



## Draft Revision of Swarthland's LED strategy

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March 2018



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Council Meeting: 29 March 2018



## EXECUTIVE SUMMARY

Dialogue with the private sector and municipal leaders has allowed this version of the LED strategy to sharpen its focus on developing and promoting competitive advantage. Swartland undoubtedly does have competitive advantage in the current economic context. It offers easy access to 80% of the Western Cape markets, with lower cost structures, reduced risks and good quality of life. Given the Cape Town metro growth trend, increasing numbers of businesses will view Swartland as a good place to locate, similar to growth patterns of towns on the outskirts of other cities world-wide.

Since August 2015 the main constraint to growth has been removed. Industrial property has become available again after a few years of not being accessible. The fact that the N7 is being upgraded makes it all the more attractive. Some investors are already investing. Others are considering investing here and are likely to become more confident when they fully understand the competitive advantages offered by Swartland.

Prospective investors are however not always aware of the opportunity. Unless promotion gets the message across, investment opportunities for Swartland may be lost. Investors, through their networks also check with local businesses and citizens if it truly is good for business. Local business leaders must therefore become Swartland brand ambassadors, and must be able to articulate the competitive advantages confidently.

Due to the nature of the factors driving the growth opportunity (proximity to Cape Town and road linkages), most of the growth is expected near Malmesbury. Investment is expected mainly from sectors such as: agro-processing, transport and logistics, retirement villages, increased retail and services. This will result in a boost for construction and property markets.

The economic development strategy is kept simple to focus on 5 key areas:

1. Improve local competitive advantages
2. Attract business to locate and grow here.
3. Make local markets work better to increase opportunity for small business.
4. Attract more rate paying citizens to live here.
5. Make it easier for local citizens to access economic opportunity.

Implementation of the strategy requires continuing some good work already in progress, and by introducing 10 additional initiatives, aimed at filling the current gaps.

The current institutional capacity involved in economic development consists of a complex set of organised groups. Smart systems and tools are likely to enhance their ability to contribute more cohesively to economic development.



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## INTRODUCTION

Neither the public sector, nor the private sector on their own, has all the insights and answers. However by combining insights, power of influence and resources, much more is possible. This LED strategy aims to establish improved economic development cooperation amongst stakeholders – to systematically identify and utilise more beneficial economic opportunities.

Local Economic Development (LED) is a specialised methodological response to the need to improve performance of the local economy, to benefit local citizens. LED is defined as an ongoing process by which key stakeholders and institutions from all spheres of society, the public and private sector as well as civil society, work jointly to create a unique advantage for the locality and its firms, tackle market failures, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms/SMEs.

Sustainable jobs are created mainly in the private sector, which creates wealth from markets. To grow the economy, businesses need to increase their revenues by competing successfully in markets, which are increasingly contested by global competitors. To grow the local economy, competitive local firms need to earn more revenue from external markets, and spend much of this locally, for more money to flow into the local economy. In addition, improved competitiveness of local firms in local markets ensures that less money flows out of the economy. Distribution within the economy takes place through wages and purchases from other businesses.

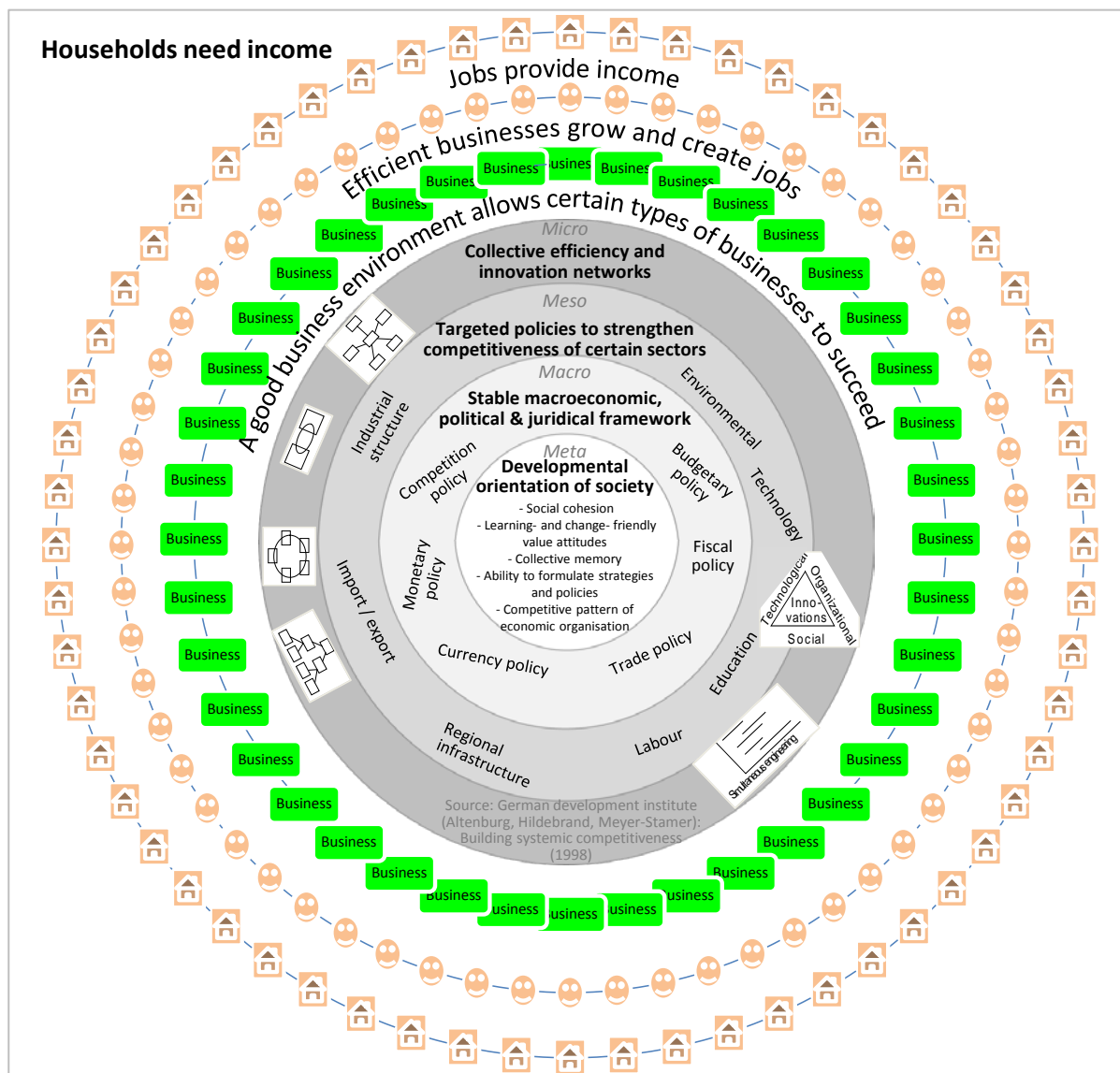
Firm performance/competitiveness does however not just depend on the factors inside the firm. Externalities such as market demand, market competition, supply conditions and local business environmental conditions are also major determinants. This "eco-system" (*illustrated in Figure 1 on the next page*) within which the firms find themselves, to a large extent determines how is easy or how difficult it is for an entrepreneur/ firm to succeed. These factors also determine whether a local economy is attractive for investors.

*"The most successful economic regions turn out to be those in which groups of relevant stakeholders succeed in organizing rapid and effective learning and decision-making processes that actively shape locational and competitive advantages for their economy."*

*Jorg Meyer-Stamer*



Concept of an "economic eco-system", which economic development strives to improve















### Why another strategy?

This strategy builds on the good work and plans that are already in place, much of which is summarised in the Integrated Development Plan (May 2017). This includes alignment and support of national, provincial and regional strategies. More in depth dialogue with the private sector and municipal leaders has allowed this version of the LED strategy to sharpen its focus on developing and promoting competitive advantage. More attention is placed on what must be done and by whom - to make the strategy easier to execute with success.



## ECONOMIC PROFILE

|  |  |   |  |   |   |   |                   |
|--|--|---|--|---|---|---|-------------------|
| Total municipal area   |  | Demographics in 2016 (Stats SA 2016 Community Survey)                               |  |   |   |   |                   |
| 3 700 km²  |  |  | Population: 133 762                        | Younger than 34: 61%  |  | Households: 39 139  |                   |
| Education in 2016 (2017 Socio-economic profile, PGWC)  |  |   |  |   |   |   |                   |
|                                     | Learner-teacher ratio: 42.5                  | Gr12 dropout rate: 23.2%  | Matric pass rate: 89.4%                    | Number of schools: 31   | Schools with libraries: 17  |   |                   |
| Poverty in 2016 (2017 Socio-economic profile, PGWC)  |  |   |  |   |   |   |                   |
|                                     | Gini Coefficient: 0.58                       | Human Development Index: 0.69   | Households with no income: 10.4%           | Indigent households: 8 495  |   |   |                   |
| Access to basic services in 2016 (Stats SA, 2016 Community Survey, minimum service level)                            |  |   |  |   |   |   |                   |
|                                     | Piped water: 92.8%                           |    | Refuse removal: 83.5%                      |  | Electricity: 98.7%  |  | Sanitation: 96.2% |
| Economy [Municipal Economic Review and Outlook (MERO), 2017]   |  |   |  | Employment (2017 Socio-economic profile, PGWC)                                      |   |   |                   |
|                                     | Average annual GDP growth 2005-2015: 3.4%    |   |  |  | Average annual employment growth 2005-2015: 1.6%                                    |   |                   |
| Three largest sectors according to GDP contribution in 2015 (2017 Socio-economic profile, PGWC)                      |  |   |  |   |   |   |                   |
| Manufacturing: 24.4%   |  | Wholesale and retail trade, catering and accommodation: 17.5%                       |  |   | Agriculture, forestry and fishing: 14.4%  |   |                   |
| Health in 2016 (2017 Socio-economic profile, PGWC)   |  |   |  |   |   |   |                   |
|                                   | Number of primary health care facilities: 14 | Immunisation rate: 85.1%  | Maternal deaths per 100 000 live births: 0 | Registered patients receiving ART: 2 086  | % babies born to mothers under 18: 9.3%   |   |                   |
| Safety and security – % change between 2016 and 2017 in number of reported cases (2017 Socio-economic profile, PGWC) |  |   |  |   |   |   |                   |
|                                   | Residential burglaries: 1.2%                 | Driving under the influence: 67.0%  | Drug-related crime: 49.0%                  | Murders: -26.8%   | Sexual offences: -1.7%  |   |                   |



## GDP PERFORMANCE PER MUNICIPAL AREA

Large areas of agricultural land characterise the Swartland municipal area, and it has the second biggest economy in the District, contributing R6.9 billion to the WCD economy. Over the last five years, the Swartland area experienced an average annual growth rate of 2.9 per cent, which is in line with economic growth in the District and slightly higher than the provincial growth rate. The following table indicates the Swartland municipal area's GDPR performance per sector.

**Swartland GDPR performance per sector, 2005 - 2016**

| Sector   | Contribution to GDPR (%) 2015 | R million value 2015 | Trend       |             | Real GDPR growth (%) |            |            |            |             |             |
|--|-------------------------------|----------------------|-------------|-------------|----------------------|------------|------------|------------|-------------|-------------|
|  |                               |                      | 2005 - 2015 | 2010 - 2015 | 2011                 | 2012       | 2013       | 2014       | 2015        | 2016e       |
| <b>Primary Sector</b>                                  | <b>14.5</b>                   | <b>998.8</b>         | <b>3.7</b>  | <b>3.2</b>  | <b>1.8</b>           | <b>2.8</b> | <b>3.9</b> | <b>9.4</b> | <b>-1.8</b> | <b>-8.1</b> |
| Agriculture, forestry and fishing                      | 14.4                          | 989.0                | 3.7         | 3.2         | 1.8                  | 2.8        | 3.9        | 9.4        | -1.9        | -8.1        |
| Mining and quarrying                                   | 0.1                           | 9.8                  | -0.1        | 2.8         | 2.7                  | 1.0        | 2.9        | 7.2        | 0.4         | -6.2        |
| <b>Secondary Sector</b>                                | <b>32.6</b>                   | <b>2 239.8</b>       | <b>3.0</b>  | <b>2.0</b>  | <b>0.9</b>           | <b>2.3</b> | <b>1.8</b> | <b>2.6</b> | <b>2.2</b>  | <b>0.5</b>  |
| Manufacturing  | 24.4                          | 1 674.4              | 2.9         | 2.0         | 1.9                  | 1.7        | 1.3        | 2.4        | 2.8         | 0.6         |
| Electricity, gas and water                             | 2.3                           | 159.5                | -1.3        | -0.9        | 1.4                  | -0.3       | -1.1       | -1.7       | -2.9        | -4.5        |
| Construction   | 5.9                           | 405.8                | 5.6         | 2.9         | -4.3                 | 6.9        | 5.7        | 5.0        | 1.5         | 1.7         |
| <b>Tertiary Sector</b>                                 | <b>52.9</b>                   | <b>3 634.1</b>       | <b>3.6</b>  | <b>3.4</b>  | <b>5.0</b>           | <b>3.8</b> | <b>3.5</b> | <b>2.7</b> | <b>1.9</b>  | <b>1.8</b>  |
| Wholesale and retail trade, catering and accommodation | 17.5                          | 1 204.8              | 4.1         | 4.1         | 5.9                  | 5.2        | 3.6        | 2.9        | 2.7         | 2.6         |
| Transport, storage and communication                   | 7.7                           | 526.0                | 1.3         | 1.5         | 2.9                  | 1.5        | 2.0        | 2.5        | -1.4        | -1.4        |
| Finance, insurance, real estate and business services  | 9.7                           | 667.6                | 3.9         | 2.9         | 4.2                  | 2.9        | 2.4        | 2.0        | 2.9         | 2.2         |
| General government                                     | 11.0                          | 758.9                | 4.4         | 4.3         | 6.6                  | 4.1        | 5.4        | 4.0        | 1.6         | 2.3         |
| Community, social and personal services                | 6.9                           | 476.7                | 3.3         | 3.1         | 4.0                  | 3.9        | 3.6        | 2.0        | 1.8         | 1.3         |
| <b>Total Swartland</b>                                 | <b>100</b>                    | <b>6 872.7</b>       | <b>3.4</b>  | <b>2.9</b>  | <b>3.2</b>           | <b>3.2</b> | <b>3.1</b> | <b>3.9</b> | <b>1.3</b>  | <b>-0.4</b> |

The main economic sectors in the Swartland area in 2015 included the manufacturing (24.4 per cent), the wholesale and retail trade, catering and accommodation (17.5 per cent) and the agriculture, forestry and fishing (14.4 per cent) sectors. Overall, in the last decade, every economic sector in Swartland area grew positively in terms of GDPR, except for the mining and quarrying sector and the electricity, gas and water sector. The negative impact on sectors in 2015 could be due to the weaker business confidence coincided with extreme drought, which led to rising prices and threats to the water supply.

The GDPR growth of almost half of the sectors contracted in 2016, resulting in an overall contraction. The agriculture, forestry and fishing sector contracted with 8.1 per cent, the mining and quarrying sector with 6.2 per cent, followed by the electricity, gas and water sector with 4.5 per cent, and transport, storage and personal services (1.4 per cent).

Even though the construction sector is relatively small in comparison with other local sectors, it grew at above average rates between 2012 and 2014 in the Swartland area, indicating new investment in the area during that time, especially in the construction of high-value residential and non-residential spaces as well as road construction.



## ECONOMIC SECTOR PERFORMANCE

The Swartland municipal area is the second largest local economy within the West Coast District, with regional gross domestic product amounting to R6.873 billion in 2015. Economic activity in the Swartland municipal area is dominated by the tertiary sector which amounted to R3.634 billion (or 52.9 per cent) in 2015. The tertiary sector is estimated to have grown by 1.8 per cent in 2016, boosted by the wholesale, retail trade, catering and accommodation sector and the finance, insurance, real estate and business services sector (see table below).

| Sector   | Contribution to GDP (%)<br>2015 | R million value<br>2015 | Trend       |             | Real GDP growth (%) |            |            |            |             |             |
|--|---------------------------------|-------------------------|-------------|-------------|---------------------|------------|------------|------------|-------------|-------------|
|  |                                 |                         | 2005 - 2015 | 2010 - 2015 | 2011                | 2012       | 2013       | 2014       | 2015        | 2016e       |
| <b>Primary Sector</b>                                  | <b>14.5</b>                     | <b>998.8</b>            | <b>3.7</b>  | <b>3.2</b>  | <b>1.8</b>          | <b>2.8</b> | <b>3.9</b> | <b>9.4</b> | <b>-1.8</b> | <b>-8.1</b> |
| Agriculture, forestry and fishing                      | 14.4                            | 989.0                   | 3.7         | 3.2         | 1.8                 | 2.8        | 3.9        | 9.4        | -1.9        | -8.1        |
| Mining and quarrying                                   | 0.1                             | 9.8                     | -0.1        | 2.8         | 2.7                 | 1.0        | 2.9        | 7.2        | 0.4         | -6.2        |
| <b>Secondary Sector</b>                                | <b>32.6</b>                     | <b>2 239.8</b>          | <b>3.0</b>  | <b>2.0</b>  | <b>0.9</b>          | <b>2.3</b> | <b>1.8</b> | <b>2.6</b> | <b>2.2</b>  | <b>0.5</b>  |
| Manufacturing  | 24.4                            | 1 674.4                 | 2.9         | 2.0         | 1.9                 | 1.7        | 1.3        | 2.4        | 2.8         | 0.6         |
| Electricity, gas and water                             | 2.3                             | 159.5                   | -1.3        | -0.9        | 1.4                 | -0.3       | -1.1       | -1.7       | -2.9        | -4.5        |
| Construction   | 5.9                             | 405.8                   | 5.6         | 2.9         | -4.3                | 6.9        | 5.7        | 5.0        | 1.5         | 1.7         |
| <b>Tertiary Sector</b>                                 | <b>52.9</b>                     | <b>3 634.1</b>          | <b>3.6</b>  | <b>3.4</b>  | <b>5.0</b>          | <b>3.8</b> | <b>3.5</b> | <b>2.7</b> | <b>1.9</b>  | <b>1.8</b>  |
| Wholesale and retail trade, catering and accommodation | 17.5                            | 1 204.8                 | 4.1         | 4.1         | 5.9                 | 5.2        | 3.6        | 2.9        | 2.7         | 2.6         |
| Transport, storage and communication                   | 7.7                             | 526.0                   | 1.3         | 1.5         | 2.9                 | 1.5        | 2.0        | 2.5        | -1.4        | -1.4        |
| Finance, insurance, real estate and business services  | 9.7                             | 667.6                   | 3.9         | 2.9         | 4.2                 | 2.9        | 2.4        | 2.0        | 2.9         | 2.2         |
| General government                                     | 11.0                            | 758.9                   | 4.4         | 4.3         | 6.6                 | 4.1        | 5.4        | 4.0        | 1.6         | 2.3         |
| Community, social and personal services                | 6.9                             | 476.7                   | 3.3         | 3.1         | 4.0                 | 3.9        | 3.6        | 2.0        | 1.8         | 1.3         |
| <b>Total Swartland</b>                                 | <b>100</b>                      | <b>6 872.7</b>          | <b>3.4</b>  | <b>2.9</b>  | <b>3.2</b>          | <b>3.2</b> | <b>3.1</b> | <b>3.9</b> | <b>1.3</b>  | <b>-0.4</b> |

## EMPLOYMENT PROFILE

The Swartland area contributes 25.9 per cent to employment in the District, making this area the second largest contributor to employment in the District, following Saldanha Bay. The unemployment rate in the Swartland area is slightly lower than that of the District at 10.7 per cent. Table 2.5 indicates the trend in employment growth within each economic sector in the Swartland municipal area.



## Swartland employment growth per sector, 2005-2016

| Sector   | Contribution to employment (%) 2015 | Number of jobs 2015 | Trend         |              | Employment (net change) |              |              |             |              |            |
|--|-------------------------------------|---------------------|---------------|--------------|-------------------------|--------------|--------------|-------------|--------------|------------|
|  |                                     |                     | 2005 - 2015   | 2010 - 2015  | 2011                    | 2012         | 2013         | 2014        | 2015         | 2016e      |
| <b>Primary Sector</b>                                  | <b>26.6</b>                         | <b>11 473</b>       | <b>-1 550</b> | <b>2 995</b> | <b>-268</b>             | <b>624</b>   | <b>565</b>   | <b>-508</b> | <b>2 582</b> | <b>-16</b> |
| Agriculture, forestry and fishing                      | 26.5                                | 11 453              | -1543         | 3 001        | -268                    | 624          | 572          | -508        | 2 581        | -16        |
| Mining and quarrying                                   | 0.0                                 | 20                  | -7            | -6           | 0                       | 0            | -7           | 0           | 1            | 0          |
| <b>Secondary Sector</b>                                | <b>17.1</b>                         | <b>7 380</b>        | <b>256</b>    | <b>594</b>   | <b>46</b>               | <b>8</b>     | <b>256</b>   | <b>85</b>   | <b>199</b>   | <b>188</b> |
| Manufacturing  | 11.2                                | 4 832               | -43           | 272          | -19                     | -66          | 210          | -17         | 164          | 103        |
| Electricity, gas and water                             | 0.3                                 | 125                 | 34            | 16           | 5                       | 3            | 1            | 3           | 4            | 3          |
| Construction   | 5.6                                 | 2 423               | 265           | 306          | 60                      | 71           | 45           | 99          | 31           | 82         |
| <b>Tertiary Sector</b>                                 | <b>56.3</b>                         | <b>24 299</b>       | <b>7 501</b>  | <b>3 973</b> | <b>714</b>              | <b>744</b>   | <b>923</b>   | <b>858</b>  | <b>734</b>   | <b>559</b> |
| Wholesale and retail trade, catering and accommodation | 21.1                                | 9 086               | 2 993         | 1 591        | 310                     | 351          | 292          | 285         | 353          | 225        |
| Transport, storage and communication                   | 2.7                                 | 1 177               | 423           | 209          | 24                      | 62           | 60           | -12         | 75           | 28         |
| Finance, insurance, real estate and business services  | 8.4                                 | 3 620               | 1 006         | 507          | 116                     | 74           | 119          | 55          | 143          | 75         |
| General government                                     | 11.7                                | 5 069               | 1 945         | 913          | 269                     | 161          | 156          | 368         | -41          | 168        |
| Community, social and personal services                | 12.4                                | 5 347               | 1 134         | 753          | -5                      | 96           | 296          | 162         | 204          | 63         |
| <b>Total Swartland</b>                                 | <b>100</b>                          | <b>43 152</b>       | <b>6 207</b>  | <b>7 562</b> | <b>492</b>              | <b>1 376</b> | <b>1 744</b> | <b>435</b>  | <b>3 515</b> | <b>731</b> |

The agriculture, forestry and fishing sector and the wholesale and retail trade, catering and accommodation sector contributed the most to employment. Even though the manufacturing sector contributes 24.4 per cent to the economy, it only contributes 11.2 per cent to employment.

In 2015, more than 3 500 jobs were created, the most number of new jobs in the last five years. The agriculture, forestry and fishing sector contributed significantly to this increase, creating 2 581 jobs in 2015, but contracted by 16 jobs in 2016.

This resulted in the rate at which the total number of jobs was created declining to only 731 new jobs in 2016. Most sectors, except for the construction and general government sectors, created fewer jobs in 2016 compared to 2015.

### Swartland Skills Level

The table below indicates the skills levels of formally employed people in the Swartland area. Overall, formal employment has increased at a rate of 0.7 per cent per annum over the last 10 years. In 2015, the informal sector contributed 20.2 per cent to employment in the Swartland area.

The majority of the Swartland's formally employed individuals are low-skilled (51.3 per cent),

| Formal employment by skill | Skill level contribution (%) 2015 | Average growth (%) 2005 - 2015 | Number of jobs 2015 |
|----------------------------|-----------------------------------|--------------------------------|---------------------|
| Skilled                    | 14.5                              | 1.7                            | 5 005               |
| Semi-skilled               | 34.2                              | 0.6                            | 11 784              |
| Low-skilled                | 51.3                              | 0.4                            | 17 652              |
| <b>Total Swartland</b>     | <b>100</b>                        | <b>0.7</b>                     | <b>34 441</b>       |



compared to 34.2 per cent semi-skilled and 14.5 per cent skilled. Skilled formal employees have been increasing positively (1.7 per cent per annum) between 2005 and 2015. The high percentage of low-skilled labour supports the large number of workers employed within the agricultural, forestry and fishing sector. The increase in skilled workers can be attributed to employment growth in sectors such as the general government sector and finance, insurance, real estate and business services sector.

## **PACA PROCESS**

*The dominant factors that emerged from the strategic conversation during the PACA process.*

1. **Assured Growth:** The Swartland population is growing at a rate 50% higher than the national average. This growth is likely to continue and more likely increase on the back of the Saldanha IDZ gaining momentum, the upgrading of the N7 and as the reputation for service delivery excellence spreads. The key issue is how this growth is channelled and how it can benefit citizens, especially people actively looking for work.
2. **Agriculture:** a staple employment generator was shedding jobs even though the main sub-sectors were growing in total value. The reasons attributed are:
  - a. Complexity of the labour environment as well as insecurity of land tenure has contributed to moving the business decisions from a question of cost of entry into business to one where the cost of exit becomes more pressing.
  - b. Pricing pressure was driving a move to bigger farms [economies of scale] and mechanisation.
  - c. Large scale farmers are also vertically integrating the supply chain by doing more packaging, processing and marketing of their own production and as a result reducing opportunities for small farmers.
  - d. Phytosanitary and traceability requirements for retailers were increasing costs and making compliance unviable for small labour intensive farmers.
  - e. Transport costs are squeezing margins. The fact that the retailers dominate the supply chain effectively transfers the price pressure to primary producers and consumers.
3. **Disconnect and/or Marginalisation:** there are communities within the municipality that consider themselves as being excluded from mainstream economic development, lagging in municipal services and to an extent socially 'segregated'.
4. **Municipal and towns identity and personality:** in all areas where workshops were held there was an underlying theme and question of who are we, what's important to us? What sets us apart? and what message is being sent out to both residents, potential investors or current and potential visitors? This question will become even more significant with the upgrading of the N7 and therefore the relative proximity to Cape Town.
5. **Small and medium size enterprise development:** was also a cross cutting issue with people observing that, even with a good idea, it was difficult to start and grow a business. The perennial issues of business training and support, access to funding, development of 'bankable' business plans and market access were evident.
6. **Skills mismatch and skills development:** Evident in Swartland, and for that matter the West Coast District as a whole, is the fact that the training offered by higher education institutions may play to the aspirations of entrants into the job market but, the reality is that these are not the skills that are needed by the labour market or that are conducive to starting and growing a business.

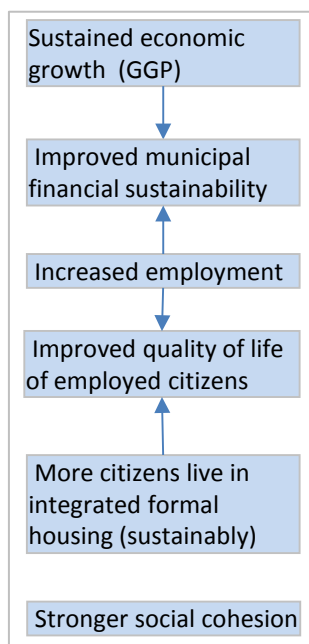


## PROVINCIAL STRATEGIC GOALS

The five provincial strategic goals identified by the Western Cape Government aim to improve the lives of citizens over the next five years are:

- 1. Create opportunities for growth and jobs:** We are committed to creating an enabling environment to attract investment, grow the economy and create jobs by supporting high growth economic sectors.
- 2. Improve education outcomes and opportunities for youth development:** We're committed to expanding quality education across the province and providing opportunities for youth to realise their full potential.
- 3. Increase wellness and safety, and tackle social ills:** We're committed to addressing health, safety and social ills by supporting healthy communities, a healthy workforce, and healthy families, youth and children.
- 4. Enable a resilient, sustainable, quality and inclusive living environment:** We're committed to improving urban and rural areas through enhanced management of land, an enhanced climate change plan, and better living conditions for all.
- 5. Embed good governance and integrated service delivery through partnerships and spatial alignment:** We're committed to delivering good governance and an inclusive society that increases access to information, in partnership with active citizens, business and institutions.

In support of the National Development Plan and the 5 strategic goals ("PSGs") of the Western Cape Government, the Swartland municipality aims to stimulate sustained growth in the Swartland jurisdiction, by promoting and implementing a set of mutually supportive economic-, spatial- and social-development initiatives.



The main aim is to increase employment - which leads to increased quality of life, social cohesion and sustainability. Employment is a consequence of increased investment by the private sector and / or by the public sector institutions. To stimulate growth, Swartland must compete effectively with the alternatives, to secure such investment.

In addition, growth can also be enhanced by attracting persons employed in other municipalities, to live in Swartland.

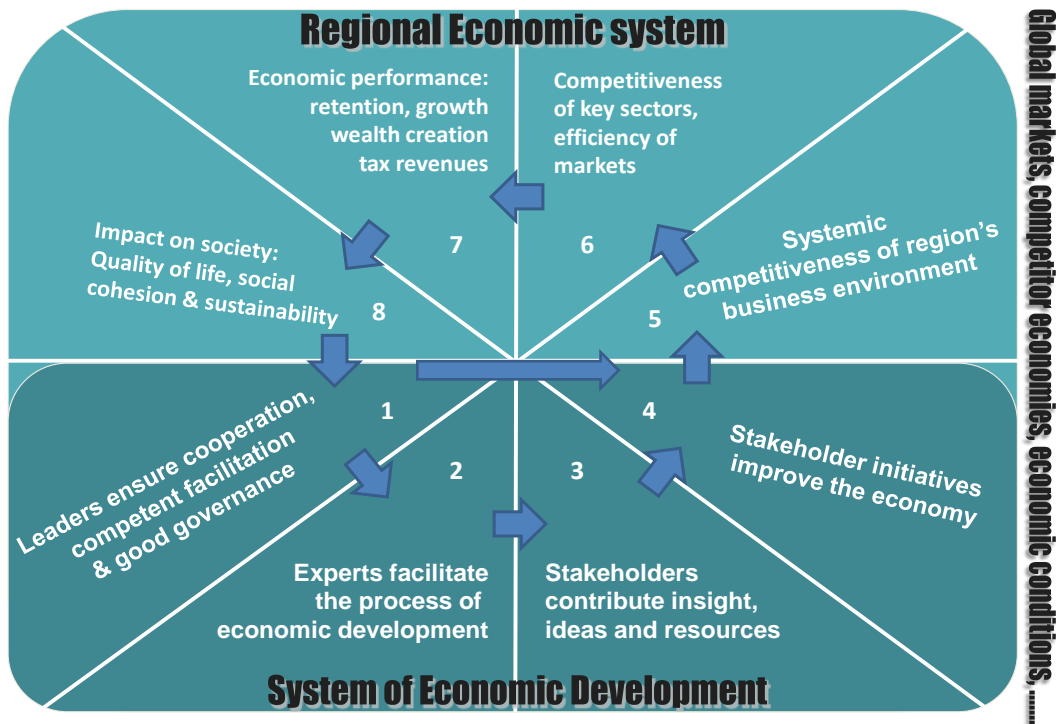
The comprehensive goal structure depicting how LED contributes to employment and the other LED goals follows on the next page.

### Critical factors in LED and corresponding generic goal structure

The framework below depicts LED as eight inter-dependant categories of critical factors. The bottom four segments make up the LED system that aims to improve the performance of the local economy, shown in the top four segments. The arrows depict causality - the virtuous cycle as the main aim. Each preceding segment aims to improve the following. Not all inter-dependencies are depicted. The goals therefore include succeeding with this virtuous cycle.



## Factors critical to success and their inter-dependency



Starting at the bottom left, moving counter-clockwise:

- Elected leaders of government and business take ownership of their economic future and ensure cooperation, competent facilitation and good governance.
- Appointed LED experts mobilise stakeholders and facilitate processes of economic development.
- Stakeholders participate in these processes and contribute insight, ideas and resources to conceive stakeholder driven initiatives to improve the economy.
- Stakeholder initiatives are implemented to improve the economy.
- Systemic competitiveness of the local business environment is improved, typically by reducing constraints to economic growth.
- This enables businesses in key sectors compete more effectively and improves efficiency of markets,
- resulting in increased investment, economic growth, increased employment, increased earnings and equity shifts, which all contribute
- to improve quality of life, social cohesion and sustainability to the benefit of citizens.

## APPROACH TO ECONOMIC DEVELOPMENT

The approach to territorial development is from the point of departure of the private sector. The guiding question is: What is the most important manifest or potential business opportunities in a given territory and what must happen to unlock these opportunities? Conceptually, this leads back to two concepts:

- Market development. In this perspective, the primary objective of territorial development is to make markets work, i.e. address and remedy market failure (Meyer-Stamer 2006).
- Territorial competitive advantage. In this perspective, the ultimate objective of territorial development is to create a unique advantage that cannot be easily replicated by other territories and that creates the basis for sustained growth and prosperity (Porter 2000, Porter and Wayland 1995).



The most important of the **institutional interventions** (McMillan, 2002) that can and should be addressed for a market system to develop and become sustainable consists of the following key elements:

- Availability and access to information of what is available, where and who wants it is critical.
- Property rights are protected and mechanisms are put in place to ensure that monopolistic influences are minimised.
- People can be expected to live up to their promises and mechanisms to facilitate this are implemented.
- Competition is fostered and interventions that distort the market are minimised. Especially subsidies that in the longer term, are simply unsustainable.

### **Processes that informed this strategy**

This strategy is the culmination of information gathered from many sources. The economic profile is provided courtesy of provincial government treasury. The IDP process engaged ward stakeholders for their views relating to community needs. The private sector was consulted in 2014 via the PACA workshops and in 2015 by 20 interviews with key business leaders. The municipal leadership has maintained ongoing dialogue with organised business. Municipal stakeholder contributed through PACA workshops as well as a workshop in 2015.

### **Main findings**

No matter how much growth is needed and desired, business and citizens will choose to locate in places that offer better economic opportunity. An economy's relative strengths and weaknesses, therefore determine the viable growth options. The stronger the competitive advantages (strengths), the easier it is to attract businesses. The competitive disadvantages (weaknesses) combined with threats, discourage potential investors. The main findings are therefore presented as follows:

- Competitive Advantages
- Competitive disadvantages (including constraints to growth)
- Threats
- Options for growth

### **MAIN COMPETITIVE ADVANTAGES**

#### **1. Strategic location for business**

- ☒ The Cape Town Metro is expanding northwards due to sensitive urban edges at Paarl and Stellenbosch.
- ☒ Close enough to CT to serve the markets there, draw on expertise if required, or purchase specialised items or services. Malmesbury provides quicker access to the city than Paarl. The N7 less congested than N1 and N2.
- ☒ The road network provides 8 entry points to the Metro.
- ☒ Land is available and affordable.
- ☒ Some large (>R billion Turnover) firms already choose to operate from here.
- ☒ Many firms serve the national market from Swartland, even some retailers.
- ☒ Strong Agricultural – and Agro-processing sectors with associated supplier and distribution channels.
- ☒ Some strong networks to leverage.

#### **2. Lower costs**

- ☒ Clear evidence of how the cost advantage is used to penetrate markets. Even some retailers and services firms compete as far as Polokwane via online sales.
- ☒ Cost of land and property. Cost of property development.
- ☒ Cost of living.
- ☒ Staff costs and statutory wage rates.



3. **Lower risk**
  - ☒ Safer: less crime and therefore less security costs.
  - ☒ Quality of labour with a good work ethic.
  - ☒ Good social cohesion. Politically stable.
  - ☒ Good race relationships. There exists a sense of community.
  - ☒ Local government that works and is reliable.
4. **A municipality that values business**
  - ☒ Municipality is competent, positive and supportive of business
  - ☒ Services are effective. Infrastructure is reliable.
  - ☒ Quick approvals: EIAs, engineering approvals, building and development plans.
  - ☒ Can get things done.
5. **Growing investor confidence**
  - ☒ Some large (>R billion Turnover) firms already choose to operate from here
  - ☒ Numerous investors planning to develop.
6. **A good place to live**
  - ☒ Country lifestyle and city close when wanted
  - ☒ Mountains, beaches, hills and valleys – variety of options.
  - ☒ Lower cost of living
  - ☒ Good schools
  - ☒ Less crime than city

## **MAIN COMPETITIVE DISADVANTAGES (INCLUDING CONSTRAINTS TO GROWTH)**

1. **No industrial land was available (up to August 2015). Now resolved!**
  - ☒ The most suitable land for industrial property development at Malmesbury became unavailable due to bankruptcy of the property owner.
  - ☒ A new investor has stepped in, taking the business out of bankruptcy, and is actively making many industrial sites available.
2. **Limited access to business information.**
  - ☒ Some small businesses feel excluded and want to be better informed.
  - ☒ In almost all cases the municipality was able to confirm that the services or information was available. The issue is the chain of provision, flow and access.
3. **Agriculture employment is declining**
  - ☒ Agricultural input costs are increasing faster than prices of goods sold.
  - ☒ Price pressures are forcing economy of scale in production and associated automation.
  - ☒ To compete in commodity markets, farmers need to "go big or go home".
  - ☒ This results in fewer farm owners, more automation and fewer employees.
4. **Appearance of towns**
  - ☒ Swartland towns are not attractive vs other places in WC. For instance compared to Paarl, Franschhoek and Stellenbosch.
5. **Technical skills difficult to attract**
  - ☒ Some businesses find it difficult to attract specialist technical expertise from cities.
6. **Shortage of certain types of housing and rentals**
  - ☒ Lower income, mid lower income and up to the range of R 1 million.
  - ☒ Makes it hard to attract artisans / technical skills.
7. **Red-tape and regulatory uncertainty**

Businesses complain about government red-tape including:

  - ☒ National government: DoA, SARS duties, land reform, BEE
  - ☒ Provincial government: The Spatial Development Framework stifles the logical farm transition towards tourism, as happened in Stellenbosch and Drakenstein.
  - ☒ Municipality: Small businesses, tourism signage, town beautification, markets.



8. **Safety & security in pockets**

- ☒ Crime is increasing in some places. Still lower than metro.
- ☒ Farms close to town suffer from theft (One farm: 250 Sheep p.a. @ R2000 each)

9. **Transport**

- ☒ No public transport (train too slow) for commuting cost to and from Cape Town.

10. **Limited investment promotion**

- ☒ Investment promotion mainly by municipal leaders with limited time.

11. **Limitations in schools**

- ☒ Applicable mainly to the poorer population, too few taking higher grade maths & science and school drop-out rates are still high.

12. **Facilitation of economic development**

- ☒ Institutional effectiveness is questioned by business: Chamber, Ward Committees, Tourism, small business support.
- ☒ Limited engagement and collaboration with the private sector and sector associations regarding economic development constraints or priorities.

## THREATS IDENTIFIED

1. **Competitors to Swartland for investment e.g. Atlantis**

- ☒ Advantages over Swartland towns
  - Serviced sites R150 - R200/m<sup>2</sup> vs R2000/m<sup>2</sup> Montague Gardens
  - Cheap buildings available
  - FET college - free labour from students doing internships etc
  - Atlantis industrial initiative forum - open channel to city
  - No load shedding - local factories manage to "save" 10 - 20% on sub-station .... (Will not publicly admit this)
  - High speed data infrastructure available
  - Closer to Cape Town - where senior management live.
  - Quicker for staff from Bellville to commute to Atlantis vs Cape Town.
- ☒ Disadvantages compared to Swartland towns
  - 3 year EIA delays on new developments
  - + 15% higher statutory wage rates
  - No power to build new sites R1mil / MVA set-up cost
  - Atlantis now fully populated
  - Road from Atlantis to N7 not so good.

2. **Inadequate marketing**

- ☒ If investors don't know what is good about Swartland, they will not come here.

3. **New malls will place pressure on existing retail in town/s** (Opportunity and a threat)

- ☒ Four new malls are being contemplated. Once they are built, the current buying power of Swartland will be divided amongst them. This will decrease sales at current retailers. Less money will be spent outside the economy. Existing retailers need somehow to strengthen their competitiveness.

4. **Development that makes towns less attractive**

- ☒ Examples in Malmesbury main road during the eighties, and recently in Riebeek-Kasteel
- ☒ Keep the country lifestyle character.
- ☒ Keep the overall town competitive advantage in mind.

## OPTIONS FOR GROWTH

The primary factor driving growth in Swartland is the Cape Town metro growth trend. Both businesses and citizens will increasingly view Swartland as a good place to locate. Similar to growth patterns of towns on the outskirts of other cities world-wide. The benefits include a lifestyle



alternative to city life, lower cost structure, and good municipal services whilst still having good access to markets in the metro.

A secondary factor driving growth is the increasing trade link via the N7 that links Cape Town to Namibia and Angola. Increasing number of trucks delivering to Cape Town, need to time their arrival in Cape Town. Delivery points in Cape Town vary, so trucks choose from eight entry points, from Malmesbury onwards. A truck stop is planned near Moorreesburg.

|                  |           | Socio-economic needs  |   |  |                                 |
|------------------|-----------|---|---|--|---------------------------------|
|                  |           | Very low  | Low   | Medium   | High                            |
| Growth potential | Very low  | Bitterfontein<br>Doringbaai<br>Kliprand<br>Nuwerus<br>Rietpoort<br>Strandfontein                  |   |  |                                 |
|                  | Low       | Aurora<br>Ebenhaesar<br>Graafwater<br>Koekenaap<br>Redelinghuys                                   | Goedverwacht<br>Klawer<br>Lamberts Bay<br>Lutzville<br>Vanrhynsdorp | Citrusdal<br>Clanwilliam<br>Vredendal                                    |                                 |
|                  | Medium    | Dwarskersbos<br>Eendekuil<br>Elandsbaai<br><b>Koringberg</b><br>Paternoster<br><b>Yzerfontein</b> | <b>Darling</b><br>Hopefield<br>St Helena Bay<br>Velddrift           | Piketberg<br>Saldanha/Jacobsbaai   |                                 |
|                  | High      |   | <b>Kalbaskraal</b><br>Langebaan                                     | <b>Moorreesburg</b><br>Porterville<br><b>Riebeek-Kasteel/Riebeek-Wes</b> |                                 |
|                  | Very high |   |   |  | <b>Malmesbury</b><br>Vredenburg |

Since August 2015 the main constraint to growth has been removed. Industrial property has only recently become available again. The fact that the N2 is being upgraded to reduce travel time makes it even more attractive. Some investors are already investing. Others are considering investing here and are likely to become more confident when they fully understand the competitive advantages offered by Swartland.

Due to the nature of the factors driving the growth opportunity (proximity to Cape Town and road linkages), most of the growth is expected near Malmesbury. Investment is expected mainly from sectors such as: agro-processing, transport and logistics, retirement villages, increased retail and services. This will result in a boost construction and property markets.

## STRATEGY FOR ECONOMIC GROWTH AND INCLUSION

'Information is the lifeblood of markets. Knowledge of what is available where, and who wants it, is crucial.' (McMillan, 2002)

The strategic rationale follows simple economic development good practice. The economic development strategy is kept simple to focus on 5 key areas:

**1. Strengthen the competitive advantages of Swartland** - to make it increasingly attractive as a good place for business to operate from, for their employees to work, live and play. Build on the current advantages including: Easy access to metro markets, good work ethic, lower costs structures, country lifestyle, good government, quicker decisions and social cohesion.



**2. Attract business to locate and grow here.** Make it quick and easy to invest and expand. The consequence will be growth in employment and more money circulating in the local economy. This money will benefit local businesses in the retail and services sectors.

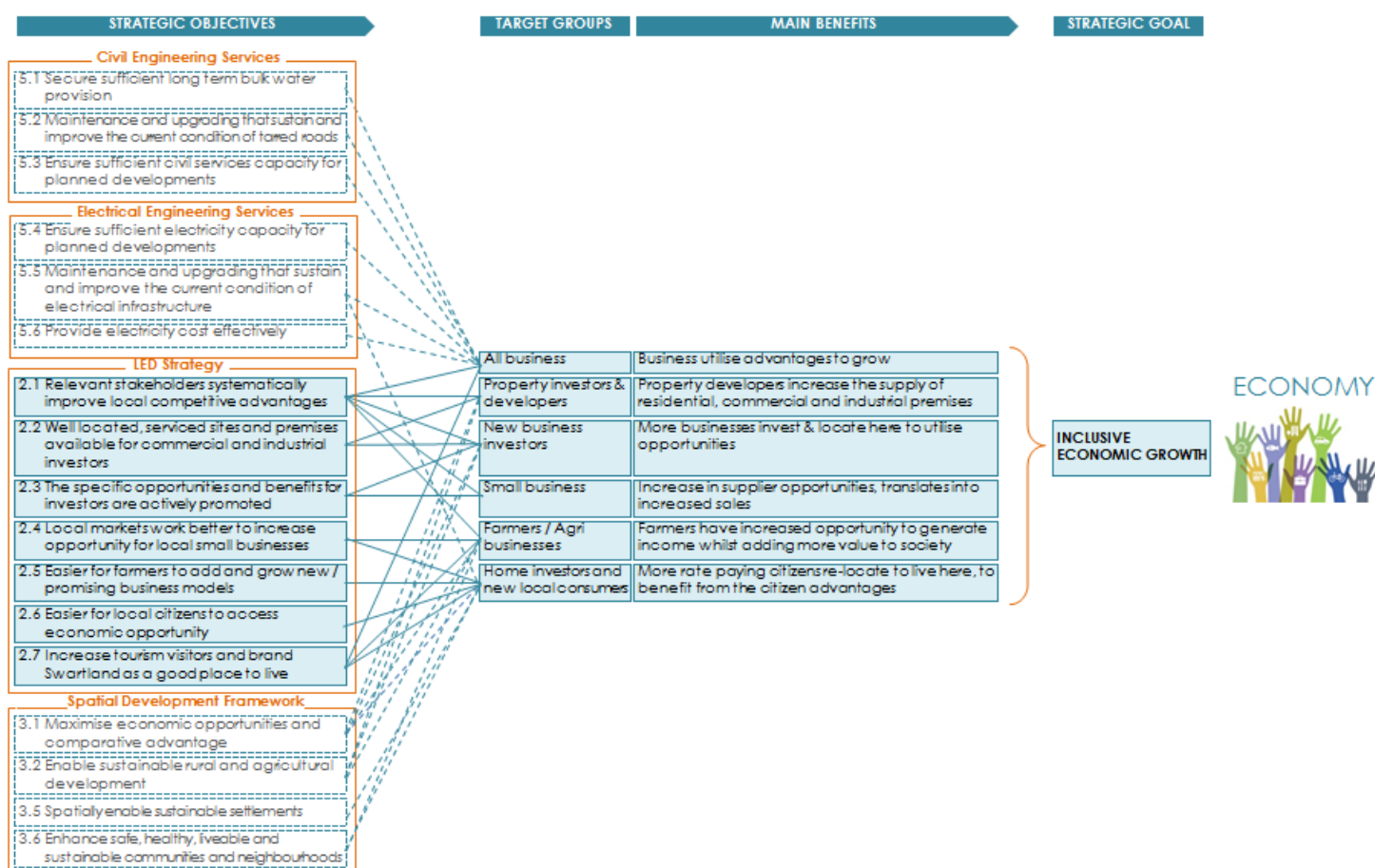
**3. Make local markets work better to increase opportunity for small business.** Improve small business access to: new market opportunities, access to business development support services and to finance. The municipality cannot provide these services but can assist to facilitate easier access to these services. Market access can be improved by systematic linking of local suppliers to the large public- and private sector buyers. Linking these local firms also to networks of expertise will further enhance their ability to meet the requirements of the large buyers. Businesses linked to lucrative value chains grow faster.

**4. Attract more rate paying citizens to live here.** Target families who are cost aware and who seek a safer, country lifestyle with good schools. Also tap into the ongoing exodus of retirees from all over the country - escaping specifically from government failure, increasing crime levels and rising cost of living. Besides contributing to municipal financial sustainability, their investment and spend in the local economy will provide further increase money circulating in the local economy.

**5. Make it easier for local citizens to access economic opportunity.** Support citizens to access new job opportunities and skills development that will qualify them for new job opportunities.

This strategic rationale and how it is expected consequences is illustrated in the figure below.

#### THE STRATEGIC RATIONALE DESCRIBED AS A STRATEGY MAP



Much of the right building blocks for the strategy are already in place. Implementation of the strategy therefore requires continuing some good work already in progress, and by introducing additional initiatives to fill the gaps. The action plan that follows, describes the objectives and initiatives that are key to strategy implementation.



## Action plan

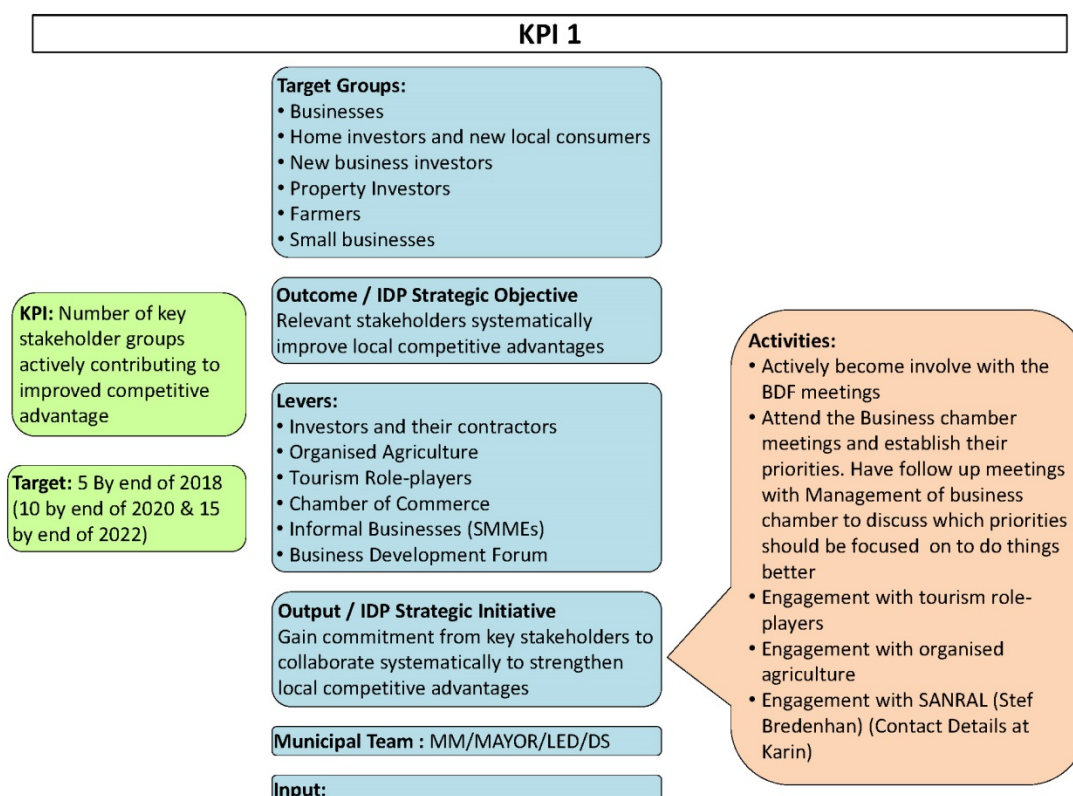
The plan of action consists of existing initiatives most relevant to economic development as well as some new proposed initiatives.

### LED Strategic Goals and Initiatives in the IDP 2017-2022

The following table contains the strategic objectives and initiatives of the strategic goal in the IDP (Inclusive Economic Growth)

| <i>Strategic Objectives</i>   | <i>Strategic Initiatives</i>  |
|---|---|
| 2.1 Relevant stakeholders systematically improve local competitive advantages                   | Gain commitment from key stakeholders to collaborate systematically to strengthen local competitive advantages. |
| 2.2 Well located, serviced sites and premises available for commercial and industrial investors | Ensure adequate supply of land and services for commercial and industrial premises.                             |
| 2.3 The specific opportunities and benefits for investors are actively promoted                 | Establish an investment promotion and facilitation system.  |
| 2.4 Local markets work better to increase opportunity for local small businesses                | Establish a local business opportunity network incl. a local business directory                                 |
| 2.5 Easier for farmers to add and grow new / promising business models                          | New (more enabling) Spatial Development Framework   |
| 2.6 Easier for local citizens to access economic opportunity                                    | Establish an information portal pointing to best information sources including local support services           |
| 2.7 Increase tourism visitors and brand as a good place to live                                 | Develop a more effective tourism destination marketing and development business model                           |

### LED INITIATIVES UNPACKED





## KPI 2

### Target Groups:

- New business investors
- Property Investors

### Outcome / IDP Strategic Objective

Well, located serviced sites and premises available for commercial and industrial investors

**KPI:** Number of well located, serviced industrial sites available

**Target:** 10 By end of 2018 (15 by end of 2020 & 20 by end of 2022)

### Levers:

- Investors and their contractors
- SANRAL
- Engineering Departments
- Engineering Contractors

### Output / IDP Strategic Initiative

Ensure adequate supply of land and services for commercial and industrial premises.

### Activities:

- Find out from Geoff Chait when 16 industrial sites in Schoonspruit will be available (pipeline of how much and by when)
- Pipeline for industrial sites
- Pipeline for commercial sites
- Work with partners for removal of remaining obstacles
- Completion of access roads from N7 – target dates
- Supply of bulk services (Engineering)

**Municipal Team :** MM/MAYOR/LED/DS

**Input:**

## KPI 3

### Target Groups:

- New business investors
- Property Investors

### Outcome / IDP Strategic Objective

The specific opportunities and benefits for investors are actively promoted

**KPI:** An investment promotion and facilitation system established

**Target:** Yes (by June 2019)

### Levers:

- GAN – Matchdesk
- Website service provider
- Large Property Developers
- Real Estate Agents
- Business Chambers
- Town Planning

### Output / IDP Strategic Initiative

Establish an investment promotion and facilitation system

### Activities:

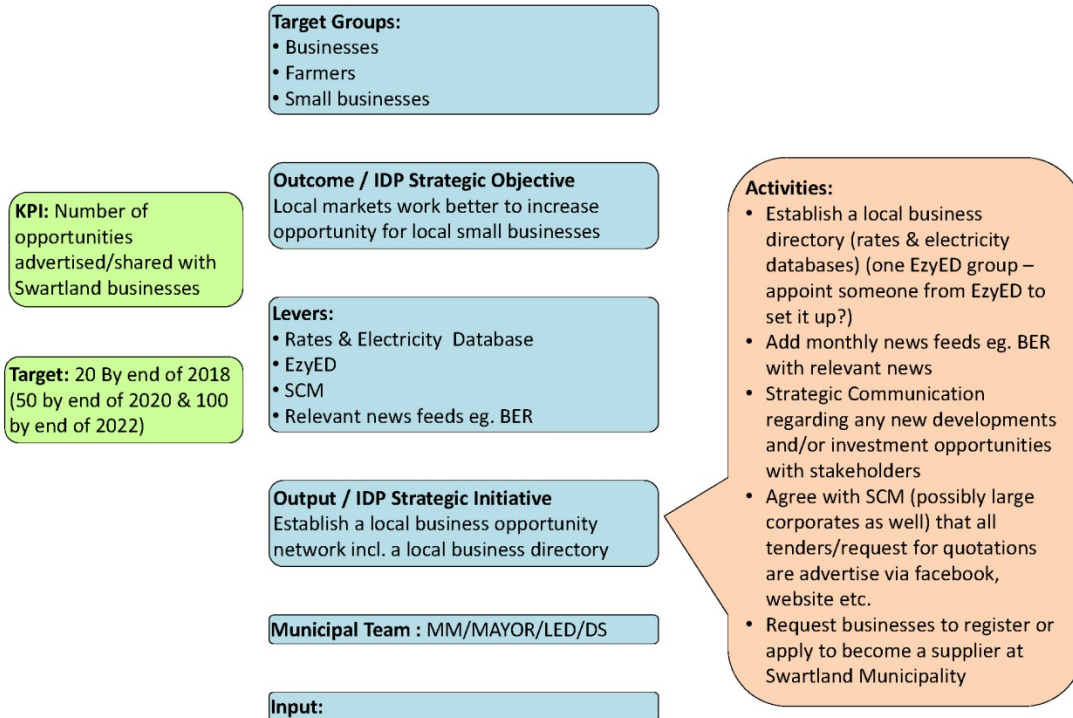
- Promote Swartland through GAN-Matchdesk
- Pro-actively promote Swartland for investors to attract investors (Talk to management)
- Ensure that the development of the new website make provision for enquiries where investors can instantly find the information they need and that they can make contact with LED facilitation office
- Identify and remove investment obstacles
- Maintain a register of key developers and their developments

**Municipal Team :** MM/MAYOR/LED/DS

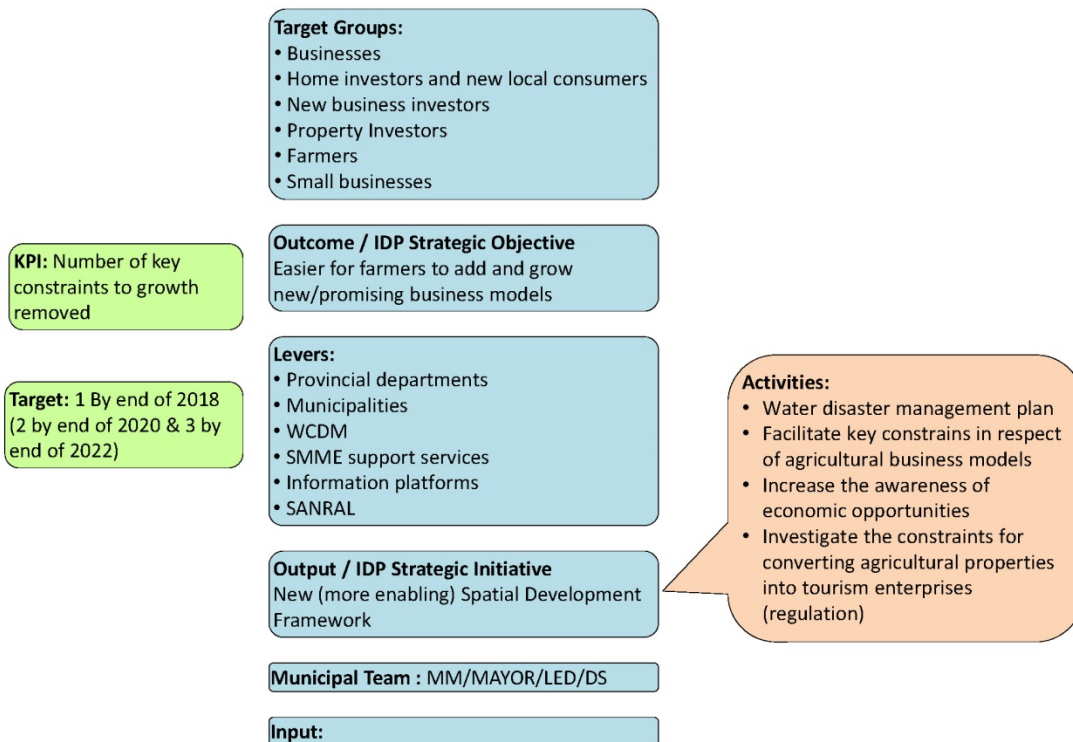
**Input:**



#### KPI 4

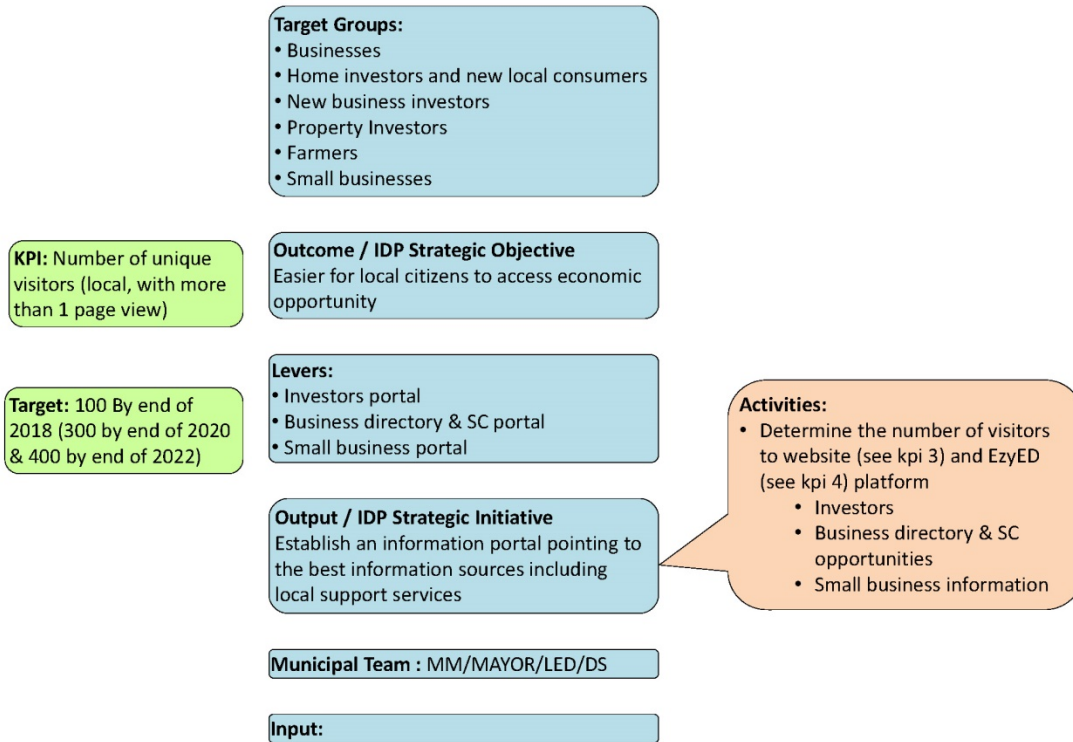


#### KPI 5

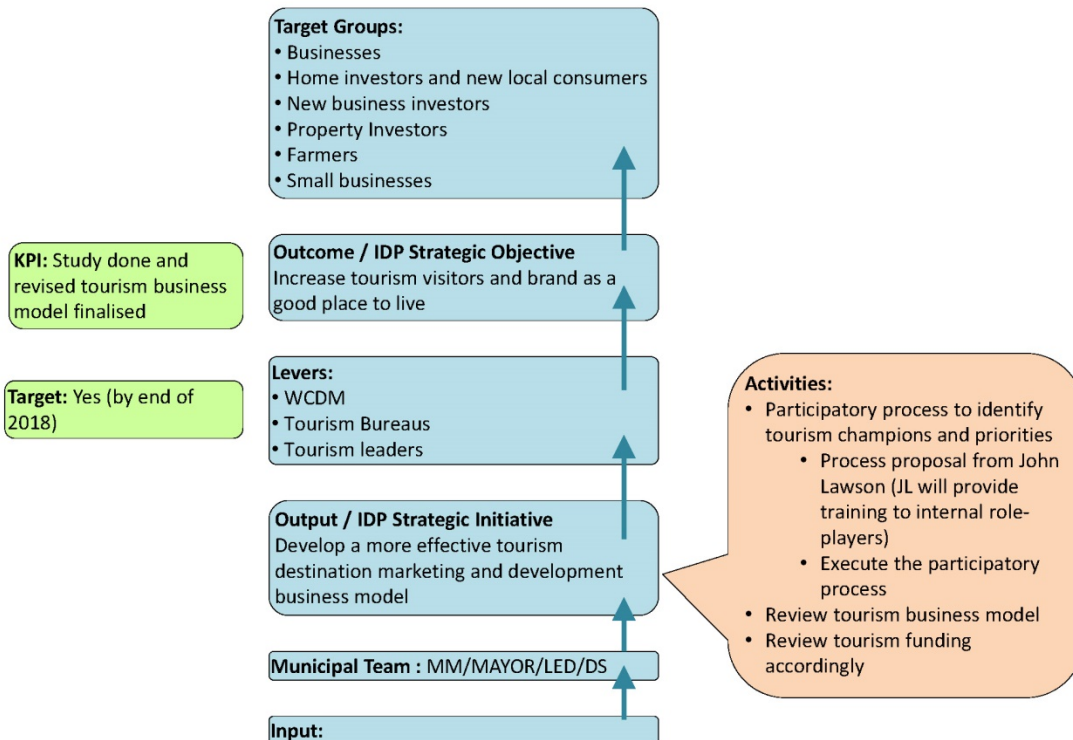




## KPI 6



## KPI 7

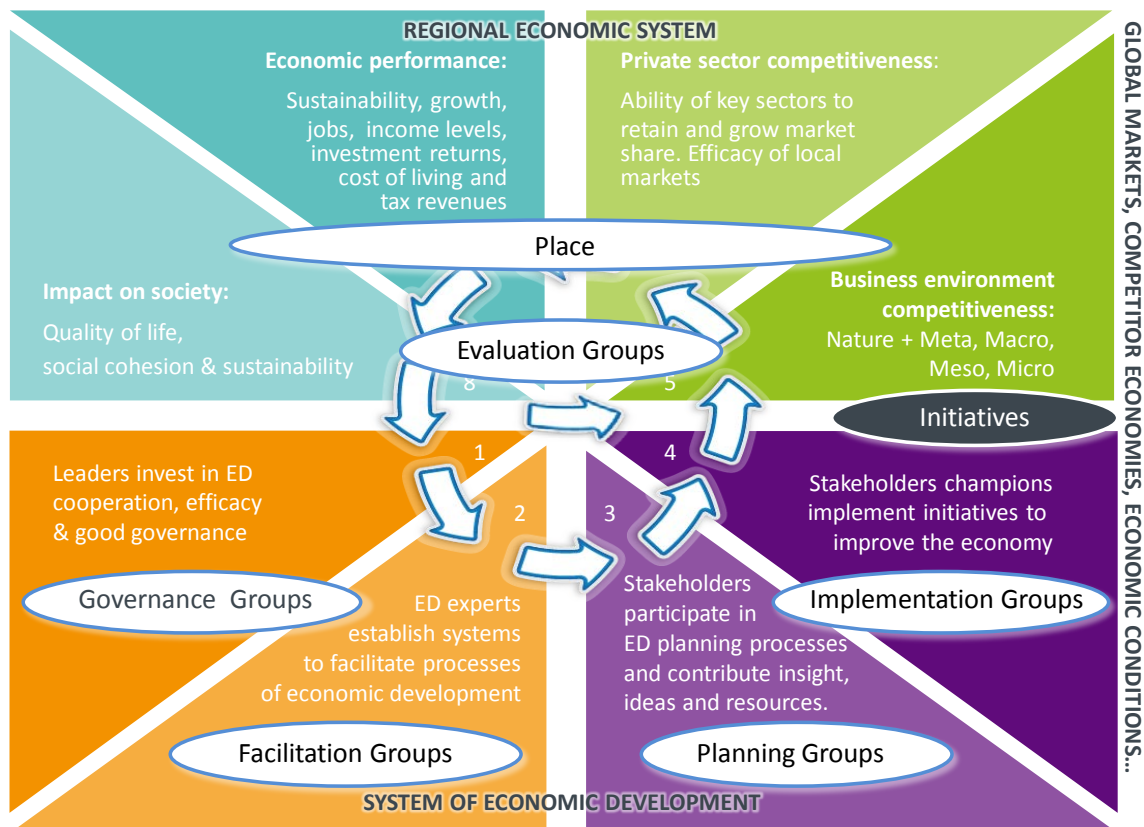




## INSTITUTIONAL CAPACITY FOR ECONOMIC DEVELOPMENT

The economy is complex and the right people need to discuss the right topics, without wasting time. Various role players have different interests and therefore different dialogue requirements. When dialogue takes place it needs therefore to be focused and relevant to participant interests. Focused group dialogues make more sense than large meetings if they are integrated cohesively. To assist in achieving both focus and integration we provide a framework to conceptualise such dialogue as various groups.

### The right people need to discuss the right topics, without wasting time



**1 Governance groups** oversee on behalf of stakeholders, the quality and the integrity of the economic development effort and associated investment.

**2 Facilitation groups** establish strong stakeholder networks which cooperate to continuously improve the most important parts of the place economy.

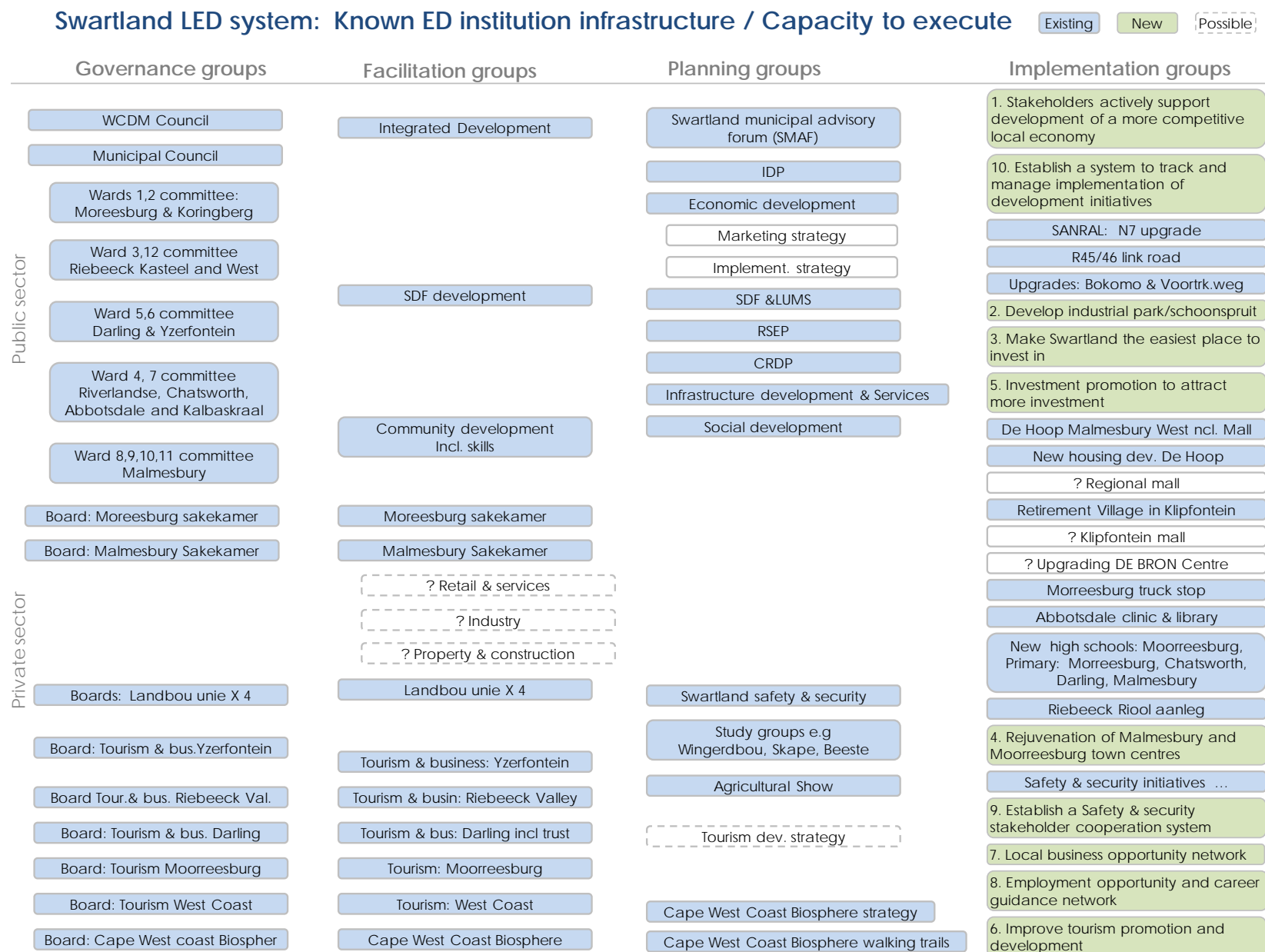
**3 Planning groups** mobilise stakeholder insight, ideas and resources to identify the most promising and pragmatic improvement initiatives.

**4 Implementation groups** focus on implementation of specific economic development initiatives to unlock new opportunities.

**5 Evaluation groups** determine the actual results achieved to support learning and improvement.



The Swartland LED institutional capacity or system mapped to these group types.





Achieving effective economic development cooperation integration with such a complex set of organisations is surely a challenge. There may be more efficient ways of organising capacity, but this may be too disruptive from the outset. By providing smart systems and tools for better development cooperation, these groups are likely to firstly perform better, and thereafter re-organise themselves more efficiently – once the benefits become apparent.

## IMPLEMENTATION PLAN AND TIMESCALES

Implementation is led by champions identified for each initiative. The implementation timescales are currently being determined. As soon as these are ready this document will be updated accordingly.

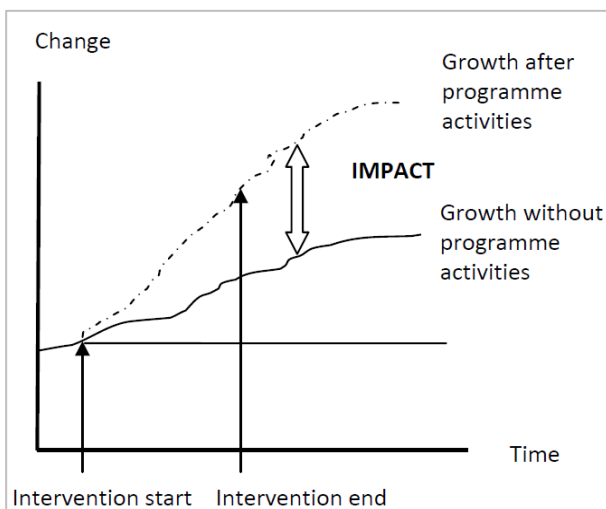
## RESULTS FRAMEWORK FOR MONITORING AND EVALUATION

Implementation progress of each initiative will be updated on a monthly basis and will be available online for invited stakeholder groups to monitor. The governance teams will meet quarterly to reflect on progress and to provide support to the technical facilitation teams, to use their influence to remove blockages to cooperation.

Once a year stakeholder groups in each key sector will reflect on progress over the past year, to assess success and failure. Whereas the main objective is to learn, it is important to also utilise the opportunity to recognise the champions of success stories.

Evaluation entails measurement of actual output, outcomes and impact resulting from economic development Initiatives. The purpose of this measurement is to evaluate progress, reflect on what worked as planned and what did not. And then to learn from the new insights gained. Working smarter increases the scale of future results. Without evaluation, mistakes are repeated.

### Evaluate impact as the variance from trend



Source: The DCED standard for measuring results

in private sector development

Evaluation will utilise the performance framework attached to evaluate progress towards goal attainment.



## Results measurement framework for Monitoring and Evaluation of Local/Regional Economic Development



|                                  | Activities & input                                       |  |   |  | Outcomes attributable                                       |                               | Impact attributable  |   |   |                                 |   |  |
|----------------------------------|--|--|---|--|---|-------------------------------|--|---|---|---------------------------------|---|--|
| What? - result area              | Leadership & Governance                                  | Facilitation   | Stakeholders contribute (input)                         | Stakeholder LED Initiative/ Activity / project | Improved business environment / markets                     | Businesses benefitting        | Revenue / GGP contribution   | Direct Jobs (secured)   | Indirect jobs (secured)   | BBBEE                           | Municipal income secured  | Household impact   |
| Who is responsible or benefits   | Initiative / project sponsor                             | LED process Facilitator  | Initiative investor/s                                   | Initiative champion/s                          | Service provider org/s?                                     | Sector/s                      | Town /place (society)  | Types of jobs (no temporary jobs)   | Types of jobs (no temporary jobs)   | Types of beneficiaries          | Name of municipality  | Which towns's citizens benefit   |
| Description - of result required | Initiative approval: Project ID no. + Name of initiative | Opportunity found: Origin of init. - facilitated process or ad-hoc | Commitment: Investor motive / Primary objective / (ROI) | Activity / project description                 | Improvement in competitiveness of the business environment? | Competitive advantage gained? | Hypothesis (calculation rationale) of attributed additional GGP contribution | Hypothesis (calculation rationale) of attributed change in target sector job trends | Hypothesis (calculation rationale) of attributed job spin-off change in other sectors | Nature of sustained empowerment | Hypothesis (calculation rationale) of attributed additional municipal revenue | Household members benefit from higher household income. Where do new job employees live? |
| KPIs                             | Municipal investment (money even if just PR)             | Facilitation Person days (Investment)                              | Leveraged investment                                    | % completeness of implementation               | Participating business verify improved bus.env.             | No. firms benefitting?        | Attributed additional GGP contribution                                       | Attributed no. of jobs in target sector   | Attributed no. of jobs in other sectors   | No. benefitting?                | Increase in municipal income  | No. of Citizens with improved household income   |