

**Social, economic and environmental analysis and facilitation of the  
alignment of District Integrated Development Plans with the  
National Spatial Development Perspective**

**TENDER PT08/03**



**FEZILE DABI DISTRICT MUNICIPALITY**

**SYNTHESIS REPORT**

Submitted to:

*Policy Co-ordination and Advisory Services (PCAS)*

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***Submitted by***

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## List of Acronyms

DIF	District Inter-Governmental Forum
FDC	Free State Development Corporation
FDDM	Fezile Dabi District Municipality
FIPA	Free State Investment and Promotion Agency
FSPGDS	Free state Provincial Growth and Development Strategy
GDP	Gross Domestic Product
HDI	Historically Disadvantaged Individuals
IDP	Integrated Development Plans
IGR	Inter-Governmental Relations
ITP	Integrated Transport Plan
LMs	Local Municipalities
MaLM	Mafube Local Municipality
MeLM	Metsimaholo Local Municipality
MLL	Minimum Living Level
MoLM	Moqhaka Local Municipality
MTEF	Medium Term Expenditure Framework
NLM	Ngwathe Local Municipality
NSDP	National Spatial Development Perspective
OECD	Organisation for Economic Co-operation and Development
PCAS	Policy Co-ordination and Advisory Services
PGDS	Provincial Growth and Development Strategy
PMS	Performance Management System
PSDF	Provincial Spatial Development Framework
RDP	Reconstruction and Development Programme
SDF	Spatial Development Framework
SMME	Small Medium & Micro Enterprises
SWOT	Strength, Weaknesses, Opportunities and Threats
TR	Territorial Review

## 1. Introduction

The NSDP/PGDS/IDP Alignment exercise is designed to ensure that all districts, provinces and national departments work from a similar set of assumptions about the spatial implications of development in their localities. It can be argued that both district and provincial trends are merely a part of the national picture and therefore we should expect a common understanding of these trends whether we take a national, provincial or district wide perspective.

However, it can also be argued that many of the trends captured nationally in such documents as the National Spatial Development Perspective (NSDP) are not sufficiently dis-aggregated to capture local nuances. It is therefore equally important in such exercises to reconcile the national, provincial and district perspectives in order to ensure that the aligned understanding of development is able to reflect the richness of local specificities yet present a picture of such realities that confirms the broader developmental perspectives.

The main tool adopted by the PCAS for this alignment exercise is the OECD Territorial Review (TR)<sup>1</sup>. The TR is designed to promote policies which will promote the global competitiveness of regions through the use of endogenous resources and the capture of trade and additional economic activity<sup>2</sup>. Such TRs recognise that central governments cannot be the sole providers of development policies and such policies will be more efficient where they make most use of the combined resources of all tiers of government<sup>3</sup>.

It can be shown that the various national, provincial and local governmental planning instruments in South Africa have adopted a similar understanding of the developmental challenges. The National Spatial Development Perspective (NSDP) is:

a clearly articulated set of spatial priorities and criteria is one of the mechanisms by which to guide government choices about investment and development spending. Such a set of spatial priorities introduces consistency and rationality in planning and provides a focal point and a strategic basis for focusing government action, weighing up trade-offs, and linking the strategies and plans of the three spheres and agencies of government. In this sense, the NSDP is a critical instrument for policy coordination with regard to the spatial implications of infrastructure programmes in national, provincial and local government<sup>4</sup>.

The underlying theoretical framework of the NSDP emphasises comparative advantage in a context of institutional economics that seeks to promote learning regions<sup>5</sup>. Critical to the argument presented in the NSDP is that institutions can themselves contribute to a locality's comparative advantage. Institutions can support a process of learning and innovation through inter-related networks that enables such a locality to further exploit its comparative advantage in other factors. The absence or limited capacity of such institutions and networks means that even if a locality may have potential comparative advantage in under-exploited resources, it may not be able to overcome its institutional weaknesses and is therefore less likely to fully exploit any such comparative advantage.

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<sup>1</sup> It should be noted at the outset that this alignment exercise cannot replicate the OECD TR process which is normally budgeted at 10-20 times the cost and time period that has been allocated to the individual districts addressed in this project. We can only hope to emulate that methodology given our much more limited resources and tight deadlines.

<sup>2</sup> OECD Territorial Review: Montreal Canada.

<sup>3</sup> OECD Territorial Review: Montreal Canada.

<sup>4</sup> National Spatial Development Perspective 2006.

<sup>5</sup> A Merrifield 'How a region develops' was originally written as a cabinet memorandum that accompanied the NSDP when it was approved by Cabinet in 2003. The basic logic of this paper has been endorsed in the latest World Development Report 2009 which provides a similar, albeit more sophisticated, framework.

These institutional and network inter-relationships are a major factor in promoting agglomeration economies which means that some localities, by virtue of path dependence, are likely to be able to better exploit their advantages and thereby grow further, whilst others whose institutions and network relationships remain undeveloped will struggle to overcome these disadvantages. Even though the intervention of significant investment<sup>6</sup> may enable such localities to create the appropriate institutional and network relationships to exploit potential advantages, such additional investment may be too expensive relative to other possible investments to justify the additional investment. Where the economic growth cannot be taken for granted, it may be more prudent for the public sector to mobilise resources (both public and private) to ensure the continued development of those localities which have already demonstrated the institutional and network relationships to exploit their comparative advantage. The NSDP therefore has as its first principle that 'economic growth is a pre-requisite for the achievement of other policy objectives'<sup>7</sup>.

The document that follows therefore seeks to build a common understanding of the spatial implications of development in the Fezile Dabi District Municipality (FDDM). Such a common understanding will both identify economic potential and developmental challenges in the district. It will also seek to indicate the types of choices that will need to be made in the future allocation of public resources in order that potential will begin to be realised and the major developmental challenges will begin to be addressed. As such, we highlight the conditional in the previous sentence because it would be impossible to expect that such potential be realised in one planning cycle. Similarly, given the historic legacies of Apartheid which apply to every locality in the country, it would be naive to think that the developmental challenges can be quickly overcome.

Nevertheless, in a context whereby the first fifteen years of democracy have been characterised by under-achievement of both economic development and adequate service delivery, it would be inexcusable if this alignment process did not provide guidelines to creating a more equitable and sustainable development in the future. It is to this end that the second component of the alignment exercise, namely the use of scenario planning, ensures that the strategic options identified meet the developmental challenges under many possible futures. Given the enormity of the challenges and the variability of the possible futures, it is conceivable that not all outcomes will result in conditions materially better than those currently prevailing. However, whatever the possible future, this planning exercise should guide decision-makers in the district, province and national capitals to make strategic choices which seek to reinforce the positive outcomes, and as far as practicable, mitigate the negative outcomes.

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<sup>6</sup> Generally this would be public investment.

<sup>7</sup> National Spatial Development Perspective 2003. The National Spatial Development Perspective 2006 states 'rapid economic growth that is sustained and inclusive is a prerequisite for the achievement of other policy objectives'. We would argue the additional text 'sustained and inclusive' is in fact part of the other policy objectives. The purpose of the original principle was to remind policy makers that however many additional objectives they have, these cannot be realised without economic growth.

## **2. Key socio-economic and environment trends**

Key socio-economic trends in the Fezile Dabi district are as follows:

- Fezile-Dabi is a large municipal area stretching from the southern banks of the Vaal River to the major agricultural regions of the Free State. Although part of the Free State, its major economic centres are closely inter-related with the Gauteng economy;
- The district has a population of around 474 000 people and a per capita income of around R23500. It is made up of four local municipalities namely Metsimaholo, Moqhaka, Ngwathe and Mafube. Metsimaholo (MeLM) is located in Sasolburg- the petro-chemicals centre which has a population of around 154 000 people and a per capita GDP of almost R38 000. Moqhaka (MoLM) the agricultural heartland which contains 170 000 people and has a GDP per capita of R21 000. Ngwathe (NLM) which has 95 000 people and a per capita income of R14 000 and finally Mafube (MaLM) which has a population of 54 000 and a per capita income of only R7300;
- The FDDM economy has been growing slower than the country as a whole, and with the exception of the mid to late 1990's, where it managed to exceed both the national and provincial average growth rates, the district has seen a growth rate that is on par with the province. It is perhaps disappointing that the growth rate is declining notwithstanding the record high petro-chemical prices being experienced in recent years;
- the population is spread out across the district in the various urban centres. Obviously Sasolburg and Kroonstad reflect the highest population concentration. But there are a significant number of other population centres such as Parys, Heilbron, Villiers, Vredefort, Koppies and Frankfort spread quite evenly across the district. Household income is unfortunately similarly concentrated in Sasolburg and Kroonstad and the Parys/Vredefort region. The location of poverty is closely correlated to the population centres mentioned above with Sasolburg containing the highest number of people below the MLL but with centres such as Kroonstad, Parys, Heilbron and Frankfort also featuring higher than average concentrations of poor people;
- The Moqhaka LM has the highest population but this population is in fact declining. The Metsimaholo LM is however the only municipality that is showing significant growth and this growth trend has accelerated in recent years. The Mafube LM shows limited growth and the NLM reflects a decline. The Metsimaholo LM experienced a population growth of 9% between 1995-2001 and a growth of 34% between 2001 and 2007. Both the Moqhaka LM and the Mafube LM reflect a growth of around 4% for the period 1995-2007 but in the latter years their populations have seen a significant decline. The NLM shows a population decline of 18% over the entire period .i.e 2005-2007;
- The Moqhaka LM demographics are particularly intriguing with a disproportionate proportion of single households. The income trends also indicate that the Moqhaka LM has the wealthiest population and that there is considerable variation between municipalities. Nevertheless, only 15% of the people earn above R1600 which suggests a relatively small base for commercial services in the district. The district has a much more balanced age profile with a smaller proportion of younger people and a larger proportion of older people than the other districts in the Province;
- Employment in Fezile-Dabi is relatively high at 28% of the population and compares favourably with both Motheo and Lejweleputswa. Unemployment is also in the lower end of the spectrum at 15% along with Thabo Mofutsanyane and Lejweleputswa (at 16%). As a result, the FDDM has a similar proportion of people not economically active as the more dynamic Motheo but more than the economically less active Lejweleputswa. Like so many other

data, these statistics present a rather contradictory picture of the district with indications of dynamism and stagnation together;

- With regard to employment, no municipality shows any significant growth in formal employment. Most LMs reflect a decline in formal employment with the MeLM showing a marginal improvement since 1995 (after showing a decline in the late 1990's). Most LMs show an overall decline in informal employment with only the MeLM reflecting a marginal improvement. In all instances, the extent of the decline is greater with the informal than the formal employment;
- Contrary to the above trends, at least the MeLM and the MoLM show an upward trend in skilled employment but the other LMs are virtually static. Unfortunately the positive trend for skilled employment is countered by a uniform decline across all LMs of highly skilled employment. This decline is most marked in the MoLM and more ambiguous in the MeLM because after a decline in the late 1990's, there is a marginal improvement in recent years. Contrary to our expectations of Sasolburg as being the technological hub of the district, the MoLM shows a greater number of both skilled and highly-skilled personnel than the MeLM;
- The MoLM, which has the highest number of skilled and highly skilled jobs in the district, also has the highest number of university and technikon graduates, whilst the MeLM has a higher number of college graduates. It is surprising that even the NLM has a higher number of university graduates than the MeLM. Given that the MeLM contains Sasolburg which is the technological hub of the district, one can only conclude that the majority of its skilled people reside elsewhere;
- FDDM has a GDP of around R11 billion, of that just under R6 billion of this comes from the MeLM and just under R4 billion comes from the MoLM. It is satisfying to see that both these municipalities have experienced steady growth since 1995. Given the preponderance of skills in the MoLM, it is somewhat surprising that the MeLM dominates in terms of economic growth but much of that dominance is probably due to Sasol. Therefore one can assume that some of their skills reside elsewhere. Having two centres of growth in the district can only improve its capability to expand its economy more broadly;
- Manufacturing contributes R3.4 billion to the district's economy (31% of district's GDP), followed by community services at R2.4 billion (21%), financial and business services R1.4 billion (12%), wholesale and retail at R1.2 billion (11%). With the exception of manufacturing, financial and business services and wholesale and retail which contribute 54% to the district's economy, none of the other private sector sectors makes a significant contribution. Transport and communication contribute 8%, mining contributes only 6%, agriculture 3%, and construction 2%. The manufacturing sector which is confined largely to the MeLM has experienced sustained growth since 1995. In the early 2000's this growth trend slowed down but has picked up again recently. Given the phenomenal rise in petro-chemical prices in the past two years however, one may have expected a more dramatic improvement in the sector;
- The export potential of the district is closely aligned to the mining and petro-chemical industries. Whilst the plastics industry seems to show the most sustained growth since 1995 (with a limited slow-down in the early 2000's), the other petro-chemical sectors only show growth in the post 2003 period. The growth for mineral products is impressive (except for the last year-2007 dip) whilst that for chemical products is more marginal. Unfortunately agricultural exports are negligible for most of the period;
- Fezile Dabi District Municipality is regarded as one of the areas rated nationally with poor air quality. This is a result of housing petro-chemical manufacturing (Sasol) in the area, and the mining of coal and gold. It has been classified as one of the major air quality hot spot in the country which deserve a special attention;

- the district has a quality of life as measured by the HDI that is marginally above the national index and significantly above that of the province. Factors enabling this could be the economic might of the petrochemical giant Sasol that is a large employer in the area;
- 23% of the district's population are recipients of social grants which is on par with South African norms but slightly below the proportion of grant recipients in the province (Free State) as a whole. The MeLM has the lowest proportion of grant recipients relative to its population (19%) whilst the MaLM has the highest (31%). The MoLM has the highest number of grant recipients at about 170 000 in the district;
- the MeLM with a high rise in the number of people and a similar increase in households shows a 46% increase in access to water. By contrast, the MoLM, which has a limited increase in population but the largest increase in households shows a modest increase in water access. Along with the NLM, the MoLM sees a reduction in access to water in the second period which is counter-intuitive. Equally counter-intuitive is the large increase in water services in the MaLM which is out of line with its demographic increases. The variations between municipalities is only partially related to demographics (the most obvious explanation) and so must also be partially determined by the effectiveness of different LMs;
- access to sanitation is relatively high by provincial (Free State) standards with 88% of the households having sanitation above RDP standards and 82% having flush toilets. Of those without adequate sanitation, 5% have VIPs without ventilation and 4% are still on the bucket system. The NLM has the highest number of people on the bucket system (over 4400 or 16% of its households) and it is the second only to the MeLM in having the largest number of unventilated VIPs. However both municipalities have the same proportion of their population (8%) with unventilated VIPs. Overall though, the NLM has the highest proportion of its population without adequate sanitation (26%);
- about 85% of the district's households use electricity for cooking with the NLM doing best (104%) and the MeLM doing the worst (74%). Furthermore, 8% of the district use paraffin with the MeLM having the highest proportion of households using this fuel (11%) and the MaLM the lowest (3%). However the MaLM has the highest proportion of its households using firewood (8%) and coal (9%) as compared to the other LMs;
- about 65% of the households live in a brick residence, flat or townhouse with the MoLM with the lowest (50%) and the NLM the highest (91%). One of the reasons why the MoLM has the lowest proportion of its households in formal housing is because 36% of its households still reside in hostels. The MoLM however has the lowest proportion of households in informal shacks (5%) as compared to the MeLM (14%) and the MaLM (22%). Around 10% of the district's households reside in informal shacks. About 6% of the district's households reside in backyard shacks with the MeLM with the lowest (2%) and the NLM the highest (17%);
- in 1995 around 3% of the district's population was HIV positive. This increased to about 11% in 2001 and 14% in 2007. AIDs related deaths have yet to show statistical significance although the number in the district has increased significantly from around 200 in 1995 to about 2300 in 2001 and 4800 in 2007.

Overall Fezile Dabi is in an unenviable position being host to one of South Africa's most technologically advanced industries but it is seeing little benefit from it in terms of population or economic growth. The petro-chemicals sector and related spinoffs remains the largest driver for growth but this has not been dramatic and the one of the biggest contributions the sector seems to make is in air pollution. The population and economic activity is largely concentrated close to the Gauteng border along the extensive Vaal river boundary but it does not seem very deeply linked to that province. Ultimately one can anticipate that Gauteng will remain a potential source of growth and the district may become an 'ex-urban' extension of the metropolises to the north.



### 3. Key policy and governance

Part two of the territorial review focuses on the manner in which the district, and to a lesser extent, the province takes account of national policies and strategies and the extent to which they may innovate to develop these national policies and strategies. Some of the key issues identified in this review include the following:

- the vision of Fezile Dabi District Municipality (MDM) is *“to strives to be a leading Municipality in delivering effective, affordable and sustainable quality services to its communities”* The main thrust that can be derived from the vision is delivery of municipal services. So, the district vision is more service delivery orientated rather than focusing on specific sectors which are or may be comparative for the district. Of concern is that the district vision does not outline strategic goals. However, interesting enough is that the district recognises the importance of sustainability in their endeavour;
- almost all local municipalities within the district, with the exception of Moqhaka, designed their vision along the service delivery line. Although Moqhaka local municipalities vision is different from other district it does not reflect its comparative advantage. However, it recognises the important key principles of NSDP (economic growth that is sustainable). However, all the visions are silent on comparative advantages and sources of current and future growth, though they talk about growth, economic and sustainable development;
- The SMME support institutions that exist in Free State Province which have impact on FDDM business are
  - Free State Development Corporation (FDC),
  - Free State Investment and Promotion Agency (FIPA),
  - Free State Tourism Authority;
- Almost all local municipalities, with the exception of Metsimaholo, have not develop their spatial development framework (SDF). Metsimaholo Local Municipality has recently reviewed its Spatial Development Framework. A challenge to the Municipality is the existence of unplanned, informal settlements which are randomly erected by communities. It is also the objectives of the municipality to ensure that it acquire sufficient land for township establishment and critical land use in order to deal with the current spatial development challenges.

In part three of the territorial review, the governance and administrative structures are defined in more detail and an assessment is made of the planning processes in the district. Some of the key highlights of part three include the following:

- FDDM operate according to a Mayoral Executive System in terms of the national demarcation process. Its political structure consists of the Executive Mayor, Speaker, Portfolio Committees and the Municipal Manager. Ward Committees are established in all Wards according to the prescribed legal framework to represent the views, needs and aspirations of the demarcated ward, as determined by the Municipal Demarcation Board. Local municipalities have a collective executive with ward participatory system. The system is made up of both the political and administrative components similar to the district;
- according to the 2007/08 FDDM Capacity Assessment Report Moqhaka local municipality performs disaster management and libraries as additional functions. The report further concludes that the following functions are either not or are poorly performed within the district:
  - Air pollution
  - Child care facilities
  - Municipal airport
  - Municipal public transport

- Control of public nuisance
- Control of undertakings that sell liquor to the public
- Licensing of dogs
- Local amenities
- Markets
- Municipal abattoirs
- Noise pollution
- our review of the sources of operating income for all municipalities shows that on average, with the exception of the district municipality, there has been growth over the period 2003/04 to 2009/10. Metsimaholo is the municipality with higher sources of operational income over the years, whereas Mafube has the lowest sources. During the period under review Metsimaholo municipality experienced an average growth of 11.1% followed by Ngwathe (9.4%), Moqhaka (5.9%) and Mafube (5.8%). The district municipality's sources of operational income declined by an average growth of 8% over the period 2003/04 to 2009/10;
- our review sources of capital income shows that Metsimaholo and Ngwathe had the largest average growth in their capital income between 2003/04 and 2009/10. Both municipalities experience an average growth of 40.9% and 31.3%, respectively. The district municipality also experienced an average growth rate of 13.4% but Mafube's capital income reduced by 0.3% per annum over the period under review;
- the local municipalities have increased their operating budgets between 2003/04 and 2009/10 financial years. Increases amongst local municipalities range from 13.5% for Metsimaholo) to 4.3% for Mafube. Ngwathe and Moqhaka municipalities showed an average growth of 10.3% and 8.3% respectively. The operating budget for the district municipality reduced on average per annum by 2.8% over the period under review. Capital expenditure increased for Metsimaholo, Ngwathe and the district municipality while Moqhaka and Mafube have shown a decline in their capital expenditures;
- the district is also spending more than its income level in 2008/09 and it has also projected to over spend in the subsequent financial year 2009/10. Deficits of 34% are highly unacceptable and show lack of prudent financial management. The municipalities will have to either increase its revenue base or cut its expenditure, especially operational expenditure;
- the Vaal Triangle Air-shed was declared a priority area in April 2006 by the Minister of Environmental Affairs and Tourism. The Vaal Triangle Air-shed Priority Area (VTAPA) was declared as such due to the concern of elevated pollutant concentrations within the area, specifically particulates. Two district municipalities and one metropolitan municipality falls within the priority area namely Sedibeng District Municipality (Gauteng Province), Fezile Dabi District Municipality (Free State Province) and the City of Johannesburg Metropolitan Municipality (Gauteng Province). Significant sources of emissions in the FDDM include: the Sasol Chemical Industries Complex, Natref, Omnia Fertiliser, Karbochem, Safripol and Sigma Colliery. The Wonderwater strip-mining operation, which represents a further source of fugitive dust emissions, has not yet been quantified. Sigma and Wonderwater are both Sasol Mining Operations;
- Our assessment of the district's and local municipalities planning instruments indicates that most plans are in place with the exception of:
  - Tourism development strategy;
  - Air quality management plans;
  - Health plans; and
  - Education plans;
- the district municipality has a Performance Management System (PMS) framework in place which is used to evaluate performance at macro organizational level. The framework is

supported by Performance Agreements signed by individual directors, including the municipal manager, and populated into Performance Management Software, which is also used by the four local municipalities within the district. PMS has since been moved to the office of the Municipal Manager. This was to ensure that this area of work receives high priority attention in the municipality. Plans are however in place to review the existing framework in line with the new performance management regulations during 2008/09 financial year and developing individual performance management systems for lower levels;

- In terms of the self-assessment, the following challenges were identified:
  - Ensure integrated planning within the municipality;
  - Align plans at local and regional level;
  - Monitor the implementation plans and projects; and
  - Build capacity at local level.

The analysis conducted in parts two and three of the Territorial Review confirms the above prognosis that the district is in a difficult position with regard to development potential. Like most districts its institutional and planning structures are in place but they do not seem particularly suited to address some of the major challenges in the district and the local municipalities. Although population pressures or economic developments are not significant enough to overwhelm the current administration, the district's record in service delivery and planning is mixed and there is evidence of some short-comings, especially in terms of developing its own revenue base. Overall although it has developed a performance management culture, the performance of the district and municipalities is still to register any significant improvement.

#### **4. Innovation worthy of replication**

The Free state Provincial Growth and Development Strategy (FSPGDS, revised 2007) is a most impressive attempt to internalise the NSDP and align it with the Provincial and Local Government Plans<sup>8</sup>. The strength of the FSPGDS is that they devised their own methodology using NSDP concepts to identify priority areas in the Province. Their analysis, discussed further below, identifies the MeLM in the Fezile-Dabi district is identified as having high development potential (and below average need) and the MoLM having high development need (and below average potential). Combining both potential and need enables the FSPGDS to target Sasolburg as having high potential and need, Kroonstad as having above average need and potential, and Parys, Heilbron and Viljoenskroon as having above average need but below average potential.

The FSGDS (2007) was partially the result of an important engagement between the Province, the PCAS and the district municipalities called the 'alignment summit' in October 2005. The alignment summit made a genuine effort to incorporate the planning principles of the NSDP into the provincial and local government plans<sup>9</sup>. It concluded, along with the NSDP:

That in areas with limited potential, Government, over and above other initiatives/ programmes, should focus on social investment (HRD, labour market info and social transfers) to give people more sustainable opportunities.

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<sup>8</sup> Freestate Growth and Development Strategy, Revised, Office of the Premier, October 2007.

<sup>9</sup> Freestate Government, Report of the Alignment Summit, October 2005.

The province should seek to focus Government's fixed investment in areas with potential for sustainable development.

The Free State PGDS presents an analysis and a strategy which is closely aligned to the NSDP principles<sup>10</sup>. The Free State government has probably gone further than any other province in operationalising the NSDP. It has even developed its own methodology for prioritizing location in terms of the six categories of potential. The only point of difference between the FSPGDS and the NSDP, is instead of seeking to identify the major forms of comparative advantage for any locality, it sought to identify the significant localities for each category of potential and need. Ultimately as noted above the MeLM in the Fezile-Dabi district is identified as having high development potential (and below average need) and the MoLM having high development need and below average potential. Combining both potential and need enables the FSPGDS to target Sasolburg as having high potential and need, Kroonstad as having above average need and potential, and Parys, Heilbron and Viljoenskroon as having above average need but below average potential. Despite the impressive work in this alignment, the FSPGDS does not really translate this analysis into development priorities for the province or district.

## **5. Elements of a long-term development strategy**

The Fezile-Dabi IDP indicates that it has defined its strategic objectives in alignment with those national and provincial objectives described above<sup>11</sup>. Its vision is out of line with the analytic and theoretical approach adopted by the NSDP and FSGDS and instead focuses largely on service delivery:

"Fezile Dabi Municipality strives to be a leading Municipality in delivering effective, affordable and sustainable quality services to its communities"

To allow for implementation of this vision the municipality developed the following mission. The aforementioned vision will be attained through:

- Promoting proper planning and implementation of projects and programmes;
- Setting standards;
- Being accountable;
- Communication;
- Capacity building of staff and communities;
- Having proper systems and processes; and
- Ensuring a sustainable, affordable and effective service delivery.

The Fezile-Dabi district IDP in our opinion, fails to take the analysis of the FSGDS further. Although the FSGDS focuses strongly on potential and need, the IDP has very little to say on the former and focuses

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<sup>10</sup> Freestate Growth and Development Strategy, Revised, Office of the Premier, October 2007.

<sup>11</sup> Fezile-Dabi District Municipality, Reviewed IDP 2008/09

primarily on the administrative processes needed to address the latter. Specifically with regard to economic development, the IDP describes the following the economic development goals<sup>12</sup>:

- To halve poverty and unemployment and reaching an economic growth rate of 6% p.a.;
- Build partnerships with labour movements, church organizations, etc that will assemble a responsive economy, share ideas and grow together;
- Address concerns relating to education, infant mortality, the impact of the external environment on municipalities;
- Address the challenges relating to investing in the district, job creation, local action and economic development, advancing equity, developing skills and creating economic opportunities;
- Identify projects and programs that will address these challenges and meet the objectives of the district (local action);
- Building credible (realistic and reliable) Integrated Development Plans;
- Teamwork is key. Contributing new ideas, sharing experiences, communicating and working together as one unit will contribute to growth. Working in silos must come to an end;
- Develop a framework for monitoring and evaluating progress. Check that strategies are implemented and are effective, review strategies update them accordingly; analyze the impact of strategies on communities.

Although these are laudable objectives they say very little about the strategies that are needed to capitalise on the district's potential. More specifically, under the heading of long term economic initiatives, the IDP says that the following key development areas serve as a framework to "realize its maximum economic performance and sustainable economic development over a medium to long-term"<sup>13</sup>:

- Encourage expansion of the manufacturing sector
- Focus on diversifying agricultural development
- Develop local tourism
- Encourage and support the development and expansion of transport and distribution industry

Whilst the IDP no doubt identifies some worthy projects, there seems no connection to the analysis of needs and potential and the projects identified. Instead, as noted in the introduction, the IDP seems to be primarily focused on service delivery. Although one cannot criticise the FDDM for such a focus, it does detract from the work done by the Province to identify potential and need. It is disappointing that the IDP did not build on the FSGDS analysis and provide much more detailed assessments of the potential in the district.

In our workshops with the district and local municipalities, we endeavoured to identify the development potential of the district. In the SWOT analysis, the following issues were highlighted:

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<sup>12</sup> Fezile-Dabi District Municipality, Reviewed IDP 2008/09

<sup>13</sup> Fezile-Dabi District Municipality, Reviewed IDP 2008/09

**Strengths**

Proximity to Gauteng

Petro-Chemical Industry

Location in terms of logistics

**Weaknesses**

Low level of skills

Environmental hazards (water and air)

Limited integration with existing industries

**Opportunities**

Development opportunities (residential and commercial) for Gauteng

Massive river frontage

Mining opportunities

**Threats**

Climate change will affect agriculture and tourism

Poverty and inequality will challenge social cohesion

Poor environmental quality will continue to undermine other development

The SWOT suggested that the main potential sources of future growth would be from property development directed at exploiting the district's proximity to Gauteng. It is believed that further commercial and especially residential development could attract significant investment from Gauteng. In particular, it was suggested that the extensive river frontage with many recreational opportunities could significantly expand the district's northern areas. Unfortunately environmental challenges both from pollution and also from the impact of climate change could have a very negative impact on the district. In the case of the latter, it is expected that the already weakening agricultural sector which remains the mainstay of much of the rest of the district could be severely undermined.

In the second workshop, the district was expected to grow from R11 billion to R 20 billion in the next decade and this growth was expected to occur in the following local municipalities:

- a. Moqhaka could grow from R3.5 billion to R5 billion;
- b. Ngwathe could grow from R1.3 billion to R2.5-3 billion;
- c. Metsimaholo could grow from R6 billion to R 10 billion;
- d. Mafube could grow from R400 million to R 800million.

With the exception of Mafube, which would still double its current GDP, the other local municipalities were expected to see significant growth. The drivers for growth in these municipalities was identified by workshop participants.

In Moqhaka the following sectors are expected to grow:

- a. Tourism – game farms, guest houses & farms, livestock auctions,
- b. Agriculture – maize, wheat, peanuts, sunflower, sorghum, soya, stock farming, game farming,
- c. Mining – Diamond & sand, natural gas, coal
- d. Manufacturing – (future prospects of bio-fuel production), taxidermy, Pottery manufacturing (Steynsrus & Viljoenskroon) (export-focus)
- e. Infrastructure development – dry harbor/freight hub potential, lots of service training facilities, academic hospital (nurses training potential – earmarked for training facility).

In Ngwathe the following sectors are expected to grow:

- a. Mining – coal, diamonds, bentonite
- b. Tourism – arts & crafts, world heritage site, recreation (water-sports & golf), game farms
- c. Agriculture – maize, wheat, sunflower, sorghum, potatoes, stock farming, dairy
- d. Infrastructure – airfield
- e. Manufacturing – agro-processing

In Metsimaholo the following sectors are expected to drive growth:

- a. Tourism – water sports & other sports, heritage areas (Deneysville), horse racing,
- b. Mining – coal, sand, sandstone,
- c. Agriculture – sunflower, maize, wheat,
- d. Manufacturing – petro-chemical bio-processing, leather processing plants, power stations
- e. Infrastructure – Vaal dam as water catchment & management centre. rail network for commuters – coal processed locally; roads,
- f. Proximity to Gauteng constrained by air quality, etc.
- g. Housing development (specifically emphasizing low income housing with spin-offs for brick-making, SMME stimulation. Housing development for high-income limited due to air quality aspects.

In Mafube the following sectors are expected to grow:

- a. Agriculture – stock farming, maize, wheat, sorghum, sunflower, potatoes,
- b. Tourism – sports, arts & crafts (beadwork for export, traditional crafts, clothing), heritage,
- c. Infrastructure development

It is difficult to see how, with the exception of mining (and the actual potential of these opportunities wasn't explained), these sectors could be expected to grow so significantly (from R11 billion to R20 billion). It is possible that the tourism potential could be further expanded as could the logistics infrastructure, but it is unlikely in terms of current environmental trends why the agricultural and bio-fuels (which depend on agricultural output) sectors can see significant growth and may in all likelihood decline. In the case of mining, the current expansion of diamond mining is limited to a single mine and much of the coal and other minerals in the area are of low quality and value. Whilst none of these sources of growth should be discounted, it is also unlikely that the above growth projections can be achieved.

The participants themselves identified various constraints to growth:

In Moqhaka:

- a. Water scarcity especially for provision of potable drinking water for some forms of manufacturing
- b. Ageing infrastructure – road, rail, water
- c. Migration – dynamics: farms to urban areas, as well as internally between local municipalities in the district
- d. Crime – Drug trafficking
- e. Skills shortage
- f. Climate change
- g. Lack of partnership (PPPs)

In Ngwathe:

- a. Water Pollution (Vaal river)
- b. Climate change
- c. Water scarcity – Edenville & Heilbron
- d. Ageing infrastructure
- e. Skills shortage
- f. Increasing levels of poverty due to unemployment

In Metsimaholo:

- a. Air & water pollution
- b. Crime
- c. Migration (influx of people)
- d. Very limited well located land available to the municipality (privately owned, undermining, current mining activities)



- e. Social cohesion
- f. Skills shortage
- g. Climate change

In Mafube:

- a. Aging infrastructure
- b. Migration from rural to small towns
- c. Poverty/unemployment
- d. Large proportion of indigent household
- e. Lack of social cohesion
- f. Lack of skills
- g. Crime
- h. Access roads
- i. Limited social support facilities (no resident ambulance in some towns; no regional centres of Home Affairs, etc.)
- j. Lack of investment opportunities (agricultural emphasis, yield not processed locally).

These identified constraints would seem to confirm a slightly less impressive growth trajectory than initially expected by the participants of the workshops. Although they themselves did not indicate this, it may arise that the combined effect of all these negative influences could actually lead to a significant decline of the region. We therefore can suggest at least two possible scenarios describing the district's future development.

1. In the first scenario the district experiences significant growth, driven not primarily by the mining, agriculture and logistics developments described above (which may exaggerate the potential) but rather by a boom in property development as residential estates, office parks and call-centres spread out along the extensive Vaal River frontage. Obviously such developments would first require that the area clean up the current air and water pollution problems and improve service delivery, but such a development is likely to build on the dynamic of a continually expanding Gauteng economy. Unfortunately, the spread of economic development is likely to be limited and the rest of the district will experience slow or low growth as population continues to shift north in the face of a declining agricultural sector. Concentrations of population (both rich and poor) along the upper reaches of the district are likely to exacerbate pressure on service delivery, land available for development and bulk services and unless properly managed are likely to result in growing political and social tensions which could undermine further development.
2. An alternative scenario would be to see the district pursue the above-mentioned strategies to grow the mining, agriculture and logistics sectors. If these sectors do not provide the 'voema' (apologies to Sasol) required because their potential is exaggerated, then the district risks the possibility of stagnating into a post-industrial wasteland. Such stagnation is likely if the air and water pollution problems are not addressed and new mining and industrial developments (bio-fuels) exacerbate these problems. Given the impact of climate change on agriculture (the

impact is already there) it is unlikely that the south of the district will improve and without the presence of a dynamic and expanding region in the north of the district, it is likely that the district as whole will lose people and economic opportunities to the Province to the north of them.

## **6. Implications for alignment**

The FSPGDS is strongly aligned to the NSDP and to some extent the FDDM IDP is based on those documents but it fails to identify the district's real comparative advantage. In workshops and through our analysis, we identified the 'wild card' that could ensure the future development of this district. Key to realising this opportunity however is that the current state of the environment in the Vaal Triangle needs to be addressed. Since interventions to drastically reduce current levels of industrial pollution of air and water will require the involvement of at least two provinces and three districts, it may be necessary for the national government to play a co-ordinating role. Since we have not reviewed the IDPs (or PGDS) of those regions north of the district, one cannot say for certain whether such a strategy would support or challenge their current developmental assumptions but it is likely that some serious horse-trading may be required to ensure that improving the environment trumps other plans to boost industrial development.

## **7. Policy recommendations**

The Fezile Dabi district is somewhat unique in that its future may lie more strongly with the Province to the north of it (Gauteng) than with the Freestate. This raises important questions as to issues of regional integration. Is it more important to seek interventions to promote the integration of districts within a province or should the goal be to ensure that economic growth is promoted regardless of the current political definition of spatial boundaries? Such a debate will ultimately raise questions about the current demarcation (and possibly the actual existence) of provincial boundaries and needs significant policy attention.

The second policy consideration raised in this alignment exercise are the trade-offs between environmental quality and industrial development. As noted in the previous paragraphs, there would seem to be a major tension between the plans of the district and province to further promote industrialisation and the current consequences of such industrialisation in the form of poor environmental quality. Whilst the obvious planners solution is to suggest 'clean development' such glib solutions often under-estimate the trade-offs and costs involved with such proposals. It would seem that the district (and its neighbours to the north- mostly municipalities that are within the jurisdiction of Gauteng) offer an interesting opportunity to explore such trade-offs in much more detail than can be accomplished in this alignment exercise.