



Cederberg Municipality

Local Economic Development Strategy

December 2016

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1. Executive Summary

Local Economic Development (LED) is a means of systematic identification, development and utilisation of economic opportunity, to benefit local businesses. As the private sector grows inclusively, poverty is reduced sustainably, and public sector income also increases. LED is therefore a multi-stakeholder effort in support of private sector development.

Whereas other, larger local authorities are blessed with much economic prosperity, inclusive economic growth in Cederberg still remains far below potential. Sustained economic growth is still the largest contributor to reduction in poverty. But not all forms of economic growth lead to large scale benefits for the poor. LED pursues an inclusive pattern of economic growth that does ultimately contribute to reducing poverty consciously and systematically.

Wealth and jobs are created by businesses that are able to compete profitably in fiercely contested markets. Firm performance, however, does not just depend on the factors inside the particular organisation, but also on externalities such as market demand, market competition, supply conditions and local business environmental conditions. The eco-system or business environment within which the firms find themselves, to a large extent determines how easy or how difficult it is for an entrepreneur/ firm to succeed. A healthy business environment is therefore essential for growth and poverty reduction.

To maximise prospects of sustained economic growth, stakeholders must therefore strengthen the systemic competitiveness of the local business environment for key sectors. Investors seek such a competitive place to do business from. Once they invest (new or expansion) the consequence more often than not are new jobs and growth.

It is clear that Cederberg is part of a broader economic system, a larger “whole,” that is made up of the West Coast District, Western Cape Province and South Africa. To ensure that, the Cederberg plans must respond directly to the needs and aspirations of its own citizens but, just as importantly, they must be aligned to and coherent with the strategic direction being taken as a whole.

The future plans for Cederberg are set out in the revised 2012/ 2017 Integrated Development Plan and the long term competitive advantage that can be built and exploited to the advantage of the locality is laid out in the 2010 LED Strategy. However, it is quite plausible that these plans and strategy remain unimplemented for three main reasons; i) available resources, both financial and human are relatively scarce given the scale and scope of expectations; ii) there is an intuitive understanding (or perception) that the “burning issues” are not being addressed or given adequate attention; iii) that the overall strategy does not give sufficient weight to the vision and mission entrenched in the political manifesto.

This LED strategy was informed by various studies and research undertaken over the past number of years, rigorous evaluation of the Cederberg IDP and interrogation of the yet to be accepted 2010 LED Strategy. The base of this strategy was the 2013 PACA Report and Medium Term LED Strategy. This strategy sets out to achieve three things:

- i. It sought to discover the key factors, trends and uncertainties that were at play in the municipality, especially the factors that could have unintended consequences if not faced “head-on”;
- ii. Aligns to the vision and mission of the municipality which, in term, is coherent with the election manifesto of government at both the national and provincial levels;
- iii. Sets a direction for realistic and achievable positive actions that can be undertaken over the next five years, actions that will make real sense to all stakeholders and will head-off potential unintended social and political consequences.

The intended impact of this strategy is to build a sustainable platform for improved service delivery, more inclusive development and especially pro-poor growth in rural areas. It seeks to achieve this in three medium term result areas. These are:

- i. Supporting the development of resilient, food secure and increasingly commercially orientated production of fresh fruit and vegetables.
- ii. Encouraging and directly influencing the direction and quality of education and training by academic institutions to better prepare local citizens for entry into the agricultural, agro-processing and tourism sectors.
- iii. Encourage and support the Cederberg Municipality to re-evaluate its organisational “culture” and re-positioning its resources to be more responsive and attuned to the needs of its “clients”.

The approach and means by which this will be achieved are likely to be:

- i. Establishing a self-depreciating working farm as a “social enterprise” where committed young people with limited, or even no, resources can go and learn the business of farming at both an academic and practical manner. Graduating students can then be supported financially and technically to get access to land and finance to extricate themselves from poverty and become successful commercial farmers.
- ii. By influencing existing and encouraging new entrants in the further education and training sectors to develop specific training modules for students to become better equipped for the existing job market but, more importantly, the job market that will open up as a result of regional growth and demand created by catalytic projects, for example the raising of the Clanwilliam Dam wall, and Saldanha IDZ.
- iii. By continuously improving, and where necessary eliminating barriers to and effective execution of bureaucratic process that are needed to start and/or grow a business in the municipal precincts. This may not have direct impact on investment into the region but the positive sentiment it will create may well provide the momentum needed for Cederberg to reach the next level of commercial success.

2. Conceptual Framework and Local Profile

2.1 What is Local Economic Development (LED)?

There is no single universal definition of local economic development but the most commonly published version by the South African government and its national departments is:

LED is 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 failure, remove bureaucratic obstacles for local businesses and strengthen the competitiveness of local firms'

"The defining feature of this administration will be that it knows where people live, understands their concerns and responds faster to their needs"
The Presidency – May 2010

In essence Local Economic Development is a proactive intervention to exploit the inherent advantages of a locality and create an environment that can attract the level of investment and business development and expansion that can meet the job and income aspirations of its citizens.

2.2 Profile of Cederberg Municipality

Cederberg Local Municipality is a local municipality which governs an area of the Western Cape province of South Africa stretching from the [Cederberg](#) mountains through the middle valley of the [Olifants River](#) to the Atlantic coast. It includes the towns of Clanwilliam, [Citrusdal](#) and Lamberts Bay, and surrounding farms and villages including Leipoldville, Paleisheuwel, Eland's Bay, Graafwater and Wupperthal.

Clanwilliam

The municipality's main town is Clanwilliam, and is located along the N7 national road, approximately 250 kilometres from Cape Town, en route to Namibia. The municipality is also home to the majestic Cederberg Mountains, and is a key contributor to the region's tourism potential. The town of Clanwilliam was formally founded in 1814, which places the town among the top 10 oldest towns in South Africa.

The town currently fulfils the function of main administrative town for the municipal district, as well as being a service centre for the surrounding population. The environment presents a diversified resource potential, i.e. the natural beauty of the Cederberg Wilderness area, Clanwilliam Dam, wild flowers, rock art and various other heritage resources. Although the economic base of the town is embedded in the agricultural sector, tourism is also fast becoming a main player.

The raising of the Clanwilliam dam wall at an estimated cost of R2.5 billion is one of the biggest projects in the region, which will create approximately 650 temporary positions during the construction phase.

It is also important to note that “rooibos” was trademarked in 2014, which means that the Clanwilliam area is the only area that is allowed to use the name “rooibos”. This is very significant for the region where economic development opportunities are very limited.

Citrusdal

The town of Citrusdal originated as a service centre for the agricultural sector in the Upper Elephant’s River Valley. The citrus industry is the main source of income in the town’s hinterland. Because of the labour-intensive nature of this industry, the town experiences an influx of seasonal workers every year.

Unemployment in Citrusdal has therefore increased, along with a rise in population numbers. The local export economy is vulnerable to the fluctuating exchange rate of the Rand, and the associated decline in export value has negative implications for the economic base of the town. Tourism is a growing sector in Citrusdal, especially through its positioning as a destination for adventure sports.

Lambert’s Bay

Lambert’s Bay is a coastal town with its reason for existence linked to the fishing industry and the harbour. The building of a processing factory for fish meal, lobster packaging and potato chips led to sound growth that makes a substantial contribution to the town’s economic base. The greatest asset of the town is its impressive coastline and unique Bird Island, which is fast becoming one of the town’s best tourist destinations.

Eland’s Bay

Eland’s Bay is to a certain extent an isolated settlement, which can partly be ascribed to the fact that access routes to the town are mainly gravel roads. The town thus functions as a low order service center and holiday town that supplies mainly basic goods and services to its local inhabitants. The fishing industry forms the main economic base, but is it showing a declining trend as a consequence of the quota limitations on fishing for the local economy.

Agriculture, especially potato farming, makes a steady contribution to the economy. The town has also become known as one of the best surfing venues in the world. In 2009, Baboon Point was declared a National Heritage Site due to its unique value and significance as the history of the Khoisan. The prominence of this point on the West Coast of South Africa and the strong link to early evidence of Khoi and San interaction makes this an area of national and international importance.

Graafwater

Graafwater is located halfway between Clanwilliam and Lambert’s Bay. The town originated as a railway station, but this function is no longer of any great value. Most of the people living here are

seasonal workers on the surrounding farms, as agriculture provides the economic base. This Sandveld town serves only as a service point for the most basic needs of the immediately surrounding farms. Rooibos tea and potato farming are the most important agricultural products.

Wupperthal

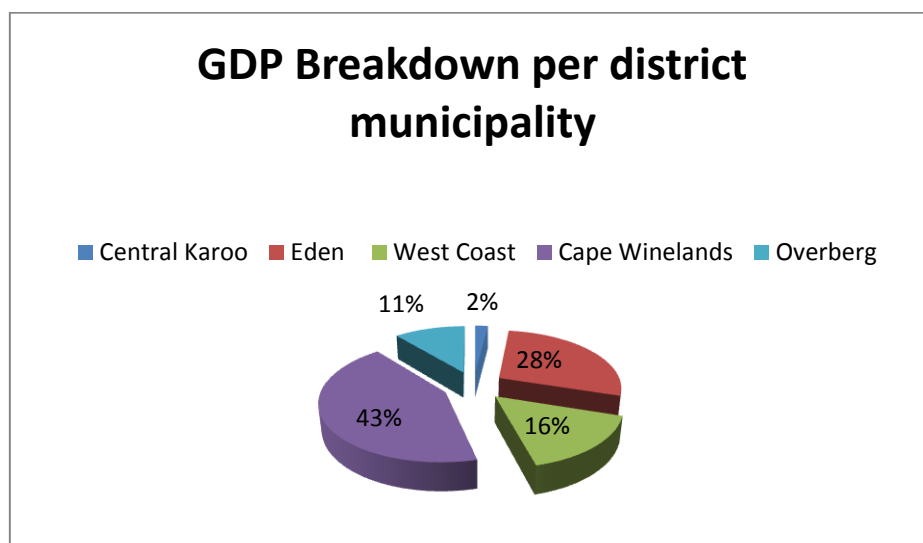
This picturesque place has been a Moravian Mission Station since 1865. The village today consists of an old thatched Church, a store, and terraces of neat thatched-roofed little cottages. Excellent velskoen are made and tobacco is dried and worked into rolls. The other main products of the area are dried fruit, dried beans, and of course, the world famous rooibos tea.

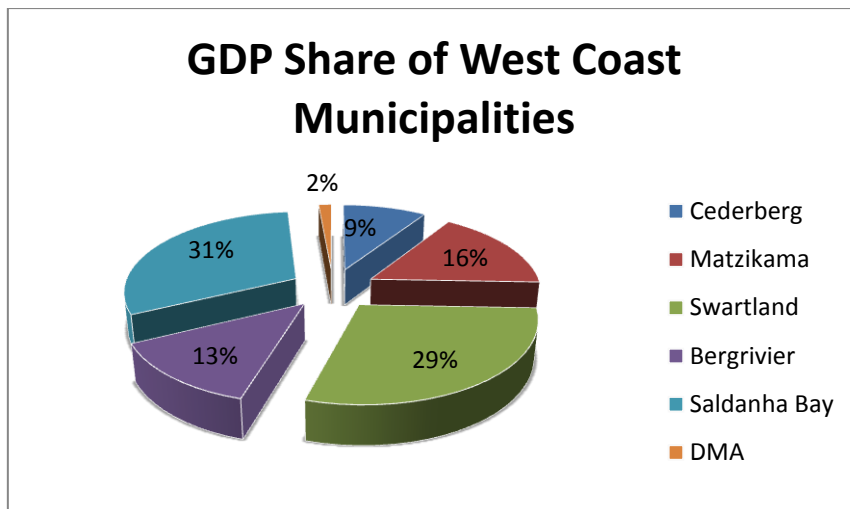
Since 1995 development aid to Wupperthal has come in the form of grants, interest free loans and donations from various sources. Among projects that have benefitted from these was a 4x4 route, a caravan park, two guest houses, the revamping of a tea production facility and a needlework centre. Most recently, the National Department of Tourism also built much-needed tourism infrastructure like campsites, tourist centres, accommodation establishments and a donkey cart route.

2.3 Economic Data

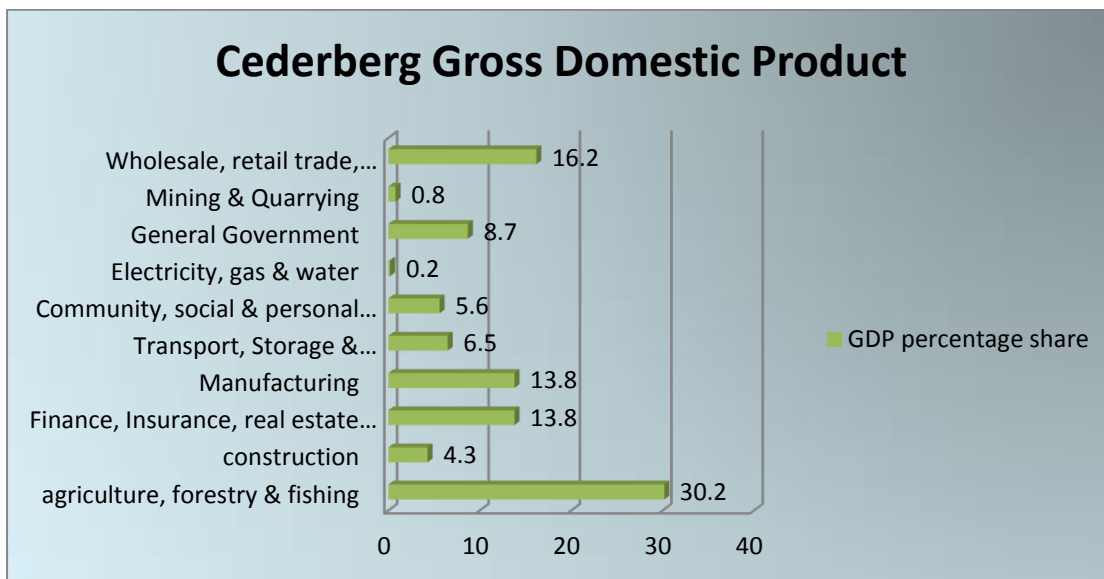
The West Coast District economy is relatively small in a provincial context. It contributed 4.2 % to the Western Cape GDP in 2010 and is the 3rd largest district economy in the Western Cape Province. According to the 2011 Census information the value of the West Coast District's GDP amounted to R14.9billion in 2010. The West Coast District economy is well diversified, with strong agricultural & fisheries, manufacturing, financial and business service components.

The services sectors (retail & wholesale trade, government, business services and community, social & personal services) also contribute 57% of the gross domestic product and employment of more than half of the district-wide workforce. In 2010 the Cederberg municipal area contributed 9.2% to the district's GDP, as can be seen in the following graphs:



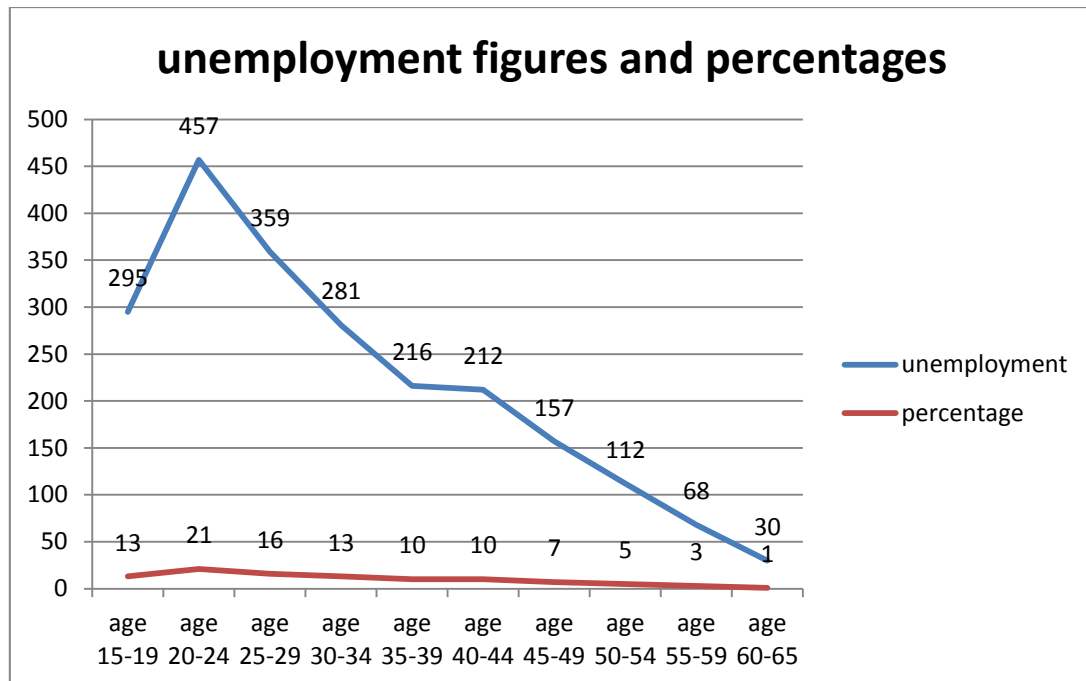


In the Cederberg area agriculture, forestry and fishing is still by far the largest industry, with a 30.2% share of the GDP. The manufacturing and finance, insurance, real estate and business services each have 13.8% share of GDP, whilst wholesale & retail trade, catering and accommodation is also reasonably prominent at 16.2% .



Employment

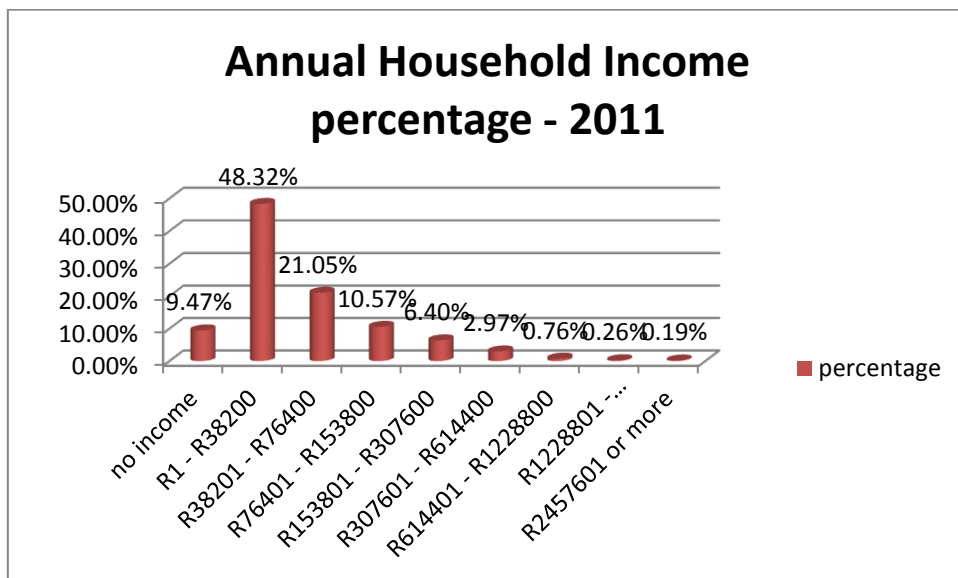
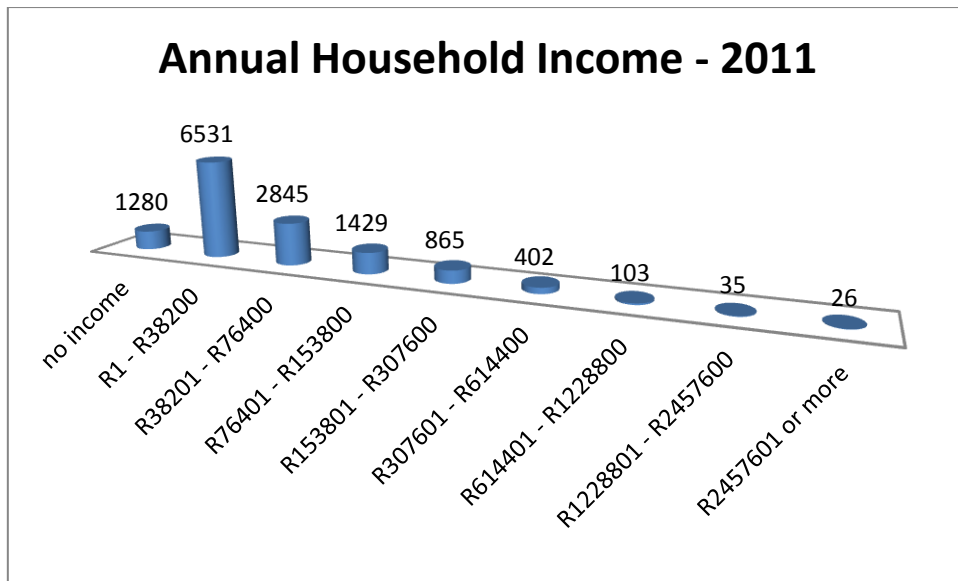
The following graph provides a very useful illustration of the levels of unemployment per age group as well as the percentages.



In 2011 unemployment was mainly concentrated among the youth (15-34 years) as the youth accounted for 64% of the total unemployed. The 25-34 years age group is particularly vulnerable at nearly 30% of the total unemployed.

Household Income

Household Income Levels can serve as an indicator for the standard of living of a community, i.e. whether a community is predominantly poor, middle income or a rich community. It also provides useful information to the municipality with respect to the household's ability to pay for services and the need for assistance. This information then informs policy decisions with respect to the municipality's indigent, tariff and other policies and initiatives:



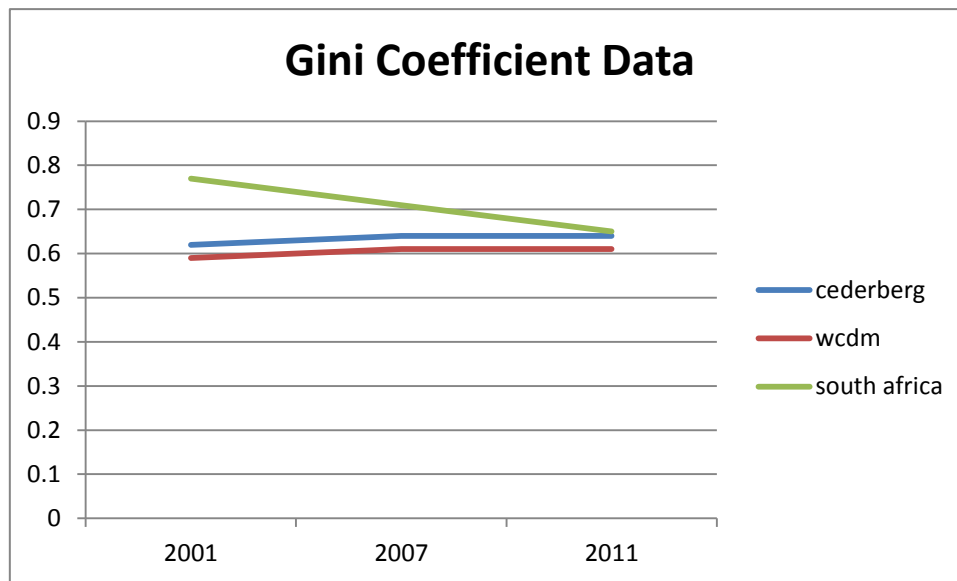
In 2011, 9% of households in the municipal area had no annual income, and only 48.3% earned between R1 and R38,200 per annum. This indicates that the Cederberg is a very poor community. Given the cost of living these days an annual income of R38,200 is not very much, considering that it amounts to around R3183 per month.

Given the above, it is of critical importance that business development and the creation of income-generating opportunities for entrepreneurs must be prioritised by the municipality. This may be achieved through, amongst others, capitalising on the Clanwilliam Dam raising project, as well as tourism which has shown tremendous potential.

Gap between rich and poor

As can be seen in the graph below, South Africa has made great strides in reducing the Gini Coefficient (see green line). However, within the regional context, the Gini Coefficient has increased,

albeit very slightly. It is important, to also note that the Gini Coefficient for Cederberg is congruent with that of the district.



3. Macro Development Perspective

3.1 South African Development Ideology

South Africa has positioned itself as a “developmental state.” In essence this is about government led macro-economic planning and by actively intervening in areas of social and economic need through the development and implementation of policies, legislation and processes to achieve its objectives.

There are strong arguments for and against this ideology but invariably proponents will point to the incredible achievements of Japan, China and South Korea as the trump card. They will also point to the financial and economic crises of the past five years that decimated countries but left South Africa directly relatively unscathed because of its strong hand on the policy environment. However, South Africa was nevertheless negatively affected due to the global retraction of the economies of its trading partners. This retraction was also a learning curve as it indicated the extent of South Africa’s dependency on exports of bulk commodities and its immaturity of manufacturing and tertiary processing capabilities.

The development state as established in South Africa has at its core a principle that runs through all the main policy documents¹ of national government and cascade down to the local level. That thread is that government, particularly at the local level, must engage citizens in a participatory and transparent manner to determine their collective social, economic and material needs.

Free-trade, free-market policies are policies that have rarely, if ever, worked. Most rich countries did not use those policies themselves, while these policies have slowed down growth and increased income inequalities in developing countries over that last three decades. (Chang, 2010)

¹ Including The Municipal Structures Act; the White Paper on Local Government; the Municipal Systems Act; the Constitution and the National Development Plan (NDP)

The municipality must then develop and implement plans to meet these in a sustainable way. The means to do this are structured and codified. Municipalities must develop Integrated Development Plans (IDP's) that set out the needs and aspirations of its citizens. Growth and Development Strategies (GDS's) are also developed to indicate the economic potential of the locality and the means by which the municipality will attract investment, create jobs and generate the revenue streams needed to fund the IDP implementation and pay for services provided. It is also advisable, if funding and support is to be secured, that the priorities are directly linked up the chain to the national level.

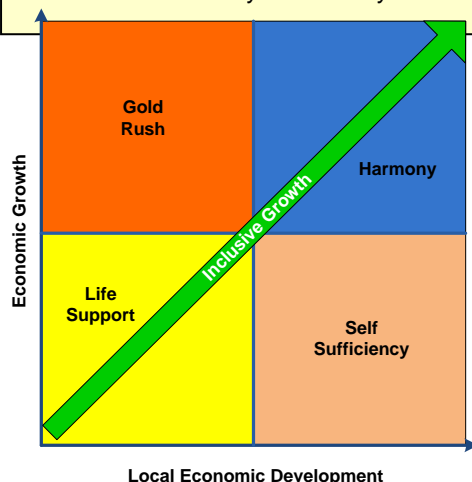
In theory this is all well and good but in practice there are a number of practical realities that are leading to frustration, sometimes agitated protests in communities, and unfulfilled expectations. Added to this is the reality that what growth there is does not appear to translate into the expected (and often promised) number of new jobs. Among others these are:

- i. IDP's are based on the question *what do you want?* Rather than the more pragmatic what can and must we do this year, given our available resources?
- ii. Invariably neither the IDP nor the GDS have specific, prioritised and agreed starting points, or "roadmaps" with milestones or indicators of progress or achievement.
- iii. In many cases aspirant politicians make election promises that are out of touch with reality in order to get elected.
- iv. The private sector is a contributor to this negative cycle in that they often make exaggerated predictions of impact in order to leverage government development support and incentives.

The reality, more often than not, is that municipalities are setting themselves up for failure in two critical areas. The first is that they are creating expectation that cannot be met due to resource constraints and, secondly by going back to communities on an annual basis to refresh the "wants" list when, more often than not; there is a real or perceived lack of progress on the existing list that is evident to all. All of these factors are an underlying cause of elevated stress levels and long-term illness among municipal officials.

3.2 Pro-poor and Pro-growth Development

"The market economy, which encompasses both the first and second economies, is unable to solve the problem of poverty and underdevelopment that characterises the second economy. Neither can welfare grants and increases in the social wage. The level of underdevelopment of the second economy also makes it structurally inevitable that the bulk of resources as flow into the second economy will inevitably leak back into the first economy." (ANC General Council, 2005)



The connection between the urgent need for growth, inclusive development and reducing economic disparities cannot be ignored or underestimated. Dynamic real "economic growth" increases countries revenue and

provides the means for “*local economic development*” that includes reducing social inequality. However, at the same time there is little evidence that growth by itself, will achieve the developmental needs of South Africa.

South Africa has, at a strategic level, adopted a dual development path that seeks high growth for the country as a whole but also proactively intervening at the local level to create, and exploit every opportunity to ensure that the benefits of this growth have the widest possible transformation and developmental impact.

Driving the economic growth agenda is a policy of industrialisation with a bias towards labour intensive jobs and spill-over small enterprise development. It is in these sectors that South Africa intends to be a competitive player on the global stage. The Department of Trade and Industry (dti) is a key driver of this agenda with the means to achieve it being set out in the Industrial Policy Action Plan (IPAP) (2013 to 2016).

In parallel with this global growth agenda is a Local Economic Development (LED) Agenda. The objective of LED is to ensure that the endogenous potential of South Africa is put to the best possible use to progress the development state objective of eliminating poverty, reducing inequality and encouraging labour intensive jobs and small enterprises.

*“Over the next five years **CGTA** will stay focussed on government’s 10 priorities by forging and enabling better vertical and horizontal relationships between the three spheres of government and all sectors. Beyond government, **CGTA** will find creative and innovative ways of mobilising our communities, stakeholders and organs of civil society to become development partners with government in matters of governance and service delivery”.*
(Department of Cooperative Governance & Traditional Affairs, 2009)

The “developmental government” agenda and objective is the responsibility of the Economic Development Department (EDD) with its mandate set out in New Growth Path (NGP) (2010). In 2011 the National Development Plan was introduced as the country’s new plan to eliminate poverty and reduce inequality.

Regarding LED, the NDP focuses primarily on the following key issues: economy and employment; transitioning into a low carbon economy; inclusive rural economy; positioning South Africa in the world; improving innovation, training and education; building a capable state.

Providing the legal and governance framework at provincial, district and local government levels and directly influencing the enabling environment for both economic development and local economic development is the Department of Cooperative Government and Traditional Affairs (CoGTA).

3.3 Development Democracy Paradox

At the Local Government level, giving effect to development needs, community wants and political survival becomes more complex as municipalities are at the “bleeding edge” of delivery to the public and need to tread the line between economic growth and local economic development. At the same time they are continually reminded that, as a constitutional democracy, citizens have the right and the means to elect and remove their political representatives based on their performance relative to their

electoral manifesto. This right and power is increasingly reflected in the robustness of the demands that citizens are making of their political appointees.

This puts the political leaders in a situation where they need to demonstrate achievements in the short term that are significant to the majority of the voting public in order to be re-elected, while at the same time they are expected to strategize and plan for the long term. This may, and often does, put short term priorities and long term potential in direct conflict.

For this reason it is imperative that civil society and the private sector are capacitated and equipped to participate in the governance of local economic development. They also need to be actively involved in the decisions that are taken regarding priorities and factors that will influence their future. This level of knowledge and involvement will equip them to hold successive governments to account and also to a consistent and predictable development agenda

4. Medium Term Strategy Development Framework

The Cederberg Medium Term Strategy (MTS) is designed to take a five year view of the key uncertainties and changing rules of the game that are manifest in the local and regional environment and then determine the results and outcomes that can and should be prioritised to build positive sentiment among citizens and forward momentum for the municipality. This MTS will also offer a decision making framework against which municipal LED decisions can be tested.

The MTS is not developed in isolation but is informed by the following processes and documents.

4.1 Cederberg IDP

The Cederberg IDP is, and must remain, the key long term planning instrument of the municipality. It sets out the vision and mission of the municipality and establishes overall goals and strategic priorities that Cederberg sets out to realise for its citizens. Its development and review process is coherent with the national and provincial strategic thinking and long term planning and as such reflects the harmonisation across all four levels of government in South Africa.

The key aspects of the IDP are repeated:

Vision

A development-centred municipality committed to the eradication of poverty, rural development and excellence in service delivery.

MISSION

“We will achieve our vision by:

- Developing and executing policies and projects, which are pro-poor.*
- Unlocking the potential for economic growth and development in, especially our rural areas.*
 - Ensuring sustainable, efficient and effective service delivery.*
- Advancing capacity building programmes for both our staff and the community.*

With regard to Local Economic Development the IDP commits to support and where possible actively facilitate progress with regard to the roll-out of the Saldana-Sishen line upgrade, the Clanwilliam dam, and the N7-upgrades as strategic key national projects. The other strategic project that has the potential to positively impact in Cederberg is the establishment of the Saldanha Bay Industrial Development Zone (IDZ) - these projects will create new jobs on a large scale, jobs that can and should be accessed by people from the West Coast District provided they have the necessary training. The underlying risk of not responding proactively to this latent potential is that if skills needed cannot be matched locally there will be an influx from other areas that may [will] put a strain on social services and social infrastructure as well as potentially lead to social discord due to frustration as development bypasses existing residents.

All four of these projects will have a significant impact on the local economy in the longer term and it is important that the municipality proactively seeks to create the skills development environment where local people are able and encouraged to develop the capabilities that will be needed.

At the pro-active operational level, the IDP has an explicitly pro-poor developmental agenda. More specifically this agenda is orientated towards rural development and poverty alleviation as well as creating an environment for small enterprise development. The IDP has taken its cue from the National Development Plan to create an integrated and inclusive rural economy geared towards job creation, poverty alleviation, food security, and advancing entrepreneurial activities.

This decision is further supported by the Growth Potential of Towns in the Western Cape Study: Discussion Document that was developed in 2004 and then revised in 2010 that rated the developmental potential of all the towns in Cederberg as “low”.

The implication and golden thread is that, in the medium term, local economic development will need to focus on: i) retention, incremental expansion, and fine tuning of existing sectors, and; ii) laying the foundation for citizens to benefit from strategic projects that have the potential to take development in Cederberg and the West Coast District to new heights. This, rather than pursuing “greenfield” projects

with high opportunity cost, relatively high risk of under-performance, and an uncertain potential to address the core goal of poverty alleviation and rural development.

4.2 Current Strategy (2010)

The 2010 LED Strategy has not been accepted by the municipality. The reasons for this have not been fully articulated. However, it would appear that the strategy may have been overly biased towards growth and attracting new capital investment rather than developmental with a rural poverty alleviation focus as per the municipal vision and mission.

What is clear is that the strategy does identify the competitive advantage of the Cederberg area and it does also identify the areas of intervention and development that would leverage and enhance that potential.

It is also heavily weighted in favour of tourism which is both a national and provincial priority and recognised as a job creator. However, tourism in Cederberg is skewed towards beach tourism where the jobs are largely low income and accommodation focused. Entry into the tourism sector also comes at a relatively high capital opportunity cost which, in the short term, does not leave much scope for transformation. Inland tourism is orientated towards adventure and nature product development that is also skewed against transformation and poverty alleviation as they are an offering that will increase bed-nights, and spend in specialised stores and services but in general do not generate much revenue in their own right.

Agriculture is supported as a sector with real growth potential and rightly it is noted that Cederberg has global competitive advantage in four sectors: citrus, grapes (wine and table) rooibos and potatoes. It is noted that agriculture is responsible for 28% of local GDP and has a disproportionately high job multiplier of 62% of total jobs. At one level this is very attractive but at another there are some systemic concerns with regard to public sector investment in these sectors as the potential driver for poverty alleviation and transformation. These are;

- i. To compete in the global arena and even the formal retail sector the demand is for higher quality product with traceability and increasingly demanding phytosanitary obligations but, at the same time, with more competitive pricing. This is fuelling a drive for mechanisation at the expense of jobs as machines can work long hours, are confined and therefore less prone to biological hazard, and are low cost once CAPEX is amortised.
- ii. The drive for economies of scale and volume. Throughout the locality there are signs that smaller growers are being bought out, land units and production aggregated and even the sorting and grading mechanised.

"It is sometimes argued that the higher rates of economic growth of 6% and above would, on their own, lead to the reduction of levels of unemployment in our country.

This is part of a proposition about an automatic "trickle down" effect that would allegedly impact on the "Third World economy" as a result of a stronger "First World economy". None of this is true. The task we face therefore is to devise and implement a strategy to intervene in the "third World economy", and not assume that the interventions we make with regard to the "First World economy" are necessarily relevant to the former". (Mbeki, 2003)

The fact is that the established sectors do still have room for growth but the labour take-up has inverted and proportionally will decline in future. Another trend would appear to be that, in many cases, it is foreign money that is driving the aggregation process and a significant proportion of economic “rent” may be expatriated.

The third major sector is aquaculture and/or mariculture² - This is a priority sector for the Western Cape Provincial Government and progress has and is being made in growing the mariculture sub-sector in areas like Saldanha Bay. However, there is still much to learn and roll out is both longer term and opportunity cost is high and may not as yet meet the pro-poor, poverty alleviation criteria.

In the area of fresh water aquaculture that is also linked to the expansion of the Clanwilliam Dam it can be argued that; i) this sector has as yet not achieved any real degree of market acceptance, ii) the technical aspects of “farming” are still being refined, and iii) the raising of the Clanwilliam dam wall and the impact this will have on existing activities moves this opportunity into the uncertain and therefore also long term category.

4.3 2013 PACA process

The PACA³ process has been initiated and supported by the Western Cape Department of Economic Development and Tourism. The purpose of the PACA was to undertake a process of review of the “April 2010 LED Strategy” document for Cederberg Municipality, to develop a new strategy, and to identify practical and implementable actions for local economic development.

In general PACA would not be the first choice as a strategy development tool. In the usual application of PACA the process tells you where business opportunities for LED lie. It also reflects the view, sometimes narrow, of the people that were mobilised and that chose, for whatever reason, to participate. It also does not throw endless lists of problems and bottlenecks at you, but shows how to work on critical constraints to opportunistic development. It lets you identify action for quickly visible results. In general PACA does not specifically indicate critical uncertainties, priority “rules of the game” or alignment to an overriding developmental vision and mission. However, PACA can and does provide valuable clues and “golden threads” as to the more strategic aspects of LED that, when read in conjunction with other key instruments and documents, can contribute to the formulation of a strategy, especially if that strategy is medium term and is about understanding what you do and don’t control, and what is certain and uncertain about the future – and knowing when to change direction to avert unintended, and possibly tragic, consequences⁴

² Aquaculture is the farming of aquatic organisms such as fish, crustaceans, molluscs and aquatic plants. Aquaculture involves cultivating freshwater and saltwater populations under controlled conditions, and can be contrasted with commercial fishing, which is the harvesting of wild fish. Broadly speaking, finfish and shellfish fisheries can be conceptualized as akin to hunting and gathering while aquaculture is akin to agriculture.

Mariculture refers to aquaculture practiced in marine environments and in underwater habitats.

<http://en.wikipedia.org/wiki/Aquaculture>

³ PACA: Participatory Appraisal of Competitive Advantage is a tool and a process that promises quick results, but also explicitly aims at generating a learning process and thus leads to an organic LED process that empowers local actors and leads to a dynamism that is sustained with local resources and skills.

⁴ Clem Sunter & Chantell Ilbury (2007)

4.4 Lessons from International Experience

“The reality is that the interaction between leading and lagging places is the key to economic development. The reality is that spatially targeted interventions are just a small part of what governments can do to help places that are not doing well. The reality is that, besides place place-based incentives, government has far more potent instruments for integration. They can build institutions that unify all places and put in place infrastructure that some places to others.” (World Bank, 2009)

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

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

*“The most immobile of all inputs to production -land- must become mobile between uses. Access to oceans and rivers might be the reason a place is settled, but the nimbleness of its land market will largely determine how much it will grow. Government may not be good at picking places that will prosper. But how well they institute regulations, build infrastructure, and intervene to make **land use** efficient will decide the pace of prosperity for the entire neighbourhood.* (World Bank, 2009)

This Medium Term Strategy introduces the concept of strategic intent in order to focus on what needs to happen in the next five years to lay the foundation for implementing the Local Economic Development components of the IDP and on Cederburg’s overall commitment and ability to meet the economic aspirations of its citizens while also contributing to the overall goals of the Western Cape and South Africa as a developmental state.

4.5 Key insights from the PACA Process

The more strategic issues that emerged from this process are:

- The primary agricultural sectors of citrus, rooibos, potatoes and grapes are in a consolidation phase driven by quality, price and mechanisation phase ensuring that the labour absorption trends are downward even though the sectors are growing.
- The locality has the climate and soil conditions to be able to produce almost all vegetables and most fruit. There is also land available but is bogged down by bureaucracy.

- People that live in rural areas have a desire to farm and also some primary knowledge in the sector. However, farming knowledge is essentially oriented towards planting and harvesting with not much knowledge of the “business” of farming.
- The municipality is seen as distant at best, adversarial at worst. The perception is that the municipality is paralysed by hierarchy and compliance making development almost impossible.
- Development is also considered to be held hostage by political affiliations and infighting with opportunities devolving along patronage lines.
- There seems to be an underlying belief that the established farming community have a “debt” to pay and therefore an obligation to support and mentor emerging farmers. This perspective could well be a short fuse to land use conflict.

5. Orientating the Medium Term Strategy

Strategy is essentially about identifying and nurturing **sustainable** competitive advantage for the benefit of its citizens. This means that the strategy must focus on areas where there is higher than average growth potential **but** must also address uncertainties that can lead to unintended and potentially devastating consequences.

Above all a strategy is about **prioritising** the deployment of what will always be insufficient resources in a way that progress towards the shared **vision and mission** of the organisation is maintained. This makes strategy and strategy implementation a fundamentally **action orientated ongoing activity** that includes building competencies and capabilities, budgeting, policy making, organisational culture building, and improving operational effectiveness and management decision making.

An integral part of strategy formulation and implementation is the leadership process of continuously scanning the horizon to identify the trends, the evolving global and regional rules of the game, and the uncertainties facing the local area in capitalising on advantages and mitigation uncertainties.

5.1.1 LED Rules of the Game

The rules of the game with regard to this strategy are framed by the Cederberg IDP. More specifically the strategy must contribute to:

- Continuous improving service delivery in all areas but with an added emphasis on “economic” infrastructure.
- A decision making framework that identifies and provides a filter for projects in the IDP according to their potential for a measurable contribution to the municipal vision and mission
- Unlocking direct and indirect economic potential and opportunities for growth and development in rural areas.

- Opportunities for people in the Cederberg to be able to develop the skills and experience needed to access jobs in any emerging high growth sectors and sub-sectors.

5.1.2 Key LED Uncertainties

Key uncertainties that generated the most discussion with regard to local economic development are:

- Availability of, and access to, financial and/or human resources to undertake a seemingly over-ambitious scale and scope of projects “promised” in the IDP.
- Capability of citizens to be able to take up the opportunities that are already evident of can/will be created.
- The (un) willingness of the established business community and rate-paying citizens to buy into the need and desirability for investment in developing areas, possibly to the detriment of mainstream growth in the medium term.
- The likelihood, impact, and scale of unintended socio-political consequences of real, or perceived, municipal under-performance.
- The availability of and access to land, water⁵ and other infrastructure that will be needed for rural development.

5.2 SWOT Analysis

Cederberg Municipality SWOT Analysis – Local Economic Development	
<p>Strengths</p> <ul style="list-style-type: none"> • Beautiful area with different aesthetic qualities • Strong sectors: agriculture (citrus, rooibos), tourism, • Good road network (N7) • Well developed infrastructure 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Fragmented society • Big business support for SMME’s • Insufficient training facilities and institutions • Lack of integrated planning • Municipality is very poor – very little funding to implement LED • Lack of common understanding of the role and purpose of LED unit in municipality • LED not yet adequately mainstreamed within Cederberg Municipality • Strategic direction not yet understood by all

⁵ Indications are that riparian rights to water are already oversold to the commercial agricultural sector.

Opportunities	Threats
<ul style="list-style-type: none"> • Under-utilised land and property • Raising of Clanwilliam Dam • Co-opting of rural development unit into LED to strengthen capacity • Value-adding of key economic sectors: agri-processing • Rail network • Strategic Procurement 	<ul style="list-style-type: none"> • Droughts • Slow Economic growth • Red Tape: not good for SMME's • Insufficient bulk services • Population growth • Political instability

6. Cederberg Medium Term Strategy

No one can predict what will happen in the future and this makes the idea of formulating long term strategies largely a futile exercise. However, in South Africa there is a Constitution that provides the national vision and mission. There is a National Development Plan that sets out the long term plan for the country as a whole; The Western Cape Province has set out their long term priorities for growth; the West Coast District has developed and is reviewing their strategy and priorities and Cederberg Municipality has its long term plan, vision and mission and objectives set out in its IDP.

This Medium Term Strategy sets out what must be achieved in the next five years to ensure that Cederberg is on course to execute its mission and realise its vision.

- i. Inclusive growth and pro-poor development in the food security / market-gardening sub-sector in rural areas.
- ii. Organisation evolution to better serve ratepayers and citizens by continuously improving service delivery and reducing “red tape” in urban precincts.
- iii. Equipping local citizens to be able to take advantage of existing and emerging opportunities.

6.1 Elaboration of Strategy

The unintended consequences of not proactively addressing the underlying factors that are contributing to the likelihood of the “Pressure Cooker” scenario are far more pressing than the need to deploy resources to incrementally grow the established commercial sectors and sub-sectors.

The fact is that the existing sectors are all doing relatively well and are growing organically. This growth is arguably being sustained by positive but fragile sentiment of commercial self-interest and players that are well established in these sectors.

However, the potential ripple effect that could spill-over from the reality of the pressure cooker scenario could have consequences that will undermine momentum and could take years to recover.

There are three key pillars to the medium term strategy:

6.1.1 Pillar 1: Inclusive growth and pro-poor development

Inclusive growth and pro-poor development in the food security / market-gardening sub-sector in rural areas.

By all accounts Cederberg has real agricultural potential as is seen from the competitiveness of its four main sectors. The climatic conditions and soil conditions are excellent, water is available on the surface and by borehole in many areas which will be improved by the raising of the Clanwilliam Dam. There is also an underlying affinity for farming among the local people and will be built on.

This pillar makes the case that creating more jobs in the citrus, rooibos, grape and potato sectors is unpredictable due to farming consolidation and mechanisation but that there is potential in food production both for own consumption and expansion into “village pantry” possibility.

Exploiting this opportunity will require more than transferring land - it will require building a system that can transform the sector as a whole – i.e. developing farmers not farm labourers and also establishing and building the market.

The three drivers of this system and that can be supported by government, NGO's and State Owned Enterprises are:

- i. Establishing a relatively large⁶ working farm that is also an education and training institution. The farming enterprise covers all, or most of, the costs of training potential farmers that cannot afford formal education. Aspirant farmers then live and work on the farm; farming in the morning and studying in the afternoon. There would be various levels of accreditation providing accredited qualification from short courses to four, or even post-graduate degrees in the “business” of farming.
- ii. Establish a co-operatively owned wholesale market in a central location. Connect the wholesale market hub with satellite collection and periodic informal selling points in strategic locations in the municipal area. This market will build its own retail momentum.
- iii. The market could then also serve as a knowledge hub that can provide the necessary market information to stakeholders as to what produce is in demand, available, where and at what prices; it can serve as a financial clearing house to ensure the people keep their promises; it can also connect to larger regional fresh produce markets and agro-processors (ultimately their own co-op) to provide for growth of the market further, increased certainty that produce will be sold and therefore greater sustainability of the system as a whole.

6.1.2 Pillar 2: Organisational Transformation and Evolution

Cederberg Municipality needs to consider the prospect of undertaking a process of organisation review, transformation and evolution. This will be insightful and empowering and most likely will equip the municipality to be more responsive and adaptable to better serve citizens by continuously improving the enabling environment, service delivery and reducing “red tape” in urban precincts.

The importance of LED requires the municipality to enable the LED unit to be involved in all the operations of the municipality to ensure that the goals and objectives of local economic development are achieved through the various operations of the municipality.

All organisations go through a cycle of establishment, growth and change. This pillar of the strategy is essentially about recognising this reality and introducing a coherent and integrated process of introspection, repositioning and reorientation of the organisation as a whole towards a shared vision; a considered response to plausible scenarios for the future; and also the type of organisation that Cederberg Municipality wants and needs to become in order to meet the challenges it is and will continue to face.

6.1.3 Pillar 3: Equipping Local Citizens for Opportunity

Ensuring that citizens are equipped to take advantage of existing and emerging opportunities⁷ is one of the responsibilities of government that is generally considered to be under-performing. This

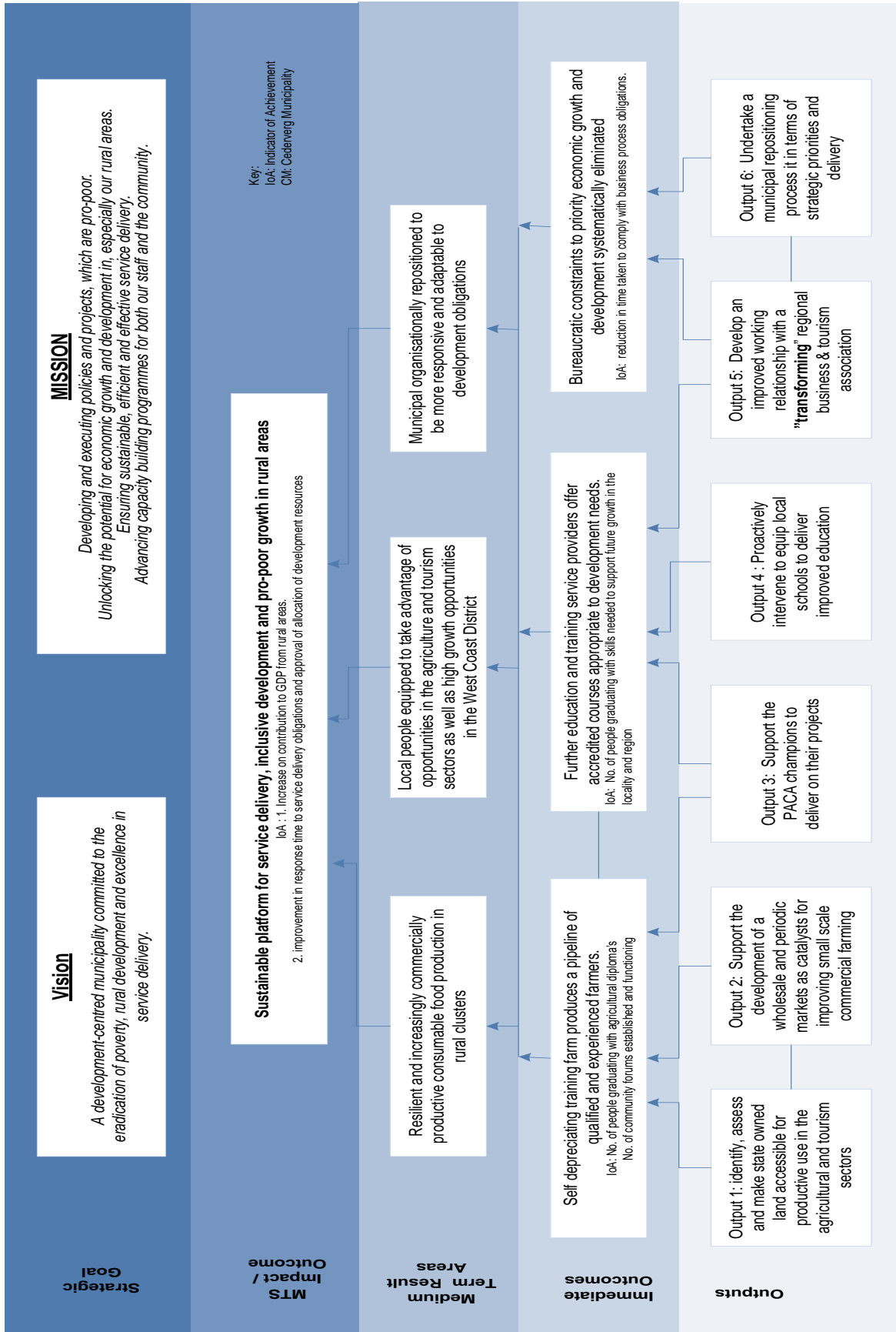
⁶ The business case would need to be developed by an agricultural economist and educator.

⁷ The development of the Saldanha Bay Industrial Development Zone; the growing tourism sector; the expansion of the agricultural sector; as well as the natural evolution of agro-processing and secondary manufacturing are all predictable and likely to occur within the next five years.

issue is also one of the key areas emphasised by the NDP. At the same time it is recognised that education and training is a national competency and considerable resources are being allocated to the end. This medium term strategy makes the case that this is necessary but not sufficient and that education and training has a cultural element that can be influenced at the local and regional level. There are two key elements to this pillar:

- i. The need to a) exert influence over existing tertiary education service providers; b) to encourage, maybe even incentivise new entrants, to introduce accredited further education and training diploma and degree courses that would enable local citizen to prepare themselves for the opportunities that will arise in the locality and broader region.
- ii. Developing and nurturing a culture of learning and teaching excellence in local primary and secondary schools. The catalyst to this would be the introduction of training and ongoing support for school governing bodies to enable them to play a more positive and enabling role to improve the quality of basic and secondary education that their children receive.
- iii. Making use of existing structures, organisations and facilities, for example libraries, to play a meaningful role in providing information and access opportunities for SMME's and prospective entrepreneurs.

6.2 Cederberg Strategy Results Chain



7. Annexures

The following review of national and provincial priorities, roles and responsibilities have been taken *verbatim* from the various policy documents and strategies.

The emphasis has been added to connect the macro policy environment to the local level and support the strategy that has been developed.

7.1 National & Regional Alignment and Coherence

South Africa is a constitutional democracy with a three-tier system of government. The national, provincial and local levels of government all have legislative and executive authority, in their own spheres, defined in the Constitution as "distinctive, interdependent and interrelated". In essence this means that each level of government, in consultation with its constituents, has the competency and mandate to make key decisions regarding local priorities and resource allocations.

Providing context but to avoid being unduly prescriptive national government has made a strategic shift from a hierarchical (silo) approach to governance to the international best practice of Results Based Management (RBM). Essentially this is a matrix (or systems) approach where macro-economic framework conditions are agreed and to which all current and future activities of government institutions and subordinate political structures are expected to contribute. This enables each institution of political structure to play to their individual strengths and comparative advantages, address their own constraints, while all the time contributing to the national outcomes as the ultimate goal. At the national level government has provided two strategic frameworks:

1. Strategic priorities as per the National Medium Term Strategic Framework (MTSF 2009 - 2014) are:

*"In the medium-term, however, growth should come more from industries that can competitively meet the needs of South Africa and the region, and to some extent that can compete in the global market. The lead sectors already identified are automobile, chemical, metal fabrication, **tourism**, clothing and textiles as well as forestry. In addition, attention will also be paid to services, light manufacturing and construction, among others. Focus areas will also include **agriculture**; public services like health and education; private services such as the financial and other business services; **food processing**; plastics production; the wood value chain and targeted consumer products which might include, for example, consumer electronics. It is also strategically important to promote domestic production of capital and intermediate goods."*

2. The twelve national strategic outcomes that national government has determined must be realised for South Africa to systematically meet its development goals. These are:

- Outcome 1: Improved quality of basic education.
- Outcome 2: A long and healthy life for all South Africans.
- Outcome 3: All people in South Africa are and feel safe.
- Outcome 4: Decent employment through inclusive economic growth.
- Outcome 5: A skilled and capable workforce to support an inclusive growth path.
- Outcome 6: An efficient, competitive and responsive economic infrastructure network.
- Outcome 7: Vibrant, equitable and sustainable rural communities with food security for all.
- Outcome 8: Sustainable human settlements and improved quality of household life.
- Outcome 9: A responsive, accountable, effective and efficient local government system.
- Outcome 10: Environmental assets and natural resources that are well protected and continually enhanced.
- Outcome 11: Create a better South Africa and contribute to a better and safer Africa and World.
- Outcome 12: An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

7.2 National Outcomes and Sector Priorities

The overall national vision, strategy and plan of action are spelt out in the National Development Plan (NDP): Vision for 2030. The NDP is less specific as to its sector priorities but it is clear that the twelve national outcomes are embedded.

Where factors are specified it is in the areas of **job-rich sectors** of mining and **agriculture with a priority on processing and value addition**. The binding constraints are more explicit with electricity, connectivity and transport infrastructure being specified. At the local level, the inefficiency of approval and licencing processes are highlighted as is the **crippling shortage of skills in priority sectors**.

To provide both substance and alignment to the national priorities all national departments and provinces have (or are in the process of) developing their own results based management approached and determined their own priorities and how they will contribute to the outcomes of the country as a whole.

7.3 Department of Cooperative Governance & Traditional Affairs

The National Framework for Local Economic Development (LED) in South Africa (2006 – 2011) identifies ten principles that guide municipalities with regard to Local Economic Development. These are:

- i. Through a developmental approach, Government has a decisive and unapologetic role to play in shaping the economic destiny of our country.
- ii. Creating an environment in which the overall economic and social conditions of the locality are conducive to the creation of employment opportunities is the responsibility of Local Government.
- iii. Local Economic Development is an outcome of actions and interventions resulting from local good governance and the constant improvement and integration of national priorities and programs in local spaces.
- iv. Inward investment from the state or private sector will only be effective where the potential and competitive advantages of each area are known and exploited.
- v. Promoting robust and inclusive local economies requires the concerted, coordinated action of all spheres and sectors of government centred on the application and localisation of the principles espoused in the National Spatial Development Perspective (NSDP).
- vi. Locally owned appropriate solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements.
- vii. South Africa competes in a global and increasingly integrated world economy whose threats must be minimised and whose opportunities must be exploited.
- viii. Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies.
- ix. People are the single greatest resource and including all citizens in development and increasing their skills leads to increased opportunities for stimulating local economies.
- x. Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces.

7.4 Department of Trade and Industry

The Department of Trade and Industry (dti) has set out its priorities in the Industrial Policy Action Plan⁸ (IPAP) (2013 to 2016). The overriding goal of the IPAP is to prevent industrial decline and support the growth and diversification of South Africa's manufacturing sector. This rationale is based on international evidence that manufacturing is key to achieving high rates of growth as well as employment growth. Manufacturing also has considerable spill-over potential for a range of primary and service sector activities.

The IPAP priority is on three sectoral clusters:

⁸ http://www.thedti.gov.za/industrial_development/industrial_development.jsp

- i. Metals fabrication, capital and transport equipment, green and energy-saving industries and agro-processing, are qualitatively new areas of focus of the Action Plan.
- ii. Broadens interventions in the existing sectors of automotive and components; medium and heavy vehicles; plastics, pharmaceuticals and chemicals; clothing, textiles, footwear and leather; bio-fuels; forestry, paper, pulp and furniture; creative and cultural industries; and Business Process Services.
- iii. Nuclear energy, advanced materials, aerospace and defence, and electro-technical and ICT are sectors where South Africa considers that it has, or can build, long term capabilities.

7.5 Economic Development Department

The Economic Development Department (EDD) has also set out its priority intervention areas in the New Growth Path (2011) as the means by which it will contribute to the realisation of national outcomes. The EDD sees its role as primarily to:

- a. be the advisor, facilitator and enabler of the broader environment within which sector development can, and will, be achieved;
- b. ensure that the national government transformation and decent work agenda is “front and centre” for all programmes supported by government.

Its economic focus is on:

- Restructuring land reform to support smallholder schemes, new farmers support as well as for fishing and aquaculture.
- Accelerating exploitation of mineral reserves, lowering the cost of critical inputs including logistics and skills in order to stimulate private investment.
- Beneficiation, including fabrication (stage 4) and only smelting and refining, which are both capital and energy intensive.
- Support for manufacturing to meet basic needs of the country at lower cost in the short to medium term.
- Strengthening measures to expand the tourism by supporting infrastructure, services and market development.

The theme of the NGP is inherently pro-poor and overtly about BEE and the development of marginalised people to be better equipped and with more opportunities to get “decent” jobs or become otherwise economically active. In this vein skills development is also a golden thread.

7.6 Western Cape Priorities

The Western Cape (WC) has developed their Medium Term Strategic Plan (MTSP) for the period to 2015. They have also aligned their priorities and outcome to the twelve national outcomes of the National Framework. The Western Cape Government has been rigorous in refining their sector priorities in accordance with the comparative advantages of the province, the provinces medium to long term growth potential, their ability to create new jobs and spawn small and medium enterprises at midlevel technical competence levels, where the Western Cape is better endowed than the country average.

The four priority sectors are **tourism, business process outsourcing, information and communication technology, and the oil and gas sectors**. Dedicated resources will be applied at the provincial level to ensure that these have the support they need. There is the recognition of the existing mismatch of skills being developed by the tertiary education system and the demands of the industry in general. To address this mismatch provincial government is committed to intervene directly to influence higher education facilities to be more demand aware and to produce the technical skills needed. There is also a commitment to improve the environment for practical application of skills via supporting mentorship, entrepreneurship and occupational internships / apprenticeships. All indications are that the private sector will get behind this initiative.

The focus on the four priorities is proactive, it does not mean that other important sectors will not be supported; it just means that support will be demand driven based on specific applications. These sectors include **Renewable Energy, Aquaculture, Biotechnology, Green technologies and Electronics**.

Dedicated provincial support can be expected from DEDAT for initiatives to enhance entrepreneurship development, business start-up sustainability, enterprise development and entrepreneurship development partnerships and existing business growth. The support can be expected in the following strategic areas:

1. Sustained localised enterprise support and accessible and responsive business support centres.
2. Mentorship for enterprise sustainability and growth.
3. Public-Private-Partnership Enterprise Development.
4. Public-Private-Partnership Social Entrepreneurship.
5. Facilitated Access to Public and Corporate Procurement Opportunities.

7.7 West Coast District Focus

West Coast District Municipality (WCDM) has an extensive Regional Development Strategy, developed in 2007 and that makes a case for its competitive capabilities in the following sectors:

Tourism, Aquaculture, Agriculture, Oil and Gas, Clothing and Textiles, Food Processing, Mining, Construction, Property Development, Crafts, and Film Production. The strategy does not elevate one sector above another but emphasis seems to be on Tourism, Aquaculture, Agriculture, and Oil and Gas. From a constraints perspective, red tape, general infrastructure, and skills development and availability are highlighted.

7.8 Mandate of a Local Municipality

The role and function of a local Municipality is articulated in the DPLG’s LED Framework (2006). The framework makes it clear that local government is not responsible for creating jobs but should rather invest in providing the overall economic and social conditions conducive to creating employment opportunities. Local economic development is therefore about creating a platform and environment to engage stakeholders in implementing strategies and programmes.

The Framework emphasizes that municipalities have a key role in creating an environment conducive for investment through the provision of infrastructure and quality services, rather than by developing programmes and attempting to create jobs directly. Beyond this, municipalities should play a connector role in respect of LED, drawing upon resources locked in a range of different government support instruments into their localities (Patterson, 2008).

7.9 Short to Medium Term Projects

The following strategic LED interventions will be very important over the next 3-5 years in placing LED on an upward trajectory: can assist Cederberg Municipality to accelerate its LED activities and will ultimately lead to economic growth:

Strategic LED Interventions	Champions
Integrated Events: the Cederberg is a very popular destination for events. However, events are mostly poorly distributed throughout the year, with very little communication and coordination between various organisers. There is definitely scope for at least 5 more big events.	LED Unit, with assistance from local tourism organisations and chambers of commerce
Business skills development, especially for youth	LED unit
Tourism product packaging and route development	Regional and Local Tourism Organisations
Optimal utilisation of municipal resorts: investigation of alternative operating models	LED unit

SMME Development	LED Unit
Contractor Development	Supply Chain Management and Engineering Department
Expediting legislation and policies on commonage	LED/Rural Development Unit
Identify and replicate successes in agriculture	Rural Development Unit
Finalisation of current Co-operatives	LED/Rural Development Unit
Support Informal Traders – Develop Informal Traders Strategy for Cederberg Municipality	LED Unit
Investigate opportunities for agricultural beneficiation on key sectors: citrus, potatoes, rooibos	LED Unit
Support existing projects, for instance Graafwater sewing project, Cederwear (Citrusdal)	LED Unit
Implementation of Investment Promotion	LED
Bulk Infrastructure upgrade: very important	Engineering and Planning Directorate

7.10 Implementation of Strategic Projects

In order to give effect to the strategic interventions as identified above, it is important that dedicated implementation plans be developed in respect of each of the projects. The implementation plans will look specifically at the detail, including what, who, how, by when, and the resources required for each project. The financial implications will also be met by budgetary allocations in municipal budgets, and in cases where the municipality may not be able to meet such budget requirements, an indication of which government department of organisation will provide for the finances.