



DRAKENSTEIN

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LOCAL ECONOMIC

DEVELOPMENT

STRATEGY

Adopted by Council on 25 October 2007

Drakenstein Local Economic Development Strategy

October 2007

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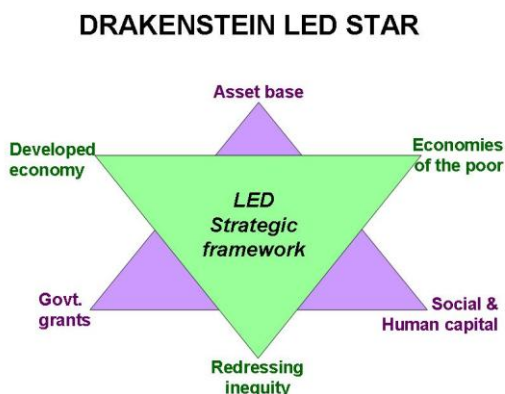
1. Introduction

Drakenstein is an area of opportunity and potential. Unlike many municipal areas which struggle to identify their competitive advantages Drakenstein's advantages stand out. The spatial context is shaped by the magnificent Berg River Valley, the granite domes of Paarl and the majestic mountains ranges that run from south to north, creating one of the most attractive natural environments. This, combined with the high per capita income, and relatively strong economy creates the conditions for a successful local economic development (LED) strategy. However, the current economic growth is poorly distributed. Drakenstein is an area of immense disparity with gini coefficients for the various wards ranging from 43 to 76 with the majority in the 50s and 60s. Productive land ownership and business ownership has, in the main, been passed down over generations creating few opportunities for broadening participation. There have been very few initiatives to restructure the largest economic sector, agriculture, and a number of these have failed. Consequently inequality has widened since 1996, unemployment has risen and the number of people living in poverty has grown.

The Drakenstein local economic development strategy outlines the development of an enabling environment for economic growth that will benefit all of its citizens, especially those who are poor. In particular it aims at ensuring local black economic empowerment that results in real material benefit. The Strategy has been developed based on an analysis of the local economy, its connections to the wider district, provincial and national economy and an analysis of the living conditions of the people of Drakenstein. It gives particular attention to local structural opportunities and constraints.

There is increasing recognition that building an inclusive economy is a pre-requisite for sustainable economic growth. There is also recognition that LED cannot bring about effective poverty reduction on its own, and that towns also need to develop separate but co-ordinated poverty reduction strategies.

A two part approach to LED is proposed. The first focuses on growing and broadening participation in the economy and the second on reducing poverty. Within each part three clusters of intervention have been identified as reflected in the diagram below.



This document is structured in 15 sections. Following this Introduction is Section 2 provides the background information on the local economy development process to date. Section 3 defines local economic development and section 4 explains why we

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need a strategy. Section 5 outlines the aims and objectives of the LED strategy. The approach and strategy are outlined in Section 6. Section 7 details the principles underlying the strategy. Section 8 provides an overview of the possible roles and responsibilities of different stakeholders.

Sections 9 – 13 detail the strategy. Section 9 provides an overview of the proposed interventions for Drakenstein using each point of the star as a guide. Section 10 prioritises the interventions based on the inputs from the various sectors. Section 11 describes the process required to organise the LED effort. Section 12 looks at what else needs to be in place within the municipality to enable the implementation of the LED strategy. Section 13 discusses how the strategy can be institutionalised. Section 14 speaks to communication.

Section 15 provides an overview of the risks and Section 16 concludes this document.

2. Background on the LED intervention

Within the community Integrated Development Plan (IDP) consultations in Drakenstein problems/ needs were prioritised. Housing, local economic development, social infrastructure and community safety emerged as the top priorities as reflected in the table below.

Table 1: Community Priorities

	1 st priority		2 nd priority		3 rd priority		4 th priority		Total	
	Wards	%	Wards	%	Ward	%	Wards	%	Wards	%
Housing	14	46.7	7	23.3	0	0	2	6.7	23	76.7
LED	9	30	8	26.7	5	16.7	2	6.7	24	80
Social infrastructure	1	3.3	6	20	7	23.3	9	30	23	76.7
Community safety	2	6.7	4	13.3	9	30	6	20	21	70

In response the Directorate for Economic Development commissioned a series of studies and interventions on local economic development. Phase one was designed to provide participants with a basic, holistic and practical understanding of LED. As part of this process a range of background information on the economy was collected. Phase two targeted the development of a draft strategy. All of this earlier work informs this intervention designed to outline the local economic approach, strategy, priorities and process. The LED intervention of the Directorate will conclude with a Summit in October.

3. Defining local economic development

1. Local economic development or LED is a locally driven process by which government, business, communities and labour work collectively to stimulate and transform the economy and create new job opportunities. LED is not one specific project or programme, rather it is an approach that includes the sum total of the individual and collective contributions of a broad spectrum of the community that build on opportunities and/or address economic development constraints. The aim is to enhance the community's ability to adapt to and cope with changing economic conditions. LED is also focussed on marginalised groups such as women, the disabled and the youth and intends to ensure the reduction of poverty, increased

black empowerment in all sectors and the appropriate transfer and development of skills.

4. Why do we need a strategy

LED cannot be undertaken by government alone. To be successful stakeholders need a common understanding of the problems and a collective vision for Drakenstein towards which individuals and groups can then contribute and harness resources.

Drakenstein is an area endowed with a range of natural and economic assets. It is also an area of extreme inequality and poverty. Maximising the potential opportunities and addressing the constraints requires more than talk, policy documents and good intentions. It requires collective action.

A series of sector-based consultations highlighted the institutional challenges facing Drakenstein. For many of the LED stakeholders the impediments to success lie in the Council.

Some of the concerns highlighted in the consultations were:

- The lack of economic development leadership provided by the Council and its staff
- The organisation of different aspects of council's work into silos and the lack of coordination and integrated economic development planning and action
- The administrative inefficiency of Council especially in land release and rezoning
- The lack of professional capacity to respond to proposals and appropriately support private sector initiatives. This was attributed in part to the number of vacancies that have not been filled, especially at management level and in part due to the inexperience of existing staff
- The complex legislative environment and the lack of knowledge of how to manoeuvre within this.

While Council is just one player in the LED process, it is a significant player. Part of developing the LED strategy and plan must therefore focus on addressing these problem areas and ensuring an enabling legislative, administrative and political environment for economic development.

5. Aims and objectives

5.1. Aim

Economic Development lies at the core of the mission of the municipality. The strategy therefore aims to assist in achieving Drakenstein's vision of:

Working together to create a place of opportunity.

5.2. Objectives

To achieve this vision the objectives of the LED strategy are:

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- a. To stimulate and maximise economic growth in the formal and informal sectors to achieve 6% growth by 2014
- b. To increase the number of job/ economic opportunities, especially for the unskilled by creating 12 500 additional jobs by 2014
- c. To broaden participation of black people in the mainstream formal economy by distributing 15% of land and ensuring all major public-private partnerships have at least 30% BBBEE ownership.
- d. To maximise the social wage (indirect income) of the indigent and vulnerable by reducing the number of people with no income from 10.4% to 5.2% of the population
- e. To increase the skills, capacity and networks of the poor by reducing illiteracy by 10% and ensuring 50% of children attend ECD centres
- f. To improve the asset base, income and living standards of the poor and halve the number of people living below the HSL

6. Approach

6.1. The mandate

Drakenstein's LED strategy arises out of a legislative commitment to developmental local government and the progressive realisation of socio-economic rights as defined in the Constitution. The strategy reflects a practical municipal contribution to its mandates outlined in various pieces of legislation and policy (such as *Breaking New Ground*) and to the economic targets laid out in the Presidential Programme of Action.

The strategy also provides a framework for meeting the vision of the Province as outlined in *iKapa Elihlumayo* and the Growth and Development Summit namely:

- Increasing economic growth
- Increasing employment and economic participation
- Reducing geographical and socio-economic inequality
- Providing a sustainable social safety net.

As summarised in the box below, these national and provincial policies:

- Introduce the idea of developmental local government engaged in promoting job creation and boosting the local economy through the spending and work of the Council itself
- Given guidelines for redressing the historic inequality and disparities in economic opportunities and asset bases
- Clarify that local government has a facilitating role to play in attracting, planning and maintaining local investments, including land use management
- Call for support for the first and second economies
- Highlight the need for interventions aimed at broadening economic inclusiveness.

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<p>Local Government National LED mandate</p> <ul style="list-style-type: none"> • RDP, 1994 • Constitution, 1996 • Local Government White Paper, 1998 • Municipal Systems Act, 2000 • Preferential Procurement Framework Act, 2000 • Dept of Trade and Industry Micro-Economic Reform Strategy, 2001 • Urban Renewal Programme, 2001 • Integrated Sustainable Rural Development Strategy, 2001 • Growth and Development Summit Agreement, 2003 • Broad based black economic empowerment Act, 2003 • DPLG Policy guideline for implementing LED in SA, 2005 <p>Local Government Provincial LED mandate</p> <ul style="list-style-type: none"> • White Paper on Knowledge Economy of the 21 Century, 2001 • Provincial Growth and Development Summit, 2003. • Provincial Spatial Development Framework, 2004 • Ikapa Elihlumayo, 2004 	<p>Presidential Programme of Action, 2005</p> <ul style="list-style-type: none"> ▪ Increase investment in the 1st economy including lowering the cost structures in the economy and improving competition ▪ Key sector development strategies ▪ Enhance economic inclusiveness and equity opportunities ▪ Develop a labour force with appropriate skills ▪ Increase R&D spending and the diffusion of new technologies ▪ Equitable geographic spread of economic activity ▪ Co-ordinate 2nd economy interventions, including EPWP, CHW and ECD, a Financing Protocol for the Urban Renewal and Rural Development Nodes, Land Reform for Agricultural Development process and Comprehensive Agricultural Support Programme and Extend mass communication campaign to inform citizens in the second economy about opportunities ▪ Increase income from agricultural activities including Support programmes for cooperative enterprises, Re-establish the Agricultural Credit Scheme, and accelerate the comprehensive farmer support programmes to boost rural economies
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6.2. The economy

The economy of Drakenstein cannot be separated from the broader district, provincial and national economies. In this section we provide a brief overview of the national and provincial economy, followed by an overview of the district and finally the local economy and the breadth and depth of poverty in the area,

6.2.1. National and provincial economy

Flowing out of the Reconstruction and Development Programme (RDP) and then the Growth, Employment and Redistribution (GEAR) strategy, government has further elaborated its national economic strategy in the Accelerated and Shared Growth Initiative of SA (ASGISA). This outlines a series of strategies to accelerate growth and ensure it is both balanced and sustainable. Nationally, government infrastructure investment will be increased to R320-billion. Much of these resources will be used to leverage further economic activity from state-owned enterprises and the private sector, in order to achieve a targeted 6% national growth.

The economy of Drakenstein is the second largest economy in the Western Cape and cannot be discussed outside of the economy of the Western Cape and more particularly the economies of the Cape Winelands District and the Cape Metropolitan area.

The Western Cape economy falls into the middle range of the nine provinces, constituting 14% of GDP. The economy is broad based and diversified. The service sector accounts for more than two-thirds of the regional economy and manufacturing

makes up 20% of the economy. Finally, agriculture and construction sectors are somewhat larger than the national averages. Even though it has no minerals of significance and its water supply is under threat, the Western Cape economy is blessed with a solid, diversified natural resource base which has enabled it to develop its tourism industry. In 2004 the fastest growing sectors were wholesale and retail trade, manufacturing, financial and business services, transport and the construction sectors. There has been a disjunction between growth and employment creation, with unemployment in the region rising. New jobs were created in the business services, community, wholesale and retail trade, transport and manufacturing sectors. The bulk of new jobs created accrue to those with a matriculation certificate or higher education. The largest contributor to exports was agriculture followed by food, beverages and tobacco¹.

The Provincial Micro Economic Development Strategy (MEDS) provides a detailed overview of the various economic sectors, their potential and constraints, to inform future investment and resource allocation across the Western Cape. Within the province, Drakenstein is especially well placed in terms of a number of the sectors identified as first tier priorities in the MEDS, namely tourism and agriculture. In addition it has a relatively large manufacturing base.

6.2.2. District context

The Cape Winelands District has the second largest economy in the Province, after Cape Town. The District's close proximity to the City of Cape Town and its port is an important factor in its economic growth. Cape Town's economy accounts for 74% of the provincial economy. Many residents of Stellenbosch and Paarl commute to Cape Town for work and other economic activities, while the Drakenstein area gains tourism revenue from Capetonians.

Agriculture forms the backbone of the district economy and contributes about 14% towards the district GGP and represents about 38% of the labour force. The CWDM's economic growth is largely dependant on the agricultural sector and some processing and marketing of agricultural produce (CWDM IDP). Two agricultural sectors dominate namely horticultural produce and animal and dairy. Much of the manufacturing activity in the area is linked to agriculture increasing its contribution to over 30%. Places like Witzenberg are highly dependent on agriculture while Drakenstein is less dependent and has a more diversified economy. Manufacturing is the largest sector and of particular importance in Drakenstein. Until 2004 it has been in decline given the sensitivity to the strong rand and exchange rate and the closure of major businesses in the tobacco and clothing fields but has shown growth in the last year. The District accounts for 13% of the total tourism in the Western Cape and tourism has been identified as a key growth sector in the province and district. Areas such as Paarl and Stellenbosch receive a large number of day visitors that do the wine routes. However, tourism in Drakenstein is underdeveloped and the municipality retains a Cinderella status in relation to Stellenbosch. Finally the financial and business services sectors have grown consistently contributing just over one fifth of the district GDP.

Paarl is the top geographical location of firms paying levy's contributing 34% of the District turnover or R16 169 million. It is followed by Stellenbosch, Worcester, Ceres and Wellington. Wellington contributes 3% of the district turnover or R1 632 million.

¹ Western Cape PERO 2006

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On account of its proximity to a large market and to two major export harbours, as well as its natural beauty, well developed tourism, wine and agri-processing and other manufacturing industries, growing financial services and quality education the District is well placed to participate in the economy.

The District faces two clear challenges namely unemployment and a dramatic increase in drug related crimes. Unemployment is highest in Drakenstein at 22.8%. Youth unemployment accounts for 37% of total unemployment. Drug related crimes are lowest in Drakenstein.

6.2.3. Local context

Drakenstein is one of five municipal areas within the Cape Winelands District Municipality (CWDM). Drakenstein has 209 674 people living in the municipal area (2001 census). Sixty four percent of these are Coloured, 21% African, 14.6% White the 0.4% Indian. Twenty eight and a half percent of residents are under the age of 14, 37.5% can be classified as youth between 15 and 34, 27% are over 35 but fewer than 60 and just 7% are over 60 years of age. Of the economically active 65 324 were employed in 2001 or 71%. Also in 2001 there were 19 321 unemployed people and 5 623 discouraged work seekers.

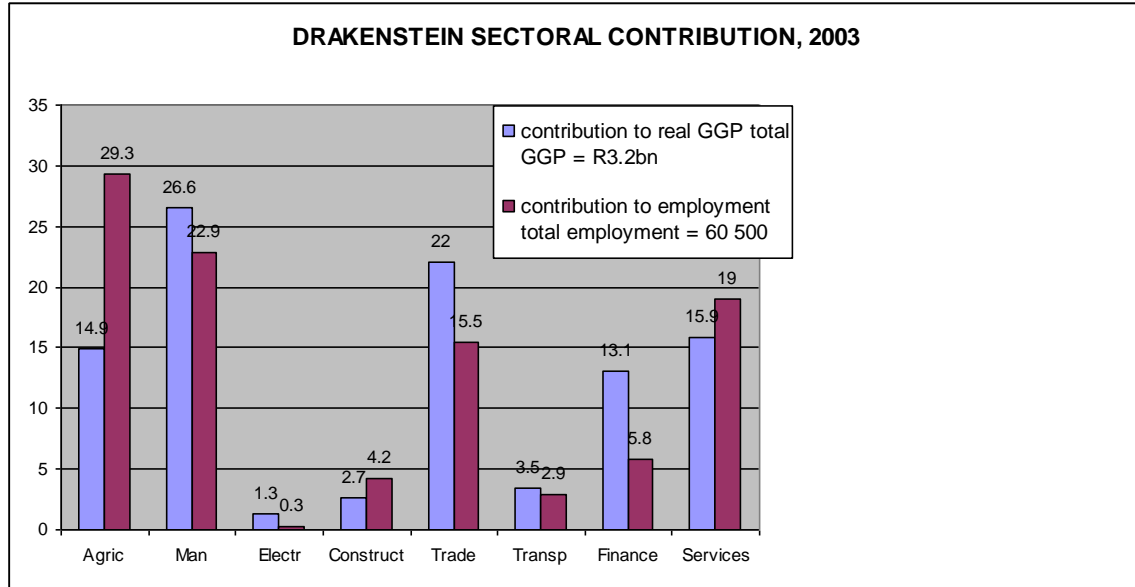
The proportion of people living in the towns of Drakenstein has grown over the last 50 years. This is a result of in-migration and movement of people off farms. It is anticipated that an increasing number of farm workers will in the future reside in urban areas, partly because of mechanisation and the changing labour process in wine and fruit. Farm insecurity and opportunities to access formal housing through national and provincial subsidies will also feed urbanisation. The growth of the towns reflects the past racial segregation. In addition the growth in the urban population has not been matched by a growth in employment or service provision resulting in extreme poverty in many of these urban settlements. In rural areas the dominance of agriculture has meant limited opportunities for resource mobilisation. This combined with transport costs translates into limited economic opportunities and a high concentration of poverty in rural areas.

Drakenstein is the second largest economic centre in the Western Cape after Cape Town, contributing 3.6% to the Provincial GGP (the next largest contributor was Stellenbosch at 3%). In per capita terms Drakenstein generates more GGP than Cape Town, which has a far higher population, and it has one of the highest average incomes in the country. Despite its relative wealth the socio-economic statistics show extreme deprivation and poverty amidst immense wealth. The Bayette study on poverty showed that inequality in the Municipality has worsened since 1996 and that employment has decreased in key sectors such as manufacturing that are traditional employers of lower and middle income workers. (*Bayette, undated, Poverty*)

The graph below provides an overview of the contribution to GGP and employment by sector (*Drakenstein State of Environment report 2005*).

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Graph 1: Sector contributions to Gross Geographical Product (GGP) and employment



Agriculture is the biggest employer while manufacturing contributes the most to GGP, followed by trade and services. Drakenstein is the agricultural centre within the wine and fruit belt. The primary agricultural production has strong backward and forward linkages with the local economy, especially the manufacturing sector such as agro-processing, packaging, fertiliser and machinery. As Drakenstein is the service centre for the wider region the trade, services and finance sectors also play a significant role. The importance of agriculture is reflected in the following table of the top 12 companies by annual turnover: 2005 (alphabetical order).

Table 2: Top 10 by annual turnover firms in Drakenstein

Top 10 firms by annual turnover in Drakenstein	
Names of firm	Location
Ceres fruit juices (Pty) Ltd	Paarl
KWV international Pty Ltd	Paarl
KWV SA (Edms) Bpk	Paarl
KWV SA (Edms) Bpk	Paarl
Meadow feed mills Cape	Paarl
Paarl media (Pty) Ltd	Paarl
Paarl printing (Pty) Ltd	Paarl
Pioneer voedsel groep Bpk	Paarl
Rhodes food group (Pty) Ltd	Paarl
Slabbert Burger transport	Worcester
Tiger food brands	Paarl

As the table below demonstrates Paarl accounts for the bulk of the economic activity (75.8%) followed by Wellington (16%), Huguenot (7.7%), then Gouda (0.4%) and finally Saron (0.1%). In Saron the key sectors are agriculture, manufacturing (linked to agriculture) and wholesale and retail. In Gouda it is agriculture, business services and wholesale and retail. In Huguenot the key sectors are manufacturing, wholesale and

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retail and business services suggesting it is more of a business centre servicing other areas. The same is true for Wellington which is dominated by manufacturing, transport, services and wholesale and retail and is a service centre for the hinterland agricultural sector. Finally Paarl, the largest of the economies, is the manufacturing and wholesale base for the municipal area. The manufacturing sector can be further broken down into a range of sub-sectors. This highlights the links between the agricultural and manufacturing sectors with over two thirds of the manufacturing sector linking back to agriculture. Other key manufacturing sub-sectors are furniture/wood related products, textiles, metal related products and publishing. However the manufacturing sector has been in decline with the closure of some of the textile firms, the knock on effects of the decline in agriculture and the high service charges relative to other areas.

Table 3: RSC levy database analysis by town and sector

Drakenstein RSC levy database analysis of turnover (rands) per sector											
Sector	Gouda		Saron		Wellington		Huguenot		Paarl		Total
	Turnover	%	Turnover	%	Turnover	%	Turnover	%	Turnover	%	Turnover
Agriculture	24,386,401	0.1	12,512,464	0.1	331,853	0.0	47,188,804	0.3	1,417,504,610	8.4	1,501,924,132
Construction	70,000	0.0	0	0.0	137,256,122	0.8	20,202,705	0.1	367,812,685	2.2	525,341,512
Electricity/ Gas/ Water	0	0.0	0	0.0	0	0.0	0	0.0	127,652,856	0.8	127,652,856
Financial/ Real Estate/ Business Services	0	0.0	6,108,792	0.0	410,961,486	2.4	421,821,622	2.5	1,253,569,590	7.4	2,092,461,490
Manufacturing	16,008,229	0.1	958,392	0.0	749,625,355	4.4	337,445,465	2.0	5,338,436,795	31.7	6,442,474,236
Mining/ Quarrying	0	0.0	0	0.0	0	0.0	0	0.0	507,744	0.0	507,744
Public/ Social/ Community Services	0	0.0	0	0.0	76,104,425	0.5	10,125,377	0.1	218,691,349	1.3	304,921,151
Transport/ Post/ Telecomms	80,000	0.0	0	0.0	649,768,720	3.9	14,376,912	0.1	513,808,216	3.0	1,178,033,848
Wholesale/ Retail/ Hospitality	20,586,172	0.1	5,248,968	0.0	663,333,647	3.9	452,503,900	2.7	3,533,504,677	21.0	4,675,177,364
TOTAL	61,130,802	0.4	24,828,616	0.1	2,687,381,608	16.0	1,303,664,785	7.7	12,771,488,522	75.8	16,848,494,333

The table above gives an indication of the value of business by sector and town. The one below gives an indication of volumes. The largest number of firms is found in the wholesale/ retail/ hospitality sector followed by the financial and business services sector and then agriculture. Manufacturing which is the highest income earner has less than one third the number of firms in the wholesale/ retail/ hospitality sector. Also interesting to note is the small number of RSC levy paying firms found in Saron and Gouda.

Table 4: No of firms by sector and town

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No of firms by sector and town						
Sector	Gouda	Saron	Wellington	Huguenot	Paarl	Grand Total
Agriculture	5	6	108	19	219	357
Construction	1		20	9	85	115
Electricity/Gas/Hot Water					1	1
Financial/Real Estate/IT/ Business Services		1	93	24	373	491
Manufacturing	1	1	60	23	136	221
Mining/Quarrying					1	1
Public Admin/Social/ Recreational Services			61	13	204	278
Transport/Post/ Telecommunications	1		19	5	54	79
Wholesale/Retail/Hospitality	5	3	139	40	528	715
Grand Total	13	11	500	133	1601	2258

Within the agricultural sector viticulture is a key sector with 18% of all wine grapes in South Africa are found in Paarl. Olives are another key product with 90% of all South Africa's olive crops produced in the Western Cape and a significant number of these in the greater Paarl area. The agricultural sector is dependent on exports, is characterised by high debt levels, continuous increases in production costs, steep land values, reduced subsidies from government, a decrease in the use of permanent labour and highly seasonal labour trends and low levels of formal education amongst farm workers.

Ownership patterns in the agricultural sector are very skewed. For example the wine industry forms part of both the agricultural and tourism sectors is 99% white with only 1% of the industry owned by historically disadvantaged people. The planned wine industry charter will go a long way to addressing this through providing a framework for black communities linked to the industry to increase their equity and participation in the industry.

The tourism sector is under developed given its prominence in the broader CWDM area. Paarl receives a number of day visitors about half of which are local and the other half international. Tourism in Paarl is seasonal with peaks in the November and February and a low season in April to August. Wellington has a more even profile but also has a low period in July. Here domestic visitors outnumber international visitors. This can most probably be attributed to the fact that the town has a number of historic/ cultural attractions that have more significance to South Africa than international visitors. The industry is fragmented, lacks a service culture, is beset by skills gaps and has poor intelligence particularly in the demand site. In general the local industry tends to put too much emphasis on the international market which is volatile. The sector has experienced an increase in the demands for niche products and self planned trips. As with agriculture the sector is not transformed and is still largely White owned.

Similar patterns of skewed growth are evident in the construction sector. Just 4% of the total investment in residential housing went to houses of less than 30m², constituting around one quarter of the total number of houses built in the last three years. Business construction in the same period has declined with total business investment in the period around 15% more than the investment in residential properties.

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Despite an acceptable rate of output growth of 2.5% per annum overall growth in employment has been low, around 1% per annum. This has resulted in an increase in unemployment to 23% in 2003. Employment patterns are highly racialised and gendered. The manufacturing, construction, transport, storage and communications industries have all shed jobs. These sectors are key employers of African and Coloured males. The key growth sectors namely whole and retail and financial and business services employ higher skilled people and are key employers of Whites, Asians and Coloured females. The table below provides an overview of the number of people employed per sector by race and gender. Overall employment creation has been inadequate with the increase in jobs is 30 times below what is needed to accommodate the growth in population (*Phase 2 LED analysis*).

Table 5: Industry breakdown of employed, 2001 (From Stats SA)

Industry breakdown amongst the employed								
aged 15 to 65 years, population group and gender.								
Drakenstein Local Municipality	African/Black		Coloured		Indian/Asian		White	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture; hunting, forestry and fishing	1513	1381	6527	6461	3	13	814	294
Mining and quarrying	16	0	140	84	0	0	20	9
Manufacturing	1066	320	3749	2460	17	11	1148	553
Electricity; gas and water supply	16	6	169	18	0	0	25	4
Construction	1221	52	2121	126	3	0	346	65
Wholesale and retail trade; repairs, hotels and restaurants	775	489	2306	2624	37	23	981	762
Transport, storage and communication	300	33	914	107	9	0	312	148
Financial intermediation; insurance; real estate and business services	330	118	1166	893	8	9	1053	1146
Community; social and personal services	808	568	3060	2887	12	10	1157	1585
Private households	98	713	279	2021	0	0	34	46
Other and not adequately defined	0	0	0	0	0	0	0	0
Undetermined	408	289	2490	2257	12	25	688	564
Not applicable	7751	10681	17025	22274	87	115	3079	4984
TOTAL	14302	14650	39946	42212	188	206	9657	10160
<i>Percentage</i>	<i>10.9%</i>	<i>11.2%</i>	<i>30.4%</i>	<i>32.1%</i>	<i>0.1%</i>	<i>0.2%</i>	<i>7.4%</i>	<i>7.7%</i>

In 2003 exports amounted to R2.6 billion. Drakenstein exports a variety of products namely fruit and nuts (41%), wine, beer and spirits (37%), processed fruit, vegetables and nuts (9%), tobacco (5%), machinery (2%) and other (6%). This figure has increased by 89% in real terms since 1999. Exports in the municipal area have grown at a faster

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pace than the provincial exports, contributing 4.3% towards provincial exports in 1997 and 7.6% in 2003. The main reason for the expansion is the growth in wine exports, facilitated by the depreciation in the rand. The recent appreciation of the rand has therefore had a negative impact on the wine and broader export industry as a whole.

As with any South African town the informal sector plays an important role in the urban and peri-urban economies of Drakenstein. The bulk of this sector is survivalist. The retail sector makes up most of the informal economy. It has few linkages with upstream activities.

The economic benefits from a relatively high growth rate over the past decade in Drakenstein have not trickled down in terms of employment and social upliftment. In part this is due to the structural constraints in the economy, namely:

- Strong dependence on primary production and related processing / inputs
- The relatively low level of employment creation relative to growth
- The large concentration of family owned businesses
- Dependence of the economy on Cape Town and the broader provincial economy
- Changes in the labour process that do not favour low wage unskilled work (triple bottom line reporting)
- Low and seasonal income niches in tourism and farm work
- High entry costs into local economic opportunities (wine, tourism etc)
- Limited opportunities for Black Economic Empowerment based innovation and growth

Increasingly Drakenstein is becoming a premier node for higher learning. In addition to the Cape Technikon and the Boland College the recent establishment of the Wellington Huguenot College presents a range of opportunities for the area. However, all these facilities are situated in traditional white areas, and are, to a large extent, inaccessible to communities who could most benefit from these institutions.

6.3. Poverty and inequality

As stated earlier the striking characteristic of Drakenstein is the gap between the rich and the poor. Poverty has many different forms. It is about lack of income, poor living environments, weak social capital and the inability to access opportunities, process and institutions of power and resources. It is also useful to understand that conditions of poverty change. This means that some people move in and out of poverty, necessitating short term support, while others get locked in a poverty trap for an extended period of time. Yet others, while not absolutely poor, are unable to participate effectively in society due to the unequal distribution of wealth. In this section we present some of the facts about poverty and inequality in Drakenstein as a basis for explaining the diversified economic strategies of the approach detailed in Section 4.4.

Nearly one quarter of households in the Drakenstein Municipal area earn less than R800 per month. Forty-two percent of households earn below the suggested minimum household subsistence level of R1 600 per month. This poverty has a demographic and a geographic dimension. Although not the largest population group, poverty is most extreme amongst Black Africans. Forty seven percent of Black Africans earn below R800 per month, 25% of whom reported having no income. This phenomenon is in part a result of increasing urbanisation as a result of migration off the farms and in-migration into the area. By comparison 19% of Coloureds earn below R800. If we increase the

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benchmark to the household subsistence level (HSL) of R1600 per month then the figures increase to 72% of Africans and 38% of Coloured. Over 10% of households have no income. In addition there are a large number of households with income just above the poverty line who can easily fall into poverty by any number of setbacks, such as the loss of jobs or sudden illness. As the table below demonstrates poverty also has a gender dimension, with women constituting a large proportion of low income earners in each category.

Table 6: Household income

	<i>Below R800</i>			<i>Below HSL R1600</i>		
	<i>Black African</i>	<i>Coloured</i>	<i>Total (incl all pop groups)</i>	<i>Black African</i>	<i>Coloured</i>	<i>Total (incl all pop groups)</i>
Male	39 %	14 %	17%	68 %	33 %	35 %
Female	59 %	31 %	39%	79 %	51 %	56 %
Total	47 %	19 %	24%	72%	38%	41%

A large proportion of households are reliant on grants as the primary source of income. Unemployment, defined as those actively seeking and finding work, is currently sitting at 23%. The figure is much larger if you include those who are no longer actively seeking employment. The table below disaggregates this demographically, again reflecting similar 'racial' and in-migration patterns.

Table 7: Unemployment

<i>Race</i>	<i>Employed (%)</i>		<i>Unemployed (%)</i>		<i>Unemployment rate</i>
	<i>M</i>	<i>F</i>	<i>M</i>	<i>F</i>	
Coloured	82	82	18	18	18
African	63	42	37	58	47
White	96	97	4	3	3
Indian	80	86	20	14	7

Using income as the indicator of poverty, the poor are also concentrated in certain geographic areas. Spatially the geographic areas of poverty are concentrated in rural areas and informal settlements/ townships in the large urban areas.

Poverty is not just about income. It is also about a lack of access to land, shelter and services and a lack of access to opportunities. A brief overview of some indicators that reflect service access and opportunities follows.

Access to services varies again according to race, with Black African areas having the lowest levels of service as reflected in the table below. Although the comprehensive data is not available indications are that the worst serviced areas are the newest settlements.

Table 8: Access to services and housing

	<i>All</i>	<i>Black African</i>	<i>Coloured</i>	<i>Indian</i>	<i>White</i>
<i>Electricity</i>	79%	31%	90%	91%	98%

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<i>Water</i>	93%	81%	96%	97%	96%
<i>Sanitation</i>	90%	76%	92%	100%	99%
<i>Refuse removal</i>	78%	72%	77%	90%	88%
<i>Housing</i>	82%	49%	88%	95%	99%

Clearly from the table above there is a need to intensify housing delivery and along with this access to electricity in Drakenstein, especially amongst the African population. Access to opportunities is influenced in the first instance by the level of education and skills profile of residents and in the second by their mobility and connectivity.

As the table below reflects 14% of the population has no schooling and only 20.2% have some form of higher education. The bulk of working people are therefore employed in elementary occupations (+/-60% of Africans are unskilled workers and 50% of Coloureds are unskilled, compared to just 5% of Whites).

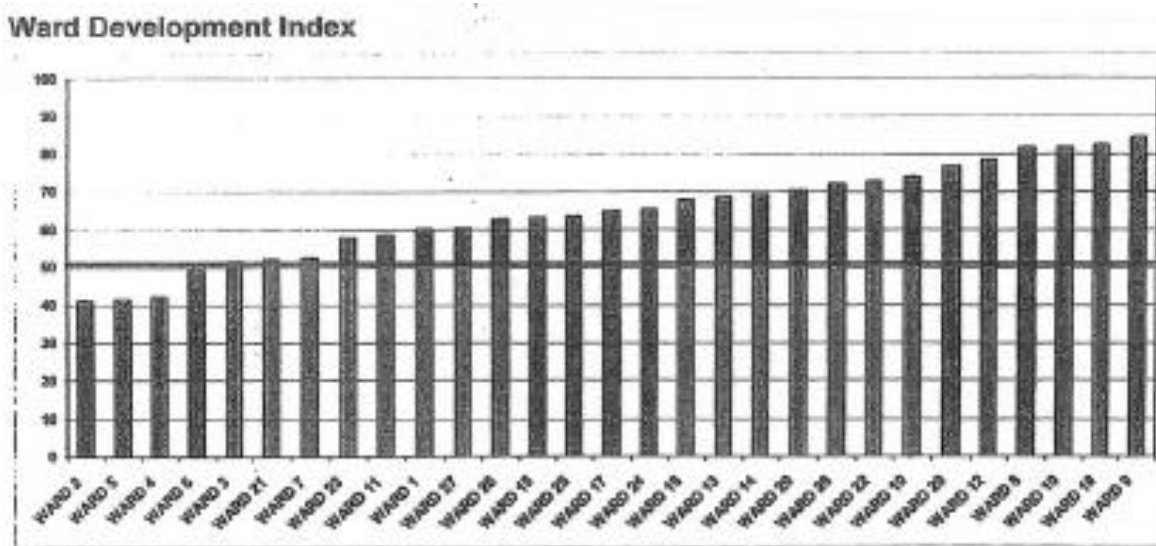
Table 9: Education level by population group and gender

Census 2001:Drakenstein highest level of education grouped by population group and gender.									
WC023: Drakenstein Local Municipality	African/Black		Coloured		Indian/Asian		White		Total
	Male	Female	Male	Female	Male	Female	Male	Female	%
No schooling	1071	901	2490	2988	5	5	51	59	14.0%
Completed primary	1295	1269	3612	4467	8	14	40	78	20.0%
Grade 12/Std 12	1829	2118	6181	5994	56	53	3922	4563	45.8%
Higher	395	477	1573	1821	24	30	3120	3471	20.2%

Finally, location to economic nodes and means of available transport provides some indication of the connectivity of residents and combined with skills of their ability to access economic opportunities. Spatially the poor are generally located away from the primary economic nodes with the worst transport access in the south-east and northern central strips of the municipal area namely wards 2, 6 & 15 followed by the rural areas to the east and west of Wellington and the east of Paarl namely wards 4, 7, 16, 17, 24 and 25.

A recent study on poverty commissioned by the Municipality categorised all the wards along a development index that depicted the comparative level of development in the ward based on Income, the Gini coefficient, literacy, housing status, % of children under 15, % of elderly, mode of travel, electricity, water, sanitation, telephone and refuse removal services. The lowest WDI was 41, in ward 2 which reflects the ward with the biggest development needs and the highest was 85 in ward 9 with limited development needs.

Graph 2: Ward Development Index



6.4. The strategy

The approach to LED has therefore been informed by the need to enhance and grow the Drakenstein economy on the one hand and the need to reduce poverty on the other hand. This dual economic development mandate rests on recognising the local character of economic need and of potential areas of growth.

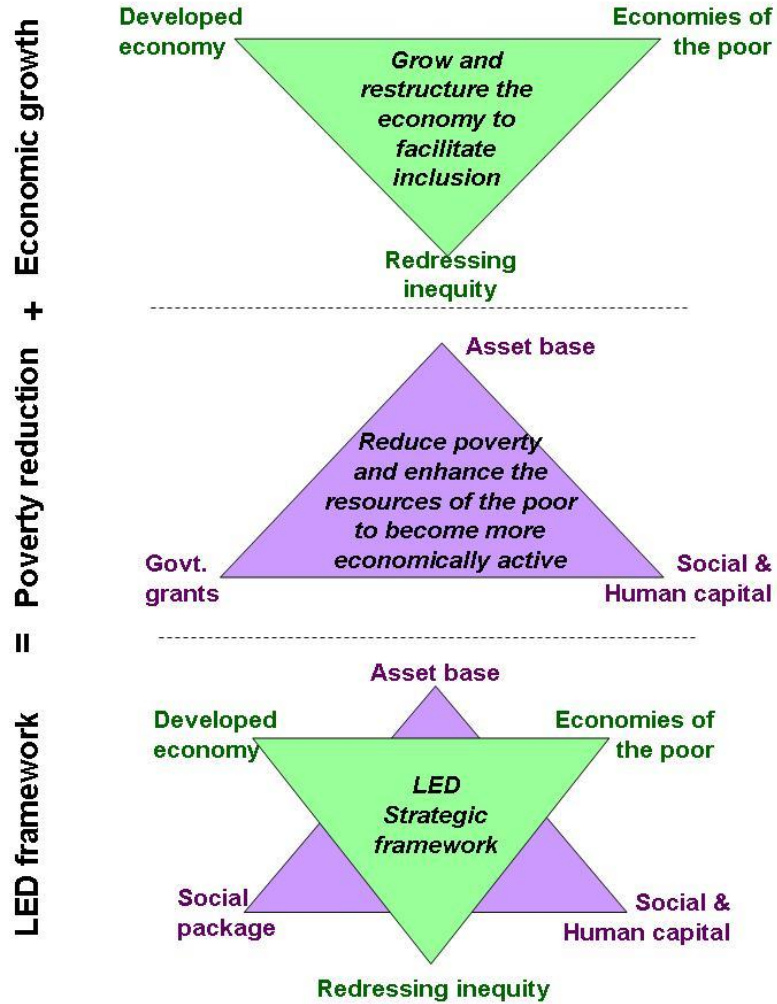
Economic development is understood to mean economic growth, an increase in the number of economic opportunities and a broadening of who is able to participate in the economy. It also includes the sustainable use of resources for the benefit of all residents now and in the future. Interventions to support economic development have been clustered under those interventions for the developed or first economy, those most appropriate for the economies of the poor (second economy) and those focused on building economic bridges to both broaden access and the gap between the first and second economies.

Poverty is understood to be a lack of income, lack of access to services, no or a limited asset base, a lack of skills, lack of access to opportunities and social exclusion. These needs are addressed through direct economic interventions plus three clusters of direct poverty reduction interventions namely securing the social package, building the asset base and the human capital of the poor.

It is reflected in the diagram below. Once the two perspectives have been merged they make up a star. A star denotes service, excellence, connectedness and achievement.

Diagram 1: LED strategic framework

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7. Principles

This multidimensional approach to LED is dependent on certain procedural and substantive principles being applied either within the Council itself or facilitated by Council officials and politicians. These are outlined below.

7.1. Procedural principles

Principle 1: Commitment

Commitment from all the major stakeholders is essential. This requires political will and active leadership from local government and a mechanism for involving the stakeholders in the process, for example, a stakeholder forum or partnership. An adequate budget for economic development is always an important sign of commitment.

Principle 2: Inclusive

LED must be inclusive of all the economic stakeholders (business, community, government, labour and civil society organisations) in the area. This includes informal

traders and women and priority target groups, e.g. youth, unemployed and SMMEs. Stakeholders need to be integrated into the networks and linked into economic processes through partnerships between governments, business, labour, relevant stakeholders and communities.

Principle 3: Strategic

LED requires a medium- to long-term strategic approach. Economic development needs to be planned and it takes time. The LED strategy should not be driven by crises or attempts to 'pick the big quick winner', many of which may not be sustainable.

Principle 4: Synchronise

LED is a multi-disciplinary process involving stakeholders in an integrated planning process. It requires co-ordination between the various branches in local government to ensure a unified approach, co-ordination with other spheres of government, and co-ordination with outside stakeholders. In addition, local area plans need to be aligned with macro-economic strategies and dynamics, and local community interventions.

Principle 5: Sustainable

Short-term unsustainable economic growth does not provide lasting benefits to an area. Instead, any plans must be sustainable in terms of people, money, natural resources and information. Part of ensuring a sustainable plan is harnessing and mobilising all available resources and ensuring their effective and sustainable management.

Principle 6: Accountable

Stakeholders, from both public and private sectors, must be held accountable in the LED process. This requires regular monitoring, and feedback to the stakeholder group on the findings of the monitoring.

7.2. Substantive principles

Principle 1: Market-driven

LED must be based on an understanding of the local area economy and of local, regional, national and global markets. All interventions must be driven by market demands and must be sustainable in the market in the medium- to long-term.

Principle 2: Realistic

LED interventions must be practical and realistically achievable with current and potential resources.

Principle 3: Include infrastructure and land

Infrastructure and facilities may make the difference between a successful LED programme and one that struggles. Any LED plan must therefore be cognisant of infrastructure needs, and ensure that plans are put in place to develop the required infrastructure and land.

Principle 4: Invest in people

People are one of the greatest economic assets in an area and are the heart of any LED process. An LED plan must therefore invest in human resource development and training. A plan should be based on thinking about the quality, for example, the type of training and jobs created, not just the numbers.

Principle 5: Leverage private investment for public good

Local governments do not have adequate resources to develop the local economy on their own and must involve the private sector. How private sector investment is mobilised and used is often a key determinant in an LED process. Wherever possible, private investment needs to be leveraged to improve the quality of life and security of citizens.

Principle 6: Promote innovation

LED requires innovation. Wherever possible, innovation and entrepreneurship need to be encouraged and promoted.

8. Roles and responsibilities

LED is a multi-stakeholder process and careful attention therefore needs to be given to the division of roles and responsibilities. Depending on the circumstances, and the programme adopted, the role of each stakeholder will vary. The section below provides an overview of the possible roles for each of the five primary stakeholders in the LED process.

8.1. Role of government

Government officials and politicians have a combination of roles to play, as a manager / co-ordinator, facilitator, investor, stimulator, representative and regulator. As this is a local economic development strategy the primary responsibility lies with local government. However as stated earlier the local economy is inextricably linked to the district, provincial and national economies. The district has a role to play in respect to coordination between surrounding areas, facilitation of sector strategies and investor in district wide initiatives. Province and national have a role as regulator, investor and coordinator. Local government must play all the various roles in partnership with the district and province. As this is the Drakenstein strategy the remainder of this section focuses on the role of local government.

Manager and co-ordinator:

In this role local government is the implementer or responsible authority.

- Policy formulation and leadership of integrated local economic development planning
- Collation and interpretation of economic intelligence
- Identification of infrastructure needs
- Management of national and provincial government mandates and interventions
- Facilities management

Facilitator:

In this role local government improves the environment and services, and facilitates outside expertise and resources to meet needs.

- Dissemination of information
- Creating a conducive and enabling business environment and culture
- Infrastructure provision
- Support of the informal sector and SMMEs
- Facilitation of development funding
- Facilitation of human resource development
- Process facilitator

Investor:

Government is a major investor and can use its resources to drive and stimulate the local economy:

- Procurement policy
- Use of state assets
- Infrastructure investment
- Housing investment
- Land use planning
- Environmental regulation

Stimulator:

In this role local government stimulates business creation or expansion.

- Promotion of particular sectors or areas that could be sustained by the market in the long-term, for example, the development of business infrastructure to attract business in a situation where the market (consumer or skills) exists, or the development of specialist skills, e.g. in the film industry
- From time to time government might need to take on the role of entrepreneur, for example, in a joint venture with the private sector to develop a business or sector.
- Local government planning will set the overall land use and investment framework – this can stimulate or stifle economic growth

Regulator:

Government is a regulator and enforcer and needs to ensure this role supports not constrains economic development. Here issues of environment, zoning, licensing, by-laws and municipal police and enforcement are all important.

Representative:

This is usually the role undertaken by elected representatives within local government.

- Understanding citizens' needs and communicating these to the administration
- Monitoring delivery and performance against the agreed plan.

The municipality needs to be clear on what role it is or can play for each of the proposed interventions within the Star strategy and within each step of the process outlined below.

8.2. Role of labour

Organised labour is an important stakeholder in the implementation of LED initiatives and programmes. They have a particular role to play in the protection of the labour base of Drakenstein. Increasing the number of jobs is a key objective of LED. Job seekers as well as those already employed must be consulted in the LED process.

Workers:

Labour represents the backbone of the economy. Workers have a role as productive human capital, as consumers and as political interest groups.

Representative:

As labour representatives the mandate is to:

- Understand workers' needs and communicate these to the management and the state
- Monitor delivery and performance against the agreed plan.

8.3. Role of communities

Buying, selling, building, saving and investing lie at the heart of community organisation, culture and identity. Ignoring the community voice in an LED process is to miss a fundamental constituency.

Consumers/ Investors:

Without consumption the economy would not exist. Choosing where to spend their money, on what products and on what suppliers communities invest in the local economy daily. Recognising their power is an important part of LED.

Stimulator / entrepreneur:

In these role communities stimulates business creation or expansion through:

- Identification and support for markets
- Partnerships

Representative:

This is usually the role undertaken by elected representatives or organisations. As community representatives the mandate is to:

- Understand citizens' needs and communicate these to the administration
- Monitor delivery and performance against the agreed plan.

8.4. Role of business

While the role of business in LED is widely recognised there is a tendency to only focus on big business and the formal sector. The informal sector also has an important role to play as investor and entrepreneur. Roles cross the formal and informal divide.

Investor:

The private sector is a major investor. Its resources both drive and stimulate the local economy both spatially and sectorally. This role is at times shared with donors or parastatals, which provide capital to the public or private sectors and become a partner in the development of the area.

Stimulator / entrepreneur:

In this role the private sector:

- Promotion of particular sectors or areas that could be sustained by the market in the long-term, for example, the development of business infrastructure to attract business in a situation where the market (consumer or skills) exists, or the development of specialist skills, e.g. in specialised agriculture or the mobilisation of a sector on the understanding that organised business is better able to engage government than fragmented and disparate individuals and firms
- From time to time government might need to take on the role of entrepreneur, for example, in a joint venture with the private sector to develop a business or sector.

9. Detailed strategy

Three specific interventions are suggested under each of the points of the star. These will be further developed and prioritised as part of the process of developing a detailed programme of action. Each of these will have a different emphasis and their impact will be better suited to a particular economic sector, income group or geographical area.

Clearly some interventions will need to be applied across wards (e.g. economic data). Others will be limited to specific wards (e.g. EPWP or skills training). Yet others will have an impact beyond the ward of application (e.g. marketing and investment). In summary then this is not a one ward, one LED intervention proposal but rather a conscious attempt to address the differentiated community and the spatial patterns of economic need and opportunity.

The sub sections below provide a summary of the proposed interventions, the target audience, geographic focus and the responsible directorates for each intervention.

9.1. Developed economy

The developed economy provides economic wealth, opportunity and formal sector employment. Growing this economy is key to the long term success of LED. This requires restructuring so as to take into account the relatively new global context. It also requires restructuring so that there is broad based black economic empowerment with an emphasis on local investors, partners and beneficiaries. A multitude of interventions are needed to ensure growth and competitiveness. Some of these are best coordinated and implemented provincially, for example marketing of the Western Cape as a destination. Others are a district level priority, for example marketing the District within the provincial brand or some sector based strategies, and yet others are municipal level strategies.

Developed economy		Target
<i>Objective</i>	To increase the number of economic opportunities and breadth of participation by growing the formal economy by 6% by 2014	
<i>Interventions</i>	Sector support	Major economic sectors
	Development of the urban landscape	Paarl and Wellington
	Marketing strategy	Businesses and tourists
	Sustain the educational quality	Schools and school goers

9.1.1. Sector support

Sector support is a national, provincial, district and local function. In Drakenstein four sectors have been selected as priority sectors. These correlate with the Provincial priorities and the District priorities.

Manufacturing

As the largest contributor to GGP and the sector with the highest number of job losses, manufacturing has been selected. It is a significant provincial sector and a district priority. Within the sector the focus will be on:

- Service tariff incentives for businesses creating over 250 jobs.
- Support for backward linkages to the agricultural sector

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- Support for the clothing and textile sector in line with national and provincial programmes
- Reducing red tape and improving Council services to new and existing businesses

Agriculture

As the largest employer agriculture is another priority. Again it is a district and provincial priority. Here the focus will be on:

- Interventions to support the transformation of the agricultural industry to enable black economic inclusion and empowerment and to ensure that the agricultural sector as a whole remains competitive.
- To develop an agricultural and land programme for Drakenstein which aims to address the imperative of transferring 30% of the land in such a way that black empowerment occurs in all aspects of the agricultural industry and that the industry itself grows
- Interventions to transform the wine sector
- Support for the development of niche markets through tapping provincial and district resources
- Small farmer development building on the district small farmer development programme
- Support for developing successful commercial black farmers
- Support for the Table Grape Farm Worker of the Year competition and its extension to other agricultural industries.
- Support for cooperatives drawing on the provincial cooperative support programme
- In addition protection of the Berg River's water quality is essential.

Tourism

The tourism sector is a key provincial and district priority and a sector with huge growth potential in Drakenstein. Developing the sector requires a collaborative approach across all stakeholders including:

- In integrated tourism plan for Drakenstein that looks at linkages between tourism organisations across the municipal area and at all sorts of tourism activities.
- Improved signage and branding,
- Development of new tourism sites. In the next 3 years the development of Madiba House at the prison and De Poort as a wagon museum has been prioritised.
- Within the agricultural sector there is an interest and commitment to forge greater links with the tourism sector building on the success of the wine routes
- Support for festivals and shows to attract people to the area such as the Cultivaria Festival and the Festival of Lights
- Cooperating with the district to develop a marketing strategy that locates CWDM in the Western Cape and profiles the value of each of its tourism destinations
- Development of a database tool that can assist with marketing, identification of tourist products and improve the involvement and use of SMMEs.
- In an attempt to address the skewed patterns of ownership in the sector the Municipality will work with Provincial Tourism Enterprise Development Programme to mobilise support and resources for emerging enterprises
- On-going support for the development and upgrading of the tourism offices

SMME

The final sector prioritised is the small and medium enterprise sector. This includes the informal traders. The bulk of businesses in Drakenstein are old established businesses. Just under 50% of firms in the Drakenstein area have been in operation for more than 10 years and as many have operated from the same premises for more than 10 years. (CWDM Firm-level study, July 2005). In order to broaden participation in the economy, support to grow and develop business is needed at the micro end of the market.

This intervention is designed to enable businesses to run efficiently and mature, and is particularly targeted at start-up and emerging enterprises in the formal and informal markets. It is also intended to increase the use of SMMEs in procurement of services within the Drakenstein Municipality. Services include networking businesses, training, advice and counselling, and marketing. These services can be provided through coordinated networks, business advice centres, voucher systems or on a one-to-one basis.

The SMME sector is both a national priority as outlined in ASGISA and a provincial priority supported by a range of programmes. The municipal sector support strategy will include:

- The RED Door is a one-stop-shop where SMMEs are able to access a single point to seek assistance. Province has opened an office in Drakenstein located in Paarl. The municipality plans to strengthen this office and improve its services which include:
 - An effective and reliable network of business support service providers.
 - Tender advice and support.
 - Financial support through its loan fund which underwrites loans from financial institutions.
 - Information on business opportunities.
 - Identification of appropriate manufacturing accommodation and key trading sites.
 - A data base to provide customised printed information on economic, geographic and demographic areas of opportunity.
 - An Internet café to plug into global business opportunities
- A partnership with SEDA which also has offices in Paarl to broaden access by local businesses
- The development of an incubator programmes for SMMEs
- Business linkages between large and small business to help expose and grow the SMMEs
- A study on the SMME sector composition as part of the baseline economic dataset for the municipality
- Capital investment in selected business hives as locations for SMMEs to operate from
- Support for an annual small business expo
- Changing the urban environment in both Paarl and Wellington so that the informal traders have a secure space that allows them full access to the economic opportunities of the relevant business centres.

9.1.2. Development of the urban landscape

Maintaining the natural heritage of the area is an important part of retaining a competitive edge for both tourism and the service sector. The municipality has therefore:

- Commissioned and funded an urban edge study
- Entered into a public-private partnership with businesses to renew Paarl CBD
- Similar initiatives need to be undertaken in other Drakenstein towns

9.1.3. Marketing

Drakenstein Municipality in partnership with the District plans to develop a coordinated marketing strategy to promote tourism and investment in the area. This strategy will be developed in close cooperation with Cape Town Routes Unlimited. The strategy will be supported by a range of private sector marketing initiatives to be developed in the integrated tourism plan.

9.1.4. Education

Finally, the economic attractiveness of an area is affected by a number of factors, one of which is good quality education. Drakenstein is a recognised centre of educational excellence boasting a range of good secondary schools. This competitive advantage needs to be retained. It is not an area where the municipality will play an active role, education not being a local mandate, but is one where the private sector has a critical role to play.

9.2. Economies of the poor

Many residents fall outside the more established economy and survive through establishing or working for themselves as an informal trader, survivalist business or by working on a small farm or job creation programmes. Growing the size and jobs of this economy is key to combating unemployment and improving the livelihoods of the poor.

Economies of the poor		Target
<i>Objective</i>	To increase and broaden participation of the poor in the economy by creating an additional 12 500 jobs by 2014	
<i>Intervention</i>	Maximise the creation of low skilled jobs via EPWP	Unemployed
	Cooperative support programme	Unemployed, informal traders and subsistence farmers
	Small farmer support programme	New emerging farmers
	Food gardens	Urban poor with no income living in the towns
	SMME support (see developed economy sector support)	

9.2.1. Maximising the creation of low skilled jobs

At least 23% of the working population in Drakenstein are unemployed. Despite the output growth of over 2.5% employment in the region has only grown at around 1% per annum. This combined with population growth and in-migration has resulted in a rising number of unemployed people. Of the employed around half are employed in elementary occupations. This is in part due to the nature of work in Drakenstein (agriculture and manufacturing dominated) and in part due to the skills profile of people. 14% have no education and only 20% have some form of higher education. Strategies

that maximise the creation of low skilled jobs, combined with human development interventions, are therefore critical to the development of the economy and the growth of household income.

The programme here will be championed by the Municipality with a roll out of the Expanded Public Works programme in the environmental, social and infrastructure sectors. Provincial resources and expertise will be tapped to assist the municipality develop an innovative and cutting edge EPWP programme focused on the creation of a minimum of 2 000 jobs per annum.

Another strategy that will be explored is replicating the Overstrand Local Labour Promotion Programme model. This provides low skilled manual work to residents in service arrears. A proportion of the wage is used to off set the arrears and a proportion goes towards supplementing the household income.

Finally projects focused on waste sorting linked to schools will be facilitated by the Municipality as part of its job creation programme.

9.2.2. Cooperative support programme

Nationally cooperative legislation has just been finalised and the Western Cape Provincial Department of Economic Development has identified support for cooperatives as one of its key interventions. The agricultural and manufacturing base in Drakenstein make it an idea location for the strategy to be piloted. The Municipality will cooperate with Province and the District to develop a cooperative support programme that creates a minimum of 500 jobs.

9.2.3. Small farmer support programme

The Cape Winelands District has run a small farmer support programme over the last couple of years. This has provided a base for new emerging farmers to access support and technical resources increasing their chance of success. Drakenstein will expand this programme through the provision of additional funding to broaden the number of people that are able to benefit from the programme. Currently the district is supporting 10 groups with R300 000 per annum.

9.2.4. Food gardens

Nearly one quarter of residents in Drakenstein earn less than R800 per month and a significant number of these report no income (10+%). Most of these families most pressing need is food security. While cash income, whatever its source remains by far the most important single determinant of household food security and consequently of the adequacy of nutritional intake, various non-cash options exist for supplementing cash income, including food gardens. Drakenstein launched a pilot to set up urban based food gardens. It identified beneficiaries in 4 wards. This pilot will be rolled out and expanded through a partnership with local NGOs, churches and support from the municipality.

9.3. Redressing inequalities

One of South Africa's biggest challenges is redressing the historic inequalities and developing bridges between the first and second economies that facilitate movement for informal to formal and broaden economic participation both of the historically disadvantaged and of the poor in the economy of the municipal area.

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Economic bridges		Target
<i>Objective</i>	To broaden economic participation through the transfer of land and support for BBEEE	
<i>Intervention</i>	Preferential procurement policy	SMMEs and HDI firms
	Land policy	Landless
	Rural transport	Those located far from the economic centres
	Economic information	All economic actors

9.3.1. Procurement

The procurement of goods and services from local providers creates a multiplier effect and stimulates local economic development. Government is a significant buyer of goods and services and is well placed to use its buying power to broaden participation, impact on the local economy and encourage reinvestment in the local economy. The same is true for the business sector.

Procurement is the purchasing of goods and services to enable the Council or a business carry out its work. Buy local and preferential procurement policies are two well developed policy directions adopted throughout South Africa to address the historic racial inequalities and stimulate the local economy.

Drakenstein's procurement policy provides clear guidelines, targets and a system for evaluating the black economic empowerment status of a provider. Council's current target for BEE procurement as a percentage of all procurement is 20%. This will be increased to 40% in 2008.

The current policy also notes the importance of SMMEs and promotes preferential procurement and joint-ventures and sub-contracts with SMMEs. This is noted as a specific goal to be evaluated along with equity and the location of the firm and its labour. However, no targets have been set for SMME procurement or local procurement.

Given the potential multiplier effect of procurement spending in the area additional targets for SMME and local procurement are recommended. In addition, the private sector businesses in the Drakenstein area will be encouraged to adopt similar policies with the addition of buy local and SMME quotas as part of their contribution to supporting the local economy.

9.3.2. Land policy

The skewed patterns of ownership within Drakenstein and the current land prices are one of the biggest barriers to broadening the base of economic participation. Nationally government has set a target of 30% of land to be distributed by 2014. Yet as stated earlier in this report just 1% of the wine industry is HDI owned and most of the land in Drakenstein has been owned for generations by the same family. As such the use and distribution of state land which accounts for some 20% of all land is critical to meeting the transformation agenda of government.

Drakenstein Municipality has commissioned both a rural and urban land audit in order to determine what assets are at its disposal. Following the completion of these audits it is proposed that the Municipality develops a comprehensive land policy covering

redistribution, restitution, resourcing and development. The recent release of land in the CBD as part of the CBD renewal programme is on condition that the development company is 40% black owned.

9.3.3. Public transport

Public transport is increasingly being recognised as one of the key instruments to unlock economic opportunities for the poor. In Drakenstein Paarl and Wellington are both serviced by a rail line with good connections to the metropolitan area. Sadly this access does not extend outside the two towns with residents in rural areas such as Gouda and Saron denied access to economic opportunities because of the lack of adequate public transport.

In partnership with Province, State Owned Enterprises and the private sector Drakenstein Municipality will bring a process to broaden public transport access across its municipal boundary.

9.3.4. Economic information

Information on the economy, both formal and informal, the area, the population and the dominant sectoral trends is all critical to developing and refining an LED strategy. Disaggregating data at a local level and gathering knowledge of the local economy, especially the informal economy, is not always easy. Drakenstein has very good information on the state of poverty in the area, and on formal economic activity. The IDP consultative process provides one forum to listen to the views and needs of the business sectors. However, as with many areas, businesses in the second economy (informal) are poorly represented and there is limited information available on the sector. For example, Drakenstein has a register of 250 traders in Paarl yet an informal street count indicated there were over 450 traders. (*LED Phase 2*) Little is known of what support base potential incubators of economic growth require. There is also limited information available on the economic needs of the poor. Finally, there is a need for more information on the skills base of residents and the skills needed to inform the human capital strategy.

Local government has a central role to play in the collection, collation and dissemination of information. This is most successfully done when working in partnership with Statistics South Africa, Provincial government, academic institutions, NGOs and the private sector. Data collected needs to be coordinated, collated, cross-checked, analysed, communicated, monitored and updated.

To embark on an LED programme you need information on what is happening, where it is happening and how it is happening, you need to know the strengths, weaknesses, opportunities and threats facing the area, you need to know what the community is good at and what they have to offer and you need to know what their weaknesses are too. You need to know about the competition. This information needs to cover the formal and informal economies and the market and non-market aspects to the economy for example mothers who stay at home. Annexure 2 provides an overview of the types of data most commonly required.

Much useful data for LED that is already Council owned (like service consumption levels, property improvements etc) should also be incorporated into the LED data pool. A

further type of information that is crucial for putting the strategy into operation and for facilitating partnership is stakeholder contact details.

The Municipality will employ a dedicated researcher to manage its economic information collection. This needs to be supplemented by information from the tourist information offices, the district and the provincial EDU.

9.4. Social package

For the poor grants, are often their only forms of income. Within Drakenstein over one third of households survive on some form of grant income. And 10% have no income. Maximising access to grants is therefore key to the economic lives of many of the poor. In this intervention national and local grants are identified.

Government Grants		Target
<i>Objective</i>	To facilitate universal access to basic needs and social services	
<i>Intervention</i>	Welfare grants	Indigent, disabled and aged
	Indigent grant	Indigent
	Social and community services	Poorer communities

9.4.1. Welfare grants

An important source of income for the poor is state welfare grants. A total of 7 204 school children are on the School Feeding Scheme, 8 835 children are supported via a child support grants and an additional 548 are on foster care grants. The total number of people with disabilities who receive grant payments amount to 4 239. Finally, 4 601 people receive old age pensions. In total over one third of households rely on some form of grant income. Evidence suggests that not all those who could be benefiting from grants have been able to access them. Facilitating access is key to the LED strategy of Drakenstein.

The Municipality will, in conjunction with the Provincial Department of Social Services facilitate access to information about grants, identify documents required to access grants, and boosting the social service regional offices and support staff in order to ensure everyone who is entitled to a welfare grant in Drakenstein is able to access the grant.

9.4.2. Indigent grants

a. Reason for intervention

Poverty is not just about income. It is also about a lack of access to land, shelter and services and a lack of access to opportunities. Universal access to basic services is in the public interest but a significant percentage of the population of Drakenstein cannot afford to pay for these without state support. Not all of those needing support to access their free water and electricity are not receiving it because they are living in an informal area and services have not been extended to the area.

In addition to the national policies which provide 6 KL of water per month and 50 KWh of electricity many municipalities have developed their own indigent grants for rates and rental. Drakenstein does not have an adequate indigent policy and will develop a policy, and the necessary systems to support the policy.

9.4.3. Social and community services

a. Reason for intervention

Drakenstein has 18 informal settlements all inadequately serviced. In addition the dominance of housing in the development of new settlements for the poor has meant that there are not always adequate community service facilities and/or that these facilities are not well integrated into the plans and so are poorly conceived, located and/or managed. The problem is compounded because funding for some community services, such as schools are derived from the province or district.

Health services are important, particularly in areas of poverty and in rural areas where access is more limited. Given the incidence of alcohol abuse, TB and the increasing prevalence of HIV/AIDS health is critical to the survival and economic potential of the poor.

Integrated settlement planning grounded in community participation and local knowledge that ensures that community service facilities such as libraries, crèches, clinics and transport hubs are prioritised in land allocation, township planning and funding.

Drakenstein will ensure all its residents are within commuting of a health care facility, library and a crèche as part of its community facility policy.

9.5. Social and human capital

Currently one of the biggest constraints to growth is the mismatch between the skills levels of the unemployed and those needed in the economy. For many poor people their lack of skills is a barrier to entry into any form of employment. Developing the human capital of residents, especially the unemployed is therefore key. As important is building the social capital of residents. This includes facilitating networks, community development and addressing the high incidence of money borrowing, especially from loan sharks charging exorbitant interest rates.

Social and human capital		Target
<i>Objective</i>	To build the social and human capital of the poor	
<i>Intervention</i>	Sector based skills development and training	Unemployed and those employed in sectors in decline
	Skills strategy	Providers
	Continuous education	Children in low-income communities and the illiterate
	Social capital	Low-income communities

9.5.1. Sector skills training

Addressing the skills mismatch is a key priority in the ASGISA strategy and there are several national initiatives to address our skills needs from the Department of Labour skills programme and National Qualification Framework to the programmes around scarce skills.

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In Drakenstein the priority target group are those with elementary and artisan skills which includes the unemployed, people employed in declining sectors who will in time lose their jobs and the youth.

Key sectors that have been identified for sector based training include manufacturing (especially the clothing sector), the hospitality and the agricultural sectors. Skills development will be driven by the private sector, the FET colleges with support from both the Department of Labour and the SETAs.

9.5.2. Skills strategy

Education and skills development are not a direct function or competency of local government. However, the council has a role to play in line with the human resource strategy outlined in the provincial Growth and Development Summit report – promoting and facilitating skills development. A skills development strategy for Drakenstein must relate to the needs of the economy and in particular to the need to develop entrepreneurial capacity. The Municipality has identified the development of such a strategy with relevant stakeholders as critical.

9.5.3. Continuous education

a. Reason for intervention

Drakenstein's poor are impoverished by a lack of education and therefore access to economic opportunities. Fourteen percent have no schooling and a further 20% have only completed primary schooling. The lack of early childhood development not only delays the learning path of poor children, but it can also expose them to additional hazards if they are left under-supervised at home.

The importance of education as an economic driver has long been accepted internationally. In line with this thinking Drakenstein will prioritise early childhood development (ECD) and adult basic education (ABET). In partnership with NGOs and the District it aims to reduce illiteracy by 10% with a massive programme targeting farm and domestic workers. The other major area of focus will be on the provision of ECD services through rolling out the EPWP ECD learnerships, provision of facilities and private sector funded municipal resource centres/ libraries that have equipment and toys for loan by centres in less resourced areas. In addition there will be work with farmers and farm workers around foetal alcohol syndrome.

In addition there need to be training programmes which are sector specific, vocationally and trade oriented. These will need to be given concrete programmes during the development of the implementation plan.

9.5.4. Social capital

Often the poor do not have the same networks or safety nets as the rich. Consequently they suffer disproportionately when faced with a disaster or when wanting to explore new economic opportunities. A particular concern in the Drakenstein area is the lack of access to credit and the predominance of loan sharks in both rural and urban areas. Community savings are one alternative to the debt trap for poor communities. However this assumes there is a functioning community.

Building and strengthening of community organisations, local savings and networks both within and between communities is extremely important. Particular attention needs to be paid to building networks amongst women given the increasing incidence of abuse and the number of female single headed households. Here the Municipality will access the host of special programmes funded by Province and NGOs through the development of a database of available services. This will be supported by NGOs working in the area.

9.6. Building the asset base of the poor

Building the asset base of the poor has long been recognised as an important strategy to combat poverty. In South Africa several programmes have been introduced to subsidise individual asset accumulation – land and housing. These provide stability and security to the poor. In addition, a range of community assets have been identified that help develop and grow a particular location.

Building the asset base of the poor		Target
<i>Objective</i>	To build the asset base of the poor	
<i>Intervention</i>	Land redistribution	Landless, homeless and emergent farmers
	Housing	Residents without adequate shelter

9.6.1. Land

Land is one of the most valued assets for the rich and poor. It provides security of tenure, stability, an asset base and in a farming community an opportunity to earn an income. The key intervention here will be the development of an Agriculture and Land Programme as outlined in Section 9.1.1 above. This intervention will focus on land reform imperatives, local knowledge experience and opportunity and will look at the options for developing a long term plan with clear targets and responsibilities. This intervention will focus primarily but not exclusively on agricultural land. In addition there needs to be a comprehensive audit of all land, including urban land to look at how state land can be used to address structural inequalities.

9.6.2. Housing

The housing backlog in Drakenstein is around 21 000 units. Lack of access to housing undermines the poor people’s ability to engage economically. However as the recent *Breaking New Ground* Policy recognises the provision of houses is not sufficient to create an asset base. Integrated sustainable human settlements are needed that meet the housing, social and economic needs of residents. In general housing for the poor has not been provided in an integrated way and many new home owners are still constrained by the lack of appreciation of their new asset base. By contrast property values in middle to upper income areas have enjoyed unprecedented increases in property values, along with the rest of the country, and in general demand outstrips supply. Individually owned housing is just one model of housing provision. Others include rental and social housing. Drakenstein’s current housing stock is limited (3 127 units) and there are no examples of social housing.

Drakenstein therefore commits itself to the provision of homes in integrated human settlements for those without shelter. In addition the private sector will mobilise its resources to address the gap housing market. The Municipality will support this through the promotion of mixed use/ income developments in all its planning approvals. In

addition densification will be encouraged and settlements that meet the densification targets or provide for mixed income developments will be fast tracked through the approval process.

10. Organising the effort

Local economic development is not the domain of local government alone. Therefore the process of developing an LED plan needs involve other stakeholders. Information is key to informing the decisions of the collective and needs to be collated from the onset. Finally, a municipality initiating an LED process should get together with other municipalities in the district and ensure both a coordinated approach and that the necessary resources and capacity are in place. They also need to coordinate with the economic centre of the province, Cape Town.

The following seven steps to planning and implementing LED are proposed:

Step 1: Getting the stakeholders together

Stakeholders need to be identified from the government, business, labour and community sectors, and an inventory of skills and resources completed. Existing forums for public-private dialogue should be used wherever possible. Various stakeholders have been consulted in the process of developing this document. The consultative process with stakeholders will culminate in the LED Summit planned for September 2005.

Step 2: Collecting and analysing the data

Data needs to be collected on local economic activity. This information needs to take into account the municipal, district and provincial context, and should include an assessment of the area's strengths, weaknesses, opportunities and threats. A clear understanding of the local impact of the broader district, provincial and national economy is also important.

Step 3: Agreeing on targets

The IDP sets out a series of targets for the LED Unit. These are:

Step 4: Developing options

Alternatives and options at different levels need to be developed in detail and presented to stakeholders, bearing in mind local resources (human and financial) and capabilities. Some institutional reform (eg by law changes) may be necessary.

Step 5: Prioritising, choosing and developing partnerships

Stakeholders need to prioritise the interventions and capture them in an implementation strategy. Once the direction has been agreed, you also need to initiate the relevant partnerships to enable you to proceed. The Summit planned for September will conclude with a list of priority interventions.

Step 6: Action planning and implementing

Specific projects need to be developed with clear objectives, outcomes, tasks and deadlines, and including institutional arrangements and resource requirements. This will be the task of the Directorate following the Summit.

Step 7: Monitoring, feedback and adjusting the plan (ongoing)

Quantitative and qualitative monitoring should be undertaken, with the LED strategy being reviewed each year and adapted to meet changing needs.

11. Getting the fundamentals in place

Economic development is premised on a range of fundamentals being in place. These are detailed below. While the majority are outside the mandate of the LED Unit they are an integral part of the strategy.

- Culture of Batho Pele and citizen awareness
- Corrupt free political, economic and administrative systems
- Spatial planning responsive to residents' current and future economic realities
- Integrated development planning including vertical and horizontal alignment
- Good financial planning systems
- Efficient and effective financial billing and other systems
- Efficient and effective data systems to facilitate economic growth
- Appropriately trained staff deployed to maximise support for economic development
- Appropriately trained municipal officials aware of the economic development vision, strategy and priorities of the municipality.

Currently not all of these fundamentals are adequately in place in Drakenstein Municipality and this creates an impediment to economic growth. Getting the basics right remains a priority for the municipality and is a necessary prerequisite for the achievement of the LED Strategy.

12. Institutionalising the strategy

There are a range of institutional questions that need to be addressed if the strategy is to be successfully implemented. The first relates to finalising an appropriate participative structure for the relevant stakeholders to engage with the process and to monitor the implementation of the programme. The second relates to ensuring the LED function is correctly located within the Municipality.

It is proposed that the LED strategy be managed by town based LED forums which will be responsible for monitoring the plan's progress and holding stakeholders accountable for commitments made. The forum will also be able to provide advice to the Municipality and sector bodies.

Stakeholders noted that there is a need for an institutional vehicle to drive implementation outside of the municipality. Here the creation of an Economic Development Agency was mooted. Experience in other parts of the country highlight the importance of scale when creating an agency. As similar suggestions are made in the District LED strategy it is proposed that a District wide agency be established to drive key multi-stakeholder projects and leverage resources for LED.

Finally, in order for local government to play its role successfully, individual and institutional capacity within local government structures must be strengthened. This needs to include capacity to drive a programme, lobby directorates to play their role, administrative capacity to ensure the right systems are in place and capacity to mobilise

the support of external agencies such as universities. Posts have been created within the LED Directorate and are in the process of being filled.

Having decided on the scale, stakeholders and mechanisms of the LED initiative the appropriate institutional and financial arrangements must be confirmed. Mechanisms for mainstreaming the strategy and integrating it into every aspect of the local authorities work, most crucially the budget but perhaps also business plans, performance appraisals and balanced scorecards must be identified.

The location of the LED function is important and often makes the difference between success and failure. The LED strategy needs to be woven into every aspect of local government's work. This means moving from the current project-based approach to LED to a more systematic approach.

An LED function is therefore often located centrally as one of the key corporate functions. This enables it to play a highly strategic role, influencing policy and overseeing its implementation across the entire municipality. The alternative location is within a line department. This gives the LED function an operational rather than a strategic focus and it is unlikely to be able to influence the municipalities' overall strategic agenda without explicit strategies around strategic inputs and mainstreaming LED.

13. Communicating the strategy

The success of the strategy depends in part on the level of awareness created and on the success of the team's communication efforts. This must include raising awareness around the key issues (e.g. the need to restructure the economy), providing information and guidance to stakeholders, mobilising support for the strategy and developing momentum to for the programmes developed.

The planned Summit is the first step in the communication effort. The development of an LED Charter, specific policies and programmatic business plans are all necessary other steps. These will be supported by political champions from the Council, business and communities who will mobilise support and popularise the strategy. Finally a media campaign including the production of accessible clear communiqués targeted at all the different stakeholders.

14. Risks

- **Political will.** The strategy requires buy-in from government, businesses, communities and unions. Failure to mobilise the political will of any of the stakeholder will negatively impact on the roll out of the strategy. The process of finalising the strategy is key and provides the platform for ensuring buy-in.
- **Global/ national changes:** A sound strategy and political will are however not enough. As important is the provincial, national and global context. Changes in global and national growth rates, in the price of oil, in the structure of the economy or in the skills requirements of growth sectors will have an impact on the strategy. This demands a robust and flexible strategy able to cope with changing circumstances.

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- **Land policy:** The current land redistribution policy has not adequately addressed the issue of land ownership and use in Drakenstein. An emerging farmer class has not been created and the few emerging farming experiences have been largely marked by failure. There needs to be greater emphasis on innovation regarding labour tenants, and effective resource assistance.
- **Political instability:** The upcoming local government elections may result in changes in elected representatives. New leaders will need to be informed and trained in the strategy. This may result in delays and or changes to the plan. Therefore it is important that the strategy is institutionalised and does not rely on individuals or personalities.
- **Resource constraints:** Constraints on timing, budget, skills and capacity to roll out the plan will comprise its success. Ensuring that the right capacity and resources are secured in time needs to be prioritised.
- **IGR collaboration:** As Drakenstein is not an economic island the strategy is premised on collaboration between the various spheres of government – the municipality, the district, the province and national government. Involvement of all the spheres in the LED process is key to facilitating this collaboration.
- **Pressure for success:** Ensuring the effective participation of poor and marginalised people takes time and money but gives high returns in the shape of smoother longer-term decision-making and roll-out. Often political imperatives do not allow for the necessary investment in time and resources with the result that quick fix strategies are not sustainable, especially in the context of markets. The LED strategy therefore needs to have a medium term horizon.

15. Conclusion

Having agreed on the strategy the 18 selected interventions need to be rolled out. It is important to remember that not all the interventions will be applied with the same rigour in each Ward. Clearly some interventions will need to be applied across wards (e.g. economic data). Others will be limited to specific wards (e.g. EPWP or skills training). Yet others will be an impact beyond the ward of application (e.g. marketing and investment). Each intervention will be detailed in a business plan and mapped spatially.