

Province of the Eastern Cape



# **Strategy Framework for Growth and Development 2004-2014**



*South Africa*

*Approved by the Executive Council, Province of the Eastern Cape  
on 4 June 2003*

# ***Vision***

*Eastern Cape, a compelling place to live, work and  
invest in for all its people.*

## **FOREWORD**

I am happy to introduce this Strategy Framework for Growth and Development 2004-2014. It replaces the Provincial Growth and Development Strategy that we developed two years after the transition to democracy, and provides us with a guiding framework in our efforts to roll back the frontiers of poverty and facilitate economic growth. This new Strategy Framework is the product of joint deliberations by all of the provincial social partners and constitutes a consensus position on our growth and development path for the next ten years.

The strategic objectives contained in this Strategy Framework document will guide us in developing sectoral strategies and programmes to launch the Provincial Growth and Development Plan and in our planning activities throughout the 10-year planning period. I commit the Provincial Government to this Strategy Framework and to an on-going partnership with our social partners in the Province. Together we can create a Province in which all our people can contribute to our collective well-being.

**Rev. Makhenkesi Stofile**  
**Premier of the Eastern Cape**

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# **1 INTRODUCTION**

## **1.1 The Provincial Growth & Development Plan (PGDP)**

The Provincial Government of the Eastern Cape and its social partners are currently formulating a Provincial Growth and Development Plan (PGDP), in line with the national policy framework for socio-economic planning at provincial level. The PGDP will provide the strategic framework, sectoral strategies and programmes aimed at a rapid improvement in the quality of life for the poorest people of the Province. To do this the PGDP will set out a vision with quantified and sequenced targets in the areas of economic growth, employment creation, poverty eradication and income redistribution for the ten-year period 2004-2014.

This Plan represents a step forward from previous development planning processes in the Province, which have tended to be sectorally driven and fragmented, short-term and sometimes reactive. The PGDP gives the Eastern Cape the opportunity for medium-to-long range (10 year) strategic planning to prioritise and address major structural deficiencies in the economy and the conditions of society.

Extensive consultation and input from Provincial Government, public entities, municipalities, business, labour, NGOs, and higher education institutions in the planning process to date also mean that the PGDP will provide the opportunity for long term co-operation between the provincial social partners around a coherent socio-economic development strategy.

## **1.2 Purpose & objectives of the framework document**

The process of developing the PGDP is divided into two phases:

- Firstly, the development of an overarching Strategy Framework.
- Secondly, the translation of this strategy framework into detailed and sequenced sectoral strategies, plans and programmes.

This document – *The Eastern Cape Strategy Framework for Growth and Development 2004-2014* – is the outcome of this first phase. The main aim of the Framework Document is to articulate a consensus-based vision and quantified targets for Provincial Growth and Development through a clear strategy framework. This strategy framework will in turn lay the ground for the generation of policy options, the prioritisation of objectives, and the consequent development of sectoral strategies, plans and programmes.

The Framework Documents embodies the following:

- A clear vision for the long-term development of the Eastern Cape.
- An analysis of the causes of socio-economic underdevelopment in the Province.
- A review of development planning and its success in addressing core challenges.
- A summary of the socio-economic challenges to be addressed in the PGDP.
- Setting out the development opportunities to be seized by the PGDP.
- A quantified vision and sequenced targets for economic growth, job creation, poverty eradication, human development, and institutional transformation.
- A 10-year strategy for Provincial Growth and Development, identifying priorities and key programme thrusts.
- The sequencing of implementation and key programme priorities to set the direction for the second phase of the PGDP.

## **2 OVERVIEW OF POLICY & STRATEGY SINCE 1994**

### **2.1 National context**

In addition to national sectoral policies that frame the work of provincial and local governments, three inter-related national economic policy frameworks are relevant to the development of the PGDP: the RDP, GEAR and a range of micro-economic reforms that have been developed since 1994.

#### ***2.1.1 The Reconstruction and Development Programme***

In 1994 the South African and Eastern Cape economy were in an advanced state of decline evidenced by stagnant GDP growth, a net reduction in formal sector employment, and high levels of poverty and inequality. The national framework adopted to address these issues was the Reconstruction and Development Programme (RDP). In its own terms, 'The RDP integrates growth, development, reconstruction and redistribution into a unified programme. The key to this link is an infrastructural programme that will provide access to modern and effective services like electricity, water, telecommunications, transport, health, education and training for all our people' (ANC, 1994:6)

### **2.1.2 *The Growth, Employment and Redistribution Strategy***

Since 1994, but particularly since the announcement by government of the Growth, Employment and Redistribution Strategy (GEAR) in June 1996, national government implemented a macroeconomic reform programme that aimed at the stabilization of key aggregates. Key among these was a reduced fiscal deficit, an end to the Financial Rand mechanism, a shifting of the focus from exchange rate to inflation targeting with a view to reducing inflation and the real interest rate and an accelerated process of trade, financial and labour market deregulation and privatisation.

### **2.1.3 *Micro-economic reforms***

A series of microeconomic reforms were also introduced. Government liberalized imports through tariff reduction and encouraged exports through export marketing assistance. These measures sought to boost competitiveness and stimulate exports. Government policy also reflected a shift from demand side measures such as import controls, tariffs, and subsidies to supply side measures aimed at reducing costs and improving the efficient use of inputs. Government introduced a new competition policy and sector regulators, introduced a new labour dispensation, assembled a new institutional and legislative framework for small businesses and put in place adjustment programmes for sectors undergoing severe structural changes.

One criticism of the national policy framework has been a concentration upon macro-economic stabilisation at the expense of social spending and poverty reduction. More recent additions to the government's reform strategy include the Integrated Sustainable Rural Development and Urban Renewal Strategies focussed on rural and urban poverty, Spatial Development Initiatives and the Integrated Development Plans of the new local authorities.

## **2.2 Provincial context**

Three issues are relevant when considering policy and strategy at provincial level:

- The impact of national policy frameworks on the provincial growth and development.
- The performance of provincial government in policy development and implementation.
- The impact of the policy shift towards local government as the primary site of delivery.

### **2.2.1 The impact of national policy on the provincial economy**

Within the Eastern Cape, the national shift towards competitiveness and global economic integration has promoted growth in a number of export-focused sub-sectors, most notably the automotive sector. However, projected employment and growth targets under GEAR have not been met, and levels of savings and investment have not been adequate to underwrite real, sustained growth. Poverty is still a significant challenge and is still concentrated in the former Bantustan areas.

### **2.2.2 The performance of Provincial Government in policy development**

Provincial Governments have a somewhat limited role in developing economic, industrial and social sector policy, their main role being to coordinate and implement national policy. Provinces do, however, have a major service delivery role in education, health and social development and have oversight over local government in many areas of policy. Provinces therefore make major choices regarding the sectoral and spatial distribution of public expenditure. These choices, in turn, affect economic growth, job creation, and poverty eradication.

The Provincial Government developed the first Provincial Growth and Development Strategy (PGDS) in 1996 as an overall framework for socio-economic development in the Eastern Cape. Although the PGDS was not sufficiently informed by an integrated empirical understanding of socio-economic conditions in the Province, it did draw on national policy frameworks in highlighting the importance of dealing with poverty and in pointing to approaches to service delivery and sectoral interventions. Review of the first PGDS reveals the following constraints:

- The PGDS was not sufficiently 'owned' by Provincial Government Departments and the social partners. As a result, delivery remained constrained by lack of integration across departments and spheres of Government.
- After 1994, Provincial Government faced the challenge of creating a single provincial administration through merging six separate administrations, all of which displayed varying levels of administrative and institutional capacity. As a result, the period 1994 to 2000 was concentrated on stabilization, grappling with overspending, maladministration, and intractable administrative backlogs. During this time, the local sphere of government was also undergoing significant changes, posing many governance challenges.



- The broad goals of the PDGS were not translated into clearly defined programmes that could be translated into departmental plans. The lack of clarity at the level of programmes and projects was reflected in very limited attention to the linkage of the PGDS to the provincial budgeting process. No monitoring mechanisms were put in place to allow for reorientation of programmes during the lifespan of the PGDS, and no institutional mechanisms were established to allow for the reorientation of the strategic thrust following the development of new understandings and synergies between provincial social partners.

In tandem with on-going efforts to transform its departments, the Provincial Government is shifting its attention to more integrated approaches to service delivery, evidenced through the integrated programmes being driven by the newly established Cabinet Clusters. The building of administrative and institutional capacity remains a major priority, as does the establishment of effective partnerships with social partners in support of growth and development.

### ***2.2.3 The policy shift towards local government***

During the period of the PGDP, service delivery will increasingly shift from provincial to local government as powers and functions are transferred. This will require strengthening of the Integrated Development Planning process within District and Local Municipalities, with particular attention paid to issues such as the following: planning and project management capacity; financial management capacity; decentralisation of service delivery supported by increased and more effective flows of fiscal resources to the local sphere; strengthening of ownership of the IDP process by local communities, particularly the poor; effective integration of provincial and national programmes with Integrated Development Plans; strengthening of partnerships within the local sphere of government, particularly with civil society organisations supporting the strengthening of livelihoods at the household level. Vast disparities remain between historically well-resourced councils in the former CPA areas and historically under-resourced councils in the former homeland areas, both in institutional capacity and their revenue base. Local authorities are not geared to deliver on their development mandate, especially in the former Bantustan areas of the Province. The failure to seriously address these institutional and capacity requirements will undermine the consolidation of local democracy, as well as compromise the implementation of the PGDP in the same manner that the failure to adequately deal with capacity constraints in provincial government compromised implementation of the PGDS.

## **2.3 Lessons learned**

The following lessons stand out for the current PGDP planning process.

- Minimum capacities are required in Provincial Government and local municipalities to effectively plan and manage the implementation of programmes. PGDP programme implementation must proceed in tandem with capacity development and institutional strengthening so that the state is ready to facilitate growth and development.
- Participation and ownership by all government departments, municipalities, and other social partners in planning and implementing the PGDP are needed.
- Clear understanding is needed of the roles of the state, other agencies, and the social partners in promoting growth and development.
- The depth of poverty and the degree of inequality within the Province are major constraints on development. The social and economic aspects of growth and development cannot be separated.
- The Province has finite resources in support of growth and development. The PGDP must therefore develop clear and prioritised programmes within a strong strategic framework to leverage additional resources from national government, donors and the private sector.
- The provincial economy is concentrated on a limited number of sectors. Diversification of the productive base of the Province and developing linkages within and between sectors are therefore major goals within the PGDP.
- Planning and budgeting need to be closely linked. The PGDP must provide a strong strategic and programme planning framework to lead the allocation of state resources to development priorities.
- The establishment of effective local government to deliver services, to support the poor in taking ownership of development processes, and to lead social and economic development within municipal boundaries will require strong capacity and institutional development during the life of the PGDP.

## **3 CONSTRAINTS & OPPORTUNITIES**

This section sets out a series of constraints and opportunities faced by the Eastern Cape, identified in the Baseline and Constraints paper and other analyses of social and economic conditions. The strategy framework for growth and development over the period 2004-2014 has been formulated to address these constraints and seize these opportunities.

### **3.1 Constraints**

Most of the constraints stem from the severe poverty faced by much of the Province and the high inequality between:

- Poor, densely populated labour reserves and relatively affluent, sparsely populated commercial agricultural areas.
- Well-serviced urban centres and under-serviced townships and informal settlements.

An examination of statistical sources<sup>1</sup> reveals the scale of the structural challenges facing the Province.

#### **3.1.1 Poverty**

Poverty can broadly be defined in terms of a lack of access to opportunities for a sustainable livelihood. These opportunities can be characterised in terms of income, skills, knowledge, self-confidence and access to decision-making. However, socio-economic data at a provincial scale do not allow for an analysis of all of these dimensions, many of which are understood best at the micro level. Not only is further refinement of quantitative data on poverty in the Province needed; the outcomes of qualitative (including participatory) research focussing on poverty and livelihoods also need to be captured on an on-going basis.

The current socio-economic baseline of the Province indicates that absolute poverty is both widespread and deep (Edwards, 2003). In 1999, an estimated 67% of the population of the Province were below the poverty line (defined in terms of income). Furthermore, in that same year, the estimated poverty gap, which is the amount by which the income of the poor would need to be increased to bring them up to the poverty line, was approximately 10% of the estimated provincial Gross Domestic Product (GDP-R).

Although there are weaknesses in the poverty data for the Province, especially in the analysis of poverty faced by women (although a number of studies reveal that women bear the greater burden of poverty), this picture of widespread and deep poverty is supported by other indicators, such as illiteracy, unemployment, and access to basic and social services.

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<sup>1</sup> The data on poverty were taken from the Eastern Cape Socio-Economic Consultative Council (ECSECC, 2000) district profiles, which were based on Census '96 and WEFA data. The GDP data were taken from the Statistics South Africa release in November 2002 and from United Nations Development Programme (UNDP, 2002) work. Data on provincial public expenditure were taken from Provincial Treasury documentation (Eastern Cape Provincial Treasury, 2001). The information on South Africa's international rankings in terms of GDP and the Human Development Index was taken from the United Nations Development Report (UNDP, 2001). The estimate of food self-sufficiency in the Province was provided by the Eastern Cape Department of Agriculture.

Approximately half of the provincial population was estimated to be illiterate in 1999. In that same year, approximately 55% of the population of the Province were unemployed. Access to basic and social services remained limited, in spite of significant investments in service provision in the Province. All of these indicators showed a worsening of poverty from the west of the Province to the east and were far higher in the former Bantustan areas. Poverty in the OR Tambo and Alfred Nzo District Municipalities, where two-thirds of the Province's population live, is particularly acute.

### **3.2.2 Income distribution and inequality**

In 1999, there were probably about 1 million of poor households living below the poverty line in the Eastern Cape. If they had been on the poverty line, their total income would have been R12 billion. In fact, the poverty gap was estimated to be about R6.2 billion (Edwards, 2003:7) so that their total income was only about R5.8 billion or only a little more than 9% of the total income<sup>2</sup> in the Province in 1999. The income distribution in the Province is more unequal than in South Africa as a whole. In South Africa, in 1995, the poorest two-thirds of the population were receiving less than 20% of total income (May (ed), 2000, 27). The results of the 2001 Census will provide further insight into the changes in income distribution in the Province since 1996.

### **3.2.3 Growth and employment 1995 - 2001**

Although between 1995 and 2001 South Africa required a GDP growth rate of 6.9% per annum to absorb growth in the labour force and increased labour productivity, actual average growth was 2.9% per annum. The target rate of 4.2% growth set in *Growth, Employment and Redistribution: A Macroeconomic Strategy* is not sufficient to address the backlogs and increasing unemployment. Over the 1995-2001 period, real annual economic growth in the Province averaged 2.4%. Since annual population growth was also about 2.4%, real economic growth per capita was nil (Edwards, 2003:12).

By 2001, the population of working age in the Province was just under 4 million. The number of people wanting paid work was at least 2 million and less than half of these were actually in paid work. Thus in 2001 there were more than a million people not in work but looking for work in the Province. Formal employment in the province is estimated to have *fallen* by 13 000 from 607 000 to 594 000 between 1996 and 2000 (ECDC 2002). In this period, the

population of working age (aged between 15 and 64) in the Province increased at 4% pa – or by about 140,000 a year (Edwards, 2003:10). Given these figures, it is hardly surprising that unemployment and underemployment rose sharply over the 1995-2001 period. On the narrow, official definition, unemployment rose from 23% to 30% between 1995 and 2001. On the broader definition, it rose even more sharply – people do not actively look for jobs if the prospects of getting one are bleak.

### **3.2.4 Constraints on provincial expenditure**

In the Eastern Cape, provincial expenditure has a significant influence on GDP-R. In 2000, provincial expenditure was estimated to be approximately 25% of GDP-R, and there has been a correlation between real growth in provincial public expenditure and real growth in GDP-R between 1998 and 2001. However, although public expenditure has such a strong influence in the Province, the constraints on fiscal resources, particularly within the provincial and local spheres of government, limit the scope for public expenditure, particularly public capital expenditure. Not only does the Provincial Government (and many Eastern Cape Municipalities) have a limited revenue base; the size of intergovernmental fiscal transfers from the National Government are unlikely to increase (cf. Pillay, 2003). The use of the provincial fiscus for growth and development is also constrained by lack of financial management capacity within Provincial Government departments and Municipalities and by centralisation of financial management controls in the provincial Treasury that have led to budget surpluses co-existing with the huge and increasing social and economic needs of the population (Pillay, 2003). The strategic question is to what extent these limited resources can be leveraged to “crowd in” other sources of investment and to facilitate economic development. This requires further examination of provincial budget allocations between economic and social sectors needs, based on a detailed assessment of the extent to which current public expenditure is targeting the poor (cf. Pillay, 2003).

### **3.2.5 Apartheid inheritance**

The challenges of pervasive poverty and high inequality in this Province are compounded by the inclusion of two of the former Bantustans, Transkei and Ciskei, within its boundaries. The most severe and deep poverty in South Africa has been created in the ex-homelands, especially in Transkei. Homelands were established under apartheid as densely populated suppliers of migrant labour. Little economic development and social infrastructure was led by

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<sup>2</sup> Provincial income is assumed here to be the same as value added (Gross Provincial Product) since

the Bantustan states. The inheritance for the Eastern Cape has been deep structural poverty and a low capacity for state delivery in these former homelands. Although provision of basic service infrastructure has received considerable attention during the first 9 years of democratic government, there are still major backlogs.

### **3.2.6 Labour market fragmentation**

The spatial fragmentation of the Province is mirrored in the fragmentation of the provincial labour market. This fragmentation is similar to that of the national labour market, which has been characterised as follows by Bhorat, Leibbrandt, Maziya, Van den Berg, and Woolard (2001:10):

- *Those employed in the core consumer economy, consisting of the dominant high-wage modern sectors of manufacturing, government service, and other industries.*
- *Those employed in the marginal modern sectors. In this group we include the two low-wage sectors of commercial agriculture and domestic service, as well as mining.*
- *The peripheral labour force, whose existence signifies substantial job scarcity in the formal sectors. In this group we include subsistence agriculture, the informal sector and the unemployed.*

As noted earlier, the significance of the fragmented labour market for the Eastern Cape lies in the very large numbers in the peripheral labour force and the decline of formal employment. Labour market fragmentation needs to be understood in terms of South Africa's apartheid history, which included job reservation, racially differentiated education and training leading to skills backlogs, and structural unemployment through the designation of the homelands as labour reserves.

### **3.2.7 Underdevelopment of agricultural potential**

Although two-thirds of the provincial population is non-urban, the Province is only 20% food self-sufficient. Even though South Africa is "under-agriculturalised" in international terms, given its per capita GDP, public expenditure on agriculture in the country as a whole and in the Eastern Cape has continued to decline. In the Eastern Cape, the effects of the spatial and social architecture of apartheid continue to affect agricultural production. The former Bantustans, which constitute approximately 30% of the total surface area of the Province but

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little is known about private income transfers into and out of the Province.

67% of the population, contain approximately 45% of the cultivable land. This important resource is still not being utilised effectively to the benefit of the poor in the Province.

### **3.2.8 *The HIV/AIDS pandemic***

Although there are a number of controversies regarding the reliability of some of the statistics on HIV/AIDS and regarding the effect of HIV/AIDS on economic growth and the dependency ratio, the rapid rise in the prevalence of HIV/AIDS in the Eastern Cape cannot be disputed. This rise in prevalence since 1995 is expected to peak after 2010 and needs to be factored into a strategy for growth and development.

## **3.2 Opportunities**

There has been a marked turnaround in economic performance in the Eastern Cape in the new century. In 2000 and 2001 the Eastern Cape was the fastest growing province in South Africa with a real GDP-R growth rate of 6,2% and 5,3% respectively, compared to South African real GDP growth of 3,5% and 2,8%. Provincial GDP statistics for 2002 will be released by Statistics South Africa later in the year and will show whether this trend is continuing. It seems likely, however, that economic growth in the Province has recovered strongly from 2000 onwards fuelled by:

- Increased national and provincial public expenditure, especially capital expenditure, from 2000 onwards.
- A steady and long-term increase in exports from the Province fuelled by greater access to international markets and the devaluation of the Rand. Exports from the Eastern Cape increased by 20% in real terms from 2000 to 2001.
- Agriculture value added grew by a massive 60% in real terms from 1998 to 2001. In addition to seasonal variation, factors underlying this include rapid increases in citrus exports, the progressive shift of dairy production to the coastal areas and the growth of forestry in the Province.

While economic growth is beginning to recover strongly in the Province, some of the highest growth rates have been in the modern, export-oriented manufacturing sector. As indicated previously, this growth has not had a positive net effect on employment. The principal challenge now is to extend growth to the labour intensive sectors of the economy and to the District Municipal areas with the greatest concentrations of poverty. The following section sets out some of the principal opportunities for equitable growth and development. Much of

the analysis is drawn from ECDC work on economic opportunities in the Province (ECDC, 2002).

### **3.2.1 *Natural resource development in the former homelands***

The four Integrated Sustainable Rural Development Programme nodes, namely the Alfred Nzo, OR Tambo, Chris Hani and Ukhahlamba District Municipalities, are home to both the deepest poverty and areas of rich natural resources. It is within these four District Municipalities that the bulk of the former Bantustan areas fall, although there are pockets of extreme poverty in the other District Municipalities in the Province. At least 32 000 hectares can be irrigated from the under-used rivers within former Bantustan areas, and 120 000 hectares can be developed for forestry. One of the keys to poverty eradication in these areas is the promotion of rural enterprises based on sustainable utilisation of natural resources.

Community Public Private Partnerships (CPPPs) provide an opportunity to establish successful natural resource enterprises within the existing land tenure system. CPPPs provide a legal structure for partnerships between investors and communities, with the state as a facilitator and guarantor, paying particular attention to ensuring that the poor are supported in taking co-ownership of such partnerships. Fertile areas of state and prime land can be allocated to CPPPs for the productive use of land for irrigation, forestry plantations, onshore or inland fisheries, nature reserves, cultural sites and tourism resorts.

Low-income rural households have little or no access to employment and depend on remittances and social grants. Many are female-headed and have limited time and income to invest in rural enterprises. Food security is a priority. Households can, however, improve food security and incomes through access to low-cost, timesaving technologies that can be used to build individual or group enterprises. A locally-based extension service providing a package of appropriate technologies and training, focused on rural enterprise development could include small-scale irrigation (group and individual), rainwater harvesting, home gardening, maize and mixed cropping, local milling, agro-forestry, dairy, small stock and poultry.

There are limited numbers of black commercial farmers in the Province. Many farm on quitrent ('African freehold') land or land leased under the former homelands. Expansion of this vital cadre of commercial farmers is limited by access to land, market information and credit. There is a need for a programme to increase the number of black commercial



farmers, using state and former SADT land, existing African freehold land, and purchase of farm land in formerly white areas.

The Massive Food Production Programme aims to increase food production through low-interest loans for mechanical equipment for rural contractors and a conditional grant scheme for agricultural inputs and marketing. R50 million has already been allocated in 2003/04 for the first stage of the programme.

The Transkei Rapid Impact Programme (TRIP) is set to expand forestry production by support to small-scale saw millers to improve security of supply and to upgrade technology and marketing. 50 000 hectares of individual and community woodlots are planned for development integrated with a hardwood chipping mill.

### **3.2.2 Industrial diversification**

Existing growth is centred on the major urban areas of the Nelson Mandela Metropole and Buffalo City, especially in high-growth, export-led manufacturing industries. Growth, however, is needed throughout the Province, especially in labour-intensive industries for employment creation.

The natural resources of the former homelands provide opportunities for growth through agro-processing industries. Opportunities for processing enterprises will grow further as agricultural production grows in the former homelands. Small enterprises can be successfully established in food processing (fruits and vegetables, dairy products, meat products), leather and leather goods, wood products, furniture production, wool and mohair clothing, crafts and tourism.

There is a growing body of information on business opportunities in the different districts of the Province based on proximity to natural resources and links to existing industries. The main opportunities are to target major gaps in the supply chain and processed products. Businesses can be encouraged to invest in the districts based on their competitive advantages in raw material, skilled labour and market access. Local Economic Development strategies for each district and local municipality need to be included in their Integrated Development Plans (IDPs).

Analysis of the value chain in the different manufacturing sectors identifies major gaps and opportunities in the market. Most of these opportunities require higher levels of technology,

links to research and development and skills training. They are appropriate for large companies, with strong opportunities for foreign investment. Automotive components, plastics, electronics and information and communication technologies, textiles and clothing, are key opportunities.

The two Industrial Development Zones (IDZs), Coega and East London, provide great potential to increase foreign investment in the Province and to further increase exports. The IDZs can target new manufacturing sectors for the Eastern Cape, and will expand existing high export value industries. The Coega IDZ is likely to focus on metals production and processing, automotive components, textiles and clothing, leather and leather goods, and plastics. The East London IDZ is likely to focus on automotive components, textiles and clothing, agro-processing, electronics, and pharmaceuticals. The IDZs critically need to build links with the local economy through supply of semi-processed inputs, employment and training.

### **3.2.3 Development of tourism**

The Eastern Cape has the natural assets to become a major eco-tourism destination. All seven of South Africa's biomes (ecological zones) are present, and the 'Big 7' (Big 5 plus whales and great white sharks) can be seen in the nature reserves and off the coast. The pristine Wild Coast can become a major tourist attraction in its own right. The Eastern Cape Tourism Board slogan, 'Naturally South Africa's Best', can focus a strong brand of many diverse attractions.

Existing plans to expand the area of the nature reserves to more than 400 000 hectares will create an area of malaria-free parks of great beauty and diversity that is larger than the Kruger National Park. Improvement of facilities in the existing parks and reserves will take place by contracting out resorts to the private sector.

The Wild Coast of the Transkei is one of the main tourism attractions of the Province, and can become a major eco-tourism destination. The challenge is to develop tourism facilities while protecting the unspoilt environment and optimising socio-economic benefits to local communities. The aim is to avoid ribbon development by land zoning and regulation through local municipalities. A number of appropriate sites can be chosen for new, environmentally sensitive resorts, together with communities and municipalities. Road access to resorts needs to be greatly improved. Major opportunities are to link the future Wild Coast Toll Road

with a programme of upgraded rural access roads, and the 'Wild Coast Meander' - an all-weather low-impact link road to the coastal resorts.

The Eastern Cape requires a series of strong tourist attractions to link its undoubted beauty into a strong brand. The Province's clear advantages lie in eco-tourism, adventure tourism and in cultural and historical (or heritage) tourism. Three attractions currently stand out as major potential draws:

- *Madiba Bay* is being developed as a nature reserve and craft and cultural park within the Nelson Mandela Metropole. It will be a major attraction in a city already popular with tourists.
- *Amatola Park and Living Museum* is a proposal for a circular park of nature reserves and scheduled areas, covering the diverse attractions of the Amatola region. It would be linked to the Amatola Living Museum, a showpiece of Eastern Cape ecology, culture, history, arts and music.
- *Nelson Mandela Museum*, in Umtata and Qunu, Mandela's birthplace, can become a major local and international attraction, linked to the Wild Coast and to cultural tourism.

In addition to its proud tradition of struggle against the apartheid regime, the Eastern Cape has a rich Xhosa heritage that can provide the base for a vibrant community tourism industry similar to KwaZulu-Natal. Many community organisations and co-operatives are already starting arts, craft and cultural ventures. The quality of craft products can be improved through training and by access to design expertise, for example from the CSIR Design Centre. Market infrastructure is needed, including establishment of crafts and art centres to showcase community products. Also, the broader South African experience of community-based ventures needs to be integrated into tourism planning in the Province, particularly to ensure that host communities retain maximum control of their cultural and, indeed, their natural resources.

### **3.3 Provincial growth and development options**

The above analysis of constraints and opportunities suggest a strategic approach to growth and development that will deal with:

- The spread and incidence of poverty and unemployment.
- The spatial inequality between different regions of the Province.

In developing the argument for a strategy framework, three options for growth and development are considered:

- Continuing with the current emphasis on the manufacturing sector for growth.
- The viability of aggressive capital investment for growth and development.
- The importance of growing the agrarian economy for the poor.

Consideration of these options reveals clearly the limitations of each and shows clearly the desirability of a strategy that builds on existing strengths while pursuing agrarian transformation and targeting public expenditure towards the poor. The strategy framework that emerges from this discussion is introduced in section 4.

### ***3.3.1 Reliance on the manufacturing sector for growth & development***

The continued reliance of the provincial economic strategy on the manufacturing sector assumes significant growth in the future, following the sharp real<sup>3</sup> devaluation of the Rand in 2001 and 2002, and the rise in GDP recorded for 2000 and 2001 (Statistics South Africa, 2002). However, it is unlikely that the 8% pa growth in manufacturing value added over these two years was reflected in a parallel increase in jobs. What *is* clear is that if the manufacturing sector is to be the driving force to reduce unemployment, it will have to grow by at least 8% pa year after year over the life of the PGDP.

Given the depth of poverty in the Province, reliance on a sustained 8% per annum growth in manufacturing is insufficient, particularly given the reliance of this sector on volatile external markets and exchange rates and given the current levels of public sector investment. However, there is a need to consolidate the gains made in the manufacturing sector, including productivity and technology gains in the automotive sector, while exploring opportunities for diversification.

### ***3.4.2 Aggressive capital investment as a basis for growth & development***

If current manufacturing sector growth is unlikely to be sufficient to absorb the unemployed, could capital investment not be increased to promote more rapid growth of the

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<sup>3</sup> A real devaluation means that the nominal devaluation of the Rand is not offset by a rise in prices in South Africa relative to those of one's trading partners. In 2001 the real devaluation of the Rand (as indicated by changes in the Real effective Exchange Rate index) was 14% and in the first half of 2002 (compared to the first half of 2001) it was 23%. The real devaluation over the four and a half years from 1998 to mid-2002 was more than 50%.

manufacturing sector, thereby creating employment for the poor? The feasibility of this strategy is examined below.

The *rate of economic growth* required to match the future growth in the population of working age *and* to reduce the unemployment in the Province by say 50,000 jobs a year can be estimated to be 8% pa (1.5% pa increase in the labour force, 2.5% pa increase in labour productivity and 4% pa required to reduce unemployment by 50,000 a year).

However, achievement of a growth rate of 8% pa would require that investment as a proportion of the GDP-R would need to be very much higher than it seems to have been in recent years. Edwards (2003:17) has calculated that investment would need to be more than 34% of GDP-R to produce sustained economic growth of this level. This level of investment is unknown in South Africa in the last 40 years and is also unrealistically high in the light of recent experience.

There seems little likelihood of capital investment expanding rapidly at the national level and even less likelihood of a substantial proportion (10% or more) of GDP-R going into capital expenditure within the next 3 to 4 years. And without a significant surge in public investment, it is unlikely that total investment (private and public) in South Africa will reach the desirable target level of at least 30% of GDP. This means that, although opportunities for increased capital investment from both public and private sources need to be explored on an on-going basis, the current levels of public investment will not allow the Province to rely exclusively on a strategy of aggressive capital investment as a basis for growth. Key questions in allocating limited state resources would be the extent to which these support economic development in historically neglected areas, poverty eradication and employment creation.

### ***3.4.3 Building the agrarian economy in support of the poor***

Given that two-thirds of the Eastern Cape population live in rural areas and that South Africa is under-agriculturalised compared to other middle-income countries, the development of agriculture should have high potential. Serious options to build the agrarian economy require redirection of policies and public expenditure towards the poorest households. An emphasis on building the agrarian economy will also give high returns in poverty alleviation and job-creation *and* would be the most effective path towards black economic empowerment.

Long-term targets to 2014 could be food self-sufficiency in the Province, with a particular emphasis on the OR Tambo and Alfred Nzo District Municipalities, and a reduction by 80%

in the proportion of households living below the poverty line. The first would mean raising the production of maize in the Alfred Nzo, OR Tambo and northeastern part of the Amatole District Municipality from the present level of between 200,000 and 300,000 tonnes pa to the present consumption level of about a million tonnes pa. The net value of this extra 700,000 to 800,000 tonnes together with associated inter-cropped products would be equivalent to at least 4% of GDP-R. It would more than double the present contribution of agriculture, forestry and fishing to GDP-R. In addition there would be a considerable stimulus given to agro-processing and other industrial activities in both the rural and coastal economies.

Building the agrarian economy in this way would be a major step towards the reduction of poverty. As far as the former OR Tambo and Alfred Nzo District Municipalities are concerned, this would mean reducing the proportion of households below the poverty line from the existing 80% to less than 20%. However, even though development of the agrarian economy should be a key foundation of a provincial growth and development strategy, it cannot be pursued to the exclusion of the manufacturing and tourism sectors, within which further development and diversification could be facilitated over the next ten years. Links between these economic sectors and the agricultural sector is crucial not only for provincial economic growth, but for development within the poorest municipalities in the Province.

### **3.4. A strategic approach to growth and development**

It is clear that a comprehensive strategic response is needed to poverty and the associated structural constraints to growth and development.

While continued growth of the manufacturing sector is needed, a stronger priority is industrial diversification, promotion of linkages into other sectors of the economy with growth potential, and promotion of regional linkages. Manufacturing growth must not be limited to a modern, export-oriented enclave, but must develop strong supply and value chain linkages to agriculture and agro-processing.

The agriculture sector has high growth potential in the former homelands as a source of income and employment. Provincial agricultural resources have to be mobilised to:

- Improve the food security of poor households.
- Promote agricultural growth for employment and to provide raw materials for agro-processing and natural resource based industries.

- To lay the foundations for economic growth in the rural parts of the Province and hence change the spatial inequality of growth and development.

A third strategic priority is the development of the Province's tourism potential, especially the promotion of community based tourism that will allow for broader distribution of the benefits of tourism. Tourism development must draw, in a sustainable manner, on the rich heritage and natural resources in the Province.

One of the logical developments of such a broad strategic approach is the prioritisation of different sectors based on their potential to contribute to poverty eradication and to regional equity in growth and development. This requires prioritisation of interventions in the manufacturing, agriculture and tourism sectors that will:

- Optimise the use of provincial resources to facilitate poverty eradication and job creation.
- Leverage additional public and private resources, particularly for capital investment.
- Develop social and economic infrastructure to address backlogs.
- Lead to sustained increases in domestic savings.
- Support technological and workplace innovation.
- Build institutional capacity to plan for and guide economic-development.
- Optimise the role of local government in identifying local economic development opportunities, in facilitating targeting of those opportunities, and in coordinating service delivery.

## **4 TARGETTING GROWTH & DEVELOPMENT**

In this section, targets for growth and development for the period 2004-2014 are presented. The socio-economic challenges in the Province can be quantified in terms of income, employment, poverty, growth, investment, and productivity and were described in section 3.1. Quantified targets in these areas will describe the expected outcomes of the PGDP.

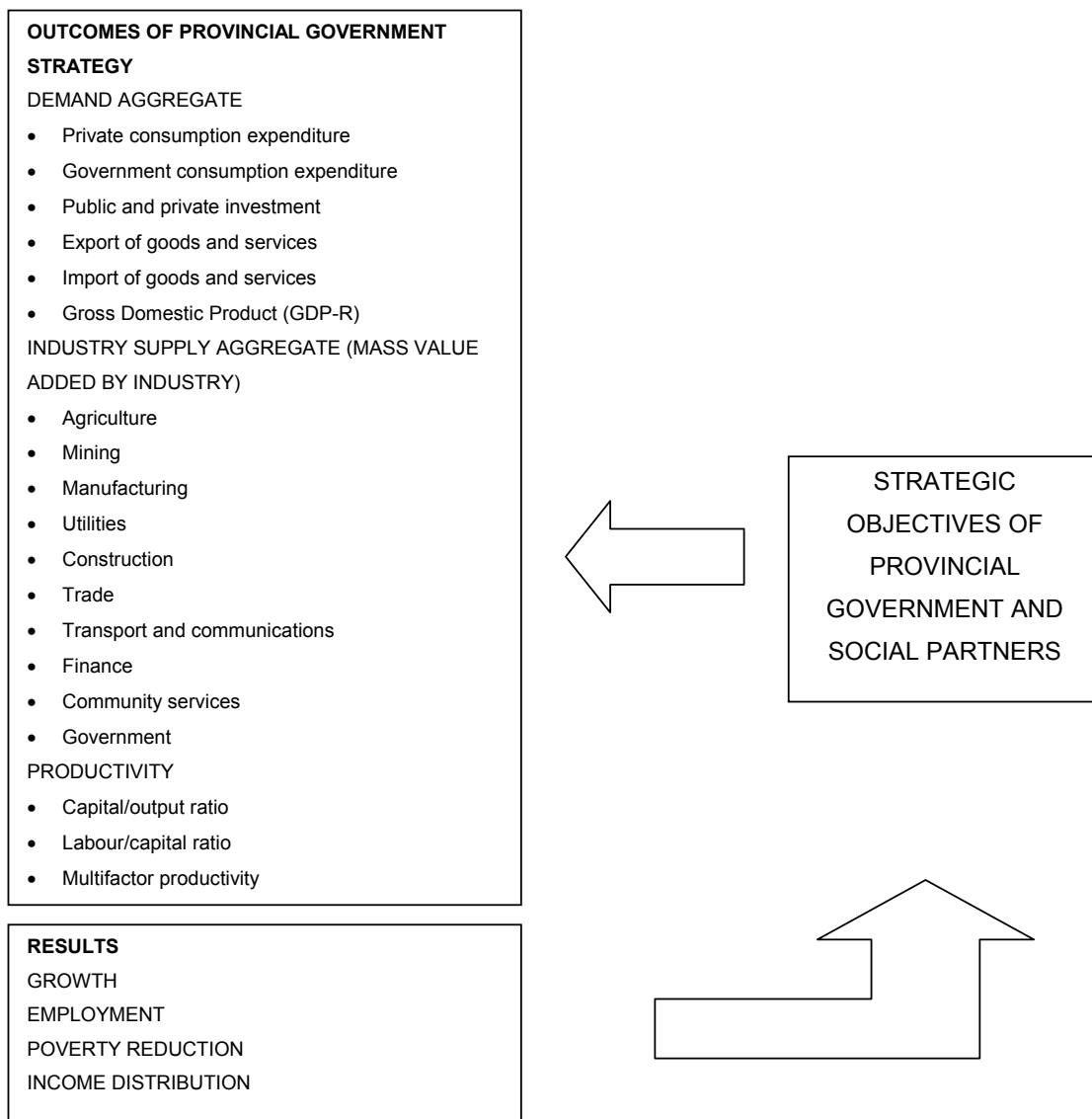
Quantified targets need to reconcile the necessary tension between a constraints-driven and a vision-driven approach to planning and implementation. Both approaches are necessary.

The constraints-driven approach requires brutal honesty about macroeconomic, political, institutional, fiscal and other constraints set out in section 3.1. It requires realistic targets for

growth, poverty eradication, employment creation and income redistribution that are attainable given current constraints.

In terms of the vision- driven approach, the outcomes expected from the PGDP, both in its implementation and at its completion, are specified. The vision approach sets desirable results in terms of growth, employment, poverty eradication and income distribution. The approach is closely related to the opportunities set out in section 3.2 and the extent to which they can be developed to produce the desired outcomes.

Targets related to both the constraints and vision- driven approach need to be clearly developed. The strategic vision will ultimately have to be modelled as follows:





This model embodies the following characteristics:

- It is an integrated strategic model that links objectives with outputs and results.
- The objectives can be disaggregated in terms of the challenges in the areas of growth, employment, poverty eradication and income redistribution.
- Straddling the objectives and results matrices above are the full range of constraints set out in section 3.1, which are, to a greater or lesser extent, under the provincial government's influence.

The data inputs into this macro model will be refined over time, as the more detailed plans and programmes of the PGDP unfold. The model will be combined with a socio-economic model that can be used both to develop targets for growth, employment, poverty reduction and income distribution and which can be used to model the effect of changes in the main macro- aggregates.

At a more detailed level, the following quantified targets for growth and development in the Eastern Cape for the period 2004-2014, with 2003<sup>4</sup> as the base year, have been developed:

- To maintain an economic growth rate of between 5% and 8% per annum.
- To halve the unemployment rate by 2014.
- To reduce by between 60% and 80% the number of households living below the poverty line by 2014.
- To reduce by between 60% and 80% the proportion of people suffering from hunger by 2014.
- To establish food self-sufficiency in the Province by 2014.
- To ensure universal primary education (UPE) by 2014, with all children proceeding to the first exit point in a secondary education.
- To improve the literacy rate in the Province by 50% by 2014.
- To eliminate gender disparity in education and employment by 2014.
- To reduce by two-thirds the under-five mortality rate by 2014.
- To reduce by three-quarters the maternal mortality rate by 2014.
- To halt and begin to reverse the spread of HIV/AIDS by 2014.
- To halt and begin to reverse the spread of tuberculosis by 2014.
- To provide clean water to all in the Province by 2014.

- To eliminate sanitation problems by 2014.

These targets set out expected results in the areas of growth, employment, poverty and income distribution. In the second phase of the PGDP they will be further developed into medium term targets associated with strategies and programmes.

## **5 PRINCIPLES UNDERLYING THE PGDP**

Drawing from the discussion of constraints, opportunities and development options in section 3, the following principles underlay the development of the PGDP.

- State-facilitated growth and development is the strategy that offers the greatest possibility of economic change sufficiently deep and sustainable to address the problems of poverty and inequality that were the legacy of the apartheid regime.
- In facilitating growth and development, the state requires effective partnerships with business, labour and civil society to meet the socio-economic challenges of the Province.
- Resources will be directed to ensure that the capacity and efficiency of the state are improved in order to meet the challenges of growth and development, particularly within the local sphere of government.
- Local government will in future be the primary site for service delivery and participatory democracy. This requires good planning for the progressive delegation of powers and functions to local government, accompanied by sufficient resources. Effective support is therefore needed for the Integrated Development Planning process within local government and the effective integration of IDPs into Provincial Plans.
- The financing of the PGDP will extend beyond links to the provincial budgeting process, to include engagement with national government on the level of fiscal transfers, the private banking system and the donor community. These engagements should proceed from an analysis of provincial savings and investment flows by institutional sectors (households, corporations, and government).
- A provincial industrial strategy, based on existing strengths and future opportunities at a national and international level, will guide provincial interventions, including those in support of industrial development in District Municipalities.
- Infrastructure development will be promoted in order to address social backlogs and support economic growth. Labour-intensive and community based methods will be used for infrastructure delivery wherever possible.

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<sup>4</sup> This is the year immediately preceding the strategy period and is the year of release of the results of Census 2001.

- Under no circumstances will any drop in the real incomes of people living below the poverty line be tolerated.
- At all times, improvement of the moral fibre of the people of the Eastern Cape will be promoted through an integrated crime prevention strategy, an emphasis on good governance, and the building of strong households and communities.
- Opportunities for productive employment of women, youth and disabled people will be created in all government-sponsored programmes and endeavours to influence the extension of such opportunities in the private sector will be intensified. To this end, the impact of such programmes will need to be analysed to ensure that targeting is appropriate.
- Substantial progress will be made towards the socio-economic rights enshrined in the Constitution. These rights pertain to housing, health care, food, water, social security, education and just administrative action.
- The HIV/AIDS pandemic will be managed effectively. This includes following an integrated approach in terms of which the many dimensions of poverty, health, prevention and effective treatment are included.
- Gender perspectives will be analysed at all stages of planning, designing, implementation, monitoring and evaluation of the PGDP to ensure the development of gender responsive programmes.
- The needs and opportunities associated with the natural environment will be considered at all stages of planning, design, implementation, monitoring and evaluation of the PGDP. This will require attention to the requirements for environmental sustainability both at a strategic and specific project level.
- A comprehensive evaluation of the implementation of the PGDP Strategy Framework, as well as its subsidiary strategies, programmes and projects, will be conducted in 2009.

## **6 STRATEGIC RESPONSE**

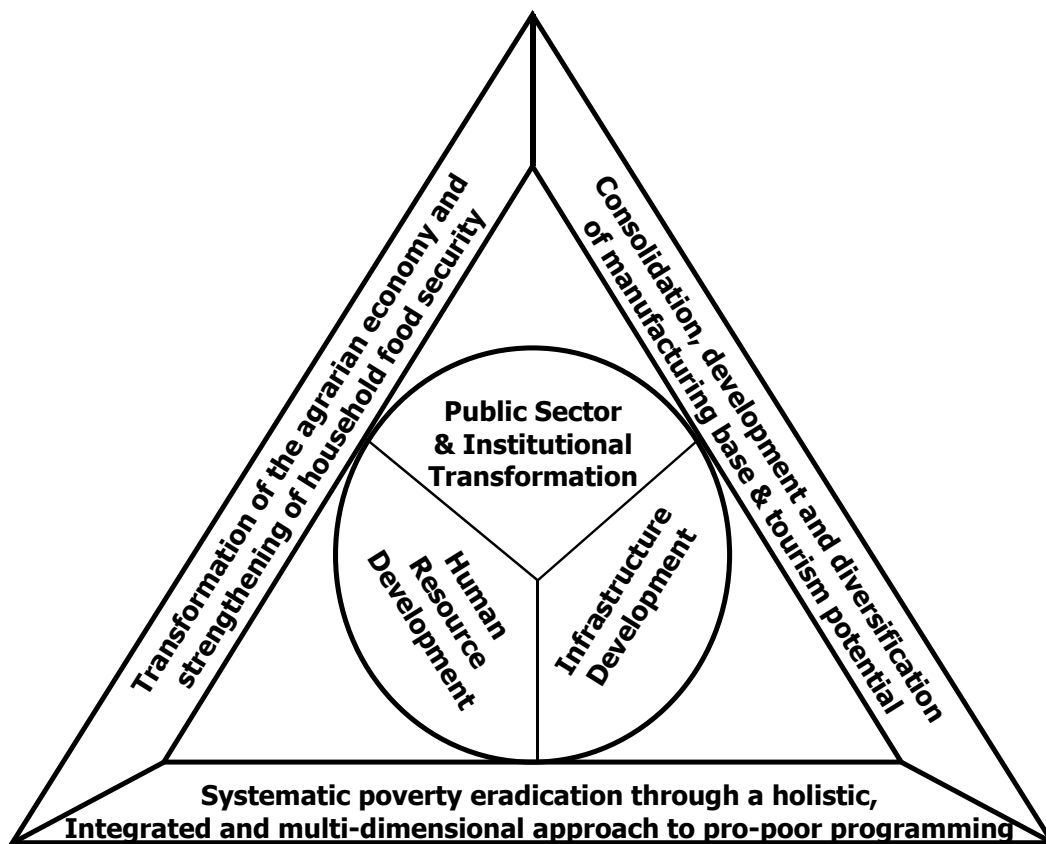
In this section the general strategic framework of the PGDP is described. This lays the foundation for a more detailed discussion of each of the objectives in section 7, including their inter-relationship and linkages.

The strategy framework for growth and development is expressed in terms of six strategic objectives, which are divided further into three key objectives and three foundation objectives. The following are the three key objectives:

- Systematic eradication of poverty through a holistic, integrated and multi-dimensional approach to pro-poor programming.
- Agrarian transformation and strengthening of household food security.
- Consolidation, development and diversification of the manufacturing base and tourism potential.

These key objectives are supported by the following three foundation objectives:

- Infrastructure development.
- Human resource development.
- Public sector and institutional transformation.



The following are brief descriptions of these six strategic objectives, followed by an elaboration of approaches and programmatic implications in section 7:

### **Systematic poverty eradication through a holistic, integrated and multi-dimensional approach to pro-poor programming**

Poverty is primarily characterised by a lack of access to opportunities for a sustainable livelihood, and eradicating the deep and pervasive poverty of the ex-homelands and underdeveloped townships of the Province will serve as a foundation for economic development in which all the people of the Eastern Cape can participate. Poverty eradication requires attention to the social, economic and political dimensions of poverty. In particular, action is required to:

- Establish greater control over and access to decision-making processes by poor people.
- Strengthen the income, asset and skills capabilities of the poor.
- Establish linkages between micro and macro levels of intervention in a mutually reinforcing manner.

State provision of grants and targeted interventions to promote social development and to provide health and education services need to be leveraged in support of the above.

The goal of poverty eradication leads to a further commitment to reduce inequality, both between households and between different regions of the Province. The Eastern Cape cannot afford continued inequitable growth with thriving metropolitan regions and sectors and a disintegrating rural periphery. Inequitable growth will add to the already serious unemployment problem and further increase poverty in the Province.

### **Agrarian transformation and strengthening household food security**

One of the keys to poverty eradication lies in the rapid transformation of the agricultural sector. The challenge of poverty requires a focus on the growth of the agrarian economy in the former homelands through:

- Programmes to promote household food security by expanded smallholder production.
- Development of commercial agriculture through optimum use of the highest potential agricultural land in the former homelands.

- A focus on land redistribution and, in the longer term, land tenure reform to release land for poor households and for new commercial farming enterprises.

The dislocated agrarian economy of the ex-homelands must be integrated into the wider provincial economy through the promotion of commercial agriculture and as a source of raw material for agro-enterprises.

### **Consolidation, development and diversification of the manufacturing base and tourism potential.**

The manufacturing sector requires consolidation by extending growth beyond a relatively small number of volatile export markets. Diversification into new markets can be achieved through three main strategies:

- Consolidating the value chain and supply chain in existing markets by identifying inputs that can be supplied and higher value products linked to existing production.
- Creation of regional growth points for manufacturing development based upon availability of raw materials, skills and existing industrial profile.
- The development of agro-industries based upon expanded agricultural production in the former homelands.

The development of provincial tourism has high potential to create employment and raise incomes in rural areas through community tourism programmes. The development and protection of existing and new parks and reserves, improvement of infrastructure, especially along the Wild Coast, and the development of a strong marketing brand showcasing a number of core attractions and themes are priorities.

It can be seen that these three objectives for growth and development are inter-linked and dependent upon each other. Similarly, they depend upon a further three 'foundation' objectives that provide the necessary conditions and support for growth and development.

### **Infrastructure development**

The development of infrastructure, especially in the former homelands, is a necessary condition to eradicate poverty through:

- The elimination of social backlogs in access roads, schools and clinics and water and sanitation;
- To leverage economic growth through access roads and improving the road, rail and air networks of the Province.

Infrastructure development, in turn, will have strong growth promotion effects on the agriculture, manufacturing and tourism sectors by improving market access and by 'crowding in' private investment. Poverty alleviation should also be promoted through labour intensive and community based construction methods.

### **Human resource development**

Human resource development underlies both poverty eradication and growth in the key economic sectors through:

- Improving levels of general education by full universal primary education (UPE) and a higher uptake of further education.
- Increasing the intermediate technical skills needed in the key growth sectors of the economy.
- Promoting the high level skills needed for further growth in the modern, export oriented sectors.

A provincial strategy for human resource development also underlies a reduction in inequality through progressive integration of the labour market.

### **Public sector and institutional transformation**

The transformation of the state is a crucial condition for growth and development by way of the strong leadership role that is required from government institutions, recognising:

- Improved capacity to plan, manage, and monitor implementation is necessary at all levels of government.
- Local government will become the main focus for service delivery. Planning the phased delegation of powers and functions therefore becomes a key challenge.
- Local authorities will have an increasingly important role in promoting local economic development through the implementation of integrated development plans (IDPs).
- Participation by the provincial social partners in planning and implementation needs to be institutionalised.

## **7 STRATEGIC OBJECTIVES**

The following section elaborates the strategic objectives developed in section 6 by setting out the approach to achieving each objective. The implications for programme development in the second phase of the PGDP are discussed, together with implications for provincial institutions. Linkages and inter-relationships between objectives are highlighted.

### **7.1 Systematic poverty eradication through a holistic, integrated and multi-dimensional approach to pro-poor programming**

#### ***7.1.1 Introduction***

The depth and spread of poverty in the Province were highlighted in the analysis of constraints in section 3.1. The objective of poverty eradication is therefore the first priority in this strategy framework. Poverty is more than a lack of income; it is primarily characterised by a lack of access to opportunities for a sustainable livelihood (income, skills, knowledge, self-confidence and access to decision-making). Women bear a greater burden of poverty. Older people, children, people with disabilities and other marginalised groups are particularly vulnerable. Such groups lack the ability to influence decision-making and thus poverty reduction strategies do not respond, or respond inappropriately, to their needs. This implies that poverty has economic, social and political dimensions and poverty eradication is only possible if the underlying structural causes of poverty are addressed through:

- Greater control over and access to decision-making processes by poor people.
- Poverty reduction initiatives that address the income, asset and skills capabilities of the poor.
- Linkages between the micro and macro levels of intervention in a mutually reinforcing manner.

#### ***7.1.2 Approach***

The strategic approach to poverty eradication is aimed not only at addressing income poverty, but also at increasing the asset base of the poor. It is based on a determination to address the human dimensions of poverty, especially gender, and on a recognition of the need to mobilise social partnerships to ensure that resources are well targeted and to



increase the power of the poor in the fight against poverty. Social partnerships should work through local government, where provincial and national government poverty eradication initiatives will increasingly be focussed.

The social, economic and political dimensions of poverty are inextricably linked. Effective anti-poverty interventions must address all these dimensions of poverty and can be summarised under the following seven platforms:

- Facilitate access to good quality employment and economic opportunities.
- Increase the physical asset-base of the poor;
- Facilitate access to basic services.
- Strengthen community management and organisation of own initiatives and external programmes.
- Enhance democratic participation by the poor.
- Ensure access of the poor to legal entitlements and security.
- Ensure access to safety nets to strengthen ability to manage shocks and stresses.

Social development expenditure constitutes a higher than average proportion of provincial expenditure due to high rates of poverty and increasing numbers of social grant beneficiaries. The Province is committed to increasing the up-take of social security grants as part of a national strategy for a comprehensive safety net for the poor.

An increasingly integrated approach to poverty reduction has developed within the Province, as is evidenced by the Poverty Eradication Programme. This approach has moved away from traditional social grant provision to include mechanisms to reduce the risks faced by the most vulnerable sections of society, and to ensure that household livelihoods are secured. In this work, the public sector has drawn on partnerships with Non-Governmental and Community-Based Organisations.

Although this objective concentrates on the social dimensions of poverty, effective implementation of the other two key objectives of agrarian transformation, and manufacturing and tourism diversification and growth are equally critical in the fight against poverty.

Although most provincial expenditure is on health, social development and education, there still is a need to improve the focus of public expenditure on the poor. Effective targeting of public expenditure towards the poor will reduce the risks faced by poor households.

Targeted interventions in support of women, youth, disabled people and other vulnerable groups should be part of this re-prioritisation. Developed with strategic interventions in the agricultural, manufacturing and tourism sectors to promote growth in the various municipal areas and to increase employment through labour intensive sub-sectors, a sustainable social security system will create a more equitable provincial economy and a more empowered citizenry.

It is important that social service delivery by national and provincial agencies is integrated with local government. Provincial poverty reduction programmes and targets must also support those developed through the integrated development planning processes of local and district municipalities. It is also within the local sphere of government that programmatic interventions that combine social, economic and political interventions can most practically be conceived and implemented.

### **7.1.3 Programmatic implications**

The programmatic implications of the above approach are as follows:

- In general terms, a shifting of public expenditure towards the poor is required across all clusters and in both provincial and local government.
- Such shifting of public expenditure, however, requires enhanced capacity to ensure that public funds are effectively targeted and efficiently spent on the poor. This will require increased capacity in research, planning and budgeting, and output-based monitoring and evaluation systems in all spheres of government.
- The boundaries of Provincial Government service districts and District Municipalities have to be harmonised to allow for more rational joint action in support of delivery within municipal areas. Of particular importance is a reorganisation of the provincial health districts.
- Better co-ordination is needed between provincial poverty programmes such as the Nutrition Programme, the Victim Empowerment Programme, the Poverty Eradication Programme and the Integrated HIV/AIDS Programme, as well as co-ordination of the disparate poverty alleviation interventions of different departments. The second phase of the PGDP should be used to ensure consistency between the many programmes.
- The targeting of the various poverty alleviation programmes will be improved by investigation of the demographic implications of the HIV/AIDS pandemic with particular focus on household incomes and the dependency ratio.

- Plans and programmes for basic service provision require greatly improved co-ordination between the various levels of government. For example, the development of water supply infrastructure requires close cooperation between the Provincial Government, District Municipalities and the Department of Water Affairs and Forestry.
- The capacity of local government for service delivery needs to be developed through more effective deployment of staff, through the development of skills and the allocation of sufficient resources to district and local municipalities.
- Increases in take-up of existing and new or extended grants need to be managed in terms of both increases in intergovernmental fiscal transfers and effective reallocation of provincial budget expenditure. At all times, care has to be taken to ensure that the provincial fiscus retains scope for economic expenditure.

## **7.2 Agrarian transformation and strengthening household food security**

The objective of agrarian transformation and food security focuses on increased agricultural production, incomes and employment by the poorest households, particularly in the ex-homelands. In the short to medium term the state will need to lead this process, with market-related interventions receiving greater emphasis over the medium to long term as the capacity of poor households to enter markets is developed. The objective suggests that state programmes need to be clustered around three areas of intervention:

- Promoting food security through expanded smallholder production.
- Expanding the asset base of the poor, particularly through effective land tenure reform.
- Increasing the use of land for commercial agriculture in the former homelands, especially through ownership and institutional mechanisms that benefit the poorest households.

These approaches are elaborated in the next section.

### **7.2.2 Approach**

Establishing household food security is the first priority. In order to establish food security and lay the foundations for the emergence of small-scale farming entrepreneurs, support will be given, on a massive scale, to the development of homestead agricultural production. The expansion of smallholder production will lay the basis for marketed surpluses where the potential exists. In addition, support will be given to the development of institutions and

systems for the storage, processing and marketing of agricultural products, including livestock.

A second aspect of this approach will be the effective use of land as a lever to improve the livelihoods of the poor. Land reform will be of crucial importance, particularly land redistribution and land tenure reform. Mobilisation for effective prioritisation and funding of land redistribution and land tenure reform is required, given the current limited funding for these components of the land reform process.

The third strand of the approach to agrarian transformation will be the expansion of commercial agricultural enterprises, especially in the former homelands. This will require both the development of new structures for commercial farming enterprises, including CPPPs, trusts and companies, and the allocation of prime agricultural land to these structures. New ownership structures must include communities and smallholders as shareholders or co-owners. Prioritisation of land for its best agricultural use will form part of the approach.

Viable farming enterprises producing and marketing surpluses will provide opportunities for beneficiation of agricultural products. This in turn will leverage the development of agri-industry close to emerging centres of agricultural production. Expanding agricultural production will also provide the opportunity for linkage with the manufacturing sector as a source of inputs and raw materials.

The objective of infrastructure development will play a key supporting role to agrarian transformation, through the improvement of access roads, water and power supply.

Institutions supporting agricultural development will also require transformation and refocusing in the following areas:

- Formal agricultural training and the development of agricultural skills.
- Decentralisation and refocusing of extension services on food security.
- Support to farmer owned co-operatives.

### **7.2.3 Programmatic implications**

The programmatic implications of the above approach are as follows:

- Strong support to smallholder agricultural development around homesteads in the former Bantustan areas, with particular emphasis on the OR Tambo and Alfred Nzo District Municipalities. Agricultural support will include credit and extension services through refocused agencies, the development of processing and storage facilities, and development of access roads and marketing facilities and networks for provision of inputs and the distribution of surplus agricultural produce.
- Development of new opportunities for commercial production, including forestry, vegetables and fruits. Special emphasis will again be placed on the OR Tambo and Alfred Nzo District Municipalities. Identification of prime areas of land will require consideration of soil potential, climate and markets, and will require land tenure reform to dedicate land to commercial agricultural structures in the former Bantustan areas. There is also potential for linkages to smallholder agriculture through outgrower schemes.
- Development of opportunities for animal husbandry, with particular emphasis on communal grazing areas in the OR Tambo, Alfred Nzo, Chris Hani, Ukhahlamba and Amatole District Municipalities will require support through breeding with improved animals and veterinary services, as well as support to processing and marketing.
- The objective of manufacturing diversification is linked to agrarian transformation through the development of agro-processing. Increased commercial agricultural production in the former homelands will provide opportunities for strong linkages to agro-processing and manufacturing industries in district towns and other urban centres. Agro-processing opportunities should be promoted as part of a regional growth strategy.
- The objective of human resource development links strongly to agrarian transformation through strengthening of agricultural colleges and high schools, mentoring, training and support to increase the numbers of emerging commercial farmers, and training in enterprise development and low cost farming for smallholders. Special priority must be given to training for women, the youth and farm workers.
- Agricultural support programmes, including extension advice, land reform and the development of commercial enterprises must include assessments of environmental impact and recommended sustainable options for agricultural production. Land

protection should include community-based programmes for catchment management, anti-erosion measures and re-forestation.

#### **7.2.4 Institutional implications**

The institutional implications of the above approach are as follows:

- The Provincial Department of Agriculture will need restructuring to support the new concentration on food security. This will include a refocused and decentralised extension service, a reorganised organisational structure, investment in training, and sufficient funding for core food security programmes. Effective delegation will be crucial to support successful programme implementation at a district level.
- Budget allocations to the provincial Department of Agriculture will need to be sufficient to support a large-scale programme of smallholder agricultural development and the targeted development of cash crop and livestock production. Effective budgeting for district-based implementation would need to be effected.
- A new institutional structure may be needed to provide support to commercial agricultural development in the former homelands, especially to support the establishment of CPPPs, trusts and companies, co-operatives and to provide training in enterprise development and management.
- Strengthening of agricultural research is needed to support these priority areas, especially in the area of low cost, appropriate technology. Research networks in support of agrarian transformation will be needed, including existing research centres, provincial parastatals, educational institutions and non-governmental organisations.
- Land reform must be given greater attention and priority. This will require strong co-ordination between the Provincial Government, District Municipalities and the National Department of Land Affairs. The existing cooperation between the Provincial Department of Agriculture and the National Department of Land Affairs at district level should be strengthened and effective and integrated planning and leadership must be established at provincial level. Budgets for land redistribution and land tenure reform will need to be increased substantially.
- Local economic development initiatives in agriculture by municipalities should be given support. The planning of provincial programmes for agricultural support must include local priorities. LED initiatives in agriculture should also build local partnerships for agricultural development including all local social partners.

- Appropriate local institutions need to be developed to manage processing and exchange. These could include cooperative arrangements, which would allow for democratic control by producers, and arrangements with private capital.

## **7.3 Consolidation, development and diversification of the manufacturing base and tourism potential**

### **7.3.1 Introduction**

Consolidation and diversification out of the existing strengths of the manufacturing sector and the development of the tourism sector is the third key objective of the PGDP.

The manufacturing sector is divided into three strands:

- A modern, high growth, export-oriented sector, centred on the automotive industry, automotive components and associated supply industries such as plastics.
- A series of disparate sub-sectors with a historic presence or raw materials base in the Province around which are clustered a number of potentially competitive sectors (wood products, furniture, textiles and clothing, leather goods, food processing).
- An under-developed and delinked small, medium and micro-enterprise sector largely focussed on local servicing of small towns and survivalist enterprise.

Manufacturing strategies and programmatic interventions are needed appropriate to each strand that will consolidate growth, develop linkages between industries and create employment.

The development of provincial tourism has high potential to create employment and raise incomes in rural areas through community tourism programmes. The development and protection of existing and new parks and reserves, improvement of infrastructure, especially along the Wild Coast, and the development of a strong marketing brand showcasing a number of core attractions and themes are priorities.

### **7.2.3 Approach**

The traditional industrial strategy debate of state versus the market has been super-ceded by the view that a new socio-economic system consistent with the objectives of the PGDP will depend on a strong private sector interacting with a strong public sector. While

competitive markets are indispensable in allocating resources, strong socio-economic planning is needed for achieving growth, employment and poverty eradication targets.

The first priority in the manufacturing sector is to increase growth in labour intensive industries in the district and rural towns through a strategy for regional growth. The Eastern Cape cannot afford continued inequitable growth within the Province with thriving metropolitan regions and sectors and a disintegrating rural periphery. The strategy must identify and harness the economic strengths of districts in the Province within the framework of province-wide industrial development strategy that draws on the outcomes of IDPs.

Strategies for industrial growth are needed for the high potential sub-sectors with a historic presence and a raw materials base in the Province. Most of these industries are in agro-processing; development of the agrarian economy will in itself create opportunities through the increased supply of raw materials. Industrial strategy will need to include:

- Industrial planning to develop a growth strategy in each sub-sector with the provincial social partners.
- Research to identify the highest potential areas for investment.
- The development of research partnerships for technology development, including provincial higher education institutions.
- Promotion of skills development through the relevant Sector Education and Training Authorities (SETAs).

The provincial strategy for industrial development must also build linkages between the modern export led sector and other industries. This is especially important in the case of the new IDZs, which must be used as opportunities to boost growth in provincial industry through supply linkages. In this regard, industrial strategy needs to include:

- Industrial planning in each sub-sector focussing on the promotion of linkages to the provincial economy.
- Research to identify industrial linkages through gaps in the supply chain and higher value opportunities in the value chain.
- An industrial plan for the IDZs that will identify and target supply opportunities at the provincial economy.
- Capacity building in research for technology development.
- Effective application of information and communications technology.
- Promotion of skills development through the relevant SETAs.



The development of the provincial tourism potential should optimise benefits to host communities and should protect the Province against volatility in international tourist flows by building on the Province's strengths as a domestic tourist destination. Community-based forms of tourism are most likely to optimise benefits to host communities and can complement mass-based forms and those directed at the high-spending end of the market. Linkages between established and emerging tourism enterprises should be supported, particularly in support of an integrated provincial tourism marketing strategy. Linkages between tourism and agriculture activities in rural areas are critical.

There can be no prosperous and democratic society without a strong and effective government capable of providing leadership and coordination in the development process. Synergy is needed between both private and public sectors, each contributing its strengths in the interests of the Province at large.

#### ***7.2.4 Programmatic implications***

The programmatic implications of the above approach are as follows:

The Provincial Government and its agencies should influence the course of industrial development through:

- Industrial planning for high potential manufacturing sectors focussed on identifying and developing linkages with the provincial economy.
- Funding for research and development and the promotion of research partnerships.
- The provision of infrastructure and the upgrading of road and rail links between the metropolitan centres and rural towns.
- The use of procurement of government goods and services to direct business to provincial industry.
- Promotion of skills development through partnerships with the relevant SETAs, especially in high growth and high potential sub-sectors.

Horizontal and vertical linkages within high potential sectors need to be developed, including identifying opportunities for small, medium and micro enterprises (SMMEs). The sectors that hold the most promise are the automotive industry and automotive components, plastics, textiles and clothing, wood products, furniture, leather goods and food processing.

The industrial development planning capacity of Provincial Government and its agencies needs to be increased. Areas for attention are:

- Sector planning and research capacity including establishing dedicated sector units.
- Data and information on industry in the Province.
- Strengthening industrial incentives, particularly in support of regional growth and developments, and improved co-ordination with national incentives.
- Negotiations with strategic industrial partners including the development of key projects.
- Co-ordination of skills development and training with the relevant SETAs, especially in high growth and growth potential sectors.
- Improved coordination of the wide range of national and provincial agencies involved in support to the manufacturing sector.

The labour research capacity in the Province also needs to be developed and institutionalised in support of effective engagement by organised labour in the further development and implementation of the PGDP.

The human resource development objective provides vital support to manufacturing development. A comprehensive human resource development strategy should support the development of the manufacturing sector and tourism. This strategy should include attention to gender relations, the needs of the youth and labour relations.

The main attractions of the Eastern Cape for tourists lie in: beautiful natural resources; adventure and outdoor tourism; and cultural and historical tourism. The opportunities for tourism development lie in:

- Marketing the many attractions in the Province under three or four strong themes or brands.
- Upgrading the quality of existing tourism attractions through improving the quality of facilities in the parks and reserves.
- Investing in core new attractions that will draw tourists into the Province.

The Eastern Cape Tourism Board has the key role in continued marketing of the Province under these themes. The planning capacity of regional tourism boards needs to be increased to plan for tourism development. The Province has a major role to play through improved road and air access, especially along the Wild Coast.

Local economic development initiatives built around manufacturing and tourism should be strengthened and integrated into common, coherent and implementable provincial programmes. Such initiatives should also build local partnerships for the development of SMMEs.

Manufacturing and tourism development strategies should incorporate strategic assessments of environmental impact. The prime attraction of the Eastern Cape for tourism is its natural beauty, which must be safeguarded and protected in all developments. Zoning regulations must be used to develop new tourism facilities and attractions in a sustainable manner.

Institutional arrangements for participation by all social partners in joint planning and negotiation should be developed. These include the development of overall manufacturing and tourism strategy and the development of sector plans.

## **7.4 Human Resource Development**

### ***7.4.1 Introduction***

Segmentation<sup>1</sup> of the provincial labour market is a major cause of poverty by the exclusion of large numbers of people from the job market for lack of skills. The objectives of agricultural, manufacturing and tourism growth are likewise constrained by inherited and long-term skills deficits. Human resource development is therefore the first of the three foundation objectives.

Government intervention is needed to ensure equity and justice with respect to access to jobs, training, treatment at work, and payment, as well as with respect to the broader welfare of the poor and marginalized. These principles are at the heart of the ANC-led government's labour market and human resource development policies.

The challenges for the provincial labour market and HRD include:

- An extremely low skills base.
- Under-investment in skills development.

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<sup>1</sup> Labour market segmentation is defined as the historical processes whereby political, economic and social forces encourage the division of the labour market into separate segments distinguished by different labour market characteristics and behavioural rules.

- Rising unemployment.
- Poor alignment of training programmes with social and economic development strategies.
- A mismatch between training outputs and skills requirements.

#### **7.4.2 Approach**

The national government has since 1994 established an integrated skills development strategy bringing education and training together, and targeted at supplying the skills needed for growth and employment. The following principles underpin this new system:

- It is flexible and decentralised, but with national coordination and direction to support local decision-making and a more strategic approach to education and training.
- It is demand-led, focussing on the skills and competencies needed by enterprises to support rising productivity and competitiveness, and on pre-employment and target group training linked to work experience.
- It is based on partnerships between the public and private sector, joint control over the new Skills Development Strategy and shared costs.

The objective of the national strategy is the achievement of rising skill levels which promote economic and employment growth and social development. Specific objectives are:

- To improve the skills profile of the population through accredited high quality education and training.
- To increase the quality and quantity of intermediate level skills in the country.
- To improve social and infrastructure delivery by increasing skills.
- To raise the quality, relevance and cost-effectiveness of skills development throughout the country.

The national strategy must also be reinforced and supported by a provincial human resource development strategy which:

- Aligns with the vision and objectives of the national strategy.
- Creates policy, legislative, and institutional mechanisms to implement the skills development strategy within the Province and ensure its sustainability.
- Is consistent with provincial and district growth, employment, and development strategies.
- Mobilises resources for skills development in the Province.

The provincial Human Resource Development strategy must address the following issues:

- A more rigorous understanding is needed of the characteristics and trends of the provincial labour market, including the collection and analysis of better labour market data and analysis of the different segments of the labour market.
- Better understanding is needed of specific HRD and labour market challenges including the gender profile of different segments of the labour market and the special training and skills development needs of women, youth and disabled people.
- The HRD strategy must be designed with the needs of all people in mind, including those educated to primary level, to general level (grade 9), and to further level (grade 12). The strategy must design and target skills development relevant to these levels to bring under-utilised capacity within the provincial labour market 'on-stream'.
- Understanding is needed of the limits of the labour absorptive capacity in different sectors of the economy, including the role of both the formal and informal labour market.

#### **7.4.3. Programmatic implications**

The design of human resource development programmes needs to focus both on 'supply leading' and 'demand following' aspects:

- 'Supply leading' programmes will be based upon human resource development planning to address the projected future skills development needs of the economy.
- 'Demand following' programmes address the immediate skills interventions required to enhance service delivery in a range of areas (health workers, agricultural extension workers, infrastructure development planners for example).

The following are priority areas to be considered in programme design in the second phase of the PGDP:

- *Training strategy:* Analysis of the main technical and vocational training gaps in the Province is needed, linked to an analysis of provincial and district growth sectors. Priority should be given to establishing NQF-accredited courses in these areas in the new FET colleges.
- *FET courses:* It is recommended that the new FET colleges concentrate on further education, not higher education, and that courses focus on intermediate level skills development for employment and self-employment. The current focus on business studies and technology is encouraging, but throughput and pass rates need to improve. Resources are needed to upgrade courses, curriculum, and equipment, especially in information technology and technology subjects.

- *Post-school education:* Innovative short and part-time courses are needed to provide a route back into education and training for learners who have left school early or who have failed matric. FET colleges are well placed to offer such bridging courses that will qualify learners for a route back into the education system through technical and vocational education, as well as increasing skills.
- *Adult education:* Support is needed for innovative post-school and adult education programmes to provide routes back into the educational and training system for youth and adults that have not qualified to matric level. Again, FET colleges are well placed to offer such courses on a full-time, part-time and night school basis.
- *Use of skills development funds:* Funds from the skills levies are under spent nationally and provincially. The HRD programme, in co-operation with the relevant social partners, needs to design provincial skills development plans for the high potential sectors of the economy. The programme also needs to identify immediate skills development interventions for the unemployed, youth and women that can provide training for employment and self-employment.
- *Provincial capacity:* The vast majority of SETAs have their head offices in Gauteng with only a contact point in the Eastern Cape, usually the Department of Labour. Stronger provincial capacity is needed in the Province, especially for the SETAs covering key economic growth sectors.
- *Training providers:* Few learnerships are being offered by training providers and institutions, despite the fact that the system is relatively new. The Province should take the lead in bringing training institutions, especially the new FET colleges, together with employer bodies and SETAs to promote accreditation of courses for learnerships. Training for the public sector, particularly local government, should be standardised, and the potential roles of tertiary training institutions within the Province in providing and supporting local government training should be investigated.

## **7.5 Infrastructure development**

### **7.5.1. Introduction**

Infrastructure development is the cornerstone of socio-economic development of any country. In South Africa, the policy of separate development accounts for the huge imbalances in infrastructure development that exist today. The objective of infrastructure

development is critical to addressing those imbalances and to promoting both social and economic growth and development.

A 2001 report by the Premiers' Office estimated that R30 billion was required over a five-year period up to 2006 to address half of the infrastructure backlogs in the Province. Over R18 billion of this estimate was for building and rehabilitating schools, clinics and hospitals. Much of these social backlogs lie in the former homelands, where there is also a need for better water and sanitation, electricity and roads. Clearly a long term, well planned and co-ordinated programme of infrastructure investment is needed in the Province.

The Province is beginning to see increased investment in infrastructure, notably in roads and in the development of the industrial development zones (IDZs). Provincial capital expenditure on roads was budgeted at over R1 billion in 2002/03 and is set to increase. R2,5 billion is set to be invested in a new toll road along the Wild Coast in the period up to 2005. Over R1 billion a year is being invested in the two IDZs of Coega (including the new port of Ngqura) and East London. In 2002, the ECDC estimated that capital expenditure by government and state agencies on infrastructure in the Province is set to increase from R3,9 billion in 2002/03 to R6,5 billion in 2004/05.

While this growth in infrastructure investment is welcome and is already a major factor in increased economic growth in the Province, further investment is needed in social infrastructure, especially in water and sanitation, school and clinic construction and in rural access roads. Well-planned rural infrastructure will play a major role in leveraging social and economic growth.

### **7.5.2. Approach**

Infrastructure development is a foundational objective in the Eastern Cape due to its key role in social development, especially the eradication of social backlogs, and its role in leveraging economic development. Government and its social partners recognise the need for an integrated institutional planning capacity in the Province that can:

- Track trends on the delivery of physical, social and economic infrastructure and analyse expenditure patterns sectorally and spatially.
- Disaggregate such trends by projects, indicating their stage in the planning and implementation cycle.
- Evaluate the costs and benefits of specific projects in terms of contribution to social development and leveraging of economic growth.

- Provide support to government departments on project identification, design and formulation and the management of implementation.
- Make recommendations to the Executive Council, Province of the Eastern Cape on the social and economic benefits of competing project options and the potential for leveraging additional investment.

Integrated planning of infrastructure development should also develop and expand existing models of infrastructure planning, management and delivery, including strengthening of programme units in departments and district councils, and the creative use of public-private partnerships to leverage private sector investment.

The overriding objective of improved planning for infrastructure development is to creatively explore ways to increase the level of public investment expenditure, and use infrastructure expenditure to more efficiently address the interrelated objectives of poverty eradication, employment creation and economic growth. This will include the development and use of labour intensive and community based construction measures and affirmative procurement to direct infrastructure to SMMEs.

### **7.5.2 Programmatic implications**

Many national, provincial, district and local government departments and agencies are involved in the delivery of infrastructure. Greatly improved planning and co-ordination will prioritise funds, avoid duplication, and ensure funding of future maintenance of infrastructure. Planning capacity is being built up in the district councils as funding and implementation responsibilities are transferred.

#### **Investing in social infrastructure, especially in the former homelands**

- *Rural access roads* are a key priority for access to schools, clinics, and hospitals. Better access roads will also open up areas for economic development, especially high potential land for irrigation, forestry, and livestock farming that has not had access to inputs and markets.
- *School and clinic construction* is a further social development priority. Many homeland schools and clinics are sub-standard. The size of the backlog dwarfs available funds. Increased funding needs to be made available and targeted to the highest areas of need. School and clinic construction also needs to be linked to growing communities. Construction should use available funds effectively through



well-known and developed appropriate technology and labour-based construction methods, using local contractors and community labour.

- *Water and sanitation* needs major investment in rural areas of the homelands where the worst backlogs are present and many communities are still without safe drinking water.

### **Investing in economic infrastructure to unlock growth**

While good roads and communications infrastructure exist in and between the major towns, there are gaps in the network. Emphasis will be placed on major road links, rail links and on the longer-term development of an international airport. The development of the IDZs provides an opportunity for attracting foreign investment into new export-driven industries.

- *Roads*: The construction of the Wild Coast Toll Road will provide a major boost to the former Transkei economy, linking Pondoland with the rest of the Province and opening new areas for tourism and agricultural development, but needs to be sensitively planned and implemented to optimise the benefits to local communities and minimise environmental harm. Main roads along the coast, such as the planned Wild Coast Meander will also boost tourism. Improvement of other major link roads, such as the coastal road between East London and Port Elizabeth, will also boost business development.
- *Rail*: Planned and prospective upgrades to the rail system will ease freight transport and open new areas of the economy. The upgrade of the Umtata to East London railway will provide opportunities for forestry development, wood chip exports and agriculture. Improvements to the main lines to Port Elizabeth and East London will promote exports through the ports and the development of the IDZs.
- *Seaports* are already expanding and will provide continued support to industrial development, especially in the IDZs. Opportunities exist for small port development for fishing, tourism and leisure, especially at Port St Johns.
- *Airports*: Growing exports from the Province provide future opportunities for an international airport for freight and tourism. While Port Elizabeth will probably be the first site for an international airport, emphasis is being placed on a provincial network of freight routes as the economy grows, including the Bulembu and Umtata airports.
- *Electricity*: South Africa has a strong advantage of low electricity costs that keep business costs low and help to attract investment. Continued investment in grid infrastructure, for example for the IDZs, will be a significant plank in attracting investment.

- *Construction* is set for a major expansion in the Province as social and economic infrastructure is built up. The opportunity is to leverage construction business in the Eastern Cape economy through procurement policy, joint ventures between large and smaller companies for major projects and training of emerging contractors.

## **7.6 Public sector and institutional transformation**

### **7.6.1 Introduction**

As indicated at many points in this document, public sector and institutional transformation is a foundational objective of the strategy framework for growth and development. In addition, programme interventions are also closely linked to the objective of human resource development. Local government will increasingly become the main site of service delivery during the PGDP and strong programme interventions will be needed to strengthen capacity and build skills.

### **7.6.2 Approach**

There are four key areas of challenge in public sector transformation: provincial government, local government, civil society and business.

The challenges of provincial government transformation relate to the need to strengthen and integrate planning for provincial socio-economic development, while leading the process of decentralisation of service delivery to district and local municipalities. Provincial government will need to strengthen its policy, planning and oversight roles while delegating powers and functions to municipalities in a phased manner. This will be a challenging process requiring strong programmes to support management, planning and monitoring, and systems capacity in local government. Provincial government will need to take a lead in designing such programmes.

The challenges of local government revolve around:

- The legislative and regulatory requirements of the new developmental role of local government.
- Strengthening local government planning and project management capacity.
- The division of powers and functions between district and local municipalities.
- The definition of provincial service district boundaries in terms of district municipal boundaries.

- The improvement of agency agreements between the provincial and local spheres, particularly in roads and health.
- The synchronisation of the planning and budgeting cycles of the three spheres of government in support of integrated development planning in the local sphere.
- The improvement of programme coordination between these three spheres of government.
- The establishment of effective participation in development planning and implementation within the local sphere.
- The development of a cluster approach to the work of municipalities that closely articulates with the clusters developed within the provincial sphere.

The challenges of civil society revolve around:

- Improvement of communication and access to state transformation in a province characterised by illiteracy and limited access to basic services.
- Effective harnessing of forums for participation in development planning.
- Effective empowerment of the poor to voice their needs and take an active role in development initiatives.
- Effective decentralisation of state activity in meeting the socio-economic rights of the poor.
- Effective harnessing of the skills of non-governmental and community-based organisations in support of poverty reduction and economic development while maintaining a space for critical engagement with the state around development approaches and priorities.

The challenges of business revolve around the effective harnessing of public resources in support of a shared strategy for growth and development, using levers such as strategic investment in infrastructure, research and spatial planning, and identification of economic development priorities within the agricultural, manufacturing and tourism sectors. The strategy for growth and development should set the signals for private sector investment through effective planning, investment incentives (particularly in marginalized areas), and reduction of transaction costs associated with investment decisions.

A series of overall priorities stem from these challenges. The strategic approach will be focussed on the harnessing of skills and resources in support of local priorities as articulated through the integrated development planning process. This will require:

- Effective co-ordination of provincial and national programmes within the boundaries of district municipalities.
- Improved co-ordination of planning and budgeting.
- Predictability and targeting of fiscal flows from agencies within the national and provincial spheres of government.
- Strong support to capacity development through skills training and the deployment of provincial staff to local government.
- Development of the structures and systems for the effective functioning of participatory democracy within the local sphere.
- Effective mobilisation of all social partners in support of the formulation and implementation of the integrated development plans.

Provincial and national government should increasingly focus planning and programme implementation around the priorities of municipalities, while maintaining clear visions of broader provincial and national priorities.

Finally, the participatory planning process should be institutionalised as part of PGDP implementation to ensure that all social partners continue to participate and are mobilised in support of the PGDP as well as the monitoring of its outcomes.

### ***7.6.3 Programmatic implications***

The programme implications of the above approach are as follows:

- The decentralisation of service delivery to the local sphere of government is a strong priority. The progressive delegation of powers and functions from provincial to local government will require careful planning and the development of strong support programmes in management, planning and monitoring, and in service delivery. One-stop service centres at local government level need to be established as part of the decentralisation process.
- The participation of civil society organisations in development and implementation of the PGDP and integrated development plans needs to be institutionalised. This requires both the PGDP participatory forums and pro-poor, activity-based participation strategies within the local and provincial spheres of government.
- An institutional framework for monitoring and evaluation of programmes, developed as part of the PGDP, needs to be established. This network should be built on a

system of indicators, including gender and poverty indicators, and simple monitoring tools that also feed into political oversight and auditing functions within the Province.

- The performance of provincial government departments need to be improved, not only to deal effectively with inefficiencies, under-spending and corruption, but also to improve the targeting of service delivery to the poor and to implement effectively the principles of *batho pele* in the provincial civil service.
- The skills base and systems of municipalities need to be developed on an on-going basis, harnessing effectively local government support programmes initiated by the national and provincial governments, as well as by donor organisations. The need for new programmes aimed at the development of the skills of local government officials and politicians should be assessed.
- Planning and budgeting cycles in the provincial and local spheres of government need to be aligned to support the integrated development planning process within the local sphere more effectively, to provide greater certainty to municipalities on their fiscal allocations, and to ensure provincial and national priorities are communicated timeously and with due consideration of local priorities.
- Provincial fiscal management needs to become increasingly output focussed, with more effective harnessing of all fiscal resources deployed in the Province in support of integrated programmes and projects. Fiscal management systems should also increasingly be focussed on objective-based budgeting.
- Progressive decentralisation of powers and functions to local government must be supported by the decentralisation of financial management and other systems to service districts over a clear, well- planned timescale.
- The boundaries of provincial service districts need to be aligned with district municipal boundaries to allow for better deployment of provincial public sector resources within the local government, and to allow for more effective monitoring and engagement by social partners in the work of provincial and local administrations.
- The coordination of planning and monitoring of implementation of the PGDP needs to be ensured through appropriate institutional means.

## **8 IMPLEMENTATION OF THE STRATEGY FRAMEWORK**

This strategy framework has developed an analysis of the constraints and opportunities faced by the Eastern Cape, considered various options for growth and development, and derived six strategic objectives. These objectives have each in turn been discussed, stressing their interrelationship and setting the guidelines for programme interventions.

Phase 2 of the PGDP planning process will move to elaboration of each of the strategies within this strategic framework. The goal of elaboration will be to plan and phase programme interventions in each objective area, while building programme linkages aimed at meeting the overall objective of poverty eradication.

**The focus of Phase 2, drawing from the preparatory work done in Phase 1, will be on the following areas of strategic intervention:**

- Delivery of economic programmes along the lines articulated in the strategy and its objectives.
- Consolidation and adjustment of the institutional mechanism aimed at driving project delivery in the identified spatial and sectoral areas.
- Systematic implementation of the new fiscal framework in order to reflect the shift in emphasis towards economic growth and development.
- Creation of strategic economic management capacity with identified centres in the District Municipal Areas.
- Redefinition of the Provincial Government Department competencies and boundaries in line with the new district economic competencies. This will ensure optimal utilization and efficient use of the public service capacity.

The implementation of the PGDP will have to be done in distinct but related steps. Implementation during each step will be guided by the fiscal and operational capacity of government, and the need to build a medium to long-term platform for economic growth and development. The first step will prioritise improvements in the following areas:

- Control and regulatory capacity to ensure good and corporate governance.
- Institutional mechanisms for operation management to ensure that projects are delivered with necessary scale and impact.
- The balance between decentralised service delivery and centralised co-ordination and management of planning and implementation.
- Partnership arrangements in support of all of the key objectives of this Strategy Framework.

Alongside the above focus, a process of preparing the massive project rollout focusing on municipal, strategic economic infrastructure and poverty eradication will have to be accelerated with implementation envisaged from the second fiscal year (2005-2006).

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