

PREFACE

Mangaung Local Municipality (MLM) has its vision that 2015 Mangaung will be recognized both in the national and international arena as a safe and attractive place to live, work and invest in. In pursuit of this vision, the following represent the four key strategic objectives as defined in the Integrated Development Plan (IDP):

- Economic growth and sustainable development
- Building community resilience and self-reliance
- Promoting service excellence
- And promoting civic leadership with a shared common vision

Furthermore, the white paper on local government espouses one of the key objectives of local government as to promote both social and economic development. In respect of economic development, local government should promote job creation and boost economic growth in a manner that is fair, just and inclusive. MLM, guided by its IDP, has taken up this challenge to deal with sustainable economic development in both an inclusive and participatory manner.

Through funding assistance from USAID, we embarked upon a project that focussed on the development of a credible local economic development (LED) strategy for the area as well as the establishment of partnerships that will manage and co-ordinate LED. The Mangaung Economic Development Strategy (EDS) document is the qualitative end product of this project.

Our Eds, in line with our stated belief in the value of partnerships and co-operative governance, was formulated in a participatory manner with input provided from a wide range of stakeholders within Mangaung, including business, communities, ngos, academia and other spheres of government. The intention of our Eds is to simulate, co-ordinate and build on current economic development initiatives within our area, especially those of the other two spheres of government, our district municipality and the private sector. The Eds provide a strategic framework within which Mangaung can build a sustainable and diversified high growth economic base that is inclusive and can address the specific economic development priorities identified by communities during the ward planning process. In short, the overarching Eds focuses on the key economic drivers in the area that will bring about prosperity, redistribution and sustainable positive changes to the economy of Mangaung.

The implementation of this strategy can only succeed through the joint collaborative efforts and partnerships with all our stakeholders. We would like to take this opportunity to encourage our partners to come on board and ensure that we achieve our goal of building a dynamic, prosperous and inclusive society. Remembering the words of one wise person – ‘Often the only difference between winning and losing is Momentum’.

Let us maintain the momentum of building a better life for all. Let us leave, not just an inheritance, but a legacy for future generations!!!!

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CITY MANAGER & EXECUTIVE MANAGEMENT TEAM

The City Manager, Mr M.J Matlole and the Executive Management Team of Mangaung Local Municipality for their guidance during this project

PROJECT STEERING COMMITTEE

The project steering committee for their time and commitment to the project:

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- Mr K Ralikontsane (Mangaung Local Municipality)
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- Ms F Xulu (US Agency for International Development)
- Dr J Oberholzer (Urban-Econ Development Economists)
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- Mr C Chiloane (Andani Consulting)

And most importantly the people of Mangaung

INTRODUCTION

WHAT IS AN ECONOMIC DEVELOPMENT STRATEGY?

An Economic Development Strategy is an economic plan that evaluates the economy of a given area. Based on the areas strengths, weaknesses and latent opportunities, the plan provides guidance/direction on how the local economy should be developed in the future in order to ensure optimal economic growth, job creation and poverty alleviation.

The objectives of the Mangaung Economic Development Strategy are:

- To establish an understanding of the Mangaung economic system. This include economic profiling and an assessment of each economic sector in the local environment
- To review the current economic development policy environment in the Mangaung area
- To identify latent problems, issues and opportunities inherent to the local economy
- To promote sustainable development through the identification and formulation of proactive interventions and to incorporate the local needs into these development strategies
- To identify practical and implementable projects
- To provide guidelines for the implementation of the strategies and projects

WHY DO WE NEED AN ECONOMIC DEVELOPMENT STRATEGY

All development in Mangaung is based first on the Mangaung Integrated Development Plan (IDP). The IDP provides general direction and focus for development in Mangaung. The IDP is however, a broad development plan which does not focus exclusively on economic development. The Mangaung IDP identifies the need for Local Economic Development (LED) to occur in areas as a priority. The need for a more detailed plan for Mangaung which focuses on the economic aspects of development was required- hence the development of Mangaung Economic Development Strategy.

The ultimate goal o Mangaung Economic Development Strategy is to improve the standard of living of the local community by identifying opportunities aimed at addressing job creation and economic growth.

WHAT PROCESS WAS FOLLOWED IN FORMULATING THE MANGAUNG ECONOMIC DEVELOPMENT STRATEGY?

Mangaung has instituted a ward-focussed planning process for the development of its IDP. The top priorities identified by the ward plans are focussed on improving incomes and creating jobs (i.e. economic development). Several projects have been identified and initiated by the National, Free State Provincial Government and Motheo District Municipality for this area. Other projects have been initiated by the private sector. These initiatives were previously not coordinated and the impact and success of these initiatives were often less than was expected. It is against this

background that the Mangaung Local Municipality (MLM) decided on coordinated approach to LED in the area that would encourage income generation and economic development for Mangaung

The establishment of a broad based Economic Development Strategy with the participation and input by key stakeholders was therefore seen as a key mechanism for addressing the challenges and facilitating economic development in the municipal area.

The methodology followed in formulating the Economic Development Strategy is outlined in the steps below:

- **Step 1: Economic Perspective**
During this step a development perspective of Mangaung was formulated, which in turn would inform the nature and focus of the Economic Development Strategy
- **Step 2: Opportunity Packing**
The purpose of this step was to interpret the economic perspective in terms of strategic thrusts. This step takes on the format of strategic Visioning that would position Mangaung favourably towards addressing the identified development opportunities. Sectoral strategies were identified and interpreted in terms of unlocking the inherent development potential of Mangaung and finally, realistic and practical projects were identified for the sectoral programmes
- **Step 3: Implementing guidelines**
During this step the different projects were integrated into a coherent economic development strategy consisting of functional programmes. This is necessary to determine priorities for implementation, phasing, budgeting and resource allocation

WHAT ROLE DOES THE ECONOMIC DEVELOPMENT STRATEGY PLAY IN THE LOCAL ECONOMY

The Economic Development Strategy (EDS) represent the official development policy of the Mangaung Local Municipality (MLM) with regard to economic development within broader municipal area. The EDS provide a basis for economic analysis of development in Mangaung and it provides guidance for the future economic development of the area.

The MLM has the mandate to facilitate Local Economic Development as one of its functions as a developmental local government and the Local Economic Development Strategy as its primary tool in initiating and facilitating future economic development in the municipal area.

DEVELOPMENT PERSPECTIVE

WHAT IS THE CURRENT STATE OF MANGAUNG LOCAL ECONOMY

General Economy

The Mangaung economy is dominated (35% in 2001) by the Community Services sector. This domination is due to the function of regional service centre that Mangaung plays within the district and provincial economies. This sector comprises mostly of activities related to government, education and health.

MANGAUNG: ECONOMIC PROFILE 2001

Community services 35%
Agriculture 4%
Mining 0%
Manufacturing 8%
Utilities 3%
Construction 3%
Trade 16%
Transport 13%
Finance 18%

Sectoral Contribution

- The contribution of the Community Services sector is followed by the Finance sector (18%), Trade (16%), Transport (13%), Manufacturing (8%)
- The remaining sectors (Agriculture, Mining, Electricity and Construction) are relatively small and appear to play minor role in the local economy.

This profile indicates that Mangaung plays a distinct service centre role, which is not necessarily unsound in a modern economy. However; what is of concern is that secondary sector (where substantial production, value-addition and employment creation should take place) is very small in relation to the tertiary sector for a developing economy.

Issues

- The very small size of the primary sector (agriculture and mining) is also a cause for concern as it implies that Mangaung most likely has to import many of its primary production inputs.
- The economic analysis shows that the general profile of the local economy appears to have changed very little since 1990
- The total size of the three local economies within Mangaung varies drastically. Approximately 87% of economic production in Mangaung occurs in Bloemfontein while only 7% and 6% respectively occur in Botshabelo and ThabaNchu. This illustrates the large economic disparity between the three areas

RELATIVE ECONOMIC SIZE PER CENTRE

Bloemfontein 87%

ThabaNchu 6%

Botshabelo 7%

Growth

- With regards to economic growth, the Mangaung economy grew at 1.8% per year from 1990 to 1996 followed by a period of lower growth (0.8%) from 1996 to 2001. a higher growth rate of 1.8% is however, forecast for the period 2001 to 2006

Economic Context

- Mangaung's economy makes up about quarter of the entire Free State economy and when compared to growth in the Free State Province, the Mangaung economy outperformed the province in all sectors except for agriculture. Sectors showing strong growth in general are transport and finance while the construction and manufacturing sectors are experiencing growth

The People

- The population of Mangaung grew at 1.4% between 1996 and 2001, which is higher than that for the Free State but lower than the national average. Most of this local growth occurred in ThabaNchu and Botshabelo
- Population density in Mangaung is relatively high when compared with the province and country as a whole. Densities in Botshabelo are extremely high which implies a very high urbanisation rate.

Employment

- In the region of 105 000 people or 40% of the economically active population in Mangaung are unemployed, this represent approximately 23% of the unemployed population in the province
- The gender distribution shows that significantly more females are unemployed than males
- The overwhelming majority (38.4%) of employed people in Mangaung are employed in the community services sector followed by households (14.9%), trade (13.0%), manufacturing (10.1%) and finance (7%)
- Approximately 61.9% of informal employment is the trade sector, followed by manufacturing (13.3%) and construction (9.5%)

Occupations

- The majority of workers, especially those residing in Botshabelo and ThabaNchu, are employed in the elementary trades and other low-paying/ low skilled jobs such as craft and related trade workers. This has serious implications for the income generating capacity of many households in Mangaung. In the Bloemfontein area, relatively more people are employed as professionals, clerks, services workers and technicians.

WHAT ARE OUR ECONOMIC STRENGTHS?

The main sectors in which Mangaung has a comparative advantage are **trade, transport** and **community services**. The sectors that have comparative advantages will be used as stimuli for development within all the other sectors. The development focus will however, not solely be placed upon the strong and dominant sectors, but also on the smaller, less dominant sectors to ensure diversified development and growth of the local economy.

In order to draw on the relative strengths of the local economy, the following aspects will be addressed:

- 1) Building on the stable labour force and safe environment as strong draw-cards for attracting investment to Mangaung
- 2) Diversifying the local economy as far as possible
- 3) The potential for developing of higher technology industries will be investigated in conjunction with the local tertiary institutions
- 4) Investigating the potential for the development of agro-industries
- 5) Despite a declining growth rate, the trade sector appears to be expanding in especially Bloemfontein area. The relative strength of the trade sector is based on the service centre role that Mangaung plays in the region and province – this strength will be further exploited
- 6) Expanding the potential of developing Mangaung as a distribution centre, not only for the province and Lesotho, but also including areas such as the Eastern Cape, North West and Namibia. Mangaung imports more products and services than it exports. This implies that on the one hand there is scope for import substitution i.e., locally producing products instead of importing them, and on the other hand that the role as a service centre role of the local economy
- 7) Effort will be put into stimulating the transport and communication sector, which is one of the fastest growing sectors in the Mangaung economy, this is mainly due to the regional service centre role of the local economy
- 8) Mangaung will embark on process of actively promoting and marketing the educational institutions available in Mangaung –specifically tertiary education facilities
- 9) Strengthening Mangaung's advantages of central location and infrastructure are key requirements for future economic growth
- 10) Building on the concept of being both a tourist destination and transit point will receive priority in future development planning
- 11) Supporting the informal economy and SMME development is seen as a priority for sustainable economic development in Mangaung

WHAT ARE OUR ECONOMIC WEAKNESSES?

The local economy is highly concentrated in one sector i.e. the Community Services sector. The aim of any future economic growth will be to diversify the local economy as far as possible

MANGAUNG: LITERACY RATE (2001)

Illiterate 22%

Literate 78%

Other weaknesses in the local economy that need to be addressed include:

- 1) A significant portion (22%) of the population are functionally illiterate
- 2) It is estimated that in the region of 260 696 people in Mangaung live in poverty
- 3) It is mostly the secondary economic sectors that are in struggling in the local economy
- 4) Commuting distances are a major limiting factor to local economic growth and public transport is currently believed to be inadequate
- 5) Children under the age of 19 years account for approximately 37.0% of the total Mangaung population. This implies that a large portion of the population are dependant on the portion that have jobs and that in the near future large numbers of job seekers will be entering the local job market
- 6) Population density in Mangaung is relatively high when compared with the province and the country as whole. Densities in Botshabelo are extremely high which implies a very high urbanisation rate
- 7) The vast majority of local people have only a primary and/or uncompleted secondary education. The portion of the population with post-matric qualifications is disturbingly low
- 8) Approximately 104 583 people (40.1% of the economically active population) in Mangaung are unemployed

THE MANGAUNG ECONOMIC DEVELOPMENT STRATEGY

WHERE DO WE WANT THE MANGAUNG LOCAL ECONOMY TO BE IN THE NEXT DECADE?

The vision of the Mangaung IDP is combined with the identified need for an inclusive and broad based economy resulting in the following economic development vision:

The formulation of the vision is based on five principles required for strong, modern economy namely:

- 1) Regional economic centre

Builds on Mangaung's existing strength as a regional service centre. This comparative advantage that Mangaung currently has will be strengthened and expanded, not only within the province, but also at national and even at an international level. The concept of becoming an "African City" implies that Mangaung should build on its culture and identity, cultivating a unique identity that can be instantly recognisable

2) Dynamic economy

Becoming innovative, taking advantage of comparative advantages, and becoming increasingly productive and competitive

3) Vibrant economy

An economy that is free of inhibiting factors such as limited access to finance, bureaucratic and political interference in local development, strained labour relations, inhibiting development policies, high local costs (e.g. transport costs, rates & taxes), etc.

4) Sustainable economy

Development that delivers basic environmental, social and economic services to all, without threatening the viability of the natural, built and social systems on which these services depend

5) Investor-friendly economy

Attracting investment and ensuring high levels of both the national exposure of the benefits of doing business in Mangaung

HOW WILL WE GET THERE

To realise the vision, four strategic thrusts were identified which will give direction to the implementation of the vision. The strategic thrusts in turn, require the formulation of more-detailed programmes, which focus on the implementation projects.

Each strategic trust is specifically formulated to address one or more of the five stated principles vested in the vision statement:

THRUST 1: ECONOMIC DIVERSIFICATION

Economic diversification of the Mangaung economy is necessary in order to increase the sustainability of the local economy. The sustainable development challenge consists of three sub-components namely:

- **Economic sustainability:** involves capitalising on existing infrastructure, stimulating greater self-reliance, encourage the formal sector as a self-sustaining form of economy, sharing and multi-use of facilities and development with affordability as focus
- **Community sustainability:** involves the enhancement of the quality of life of the local community involvement and participation in all planning and ensuring that development will be to the benefit of all stakeholders
- **Environmental/ecological sustainability:** ensures the integration of development and nature conservation; this implies appropriate resource management, monitoring the use of resource and the re-establishment of the link between humans and the natural environment

Economic diversification will be obtained through stimulation of the growth of the smaller sectors in the local economy

Programmes

- 1) Agriculture sector development programme
- 2) Industrial cluster development programme
- 3) Business/trade expansion programme
- 4) Transport sector development programme
- 5) Tourism development programme

THRUST 2: THE CREATION OF AN ENVIRONMENT CONDUCIVE TO ECONOMIC GROWTH

This thrust addresses local factors that affect economic growth i.e. factors that make doing business in Mangaung as attractive and as effortless as possible. These factors include:

- 1) An attractive physical environment: implying environmental management and conservation, and
- 2) An attractive commercial environment which implies creating a milieu which simplifies the process of doing business locally as attracting new investment and retaining existing investment in Mangaung

The main focus is to create an investor friendly environment, which is:

- Safe and attractive
- Has a good “image” in the view of the potential investor
- Has a low risk profile
- Has a stable and skilled labour force
- Has all the necessary information, infrastructure and services required to do business, and
- Has a transparent and effective local government

Programmes

- 1) Marketing programme
- 2) Support and incentive/retention programme
- 3) Information dissemination programme
- 4) Environmental management programme
- 5) Public support initiative
- 6) HIV/AIDS programme
- 7) Integrated rural development programme
- 8) Performance monitoring programme

THRUST 3: THE DEVELOPMENT OF MANGAUNG INTO A REGIONAL ECONOMIC CENTRE

The aim with this thrust is to fully integrate Mangaung into the global economy. This objective requires the implementation of a local economic development partnership, as well as the promotion of regional economic specialisation. The Mangaung economy must increasingly become more innovative and knowledge based and Mangaung must strive to become nationally and internationally recognised as a world class African centre

Programmes:

- 1) The Mangaung economic development partnership
- 2) Building and strengthening comparative advantages

THRUST 4: EMPLOYMENT CREATION

The aim of this thrust is to address the most immediate needs in Mangaung, namely providing rapid economic growth and reducing the high levels of unemployment and poverty. The best way to achieve this is through:

- 1) Support and development of the local small, medium and micro enterprises (SMME) sector
- 2) Investing in local human resources i.e. training and skills development
- 3) Supporting entrepreneurial development in Mangaung

Programmes:

- 1) SMME development programme
- 2) Human resource development programme
- 3) Entrepreneurial development support programme

The vision, thrust and programmes developed in the EDS establish a common basis and broad guidelines for the formulation of detailed projects and implementation plans. More than 100 implementation projects were identified by stakeholders during the EDS formulation process

IMPLEMENTING THE MANGAUNG EDS**WHAT WILL THE FOCUS BE?**

The large number of thrusts, programmes and implementation projects identified for Mangaung – coupled with limited resources (specifically financial resources), have necessitated that the EDS focus on specific projects in short term. This will provide momentum to the strategy in the short term, while financing and other resources are sought for the remaining projects that will be implemented in the medium to long term

Prioritisation of projects was undertaken utilising the following criteria:

- The economic impact of the project (i.e. attraction of investment, contribution to production output, contribution to economic growth)
- Contribution to sustainable employment creation
- Market attractiveness of the project (market potential in local, national and international markets and market demand)
- Long-term sustainability of the project

Based on the prioritisation process, three types of projects were identified:

Catalyst projects: these are fast track projects and are of the highest priority for local economic development. The aim with these projects is to facilitate implementation as soon as practically possible. These projects

therefore require dedicated development management, commitment and funding

Strategic projects: these projects are flagship projects aimed primarily at attaining the economic development vision for the study area

Supporting projects: these projects play a supporting role for strategic projects

The six most important catalysts projects that have been identified for short-term implementation are the following:

- 1) Planning and facilitation of the N8- Corridor development with associated industrial development
- 2) Formulation and implementation of a Mangaung Tourism Development Programme
- 3) Investment promotion (including an incentive and retention scheme)
- 4) Mangaung SMME service centre development
- 5) Development of a rural and agricultural development programme
- 6) Establishment of a logistic-cum long distance freight transport centre in Mangaung

WHO IS GOING TO IMPLEMENT THE ECONOMIC DEVELOPMENT STRATEGY?

The Mangaung economic development strategy, from conception to implementation, is based on the principle of stakeholder networking and partnering

Stakeholder networking ensures that the Mangaung local municipality complies with its legal obligations to consult its stakeholders with regard to various developments such as local economic development and integrated development planning. On another level, it enables the MLM to use lessons learnt from similar experiences by other municipalities to ensure that its LED model is a model of best practice and innovation-strengthening its role as a benchmark municipality

A large number of thrusts, programmes and subsequent projects have been identified in the EDS and its only within the framework of a sufficiently capacitated and geared implementation body that these projects can be implemented. The establishment of a stakeholder based economic development partnership is seen as a key mechanism for addressing the challenges faced by Mangaung and facilitating economic development in the municipal area.

A range of partnership options were researched and the final option decided upon consists of capacitating and equipping the Mangaung LED unit to undertake the functions related to economic development together with selected partners. These functions include facilitating project implementation and partnership establishment. The LED unit will identify and invite partners from all relevant sectors of society to engage in the implementations of EDS projects. This will be undertaken on a project-to-project basis. The MLM has not totally discarded the idea of a

development agency as a mechanism for the implementation of the EDS but sees itself growing towards such an end state. The first priority is however, to internalise the EDS within the MLM directorates.

The goals of the LED unit in conjunction with its partners are:

- To lead and guide economic development activities in Mangaung
- Coordinating and monitoring overall development process and providing strategic guidance
- The compilation and implementation of economic development policy and by-laws, as well as economic coordination in terms of other national and provincial programmes
- The creation of economic ideas that can be transformed into practical, implementable projects
- Monitoring the performance of local economic development
- Obtaining buy-in by other stakeholders/partners at project level

WHAT ARE THE NEXT STEPS TO BE TAKEN

YEAR	PHASE	WORKPLAN
Year 1: 2003/2004	STAGE 1 Establishment and strategic profile	<ul style="list-style-type: none"> • Planning & final preparations for establishing of the LED unit • Appointments and recruitment of staff • Procedures, operations in place • Focus on establish a high profile for the LED unit as the lead economic forum for the Mangaung area • First tier programme planning & project testing
Year 2: 2005	STAGE 2 Quick wins	<ul style="list-style-type: none"> • Implement directly or facilitate implementation of few catalyst projects • Continued sourcing of finances for project implementation • Continued project identification and partner matchmaking • Investor targeting and liason
Year 3: 2006	STAGE 3 Maturing of LED unit as driver of projects. Consolidation of programmes	<ul style="list-style-type: none"> • Bring to fruition thrusts, programmes and projects implemented • Developing detailed working relations & mechanisms for project facilitation • Review financial requirements and cash flows

Year 4: 2007	STAGE 4 Expansion of LED Unit programme and activities	<ul style="list-style-type: none"> • Review EDS • All business systems & procedures operational • Broaden programmes & project portfolio of LED Unit, given financial & human resources capacity
Year 5: 2008	STAGE 5 Ongoing operations	<ul style="list-style-type: none"> • Increased targeting of investors • The LED should now be a mature, successful delivery vehicle within an established portfolio of projects • Wider revenue streams will be established/developing