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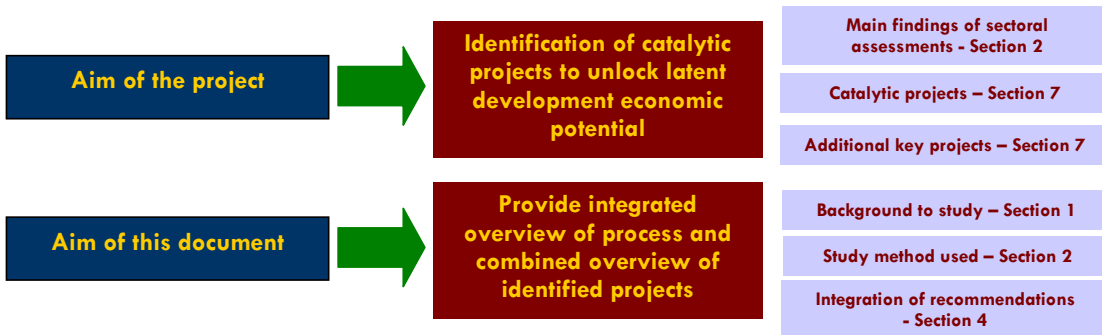
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## SECTION ONE – INTRODUCTION

This document represents the Integrated Report compiled as part of the Mpumalanga Sector Studies and Programme. Each section will provide more insight into the project, the specialist research that was done as well as the relevant findings and specific project recommendations that have been made.

### 1.1 DOCUMENT ROADMAP

The aim of this section is to provide the reader with an overview of the contents of the document in order to enable easy cross referencing to the most important parts or findings contained in this report. The following diagram provides greater insight:



### 1.2 BACKGROUND

In order to fully understand the process that was undertaken up to the point where the need for a Sector Strategies and Programmes investigation was required, and the various documents which had been compiled by the Department of Economic Development and Planning in order to implement the PGDS effectively, the following diagram is provided. The discussion that follows the diagram provides insight into the process that was followed in its entirety.

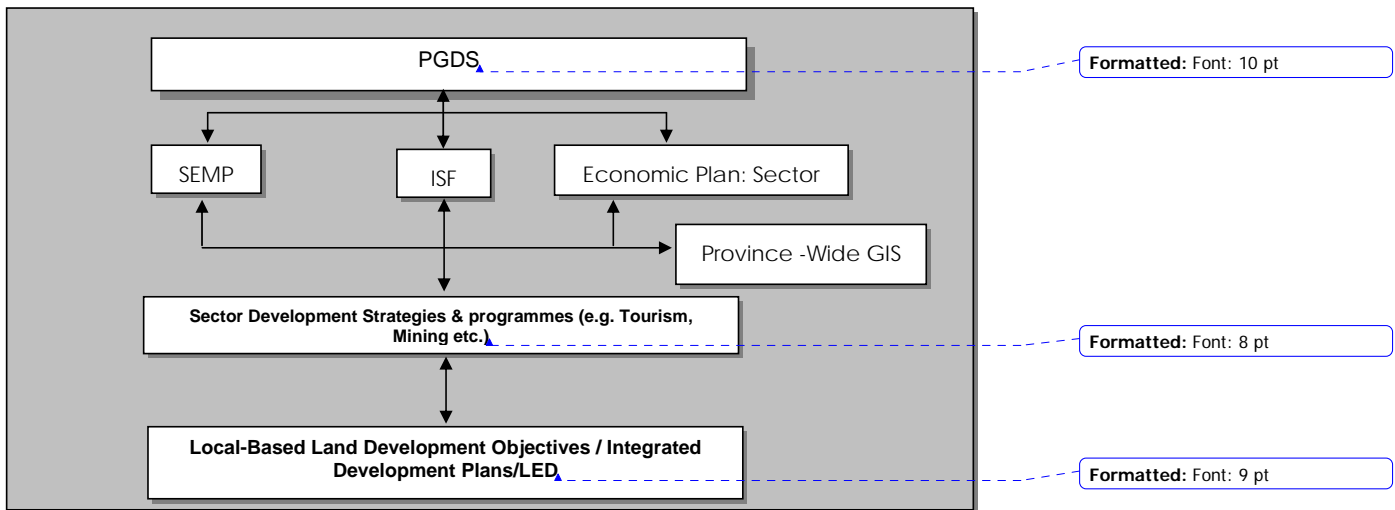
A number of economic development planning policies such as Growth, Employment and Redistribution (GEAR) which replaced the Reconstruction and Development Programme (RDP) have been formulated and implemented with some (limited) success. The province of Mpumalanga came to the realisation that in order to ensure that economic growth is unlocked in a sustainable manner, it is essential to formulate a more provincially focussed plan. This led to the formulation of the **Mpumalanga Provincial Growth and Development Strategy**.

In order to ensure that all the provincial government departments and the relevant aspects were addressed by the PGDS, all provincial departments were tasked with identifying 3 goals that drive the department and that permit its existence. To make it clearer, each department was then tasked with providing three objectives for each goal. At the time this process started, there were ten departments which meant that there were 30 objectives for the Mpumalanga Government in terms of planning, economic growth and development to focus on. These objectives were then grouped according to focus and the 7 cluster approach of the first PGDS was formulated.

This approach followed meant that although the PGDS provides a very clear understanding of the problems the province is facing; nothing was being translated into spatial actions or interventions to change the current situation. This

necessitated the next level of studies and documents to be commissioned, and these could be seen in the diagram. The next level of studies should be regarded as the pillars on which the PGDS stands.

**Diagram 1.1: PGDS implementation structure**



For the first pillar it was necessary to formulate a **Strategic Environmental Management Plan (SEMP)**. This is the provincial plan that seeks to protect and conserve the natural resources that our province is so well endowed with. It seeks to strike a balance between development and preservation and conservation. It is a gallant step towards sustainable development. It protects heritage sites, wetlands, ground waters, reservoirs for future generations. Facilitate the rehabilitation of degraded and eroding environment. Create a super fund towards which the big manufacturing firms and mining houses will contribute for rehabilitation and prevention of degradation of environmental resources.

The second pillar was the **Integrated Spatial Framework (ISF)** which seeks:

- To integrate all physical planning into provincial programmes of development for optimal use of Mpumalanga Resources, both human and physical
- The coordination of sectoral programmes and development projects
- To facilitate the promotion of more spatially balanced growth
- To promote the development of a system of rural and urban settlements and permit the provision of infrastructure and other facilities on an economic basis
- To provide guidelines for the development of a transportation network to strengthen the functional links between rural and urban settlements with respect to human mobility, commodity flow, delivery of services and general socio-economic services
- To provide a spatial framework for the provision of physical infrastructure and social services in relation to the distribution of productive activities and population.
- To rationalize and promote optimal use of land, in particular, the preservation of best arable land.

The third pillar is the **Economic Plan**. This has been a particularly “weakest link” in the province. In the past ten years the province has failed to develop the third pillar of the PGDS namely, the Provincial Economic Plan. As a result, there have been sporadic, uncoordinated, disjointed economic and social development projects, some of which worked in direct contrast with the policies of government. The Provincial Economic Plan was supposed to bring about coherence in

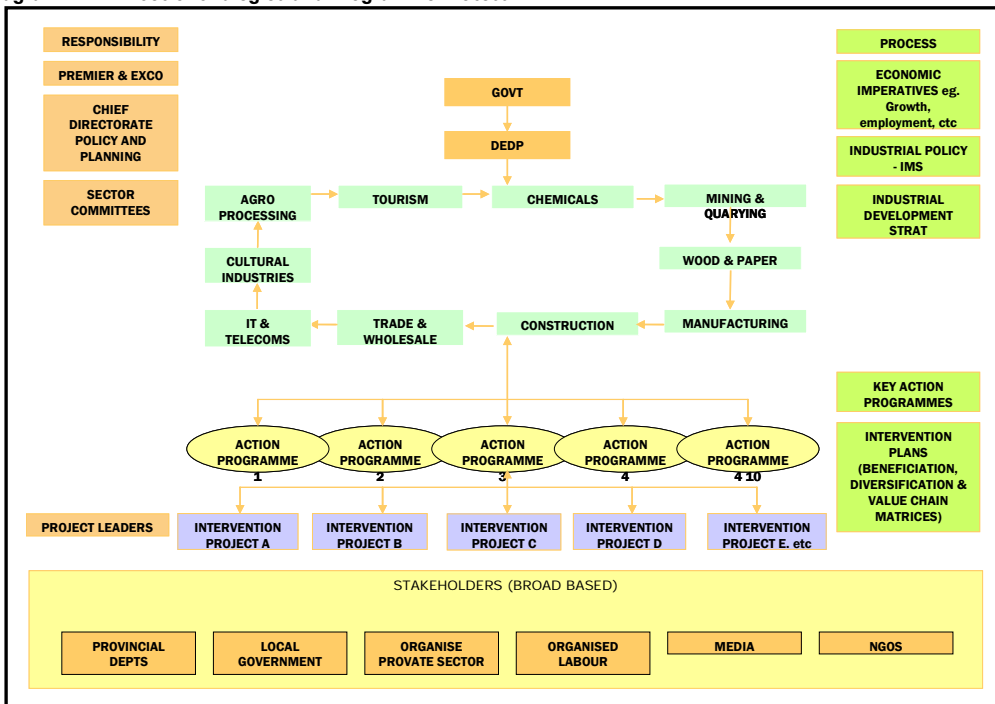
distribution of economic infrastructure to bridge the gap between the haves and have-nots in terms of settlements, race, gender and general demographic dynamics of the province.

The lack of an economic plan has resulted in government losing out on the energies created by one of the hallmark SDIs in the sub-Saharan African countries, namely, the Maputo Development Corridor. The Government failed to maximise opportunities for PDIs which were there to be taken because of a lack of a coherent economic plan.

The Department of Economic Development and Planning is however in the process of addressing this problem by way of implementing the Mpumalanga Sector Development Strategies and Programme. The Department is engaged in this study that investigates barriers in the economic structure of the province. All key sectors of the economy will be dissected and sector specific strategies will be generated to address barriers and identify sector-specific and cross-cutting programmes and projects to maximise value-chain, beneficiation and diversification. The unlocking of sectoral strategies should create more growth and development and should also assist in creating significant spin offs and multiplier effect in job creation, micro-business development and BEE participation.

Additionally the Sector Development Strategies and Programme stems from the mandate given by the Premier and was also informed by the priorities of the President’s State of the Nation Address. The main objective of these sector studies was the development of “value matrixes” for the identified sectors and with that as point of departure, to analyze the sectors in order to identify structural changes needed to ensure that these sectors become more competitive. These studies identified major projects for government intervention, private sector involvement and Public Private Partnerships. In short the project can be interpreted as the manifestation of the ASGISA Programme of the Central Government, and the aim of this document will be to make reference to the relevant findings of the various sectors studies, but also to provide an overview of the strategic thrusts, programmes and projects that have been formulated for implementation.

Diagram 1.2 Sector Strategies and Programme Process



The diagram above provides an overview of the complete Sector Development Strategies and Programme Process that is to be followed, sectors to be investigated as well as stakeholders involved in the process.

From the diagram it is clear that there are at least 10 sectors that will be investigated as part of the Sector Development Strategies and Programme process, but for the purpose of this study, the following sectors were identified as being the sectors that should initially receive focus, due to the fact that these sectors have also been identified as priority sectors by both the Mpumalanga Provincial Growth and Development Strategy (PGDS) as well as the national Accelerated and Shared Growth Initiative of South Africa (ASGISA). This list below provides an overview of the sectors that were investigated as well as the consultancy firm responsible for each sector:

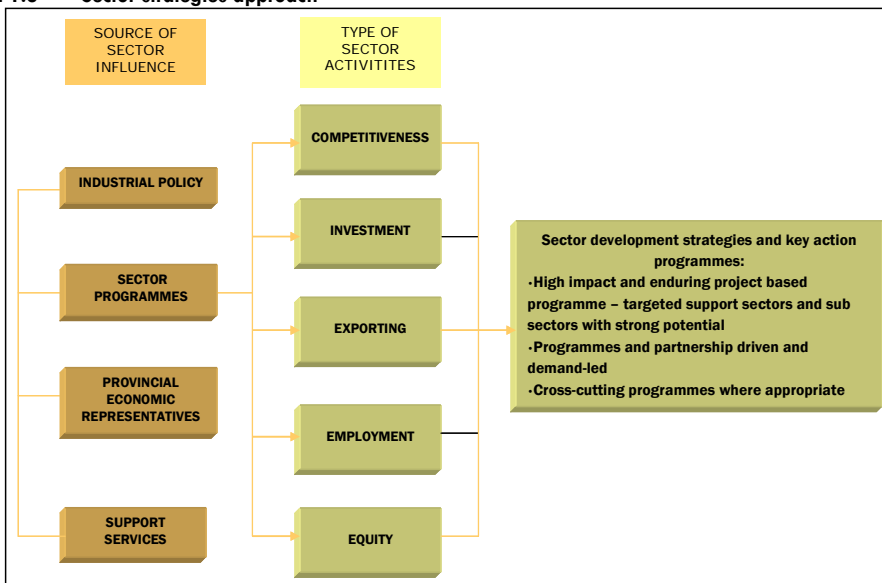
- Agro-processing sector – Buyiswa ADC
- Tourism sector – Grant Thornton
- Metal and quarrying sector – Blueprint
- Manufacturing sector – Blueprint
- Petro-chemical sector – Blueprint
- Wood and wood products - Blueprint

Additionally the diagram highlights that the responsibility of this process falls with the Premier and his committee, the directorate of policy and planning as well as the sector committees. The aim of this document is also to highlight additional role-players that must be involved in the process in order to ensure optimum input is achieved.

### 1.3 SECTOR STRATEGIES APPROACH

The Sector Analysis approach drives project-based activity to seek high impact and enduring action programmes that will materially improve competitiveness, investment, exports, employment and equity of the priority sectors in Mpumalanga. The diagram below provides an overview of the specific approach that had been followed during the sector strategies investigations.

**Diagram 1.3 Sector strategies approach**

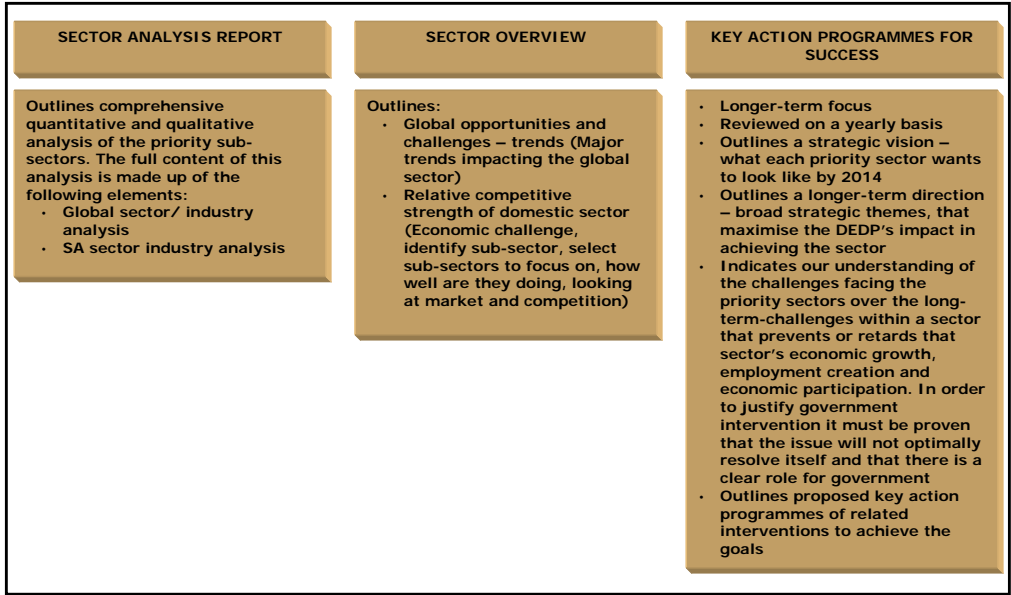


From the diagram it is clear that for each sector the sources that could potentially influence the development of that sector had been identified, such as any policy or legislative documents. Additionally each sector was assessed in terms of the performance of that sector in terms of specific aspects such as competitiveness, exports and employment levels.

These investigations culminated in sector development strategies that identified not only the specific status of each sector, but it also identified gaps in that specific sector, using these gaps to indicate specific development opportunities that exist. The opportunities in turn have been translated in sector specific key action programmes or projects that should be implemented in order to unlock the inherent development potential of that particular sector.

The Sector Strategies are part of separate documents that have been compiled in terms of the CSP, and the following diagram provides an overview of the specific number of key documents that have been formulated, including the key operational documents, the sector development studies, key action programmes and investment strategy.

**Diagram 1.4 Key documents**



The sectoral analysis reports are documents separate from this integration report but were used as the basis for this document. This report does however provide a sector overview of the main findings of the relevant sector studies.

The aim of this report is not to provide an extensive overview of the various components of the CSP, nor to give in-depth findings of each of the actions that were undertaken as part of the sector strategies approach. The aim of this report is to provide an overview of the main findings of each of the Sector Strategies, draw these together and formulate an integrated strategic development framework. In essence this document provides insight into the strategic intent required to ensure the successful implementation of the Mpumalanga Sector Strategies and Programme.



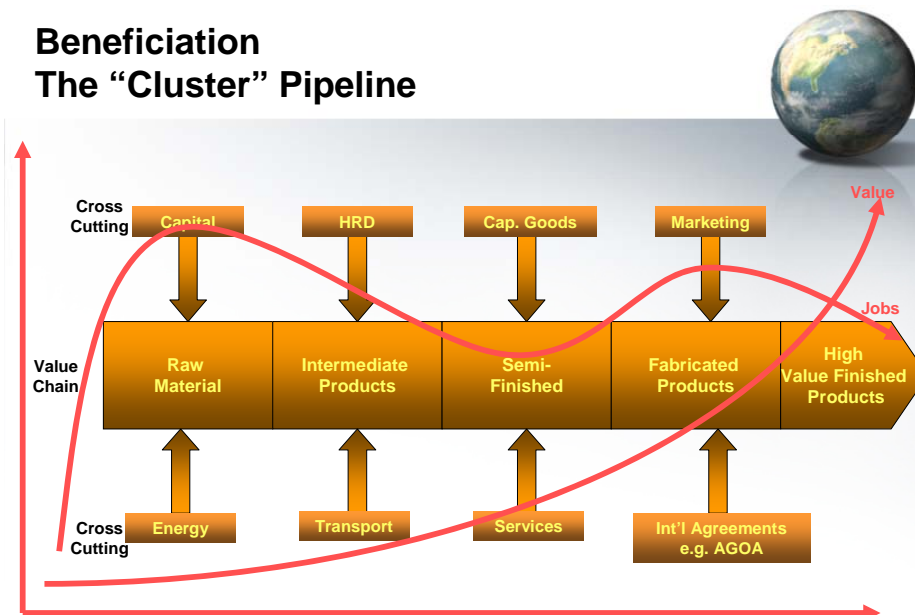
## SECTION TWO – SECTORAL CONTEXT

### 2.1 STRATEGIC POSITIONING

The sector specific assessments were done by using the value chain approach. The **value chain approach** is currently one of the preferred approaches in determining the various challenges and gaps there are in a specific value chain that could be improved to the benefit of the chain, or parts of the chain that are still to be development in order to achieve further growth and development of the specific chain or in this case, economic sector.

The diagram below provides a strategic overview of a value chain and the various components that potentially could have an impact on the optimal functioning of a business, sector or cluster.

Diagram 2.1: The beneficiation value chain



In order to understand the development potential that could be unlocked as a result of Phase One of the Mpumalanga Sector Development Strategies and Programme Integrated Document, it is important to have a clear understanding of each of the sectors that have been investigated. The aim of this section is to provide a sectoral overview, and for each sector the following aspects will be addressed:

- Delineation of the relevant sector
- The Value Chain
- Approach followed and data utilised

- Main findings
- Areas of opportunities

## 2.2 TOURISM SECTOR

### 2.2.1 Delineation / definition of the tourism sector

Defining the tourism sector is difficult as it includes many different sources of goods and services e.g. transport restaurants, arts and crafts, health etc. In conducting this study the World Trade Organisation definition of tourism was used as a point of departure. The definition states that 'tourism comprises the activities of persons travelling to, and staying in places outside their usual environment, for not more than one consecutive year, for leisure, business and other purposes. The usual environment of a person consists of a certain area around his / her place of residence, plus all other places he / she frequently visits' e.g. the workplace.

Foreign arrivals are "all foreign arrivals less all those who stayed for less than one day and more than 365 days, and exclude travellers who were remunerated from within the place they travelled to." In a local context, this would refer to all foreign arrivals less 'workers' and 'contract workers'; this is the definition used by SA Tourism.

In terms of domestic tourism the SA Tourism definition of a domestic trip is "all those trips taken within the border of South Africa by an adult resident in South Africa. For such a trip to be considered a domestic trip, the trip must have:

- Been to a destination more than 40 kms from the respondents home (one way)
- Lasted one night but less than 365 nights
- Not been for relocation purposes
- Not been part of the respondents regular commuting (unless it was for leisure or recreational purposes)
- Not result in the respondent receiving payment in the place visited for services rendered or goods delivered in the place of visited."

Using the value chain as an analytical tool illustrates the key components of the tourism sector. These include end customers, intermediaries, distributors and suppliers. These are discussed further below.

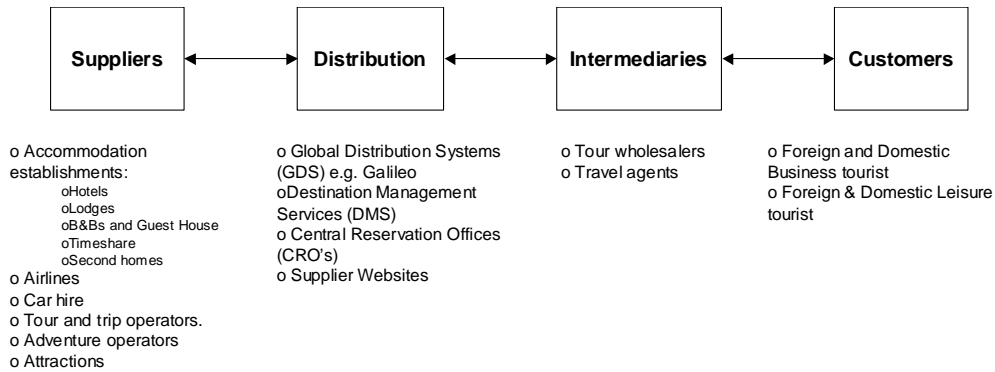
### 2.2.2 Value Chain

The value chain of the tourism sector is quite distinct from those of other (more traditional agricultural, manufacturing, mining etc) sectors in that with the latter a tangible product is (typically) produced and then exported (or locally utilised). Points of production and consumption tend to be quite distinct. In the case of the tourism sector however, the 'customer' must typically come to the place of production to 'consume' the product. This consumption of product is as much about interacting with the physical component of the service as it is about the experience thereof. This makes for a relatively short and direct value chain for the sector.

In terms of the analysis carried out, three value chains have been developed. These include the:

- Foreign leisure market;
- Foreign and domestic business market; and
- Domestic leisure market

There are 4 core components of the tourism sector value chain. These are shown below with a description of each

**Diagram 2.2: High-level tourism sector value chain**

Two trends are notable with regard to the manner in which the value chain has and is continually evolving. Firstly there has been some backward integration by intermediaries characterised for example by the acquisition of various forms of suppliers. Sector participants like Tourvest have been active in this regard. This may in part explain another trend that is the rise of the Internet as an end customer tool to access information and conduct transactions related to tourist activities. Supplier websites provide the end customer with the means to choose between and make payments on preferred options like travel and accommodation.

### 2.2.3 Approach followed and data utilised

In terms of approach followed, 3 value chains were developed with each representing different end-customers. The needs and behaviours of customers differ and so too does their engagement with other parts of the value chain.

In all three chains however the suppliers and distribution elements are very similar. The suppliers include:

- Accommodation establishments:
  - o Hotels
  - o Lodges
  - o B&Bs and Guest House
  - o Timeshare
  - o Second homes
- Airlines
- Car hire
- Tour and trip operators.
- Adventure operators
- Attractions

The distribution elements include:

- Global distribution systems GDS – used by travel agents to book flights, car hire and prominent accommodation establishments and groups
- Central Reservations Offices (CRO) the booking centres and offices of major accommodation groups, car hire companies, airlines etc

- The Internet covering suppliers' own web sites, online travel and tourism websites as well as travel agency web sites

The data utilised to investigate and interpret the various aspects of the value chain in Mpumalanga was sourced from primary and secondary sources. This included interviewing public and private sector role-players in the province as well as in Gauteng e.g. hotel chain headquarters, consulting reports and available datasets. The main institutions from which secondary information was sought included SA Tourism, the Mpumalanga Tourism and Parks Agency, Department of Economic Development and Planning as well as related reports carried out by Grant Thornton and other consulting organisations in the Province.

#### 2.2.4 Main findings

Mpumalanga Province enjoys a number of competitive advantages in the tourism sector including:

- Being home to the world- renowned Kruger National Park;
- Having some of the best-rated wildlife resorts in the world such as Mala Mala and Londolozi in the Sabi Sand Reserve.
- The splendour and variety of the scenic and natural beauty.
- The increasingly recognised rich historical and archaeological heritage of the Province
- Proximity to the neighbouring countries of Mozambique and Swaziland as important sources of foreign tourists

While Mpumalanga has to some degree managed to exploit its strong tourism asset base, it nevertheless faces challenges in certain areas. In terms of Provincial distribution, the percentage of foreign tourists visiting the Province has dropped from 21% in 2002 to 14,9% in 2005. Over this period it dropped from 3rd to 4th in terms of the number of foreign visitor arrivals. Based on the quarter 1 2006 foreign arrivals figures, the Province has managed to retain this position. Using the same source, it is encouraging that Mpumalanga managed to increase its percentage share of foreign tourist visitors to 15% from 14% in the first quarter of 2005.

On the domestic front in 2005 the Province was ranked 8th in terms of the total number of annual trips by domestic travellers. Even with some its most prized attractions like Kruger National Park, Blyde River Canyon and God's Window; there has been a 3% to 6% drop in visitor numbers.

In terms of economic impact, tourism contribution to GDP-R increased only slightly between 2003 and 2004 from 7.4% to 7.5%. A slight decline in the percentage contribution of direct employment in tourism to total employment took place standing at 15% in 2003 and 14% in 2004<sup>1</sup>.

Some of the key challenges identified through discussions held with stakeholders include:

- A historical over-reliance on the Kruger National Park (and other common natural attractions) that may have had the result of insufficient investment and diversification into complimentary products
- Sub-optimal public and private institutional infrastructure, communication and relationships
- Lack of a unifying common vision and development plan for tourism shared between all key stakeholders – government, private sector and communities
- A lack of high level managerial and strategic tourism sector skills and experience
- Unfavourable air access to the province
- Fragmented marketing messages which may be symptomatic of a lack of effective cross stakeholder relationships and representative structures

<sup>1</sup> Based on assumption in source document i.e. Mpumalanga Economic Profile that for every 9 tourists 1 direct job is created.

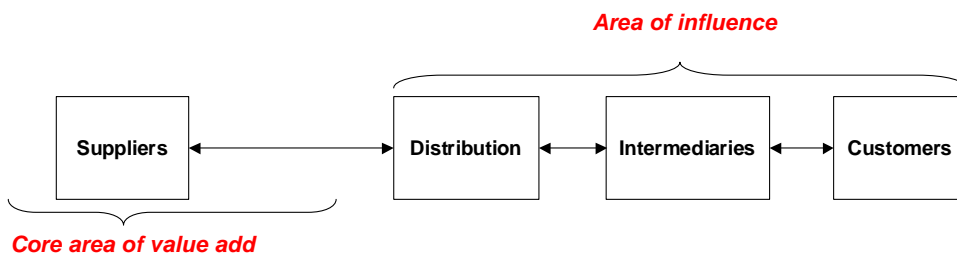
- Lack of institutional memory as a (part) result of high turnover of officials affected by restructuring
- Lack of substantive transformation of the tourism sector over the last decade

### 2.2.5 Areas of opportunity

The value chain was analysed in terms of areas within which further value (beneficiation) could be added (Figure 1.1 below) towards growing the sector, increasing employment and advancing transformation and empowerment. The areas of distribution, intermediaries and customers in the value chain can be seen as those areas that can (and should) be targeted in terms of marketing and promoting the Province to increase the number of tourist visitors. The core role of distribution and intermediaries is to ensure the supply product gets to the market and that the market has the necessary information to make informed purchase decisions.

According to the MTA, there were 162 Tour Operators<sup>2</sup> in Mpumalanga in 2002 (Institute for Tourism and Leisure Studies, Potchefstroom University, 2002). Along with Professional Conference Organisers (PCO's), it is important to encourage the location of such intermediaries within the Province. Doing so supports the incentive to attract tourists from outside the province and also grow internal volumes. Of course there will always be a need to have externally based intermediaries who may be closer to and understand more of potential domestic and international source markets.

**Diagram 2.3: Potential value add areas in the value chain**



The intermediary component of the value chain comprising tour operators constitutes a potential area within which SMME development can take place; particularly focusing on increasing awareness and innovation of product and geographic spread outside of the dominant Nelspruit / Lowveld area. Group affiliation is however an important part of accessing business. Role players in the province encompassing government, private sector supplier groups and community structures must provide a united and compelling value proposition to influence intermediaries to communicate and sell tourism to the Province to customers.

The core areas of value add in the chain for Mpumalanga resides in the supplier component with a focus on accommodation as this part of supply underlines the ability to attract targeted overnight (non VFR) tourists.

Beneficiation in the context of tourism can be understood in terms of rejuvenation of the existing product through repackaging and expansion (through complimentary products). As indicated in the value chain diagrams above, suppliers are made up of accommodation, transport, and trip operators as well as attraction providers. The experience of the tourist hinges on the extent to which these are packaged as a seamless whole and value for money realised. The supplier component of the value chain is another opportunity for potential SMME development especially in the areas of smaller scale accommodation e.g. B&B's, guesthouses and lodges, tour & trip operators and interpreters of historical / heritage sites. Access to the market via distribution and intermediary components of the value chain for SMME's is obviously critical to their long-term success.

<sup>2</sup> The figure of 162 appears to be too high and could include trip operators rather than only tour operators.

## 2.3 AGRO-PROCESSING

### 2.3.1 Delineation / definition of the agro-processing sector

It is difficult to define the agro-processing sector without looking at primary agriculture. Agro-processing is not classified as a separate sector according to the Standard Industrial Classification (SIC). In fact, agro-processing is seen in terms of Secondary and Tertiary Agriculture. What makes defining agro-processing even more difficult is the fact that as one moves up the value chain (from primary to secondary and tertiary) other sectors (food and beverages, food processing, etc) come into play.

Table 2.1 indicates the SIC classification of agriculture, with the secondary and tertiary activities included. For the purpose of this study, the departure point was to select relevant sub-sectors (major group) and sub-sub-sectors (Group and sub-group) across all three divisions (11, 12, and 13) based on particular relevance to Mpumalanga. The justification for the sub-sectors selected is shown in Table 2.1.

Table 2.1: Detailed Classification: (Major Division 1: Agriculture, Hunting, Forestry and Fishing)

Title of category	Division	Major group	Group	Subgroup
<u>AGRICULTURE, HUNTING AND RELATED SERVICES</u>	11			
<b>AGRICULTURE, HUNTING AND RELATED SERVICES (111, 112, 113, 114 AND 115)</b>				
GROWING OF CROPS; MARKET GARDENING; HORTICULTURE		111		
<u>Growing of cereals and other crops n.e.c.</u>			1111	11110
<u>Growing of vegetables, horticultural specialities and nursery products, except olives</u>			1112	11120
<u>Growing of fruit, nuts, beverage and spice crops</u>			1113	11130
FARMING OF ANIMALS		112		
<u>Farming of cattle, sheep, goats, horses, asses, mules and hinnies;</u>			1121	11210
<u>dairy farming</u>			1122	11220
<u>Other animal farming; production of animal products n.e.c.</u>		113	1130	11300
GROWING OF CROPS COMBINED WITH FARMING OF ANIMALS (MIXED FARMING)		114	1140	11400
AGRICULTURAL AND ANIMAL HUSBANDRY SERVICES, EXCEPT VETERINARY ACTIVITIES		115		
HUNTING, TRAPPING AND GAME PROPAGATION, INCLUDING RELATED SERVICES			1151	11510
<u>Game propagation</u>			1152	11520
<u>Hunting and trapping, including related services</u>		116	1160	11600
PRODUCTION OF ORGANIC FERTILIZER				
<u>FORESTRY, LOGGING AND RELATED SERVICES</u>	12			
<b>FORESTRY, LOGGING AND RELATED SERVICES (121 AND 122)</b>				

Title of category	Division	Major group	Group	Subgroup
FORESTRY AND RELATED SERVICES		121	1210	12100
LOGGING AND RELATED SERVICES		122	1220	12200
<u>FISHING, OPERATION OF FISH HATCHERIES AND FISH FARMS (AQUACULTURE); SERVICE ACTIVITIES INCIDENTAL TO FISHING??</u>	13			
<b>FISHING, OPERATION OF FISH HATCHERIES AND FISH FARMS (AQUACULTURE), SERVICE ACTIVITIES INCIDENTAL TO FISHING (131 AND 132)</b>				
OCEAN AND COASTAL FISHING		131	1310	13100
FISH HATCHERIES AND FISH FARMS (AQUACULTURE) AND SERVICES ACTIVITIES INCIDENTAL TO FISHING		132	1320	13200

Table 2.2: Selected sub-sectors and justification

Sub-Sector	Justification	Scope
Grains	Mpumalanga is a major producer of maize and has a significant potential in wheat and barley.	Maize, Sorghum, Wheat, Barley
Oilseeds	The province is a major producer	Soybean, Sunflower, Canola, Ground Nuts
Fruits & Nuts	The Province has a wide variety of fruits including citrus. The potential for temperate climate fruits is high.	Citrus, Apples, Macadamia
Vegetables	With the Maputo Development Corridor and the Kruger Mpumalanga International Airport (KMIA) the potential for fresh vegetable production is high.	Potatoes, Tomatoes, Onions, Leafy, beans, peas
Floriculture	Similarly with the KMIA and proposed Industrial Park flower production for export is a significant opportunity	Roses, Carnations, Fynbos (protea, etc)
Aquaculture	While the Province is land-locked it has the right climate and water resources for fresh-water fish farming and processing for export and national markets, e.g., trout.	Trout, Tilapia
Cash-Crops	The Province is quite active in cash-crops such as sugarcane and has a significant potential in cotton and other innovative crops.	Sugarcane, Cotton, Tobacco
Red Meats	With the prevalence of sugarcane plantations, livestock such as beef production under feedlot is prevalent and meat value-addition is going on. Other red-meats are also produced and can be intensified.	Beef, Mutton, Lamb, Venison
White Meats	Poultry production provides ample opportunity for small and new entrants. The processing can be down-scaled to SMME levels.	Poultry (Broilers, Layers), Pork (Porkers, Baconers)
Dairy	The Province is particularly poised for economic comparative advantage in milk production due to sugarcane residues and climate as well as demographics of the Province.	Fresh Milk, Long-life Milk, Products (cheese, ice-cream, snacks)
Non-Edible	Leather hide and other by-products are prevalent in	Hide, Skin, Leather, Wool

Sub-Sector	Justification	Scope
Animal Products	conjunction with livestock production already in place in the Province.	
Agro-Forestry	This sub-sector is quite diverse, e.g., furniture, treated poles for telecommunications and electricity as well as mine support.	Plantation Forestry; Paper, Pulp, Woodchip; Saw-milling; Charcoal, Timber Board; Mining Timber; Treated Poles, Wooden Furniture
Agro-Based Pharmaceuticals	Cultivated and indigenous medicinal plants and crops present a wide possibility of economic opportunities. This a relatively new field that can be exploited to the benefit of new entrants in agriculture and agro-processing.	Cultivars, Wild Crops
Bio fuels	This field has a high potential of growth with the increase of cost of fossil-based crude oil on the world market. There is a prevalence of alternative Bio fuels that can be produced and processed in the province, e.g., soyabean and sugarcane based.	<ul style="list-style-type: none"> <li>▪ <b>Bioethanol</b> from sugarcane, sugar beet and maize</li> <li>▪ <b>Biodiesel</b> from soyabean, sunflower, jathrope</li> </ul>

### 2.3.2 Value Matrix

The value chain of the agro-processing sector (following the SIC classification) is characterised by Primary, Secondary, and Tertiary (Manufactured) activities. In terms of analysis, 14 sub-sectors were evaluated along this value chain (Diagram 2.4). At least the sub-sectors highlighted in green were analysed within each sub-sector. However, because of the uniqueness of each sub-sector, a value matrix of each was developed. Therefore each sub-sector is analysed separately in the document.

Generally, there is a mix of vertical integration and non-integration along the value chain. For example, generally there is very little integration in Fruits & Nuts, but more significant integration in Sugarcane. Therefore, just as the level of integration varies between sub-sectors, it also varies even within a sub-sector.



Diagram 2.4: The High-level Agro-processing Value Matrix

Primary	Secondary	Manufactured
<b>Grain Crops</b>		
Maize	Reduction Malting Dehulling	Branded Foods & Feeds Beverages Non-Food Items
Wheat		
Sorghum		
Barley		
Millet		
Other		
<b>Oilseeds</b>		
Soyabeans	Oil Pressing Cake Separation Short-term Preservation	Branded Cooking Oil Confectionery Animal Feeds
Groundnuts		
Sunflower		
Canola		
Other		
<b>Fruits and Nuts</b>		
Citrus	Packaging Juicing Short-term Preservation	Branded Wines/Juices Blended Products Long-term Preservation
Vines		
Macadamia		
Apples		
Avocado		
Peach		
Guava		
Other		
<b>Vegetables</b>		
Leafy	Cleaning/Separation Packaging/Packing Cutting/Reduction Puree/dehydration Preservation	Branded Products Canned/Frozen Blended to Taste Long-term Preservation
Fresh Beans		
Tomato/Onion		
Spices		
Melons		
Pumpkins		
Other		
<b>Floriculture</b>		
Roses	Packing Seed Separation Seed Grading Short-term Preservation	Arranged Flowers Branded/Certified Seed Scent Extraction
Carnations		
Other		
<b>Aquaculture</b>		
Fresh-water Fish	Dressing Packaging Preservation	Branded Food Products Branded Feed Long-term Preservation
Sea-water Fish		
Other		

Primary	Secondary	Manufactured
<b>Cash Crops</b>		
Sugarcane	Press & Purify Lint & Yarn Cure & Grade	Brand & By-products Textiles & By-products Cigarettes Branding
Cotton		
Tobacco		
Other		
<b>Red Meats</b>		
Beef	Slaughter Grading Curing Cutting/Separation Chilling	Branded Products Restaurant/Catering Preservation
Mutton		
Venison		
Ostrich		
Other		
<b>White Meats</b>		
Pork	Slaughter Grading Cutting/Separation Chilling	Branded Products Restaurant/Catering Preservation
Poultry		
Eggs		
Other		
<b>Dairy</b>		
Cow's Milk	Pasteurizing Skimming Fat-Reduction Packaging	Branded Products Snacks/Ice Cream Yoghurt/Cheese Beverages (Blended)
Goat's Milk		
Other		

Primary	Secondary	Manufactured
<b>Non-edible Animal Products</b>		
Hide	Tanning Blue-leather	Leather Goods Raw-materials
Bone		
Other		
<b>Agro-forestry</b>		
Timber	Saw-milling Treatment Pulping	Furniture Production Paper Production Paper Finishing
Pulp		
Other		
<b>Agro-pharmaceuticals</b>		
Cultivars	Extraction of Essential Oils and Active Ingredients	Blending & Branding
Wild Crops		
Other		
<b>Bio fuels</b>		
Soyabean	Oil Pressing Ethanol Extraction By-Product Handling	Fuel purification Blending By-products Value-addition
Sugarcane		
Sugar beet		
Other		

### 2.3.3 Approach followed and data utilised

The approach followed was to collect and collate data along the value chain (primary, secondary, manufactured) per sub-sector. The data was sourced from both secondary and primary sources.

Every chapter of the report is written in such a way as to be free standing: it touches on a specific sub-sector with its own reasoning and context and it contains its own conclusions and recommendations. An attempt was made to ensure that analysis of each sub-sector is both qualitative and quantitative; however, because of the unique nature of each sub-sector, the levels of analysis differ between sub-sectors. For example, well-established sub-sector like red meats, vegetables, crops, etc. are rich in both qualitative and quantitative analyses, whereas emerging sub-sectors (e.g. agro-pharmaceuticals) could only be adequately analysed qualitatively because of the inherent data-scarcity of sectors that are in a development state. Despite the lack of sector statistics related to developing sectors, it was important in this study to highlight the possibility of economic opportunities inherent in these sectors.

### 2.3.4 Research Findings

Generally it was found that despite Mpumalanga being the leader in many agricultural primary produce, this is not translated into downstream value added products (the value addition is done in other provinces). Thus, there are a plethora of opportunities to create a number of integrated value chains through clustering in particular.

Some of the specific research findings per sub-sector:

Sub-sector	Main findings
Bio fuels	<ul style="list-style-type: none"> <li><input type="checkbox"/> Policy Incentives necessary to stimulate the sector <ul style="list-style-type: none"> <li>■ Excise duty exemption</li> <li>■ Levy/Subsidy</li> <li>■ SA Obligation – Bio fuels Certificates trading</li> <li>■ Tender System – Batches or 2005-2013 directives</li> </ul> </li> <li><input type="checkbox"/> Required Partnerships <ul style="list-style-type: none"> <li>■ Community-Based Organisations</li> <li>■ Rural NGOs</li> <li>■ Technical/Academic Institutions</li> <li>■ Gov Organisations and Departments</li> <li>■ Financial Institutions: Banks &amp; Micro-Lending</li> <li>■ Planners and Policy-Makers</li> </ul> </li> </ul>
Oilseeds	<ul style="list-style-type: none"> <li><input type="checkbox"/> Large shortage of plant protein, especially soy oil cake <ul style="list-style-type: none"> <li>■ necessary to switch from low value and high throughput crops such as maize to soybean production</li> <li>■ will enhance both the local meat and plant protein markets</li> </ul> </li> <li><input type="checkbox"/> Mpumalanga already plays a key role in the supply of soybean and soybean products</li> <li><input type="checkbox"/> Increasing the production levels in disadvantaged rural areas <ul style="list-style-type: none"> <li>■ enormous additional potential could be realized by as much as 1 million additional hectares of additional oil crop production</li> <li>■ Job creation &amp; Poverty alleviation</li> </ul> </li> </ul>
Grains	<ul style="list-style-type: none"> <li><input type="checkbox"/> Overall Value Adding limited – despite lead in primary production (e.g. 2<sup>nd</sup> largest maize producer)</li> <li><input type="checkbox"/> Dominated by large commercial companies</li> <li><input type="checkbox"/> Emerging farmers more – low in production</li> <li><input type="checkbox"/> Secondary and tertiary processing dominated by large companies</li> </ul>
Fruit & Nuts	<ul style="list-style-type: none"> <li><input type="checkbox"/> Citrus <ul style="list-style-type: none"> <li>■ Innovation required to maintain status</li> </ul> </li> <li><input type="checkbox"/> Apples <ul style="list-style-type: none"> <li>■ Underutilised capacity in packing – shortage of supply</li> <li>■ Under growing given perfect climatic conditions in the Highveld</li> <li>■ Investment in infrastructure required</li> <li>■ Potential to be a country leader (DEP'T)</li> </ul> </li> <li><input type="checkbox"/> Macadamia <ul style="list-style-type: none"> <li>■ Tree planting in land claim farms</li> <li>■ Fastest growing fruit production</li> <li>■ A vista of value adding opportunities (SUMAC)</li> </ul> </li> </ul>

Sub-sector	Main findings
Vegetables	<ul style="list-style-type: none"> <li><input type="checkbox"/> General <ul style="list-style-type: none"> <li>■ Overall decline in production</li> <li>■ Lack of Strategic Information - Production and Marketing</li> <li>■ Nelspruit Fresh Produce Market <u>not</u> Effective</li> </ul> </li> <li><input type="checkbox"/> Potatoes <ul style="list-style-type: none"> <li>■ 11% processed – room for further value adding</li> <li>■ Most traded at FPM (30%+)</li> <li>■ Better Production and Market Data – Potato SA</li> </ul> </li> <li><input type="checkbox"/> Tomatoes <ul style="list-style-type: none"> <li>■ Average ranking in the country</li> <li>■ Poor Prod. &amp; Market Data – Deliberate?</li> </ul> </li> <li><input type="checkbox"/> Onions <ul style="list-style-type: none"> <li>■ Old data – need for current market information</li> </ul> </li> </ul>
Agro forestry	<ul style="list-style-type: none"> <li><input type="checkbox"/> Largest provincial share - Total Plantation Area</li> <li><input type="checkbox"/> Sawn timber - 40.3%</li> <li><input type="checkbox"/> Local Beneficiation to Timber – Very Low!</li> <li><input type="checkbox"/> Value Adding Potential - High</li> <li><input type="checkbox"/> Agro-furniture Growth Potential - High</li> <li><input type="checkbox"/> Branding Potential - Major Growth Factor</li> <li><input type="checkbox"/> Establishment of <i>Timber Cluster</i> <ul style="list-style-type: none"> <li>■ Driven by market concern</li> <li>■ Encompass SMMEs, small low cost millers, charcoal producers, etc</li> <li>■ Stimulation and the regeneration of small villages in remote and underdeveloped areas a great potential</li> </ul> </li> </ul>
Red Meats	<ul style="list-style-type: none"> <li><input type="checkbox"/> Underutilisation of value adding capacity – limited supply of livestock into value chain</li> <li><input type="checkbox"/> Land claims may affect supply even more – need to capacitate land claim beneficiaries</li> <li><input type="checkbox"/> Deregulation has led to overcapacity of abattoirs – concern of safety and hygiene by small abattoirs</li> <li><input type="checkbox"/> Numerous Gov initiatives for emerging market – effort not coordinated</li> </ul>
White Meats	<ul style="list-style-type: none"> <li><input type="checkbox"/> Mpumalanga produces 25% of SA Maize</li> <li><input type="checkbox"/> 80% of SA soyabeans</li> <li><input type="checkbox"/> Poultry and Pork production – low for Comparative Advantage</li> <li><input type="checkbox"/> Free range (poultry, eggs, pork) - Fastest Growing</li> <li><input type="checkbox"/> Other High growth Areas: <ul style="list-style-type: none"> <li>■ Processed meats</li> <li>■ Convenience meals</li> <li>■ Ready-cooked meals</li> </ul> </li> <li><input type="checkbox"/> Top Technology – Pasteurisation of Eggs</li> <li><input type="checkbox"/> Growth Market Potential – SADC member countries</li> </ul>
Dairy	<ul style="list-style-type: none"> <li><input type="checkbox"/> Milk production shifted from inland to coastal areas</li> <li><input type="checkbox"/> Barriers to new entrants - very high</li> <li><input type="checkbox"/> Industry is subject to the price – cost squeeze phenomenon <ul style="list-style-type: none"> <li>■ real input prices - up</li> <li>■ real product prices - down</li> </ul> </li> <li><input type="checkbox"/> Overproduction of milk country-wide <ul style="list-style-type: none"> <li>■ Innovative value adding opportunities required</li> <li>■ Pricing mechanism required</li> <li>■ Producer value-add investment through delivery discounts possible</li> </ul> </li> </ul>
Floriculture	<ul style="list-style-type: none"> <li><input type="checkbox"/> High cost of entry (Infrastructure, Human Capital)</li> <li><input type="checkbox"/> Comparative advantage because of product range</li> <li><input type="checkbox"/> Specialist knowledge and input critical</li> <li><input type="checkbox"/> Need for collaboration amongst growers to increase freight volumes</li> </ul>
Aquaculture	<ul style="list-style-type: none"> <li><input type="checkbox"/> Mainly for recreational purposes (tourism driver)</li> <li><input type="checkbox"/> Main species is trout (Dullstroom, Lydenberg, and to some extent Waterval Boven)</li> <li><input type="checkbox"/> Great potential for growth (water scarcity a negative factor)</li> <li><input type="checkbox"/> 5 decades of provincial experience</li> <li><input type="checkbox"/> Sound technology base</li> <li><input type="checkbox"/> Lack of policy direction on aquaculture</li> <li><input type="checkbox"/> Underutilisation of capacity by fish farms owned by Mpumalanga Parks Board</li> </ul>
Agro-Pharmaceuticals	<ul style="list-style-type: none"> <li><input type="checkbox"/> GE (<u>not</u> GMO) maize, cotton, and tobacco farms provide opportunities (systems for protein production)</li> <li><input type="checkbox"/> Opportunities for harvesting/cultivation of indigenous species like wild ginger</li> </ul>

Sub-sector	Main findings
	<input type="checkbox"/> ARC is conducting research on cultivation of indigenous plants <ul style="list-style-type: none"> <li><input type="checkbox"/> Farming opportunities for local communities</li> <li><input type="checkbox"/> Need for regulatory framework for GE</li> </ul>
Non-Edible Animal Products	<input type="checkbox"/> South Africa is the second largest automotive leather manufacturer in the world <input type="checkbox"/> Mpumalanga is an important sheep-farming area in South Africa with Ermelo being one of the largest wool-producing districts. Wool is produced in all areas except for Baberton, Groblersdal, Nelspruit Nkomazi and Witbank <input type="checkbox"/> The local industry (South Africa, including Mpumalanga) is gaining the attention of international sourcing agents <input type="checkbox"/> Increase in demand on the automotive front has seen a big move by the existing tanneries to produce for this sector, which has created a shortage on the local market for footwear and clothing <input type="checkbox"/> Hides and skins are only produced in Belfast and Piet Retief <input type="checkbox"/> Mohair is only produced in Ermelo
Cash Crops	<input type="checkbox"/> Mpumalanga is the second highest producer of sugarcane to KZN. The sugarcane industry has been concentrating on the KZN development schemes and it's high time similar programmes are implemented in Mpumalanga <input type="checkbox"/> The operations are located in the Komatipoort and Malelane in the Nkomazi region. The cane plantations are located along the Crocodile and Komati Rivers. <input type="checkbox"/> Mpumalanga and Limpopo Provinces are considered as the main tobacco producing provinces of South Africa

### 2.3.5 Areas of opportunity

As the research findings suggest, the main opportunities lie in the areas of value addition. Whilst opportunities are identified in each sub-sector, the major opportunities were found to be in bio fuels, fruit and nuts (particularly apples), and cash crops (particularly tobacco) and inception projects are recommended in these areas in the report.

Although value is identified in secondary and manufacturing opportunities, there is scope for improving production output and efficiency in primary activities. For instance, it was found that there is a decline in primary production in red meat stock (beef, sheep, etc) in Mpumalanga province. In fact, in all the sub-sector, primary production capacity is important to ensure growth in secondary and tertiary activities. Hence, the importance of sectoral clustering to ensure that growth is experienced across the value chain.

## 2.4 PETRO-CHEMICALS

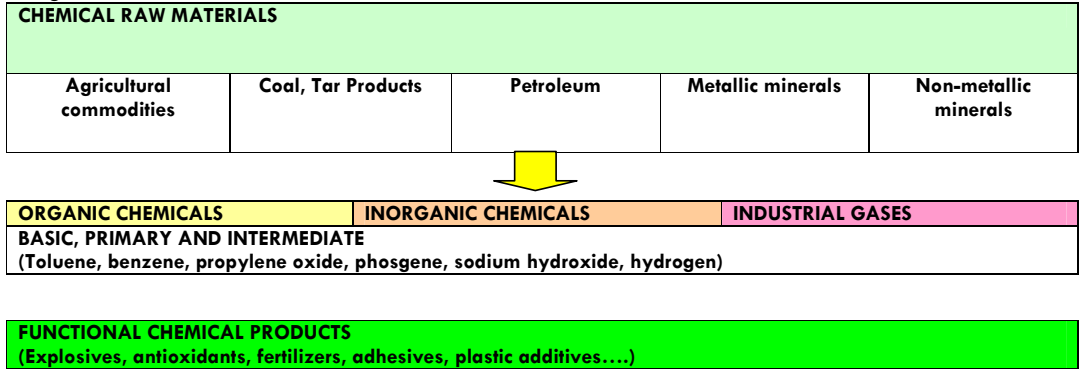
### 2.4.1 Delineation / definition of the Petrochemicals sector

The petrochemicals industry is described as HS 33 and encompasses three major categories, discussed separately in this paper. These are:

- **Liquid Fuels.** Liquid fuels include all liquid and gaseous products derived from mineral sources such as crude oil, coal, natural gas, bio-mass and other sources, and exclusively used in energy applications. Also included are all forms of lubricants and greases. SIC categories covered include 3310, the manufacture of coke oven products and 3320, petroleum refineries, and synthesisers
- **Commodity Organic Chemicals-** these substances exist as isolated and reasonably pure chemicals and are typically large, e.g. volume consumption, multiple application and generally below US \$ 3 per kg. At the intermediate level, there are chemicals for which a definite chemical precursor can be identified. In addition most of the supply of an intermediate chemical will undergo further chemical reaction (transformation) to produce a variety of other chemicals. The SIC category covered is 3341, manufacture of basic chemicals.
- **Primary Polymers** (plastics and rubbers) - All products that are manufactured by means of polymerisation synthesis into a primary form (i.e. beads), ready to be converted by means of mechanical or thermo-mechanical process into fabricated plastic and rubber products. The SIC category is 3342: Manufacture of plastics and synthetic rubbers in primary forms

Downstream of these sectors are the plastic products and rubber products sectors, which are home to many smaller companies making many thousands of products which are used across the board of the South African economy, in manufacturing and in consumer markets. This inter-relationship between the raw materials and products and the consuming industries is illustrated as follows:

**Diagram 2.5: Chemicals to Consumers**



**2.4.2 Value Chain**

Many chemical products are fabricated by other industries before used by consumers; examples are fibres, plastics and elastomers.

Generally speaking the chemical industry includes only the steps of synthesising or formulating these materials while the mechanical fabrication is carried out by other industries. For the purposes of this analysis, the mechanical conversion of plastics and rubbers are regarded as allied sectors to chemical manufacturing. The chemical industry makes the primary polymers for fibres, the synthetic fibre sector converts the polymer to fibres, but the textile industry converts them to fabrics, similarly, the chemical industry makes resins and polymers, but the allied rubber and plastics industries convert them to usable end products.

The value chains for petrochemicals begin with the development of specific (usually bulk) chemicals from precursor materials derived largely from petroleum. There are thousands of downstream products but as with wood and metals, only the primary materials are made in Mpumalanga and little to no value is added in the province.

Diagram 2.6: Liquid Fuels Value Chain

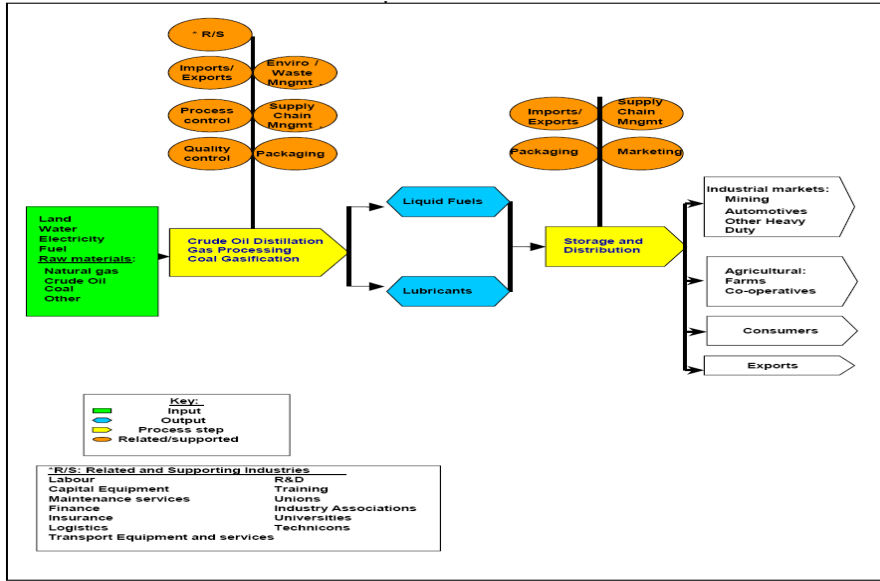


Diagram 2.7: Commodity Organic Chemicals Value Chain

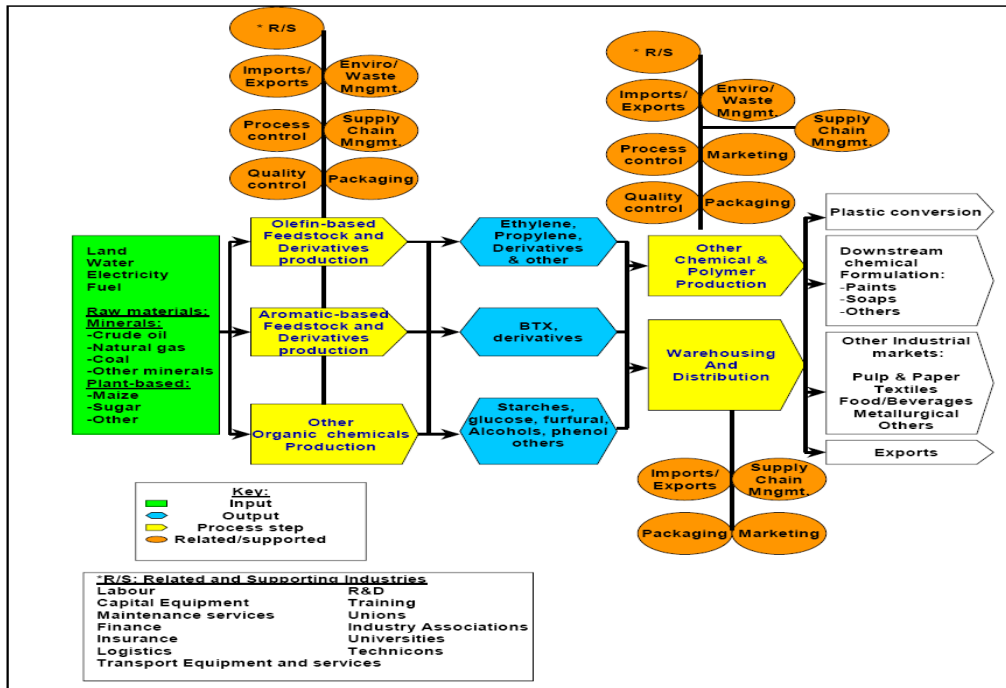
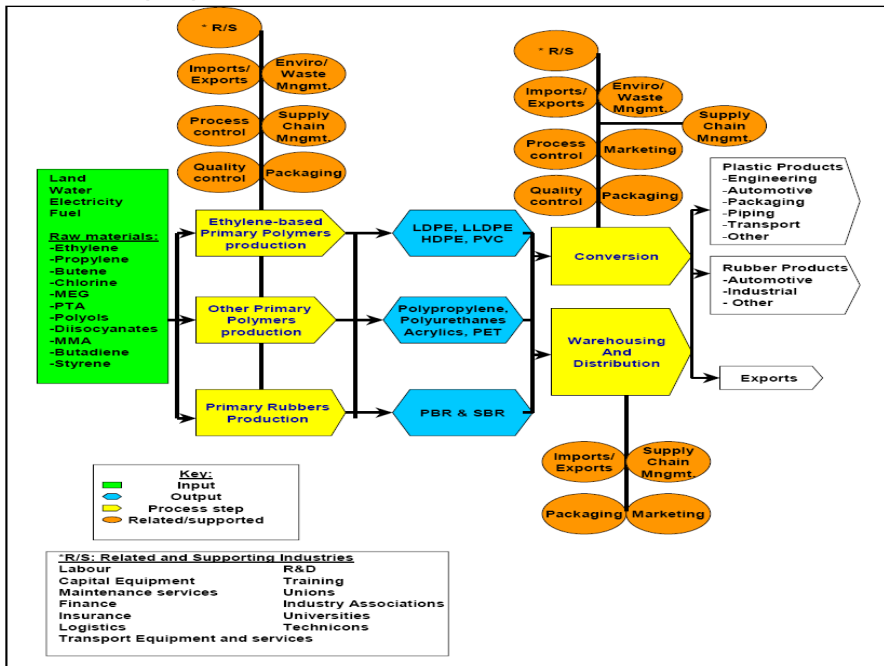


Diagram 2.8: Primary Polymers & Rubber Value Chain



In the Liquid Fuels value chain, the most important aspects are the sourcing of raw materials, distribution and logistics and the cost of capital equipment as the products are, for the most part, heavily commodities which are highly cost sensitive. The major global players in liquid fuels are Agip, Anadarko Petroleum Corporation, Bharat Petroleum Corporation, BP-Amoco, BP/Castrol, Caltex, Chevron Texaco, Exxon Mobil, Occidental Petroleum Corporation, Phillips Petroleum, Royal Dutch Shell, and TotalFinaElf as well as many government-owned operations.

Organic commodity chemicals are also, as the name suggests, commodities, and follow the usual economic logic for all commodities in that they are highly sensitive to input costs and logistics, as well as the commodity cycle of downstream customer. The major manufacturers of organic chemicals are global petrochemical companies like Dow, Du Pont, Formosa, Petronas, Amoco, Mobil, Chevron, Sasol/Condea and others.

Primary Polymers and Rubbers, with the exception of specific higher value niches show a similar economic structure. They are very sensitive to the availability and pricing of input materials as well as logistics costs and the economic cycles of downstream customer industries. There are a significant number of manufacturers for each of the types of primary polymers and rubbers. Most of these are large players in the global market. (See Appendix for lists)



Diagram 2.9 Commodities Organic Chemicals Value Chain

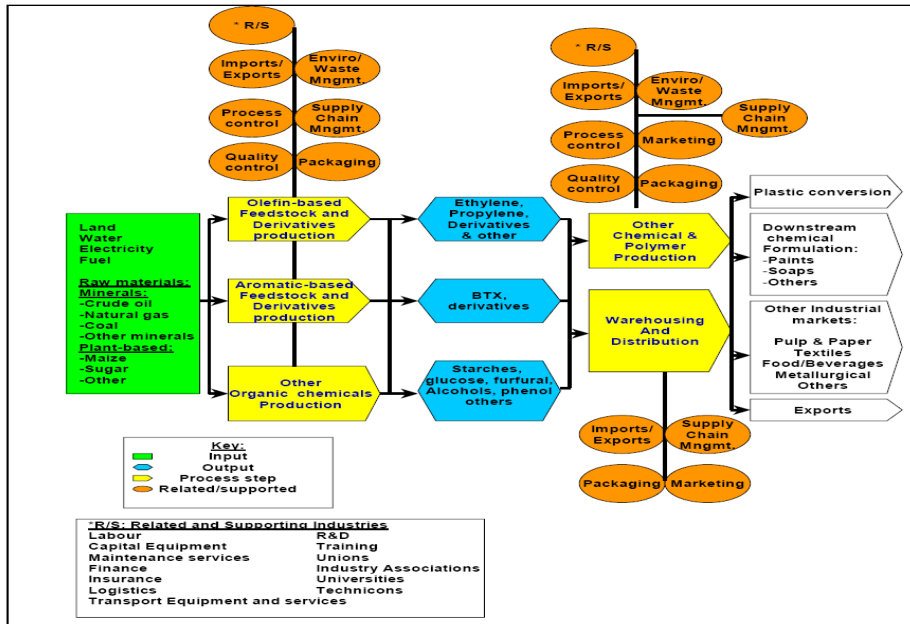
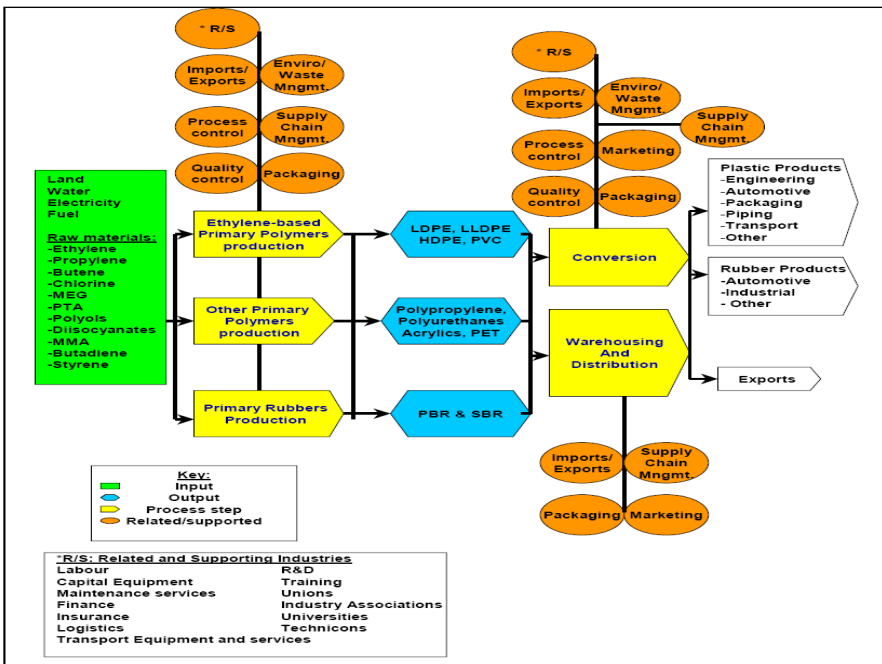


Diagram 2.10 Primary Polymers & Rubber Value Chain



### 2.4.3 Approach Followed and Data Utilised

In order to establish the value matrix for this paper, the processes and inputs required developing the horizontal and vertical linkages of the petrochemicals matrix and the three major categories encompassed by this sector were mapped, after which values were allocated to the various parts of the matrix. Secondary research was additionally reviewed to verify the value matrix and the necessary adjustments made. Once this process had concluded, the production and trade data for petrochemicals and the three sub categories in Mpumalanga were reviewed and the value chains for Mpumalanga petrochemicals and the three major sub categories were developed.

Suppliers of inputs to all three sub sectors include Spoornet & Portnet and the various suppliers of capital equipment and other goods and services. Participation in this sector in Mpumalanga is essentially confined to Sasol, but Sasol is a major global actor in this industry. The data utilised to investigate and interpret the various aspects of the value chain in Mpumalanga were sourced from primary and secondary sources. This included interviewing some major industry role-players, consulting reports and acquiring statistical data. The main data sources included the Department of Minerals and Energy, Sasol, the Chemicals Associations domestically and internationally, and Quantec statistics as well as the dti. Other, related reports relating to studies carried out by Blueprint were consulted as were various Mpumalanga documents.

### 2.4.4 Main Findings

Most actors in this industry, in part due to the massive amounts of capital usually required to enter the industry, are very large multinational corporations (MNCs) with access to huge resources and whose production facilities span the globe. Mpumalanga's major competitive advantage in this sector, especially in fuels, is the fact that Sasol is present in the province and has a meaningful investment there.

In terms of liquid fuels there is significant exploration and development activity by several multinational companies along the West African coast. According to the Centre for Global Energy Studies, US\$ 20 billion will be spent in Angola in the next five years to make Angola the second biggest oil producer in Africa after Nigeria. Sasol is also co-operating with certain producers to do joint ventures in GTL, notably in Qatar. There is of course also major work being undertaken in bio fuels and alternatives to oil based energy sources and major R & D is being conducted around the world on the effective production of energy from alternative sources. Mpumalanga fuel operations consist of Sasol Synthetic Fuels in Secunda (Coal based) with a capacity of 1 500 000 barrels/day. Another Natural gas and condensate based refinery is PetroSA in Mossel Bay with a capacity of 45 000 b/d. The Sasol Synthetic Fuels operations in Secunda are integrated plants, producing a range of fuel products, petrochemicals/polymers, as well as by-products such as phenol/derivatives, ammonia/fertilisers/explosives and others. The original Sasol 1 operation in Sasolburg has stopped fuel production, and is now a primary chemical production site.

In polymers and rubber major investment is taking place in the Middle and Far East. China and Thailand have installed new capacity and have increased existing plants for SBR/PBR manufacture. Malaysia currently exports all its natural rubber, but has invited investment for synthetic rubber production in the hope that this could lead to a tyre manufacturing plant being installed. Significant investment for LDPE/LLDPE production has taken place recently in the Middle East because of the availability of free gas. Middle Eastern domestic markets are small and most of those products are therefore exported. In some of the lower volume primary polymer and rubber markets there is little investment taking place elsewhere, due to over-investment in the Far East. Sasol Polymers in Mpumalanga is the only domestic producer of ethylene, which it uses for its own polyethylene production and to supply Dow with ethylene.

Most organic chemicals are commodities, with a major focus on the supply of monomer for the primary polymers sub-sector. Generally a global overcapacity exists in almost all commodity organic products, which is exacerbated by the downturn in the global economy. In addition, high production costs (i.e. USA - high natural gas prices; EC – high value of

the Euro) in developed countries are causing a downsizing and closure of plants. Investment by developed countries is therefore at historical lows, while significant investments are occurring in developing countries, of which most notable are the Middle Eastern feedstock-rich countries. Sasol is making incremental investments in some of these areas in Mpumalanga but any investment in this category is likely to be based on imported feedstock (crude oil or condensate), while markets have to be found mostly in exports at unfavourable prices. Polymer investment is occurring in Mpumalanga with Sasol's Project Turbo.

Developments regarding renewable fuel sources could have a significant impact on investment trends in Mpumalanga specifically ethanol production from sources such as sugar, maize and wheat. The major issue is related to subsidies to compete against conventional fuel sources. Around 5 million TPA of new capacity for fuel-ethanol was added in 2003.

Beneficiation and new investment opportunities arise mainly from market and attractive feedstock opportunities. South Africa has a distinct lack of primary sources of petrochemicals, and where they exist; there is a low level of rivalry, which results in high prices for downstream consumers. The major issues are a lack of ethylene (Sasol has excess propylene, but insufficient ethylene), as well as a general shortage of aromatics. There is therefore a definite opportunity to invest in primary feedstock plant, such as an ethylene cracker and an aromatics (BTX) unit. The most viable option would be via an integrated oil refinery/petrochemical complex. The regional market is currently marginal in terms of sustaining such an investment, but with good economic growth it should be viable over the medium term.

Apart from further expansion at Sasol (both coal and natural gas based), there is also potential to exploit available feedstock within the PetroSA/Mossgas operation. Mossgas has a similar potential in many products to the Sasol operations. SA imports significant quantities of basic organic chemicals. Some of these could offer local manufacturing opportunities, even without a major new cracker/BTX unit.

Because so many chemicals are commodities and competition is so fierce, shifts in production to low cost producing areas where input costs and logistics are cheaper, are commonplace. So too is the trend towards capacity optimisation and the shifting of production to various venues around the world by bringing capacity on stream again, if exchange rate fluctuations and other financials require it.

#### **2.4.5 Areas of Opportunity**

The presence of Sasol in Mpumalanga Province represents a major opportunity set for the manufacture of inputs which Sasol needs, but which are currently imported, and this is where priority attention should be focussed. Sasol is a world class and global actors in the chemicals industry, which is a globalised industry by definition. Mpumalanga should investigate the potential for specific chemicals to be made in the province which is currently being imported from outside the province for use by Sasol and other large firms. Some examples are:

- Cleaning chemicals and services
- Water treatment chemicals and services (also for other large manufacturers and mines in the Province)
- Catalysts
- Input chemicals

There are additional opportunities for investigation in the pre-mixing and packaging of process chemical compounds and in the production of water treatment chemicals. As well as investigating the production of inputs for large firms, Mpumalanga could beneficiate further downstream, and could investigate the possibility of producing value-added petrochemical-based products using Sasol's polymers and other chemicals. Sasol produces a wide range of chemicals, and it is possible to develop new products for both local and international markets based on these. Mpumalanga is a good location for production of bio fuels, and a number of technologies exist or are being developed that could be used

in the province. Finally, there appears to be a solid opportunity for SMME development in services, but this is very poorly researched at this time and requires further investigation.

## 2.5 MINING AND QUARRYING

### 2.5.1 Delineation / definition of the Coal Mining sector

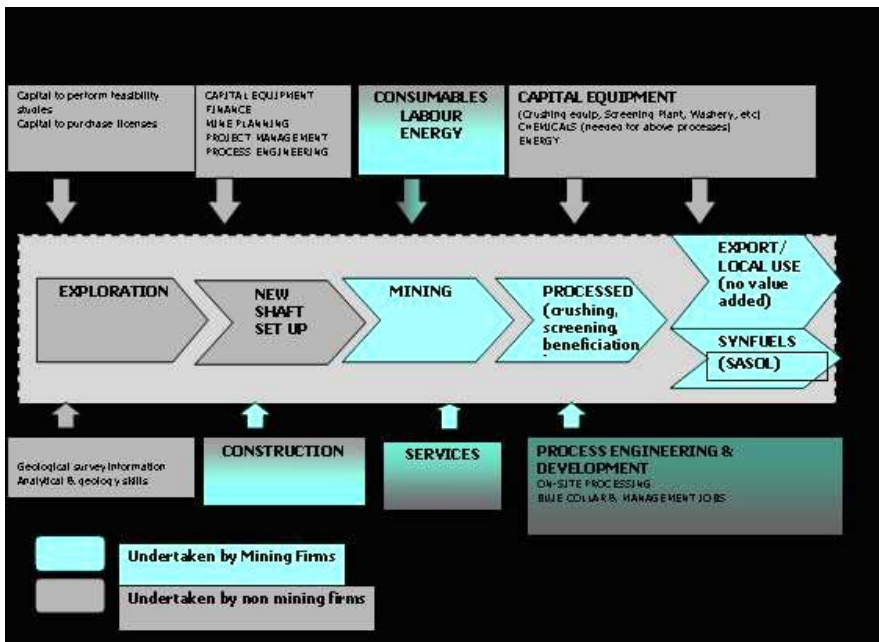
The coal mining industry is defined as HS 21 and covers the mining of coal and lignite as well as peat and other, smaller products. Only coal is of any significance to Mpumalanga- virtually no lignite is produced and no anthracite.

Coal is a global industry, and success for any region in coal mining and export is predicated on the availability of economically recoverable and appropriate quality of reserves. Currently global demand for coal slightly exceeds global supply. In this respect, Mpumalanga is the heartland of coal mining in South and indeed, southern Africa, as it produces nearly 90% of South Africa's coal. Mpumalanga recoverable reserves are estimated to have a life of anywhere between 100 and 500 years (EIA, 2005) Mpumalanga export values of coal have been increasing consistently in the period 2000- 2005 and significant investments are planned for the near future in the extension of existing coalfields as well as the development of new fields.

### 2.5.2 Value Chain

Essentially, as with most mined products, the value chain begins with an exploration process in an attempt to locate new deposits. Once these have been located, finance for the development of the mine is achieved, and thereafter the mining process takes place, with 60% underground and 40% surface or semi surface mining in Mpumalanga. Coal is beneficiated in South Africa for export use in that it is crushed, washed, screened and the poor quality is removed and sold for electricity production domestically. Over 60% of all Mpumalanga coal is used by Eskom and Sasol with the remainder exported primarily to the EU.

Diagram 2.11: Coal Value Chain



Little has changed in this value chain, coal is the most stable energy source in terms of pricing, and the most dramatic event in the development of coal is the trend towards the use of Clean Coal Technology – a technology which will significantly reduce the environmental problems associated with coal mining and additionally, extend the life of the recoverable reserves.

### **2.5.3 Approach Followed and Data Utilised**

In order to establish the value matrix for this paper, the processes and inputs required to develop the horizontal and vertical linkages of the coal matrix were mapped, after which values were allocated to the various parts of the matrix. Secondary research was additionally undertaken to verify the value matrix and the necessary adjustments made. Once this process had concluded, the production and trade data for coal in Mpumalanga were reviewed and the value chain for coal was developed.

Suppliers to the coal industry include Spoornet & Portnet as well as Richard Bay Coal Terminal, and the various suppliers of capital equipment and other goods and services. Participants are mostly large global coal exploration and mining houses as well as some new, smaller, junior BEE entrants to the South African scene. Finally, the coal industry supplies Eskom, Sasol and Export markets with various grades of coal. Other industries supplied include Cement, Pyrometallurgical industries and households.

The data utilised to investigate and interpret the various aspects of the value chain in Mpumalanga were sourced from primary and secondary sources. This included interviewing some major industry role-players, consulting reports and acquiring statistical data. The main data sources included the Department of Minerals and Energy, the South African Coal Institute and the Chamber of Mines. Other, related reports relating to studies carried out by Blueprint were consulted as were various Mpumalanga documents and the Quantec database provided by the Province.

### **2.5.4 Main Findings**

Mpumalanga Province is home to the richest coal field in Southern Africa and coal is by far the provinces single largest product in volume and value terms, and its single largest export. All major and some junior mining houses are represented in the province to a greater or lesser degree. Operations are technologically on a par with the best in the world. The single largest constraint to improved efficiency and productivity for the coal mining industry in Mpumalanga is the poor performance of the internal rail linkages in South Africa. Also of some concern is the ability of South African and Mozambican ports to process coal exports. There are extensive plans for expansion of coal mining underway in the province as prices for coal have firmed since the most recent oil price increases and new investment is an attractive option for the mining houses.

Coal from Mpumalanga is used primarily to produce electricity and very large quantities are produced for Eskom and used in electricity generation. The quality of this coal is generally poor and it could not be exported, but can be used by Eskom. Sasol uses large quantities of coal for its coal liquefaction process to transform coal into fuel. Finally, the highest grades are washed and sorted and sent primarily to the EU as export.

Most regions attempt to be self sustaining in coal – especially when coal is used extensively for the production of electricity, the main end use of coal overall. Mpumalanga produces extensive supplies of coal for Eskom power stations, but also is able to provide significant exports of quality coal to major world markets, although the European Union, with its need for high quality low sulphur coal, is by far the major market for Mpumalanga coal.

Coal mining is successfully negotiating a changed policy environment in South Africa and Mpumalanga. New entrants are typically black empowered, and the major traditional players such as Anglo Coal have been forming joint ventures with new black owned entrants over some considerable time and most new explorations and mine developments have significant black ownership percentages.

### 2.5.5 Areas of Opportunity

Coal is used primarily as a source of energy for various other industries, and few opportunities for beneficiation of coal itself. Those that exist need to be carefully evaluated in the light of commercial sustainability over time before any intervention is considered or they will fail to attract reliable investment. Overall, the coal industry globally and in Mpumalanga is a mature industry and there are no observable market failures in the industry. Due to the capital intensive nature of the industry, access to significant capital sums is a pre requisite for entry and this limits SMME type opportunities. Small scale mining in coal is illegal, unprofitable and dangerous.

The opportunities for Mpumalanga in coal are fundamentally linked to SMME and BBBEE development, through improved access to Mpumalanga coal mines procurement. There is significant potential in carbon steel fabrication and the production of mine support systems from wood and steel, as well as the production of certain niche chemicals, in Mpumalanga. Over 80% of value added metal and wood products leave Mpumalanga in primary form, only to be re-imported to the province once they have been transformed elsewhere. This represents the single largest lost opportunity in job creation and SMME development for the province.

Downstream beneficiation opportunities using coal as an input material as opposed to a source of energy are very limited and not sustainable in Mpumalanga.

## 2.6 WOOD AND WOOD PRODUCTS

### 2.6.1 Delineation / definition of the Coal Mining sector

The wood and wood products industry is described as HS 32 and contains a number of major sub-sectors, namely:

- Furniture
- Wood Chips
- Mining Timber
- Windows & Doors (includes Architectural Millwork and Store Fixtures)
- Fine Woodworking (Cabinetry, Custom Artistic/Custom)
- Engineered Wood Products
- Sawmilling
- Remanufacturing
- Panel board Products
- Paper

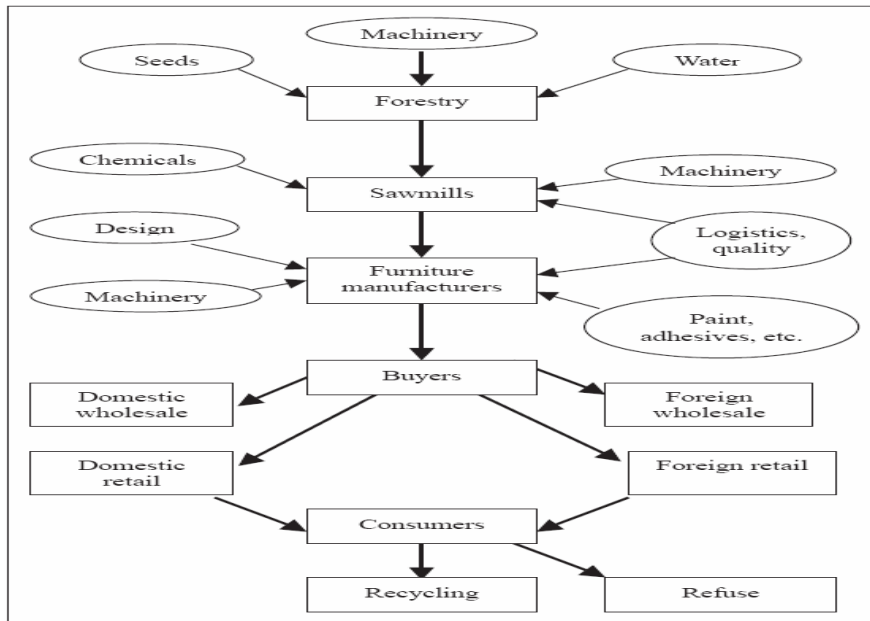
The focus of this work is on furniture made of wood although there are some additional recommendations made for mine support products made of wood.

### 2.6.2 Value Chain

The wood and wood products value chain is firmly grounded in the agricultural sector, specifically forestry, to a greater or lesser degree, the kind of furniture that can be made in an area is dependent on the kind of wood made available from the forestry sector. Once the trees have been felled and stripped, they are moved to sawmills, which then process the wood into a usable form, usually planks.

In a nutshell therefore the value chain for the wood furniture industry is very simple and begins with the seed of the tree, planted and watered. The young tree is nurtured until it grows to the appropriate height, after which it is harvested and sent to the sawmill for processing. Once processed, usually into planks of various sizes and lengths, the wood is made into items such as furniture. Subsequently, this is sold via retail, wholesale and direct marketing systems.

**Diagram 2.12: Wood and Wood Products Value Chain**



### 2.6.3 Approach Followed and Data Utilised

In order to establish the value matrix for this section, the processes and inputs required to develop the horizontal and vertical linkages of the wood furniture matrix were mapped, after which values were allocated to the various parts of the matrix. Secondary research was additionally reviewed to verify the value matrix and the necessary adjustments made. Once this process had concluded, the production and trade data for wood, wood processing (sawmills) and the production of wood furniture in Mpumalanga were reviewed and the value chain for Mpumalanga wood furniture developed.

Suppliers to the Mpumalanga wood furniture industry include Sappi and Mondi as well as the various sawmills in the province. At the level of furniture, design and technical capability as well as specialised equipment and, very importantly, the ability to retail (access to international and domestic market supply chains) are critical elements. With the exception of the Forestry giants who, in South Africa and Mpumalanga grow mostly for pulp and paper production, most participants are small enterprises in terms of the dti definition.

The data utilised to investigate and interpret the various aspects of the value chain in Mpumalanga were sourced from primary and secondary sources. This included interviewing some major industry role-players, consulting reports and acquiring statistical data. The main data sources included the National Productivity Institute, the University of KwaZulu Natal, the SHINTSHA project documentation and the dti. There are very limited data available on this industry, and few studies have been undertaken at the South African level, while none are available for Mpumalanga. The Quantec database provided by the Province was consulted but data on exports are skewed by the fact that exports can be accrued to the head office, and not the regional operations. Where possible, such findings have been noted and adjusted.

#### 2.6.4 Main Findings

There are 1,140 firms in South Africa operating in various areas of the wood products industry. There is a large number of sawmilling firms, which outnumber downstream manufacturers. It is clear that timber is being exported in cut form with relatively little value added occurring downstream by furniture manufacturers or cabinet makers.

Mpumalanga produces the majority of South Africa's wood (about 40%). However, little value is added to the primary input material (planks) within the province, most is exported either to other provinces or international markets which perform the (labour intensive) value-adding activities. The majority of value added manufacturing of wood products is to be found in KwaZulu-Natal, Gauteng and the Western Cape.

Mpumalanga accounts for only 13% of wood products companies despite producing over 40% of the country's timber. Most exports from the Province are in the form of round logs, sawn timber and paper. This is the case in Mpumalanga even though global exports of furniture grew from \$11,27 billion in 1980 to \$79,96 billion in 2004 indicating that global demand is strong and that exports are a serious commercial reality.

The top export country was Italy at a value of \$2,159 billion followed by eight European countries. The USA in fifth place was the exception. Total exports from Europe were nine times higher than that from Asia (9,2% of the global market for exports) while Europe has an 82,2% share of global furniture exports. Global trade in furniture has been steadily rising since the late 1980's- and now stands at approximately US\$ 80 billion, up from US\$ 20 billion in 1988, a 400% increase.

Furniture has traditionally been a resource and labour-intensive industry that includes both local craft-based firms and large volume producers. It represents a major opportunity for SMMEs. Nonetheless, mass producing furniture became a viable manufacturing strategy with the advent of flat-pack or ready-to-assemble designed furniture and this also represents a major opportunity within Mpumalanga.

This product innovation paved the way for firms to design, manufacture and ship products in large quantities. Firms that mass-produce flat-pack furniture tend to supply products for the low- to medium-price markets. Solid wood furniture manufacturers have retained important niche market segments primarily for high-end, expensive and design-led products. These specialized products tend to be purchased locally while mass-produced large-volume products are sold locally and for export.

From 1981 to 1989 furniture industry employment increased steadily by 26% from around 34 000 to 43 000 in contrast to the total economy where employment started declining from 1989. Despite the unfavourable economic conditions, the furniture industry retained most of its employees since 1998, but due to a drastic decrease in exports since 2002, employment has started decreasing; from 42 000 in 2002 to 38 000 in 2004. This compares with the total economy where despite growth in the economy, employment decreased by 1 million or 12% from 8,4 million in 1990 to 7,4 million in 2001.

Ongoing investment in design and new technology is required to establish this industry in Mpumalanga in any meaningful way and this investment is effectively a non negotiable factor in the development of this industry in the province. In particular in Mpumalanga, where unemployment is roughly 40%, the multiplying effect of job creation in this sector is considerable and too important for the provincial economy to neglect. Present negative trends in outputs from the industry mean that a large part of present employment may be lost if these declining trends are not arrested, as well as a substantial opportunity to create sustainable employment in the province.



### 2.6.5 Areas of Opportunity

There is a major lack of implementation focus on the opportunities inherent in adding value to wood in the production of wood furniture in Mpumalanga. . This means that opportunities for the development of knowledge and skills are being lost along with the jobs and enterprise opportunities which would accompany the development of these value added activities. Implementation in this sector is insufficient at this time to make any major contribution to Mpumalanga's development thrusts. Examination of the Wood Products value matrix indicates some areas of potential opportunity for Mpumalanga. These are:

- Manufacture of timber products for construction, e.g. trusses, doors, windows, flooring, skirting boards. These would be aimed at local and neighbouring markets.
- Manufacture of pallets (there is a major shortage of pallet supply and demand is likely to increase in the near future)
- Manufacture of poles (especially for mine support)
- Manufacture of a range of flat-pack furniture, possibly using solid woods as well as board. This would require a large investment and substantial incentives. In addition, design skills are critical, and these would have to be attracted (even if on a contract basis, or outsourced) and developed in the longer term.

## 2.7 METALS AND METAL PRODUCTS

### 2.7.1 Delineation /Definition of the Metals sector

The metal and metal products industry is defined as HS 35 and encompasses a number of metals upstream such as Carbon Steel, Stainless Steel and Aluminium, as well as a number of downstream products made from the outputs of primary metal production. The Metals and Metal Products Industry consists of 10 main sub-sectors:

- **Carbon Steel** -Carbon Steel is a metal formed by using a combination of iron, carbon and other elements. The higher the carbon contents the stronger and less ductile the metal becomes. Carbon Steel is a widely used engineering product but has many other applications. It is produced in two main forms (flat and long steel), each requiring a different production plant.
- **Stainless Steel** - Stainless Steel is a generic term given to a group of corrosion resistant metals containing at least 10.5 per cent chromium and varying amounts of nickel, molybdenum, titanium, niobium, nitrogen and other elements. There are four major types of stainless steel: martensitic; ferritic; austenitic; and duplex stainless steel. These types differ in characteristics and are therefore suited to different applications.
- **Aluminium** -Aluminium is a strong light metal. It is hardly used in its pure form and is normally combined with other metals to give it particular properties. Its main applications include: building and construction, packaging, electrical, transport, machinery and equipment, and automotive parts.
- **Foundries** -The foundry industry provides critical inputs to most manufacturing sectors. The major sectors being: Mining, Automotive and Engineering. The South African foundry industry has undergone a significant amount of restructuring over the last 10-15 years. Although growth opportunities do exist, globalization, technology and quality improvements have led to increased competitive pressure.
- **Metal Fabrication**- Metal Fabrication comprises those industry actors involved primarily in forging, stamping, forming, turning and joining processes to produce ferrous and non-ferrous metal products. Such products include: cutlery, hand tools, architectural and structural products, shipping containers, wire products, screws, nuts and bolts, etc.
- **Structural Steel Industry** -This industry is closely linked to the building and construction industries, where construction uses the majority of these steel products in civil projects and building refers to office or residential structures. In South Africa the structural steel industry is dominated by 5 major industry actors.

- **Stainless Steel Consumer Goods** (e.g. Sinks, Cookware) -This sub-sector has been driven primarily by the cutlery and hollow ware sector. It has seen growth of consumer goods in stores as well as exports, however downstream industries are still dominated by imports. About 75% of stainless steel consumer goods are imported, mostly from Asia. This is because the local industry is currently unable to keep up with international standards of productivity and technology and thus remain globally uncompetitive.
- **Automotive Industry**- The most part of motor vehicles are made from steel, and smaller amounts of aluminium and stainless steel are used for various parts such as rims and exhausts respectively.
- **Tank Container Industry** -The tank container industry is the third largest consumer of stainless steel in SA making up approximately 12 percent of SA stainless steel market in 2003. The main use of tanks produced is for transportation of foodstuffs, beverages, and bulk liquids (such as chemicals). South Africa dominated this industry in the past, however due to inter alia, new entrants such as China and unfavourable exchange rates the industry has suffered and has shrunk to less than half its size since 1998.
- **Jewellery** -South Africa produces approximately 25 percent of all raw materials for worldwide jewellery production; however the country contributes less than 0.5 percent to the world's fabricated jewellery market.

This section encompasses only those primary metals made in Mpumalanga, and their products -specifically carbon and stainless steel.

Generally speaking, steels are used in the areas of construction, industrial process, and in the manufacture of consumer goods. Depending on the application, various alloys using other materials are produced, but overall carbon steel is a standard working material. Stainless steel is used primarily where there is a need for excellent corrosion resistance, and/or resistance against erosion, abrasion and contamination. This section deals only with steels.

Carbon steel is a traditional workhorse material, and globally over 1 billion MT per annum is produced, consumed and in some way, traded. Stainless steel production and consumption represents approximately 1% of overall steel production and consumption. Mpumalanga is home to the only stainless production facility in Southern Africa, Columbus Stainless, and also to over 90% of Southern Africa carbon steel production, via Mittal Steel and Highveld Steel, both also located in Mpumalanga.

### 2.7.2 Steel Value Chain

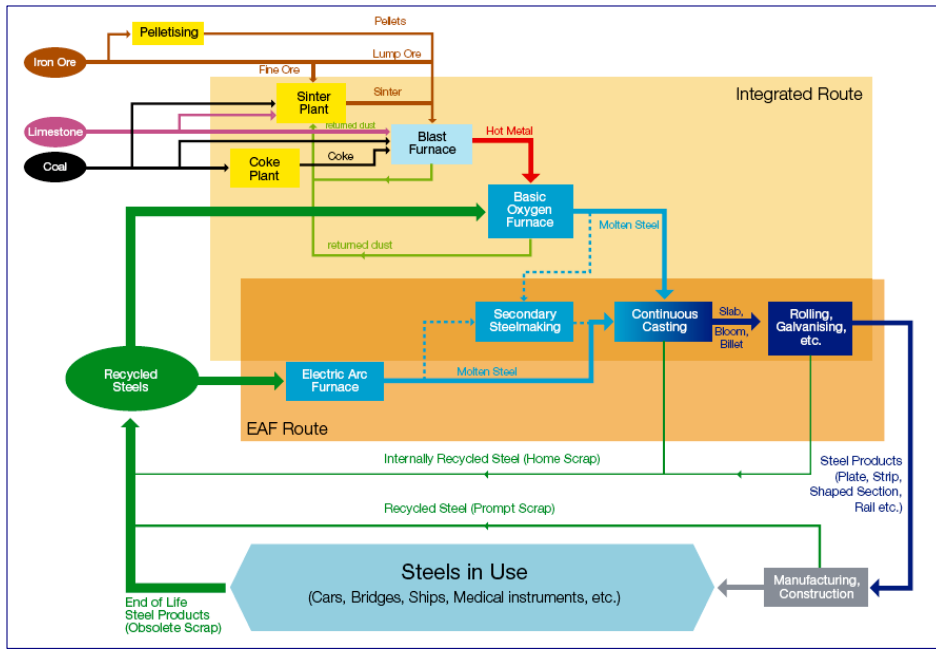
The value chain for all steels begins with mineral inputs which are melted in a high temperature furnace. Once melted, the material is usually poured into large moulds and slabs or ingots or pigs are produced. These in turn are typically formed into huge coils, which are then cut as required into thick plates or thinner sheets. In some cases, the material is not formed into coils, but is formed into other products, either for use in building (beams, slabs and the like) or for use in the manufacture of wire or pipe and tube.

Primary producers of steels typically make significant use of specialised distributors and merchants to sell steel on to the customer base- only customers placing very large orders on a regular basis are typically handled directly. Distributors usually offer the facility to service the products of the mills further for customers, such as the ability to uncoil, cut to plate and sheet, and blank. The steel serviced in this way is purchased by manufacturers of fabricated items, either heavy items such as pressure vessels and the like (manufactured on a single item basis by specialised engineering shops), or mass produced items such as tube and pipe, or light engineered items such as railing, manhole covers et al.

Fabrication takes place in a number of ways. Engineering fabrication involves the welding of different components together to form often complex items for industrial process and considerable technical expertise is required. Some components are cast at foundries such as in the manufacture of tools and dies while yet others are the products of mass production processes like stamping and bending. Ultimately, various metals components are in some way joined together to form the final product

While carbon steel is a forging material to work with, and in many cases requires only a basic technical capability and training, stainless steel is substantially more demanding in terms of technical expertise. Many products made from carbon steel are effectively consumable and require replacement on a regular basis.

**Diagram 2.13: Steel Value Chain**



Essentially therefore there are two major areas of opportunity for Mpumalanga which lend themselves to meeting the provinces goals of value adding and job creation- in the first instance, the distribution of steels to fabricators, and in the second, and possibly more sustainable and easy to enter, the fabrication of items of carbon steel used on an ongoing basis by the large firms in the province.

**2.7.3 Approach Followed and Data Utilised**

In order to establish the value matrix for this section, the processes and inputs required to develop the horizontal and vertical linkages of the steel matrix were mapped, after which values were allocated to the various parts of the matrix. Secondary research was additionally reviewed to verify the value matrix and the necessary adjustments made. Once this process had concluded, the production and trade data for steels and stainless steels were reviewed and the value chain developed.

Major inputs to the industry consist of coal, electricity and raw materials suppliers- in particular iron ore, ferrochrome, ferromanganese and other similar inputs such as nickel. Virtually all inputs are available from within Mpumalanga. Other major suppliers to the industry include Spoonnet & Portnet and the various suppliers of capital equipment and other goods and services. Mpumalanga dominates steel and stainless steel production in Africa, and Mittal and Columbus are major global actors in the global industry is essentially confined to Sasol, but Sasol is a major global actor in this industry. Mittal is Indian owned and Columbus is Spanish owned.

The data utilised to investigate and interpret the various aspects of the value chain in Mpumalanga were sourced from primary and secondary sources. This included interviewing some major industry role-players, consulting reports and acquiring statistical data. The main data sources included the dti, FRIDGE, SEIFSA, SAISI and Quantec statistics as StatsSA. Other, related reports relating to studies carried out by Blueprint were consulted as were various Mpumalanga documents.

#### **2.7.4 Main Findings**

The production of iron and steel forms a key input into many products and forms the bulk of basic metal forming in South Africa. Domestic steel producers are, however, vulnerable to the cyclical nature of the industry, in terms of domestic and international demand as well as price fluctuations. The situation is aggravated by the fact that approximately 40% of the country's products are traded in a un-beneficiated form on international markets.

South African steel production has been increasing slightly over the past years, however has remained below full capacity utilisation. It is uncertain how the planned capital investment in infrastructure programme of government will affect capacity utilisation for steel production in South Africa but it seems likely that domestic demand for steel products across the board will increase.

The vast majority of South African carbon steel (over 90%) is produced in Mpumalanga, by Mittal/Iskor and Highveld Steel. All South African stainless steel is produced in Mpumalanga too, by Acerinox/Columbus. However, little value is added in Mpumalanga and most conversion of primary material takes place in Gauteng. There is a significant opportunity lost to Mpumalanga in this regard and in fact, Mpumalanga has become a net importer of steel in value terms.

The numbers employed in the South African metals sector dropped sharply between '98 and 2000 but then began to increase steadily again. This growth in labour absorption is however, not expected to increase as technology changes have already begun to automate processes and this will result in fewer jobs available over time. However, growth in the downstream Metal Products sector will have very positive effects on employment figures, as these firms employ much higher levels for the capital employed.

In downstream metal products, basic metals are the most important inputs. Therefore the pricing of these basic metals has a significant effect of the competitiveness of downstream firms. Local firms are charged much higher prices than in other major industrial economies despite South Africa's low production costs. This can be attributed to Mpumalanga's distance from these economies and the market power of basic metal firms. South African buyers of basic metals generally pay more than buyers in the EU (detering investment in South Africa). There is therefore a large gap between the capital-intensive upstream production of basic metals and the more labour-intensive down stream production of value added metal products.

The steel industry in South Africa has the potential to compete on a global scale. South Africa has relatively cheap input costs and therefore can use such advantages to increase global competitiveness. At present the majority of products being exported are in a un-beneficiated form. The value add that downstream products create is far more substantial than that of un-beneficiated upstream products. Mpumalanga should therefore look at pursuing value-added activities within the iron and steel sectors.

#### **2.7.5 Areas of Opportunity**

The presence of Mittal, Columbus and Highveld steel, as well as the ready availability of all raw materials inputs to the steel making processes, suggest that the major opportunity in Mpumalanga lies in the addition of value to primary materials produced in the province. While stainless steel is a material that is technically difficult to work with, the same is

not true of standard carbon steels. This, combined with the relatively low cost of entry to carbon steel product manufacturing, suggests a major opportunity open to SMMEs in the province.

As noted above, most steel products leave Mpumalanga in primary form, and are further processed in other areas, largely Gauteng. Mpumalanga then re-imports the value added products, or the products are exported from Gauteng to overseas markets. Certain products represent immediate opportunities and some examples are:

- Tubes, pipes and hollow profiles
- Pipe fittings
- Tanks, casks, boxes, and containers
- Stranded steel wire
- Fencing wire
- Iron or steel cloth, grill, fencing and expanded metal
- Screws, bolts, nuts, rivets, washers, etc
- Sewing, knitting needles, etc, hand use, iron or steel
- Springs and leaves for springs, of iron or steel
- Table, kitchen, household items of iron or steel

Tool making is a key supporting industry for both metals and plastics beneficiation sectors and there is a National Tooling Initiative which was formed after the tooling study was completed to implement tooling training nationally. The key to this project will be a toolmaker training initiative in Middleburg (linked to the NTI) with an additional linkage to the already successful Coal Technical College (CTC) which the metal sector is also already using for skills training. Of particular interest therefore will be the opportunity for Mpumalanga to partner with the Tool and Die Association of South Africa, in the rejuvenation of the South African Tool and Die industry, and the development of SMME service companies to undertake maintenance and repair of carbon steel items for the large firms in the province.

A major constraint for Mpumalanga is the availability and quality of technical skills available even those at a relatively low level, as well as basic business skills of new entrepreneurs.

## 2.8 SYNTHESIS

The aim of this section was to provide an overview of the various specialist studies that were conducted, as the research and findings contained in each Specialist Report is extensive and in some cases very academic. The purpose of this section was to provide a concise overview of the various aspects addressed by the various specialists, and to highlight certain issues as identified by these specialists.

From the various sectoral overviews set out in this section, it is clear that there are a number of down-streaming activities that could be introduced to Mpumalanga in order to ensure that there is more value adding within the province instead of just producing all the relevant raw materials and exporting it for beneficiation to other parts of the country or the world.

It is important to take the outcomes of the specialist studies, and in the same way as the original PGDS used a number of departmental objectives, use the main findings to formulate a specific vision for the Mpumalanga Province that is supported by specific provincial strategic thrusts that will provide economic development with the necessary momentum it requires to have a very strong short term impact but that will also ensure that the longer term development of the province is guided in a manner that will build on the strengths it has while also formulating new and innovative ways in which to increase its share of GDP contribution, economic growth and development.

The next section will provide more detail on the implications there are for the implementation of the catalytic projects that were identified by the various specialist studies, and it is important to note that these projects will form the basis of development interventions, and can therefore be seen as the short term development measures that will unlock the latent potential of the respective sectors.

## SECTION THREE – CATALYTIC DIRECTIVES

In order to ensure that the Mpumalanga Sector Development Strategies and Programme has the desired effect on economic growth and development in the province it is essential to keep in mind the development context which brought this programme into being, as this will also provide the framework within which the outcomes of the programme will be implemented.

The aim of this section is there to provide an overview of the strategic visioning that has been done for the province, highlighting the specific visions identified for the various sectors that have been assessed as part of Phase one of the Programme and to provide an overview of the catalytic projects identified as a way in which to achieve the development targets set out in the PGDS.

### 3.1 VISIONING DIRECTIVES

The Mpumalanga Provincial Growth and Development Strategy (PGDS) is regarded as a strategic framework of the Mpumalanga Province, but the document should also be regarded as a living document which should ideally be updated when more recent information becomes available in order to always reflect the current situation. It sets the strategic development direction for growth and development in the Province by specifying goals and objectives that Province needs to achieve by 2014.

The PGDS highlights the following areas as the priority sectors:

- **Economic development** comprising, inter alia, SMMEs, BEE, tourism, agriculture, mining and manufacturing
- **Infrastructure development** consisting of land reform, housing, water infrastructure, sanitation, telecommunications, transport infrastructure, and ICT
- **Human resource development** focusing on General Education and Training (GET), Further Education and Training (FET), Higher Education and Training (HET), staff development, skills training, and Adult Basic Education and Training (ABET)
- **Sustainable environmental development** with environmental management, waste management, nature conservation, sustainable development and pressures on environmental resources as focus areas
- **Social infrastructure** comprising of social development, population development, HIV/AIDS and communication diseases, safety and security, sport and recreation, arts and culture, heritage and education
- **Good governance** comprising public sector management, co-operative governance, accountability and transparency, regulatory frameworks, public service delivery, and promotion of democratic governance as dominant elements.

The PGDS highlighted the following major challenges of the Province:

- Poverty
- HIV/AIDS
- Slow agricultural development
- Lack of downstream manufacturing activities
- Infrastructure and service delivery backlogs
- Lack of appropriate skills

- Environmental degradation

At the same time, the PGDS highlighted the following opportunities in the area:

- Development of agro-processing industries
- Production of non-food agricultural products (e.g. wool, tobacco and cotton)
- Manufacturing of downstream products, including tubes, pipes, catering equipment, hollowware, catalytic converters, kitchen sinks and cutlery
- Manufacturing of chemicals and chemical products
- Wood processing and manufacturing of furniture, timber frames, packaging materials, ultra boards, coffins, paper products, printing products, etc.
- Tourism development.

To address the above-mentioned challenges and realise identified opportunities, the PGDS set the following goals and targets grouped according to six strategic pillars.

Table 3.1: Mpumalanga PGDS goals and targets

Strategic pillar	Goal	Target
Economic development	To improve the economic performance of the Province	<ul style="list-style-type: none"> <li>• 2.5% annual GGP growth</li> <li>• 15% increase in exports</li> <li>• Increase by 10% per annum in SMME contribution to GGP</li> <li>• Increase by 10% per annum in tourism contribution to GGP</li> <li>• Increase agricultural growth rate by 2% per annum</li> <li>• Halve the unemployment by 2014</li> <li>• Increase by 5% per annum in private investments</li> </ul>
Infrastructure development	To improve socio-economic development through the provision of integrated infrastructure	<ul style="list-style-type: none"> <li>• 80% of HH with direct access to roads that are 80% graded and 20% gravel in 5 years</li> <li>• 90% of HH with access to piped water by 2014</li> <li>• 90% of HH with legally connected electricity by 2014</li> <li>• 90% of HH with access to sanitation</li> <li>• 80% of HH with access to public telephones within 5 years</li> <li>• 90% of HH living in formal dwellings by 2014</li> <li>• 30% increase in land ownership by previously disadvantaged</li> <li>• 10% of HH increase in access to ICT</li> <li>• 5% latent economic potential exploitation per annum</li> <li>• 90% of communities with access to all government services by 2014</li> </ul>
Human resource development	To improve the level of education and training within the Province	<ul style="list-style-type: none"> <li>• 100% registration of school going children</li> <li>• 5% increase in pass rate at final FET year per annum</li> <li>• 10% reduction in brain drain per annum</li> <li>• 100% relevant skills training and placement by 2014</li> <li>• 95% literacy rate by 2014</li> </ul>
Social infrastructure	To provide integrated social services	<ul style="list-style-type: none"> <li>• 50% reduction in the number of households with income below poverty line by 2014</li> <li>• Increase by 10% per annum in social welfare services provision</li> <li>• Increase by 10% per annum in income through poverty alleviation projects</li> <li>• Maintenance of up-to-date information on population</li> </ul>



Strategic pillar	Goal	Target
		<ul style="list-style-type: none"> <li>dynamics within two years</li> <li>• 25% reduction in HIV/AIDS infection rate within 5 years</li> <li>• Reduction by 15% per annum in communicable diseases</li> <li>• 10%-20% social crime rate reduction within 5 years</li> <li>• Access to sport and recreation facilities by 80% of the population by 2014</li> <li>• Increase by 10% per annum of income generated from arts, culture and heritage</li> </ul>
Environmental development	To develop a structure to manage, integrate and align environment management issues	<ul style="list-style-type: none"> <li>• 90% compliance to national legislations and international conventions and agreements on environmental issues by 2014</li> <li>• 90% of communities services by appropriate integrated waste management systems by 2014</li> <li>• 85% of all waste disposed of in an appropriate waste management facility by 2014</li> <li>• Protection of 80% of land of high intrinsic biodiversity conservation value and 60% of land of medium intrinsic biodiversity value by 2014</li> </ul>
Good governance	To improve efficiency and effectiveness	<ul style="list-style-type: none"> <li>• 90% achievement of all government goals by 2014</li> <li>• 100% integration of planning initiatives</li> </ul>

The goals and objectives of the PGDS indicate a clear priority to achieve higher quality of living for local communities by developing a thriving economy, which is translated into creation of new job opportunities and providing adequate service delivery, including education and health facilities.

### 3.2 STRATEGIC VISION

Based on the PGDS, the vision for the province is *reconstruction, development and sustainable growth; with employment and redistribution, while the mission focuses on improving the quality of life for all the people of Mpumalanga.*

Taken that vision into account, as well as the current situation prevailing in the province, it is clear that Mpumalanga is facing a momentous task of transforming the province into a dynamic geo-political entity that aims at improving the quality of the lives of its residents and to contribute meaningfully to the broader transformation agenda of the country and the Sub-Saharan African region.

The Province is currently undergoing change on both the local and global fronts. On the local front significant restructuring with regard to the composition of the government structures after the elections while on the global front the advent of globalization and technological developments have catalysed the need for development and change. The province needs a parallel revolution in thinking and way of doing things to match the changes taking place in the structures of the economy, competitiveness, technology, business organisations etc. These changes need to encompass adjustments regarding philosophy; way of thinking and actions in order to assist the province to take its position in the new economy to benefit communities and the entire society.

The aim of this section is to propose a strategic vision for development which is complimentary to the *Provincial Growth and Development Strategy of the Mpumalanga Provincial Government (PGDS)*. This strategic vision has benefited immensely from, and is consistent with the strategic policy direction articulated in the approved Strategic Environmental Management Plan of the province, the PGDS, the ISF as well as the five year plan of the province.

The main focus of the strategic vision could be articulated as follows:

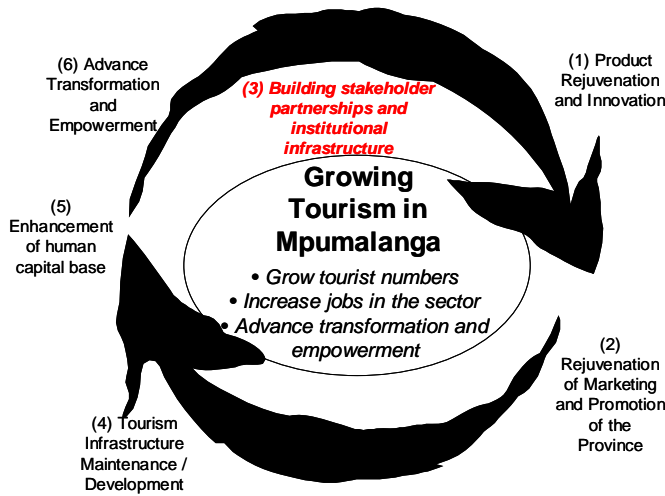
*To improve the liveability and quality of life in the province through economic growth that creates quality and sustainable, generates wealth and investment, and assists to enhance the province's long-term fiscal health. Unlocking latent economic development potential of the sectors discussed in this document by implementing the catalytic projects to ensure future growth and development of the province*

In order to support this general provincial vision, the specialist studies have identified specific visionary focus for each of the sectors, and these are set out in this sub-section in some more detail. Not all of the visions have been unpacked to the same strategic level; it does however provide a sufficient overview of the required focus.

### 3.2.1 Tourism sector - vision

In terms of charting a way forward to realising the potential of the industry in the Province, a set of core strategic thrusts and corresponding projects and programmes to implement the thrusts have been developed. Diagram 3.1 below provides a diagrammatic illustration of the holistic nature of the six proposed thrusts and collectively how they are directed at growing tourism in the Province.

**Diagram 3.1: Tourism Strategic Thrusts**



### 3.2.2 Agro-processing sector - vision

The strategic vision for the agro-processing sector in Mpumalanga encompasses the following:

- Exploit existing comparative advantage
- Efficiency at primary production
- Optimise opportunities along the value chain
- Address specific challenges – proactive problem solving
- Focus on Youth
- Sustainability – preserve & grow natural capital

### 3.2.3 Petrochemicals Sector - vision

Mpumalanga is already the leading province in South Africa in terms of Petrochemicals. The province is home to a significant international competitor, whose unique technology is based on abundant supplies of cost-effective raw

materials. The province should aspire to support and grow this business in global markets, accepting the positive spin-offs for the region.

#### 3.2.4 Coal Sector - vision

The Coal Mining industry in Mpumalanga is mature and there are very limited opportunities for coal beneficiation. Opportunities are therefore limited to the following:

- Development of new coal mines
- Development of SMME and BBBEE around procurement from the mines
- Coal dumps for briquette manufacture
- Various coal based chemicals such as coal based tar etc

In terms of the Mpumalanga PGDS, the most useful intervention is likely to focus attention on the development of black owned SMEs working towards supplying the coal mines with their needs. This represents a significant cross over with the metals, wood and chemicals sector plans, as much of what is required by the coal mines is manufactured in metals and wood and many chemicals are purchased. It is in the use of the coal mines purchasing power to stimulate SMME and BOE development that the major opportunity lies for government intervention- there is no market failure in the economic sense in the coal sector in Mpumalanga. There are some few potential beneficiation opportunities as outlined above but these need to be carefully assessed. Finally, it is important to note that more than any other province, Mpumalanga is negatively affected by inefficient mass logistics.

Mpumalanga should therefore:

- Review the procurement practises of the coal mines in partnership with the coal mines and develop an appropriate BOE/SMME procurement support centre using the SASOL model currently running near Secunda (identified and profiled in the Blueprint report, Industrial Clusters in Mpumalanga). This should be done with the coal mines in full partnership and a project developed with specific targets (e.g to increase sales of manufactured products made in Mpumalanga to the coal mines by X percent over X years) which are monitored annually.
- Initiate an Mpumalanga Economic Review annually similar to the Joburg Annual Economic Review to review and measure the progress of Mpumalanga against the PGDS and to publicise opportunities and successes relative to the targets the province has set itself in terms of reaching its goals.
- In partnership with the dti and the major coal mines, implement a feasibility study to realistically assess potential for the five beneficiation projects identified above.
- Blueprint believes it is possible to argue that international research being undertaken on the mitigation of the environmental impacts of coal mining could be effectively located in Mpumalanga as a satellite of MINTEK. This option should be explored as well as the potential for locating geological and surveying services in the province.
- Mpumalanga should consider accessing and allocating significant funds for improvement of mass logistics infrastructure in the province given the huge level of mass exports to the coast. In the first instance, the province should consider the prioritisation, in discussion with the major industries, of road and rail logistics interventions.

#### 3.2.5 Wood Furniture Sector - vision

Because this sector offers significant developmental opportunities for Mpumalanga, the strategic vision is a simple one- Mpumalanga should strive to double the amount of wood converted to furniture inside the province every year until the production of value added wood products is roughly equal to the sales of saw-milled timber. This will result in significant job and wealth creation for the province, and will address most of the major developmental thrusts for the province.

#### 3.2.6 Metals Sector - vision

Mpumalanga has determined a few main thrusts with respect to its manufacturing industry which are outlined in the PGDS. These include:

- Increased level of beneficiation and value added.
- Increased downstream value added manufacturing in stainless steel.
- Increase in the number of broad based BEE firms in the beneficiation chain.
- Increased investment in manufacturing and beneficiation.
- Improve exports.

Many of these have been identified and discussed in this document.. Achieving these goals however may be difficult. Mpumalanga faces problems with respect to developing downstream industry within the steel and stainless steel sub-sectors. The stainless steel industry is dominated by large multinational firms, which decide on production from a global perspective. Making any significant change in this well established, global industry will therefore be difficult. Local manufacturers are exposed to these global decisions, and therefore obtaining access to specific grades of stainless can be difficult or uncertain.

Nonetheless, certain opportunities present themselves. Mpumalanga would be a good base for the production of finished exhaust systems. Currently, exhaust assembly parts (catalytic convertors) are being manufactured in South Africa; however these operations can and should be extended to produce the finished product. Finished products create the most added-value and hence it is favourable to be involved in such downstream activities. All the raw materials for exhaust system production (stainless steel plate and tube, platinum and platinum group metals, ceramics) can be sourced within or near Mpumalanga and hence production opportunities exist. Export opportunities are also enhanced due to the fact that Mpumalanga is situated in close proximity to the port of Maputo from which products can be exported to world markets, especially in the East. This will support the development of SME's within the province as opportunities for the creation of new firms arises.

Other manufacturing opportunities revolve around the supply of steel equipment and structures to local mines and industry, eg Sasol, Eskom, Columbus, Coal, gold and platinum mines. These operations use large amounts of steel, and local manufacturers and suppliers are well placed to take advantage of the markets. Currently, most of these products are made in Gauteng.

The shortage of skills and high unemployment in the province severely constrains the province in achieving goals such as those mentioned above. The labour force needs to progress to a more technologically skilled level before the efficient production of downstream products can occur. To do this there needs to be greater access to tertiary education and/or high level technical training colleges in the province. With such a large and diverse industrial base, major market opportunities exist in the province, but these are often utilised by companies based in other areas because these firms have access to a larger pool of skills, and at a higher level. It is recommended that Mpumalanga look at the establishment of a world class technical training facility in the Province. This could produce the full range of skills required by local manufacturers, and would undoubtedly receive support from large industry

### 3.2.7 Synthesis

It is therefore clear that the respective visions formulated for the development of the various sector investigated as part of this study, supports the general provincial vision for economic growth and development, but it does so by using the current comparative advantages of the area, building on the natural resources the province have, while also promoting innovative product development and an increase level of beneficiation to take place. SMME's are regarded as an important part of visionary development in the province which will make the first economy accessible to a wider number of people while also increasing provincial market share.

The vision for the province is thus formulated in a manner that will address the most pressing issues over the long term, but in order to create momentum and excitement for growth and development in the province, it is essential to identify certain flagship projects that can be implemented in a relative short space of time in order to visibly change the status quo.

The aim of the following section is to provide an overview of the projects identified by the various specialists that are regarded as the most beneficial and most appropriate development interventions to kick-start growth in the province.

### 3.3 STRATEGIC DEVELOPMENT THRUSTS

Based on the sectoral vision set out in the preceding section, as well as the visioning that is set out in the PGDS, the Department of Economic Development and Planning has formulated a number of general strategic thrusts. These thrusts provide the direction that development interventions should ideally take in order to ensure that the various sectors as well as the total economy benefits.

The eight strategic thrusts are:

#### **A. *Developing Knowledge and Skills***

- Develop, retain and attract the best and the brightest labour force for all job levels by establishing Mpumalanga as a model for continuous learning, technical and professional development.
- Ensure Mpumalanga residents and labour force have the opportunity to acquire the knowledge and skills necessary for personal and corporate success in a knowledge based economy.

#### **B. *Advancing Design and Innovation***

- Advance design and innovation as foundation for global competitiveness by supporting, celebrating and rewarding the creativity of Mpumalanga residents, businesses, organizations and institutions.

#### **C. *Improving Mpumalanga's Business Climate***

- Establish a stable, long term cost-competitive and fiscally sustainable environment in which businesses feel welcomed, appreciated, and recognized as the principal generators of employment and wealth necessary to maintain and enhance the quality of life for Mpumalanga residents.

#### **D. *Stimulating Investment***

- Stimulate private investment (renovations, renewal, new development, and infrastructure) to achieve long-term fiscal sustainability.

#### **E. *Building Competitive Export Clusters***

- Advance / grow major industry clusters by strengthening the competitive position of Mpumalanga businesses through synergies with related businesses labour, education, training and research institutions and government.

#### **F. *Establishing Local Entrepreneurial Communities***

- Retain, expand and improve the quality and range of employment opportunities at all skill levels and diversity of business within the province by facilitating the start-up, growth and expansion of local businesses and connecting them to the new economy.

#### **G. *Branding Mpumalanga Locally and Globally***

- Create a cachet for the “Mpumalanga” brand by ensuring that the Province’s unique attributes diverse economy and its reputation for excellence and innovation are recognized and promoted locally and internationally.

#### **H. Creating and Alignment of Strategic Intent**

- Implement policies, programs and initiatives that will foster economic growth and improve our quality of life by establishing a common vision and broad base of support involving all levels of government, private sector, public and private sector institutions, volunteer (not-for-profit) sector, and the community at large.

### **3.4 LIST OF CATALYTIC PROJECTS**

The specialist studies each concluded with a number of catalytic projects that should be implemented in order to unlock the latent economic development potential of that specific sector. A list of these projects are provided below, followed by a section providing a list of general inter-sectoral projects that have additionally been identified for implementation once the development potential of the sectors have been unlocked and development momentum has been achieved.

- **Tourism**
  1. Pilgrims Rest Historical Mining Town Rejuvenation and Redevelopment:
  2. Blyde River Cable Car and Heritage Visitor Centre:
  3. International Convention Centre with Incentive Convention Centre product offering:
  4. MP Tourism Call Centre:
  5. Development of a Mpumalanga Tourism Growth Strategy spearheaded by MTPA that covers inter alia:
  6. Establishment / Re-building of an institutional structure that effectively brings together private and public sector stakeholders as partners dedicated to achieving the tourism vision
  7. Undertake education and training initiatives in the fields of customer service, tourism business management to address supply and retention of (particularly) HDI / PDI individuals.
  8. Assessment of current financial and advisory support programmes / initiatives for new and emerging tourism enterprises to improve the efficacy thereof.
  9. Prioritisation of ensuring the safety and security of tourists and (key) destinations / attractions visited by tourists. This will be part and parcel of a wider safety and security strategy for the Province
- **Agro-processing**
  10. Apples project to Increase Production Base by Involving PDIs.
  11. Tobacco Smoke Control Devise Project. A design and manufacturer of passive smoke devices for public areas.
  12. Vegetables Project: Integrated Intelligence – Based Vegetable Processing and Marketing. Investigation of critical requirements for use of KMIA as a direct fresh produce export gateway. Investigation of the feasibility and viability of utilising the Maputo Corridor as a trading route (both export of produce/products and imports of essential inputs).
  13. Bio fuels Project: Multi – feedstock, Multi – Value Chain and Multi – Disciplinary Based Decentralised and Phased Implementation. Pro – poor and Pro – environment, Accelerated and Shared Agrarian Reform (ASAR) and Soyabean Based Pilot Protein Project.
  14. Agro pharmaceuticals project: Cultivation and processing of wild potato and other cultivars and wild crops for medicinal products.
- **Petrochemicals Sector**
  15. Inputs Opportunities Task Team
  16. Beneficiation Opportunities Task team
- **Coal Sector**

- 17. Coal Procurement Task Team
- 18. Value Added Training
- **Wood Furniture Sector**
  - 19. Develop SMMEs to produce wooden mine supports and develop SMMEs to produce kit furniture for local sales and exports
- **Steel Sector**
  - 20. Stainless Steel Exhaust Systems and automotive components Manufacture in Mpumalanga
  - 21. Mpumalanga Regional Tooling Initiative linked to the NTI

### 3.5 LIST OF GENERAL INTER-SECTORAL PROJECTS

There are a number of recurring themes in the catalytic projects proposed for implementation to kick-start the unlocking of latent development potential in Mpumalanga. It is however also important to keep in mind that there are a number of inter-linkages between the different sectors that have not yet been sufficiently identified and addressed.

It is therefore proposed that some general project investigations are proposed:

1. The mining sector report does not specifically highlight a current study being undertaken by the Mpumalanga Provincial Department of Economic Development and Planning relating to the **revitalisation of mining towns** in the province that have systematically decayed after the closure of the respective mines on which their economies were based.
  - a. This study should ideally be integrated into the Mpumalanga Sector Development Strategies and Programme in order to ensure that the long term planning for each town within Mpumalanga has an eye on the future and planning is done to accommodate the adjustment of an areas economy to adapt in the event of mines closing down.
  - b. The pro-active planning of these adjustments of towns will ensure that change will take place as a natural flow and will therefore not have to be done as a crises management approach – this will enhance the potential to identify innovative ways in which to address the issues being experienced by each town.
2. A **link between the bio-diesel project and the steel industry** is not highlighted and is therefore not immediately apparent. This aspect should be investigated in more detail in order to indicate the actions to be taken by both these industries to unlock these opportunities should it be viable.
3. There is also an additional project related to the **dairy sector** that has not specifically been highlighted, but it deal with the development of various long life products with the specific focus of various SADC countries as target markets. This requires urgent attention.
4. **Tourism and agro-processing** have various linkages – not only by the agro-industry providing some tourism products but also having the potential to provide to the hospitality side of the industry. This could possibly be addressed by formulating or investigating the current procurement policies in place regarding the sourcing of products for the hospitality industry, registration of potential suppliers in the province and therefore also the identification of additional opportunities for development by SMMEs.
5. There is also currently work being done on the feasibility of development of an Industrial Park in the vicinity of the **Kruger Mpumalanga International Airport (KMIA)** which provides the various sectors with potential export opportunities via air. Various products that could be diverted through the airport as well as sectors that should ideally be included in the development have been identified based on economic assessment and the potential links with air transport. Once the respective projects have changed ownership to more sector specific

implementing agents, these agents might also consider identifying further beneficiation that could take place in that sector which could increase the feasibility of KMA as a cargo airport.

### 3.6 CONCLUSION

There are a total of 21 catalytic projects that have been identified for implementation in the Mpumalanga Province, and the aim of these projects, as stated earlier in the document is to unlock latent development potential and to create development and growth momentum in order to ensure that further economic growth and development takes place.

A number of actions must be undertaken in order to ensure that the momentum created by the study, and the potential momentum that is anticipated through the implementation of the catalytic projects. The implications for implementation as set out in the following section.





## SECTION FOUR – DETAILED OVERVIEW OF THE PROPOSED CATALYTIC PROJECTS

The aim of this section is to provide a more detailed overview of the proposed catalytic projects as set out by the various specialist studies that were undertaken as part of the Mpumalanga Sector Development Strategies and Programme.

Although more extensive detail is provided by each of the relevant specialist reports, it is essential to create a certain level of understanding regarding the projects in this integrated document.

Each project is set out in terms of the following points:

- Project name, description and motivation
- Potential impact
- Location
- Cluster linkages and training needs
- Role of government (national, provincial and local)
- Potential implementing agents to be involved.

It is therefore clear that the discussions on the various projects are merely an aid in creating an awareness of the full extent of each and to ensure that all the relevant aspects are taken into consideration in the following section, where a log frame is provided for each of the projects.

It is therefore important to understand that the aim of this section is merely to inform on the specific projects proposed and the nature of each project, whereas the following section will deal more clearly with the implementation of each and the specific actions to be taken.

The following projects are discussed in this section:

- **Tourism**
  1. Pilgrims Rest Historical Mining Town Rejuvenation and Redevelopment:
  2. Blyde River Cable Car and Heritage Visitor Centre:
  3. International Convention Centre with Incentive Convention Centre product offering:
  4. MP Tourism Call Centre:
    - a. Development of a Mpumalanga Tourism Growth Strategy spearheaded by MTPA that covers inter alia:
    - b. Establishment / Re-building of an institutional structure that effectively brings together private and public sector stakeholders as partners dedicated to achieving the tourism vision
    - c. Undertake education and training initiatives in the fields of customer service, tourism business management to address supply and retention of (particularly) HDI / PDI individuals.
    - d. Assessment of current financial and advisory support programmes / initiatives for new and emerging tourism enterprises to improve the efficacy thereof.
    - e. Prioritisation of ensuring the safety and security of tourists and (key) destinations / attractions visited by tourists. This will be part and parcel of a wider safety and security strategy for the Province
- **Agro-processing**
  5. Apples project to Increase Production Base by Involving PDIs.
  6. Tobacco Smoke Control Device Project. A design and manufacturer of passive smoke devices for public areas.

7. Vegetables Project: Integrated Intelligence – Based Vegetable Processing and Marketing. Investigation of critical requirements for use of KMA as a direct fresh produce export gateway. Investigation of the feasibility and viability of utilising the Maputo Corridor as a trading route (both export of produce/products and imports of essential inputs).
  8. Bio fuels Project: Multi – feedstock, Multi – Value Chain and Multi – Disciplinary Based Decentralised and Phased Implementation. Pro – poor and Pro – environment, Accelerated and Shared Agrarian Reform (ASAR) and Soyabean Based Pilot Protein Project.
  9. Agro pharmaceuticals project: Cultivation and processing of wild potato and other cultivars and wild crops for medicinal products.
- **Petrochemicals Sector**
    10. Inputs Opportunities Task Team
    11. Beneficiation Opportunities Task team
  - **Coal Sector**
    12. Coal Procurement Task Team
    13. Value Added Training
  - **Wood Furniture Sector**
    14. Develop SMMEs to produce wooden mine supports and develop SMMEs to produce kit furniture for local sales and exports
  - **Steel Sector**
    15. Stainless Steel Exhaust Systems and automotive components Manufacture in Mpumalanga
    16. Mpumalanga Regional Tooling Initiative linked to the NTI

## 4.1 CATALYTIC PROJECTS

### 4.1.1 Tourism sector

Projects that are proposed for implementation in order to address the challenges that exist and exploit the opportunities identified above are given below. Most of the projects leverage on existing strengths of the Province and are meant to provide opportunities for spin-offs that will benefit not only the areas within which they are located but the wider Province.

Project name, description and motivation				
<b>Pilgrims Rest Historical Mining Town Rejuvenation and Redevelopment:</b>				
<ul style="list-style-type: none"> <li>• Transformation of the current product into a World Class South African and Provincial cultural and historical representative living museum tourism product</li> <li>• National Monument status of the town represents significant tourism potential however in its current form this is not being sufficiently realised</li> <li>• Emphasis on creating a world class living museum with period events and costume clothing representative of all cultures, re-interpretation of history etc</li> <li>• Contribute to reversing downward market share trend experienced at Blyde, God's Window</li> <li>• Exploit increasing foreign tourist interest in cultural tourism</li> <li>• Project comparisons with the Big Hole Project in Kimberley</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)

Project name, description and motivation				
<b>Pilgrims Rest Historical Mining Town Rejuvenation and Redevelopment:</b> <ul style="list-style-type: none"> <li>Transformation of the current product into a World Class South African and Provincial cultural and historical representative living museum tourism product</li> <li>National Monument status of the town represents significant tourism potential however in its current form this is not being sufficiently realised</li> <li>Emphasis on creating a world class living museum with period events and costume clothing representative of all cultures, re-interpretation of history etc</li> <li>Contribute to reversing downward market share trend experienced at Blyde, God's Window</li> <li>Exploit increasing foreign tourist interest in cultural tourism</li> <li>Project comparisons with the Big Hole Project in Kimberley</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Retention of current and growth of new tourist volumes – both foreign and domestic tourists</li> <li>Greater representivity in the product could increase participation of PDI's and inter and intra provincial domestic tourism</li> <li>Contribution to the re-writing of the history of a democratic South Africa</li> <li>Expected increase in average length of stay and tourist spend. Increased demand for accommodation</li> <li>Increase in employment opportunities from direct and indirect impact e.g. actors, costume design, story writing, development and retail of (period) crafts, souvenirs, accommodation, eateries etc</li> <li>Enhancement of route strategy</li> <li>Assuming R40 m capital investment this</li> </ul>	<ul style="list-style-type: none"> <li>Greater Pilgrims Rest area in the Highlands Meander tourism region</li> </ul>	<ul style="list-style-type: none"> <li>Linkages:               <ul style="list-style-type: none"> <li>Positive spin off's for film and video industry in Province through inclusion of audio-visual theatre as part of product</li> </ul> </li> <li>Arts and Culture</li> <li>Construction e.g. accommodation and entertainment facilities</li> <li>Agriculture (from food supply perspective)</li> <li>Travel / Local (PDI) Incentive tour operators</li> <li>Mining sector (historical perspective and memorabilia)</li> <li>Training:               <ul style="list-style-type: none"> <li>Dance and theatre instruction</li> <li>Guide training for effective interpretation of cultural / heritage product</li> </ul> </li> <li>Tourism business management targeting PDI / HDI SMME's engaged in a variety of sectors including accommodation, hospitality and related and travel</li> </ul>	<ul style="list-style-type: none"> <li>National DEAT in an oversight role as Pilgrims Rest is a National Monument</li> <li>Provincial Government role of providing strategic overview and support for local government</li> <li>Local government to play lead as implementers working closely with MTPA</li> </ul>	<ul style="list-style-type: none"> <li>Nkomazi District Municipality and Thaba Chweu Local Municipality</li> <li>MTPA (lead role-player in Provincial ownership of tourism in the Province) / DEDP</li> <li>Dept of Culture, Sport and Recreation</li> <li>Private Investors</li> </ul>

Project name, description and motivation				
<b>Pilgrims Rest Historical Mining Town Rejuvenation and Redevelopment:</b>				
<ul style="list-style-type: none"> <li>Transformation of the current product into a World Class South African and Provincial cultural and historical representative living museum tourism product</li> <li>National Monument status of the town represents significant tourism potential however in its current form this is not being sufficiently realised</li> <li>Emphasis on creating a world class living museum with period events and costume clothing representative of all cultures, re-interpretation of history etc</li> <li>Contribute to reversing downward market share trend experienced at Blyde, God's Window</li> <li>Exploit increasing foreign tourist interest in cultural tourism</li> <li>Project comparisons with the Big Hole Project in Kimberley</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
could yield towards 800 jobs. Additional jobs for ongoing operations				

Project name, description and motivation				
<b>Blyde River Cable Car and Heritage Visitor Centre:</b>				
<ul style="list-style-type: none"> <li>Development of a Cable Car (modelled on that of Table Mountain) in the Blyde River Canyon providing two-way rides to visitors to the canyon</li> <li>Coupled to the Cable Car, the establishment of a major Heritage Visitor Centre showcasing the cultural, heritage and historical product in the Province – Centre to be modelled along lines of the Wits Origin Centre, Maropeng. Would be a showcase and distribution point to other cultural and heritage centres / attractions in the province</li> <li>Leverage the natural / geographical splendour of the largest green canyon in the world and 3<sup>rd</sup> largest canyon in the world</li> <li>Appeals to the adventure tourism market</li> <li>Reverse declining market share trend of attractions in the area e.g. Blyde River Canyon</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Transformation of the current Blyde River, Lydenburg, Sabie and Graskop areas into a major tourist destination area in the Province</li> <li>Would represent a new landmark South African nature / adventure experience</li> <li>Multiplier effect of construction and operation of cable car. Accommodation facilities, restaurants, tour operators, transportation,</li> </ul>	<ul style="list-style-type: none"> <li>Blyde River Canyon but impacting on greater area of Lydenburg Sabie and Graskop</li> <li>Blyde River Loop</li> </ul>	<ul style="list-style-type: none"> <li>Linkages: <ul style="list-style-type: none"> <li>Construction and Engineering</li> <li>Arts and Culture</li> <li>Public Works / Roads and Transport (as possible improved access routes in anticipation of increased volumes)</li> <li>Travel / Local (PDI) Incentive tour operators</li> <li>Agriculture (from food supply and</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>National DEAT</li> <li>Provincial Government including Finance, Agriculture and Land Administration, Economic Development &amp; Planning, Public Works</li> <li>Local Government</li> </ul>	<ul style="list-style-type: none"> <li>Provincial Government with DEDP / MTPA (leading) within a Private Public Partnership framework. MEGA also to be brought in as a partner</li> <li>Nkomazi District Municipality and Thaba Chweu Local Municipality</li> <li>Private Sector construction companies and</li> </ul>

Project name, description and motivation				
<p><b>Blyde River Cable Car and Heritage Visitor Centre:</b></p> <ul style="list-style-type: none"> <li>• Development of a Cable Car (modelled on that of Table Mountain) in the Blyde River Canyon providing two-way rides to visitors to the canyon</li> <li>• Coupled to the Cable Car, the establishment of a major Heritage Visitor Centre showcasing the cultural, heritage and historical product in the Province – Centre to be modelled along lines of the Wits Origin Centre, Maropeng. Would be a showcase and distribution point to other cultural and heritage centres / attractions in the province</li> <li>• Leverage the natural / geographical splendour of the largest green canyon in the world and 3<sup>rd</sup> largest canyon in the world</li> <li>• Appeals to the adventure tourism market</li> <li>• Reverse declining market share trend of attractions in the area e.g. Blyde River Canyon</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<p>entertainment etc</p> <ul style="list-style-type: none"> <li>• Complement the wildlife / safari product of the Kruger National Park and Forest / Fishing of Highlands</li> <li>• All potential major environmental concerns must be addressed within a detailed feasibility study</li> <li>• Opportunities for HDI / PDI emerging enterprises across a number of sectors for services contracted out by Cable Car Company as well as operations and maintenance thereof</li> <li>• Previous demand study forecasted 289 000 foreign visitors and 233 000 domestic holiday visitors using the cable car in 2005</li> <li>• Estimated construction costs for Heritage Centre about R13 m – about 250 direct and indirect jobs</li> </ul>		<p>environmental impact perspective)</p> <ul style="list-style-type: none"> <li>• Training:                             <ul style="list-style-type: none"> <li>○ Cable Car Guides for cable car users</li> <li>○ Heritage Centre guides for the interpretation of Cultural / Heritage product</li> <li>○ Tourism service and business management training of (PDI / HDI) suppliers in service / product quality and business management</li> <li>○ Environmental management</li> </ul> </li> </ul>		<p>tourism operators</p>

Project name, description and motivation				
<b>International Convention Centre with Incentive Convention Centre product offering:</b>				
<ul style="list-style-type: none"> <li>Leveraging off the MEGA led initiative to establish an International Convention Centre we propose the inclusion of conferencing service targeted at the business tourism incentives market</li> <li>Proposal taps into the significant growth of the business tourism market in the country that Province can capitalise on</li> <li>The Province's adventure, nature and wildlife profile positions it well for a differentiated bush conference centre emphasising business incentives linked to Province's tourist products</li> <li>All potential events held at the centre benefit from offer of game drives, adventure, bush boma experiences and cultural experiences</li> <li>Market Province as premier destination in the incentives industry</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Boost to business tourism volumes covering meetings, incentives, conferences and events</li> <li>Knock-on effect of construction of accommodation facilities for users of the centre – subject to analysis of potential absorption of increased volumes by existing accommodation facilities</li> <li>Increase in the utilisation of adventure, wildlife products as these form part of the incentives package</li> <li>Design can emphasise wildlife / bush theme – comparisons with KMIA structural and interior design</li> <li>Promote transformation and empowerment in the construction as well as ongoing operations e.g. employment equity and preferential procurement</li> <li>Attract business incentive market and team building and other events</li> <li>Based on previous work done by Grant Thornton Convention Centre assuming capital costs of about R150 m direct jobs created could be about 1 400. Indirect impact would yield more</li> </ul>	<ul style="list-style-type: none"> <li>With Nelspruit being the business hub of the Province location of Centre would probably be in the same greater area</li> </ul>	<p>Linkages:</p> <ul style="list-style-type: none"> <li>Construction</li> <li>Wood Products e.g. Furniture as a primary input to the design of structure, fittings and furniture</li> <li>Suppliers of interior decorations</li> <li>Agriculture (from food supply perspective)</li> <li>Travel / Local (PDI) Incentive tour operators</li> </ul> <p>Training:</p> <ul style="list-style-type: none"> <li>Centre operations and management</li> <li>Training of PDI / HDI suppliers in quality and business management</li> <li>Incentive market tour operations</li> </ul>	<ul style="list-style-type: none"> <li>Provincial Government</li> <li>Local Government</li> </ul>	<ul style="list-style-type: none"> <li>MEGA</li> <li>Strategic support from MTPA and DEDP</li> <li>Nkomazi DM and Mbombela LM</li> <li>Private sector construction companies and operators</li> </ul>

Project name, description and motivation				
<p><b>MP Tourism Call Centre:</b></p> <ul style="list-style-type: none"> <li>Establishment of a call centre type facility dedicated to accessing foreign and domestic markets for new and emerging tourism enterprises</li> <li>Access to foreign and domestic tourist is a significant barrier to success for new and emerging tourism supplier enterprises e.g. accommodation, attractions etc (see Value Chain analysis in main report). Without this access opportunities to develop and grow the enterprise is severely limited</li> <li>Degree of sustainable transformation and empowerment in the supplier base is influenced by degree of access to markets – call centre is a mechanism to enable this</li> <li>Public sector preferential procurement from empowered tourism suppliers is on its own not sufficient to long term sustainability and can create over-dependence</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Contribute to success and long term sustainability of PDI owned and operated tourism suppliers</li> <li>Greater levels of innovation in tourism product as a wider supplier base is introduced</li> <li>Increased awareness and knowledge of available product to buyers</li> <li>Retention and growth of tourist volumes</li> </ul>	<ul style="list-style-type: none"> <li>Location is not geographically constrained but is reliant on appropriate ICT infrastructure and staff</li> <li>Preferably a component should be in Mpumalanga for proximity to product</li> </ul>	<ul style="list-style-type: none"> <li>Information Communication Technology</li> <li>Advertising (communication medium and content) – alignment with Provincial Tourism Marketing Strategy is critical</li> </ul> <p>Training:</p> <ul style="list-style-type: none"> <li>Call centre operators must be trained effective intermediaries in the tourism value chain</li> <li>Quality assurance and business management within targeted supplier base – important to match tourist expectation with actual product experience</li> </ul>	<ul style="list-style-type: none"> <li>Provincial and Local Government</li> </ul>	<ul style="list-style-type: none"> <li>MTPA / DEDP</li> <li>Private Sector Tour Operator – Inbound operators</li> <li>Province must exercise caution in assuming direct role in the provision of this service. Possibly more feasible to outsource and / or utilise existing infrastructure of a current operator</li> <li>Will also require structuring a strategic alliance with existing distributor and intermediaries to which call centre is affiliated</li> </ul>

The projects proposed here should be subjected to further feasibility analysis before being implemented. In so doing additional facets critical to success will be uncovered and included in terms of implementation planning. Ultimately it is hoped that these initiatives will contribute towards growing the tourism sector in the province, increasing employment and advancing the agenda of transformation and empowerment. The MTPA is expected to play a primary or facilitating role in the pursuance of many of the abovementioned programmes and projects consistent with its mandate as defined in terms of the Mpumalanga Tourism and Parks Agency Act. Not mentioned as part of these projects is the proposed Programme for the development of Cultural / Heritage Tourism (see section 10 of the main report for details as well as other proposed projects). This Programme is directed at elevating the role of culture and heritage to (among other things) further promote tourism in the Province.



**Important crosscutting initiatives that must be undertaken to contribute towards the success of the abovementioned catalytic projects include:**

- Development of a Mpumalanga Tourism Growth Strategy spearheaded by MTPA that covers inter alia:
  - A clear tourism vision and strategic direction for the Province supported by an implementation plan.
    - To grow domestic trips to the province it is important that niche products be developed that are more accessible to middle to lower income earners
  - Factoring in of projects and programmes proposed in this sector study towards fine-tuning and taking them to the next level of consideration for implementation
  - Clarity on the positioning of MTPA as the Provincial structure leading tourism in the Province
  - Clear definition of roles and responsibilities of key stakeholders in implementing the strategy
  - Appropriate budgets for the tourism marketing and promotion activities. Address what have historically been insufficient budgets but also ensuring effective spend
  - Pronouncement on how transformation and empowerment will be advanced including some of the proposals indicated in the projects listed above
- Establishment / Re-building of an institutional structure that effectively brings together private and public sector stakeholders as partners dedicated to achieving the tourism vision
  - Also covers intra-governmental structures to ensure alignment between and within Provincial and Local government structures
  - Alignment of private sector tourism structures to realisation of the tourism vision and greater developmental goals of the Province
- Undertake education and training initiatives in the fields of customer service, tourism business management to address supply and retention of (particularly) HDI / PDI individuals.
  - Institutions engaged in the field of tourism education and training include The Tourism, Hospitality & Sport Education & Training Authority (theta), the Wits Technikon School of Tourism and Hospitality, Mpumalanga Hospitality and Tourism Academy Kanyamazane
  - The Academy for Tourism Industry offers courses targeted @ local, district and metro municipal officials as well as SMME's in the areas of B&B's, Catering and Tour Operators. The academy also offers a due diligence course for managers tasked with assessing potential tourism projects in excess of R1 million
  - The Tourism Academy is another institution engaged in offering of specialised courses in the field.
- Assessment of current financial and advisory support programmes / initiatives for new and emerging tourism enterprises to improve the efficacy thereof.
- Prioritisation of ensuring the safety and security of tourists and (key) destinations / attractions visited by tourists. This will be part and parcel of a wider safety and security strategy for the Province

Other prospective and existing projects that were identified in the course of carrying out this project are listed below.

- MEGA tourism related projects:
  - Establishment of a tourism database covering among other things existing tourism attractions, infrastructure, facilities, natural and cultural attractions and new areas of tourism activity (as per Section 4 (11) a - c of the MTPA Act)
  - International Convention Centre
  - Zithabiseni Resort

- Loskop Dam Nature Reserve
- Manyeleti Game Reserve
- Msauli Village
- Pilgrims Rest
- Fun Train
- Kwetla Hunt
  
- Barberton Resort & Heritage
- Songimvelo Game Reserve
- Industrial Museum Attraction – Secunda
- Kwa Ndebele Museum

#### 4.1.2 Agro-processing sector

Project name, description and motivation				
<b>Apples project to Increase Production Base By Involving PDIs.</b> <ul style="list-style-type: none"> <li>● Exploit existing comparative advantage – Excellent conditions for apples in High – Veld region.</li> <li>● Efficiency at primary production – Extend capacity and maximise capacity utilization.</li> <li>● Focus on Youth – Train and utilise at all levels of the value chain</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>● Increase in primary production of apples.</li> <li>● Development of entrepreneurial activities for PDI youth.</li> <li>● Better land use.</li> <li>● Improved rural income.</li> <li>● Creation of processing businesses.</li> <li>● Creation of employment.</li> </ul>	<ul style="list-style-type: none"> <li>● Highveld region</li> </ul>	<ul style="list-style-type: none"> <li>● Food &amp; Beverages</li> </ul>	<ul style="list-style-type: none"> <li>● National Government has a role in the regulatory environment facilitation.</li> <li>● Provincial government has an advocacy and investment mobilisation role. It is also useful in coordination and in supervision.</li> <li>● Local government oversees primary production, entrepreneurial development for Value addition to specific products and by-products.</li> </ul>	<ul style="list-style-type: none"> <li>● Technical side – DEDP/DAES /Hi – Veld Packers.</li> <li>● Financial – ADB/DBSA /Land Bank</li> </ul>

Project name, description and motivation				
<b>Tobacco Smoke Control Devise Project. A design and manufacturer of passive smoke devices for public areas.</b> <ul style="list-style-type: none"> <li>● Exploit existing comparative advantage as part of social responsibility, Tobacco Manufacturers should promote manufacture and use of smoke screens.</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)

Project name, description and motivation				
<b>Tobacco Smoke Control Devise Project. A design and manufacturer of passive smoke devices for public areas.</b>				
<ul style="list-style-type: none"> <li>Exploit existing comparative advantage as part of social responsibility, Tobacco Manufacturers should promote manufacture and use of smoke screens.</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Entrepreneurship manufacturing.</li> </ul>	<ul style="list-style-type: none"> <li>Middleburg MSI</li> </ul>	<ul style="list-style-type: none"> <li>Stainless/Steel Manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>National Government has a role to foster regulatory environment facilitation.</li> <li>Provincial Government has an advocacy and investment mobilisation role.</li> </ul>	<ul style="list-style-type: none"> <li>Technical – DEDP/MSI Stainless Steel Incubator.</li> <li>Financial – BAT (SA)</li> </ul>

Project name, description and motivation				
<b>Vegetables Project: Integrated Intelligence – Based Vegetable Processing and Marketing. Investigation of critical requirements for use of KMIA as a direct fresh produce export gateway. Investigation of the feasibility and viability of utilising the Maputo Corridor as a trading route (both export of produce/products and imports of essential inputs).</b>				
<ul style="list-style-type: none"> <li>Address specific challenges – proactive problem solving. There is lack of information that is necessary to inform planning, both from policy and strategy perspectives</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Availability of market intelligence information.</li> <li>Creation of secondary and tertiary processing businesses.</li> <li>Informed policies and strategies.</li> <li>KMIA Export gateway.</li> </ul>	<ul style="list-style-type: none"> <li>Mpumalanga Province</li> <li>Nelspruit Fresh Produce Market</li> <li>KMIA</li> </ul>	<ul style="list-style-type: none"> <li>Food &amp; Beverages</li> </ul>	<ul style="list-style-type: none"> <li>National Government has a role to ensure regulatory environment facilitation.</li> <li>Provincial Government has to ensure advocacy and investment mobilisation. It also has to ensure coordination and supervision.</li> <li>Local Government has to promote an entrepreneurial development for Value addition to specific by-products.</li> </ul>	<ul style="list-style-type: none"> <li>Technical – SA – VEG, DEDP, DEAT.</li> <li>Financial – DBSA.</li> </ul>

Project name, description and motivation				
<b>Bio fuels Project: Multi – feedstock, Multi – Value Chain and Multi – Disciplinary Based Decentralised and Phased Implementation. Pro – poor and Pro – environment, Accelerated and Shared Agrarian Reform (ASAR) and Soyabean Based Pilot Protein Project.</b>				
<ul style="list-style-type: none"> <li>Address specific challenges – proactive problem solving.</li> <li>The fossil based fuels are currently reaching the critical price that makes consideration of alternative fuels more viable and it is therefore opportune for the Province to implement an initiative that will promote and lead in such efforts</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Import substitution on fossil based fuels.</li> <li>Enhanced viability of farming of selected</li> </ul>	<ul style="list-style-type: none"> <li>Coromandel Estate in Lydenburg.</li> <li>Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>Petrochemicals</li> <li>Red Meats</li> <li>White Meats</li> </ul>	<ul style="list-style-type: none"> <li>National Government has a role of regulatory environment and facilitation. It also</li> </ul>	<ul style="list-style-type: none"> <li>Technical – SA – VEG, DEDP, DEAT.</li> </ul>

Project name, description and motivation				
<b>Bio fuels Project: Multi – feedstock, Multi – Value Chain and Multi – Disciplinary Based Decentralised and Phased Implementation. Pro – poor and Pro – environment, Accelerated and Shared Agrarian Reform (ASAR) and Soyabean Based Pilot Protein Project.</b>				
<ul style="list-style-type: none"> <li>Address specific challenges – proactive problem solving.</li> <li>The fossil based fuels are currently reaching the critical price that makes consideration of alternative fuels more viable and it is therefore opportune for the Province to implement an initiative that will promote and lead in such efforts</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>feedstock crops, e.g. soybeans, sugarcane and maize.</li> <li>Better land use efficiency – carbon credits induced sustainable agriculture.</li> <li>Improved rural incomes.</li> <li>Creation of secondary and tertiary processing businesses.</li> <li>Improved nutritional prospects for rural and urban poor.</li> <li>Fulfilment of SA Gov directives on bio fuels.</li> </ul>	<ul style="list-style-type: none"> <li>Limpopo province (Cluster irrigation Scheme in Burgersfort).</li> <li>South Africa</li> <li>SADC</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturing</li> <li>Land Reform</li> </ul>	<ul style="list-style-type: none"> <li>ensures trade in carbon credits/costs.</li> <li>Provincial Government will ensure advocacy and investment mobilisation. It also ensures coordination and supervision.</li> <li>Local Government sees to primary production of feedstock support. It also sees to the entrepreneurial development for Value addition to specific by-products</li> </ul>	<ul style="list-style-type: none"> <li>Financial – ADB/DBSA /Land Bank.</li> </ul>

Project name, description and motivation				
<b>Agro pharmaceuticals project: Cultivation and processing of wild potato and other cultivars and wild crops for medicinal products.</b>				
<ul style="list-style-type: none"> <li>A point of convergence between Indigenous Knowledge Systems (IKS) and modern medicine. Therefore there are multi-Sectoral opportunities involving cultivation and farming of medicinal crops and the processing thereof.</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Job Creation</li> <li>Rural livelihood</li> <li>SMME development</li> <li>Creation of Multi-Sectoral clusters.</li> <li>R &amp; D activities on, amongst others, biodiversity, cultivars, processing, etc in the province.</li> </ul>	<ul style="list-style-type: none"> <li>Umsogwaba Village in Mbombela Municipality . The project will be expanded to other locations.</li> </ul>	<ul style="list-style-type: none"> <li>Farming</li> <li>Processing of produce from farms.</li> <li>Pharmaceuticals Manufacturing</li> <li>Vegetables</li> </ul>	<ul style="list-style-type: none"> <li>National Government will ensure policy guidance and the Identification of applicable bilateral agreements.</li> <li>Provincial Government will foster co-ordination, monitoring &amp; Evaluation (DEDP &amp; DAEA).It will also see to the identification of funding mechanisms (DEDP &amp; DAED).And will provide assistance with setting cluster development (dti).</li> <li>Local Government will ensure that Recruitment and deployment of the youth plus the development &amp; maintenance of relations with the local communities.</li> <li>Other Stakeholders:</li> <li>MRC; R &amp; D on medicinal</li> </ul>	<ul style="list-style-type: none"> <li>MRC</li> <li>Provincial Dept. of Agriculture</li> </ul>

			properties of crops. <ul style="list-style-type: none"> <li>• Creating linkages and managing relationships with the pharmaceutical stakeholders.</li> <li>• CSIR; R &amp; D on extraction of medicinal compound from crops. Also the Development of extraction processes.</li> <li>• ARC; R &amp; D on crop cultivation.</li> </ul>	
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#### 4.1.3 Petrochemicals Sector

In 2003, a study commissioned by Mpumalanga (Blueprint, industrial clusters) into various opportunities showed that there were potential opportunities for Mpumalanga businesses in two main areas of the Petrochemicals sector:

**1. Supply to Sasol** – the company is the major producer of petrochemicals in South Africa, and as such, purchases a wide range and amount of process chemicals, parts, labour and services from surrounding suppliers. There are opportunities to provide these goods and services, and a base in the Province is an advantage. Some examples are:

Cleaning chemicals and services

Water treatment chemicals and services (also for other large manufacturers and mines in the Province)

Catalysts

Input chemicals

Engineering and maintenance services

Machinery, process equipment and parts

Mixing and packaging of process chemical compounds

As far as supply to Sasol is concerned, lists of purchases, quantities and value are available from Sasol, and the BEE Development Division is the best source of this consolidated information. The original lists were made available to Mpumalanga at the time of the previous report submission.

**2. Producing value-added products based** on Sasol polymers and other chemicals. Sasol produces a wide range of chemicals, and it is possible to develop new products for both local and international markets based on these.

As the list of downstream products extends to thousands, any product development should be guided by potential markets for the particular product. Assistance in technical development and feasibility analysis is available via Chem City in Sasolburg which will evaluate any potential project in partnership with entrepreneurs.

The production of most commodity polymers requires large capital investment and scale and is not suitable for smaller businesses. Even entry by larger firms is also problematic due to the established presence of a major competitor, ie Sasol. However, the use of primary polymers to manufacture end products, e.g engineering plastics for the automotive industry, consumer products and packaging, inter alia is very suited to SMEs. A recent study for the Chemicals Summit focused on international markets for Polypropylene products, and this study could be used as a basis for further investigation.

The manufacture of downstream products for industrial markets requires a detailed knowledge of the technical aspects of the customer. The supplier is usually located close to the client, so that intimate knowledge of the client processes and product performance can be developed. Mpumalanga (unlike say the Eastern Cape) is not close to major industrial users of polymers. However, convenient access to the international airport enables provincial manufacturers to enter the global supply chain for polymer products, and the feasibility of producing high-volume products for targeted industrial markets (eg automotive process parts) should be investigated.

For consumer markets, access to market, large volumes and design skills are critical. Mpumalanga may have certain advantages in access to the Northern and Eastern parts of the country and Mozambique, and a study of market opportunities in polymers would be of use. Mpumalanga has a large Agricultural sector, and the opportunities for polymer products (eg piping, fittings and tanks) should be defined. For hollow products, transport is a major cost, and location near to the market, ie in Mpumalanga, would be an advantage for a local manufacturer. In short, there are many potential areas of business for manufacturers of downstream polymer products based in Mpumalanga.

**3. Support Services:** Allied to the larger Petrochemical and other industry is the need for Environmental services, and the Province should investigate the presence of substantial service providers. Efforts should be made to attract competent environmental practitioners to base their operations in Mpumalanga, by means of incentives.

Additionally the catalytic projects that have been identified for implementation, is discussed in the following tables:

Project name, description and motivation				
<b>Inputs Opportunities Task Team</b>				
<ul style="list-style-type: none"> <li>Set up an inputs working group under the auspices of Sasol and, working closely with procurement officials, develop a list of imported inputs as well as prices paid over time, and investigate the feasibility of production in the province.</li> <li>Develop business cases for those input products found to be potentially commercially sustainable in Mpumalanga</li> <li>Increases potential for investment in Mpumalanga and formal job creation</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Increased investment</li> <li>Increased formal job opportunities</li> <li>Increased value added</li> </ul>	<ul style="list-style-type: none"> <li>Secunda</li> </ul>	<ul style="list-style-type: none"> <li>Downstream to SASOL and other chemicals manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate set up of task team and ensure that MI/MEGAI focuses major resources to this</li> <li>Allocate budget in partnership with the IDC and CASA to undertake the appropriate feasibility studies</li> <li>MI/MEGA and IDC to develop investment business cases and market them appropriately</li> </ul>	<ul style="list-style-type: none"> <li>MI/MEGA, Sasol, IDC, Private Sector (CHIETA and CASA)</li> </ul>

Project name, description and motivation				
<b>Beneficiation Opportunities Task team</b>				
<ul style="list-style-type: none"> <li>Set up a separate beneficiation working group in partnership with the CSIR and/or the Chemical Engineering Faculty at Wits and/or Tukkies to identify and undertake feasibility (commercial) studies (possibly using IDC finance) to develop a short list of viable opportunities</li> <li>Develop business cases for those downstream products found to be potentially commercially sustainable in Mpumalanga</li> <li>Increases potential for investment in Mpumalanga and formal job creation</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Increased investment</li> <li>Increased formal job opportunities</li> <li>Increased value added</li> </ul>	<ul style="list-style-type: none"> <li>Secunda</li> </ul>	<ul style="list-style-type: none"> <li>Downstream to SASOL and other chemicals manufacturers</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate set up of task team and ensure that MI/MEGAI focuses major resources to this</li> </ul>	<ul style="list-style-type: none"> <li>MI/MEGA, Sasol, IDC, Private Sector (CHIETA and CASA)</li> </ul>

			<ul style="list-style-type: none"> <li>Allocate budget in partnership with the IDC and CASA to undertake the appropriate feasibility studies</li> <li>•</li> <li>MII/MEGA and IDC to develop investment business cases and market them appropriately</li> </ul>	
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#### 4.1.4 Coal Sector

Project name, description and motivation				
<b>Coal Procurement Task Team</b>				
<ul style="list-style-type: none"> <li>Establish a coal working group made up of coal procurement officials, the CTC and SASOL under the auspices of the Sasol BDC to identify opportunities for local SMME value added products for sale to the coal mines</li> <li>Identifies value added opportunities and training required to kick start value added manufacturing in carbon steel and wood product for the mines in Mpumalanga</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Increase in value added manufacturing in the province.</li> <li>Development of BOEs and SMMEs in Mpumalanga</li> <li>Creation of employment</li> </ul>	<ul style="list-style-type: none"> <li>Secunda (BDC), Witbank,</li> <li>Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>Logistics, mines procurement</li> </ul>	<ul style="list-style-type: none"> <li>Provincial government to facilitate the setting up of the Coal Task team</li> <li>Provincial government to financially support the Sasol BDC to allow for an expansion of its activities to include a Coal task team</li> </ul>	<ul style="list-style-type: none"> <li>Sasol BDC, Mpumalanga DED, Coal Mine Procurement management, head of the CTC and Mittal</li> </ul>

Project name, description and motivation				
<b>Value Added Training</b>				
<ul style="list-style-type: none"> <li>Identify simple items that can be made to appropriate quality levels in carbon steel and wood. Develop a specific and highly relevant training scheme similar to SHINTSHA with the FET and implement on an ongoing basis</li> <li>Empowers small business people to deliver appropriate quality and set up value added businesses</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>Increase in value added manufacturing in the province.</li> <li>Development of BOEs and SMMEs in Mpumalanga</li> <li>Creation of employment</li> <li>Sustainability of new businesses enhanced</li> </ul>	<ul style="list-style-type: none"> <li>Witbank,</li> <li>Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>Logistics, upstream steel, FET, Chamber of Mines, Mittal, Logging firms</li> </ul>	<ul style="list-style-type: none"> <li>Provincial government with the BDC and the Coal Task Team to engage with DoL and the FET to set up the relevant courses and ensure their</li> </ul>	<ul style="list-style-type: none"> <li>FET, Mpumalanga DED, Mittal, SAPPI</li> </ul>

Project name, description and motivation				
<b>Value Added Training</b>				
<ul style="list-style-type: none"> <li>Identify simple items that can be made to appropriate quality levels in carbon steel and wood. Develop a specific and highly relevant training scheme similar to SHINTSHA with the FET and implement on an ongoing basis</li> <li>Empowers small business people to deliver appropriate quality and set up value added businesses</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
			quality.	

#### 4.1.5 Wood Furniture Sector

There are a number of possible projects that have been identified as part of the specialist study investigations into this sector. These projects are listed below. It is however essential to keep in mind that there are certain projects are more likely to catalyse enhanced levels of economic activity in the short to medium term and these are listed in the tables below.

Strategy	Projects / Programmes
Develop SMMEs to produce wooden mine supports, and kit furniture for local sales	<ul style="list-style-type: none"> <li>Set up and financially support a Business Development Centre, or provide additional resources for the existing BDC supported by SASOL in Mpumalanga to expand to include SMME and BOE development in the furniture sector.</li> <li>Link the proposed BDC commercially to the procurement sections of the large firms and government</li> <li>Train SMMEs and BOEs in the procurement processes of the large firms and how to access the contracts available</li> <li>Link the BDC technically to the FET/University campuses in order to ensure the production of simple but quality products.</li> <li>Ensure that BOEs and SMMEs in Mpumalanga get, (by prior negotiation and agreement) preferential access via preference points to Mpumalanga procurement opportunities.</li> <li>Begin to make, under contract, pilot kit furniture for export, for large MNCs at excellent rates in order to attract them and to facilitate learning at the same time.</li> <li>Investigate AID purchases of wood items into the SADC and attempt to gain preferential procurement status.</li> </ul>
Focus Investment on flat pack kit furniture for export and pallet production	<ul style="list-style-type: none"> <li>Develop a focussed investment plan for investment in flat pack kit furniture in Mpumalanga.</li> <li>Using the capabilities of the Mill, access SMEDP funds for BOEs and SMMEs interested in partnering with established international players, to set up satellite manufacturing facilities in the province in the first instance.</li> </ul>
Support existing stakeholder partnerships between and within public, private and community	<ul style="list-style-type: none"> <li>Establish a wooden furniture working group to develop an appropriate procurement policy of non critical products for local manufacturers. This must include international and non Mpumalanga expertise as not all the expertise required is available in province.</li> <li>Set up a preferential procurement system</li> <li>Set up essential training.</li> </ul>
<b>Brand Mpumalanga</b>	<ul style="list-style-type: none"> <li><b>Mpumalanga for wood flat pack furniture could be branded – but it will be as an industrial brand and will be articulate through a focussed incentive package made available to international flat pack actors and pallet producers.</b></li> </ul>



Project name, description and motivation				
<p><b>Develop SMMEs to produce wooden mine supports and develop SMMEs to produce kit furniture for local sales and exports</b></p> <ul style="list-style-type: none"> <li>• Provide additional resources for the existing BDC supported by SASOL in Mpumalanga to expand to include SMME and BOE development in the furniture sector.</li> <li>• Train SMMEs and BOEs in the procurement processes of the large firms and how to access the contracts available</li> <li>• Stimulates value added in Mpumalanga</li> <li>• Stimulates the formation of sustainable SMMEs and BOEs</li> <li>• Increases sustainable job opportunities</li> <li>• Increases earnings</li> </ul>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>• Extended BOE /SMME development</li> <li>• Increased job creation</li> <li>• Increased value added in province</li> </ul>	<ul style="list-style-type: none"> <li>• Sabi, Barberton</li> <li>• Nelspruit.</li> <li>• Secunda (BDC),</li> <li>• Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>• SAPPI/MONDI/</li> <li>• Sawmills</li> <li>• Logistics, mine procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Financially support the development of a wood products for mining task team under the auspices of the existing BDC (provincial)</li> <li>• Local government to make available premises for a wood products hive in an area with reasonable logistics.</li> <li>• (Sabi, Barberton)</li> </ul>	<ul style="list-style-type: none"> <li>• Sasol BDC, DED, FET,</li> </ul>

#### 4.1.6 Steel Sector

Project name, description and motivation				
<p><b>Stainless Steel Exhaust Systems and automotive components Manufacture in Mpumalanga</b></p> <p>Work with SASSDA, NAACAM, and CCIG to identify the incentive package needed to attract MIDP (PAA) investment in exhaust systems and other components/ value added items (including accessories such as 4x4 accessories, tow bars, steel and stainless steel bumpers etc.) for the Automotive industry both OE and aftermarket to Mpumalanga (bearing in mind that Gauteng is the competitive location) and then implement the incentive to attract investors.</p> <p><b>Creates value added opportunities required to kick start value added manufacturing in steel products for in Mpumalanga</b></p>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>• Increase in value added manufacturing in the province.</li> <li>• Creation of employment</li> </ul>	<ul style="list-style-type: none"> <li>• Middleburg,</li> <li>• Witbank,</li> <li>• Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>• Downstream to Columbus Stainless, Mittal.</li> <li>• Logistics, CCIG, Naacam, CTC, OEMs, NAAMSA, Dti, , MIDC, Local Government</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the setting up of and automotive products task team and ensure that MI/MEGAI focuses resources to this.</li> <li>• Develop investment incentive package to attract the exhaust and component manufacturers to Mpumalanga including local government incentives for land and</li> </ul>	<ul style="list-style-type: none"> <li>• Task Team including</li> <li>• Columbus Stainless, SASSDA, Naacam, CCIG, DTI</li> <li>• MII, /MEGA, DED.</li> </ul>

			building. (capital costs)	
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Project name, description and motivation				
<p><b>Mpumalanga Regional Tooling Initiative linked to the NTI</b></p> <p>Toolmaker training initiative in Middleburg (linked to the NTI) to train toolmakers in Mpumalanga. Linked to the already successful Coal Technical College (CTC) which the metal sector is also already using for skills training.</p> <p>Phase 2. Working with the South African Tool and Die Association (TASA) identify tool and dies for manufacture in Mpumalanga. Develop an incentive strategy and implement.</p> <p><b>Provides a key part of the technical skills platform which, will support the metals (and plastic) sectors and support value added opportunities required to kick start value added manufacturing in steel (and plastic injection moulding )in Mpumalanga</b></p>				
Potential impact	Location	Cluster linkages / Training needs	Government (National, Provincial, Local)	Implementing agent(s)
<ul style="list-style-type: none"> <li>• Increase in technical skills platform in the Province.</li> <li>• Increase in value added manufacturing in the province.</li> <li>• Creation of employment</li> </ul>	<ul style="list-style-type: none"> <li>• Witbank,</li> <li>• Mpumalanga</li> </ul>	<ul style="list-style-type: none"> <li>• FET, CTC, National Tooling Initiative, TASA.</li> <li>• Consider a linkage to well established KZN tooling skills initiative through TASA/NTI</li> </ul>	<ul style="list-style-type: none"> <li>• Provincial government to facilitate the establishment of a tool-making task team in Mpumalanga.</li> <li>• Allocate budget to support the initiative and find a tooling expert through the NTI to drive it with other stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• NTI, DED, DTI, TASA, CTC, CSIR, MII/MEGA</li> <li>• Columbus</li> </ul>

## 4.2 CONCLUSION

It was shown that there are 21 proposed catalytic projects, ranging over the spectrum of sectors that were investigated as part of this study. It is however important to realise that these projects must become the responsibility of the relevant implementing agents in order to ensure that the appropriate attention is given to the planning, development and implementation of the projects.

The projects will also not be implanted in isolation, and during the specialist studies, various policy documents informed on the legislative environment that impacts on the development potential and abilities of the various economic sectors investigated. The aim of the following section is to provide a more detailed overview of the specific documents and policies that were consulted during the process, provide a brief overview of all the implementing agents proposed for involvement in the projects and finally finish of the integrated document with a log frame for each project providing some insight into the actions to be taken in the short term in order to ensure implementation.

Additionally there are a number of projects that were identified and developed to a certain implementable level both inside and outside of the scope of the Sector Studies Strategies and Programme, but that would still need to be considered as a key component of this Programme due to the fact that in many instances these additional, smaller scale projects will unlock valuable development opportunities related to the catalytic projects. These opportunities that will be unlocked through these projects range from clustering potential, funding and even infrastructure required.

The additional small scale projects that will be dealt with in the next section are the following:

Tourism related projects

1. Five towns study – Belfast resort

2. Dullstroom Dam resort
3. Zasm tourism project in Watervalboven
4. Coromandel tourism project in Lydenburg
5. Machadadorp tourism development project
6. Bourke's luck potholes (proposed national park)
7. Samora Machel monument
8. Barberton Mountains/Lands
9. Barberton Bulembu Road
10. Lake Matsamo Project

Agro-processing projects

1. cotton
2. flower-bulbs
3. gladioli flower project (Mangweni)
4. Cassava project
5. Wood cluster
6. Bio-diesel
7. Silobela Agri-business
  - a. Strawberry production
  - b. Belfast strawberry project

Secondary industry development study

1. Development and clustering for Stainless Steel
  - a. Stainless Steel Cluster
  - b. Pall Rings manufacturing
  - c. Vesto Stoves project
  - d. Other Stainless Steel projects:
    - Coin blanks
    - Palisade fencing
    - Vessels internals
    - Sugar mills
    - Pipe fitting
    - Flanges walk ways, ralls, steps and decking
  - e. Capacity building program for MSI
2. Petro-chemicals
  - a. Water treatment chemicals
  - b. Fuel dyes
  - c. Industrial cleaning chemicals
  - d. Polypropylene products
  - e. Styrene monomer
  - f. Paints and coatings
  - g. Tower packing
  - h. Pallets
  - i. Drums
  - j. Gas pipe line
3. Transboundary collaboration. Linkage program around Mozal and Swaziland Biodiversity and Tourism program
  - a. Transboundary industrial strategy, marketing and investment promotion.
  - b. Transboundary socio-economy and cluster studies.
  - c. Transboundary capacity building.
  - d. Border facilitation.
  - e. Strategic environmental management plan.

It is thus clear that there are a number of diverse projects that could be implemented to ensure unlocking future economic growth and development potential of the Mpumalanga Province, and that these projects can, in many instances be clustered together with the catalytic projects proposed by the various specialists' studies that were undertaken.

The following section provides more insight into the specific legislative environment that must be taken into consideration, an overview of the various implementing agents that should be involved in the projects and programmes for each of the catalytic and small scale projects.

## SECTION FIVE – POLICY ENVIRONMENT AND IMPLEMENTING AGENTS

The aim of this section is to provide a more practical overview of the legislative environment that was considered during the specialist research undertaken. These policy documents are currently guiding development in the various sectors that were investigated, and in many instances, will also guide any future development which makes it essential to have at least basic background knowledge of the relevant document.

Additionally, during the various investigations, a number of potential implementing agents (IA) have been identified for possible involvement, and it was therefore deemed necessary to provide a short description of each IA in order to create an idea of the type of organisations to be involved during implementation of the various projects.

### 5.1 POLICY ENVIRONMENT

During the assessment of the policy environment, there were three types of documents that were utilised, namely national, provincial sector specific policy documents. It is however important to take note of the fact that some sector specific comments are also included in the discussion on the national and provincial policy documents in order to a more comprehensive understanding of the potential impact of these documents, where applicable.

The aim of this section will thus be to provide an overview of the policies in order to create a clear understanding of the context and development environment within which the proposed interventions will have to be implemented.

- National policy
  - Accelerated and Shared Growth Initiative for South Africa (ASGISA)
  - The Draft Regional Industrial Development Strategy
  - Tourism White Paper, 1996
  - The Domestic Tourism Growth Strategy (2004 – 2007)
  - The Mineral and Petroleum Resources Development Act, 2004
  - The Mining Charter
  - National Strategy for the Development and Promotion of Small Business in South Africa
- Provincial policy
  - PGDS
  - Mpumalanga Tourism and Parks Agency Act, 2006

In order to provide a basis against which current and future sectoral performance can be measured, the specific targets set by each of these documents is included were taken into consideration due to the fact that these targets have been identified based on specific challenges that the national as well as provincial economies are facing, therefore ASGISA and PGDS were looked at with specific focus.

#### 5.1.1 National policy documents

There are a number of national policies, in varying degrees implementation, that affect the development context as well the development momentum linked to different industries and sectors. It is therefore imperative to have a clear understanding of these policies in order to ensure that the sector strategies as well as the final implementation of the integrated strategic development document adheres to the guidelines set out in the national documents.

##### 5.1.1.1 ASGISA

In an address delivered by the Deputy President, Phumzile Mlambo-Ngcuka, at the Department of Home Affairs Conference on Foreign Offices Operations, at the Birchwood Hotel Conference Centre, 6 February 2006, she stated that

ASGISA is mostly a micro economic reform within a GEAR Macro economic framework and not a new economic policy. ASGISA was said to be more about:

- the efficiency of the state,
- better conditions for business,
- closing the skills gap in short and long term,
- linking the 1st and 2nd economy,
- clearing up on Governance and Red tape, corruption etc, that impacts on delivering at all levels of government and critical within specific departments like DTI, DME, HA, DLA.

It is due to this understanding that the following main targets have been identified for achievement through the implementation of ASGISA:

- 2 Half unemployment and poverty by 2014,
- 3 Average growth of at least 6% of GDP by 2014,
- 4 Sustainable and Shared Growth.

Even with this performance, the environment and opportunities for more labour-absorbing economic activities needs to be considerably improved. The benefits of growth should be shared in such a way that poverty comes as close as possible to being eliminated, and that the severe inequalities are considerably reduced. The vision of the development path is a vigorous and inclusive economy where production products and services are diverse, more value is added to products and services, costs of production and distribution are reduced, labour is readily absorbed into sustainable employment, and new businesses are encouraged to proliferate and expand.

The aim of this section is to **indicate the commitment of government toward the growth and development** of the national economy through the focussing of government energy on specific sectors. The three most important sectors that have been identified are:

- 5 Business Process Outsourcing
- 6 Tourism
- 7 Bio fuels – which is currently at a less developed stage of development

But there are also **additional sectors** that will receive attention, and these are:

- 1 Chemicals
- 2 Metals beneficiation including the capital goods sector;
- 3 Creative industries (Crafts, Film & TV. Content and Music);
- 4 Clothing and textiles;
- 5 Durable consumer goods; and
- 6 Wood, pulp and paper (as mentioned in provincial projects).

But ASGISA should not be seen as a policy promoting the development of only certain economic sectors, the aim thereof is to open the way for faster implementation of the various programmes of government. Through ASGISA government is focusing on overcoming the things that have held the economy back from growing as fast as it could.

The binding constraints that could potentially hamper the achievement of the set objectives and that will therefore be the focus of ASGISA are:

- 1 The volatility and level of the currency.
- 2 The cost, efficiency and capacity of the national logistics system.

- 3 Shortage of suitably skilled labour amplified by the cost effects on labour of apartheid spatial patterns.
- 4 Barriers to entry, limits to competition and limited new investment opportunities.
- 5 Regulatory environment and the burden on small and medium businesses.
- 6 Deficiencies in state organization, capacity and leadership.

Countering these constraints entails a series of decisive interventions. These interventions amount not to a shift in economic policy so much as a set of initiatives designed to achieve the objectives more effectively. In developing responses to the binding constraints, a number of initiatives have been specified. These initiatives are summarised in Table 5.1.

Table 5.1: ASGISA initiatives

Initiative	Focus areas
Infrastructure investment	<ul style="list-style-type: none"> <li>• Provincial and local roads</li> <li>• Bulk water infrastructure and water supply networks</li> <li>• Energy distribution</li> <li>• Housing</li> <li>• Schools and clinics</li> <li>• Business centres</li> <li>• Sports facilities</li> <li>• Multi-purpose government service centres</li> <li>• Courts</li> <li>• Police stations</li> <li>• Correctional facilities</li> </ul>
Sectors strategies	<ul style="list-style-type: none"> <li>• Business Processing Outsourcing (BPO)</li> <li>• Tourism</li> <li>• Bio fuels</li> <li>• Chemicals</li> <li>• Metals beneficiation, including the capital goods sector</li> <li>• Creative industries (crafts, film &amp; TV, content and music)</li> <li>• Clothing and textiles</li> <li>• Durable consumer goods</li> <li>• Wood, pulp and paper</li> </ul>
Education and skills development	<ul style="list-style-type: none"> <li>• Professional skills such as engineers and scientists</li> <li>• Managers such as financial, personnel and project managers</li> <li>• Skilled technical employees such as artisans and IT technicians</li> </ul>
Eliminating the second economy	<ul style="list-style-type: none"> <li>• Expanding women's access to economic opportunities</li> <li>• Leveraging components of BBBEE</li> <li>• Promote youth development</li> <li>• Realise the value of dead assets</li> </ul>
Macroeconomic issues	<ul style="list-style-type: none"> <li>• Reduce volatility and overvaluation of the currency</li> <li>• Sustained and shared growth</li> <li>• Improve budgeting in government</li> <li>• Improve the expenditure management</li> </ul>
Governance and institution interventions	<ul style="list-style-type: none"> <li>• Implementation of aspects of Growth and Development Summit</li> <li>• Implementation of BEE charter</li> <li>• Skills shortage</li> <li>• Improvement of quality of economic services</li> <li>• Review the functioning of the development finance institutions</li> </ul>

#### Implications:

From the specific economic sectors that have been identified as the most crucial, it is clear that the first phase of the Mpumalanga Customised Sector Programme appropriately focussed in terms of the identified sector strategy investigations. It is imperative to ensure that all the programmes and projects that are proposed by the integrated sector strategies are in line with the targets set by ASGISA while also ensuring that all the ASGISA initiatives are used to such an extent that there is no duplication in any development effort. This means taking into consideration for instance the interventions that form part of the National Skills Development Strategy, but also being aware of the more than 100

individual projects included in ASGISA. There are a number of proposed interventions and organisations that have been set up as part of ASGISA to ensure that the specific growth targets are met. New sector strategies should aim at identifying additional opportunities while building on those already put in place by ASGISA.

#### 5.1.1.2. The Draft Regional Industrial Development Strategy

This document is in line with the 2003 National Spatial Development Perspective (NSDP), which identified various categories of development potential in the space economy of the country<sup>3</sup>. The NSDP provides the basis for the determination of guidelines and policies appropriate to meeting the differing development needs of the various economic regions in South Africa.

The aim of this development strategy is to address the inadequate industrial development of the past which consisted of over artificial subsidisation of manufacturing industries to set up in marginal economic areas or areas with limited manufacturing potential.

There has been an increase in the international trend to assist areas in order to achieve their inherent development potential, and the focus of the 'new' regional support starting to emerge in various countries around the world include<sup>4</sup>:

- a focus on enhancing physical and social infrastructure,
- a multi-sectoral approach to development which moves beyond an exclusively manufacturing focus, a focus on knowledge-based development and improvement of human capital,
- a reliance on partnership formation and the driving of development from 'the bottom up' through regional agencies/partnerships, able to galvanise local development and tap into private and state resources and capacities,
- a focus on unique programmes for each region based on local strengths and opportunities,
- a focus on cluster development, and
- support for business retention and expansion programmes.

In addition, RIDS aims to encourage the country's most successful economic regions to consolidate and improve on their current economic potential. RIDS seeks to provide a development perspective for regions that is compatible with other government policies and planning initiatives. It is intended that RIDS should<sup>5</sup>:

- help to achieve the national industrial development objectives as set out in the NSDP and the Redistribution and Development Programme (RDP), further the goals of the Accelerated and Shared Growth Initiative for South Africa (ASGISA),
- conform with the principles of the Growth, Employment and Redistribution (GEAR) Strategy, the Integrated Manufacturing Strategy (IMS), the Microeconomic Reform Strategy (MRS) and the current draft National Industrial Policy framework,
- enhance the capacities and potentials identified in the Urban Spatial Competitive Framework and the proposed Local Economic Development (LED) framework that seeks to address spatial constraints and opportunities related to industrial
- development in municipalities,
- conform to principles of enterprise development and black economic empowerment (BEE), and
- conform to the government's environmental and other relevant policies.

The issue of international trade is also being addressed by the RIDS in the sense that it recognises the international context when dealing with the various cross-border value chains and SDIs that are present in the SADC region. RIDS will

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<sup>3</sup> The dti, 2006.

<sup>4</sup> The dti, 2006.

<sup>5</sup> The dti, 2006.



also need to be implemented in such a way as to be compatible with any relevant development initiatives of the New Partnership for African Development (NEPAD) and the African Union.

RIDS aims to increase the effectiveness of existing, and introduce innovative new, support measures under one overarching strategy. These measures are outlined below:<sup>6</sup>

#### **1. Special economic zones**

Broadly these zones may be characterized as a geographic area within a country where certain economic activities are promoted by a set of policy measures that are not generally applicable to the rest of the country. The reality is that it is not feasible to declare IDZs in all areas. However, other forms of special economic zones that will be encouraged including industrial parks, industrial estates, logistics parks, and innovation hubs. Those areas that do not meet the criteria for establishing an IDZ may consider establishing industrial parks or industrial estates. Several types of parks exist, such as generic industrial estates, high technology parks, specialized industrial parks, business / science & research parks.

#### **2. Industrial Parks**

An Industrial park is an area set aside for industrial development and usually located close to transport facilities, especially where more than one transport modality coincides, such as highways, railroads, airports and navigable rivers. Office parks form a “lightweight” version, which has offices and light industry, rather than heavy industry.

#### **3. Logistics Parks**

Logistics Parks are a single site, one-stop logistic shop offering warehousing, customs clearance, packaging services, freight forwarders, transport and driver services e.g. hotel, garage and fuel. Logistic parks are usually for service providers for example warehousing, packaging and freight forwarding.

#### **4. Industrial Estates**

Industrial Estates are similar to Industrial Parks with specific areas zoned for industrial activity in which infrastructure such as roads, power and other utility services are provided to facilitate the growth of industries and to minimize impacts on the environment.

#### **5. Innovation Hubs**

Innovation hubs are another form of SEZ. In an increasingly knowledge based economy, innovation holds the key to regional competitiveness.

#### **6. Regional Growth Coalitions**

The development of partnerships and growth coalitions within regions are critical to the success of RIDS. Dynamic regional growth will only occur with the organisation, cooperation and drive of local stakeholders including the private sector, government institutions, departments and civil society. The private sector is recognised as the key driver of economic growth in the regions and will need to play a lead role in driving these partnerships.

#### **7. Industrial Clustering and Support to Firms**

In line with the movement towards contemporary thinking and systemic competitiveness, it is necessary to take a new approach to cluster initiatives. This approach ensures that active clusters are created, based on international (and now South African) best practice experiences, by transforming passive or nascent clusters into active ones that are focused on upgrading industrial and other forms of economic activity.

#### **8. Local Economic Development**

The perspective of this document is that LED signified a new area of planning and cooperation, and the search for appropriate solutions to local development problems. LED, coupled with the socially responsive programmes of the government-led Reconstruction and Development Programme (RDP), and appeared to have had the potential to offer moral and material support for the endeavours of individual communities. Local initiatives, often referred to as self-reliance strategies, are gaining momentum and are promoted through the presidential nodes (ISR and URP).

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<sup>6</sup> The dti, 2006.

#### **9. Systemic Competitiveness Support Facility “The Thematic Fund”.**

The “Thematic Fund” will support innovative regional development initiatives. It will be organised around “themes”. A “theme” is here defined as a topical, conceptual focus on at specific issues in regional development. Possible themes that have been identified and whose business plans would be developed in due course is:

- industrial clustering capacity building fund,
- industrial development zones strategic support facility (both tax relief and infrastructure support)
- business retention and expansion, and
- innovative start-ups support facility,

#### **10. The Regional Industrial Development Fund**

It has been made clear that structural imbalances and shifts in the economy have had a negative impact in certain regions, such as the mining towns and former homelands. In addition to the contest-based approach outlined above, the dti proposes that an initiative be implemented in South Africa along the lines of the European Union’s Structural Funds. As in the EU, such a Regional Industrial Development Fund (RIDF) will target support to those regions and areas of the country where well below-average scores of economic development and employment exist.

#### **11. Regional Industrial Development Support Measures Bill**

The lack of legislative support has contributed to the unsuccessful spatial interventions that were adopted post-1994. In order to rectify this situation, a Regional Industrial Development Support Measures Bill will be proposed in order to legislate all the support measures with a clear spatial dimension such as IDZs, SDI, and the negative consequence of industrial migration and capital flight to small towns, as well as other measures proposed by RIDS below. The bill will also result in a commitment by parliament to eradicate regional disparities and to ensure the effectiveness of the support measures to promote regional industrial development.

#### **Implications**

It is important to realise that although these 11 support measures have been formulated and put in place, in order to maximise the effectiveness of the design and implementation of projects that result from the adoption of this policy, the detailed design, budgeting, financing and phasing of projects will be determined in the implementation programme that will be developed by the dti.

It will then be necessary to dovetail the CSP with the implementation programme formulated by the dti in order to ensure that the Mpumalanga Provinces creates optimum momentum for the industrial development appropriate for the region.

##### **5.1.1.3. Tourism White Paper, 1996**

The Tourism White Paper (The Development and Promotion of Tourism in South Africa) of May 1996 formed the foundation on which the direction of tourism growth and development in the new South African democracy was crafted. Recognising the resource base and the tourism potential thereof a vision, guiding principles, key objectives and targets were put in place to guide the process towards realising that potential.

**Vision: “...to develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will contribute significantly to the improvement of the quality of life of every South African...”**

#### **Guiding Principles:**

- i. “tourism will be private sector driven
- ii. government will provide the enabling framework for the industry to flourish
- iii. effective community involvement will form the basis of tourism growth
- iv. tourism development will be underpinned by sustainable environmental practices
- v. tourism development is dependent on the establishment of cooperation and close partnerships among key stakeholders

- vi. tourism will be used as a development tool for the empowerment of previously neglected communities and should particularly focus on the empowerment of women in such communities
- vii. tourism development will take place in the context of close cooperation with other states within Southern Africa
- viii. tourism development will support the economic, social and environmental goals and policies of the government”

**Key Objectives:**

Economic objectives

1. To generate economic growth and foreign exchange, by aggressively developing and promoting tourism
2. To establish tourism as a national priority
3. To create sustainable employment opportunities and contribute to the well-being of all the people of South Africa
4. To optimise opportunities for SMME's, specifically emerging entrepreneurs
5. To use tourism to aid the development of rural communities
6. To promote domestic tourism amongst all South Africans
7. To encourage tourism growth and cooperation in Southern Africa
8. To facilitate balanced tourism development in South Africa
9. To create a conducive tourism investment climate
10. To encourage linkages between tourism and other industries in order to curb leakages and stimulate the multiplier effect
11. To lengthen the tourism season in order to minimise the negative effects of seasonality on the industry

Social objectives

12. To develop tourism with dignity - encouraging mutual respect for all cultures and eliminate all forms of discrimination on the basis of language, religion, culture, race, sex, age, wealth, ability, or other.
13. To provide appropriate tourism education, training, awareness and capacity building programmes, especially aimed at previously neglected groups
14. To encourage participation by all South Africans in tourism planning and policy formulation
15. To promote pride in the cultural resources of the country
16. To use tourism as a catalyst for human development, focusing on gender equality, career development and the implementation of national labour standards
17. To promote, through tourism, nation-building and peace amongst the people of South Africa as well as internationally, and promote greater respect for human life
18. To encourage the active participation of all South Africans in tourism development, particularly at local level
19. To empower community structures through, for example, involvement in the marketing of cultural experiences and practices to tourists
20. To ensure that all South Africans have equitable access to travel opportunities and tourism attractions
21. To encourage community participation in the planning, development, implementation, management and implementation of tourism projects
22. To monitor and minimise potential adverse social impacts of tourism

Environmental objectives

23. To make the tourism industry in South Africa a leader in responsible environmental practices
24. To require integrated environmental management principles for all tourism projects and all major economic development projects
25. To encourage the conservation and sustainable usage of tourism resources
26. To contribute to the development of a coordinated country-wide environmental strategy

**Specific targets**

1. To increase the contribution of tourism to GDP to 8% by 2000 and 10 % by 2005
2. To sustain a 15% increase in visitor arrivals over the next ten years
3. To create 1 million additional jobs in tourism by 2005

4. To increase foreign exchange earnings of tourism, from approximately R10 billion in 1996 to R40 billion per annum in 2005
5. To welcome 2 million overseas visitors and 4 million visitors from the rest of Africa by 2000
6. To develop a tourism action plan to implement the strategies, objectives and targets of the tourism policy during 1996
7. To identify and execute at least 5 national priority tourism projects by 1998, endorsed by President Mandela.
8. To establish tourism as a subject in the school curriculum by 1998. “

The Tourism Growth Strategy of May 2002 lists the following 5 key objectives:

- Increased volume – Increase tourism volume at high and sustainable rates;
- Increase spend – Increase total spend by tourists in South Africa;
- Optimise length of stay – Optimise length of stay to maximise revenue yield to South Africa;
- Improve distribution – Improve volume and spend distribution around the country, and throughout the year; and
- Promote transformation – Improve activity and spend patterns to enable transformation and promote black economic empowerment

**Implications:**

This policy provides clear guidelines and strategic direction to be used with regard to the development of the South African tourism industry. In order to ensure that any development proposed with regard to development of this industry in Mpumalanga, the various aspects must be taken into consideration in order to ensure that an appropriate strategic vision is formulated within the framework that has been set.

It is also essential to translate the nationally set targets into provincial targets that could be used not only as a guidance tool, but these targets could potentially be used to provide a monitoring and evaluation tool.

*5.1.1.4. The Domestic Tourism Growth Strategy (2004-2007)*

The Domestic Tourism Growth Strategy (2004-2007) centres around the 3 components of GDP growth, job creation and transformation with objectives listed as:

- Increase expenditure (more trips, length of stay, average trip expenditure)
- Reduce seasonality (encourage year round travel)
- Improve the geographic spread of tourism (more destinations and activities) and
- Increase volumes (convert, exploit, grow and develop)

Clearly the areas of economic growth, employment creation and transformation and empowerment are the common themes running through the national policy and strategic context. It is within this context that the Mpumalanga Tourism and Parks Agency has been established which is dealt with in the section on provincial policies.

*5.1.1.5. The Mineral and Petroleum Resources Development Act, 2004*

The Mineral and Petroleum Resources Development Act (MPRDA), which came into effect on May 1, 2004, was drafted in an attempt to formulate a regulatory framework for South Africa's mining and minerals industry. The aim of the legislation was to correct historical imbalances in the industry caused by the legacy of apartheid, without threatening its attractiveness to domestic and international investors. The Act follows international trends in minerals regulation, especially those seen in Canada, Australia and North America, and centres on the provision that all mineral rights will revert to the State, representing a move away from the previous system where ownership of mineral resources lay in the hands of private companies. The intention of this development is to ensure increased access to mining activity for historically disadvantaged people, and to enable the State to put an end to the hoarding of mineral rights, with a use-it-or-lose-it principle ensuring that if a company fails to use its mineral rights it will lose those rights after a certain period. In the drafting of the Minerals and Petroleum Resources Development Act<sup>7</sup> the Act states that “broad-based economic empowerment means a social or economic strategy, plan, principle, approach or act” which is aimed at:

<sup>7</sup> No.28 of 2002: Mineral and Petroleum Resources Development Act, 2002

- redressing past and present discrimination in terms of race, gender or disability;
- transforming industries with regard to ownership and participation in all areas of mining operations, including beneficiation, the development of expertise of HDSA's, participation in procurement, and socio-economic development of communities.

The empowerment objectives of the legislation are:

- “promote equitable access of the nation’s mineral resources to all the people of South Africa”;
- “Substantially and meaningfully expand opportunities for historically disadvantaged persons, including women, to enter the mineral and petroleum industries and to benefit from the exploitation of the nation’s mineral resources”.
- “promote employment and advance the social and economic welfare of all South Africans”;
- “ensure that holders of mining and production rights contribute towards the socio-economic development of the areas in which they are operating”;

Clause 23 stipulates the requirement of empowerment for the granting of a mining right. Specifically, it requires that the objectives of the Act to expand opportunities for HDSAs and to promote employment and social development must be fulfilled for new mining rights to be granted.

Clause 100 deals with the transformation of the minerals and mining industry. Specifically, the Minister must within five years from the effective date of the Act, develop a housing and living conditions standard for the industry; and “develop a code of good practice”. Further, within six months from effective date, the Mining Charter must be developed. Schedule II, Transitional Arrangements, are pertinent from the perspective of timing. Old order mining rights have a five-year window, after which conversion to new order rights is required. The conversion is dependent on mining companies meeting a number of conditions, some of which have empowerment relevance, notably providing:

- a prescribed social and labour plan;
- Expanding opportunities for HDSAs and promoting employment and social development.

Junior mining companies are expected to benefit from the proposal in the Act that requires evidence of the participation of historically-disadvantaged people in applications for prospecting and mining rights. Government and industry have drafted a socioeconomic empowerment charter that will form part of the Department of Minerals and Energy's (DME's) regulations and criteria for awarding prospecting and mining licences.

#### 5.1.1.6. The Mining Charter

The final agreed Mining Charter has tough targets, which mining houses may find it difficult to meet. However, those that do will enjoy competitive advantage in a first mover game. In summary:

- Historically Disadvantaged South Africans as defined in the Constitution of the Republic of South Africa, 1993, are covered by the terms of the Charter – in particular, those disadvantaged as a result of race and gender.
- Different forms of ownership are accommodated, both active and passive. Active involvement is envisaged through:
  - A majority shareholding position, i.e. 50% + 1 share;
  - Joint Ventures (“JV”s) and partnerships that have 25% HDSA equity plus 1 vote;
  - Broad-based ownership or “collective investment” vehicles e.g. employee share option schemes (“ESOP”s) or mining dedicated unit trusts. Such vehicles should allow the HDSA participants to vote.
- Provision is made for “offsets” to allow flexibility and to ensure that all previous transactions are accommodated in a mining house’s empowerment “credits”.

- Each mining company must achieve 26% HDSA ownership of its mining industry assets within 10 years, with the mining houses facilitating HDSA participation to the tune of R100 bn within the first five years.
- The measurement of empowerment will be determined through a 'scorecard', discussed below. The scorecard will accommodate ownership, management, employment equity, human resource development, procurement and beneficiation. It will be applied in just under years time to determine whether mining houses qualify for the conversion of old order rights into new order rights. However, annually companies will have to report annually on progress in achieving the goals of the Charter and the figures will be independently verified.

The Charter essentially expresses consensus between the industry and government, unlike the legislation, which was based on consultation, with government having the final say. The empowerment ownership element of every application for a prospecting, mineral and mining right will likely have to be negotiated due to a lack of clarity in the legislation and its ancillary documents covering empowerment. Broad-based ownership is discussed in narrow terms in the Charter, referring only to ESOPs. However, community ownership through trusts should also be acceptable.

The Charter refers to "flexibility" in terms of offsets and credits. The scorecard reduces the offset potential to one factor, notably beneficiation. In other words, beneficiation above a certain base line can be converted into a measure of empowerment equity ownership.

The Mining Charter stipulates that the mining industry will assist HDSA companies to secure financing for R100 billion. It is clear that the mining industry will have to bear some of the costs of empowerment, which is amongst other likely to entail discounts on the sale of shares and various forms of third party financing credit enhancement to make the transactions possible to finance. Such credit enhancement could include providing guarantees to banks, guaranteeing dividends, or financial engineering of capital structures.

While charters will not be legislated, their compliance is effectively compulsory. It will be extremely difficult for a company to stand outside of an industry charter, and hope to maintain its reputation and any empowerment sensitive business. This is particularly the case for large South African and multinational corporations.

Charters involve targets, which can be in terms of BEE ownership levels (usually 25% plus one or 26%), preferential procurement and employment equity. Further, a weighting is given to each element of BEE. Based on the targets and the weightings, companies are scored and rated.

#### ***Special circumstances for mining***

The fact that the mining sector is governed by legislation with mining rights linked to empowerment performance places empowerment in this sector on a different footing to other sectors. Non-compliance in financial services for example may jeopardise a financial institution's ability to secure business, particularly from the state. The risk for a mining company, on the other hand, is much greater, as its right to mine can be withdrawn.

#### **BEE and Mining**

In total there are now two broad categories of external BEE pressure namely:

- Pressure from the government by way of legislation, notably the Minerals Act, and its related Mining Charter;
- Planned new BEE Codes of Good Practice ("the Codes"), currently in draft form but virtually finalised.

Over the past two years in particular, there has been an escalation of government initiatives to address BEE. This pressure is anticipated to be a key feature of government intervention in the economy going forward and is not likely to relax in the medium term. The emphasis is now on a number of elements to BEE, notably ownership, employment equity, training, preferential (i.e. affirmative) procurement, and small enterprise development. There have been a number of legislative and policy initiatives with regard to BEE, and these include:

- Broad-Based Black Economic Empowerment Act (“BEE Act”), based on the Department of Trade and Industry’s Strategy for Broad-Based Black Economic Empowerment (“DTI Strategy”): the Act provides the framework for sector-related BEE charters, whereby all stakeholders in a sector should reach consensus on an empowerment charter relevant to their sector. The Act also makes provision for a BEE Council that reports to the President of South Africa, which will have an oversight over BEE in the country.
- Strategy for Broad Based Black Economic Empowerment (“DTI Strategy”), the strategy document sets out in detail the motivation for BEE and the elements thereof. A scorecard proposing a weighting for various elements of BEE is contained therein
- Preferential Procurement Policy Framework Act (“PPPFA”): this Act covers procurement by the State, which is channelled through the tender boards, both national and provincial. At this stage, the BEE requirement is not onerous, operating on what is termed the 90/10 principle, with 10 points dedicated to BEE, with ownership being just one component of the 10 points. The Act is expected to be revised to affect an increase in empowerment obligations. Local governments are not governed by this Act, and there is evidence of their BEE requirements being higher, for example, making black ownership a requirement to submit a tender.
- Mineral and Petroleum Resources Development Act, implemented in May 2004, makes provision for empowerment and community development of communities surrounding mineral resources. In brief, mining companies will not receive new mining rights or be able to convert their mineral rights in terms of the new Act unless they meet certain BEE obligations as laid out in the Mining Charter.
- BEE Codes of Good Practice, with the first draft released in December 2004 for public comment.

Changes are therefore specifically required in the internal operations of companies to comply with BEE requirements in terms of procurement and workforce demographics inter alia, as well as in the way companies manage the external working environment – especially in the case of regulatory compliance and regulatory documentation et al. This impacts in turn on profitability and investor confidence- companies unable to manage the transforming landscape in a sustainable and commercially viable manner will suffer in terms of market perceptions – ultimately affecting the bottom line.

#### *5.1.1.7. National Strategy for the Development and Promotion of Small Business in South Africa*

The Department of Trade and Industry promulgated this strategy in 1995 after an intensive process of consultation with key stakeholders in the SMME sector. The vision of the Government is that of high and sustainable economic development, which can only be obtained by increased investment, enhanced productivity, expanding employment opportunities and an overall increased competitiveness.

The Strategy contains programmes and policies, which can contribute to the process of stimulating the small business sector – which is the core of sustainable and equitable growth in South Africa. Different categories of small business can be distinguished, each one with its unique characteristics, obstacles and requirements for support. It may be necessary to refer to each of these categories in order to create a better understanding of the terminology, as well as the support required:

#### **Survivalist enterprises**

These are activities by people unable to find a paid job or get into an economic sector of their choice. Income generated usually falls far short of even a minimum income standard, with little capital invested, virtually no skills training in the particular field and only limited opportunities for growth into a viable business. Poverty and the attempt to survive are the main characteristics of this category of enterprises. Support strategies should primarily help these people, a large percentage of whom are women to get out of this sector. Given the large number of people involved in survivalist activities, this constitutes a vast challenge, which has to be tackled within the broader context of the RDP.

#### **Micro-enterprises**

These are very small businesses, often involving only the owner, some family member(s) and at the most one or two paid employees. They usually lack ‘formality’ in terms of business licenses, value-added tax (VAT) registration, formal business premises, operating permits and accounting procedures. Most of them have a limited capital base and only rudimentary

technical or business skills among their operators. Many micro-enterprises advance into viable small businesses. Earning levels of micro-enterprises differ widely, depending on the particular sector, the growth phase of the business and access to relevant support.

**Small enterprises**

These constitute the bulk of the established businesses, with employment ranging between five and about 50 usually owner-managed or directly controlled by the owner-community. Operate from business or industrial premises, be tax-registered and meet other formal registration requirements. Classification in terms of assets and turnover is difficult, given the wide differences in various business sectors like retailing, manufacturing, professional services and construction.

**Medium enterprises**

These enterprises constitute a category difficult to demarcate vis-à-vis the “small” and “big” business categories basically owner/manager-controlled, though the shareholding or community control base could be more complex. The employment of 200 and capital assets (excluding property) of about R5 million are often seen as the upper limit. Medium-sized enterprises, which face obstacles and constraints, cannot be solved through normal market forces and private-sector action.

The creation of an enabling environment is of crucial importance for SMMEs to play their role in absorption of the labour market, diversification of the economy, enhancing of productivity of our labour corpse, stimulation of investment, flourishing of entrepreneurship and penetration of new markets.

**Implications:**

This strategy provides programmes and policies that contribute to increasing the level of sustainable economic development in the Mpumalanga area. The focus is on increased investment, enhanced productivity, expanding employment opportunities and an overall increase in competitiveness. By means of this the Mpumalanga small business sector can be developed and enlarged to play a larger role in the provincial and even national economy.

***5.1.1.8. A National Biotechnology Strategy for South Africa, 2001***<sup>8</sup>

South Africa has a solid history of engagement with traditional biotechnology. It has produced one of the largest brewing companies in the world; it makes wines that compare with the best; it has created many new animal breeds and plant varieties, some of which are used commercially all over the world and it has competitive industries in the manufacture of dairy products such as cheese, yoghurt and maas and baker’s yeast and other fermentation products.

However, South Africa has failed to extract value from the more recent advances in biotechnology, particularly over the last 25 years with the emergence of genetics and genomic sciences (the so-called 3rd generation). Already many companies and public institutions elsewhere in the world are offering products and services that have arisen from the new biotechnology. In the USA alone, there are 300 public biotechnology companies with a market capitalisation of \$353 billion and an annual turnover of \$22 billion p.a. Moreover, the growth of biotechnology industries is not restricted to the developed countries. Developing countries such as Cuba, Brazil and China have been quick to identify the potential benefits of the technology and have established measures both to develop such industries and to extract value where possible and relevant.

The strategy outlined in this document is designed to make up for lost ground and to stimulate the growth of similar activities in South Africa. Biotechnology can make an important contribution to our national priorities, particularly in the area of human health (including HIV/AIDS, malaria and TB), food security and environmental sustainability. In the pursuit of these priorities, we are fortunate in that we can be guided by the experiences of other countries. For instance, we know that to achieve success a country requires a government agency to champion biotechnology, to build human resources proactively, and to develop scientific and technological capabilities. In addition, successful commercialisation of

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<sup>8</sup> Executive Summary of the National Biotechnology Strategy for South Africa, 2001.



public sector-supported research and development (R&D) requires strong linkages between institutions within the National System of Innovation and a vibrant culture of innovation and entrepreneurship, assisted by incubators, supply-side measures and other supporting programmes and institutions. Some of these components of a successful biotechnology sector are already in place in South Africa. However, a number of gaps are identified in this document and certain interventions are suggested to address these problems. The recommendations are divided into two categories, namely new institutional arrangements and specific actions for Government departments. In the case of the former, the Panel has recommended the establishment of a Biotechnology Advisory Committee (BAC), under the auspices of the Cabinet's Economics Cluster, the responsibilities of which will include the implementation of this strategy, co-ordination of biotechnology R&D and alignment with national priorities.

A key component of the strategy is the creation of several regional innovation centres (RICs) to act as nuclei for the development of biotechnology platforms, from which a range of businesses offering new products and services can be developed. The RICs will be required to work in close collaboration with academia and business in order for the centres to become active nodes for the growth of the biotechnology sector. Using both existing funds and new allocations specifically designated for biotechnology, and employing well-trained scientists, engineers and technologists in a multi-disciplinary environment, the centres will stimulate the creation of new intellectual property (IP). The successful protection and exploitation of this IP will be made possible by a new venture capital fund and an array of new and existing support structures. It is emphasised that the main focus of the RICs will be the creation of economic growth and employment through innovation.

A number of recommendations are made to Government, including support, both financial and at a policy level, for the formation of the BAC, which will be responsible for the implementation of this strategy. The proposed actions will require an annual budget of R182 million, of which R135 million is required for the funding of the RICs and the associated R&D programmes, R20 million for the venture capital fund, R25 million for additional funding to strengthen the link between academia and industry and R2 million to run the BAC, plus a once-off establishment cost of R45 million for the RICs. This document also urges the Government to complete a number of important revisions to the legislative and regulatory environment, including the extension of the activities of the Bioethics Committee and the revision of the Patents Act, in order for the strategy to be successful.

Finally, careful attention must be given to the development of the appropriate human resources and to the public understanding of biotechnology. It is Government's responsibility to ensure that new biotechnology products or services do not threaten the environment or human life, or undermine ethics and human rights. Several actions to meet these responsibilities are proposed in this document.

#### **Implications:**

This strategy illustrates the untapped development potential that is still available to the economy of South Africa, and therefore the Mpumalanga Province. More and more value is being placed on value adding and beneficiation to the resources that are available in the country and its provinces. This strategy therefore highlights the need to identify various potential points of contact on the value chain of the various sectors that are being investigated to ensure that the biotechnology possibilities are indeed identified, realised and achieved.

### **5.1.2 Provincial policies**

#### **5.1.2.1. Mpumalanga Provincial Growth and Development Strategy (PGDS)**

The Mpumalanga Provincial Growth and Development Strategy (PGDS) is regarded as a strategic framework of the Mpumalanga Province, but the document should also be regarded as a living document which should ideally be updated when more recent information becomes available in order to always reflect the current situation. It sets the strategic development direction for growth and development in the Province by specifying goals and objectives that Province needs to achieve by 2014.

The PGDS highlights the following areas as the priority sectors:

- **Economic development** comprising, inter alia, SMMEs, BEE, tourism, agriculture, mining and manufacturing
- **Infrastructure development** consisting of land reform, housing, water infrastructure, sanitation, telecommunications, transport infrastructure, and ICT
- **Human resource development** focusing on General Education and Training (GET), Further Education and Training (FET), Higher Education and Training (HET), staff development, skills training, and Adult Basic Education and Training (ABET)
- **Sustainable environmental development** with environmental management, waste management, nature conservation, sustainable development and pressures on environmental resources as focus areas
- **Social infrastructure** comprising of social development, population development, HIV/AIDS and communication diseases, safety and security, sport and recreation, arts and culture, heritage and education
- **Good governance** comprising public sector management, co-operative governance, accountability and transparency, regulatory frameworks, public service delivery, and promotion of democratic governance as dominant elements.

The PGDS highlighted the following major challenges of the Province:

- Poverty
- HIV/AIDS
- Slow agricultural development
- Lack of downstream manufacturing activities
- Infrastructure and service delivery backlogs
- Lack of appropriate skills
- Environmental degradation

At the same time, the PGDS highlighted the following opportunities in the area:

- Development of agro-processing industries
- Production of non-food agricultural products (e.g. wool, tobacco and cotton)
- Manufacturing of downstream products, including tubes, pipes, catering equipment, hollowware, catalytic converters, kitchen sinks and cutlery
- Manufacturing of chemicals and chemical products
- Wood processing and manufacturing of furniture, timber frames, packaging materials, ultra boards, coffins, paper products, printing products, etc.
- Tourism development.

To address the above-mentioned challenges and realise identified opportunities, the PGDS set the following goals and targets grouped according to six strategic pillars.

Table 5.2: Mpumalanga PGDS goals and targets

Strategic pillar	Goal	Target
Economic development	To improve the economic performance of the Province	<ul style="list-style-type: none"> <li>• 2.5% annual GGP growth</li> <li>• 15% increase in exports</li> <li>• Increase by 10% per annum in SMME contribution to GGP</li> <li>• Increase by 10% per annum in tourism contribution to GGP</li> <li>• Increase agricultural growth rate by 2% per annum</li> <li>• Halve the unemployment by 2014</li> <li>• Increase by 5% per annum in private investments</li> </ul>
Infrastructure development	To improve socio-economic development through the provision of integrated infrastructure	<ul style="list-style-type: none"> <li>• 80% of HH with direct access to roads that are 80% graded and 20% gravel in 5 years</li> <li>• 90% of HH with access to piped water by 2014</li> <li>• 90% of HH with legally connected electricity by 2014</li> <li>• 90% of HH with access to sanitation</li> <li>• 80% of HH with access to public telephones within 5 years</li> </ul>

Strategic pillar	Goal	Target
		<ul style="list-style-type: none"> <li>• 90% of HH living in formal dwellings by 2014</li> <li>• 30% increase in land ownership by previously disadvantaged</li> <li>• 10% of HH increase in access to ICT</li> <li>• 5% latent economic potential exploitation per annum</li> <li>• 90% of communities with access to all government services by 2014</li> </ul>
Human resource development	To improve the level of education and training within the Province	<ul style="list-style-type: none"> <li>• 100% registration of school going children</li> <li>• 5% increase in pass rate at final FET year per annum</li> <li>• 10% reduction in brain drain per annum</li> <li>• 100% relevant skills training and placement by 2014</li> <li>• 95% literacy rate by 2014</li> </ul>
Social infrastructure	To provide integrated social services	<ul style="list-style-type: none"> <li>• 50% reduction in the number of households with income below poverty line by 2014</li> <li>• Increase by 10% per annum in social welfare services provision</li> <li>• Increase by 10% per annum in income through poverty alleviation projects</li> <li>• Maintenance of up-to-date information on population dynamics within two years</li> <li>• 25% reduction in HIV/AIDS infection rate within 5 years</li> <li>• Reduction by 15% per annum in communicable diseases</li> <li>• 10%-20% social crime rate reduction within 5 years</li> <li>• Access to sport and recreation facilities by 80% of the population by 2014</li> <li>• Increase by 10% per annum of income generated from arts, culture and heritage</li> </ul>
Environmental development	To develop a structure to manage, integrate and align environment management issues	<ul style="list-style-type: none"> <li>• 90% compliance to national legislations and international conventions and agreements on environmental issues by 2014</li> <li>• 90% of communities services by appropriate integrated waste management systems by 2014</li> <li>• 85% of all waste disposed of in an appropriate waste management facility by 2014</li> <li>• Protection of 80% of land of high intrinsic biodiversity conservation value and 60% of land of medium intrinsic biodiversity value by 2014</li> </ul>
Good governance	To improve efficiency and effectiveness	<ul style="list-style-type: none"> <li>• 90% achievement of all government goals by 2014</li> <li>• 100% integration of planning initiatives</li> </ul>

The goals and objectives of the PGDS indicate a clear priority to achieve higher quality of living for local communities by developing a thriving economy, which is translated into creation of new job opportunities and providing adequate service delivery, including education and health facilities.

#### Implications:

The achievement of the above mentioned goals and targets is performed through an alignment of the PGDS with the Integrated Development Plans, National Spatial Development Plan and Medium Term Strategic Framework, as well as provincial sectoral strategies. The alignment of these strategic documents is an iterative process, which implies revision of the plans and strategies on the continuous basis and integrated planning between department, municipalities and national government.

Additionally the 2004 PGDS notes a negative -0.3% growth rate seen as a challenge to the Province given the dominant nature of mining in the provincial economy. In terms of economic development, the provincial PGDS notes that

improved value added in mining overall is a major thrust for the province as part of its Key Priority Area One- Economic Development Programme.

However, beneficiation and value added for the provincial mining assets is more likely to take place in non coal activities, such as gold, chrome, asbestos, magnesite, iron ore, vanadium, limestone, dolomite, silica and construction materials. Nearly two-thirds of processed mineral sales generated by the Province were produced from chromium alloys. This is because Coal is little used as content in value added beneficiation and is more likely to be used as a source of energy in other beneficiation processes.

### 5.1.3 Sector Specific Policies

#### 5.1.3.1. The Mpumalanga Draft Strategy in Agro-processing

This draft policy identifies the following key issues to justify the need to promote bio-fuels and to have an enabling Policy in this regard:

1. There is a long-standing need to increase South Africa's self-sufficiency in oil for both fuel security and for reducing the country's oil import bill
2. It is high time to harness the potential offered by bio fuels extracted from edible crops such as soybean, maize, and sugarcane, and also from non edible oilseeds, such as Jatropha
3. Bio fuel development venture can be decentralised and small industries can be located even in the rural areas, thus, increasing opportunities for rural income generation and employment.
4. With over 65% of the country's agriculture-dependent population residing in rural, there is vast potential for utilising the non edible oilseeds. Cake (left after oil extraction) as organic manure cum insecticide.
5. Bio fuels are free from the environmental concerns haunting fossil fuel combustion as they do not pollute the air. Rather, the bio fuel producing plants sequester carbon from the atmosphere. Bio fuel is an instrument of the Clean Development Mechanism (CDM) and will add a feather to South Africa's cap, the country being a supporter to the Kyoto Protocol.

The Mpumalanga Government now proposes to take up the bio-fuel development program mainly in degraded areas of the province that almost invariably coincide with areas of poverty.

A number of additional sector specific policies/studies and documents were taken into consideration during the investigations process of the CSP'S. These documents are listed below:

- **Agro-processing**
  - Integrated energy plan document
  - Renewable Energy White Paper of South Africa
  - Draft National Bio-fuels strategy
  - Medicines and Related Substances Control Act (Act 101 of 1965)
  - National Environmental Management: Biodiversity Act No. 10 of 2004
  - Biodiversity Act
  - Dairy Industry Act of 1961
  - Marketing Act of 1968
  - Uruguay Round of the World Trade Agreement in 1994
  - Animal Identification Act (Act No. 6 of 2002).
  - Meat Safety Act (Act 40 of 2000)

## 5.2 ORGANISATIONAL STRUCTURES

## **5.2.1 Relevant Organizations**

### **5.2.1.1. National Investment Incentives, dti<sup>9</sup>.**

#### **Incentives for investors**

Several investment incentives have been created for the potential investor in South Africa. All business sectors are open to investors, no government approval is required, and there are almost no restrictions on the form or extent of foreign investment.

The current tariff reform programme is specifically aimed at lowering input costs for the producer, while import controls have been relaxed in line with South Africa's General Agreement on Tariffs and Trade (GATT) and World Trade Organisation (WTO) obligations.

Exporters are granted incentives such as export marketing assistance, zero rating for value added tax (VAT) on exports of goods and services and relief from various customs and excise duties.

In his February 2001 budget speech, Finance Minister Trevor Manuel announced a R3-billion incentive package for investors in strategic industrial projects for the next four years. This will entail tax allowances of either 50% or 100% of an approved investment, and will be managed through the Strategic Industrial Project (SIP) programme.

The trade and industry department announced in April 2002 that the SIP programme had come on stream after finalising the criteria for the evaluation of projects.

#### **SIP incentives on stream**

Although there has been a delay in implementing the scheme, the trade and industry department announced in April 2002 that the R3-billion Strategic Investment Projects (SIP) incentive scheme had come on stream after finalising the criteria for the evaluation of projects.

The incentive is expected to unlock a multi-billion rand investment logjam for South Africa and has been broadly welcomed by investment analysts and consultants.

The Department of Trade and Industry said: "The incentive represents an innovative step by government to attract private sector investment in profitable and wealth-creating entities into SA, from both local and foreign entrepreneurs." The SIP will support industrial projects investing at least R50 m in qualifying industrial assets. These projects are expected to increase production within the SA industry and have a potential for long-term sustainability."

The SIP incentive programme is managed within the Department of Trade and Industry by The Enterprise Organisation (TEO).

#### **Which industry sectors qualify?**

The SIP incentive is accessible to industrial projects participating within the following sectors:

- Manufacturing of products: all listed manufacturing activities excluding tobacco and tobacco related products
- Computer and computer related activities: hardware consultancy, software consultancy and supply, data processing (excluding standard secretarial services), and database activities
- Research and development activities: research and experimental development on natural sciences and engineering

#### **What are the qualification requirements?**

The proposed project should:

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<sup>9</sup> dti website, 2006.

- Comprise investment in new qualifying assets equal to or exceeding R50 million
- Increase annual production of the relevant industry sector within South Africa
- Not substantially displace products or jobs in the relevant sectors demonstrate long term commercial viability
- Promote employment and production in the same economic sector in which the project is to be established
- Not concurrently be benefiting from certain other schemes as per the relevant legislation

More recently, the reserve bank released its **guidelines for inward listings** by foreign entities on South African exchanges. This follows an announcement by Finance Minister Trevor Manuel in his February 2004 budget speech that foreign companies will be allowed to list on the Johannesburg Stock Exchange and the Bond Exchange of South Africa.

This is expected to help local financial markets attract greater market capitalisation, attract foreign direct investment, support the New Partnership for Africa's Development (Nepad) and support exchange control objectives of enhancing foreign investment diversification through domestic channels.

#### **Regional incentives**

To encourage investors to establish or relocate industry and business to areas throughout South Africa, the country's various regions (provinces) have development bodies that offer incentives.

These incentives, which vary from area to area, include reduced interest rates, reduced rentals for land and buildings, cash grants for relocation of plant and employees, reduced rates for basic facilities, railage and other transport rebates and assistance in the provision of housing.

Industrial, technology and agro-tourism strategic development initiatives have been planned in various provinces and include the Maputo Corridor in Mpumalanga, the Gauteng special economic zone and the Wild Coast and Fish River areas in the Eastern Cape.

#### **Investment incentives**

The Department of Trade and Industry (DTI) has developed a package of incentives, which include the following schemes:

- Investment support
- Small business development
- Competitiveness fund
- Innovation and technology
- Export assistance
- Industrial Development Zone programmes

#### ***Investment Support***

- Black Business Supplier Programme

The Black Business Supplier Development Programme (BBSDP) is an 80:20 cost-sharing, cash grant incentive scheme, which offers support to black-owned enterprises in South Africa.

- Critical Infrastructure Fund

The Critical Infrastructure Fund (CIF) is a cash grant incentive for projects that are designed to improve critical infrastructure in South Africa. The incentive covers up to 30% of the cost of development costs in qualifying infrastructure.

- Foreign Investment Grant (FIG)

The foreign investment grant is a cash grant incentive scheme to foreign investors who invest in new manufacturing businesses in South Africa. The foreign investment should be free of lien or without any financial liability and can be compensated for the qualifying costs of moving new machinery and equipment from abroad. The FIG covers up to 15% of the costs of new machinery and equipment up to a maximum of R3 million per entity.

- Skills Support Programme

The Skills Support Program (SSP) is a cash grant for skills development with the objective of encouraging greater investment in training and creating opportunities for the introduction of new advanced skills.

- The Small and Medium Enterprise Development Programme (SMEDP)

The Small and Medium Enterprise Development Programme (SMEDP) is a grant paid to local and foreign investors, starting new or expanding their current operations, based on approved qualifying assets and activities / projects.

#### *Small business development*

- Danida Business to Business Programme, Credit Guarantee Scheme

The objective of the Business-to-Business programme is to develop and strengthen business opportunities and create jobs for eligible entrepreneurs from the previously disadvantaged communities. This is achieved through support to the development of commercially viable businesses, based on formation of business partnerships between South African and Danish companies.

- Emerging Entrepreneur Scheme, Credit Guarantee Scheme

The Emerging Entrepreneur Scheme provides up to R100 000 with the fee payable at 4% p.a. in advance. The duration is 24 months initially but can be extended three times for periods of 12 months each time. The conditions are mentorship of the loan.

- Empowerment Scheme, Credit Guarantee Scheme

The Empowerment Scheme provides cover up to R5 m of bank facility at 60% , with the fee payable at 2,5% p.a. in advance. Duration is 36 months initially but can be extended twice for a period of 12 months each time.

- Individual Guarantee, Credit Guarantee Scheme

The purpose of the individual guarantee scheme is to enable an entrepreneur to access funding from a participating bank or other financial institution. The scheme enables the entrepreneur to access funding for purposes of establishing, expanding or purchasing a business. Facilities secured under the Khula guarantee scheme often include term loans, bank overdraft, revolving credit, instalment sale, bank guarantees as well as construction performance guarantees.

- Institutional Guarantee, Credit Guarantee Scheme

The Institutional Guarantee Scheme caters for institutions that on lend to the SMME and are able to source such capital from the commercial banks. Agreements are signed between Khula and the commercial banks to enable utilisation of the Scheme.

- Kwa Zulu Rehabilitation Trust Fund, Credit Guarantee Scheme

The fund set R10 m aside for Kwa Zulu entrepreneurs whose businesses were adversely affected by unrest up to 1994. This fund is meant to cover lack of collateral for businesses wishing to reinstate their operations. The entrepreneurs could be in a different line of business presently and proof that the loss of the first business was due to the unrest will be required.

- Micro Credit Outlets (KhulaStart)

KhulaStart uses the group solidarity methodology (gives loans to groups - not individuals). Individuals select themselves into groups of 3 -10 members and need to meet the criteria established for group participation. Most importantly the group has to be a cohesive one. The loans are disbursed on an incremental basis from R300 - R3 500 per member within a group. The group decides, based on the activity of the individual businesses, how much each member has to receive, and will subsequently stand surety for the full amount owed by the group as a whole.

- Regional equity funds

The need for risk capital (venture capital/private equity) to support Small and Medium Enterprises (SMEs), especially those sponsored by historically disadvantaged entrepreneurs, is not in doubt. Many banks and financial institutions have introduced equity funding into their product mix.

- Retail Financial Intermediaries

Business and Capitalisation Loans are provided by Khula, which are loans given to RFI's to enable RFI's to lend to entrepreneurs for business purposes. Entrepreneurs must approach RFI's directly and not Khula. Only companies that want to access these products and become RFI can apply to Khula.

- Skills Support Programme

The Skills Support Program (SSP) is a cash grant for skills development with the objective of encouraging greater investment in training and creating opportunities for the introduction of new advanced skills.

- Standard Scheme, Credit Guarantee Scheme

The Standard Scheme provides cover up to R1m of the bank facility at 80% , with the fee payable at 3% p.a. in advance. The duration of the scheme is 36 months initially, but can be extended twice for periods of 12 months each time. Normal criteria apply.

- The Land Reform Credit Facility

The Land Reform Credit Facility is a wholesale finance facility at Khula Enterprise Finance Ltd, whose aim is to stimulate and encourage private sector participation and involvement in the Land Reform process. The LRCF is funded by the Department of Land Affairs and the European Union. The facility achieves its objective by incentivising commercial banks and other high credit rated institutions to invest in high value agricultural and ecotourism joint ventures, thereby unlocking private sector investment into the agricultural, agribusiness and ecotourism sector.

- Dutch funds available for investments in South Africa

South Africa is a new market that is expanding rapidly. This provides opportunities for businesses to expand investments and trade relations. The Dutch Ministry of Foreign Affairs finances companies who wish to invest in South Africa, together with a local South-African company. These companies can receive a contribution of 50 percent of the total project costs.

#### *Competitiveness fund*

The Competitiveness Fund is a section of the Department of Trade and Industry, using World Bank Funds, for the purpose of financial support to qualifying entrepreneurs, allocating grants that cover up to 50% of their running costs to certain businesses in the private sector that fall within their parameters. However, companies should have a clearly stated objective to support competitiveness.

#### *Innovation and technology*

- Technology and Human Resources for Industry Programme (THRIP)

The Technology and Human Resources for Industry Programme (THRIP) is a partnership programme which challenges companies to match government funding for innovative research and development in South Africa.

- Support Programme for Industrial Innovation (SPII)

Support Programme for Industrial Innovation (SPII). This is a dti innovation support programme that is administered by the Industrial Development Corporation (IDC). Regarding policy implications for the administration of SPII the following changes have been introduced since January 2005:

- National Technology Transfer Centre (NTTC)

The National Technology Transfer Centre (NTTC) is an initiative by the dti to facilitate technology transfer and diffusion to SMMEs with a specific focus on the Second Economy.

- GODISA

The GODISA Trust is partnered by the Department of Science and Technology and the Department of Trade and Industry.

- Mpumalanga Stainless Initiative (MSI)

Mpumalanga Stainless Initiative (MSI) is an incubator funded by the dti. As an attempt to address the problem of unemployment in the province, a need was identified to expose a large number of interested SMMEs to the possibilities of the manufacturing sector. Potential candidates are screened and selected for technical and business training. The programme equips them to take up stainless steel product manufacturing opportunities.

- The Down Stream Aluminium Centre for Technology (DACT)

The Down Stream Aluminium Centre for Technology (DACT) is a dti-funded project. DACT is set to gain stature in the casting industry for sound financial, social and environmental management. Providing a sound training and incubating facility and establishing successful small businesses to benefit the community in which it operates.

- FURNTECH

The Government, through its National Skills Development Strategy (NSDS), identified training and skills development as significant drivers of international competitiveness and organisational development. In response to these requirements, the Department of Trade and Industry (the dti) funded the establishment and operationalisation of



FURNTECH as a world-class service provider to South Africa's wood products and furniture industries in the fields of incubation, training, technology transfer and technology demonstration.

- National Fibre, Textile and Clothing Centre (NFTCC)

As a technology partner to industry, the National Fibre, Textile and Clothing Centre (NFTCC) of CSIR Manufacturing and Materials Technology, promotes the growth and global competitiveness of the South African textile pipeline. Through awareness of relevant technological developments globally and the acquisition or development of technologies, the centre aims to be the best provider of knowledge and innovative solutions to the textile pipeline in Southern Africa.

- Venture Capital

The Venture Capital fund is an initiative that would primarily focus at financing the first two stages of development of new technology-based firms: that is the seed stage (which involves concept development, prototyping, and product development) and early stage (marketing, production of goods and/or services), with some investment in later stages. Venture Capital is considered to be funds invested in a venture at high risk to the investor, usually in situations where the venture is unable to secure the required funds from traditional lending sources, such as commercial loans from a bank, or the public equity market.

- Technology Linkages

The objective of the programme is to facilitate the establishment of industrial sector needs and offer support as required by the dti sectors. The Unit (Innovation & Technology), together with Trade and Investment South Africa (TISA), interacts with industry on integrated manufacturing strategies and technology issues such as:

- Innovation and Technology

To provide technology leadership in supporting sustainable Growth, Equity and Employment.

#### *Export assistance*

- Export Marketing and Investment Assistance Scheme

The purpose of assistance under the EMI scheme is to partially compensate exporters for costs incurred in respect of activities aimed at developing export markets for South African products and services and to recruit new foreign direct investment into South Africa.

- Productive Asset Allowance

The purpose of this offering is to reduce the amount of vehicle platforms and models locally assembled coupled with increased investment and exports with increased local content. The offering will save the customer money by using the rebate certificate to off-set import duties on built up vehicle imports.

#### *Industrial Development Zone programmes*

- Industrial Development Zones (IDZ)

An IDZ is a purpose-built industrial estate linked to an international port that leverages fixed direct investments in value-added and export-oriented manufacturing industries.

#### **5.2.1.2. Small Enterprise Development Agency (SEDA) - a member of the dti group**

The Small Enterprise Development Agency (**se<sub>da</sub>**) was established in December 2004 in terms of the **National Small Business Amendment Act**. This law merged the previous small enterprise development agencies Ntsika Enterprise Promotion Agency, NAMAC Trust and the Community Public Private Partnerships (CPPP) into a single small enterprise support agency.

The mandate of **se<sub>da</sub>** is to design and implement a standard national delivery network that must uniformly apply throughout the country. Its role includes the support and promotion of co-operative enterprises, particularly those located in rural areas.

The work of **se<sub>da</sub>** is carried out in line with the Department of Trade and Industry's Integrated Small Enterprise Development Strategy, which aims to:

- Strengthen support for SMME's access to finance
- Create an enabling regulatory environment
- Expand market opportunities for specific categories of small enterprises
- Localise small business support through a grid of seda-coordinated information and advice access points
- Initiate a national entrepreneurship drive and expand education and training for small business
- Co-fund minimum business infrastructure facilities in local authority areas across the country

In terms of this strategy, **seda's** delivery network must reach all regions of the country and integrate government-funded small enterprise support across all tiers of government.

Regarding business infrastructure facilities, the strategy expects that the integrated strategy has to link up closely with current local economic development (LED) efforts in all municipalities.

There are a number of departments at SEDA tasked with specific responsibilities, these departments, head of department and short description of its functions is listed below:

- **Office of the CEO**
  - Executive Manager: Kaybee Motlhoia
  - The Office of the CEO monitors and evaluates **seda's** performance, supporting the implementation of the organisation's strategy and business plan.
- **Products and Services Department**
  - Executive Manager: Thandile Gubevu
  - The Products and Services Department designs, develops, sources and packages needs-based products and services that enhance the competitiveness and capabilities of small enterprises.
- **Network Operations Department**
  - Executive Manager: Vincent Malunga
  - The Network Operations Department is responsible for developing and supporting **seda's**
  - Delivery network to ensure small enterprises across South Africa have easy access to what **seda** offers.
- **Marketing and Customer Relations Department**
  - Executive Manager: Manana Makhanya
  - The Marketing and Customer Relations Department markets **seda's** programmes, products and services, as well as building a strong brand for the organization.
  - The department also runs a National Information Centre where the public can call or visit for small business advice, and the **seda** website.
- **seda Technology Programme (STP)**
  - Head: Charles Wyeth
  - The STP creates and supports technology business centres, which include incubators and technology demonstration centres.
  - These centres offer a variety of business support services and office infrastructure to small enterprises.
- **Human Resources Department**
  - Executive Manager: Mike Netsianda
  - The Human Resources (HR) Department attracts talented people to **seda** to ensure a capable and motivated staff, and promotes a performance-driven culture by enhancing staff skills and managing performance.
- **Finance, Procurement and Facilities Department**
  - The Finance, Procurement and Facilities Department support the delivery of **seda** services through the development and implementation of functional systems, policies and procedures within the organization.

**Implication:**

SEDA has a local office in Mpumalanga, the provincial office as well as a regional office is situated in Nelspruit, with further regional offices in Witbank and Malelane. Not only does this organisation provide practical support to small businesses, it also provide additional information services linking businesses to specific industry leaders, websites and any related information.

For the Mpumalanga Province this organisation can provide essential support with regard to the development of SMME's in the sectors that are being targeted in terms of the CSP. This could provide the required capacity to ensure that all the development directed at SMME's is indeed unlocked and utilised in a sustainable manner due to the availability of the correct support structures.

#### 5.2.1.3. Mpumalanga Tourism and Parks Agency Act, 2005

The Mandate of the Mpumalanga Tourism and Parks Agency as contained in the Mpumalanga Tourism and Parks Agency Act, No 6 of 2005 is "to provide for the sustainable management and promotion of tourism and nature conservation in the Province and to ensure the sustainable utilisation of resources."

In terms of powers and functions and insofar as marketing of tourism is concerned, the agency shall develop and implement international, regional and domestic marketing strategies. The marketing oversight role of the agency is indicated by the condition that it will "monitor, evaluate and ensure the implementation of and compliance with, all tourism marketing policies, programmes and regulations by stakeholders to which they apply to..." The agency also has powers and functions with respect to tourism development and training, research and compilation of information pertaining to tourism as well as communication strategies (MTPA Act 2005: 5-8)

#### Implications:

It is important to ensure that any projects and programmes in terms of tourism industry growth and development which is put forward for implementation, recognised the new vehicle that has been put in place as a strategic development partner in order to ensure that the correct focus and commitment is achieved.

#### 5.2.1.4. Proposed Implementing Agents

The following table provides a very brief overview of the various potential implementing agents that have been identified by the various specialists involved in this study in terms of project implementation. This list aims at providing an indication of all of the possible agents as identified, but should not be considered as an exhausted list, as additional agents could be identified during project development and implementation.

Agent	Function
Sassda	Southern Africa Stainless Steel Development Association (Sassda); is one of the most active stainless steel industry associations in the world. Offers its member's services such as technical information and advice, education, training and skills upgrading, a range of publications and market, industry and business development support.
MII (Mpumalanga Investment Initiative)	This is an organization dedicated to the promotion of trade and investment into the Province of Mpumalanga, formed by and under the Provincial Government of Mpumalanga, Department of Economic Development and Planning.
TASA (Training Assessment South Africa)	Provides sound training and assessment products, services and advice. The services provided are inter alia Accreditation services, Assessment and RPL, Unit Standards, Sales training and tools, Training and Development Skills.
Columbus Stainless Steel	This is a company base in Middleburg. It has offers a range of steel products in austenitic and ferritic grades. The steel products offered are available in flat slabs, plates, sheets and coil. Steel products that are derived from the aforementioned products are automotive exhaust turbines, gas cylinders, safety belt buckles and kitchen sinks.
FET (Further Educational Training)	Offers students with technical & vocational education. FET is an integral component of life long learning.
MITTAL	Mittal produces flat and long steel products. It is the world's largest steel producer, with shipments of R113 million tones revenue over \$77 billions.
CCIG (Catalytic Converters Interest)	This association represents the majority of motor vehicle producing industries or manufactures, manufacturers of precious metal catalysts and of companies who fabricate

Group)	catalytic converters. It is mostly an export based industry.
CHIETA (Chemical Industry Education & Training)	The duties of this organization is to review sector skills plan, to develop concept papers for each project, provide funding to enable the continuation of SET foundation Programme. At times it approves SME voucher training, and also to support small organizations in skills development and promote a culture of lifelong learning in small companies.
NTI (National Tooling Initiative)	NTI is a national, multi-stakeholder initiative and structured as Public-Private Partnership. It has five major driving programs that have been identified and defined in order to focus all efforts towards rehabilitation objective: These are skills and expertise development, capacity expansion, SMME and BBBEE structuring, technology recapitalization, competitiveness improvement and export development and PPP Governance structure development.
ADB (African Development Bank)	This is a major bank in Africa established with the intent of promoting economic and social growth. It is backed by African members and overseas principals to provide for Africa.
DBSA (Development Bank of South Africa)	This is a leading development finance institution in the South of the Sahara. It plays the role of a financier, Advisor and Partner. It maximises its contributions to sustainable development, mobilizing financial, knowledge and human resource to support governments and their role players in improving the quality of life of their people.
DEAT (Department of Environmental Affairs and Tourism)	The department seeks to ensure the conservation and protection of the environment. It also promotes the enhancement of natural resources for sustainable and equitable use and the enhancement and quality of life.
CTC (Colliery Training College)	This college offers skills training programmes. It is equipped with modern training facilities and equipment for the training of engineering skills and lump ore beneficiation. Coal mine training is also done at the CTC's training section at Greenside Colliery. Other trainings offered are as follows; electrical, millwright, fitting and turning, fitting, diesel mechanics, plater/welder and production miner.
DAES (Dass Aero Engine Services)	DAES provides unique sales & marketing services to the aviation industry. Offers sales and marketing services, airline, component & engine repair management, quality component repair services, sales coverage, global sales management, business development and project management.
MEGA	Mega has been tasked with the development of the business sector. It provides funding in respect of approved enterprise developments. It promotes trade & investment in Mpumalanga. It facilitates BEE in the procurement expenditure. And it also interfaces wit high impact programmes of government and private sector. Ensures the practice of analytical and research capacity to pursue business plans.
SA VEG	Conducts food safety measures, such as pesticides initiatives. It also attempts unifying the diverse vegetable industry, oversees food legislation, conducts exports audits and oversees the vegetable supply chain from grower level to the shipping levels.
Sasol	Sasol was developed with the sole aim to undertake the marketing of fuel, lubricant and bitumen products produced by the Natref refinery. Sasol is active in coal mining, crude oil refining and fuel product marketing, synthetic fuel production, petrochemicals and petroleum exploration. It is renowned for major innovations in designing and commercializing proprietary technologies for the production of high –quality synthetic fuels, such as petrol, diesel, kerosene gas and furnace. Sasol has also been involved in taxi ranks upgrades; it has also started manufacturing and marketing lubricating oils in 1990. It is currently exporting extensive range of products such as fuel and alcohol, industrial chemical products and explosive accessories. It has an ability to manufacture synthetic fuels which is contributing significantly to South Africa's energy supply.
IDC (Industrial Development Corporation)	This is a self-financing organization which has been established to oversee improved economic growth and industrial development. It oversees the national development finance institutions. Its objectives are those of creating employment, to develop SMEs and to accelerate BEE. IDC is about developing viable economies, sustainable environment and socially responsible governments.
MRC (Medical Research Council)	Conducts extensive medical research on outbreak illnesses, and chronic illnesses. It has contact database on all diseases, consists of the entire South Africa's health information. Has a tool that they use as a research tool, their research strategy framework that is followed in all studies conducted?
Mpumalanga DED	This Programme is aimed at improving the living conditions of the rural poor through sporting activities, and to provide technical development support to provincial, district and local government structures.
Naacam (National Association of Automotive Component and Allied	It offers the following services; local and international news, analyses and networking, Up to date information on gazetted matters affecting the Motor Industry. The latest export incentives and potential leads, introduction and direct contacts with the

Manufactures)	government officials with a direct bearing on the motor industry. They participate in overseas missions and international trade fairs. Provides latest developments regarding the Motor Industry Development Programme, investment opportunities and business trends. A formal forum to interface with other associations such as NAAMSA, NUMSA, RMI.
CSIR (Commonwealth Scientific Industrial Research Organization).	CSIR is one of the leading scientific and technology research, development and implementation organizations in Africa. It undertakes and applies directed research and innovation in science and technology to improve the quality of life of the country's people. It has established enormous partnerships with the international community. It is committed to supporting innovation in South Africa to improve national competitiveness in the global economy. CSIR receive a government grant as an income and the rest is generated from research contracts with government departments at national, provincial and municipal levels, private sector and research funding agencies in South Africa and abroad.
SAPPI	This is a South African based international forest products company and one of the world's largest pulp and paper manufacturers. It has become the world's largest manufacturer and supplier of coated wood free paper and dissolving pulp.
MSI (Mpumalanga Steel Initiative)	Situated in Middleburg, it provides entrepreneurs with previously disadvantaged backgrounds with an opportunity to enter stainless steel industry. New and emerging enterprises are able to set up businesses with MSI assistance.
BAT (British American Tobacco)	This is the world second largest tobacco company. It is the largest producer of cigarettes in the country and it is a part of BATs group international companies, with its presence in more than 180 markets.

## SECTION SIX – IMPLICATIONS FOR IMPLEMENTATION

From preceding sections it is clear that there are various economic growth and development opportunities prevalent in Mpumalanga, but that the market is inept in some instances to take these opportunities to the next level. It is therefore essential to create an environment that is conducive to unlocking of latent potential and translating the potential into tangible benefits of the province and its people. This section illustrates the specific actions that must be taken in order to implement the catalytic projects and to ensure that the recommendations are indeed taken down to ground level, it is essential to provide specific policy directives to give more authority to the recommendations made.

1. The **roles of the relevant role players** are as follow:
  - a. The **Department of Economic Development and Planning** as well as the relevant Specialists that were responsible for the sector study must facilitate information dissemination to the implementing agents identified during the specialist study.
  - b. **Implementing Agents** must take responsibility of each project; determine if enough in-house information is available to implement each project. If more information is required, the implanting agent can task the specialists to undertake further work based on their existing knowledge of the sector and involvement in the process.
  - c. **Specialists** will be responsible for briefing the implanting agents about the findings of their study, the specific rationale behind each project and undertaking of any additional work commissioned related to the process.
  - d. **The EAC** should ideally fulfil a supporting role in implantation monitoring to the DEDP and the relevant implementing agents in order to ensure that all relevant trends in each sector is taken into consideration and to ensure sufficient inter-sectoral linkages take place.
  - e. **Sectoral task teams must be set up** in order to coordinate all the actions taken and monitor the progress made with regard to the development of each sector.
2. **Integrated project programming** must be undertaken.
  - a. All the relevant implementing agents must be contacted and project discussion and prioritisation must take place.
  - b. All projects are catalytic in nature and should therefore be implemented as a matter of urgency to unlock further development potential.
  - c. Prioritisation will assist in optimum resource allocation and provide a plan of action for the accessing of appropriate funding.
  - d. Ideally implantation of projects should not start later that March 2007.
3. A **purpose directed management plan** must be compiled by the relevant sectoral task teams
  - a. This will ensure that the process of development of a specific sector is a dynamic and long-term development issue that will be adapted as the process progresses. This will ensure that once certain projects have been implemented and the relevant service providers have taken ownership, new projects will have been identified and the process starts from the beginning.
  - b. The management plan will also ensure that the next phase of projects does not concentrate on the same spatial distribution as that of the first phase of projects and that development benefits the entire province.
4. A **financial plan** must be compiled by the relevant sectoral task teams with the assistance of the DEDP, the relevant implementing agencies and the specialists.

- a. There are a number of incentive schemes and funding sources that are general or more sectors specific in nature. Additionally some of the implementing agents are parastatals and receive an annual budget from the national or provincial government.
- b. It is essential to determine the best way in which to address the financial requirements of each project, this includes issues such as further assessments required and actual implementation such as construction etc.

**5. Human resource requirements**

- a. In order for the process to achieve optimum benefit and development momentum, it is essential to include in the process, the correct people that will share the same vision of sector development
  - b. As proposed, the sector task teams must be a combination of government officials, members from the implementing agents and specialist in the relevant field
  - c. The people should ideally have tertiary education but the benefit of field knowledge and experience should also feature in the group
  - d. Mentoring can take place during project development and implementation in order to ensure that skills transfer takes place and that the province's skills capacity in each sector is enhanced.
6. From the extensive research that had been done as part of this study, it had been indicated that there is a high number of unemployment and this is interlinked with the skills levels of people residing in the province. Once people are trained, it increases their employability and it is therefore essential to ensure that the correct training strategy or approach is followed. Through the SETA policy, all sectors in the economy must have a Sector Skills Plan detailing the skills needs in each sector and also formulate specific learnerships to address those skills gaps.
- a. There is a FET skills fund for each province, and accessing those funds should be priority action
  - b. Training is a long-term strategy and solution to unemployment and it is therefore essential to ensure that the correct training is undertaken and that training is flexible enough in order to adapt to changing economic environments in order to ensure that the sector and the training it provides move in the same direction.
7. Create a **central point to be a communications** link between government and investors that will provide information on the performance of the national, provincial and local economies within a province. Another function of this central information point will be to constantly update information on local economies and link it to potential markets and investment sources.
- a. The main aim of this t will be to create confidence in the economic growth and development of the province to the investment community, especially with regard to attracting foreign capital that will allow for production and beneficiation and also exportation of South African products to foreign markets
  - b. During some research that was done by the various specialists, it was found that investors currently are not assisted adequately by government and there is no specific office to contact when they are interested in investing in the area. This central point could eliminate such problems
  - c. Additionally the dti have indicated that they are aware of the fact that not all of the existing incentive schemes are easy to access and they are in a process of reviewing these issues – the central point office could ensure that the new updated list of incentives are available to anybody interested that the office should assist investors to access these incentives
8. The province should develop and use a **community prioritisation model** in order to ensure that resources are objectively allocated.
- a. This will link with the directive of distributional equity in making sure that the various towns/nodes/areas within Mpumalanga all have the same advantages and that all the areas receive the same opportunities at entering the first economy.

- b. This could be linked to the Regional Industrial Development Strategy currently being finalised by the dti. There are two development funds which could be accessed, the Thematic Fund and the Regional Industrial Development Fund

**9. Revisiting trade relations and agreements.**

- a. Linkages with the broader environment (i.e. neighbouring provinces and countries) should be established and expanded. In many instances it is important to change the export focus of Mpumalanga from Europe and the rest of the world to focus on the consumer market present on our doorstep. Although this might not be the case for all the sectors, those sectors that will indeed benefit from such a shift in focus should use all the available research and development resources available and investigate innovative product design to fulfil the needs and demands from the African Market. Trade relations between South Africa and Mpumalanga could benefit in the long term from these shift changes and could lead to more opportunities along the course of the process.
- b. This could be achieved with the use of various trade regulations that are already in place and formulating a more provincially aimed approach were necessary
- c. It would also help if the normal red-tape could be avoided when investors are interested in investment money in specific projects located in the area