and technical skills of qualified contractors               <ul style="list-style-type: none"> <li>▪ Mentoring for the duration of the programme and five years after completion</li> </ul> </li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Existing contractors from previously disadvantaged backgrounds with CIDB Levels 1 &amp; 2 (contractor certification)</li> </ul>
<b>South African Women in Construction</b>	
<b>Objectives</b>	Empower women in the industry
<b>Support</b>	<ul style="list-style-type: none"> <li>• Provide workshops on accessing contracts, training, finance and networking opportunities</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Organisation members (women business owners)</li> </ul>
<b>Critical Infrastructure Programme</b> <i>(Managed by DTI)</i>	
<b>Objectives</b>	Support industrial competitiveness through investment in physical infrastructure
<b>Support</b>	<ul style="list-style-type: none"> <li>• Grant funding for 10% to 30% of the project cost</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• New or expanding enterprise investing in infrastructure;</li> <li>• Available to municipalities, public and private enterprise</li> </ul>

<b>Manufacturing</b>	
<b>Manufacturing Competitiveness Enhancement Programme (MCEP)</b>	
<b>Objectives</b>	Promote competitiveness and job retention
<b>Support</b>	<ul style="list-style-type: none"> <li>• Cost sharing grants for various interventions</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Established and successful enterprises</li> </ul>
<b>Manufacturing Investment Programme (MIP)</b>	
<b>Objectives</b>	The MIP provides incentives to stimulate investment in the manufacturing sector that will increase the sectors sustainability and promote job creation.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Offers a grant for up to 30% of the value of qualifying investment costs of machinery, equipment, commercial vehicles and the land and building necessary for expansion or upgrades</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Established companies in the manufacturing sector</li> </ul>
<b>Clothing &amp; Textile Competitiveness Improvement Programme (CTCIP)</b>	
<b>Objectives</b>	To stimulate the competitiveness of the South African clothing and textile manufacturing sector by encouraging world-class manufacturing initiatives aimed at improving people, processes and products.
<b>Support</b>	<ul style="list-style-type: none"> <li>• Cost-sharing grant of 75% of project costs for cluster projects and 65% of project costs for company-level projects.</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Competitiveness improvement projects undertaken on an individual company level or on a cluster level</li> </ul>
<b>Steel Rebate</b>	
<b>Objectives</b>	<ul style="list-style-type: none"> <li>• Promote the value-added steel industry</li> </ul>
<b>Support</b>	<ul style="list-style-type: none"> <li>• Rebates on the value of exports (currently R135 per ton)</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Exporters of fabricated steel products</li> </ul>

<b>Tourism</b>	
<b>Tourism Enterprise Support Programme (TESP)</b>	
<b>Objectives</b>	Facilitate the growth of tourism enterprise
<b>Support</b>	<ul style="list-style-type: none"> <li>• Assists in obtaining professional services and</li> <li>• Provides advice and support to SMME's.</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Large operators, investors, SMME's and historically disadvantaged entrepreneurs and enterprise</li> </ul>
<b>Tourism Enterprise Partnership (TEP)</b>	

<b>Objectives</b>	The TEP facilitates the growth, development and sustainability of small businesses operating in the tourism sector.
<b>Support</b>	<ul style="list-style-type: none"> <li>• <b>Small Tourism Business Development:</b> Provides training in business processes, productivity, strategic business planning, marketing, BEE accreditation, accounting, due diligence and the drafting of business plans <ul style="list-style-type: none"> <li>▪ Following the 1-day 'toolkit' training courses successful businesses receive a tender certificate</li> </ul> </li> <li>• <b>Marketing Support:</b> Reimburses small tourism businesses with up to 50% of the costs for marketing materials</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Existing small businesses in the tourism sector</li> </ul>

### Finance and Business Services

#### South African Film and Television Production and Co-Production Incentives

<b>Objectives</b>	To stimulate development and sustainable global competitiveness
<b>Support</b>	<ul style="list-style-type: none"> <li>• Competitive, risk-related interest rates based on the prime bank overdraft rate</li> </ul>
<b>Eligibility</b>	<p>Projects in the following sectors</p> <ul style="list-style-type: none"> <li>• Motion pictures</li> <li>• Broadcasting</li> <li>• Printing</li> <li>• Post-production</li> <li>• Publishing</li> <li>• Advertising</li> <li>• Music</li> </ul>

#### Business Process Services (BPS) Incentive

<b>Objectives</b>	Attract investment in the BPS sector and create offshore employment opportunities
<b>Support</b>	<ul style="list-style-type: none"> <li>• Grants of up to R112 000 per offshore job created</li> </ul>
<b>Eligibility</b>	<ul style="list-style-type: none"> <li>• Local and foreign investors in new and expanding projects that create jobs in South Africa to serve offshore clients</li> </ul>

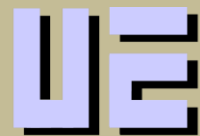


**2014**

# Merafong City Investment Incentive Policy

P.O Box 3,  
Carletonville,  
2500

Tel: +27 18 788 9500  
Fax: +27 18 786 1105  
[www.merafong.gov.za](http://www.merafong.gov.za)



**URBAN-ECON**  
Development Economists

# MERAFONG CITY INVESTMENT INCENTIVE POLICY 2014

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## MERAFONG CITY INVESTMENT INCENTIVE POLICY 2014

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# Executive Summary

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The Investment Incentives Policy outlines the approach that the City will take in attracting new investment to Merafong.

The Incentives Policy will apply to investors who want to invest in new business activity or the expansion of existing activities within specific priority sectors and declining economic nodes within the city. Most importantly, the policy will apply to new investment that will create new employment opportunities.

Investment Incentives are defined as a special kind of assistance that government provides to investors to direct and encourage investment and job creation a specific area. In the South African context, incentives are used to deal with challenges such as unemployment, poverty, inequality, business opportunities or to access other opportunities that may be difficult to unlock. Depending on the nature of the incentive, they are usually designed as temporary, short- to medium-term objectives but with long term positive impacts.

Investment incentives are designed to promote the competitive advantages of an area and to address problem areas by encouraging investment into those areas. Incentives are designed not to merely attract investors but also to address certain inequalities and discrepancies in a local or regional economy.

However, caution should be taken in the design and application of Incentives. Incentives may lead to undesirable consequences not originally planned for such as:

- It may attract investments that make demands on the resources and capacities of an authority that it cannot meet;
- It may unlock unhealthy levels of competition between authorities leading to “price” wars and loose-loose negotiations where the only party benefiting is the investor;
- It may impact on the revenue generation and or cost management of a municipality rendering the municipality worst of that from what it would have been without the investment. The nature, scale and implications of the investment needs to be carefully assessed as the net costs may exceed the net benefits to the municipality and the community.
- Incentives are awarded in terms of conditions and understandings of the nature and scale of actual investments materialising. It is therefore important that a monitoring and assessment system must be in place in the awarding of Incentives to ensure that the investor delivers on its contractual obligations. It is therefore also important that the terms of the agreement and the awarding of the incentives must be clearly specified in the legal contracts and agreements that are reached.

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South Africa already a number of incentive packages available to investors from national and provincial departments. The areas that municipalities are able to provide incentives has been limited by regulations set in the Municipal Finance Management Act and other provisions by government policy and strategies. Due to these complexities many local authorities has adopted a flexible approach providing incentives; approving Investment Incentives in principle but reserving the right to negotiate the details of the incentives based on the specific costs and benefits that a particular investment will bring to the local community.

### INTERNATIONAL EXPERIENCE OF INVESTMENT INCENTIVES

International experience has shown that incentives do not rank high among the determinants of foreign investment. The attraction of a specific locality for investment depends mainly on the following:

- **Local resources and markets** such as access and cost of resources and inputs, labour cost and quality, access and costs to markets, market size, quality of services, availability of skills and technical know-how, adequacy of physical infrastructure, and many more.
- **Institutional structures and practices** such as the stability, capacity and reliability of the institutions directly involved in delivery of services to the investor, whether public or private sector entities and includes political stability, good governance, macroeconomic environment, judicial system, the application of the rule of law, and more.
- **Policy environment and application** such as the right of establishment and entry requirements, implementing regulations, the rules, practices and procedures concerning the fiscal regime, repatriation of profits, dividends and capital, among others.

### Types of Investment Incentives

Some analysts argue that regional economies should not have their own investment incentives while there are national incentives. However, while national incentives may attract a foreign investor to the country, it's the regional incentives that would entice the investor to a particular location within the country.

The common types of incentives are grouped into four broad categories, namely:

- Fiscal and Financial
- Domestic Infrastructure
- Local skills
- Administrative and Regulatory.

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### RECOMMENDATIONS: INVESTMENT INCENTIVES

National and international best practice has identified a number of guiding principles that investment incentives should follow. These have been incorporated in formulating the following guiding principles for the Merafong Incentives Policy:

- Promote economic sectors with significant investment potential and/or competitive advantage
- Encourage local, national and international private sector investment in Merafong
- Encourage local business retention and expansion to ensure sustainable job opportunities
- Encourage local economic development and investment in underdeveloped areas in Merafong
- Encourage investment that promotes job creation.
- Promote and support local SME development in identified economic sectors that support local empowerment and poverty reduction
- Simplicity: The incentives should be easy to understand and to communicate, and should not require a complex administrative structure to manage it.
- Transparency and Consistency: The granting of incentives will be done on a predetermined set of criteria to ensure there is no ambiguity in awarding incentives, which should be made easily available for public scrutiny.
- Non-discrimination between local and foreign investors: The incentives offered by the local and/or district municipalities must not discriminate between local, national and foreign investors.
- Affordability: The incentives must be properly costed, with the costs incurred or income foregone from incentives included in the municipal budgets and reviews.
- Targeted: The investment incentives will only be applicable in specific areas or economic sectors identified for incentive support.
- Cooperative governance: It is important to avoid any relocation and incentive war with other investment locations that would result in a zero-sum game (nobody wins). In particular, municipalities must not compete against each other in providing direct financial / cost incentives, but should compete on the quality of service to investors
- Continuous Review: Each incentive must be effectively monitored and evaluated, and the incentive policy regularly reviewed to keep it relevant.
- Meet all legislative requirements: The policy and incentives must abide by national and international law relating to incentives and cost-subsidies.

Local and regional government seldom apply financial and fiscal incentives rather relying on non-financial and performance based incentives. It is often “soft” incentives that impact on the investment decision, such as the overall image of the locality as a favourable investment climate within the national and international investment community, safe and secure neighbourhoods, the ease and speed of facilitating investment applications of prospective and current investors, providing ‘aftercare’ to investors beyond the initial investment and the general protection of foreign investments, thereby

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reducing the possibility that investments made earlier do not leave the area, but expands over time. Furthermore, the quality of the investment incentive is just as important as the size of the investment incentive. Investments incentives should encourage the transfer of knowledge, and/or the creation of backward and forward linkages with other businesses, which is most desired and valued by host localities.

In order to support the principle of encouraging sustainable investments in real economic opportunities, it is recommended that the process of negotiating incentives with individual enterprises be carefully integrated into the overall investment promotion strategy. Therefore, where possible, the following approach should apply:

- The selection of potential investment locations should be driven primarily by identifying locations with the most appropriate economic conditions for long-term competitiveness, rather than the attractiveness of their respective incentive packages
- Local municipalities should assess the economic viability of proposed investments or expansions prior to entering into incentive agreements
- Pro-active attraction of potential investors should be managed in a coordinated fashion, and should be aligned with the Growth and Development Strategy objectives
- Common messages with respect to the overall investment climate and government support available (including the incentives policy) should be conveyed by all investment promotion activities in the province, irrespective of the entities involved, in order to avoid confusion amongst potential investors.

### **Financial incentives**

It is recommended that direct financial incentives should not be offered to investors. The focus of the incentive packages should be an assisting investors to improve the efficiency and effectiveness of their investments competitiveness and to maximise the impact on employment creation and income generation for the local people of Merafong.

Previous research and best practices indicates that direct financial incentives does not necessarily achieve the above objectives.

### **Non-financial incentives**

It is recommended that non-financial incentives should be implemented in Merafong. These incentives include the following:

- Quick processing of permits, and zoning and building plan approvals

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- Assistance with property and site searches
- Creating a database of investors within municipal boundaries
- Highlighting potential and existing investment opportunities
- Provision of labour market and demographic information to potential investors
- Extended municipal opening hours and provision of help line / help desk
- Enhancing actual and perceived lifestyle attractiveness
- Promote and support marketing of locally produced goods and services
- Support and facilitate skills development and training to employees
- Support cluster development initiatives
- Develop and publish database of local SMMEs
- Investment and trade promotion at national and international events
- Provide updated local economic, market and sectoral information and analysis to investors
- Business and investment advisory and support centres available to local businesses and potential investors
- Facilitate coordination with other spheres of government and government institutions
- Water provision
- Sewerage provision
- Electricity provision
- Refuse Removal provision
- Land Access and Price
- Facilitate with local communities and other stakeholders.

<b>IMPLEMENTATION PROCEDURES</b>
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It is recommended that the incentives should be developed and implemented with the following principles in mind:

1. Encouraging sustainable investments in real economic opportunities – rather than a short-term approach where investors may leave as soon as the incentive terminates
2. Primarily overcoming obstacles to investment that may be resolved more systematically in future (such as uncompetitive input costs, infrastructure and government service provision). Incentives are therefore stop-gap measures to address problems that will be more appropriately dealt with through improved infrastructure and service delivery in future.
3. Financial sustainability
4. Transparency and accountability in administration
5. Sufficient flexibility to accommodate diversity of needs and implementation entities, as well as changing socio-economic conditions
6. Continuous learning and intergovernmental cooperation- as the lessons are learnt from own and other municipalities' experiences, officials must be prepared to make the necessary

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modifications to their incentive packages; while some competition between municipalities is inevitable, destructive competition that allows investors to engage in “rent-seeking” behaviour should be kept to a minimum

7. Inclusion and non-discrimination - The types of incentives and the manner in which they are rolled out should not result in unfair discrimination against certain municipalities or enterprise types, but should encourage the participation of all municipalities to the best of their abilities. Nevertheless, certain minimum requirements should be in place to participate as either an incentive administrator or beneficiary, in order to safeguard the other principles set out here.
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# 1. Introduction

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## What is an Incentives Policy?

The Investment Incentives Policy outlines the approach that the City will take in attracting new investment in Merafong.

The City recognises the nature and extent of the unemployment challenge facing the city. Within its mandate of the “creation of an enabling environment” for economic activity, the Incentives Policy provides the City with a number of levers that will encourage investment in the City.

The Incentives Policy will apply to investors who want to invest in new business activity or the expansion of existing activities within specific priority sectors and declining economic nodes within the city. Most importantly, the policy will apply to new investment that will create new employment opportunities.

## The Rationale behind Investment Incentives

With an increasing number of government authorities at national, provincial and local level, investment incentives have become an important feature of the global economy and has increased rapidly in the last number of years.

Investment Incentives are defined as a special kind of assistance that government provides to investors to direct and encourage investment and job creation a specific area. In the South African context, incentives are used to deal with challenges such as unemployment, poverty, inequality, business opportunities or to access other opportunities that may be difficult to unlock. Depending on the nature of the incentive, they are usually designed as temporary, short- to medium-term objectives but with long term positive impacts.

The general benefits of attracting and retaining fixed direct investment (FDI) and the potential of FDI as a tool for regional economic development in particular, are commonly recognized by policy makers and analysts. Promotional efforts to attract FDI have become the focal point of competition among developed and developing countries. This often extends to the local municipal level with different local authorities pursuing their own strategies and assembling their own basket of incentives to attract new investments into their areas.

Investment incentives are thus designed to promote the competitive advantages of an area and to address problem areas by encouraging investment into those areas. Incentives are designed not to merely attract investors but also to address certain inequalities and discrepancies in a local or regional economy.

Caution should also be taken in the design and application of Incentives. Incentives may lead to undesirable consequences not originally planned for such as:

- It may attract investments that make demands on the resources and capacities of an authority that it cannot meet;

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- It may unlock unhealthy levels of competition between authorities leading to “price” wars and loose-loose negotiations where the only party benefiting is the investor;
- It may impact on the revenue generation and or cost management of a municipality rendering the municipality worst of that from what it would have been without the investment. The nature, scale and implications of the investment needs to be carefully assessed as the net costs may exceed the net benefits to the municipality and the community.
- Monitoring and assessment of the implementation of Incentives is important. Incentives are awarded in terms of conditions and understandings of the nature and scale of actual investments materialising. It is therefore important that a monitoring and assessment system must be in place in the awarding of Incentives to ensure that the investor delivers on its contractual obligations. It is therefore also important that the terms of the agreement and the awarding of the incentives must be clearly specified in the legal contracts and agreements that are reached.

It follows from the above that care should be taken in the design and implementation of Investment Incentives. This is also the case where there is in South Africa already a number of incentive packages available to investors from national and provincial departments. The areas that municipalities are able to provide large scale incentives has also been limited by regulations set in the Municipal Finance Management Act and other provisions by government policy and strategies. Due to these complexities many local authorities has adopted a flexible approach providing incentives; approving Investment Incentives in principle but reserving the right to negotiate the details of the incentives based on the specific costs and benefits that a particular investment will bring to the local community.

### International Experience of Investment Incentives

International experience has shown that incentives do not rank high among the determinants of foreign investment. The attraction of a specific locality for investment depends mainly on the following:

- **Local resources and markets** such as access and cost of resources and inputs, labour cost and quality, access and costs to markets, market size, quality of services, availability of skills and technical know-how, adequacy of physical infrastructure, and many more.
- **Institutional structures and practices** such as the stability, capacity and reliability of the institutions directly involved in delivery of services to the investor, whether public or private sector entities and includes political stability, good governance, macroeconomic environment, judicial system, the application of the rule of law, and more.
- **Policy environment and application** such as the right of establishment and entry requirements, implementing regulations, the rules, practices and procedures concerning the fiscal regime, repatriation of profits, dividends and capital, among others.

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The impact of incentives offered by governments on investment location choices is not conclusive, as it is difficult to isolate the impact of incentives from the other factors of investment. It is therefore difficult to quantify the contribution of investment incentives per se. However, most international investors agree that incentives are only considered when the other investment factors are the same with the result that incentives play a relatively marginal role in investment decisions. The “fundamentals” must be in place first before the investor will consider what additional benefits it could get from locating in a specific locality.

The majority of economic literature on incentives refers to the effects of investment incentives on the levels of foreign direct investment to a particular region or group of countries. However, the same concepts and theory can be applied at a local government level. UNCTAD (2003) has identified three main categories of incentives used by national and local governments across the world to attract foreign investment, namely:

- **Financial incentives**, such as outright investment grants to cover part of the investment costs; subsidized loans at special rates and loan guarantees; and provide venture capital and government insurance to partially cover high risks such as exchange rate volatility, expropriation, and many more.
- **Fiscal incentives** such as tax holidays; reduced tax rates; accelerated depreciation of investments and reinvestment allowances; reduction in labour regulatory costs such as social security; duty exemptions on capital goods, equipment, raw materials, parts and other inputs related to production; tax credits on imported or exported goods; preferential treatment of export income; reduction of taxes on foreign expatriates, to name but a few.
- **Other incentives**, including regulatory concessions such as exemptions from labour, health or environmental standards; guarantees that regulations will not be changed to the detriment of investors; access to land and facilities; subsidized infrastructure of services including electricity, water, transportation, and telecommunication; subsidising assistance to find finance, conduct pre-investment studies, obtain market information, training assistance, etc.; market privileges, such as preference to government contracts, monopoly rights or import protection; and special treatment with respect to foreign exchange.

UNCTAD reported that financial and fiscal incentives are the most frequent types of incentives employed by national governments. Developing countries often prefer fiscal instruments, such as tax holidays, concessionary tax rates, accelerated depreciation allowances, duty drawbacks and exemptions, where the cost of the incentive is ex-post to its implementation. Developed countries mainly use financial incentives, including cash grants and interest-free or subsidized loans, where the cost of the incentive is often ex-ante to its implementation.

Incentives are internationally regulated by the WTO Agreement on Subsidies and Countervailing Measures (SCM), and a handful of International Investment Agreements (IIA). The SCM Agreement covers any kind of fiscal or financial incentive that relates to trade in goods and services and that is found to be “specific” at odds to the Agreement itself. It does not include regulatory incentives, like

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the lowering of environmental or social standards, nor does it include general infrastructure advantages. Thus, the SCM Agreement mainly applies to fiscal and financial incentives, but does not impose any obligations on governments concerning the granting of regulatory incentives or upon the provision of general assistance to businesses (UNCTAD, 2003).

International experience has shown that incentives can be both positive and negative for developing countries. On the one hand, incentives can be a tool for countries to pursue their development strategies. For example, incentives can reduce deficiencies in the local business environment, or they can help correct the failure of markets to capture wider benefits from externalities of production. At the sub-national levels, incentives are often seen as a means on industrial transformation, capable of bringing high-skilled employment, research capability and technology to new geographic areas.

Such incentives may increase competition between countries / localities and redirect scarce resources away from much needed development. Competition between investment locations could result in an “incentive race” where countries or localities develop incentives to “out compete” or trump the other country or locality’s incentives, to the detriment of the communities in these areas. Furthermore, incentives may distort market signals and thus promote uneconomic investment, which is perhaps the most difficult issue to deal with in the design of incentives and comparison of different countries' practices.

The fact is that the increasing competition for foreign investment gives rise to the question of whether a country which already has an attractive investment climate should seek to further enhance its competitive position and, if so, by what means and how far should it go. Furthermore, incentives should only promote those activities that create positive externalities emanating from investment.

On the other hand, local and regional government however, seldom apply financial and fiscal incentives rather relying on non-financial and performance based incentives. It is often “soft” incentives that impact on the investment decision, such as the overall image of the locality as a favourable investment climate within the national and international investment community, safe and secure neighbourhoods, the ease and speed of facilitating investment applications of prospective and current investors, providing ‘aftercare’ to investors beyond the initial investment and the general protection of foreign investments, thereby reducing the possibility that investments made earlier do not leave the area, but expands over time. Furthermore, the quality of the investment incentive is just as important as the size of the investment incentive. Investments incentives should encourage the transfer of knowledge, and/or the creation of backward and forward linkages with other businesses, which is most desired and valued by host localities.

The high level of competition for investments requires that the investment potential and the associated incentives of a locality be actively promoted to potential investors, often requiring proactive targeting. Targeted investment promotion can be a crucial factor since potential investors may be locational indecisive, where some promotional ‘push’ is what is needed to tip the balance.

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It is important to note that financial and fiscal incentives have a direct financial and /or economic cost, such as a loss in government revenues or direct cost to the relevant government. This is especially important for local government, since the financial burden of investment incentives lies with the respective sphere of government, which is hoped to be recouped over time. The use of financial incentives should therefore be restricted by accurate targeting of potential investments that would not otherwise be made in the country, and by the selection of incentives which have as low financial and economic costs as possible. Therefore, it is imperative that the full impacts and implications of the incentives be understood prior to being offered and should not compete with other countries' or localities' incentives. As such investment incentives should be:

- Generally available;
- In proportion to the expected benefits;
- Clearly causal or closely linked with the actual investment;
- Non-trade distorting;
- Oriented toward long-term investment;
- Of limited duration, i.e. temporary;
- Rooted in a coherent business model; and
- Non-discriminatory and transparent.

Important, transparency relates to the openness and impartiality of the decision-making process in the design, introduction and administration of incentives. A lack of transparency may be the single greatest cost of incentive programmes, because it creates significant possibilities for corruption and other types of rent-seeking behaviour. This in turn can be detrimental to the development of competitive markets and indeed to development itself.

### Types of Investment Incentives

Some analysts argue that regional economies should not have their investment incentives while there are national incentives. However, it can be argued that while national incentives may attract a foreign investor to the country, it's the regional incentives that would entice the investor to a particular location within the country.

The common types of incentives are grouped into four broad categories, namely:

- Fiscal and Financial
- Domestic Infrastructure
- Local skills
- Administrative and Regulatory.

#### Fiscal and Financial Incentives

These refer to direct contributions to the new business and can be in the form of fiscal incentives (e.g. tax incentives, rates holidays) and financial incentives (e.g. grants, low-interest loans and even

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cash incentives). Fiscal incentives are especially important to investors when relatively low return on investments are envisaged, when local costs of doing business are relatively high or when the market demand or product prices are of a cyclic nature having periods of market depression.

### **Domestic Infrastructure**

Multi-national Corporations (MNCs) may be particularly sensitive to infrastructure availability for locating their investments designed to meet global, regional or home market demands. The favourable role of physical infrastructure in influencing the patterns of FDI inflows has been corroborated by previous studies, e.g. Loree and Guisinger (1995), and Mody and Srinivasan (1996). MNCs may consider the quality of infrastructure available to be especially important when deciding to relocate or expand an export-platform production plant.

Infrastructure incentives refer to the establishment of enabling infrastructure in support of the operations of a business. These could be in the form of transport infrastructure (road, rail, sea and air), municipal property and domestic utility infrastructure (electricity, water, telecommunications, effluent, etc). Domestic infrastructure is especially important when MNCs have a global sourcing and supply strategy.

### **Local Incentives and Skills**

A pre-requisite for attracting FDI is a high level of human capital but unfortunately most developing countries under-invest in human capital. Research has shown that FDI is actually unevenly distributed across countries and regions that have adopted different human resource development policies. To improve overall human capital and thus to attract more FDI would therefore require a more energetic and focused approach taking into account the municipalities financial constraints into account.

### **Administrative and Regulatory incentives**

For many MNCs a smooth approval process and concurrent support of the new investment by the local administration is sometimes the most valuable investment incentive. This is purely because lengthy delays in the establishment of a project could mean massive revenue losses or increases in economic and financial risks associated with cross border investments.

#### **Common administrative barriers include:**

1. Poor access to local information
2. Multiple (and confusing) entry points into local government
3. Delays in responses to queries and in the approval processes (environmental authorization, land availability and re-zoning, building plans, incentives etc).

Regulatory incentives mean those administrative conditions offered by governments to business other than special fiscal (e.g. tax) or financial (e.g. subsidies) treatment. Current regulatory issues include:

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1. Property rights
2. Market access rules
3. Environmental protection
4. Labour regulations.

## 2. Designing Incentives at Local Government Level: Merafong

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Not all municipalities in SA offer investment incentives, but a list of incentives from some of them are described below. While considering incentives, there is a widespread sentiment that incentives must not be seen in isolation, but rather the catalyst and should be a final 'plus' in an investors check list when making a comparison with other locations.

Some of the issues that need to be in place are:

- An adequate efficient and effective process of receiving investors and dealing with all needs including approval of town planning matters, building plans and other issues.
- Adequate information on the investment environment itself including its competitive advantages even without the existence of incentives.
- An 'investor-friendly' administration endowed with a 'deal-making' capacity
- A clear policy mandate to those handling investors and the investment portfolio, and a change of mind-set away from the old habits of political and administrative obstacles often leading to frustration and delays on the part of investors.
- A clear after-investment assistance and management policy to ensure that those that did invest know who to go to and where to find help should it be needed.
- And finally, an Incentive Package to supplement the above mentioned issues.

The incentive package must be balanced against the competitive advantage of a region. Labour costs, rates, services and land costs are factors that could off-set competitive and comparative advantages. In the past, if these costs exceeded the competitive advantage of the proximity to access to airports and other markets, then investors tended to go elsewhere.

It is critical that the investment incentives be informed by broader development policy plans of the City. The most important dimension of this is the region's industrial sector policies since the investment incentives need to articulate, closely and coherently, with industrial sector development.

The design of investment incentives needs to take account of the growth and stagnation in economic activity. This means that the design of any incentives regime needs to be informed by the critical need to shift the economy onto a new growth trajectory through a shift away from its traditional activities into new activities which will place the City in a favourable position to exploit the

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opportunities offered in the global economy. The investment incentives regime needs to be an important means for the City to attract new investment in new activities.

It is worth noting that the investment incentives may be aligned with other policy objectives. For example, environmental pollution is an important consideration. It may be possible to structure the incentives to meet environmental considerations. The most extreme form of this would be that incentives that are offered would apply only to firms that meet certain environmental objectives. Other examples of policy objectives that may be linked to investment incentives includes inner-city regeneration and informal economy and small-business development.

The Municipality has three broad strategic options available for developing an investment incentive regime to attract new investment:

- **Option 1: The Do What Others Do Option**

This option would involve a rule-based investment incentive regime offering the usual basket of incentives to all investors. This basket would include some municipal tax holiday scheme, land concessions, and subsidised service provision.

There are a number of advantages to this option. It would be clear and transparent and apply to all firms that qualify for certain criteria that may be developed. The package of incentives, if properly designed, will also bring some public relations benefits.

There are, however, a number of difficulties and disadvantages to this option. As outlined in the discussion on designing investment incentives it would be very difficult to design a set of incentives under a rule-based system that effectively addresses the concerns of those investors who would not invest without the incentive support. A more likely outcome is that the incentives will be taken up by firms that would have invested anyway. A further consideration is whether or not the costs of such a scheme can be managed and sustained.

- **Option 2: The Courageous Option**

This option would involve a more ad-hoc regime which would allow officials some discretion, within broad objectives, to pursue certain strategic investors. There are some important advantages to this option. It would allow officials to pursue certain 'pioneer investors' to develop new industries. It is theoretically possible to use incentives to attract investors who would ensure that other investors follow in the trail of the pioneer investor. For example, it may be possible to use incentives to attract a large information technology company which would ensure that suppliers that company also locate in the municipality, and related industries develop.

The incentive may be open to abuse and there is greater potential for corruption. The costs of this option may also be high. It is debatable whether or not the municipality has the capacity to manage an initiative of this nature.

- **Option 3: The Safer Option**

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This option will involve some combination of Options 1 and 2. Option 3 would involve a range of 'standard' incentives offered primarily in an effort to market the municipality to international and domestic investors. This will be complemented by an ad-hoc package which would allow officials to target certain key, pioneer investors to the municipality.

This option would be informed by the view that it may be possible to exploit the advantages of both options 1 and 2. It is important to recognise, though, that this option could result in an outcome where the disadvantages of both of the earlier options are prominent.

### **Range of Investment incentives**

A range of different incentives could form part of the investment incentives package. The use of financial incentive packages by local governments to attract investors to their locality is regulated by the Municipal Finance Management Act 56 of 2003. Typical incentives include a combination of the following:

- **Infrastructure:** These concessions often involve the provision of serviced industrial and commercial sites of special efforts to develop infrastructure and services in selected commercial areas in response to the needs of prospective investors.
- **Land and Buildings:** An incentive package of this type may involve the sale, transfer or rental of land, buildings or other facilities owned by the local authority on concessionary terms in order to attract investment or to assist the development organization. However, local authorities must ensure that they are in compliance with national and provincial legislation on the disposal of public assets.
- **Regulatory reform:** These concessions involve special efforts by the local authority to reduce constraining regulation and zoning that may stand in the way of potential business development.
- **Approval process:** One of the most basic incentives involves facilitating prompt decisions such as the approval of building plans and rezoning applications. The establishment of a one-stop shop could facilitate this process more efficiently.
- **Tax incentives:** Local authorities in the United States, for example, often use reduced tax rates as an incentive to encourage investment. South African local authorities are currently prevented from utilizing these types of concessions.
- **Finance:** Some international cities provide financial assistance in the form of special grants, access to start-up capital, bridging finance and credit, loan guarantees or the underwriting of risks. However, South Africa local authorities are currently prohibited from undertaking these activities.

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When analysing the experience of other local authorities in South Africa in the provision of incentives, the most important lesson learnt is that the active participation of the local authority through investment brokerage is an important “pull factor”. This active brokerage linked to aggressive marketing of the area is one of the major factors which will influence investors’ choice of location.

A further important success factor in attracting investors is the service offered by the local authority in terms of the approval process and regulatory reform. It is therefore of prime importance to address these two elements when embarking on an investment attraction exercise.

### **Local Economic Needs, Gaps and Opportunities in Merafong**

This section provides a number of pertinent findings related to the needs of local businesses in Merafong; gaps that need to be bridged to realise the local economy’s optimal potential; and market and value chain opportunities that local businesses should be assisted to capitalise on more fully. Investment incentives should further augment the strengths of the local economy while also addressing the weaknesses of the economy.

The information gathered here assists in:

- Identifying new policies or modifying existing policies that affect local business development and in turn local economic development;
- Establishing new and/or strengthening existing economic development programmes and practices;
- Prioritising actions that will be implemented most effectively use existing resources.

**Economic Needs** - The needs as derived from the business surveys and existing local documents include:

- Economic diversification – moving away from a mining dependent economy;
- Promotion of local media;
- Improved buildings for business operations;
- Business skills development;
- Assistance with advertising of businesses;
- Improved access to business finance;
- Affordable land and business premises;
- Consistent local small business support;
- Conducive business environment – reduced crime and improved infrastructure;
- Regulated trade – unregistered, especially foreign businesses are causing market saturation of certain products and services.

**Economic Gaps** - The gaps that need to be bridged include:

- Awareness of business support organisations and programmes;

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- A cooperative relationship between local government and the business sector;
- Skills that might help optimise the local potential;
- Local business partnerships.

**Economic Opportunities** - Through engagement with local business owners and/or managers and analysis of Merafong's economic status quo potential opportunities for further business development and economic growth were identified. These opportunities include, among others:

- The people of Merafong
  - The people of Merafong especially the youth are a highly motivated and energised community anxious and willing to engage in economic opportunities;
  - Skill and experience levels of the general population is relatively low but once assistance is provided this is likely to be the greatest resource and opportunity in Merafong to address the weaknesses and gaps.
- Agriculture
  - Small-scale commercial farming;
  - Agro-processing industries/activities;
  - Agro-based tourism e.g. ostrich farm.
- Mining
  - Processing and beneficiation of mining produce;
  - Increasing the local sourcing and provision of goods/services to mines;
  - Projects involving environmental rehabilitation of land;
  - Development of service industries linked to mining;
  - Small-scale mining, e.g. reworking of mine dumps, brickworks;
  - Investigation of social investment by mines, and involvement of mines in social/economic development project.
- Manufacturing
  - Mining product beneficiation, e.g. jewellery manufacturing;
  - Agro-industrial processing, e.g. Dairy processing, grain milling;
  - Materials/equipment used in the mining sector, e.g. drilling, explosives;
  - Recycling plant (waste recycling);
  - Packaging/distribution of pharmaceuticals.
- Retail trade
  - Provision of all services and supplies needed by the mining and agricultural sector;
  - Provide shopping facilities to fill the gaps experienced.
- Transport and communication
  - Improvement of existing infrastructure;
  - Improving the safety and efficiency of rail commuter services.
- Services
  - Provision of services to the mines;
  - Strategic partnerships with mining companies with regards to provision of higher order social facilities;

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- Provision of supporting services to SMME's.
- Tourism
  - Development of a conference venue;
  - Mining based tourism;
  - Development of tourism packages which include Merafong as a destination.

### 3. Recommendations: Investment Incentives

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National and international best practice has identified a number of guiding principles that investment incentives should follow. These have been incorporated in formulating the following guiding principles for the Merafong Incentives Policy:

- Promote economic sectors with significant investment potential and/or competitive advantage
- Encourage local, national and international private sector investment in Merafong
- Encourage local business retention and expansion to ensure sustainable job opportunities
- Encourage local economic development and investment in underdeveloped areas in Merafong
- Encourage investment that promotes job creation.
- Promote and support local SME development in identified economic sectors that support local empowerment and poverty reduction
- Simplicity: The incentives should be easy to understand and to communicate, and should not require a complex administrative structure to manage it.
- Transparency and Consistency: The granting of incentives will be done on a predetermined set of criteria to ensure there is no ambiguity in awarding incentives, which should be made easily available for public scrutiny.
- Non-discrimination between local and foreign investors: The incentives offered by the local and/or district municipalities must not discriminate between local, national and foreign investors.
- Affordability: The incentives must be properly costed, with the costs incurred or income foregone from incentives included in the municipal budgets and reviews.
- Targeted: The investment incentives will only be applicable in specific areas or economic sectors identified for incentive support.
- Cooperative governance: It is important to avoid any relocation and incentive war with other investment locations that would result in a zero-sum game (nobody wins). In particular, municipalities must not compete against each other in providing direct financial / cost incentives, but should compete on the quality of service to investors
- Continuous Review: Each incentive must be effectively monitored and evaluated, and the incentive policy regularly reviewed to keep it relevant.

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- Meet all legislative requirements: The policy and incentives must abide by national and international law relating to incentives and cost-subsidies.

Local and regional government seldom apply financial and fiscal incentives rather relying on non-financial and performance based incentives. It is often “soft” incentives that impact on the investment decision, such as the overall image of the locality as a favourable investment climate within the national and international investment community, safe and secure neighbourhoods, the ease and speed of facilitating investment applications of prospective and current investors, providing ‘aftercare’ to investors beyond the initial investment and the general protection of foreign investments, thereby reducing the possibility that investments made earlier do not leave the area, but expands over time. Furthermore, the quality of the investment incentive is just as important as the size of the investment incentive. Investments incentives should encourage the transfer of knowledge, and/or the creation of backward and forward linkages with other businesses, which is most desired and valued by host localities.

In order to support the principle of encouraging sustainable investments in real economic opportunities, it is recommended that the process of negotiating incentives with individual enterprises be carefully integrated into the overall investment promotion strategy. Therefore, where possible, the following approach should apply:

- The selection of potential investment locations should be driven primarily by identifying locations with the most appropriate economic conditions for long-term competitiveness, rather than the attractiveness of their respective incentive packages
- Local municipalities should assess the economic viability of proposed investments or expansions prior to entering into incentive agreements
- Pro-active attraction of potential investors should be managed in a coordinated fashion, and should be aligned with the Growth and Development Strategy objectives
- Common messages with respect to the overall investment climate and government support available (including the incentives policy) should be conveyed by all investment promotion activities in the province, irrespective of the entities involved, in order to avoid confusion amongst potential investors.

The policy presents a package of incentives including the following:

- Quick processing of permits, and zoning and building plan approvals
- Assistance with property and site searches
- Creating a database of investors within municipal boundaries
- Highlighting potential and existing investment opportunities
- Provision of labour market and demographic information to potential investors
- Extended municipal opening hours and provision of help line / help desk
- Enhancing actual and perceived lifestyle attractiveness
- Facilitation of small business support services.

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### Financial incentives

It is recommended that no direct financial incentives be offered to investors. The focus of the incentive packages should be on assisting investors to improve the efficiency and effectiveness of their investments competitiveness and to maximise the impact on employment creation and income generation for the local people of Merafong.

Previous research and best practices indicates that direct financial incentives does not necessarily achieve the above objectives.

### Non-financial incentives

It is recommended that non-financial incentives should be implemented in Merafong.

<p><b>Quick processing of permits, and zoning and building plan approvals</b></p>	<p>The land and buildings department can commit itself to rapid processing times for the permits and approvals it must grant. This may involve redesigning the existing procedures (e.g. Setting quantifiable goals and deadlines, reducing the number of steps that must be followed), or updating the technology used. In order to ensure that the municipality's service levels are at a level that supports efficient business operations, specific service delivery targets should be set and publicly announced. A monitoring system should be put in place that allows the public to report poor quality service. Performance agreements can be discussed and consented to by the relevant staff members, detailing the standards they are expected to meet, the means by which their performance will be assessed, and the corrective measures that will be taken against parties who fail to live up to the agreements. For their part the municipality can undertake to ensure that its employees have all the necessary materials and resources required to perform their function at the agreed standard.</p>
<p><b>Assistance with property and site searches</b></p>	<p>The development and planning department/directorate is aware of exactly which land is vacant and available for development - the HoD can designate an official to deal directly with the public in identifying suitable sites. This official need not perform this role exclusively as it is highly unlikely that expressions of interest in this incentive would keep him/her occupied on a full-time basis. The LED officer can refer clients to this person, who would then deal directly with the business and report outcomes to the LED officer. Links can also be established with local estate agents and realtors to cater to investors' professional and commercial needs.</p>
<p><b>Creating a database of investors within municipal boundaries</b></p>	<p>The computerised records of financial incentive applications can be used as the basis for a database of investors active in municipal boundaries, to be compiled by led officers. As not all firms will apply for financial incentives, and not all municipalities will necessarily offer them, LED officers will have to contact the regional SARS office and registrar of companies to get the contact details of companies. These can then be used to directly contact the business and collect all the relevant</p>

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	<p>information needed for the database.</p> <p>It is important for LED officers to realise that the database is merely a means to an end rather an end in itself. The information it contains should be used to open the lines of communication between the municipality and the business community. The municipal incentives can be marketed and promoted directly, and business can more easily air its grievances and cooperate with the municipalities in resolving problems. Prospective or new investors would also be able to approach the led officer for local information on vital services such as local banks, accountants and lawyers. The main function of the database is therefore to make the process of establishing or conducting business in the municipality as smooth as possible.</p>
<p><b>Highlighting potential and existing investment opportunities</b></p>	<p>In order to assess the existence of investment opportunities in an area, investors need to be exposed to information such as the primary economic activities, local economic growth rates, and available natural resources. This information should already be contained in the respective municipality's IDP, but must be condensed in order to make it more accessible to the business community. The IDP Manager can assume responsibility for extracting the most relevant information from the IDP and publishing it in a simple fact sheet or brochure. This need not be elaborate or extravagant, but should concisely draw attention to the municipality's vital statistics and potential growth areas. It is suggested that the IDP Manager list his or her contact details on the contact sheet or brochure so that interested members of the public can request more in-depth information as contained in the IDP as well as the IDP manager's own knowledge and experience.</p>
<p><b>Provision of labour market and demographic information to potential investors</b></p>	<p>Existing and potential investors need to have accurate and recent data of this kind to inform their strategic decision-making. LED officers cannot be expected to have the skills and resources to collect the information. However, what they can do is contact the regional offices of entities such as statistics South Africa, the Department of Labour, and the Demarcation Board. The LED officers can request to be placed on a mailing list so that they can receive regular updates, and post summaries of labour market and demographic statistics on municipal websites. Alternatively, the LED officer can liaise with local chapters of chambers of commerce and farmers associations to pass on the information to them. These third parties will then be responsible for the dissemination of data to their members.</p>
<p><b>Extended municipal opening hours and provision of help line / help desk</b></p>	<p>For the convenience of business people who are free only at specific times during the day, local and district municipalities could open slightly earlier in the mornings, and not close during lunch hour. Employees would have to be compensated accordingly, or a shift system introduced to ensure that municipal staff are available over a longer period of time.</p> <p>Another way of efficiently dealing with customer queries is to introduce a help line or help desk. This would result in customers being routed to the personnel best equipped to deal with their queries, and also allow the municipalities to observe the most common enquiries and investigate measures to reduce their incidence.</p>

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<b>Enhancing actual and perceived lifestyle attractiveness</b>	<p>Improving lifestyle assets within specific areas and raising awareness of these assets is likely to require a highly collaborative approach. It is therefore recommended that working committees are established to facilitate coordination and to ensure implementation. The LED officer/manager in the municipality should lead efforts to establish this committee, and strive to include officials from other relevant departments such as town planning. Invitations can then be issued to members of the public such as property owners, tenants, Ward Committees, Chambers of Commerce and Rates Payers Associations. The LED officer would be responsible for sourcing funds from the municipality on behalf of the committee for initiatives such as special ratings areas, municipal service districts, and green areas. The LED officer would also report to the municipality on the activities and progress of the committee. The other members of the committee would source financial and other support from the constituencies that they represent in order to assist the municipality in any way possible.</p>
<b>Promote and support marketing of locally produced goods and services</b>	<p>Partner with local enterprises and organisations to develop marketing material of and road signage to local tourism enterprises, as well as local heritage and historical to promote and market these enterprises and the potential business opportunities of these sites to potential investors</p>
<b>Support and facilitate skills development and training to employees</b>	<p>Having correctly skilled people is critical for businesses and investments to succeed. The Municipality will support and facilitate local businesses and new investors in developing the skills and training to employees</p>
<b>Support cluster development initiatives</b>	<p>In the era of globalisation, it is important that local industries become more competitive. This requires some cooperation and coordination between firms in the same industry. Support to cluster development initiatives that has proven to improve efficiency and/or reduce risks/costs for individual enterprises, such as:</p> <ul style="list-style-type: none"> <li>• Benchmarking clubs</li> <li>• Industry associations</li> <li>• Business hives and incubators</li> <li>• Joint research &amp; development programmes</li> <li>• Joint marketing initiatives</li> </ul>
<b>Develop and publish database of local SMMEs</b>	<p>The Municipality maintains a district SMME database which should be publicly accessible through the municipal website. It would be promoted amongst local, national and foreign investors, and will contain contact details for local SMMEs</p>

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<b>Investment and trade promotion at national and international events</b>	To attend international trade and investment visits and events in partnership with local businesses and other investment promotion agencies to encourage general and specific investment opportunities, as well as support and facilitate establishment of business partnerships between national / international businesses and local enterprises.
<b>Provide updated local economic, market and sectoral information and analysis to investors</b>	To coordinate and facilitate the gathering of local economic and market information, and conduct research on and analysis of key sectors regularly and make it readily available for local businesses and potential investors.
<b>Business and investment advisory and support centres available to local businesses and potential investors</b>	To provide support to local LED and the Business Development offices, as well as other business development and investment support organisations that provide the following services to local businesses and investors: <ul style="list-style-type: none"> <li>• entrepreneurship development, and business development advice and support</li> <li>• investment support and advice, including applications by local businesses and investments to national incentive programmes, and necessary registrations and applications to regulatory and statutory bodies</li> </ul>
<b>Facilitate with local communities and other stakeholders</b>	The local LED offices is to facilitate with local communities where necessary on issues such as land and infrastructure for development, agricultural production for agro-processing and community-private partnerships.
<b>Facilitate with other spheres of government and govt institutions on specific issues</b>	To continuously engage with other spheres of government and other relevant stakeholders to improve the business and investment climate regarding the constraints to investment and business retention and expansion that these institutions have greatest impact on, such as: <ul style="list-style-type: none"> <li>• Crime reduction and eradication</li> <li>• Airport upgrades and expansions</li> <li>• Railway line upgrades</li> <li>• Road expansions and upgrades</li> </ul>
<b>Water</b>	Water incentives/discounts are generally offered in a phased out manner over five years. In addition, it is generally the case that the Municipality does not charge for the connections for this service. This is usually applicable to new and expanding businesses. Expanding businesses have to generally prove that their consumption has increased by a certain percentage to qualify.

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<b>Sewerage</b>	Sewerage discounts/incentives are generally offered in a phased out manner over five years. In addition, it is generally the case that the Municipality does not charge for the connections for this service. However, it is expected that the developer or the operator is liable for the industrial effluent costs. This applies to both new and expanding businesses.
<b>Electricity</b>	Electricity incentives are generally offered in a phased out manner over five years. Generally the discounts are between 80% and 100% in the first year. No cost for the connection. However, the investor is to carry the cost of providing and installing the cables and the Council-owned equipment on the premises. This refers to new and expanding businesses.
<b>Refuse Removal</b>	The refuse removal incentives are generally offered in a phased out manner over a five-year period. The discount is generally between 80% and 100%. In some Municipalities the monthly tariff for this service is waived for the period of the incentive for new businesses, while they offer free removal of a 1,75m <sup>3</sup> container of inert industrial waste once a week for the period of the incentive for expanding businesses.
<b>Land Access and Price</b>	Give a once off discount on the price of land for investment, but this is becoming more difficult due to the implementation of the MFMA. More relevant is to assist investors to gain access to suitable sites and land. Land readily available for development and/or investment. Where municipal land is not yet zoned and/or serviced for the required development and/or investment, the municipality will assist in speeding up the planning process keeping within legal requirements and extending local and/or district municipal services wherever possible

## 4. Implementation Procedures

It is recommended that the incentives should be developed and implemented with the following principles in mind:

1. Encouraging sustainable investments in real economic opportunities – rather than a short-term approach where investors may leave as soon as the incentive terminates
2. Primarily overcoming obstacles to investment that may be resolved more systematically in future (such as uncompetitive input costs, infrastructure and government service provision). Incentives are therefore stop-gap measures to address problems that will be more appropriately dealt with through improved infrastructure and service delivery in future.
3. Financial sustainability
4. Transparency and accountability in administration
5. Sufficient flexibility to accommodate diversity of needs and implementation entities, as well as changing socio-economic conditions

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6. Continuous learning and intergovernmental cooperation- as the lessons are learnt from own and other municipalities' experiences, officials must be prepared to make the necessary modifications to their incentive packages; while some competition between municipalities is inevitable, destructive competition that allows investors to engage in "rent-seeking" behaviour should be kept to a minimum
7. Inclusivity and non-discrimination - The types of incentives and the manner in which they are rolled out should not result in unfair discrimination against certain municipalities or enterprise types, but should encourage the participation of all municipalities to the best of their abilities. Nevertheless, certain minimum requirements should be in place to participate as either an incentive administrator or beneficiary, in order to safeguard the other principles set out here.

Two options are available with respect to the overall management of the application process:

- a. An application period is declared each year with a closing date, after which all applications are assessed relative to each other
  - o This approach may enable better relative prioritisation of resource allocation to incentives, and could be aligned with municipal and private sector financial year cycles
  - o However, it will place a compressed administrative burden on the entity during that period
- b. Applications are open all year, on a "first come, first served" basis, subject to the maximum budget allocation for the incentive programme
  - a. It may be more difficult to effectively prioritise applications on this basis.

The year-round approach might allow greater flexibility and accommodate capacity constraints. Clear timings would nevertheless need to be placed on receiving feedback on the application e.g. a total of 60 calendar days from the submission of the application.

It is also recommended that the incentives are offered to companies for a period of 3 years, with an annual review. The recommended application process is illustrated and explained below:

1. Applicants to obtain application forms - the municipalities should strive to create application processing systems able to deal with electronic and hard copies of the application forms. Electronic forms could be posted on the municipal website, or obtained from the municipality on request (via e-mail), providing a template that can be customised. The company information part of the form could also be aligned with the supply chain management supplier database for each municipality to simplify administration
2. Initial discussion to be conducted to explain requirements and process, and a reference number allocated to the company. This number should be quoted in all future correspondence
3. Applicants to complete general incentive application form and
4. Applications to be submitted at municipal reception desk or via email
5. LED officer or designated official to capture overall company information, calculate score against criteria and assess company needs
6. LED officer or designated official to recommend whether company qualifies for incentive, and if so, propose a specific incentive package

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7. Assessment committee (potentially constituted by LED officer, Chief Financial Officer, and HODs) to consider recommendation and issue decision
8. Applicant to receive notification of incentive qualified for. In cases where qualified, applicant invited to visit municipality to negotiate final details of package and finalise contract (including incentives agreed on; duration for which agreement binding; and dispute resolution mechanisms) within the boundaries of the incentive policy
9. Annual update and review of incentive and related information

The annual review process would be to the benefit of the incentive recipients and the municipalities. The municipalities can decide whether incentive recipients still qualify for the particular package they are currently receiving, or whether they should be upgraded or downgraded. For their part, the incentive recipients can rate the municipalities on the efficiency with which the incentives have been administered, according to the terms of the contract. If either one of the parties can prove substantial non-performance by the other party during these reviews, there should be an option to terminate the contract. The municipalities need to be very careful when they commit themselves to these contracts—they should make reasonable efforts to establish their financial ability to offer the incentives. Terminating incentive contracts on the grounds that they are no longer affordable when this could reasonably be expected to have been foreseen, could very well constitute breach of contract for which legal remedies can be sought by the aggrieved party (the company that is no longer receiving the incentive).

The incentive contract should also make it clear whether the recipient can reapply once the 3 year contract has been fulfilled and terminated. Where there are many investors in the area, it might be more appropriate to have a non-renewal clause in order to give other businesses an opportunity to submit their first-time applications. Instead of placing an absolute prohibition against future applications, the non-renewal clause could include a moratorium after which the firm can once again apply for incentives. Some municipalities may have only a small pool of investors whose loyalty they want to reward, or in whom they hope to instil such loyalty (particularly if the firm is part of an existing or potential priority sector). In these instances, there may not be any need for a non-renewal clause in the contract, thus permitting firms to enter into successive contracts.

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