

FREE STATE PROVINCE



PROVINCIAL GROWTH AND DEVELOPMENT STRATEGY (PGDS)

(2005 – 2014)

MAY 2005

This document is dedicated to the memory of the late Noby Ngombane, who was the Head of the Policy Unit in the Department of the Premier responsible for driving the process of drafting the Free State Growth & Development Strategy.

FOREWORD BY THE PREMIER



It is an honour for me to present the Free State Growth and Development Strategy (FSGDS) 2005 – 2014. The FSGDS is a broad development policy framework representing a watershed for development in the province. This strategy builds on the previous Free State Development Plan, and sets out to move the Free State Province towards poverty alleviation and towards an inclusive and prosperous society.

The FSGDS will be our guiding tool to carry over our plans and vision for the next decade. It is also the intent of our PGDS to promote good governance through our service delivery and proper interdepartmental coordination between all tiers of government.

It is the product of wide consultation between government, the private sector and civil society. We appreciate the involvement and contributions by all parties who made the compilation of this document a success. I need to single out the contributions made by our social partners, such as Organised Labour, Organised Business, the Youth, Community Structures, etc. FSGDS serves as a basis for our common strategic vision and provides a blueprint for future strategies and development plans in the province.

Job opportunities and sustainable jobs for all our people are key to our efforts to ensure that we use the opportunities presented to us as the Free State. Among these are natural resources, foreign investment and the opportunities in the different local municipal areas. This strategy is regarded as being of the highest importance and all local level IDPs must reflect the contents and aspirations of this document. It is the intent of the province to formulate an implementation schedule (action plan), together with a Spatial Development Framework and to align the programmes and projects of our PGDS with appropriate budgets.

While we take pride in the progress that has been made in the Free State, we are acutely aware of the massive challenges that remain before the accumulated legacy of poverty and underdevelopment can be eradicated. This also implies that specific attention will be given to BBBEE. We are learning the lessons of our experience and resolve to build on what has been achieved.

F.B. Marshoff
Premier: Free State Province

FREE STATE PROVINCIAL GOVERNMENT: VISION AND MISSION

The Visionary approach to the development of the province is captured in the vision, mission and key priority areas (strategic objectives).

VISION

“A unified prosperous Free State which fulfils the needs of all its people”

MISSION

Mission and Priority Areas of the Free State Provincial Government

Serving the people of the province by working effectively with stakeholders through:

1. Economic Growth, Development and Employment
2. Justice and Crime Prevention
3. Social and Human Development
4. Efficient Governance and Administration

Providing the above by means of efficient administration and co-operative governance.

TABLE OF CONTENTS

CHAPTER 1 INTRODUCTION & OVERVIEW OF THE FREE STATE PROVINCE	
1.1 Introduction	1
1.2 Overview of and Challenges Facing the province	3
1.3 Definition	9
1.4 Objectives of the PGDS	11
1.5 Growth and Development Priorities	11
1.6 Alignment and Integration	11
1.7 Review of the FSDP	12
1.8 Inference	22
CHAPTER 2 INTERNATIONAL & DOMESTIC TRENDS	
2.1 Introduction	24
2.2 The Outlook for the Global Economy	24
2.3 Likely Drivers of the Future International Development	31
2.4 The Knowledge Based Economy	32
2.5 Macro-Economic Overview of the SA Economy	39
CHAPTER 3 CURRENT DEVELOPMENT PROFILE OF THE FREE STATE	
3.1 Introduction	68
3.2 Economic Growth, Development & Employment	69
3.3 Social & Human Development	85
3.4 Justice & Crime Prevention Sector	105
3.5 Efficient Governance & Administration	107
CHAPTER 4 FS GROWTH & DEVELOPMENT STRATEGIC PLAN	
4.1 Introduction	109
4.2 Spatial Perspective	110
4.3 Economic Infrastructure Support	116
4.4 SMME Development	117
4.5 HRD	128
4.6 Agriculture	130
4.7 Tourism	133
CHAPTER 5 IMPLEMENTATION PLAN	
5.1 Introduction	139
5.2 Institutional Arrangements	140
5.3 Implementation Plan	142
CHAPTER 6 MONITORING & EVALUATION	
6.1 Introduction	165
6.2 Basics of Monitoring & Evaluation System of the FSDP	166
6.3 Transition from the FSDP to the FSGDS	168
6.4 Utilisation of the System by Departments and Municipalities	169

LIST OF ACRONYMS

ABET	Adult Basic Education and Training.
AGOA	African Growth and Development Act.
AIDS	Acquired Immune Deficiency Syndrome.
BAS	Basic Accounting System.
BBBEE	Broad Based Black Economic Empowerment.
CBOs	Community Based Organisations.
CGE	Commission on Gender Equality.
CITIES	Convention on International Trade in Endangered Species of Wild Fauna and Flora.
CMIP	Consolidated Municipal Infrastructure Programme.
DACE	Department of Agriculture, Conservation and Environment.
DBSA	Development Bank of Southern Africa.
DPSA	Department of Public Service and Administration.
DWAF	Department of Water Affairs and Forestry.
EPWP	Expanded Public Works Programme.
ECD	Early Childhood Development.
EMS	Emergency Medical Service.
ESKOM	South Africa's national electricity provider.
FDI	Foreign Direct Investment.
FET	Further Education and Training.
FFC	Finance and Fiscal Commission.
FSB	Financial Services Board.
GDP	Gross Domestic Product.
GDS	Growth and Development Summit.
GEAR	Growth, Employment and Redistribution.
GET	General Education and Training.
GGP	Gross Geographic Product.
HBC	Home Based Care.
HDI	Human Development Index.
HE	Higher Education.
HET	Higher Education and Training.

HIV	Human Immune Deficiency Virus.
HoD	Head of Department.
HRD	Human Resource Development.
HRP	Human Resources Provisioning.
ICT	Information Communication Technology.
IDC	Interdepartmental Committee.
IDP	Integrated Development Plan.
IEC	Independent Electoral Commission.
ILO	International Labour Organisation.
IM	Information Management.
InfoLit	Information Literacy.
IS	Information Systems.
ISF	Integrated Spatial Framework.
IRD	Urban and Rural Development as specified through the Integrated Rural Development Programme.
IT	Information Technology.
KPIs	Key Performance Indicators.
KRAs	Key Result Areas.
LED	Local Economic Development.
LRAD	Land Redistribution and Development.
MDGs	Millennium Development Goals.
MIIF	Municipal Infrastructure Investment Framework.
MTEF	Medium-Term Expenditure Framework.
MTSF	Medium-Term Strategic Framework.
NEDLAC	National Development and Local Council.
NEMA	National Environmental Management Act.
NEPAD	New Partnership for Africa's Development.
NGO	Non-Governmental Organisation.
NSDP	National Spatial Development Perspective.
NQF	National Qualifications Framework.
NYC	National Youth Commission.
OBE	Outcome Based Education.
PGDS	Provincial Growth and Development Strategy.

PFMA	Public Finance Management Act, (Act No. 1 of 1999).
PHC	Primary Health Care.
PPP	Private Public Partnership.
PRUDS	Provincial Rural and Urban Development Strategy.
PSC	Public Service Commission.
RDP	Reconstruction and Development Programme.
SALGA	South African Local Government Association.
SAMDI	South African Management Development Institute.
SAPS	South African Police Service.
SAQA	South African Qualification Authority.
SDF	Spatial Development Framework.
SDI	Spatial Development Initiative.
SEMP	Strategic Environmental Management Plan.
SETAs	Sector Education and Training Authorities.
SITA	State Information Technology Agency.
SMME	Small, Medium and Micro Enterprise
STD	Sexually Transmitted Disease.
TB	Tuberculosis.
UN	United Nations.
UNCED	United National Conference on the Environment and Development.
UNDP	United Nations Development Programme.
URS	Urban Renewal Initiative.
USA	United States of America.
VIP	Ventilated Improved Pit Latrines.
VPD	Vehicles per day
WAN	Wide Area Network.
WB	World Bank
WCED	World Commission on Environment and Development.
WEHAB	Water, Energy, Health, Agriculture and Biodiversity.

WHO World Health Organisation.

WSSD World Summit on Sustainable Development.

LIST OF DEFINITIONS

- Direct economic impact: are the changes in local business activity occurring as a direct consequence of public or private business decision, or public programmes and policies.
- Economic impact: economic impacts can be defined as the effects (positive or negative) on the level of economic activity in a given area(s).
- GVA: this measure essentially reflects the sum of wage income and corporate profit generated in a particular area.
- Indirect economic impact: business growth for suppliers to the directly affected businesses.
- Induced economic impact: business growth as the additional workers (created by direct and indirect economic impacts/effects) spend their income on food, clothing, shelter and other local goods and services. This business growth will also have implications for potential municipal income due to raised taxes and service levies.
- Multiplier effects: the indirect and induced business impacts of a programme, project or facility are often referred to as multiplier effects, since they can make the overall economic impacts substantially larger than the direct effects alone. In reality, while indirect and induced impacts do always occur, the net impact on the total level of economic activity in an area may or may not be increased by multiplier effects. That outcome depends on the definition of the study area and the ability of that area to provide additional workers and capital resources, or attract them from elsewhere.
- Tress index: this economic indicator measures the level of concentration or diversification within an economy. A tress index of zero represents a totally diversified economy, while a number closer to 100 indicates a high level of concentration.

EXECUTIVE SUMMARY

In its endeavour to harmonise planning across the three spheres of government, the national government mandated the national Department of Provincial and Local Government to develop a planning tool that would align the processes at national and local government spheres, that is the National Spatial Development Framework as well as the Integrated Development Plans respectively. The process gave rise to the development of the Growth and Development Strategy at the provincial government level.

In 2002, the Free State Provincial Government in pursuance of its developmental mandate of creating a prosperous province and fulfilling the social needs of all its people, embarked on creating a comprehensive plan called the Free State Development Plan (FSDP), which has now run its course. In this next decade of our democratic dispensation, the province has extended the methodology in a seamless manner into a ten-year planning strategy.

The overarching goal of the Free State Growth and Development Strategy (FSGDS) is to align the provincial and national policies and programmes and to guide development in terms of effective and efficient management and governance to achieve growth and development. The strategy is a living document that uses the latest business planning and evaluation tools in order to maximise the effect of all spending. A consultative process was embarked on through which social partners, i.e. organised business, organised labour, SMMEs, and youth organisations provided valuable inputs which culminated in the FSGDS, that is truly a product of all the people of the province.

Challenges and Opportunities for Social and Economic Development in the Free State

With 10,6% of South Africa's area, 6,4% of the national population and 4,9% of the country's Gross Domestic Product (GDP), the Free State is relatively large in physical area but small in population size and GDP contribution. The economy of the Free State Province generates slightly less towards the South African economy than the relative size of the provincial population. This would suggest that the provincial economy is currently "underperforming".

The weak position of the Free State economy is further reflected by the relatively low (2002) per capita income level (R11 854 compared to R17 164 for South Africa and R32 356 for Gauteng), a high unemployment rate of 38,9% (SA 40,8%) and close to 49% of the population "living in poverty". The Human Development Index for the Free State in 2004 was at 0.67, which is just below the national average of 0.69 and the functional literacy rate was 69,2% in 2003. This is further highlighted in the table below:

Basic facts on the Free State Province

Land area	129 480 km ²	10,6% of South Africa
Population (2002)	2,95 mill.	6,4% SA
Population growth <i>per annum</i> (1996–2001)	1,12%	1,52% SA
Population growth estimated 2001–06	0,72%	1,18% SA
Age dependency ratio	55%	63% SA
Economically active population	1,09 mill.	37,3% of population
Child mortality	24‰	13% SA
Functional literacy	69,2%	72,4% SA
HDI (2002)	0,55	0,60 SA
People living in poverty (2002)	54,7%	48,9% SA
Annual <i>per capita</i> income	R11 854	R17 164 SA
Unemployment (2002)	38,9%	40,8% SA
Equitable share in national budget allocation (1999–2002)	6,8%	
Urbanisation level (2002)	71,7%	55,4% SA
GDP 2002	R49,1 bill.	4,9% of SA

Main Sectors	GDP		Employment	
	1990	2002	1996	2002

Agriculture	9,2	9,2	18,2	20,1
Mining	21,5	14,6	19,5	9,7
Manufacturing	18,7	15,6	7,8	6,9
Electricity, water	5,3	3,6	1,8	1,8
Construction	2,6	2,1	2,3	2,2
Trade	10,4	10,0	9,2	10,6
Transport, communication	5,8	6,4	4,1	3,7
Finance	7,1	10,3	3,9	5,0
Community services	19,4	28,2	17,6	24,7
TOTAL	100,0	100,0	84,4*	84,7*

*Excludes self-employment by households

Free State government budget (R mill.)

	1998/9	%	2003/04	%
Equitable share	5 432,2	87,7	7 985,7	86,1
Conditional grants	511,8	8,3	1 010,9	10,9
Other revenue	251,3	4,0	280,5	3,0
TOTAL	6 195,3	100,0	9 277,1	100,0

District Economies (2002)					
	Population	GDP	Unemployment	People living in poverty	Growth p.a. '90-'02
Motheo	26,0%	30,9%	41,1%	61%	1,3%
Lejweleputswa	26,9	26,5	36,6	66	—2,3
Thabo Mafutsanyane	26,3	14,0	34,1	72	0,3
Northern Free State	16,3	25,5	38,3	62	0,4
Xharies	4,5	3,1	38,3	57	0,9
Total	100,0	100,0	38,9	—	—0,1

Source: PEAC Report, 2004.

The above information indicates the need to put in place strategies and programmes that will address the immediate, medium- and long-term needs with greater impact than before.

Development Objectives and Targets

Based on the social and economic development challenges of the province, the Free State Province has identified the following as primary development objectives:

Stimulate economic development.

Develop and enhance the infrastructure for economic growth and social development.

Poverty alleviation through human and social development.

Ensure a safe and secure environment for all the people of the province.

Promote effective and efficient governance and administration.

To give effect to these developmental objectives, the province has identified the 11 areas that need to be addressed by 2014:

1. To achieve an annual economic growth rate at least equal to the national average economic growth rate.
2. To reduce unemployment from 38.9% to 20%.
3. To reduce the number of households living in poverty by 5% per annum.
4. To improve the functional literacy rate from 69.2% to 85%.
5. To reduce the mortality for children under five years to 65 per 1000 live births.
6. To reduce the obstetrical maternal mortality rate from 65,5 to 20,06 per 100 000 women in the reproductive age group.
7. To stabilise the prevalence rate of HIV and AIDS and reverse their spread.
8. To provide shelter for all the people of the province.
9. To provide free basic services to all households.

10. To reduce the crime rate by at least 7% per annum.

11. To provide adequate infrastructure for economic growth and development.

Key Priority Areas

In order to achieve the above-mentioned targets, the following key priority areas, strategies and programmes have been identified:

Economic Growth, Development and Employment

Apart from the current high, unacceptable rate of unemployment and the low levels of economic growth, the challenges facing the province are the job losses in primary industries due to global cost drivers. This will enable the Free State to move up the value chain by beneficiating its raw materials thereby creating much-needed job opportunities.

The Free State aims to optimise and broaden the province's current economic profile by placing more emphasis on the key economic sectors such as tourism, agriculture and manufacturing. In our commitment to bridge the gap between the first and second economies the province will focus on developing and expanding the SMME sector, facilitating greater access to capital and creating opportunities for Broad Based Black Economic Empowerment.

Detailed information on strategies and programmes is provided on page 150 of this document.