



rural development
& land reform

Department:
Rural Development & Land Reform
REPUBLIC OF SOUTH AFRICA

Priority Districts Analyses:

High impact (catalytic) infrastructure intervention areas for economic transformation

Cluster 4 Report: For Priority Districts in Eastern Cape, Free State and KwaZulu-Natal

Districts of Xhariep (Free State), Joe Gqabi, Alfred Nzo, O.R. Tambo, Chris Hani and Amathole (Eastern Cape), and Sisonke and Ugu (KwaZulu-Natal)

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Department of Rural Development and Land Reform:
Rural Infrastructure Development

Contact person: Clinton Heimann
heimann@ruraldevelopment.gov.za

Contact persons & numbers for CSIR team:

CSIR, Built Environment. Spatial Planning and Systems unit:

Elsona van Huyssteen evhuyssteen@csir.co.za Tel 021-8882509

Johan Maritz jmaritz@csir.co.za Tel 012-8412928

Acknowledgements

Project team:

DRDLR: Clinton Heimann, DDG Leona Archer

CSIR Built Environment: Elsona van Huyssteen, Johan Maritz, Jo-Anne Chauvet, Gerbrand Mans, Mawande Ngidi, Cheri Green, Willemien van Niekerk, Alize le Roux, Maria Coetzee, David McKelly, Andre Breytenbach, Pierre du Plessis, Nontembeko Dudeni-Tihone, Renee Koen

CSIR Meraka: Koenrad Wessels

EDD: Damon Mathfield, Wendy Maphira

For inputs, comments feedback, contribution: DRDLR regional officers, Directors, 23 District Municipality Representatives, Sector Department Representatives including: Department of Agriculture, Forestry and Fisheries, Economic Development Department, Co-operative Government and Traditional Affairs, Department of Human Settlements, Department of Public Works, and Department of Water Affairs, as well as the Presidential Infrastructure Co-ordinating Committee.

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GLOSSARY OF TERMS

In the context of the report:

- District – refers to a District Municipality (in terms of the Municipal Systems Act, Act 96 of 2000) and its area of jurisdiction.
- Local – refers to a Local Municipality (in terms of the Municipal Systems Act, Act 96 of 2000) and its area of jurisdiction.
- Cluster – refers to a group of Districts, clustered together for the purpose of analyses due to their geographic proximity and some similarities such as settlement structure, topography, and other socio-economic characteristics.
- Provincial – refers to the area of jurisdiction of a Provincial government, established in terms of the Constitution of the Republic of South Africa.
- Regional – refers to an area that is characterised by certain activities, homogeneous characteristics and/or functional interactions, for example a tourism region or regional corridor, or crop production area. For the purpose of the report the term region is used when an area under discussion is not bound by administrative boundaries and usually spans across local and/or district municipal boundaries. Also, the term 'region' does not refer to areas that span the extent of more than one country, but would include areas as set out above, where functional linkages span across district, provincial and/or national borders.
- SACN/CSIR Settlement Types¹:
 - A **city** is a place that together with its functionally linked urban areas is home to a population of more than 400 000 people; it has significant multi-nodal economies; plays a significant role in the region in terms of service delivery and the economy; play a major role in government and commercial service delivery; has a relatively high economic growth rate; and attracts people.
 - A **regional centre** is a medium and high order town that plays a prominent role in offering services to the hinterland. These towns typically have large populations in densely settled areas, or are towns in resource-rich areas that are relatively accessible, or are smaller towns playing a key service function in a more isolated and less accessible area.
 - **Service centres** are smaller towns that seem to fulfil a particular service role within the local area. These centres may have a small service index but serve a large population, or serve a small population in a sparsely populated or isolated area.
 - **Local and niche towns** are small towns that fulfil a local function or fulfil a particular niche function. Such towns have a smaller population and economic activity and are geographically more evenly distributed throughout the country than settlements in other categories.
 - **High density rural areas** are densely populated but play a very limited service role and are often under traditional land ownership.

¹ Van Huyssteen, E.; Biermann, S.; Naudé, A. & Le Roux, A. (2009). Advances in spatial analysis to support a more nuanced reading of the South African space economy, in Urban Forum, Vol. 20, pp195–214.

Section 1: Background and Framework

1. Project Background

In July 2011, Cabinet unveiled 12 implementation plans for immediate action by government. Action Plan 6 called for “Scaling up rural-development programmes including investment in rural areas and the revitalisation of smaller towns”. Responsibility for implementing Action Plan 6 was given to the Department of Rural Development and Land Reform (DRDLR) in conjunction with the Presidency. In response to Action Plan 6 – to adequately align the spheres of government and other state entities around core priorities for rural development – 23 district municipalities have been identified as the focus areas for rural development (Figure 1.1). More recently a 24th district (Umgungundluvu) was included in the focus of DRDLR and is included in some of the latest analyses. These priority rural districts areas are home to almost 18 million of South Africa’s rural residents, many of which are living in poverty. The districts are all experiencing high levels of poverty, service constraints, high unemployment and low levels of economic development and are therefore also described as distressed districts.

In order to enhance the impact of intensified government investment in these areas, the regional economies and the increasing number of dense settlements, the DRDLR has initiated a review of current developmental realities and potential, as well as of the opportunities and blockages associated with current government investment. Where possible, the analyses also extended to the broader South African context, including other rural areas as well. The analyses have been conducted at a district and settlement specific level, but within the regional context of the four clusters as set out in Figure 1.1.

The main aim of the project was to enhance impact of intensified government investment in the priority rural districts, primarily in support of agrarian reform. The key components of the project entailed:

- An analyses of key development and government investment trends in the 23 districts, in some cases including the whole of South Africa (see www.stepsa.org.za/regionalprofiler/projects/23prioritydistricts for range of project reports, presentations and methodology description Annexures);
- Development of a framework for economic transformation of infrastructure investment, informed by the above analyses and aimed at providing a point of departure to guide and focus for infrastructure investment (see www.stepsa.org.za/regionalprofiler/projects/23prioritydistricts)
- Identification of investment areas for the 23 Priority District based on the above analyses and framework for investment.

In order to support planning and implementation at municipal, provincial and national level, the analyses as well as information that was used in the analyses are being made available through a range of reports, presentations, pdf maps and tables, as well as GIS data sets on www.stepsa.org.za/regionalprofiler/projects/23prioritydistricts.

What is evident is that major investment is taking place in the form of access to basic services. In many areas this is by far the biggest investment that will take place in a number of years, and as such provides the single biggest opportunity for the transformation of investment in support of government's goals (as set out in the National Development Plan (NDP)) of stronger regional economies and employment, increased quality of life and the cutting of carbon emissions by 2014. In addition, it is evident that household food security will have to be addressed in a much more integrated way, including employment and entrepreneurship opportunities through unlocking regional economic and agricultural potential.

Some of the key analyses and trends (see www.stepsa.org.za/regionalprofiler/projects/23prioritydistricts) include:

- Settlement specific population growth and decline analyses – indicating vast differences between regions;
- Inter-regional migration patterns – showing vast numbers of regional and local movements and centralisation trends;
- Detection of settlement change – illustrating local concentration and settlement consolidation (especially in tribal authority areas) - “townisation” of rural SA;
- Settlement specific analyses of socio-economic and service dynamics through census data such as population growth, age, income levels, employment and levels of service delivery – identifying continued population growth, especially youth in dense settlements. High levels of dependencies, as well as continued backlogs for basic services concentrated in high density settlements and towns across the districts;
- The districts are also characterised by low levels of household food production for consumption;
- Economic growth pockets and economic potential have been identified both in terms of existing activity, market potential and resource rich and priority ecosystem service areas;
- Significant government investment in areas – however, largely focussed on basic service provision, often uncoordinated, difficult to measure overall impact due to different indicators of reporting used; and often investment in non-catalytic projects;
- Environmental degradation and vulnerabilities, as well as transport and water infrastructure have been considered, however detailed studies with regards thereto are available via the respective sector departments.

Following on the above, and through embarking on a much needed bottom-up approach with the relevant municipalities and provinces, the DRDLR, in collaboration with key national departments, has identified a number of key catalytic opportunities for rural infrastructure and economic transformation.

With regards to **short term interventions** the need was identified for:

- a framework of rural economic transformation to fundamentally shift the nature of inter-governmental infrastructure investment and implementation support;
- the identification, validation and implementation support for a number of locally identified catalytic projects in the respective districts as a first tangible step in the process; as well as,
- the identification of priority settlements and areas for high impact (catalytic) and differentiated service, as well as economic infrastructure investment (Action Plan 6, as well as SIP11 and also informing SIP6) – of which this report forms part of.

Medium to long term interventions identified are:

- on-going implementation support to local municipalities and sector departments, as well as monitoring and evaluation of catalytic project implementation (Action Plan 6);
- on-going identification of opportunities and priority settlements and areas for differentiated investment and service delivery in support of rural development and economic transformation (Action Plan 6, as well as SIP11 and also informing SIP6); and,
- a mechanism to inform monitoring and evaluating in order to redirect and ensure higher impact of investment in support of rural economic transformation.

2. Overview of analyses framework

During the above process a number of key challenges and opportunities were identified. Challenges include:

- The clear emphasis by national departments in **addressing remaining (and ever increasing) backlogs** to provide communities with access to basic services (water, sanitation, electricity) and meet sector specific targets, as well as the reality that in numerous areas this investment will have to continue and be up-scaled in future;
- The financial feasibility of municipalities and the environmental implications and sustainability of **increased demands for water and sanitation in growing and densifying rural settlements**. This is placing a huge burden on government's ability to provide services in a sustainable way, as well as being able to redirect funds towards job creation initiatives;
- The enormous challenge in **creating sustainable livelihoods and jobs** within a context of regional economic potential and the well documented capacity constraints in implementation; and,

- The way in which current funding and planning systems, as well as limited local capacity, **marginalise direct municipal involvement**, and the coordination of investment at a local level in support of economic transformation.

Opportunities include:

- Differentiated and more sustainable service delivery options are available and can be implemented to support ecosystems as well as municipal financial viability;
- The provision of basic services provides an enormous opportunity for sustainable job creation;
- Potential exists to support local economic transformation and agrarian reform through the identification of key opportunities and investment potential at a strategic regional scale – including opportunities associated with large scale infrastructure provision, agriculture and collaboration with regional role players within specific clusters/initiatives;
- The successful implementation and roll out of the Municipal Infrastructure Services Agency (MISA); and,
- The DRDLR mandate and coordination role allows the DRDLR to be ideally geared to put in place support for municipalities through local rural development desks. These can facilitate a process to directly influence national investment and prioritisation, and set in place agreements to facilitate and coordinate implementation for enhanced impact on a local scale. Thus, creating people-centred rural economic transformation.

Embarking on a much needed bottom-up approach with relevant municipalities and provinces, the DRDLR, in collaboration with key national departments, initiated a catalytic pathway towards rural economic transformation (Figure 2.1). In essence, this catalytic pathway towards rural economic transformation, set in place by DRDLR, is based on (i) A shared agreement to shift investment and focus from mere service provision towards economic transformation – as set out in the ‘23 District Economic Transformation Plan’ Framework (see Figure 2.1); and (ii) a bottom-up process, where DRDLR will continue to play a key role in facilitating and coordinating the strategic prioritisation of catalytic interventions and implementation among the local municipalities, key national departments and other stakeholders.

In addition to the above, catalytic projects identified by local municipalities, have been fed into the above process and validating and refining them as currently being undertaken. However, in support of prioritisation and monitoring by local and district municipalities, as well as by provinces and the relevant national sector departments, more detailed and differentiated profiles of dense rural settlements and priority investment areas and settlements have been developed. In collaboration between DRDLR, the Economic Development Department (EDD) and the CSIR this analyses is supported by an indication of significant growth trends and projections, risks and vulnerabilities and regional potential to support the design and implementation of government investment in support of economic transformation and regional development.

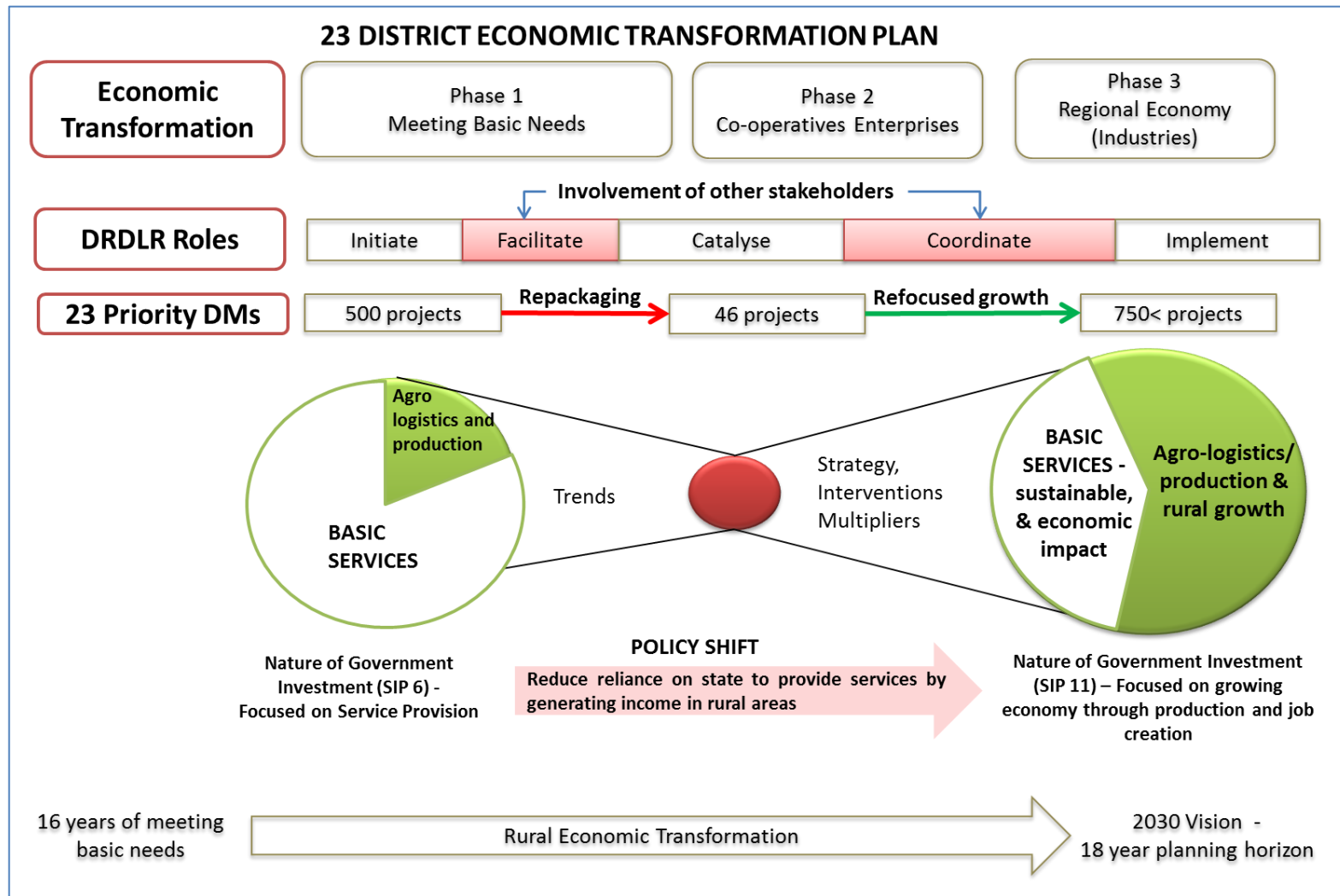


Figure 2.1: District Economic Transformation Plan

Within the context of this framework, priority investment initiatives/areas (investment of specific types in specific areas), can be described as areas where government investment in infrastructure can strategically be utilised as catalysts for economic development. Primarily by having a more effective and sustainable, as well as wider scale impact with regards to creation of economic and industrial, service delivery opportunities, as well as formal and informal job creation. Priority intervention areas in the 23 districts are thus typically:

- Areas/places where communities are socially and economically vulnerable, where investment in basic services is a reality and where this will need to be supported in future due to large population bases and/or growth. It is however, exactly this government invest which provide huge opportunities to re-imagine green economy SMME creation, maintenance a job or job creation etc.; and,
- Service nodes and infrastructure types, where investment has a huge opportunity to strengthen regional and local economic activity, as well as service and economic regions.

The impact of the outputs is foreseen firstly in the support of implementation of existing catalytic projects, secondly in identifying future catalytic projects, and thirdly, in informing strategic development choices in IDPs, in sector planning as well as in the broader rural development framework (See Figures 2.2 and 2.3).

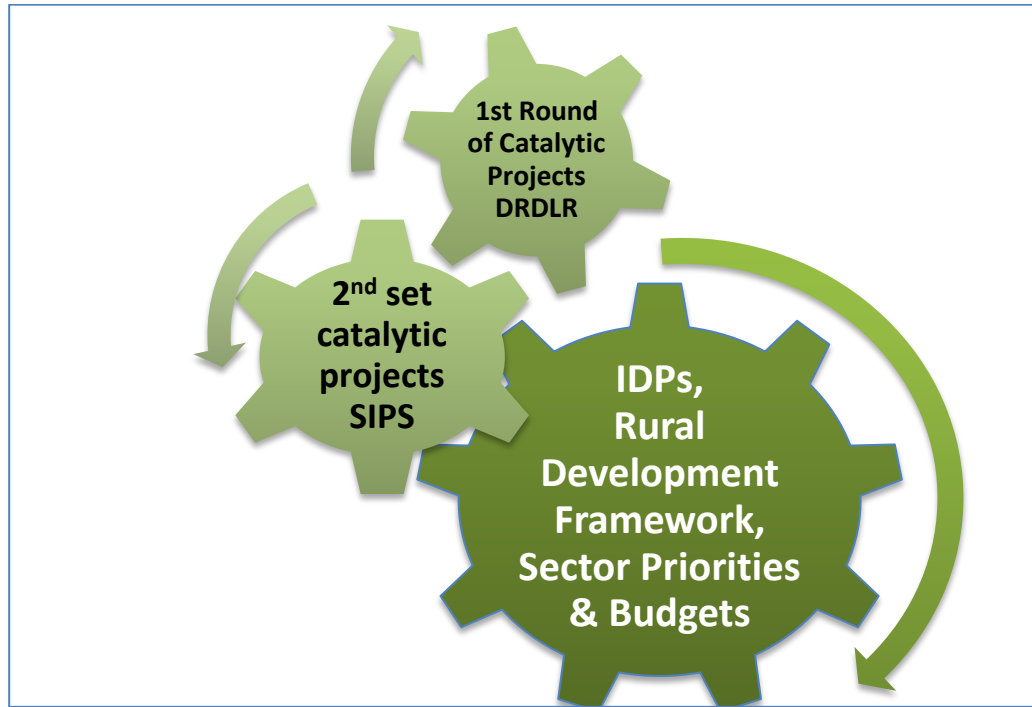


Figure 2.2: Potential Catalytic Impact of analyses on Infrastructure Investment

An analysis of existing government investment in the area clearly illustrates the enormous role of primarily MIG funding for basic services, as well as the quota existing capital and operational investment in government services. Given the objective to obtain economic transformation by redirecting the focus and impact of government's infrastructure investment, it is critical to firstly consider transforming existing/planned government investment to have more impact in terms of job creation, priority target areas and investment impacts and secondly consider new types and areas of investment.

In light of the key objectives and approach set out in the Framework for Economic Transformation, and the specific regional development realities, a number of key investment focus areas have been identified (see Figure 2.3).

Identification of priority infrastructure investment areas

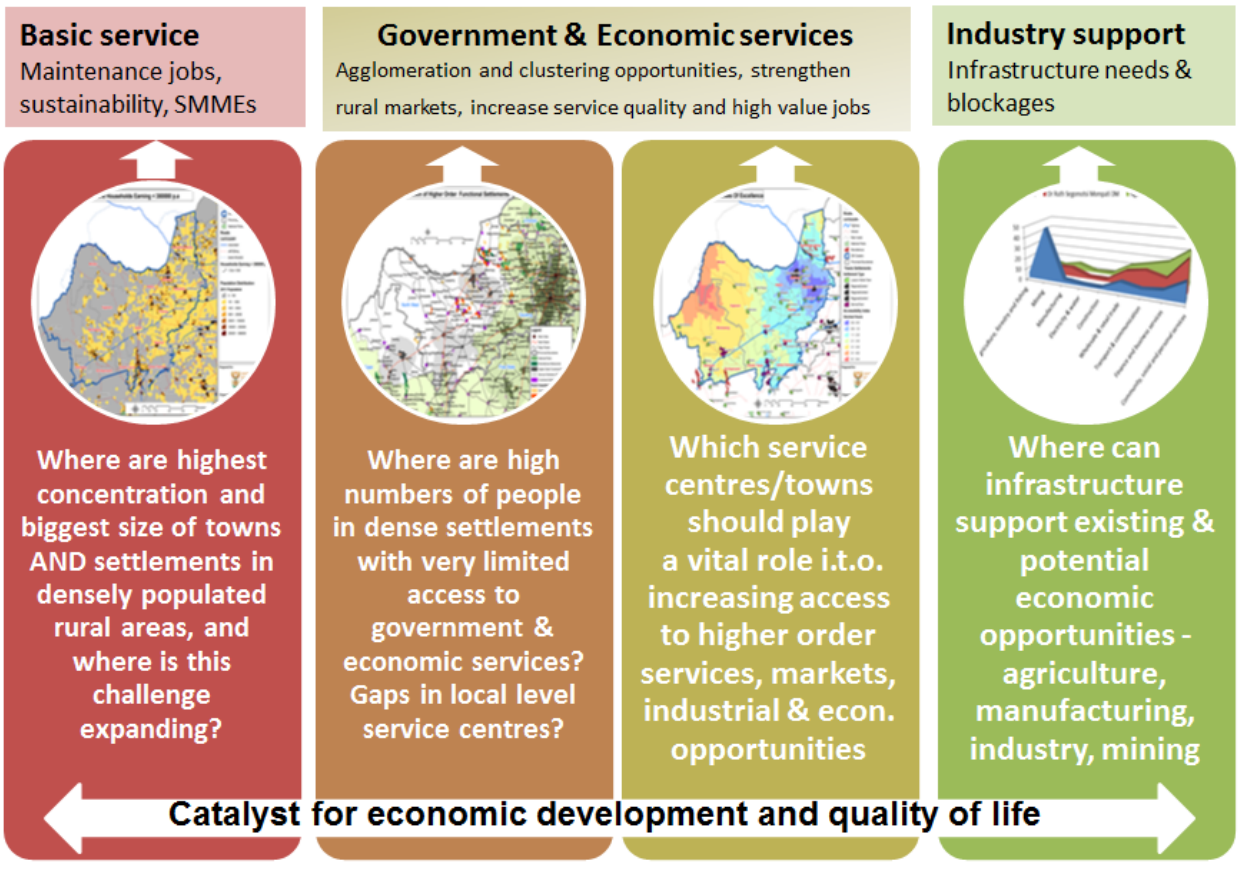


Figure 2.3: Questions Driving the Analyses

In order to address the above key questions, a wide range of analyses have been conducted. The analyses covered a range of aspects, as set out in the list of key spatial and settlement analyses and the basic analyses of existing formal economic activities undertaken. In order to provide an overview of development realities and opportunities, as well as identify the priority investment areas as set out above, the following analyses have been conducted (See Section 2):

- Theme 1: Where are places in the Priority Rural Districts that are under huge developmental pressure due to large numbers of population, a growing population?
- Theme 2: Where are the places in the Priority Rural Districts that are under huge pressure due to high levels of service backlogs and social vulnerability (including low income, high dependency and low employment ratios)
- Theme 3: Where are the economic development strengths, sectors and areas in the priority rural districts?
- Theme 4: Where are the areas that should be prioritised for consolidation and protection of prime rural production areas/zones?
- Theme 5: Within high density rural areas or outstretched regions, which anchor points can play a key role as government service nodes, and market concentration areas - for government and economic services, both at local level and regional level?

Transforming infrastructure investment is thus regarded as a potential catalyst, not only in changing the fate of the 23 most distressed districts in the country, but also for rural development in the broader South African context. However, given the high density and concentrated nature of settlement and the characteristics of these specific areas, innovative practices need to be pioneered to move towards the Vision 2030 and the interrelated targets of: (i) economic growth and employment creation; (ii) increased quality of life and a higher human development index; and, (iii) a lower dependency on carbon intensive resources, as set out in the National Development Plan (2011).

The investment proposals are set out in a diagrammatic way in Figures 2.4 to 2.8.

Basic Innovation	Service	High density settlements and growing towns - Utilise basic service provision, alternative technology and maintenance as sustainable jobs and technology driver
Quality of Life		Increase Household Level
Opportunities		Alternative technology & Maintenance value chains SMMEs
Jobs		Quick wins, Capital investment, EPWP, Longer term maintenance
Other		Skills development, Lower carbon footprint & resource inefficiencies



Figure 2.4: Investment – Basic Service Innovation

Create network of service nodes of **Accessible rural service nodes in areas with sprawling high density settlements, relative high household income & markets. Infrastructure and economic agglomeration opportunity points.**

Quality of Life	Increase HH service accessibility. Settlement upgrade.
Opportunities	<p>Infrastructure and economic agglomeration opportunity points.</p> <p>Differentiated roles for settlements & local procurement.</p> <p>Increased connectivity</p>
Jobs	Capital investment, EPWP, Longer term service sector
Other	Skills development, Lower travel times, increased efficiencies



Figure 2.5: Investment – Network of service centres

Establish & Protect Prime Rural Production Zones	Investment and protection of high value agriculture land, market access zones, ecosystem resources, tourism asset areas.
Quality of Life	HH and community income generation,
Opportunities	Agro-processing– link to settlement markets & local procurement, ecosystem resources
Jobs	Agriculture, beneficiation, tourism value chains. EPWP i.e. working for water (protected & degraded areas)
Other	Regional food and ecosystem security. Skills development

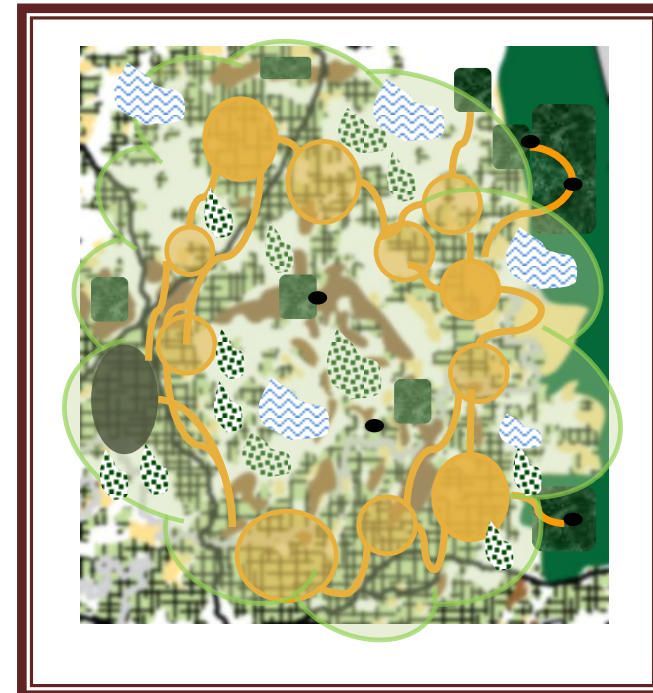


Figure 2.6: Investment – Establish and protect prime rural production zones

Rural Centres and/ Corridors of Excellence Capitalise on centralisation and accessibility to deliver high order services – Economic and Government driven services, facilities, consolidate regional markets.

Quality of Life	HH increase access to higher order services and economic opportunities. High order town/city upgrade.
Opportunities	Market demand for agriculture production (diary, vegetables, meat). Service levels increase. Investment confidence. Co-ordinate development
Jobs	Service sector, manufacturing and local procurement value chains
Other	Regional identity and lessen pressure on city regions.



Figure 2.7: Investment – Rural centres and corridors of excellence

Tap into benefits of large infrastructure/other projects	Capitalise on large scale infrastructure projects, SIPs, SEZs, mining opportunities
Quality of Life	HH - Increase diversity of opportunities for employment and skills development. Corridor & industrial zone infrastructure.
Opportunities	Value chain linkages, infrastructure upgrade, investor confidence
Jobs	Capital investment, EPWP, Manufacturing value chain
Other	Targeted investment coordination



Figure 2.8: Investment – Tap into benefits of large scale infrastructure/other projects

3. Purpose and Structure of the Report

The purpose of this report is to provide an overview of development realities and considerations for the identification of priority settlements and areas for high impact (catalytic) and differentiated service, as well as priority areas to foster economic infrastructure investment, in the eight Eastern Cape Cluster priority rural districts of Xhariep (Free State), Joe Gqabi (previously Ukhahlamba), Alfred Nzo, O.R. Tambo, Chris Hani and Amathole (Eastern Cape), and Sisonke and Ugu (KwaZulu-Natal). It also positions the catalytic projects as identified by the respective District Municipalities within the broader context of development realities in order for the respective role players to be able to make more informed decisions.

The respective cluster reports are available in electronic version (see www.stepsa.org.za/regionalprofiler/projects/23prioritydistricts).

The report is structured as follows:

- Section A provides a short background and project overview;
- Section B provides an indication of key development and investment realities and trends in the region, and identifies the priority settlements and areas for investment;
- Section C provides an overview of the 1st Round of Catalytic Projects (as identified by the respective District Municipalities) in relation to key development realities.

The project followed a phased approach of on-going engagement between the DRDLR, local and district municipalities, as well as a wide range of sector departments and other stakeholders. The engagement process was also supported and informed through a number of on-going technical studies and resultant findings to inform implementation and policy review.