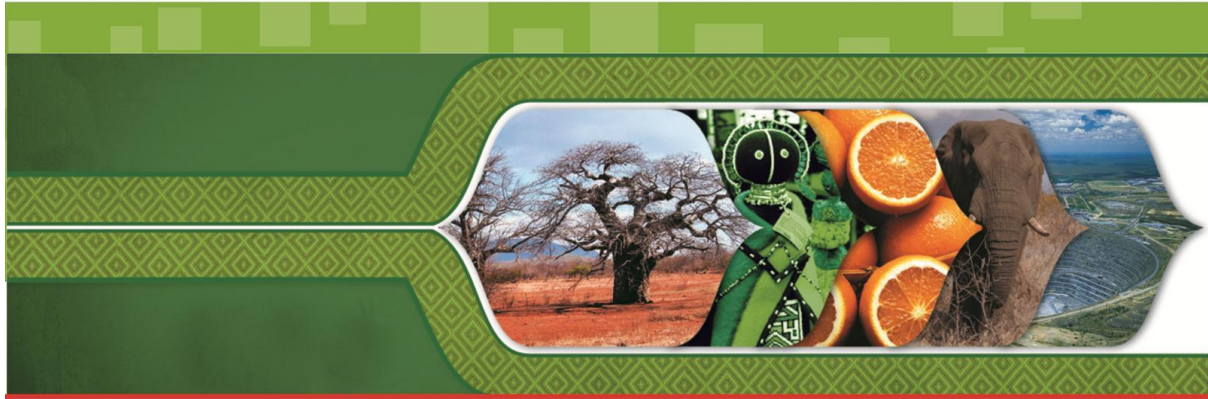


# INDUSTRIALISATION FRAMEWORK IN THE MUNICIPAL NODAL POINTS

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**LIMPOPO**

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

DEPARTMENT OF  
ECONOMIC DEVELOPMENT, ENVIRONMENT & TOURISM



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## 1. INTRODUCTION

In his state of the nations address 17<sup>th</sup> June 2014 president Jacob Zuma announced the 5% economic growth rate target by 2019. The state will also buy goods and services to promote local procurement and increase domestic production. In order to achieve these objectives a number of programmes and interventions should be undertaken in order to accelerate economic growth rate towards 5% by 2019. In undertaking this process priority sectors that have potential to sustainably contribute to job creation need to be identified. Industrialisation can create a platform for the participation of historically disadvantaged people and remote areas in the mainstream of the economy.

In an attempt to drive Limpopo Provincial Economy towards this target the Limpopo Department of Economic Development, Environment and Tourism (LEDET) has commissioned a study to assess and identify industrialisation opportunities in all nodal/growth points in the local municipalities.

The purpose of the study is to assess developments around the growth/nodal points identified by the Limpopo Spatial Development Framework (LDSF) in the local municipalities. This will give direction in terms of how best can the municipalities be assisted in driving industrialisation in their local growth/nodal points.

The document will outline:

- The status quo of the municipalities with regard to the nodal/growth points identified by the LSDF;
- Identifying opportunities per nodal/growth points in the local municipalities
- The challenges faced by the municipalities in driving industrialisation in their municipalities and
- Recommendations on how to assist municipalities in achieving economic development through industrialisation.

## 2. BACKGROUND

Historically, the metropolitan areas emanated from the identified comparative advantage such as raw materials and minerals in such areas like Gauteng. These comparative advantages were instrumental in promoting growth and industrialisation which resulted in employment creation and big cities.

LEDET and other government departments have developed strategies to accelerate economic development. The LSDF was developed to identify the growth points in the Province; The Limpopo Five Year Industrial Master Plan managed to identify potential

projects for the Province; and the industrial cluster mappings were developed by the Analysis of the Industrial Cluster as a Vehicle for Economic Development in Limpopo.

The strategies serves as the basis for industrialisation in the province. There is a need to assess the outcome produced by these strategies. Implementation of the strategies must be geared towards the direction they were intended for.

Limpopo Economic Development Environment and Tourism (LEDET) embarked on the development of the Limpopo Five Year Industrial Master Plan in 2012. The aim of the plan was to drive the industrial and sectoral diversification from dependence on the primary and agriculture. This will also improve comparative and competitive advantages of the economy and promote overall growth and development of industrial sector through intensified technology development; promotion of investment in high-value production; and value added technologies and activities.

The main objectives of the master plan are:

- To review the national industrial structure as background setting
- To investigate the position of the economy in relation to main industrial concentrations
- To assess the relative resources bases and locational advantages
- Develop through understanding of the existing policy and strategic environment, To apply scientifically sound economic analysis techniques
- To identify needs, constraints, barriers and key issues through stakeholder interaction
- To identify sectoral growth patterns, trends and opportunities
- Identification of competitive and comparative advantages
- Identification of linkages resulting from regional value chain opportunities
- To identify new target sectors for cluster development, the potential to act as catalyst industry, relevance in the global economy as well as the nature of linkages that may exist with the developed industry clusters available resources
- Identify new opportunities resulting from external changes and opportunities (Limpopo Five Year Industrial Master Plan in 2012)

The Provincial Spatial Development Framework was also developed in 1999, reviewed in 2001/2002 and then in 2006/2007. The review in 2006/2007 was submitted to the provincial Executive Committee and adopted. According to the review, the original plan was to review the now called Limpopo Spatial Development Framework (LSDF) from time to time. The main purpose of the review is to inform on the strategic outcomes that emerged from a review process of the LSDF conducted during 2006/2007. The review process was a multi-stakeholder process coordinated by a Review Steering Committee and embraced wider consultation and participation of the Municipal Manager's Forum, the Provincial Planning For a and Social and Economic Clusters and Sector Departments.

"The steering committee of the review consist of the DME, Office of the Premier, Limpopo Economic Development, Environment and Tourism (LEDET), DWARF, Public Transport, Public Works, Social and Welfare, Agriculture and Department of Health. The LSDF provides the basis for interpretation and understanding the development potential of the province space economy and economic and social investment and growth logic to be used in decision

making by government departments to locate capital investment and expenditure programmes aimed at supporting and optimising the growth and development of proposed hierarchy settlements in line with guiding mandates, principles and norms of national policies.” (LSDF)

The LSDF identified the nodal points/ growth points in three levels, that is provincial, district and local municipalities.

#### Provincial Growth points

- 3 types
- 17 provincial growth points: Mostly in Waterberg District (4) and Mopani District (4)
- 16 district growth points: Waterberg District has none; Mopani District has the most(7) followed by Capricorn District (4)
- 36 municipal growth points: All districts has these municipal growth points with Sekhukhune and Capricorn having the most at (8) each, followed by Vhembe with (7)

**Table 1.Provincial Growth points**

<b>PROVINCIAL GROWTH POINTS</b>
• Makhado (Priority growth point)
• Polokwane
• Lephalale
• Musina (Priority growth point)
• Mokgalakwena
• Ba-phalaborwa
• Maruleng
• Ellias motswaledi
• Ephraim mokgale
• Greater Tzaneen
• Tubatse/Burgersfort (priority growth point)
• Molemole
• Thabazimbi
• Thulamela
• Greater Giyani
• Bela-Bela
• Greater Letaba

**Table 2. District Growth Points**

<b>DISTRICT GROWTH POINTS</b>
Capricorn
• Lebowakgomo
• Mankweng
• Morebeng
• Dendron
Vhembe
• Makwarela

• Waterval
• Malamulele
Waterberg
• none
Sekhukhune
• Steel Port
• Jane Furse
Mopani
• Namakgale
• Gravellolotte
• Dzumeri
• Kgakgapane
• Nkwowankowa
• Lenyenye
• Hoedspruit

**Table 3. Municipal Growth Points**

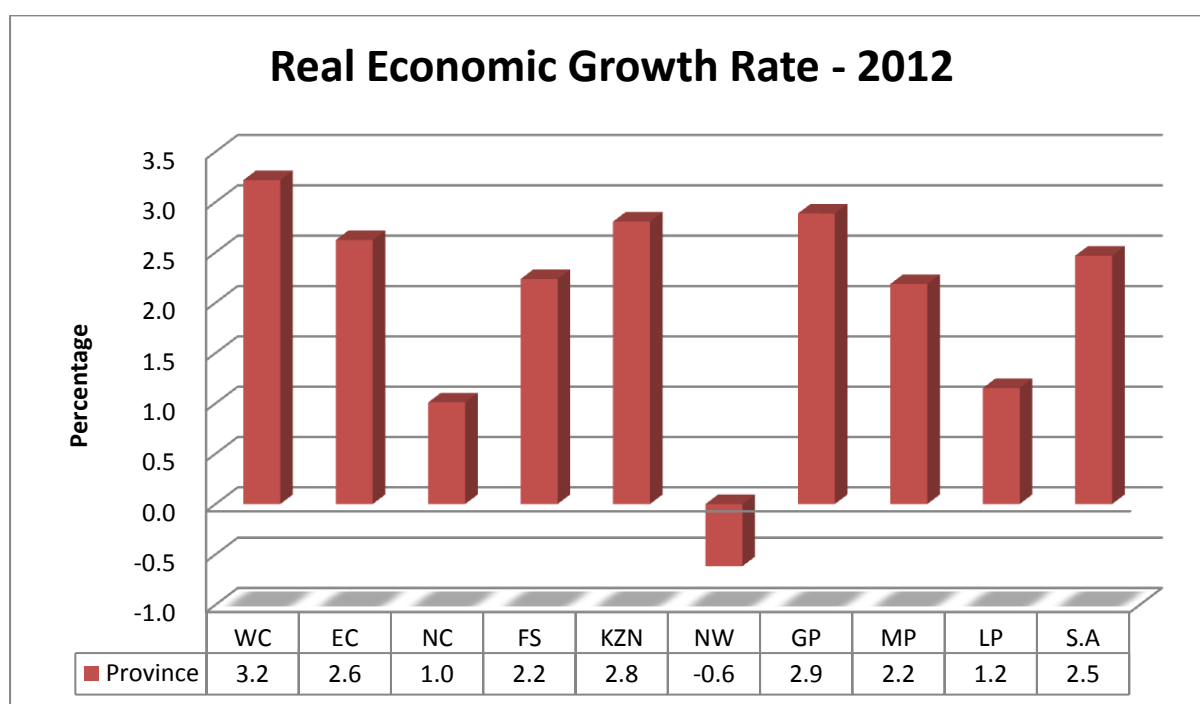
<b>MUNICIPAL GROWTH POINTS</b>
Capricorn
• Alldays
• Chloe
• Avon
• Bochum
• Eldorado
• Magatle
• Mphakane
• Sebuyeng
Vhembe
• Hlanganani
• Rabali
• Vuwani
• Bungeni
• Masisi
• Tshandama
• Mhinga
•
Sekhukhune
• Sesehu
• Driekop
• Magakala
• Ohrigstad
• Nebo
• Van Der Merweskraal
• Tafelkop
• Monsterlus
Mopani
• Lulekani
• Xawela
• Senwanokgope

• Letsetele
• Burgersdorp
• Haenertzburg
• Lorraine

### 3. AN OVERVIEW OF LIMPOPO PROVINCIAL ECONOMY

There are approximately 5.5 million people living in Limpopo province with an annual growth rate of 0.89%. The average household size in the province is relatively high at 4.18 people per household. The unemployment rate in the province was 21.0% in 2012 with only 24.1% of the people in the province are formally employed. The majority of the workforce is employed in tertiary sector (69.5%) followed by primary sector (17.7%) and the secondary sector (12.9%). Most of the households in the province receive low income (80.8%). (Industrial Development Master Plan, 2012).

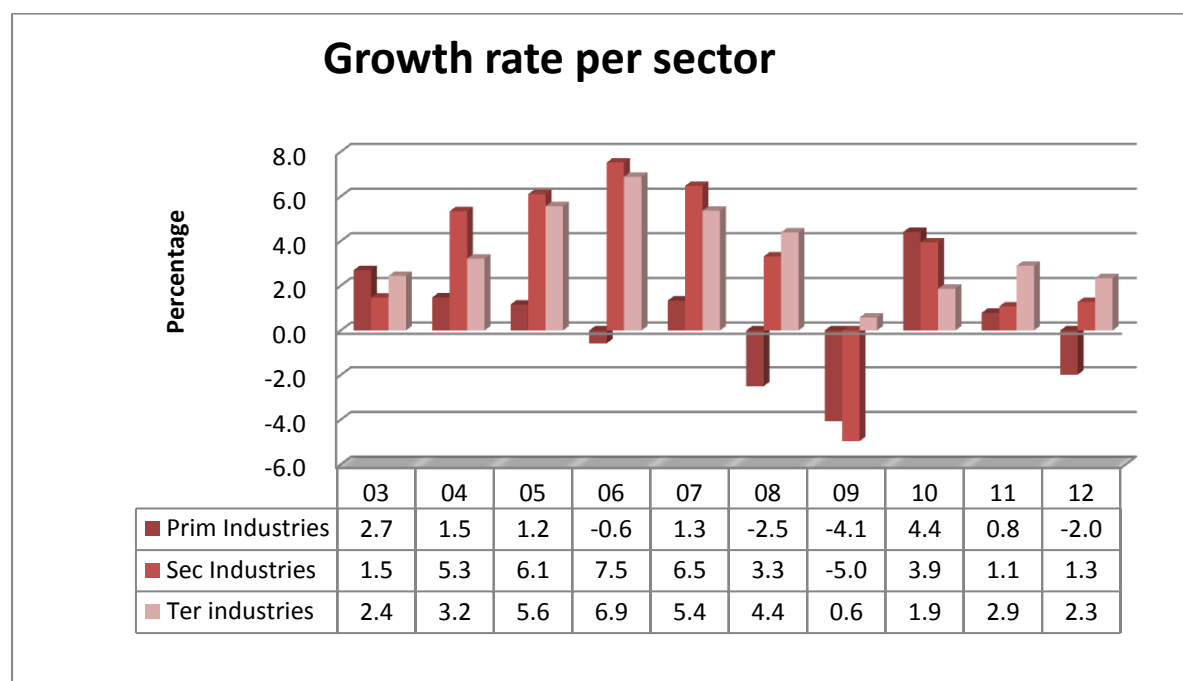
**Figure 1. Real Economic Growth Rate 2012**



Statssa 2012

The real growth rate of the province stands at 1.2% based on 2012 figures from Statssa as shown by the figure above. The province is amongst the bottom three provinces which are not doing well in terms of growth contribution to GDP. There is thus a need for a robust drive towards industrialisation to pull the real growth rate to the level of country's real economic growth rate of 5%. To determine what has to be done the province has a task to flag the status quo in terms of development initiatives.

**Figure 2. Limpopo Growth Rate per sector-2012**

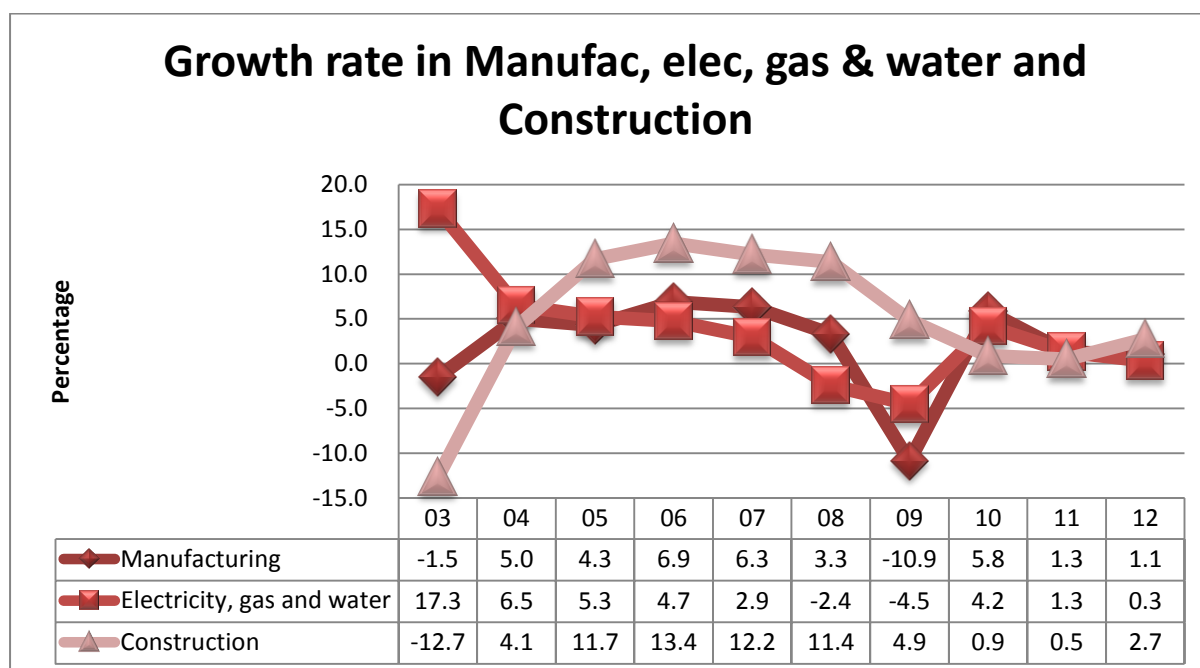


Statssa 2012

The primary sector has been declining during the period 2003-2006 from 2003 at 2.7%, 1.5%, 1.2%, -0.6% respectively; picked up in 2007, at 1.3%; declined again in 2008-2009 at -2.5%, -4.1% respectively; picked up in 2010 at 4.4% and continued to decline again in 2011-2012 at 0.8%, -2.0% respectively. The province has always been considered rich with primary production like mineral resources and agricultural products. These products are exported for beneficiation and return to the province as imported manufactured products. The secondary industry was also not doing well at 1.3% as per 2012 figures. Beneficiation inside the province is required to substitute imported manufactured products.



**Figure 3. Manufacturing, Electricity, gas& water and Construction-2012**



Statssa 2012

Manufacturing growth rate stands at 1.1% as per 2012 figures. Accelerating manufacturing in the province will enhance job creation, reduce high poverty rates, high unemployment and increase skill levels. During the period 2003 and 2012, manufacturing has reached its peak in 2006 at 6.9%. This would be ideal for the province in order to achieve the anticipated economic growth.

#### **4. METHODOLOGY**

The data that was used for the study was collected by using information sharing sessions conducted with the municipalities. Both districts and local municipalities participated in these sessions. A presentation was made in these sessions. A copy of the presentation will be attached as annexure

#### **5. ANALYSIS OF RESULTS**

##### ***5.1 The status quo on the growth points***

There is a need to make an assessment of what transpired after the identification of the growth points. The assessment will focus on what has been done, what is still to be done and what are the challenges/bottlenecks if any. The research unit has embarked on intensive information sharing with the municipality with the intention to find out from the municipalities themselves about the status quo in this regard. It turns out that the economic cluster is already coordinating and facilitating the activities around the provincial growth points. Musina, Makhado and Tubatse/ Burgersfort have been declared the priority growth

points of the province. The majority of the growth points identified are based on SDF which highlight the planned growth that is consumerate with the level of services required in the medium and long run. District and local municipalities are thus responsible for providing service to create a conducive environment for private businesses to tap into the opportunities available; to avail land for residential dwellings, public services centres and malls/shopping complex. Very few nodal/growth points have the comparative advantages that can drive industrialisation, hence some of the municipalities engaged on their own identification of growth points based on the comparative advantages of their local municipalities.

The economic cluster is responsible for identifying and promoting economic activities in Limpopo Province. Three growth points were prioritised to kick start industrialisation in the Province. The information sharing with local and district municipalities revealed that there is no framework to promote industrialisation in local municipalities. This becomes the basis for identifying opportunities that will result in bringing investment and production to various growth/nodal points in Limpopo.

Limpopo Department of Economic Development, Environment and Tourism (LEDET) commissioned a study (based on the seven industrial clusters identified by the 2008 Provincial Growth Strategy), to evaluate how different key industrial sectors can be developed and grown to increase Limpopo Provincial economic growth and development. The analysis of industrial clusters as vehicle for economic development in Limpopo included the logistics cluster, petrochemical cluster, tourism cluster, horticulture cluster, forestry cluster, mining cluster and red and white meat structure. One of the emphasis was that “Effective implementation remains a challenge and bottom-up participation, by local communities and interest groups are an elusive ideal. Inter and intra-departmental liaisons at provincial, district and local municipal level needs urgent coordination to prevent duplication and /or omission of strategic development initiatives or maintenance of current economic and social development activity’

These can be further supported by the fact that documents like the industrial master plan, the LSDF and the analysis of industrial clusters as a vehicle for economic development, all have the implementation frame works proposed with the implementation institutional arrangements required to drive industrialisation but not yet implemented.

The local municipalities argue they do not have resources to drive industrialisation, hence their mandate is section 21 which requires them to create a conducive environment for the private business/investors to tap into the available comparative advantages. Some municipalities have developed their own spatial development framework which identifies their own growth points based on the comparative advantages and furthermore appointed consultants to conduct research/ feasibility studies on these comparative advantages in those growth points. Beyond that it is up to the private business/investor to take advantage of these growth points and they then assist with the required infrastructure like availing land, water, electricity, sanitation and the like.

## ***5.2 Identifying opportunities per growth/nodal point in the local municipalities***

In Thulamela (Mukula) beneficiation of mango has taken off the ground. Cooperatives were mobilised to take charge of the process. A steel structure is in place, funding has been

received and the business awaits machinery that will be bought through these funding. Beneficiation of marula has also taken off the ground through cooperatives in Thulamela municipality in partnership with Phalaborwa. Atchaar plant is up and running through cooperatives but also awaits machinery.

Mopani is made up of agricultural land production with majority of farms belonging to whites, which makes it difficult to obtain land for development and industrialisation. Farming production in this area is mostly export based since white farmers have well-established ties internationally. Marula beneficiation has been identified and there is still potential for growth and that needs intervention.

Waterberg has no industrialisation projects in the pipeline, however the district is forming a Business Development Forum that is responsible for Identification of catalytic projects, planning and monitoring economic development in the district. The forum will assist in driving industrialisation which is stagnant to date.

Sekhukhune just like other municipalities developed their own SDF. The competitive advantages identified in the district include amongst others:

- Agroprocessing in terms of arbutus, and vegetable processing. The projects are on hold as they await funding from National funding and DTI.
- Broilers, Soghum, Marula and Atchaar has potential in Tubatse but this has not taken off the ground

Makhado has no industrialisation plan. The local municipality also face serious challenges in relation to land, water and electricity. They argue that land claims, vision and attitude different from those shared by the chiefs poses serious challenges.

The research unit discovered prominent industries that requires vigilant and rigorous intervention to assist their initiative. Intervention and support of these industries could take the province to another level. The two identified manufacturers have potential to grow the level of industrialisation, job creation, import substitution and rural development.

### ***5.3 Case study 1: GM Leather Tannery***

In the Capricorn district (Lepelle-Nkumpi) there is a leather tannery cooperative producing leather products out of the skin of cattle. The name of the business is GM Leather Tannery. The business was inherited from the father of the core member. The business has potential for success if revitalised and supported /funded. The business is using the old methods and self- made machinery which drags the progress of the business. Negotiations were made with the indunas of different tribal authorities to inform their communities about the availability of the market for the skin. This makes the collection of cattle skin used as a raw material for the production to be easier and quicker. In every community hundreds of cattle are killed during funerals, weddings parties and the like. This opportunity can be used to the advantage of the business and the province will thus benefit from utilising natural resources effectively and efficiently.

This is entrance to the business where some of the finished goods made and stored and displayed.



Leather is tanned behind these building to make it ready for leather making. To clean the raw skin, wells made out of cement were built, however the chemicals used destroys the cement in this wells. Cement wells were replaced by two plastic tanks which are still very small for the skin to be thoroughly smooth.



Bigger tanks and/or modern tanks are required needs to replace the ones in the picture below



Modern technology is required to soften the skin in the process. The business is unfortunately still using these old outdated methods which is both tiresome and derails

progress. The three pictures below indicate the old fashioned processes used by the



business.



This is another building where further processing of the skin takes place, however new technology is required and the buildings themselves need to be refurbished. Below are the machines utilised in the production process. The business is requesting assistance from the government to upgrade these machines.



Stock like soles, tools, materials and chemicals to be utilised in the production process is stored in a very tiny room, thus it is so packed it requires more space. The soles are used for both shoe production and shoe repairs. Funding will assist the business to build warehouses big enough to store the required amount of stock as it grows





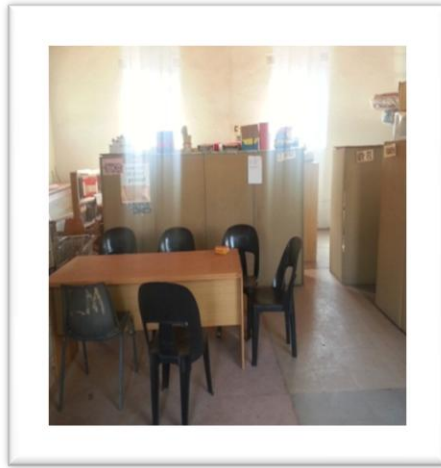
This and other machines used were apparently bought in 1968 as second hand when the old man who started the business was still alive. There is obviously a need for modern, bigger and faster machines to replace the older ones.



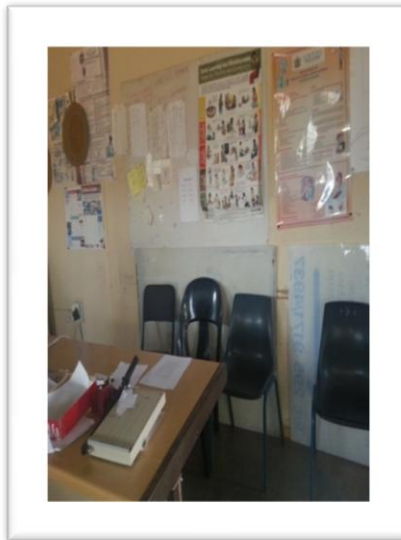
The building below was used as a class where employees were trained about various leather items and the manufacturing of leather goods. There is also a need for formal training with regard to the skills required and this type of skills is also offered by some universities.



The following are classrooms inside the building. They are not functional to date as the business is not growing as it was anticipated. There is need for funds to revive the business and position it as one of the biggest industry in the province with a potential to operate internationally.



These are offices for the business



This is supposed to be a computer lab, unfortunately it is packed by old outdated typewriters and/or computers. The lab would assist them in designs for their leather products. There is thus the need for new reliable and relevant technology. The business cannot afford new technology to take the business to next level, hence request for assistance from the government.





#### **5.4. Case study 2: Woodzone Furniture CC**

Wood zone furniture CC is a small factory situated at Trichardtsdal, Maruleng local municipality in Mopani district municipality. The factory manufactures wood products like doors, chairs, tables, windows and many more. A structure is available though not sufficient as the business grows. Nine workers are employed. The size of the business is 20x20=400m.

The following is the list of machinery that the business owns:

- Wood planner
- Spindle moulder
- Band saw machine
- Table saw
- Drills, grinders nail guns
- Compressor

The business still requires:

- Dust extractor
- Spindle moulder
- Panel saw
- Wood mizer
- Office equipment

The total amount of investment funds required is R650 000.00 for machinery and R150 000.00 for raw materials. The number of employees the business anticipates to employ is 20. These wood products are supplied to local hardware like Hassims, Easy Build, Cash Build and the likes. The challenge for the manufacturer is that the hardwares at times requires the supply of a number of products that he cannot finish at the expected period because of lack of required resources. The business needs to grow to avoid losing business by supplying less than the required quantity. The business requires assistance to enhance industrialisation in the province. If the province is able to empower local businesses like this ones the province is sure of taking the province to the next level, otherwise businesses like this ultimately closes down as they cannot compete with other businesses outside the province and that becomes a great loss to the province.

#### **6. CHALLENGES/FINDINGS**

- The disjuncture of the economic cluster and the district and local municipality in relation to local economic development
- The DTI and economic cluster focuses on the development of provincial nodal points and not district and local nodal/growth points
- The fact that there is no committee responsible to facilitate development of district and local nodal points

- The mandate of the municipality (section 21) which requires the municipality to create an enabling environment for private businesses to take advantage of the opportunities identified
- The lack of financial resources
- District and LED managers ' responsibilities are limited to monitoring SMME's and cooperatives rather than have a budget to assist them
- The lack of capacity of municipality to mobilise investors into the local municipalities
- The reluctance of private investors to invest in local municipalities

## **7. RECOMMENDATIONS**

- Closer working relationship between the economic clusters and their district and local municipalities with a more bottom-top approach than the top-bottom approach that is currently applied because the district and local municipalities will be in a better position to determine the direction of development in the local municipality than national or provincial government.
- Alternatively an economic cluster that focuses on the district and local economic development
- Capacity building for local municipalities to source funds/ mobilise investments
- Empower district and LED managers beyond monitoring business activities in their local municipalities
- According to the Analysis of the Industrial Clusters the formation of an Implementation Agency has been identified as the mechanism to improve growth throughout the province by means of improved investment implementation in the form of cluster projects. The Agency would assist in creating a sound and financially well-managed institution to implement departmental objectives in terms of the PGDS as well as to facilitate the implantation of the infrastructure backlogs in the various regions in order to enhance economic development. This remains a strong recommendation in this report. The reason for this strong recommendation is the fact that the Industrial Master Plan, the SDF as the key documents have identified both the implementation plan and the institutional arrangements required for the potential projects to kick-start. However no institution is ready to take the lead. It is therefore critical to have a committee like the agency that will drive this ship. Otherwise all the identified potential will remain in the documents and untapped.

## **8. CONCLUSION**

The finding of the report is that municipalities have very little control over the comparative advantages in their local municipalities. The local municipalities relies on the province to facilitate taking advantage of these comparative advantages hence they argue that they do not have resources and the capability to mobilise investments. The mandate of the municipalities as confirmed by the LED local and district municipal managers is to create a conducive environment for private businesses to take advantage of the comparative advantages identified.