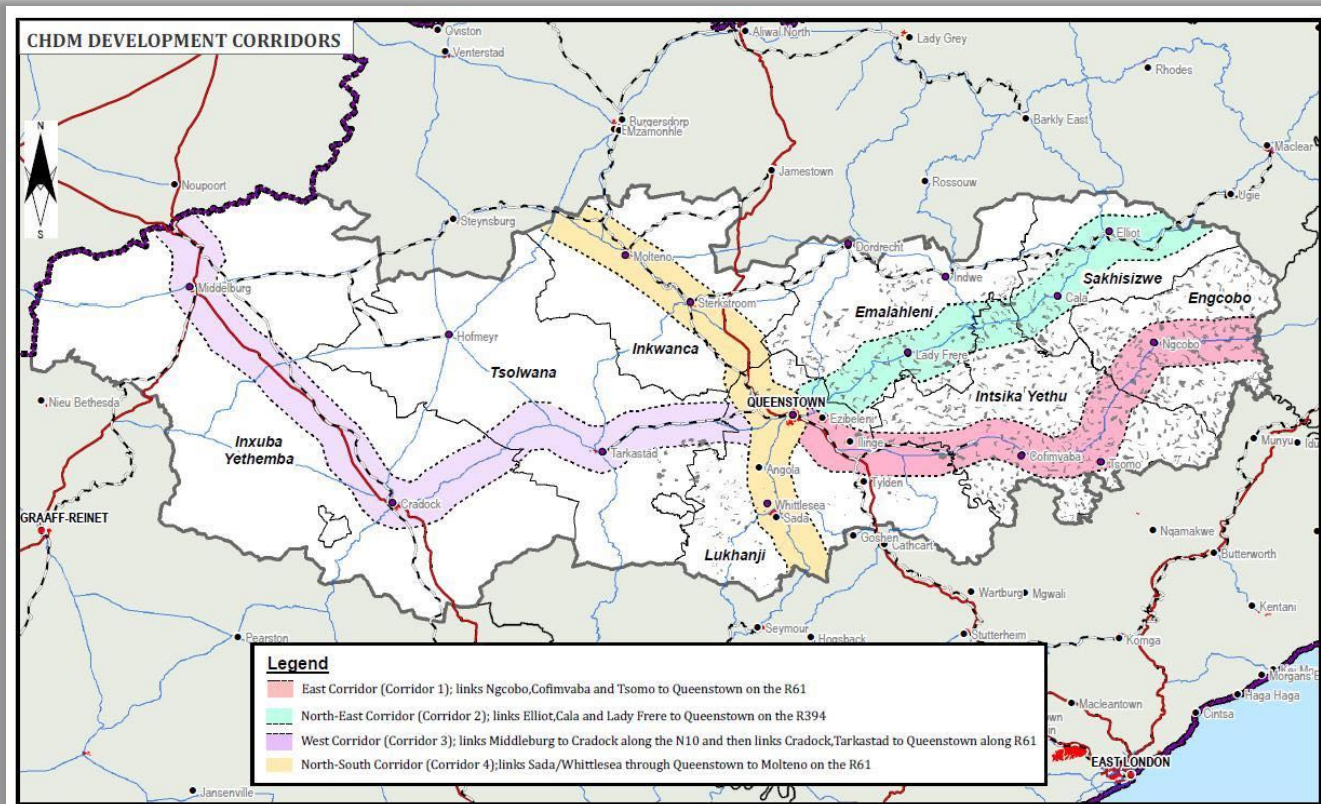




CORRIDOR DEVELOPMENT PLAN & VALUE CHAIN ANALYSIS AND INTEGRATION



DRAFT REPORT
(MAY 2011)

TABLE OF CONTENT

1. INTRODUCTION.....	5
1.1 PROJECT BACKGROUND.....	5
1.2 THEORETICAL ASPECTS OF CORRIDORS.....	5
1.2.1 Corridor.....	5
1.2.2 Development Corridor.....	6
1.2.3 Activity Corridor	6
1.2.4 Transport Corridor.....	6
1.2.5 Development Axis	6
1.2.6 The Corridors or Axis in South African Planning.....	6
1.3 CHDM DEVELOPMENT CORRIDORS.....	7
1.4 METHODOLOGY EMPLOYED	8
2 LEGISLATIVE AND POLICY FRAMEWORK.....	9
2.1 INTRODUCTION	9
2.2 ANALYSIS OF CHDM (REDS), (GDS) AND MUNICIPAL (LED) STRATEGIES	9
2.2.1 Regional Economic Development Strategy (REDS).....	9
2.2.2 Growth and Development Summit (GDS).....	10
3 SITUATION ANALYSIS.....	11
3.1 LOCALITY	11
3.2 NATURAL ENVIRONMENT	11
3.2.1 Relief and Drainage	11
3.2.2 Climate.....	12
3.2.3 Geology and Soils	13
3.2.4 Vegetation	13
3.2.5 Land Capability	13
3.3 ENVIRONMENTAL ANALYSIS.....	14
3.3.1 Conservation Areas	14
3.3.2 Critical Biodiversity Areas	15
3.3.3 Need to Conserve Biodiversity.....	15
3.4 BROAD LAND USE ANALYSIS.....	15
3.4.1 Settlements.....	16
3.4.2 Local Economic Development (LED) Sectors.....	17
3.4.3 Forestry , Timber and Wood Products.....	20
3.4.4 Agro-processing	23
3.4.5 Tourism.....	23
3.4.6 Construction and Coal Mining.....	23
3.4.7 Manufacturing.....	24
3.4.8 Trade and Services	24
3.5 INFRASTRUCTURE OVERVIEW	24
3.5.1 Water and Sanitation.....	24
3.5.2 Electricity	25
3.5.3 Telecommunication.....	25
3.5.4 Transport Facilities and Services	26
3.6 DEMOGRAPHIC OVERVIEW	26
3.6.1 Population Distribution and Density	26
3.6.2 Age and Gender Distribution	27
3.6.3 Migration	27
3.7 SOCIO-ECONOMIC OVERVIEW.....	27
3.7.1 Occupational Sectors.....	27
3.7.2 Household Income and Employment	27
3.7.3 Gross Value Added (GVA)	28
3.7.4 Employment Status	29
3.7.5 Social Grant Dependency.....	29
3.8 ANALYSIS OF MUNICIPALITIES AND THEIR COMPETITIVE ADVANTAGES	29
3.8.1 Intsika Yethu Local Municipality.....	30
3.8.2 Engcobo Local Municipality	31
3.8.3 Sakhisizwe Local Municipality.....	33
3.8.4 Emalahleni Local Municipality.....	35
3.8.5 Inxuba Inxuba Yethemba Local Municipality.....	36
3.8.6 Tsolwana Local Municipality	38

3.8.7	Inkwanca Local Municipality	40
3.8.8	Lukhanji Local Municipality	42
3.9	ECONOMIC OPPORTUNITIES AS PER THE CORRIDOR WORKSHOPS	43
3.9.1	East Corridor (Corridor 1)	43
3.9.2	North-East Corridor (Corridor 2)	44
3.9.3	West Corridor (Corridor 3)	45
3.9.4	North-South Corridor (corridor 4)	46
3.10	CHDM (REDS) INTERVENTIONS FROM CORRIDOR WORKSOPS	47
3.11	SOCIO- ECONOMIC INTELLIGENCE OF THE CORRIDORS	48
3.12	IDENTIFICATION OF KEY STRATEGIC DEVELOPMENT ISSUES	49
3.12.1	Priority Issues – Corridor (Eastern Corridor)	49
3.12.2	Priority Issues – Corridor 2 (North-East Corridor)	50
3.12.3	Priority Issues – Corridor 3 (West Corridor)	52
3.12.4	Priority Issues – Corridor 4 (North-South Corridor)	54
4	STRATEGIC FRAMEWORK	55
4.1	CHDM VISION AND MISSION	55
4.2	REGIONAL ECONOMIC DEVELOPMENT STRATEGY (REDS) OF THE CHDM	55
4.3	REGIONAL ECONOMIC STRATEGIC INTENT OF CHDM	56
4.4	PRINCIPLES UNDERPINNING CORRIDOR DEVELOPMENT INITIATIVES	56
4.5	ELEMENTS OF CORRIDOR DEVELOPMENT STRATEGY	56
4.6	CORRIDOR DEVELOPMENT CONCEPTS	57
5	CHDM CORRIDOR DEVELOPMENT PLAN PROPOSALS	57
5.1	INTRODUCTION	57
5.2	CORRIDOR DEVELOPMENT STRATEGIES	Error! Bookmark not defined.
		5.2.1
5.2.2	Manufacturing / Agro- Processing	Error! Bookmark not defined.

LIST OF TABLES

Table 2.1	: Legislative Framework
Table 2.2	: Analysis of Municipal L.E.D
Table 3.1	: Land Capability Classification
Table 3.2	: Settlement Hierarchy
Table 3.3	: Livestock Potential Areas
Table 3.4	: CHDM Estimated Livestock Numbers (Head)
Table 3.5	: Agricultural Potential Areas (Crop Farming)
Table 3.6	: Water and Sanitation Backlogs
Table 3.7	: Source of Electricity and Solar Energy
Table 3.8	: Monthly Household Income Level
Table 3.9	: Household Income of Less than R 1500 / Month
Table 3.10	: Employment Status
Table 3.11	: Social Grant Dependency
Table 3.12	: Perceived economic opportunities for East Corridor (Corridor 1)
Table 3.13	: Perceived economic opportunities for North –East Corridor (Corridor 2)
Table 3.14	: Perceived economic opportunities for West Corridor (Corridor 3)
Table 3.15	: Perceived economic opportunities for North-South Corridor (Corridor 4)
Table 3.16	: Identified REDS Interventions from Corridor Workshops
Table 5.1	: Corridor Proposals – Agriculture, Forestry & Agro-Processing
Table 5.2	: Corridor Proposals – Tourism

LIST OF MAPS

Map 1	: CHDM Corridor Development
Map 2	: Regional Context
Map 3	: Local Context
Map 4	: Topography and Drainage
Map 5	: Rainfall
Map 6	: Geology and Soil Type
Map 7	: Vegetation Type
Map 8	: Land Capability
Map 9	: Biodiversity Land Management Classes

Map 10 : Biodiversity Land Classes
Map 11 : Land Use / Land Cover
Map 12 : Settlement Hierarchy
Map 13 : Agricultural Potential areas : Livestock Production
Map 14 : Agricultural Potential areas : Crop Production
Map 15 : Conservation and Forestry
Map 16 : Infrastructure : Water Schemes (DWAF)
Map 17 : Infrastructure : Water Schemes (CWSS)
Map 18 : Infrastructure : Sanitation Schemes ((CWSS)
Map 19 : Infrastructure : Transport Network
Map 20 : Infrastructure : Eskom Powerline
Map 21 : Inskika Yethu Local Municipality
Map 22 : Engcobo Local Municipality
Map 23 : Sakhisizwe Local Municipality
Map 24 : Emalahleni Local Municipality
Map 25 : Inxuba Yethemba Local Municipality
Map 26 : Tsolwana Local Municipality
Map 27 : Inkwananca Local Municipality
Map 28 : Lukhanji Local Municipality
Map 29 : Reds Areas of Development Potential: Agriculture, forestry and Asgisa projects
Map 30 : Reds Areas of Development Potential: Manufacturing, Construction and Mining
Map 31 : Economic Development Cluster
Map 32 : Tourism areas of Interest
Map 33 : Land Reform and Settlement Development Proposals

1. INTRODUCTION

1.1 PROJECT BACKGROUND

The Corridor development concept is premised on the desire to integrate economic, spatial, social, institutional, environmental, cultural and fiscal strategies in a participatory manner that supports the optimal allocation of scarce resources e.g. such as public investment. These are envisaged between sectors and geographical areas, as well as across the population, in a manner that would ensure appropriate sustainable development, growth, equity and empowerment of the poor and marginalised. The need to develop corridors as a vehicle for differentiated and targeted development approach for Chris Hani District Municipality (CHDM) was first spelt out in the Local and Regional Economic Development Strategy that clearly states and reiterated in the Integrated Development Plan (IDP) that:

“The Chris Hani LED corridor plan is based on ward profiles that identify communities with common synergies, relation and connection or similarities of economic activities in terms of sector programmes which cut across from ward to ward, wards to local municipalities, Local Municipalities to District Municipalities and District Municipalities to the Province” (source:)

Acknowledging the importance of corridor development, and responding to the challenges and opportunities spelt out in the Regional Economic Development Strategy (REDS), the Integrated Development Plan (IDP), LED Corridor Multi-Sector Based Concept and Implementation Plan, the District Growth and Development Summit, and the Provincial Growth and Development Plan, the Chris Hani District Municipality commissioned the Corridor Development Plan and Value Chain Analysis and Integration.

The summarised Terms of Reference for the study is to develop a Corridor Development Plan that addresses the following objectives:

- Establish the possible value chain combinations in accordance with identified Regional Economic Development Strategy (REDS) priority growth areas.
- Ensure that a plan that will market the district to potential investors is in place.
- Engage potential investors to support the implementation of the above mentioned plan.

According to the CHDM LED Corridor Multi-Sector Based Approach, the corridor seeks to:

- Unlock the economic potential of all the seven sector intervention programme within four identified corridors in CHDM through partnerships and investments;
- Reduce poverty by between 60% and 80% by 2014;
- Alleviate poverty and establish food self sufficiency in the District by allocating household activities at household level;
- Increase economic growth rates and create community based businesses;
- Halve the unemployment rate by 2014 through household economic engagement;
- Use the history and heritage of Chris Hani to spur business opportunities.

It should be noted that the passage of time has pointed to the need for the revision of the above targets i.e. reduces poverty by 60% and 80% in 2014 and halving unemployment by the same time period. With poverty and unemployment on the rise due to the recession, there are pointers that the two targets will not be achieved and hence requires revision to reflect the current economic climate.

1.2 THEORETICAL ASPECTS OF CORRIDORS

1.2.1 Corridor

The National Department of Transport (1999) defines “Corridor” as “A high volume transport route that link major activity centres. Corridors and nodes that they connect are areas of highly concentrated passenger and freight customer demand and therefore require relatively large-scale investment in infrastructure and services. Corridors generally consist of a simple core route structure, supported by an accessing system of feeder routes”

The CSIR (1999) defines a corridor as “a linear mixed land use element of urban structure which occurs on a series of transportation routes working together. The sphere of influence stretches in a wide band and is characterized by areas of agglomeration”.

1.2.2 Development Corridor

A Development Corridor (DC) may be seen as a concept to elevate an area to a certain level of development. The area must have the potential to develop on the condition that the entire area must take part in the process. Development Corridor refers to a specific spatial area and the delimitation of such an area depends on the type of development planned. A Development Corridor is a multi-dimensional strategy that further strengthens and supports the chosen area's internal development networks (Infrastructure Development Corridor, 2004).

Development Corridors are also described as transport (or trade) corridors with under-utilized economic potential in their environs, the development of which would be explored through spatial planning and development projects (SDIs). They are therefore seen as a means of configuring, prioritizing and promoting inter-related infrastructure and large scale economic sectoral investment in defined geographic areas so as to promote trade and investment led economic growth; optimize the use of infrastructure; encourage value-added processing; and enhance the competitiveness of the region's economies (Thomas, 2008).

A Development Corridor consists of a narrow zone along important connecting routes between different nodes. Economic activities within such regions are less concentrated, but have the capacity to expand and develop to such an extent that they can propel the development of the area (Friemann, 1966)

1.2.3 Activity Corridor

According to Derek Chittenden and Associates (1990), an activity corridor may be defined as "a linear zone or area (approximately 2 km wide) surrounding a major high way (or activity spine), containing high concentrations of transportation, land-use and densities. It can be linked to a major services duct that accommodates a number of different engineering services within the one channel, or a human arm containing veins and arteries, or bones ('spines'), and elbow and hands ("nodes"). Activity corridors will accommodate major linear transport routes like heavy and light rail and freeways, large shopping concentrations, social, cultural, and sporting facilities as well as a large amount of residential accommodation"

Andersen and Burnett (1998) define an "activity corridor" as " ... a linear strip of land or area, connecting large activity nodes, traversing urban or inter-urban areas, surrounding a major transport facility or facilities providing an appropriate regional level of mobility and accessibility to adjacent areas, and containing a high concentration of population and mixed land uses"

1.2.4 Transport Corridor

According to Cambell and Meades (2007), a transport corridor is defined as "a multi-nodal corridor that connects two points of economic activity.

Hesse and Rodrigue (2006) sees Transport Corridor as "a link between a location offering accessibility to a large system of circulation of freight, passengers and / or information and the interior. As land corridors (roads and rail) emerge between major hub centres, they reflect the territorial structure of a region.

1.2.5 Development Axis

Geyer (1998) states that a "Development Axis" must satisfy the following requirements:

- Two communication centres must be linked by means of a communication axis;
- The centres must be mutually dependent;
- The interaction must offer the potential for further development; and
- The axis must grow economically and physically.

A Development Axis is therefore established if the interaction between two centres along a communication axis offers the potential for further economic development.

1.2.6 The Corridors or Axis in South African Planning

According to Campbell and Meades (2007), the National Physical Development Plan, 1975 (RSA, 1975:17) refers to various existing and future development axis. The idea was to link existing metropolitan areas with identified or future growth poles by means of development axis. It has been found by Geyer (1986:163) that some of these axes were not supported by secondary development centres or were stretching over too long distances to make development realistically viable. The greater the distance between centres, the need for secondary centres to be stronger as a propelling force. In some cases, according to Campbell and Meades (2007), these so-called axes were not axes at all but rather a finger development with no equilibrant pole at the other end.

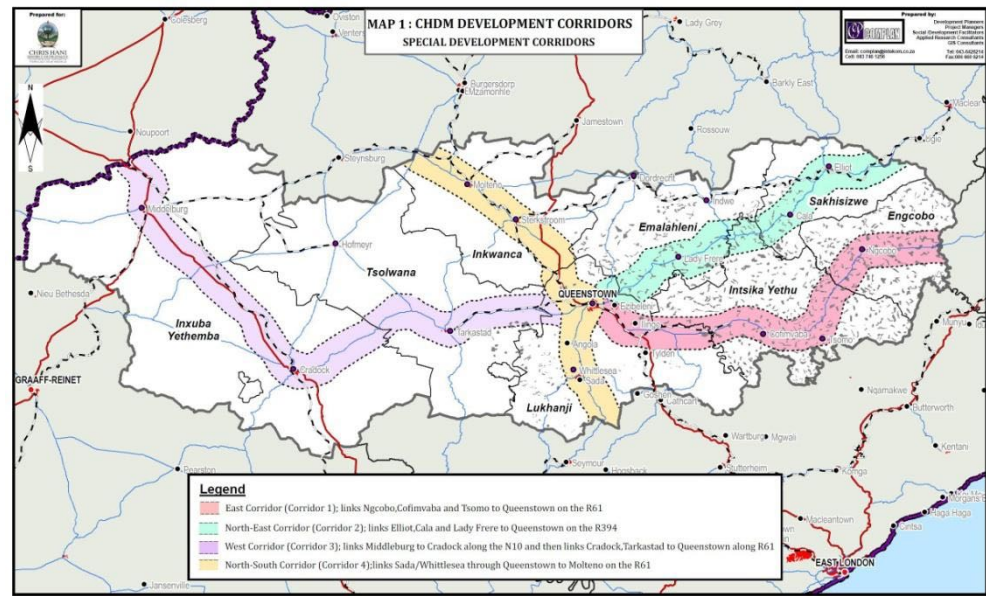
The development of a good road network which provides better interaction with the hinterland in many cases led to the decline of economic activities in small towns as the threshold “time” to bigger centres was changed. An understanding of economic forces is vital to any development planning as people and businesses will only locate in areas where it is economically viable.

1.3 CHDM DEVELOPMENT CORRIDORS

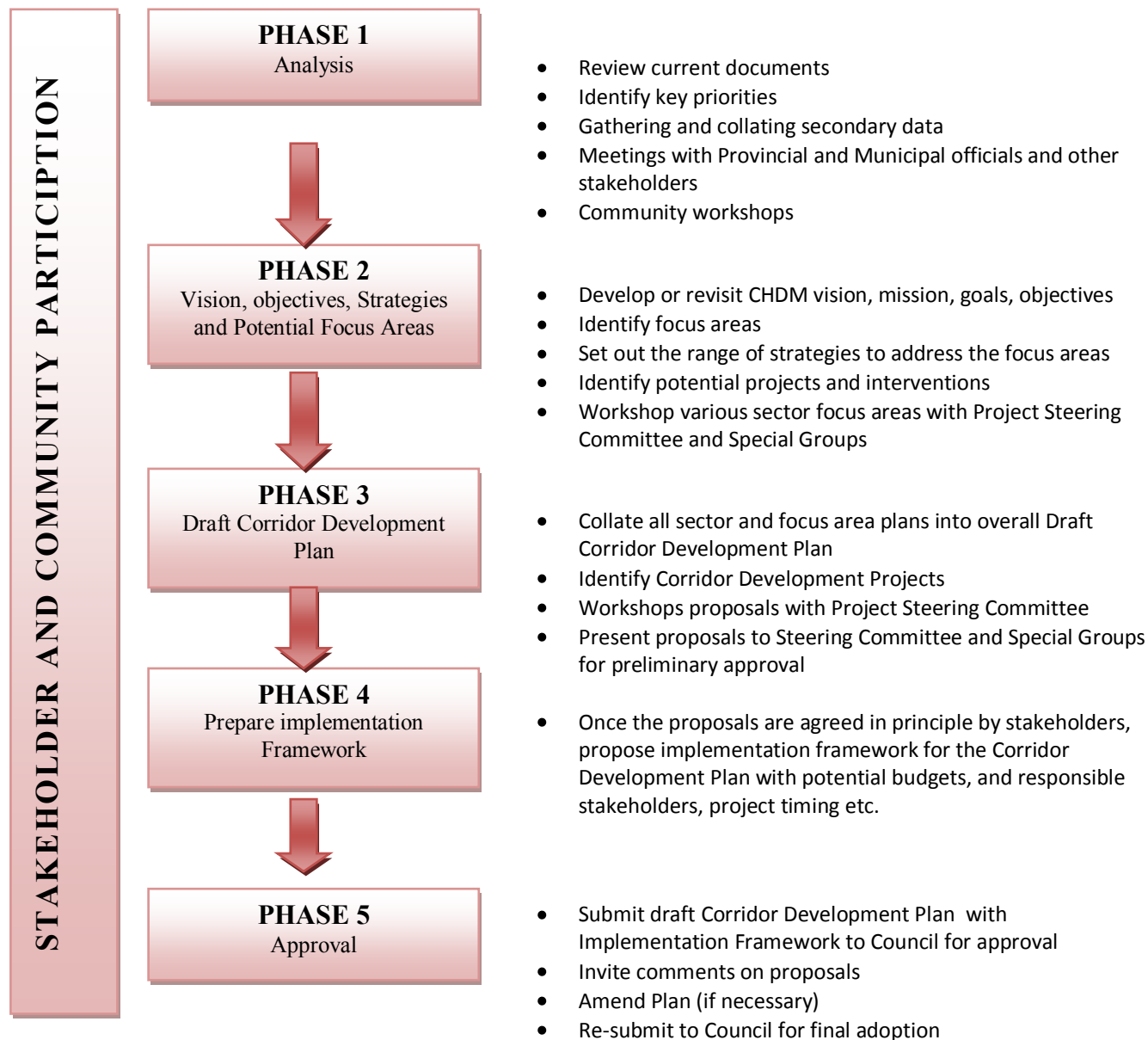
CHDM is committed to a corridor development approach. Integral to this approach is a focus on geographic and spatial initiatives and interventions which link the nodes (towns) and small towns surrounding these nodes in an integrated economic development process.

The CHDM identified Development Corridors (DC) (See Map 1) are the following:

- The **east corridor (Corridor 1)** that runs along the R 61 and links Ngcobo, Cofimvaba and Tsomo to Queenstown.
- The **north-east corridor (Corridor 2)** links Elliot, Cala and Lady Frere to Queenstown along the R394.
- The **west corridor (Corridor 3)** links Middelburg to Cradock along the N10 and then Cradock and Tarkastad to Queenstown along the R61.
- The **north-south corridor (Corridor 4)** links Sada/Whittelsea through Queenstown to Molteno.



1.4 METHODOLOGY EMPLOYED



2 LEGISLATIVE AND POLICY FRAMEWORK

2.1 INTRODUCTION

One of the main objectives of the corridor development approach is to ensure integration and alignment of economic development plans with spatial development plans, land use plans, infrastructure development plans and other relevant sector plans. It allows CHDM to implement a wide range of generic and routine LED initiatives, whilst simultaneously focusing on the defined area of strategic differentiation and the concept of value chain integration. In developing the Corridor Development Plan, the following legislation, policies and plans were considered in order to ensure alignment.

Table 2.1: Legislative and Policy Framework

National	Provincial	Local
<ul style="list-style-type: none"> ▪ Local Government: Municipal Structures Act (No.117 of 1998) ▪ Local Government: Municipal Systems Act (No. 32 of 2000) ▪ White Paper on Local Government ▪ Accelerated and Shared Growth Initiative for South Africa (ASGISA) ▪ National Framework for LED in South Africa ▪ Integrated Sustainable Rural Development Plan ▪ National Industrial Development Plan ▪ Sustainable Developmental Community Investment Programming ▪ National Spatial Development Perspective ▪ Integrated Sustainable Rural Development Strategy (ISRDS) 2000 	<ul style="list-style-type: none"> ▪ Provincial Growth and Development Plan ▪ Provincial Spatial Development Plan ▪ Eastern Cape Rural Development Strategy ▪ Provincial –Regional Economic Development Strategy 	<ul style="list-style-type: none"> ▪ Integrated Development Plans of CHDM and LMs ▪ Spatial Development Frameworks of CHDM and LMs ▪ CHDM Regional Economic Development Strategy (REDS) ▪ Multi-Sector Based Plan ▪ Liberation Heritage Route Report ▪ Provincial Job Summit Report ▪ CHDM Land Reform and Settlement Plan

2.2 ANALYSIS OF CHDM REGIONAL ECONOMIC DEVELOPMENT STRATEGY (REDS), GROWTH AND DEVELOPMENT STRATEGY (GDS) AND MUNICIPAL LOCAL ECONOMIC DEVELOPMENT (LED) STRATEGIES

A snapshot of the Chris Hani policy environment insofar as it affects the Corridor Development is required. The following are noted:

2.2.1 Regional Economic Development Strategy (REDS)

The CHDM Regional Economic Development Strategy which acts as the development “bible” pronounces on the need for various sector plans and among them is a Corridor Development Plan. The REDS explore the need to develop a Corridor Plan that would be informed by a comprehensive value chain analysis. The REDS went on to identify the following comparative advantage sectors for the District to build on:

- Manufacturing
- Mining
- Business “tourism”
- Leisure tourism
- Retail and business services

The strategy pronounced that: *“In order to build a sustainable competitive advantage and strategically position itself, the CHDM needs to differentiate itself from other districts and in doing so make a series of strategic decisions to prioritise interventions and allocation of resources”* and one of the such strategic interventions is “Development Corridor Plan”.

2.2.2 Growth and Development Summit (GDS)

The GDS agreement commits signatories to (in summary):

- cooperation and joint action to protect, sustain and create jobs and promote growth and investment;
- strengthen and use the IDP as a socio economic planning tool;
- identify development priorities and key skills needs;
- provide and leverage resources to grow and develop the potential of the area;
- take action to accelerate delivery of basic services;
- base all interventions on principles of people-centred development (emphasis of historically marginalised);
- develop a growth path that benefits the majority;
- target development interventions toward the youth who constitute 67% of the population

The GDS agreement sets out 9 key interventions in relation to *“creating decent jobs, livelihoods opportunities and stimulating the local economy”*.

The GDS Agreement further sets out the following **district priority sectors**:

- Agriculture and agro-processing
- Forestry and wood processing
- Tourism
- Construction
- Manufacturing
- Trade and business services

The following **prioritised projects** are set out in the GDS Agreement

- Land and agrarian reform
- Forestry, timber and wood products
- Tourism development
- Exploitation of mining resources
- Industrial sites for manufacturing

The above priorities will be considered in the development of the Corridor Plan.

3 SITUATION ANALYSIS

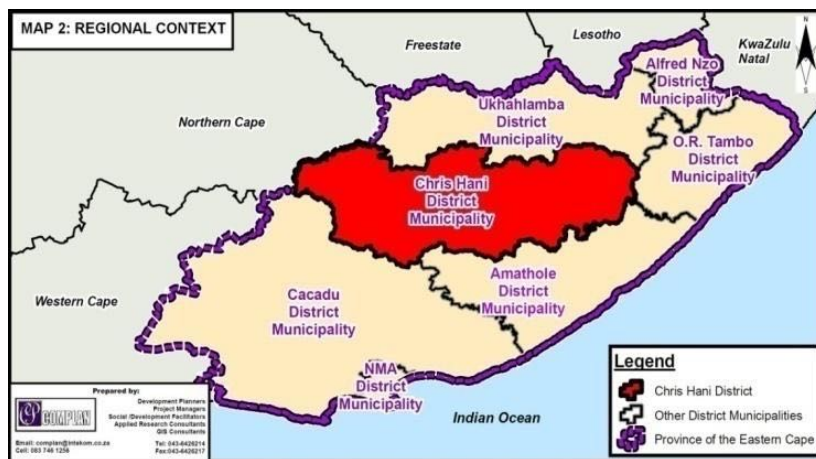
3.1 LOCALITY

Chris Hani District Municipality (CHDM) is located within the centre of the Province of the Eastern Cape surrounded by the district municipalities of OR Tambo, Ukhahlamba (Joe Gqabi), Cacadu and Amatole (See Map 2).

According to Map 3, CHDM is made up of the following eight local municipalities and one DMA:

- Inxuba Yethemba
- Tsolwana
- Inkwanca
- Lukhanji
- Intsika Yethu
- Emalahleni
- Engcobo
- Sakhisizwe
- Mt Zebra National Park (DMA)

Chris Hani District Municipality covers an area of 36 561 km² in extent. It shows that Inxuba Yethemba is the largest single municipality (32%) in the district, followed by Tsolwana (16%). Sakhisizwe and Engcobo are the smallest in terms of size (6% each).



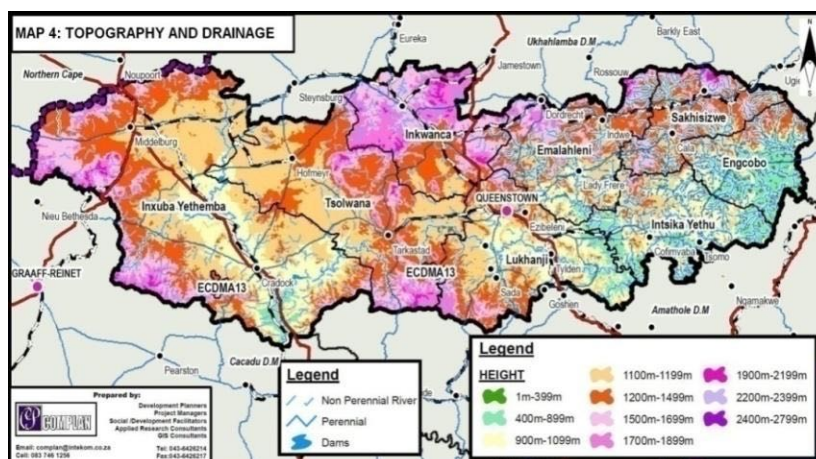
3.2 NATURAL ENVIRONMENT

3.2.1 Relief and Drainage

The District is part of **what is described as** gradual “step” topography. The “step” are formed by the Winterberg mountain range in the south and Stormberg range north of Sterkstroom.

The Stormberg Mountain range runs from east to west dividing the area into the high lying Stormberg plateau in the north and the generally lower altitude area in the south.

The Winterberg range with an altitude of 2 370m above sea level extends into the southernmost section of the area. The altitude of the Compassberg to the west of the of the Stormberg range is 2 502m, whereas the Stormberg plateau is $\pm 1\ 800$ m above sea level. The altitude of the lower lying area in the Cofimvaba District is ± 600 m above sea level. The greater part of the area, however, lies between 500m and 1000m above sea level.



The surface water resources of the Chris Hani District Municipality (CHDM) comprise of the following main river catchments:

- Orange River - The northern most portions of the Inxuba Yethemba, Inkwanca and Emalahleni LMs drain northwards to the Orange River via the Klein Seekoei, Wonderboom Spruit and the Holspruit respectively.

- Great Fish River - The major portions of the Inxuba Yethemba and the Tsolwana LM drain southward into the Little Fish and Great Fish rivers. Significant water imports via the Orange - Fish interbasin transfer scheme are utilized for irrigation both within and downstream of these Municipalities.
- Great Kei River - The eastern portion of the Tsolwana LM together with the major portion of the Lukhanji, Emalahleni and Intsika Yethu LMs drain southwards via the Black and White Kei Rivers into the Great Kei River.
- Mbhashe River - The eastern portion of the Sakhisiswe and Intsika Yethu LMs, and the entire Ngcobo LM drain southwards into the Mbhashe River.

3.2.2 Climate

Temperature

The temperature is characterized by extremes. During the summer months the maximum temperature often exceeds 40°C in the lower lying areas in the western section of the study area. Minimum temperatures in the winter months in the high lying areas are often well below zero and frost is a common occurrence throughout the area. The average commencing date for frost in most of the areas is the 20th April and the average last date for frost is the 10th October. Frost can, however, occur at any time of the year in the Molteno District. This area experiences the largest inter-diurnal variation in the temperature. The temperature in the eastern part of the District is a bit more moderate with most occurring from 21st May to 10th September.

Prevailing Winds

During the summer months, the prevalent wind direction in the study area is north-westerly (berg winds) whereas south-easterly to south-westerly winds prevail during the winter months. Wind, however, is not regarded as a limiting factor in the study area.

Rainfall

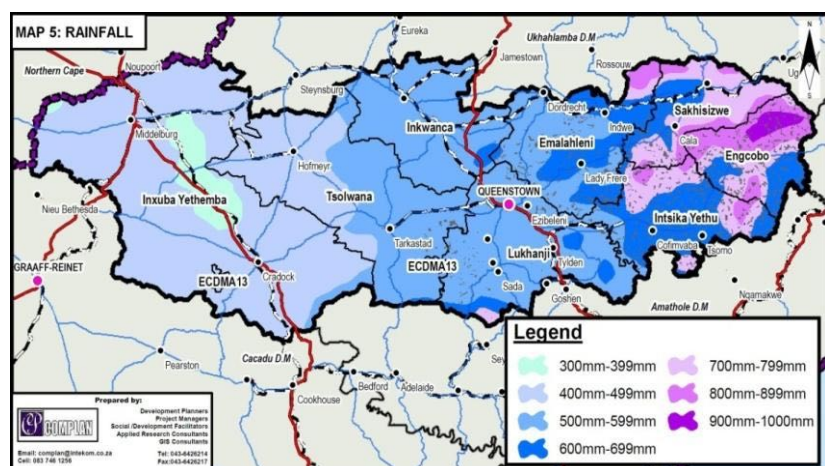
The rainfall varies dramatically over the area depending mostly on altitude and distance from the coast. In the western arid areas, the average annual precipitation is between 200mm and 300mm whereas in the eastern high lying areas of Cofimvaba it is 700-800mm. The greater part of the area is, however, arid to semi-arid and receives less than 400mm per annum.

Rainfall distribution is poor and dry spells are a frequent occurrence. The rainfall of the former Transkei shows little variation and can therefore be classified as reliable. This variation of rainfall during the early summer months makes early planting of agronomic crops risky. It is a summer rainfall area with 70% -80% of the precipitation occurring during the summer months in the form of thunderstorms. These storms are often of high intensity and are sometimes accompanied by hail. Only 20-30% of the rainfall occurs during the winter month, which usually results in snowfalls on the Chris Hani District Municipality plateau and the high lying mountainous areas of Compassberg Winterberg.

Further west, there will be poorer rainfall distribution, with severe droughts occurring fairly frequently. The rainfall in the eastern area (Cofimvaba and Ngcobo) is more evenly spread, except for the early summer months when "dry" spells can be expected, which makes the early planting of agronomic crops risky..

Evaporation

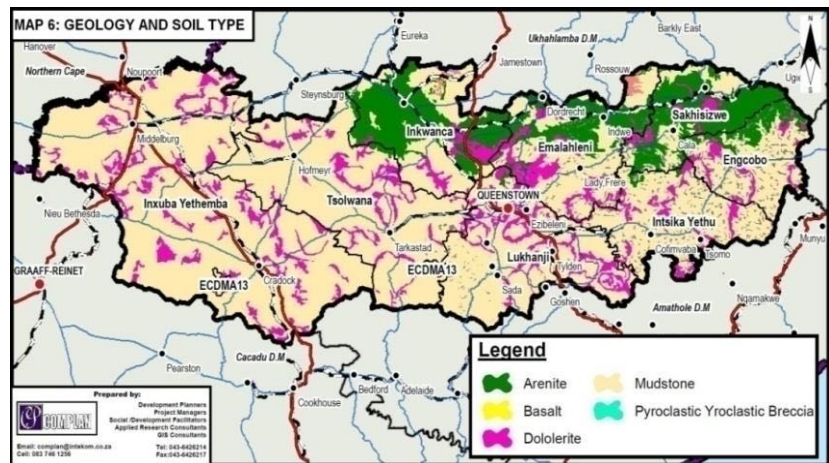
Evaporation in the District is much higher than the average annual rainfall. The area thus experiences negative water balance. The evaporation in the arid western area is 2 146 mm per annum, whereas it is approximately 1 700mm per annum in the Lady Frere and Cofimvaba Districts. This phenomenon complicates crop production as it requires moisture conservation for dry land cropping and sophisticated irrigation management.



3.2.3 Geology and Soils

The District consists mainly of Beaufort sediments intruded by dolerite. These comprise shale, mudstone and sandstone.

The soils in the District area are mainly from the Beaufort and Molteno series of the Karoo sequence. As a result, the soils are poorly developed, shallow or duplex, which are mostly not suitable for crop production. In the Fish River Valleys, however, deeper soils do occur. In the Fish River Valley, for example, there are 15 soil forms of which the Hutton, Clovelly and Oakleaf forms (Binomial Classification) are dominant.



3.2.4 Vegetation

About 50% of the entire area of CHDM is covered by South-eastern Mountain Grassland and Subarid Thorn Bushveld vegetation types. Eastern Mixed Nama Karoo, South-Eastern Mountain Grassland and Moist Upland Grassland also cover significant areas of the CHDM. A single layer of grasses dominates grasslands, however, the amount covers depends on rainfall and degree of grazing. The western section of Chris Hani District Municipality consists mostly of mixed Nama Karoo Veld whilst the eastern section consists mostly of moist upland grassland.

Existing pressures on the vegetation types

South-Eastern Mountain Grassland

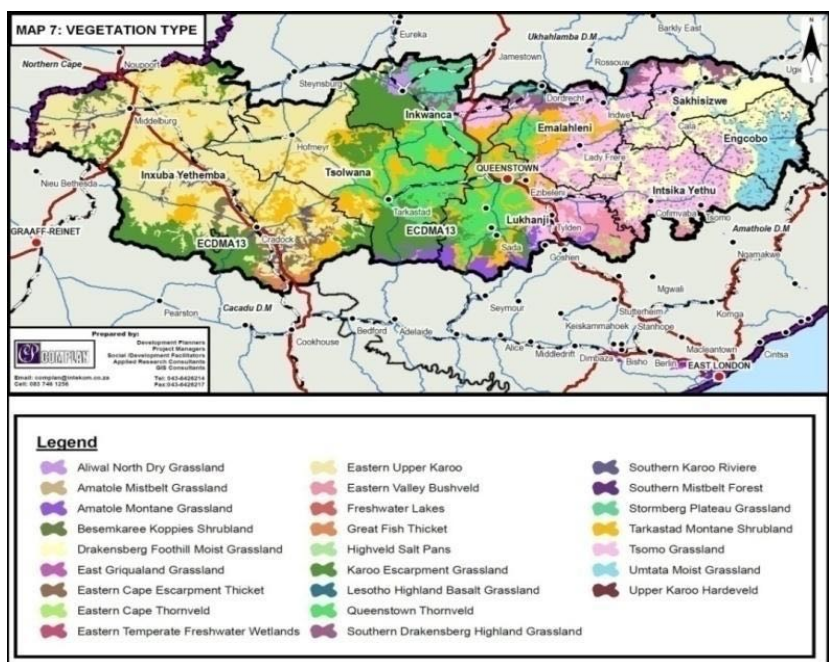
This sweet grassland type is important land owing to suitable winter grazing. However, injudicious, selective grazing can convert it to sourveld or result in the invasion of Karriod of Fynbos elements. The economic use for this vegetation type is mainly for grazing for sheep and cattle.

Subarid Thorn Bushveld

Fire and grazing are ecological processes within this vegetation type. This summer rainfall grassland is invaded by Sweet Thorn Acacia Karoo. The economic uses for this vegetation are mainly grazing.

Eastern Mixed Nama Karoo

The north east region of Eastern Mixed Nama Karoo is the only Karoo type in which fire is important in shaping the communities. This type has the highest rainfall of all the Karoo types and thus ecotonal to grassland. As a result it is very sensitive to grazing pressure and, depending on stocking density and rainfall conditions may resemble either grassland or Karoo. The Eastern Mixed Nama Karoo is too dry for crop production; however this is the prime sheep and goat grazing area, producing much wool and meat. Irrigation along the Orange River is important; some of the dams on the Range River occur in this vegetation type.

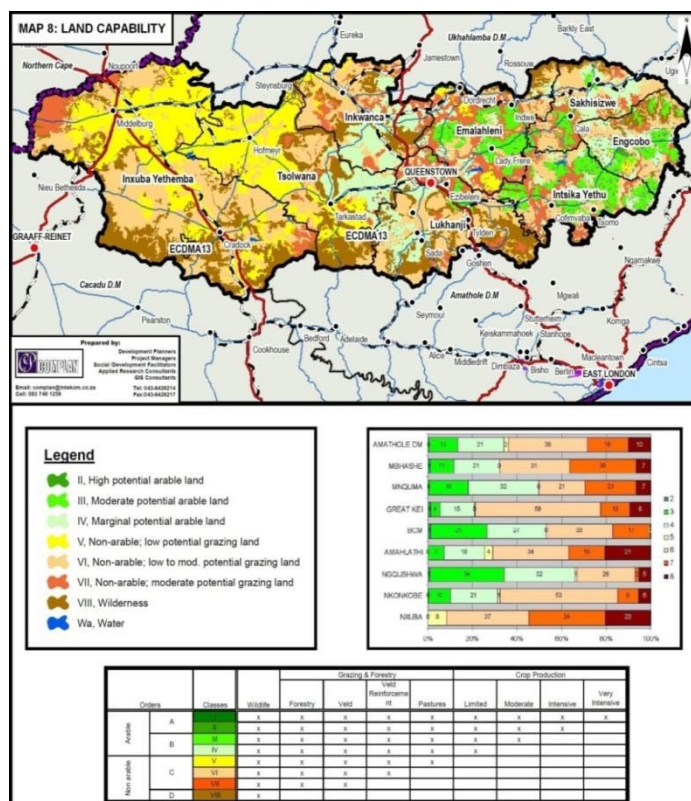


3.2.5 Land Capability

Land Capability is determined by the collective effects of soil, terrain and climate features. It indicates the most intensive long-term and sustainable use of land for rain-fed agriculture and at the same time highlights the permanent limitations associated with the different land use classes. It is therefore a more general term and conservation oriented than land suitability. The land capability in CHDM is indicated in Map 7 below.

Table 3.1 : Land Capability Classification

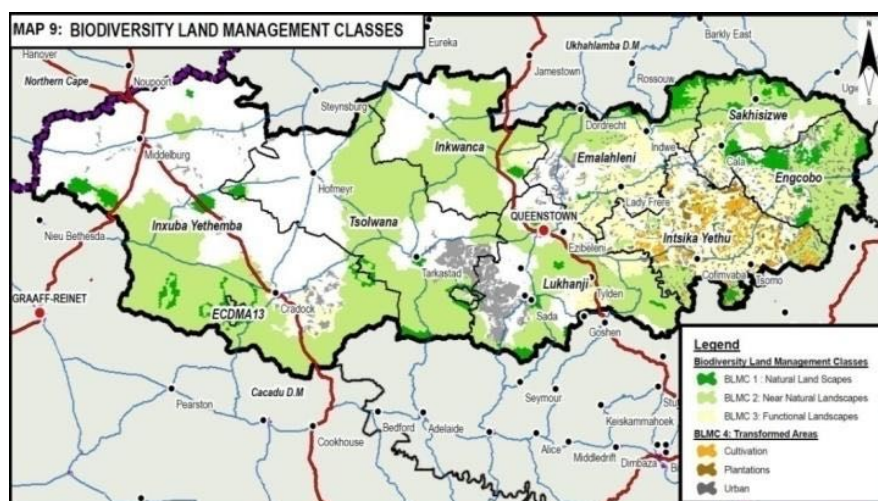
Class	Classification
I	Land in Class I has few limitations that restrict use but not found in CHDM
II	Land in Class II has some limitations that reduce the choice of plants or require moderate conservation practices. This class is not found in the CHDM.
III	Land in Class III has severe limitations that reduce the choice of plants or require special conservation practices, or both.
IV	Land in Class IV has severe limitations that reduce the choice of plants, require very careful management, or both. It may be used for cultivated crops, but more careful management is required.
V	Land in Class V has little or no erosion hazard but has other limitations impractical to remove that limit the use largely to pasture, range, woodland or wildlife food and cover.
VI	Land in Class VI has severe limitations that make it generally unsuited to cultivation and limit its use largely to pasture and range, woodland or wildlife cover.
VII	Land in Class VII has a severe limitation that makes it unsuitable for cultivation and that restricts its use largely to grazing, woodland and wildlife.
VIII	Land in Class VIII has limitations that preclude it's use for commercial plant production and restrict use to recreation, wildlife, water supply or aesthetic.



3.3 ENVIRONMENTAL ANALYSIS

3.3.1 Conservation Areas

Three conservation areas, under the direct control of the District Municipality, namely Koos Ras (Inkwanca), Lawrence de Lange (Lukhanji) and Longhill (Lukhanji) occur in the district. In addition, a National Park (Mountain Zebra National Park), a number of private nature reserves (e.g. Black Eagle and Blanco) and three natural heritage areas (i.e. Benghoil & Bushy Park, Carnarvon and Mhoge) are located, at least in part, within the CHDM. Commandodrift (Tsolwana), a Provincial Nature Reserve, also occurs in the District. There is also a Provincial Game Reserve – Tsolwana Game Reserve, and a game reserve which is an LED project, namely Masikhane Game Farm.



3.3.2 Critical Biodiversity Areas

Critical Biodiversity Areas (CBAs) are terrestrial and aquatic features in the landscape that are critical for conserving biodiversity and maintaining eco-system functioning.

Areas of critical biodiversity areas are indicated in Maps 8 and 9.

3.3.3 Need to Conserve Biodiversity

Biodiversity provides us with clean water, and soil, as well as medicinal plants, fuel wood, food products (from fishing, hunting and veldkos), building materials grazing.

Plant roots stabilise the soil and prevents erosion.

All of these are vitally important for human well being. Biodiversity also contributes significantly to rural livelihoods.

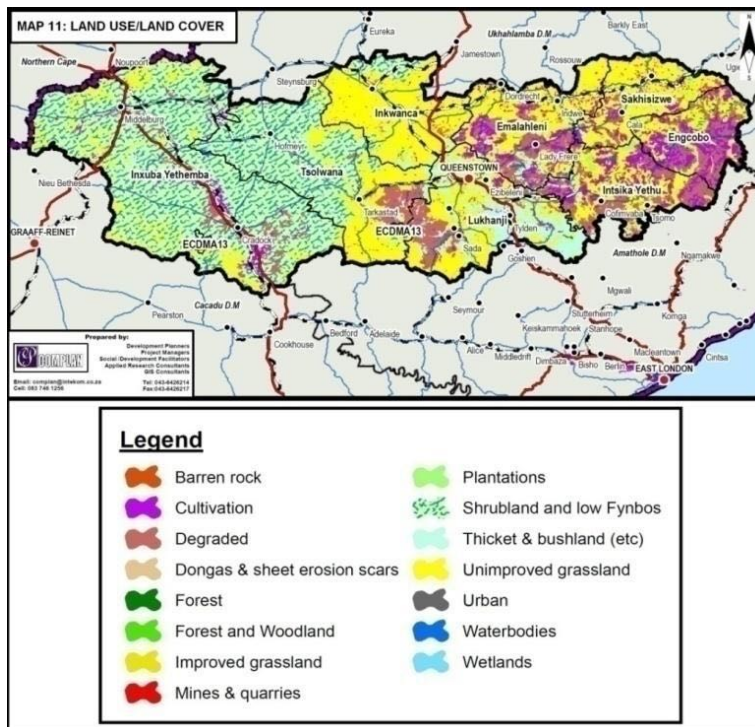
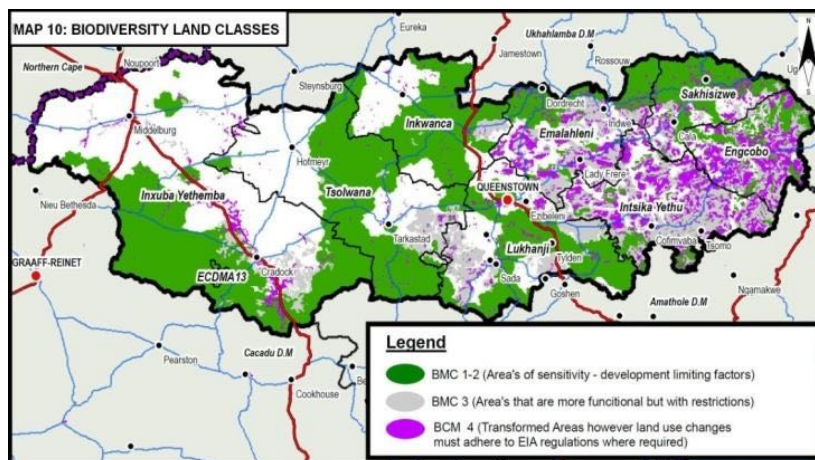
The scenic beauty of the Province provides valuable products for the tourism and wildlife industry, with potential to generate considerable economic revenue from nature reserves, game farms and hunting lodges.

At the global scale, we depend on nature particularly forests, to absorb the carbon dioxide that we generate, and to regulate the climate. All of these resources depend directly on biodiversity. Some land uses have a much greater negative impact on biodiversity than others. For instance, timber plantations and urban settlements are much more damaging to biodiversity than livestock and low impact tourism activities

3.4 BROAD LAND USE ANALYSIS

The land cover pattern is largely determined by topographical and climatic factors. However past political engineering, current tenure arrangement and population densities have impacted on the type of land cover.

The map below illustrates that the land cover classifications that dominate the Chris Hani DM are shrub and the low fynbos, covering 38% of the total area of the DM, followed by unimproved grassland (30%).



3.4.1 Settlements

3.4.1.1 Settlement Hierarchy

The settlement and land use patterns in the former homeland areas are distinctively different from those of the former RSA. Specifically, in the former Ciskei and Transkei areas are predominantly of the dispersed 'traditional' rural village settlement type, where subsistence farming practices (pastoral and dry land cultivation) are the dominant forms of land use activity apart from the residential function of nodal centres. In contrast, settlement and land use in the former RSA component of the District is largely characterized by nodal urban development (small towns) and commercial farms.

The District Spatial Development Framework (2009/2010) has identified a hierarchy of development nodes in order to guide the DM and LMs in the allocation of appropriate level of investment in infrastructure and services as well as the implementation of land use management strategies. Within the parameters of the proposed hierarchy of nodes, the SDF endorses the REDS strategy of targeting the regeneration of towns (service centres) located along the major corridors in the District.

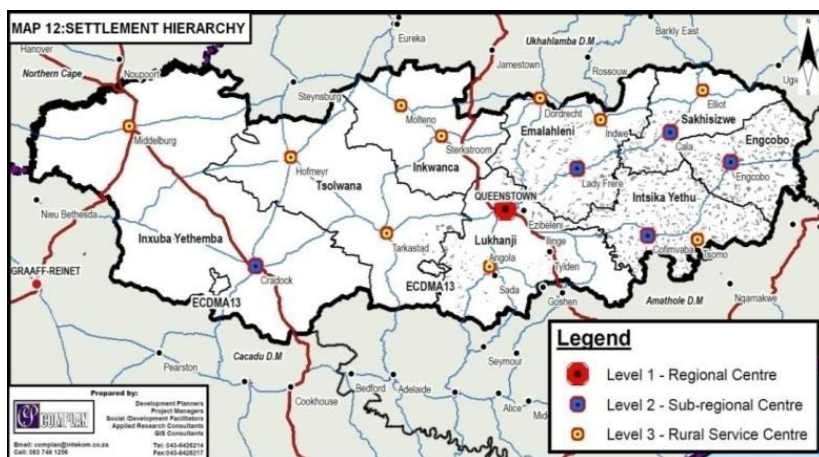


Table 3.2: Settlement Hierarchy

Urban Nodes		
Node Type	Location	Spatial Development Priorities
Level 3 Major Development Node	Queenstown <ul style="list-style-type: none"> Retail, Industrial and Admin. Node Centre of Excellence for Education Experiencing population influx 	<ul style="list-style-type: none"> Managed urban expansion and public-funded housing development Infrastructure development to cater for expansion CBD Management and focus on urban aesthetics Environmental Management (Game Reserve)
Level 2 Major Centres	Cradock, Ngcobo, Cofimvaba, Lady Frere, Cala <ul style="list-style-type: none"> Retail and service nodes Administrative and social facilities serving surrounding rural areas 	<ul style="list-style-type: none"> Land Management & Administration (<i>CBD Revitalization and associated planning</i>) Sustainable Human Settlement Programme (<i>Public-funded housing development</i>) (<i>Infrastructure and social facilities upgrade</i>)
Level 2 Minor Settlements	Middelburg, Hofmeyr, Molteno, Tarkastad, Elliot, Dordrecht, Sterkstroom, Sads/Whittlesea, Tsomo, Ilinge <ul style="list-style-type: none"> Smaller retail and service nodes Administrative and social facilities serving surrounding rural areas 	<ul style="list-style-type: none"> Limited urbanization (sustainability) Urban aesthetics and land use management (tourism) Maintenance and upgrade of infrastructure Environmental Management (tourism)
Level 1 Minor Settlements	Minor Settlements	<ul style="list-style-type: none"> Basic level of service extension Local planning to maximize use of resources Local land use schemes to be negotiated
Rural Nodes		
Node Type	Location	Spatial Development Priorities
Level 2 Rural Node	Thornhill, Lower Lufuta, Ncora, Clarkesbury	<ul style="list-style-type: none"> Areas where higher order facilities should be focused Local planning to maximize use of resources Local land use schemes to be negotiated
Level 1 Rural Villages	Rural Villages	<ul style="list-style-type: none"> Basic level of service extension Local planning to maximize use of resources Local land use schemes to be negotiated

Source: CHDM Spatial Development Framework (2009/2010)

The SDF endorses the above proposed hierarchy of Nodes and REDS strategy of targeting the regeneration of towns (service centres) located along the major corridors in the district, but with the caveat that the Principle of Investment in realistic opportunity should prevail and investment should follow feasibility study outcome in all cases, rather than a blanket prescript.

3.4.1.2 Small Town Regeneration Initiatives

The Chris Hani Regional Economic Development Strategy highlighted the need to identify and prioritise small towns along the economic corridors that have the potential to participate actively in the value chain of the differentiated sector and implement small town development initiatives.

As can be seen from Map 11, the following towns constitute the main nodes within the development corridors, which need to be regenerated: Queenstown, Cofimvaba, Tsomo, Ngcobo, Lady Frere, Cala, Elliot, Middelburg, Tarkastad, Cradock, Molteno and Strerkstroom.

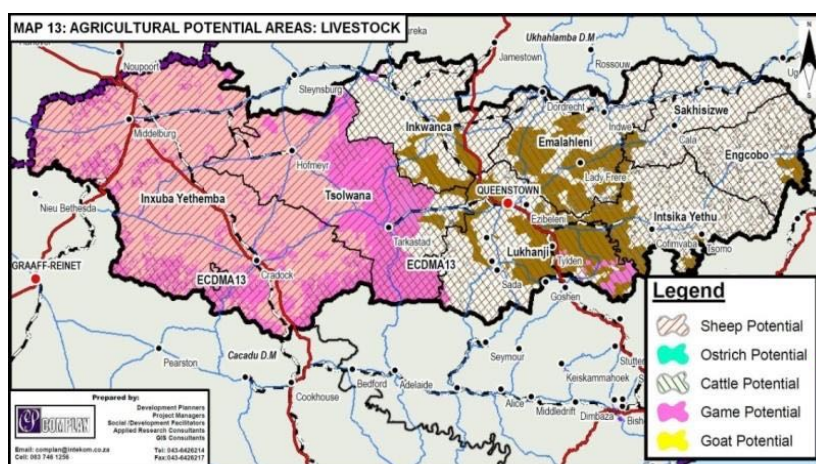
3.4.2 Local Economic Development (LED) Sectors

Agriculture remains one of the key potential growth sectors in the economy of the District. Commercial farming is limited to parts of the district that falls within the former "RSA". These include farming districts of Elliot, Molteno, Sterkstroom, Hofmeyr, Cradock, Tarkastad, Queenstown and Wodehouse. The regions that were part of the former Ciskei and Transkei remain as subsistence farming areas. In recent years, there has been a decline in the contribution of commercial farming to the economy of the district.

3.4.2.1 Livestock Production

Livestock farming is an important source of income for both commercial and communal farming in Eastern Cape. In the Eastern Cape, there are about 3 million strong cattle holds in the Eastern Cape in 2007, accounting for over 22% of the total cattle in South Africa and majority of this (1.9 million head) was owned by 150 000 families living in the communal areas of the province.

Sheep and goat production is found throughout South Africa. The contribution to the total sheep numbers (both wool and non-wool) in 2007 of the provinces were as follows: Eastern Cape (30%), Northern Cape (25%), Free State (20%), Western Cape (11%), Mpumalanga (7%) and the rest (7%). In terms of goats, the contribution to the total goat numbers in 2007 was as follows: Eastern Cape (40%), Northern Cape (8%), Limpopo (17%), KZN (14%), North West (12%) and the rest (9%). Therefore, Eastern Cape has the largest number of sheep and goats in the country.



In the CHDM, the following tables have been identified as livestock numbers and livestock potential areas within the district.

Table 3.3: CHDM Estimated Livestock Numbers (Head)

Municipality	Cattle	%	Sheep	%	Goats	%	Total	%
Lukhanji	65 833	14.6	131 993	4.9	19 894	3.3	217 720	5.8
IntsikaYethu	86 695	19.3	299 192	11.1	129 249	21.6	515 136	13.7
Emalahleni	94 295	21.0	312 137	11.5	89 687	15.0	496 119	13.2
Engcobo	102 811	22.9	372 016	13.8	119 383	19.9	594 210	15.8
Sakhisizwe	61 814	13.7	258 842	9.6	21 046	3.5	341 702	9.1
Inxuba Yeth.	15 879	3.5	379 685	14.0	173 291	29.0	568 855	15.2
Tsolwana	14 763	3.3	851 211	31.5	45 473	7.6	911 447	24.3
Inkwanca	7 499	1.7	99 949	3.7	533	0.1	107 981	2.9
Total	449 589	100.0	2 70 025	100.0	598556	100.0	375 3170	100.0

Source: CHDM Area Based Plan, 2009

Table 3.4: Livestock Potential Areas

Municipality	Livestock Potential
Inxuba Yethemba	Angora goats, Dohne Merino
Tsolwana	Boer goats, Angora goats, Dohne Merino
Inkwanca	Beef cattle, Dohne Merino
Lukhanji	Boer goats, Beef cattle, Dohne Merino
Intsika Yethu	Boer goats, Beef cattle, Dohne Merino
Emalahleni	Beef cattle, Dohne Merino
Engcobo	Beef cattle, Dohne Merino
Sakhisizwe	Beef cattle

The western part of the region is increasingly turning to game farming especially in the areas around Queenstown, Cradock, Tarkastad and Molteno. The District Municipality has engaged in partnerships with National Wool Growers Association (NWGA) to improve the quality of wool sheep, develop wool growers associations, train farmers on livestock and veld management and build appropriate infrastructure such as shearing sheds and fences. Further partnerships with the Department of Rural Development and Agrarian Reform (DRDAR) and University of Fort Hare have resulted in the promotion of higher quality goats and nguni cattle. Additionally, most pork in Eastern Cape is produced in Aliwal North (outside the district) and Queestown areas, especially in the communal areas of the former Transkei.

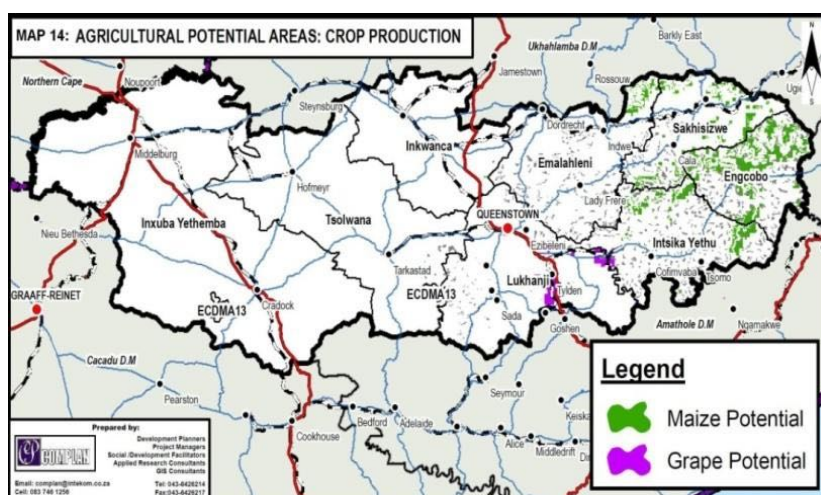
Additionally, there are ASGISA livestock projects dealing with livestock/heifers and bulls in Sakhisizwe and Engcobo LMs. These projects valued at R28 million covers 86 farms and 890 beneficiaries. These farmers are organized through four co-operatives, namely, Tsomo Valley, Umthombo, Cicira Ntungela andlthemba Farmer Co-operatives

According to the CHDM IDP, the greatest challenge to livestock production remains in low skills level, access to land, poor veld and livestock management, limited access to market, limited access to financial and credit access by emerging farmers due in part to insecure land tenure, limited mentoring and information from Department of Rural Development and Agrarian Reform (DRDAR) and dilapidated and insufficient infrastructure such as rural roads, fencing, stock dams and dipping tanks. The map below shows the potential livestock production areas in the district. **Dairy (milk)** producing areas in the district consist of the Queenstown sweet thornveld and the Fish River Valley areas. Irrigation projects in the former homeland areas (Ncora, Qamata and Shilo) have potential for increased milk production. However, the infrastructure that was in place have been neglected and will have to be upgraded.

Broilers are produced throughout South Africa but concentrations are influenced by demand patterns and availability of raw materials (maize and lucerne) for feed. In the Eastern Cape, there are approximately 42 registered abattoirs for the slaughtering of chickens, including Anca Chix in Stutterheim (just outside the district), Hayes in Queenstown and Mapassa Abatoir also in Queenstown (East London IDZ).

3.4.2.2 Crop Farming

Dryland cropping is only feasible in small parts of CHDM within the Intsika Yethu, Sakhisizwe and Engcobo municipalities. The Department of Rural Development and Agrarian Reform (DRDAR) has prioritised these areas under the Massive Food Programme and the Siyazondla homestead food production programme. The Siyazondla homestead food production programme assists with improving household food security. There is presently 8000 ha under irrigation with CHDM containing two of the largest irrigation schemes in the Eastern Cape i.e. Ncora and Qamata. A further 7600 ha could be placed under irrigation if the



large Gariep Transfer Project were to be implemented. In addition to these schemes there are several large scale commercial farming enterprises.

This future development must consider the recommendations from the District's WSDP (Water Services Development Plan) that CHDM should not consider developing any more irrigation schemes apart from the already established schemes and must look at other methods of irrigation schemes such as drip irrigation which ensure that water evaporation is minimised. In spite of this scenario there are vast areas of underutilised land within the existing schemes such as Shilo where only 40% of the scheme is currently utilised. CHDM and DRDAR have prioritised these irrigation schemes under their respective revitalisation and resuscitation programmes. Their collaborative efforts are focused towards attracting investors to run the schemes under private- public partnerships. It is for this reason that high value crop options and production methods such as hydroponics and bio-fuels are being investigated.

In addition funding has been provided for setting up the correct institutions to run the schemes, building of lay dams, centre pivots and irrigation systems, upgrading of office facilities, seed, planting and harvesting operations as well as equipment such as tractors, ploughs and trailers. However due to the complex community structures residing within the schemes, the effort of the District and its partners has not yet resulted in independent and financially sustainable irrigation schemes although considerable progress has occurred. Whilst crop production and agro-processing sector remain important areas of intervention within the District, the present cost of transport to high volume markets will most likely render local production uncompetitive until substantial economies of scale and consistent quality can be achieved.

Table 3.5: Agricultural Potential Areas (Crop Farming)

Local Municipality	Present Activities	Potential Crop	Potential fruit
Lukhanji	Maize, beans, wheat, peas, sorghum, pumpkins, water melon and vegetables under irrigation	Maize, beans, wheat, peas, sorghum, pumpkins, water melon and vegetables under irrigation	Peach
Emalahleni	Maize and sorghum	Sugarcane, nuts, wheat and sorghum and vegetables	-
Sakhisizwe	Maize, beans, pumpkins and Sorghum	Maize, sorghum, wheat, oats, barley, pumpkins, beans, sunflower and vegetables	Peach, Apple
Engcobo	Maize, sorghum, sunflower, Lucerne, potatoes, soya beans, walnuts and vegetables	Maize, sorghum, sunflower, Lucerne, potatoes, soya beans, walnuts and vegetables	Apple
Intsika Yethu	Maize, wheat, potatoes, beans, peas, sunflower, Lucerne and other Fodder crops	Sunflower, peanuts, paprika, rice, hemp and asparagus	Peach
Inxuba Yethemba	Wheat, Lucerne, potatoes, walnuts and vegetables	Wheat, Lucerne, potatoes, walnuts and vegetables	Apple
Tsolwana	Maize, wheat, Lucerne, potatoes, walnuts and vegetables	Maize, wheat, Lucerne, potatoes, walnuts and vegetables	-
Inkwanca	Lucerne, potatoes, turnip, barley, oats and maize	Lucerne, turnip and winter cereals and fruit such as apricot do well under irrigation	Apricot

Source: CHDM IDP (2009/2010)

There is potential for **sugar beet** production in CHDM and sugar beet is produced on at least 4 000 ha in the Great Fish River Valley and in the Bilatye Irrigation Scheme. While potential yield of this crop has been put at some 95 t/ha in the Great Fish River Valley near Craddock, conducted trials have seen the results as high as 220 t/ha in certain areas and this is substantially higher than the European average for the same crop, which yield between 50 t/ha and 60 t/ha. South Africa's longer growing season of 12 to 14 months, compared with European season of only between 5 and 6 months after which the ground freezes or becomes water-logged is responsible for such yields in South Africa.

There are ASGISA projects for the production of fruits in the District, namely, Intsika Yethu stone fruit project for peaches, plums and nectarines and Hota Mbewula fruit (peaches) project at Cala.

3.4.2.3 Game Farming

The western part of the region is increasingly turning to game farming especially in the areas around Queenstown, Craddock, Tarkastad and Molteno. As indicated earlier the region's emergence as a malaria free game farming and nature reserve location

has contributed to tourism revenue, a trend that looks set to continue. The growth of this sector may crowd in private sector investment and support the emergence of supporting industry and services.

3.4.3 Forestry , Timber and Wood Products

The Chris Hani District Municipality is richly endowed with a number of forest plantation resources. Most of these forest plantations are found in Intsika Yethu and Engcobo Local Municipalities and are owned by the Department of Water Affairs and Forestry (DWAF). There are also some woodlots and few hectares of category A plantations (Pine stands) in Sakhisizwe Municipality. The local municipalities in CHDM within which the existing plantations are located are shown in Table 3.6 below.

Table 3.6: Distribution of Plantations within Local Municipalities in CHDM

LM	Ownership			
	Private	State	Community	Total
Emalahleni			145	145
Engcobo		2012		2012
Intsika Yethu		5167	510	5677
Lukanji			111	111
Sakhisiswe	9224	455		9679
Total	9224	7634	765	17623

Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

The District is among the areas with high potential for new afforestation. Table 3.7 shows the new forestry potential in each of the local municipalities at 15% of the total suitable area in the District. The forestry potential is also shown in Map 15 below.

Table 3.7: New Afforestation Potential within Local Municipalities in CHDM

LM	Forestry Potential (hectares)			
	Good	Moderate	Total	15% of land
Emalahleni	3656	27269	30925	4639
Engcobo	21181	63697	84878	12732
Inkwanca		1401	1401	210
Intsika Yethu	1271	23740	25011	3752
Lukanji	79	3250	3329	499
Sakhisiswe	987	56494	57481	8622
Tsolwana		71	71	11
Total	27174	175923	203097	30464

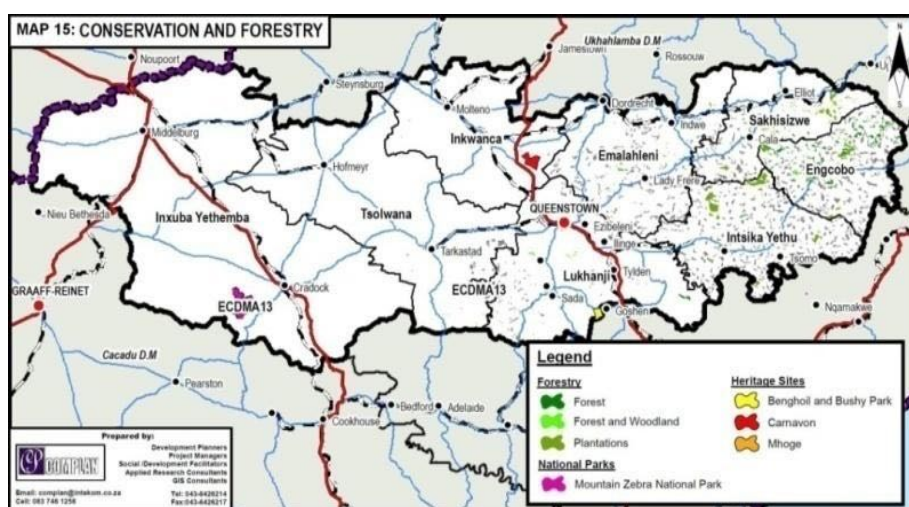
Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

In terms of natural forest, the National Forestry Inventory (NFI) identified 13583 hectares in the CHDM, distributed among the local municipalities as follows:

Table 3.8: Natural Forests

LM	Extent (Hectares)
Emalahleni	1032
Engcobo	9199
Intsika Yethu	1893
Lukanji	991
Sakhisiswe	468
Total	48703

In terms of **timber processing** within the various municipalities in the CHDM, there are high number of small sawmills located in CHDM and the district accounts for 20% in the province, in which fewer than 14% of the Province's plantations are located. These smallsawmills are mostly located in **Intsika Yethu local municipality** with **19 small sawmills**. **Charcoal manufacturing plant**, using gum and wattle as raw material is found in **Sakhisizwe local municipality**.



Although details of individual business were not provided, Eastern Cape Forestry Sector Profile (2007) indicates that there are also **3 furniture manufacturers** in Lukanji local municipality.

The forestry enterprises, activities and potentials within local municipalities in CHDM for economic development planning purposes are provided for four main municipalities with significant commercial forestry potential areas within their boundaries. Table 3.8 to Table 3.11 present the summary of the extent of existing and potential forestry, and the numbers and scale of forestry activities. They also provide estimates of employment numbers and revenue generation within the plantations and existing wood processors in 2007.

Table 3.8: Summary of Emalahleni Municipality

Sector Segment	Number	Scale/Extent (ha, m ³ /a or t/a)	Employees	Revenue (Rm/a)
Commercial Plantations	0	0	0	0
Woodlot Plantations	13	145	0	0
Total Existing	13	145	0	0
Afforestation Potential - Moderate		27 269		
Afforestation Potential - Good		3 656		
Total Potential		30 925		
Total Plantation		31 070		
Natural Forests (Group)		1032	0	
Sawmills - Large	0	0		
Sawmills - Medium	0	0		
Sawmills - Small	0	0		
Sawmills - Indigenous	0	0		
Chipboard	0	0		
Veneer	0	0		
Pole Treatment	0	0		
Charcoal	0	0		
Total Processing	0	0	0	0
Grand Total			0	0

Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

Table 3.9: Summary of Engcobo Municipality

Sector Segment	Number	Scale/Extent (ha, m ³ /a or t/a)	Employees	Revenue (Rm/a)
Commercial Plantations	4	1 866		4.7
Woodlot Plantations	4	146	47	0
Total Existing	8	2 012	47	4.7
Afforestation Potential - Moderate		63 697		
Afforestation Potential - Good		21 181		
Total Potential		84 878		
Total Plantation		86 890		
Natural Forests (Group)		9 199	0	
Sawmills – Large	0	0		
Sawmills – Medium	0	0		
Sawmills – Small	0	0		
Sawmills – Indigenous	0	0		
Chipboard	0	0		
Veneer	0	0		
Pole Treatment	0	0		
Charcoal	0	0		
Total Processing	0	0	0	
Grand Total			47	4.7

Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

Table 3.10: Summary of Intsika Yethu Municipality

Sector Segment	Number	Scale/Extent (ha, m ³ /a or t/a)	Employees	Revenue (Rm/a)
Commercial Plantations	2	3 882	158	9.8
Woodlot Plantations	33	1 794		0.4
Total Existing	35	5 676	158	10.2
Afforestation Potential - Moderate		23 740		
Afforestation Potential - Good		1 271		
Total Potential		25 011		

Total Plantation		30 687		
Natural Forests (Group)		1 893	0	
Sawmills - Large	0	0		
Sawmills - Medium	0	0		
Sawmills - Small	19	9 800		
Sawmills - Indigenous	0	0		
Chipboard	0	0		
Veneer	0	0		
Pole Treatment	0	0		
Charcoal	0	0		
Total Processing	19	9 800	245	14.8
Grand Total			403	25

Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

Table 3.11: Summary of Sakhisizwe Municipality

Sector Segment	Number	Scale/Extent (ha, m³/a or t/a)	Employees	Revenue (Rm/a)
Commercial Plantations	1	9 224		23.3
Woodlot Plantations	2	455	188	0.1
Total Existing	3	9 679	188	23.4
Afforestation Potential - Moderate		56 494		
Afforestation Potential - Good		987		
Total Potential		57 481		
Total Plantation		67 160		
Natural Forests (Group)		468	0	
Sawmills - Large	0	0		
Sawmills - Medium	0	0		
Sawmills - Small	0	0		
Sawmills - Indigenous	0	0		
Chipboard	0	0		
Veneer	0	0		
Pole Treatment	0	0		
Charcoal	1	600		
Total Processing	1	600	15	0.1
Grand Total			203	23.5

Source: DWAF: Eastern Cape Forestry Sector Profile (2007)

The situational analysis of the forest plantations and woodlots in Chris Hani District Municipality revealed that their management is poor. The operational costs of the forest plantations and woodlots far outweigh the income generated by these plantations. This, in other words means that these forests are operated at a loss. The quality that is produced is not good. In order to address these issues, the strategy with the following components was proposed:

- Proper management of forest plantations
- Value adding processes.
- Investment promotion
- Meaningful empowerment of communities
- Continued monitoring and evaluation of the process to address the problem areas.
- Capacitation of the existing small sawmillers

Despite the existence of raw material, land for afforestation and market opportunities, the forestry sector in Chris Hani District Municipality remained uninspiring, with very little significance to and impact on the economy of the region. In order to address this and to take advantage of a number of opportunities that the sector presents, specifically in relation to SMME promotion and community empowerment, Chris Hani Municipality and the Local Municipalities have prioritized forestry as one of the sectors that they are key to economic development of the region.

The Wood Cluster programme was then developed out of this with the following Anchor Projects:

- Sawmill project
- Furniture factory
- Pole treatment plant
- Charcoal production
- Tree nursery project
- Afforestation programme

3.4.4 Agro-processing

While the District's agricultural potential is obvious, primary agricultural projects have had a minimal impact on unemployment. This situation necessitates strategies to increase value-added production by exploiting opportunities that exist along the various crop and livestock value chains. Particular advantages lie in food-processing based on resource and crop availability, existing factory infrastructure, as well as relatively well developed road infrastructure when compared to other rural districts.

The bulk of the District's farm output goes for processing outside the district e.g. milk, beef, fruit etc which regulates the District to the bottom of the value chain. Opportunities exist in food-processing especially in the areas on convenience food, specialty foods and organic foods. Beside food processing the District can promote high value crops such as cotton as well as bio-diesel. Bio-diesel initiatives present huge opportunities especially around the existing sugar-beet project area of Cradock where Sugarbeet SA, Central energy Funds and the IDC have entered into a partnership that will see 6000ha of sugarbeet planted, construction of ethanol production plant and buying of the ethanol by PetroSA to blend into their stock. This investment is estimated to reach R 1,5bn with the construction of the ethanol plant due to start before the end of 2007 and the first product from the plant due to roll out by the end of 2009. It is estimated that this project will create up to 2000 temporary jobs and 500 permanent jobs only in the ethanol plant construction phase.

3.4.5 Tourism

The District has a rich history and natural resources that can promote tourism development in the region. These resources are untapped and are not adequately budgeted for within the District and local municipalities. The District has access to a number of major routes, the friendly N6 and the N10 which link the District with East London, Bloemfontein and Port Elizabeth and the R61 linking Queenstown with Mthatha and the Wild Coast.

As indicated earlier the region's emergence as a malaria free game farming and nature reserve location has contributed to tourism revenue, a trend that looks set to continue. The growth of this sector may crowd in private sector investment and support the emergence of supporting industry and services.

The District has one national park (Mountain Zebra National Park), two nature reserves in Lukhanji and Tsolwana, two game reserves (Tsolwana, Lawrence De Lange) and private game reserves and game farms. There are also new establishments that include the promotion of heritage sites.

The friendly N6 provides an opportunity for tourism development as it links the wild coast and sunshine coast to the hinterland. In addition to this opportunity there are many Anglo-Boer War memorials, places related to struggle heroes and Bushmen paintings. The District is currently focusing its tourism activities on branding and marketing the various activities available. In addition cultural and heritage sites are being marketed through the Great Karoo biosphere concept and creating linkages to the Madiba heritage route through the development of a Chris Hani Liberation Heritage route. A tourism centre will also be developed in Queenstown. These plans will be expressed in the local municipal tourism sector plans and the District tourism plan.

One hundred and two sites were identified in the Chris Hani District Municipal area, categorized according to their nature, namely whether they are human generated structures or natural artifacts. Out of these, the Chris Hani Liberation heritage route has identified iconic sites and a booklet has been printed containing these sites.

3.4.6 Construction and Coal Mining

The District has a high development profile in terms of the ISRDP nodal status. Its high infrastructure budget allocation presents opportunities for the establishment of a local construction industry and may enhance competitiveness by addressing critical shortcomings in economic infrastructure.

The strong growth and development in public housing and construction comes with a huge demand for construction material such as clay and cement bricks. At present illegal brick making activities are prevalent throughout the District mainly to fulfill the demand of private construction needs. Due to low quality and illegal operations, these bricks cannot be used for public sector construction.

The PGDP has identified coal mining at Indwe and Molteno as a High Impact Priority Projects (HIPPS). The exploitation of the Molteno/Indwe coalfields is currently being investigated to access their viability. A Public-Private Partnership (PPP) company has been established with Elitheni. Prospective rights for the Indwe coal mines have begun and the results look promising.

3.4.7 Manufacturing

Manufacturing represents a significant proportion of the CHDM economy at 8 % GGP and 5 % employment. Lukhanji municipality especially Queenstown has a small furniture, dairy processing and wood products industry and operates as the prime manufacturing centre of the District. Middelburg and Cradock have food processing activities. Manufacturing mainly takes place in Queenstown and the major activities are furniture making, food processing and pressed metal. The three biggest employers in Queenstown are manufacturers' viz. Seating, Twizza, Crickley Dairy and Stateline Pressed Metal. Other manufacturing industries are biltong processing, cheese making, Ouma rusks, leather processing and bone meal production

3.4.8 Trade and Services

Trade and services contributes in total between 16 % to the District GGP in 2000 and 22 % employment in 2004. The majority of SMME's are found in the retail and service sector (73%). It is the predominant form of economic activity in CHDM, especially the major centres.

3.5 INFRASTRUCTURE OVERVIEW

3.5.1 Water and Sanitation

Chris Hani District Municipality is the designated WSA. All its 8 local municipalities are Water Service Providers. The water services development plan (WSDP) utilizing Statssa a figure from the 2007 Community Survey estimates that currently 72.31% of the total population of Chris Hani District Municipality (CHDM) is served with water services, whilst 38.15% is served with sanitation services. The major challenge is meeting the backlog targets as set out by the national government due to the insufficient capital funds (i.e. MIG allocations).The collapsing infrastructure in towns is not included in the backlog.

The CHDM has identified and quantified all villages with also committed itself in ensuring that it provides free basic services to its communities. Due to the allocated powers and functions the provision of basic level of services is limited to water and sanitation. Backlogs have made it difficult to provide these services in areas which do not have infrastructure especially in the former Ciskei and Transkei areas. The funding with respect to MIG falls short in eradicating the backlog.

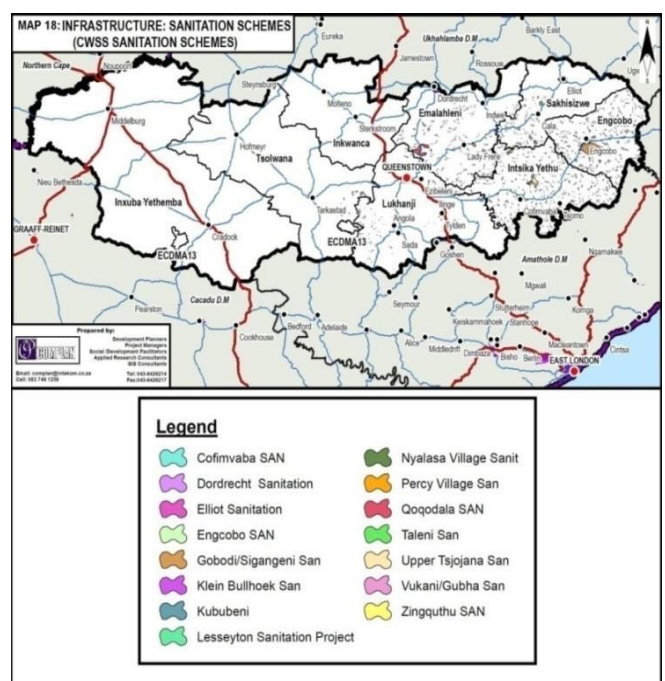
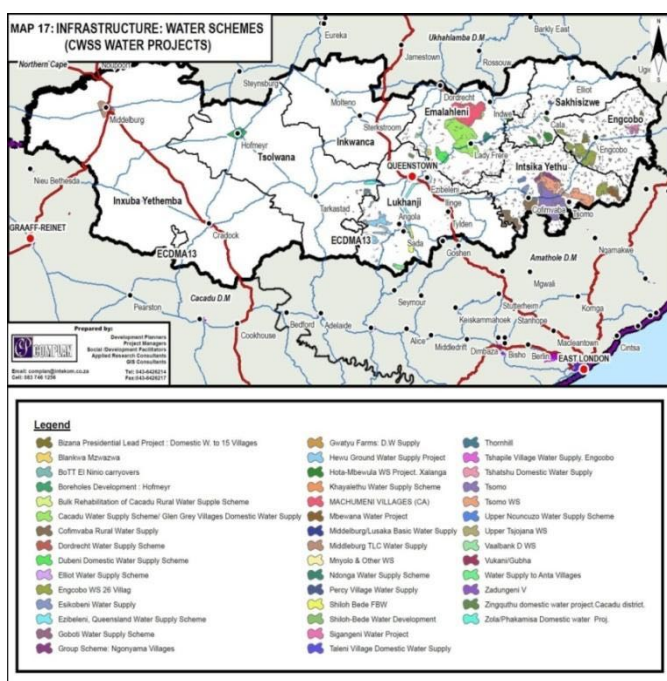
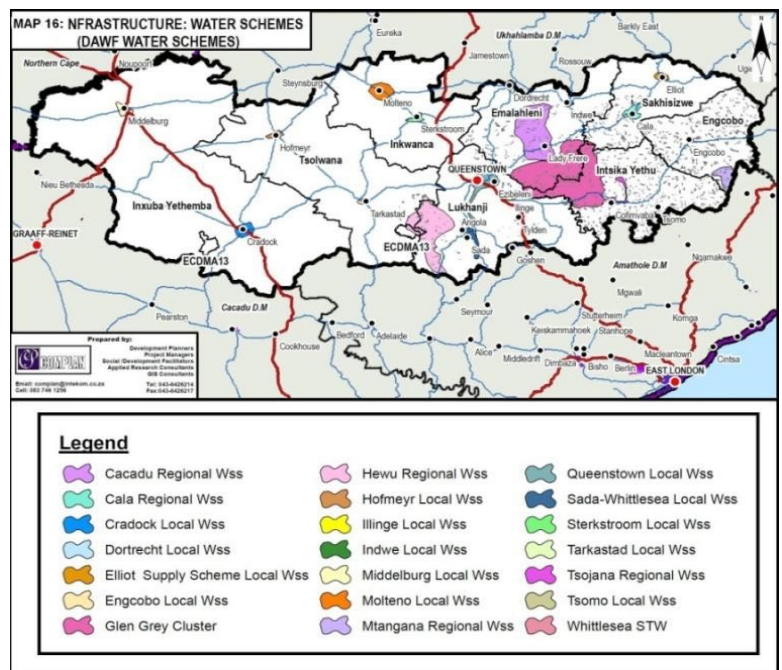


Table 3.6: Water and Sanitation Backlogs

Local Municipality	Water		Sanitation	
	Population served	Population Not served	Population served	Population Not served
	%	%	%	%
Inxuba Yethemba	100.00	0.00	100.00	0.00
Tsolwana	100.00	0.00	72.08	27.92
Inkwanca	100.00	0.00	65.50	34.50
Lukhanji	85.89	14.11	26.59	73.41
Intsika Yethu	51.24	48.76	38.79	61.21
Emalahleni	90.84	9.16	40.56	59.44
Engcobo	44.74	55.26	24.35	75.65
Sakhisizwe	72.30	27.70	29.42	70.58
DMA	100.00	0.00	100.00	0.00
Total	72.31	27.69	38.15	61.85

Source: CHDM Water Services Development Plan (2008)

3.5.2 Electricity

Over 40% of residents in some municipalities are without electricity (e.g. Intsika Yethu and Engcobo), compared to between 5% and 11% without electricity in Inxuba Yethemba, Tsolwana and Lukhanji.

The CHDM is hindered by severe non-coverage of grid electricity. This problem is prevalent in the former Ciskei and Transkei homeland areas.

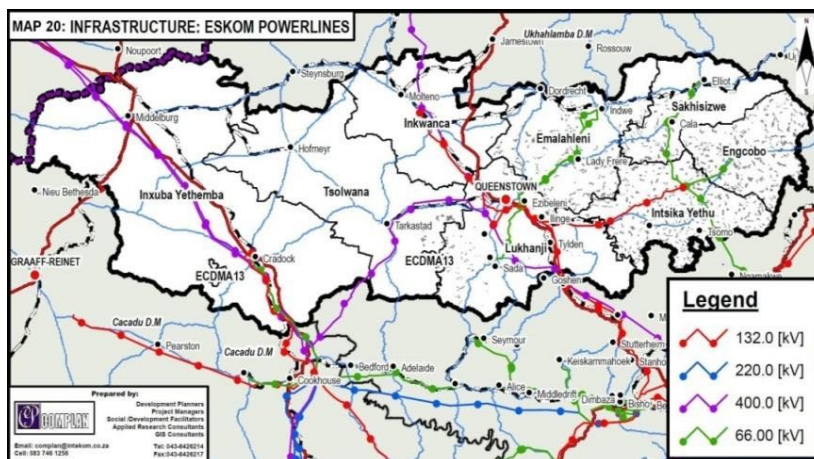
This will impact heavily in providing free basic electricity to large areas of our rural population. Eskom is currently in the process of construction of electricity lines that will be to the benefit of municipalities in the West of the district. Some substations are being constructed at Intsika Yethu and Engcobo.

There is an urgent need for CHDM to liaise with Eskom to address electricity backlogs (e.g. R44m committed by Eskom in Intsika Yethu is a start but needs to be expanded though out the District).

Table 3.7: Source of Electricity and Solar Energy

Local Municipality	Electricity %	Solar %	No Electricity %
Inxuba Yethemba	94.0	0.6	5.4
Tsolwana	89.5	0.0	10.5
Inkwanca	81.0	0.0	19.0
Lukhanji	88.7	0.0	11.3
Intsika Yethu	56.0	0.0	44.0
Emalahleni	69.0	0.7	30.3
Engcobo	53.0	0.0	47.0
Sakhisizwe	74.1	0.0	25.9

Source: RSS, 2006



3.5.3 Telecommunication

Telkom is currently expanding its public phone infrastructure in the rural homeland areas with the result that the majority of Chris Hani residents do have access to some sort of telephones. Cellular phones cannot be used in all areas of the District due to the mountainous terrain, which disrupts television, radio and cell phone reception. The investment into telecommunications infrastructure is further hindered by vandalism and theft.

There is still very limited access to fax and computer / internet facilities. GCIS has recently completed a survey whereby they wish to install a multi-purpose facility that will give community members access to all tele-communication facilities in each municipality. The only existing facility of this nature are currently located at the Qamata Great Place in the Intsika Yethu Local Municipal area, Thusong Centres and at Ngcobo town.

3.5.4 Transport Facilities and Services

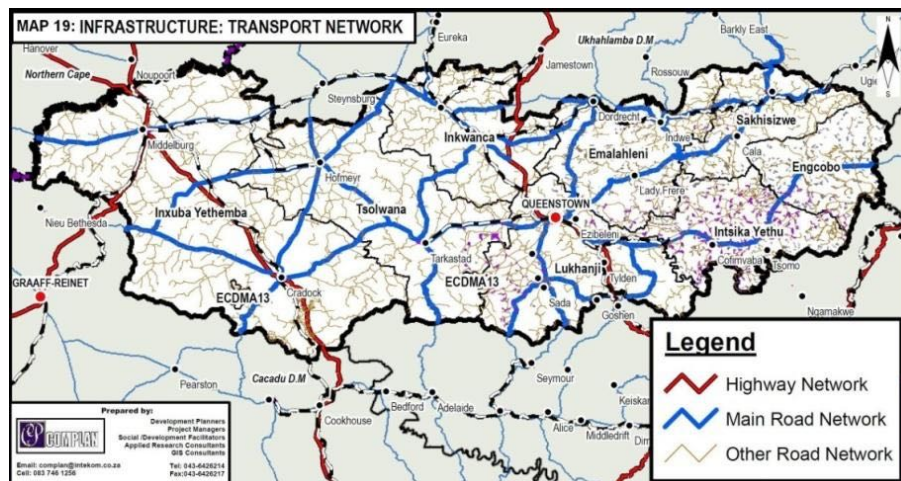
There are two national roads passing through the district in a north-south direction i.e. the N10 and N6 as well as two rail lines. The two rail routes links Port Elizabeth and East London to the interior. The main east-west road corridors are along the R61 from Cradock, through Queenstown and beyond, the R359 from Queenstown through Lady Frere and Cala to Elliot and the R56 from Queenstown through Sterkstroom, Molteno and Steynsburg to Middelburg.

3.5.4.1 Roads and Stormwater

The road network in the rural areas is underdeveloped and generally in a poor condition with many low level bridges needing replacement. Many villages are still inaccessible by road in wet conditions. This is due to limited funds and capacity which contributes to the lack of maintenance.

3.5.4.2 Freight Transport

In Chris Hani, the main freight movement corridors are mainly along the national routes. Cargo is transported nationally through the district from/to the coastal towns of East London and Port Elizabeth primarily to/from Gauteng. The freight is moved by either road or rail. There are no major freight generators within the Chris Hani District other than the typical economic activities in the larger urban area, such as Queenstown.



3.5.4.3 Rail freight

There are two primary railway lines passing through the Chris Hani District in a north-south direction. They are the East London – Bethulie route (passing through Queenstown, Sterkstroom and Molteno) and the Port Elizabeth – Cradock – Carlton route. There were also a number of other lines in the district but these are not in use or the lines have been lifted.

3.5.4.4 Rail Services

The Shosholozha Meyl operated by Transnet Freight Rail operates along two north-south routes through the municipality. The two routes are the following:

- Johannesburg – Bloemfontein – Cradock – Port Elizabeth
- Johannesburg – Bloemfontein – Molteno – Sterkstroom – Queenstown
- Cape Town – Colesberg – Molteno - Sterkstroom – Queenstown – East London

The area is served well with rail service. These services are mostly passenger services but carry limited freight.

3.5.4.5 Air Services

There are not scheduled air services to and from any airports/airfields in the Chris Hani District. There are a total of 10 airfields/airstrips located in Chris Hani. All the airstrips are unsurfaced, except the Queenstown airfield, which has one surfaced runway. The airfields are mostly used for recreational and tourism activities.

3.6 DEMOGRAPHIC OVERVIEW

3.6.1 Population Distribution and Density

The total population of Chris Hani DM is estimated to be 798 627 (Community Survey, 2007) but the 2001 Census put the figure around 823 000. With the total area of 36 561 square km, the overall population density is 21.84 per square km. There are disparities in the distribution of the population across the district. Engcobo and Intsika Yethu, (part of former Transkei) have about 50 people per square kilometer. Lukhanji has an average density of 48.58 persons per square km. On the other extreme Nxuba Yethemba, Tsoelwana and Inkwanca have around 4 persons per square km.

3.6.2 Age and Gender Distribution

The Chris Hani District shows a significant portion of youth dependency. About 38% of the population are young people below 15 years, 53% are between the ages of 15 and 64, and 9% of the population are older than 65 years.

The ratio of male to female is 47%:53%. Males and female numbers are almost equal from ages 20—24 but onwards females outnumber males. This can be attributed to natural migration process where males tend to migrate to major metropolitan centres in such of jobs opportunities.

3.6.3 Migration

There is evidence of both migrations between the District and major metropolitan centers and within the district itself.

The migration of males to look for work in major metropolitan areas is evident by the fact that women head 58% of households in the District. According to Community Survey (2007), the level of out migration from the Eastern Cape is 23%. This is the highest in the country. This high rate of migration patterns is attributed to a combination of a limited local economy, access to tertiary education and significant challenges in local service, infrastructure and delivery.

Rural-urban migration results in an increased growth in Urban Nodes (e.g. Queenstown) and an associated decrease in the growth rate of the rural population.

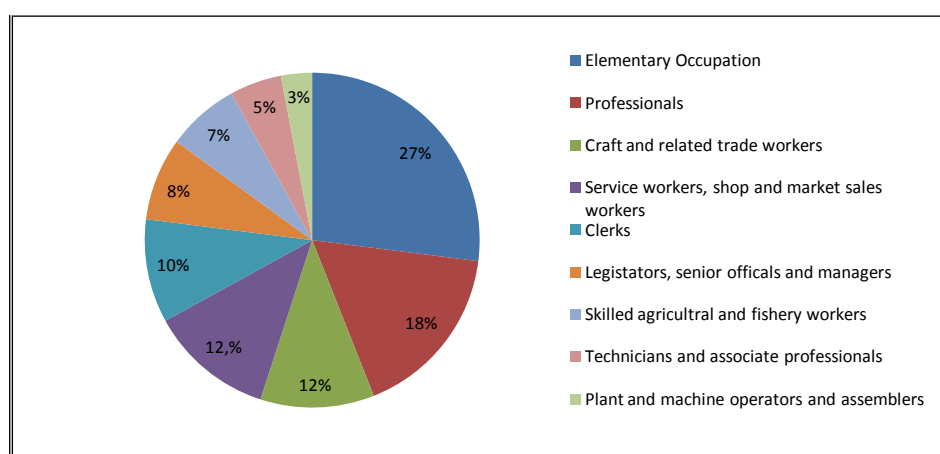
3.7 SOCIO-ECONOMIC OVERVIEW

In Chris Hani District while there's been a positive economic growth in terms of the GDP trends over the last decade, the main challenge remained poverty and unemployment. The Chris Hani District contributes 0.42% towards the national gross domestic product. The majority of this comes from agriculture, community services, construction and trade. The biggest contributor to the District economy in terms of size is community services followed by trade and services, which remain one of the key contributors to the GGP and the predominant form of economic activity in the most of the eight local municipalities.

The District has a comparative advantage in agriculture (including forestry) and services (constructor, retail trade services and community services). This is despite the strong growth in the finance, manufacturing and transport sectors. The gross development product of CHDM's has grown from just about 2,8 billion in 1996 to 7.4 billion by 2008.

3.7.1 Occupational Sectors

The distribution of occupations among the labour force of the Chris Hani District is illustrated in the graph below



3.7.2 Household Income and Employment

Of the total population, only 18% are formally employed. Not including institutions and null responses, 68% of the District earns no income from formal employment, 11% earn below R800 per month and 14% earn between R800 and R1600 per month. Only 8% of the respondents earn more than R1600 per month. Unemployment rates are highest in the rural areas of the former Transkei.

Table 3.8: Monthly Household Income Level

Level of Income	%
No Income	33
R 1- R 400	9
R 401 – R 800	28
R 801 – R 1 600	15
R 1 601 – R 3 200	7
R 3 201 – R 6 400	4
R 6 401 – R 12 800	2
R 12 801 – R 25 600	1
Above R 25 600	1

Source: ECSECC, 2007

Table 3.9: Household Income of Less than R 1500 / Month

LM	%
Inxuba Yethemba	63.0
Tsolwana	71.0
Inkwanca	57.2
Lukhanji	50.6
Intsika Yethu	76.0
Emalahleni	59.9
Engcobo	75.3
Sakhisizwe	75.9

Source: RSS, 2006

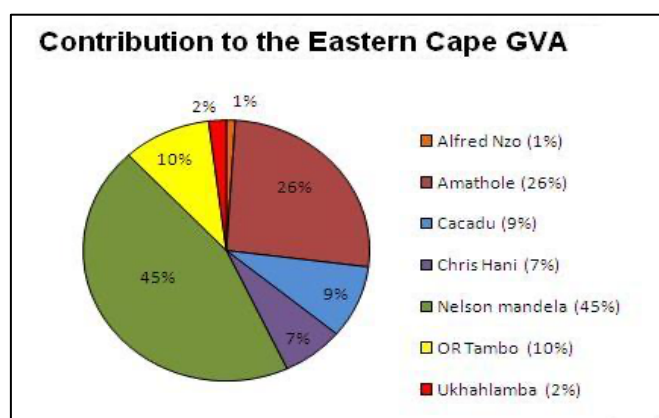
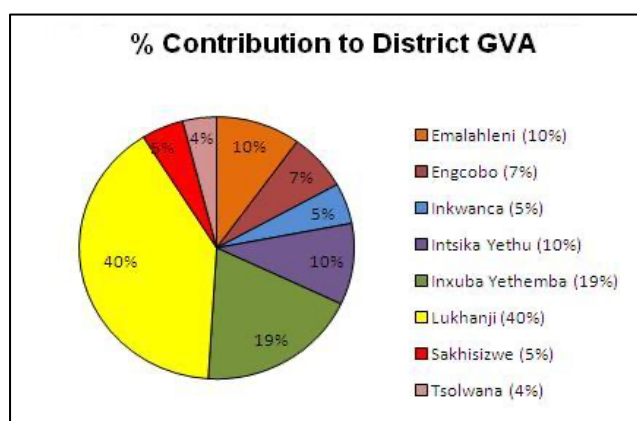
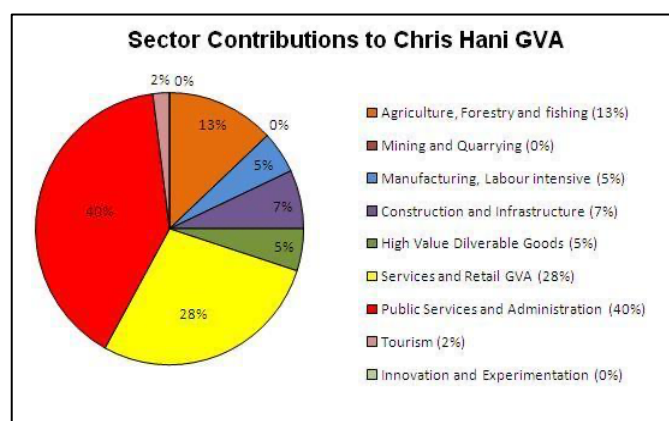
3.7.3 Gross Value Added (GVA)

GVA is defined as the GDP minus the taxes on products plus the subsidies on products.

Lukhanji L.M., in particular, the town Queenstown contributes 40% to the Chris Hani GVA. This area is the primary economic hub of the District. Lukhanji L.M. is the greatest contributor in most of the economic sectors in this District except for Agriculture, Mining and Tourism, where Inxuba Yethemba L.M. dominates. Inxuba Yethemba contributes to 34% of the Districts Agricultural GVA.

The Local Municipalities with the smallest contribution to the District GVA are Tsolwana, Inkwanca and Sakhisizwe.

On a District level, the Public Services and Administration dominates the economy, contributor 40% to the District GVA. This is followed by Retail and Services sector at 29%. Agriculture and Tourism only contribute 12% and 2% respectively. Chris Hani only makes up 7% of the Provincial Total.



3.7.4 Employment Status

The majority of persons in the CHDM are employed in the community services as previously stated with trade as the next biggest employer. It is interesting to note the percentage of persons unemployed in households. This can be both as domestic and self employed. The high employment in agriculture, households and trade shows that the economy is still relatively underdeveloped.

A more developed economy should show higher percentages employed in the manufacturing, electricity, finance and construction industries. The reason for the high employment in trade and agriculture could be due to the fact that these industries are reliant on unskilled labour of which the large majority of the labour force is unskilled.

Unemployment is a major challenge the district's economy. It is estimated to be about 57% and currently higher than that of the country at 37% and that of the EC Province at 51%.

Table 3.10: Employment Status

LM	Employed	Unemployed
Inxuba Yethemba	56.6	43.4
Tsolwana	57.5	42.5
Inkwanca	42.0	58.0
Lukhanji	45.6	54.4
Intsika Yethu	33.9	66.1
Emalahleni	41.6	58.4
Engcobo	24.2	75.8
Sakhisizwe	39.6	60.4

Source Global Insight, 2006

3.7.5 Social Grant Dependency

Due to high unemployment rates there is generally high dependence on grants and remittance as the main source of household incomes in specifically the poor areas in the District.

In general most people get their money from social grants especially in Intsika Yethu and Engcobo. Many especially in municipalities like Tsolwana and Engcobo depend on remittances whilst close to half in Nxuba Yethemba and Sakhisizwe get their income from wages (FIVIMS Report).

Table 3.11: Social Grant Dependency

LM	Yes	No
Inxuba Yethemba	65.1	34.9
Tsolwana	69.3	30.7
Inkwanca	62.2	37.8
Lukhanji	54.4	45.6
Intsika Yethu	78.9	21.1
Emalahleni	56.4	43.6
Engcobo	73.6	26.4
Sakhisizwe	51.3	48.7

Source: RSS, 2006

3.8 ANALYSIS OF MUNICIPALITIES AND THEIR COMPETITIVE ADVANTAGES

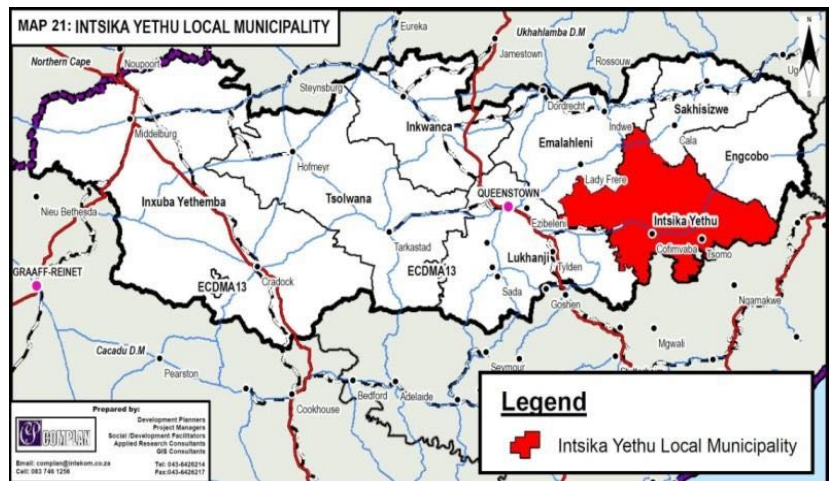
In order to identify the competitive advantage of each segment, the structure of the local economy must be understood.

This is best done by conducting a comparative analysis of local municipalities within the CHDM in order to determine whether the local municipality's economy is relatively specialized. The documents collected from the CHDM, (especially the Competitive Assessment and Training Support Project - Programme of Support to LED in Eastern Cape, 2005) and the LMs were analyzed and reflected the following.

3.8.1 Intsika Yethu Local Municipality

The Intsika Yethu Local Municipality, has a population of about 194 246 people and 45 000 households. It represents 24% of CHDM's population. It covers 3613.95km² in extent, and consists of 213 rural settlements scattered over 23 wards.

Intsika Yethu envisions “a dynamic Municipality that strives to improve the quality of life for all its citizens informed by the IDP in a sustainable manner, in its area jurisdiction and also endeavours to promote responsible citizenry”. Key development priorities are identified as: eradication of poverty; boosting LED and job creation; and ensuring spatial rationale and sustainable development.



This municipality is intending to achieve its development priorities through LED programmes, focus on expanding and sustaining the agricultural sector, SMME's and the tourism sector. The area consists of a gently sloping landscape encompassed by hills, rivers and four dams. However, the soils are said to be some of the most erodable in South Africa and not ideal for farming practices. Nevertheless, agriculture is currently the backbone of the local economy and there is high potential for agricultural production, but appropriate technology is required. The area also contains two active tourism units and the Sabalele and Keiland Caves, which could be further exploited following improvements.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Intsika Yethu's **Communications** (transport and telecommunications) infrastructure is underdeveloped, with no rail, air or water port facilities coupled with very limited surfacing of all roads (5.65%) and low percentage direct access to telephones (14.27%). However, cellular network coverage is favourable and the Municipality is relatively proximate to the Provincial secondary economic centre of East London.

On **Quality of Life**, Intsika Yethu scores well below the Provincial and District averages across all measures of access to basic services (water, electricity, sanitation, refuse removal) but adequate shelter. By contrast, access to clinics and schools is comparatively high, while the measure of access to hospital beds falls between the Provincial and District averages.

The Municipality performs comparatively well on **Economic infrastructure**, with a First National Bank, six post offices with banking capability, a Multi Purpose Community Centre, Farmers Support Centre and five ECDC economic properties – two industrial and three commercial.

Institutional Environment

Records indicate that the overwhelming majority (95%) of the population is resident on rural tribal land, with an urbanisation rate of only 0.56%, yet the majority (73.58%) of all households own their properties. The local economy is **concentrated**, dominated by the Community Services sector in terms of both GVA and employment. In spite of the absence of a Telkom service branch, the cost of doing business in the area is lower than the Provincial average, considering lower **transaction costs** arising through distance, and travel time to a major economic centre, and lower expenditure on transport, communication and finance.

Economic Indicators

Intsika Yethu is home to high levels of poverty (84.44%) and unemployment (66%), coupled with the highest dependency ratio (5.44) in the Province and a very youthful population, with more than half (56.81%) of the population aged under 20 years. About 76% of households receive less than R 1500 per month and dependency of social grant is very high (79%).

In terms of **Economic Performance** the Gross Geographic Product (GGP) of Intsika Yethu is estimated at R766 million representing only 10% of the Chris Hani and 0.05% of the Eastern Cape GGP.

The average annual growth rate in 2009 was 3.9%, a marginal improvement from the average annual growth rates of 2.5% experienced over the nine years before that. These average low economic growth rates pose a huge challenge for the

municipality given its very low economic base. Over and above this, it indicates the lack of investment that Intsika Yethu experiences.

From the views of **Sector Performance** the contribution by sectors to the Intsika Yethu economy reflects that community services sector remains the largest sector with a share of more than 52.6% followed by trade which accounted for 14.8% and agriculture at 14.6%. The statistics also illustrates that finance, trade and community services are the sectors whose share has improved between 1996 and 2009.

Agriculture, one of the potential mainstays of the local economy shrunk in its share of the local economy from 18.9% in 1999 to 14.6% in 2005 and 4% in 2009. The statistics showed that in 2009 construction was the fastest growing sector at 10.2% followed by trade (6.2%), finance (5.1%), community services (4%), manufacturing (4.1%) and agriculture (3.1%). It is worth noting that over the 9 year period transport was the fastest growing sector at 7.5% followed by finance (5.8%), trade (4.3%) and construction (3.5%). The growth in all these sectors augurs well for growth of the local municipality as the growth of transport, finance, and trade plays a pivotal role in the development process. However, other sectors such as agriculture, community services and manufacturing have been stagnant.

Comparative Advantages

An analysis of Intsika Yethu economy indicates that it is municipality that has a high dependency on community services (52.6%) for employment. This lack of diversification renders the municipality more vulnerable to external shocks. There is a need therefore to ensure the diversification of the local economy in order to leverage the municipality from external shock that can be disastrous to the whole region. Although the agriculture sector has been declining over the years it still remains one of the areas that the local municipality has a comparative advantage alongside community services, trade, and construction.

These sectors are key to unlocking the economic potential of the municipality while livestock farming demonstrates growth potential [if the right initiatives are put in place], such as, curbing of stock theft, introduction of modern breeds, improvement of agriculture extension services, and so on.

Records further indicate that that a range of dominant agricultural products could be produced at Intsika Yethu. These include sheep (wool and meat), cattle, goats, grain, stoned fruits (mainly peach) and various crops under irrigation.

Land is underutilised, presenting high potential for further agricultural development, particularly for maize production and for hemp. Intsika Yethu falls within the natural growing area for **aloe ferox** and potential also exists for irrigated horticultural and field crops while high grazing potential favours livestock farming.

Existing irrigation infrastructure at Ncora, Bilatye and Qamata make Intsika Yethu one of the few municipalities in the Eastern Cape with a total land area estimated over 8 500 ha with irrigation infrastructure. The challenge for the municipality is turn around these schemes and ensure they produce quality produce and volumes that can supply the province.

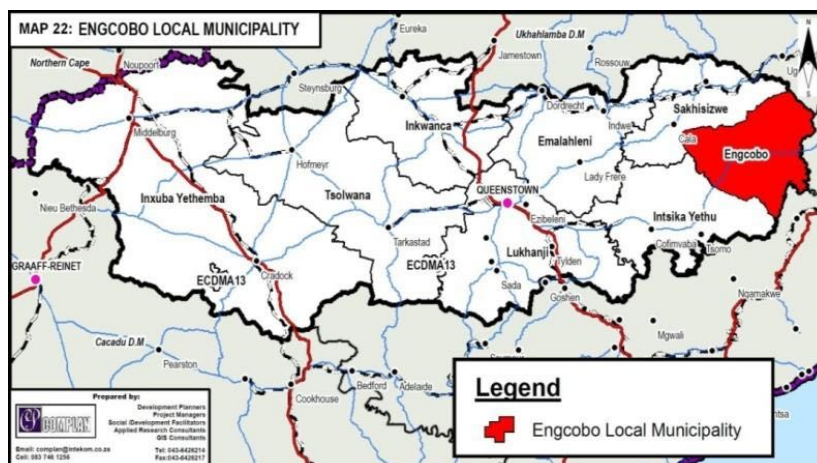
Intsika Yethu has huge forestry resources (existing and potential) in the District.

Tourist attractions in the area include, amongst others, historical and geological sites, caves, water bodies and forests, together with an associated range of outdoor, sports and adventure activities. The IDP, Tourism sector Plan and the LED strategy provide the framework that will ensure that these resources are competitively taken advantage of and benefit the communities through employment-generation. There is need for the local municipality to develop an industrial strategy that will try and address the stagnant and poor growth of the manufacturing sector. There is also an urgent need to improve the state of the roads around the local municipality in order to aid development of all the sectors, since good road network are prerequisites of any development.

3.8.2 Engcobo Local Municipality

Engcobo Municipality with the estimated population of 151 970 and 32 000 households represents 19% of CHDM population. It consists of 322 villages spread across 16 wards. It extends over 2258.78km².

Engcobo envisions “A well-capacitated, clean, safe and friendly municipality characterised by vibrant agriculture and



tourism sectors with skilled and empowered communities.” The Mission is “To provide basic and affordable services, alleviate poverty and improve the quality of lives of the Engcobo community through social and economic development of the area and by creating a safe, healthy and secure environment.”

Key development priorities are to provide services for social development and infrastructure for social, economic and institutional development. Engcobo faces high levels of poverty, unemployment (76%), illiteracy and infrastructure backlogs (water 55% and sanitation 76%), including roads and housing. Other challenges are identified as crime, HIV and TB prevalence. The population is overwhelmingly rural and most land is communally owned and fertile, yet only a small portion is fully utilised. Forestry (especially pine), agriculture and tourism (agri-tourism and cultural tourism, including arts and crafts) are said to be key for the areas economic stimulation. Other identified strengths and opportunities include: local resources (natural, human and information); potential for new businesses and community private- public partnership; availability of local technical expertise; non-political and resourced NGOs and CBOs that provide aftercare; and a taxi industry and route between Umtata and Queenstown.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Engcobo’s **Communications** (transport and telecommunications) infrastructure is underdeveloped, with no rail, air or water port facilities coupled with very limited surfacing of all roads (8.79%). There are 3 main provincial roads, namely, R61, R57 and R408, linking Engcobo Local Municipality with KSD, Intsika Yethu and Mbashe Local Municipalities. These roads need upgrading.

Engcobo has low percentage (16.65%) of direct access to telephones by the local population. Cellular network coverage is patchy due to the mountainous nature of the terrain as is television and radio reception. Fax and internet facilities are also limited.

On **Quality of Life**, Engcobo fares poorly with low measures of access to all basic services (water (45%), electricity (20%), sanitation (24%), and refuse removal) but adequate shelter, and with low access to schools.

Access to health care facilities is comparable (81.6%) to the Provincial average, but below District average. There are 2 District hospitals (Mjanyana and All Saints), 21 residential health clinics, 4 mobile teams and 50 mobile stations.

Institutional Environment

The overwhelming majority (95.07%) of the population is resident on tribal land and more than half (55.24%) of all households own their properties.

The local economy is highly **concentrated**, dominated by the Community Services sector in terms of both GVA and employment. The cost of doing business in the area is relatively high, principally on the basis of **transaction costs** arising through distance, and travel time, to a major economic centre (East London), while expenditure on transport, communication and finance is moderate.

Economic Indicators

Engcobo claims the most youthful population (54.89% aged under 20 years) as well as the highest rates of poverty (88.93%) and unemployment (78.46%) in Chris Hani, coupled with a high dependency ratio (4.58). An indication of the depth of poverty in the area is revealed by the Municipality’s share of the Provincial poverty gap (3.79%), which is substantially higher than its share of the Provincial population (2.65%).

In terms of **Economic Performance** Engcobo local municipality is largely rural and land use is predominantly subsistence agriculture with communal land tenure system while private land ownership occurs in the urban centres of Engcobo. The Gross Geographic Product (GGP) of Engcobo local municipality is estimated to be around R606 million [2008 estimates], representing 9% of the Chris Hani district municipality output. Over the past decade (1996-2008) the Engcobo municipality has achieved an estimated 1% growth in its GGP.

On the issue of **Sector Performance**, due to the high levels of poverty and unemployment in the district, the highest contributor to the GGP is from community services. Major contributing sectors to employment are community and domestic services followed by trade and agriculture. Overall performance of the primary and secondary economic sectors (agriculture and manufacturing) is very weak.

Forestry has the potential to become one of the most productive sectors in the local economy with approximately 5 455 ha of land under forestry. There is need for the local municipality to investigate ways of trying to boost the output from this sector.

Though the municipality is in the process of developing a vibrant wood cluster, the LM should explore on how best to market the produce. The wholesale and retail and transport and storage have been the fastest growing sectors over the past decade.

The low level output from the construction industry, which has a high capacity to absorb the unemployed, needs to be urgently addressed.

Comparative Advantage

The local economy currently claims a **comparative advantage**, for both GDP and employment, in Community Services. Further comparative advantages, in terms of GDP contribution, are reflected for Agriculture – centred on Forestry and Logging (5.94%); Construction (2.83%) and Trade – centred on the Retail sub-sector (12.32%). A further employment advantage emerges as the Households sector (18.46%).

Engcobo local municipality has comparative advantage in agriculture. Agriculture is, however, not adequately utilised. The Municipality claims a range of leading products, including sheep, goats, cattle, sunflowers and maize, where the latter is identified as having very high potential.

Dry land farming potential exists for maize and beans, and the area is identified as suitable for forestry. Potential exists for further expansion of goat (Boer) production, while the high number of sheep in the area presents opportunities for expansion of the wool industry and the relatively large local market presents meat processing opportunities.

There are number of existing irrigation scheme that are underutilized, which are in desperate need of improvement, namely, Mgwali irrigation scheme, Ntibaneni irrigation scheme, Madzikane agricultural scheme and Xuka irrigation scheme. These underutilized irrigation schemes have a potential of reversing the high poverty level experienced in the district through providing employment for the local people.

Forestry has a potential to become one of the most productive sectors in the local economy with approximately 5 455 hectares of land under forestry. The local plantation has potential for soft wood from pine trees. Currently commercial plantation covers 3 733 hectares and indigenous forest cover 1 722 hectares. There are sawmills (Transkei Timbers (Ward 5), Maqwathini (Ward 15), Dyampi (Ward 14) and Lottering (Ward 6).

Engcobo falls into both the “Friendly N6” with attractions centred on the natural attraction, cultural tourism, rock Art and Caves and Heritage Sites.

3.8.3 Sakhisizwe Local Municipality

The Sakhisizwe Local Municipality, has a population of about 54 034 people and 10 505 households. It represents 6% of CHDM’s population. Sakhisizwe extends over 2256.52km², consists of 7 wards.

The vision of the Municipality is “*Sustainability through unity*” and the key development priority is economic development through growth of the tourism and agriculture sectors.

The Municipality lies at the foothills of the Drakensberg and the natural environment is the basis for the rural economy through tourism and agriculture. As such, any development strategies need to ensure that environmental integrity is not compromised. Challenges include high unemployment and reliance on public sector employment, poverty, slow economic growth, and the duplication of basic social services and infrastructure provision to two nodes resulting in the Municipality being financially stretched.

Agricultural limitations include shallow soils, low rainfall, temperature variation and lack of irrigation water, as well as lack of security on farms due to armed robbery, stock theft and murder. Agriculture is the second largest contributor to employment and GVA and there is growth in small businesses (mainly in the retail and service sector) in Cala, yet Elliot is noted as having a declining business sector. Mondi has established in the area, having bought out many farms and planted them to timber, although their regional offices and staff are housed in neighbouring Ugie (Elundini).



Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Sakhisizwe's **Communications** (transport and telecommunications) infrastructure is modest, with operational rail facilities and an air transport facility, limited road surfacing (11.63%) and a low percentage (24.52%) of direct access to telephones. Sakhisizwe is fairly close to Umtata but is a considerable distance from the Provincial secondary economy of East London and Port Elizabeth.

On **Quality of Life**, Sakhisizwe reflects poor access to health (71.6%) and education facilities (95%) are relatively high. Access to sanitation (31.8%), particularly municipal flush toilet is low and concentrated in the urban centres. Access to adequate shelter is moderate, while access to water (77.1%) and electricity (74.4%) is substantially higher than Provincial and District average.

Institutional Environment

Sakhisizwe is largely rural, with an urbanisation rate of only 27.83% and the majority of people living on tribal land, although the majority (65.04%) of all households own their properties.

The local economy is highly **concentrated**, dominated by the Community Services sector in terms of both GVA (5%) and employment (31%). The cost of doing business in the area is relatively high principally on the basis of **transaction costs** arising through distance, and travel time, to a major economic centre and considering the absence of a Telkom service branch in the area.

Expenditure on transport, communication and finance is slightly more favourable than the Provincial average while access to institutional and financial support institutions is limited.

Economic Indicators

Sakhisizwe has a youthful population, with over half (53%) of the population aged under 20 years, and claims higher than Provincial and District average rates of unemployment (60.4%), dependency (3.89), poverty (84.66%) and households receiving less than R1500 per month (75.9%) but only 51.3% of households receive social grant. An indication of the depth of poverty in the area is revealed by the Municipality's share of the Provincial poverty gap (1.35%) compared to its share of the Provincial population (1.10%).

In terms of **Economic Performance**, Sakhisizwe Local Municipality is divided into seven wards with bulk of population residing in the extensively rural wards that encompasses the two urban centres of Cala and Elliot.

On the **Sector Performance** the greatest contributor to the GGP is the community and social services sector which employs 31% of the workforce. Private households and Agricultural sectors employ 21% and 17% respectively. Besides these two the following are the key drivers of the local municipality: cultural tourism, construction, transport and storage, and finance and insurance.

Comparative Advantage

The local economy claims a **comparative advantage**, for both GDP and employment, in Community Services (dominated by Education at 25.90% GVA and 31% employment) and Agriculture (dominated by the Agriculture and Hunting sub-sector at 4.63% GVA and 17% employment). A further GDP advantage is reflected for Trade, dominated by the Retail sub-sector (22.70%), while employment advantages are evidenced for Households (21%).

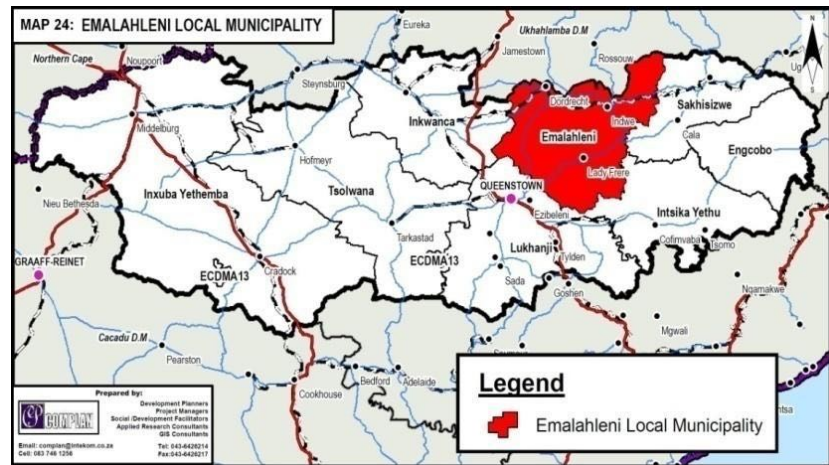
The Municipality claims a range of leading products, including sheep, goats, cattle, sunflowers and maize. Forestry and tourism are important sectors. Additional products identified as sustainable include a full range of grain, nuts, fruit and vegetables, as well as fodder and processed meat.

Land is identified as suitable for forestry and as under-utilised, presenting high potential for further agricultural development, particularly for dry land maize, potatoes and beans as well as irrigated maize. Potential exists for local production and marketing of vegetables, while high grazing potential favours livestock farming. Sakhisizwe falls within the "Friendly N6" tourism region and is closely tied to the Maloti (Lesotho) Route, geared at tourism opportunities around the theme of Xhosa culture, while the landscape of the area is identified as an opportunity for game and eco-tourism.

3.8.4 Emalahleni Local Municipality

The Emalahleni Local Municipality, has a population of about 116 000 people and 26 000 households. It represents 14% of CHDM's population. It covers 3840 km² in extent, and consists of more than 200 rural villages scattered around 16 wards. The main centres are Lady Frere, Dordrecht and Indwe.

Emalahleni envisions “a Municipality that deliver sustainable and affordable services towards socio-economic growth and development”



The Mission of the Municipality reads as follows: “Commitment of resources to co-ordinate and support programmes through effective partnerships and active community participation”

Key development priorities are organised into 4 clusters: Infrastructure Development, Social Needs, Economic Development and Institutional.

The potential growth of Emalahleni's economy is to be orchestrated through programmes encouraging community based tourism initiatives and agriculture expansion (especially wool and irrigation schemes). In addition, there is an untapped mineral resource planned for exploitation near Indwe, namely low grade coal deposits. The Government and Social Services sector is the main employer in the area (38%), yet unemployment remains high (60.4%), which may be due to the local population being made up of settled rural people who would not find it easy to enter into mainstream formal employment.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Emalahleni's **Communications** (transport and telecommunications) infrastructure is reasonably well developed, with operational rail and air transport facilities, and with favourable cellular network coverage. However, a low percentage (19.16%) of residents have direct access to telephones and the extent of road surfacing (13.74%) is limited. The Municipality is relatively proximate to the Provincial secondary economic centre of East London.

On **Quality of Life**, Emalahleni scores below average across in access to some basic services such as sanitation (29%) (water, electricity, sanitation, refuse removal (2%) but adequate access to water supply (72%), electricity (56%) and shelter. In addition, access to schools is fair (184 schools serving the area and one FET) and access to health facilities (clinics and hospital beds) is one of the lowest in the District – 32 clinics and 3 hospitals.

The Municipality fares best on **Economic infrastructure**, including four commercial banks, 10 post offices with banking capability, RULIV and five ECDC properties: one industrial; three commercial and one other property.

Institutional Environment

Emalahleni is largely rural, with an urbanisation rate of only 28.65% and the majority of people live on tribal land. Just over half (51.23%) of all households own their properties, of which most (91.31%) are fully paid up owners.

The local economy is highly **concentrated**, dominated by the Community Services sector in terms of both GVA and employment (38%). In spite of the absence of a Telkom service branch, the cost of doing business in the area is lower than the Provincial average, considering lower **transaction costs** arising through distance, and travel time, to a major economic centre and lower expenditure on transport, communication and finance.

Economic Indicators

Emalahleni has a youthful population, with around half (50.94%) of all residents aged under 20 years, and is also home to a high proportion (7.28%) of people aged over 64 years. The Municipality has higher than Provincial, but lower than District, average rates of unemployment (60.53%) and poverty (73.86%), while the local dependency ratio (4.30) is higher than both the District and Provincial average. An indication of the depth of poverty in the area is revealed by the Municipality's share of the Provincial poverty gap (3.18%) which is somewhat greater than its share of the Provincial population (3.08%).

To achieve the above vision, the following Mission is set out: *“Inxuba Yethemba Municipality commits itself to unity, putting people first and providing a better life by – promoting social and economic development; ensuring effective community participation; providing and maintaining affordable services; and effectively and efficiently utilizing all available resources.”*

Key development priorities are identified as: Infrastructure; Tourism Development; Housing; Education; Cooperation and Communication and Safety and Security.

This Municipality's IDP assigns priority to the development potential of the tourism industry and states that any development that is to take place should not alter the rural character of the area since it is this natural environment that is the key asset for economic growth, through tourism. Agriculture also contributes considerably to the local economy. Access and collector roads in newly planned areas are in urgent need of upgrading. It should also be noted that major income and living condition inequalities still exist, particularly between the areas of urban residential settlement and surrounding peri-urban and rural areas of Inxuba Yethemba.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Inxuba Yethemba's **Communications** (transport and telecommunications) infrastructure is reasonably well developed, with operational rail, municipal airport and other air transport facilities, although the extent of road surfacing (11.03%) is limited.

In terms of roads, there are 132 km of tarred and about 180km of graveled roads in the municipal area. These roads are in fair to poor conditions. Only 28.8% of the households have access to roads in good condition and this concern needs to be addressed. The Municipality is traversed by the N10 which provides a strong physical link between Inxuba Yethemba and the relatively proximate Provincial economic centre of Port Elizabeth.

In terms of telephone, a moderate percentage (36.57%) of residents with direct access to telephones

On **Quality of Life**, Inxuba Yethemba is one of the top performers in the Eastern Cape, including above average household access to basic services (water (98.7%), electricity (92.4%), sanitation (89.1%), refuse removal) and adequate shelter, as well as above average access to schools and health care facilities (2 hospitals and 8 clinics).

The Municipality fares rather poorly on the measure of **Economic infrastructure**, with six commercial banks, six post offices with banking capability, and three ECDC properties – two institutional and one residential.

Institutional Environment

The Municipality is overwhelmingly urban (82%) and 39.93% of households own their properties. The local economy is **concentrated**, dominated by the Community Services sector in terms of both GVA and employment. The cost of doing business in the area is lower than the Provincial average, considering the presence of a Telkom service branch and favourable distance, and travel time, to the major economic centre of Port Elizabeth. Expenditure on communication and finance is above Provincial average, but is favourable on transport.

Economic Indicators

The Municipality reflects the highest proportion of people aged under 20 years (68%) and the proportion of people aged over 64 years (6.3%). Moreover, Inxuba Yethemba is home to the lowest rates of poverty (51.82%) and dependency (1.80) in the District and to the second lowest rate of unemployment (43.2%). The Municipality has the least number of households (65.1%) dependent on social grant.

In terms of **Economic Performance** Inxuba Yethemba local municipality is characterized by relatively small population. The Gross Geographic Product (GGP) of Inxuba was estimated at 1.8 billion in 2008, representing 23% of the district GGP. The economy is not significantly diversified and is highly reliant on the government sector and the agricultural sectors.

On **Sector Performance**, besides government services, the highest contributor to the gross geographic product is the Financial business services which contributes 22%, followed by trade agriculture and construction with 18%, 11% and 6% respectively. While the agricultural sector contributed a paltry 10% in 2008 because of the negative growth in the sector, it has a significant influence on the other sectors in the local municipality especially to the services sectors providing services to the farmers.

The contribution of Financial and Business services has increased from 12% of the GGP in 1995 to over 20% in 2008 while the construction sector grew by over 8% between the same period. The prolonged growth that was experienced in the construction industry has the capacity to boost the productive capacity of the area. The fact that the construction industry has the capacity to employ the majority of local people augurs well for employment generation and poverty alleviation in the area. Mining, catering and accommodation and transport are the least contributors to the GGP with 0, 3%, 1%, 3%. While the growth in finance and business services is commendable, the same cannot be said about transport, which is an essential ingredient in development. Since most of the produce from these services need to be transported to other places for processing, the slow growth in the transport sector needs to be urgently addressed

Comparative Advantage

The local economy claims a **comparative advantage**, for both employment and GDP contribution, in Agriculture (exclusively in the Agriculture and Hunting sub-sector at 19.84% GVA and 28.89% employment) and Community Services (centred on Public Administration at 19.80% GVA and 14.22% employment).

A further GDP comparative advantage is in Construction (4.15%) and an employment advantage is evidenced for Households (16.14%). Leading products in the area include game, sheep and goats, with opportunities for expansion of wool, mohair and meat processing. Strong potential for the development of irrigation schemes presents opportunities for lucern and dairy, as well as sugar beet (which is already prioritised around Cradock). The area falls within the natural growing area for Aloe Ferox, while good veld conditions favour goat farming.

Tourist attractions include the expanding Mountain Zebra National Park and private game farms, Cradock Spa sulphur hot springs, historical and cultural sites, centred around Cradock, and various outdoor, sports and adventure activities, including the annual Fish River Canoe Marathon.

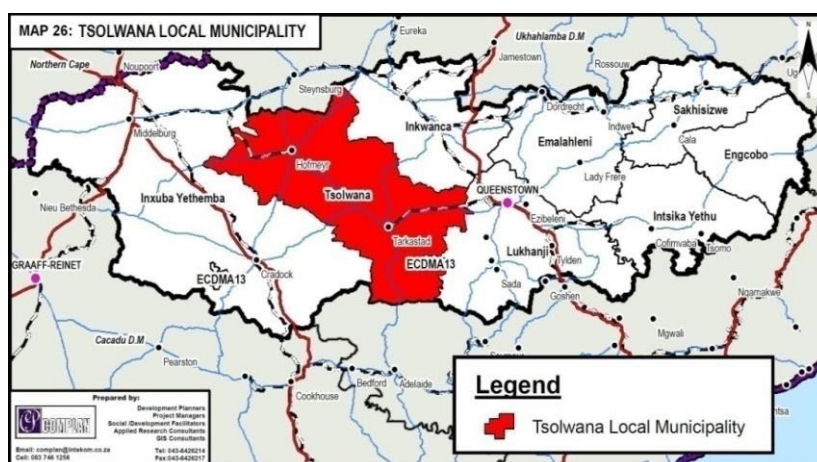
Inxuba Yethemba local municipality is municipality that has a comparative advantage in Finance and Business services. Since most of the local municipalities have poor performing finance and business sectors it means Inxuba Yethemba local municipality has a competitive advantage in that sector and should take advantage of it. The local municipality also has a competitive advantage in agriculture, trade and construction. There is need therefore to ensure that these comparative advantages are turned into competitive advantage in order to put the local municipality in a good stead in comparison with other local municipalities.

Agriculture is the key to unlocking the economic potential of the municipality while manufacturing shows a great potential of growth. The IDP, Tourism sector Plan, Spatial Development Framework and the LED strategy provide the framework that will ensure that these resources are competitive and benefit the communities through employment and poverty alleviation programmes are in place.

3.8.6 Tsolwana Local Municipality

The Tsolwana Local Municipality with population of 32 511 and 7943 households extends over 6024.78 km² and consists of 11 villages spread over the 5 wards. It is 4% of the CHDM population. The main centres are Tarkastad and Hofmeyr.

The vision for the Municipality is to *“Provide basic services to the communities of Tsolwana with emphasis on economic growth, rural development and agriculture (sic) sustainability.”* Key development priorities are identified as: Unemployment and local economic development; Housing; Roads; Land, and Education. Priority has been assigned to the creation of employment opportunities and the facilitation of economic development.



The majority of the local population (75%) is said to be living below the Minimum Living Level (MLL). Agriculture is currently the most significant employer in the Municipality and local economic development is aimed at job creation based projects in rural areas with emphasis on agriculture, as well as at tourism based projects for the creation of employment opportunities.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Tsolwana's **Communications** (transport and telecommunications) infrastructure is poorly developed, with low percentage surfacing of all roads (9.59%) and moderate percentage population with direct access to telephones (25.10%). However, the Municipality has favourable cellular coverage and does have air transport facilities, in addition to being well placed to access both Provincial economic centres of Port Elizabeth and East London.

On **Quality of Life**, Tsolwana scores above the Provincial average across all measures including water (99%) access to sanitation services (72%), but where municipal refuse services are especially inadequate (only 25%). Access to health and particularly education facilities is comparatively high in relation to the Province. **Economic infrastructure** is underdeveloped, and is comparatively poorly represented in respect of business support institutions, when considering its one commercial bank (FNB in Tarkastad), three post offices with banking capability, and three ECDC Small Business Centre properties.

Institutional Environment

The majority (84.35%) of the population is resident on tribal land in the rural areas while 16% reside in the towns. The ratio of police stations to the local population is the highest in the Eastern Cape (there are 4 police stations in Thornhill, Rockland, Tarkastad and Hofmeyr). The local economy is the most **concentrated** in the Eastern Cape, dominated by the agricultural sector in terms of both GVA and employment. The cost of doing business in the area is high, considering **transaction costs** arising principally through distance, and travel time, to major economic centres and the absence of a Telkom service branch in the area. Further considerations are moderate expenditure on transport, communication, and finance.

Economic Indicators

Of all Economic measures, the Municipality performs best on the **Poverty and Dependency** score, with lower than average rates of unemployment (42.5%) and dependency (2.11). The proportion of people living in poverty is 75%, while the representation of people aged under 20 (49.2%) and representation of people over 64 (7.4%) is comparatively high.

The Municipality's low **Productivity** score results from low GDP per worker (formal and informal) and low growth in value creation relative to employment and labour remuneration, whereas skills available to the economy are higher than District average and somewhat lower than the Provincial average.

The relatively low **Formal Economy Performance** score reflects particularly on the low GDP and employment growth performance, as well as on the highly concentrated local economy and, to a lesser extent, the negative trade balance. The local economy has experienced a negative shift in share for both GDP and employment contribution, where growth rates for GDP (0.09%pa) and employment (0.56%pa) for the period from 1996 to 2004 have fallen substantially short of the District and Provincial rates.

Sector Performance

The urban area and commercial farming are the highest employing area. There are low levels of employment in the rural settlements. 94% of the potentially economic active population earn below poverty line (R800). Government and community services sector employ 32% of the workforce while agriculture employs 24%. Livestock farming (sheep, cattle and goats) and crop production [maize, wheat, fodder, and potatoes] forms part of the most predominant land use activity.

Tourism has been identified as a potential growth area in the region. In 2009 the manufacturing industry employed 3% of the formal workforce while tourism weighed in with 5.1%. Overall, the Tourism contributed R55 m to GGP of the local municipality; the tourism sector has been growing at an annual growth of 2.3%. If the same growth can be maintained, the sector may contribute 77m towards the GGP in 2014.

Comparative Advantage

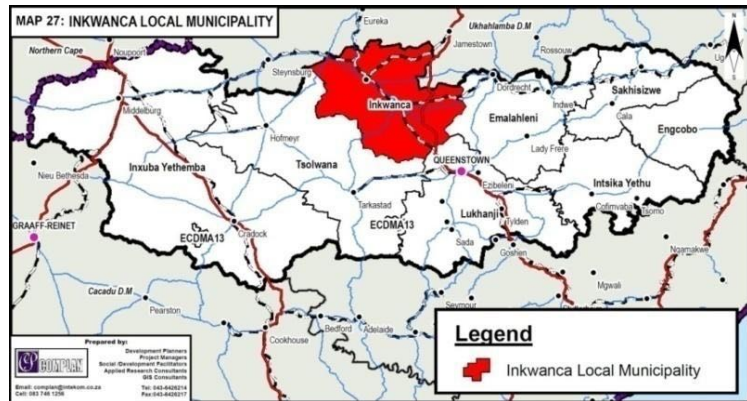
Tsolwana local municipality, like other local municipalities around the district has got a strong comparative advantage in agriculture, wholesale and trade, tourism, forestry construction, finance and insurance. However, the municipality needs to strongly differentiate its approach in order to strongly position itself on the market in comparison with other local municipalities with the same comparative advantages.

There is need for the local municipality to improve its areas of comparative advantage with the idea of turning them into sectors of competitive advantage.

3.8.7 Inkwanca Local Municipality

The Inkwanca Local Municipality's IDP estimates a population of 20 247 people and 5 474 households for the municipality. It covers 3583.68km² in extent and situated 60km north-west of Queenstown. Molteno is the dominant urban centre and seat of the municipal administration. Sterkstroom is an additional small urban area within the local municipality.

The vision of the Municipality is as follows: *"A municipality that provides an equal opportunity for economic development and social upliftment for all residents."*



The Mission of the municipality is *"To create an environment that will ensure equal opportunity for economic development and social upliftment through integrated stakeholder involvement, multi-skilling of communities, sustainable economic growth, good governance and provision of efficient and quality services"*

Key development priorities are identified as: Poverty and HIV/AIDS; Roads and Storm water; Land and Agriculture. High poverty levels mean that very few people are actually able to pay for basic services such as maintenance of roads or health clinics. Road conditions, for example, are at present considered to be a risk to the lives of the people in many areas. There are great potentials in the area, including, coal mining, agro-farming and tourism but these are not fully tapped due to lack of resources. Even though there is ample available land, much is not conducive to high volumes of crop production as the terrain is extremely rocky and arid. Small-scale farmers therefore lack land for both commercial and subsistence purposes.

Key Elements of Municipal Competitive Advantage

Infrastructure and Services

Inkwanca's **Communications** (transport and telecommunications) infrastructure is moderately developed, with operational rail and air transport facilities. Inkwanca Municipality has 1 100km of roads out of only 17.4km of these roads is tarred. Most of the roads linking the rural settlements are generally in poor conditions and access to roads in good condition is only 30.4%. Additionally, the N6 traverses the Municipality and provides a good link to the secondary Provincial economic centre of East London and Port Elizabeth as well as Bloemfontein in the Free State Province. Also, the R56 route through Sterkstroom and Molteno towards Middelburg is an important roadlink to the area.

Further, Inkwanca reflects high cellular network coverage and above average (29.92%) direct telephone.

On **Quality of Life**, Inkwanca scores well above the Provincial average across all measures, including access to basic services (water, electricity, sanitation, refuse removal), adequate shelter, health and education facilities. All households in Inkwanca have access to clean potable water, 86.6% have access to proper flush toilet sanitation, 98% have access to electricity. Household access to clinics (100%), ambulance services 82.4%, and educational facilities (93.2%)

Institutional Environment

The Municipality is overwhelmingly urban (76.84%) and most households (64.70%) own their properties. Inkwanca claims the most diversified local economy in the District, centred on agriculture in terms of both GVA and employment. The cost of doing business in the area is slightly lower than the Provincial average, considering favourable distance, and travel time, to the economic centre of East London and Port Elizabeth and lower than average expenditure on transport, communication and finance.

Economic Indicators

Inkwanca is home to a fair proportion of people aged under 20 years (45.82%) and a relatively high proportion of people aged over 64 (6.86%) years, coupled with a high proportion of people living in poverty (79.74%). Unemployment (58%) and average and the dependency ratio (1.90) is relatively low. About 57.2% of households receive less than R1 500 per month and 62.2% of households receive social grant.

In terms of **Economic Performance** Inkwanca is a commercial farming municipality with three wards and two major towns [Molteno and Sterkstroom]. The local municipality is characterized by low lands with steep slopes and mountains in the north and north-west. The dry conditions of the area make it more suitable for fruit production.

On the **Sector Performance** the contribution by sector to the Inkwanca economy is reflects that agriculture and hunting remain the largest sector with a share of more than 39%, followed by community services which accounts for 17, 9% and then private households (15%). Manufacturing and transport sectors are among the least contributors to the municipal output with output 4.4% and 1.4% respectively. There is also a poor processing of raw agricultural products.

Agriculture, the major contributor to the GGP is predominantly composed of stock farming, game farming and fodder production. The dry condition of the area makes it more suitable for fruit production. While fruit farming could be profitable in the long run, it requires a heavy capital injection. The greatest challenge to livestock farming remains access to pasture land, limited access to market and expensive medications for livestock.

Manufacturing sector, dominated by Nola (Ouma rusk) is growing but at a declining rate. The Coal deposits along the Molteno-Indwe belt are difficult to exploit due to the rocky terrain, which makes extracting the deposits expensive and laborious.

There is need to fast track the legalities behind the sale of the product and facilitate the involvement of historically disadvantage people. The tourism sector plan developed and implemented has pronounced on the need to tap into the preserved art of the Khoi art.

Comparative Advantages

An analysis of economy indicates that Inkwanca local municipality claims a **comparative advantage**, for both employment and GDP contribution, in Agriculture (exclusively in the Agriculture and Hunting sub-sector at 30.11% GVA and 39.2% employment) – predominantly stock farming and fodder production. Besides agriculture, the municipality has a comparative advantage in community services and private households.

There is need therefore to ensure that these comparative advantages are turned into competitive advantage in order to put the local municipality in a good stead in comparison with other local municipalities. Processing agriculture products is the key to unlocking the economic potential of the municipality while clay and coal mining shows a great potential of developing.

A further GDP comparative advantage is in Trade, dominated by the Wholesale and Commission sub-sector (15.28%), while an employment advantage exists for Households (15.0%). Leading products in the area include sheep and cattle, with opportunities for expansion of livestock and sheep (Dorper) farming, pig and chicken farming, and value-added wool and meat processing, where a local abattoir is available and the market for meat high. Inkwanca also includes the home of Ouma Rusks (Nola Industries) in Molteno and Stormberg Organic Farms manufacturing.

The climate lends itself to the production of onion seeds, herbs and spices, while the landscape lends itself to game and eco-tourism opportunities. The Municipality falls into the “Friendly N6” tourist region and includes historical and geological sites, as well as Khoi/San rock art and various outdoor activities, including game-viewing, hiking and riding.

The Molteno-Indwe belt is renowned for **coal** deposits but such deposits are difficult to exploit due to the rocky terrain. The exploitation of the coalfields is currently being investigated to access its viability.

The IDP, Tourism Sector Plan, Spatial Development Framework and the LED strategy provide the framework that will ensure that these resources are competitively taken advantage of and benefit the communities through employment generation.

There is a need for the local municipality to develop an industrial strategy that will try and address the stagnant and poor growth of the manufacturing sector. There is also an urgent need to improve the state of the roads around the local municipality in order to promote development of all the sectors, since good road network are prerequisite of any development.

Economic Indicators

Lukhanji reflects higher than Provincial average unemployment (54.4%), but lower than average rates of dependency (2.10) and poverty (65.46%). In the Provincial context, the representation of people aged under 20 (42.93%) is low and the representation of people over 64 (6.25%) is high. The Municipality is among the top third of all municipalities for **Productivity**, where GDP per worker (formal and informal) and growth in value creation relative to employment and labour remuneration is higher than District average and where skills available to the economy are higher than both the District and Provincial averages. The relatively high **Formal Economy Performance** reflects particularly on employment growth performance, comparatively low financial grant dependence, and to a lesser extent on growth and contribution of GDP to the Provincial economy. Lukhanji emerges as one of the leading economy, both nationally and Provincially, in respect of formal employment growth performance. The local economy has experienced a positive shift in share for both GDP and employment contribution, where growth rates for GDP (1.88%pa) and employment (1.60%pa), for 1996 to 2004, are higher than the District rates. Informal sector capacity to generate economic opportunities relative to formal employment, but a negative income-expenditure balance.

Economic Performance

Lukhanji is a strategic and important economic sub-region in the CHDM. The municipality has the highest concentration of urban settlements, industrial activity, commerce, transport infrastructure services, regional service centre, amongst other important development parameters. The local municipality has an estimated GGP of R 2.7billion, the highest contribution by any local municipality in the District.

Sector Performance

Besides general government services contributing 40.4%, the best performing sector in Lukhanji local municipality is the wholesale and retail trade sectors with a 19% contribution to the GGP. Community services, commerce and trade, households, Finance and insurance, as well as finance and agriculture completes the list of 5 top performing sectors

Comparative Advantage

The local economy claims a **comparative advantage**, for both employment and GDP contribution, in Trade (centred on Retail at 11.49% GVA and 9.73% employment) and Community Services, where Health and Social Work contributes 13.05% GVA and Education dominates employment contribution (16.16%). Lukhani also claims a GDP advantage in Construction (2.63%) and an employment advantage in Households (13.92%). The Municipality claims a range of leading products, including livestock (sheep, goats, beef), lucerne, and sugar beet. Also potential exists for further expansion of goat (Boer) production as well as for value adding in meat and leather processing. Potential in the area is further enhanced by good marketing structures noted for Lukhanji. The area falls within the natural growing area for Aloe Ferox and is identified as suitable for dry land maize and various irrigated horticultural and field crops, including cabbage, green maize, and sugar beet. Tourist attractions in the area include, amongst others, private game reserves, historical and geological sites, as well as a range of outdoor and adventure activities.

3.9 ECONOMIC OPPORTUNITIES AS PER THE CORRIDOR WORKSHOPS

3.9.1 East Corridor (Corridor 1)

Agriculture, agro-processing and forestry are the most dominant sectors along Corridor 1 with Queenstown at the hub of the processing of the output from this sector. There is a great possibility of forming value chain combinations along the corridor and the same scenario applies to the tourism and hospitality industry with the hinterland, Ngcobo and Cofimvaba, providing the tourist attracting centers while Queenstown provides urban-tourism and accommodation facilities.

Table 3.12: Perceived economic opportunities for East Corridor (Corridor 1)

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
Queenstown	<ul style="list-style-type: none"> Agro-processing plant Irrigation scheme 	<ul style="list-style-type: none"> Industrial sites Manufacturing factories 	<ul style="list-style-type: none"> Five star hotel for accommodation and related services Entertainment centre Conference centre Business Sport tourism Gambling facilities 	<ul style="list-style-type: none"> Logistics park Public transport systems - railways, airport taxi industry. Retail service centre Warehouses Capacity training centre Higher education

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
				institutions
Cofimvaba	<ul style="list-style-type: none"> Goats, sheep and sheep farming forestry and sawmills Irrigation schemes - Tsojana, Ncora, and Qamata dams Aloe, essential oils, high value medicinal crops, green fodder, bio-fuels Intsika Yethu stone fruit project (peaches, plums and nectarines)- Asgisa Project. Aquaculture Game farming Agro- processing potentials 	<ul style="list-style-type: none"> Quarry industry 	<ul style="list-style-type: none"> Liberation route Dams for sporting events and as tourist attractions 	<ul style="list-style-type: none"> Integrated energy centre - hydro-power electricity production
Tsomo	<ul style="list-style-type: none"> Nguni cattle, goats, sheep Forestry, sawmills, charcoal from wattle, furniture manufacturing and thatch grass Irrigation potentials and aloe and bio-fuels 	<ul style="list-style-type: none"> Brick making 		<ul style="list-style-type: none"> Electricity production Retail centre
Ngcobo	<ul style="list-style-type: none"> Irrigation scheme Forestry and sawmills Massive maize production Bio-fuels 		<ul style="list-style-type: none"> Liberation heritage sites 	<ul style="list-style-type: none"> Business services , Retail centre Power generation

3.9.2 North-East Corridor (Corridor 2)

Like Corridor 1, Agriculture, agro-processing and forestry are still the most dominant sectors along corridor 2, although there is need to clearly understand the value chain combinations. There are a number of primary agricultural products produced along the corridor which are converted into semi or finished products in other areas outside or along the corridors. There is also evidence of reduplication of activities that needs reversed or corrected. Although the application of value chain analysis is debatable in service sectors, there is need to explore on how best the corridor can take advantage of a numerous economic opportunities dotted along the corridor. There is a also a potential of building value chain combinations in manufacturing and mining sector along the corridor with Queenstown and its infrastructure technology and road networks playing as the hub of transforming primary goods into secondary goods.

Table 3.13: Perceived economic opportunities for North –East Corridor (Corridor 2)

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
Elliot	<ul style="list-style-type: none"> Crops and fruit production Livestock production 		<ul style="list-style-type: none"> Dam for picnics Caravan park Hiking trails Bird watching Caves (Water Kloof) Fishing Cultural village Golf course country club and sports fields 	<ul style="list-style-type: none"> Airstrip Child care for street children
Cala	<ul style="list-style-type: none"> Canned fruit Hota Mbewula fruit 		<ul style="list-style-type: none"> Restaurant Conference facilities 	<ul style="list-style-type: none"> Recycling project Taxi industry

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
	(peaches) Asgisa Project. <ul style="list-style-type: none"> Meat processing Wool processing Maize production Wheat production 		<ul style="list-style-type: none"> Cultural tourism Rock paintings Hiking trails Training of tour guides, Fishing in Tsomo River 	<ul style="list-style-type: none"> Hospice for HIV and AIDS Skills training institutions
Dordrecht	<ul style="list-style-type: none"> Dairy processing Game farming Wool factory 	<ul style="list-style-type: none"> Brick making 	<ul style="list-style-type: none"> Mountain hiking trails Hotel Golf course 	<ul style="list-style-type: none"> Railway line revitalization
Indwe	<ul style="list-style-type: none"> Fodder production Fishing 	<ul style="list-style-type: none"> Coal belt Construction of power station 	<ul style="list-style-type: none"> Golf course resort Restaurants Development of tour guides 	<ul style="list-style-type: none"> Transport (railway line)
Lady Frere	<ul style="list-style-type: none"> Wheat and sorghum production Irrigation scheme Guba farms for food production and livestock Sawmill 	<ul style="list-style-type: none"> Manufacturing of aloe products 	<ul style="list-style-type: none"> Clay arts and crafts Eco-tourisms, hiking and off road adventures Xonga dam for hiking and water sport tourism Hospitality and conference centre Cultural village Hotel and restaurant facilities 	<ul style="list-style-type: none"> Garage

3.9.3 West Corridor (Corridor 3)

The wool and mohair and cattle rearing subsectors are the two significant activities happening along corridor 3. While Middelberg is used for the rearing of both dairy and beef cattle, Tarkastad is used as the port of processing the products. There is need to explore if its not possible to have all these activities happening around one place i.e. Middelburg. There are number of tourism attracting centers around the corridor but there is also the need to avoid duplication of the offerings that will render them uneconomic to the service providers. For example, having too many B&B along the same route will render them uneconomic.

The waste recycling industry is the fastest growing industry in the world [Economic, June, 2010] and the number of waste processing plants around the corridor is an encouraging indication for job creation. With Queenstown acting as the provider of the waste, there are a number of value chain combinations that necessitate investigation.

Table 3.14: Perceived economic opportunities for West Corridor (Corridor 3)

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
Middelberg	<ul style="list-style-type: none"> Dairy farming Abattoir Meat processing Wool processing Livestock feed Honey production 	<ul style="list-style-type: none"> Waste recycling 	<ul style="list-style-type: none"> Conference facilities Tourism accommodation facilities like B&Bs Craft production 	<ul style="list-style-type: none"> Ultra City halfway between JHB and Cape Town Wholesale and retail transport distribution business
Takastad	<ul style="list-style-type: none"> Meat processing 		<ul style="list-style-type: none"> Sports bar /tavern for township B & B accommodation facilities in township Tour guides Provision of more tourist attractions 	<ul style="list-style-type: none"> Transport business, revival of railway line Community radio
Cradock	wool and mohair, chip board upgrading plant, wool processing,	Lime stone mining for tiles waste recycling	windmill craft productions natural beauty, provision of	malls and shopping centres electricity

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
	bio-fuels (sugar beet without interfering with food production), furniture manufacturing sweet sorghum for bio-fuels, juice, saffron farming, crocodile farming Bio-fuels furniture, meat processing, dairy processing, sweet sorghum processing		more tourist attractions, tour operators and guides, marketing	generation transport business
Hofmeyr		Cosmetic factory, Waste recycling		transport business

3.9.4 North-South Corridor (corridor 4)

There are number of economic opportunities in the forestry and plantation sub-sectors along corridor 4. The produce from the plantations around Molteno is transported to Queenstown for production and there is need to investigate ways on which to reverse this process or explore ways in which the community can benefit besides farming the trees.

There is an interesting economic link between game hunting in Molteno - Hide tannery in Sterkstroom – Shoe manufacturing industry in Queenstown. The value chain combination need to be investigated to determine how best to add value to them and how best development can be directed to other parts of the corridor that are marginalised.

Table 3.15: Perceived economic opportunities for North-South Corridor (Corridor 4)

Town	Agricultural, agro-processing and forestry	Manufacturing, construction and mining	Tourism and hospitality	Service, retail and logistics
Molteno	<ul style="list-style-type: none"> Forestry plantations Partridge hunting 	<ul style="list-style-type: none"> Clay brick making Coal mining High quality clay for arts and crafts 	<ul style="list-style-type: none"> Battle fields as tourist attractions Develop Molteno dam as picnic sites Spa-paradise (tourism) 	<ul style="list-style-type: none"> Wind energy project between Molteno and Sterkstroom
Sterkstroom	tannery for hides, wind farming, sheep cattle, poultry and pigs, organic agricultural product meat, , wool processing plant, fresh market	recycling waste red ochre mining	Hunting tourism catering rock art tourism	
Queenstown	<ul style="list-style-type: none"> Agro-processing plant Shilo Irrigation scheme revitalization for dairy production 	<ul style="list-style-type: none"> Queenstown and Ezibeleni industrial sites Manufacturing factories 	<ul style="list-style-type: none"> Five star hotel for accommodation and related services Entertainment centre Conference centre Business tourism Sport tourism Gambling facilities 	<ul style="list-style-type: none"> Logistics park Public transport systems - railways, airport taxi industry. Retail service centre Warehouses Capacity training centre Higher education institutions

3.10 CHDM REGIONAL ECONOMIC DEVELOPMENT STRATEGY (REDS) INTERVENTIONS FROM CORRIDOR WORKSOPS

Table 3.16: Identified REDS Interventions from Corridor Workshops

Broad theme	Workshop 1: Queenstown	Workshop 2: Cala	Workshop 3: Cradock	Workshop 4: Molteno
Skill development	<ul style="list-style-type: none"> Skills development, training and mentorship 	<ul style="list-style-type: none"> Skills/capacity development 		<ul style="list-style-type: none"> Match skills development to identified opportunities
Stakeholder participation and cooperation in LED	<ul style="list-style-type: none"> Communication and interaction between investors and communities Individuals/communities must take responsibility for taking up opportunities Introduction/encouragement of public private partnerships in forestry and agric. Projects. Commitment of all stakeholders 	<ul style="list-style-type: none"> Stakeholders/community mobilization Advocacy and lobbying Commitment of councillors for political support Participation in LED process Strengthening of Steering Committees 	<ul style="list-style-type: none"> Create opportunities for networking Buy-in by politicians Strengthen the relations between private sector, municipalities and provincial government Community participation encouragement 	<ul style="list-style-type: none"> Proper participation by all relevant parties Promote networking of stakeholders and broaden forum to accommodate all stakeholders Establish communication centres in local municipalities
Resource mobilisation	<ul style="list-style-type: none"> Accessing of funding (how to access?) 	<ul style="list-style-type: none"> Identify and research resources required Resources mobilization 	<ul style="list-style-type: none"> Make resources available (funding skills) Explore the potential for profit 	<ul style="list-style-type: none"> Government resources
Red tape reduction	<ul style="list-style-type: none"> Need legislation to encourage investment 	<ul style="list-style-type: none"> Reduction of red tape and create conducive investment environment 		
Infrastructure development	<ul style="list-style-type: none"> Shearing sheds to produce wool Revitalise existing infrastructure 	<ul style="list-style-type: none"> Identification of critical infrastructure needs 		
Attracting investment	<ul style="list-style-type: none"> Incentive packages for business attraction 	<ul style="list-style-type: none"> Create environment conducive for investment 	<ul style="list-style-type: none"> Identify business opportunities and market 	
Marketing	<ul style="list-style-type: none"> Marketing the area through developing tourism plan or tourism strategy 		<ul style="list-style-type: none"> Pro-active marketing strategies / Marketing of corridor 	
Improved service delivery	<ul style="list-style-type: none"> Improve service delivery by municipalities 	<ul style="list-style-type: none"> Good governance practices 		<ul style="list-style-type: none"> Honest, capable and lawful government
Planning, implementation and monitoring and evaluation	<ul style="list-style-type: none"> Cascade the sector plans into IDPs Implement strategic plans Coordinated approach in plan implementation Formulate clear implementation plans Monitoring and assess the viability of community projects 	<ul style="list-style-type: none"> Need for planning research outcomes Needs and desirability assessment Monitoring and evaluation of projects and programmes 		
Work ethic	<ul style="list-style-type: none"> Develop a workable accountability ethic 			<ul style="list-style-type: none"> Change of mind sets regarding government pensions and grants schemes

3.11 SOCIO- ECONOMIC INTELLIGENCE OF THE CORRIDORS

In order to quantitatively ascertain the values of all economic activities taking place in and around the corridors, Qabuka- Vuka in partnership with the District Municipality resorted to the use of a questionnaire that targeted CDWs & Extension Officers from all the wards across the District. The response rate for this questionnaire was 88%.

The rationale behind this was to be able to tap into the databases and minds of people close to the ground with the idea of extracting as much information as possible. This was done with the aim of providing answers to questions such as those below.

- How many cattle are in the region? Are the numbers large enough to necessitate the establishment of an abattoir for example?
- Does the number of sheep in and around the corridor require the establishment of shearing sheds?
- Are the numbers high enough to economically sustain the operation of such an establishment?
- Are there other value chain activities that are happening outside the District that can be reversed back to the district?

In a nutshell, the exercise was meant to provide all the relevant and real-time statistics on all the economic activities taking place in and around the corridor. Suffice to say there were a vast number of challenges beyond the control of the service provider that made the process to fail. In order to cover up this gap, the partnership has agreed to:

- Make use of relevant sector department statistics, albeit in some circumstance “old”
- Proxy some variable e.g. Use the number of dip tanks to estimate the number of cattle in an area.

Faced with the lack of comprehensive Socio-economic indicators, we resorted to undertaking our data generation exercise through ward profiling. The table below depicts a summary of what transpired during the process of ward profiling. The rationale behind this exercise was to collect all relevant information that would be useful in crafting the corridor plan. The responses from municipality have been below average as most questionnaires came back with either wrong or insufficient information.

This has provided us with a challenge on how to draw information and code the questionnaires; as result this piece of the situational analysis will not reflect on them but nevertheless we have resorted to using the production output from the sub-sectors in their space (Questionnaire).

We strongly believe that the effects of these changes, if any, were minimal and will not affect the results of the study. In the event that questionnaires that have been responded to well are received, they will be used to supplement the already existing information and be reflected accordingly.

Table 3.17: Status Quo on Ward Profiling

Municipality	Response Rate	Priorities	Comment
Engcobo	18/26 (69%)	Community Services, Agriculture, Tourism , Water & Sanitation, SMMEs , Infrastructure Development	Responded well
Sakhisizwe	NIL	_____	Failed to submit
Lukhanji	14/28 (50%)	Community services, Agriculture , Water and sanitation, Access roads, RDP houses, Extended Public Works Programmes (EPWP)	Incomplete data
Emalahleni	5/16 (31%)	Access roads, Water and sanitation, Agriculture Community services	Incomplete data
Tsolwana	4/5 (80%)	Access Roads ,Tourism, Community Service, Infrastructure development, Water , Electricity	Incomplete data
Intsika	12/23 (52%)	Agriculture, Community services, SMMEs, Tourism Infrastructure Development, Social Security	Incomplete data
Inkwanca	2/3 (67%)	Community gardens, Brick making, Apple project	Incomplete data
Inxuba Yethemba	7/9 (78%)	Infrastructure Development , Institutional development, Crime prevention, Health, Leadership forums, Community services, Youth Development	Incomplete data

Source: Field Survey, 2010

3.12 IDENTIFICATION OF KEY STRATEGIC DEVELOPMENT ISSUES

The environment within which the local economic development takes place within the identified corridors in CHDM is harsh, not only as a result of marginal climatic, soil and other natural conditions but also as a result of economic, social, legislative, land tenure, infrastructural and other socio-economic such constraints. For LED and other related projects to be successfully developed in these corridors, the developmental problems within the corridors need to be addressed in order to create conducive environment that will promote local economic development and associated projects.

The situation assessment of the corridors identified a number of development opportunities and constraints that need to be addressed and these include the following:

3.12.1 Priority Issues – Corridor (Eastern Corridor)

Opportunities

- The sectors that are key to unlocking the **economic potential** of the corridor is **forestry and crop production** while **livestock farming** demonstrates growth potential [if the right initiatives are put in place], such as, curbing of stock theft, introduction of modern nguni breeds, improvement of agriculture extension services, and so on. Records further indicate that a range of dominant agricultural products that could be produced in the corridor include **sheep** (wool and meat), **cattle, goats, grain**. Potential exists for further expansion of goat (Boer) production, while the high number of sheep in the area presents opportunities for expansion of the **wool industry** and the relatively local market presents meat processing opportunities. As already indicated, the East Corridor has huge potential for livestock production. Intsika Yethu and Engcobo LMs accounts for 29.5% of the total livestock (cattle, sheep and goat) in the CHDM.
- The corridor has **comparative advantage** in crop production, although agriculture is, however, not adequately utilised. The corridor claims a range of leading products, including maize, sunflower, sugar beet and various crops under irrigation but maize has been identified as having very high potential. The Siyazobdla programme within the corridor needs to be intensified.
- Land is underutilised, presenting high potential for further agricultural development, particularly for **maize production** and for **hemp**. Intsika Yethu falls within the natural growing area for **aloe ferox** and potential also exists for **irrigated horticultural** and **field crops** while high grazing potential favours livestock farming.
- Existing **irrigation infrastructure** at Ncora, Bilatye and Qamata make **Intsika Yethu** as one of the few municipalities in the Eastern Cape with a total land area estimated over 8 500 ha with irrigation infrastructure for livestock and dairy production. Additionally, there are number of existing **irrigation schemes in Engcobo Local Municipality**, that are underutilized which are in desperate need for improvement, namely, Mgwali irrigation scheme, Ntibaneni irrigation scheme, Madzikane agricultural scheme and Xuka irrigation scheme. These underutilized irrigation schemes have a potential of reversing the high poverty level experienced in the corridor or district through providing employment for local people. The challenge for the municipalities within the corridor is turn around these schemes and ensure they produce quality produce and volumes that can supply the province.
- The corridor has **huge forestry resources** (existing and potential) in the District and forestry has a potential to become one of the most productive sectors in the local economy of the corridor with approximately 5 455 hectares of land under forestry in Engcobo local municipality. Currently commercial plantation covers 3 733 hectares and indigenous forest cover 1 722 hectares with 5 small sawmills (Transkei Timbers, Maqwathini, Dyampi and Lottering). In Intsika Yethu LM, there are 35 official plantations covering 5 676 hectares in extent with new afforestation potential of 25 001 hectares and 19 small sawmills.
- **Tourist attractions** in the area include, amongst others, historical and geological sites, caves, water bodies and forests, together with an associated range of outdoor, sports and adventure activities. Among them are the Sabalele and Keiland Caves, which could be further exploited following improvements. Linked to these is the Liberation Heritage Route which is being developed through centres of attraction and education.

Constraints

- The corridor's **communication infrastructure** is underdeveloped, with no rail, air or water port facilities coupled with very limited surfacing of the main R61 roads linking Queenstown to Ngcobo through Cofimvaba, coupled with a low percentage direct access to telephones, although cellular network coverage is favourable in Intsika Yethu which is also relatively proximate to the Provincial secondary economic centre of East London.
- In terms of **quality of life**, the corridor scores well below averages in all measures of access to **basic services** (water, electricity, sanitation, refuse removal) but fairly in health and education.
- An assessment of the corridor's **local economy** indicates that the economy revolves mainly around a community and domestic services for employment. This lack of diversification renders the corridor more vulnerable to external shocks. There is a need therefore to ensure the diversification of the local economy in order to leverage the area from external shock that can be disastrous to the whole region.
- The population within the corridor is overwhelmingly **rural** as about 95% of the population is resident on rural **communal owned** and fertile land, yet only a small portion is fully utilized. There are unsettled land claims within the corridor (Intsika Yethu has the highest (70) of unsettled claims in the district but Engcobo has only 13 unsettled land claims.
- On **economic infrastructure**, there is limited access to development and financial support institutions within the corridor.
- The **socio-economic indicators** show that the corridor is home to high levels of **poverty** (about 86%), **unemployment** (about 75%) and **illiteracy**, coupled with the highest dependency ratio and a very youthful population, with more than half (about 56%) of the population aged under 20 years. About 76% of households receive less than R 1500 per month and dependency of social grant is very high (79%). The high unemployment coupled with high poverty levels creates negative impact on households affordability levels in terms of service delivery and payments within the corridor. More employment opportunities also need to be created to provide jobs for the working population.
- The **unco-ordinated or poorly planned initiatives** by many stakeholders within the LED sector (government departments, development agencies, NGO's, producer organisations, etc.), lead to waste of resources. Amongst others, these initiatives include training programmes, marketing support, services and infrastructure provision.
- Lack of or poor maintenance of physical infrastructure, e.g., roads, marketing facilities, agriculture and tourism information centres, etc.
- Capacity problems facing the municipalities within the corridor.

3.12.2 Priority Issues – Corridor 2 (North-East Corridor)

Opportunities

- The corridor's **communications** (transport and telecommunications) infrastructure is reasonably well developed, with operational rail and air transport facilities, and with favourable cellular network coverage in Emalahleni LM but in Sakhisizwe, communication infrastructure is modest, with operational rail facilities and an air transport facility. In terms of **quality of life**, the corridor has adequate access to water supply, electricity, shelter, education and health facilities.
- On **economic infrastructure**, it is fairly developed within the in Sakhisizwe but well developed in Emalahleni.
- An analysis of economy of Emalahleni LM indicates that the **local economy** has a comparative advantage in **agriculture** and according to study conducted by ARC for Ruliv the following agricultural potential has been identified – cattle (beef), sheep farming, maize production, sorghum, irrigation potential for a further 5500 hectares at Xonxa and Lubisi Dams as well as irrigation at the Guba Farms, fresh water fish production in the Doring River Dam, Aloe juice industry and other local projects (beekeeping and mushrooms). Besides agriculture, the municipality has a comparative advantage in retail, community

services, tourism, mining and manufacturing. The area has high agriculture expansion potentials, especially in wool and irrigation schemes.

- The Emalahleni Municipality claims a range of **leading agricultural products**, including sheep, cattle, maize and dry land sunflower production, and the high number of sheep in the area presents opportunities for expansion of the wool industry, while the relatively large local market presents meat processing opportunities. The area is identified as suitable for forestry, with potential for irrigated horticultural and field crops and very high potential for further maize production.
- The Sakhisizwe Municipality claims a range of **leading products**, including sheep, goats, cattle, sunflower and maize. Additional products identified as sustainable include a full range of grain, nuts, fruit and vegetables, as well as fodder and processed meat. **Forestry and tourism** are other important sectors.
- In Sakhisizwe land identified as suitable for **forestry** is under-utilised, presenting high potential for further agricultural development, particularly for dry land maize, potatoes and beans as well as irrigated maize. Potential exists for local production and marketing of vegetables, while high grazing potential favours livestock farming.
- **In terms of tourism development**, Sakhisizwe falls within the “Friendly N6” tourism region and is closely tied to the Maloti (Lesotho) Route, geared at tourism opportunities around the theme of Xhosa culture, while the landscape of the area is identified as an opportunity for **game and eco-tourism**. The potential growth of Emalahleni’s economy is to be orchestrated through programmes encouraging **community based tourism** initiatives
- In **mining**, there is an untapped mineral resource planned for exploitation near Indwe, namely low grade **coal deposits**. There is a need for the local municipality to develop a mining sector plan that will try to untap the potential of this sector. There is also an urgent need to improve the state of the roads around the local municipality in order to aid development of all the sectors, since good road network are prerequisites of development
- This corridor has **huge forestry resources** (existing and potential) in the District and forestry has a potential to become one of the most productive sectors in the local economy of the corridor with approximately 9 679 hectares of land under forestry in Sakhisizwe local municipality. Currently new afforestation potential within the two municipalities within the corridor amount to 88 406 hectares. There is a **charcoal manufacturing plant** in **Sakhisizwe LM** which uses gum and wattle as raw material. **Mondi** has established in the area, having bought out many farms and planted them to timber in Sakhisizwe, although their regional offices and staff are housed in neighbouring Ugie (Elundini).
- On the **Sector Performance** the greatest contributor to the GGP within the corridor is the community and social services sector which employs about 33% of the workforce on average. In Sakhisizwe LM, private households and agricultural sectors employ 21% and 17% respectively. Besides these two the following are the key drivers of the local municipality: cultural tourism, construction, transport and storage, and finance and insurance.

Constraints

- In terms of **communication** both Sakhisizwe and Emalahleni have limited road surfacing and low percentage of direct access to telephones. There is also an urgent need to improve the state of the roads around the local municipality in order to aid development of all the sectors, since good road network are prerequisites of development. On **quality of life**, the corridor reflects a low percentage of residents having direct access to some **basic services** such as sanitation, water, electricity, refuse removal.
- The **socio-economic challenges** in the corridor include high unemployment, reliance on public sector employment, poverty (Sakhisizwe - 85%, Emalahleni - 74%), high youthful population (about 52%), slow economic growth, and the duplication of basic social services and infrastructure provision to the main nodes within the municipalities in the corridor, thereby stretching the financial capacities of those municipalities. A large number of households (76%) in both Emalahleni and Sakhisizwe can be deemed as indigent with gross monthly incomes of less than R1500.

- **Agricultural limitations** include shallow soils, low rainfall, temperature variation and lack of irrigation water, as well as lack of security on farms due to armed robbery, stock theft and murder in Sakhisizwe. Agriculture is the second largest contributor to employment and GVA and there is growth in small businesses (mainly in the retail and service sector) in Cala, yet Elliot is noted as having a declining business sector.
- In terms of **socio-economic indicators**, Sakhisizwe has a youthful population, with over half (53%) of the population aged under 20 years, and claims higher than Provincial and District average rates of unemployment (60.4%), dependency (3.89), poverty (84.66%) and households receiving less than R1500 per month (75.9%) but only 51.3% of households receive social grant.

The corridor is also a home to high levels of poverty (about 85%), unemployment (about 75%) and illiteracy, coupled with the highest dependency ratio and a very youthful population, with more than half (about 53%) of the population aged under 20 years. About 76% of households receive less than R 1500 per month but dependency of social grant is very high in Emalahleni (79%) but only 51.3% in Sakhisizwe LM. An indication of the depth of poverty in the corridor is revealed by the Municipality's share of the Provincial poverty gap of 1.35% and 3.08% for Sakhisizwe and Emalahleni respectively compared to its share of the Provincial population (1.10%).

The high unemployment coupled with high poverty levels create negative impact on households affordability levels in terms of service delivery and payments within the corridor. More employment opportunities also need to be created to provide jobs for the working population. Also rapid expansion is needed by the labour and housing markets to accommodate this category of population in future.

- The overwhelming majority (95.07%) of the population in the corridor is resident on **tribal or communal land**. There are **unsettled land claims** within the corridor (Intsika Yethu has the highest (70) of unsettled claims in the district but Engcobo has only 13 unsettled land claims. Large scale investment by private sector is generally more difficult to achieve, in these tribal lands and procedures to be followed in securing land for housing development within these communal areas are very cumbersome as it takes very long time and series of processes for the acquisition.
- The local economy is highly **concentrated**, dominated by the Community Services sector in terms of both GVA and employment and there is the need for diversification to avoid any external shocks within the corridor.

3.12.3 Priority Issues – Corridor 3 (West Corridor)

Opportunities

- The corridor's **communications infrastructure** is reasonably well developed, with operational rail, municipal airport and other air transport facilities in Inxuba Yethemba LM but poorly developed in Tsolwana LM. The Inxuba Yethemba LM is traversed by the N10 which provides a strong physical link between the corridor and the relatively proximate Provincial economic centre of Port Elizabeth. The corridor does have air transport facilities, in addition to being well placed to access both Provincial economic centres of Port Elizabeth and East London.
- The **economic infrastructure** is under-developed and is comparatively poorly represented within the corridor in respect of business support institutions.
- Whereas the Inxuba Yethemba LM is overwhelmingly **freehold tenure urban population** (82%) in character, majority of the Tsolwana LM's population (84%) is resident on **tribal or communal land in the rural areas**. These situations encourage stability of freehold title holders in making formal large scale investments inland development, unlike those in communal areas which discourages large scale investments due to long processes in land acquisition.
- On **quality of life**, the corridor is one of the areas in E/Cape which has above average household access to basic services. For example, Inxuba Yethemba LM scores very well in household access to water supply (99%), electricity (92.4%), sanitation (89.1%), refuse removal, and adequate shelter, as well as above average access to schools and health care facilities. Similarly,

Tsolwana LM also scores very high in household access to water supply (99%), sanitation services (78%) but inadequate municipal refuse services (25%). Access to health and education facilities within the corridor is very high.

- In terms of **socio-economic indicators**, Inxuba Yethemba is home to the lowest rates of poverty (52%) and dependency (1.80) in the District and to the second lowest rate of unemployment (43.2%). The Municipality has the least number of households (65.1%) dependent on social grant in the province. Tsolwana LM also performs best on poverty and dependency score with lower than average rates of unemployment (42.5%) and dependency (2.11)
- **Agriculture** is the key to unlocking the economic potential of the corridor while **manufacturing** shows a great potential of growth. Agriculture is currently the most significant employer in the corridor and local economic development is aimed at job creation based projects in rural areas with emphasis on agriculture, as well as at tourism based projects for the creation of employment opportunities
- The **local economy** claims a comparative advantage, for both employment and GDP contribution, in **agriculture** (exclusively in the agriculture and hunting sub-sector). Leading products in the area include game, sheep and goats, with opportunities for expansion of wool, mohair and meat processing.
- The corridor claims a range of leading and potential products, including sheep, goats, beef, and the high number of sheep in the area presents opportunities for expansion of the wool industry. The area falls within the natural growing area for Aloe Ferox and is identified as suitable for forestry, while high grazing potential favours livestock farming. Land is under-utilised, presenting high potential for further agricultural development and potential exists for irrigation schemes.
- Strong potential for the development of **irrigation schemes** presents opportunities for **lucerne and dairy**, as well as sugar beet (which are already prioritised around Cradock). The area falls within the natural growing area for Aloe Ferox, while good veld conditions favour goat farming. Crop production [maize, wheat, fodder, and potatoes] forms part of the most predominant land use activity in the corridor
- This Municipality's IDP assigns priority to the development potential of the **tourism industry** and states that any development that is to take place should not alter the rural character of the area since it is this natural environment that is the key asset for economic growth, through tourism. **Tourist attractions** include the expanding Mountain Zebra National Park and private game farms, Cradock Spa sulphur hot springs, historical and cultural sites, centred around Cradock, and various outdoor, sports and adventure activities, including the annual Fish River Canoe Marathon.
- Additionally, potential is identified for the further development of **game, agro-tourism and eco-tourism** in Tsolwana area. Tourist attractions in the area include, amongst others, Commando Drift Nature Reserve and private reserves, bushman paintings and Boer war battle sites, as well as a range of outdoor and adventure activities. Tourism has been identified as a potential growth area in the region. In 2009 the manufacturing industry employed 3% of the formal workforce while tourism weighed in with 5.1% in Tsolwana LM. Overall, the Tourism contributed R55 m to GGP of the local municipality; the tourism sector has been growing at an annual growth of 2.3%. if the same growth can be maintained, the sector may contribute 77m towards the GGP. ⁱ

Constraints

- In terms of **roads**, the corridor experiences limited road surfacing which are fair but in many cases in poor conditions.
- Unlike Inxuba Yethemba LM, the **socio-economic indicators** of Tsolwana LM has the high proportion of people living in poverty (75%), while 94% of the **economic active population** earn below the **poverty line** if measured by R 800 per month. The representation of people aged under 20 years (49.2%) and those over 64 years (7.4%) in Tsolwana LM but the Inxuba Yethemba LM, however, reflects the highest proportion of people aged under 20 years as 68% and the proportion of people aged over 64 years (6.3%).

3.12.4 Priority Issues – Corridor 4 (North-South Corridor)

Opportunities

- The corridor's **communications** (transport and telecommunications) infrastructure is moderately developed in Inkwanca but reasonably well developed in Lukhanji, with operational rail and air transport facilities, favourable cellular coverage and a moderate percentage of residents with direct access to telephones. Additionally, the N6 traversing the corridor provides a good link to the secondary Provincial economic centre of East London and Port Elizabeth as well as Bloemfontein in the Free State Province. Also, the R56 route through Sterkstroom and Molteno towards Middelburg is an important roadlink to the area.
- On **quality of Life**, the corridor scores well above the Provincial average across all measures, including access to basic services (water, electricity, sanitation, and refuse removal), adequate shelter, health and education facilities. All households in Inkwanca, for example, have access to clean potable water, 86.6% have access to proper flush toilet sanitation, 98% have access to electricity. Household access to clinics (100%), ambulance services 82.4%, and educational facilities (93.2%)
- On **economic infrastructure** Lukhanji falls into the top quarter of all municipalities in the Eastern Cape, with three commercial banks, 14 post offices with banking capability, a SEDA-affiliated Kei Business Link, Business Partners (Specialist Investment Group), Mvula Trust and ECDC regional office in Queenstown but by contrast, economic infrastructure is poorly developed in Inkwanca with two commercial banks and two post offices with banking capability.
- The **local economy** of Lukhanji, being the main centre in the District, claims a **comparative advantage**, for employment and GDP contribution in wholesale and retail trade and community services, construction and an employment advantage in households. Therefore community services, commerce and trade, households, finance and insurance, as well as finance and agriculture completes the list of the 5 top performing sectors. Lukhanji is a strategic and important economic sub-region in the CHDM. The municipality has the highest concentration of urban settlements, industrial activity, commerce, transport infrastructure services, regional service centre, amongst other important development parameters.
- Lukhanji Municipality claims a range of leading products, including livestock (sheep, goats, beef), lucerne, and sugar beet and potential also exists for further expansion of goat (Boer) production as well as for **value adding in meat and leather processing** but the potential in the area is further enhanced by good marketing structures noted for Lukhanji. The area falls within the natural growing area for Aloe Ferox and is identified as suitable for dry land maize and various irrigated horticultural and field crops, including cabbage, green maize, and sugar beet.
- The revitalisation of the irrigation schemes is a priority for agricultural development but in order to maximise impact all resources would be channelled into one scheme to ensure effective operationalisation. In this context, Shilo irrigation scheme was identified and a private partner secured to undertake dairy production. The Department of Rural Development and Agrarian Reform has been a major contributor to the development of the dairy project at Shilo.
- The **local economy** of Inkwanca reflects that agriculture (predominantly stock farming and fodder production) and hunting (game farming) remain the largest sector with a share of more than 39%, followed by community services which accounts for 17, 9% and then private households (15%). Inkwanca is a commercial farming municipality with three wards and two major towns [Molteno and Sterkstroom]. Leading products in the area include sheep and cattle, with opportunities for expansion of livestock and sheep (Dorper) farming, pig and chicken farming, and value-added wool and meat processing, where a local abattoir is available and the market for meat high.
- The natural environment of Inkwanca promotes agriculture. For example the climate lends itself to the production of onion seeds, herbs and spices, the low lands with steep slopes and mountains in the north and north-west with its dry conditions make the area more suitable for fruit production but for fruit farming to be profitable in the long run, it requires a heavy capital injection.

- **Agro-processing** is the key to unlocking the economic potential of the corridor. For example, Inkwanca includes the home of Ouma Rusks (Nola Industries) in Molteno and Stormberg Organic Farms manufacturing. There are many agro-processing industries in Queenstown.
- **Clay and coal mining** shows a great potential of development in this corridor where the Molteno-Indwe belt is renowned for coal deposits. The coal deposits along the belt are said to be difficult to exploit due to the rocky terrain, which makes extracting the deposits expensive and laborious but the exploitation of the coalfields is currently being investigated to access its viability. There is need, therefore, to fast track the legalities behind the sale of the product and facilitate the involvement of historically disadvantage people but there is also an urgent need to improve the state of the roads around the local municipality in order to promote development of all the sectors, since good road network are prerequisite of any development
- In terms of **tourism** the natural landscape of Inkwanca lends itself to game and eco-tourism opportunities. The Inkwanca Municipality falls into the “Friendly N6” tourist region and includes historical and geological sites, as well as Khoi/San rock art and various outdoor activities, including game-viewing, hiking and riding. Also in Lukhanji area tourist attractions include, amongst others, private game reserves, historical and geological sites, as well as a range of outdoor and adventure activities.
- The cost of doing business in this corridor is slightly lower than the Provincial average, considering favourable distance, and travel time, to the economic centre of East London and Port Elizabeth.

Constraints

- Unemployment (58%) and average and the dependency ratio (1.90) are relatively low in Inkwanca. About 57.2% of households receive less than R1 500 per month and 62.2% of households receive social grant. Lukhanji also reflects higher than Provincial average unemployment (54.4%), but lower than average rates of dependency (2.10) and poverty (65.46%).
- Inkwanca is home to a fair proportion of people aged under 20 years (45.82%) and a relatively high proportion of people aged over 64 (6.86%) years, coupled with a high proportion of people living in poverty (79.74%).
- The greatest challenge to livestock farming remains access to pasture land, limited access to market and expensive medications for livestock
- Inkwanca Municipality has 1 100km of roads out of only 17.4km of these roads is tarred. Most of the roads linking the rural settlements are generally in poor conditions and access to roads in good condition is only 30.4%. The extent of road surfacing in Lukhanji (12.63%) is limited

4 STRATEGIC FRAMEWORK

4.1 CHDM VISION AND MISSION

Chris Hani District Municipality (CHDM) envisions a ***“well capacitated Municipality, characterised by a good quality of life and a vibrant, self-sufficient economy driven by skilled communities living in a safe and healthy environment”***

The CHDM’s mission is ***“to provide affordable quality services, alleviate poverty and facilitate social and economic development of the area, through integrated development planning, co-operative governance, skills development and the sustainable utilisation of resources”*** reflects the vision.

4.2 REGIONAL ECONOMIC DEVELOPMENT STRATEGY (REDS) OF THE CHDM

The Regional Economic Development Strategy of the CHDM aims at providing stakeholders and role-players with a clearly focus direction for the economic development of the District as a whole, and, a set of strategic areas of interventions to enable creation of jobs, promotion of livelihood opportunities and the stimulation of the district / local economy as a whole.

The strategy provides *focus areas around which resources can be leveraged and mobilised in order to contribute to the broad overall objective of ensuring that all people in the District are able to benefit from the economy.*

4.3 REGIONAL ECONOMIC STRATEGIC INTENT OF CHDM

According to the CHDM IDP (2009/2010), the Regional Economic Strategic Intent of the CHDM aims at *“maximising the economic value and job creation potential of the District through a focus on the strengthening of the comparative advantages of priority sectors and creating a distinctive advantage in timber and livestock production and processing sectors”*

Flowing from the above, the Strategic Focus Areas of the Economic Development (LED) Unit of the District Municipality which have reflection on the corridors are the following:

- Creation of **enabling environment** within the District;
- **Corridor development** and **small towns regeneration**;
- Building the comparative advantage of priority sectors (**agriculture, forestry, tourism, manufacturing, service, retail and logistics** sub-sectors);
- Promotion of **local business** environment reform;
- Integration of strategy and responding to **economic development opportunities; and capacity development.**

The above will form the backbone of the Corridor Development strategy for CHDM.

4.4 PRINCIPLES UNDERPINNING CORRIDOR DEVELOPMENT INITIATIVES

The principles underpinning the CHDM Corridor Development Plan are the following:

- ***There must be real economic potential.*** The Development Corridor must be able to demonstrate true economic potential within it. For example, an under-utilized natural resources, growing or potentially dynamic markets, availability of potential infrastructural resources, etc.
- ***Mobilization of private sector resources.*** There is the need to bring in the private sector in Corridor Development initiatives to supplement government efforts. This can be in the form of public-private partnerships (PPPs).
- ***Application of scarce public sector resources where they will have the most impact.*** This implies the application of both public (government) financial and human resources in areas where they are likely to have the most advantage.
- ***The economic growth benefit should be shared with those previously excluded.*** It is essential that local communities benefit from the opportunities created, through job creation.
- ***Integration of development within the corridors defined by its economic potential rather than by political boundaries.***

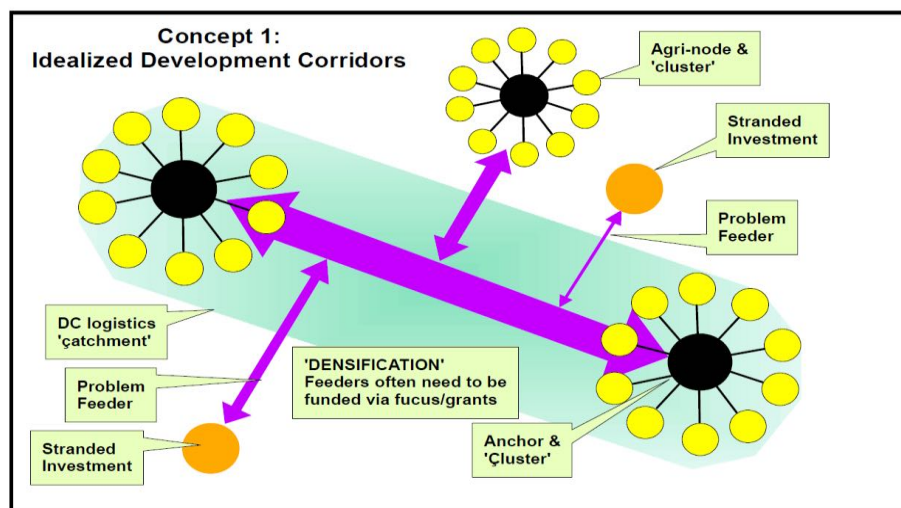
4.5 ELEMENTS OF CORRIDOR DEVELOPMENT STRATEGY

The elements of the Corridor Development Strategy include the following:

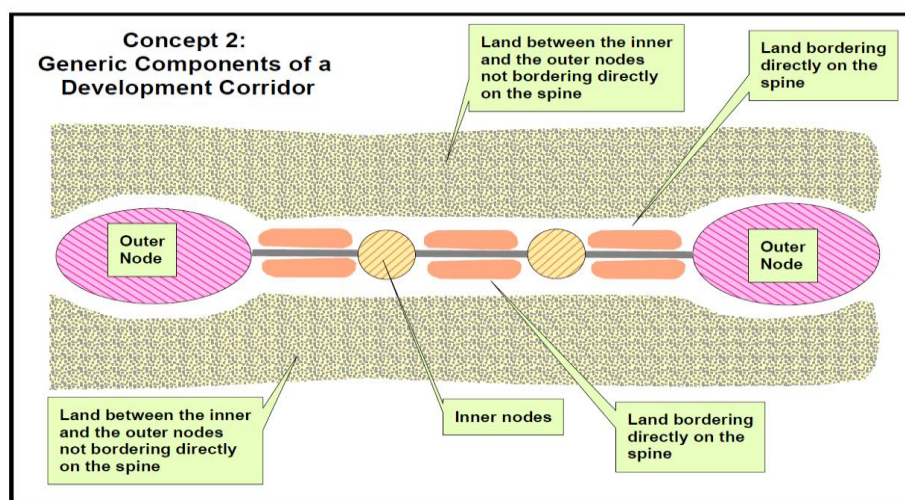
- Crowding in and co-ordination of both public and private sector investments in the Development Corridor;
- Ensuring political support, commitment and buy-in from the highest levels of government in order to facilitate fast and focused planning and development
- The use of well planned and publicized opportunities (such as road show and investor conferences) to market opportunities in the Development Corridor.
- Densification of the corridors through the establishment of ancillary feeder infrastructure to enlarge the corridor's catchments area and beneficiaries;
- “Deepening” of resource industries via resource linkages in industrial clusters (value chain analysis and integration);
- Small towns regeneration initiatives
- Investment and re-investment of resources in human resources development and research and development for technology development to capitalize on linkages opportunities (value chains); and
- Realization of CHDM and its Local Municipalities resource comparative advantages by overcoming its severe infrastructure and other constraints.

4.6 CORRIDOR DEVELOPMENT CONCEPTS

Concept 1: Idealized Development Concept Configuration



Source: Mintek (2006) in Thomas (2009) Concept 2: Generic Components of a Corridor



Source: Marrian (2001)

5 CHDM CORRIDOR DEVELOPMENT PLAN PROPOSALS

5.1 INTRODUCTION

This section presents the proposals for the CHDM Corridor Development Plan. At the background of the proposals the following questions drawn from the term of reference are asked: "Is a Development Corridor strategy for CHDM a sensible and practical way to accelerate and leverage in private sector investments, enhance infrastructure provision, boost productive capacity, and facilitate economic growth and development?. Who are the stakeholders whose participation is critical for the successful implementation of such as strategy and what must they do to make a strategy like this work?"

5.2 SUMMARY OF KEY ECONOMIC OPPORTUNITIES WITHIN VARIOUS CORRIDORS

Agriculture, Forestry and Asgisa Projects			
East Corridor (1)	North-East Corridor (2)	West Corridor (3)	North-South Corridor (4)
Cofimvaba and Tsomo area; <ul style="list-style-type: none"> Livestock production and expansion (goats, sheep, nguni cattle and pigs) 	Elliot and Cala area; <ul style="list-style-type: none"> Asgisa fruit project in Cala (peaches) Maize production 	Middleburg area; <ul style="list-style-type: none"> Irrigation scheme revitalization Game farming Eastern Cape bio-diesel 	Molteno and Sterkstroom area; <ul style="list-style-type: none"> Livestock farming (cattle, sheep, goats and pigs)

<ul style="list-style-type: none"> • Asgisa stone fruit project (peaches, plums, nectarines) in Cofimvaba area • Revitalization of Ncora, Qamata and Tsojana for high value crops – essential oils, aloe, bio-fuel, medicinal crops), maize, green fooder. • Thatch grass in Tsomo area • Hydroponics project • Poultry project • Agriculture infrastructure development • Expansion of existing forestry <p>Ngcobo area;</p> <ul style="list-style-type: none"> • Massive maize production • Irrigation revitalization for high value crops, e.g. Eastern Cape bio-diesel Programme • Agriculture infrastructure development • Livestock production • Asgisa livestock project (heifers and bulls) • Expansion of existing forestry 	<ul style="list-style-type: none"> • Livestock production and expansion • Fruit production • Fodder production <p>Indwe and Dordrecht area</p> <ul style="list-style-type: none"> • Fodder production • Orchards • Game farming • Tshatshu Irrigation Scheme revitalization for crop and livestock production <p>Lady Frere area</p> <p>Poultry farming</p>	<p>Programme</p> <p>Cradock and Middelburg areas;</p> <ul style="list-style-type: none"> • Irrigation expansion in Fish River around Cradock for sugar beet production • Livestock production • crocodile farming • Dairy farming • Eastern Cape Aloe Ferrox Beneficiation Programme <p>Tarkastad and Hofmeyr areas</p> <ul style="list-style-type: none"> • Eastern Cape bio-diesel Programme • Livestock production 	<ul style="list-style-type: none"> • Game farming • Forestry plantation • Shilo irrigation revitalization for dairy farming and maize production
--	--	--	---

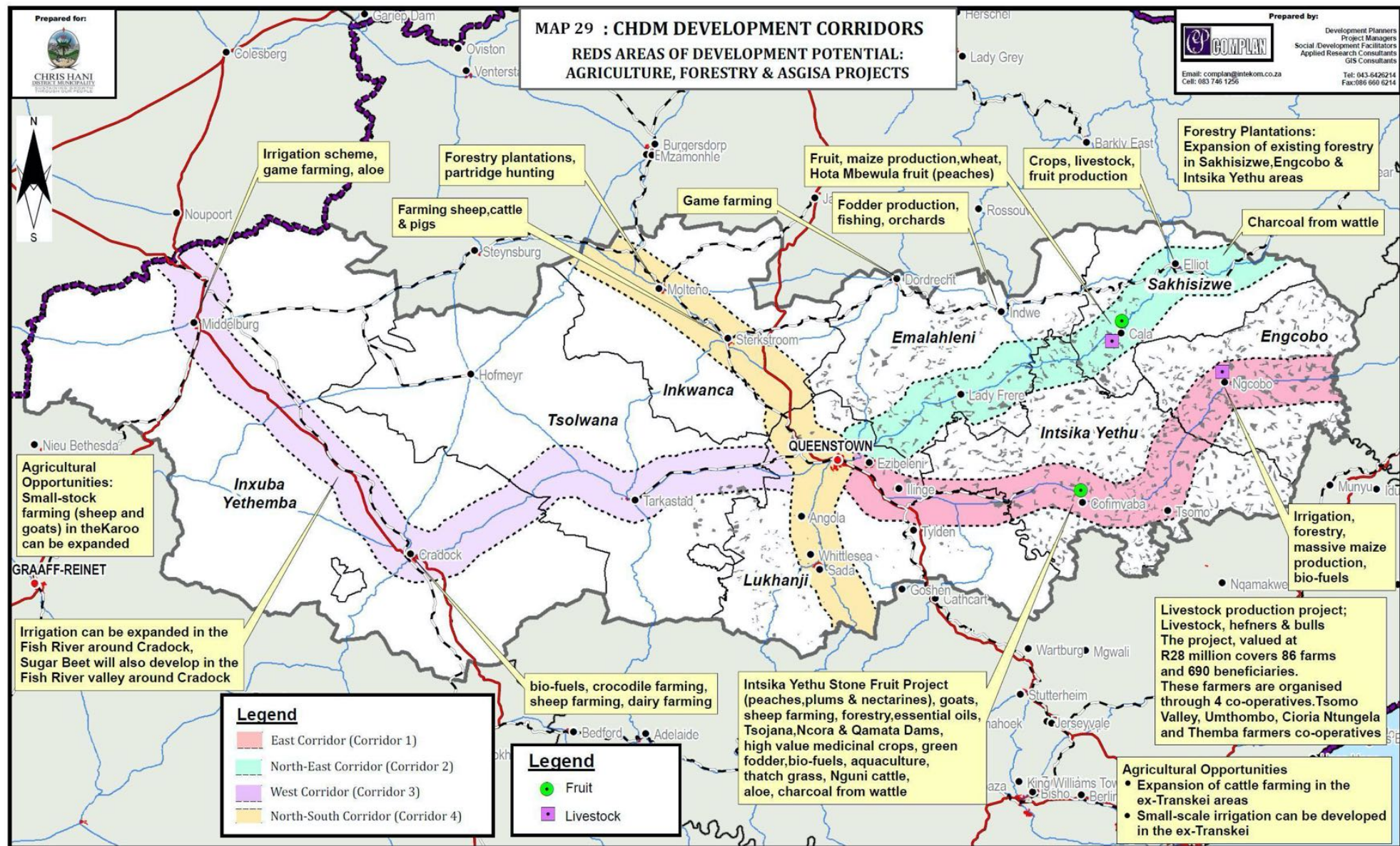
Manufacturing and Mining			
East Corridor (1)	North-East Corridor (2)	West Corridor (3)	North-South Corridor (4)
<p>Cofimvaba and Tsomo areas</p> <ul style="list-style-type: none"> • Sawmills and chip board industries • Charcoal manufacturing • Quarry industry in Cofimvaba • Brick making in Tsomo • Furniture making <p>Ngcobo area</p> <ul style="list-style-type: none"> • Sawmills and chip board industries <p>Ilinge area</p> <ul style="list-style-type: none"> • Art and craft industry 	<p>Elliot and Cala areas</p> <ul style="list-style-type: none"> • Canned fruit factory in Cala • Saw mill in Elliot area <p>Indwe and Dordrecht area</p> <ul style="list-style-type: none"> • Coal mining in Indwe area • Wind energy production between Indwe and Dordrecht 	<p>Cradock and Middelburg areas;</p> <ul style="list-style-type: none"> • Limestone mining for tiles in Cradock area • Processing of sugar beet in Cradock • Waste recycling project in Middelburg <p>Tarkastad and Hofmeyr areas</p> <ul style="list-style-type: none"> • Leather tanning in Tarkastad 	<p>Molteno and Sterkstroom area;</p> <ul style="list-style-type: none"> • Tanning of hides, recycling of waste and orchre mining in Sterkstroom • Coal mining in Molteno • Clay brick manufacturing in Molteno • Wind energy production between Molteno and Sterkstroom • Industrial park/sites in Queenstown and Ezibeleni • Furniture industry in Queenstown • Chicken abattoirs in Queenstown • Dairy processing in Queenstown and Whittlesea

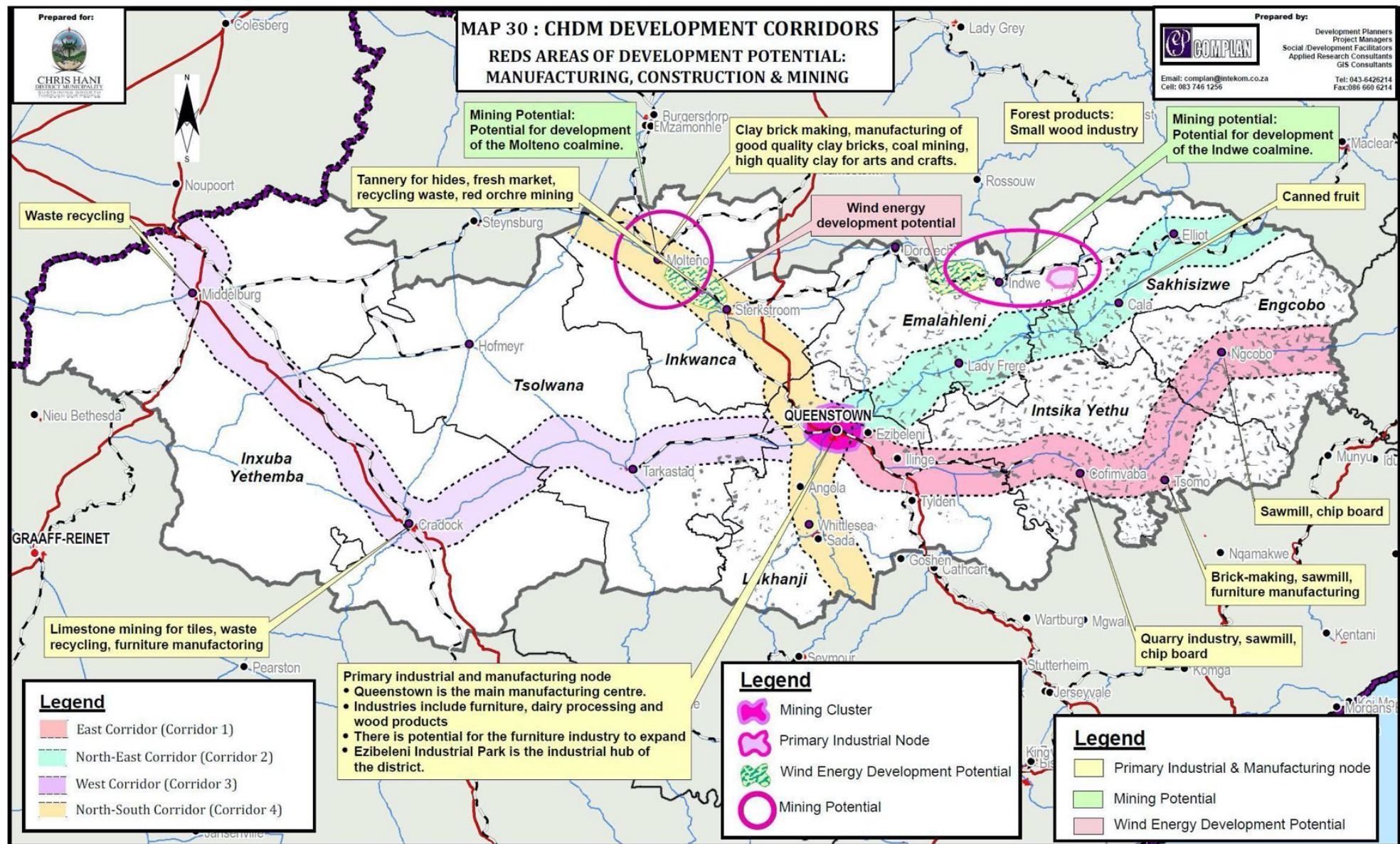
Tourism Development			
East Corridor (1)	North-East Corridor (2)	West Corridor (3)	North-South Corridor (4)
<p>Cofimvaba and Tsomo area</p> <ul style="list-style-type: none"> • Liberation route • Dams for water sports 	<p>Elliot and Cala areas</p> <ul style="list-style-type: none"> • Beautiful scenery in Elliot area • Rock paintings,conference 	<p>Cradock and Middelburg areas;</p> <ul style="list-style-type: none"> • Mountain Zebra National Park near Cradock • Natural scenery 	<p>Molteno and Sterkstroom area;</p> <ul style="list-style-type: none"> • Ago-tourism zone • Battlefields in Molteno

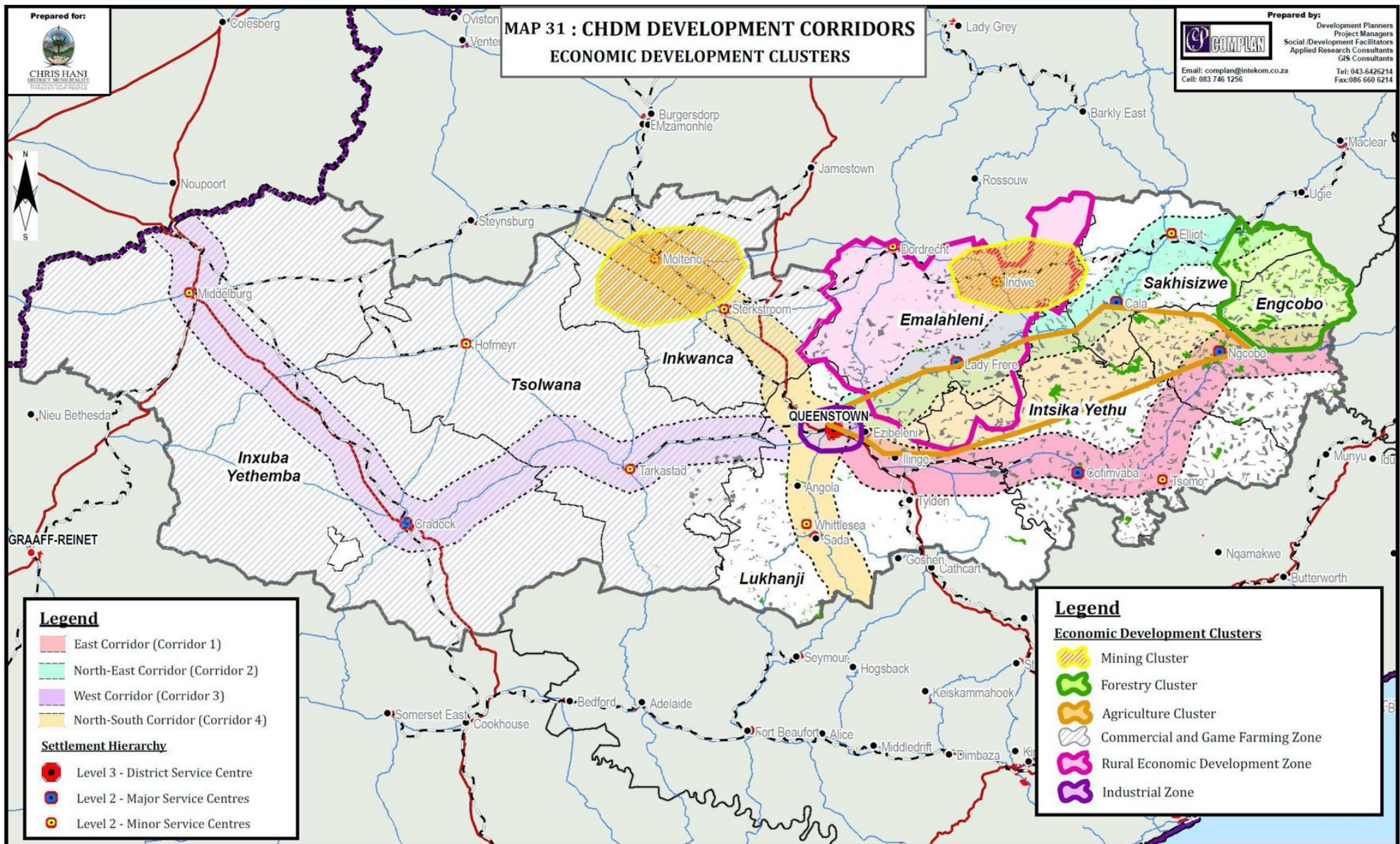
<ul style="list-style-type: none"> • Cultural tourism Ngcobo area <ul style="list-style-type: none"> • Liberation heritage sites • Beautiful scenery 	facilities, hiking trails in Cala <ul style="list-style-type: none"> • Cultural tourism in Cala Indwe and Dordrecht area <ul style="list-style-type: none"> • Mountain hiking trail in Dordrecht Lady Frere area <ul style="list-style-type: none"> • Nature heritage • Clay art and craft • Ecotourism • Hiking and adventure tourism • Water sports (Xonga Dam) • Cultural village • Conference centre 	<ul style="list-style-type: none"> • Craft production Tarkastad and Hofmeyr areas <ul style="list-style-type: none"> • Game tourism • Nature tourism • Dams for water sports 	<ul style="list-style-type: none"> • Molteno dam as picnic site <ul style="list-style-type: none"> • Game tourism in Sterkstroom area • Hotel accommodation with conference centre and gambling facilities in Queenstown • Business tourism in Queenstown
--	--	---	---

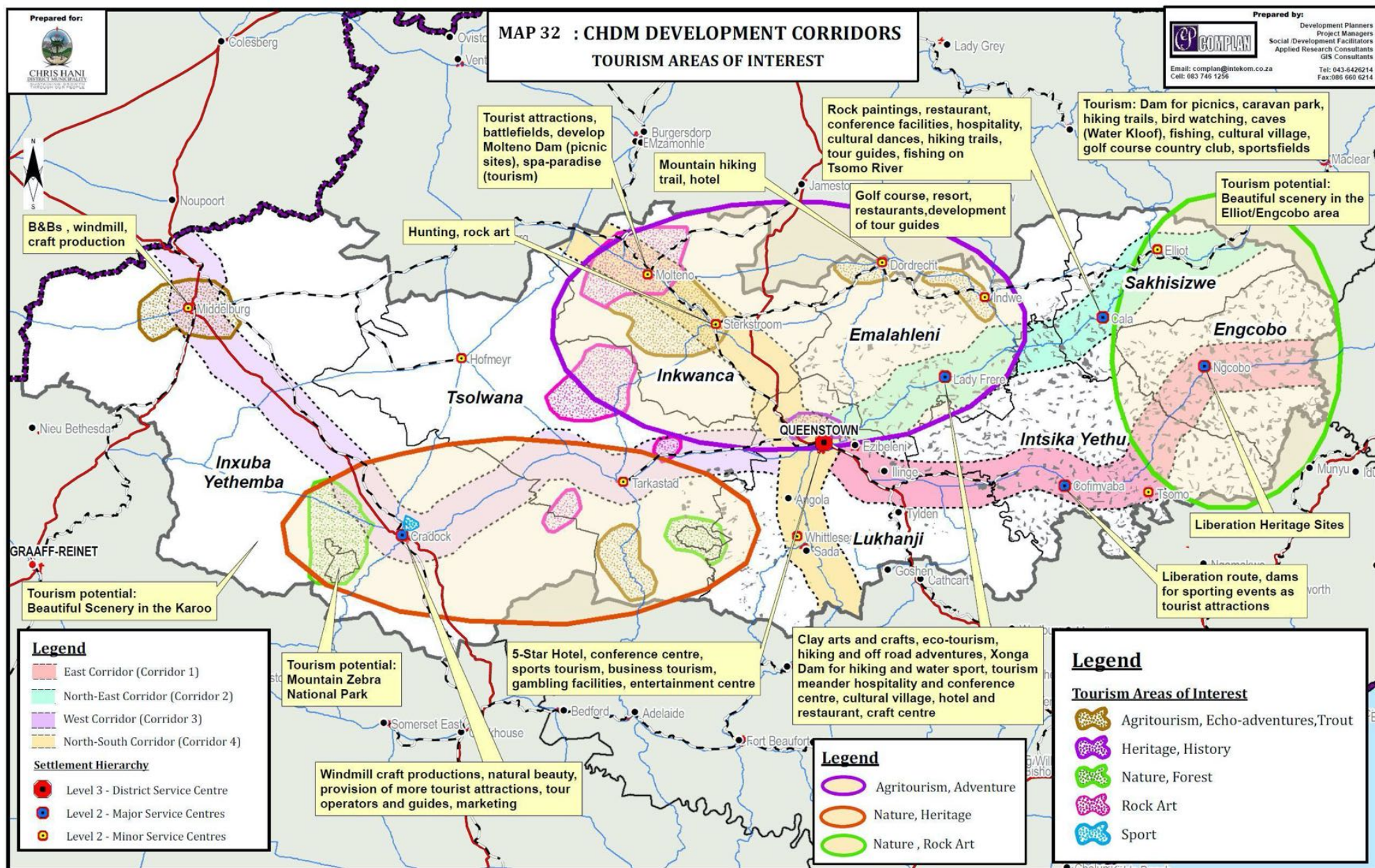
Land Reform and Settlement Development Proposals			
East Corridor (1)	North-East Corridor (2)	West Corridor (3)	North-South Corridor (4)
Cofimvaba, Ngcobo, Ilinge and Tsomo areas <ul style="list-style-type: none"> • Development Support Zones • Settlement formalization and densification • Small town regeneration strategy for Ngcobo and Ilinge 	Elliot, Cala Lady Frere area <ul style="list-style-type: none"> • Development Support Zones • Settlement formalization and densification • Special land reform projects • Small town regeneration strategy for Elliot, Cala, Lady Frere Indwe and Dordrecht area <ul style="list-style-type: none"> • Small town regeneration strategy for Indwe and Dordrecht 	Cradock, Middelburg Tarkastad and Hofmeyr areas; <ul style="list-style-type: none"> • Small town regeneration strategy for Cradock, Middelburg, Tarkastad and Hofmeyr 	Molteno and Sterkstroom area; <ul style="list-style-type: none"> • Development Support Zone for Sada/Whittlesea • Small town regeneration strategy for Molteno, Sterkstroom, and Sada/Whittlesea • Queenstown CBD revitalization

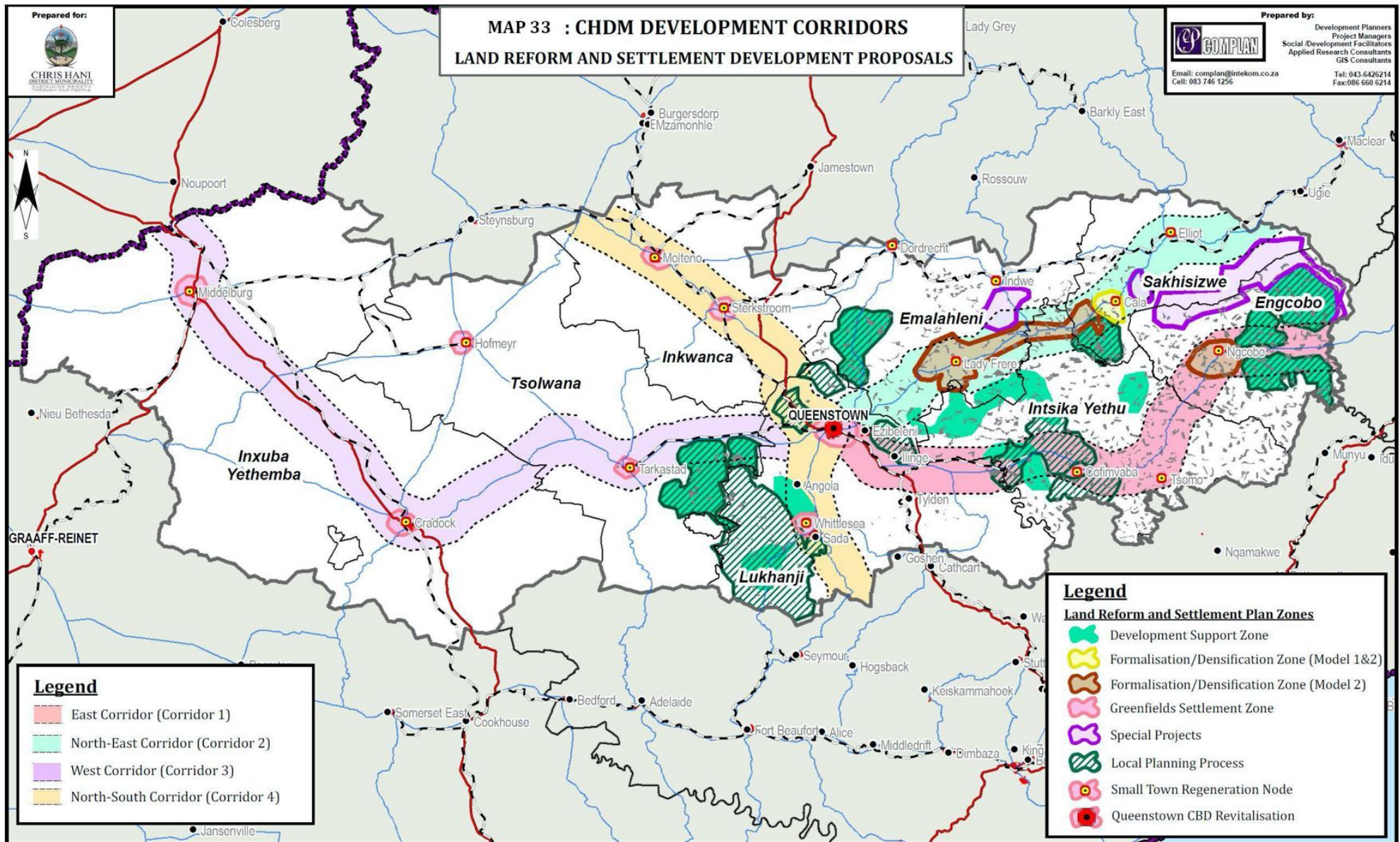
Services, retail and logistics			
East Corridor (1)	North-East Corridor (2)	West Corridor (3)	North-South Corridor (4)
<ul style="list-style-type: none"> • Service and retail centres of Cofimvaba, Tsomo and Ngcobo 	Elliot; <ul style="list-style-type: none"> • Airstrip Cala; <ul style="list-style-type: none"> • skills training, hospice for HIV/Aids Indwe; <ul style="list-style-type: none"> • Railway line to be revived Dordrecht; <ul style="list-style-type: none"> • Railway line to be revived Lady Frere; <ul style="list-style-type: none"> • Service centre 	Middelburg; <ul style="list-style-type: none"> • Ultra-City Cradock; <ul style="list-style-type: none"> • Mall and shopping centre, transport business Tarkatad; <ul style="list-style-type: none"> • Transport business, revival of railway line, community radio 	Queenstown; <ul style="list-style-type: none"> • Logistic park • Public transport system • Railways, • Warehouses, • Airport, • Industries • Retail centre • Skills and capacity training facilities











6. VALUE CHAIN ANALYSIS AND INTEGRATION

Fig.: Value Chain for Beef and Mutton

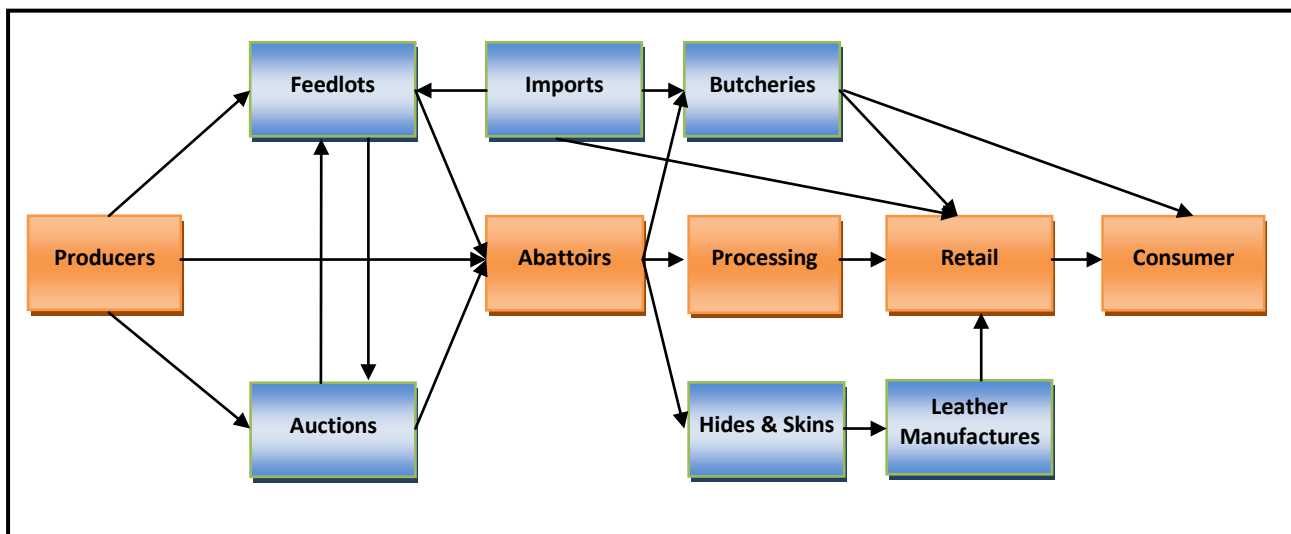


Fig.: Value Chain for Dairy Industry

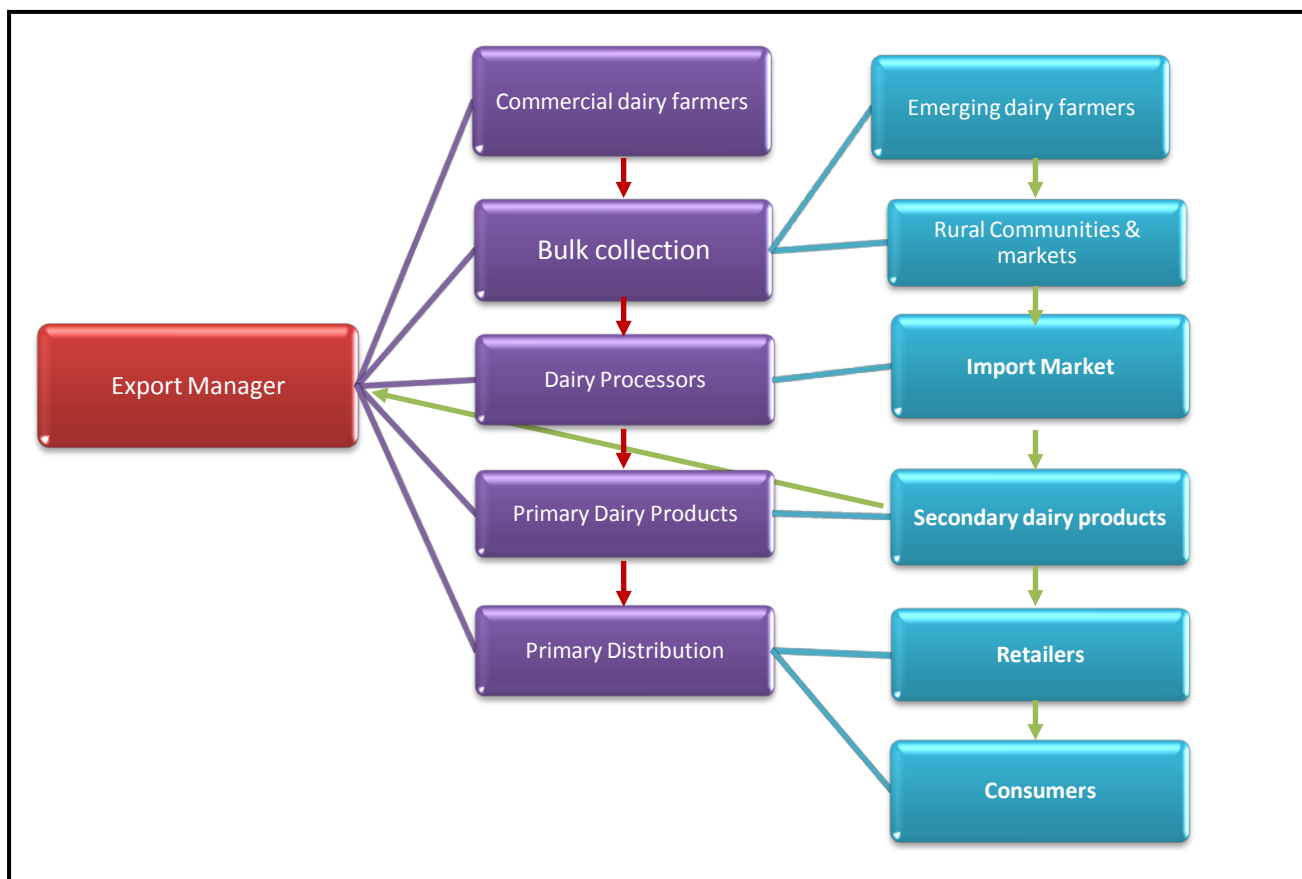


Fig.: Value Chain for Broiler Industry

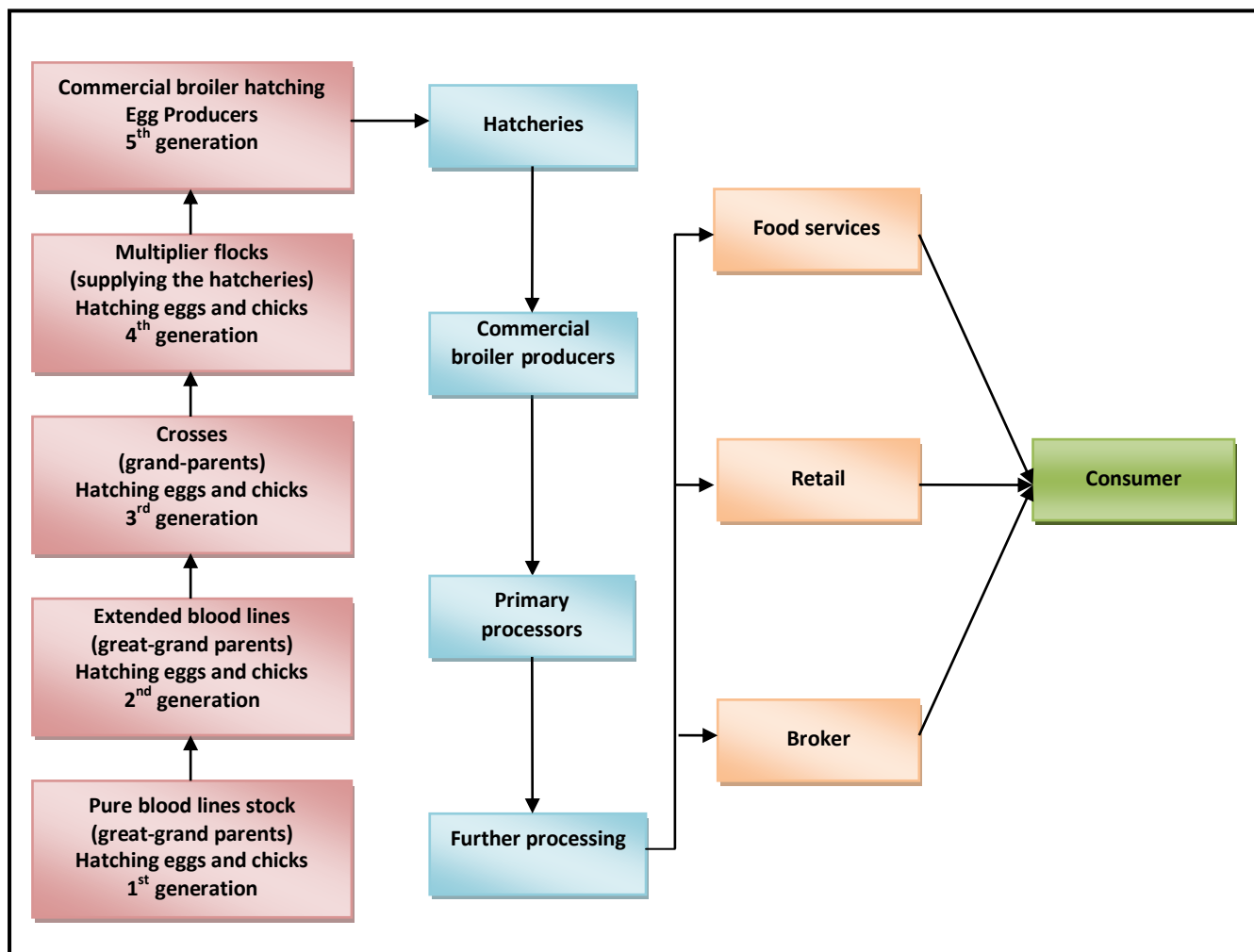


Fig.: The Timber Value Chain

