

CHAPTER FOUR: Free State Growth and Development Strategic Plan

4.1. INTRODUCTION

The aim of this chapter is to formulate a strategic development framework, which will provide broad guidelines for roleplayers at local level. This framework will serve as the basis from which activities and development interventions can be planned and implemented in the Free State. The following subsections will address key areas of development planning in the province.

Vision 2014 was recently adopted by the National Government of South Africa and is regarded by the FSGDS as one of the most important guiding documents for development in the Free State.

Vision 2014 is South Africa's direct response to contribute and address the development challenges as set-out in the Millennium Development Declaration. In September 2000 147 heads of State and Government, and 189 nations in total, in the United Nations Millennium Declaration committed themselves to making the right to development a reality for everyone and to freeing the entire human race from want. They acknowledged that progress is based on sustainable economic growth, which must focus on the poor, with human rights at the centre. The objective of the Declaration is to promote "a comprehensive approach and a coordinated strategy, tackling many problems simultaneously across a broad front."

The Declaration calls for halving by the year 2015, the number of people who live on less than one dollar a day. This effort also involves finding solutions to hunger, malnutrition and disease, promoting gender equality and the empowerment of women, guaranteeing a basic education for everyone, and supporting the Agenda 21 principles of sustainable development. Direct

support from the richer countries, in the form of aid, trade, debt relief and investment is to be provided to help the developing countries.

To help track progress, the United Nations Secretariat and the specialized agencies of the UN system, as well as representatives of IMF, the World Bank and OECD defined a set of time-bound and measurable goals and targets for combating poverty, hunger, disease, illiteracy, environmental degradation and discrimination against women. International experts also selected relevant indicators to be used to assess progress over the period from 1990 to 2015, when targets are expected to be met. Each year, the Secretary-General will prepare a report on progress achieved towards implementing the Declaration, based on data on the 48 selected indicators, aggregated at global and regional levels.

The combination of some of the most important targets and objectives making up Vision 2014 are as follows:

- Reduce unemployment by half through new jobs, skills development, assistance to small businesses, opportunities for self-employment and sustainable community livelihoods.
- Reduce poverty by half through economic development, comprehensive social security, land reform and improved household and community assets.
- Provide the skills required by the economy, build capacity and provide resources across society to encourage self-employment with an education system that is geared to productive work, good citizenship and a caring society.
- Ensure that all South Africans, including especially the poor and those at risk - children, the youth, women, the aged, and people with disabilities – are fully able to exercise their constitutional rights and enjoy the full dignity of freedom.

- Compassionate government service to the people; national, provincial and local public representatives who are accessible; and citizens who know their rights and insist on fair treatment and efficient service.
- Massively reduce cases of TB, diabetes, malnutrition and maternal deaths, and turn the tide against HIV and AIDS, and, working with the rest of Southern Africa, strive to eliminate malaria, and improve services to achieve a better national health profile and reduction of preventable causes of death, including violent crime and road accidents.
- Significantly reduce the number of serious and priority crimes as well as cases awaiting trial, with a society that actively challenges crime and corruption, and with programmes that also address the social roots of criminality.
- Position South Africa strategically as an effective force in global relations, with a vibrant and balanced trade and other relations with countries of the South and the North, and in an Africa that is growing, prospering and benefiting all Africans, especially the poor."

In the case of the Free State, this implies an economic growth rate between 6% and 7% per annum up to 2014. Emphasis should be placed on development projects that are labour intensive. Skills development is also critical, especially medium-skilled workers, in realising accelerated economic and employment growth in the Free State.

4.2. SPATIAL PERSPECTIVE

Although the Free State Spatial Development Framework (SDF) was not completed in time to be included in the FSGDS, this section provides a spatial perspective on the Strategy. It is understood that the SDF will be included during the annual revision phase.

4.2.1. The National Spatial Development Perspective

The NSDP includes mechanisms for aligning spatial choices around government spending across all spheres of government by mapping

development potential and formulating principles for targeting development and spending.

It is an important guiding strategy regarding spatial planning for development. In essence, it advocates a focus on areas with development potential and urges local authorities in localities of low development potential to demonstrate their comparative advantages in order to receive support from other spheres of government.

Obviously, this has significant implications for the function of a provincial or local development plan.

Development potential is based on the following criteria:

- Natural resource potential: agricultural potential, environmental sensitivity and the availability of water
- Human resource potential: levels of skills and population density
- Infrastructure resource potential: existing and proposed road and rail infrastructure and the main electricity grid
- Human need: the spread of poverty and the size of the poverty gap
- Existing economic activity: Gross Geographical Product (GGP).

Using these criteria, five types of spatial area are defined in the NSDP (based on development trends), namely:

- Resource potential is medium to high, human need medium to high and economic activity medium to high (includes Kroonstad)
- Resource potential is medium to high, human need medium to high and economic activity low (includes northern Free State)
- Resource potential is medium to high, human need low and economic activity medium to high (includes Bloemfontein)
- Resource potential is low, human need medium to high and economic activity low (includes central Free State, excluding Kroonstad)
- Resource potential is low, human need low and economic activity low (southern Free State, excluding Bloemfontein).

The NSDP proposes normative principles to be used as a guide by all spheres of government in order to achieve the objectives of national government (economic growth, employment creation, sustainable service delivery, poverty alleviation and the eradication of historic inequities):

1. Economic growth is a prerequisite for the achievement of other policy objectives
2. Government spending on fixed investment, beyond the obligation to provide basic services to all citizens, should therefore be focused on localities of economic growth and/or economic potential in order to attract private sector investment, stimulate sustainable economic activities and/or create long-term employment opportunities
3. Efforts to address past and current social inequalities should focus on people, not places. In localities with low development potential, government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market intelligence. This will enable people to become more mobile and migrate, if they chose, to localities that are more likely to provide sustainable employment or other economic opportunities.
4. In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent or linked to the main growth centres. Infrastructure investment and development spending should primarily support localities that will become major growth nodes in South Africa and the Southern African Development Community region to create regional gateways to the global economy.

The report culminates in a national spatial development vision:

“South Africa will become a nation in which the investment in infrastructure and development programmes supports the government’s growth and development objectives:

- by focusing economic growth and employment creation in areas where this is most effective and sustainable
- by supporting restructuring where feasible to ensure greater competitiveness
- by fostering development on the basis of local potential
- by ensuring that development institutions are able to provide basic needs throughout the country.”

4.2.2. NSDP implications for development planning in the Free State

In the Free State, emphasis will be on centres such as Bloemfontein, Kroonstad, Sasolburg and Harrismith, since government investment in infrastructure and development programmes should reinforce the dominant trends defining the present and future space economy.¹

However, it is admitted that the current interpretation of the available data vis-à-vis development potential will need to be informed by more local area assessments of potential. This is a very significant provision, as it opens the way for a more nuanced spatial and developmental approach. In particular, the NSDP states that, “the development of local authority IDPs will assist in identifying locality-specific comparative advantage in terms of the six categories of development potential”.²

In a nutshell, the stark spatial hierarchy proposed by the NSDP can only be mitigated by initiatives from below, to identify local economic advantage. The onus is on local residents (by implication, municipalities), to argue their case for government expenditure to be allocated to their areas. Municipal IDPs will therefore be more important than ever.

¹ As the NSDP report argues: “The range of localities affected by this focus on development potential is broad enough to reach the majority of the population (68-81% of all households) and is reasonably diverse” (p. 21).

² NSDP, p. 16.

In this regard, a set of intergovernmental planning principles promoting the alignment of national, provincial and local development planning is suggested by the NSDP. Relevant here are three of those principles:³

1. National government guidelines and principles should inform planning for all spheres of government
2. Each sphere has its own distinct development tasks and related planning tasks, corresponding to the scale of its operations and the area of its jurisdiction
3. Integrated development planning by municipalities is a tool to integrate and co-ordinate implementation in terms of geographical space and time in that locality. It has to inform, and be informed by the planning of other spheres of government, including the sectoral/departmental planning of line agencies.

4.2.3. Potential spatial, economic and demographic aspects of the FSGDS

The NSDP specifies the following Categories of Development Potential⁴

- Innovation and experimentation
- Production: high value, differentiated goods (not strongly dependent on labour costs)
- Production: labour intensive, mass-produced goods (more dependent on labour costs and / or natural resource exploitation)
- Public services and administration
- Retail and services
- Tourism

4.2.3.1. Manufacturing

In 2002 an article in Enterprise elaborated on the declining mining industry in the Free State, the high level of HIV and AIDS prevalence, and the consequent need for identification of new areas of economic growth. The

³ NSDP, p. 37.

⁴ NSDP, p. 5.

decline of the agricultural sector, and the economy in the Goldfields, has raised the question of bringing in new industries, one of which might be mineral beneficiation. The Free State is experiencing a boom in manufacturing in various sectors, as it moves away from being a commodity economy.⁵

The Free State Provincial Government has identified several competitive advantages in the manufacturing sector. The following sectors were identified as candidates for foreign direct investment (FDI):⁶

- Farm machinery and equipment: Opportunities exist for the manufacturing and assembly of tractors, harvesters and combines, with emphasis on investment in existing companies in the Free State through joint ventures or equity participation.
- Leather tanning and finishing: The Free State boasts extensive livestock farming. This industry exports wet salted hides to other provinces and overseas as raw materials. This opens the door of opportunity to establish more tanneries for processing hides into finished leather products for domestic and foreign markets. The development of automotive upholstery manufacturing should be considered now that a tanning industry has been established in the province
- Petrochemicals: There are many subsectors of manufacturing that will use the current production of chemical by-products (intermediate products) as raw materials. The focus should be on products that will use the existing chemical by-products as inputs to further process them into consumer (final) goods, which are currently being imported from other countries.
- Gold jewellery: The Free State has rich deposits of gold, diamonds, precious and semi-precious stones. SA Gems & Crafts is one of the largest tumbling and polishing factories of gemstones. Although jewellery production in the Free State does not currently enjoy prominence, it has the potential to develop into a very lucrative industry with plans to develop an industry focus on niche export markets for upmarket jewellery.

⁵ *Enterprise*, "Belot is turning Free State into a manufacturing hub", 30 November 2002, p. 54.

⁶ <http://www.fs.gov.za/Departments/FINANCE/economic/opportunities/opportunities.htm>

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4.2.3.2. Horticulture and floriculture

The floriculture industry in the Free State has a high-value export potential and is therefore considered viable. The cut-flower producers in the province are few in number and small in size, but they collectively export more than 1.2 million cut flowers per annum. The Free State has good soil conditions and excellent temperatures which are extremely important for this sector. The scope for expansion in this industry is significant.

4.2.3.3. Tourism

Tourism (and allied SMME promotion) is another sector the province focuses on. It is active in the training of guides and their assessors, and in developing tourism. The stimulation of SMMEs is part of an integrated strategy to take the Free State economy onto a higher road - one in which the economy is diversified, and manufacturing and service orientated.

4.2.3.4. Agri-processing

The province is working to establish the Eastern Free State as South Africa's agri-processing hub. This is being done by exposing commercial and emerging farmers to opportunities for value-adding to traditional agriculture products, e.g. fruit juices, canned fruit and vegetables, new crops such as herbs, and essential oils.

4.3. ECONOMIC INFRASTRUCTURE SUPPORT

Basic infrastructure provision in the Free State has an impact on the socio-economic conditions of its local communities. The lack of infrastructure and basic services induces a risk adverse environment. The efficiency of local government in terms of infrastructure provision influences business location and investment, as well as the feasibility of tourism initiatives. Infrastructure includes access to land, buildings, road networks and services, such as electricity, water, waste collection and sewerage services. Infrastructure

development is regarded as one of the most prominent methods of employment creation, due to the high level of labour intensity that can be related to it.

It is imperative that local spheres of government in the Free State provide sufficient basic infrastructure and services to communities in order to improve the living conditions, as well as to create an attractive business and investment environment. Infrastructure development should be done in a labour intensive way, creating employment opportunities for local communities, including women and the disabled. This form of employment generation has been recommended as a successful method of government intervention for local economic development in South Africa.

The Emerging Contractor Development Programme (ECDP) was established in the Free State to provide a database for all contractors, provide advice on procurement and administration, provide basic counselling, categorise contractors, and provide them with advice and referral services regarding the various sources of possible support such as Ntsika and Khula. Specific emphasis is placed on the promotion of Black people, emergent contractors and women contractors. An important piece of legislation is the Preferential Procurement Policy Framework Act (Act 5 of 2000), which governs the allocation of contracts to emergent contractors in support of BEE.

The main reason why Public Works programmes have stayed small in South Africa, with the exception of the EPWP and the CPWP, is that they lack the involvement of the private sector and corporative state enterprises, such as Telkom and Eskom. Experience has shown that government departments cannot provide large-scale delivery on their own.

Labour-intensive infrastructure provision in the Free State should take the form of public-private partnerships (PPPs). The unemployed would gain income, marketable skills, confidence and dignity. Business would gain directly from contracts won in return for the use of labour-intensive techniques and indirectly from an improved infrastructure and a better investment climate.

That way, businesses and local communities will feel that government is doing something tangible about unemployment.

4.4. SMME DEVELOPMENT

Small, Medium and Micro Enterprises (SMME) are recognised worldwide for their potential to generate job opportunities, particularly when the economy is on a downward trend.

Within the macro-economic context provided by the GEAR strategy, the specific framework for SMME development was set forth in the 1995 White Paper on Small Business (South Africa 1995), which together with the National Small Business Development Act of 1996 paved the way for the launch of a range of new support institutions and initiatives.

The importance of the SMME economy for economic development and job creation in the Free State has been clearly acknowledged in several development strategies and plans for the province. It has been announced that DTI will release a new refocused strategy for SMME development to replace the policy approach that had been in operation since 1994. The impetus for this revised approach is derived from a process of reflection on the disappointments that have arisen from the implementation and outputs of the post-1994 programmes. In addition, the new revised strategy is also a response to the changing post-1995 environment since the preparation of the 1995 White Paper. Key issues that impact upon SMME development that have emerged since 1995 are those of local economic development, Black Economic Empowerment and the DTI's own changing economic frameworks, most importantly the Integrated Manufacturing Strategy.

Economic research in the Free State conducted under the Premier's Economic Advisory Council (PEAC) indicated that the formal economy of the province is simply not able to absorb all the newcomers to the labour market. It is furthermore highly unlikely that this trend in the provincial economy will be

reversed, at least not in the short to medium term. This situation suggests strongly that SMMEs provide one of the only possible ways to reduce the current high level of unemployment and poverty in the Free State.

A critical prerequisite for successful SMME development is entrepreneurship. Entrepreneurship in this regard does not only refer to knowledge and experience in business administration, but most importantly, to a high level of motivation, drive and work ethics.

4.4.1. SMME Promotion Interventions

SMME interventions in the Free State need to be geared towards strengthening the performance and competitiveness of enterprises. Target groups are medium-sized business and small business that have a sustainable potential for growth, and typical interventions include:

- Promotion of the sector–political dialogue between SMME representatives (e.g. chambers, associates) and the government administration (e.g. local & district municipalities) through capacity building on both sides and intensifying the dialogue;
- Improvement of framework conditions and the creation of an enabling environment through advice to local LED Units and other relevant public institutions on the design of economic, legal and institutional frame conditions for private sector;
- Organisational development of SMME organisations, thus enabling them to contribute to improved SMME competitiveness through enhanced lobbying capacity and professional competence;
- Facilitating access to business development services through the development of markets for such services. Private and public providers need to offer specifically those services that SMMEs ask for and are willing to pay for. Support for such a market includes networking, role clarification and advice to different protagonists (private service providers, SMME promotion agencies, ministries, donors etc.).

- Support of horizontal and vertical cooperation between enterprises, in particular by using cluster and value chain approaches, including advice for building up linkages between several SMMEs and between SMMEs and large or international enterprises.
- Export promotion for the SMME sector through brokering of contacts to African and European importers and information about quality standards, market trends and participation in fairs.
- Management and business consulting on enterprise level through capacity building of local consultants and consulting of firms including advice in order to increase efficiency in all enterprise domains such as procurement, production, sales and financing as well as special issues such as joint ventures and privatisation.

Experiences in SMMEs promotion over the last few years have shown that an improvement in SMME competitiveness cannot be achieved solely on the level of the individual enterprise. What is needed is an approach where interventions target different levels simultaneously: the macro level (stability oriented and enabling economic policy), the meso level (capacity building of private sector organisations, development of support strategies and policies for enterprises) and the micro level (enhancing enterprise performance and their horizontal and vertical integration into a network of linkages and subcontracting relationships). As a consequence, today's SMME promotion ties together many different partners simultaneously.

4.4.2. Localised SMME support

SMME development at the local level (especially rural Free State towns) is very important because the mobility of these businesses is much more limited. For SMMEs, the trade-off between the cost of changing location and the cost of participating in local dialogue and development efforts, tends to be solved in favour of the latter. SMMEs sometimes get actively involved in business development efforts, and they certainly are an important target group for economic development initiatives.

SMME promotion and support includes a series of core activities to which several other activities should be added gradually. The core activities and the respective activities are as follows:

- To make the service of economic promotion more transparent and more accessible to the enterprises through enterprise visits, round tables, newsletters and intensification of public relations.
- To enforce the exchange of experiences among enterprises and to create a basis for enterprise co-operation through the organisation of focus groups working on cross-cutting or sector specific topics, initiation of workshops and regular meetings for new entrepreneurs or technical and management staff of existing enterprises, creation of an internet database to inform on services offered and requested, on free production capacities.
- To intensify SMME co-operation with local spheres of government and to strengthen its promotional capacities through the creation of a special training and capacity enhancement programmes for local officers responsible for economic promotion and the organisation of working groups.
- To make local administrations more responsive to the needs of the business community and to facilitate access to administrative services through an institutionalised exchange of experiences between enterprises and the local administration.

4.4.3. Tools for SMME promotion

There are several types of strategies or tools that can be used in the Free State as part of a strategy to support SMME development in local economies in the province. These range from the relative simple intervention, such as setting up an SMME information desk at local municipal offices, to something more complex, such as facilitating the establishment of trade and information sharing networks and technology transfer in the Free State.

These tools are based on international and national best practice activities and are included to provide a point of departure against which the strategic framework can be formulated and suggest a variety of strategies that can be

used to stimulate and promote SMME development. These tools should, however, not be seen as a blueprint for success and it is required that innovative and creative thinking be applied during the implementation of these strategies. These instruments include:

- A. Public sector procurement
- B. Funding
- C. Policy review
- D. Business development services
- E. Technology transfer
- F. Information
- G. Market and trade assistance
- H. Networks
- I. Infrastructure provision

A) PUBLIC SECTOR PROCUREMENT

Local, provincial and national government is increasingly using its participation in the economy to create opportunities for SMME development. Examples include the allocation of public sector contracts to small and emerging entrepreneurs. These programmes can either take the form of the delivery of core or non-core government services by SMMEs. SMMEs are therefore used to provide services such as cleaning, paper and stationery provision, maintenance, catering etc.

By informing the procurement and tender processes, local authorities in the Free State can help ensure that SMMEs, especially emerging contractors and micro enterprises, gain access to the mainstream procurement activities of local government. On a national and provincial level, tender processes are increasingly being reviewed to create systems, which are more transparent to small contractors.

Additionally, most of these programmes are implemented alongside some sort of a support structure, designed to ensure that SMMEs comply with quality standards, understand how to apply for the opportunities created and can

assemble the network required to deliver the desired quality of products. These programmes can be extremely useful in developing new markets for SMMEs and expertise in the sector.

B) FUNDING

Sufficient funding is one of the instruments used to increase the ability of SMMEs to perform more effectively in the Free State economy. Based on demand, access to finance is often seen as the most critical issue in developing a successful SMME community, as insufficient funding is often one of the root causes of the high failure rates amongst these businesses.

It is important to remember that it is not within the power of local government to directly finance SMMEs. Local governments in the Free State should rather take on the role of facilitator in bringing SMMEs and funding organisations together. Local Government can also liaise with financial institutions and banks on behalf or together with SMMEs that are involved in special initiatives by the local authority, such as special loan assistance or start-up financing for SMMEs to be localised in a Local Industrial Park set up by the local authority.

A number of financial programmes and incentives are currently available to which SMMEs can be referred to. These programmes range from government incentives (such as through the DTI) to funding assistance by NGOs, private sector programmes and government agencies. The banking sector also plays an important role in the provision of finance and is increasingly looking at new ways to support the SMME sector. The critical issue is to ensure that the variety of financial models available is successfully used to support the SMMEs that need it.

C) POLICY REVIEW

Government often does not realise the impact that the regulations, policies and bylaws of local authorities have on the operation of the small business

sector. On a national and provincial scale, SMMEs are often negatively influenced by a combination of:

- Trade policy, such as export duties, taxes or subsidies and foreign exchange control.
- Fiscal policy, i.e. government expenditure, infrastructure and the provision of government services.
- Labour policies, such as minimum wage levels, fringe benefits and labour codes.
- Output prices, including consumer and producer prices.
- Direct regulatory control, such as land control, enterprise licensing, monopoly privileges.
- General bureaucratic system that adds to the cost of doing business.

Regulations and by-laws are also tools that local governments in the Free State can use to stimulate SMME growth within their areas of jurisdiction. These regulations involve seemingly simple arrangements, such as the placement of informal trading stalls near busy intersections, or more complex regulations such as zoning, the establishment of City Improvement Districts, building and safety regulations or levy structures. The procedure of passing a by-law includes local authority approval at reasonable notice and proposal of the envisaged changes for public comment.

D) BUSINESS DEVELOPMENT SERVICES

Apart from the start-up and venture finance, SMMEs need assistance with their day-to-day operations. Local authorities in the Free State can play a crucial part in assisting local SMMEs in this regard by providing business development services, in partnership with key role players that will address the specific needs of the small business sector in terms of training, technology transfer, information and marketing. For this reason, a Local Business Service Centre (LBSC) should be established in each district to assist SMMEs in attaining business skills, networking and funding through the right channels.

However, recent studies indicated that although Local Business Service Centres have been implemented throughout the country, they have not delivered many results because of fraudulent issues that have handicapped these ventures. These inhibiting factors could be ascribed to the fact that funding for these centres was left in the hands of individuals, instead of a collective, transparent body such as, for example, local government.

Therefore it is recommended, that, should such a venture be initiated in the Free State, the LBSCs should form part of the district authorities, so that it can be transparent and its progress be evaluated at all times.

E) TECHNOLOGY TRANSFER

Tools that are generally used worldwide to enhance the technology transfer to SMMEs, include partnerships with the universities and technology institutions, SMME consortia and the establishment of incubators and science parks.

Technology and tertiary institutions can best provide applied research and development in technology fields, perform contract research for SMMEs, conduct generic research that can be aligned with SMMEs and provide additional consulting services, such as demonstration and pilot projects, workshops on new technologies and technical training.

SMME consortia are usually formed in situations where SMMEs cannot afford to pay many of the upgrading requirements needed to modernise production. This is especially true when finding technical solutions for common problems within different sectors that increase costs for small business operations. On the international front, many SMMEs pool their resources to form a consortium (that consists of trade unions, chambers of commerce and industry organisations) to provide the financial basis to appoint a university or technology institution.

Incubators and science parks provide assistance to technology-intensive SMMEs through shared services and facilities, such as administrative

services, reduced rent facilities, shared laboratories and research assistance. Technology is developed through these incubators for specific SMME sectors. Science parks have been established with success in countries such as Japan and the United Kingdom.

F) INFORMATION

Information is one of the cornerstones of any business, whether it is information on market dynamics and penetration, product design, technological development or client demand.

Additionally, any government department in the Free State will also need up-to-date information to make informed strategic decisions with regard to what it intends to achieve with SMME development in the area. It has been found that relatively few municipalities in the country have sufficient information available on the SMMEs in their areas of jurisdiction. This often results in LED/SMME strategies being based on perceived needs in the small business environment, as opposed to what local SMMEs really require.

Linked to this is the fact that other activities need to be exposed and linked to the SMMEs. Such availability of information supports the brokerage processes of linking opportunities and SMMEs.

G) MARKET AND TRADE ASSISTANCE

Many SMMEs experience problems in penetrating markets and consequently in developing products that will be able to answer to consumer demands. This may be due to several factors, such as geographical isolation, inadequate technology and lack of sufficient resources. Limited marketing channels and know-how also contribute to great entrepreneurial ideas not reaching the right audiences, resulting in many entrepreneurs facing failure.

A local or district authority can act as facilitator, bringing together marketing service providers and SMMEs that need marketing assistance. The marketing

intermediaries can come from the private or NGO sectors. Access to up-to-date information is required in order to assess the feasibility of SMME products, since much effort and money are invested in developing these ideas.

A number of opportunities are furthermore created for SMMEs that want to exploit international markets through the establishment of trade agreements between South Africa and foreign countries. Examples of these include the African Growth and Opportunity Act (AGOA), the SA/European Union and the SADC agreement. SMMEs need assistance in tapping these benefits, as there are lists of pre-qualifications for companies wishing to participate.

H) NETWORKS

Networks are fast becoming a key business tool for small and medium sized companies to work together to boost their bottom line. The nature and size of networks vary considerably and depend on the local economic and business environment, the nature of the SMMEs participating and the aims of the network. A distinction can be drawn between two types:

- Flexible manufacturing networks, where co-operative efforts by SMMEs are involved to produce a final product or a series of products. Each small firm specialises in one part of a complex, multistage production process and coordinates its activities through market-based exchanges with other firms.
- Commercial networks, which offer SMMEs access to more rapidly growing, more profitable market opportunities and to technology and know-how that are required in meeting the demands of such markets. Typical programmes include low-cost-of-entry franchising, programmes by larger companies to outsource procurement of goods and services and market development initiatives that work closely with buyers and agents to help SMMEs.

I) INFRASTRUCTURE

Local authorities in the Free State can play a vital role in assisting local SMMEs through a dedicated and strategic business infrastructure roll-out programme that is formulated and prioritised on the basis of the needs of the local SMMEs.

4.5. HUMAN RESOURCE DEVELOPMENT

Human resources are viewed as one of the key resources or potential strengths within the Free State and as such, specific guidelines need to be determined to guide the formulation of specific strategies and objectives for the optimal development of this resource.

In order to facilitate the inclusion of marginalised groups in local economies it becomes essential to pay special attention to the socio-economic conditions of local municipalities in the province. A critical issue affecting economic development is the narrow skills base. More specifically, the focus of human resource development is on skills development, which refers to the process of deepening individuals' specialised capabilities to be able to access incomes through formal sector employment, through SMMEs or community projects, which in turn positively contribute to the economic success and social development of municipalities in the Free State. This learning process must also enable people to continue learning and adapting to the constantly changing environment.

There is thus a need for a focussed approach which aims to broaden the local skills base. Such an approach would necessarily address labour quality and skills advancement. Practical application refers to the implementation of skills enhancement and training programmes, while local businesses should be encouraged to provide in-service training. Labour is regarded as a renewable resource in this context, which can be adapted to changing business needs and economic conditions.

Human Resource Development furthermore aims at improved accessibility towards marginalised groups in the Free State, in terms of skills development programmes. This approach ensures the availability of a higher skilled labour force to local businesses and industries.

The Green Paper (Skills Development Strategy, Department of Labour, 1997) proposes a new approach to skills development, which compliments the formal education system. It links skills formation to the requirements of a growing economy and extends education and training to people both within and outside formal employment. It is primarily concerned with industry-based training, improving the intermediate-level skills base of the country and labour market training for target groups (including the unemployed, retrenched workers, youths, women, people with disabilities and people in rural areas).

The Skills Development Strategy makes provision for a new system of learning, referred to as learnerships, for young and unemployed people wishing to join the labour market. Learnerships combine structured learning and work experience and culminate in nationally recognised qualifications, which signify job readiness. While the initial focus will be on intermediate-level skills development, integration with the education reforms driven by the Minister of Education will promote coherence between intermediate- and higher-level skills development. A new approach to Employment Services will ensure that beneficiaries are informed of these and other opportunities.

The overall approach is of such a nature that the skills development system should be integrative in order to effectively support economic growth and employment absorption throughout the economy. Such focus will facilitate social development through appropriate training, education and support services.

The six core components of an HRD strategy at local and district level should include at least the following:

- Information for Strategic Planning

- A System of Learnerships
- Employment Services
- Enhancement Provision
- Skills Development Intermediaries and Provincial Coordination
- The Funding of Skills Development.

The inclusion of these six core components into the human resource development strategy will ensure that an investor friendly environment is established. Targeting the appropriate local industries, government officials and local communities can also facilitate this.

4.6. AGRICULTURAL DEVELOPMENT

There is a growing need to solve the host of problems faced by the agriculture sector in a more integrated manner within the framework of sustainable development. Agricultural sector strategies have veered between maximising agricultural growth through promoting commercial crops and emphasising food production / self sufficiency and import substitution. There are, however, various strategies to improve this sector, e.g.:

- A. Agriculture Diversification
- B. Agriculture Beneficiation (Agribusiness)

Each of these components is synoptically discussed in the subsequent paragraphs.

A. Agriculture Diversification

Farmers on a global scale have become increasingly diverse in their agricultural produce over the last few decades. This means that traditional crops, such as maize and wheat, became less important as a source of livelihood, whilst other farming practices, such as permanent crops, hydroponics, organic farming etc., have become more important and profitable. Some degree of diversification has always existed in the agricultural sector. After all, farming is grounded in the seasonality and risky

nature of planted crops. Diversification is thus seen as a method to cope with risk and crop vulnerability.

In terms of economic development at the Free State district and local levels, agriculture diversification is seen as a livelihood coping strategy for the farmer; increasing profits through new products such as olives, organic farming and essential oils; broadening the local export base; and the creation of additional employment opportunities. Agriculture diversification also has indirect spin-off effects on the secondary sector. Opportunities are now created in the agro-industrial sector in terms of packaging and value adding, which create even more employment opportunities.

Viable agricultural crops, with clearly defined markets, therefore need to be identified for available agricultural land and planning programmes initiated within the province. As part of these strategies, new and innovative agricultural practices need to be taken into consideration.

B. Agriculture Beneficiation (Agribusiness)

Agribusiness may be defined as all market- and private-business-oriented entities involved in the production, storage, processing and distribution of agro-based products, in the supply of production inputs, and in the provision of services. Agribusiness is an integral component of rural development and forms part of the FSGDS to improve regional and local economic development and ensure food security.

Local economies that specialise in the extraction of primary products from agriculture as one of their main thrusts of economic development would benefit greatly from agricultural beneficiation. In this regard development strategies should focus on value-adding approaches, such as processing, packaging, marketing and distributing farm produce.

Since earnings from the sale of raw produce may be lower and more volatile, the addition of such “downstream” activities can improve a community’s local

economy, create new employment opportunities and contribute to environmental sustainability. Agricultural value-added enterprises represent excellent business development opportunities for local communities in the Free State. This is mainly because the community is located near raw agricultural inputs, which can be turned into a competitive advantage.

Agribusiness enterprises are primarily labour-intensive small and medium enterprises located near agricultural production sites in rural areas or in rural centres. Economic success of these agricultural enterprises is increasingly determined by the performance and capacity of upstream and downstream sectors. Agribusiness entities need to respond by improving their efficiency and market orientation. What is required in agribusiness is access to expertise, the availability of market information, and sufficient management skills.

Agribusiness support in itself must be an integral part of the economic development concept and must be targeted towards the creation of jobs and income in rural areas. In line with a common business concept, the guiding principle is always the market orientation of all support services. Employment promotion and poverty alleviation in rural areas are additional goals of promoting agribusiness. Agribusiness does not only focus on the primary production of products but also requires additional workers. New employment opportunities are created in the processing industry and, especially, in the service sector.

Experience shows that there are some areas that offer particularly high potential for the successful promotion of the agribusiness sector. These interventions include:

- Product quality trade
- Management of agribusiness-related support services
- Development and management of market infrastructure
- Management of food chains
- Voluntary organisations and co-operation in production and marketing

With declining employment in the South African agricultural sector, workers leaving farms are more likely to be able transfer their skills to value-added enterprises than to non-agriculture manufacturing and service industries. Creating value-added jobs in the Free State can improve the diversity of the provincial economy, increase local incomes, capture higher profits locally, and use the local natural resource base more efficiently and sustainably.

4.7. TOURISM DEVELOPMENT

At present the Free State's main tourism product is its natural scenery. This is followed by a range of historical and cultural tourism products. Tourists need to be offered attractions of a significant calibre to stimulate the industry. Another tourism advantage of the Free State relates to the province's central location in South Africa. The province is well integrated with the rest of South Africa through its road and rail networks and serves as a popular tourist stopover destination.

Tourism development in the short to medium term will have to be concentrated on the eastern part of the province (weekend visitors) and the Parys area (day-visitors) where there are currently a number of established tourist attractions and an infrastructure that can cope with a reasonable number of tourists.

The following recommendations were made by the tourism study, which were recently commissioned by the PEAC:

Develop a nature-based tourism focus in the rural areas

No destination can be all things to all tourists. The Free State has an abundance of scenic beauty and relatively few inhabitants. These

characteristics should be used strategically. Within the realm of nature-based tourism, there is scope for a number of activity foci.

Develop tourism products as part of focused tourism routes in rural areas –particularly the Maloti Route

Many Free State towns have little to offer that might attract tourists, therefore route tourism promotion might be considered although the provincial government has to be realistic about what route tourism can achieve. There are already a number of tourism routes in South Africa, such as the Wine Route, Midlands Meander, Garden Route, and so forth. These routes have a relatively high density of tourism product providers. In the case of the Free State, the tourism products are much less concentrated and are not thematically focused. Free State tourist routes will have to package the distances between product providers as integral to the routes' attractiveness versus their being seen as an impediment.

Develop routes within routes

The provincial government could encourage the development of tourism routes within routes. A key task is to generate new tourism products by linking those that already exist. A possibility is stringing together the tourism attractions of the Eastern Free State in such a way that the resultant route could be traversed in a combination of hiking, quad-biking, horseback riding, river rafting and canoeing. The overall route should comprise subsidiary routes which can be traversed over a weekend. Should the tourist have a larger time-budget, then additional routes could be followed. The ultimate route would be one that links the Eastern with the Southern Free State. The strategy should be to develop routes that vary in focus or theme. Thus, the overall route might consist of a trail that connects Qwaqwa with Vanderkloof Dam. It could be billed as the world's longest uninterrupted nature-based trail using multiple modes of transport.

Tourism routes must have a focus and ancillary focus

It is very important that routes focused on natural scenery feature additional product foci. Thus, whilst the scenic attraction of the Eastern and Southern

Free State route would serve as the main attraction, subsidiary routes might focus on adventure, cultural, or historical aspects, as appropriate.

Choose tourism development options with the potential to include a diverse array of people

The reason tourism development has the support of national government is its ability to generate employment. Ideally, a tourism strategy should also benefit the poor. It is evident from the research that very few Previously Disadvantaged Individuals (PDIs) are involved in the Free State tourism system as product owners.

In the case of nature- and adventure-based tourism products in a route format, it is possible to provide opportunities for a whole range of economic linkages that benefit a wide array of people, not least PDIs.

If one takes hiking as an example, tour guides might relay tourists along different sections of the route. Hikers could have tents taken to overnight camping sites ahead of them and the camp-site could be prepared in advance. Fuelwood could be provided and even the cooking could be done for the hikers. These all present opportunities for local communities and entrepreneurs, at relatively low cost to all concerned.

The Free State's urban centres have limited leisure tourism potential

The Free State urban centres are generally not well positioned as tourist destinations. With the exception of Bloemfontein, Clarens and Parys, there are very limited tourism services in the urban areas.

Develop the existing adventure-based weekend and day-trip market of Parys and the Vaal River system

Currently Parys has an active day-trip market, as well as adventure-based tourism products focused on the Vaal River. However, more could be made of this market if greater access to the river was provided.

Develop Clarens but include the surrounding Eastern Free State towns for the weekend and short-break market.

Clarens has become the tourism hub of the Eastern Free State and enjoys a lot of support from Gauteng. However, much of this remains concentrated in Clarens. The careful development of nature-based activities in adjoining areas such as Qwaqwa, Witsieshoek, Fouriesburg and even Lesotho, should aid in attracting visitors to these currently neglected areas.

Integrate the Lesotho Highlands with the Eastern Free State tourism product

Lesotho is a day-trip destination for visitors to Clarens. Value could be added for Eastern Free State visitors by offering day-trips to Lesotho – particularly the Katse Dam and its surrounds.

Bloemfontein is not a traditional leisure tourism destination but has tourism potential

Bloemfontein has a range of interesting cultural and historic attractions. However, these features do not constitute sufficient justification for holiday visits.

Develop a conferencing and meeting focus in Bloemfontein

Bloemfontein could exploit its central location for regional and national conferences. Given the already significant number of well-established conference venues in Cape Town, Durban and Johannesburg keenly pursuing the international market, it might be prudent for Bloemfontein to rather focus on national conferences.

The conference market can stimulate leisure tourism opportunities

Conferences provide a 'captive audience' and these visitors are likely to participate in short excursions if these are included in a conference package. Such tours provide a platform for introducing the natural, cultural and historic attributes of Bloemfontein. Typically this might include a game drive on Naval Hill integrated with tours of the many museums in Bloemfontein and

concluded with a visit to the theatre, or a sporting event and dinner at one of the many restaurants.

Develop the two main Bloemfontein cultural festivals into nationally significant events

Bloemfontein plays host to two important cultural festivals: Macufe and Volksblad Kunstefees. Although both these festivals are relatively new, they have grown quickly in stature and, importantly, in public support. Currently these festivals, whilst contributing enormously to the cultural life of the city, do not attract significant income from outside the region. These festivals should be used to get visitors from other provinces to travel to the Free State in more significant numbers. Most productions currently staged are part of a nationwide performance circuit. Most often productions are premiered elsewhere, often at the two main National Arts Festivals in Grahamstown and Oudtshoorn, and only later brought to the Macufe or Volksblad Festivals. The organisers of these events should aim for productions that premiere in Bloemfontein, and which will not be seen at the other festivals for some time to come. In this way interested patrons would have to come to the Free State to view these productions.

Tap into the en route tourist markets by providing opportunities to spend money on region-specific products

There is very considerable travel through the province from Gauteng to the coastal provinces. The Free State, because it is so central, is not ideally located in terms of attracting tourists to stay overnight in the province. Whereas it is beneficial to the province that it is three to four hours from most places in Gauteng, a typical holiday trip to the coastal destinations from Gauteng would lead to a petrol and rest stop, but not to an overnight stay. When travelling to the coast and back, the priority is to reach the destination and stopping on the way is kept to a minimum.

The en route tourist is not that likely to stop along the way or to deviate from the planned route to the end destination. This market can be tapped into by providing better opportunities to spend money when the en route tourists are

re-fuelling and resting. In this respect much can be done to provide shopping facilities at service stations along the main highway routes. At these shops the emphasis should be placed on traveller-useful but provincially unique products. Thus, most cold drinks, food and snacks, postcards, etc. and should be Free State specific. In this way the profile of the province's producer goods could be enhanced, whilst providing additional outlets for the products.

Market the Free State, particularly in Gauteng

Tourism to the province should be promoted and marketed from key locations inside the province as well as at the gateways to the various routes advertised. Quite apart from this, most domestic tourists do not visit tourism offices and so the target market is being missed. Advertising and marketing material should be made available at service stations in the regions from which the province's tourists come. In the case of the Free State it is, for example, imperative that this material be readily available in Gauteng and Lesotho.

Gearing the Free State for the 2010 Soccer World Cup

Following South Africa's success in securing the right to host the 2010 World Soccer Cup, a number of studies have been undertaken to assess the likely impact of the event on the domestic economy. Whatever the figures eventually amount to, consensus exists that the economic impact on South Africa will manifest itself in a tourism showcase without parallel in the country's history.

Three million spectators are expected to arrive in the country for the event, which will lead to a substantial increase in consumption expenditure. In addition, the international television audience will probably amount to 40 million people. The event will also generate additional taxes for government, whilst more than 150 000 jobs are likely to be created. Sectors that will experience a surge in demand will include

accommodation; food outlets; car rentals; communication; leisure; garments; and curios.

Furthermore, the awarding of the 2010 soccer World Cup bid should be viewed as an event that promises to act as a catalyst for future economic growth. In addition to boosting the national morale, every sector of economic activity stands to gain from a host of activities that will surround the preparation for the World's largest single event of whatever nature. Construction activity will be in the foreground, but the preparations for the tournament will impact on a multitude of linked industries, particularly tourism and hospitality.

PROSPECTIVE OPPORTUNITIES FOR THE FREE STATE

1. Doping test samples in South Africa are analysed by the world-class laboratory at the University of the Free State in Bloemfontein.

This facility was approved and accredited by the International Olympic Committee in May 1995, and has been deployed to analyse thousands of test samples every year ever since.

During a FIFA World Cup™ in South Africa, samples will be able to be accepted around the clock, and results will be provided to the relevant authorities within the space of 24 hours.

2. Apart from the direct boost from hosting the 2010 World Cup events, the likely spin-offs of an improved image abroad will have an event greater impact.
3. As social partners, we must use this event to identify opportunities for Broad Based Black Economic Empowerment (BBBEE), but also to focus on how this World Cup can actually help us address real poverty alleviation.

Furthermore, strategies need to developed to turn one-time World Cup visitors into "repeat customers", while other elements of business should be looking for ways to create permanent jobs.