

## 6. Economic Resources and Local Economic Development

This chapter outlines the historical background and presents an analysis of the present situation as well as trends and projections in the economy of the area and its surrounding region. This provides a *profile* of the municipality in a broad sense, covering the overall picture as well as individual economic sectors. A summary statement of the main findings is presented at the end of the Chapter.

Background studies are carried out and presented in the reports on *Local Economic Development*, *SMME Development*, *Urban Agriculture* and *Regional Setting* to which reference is made for further details.

### 6.1 Introduction

The first democratic Government of South Africa that came into power in 1994 identified a number of priority areas. Economic development was one such area; emphasising economic growth, wealth creation and job generation. Local Governments are required to play a leading role in promoting local economic development (LED) according to the Local Government Transition Act and some other White Papers as for example on A National Strategy for the Development and Promotion of Small Business (SMME).

The role of Local Government should primarily be to act as a “facilitator” and an “enabler”. This means in more practical terms that the local government should promote and strive towards an enabling environment including:

- development of appropriate infrastructure
- development of appropriate by-laws and regulations
- provision of technical information
- acting as a “catalyst”, starting up local economic development projects (alone or preferably in co-operation with other stakeholders)
- promotion of networking

The Municipality and its council and administration must be aware that this is a new role and that it is of crucial importance to build up skills and capacity within the municipality to handle these issues.

### 6.2 Overall Economic Profile

South Africa has, at least compared to other African countries, a well developed market economy, and a well established manufacturing industry, an advanced financial system and manageable inflation. The infrastructure is well developed. The country has a functioning multi-party system, a strong trade union structure and

independent media. South Africa has thus many of the prerequisites necessary for positive economic development.

There are however also many problems and obstacles for development. Half of the population is classified as poor, formal employment is low and unemployment is very high. Over seven million of a total population of more than forty million can neither read nor write. HIV/Aids is severely affecting the health status of the people.

The South African economy shows improved economic prospects in the early 2000s but is dependent on external factors like world trade and commodity prices. South Africa's main trading partner is the European Union. The Comprehensive Trade, Development and Co-operation Agreement with the EU, which was reached recently, is expected to boost trade and investment exchange between South Africa and the EU. A similar arrangement is in operation with the US, another major trading partner.

Within the national space-economy of South Africa, the area of East London-King William's Town including the industrialised townships of Berlin and Dimbaza is now commonly regarded as a budding metropolitan corridor. In the national context this corridor is one of the poorest and economically least developed metropolitan areas in South Africa with relatively low salaries and skills and with high unemployment rates. It has however the second best contribution to the Gross Geographic Product of the Eastern Cape Province after the Port Elizabeth-Uitenhage area.

From a transportation point of view, King William's Town is well located and constitutes a hub in a network of roads. A railway is linking King William's Town to East London and the rest of the country. The harbour in East London has facilities to handle bulk cargo and containers for import and export of goods. East London Airport is 60 km away.

From an economic perspective, the features of note in the King William's Town planning area is that agriculture is a very small sector and the manufacturing and the community sectors are larger compared to both the provincial and the national situation. This indicates a potential for agriculture, as land at least physically seems to be an abundant asset in the planning area. The trade sector is surprisingly low and indicates the threat from especially East London as a major trade centre, situated nearby and thus competing with King William's Town.

With the new political situation in South Africa in the mid 1990s, more authority and powers were delegated to the Provincial Governments. In Eastern Cape, Bisho became the seat of the Provincial Government. However, the port city of East London is larger in terms of population and is acknowledged as the economic centre of the area with a substantially larger variety of services, commerce and industry. It has recently been decided that King William's Town and East London with the surrounding hinterland will be amalgamated and constitute one municipal area to come into function in direct connection to the municipal elections in November 2000. This new Municipality, Buffalo City, has certainly the potential to develop in a positive direction.

### **6.2.1 Land and Natural Resources**

The planning area extends to some 990km<sup>2</sup>, with land held under a variety of ownership and land tenure forms viz. freehold, state land, communal etc. Land use can be illustrated by some figures for King Williams Town Magisterial District, where cultivated land is 3.2 %, natural pasture 91.6 %, forests 4.0 % and settlement areas comprise 1.2 % of the total area. This is likely to be representative for the distribution in the planning area as well.

Of note is that land tenure has implications for settlement development. In many rural communities there is tight control on new allocations of residential land. It also affects investment by influencing financial institutions' willingness to provide capital. The new municipality, Buffalo City, will include large areas of land held under traditional tenure. There are concerns (legitimate or otherwise) among residents in such areas with respect to the implications of becoming part of an urban municipality. Issues relate directly to matters such as zoning regulations, development and building control, establishment and enforcement of rates or equivalent taxes on the one hand, and the responsibility of local government to provide services in an equitable manner throughout the municipality.

The natural resources of the area do not – basically – offer opportunities for economic activities other than agro-based industries. Mining and quarrying are scarce activities and even agriculture seems to be of less importance than expected. However, there seems to be potential for a growing tourism based on the often scenic landscape in combination with cultural values of various kinds.

### **6.2.2 Population and Settlement Structure**

The population figures and forecasts as well as other demographic characteristics are essential for the economic performance of any area. This is described in detail in Chapter 5 Human/Cultural Resources and Social Development. The settlement structure of the area is elaborated upon in Chapter 8, Urban and Rural Spatial Development.

### **6.2.3 Employment and Income**

The unemployment rate is very high (higher for women than for men). It is highest in the rural areas: - in total 78 %; and lowest in KWT proper: - in total 32 %. The total population in 1996 in the age group 15-65 years is 114 802 of which 36 765 were employed and 78 037 were unemployed.

The inequality in monthly incomes per household between the urban area TLC and the rural area TRC is striking. More than 80 % of the households in the TRC earn per month below R2 500 Rand, as compared to 21 % of the households in the TLC. In the latter 64 % earn more than R3 500 per month.

The national government has recently adopted some Acts in order to address the labour market, the employment situation and the economic development. The main examples are the *Preferential Procurement Act*, the *Employment Equity Act* and the *Skills Development Act*.

#### **6.2.4 HIV/Aids**

The HIV constitutes a major threat to the population and to economic development. This has been described in Chapter 5 to which the following can be added:

- The costs for individual households, apart from the social stigma and emotional toll exacted, will be degradation in the overall household economic situation;
- Enterprises will lose in productivity and loss of experienced staff;
- The macro-economic level will be affected by affected by loss of productive members. Diversion of resources from savings and investments will reduce the economic growth over time.
- The consequences for King William's Town will undoubtedly be significant in human, social and economic terms unless strong and proper actions are taken to constrain the estimated high growth of infected people.

A special study on population forecasts, including implications of HIV, has been carried by the Population Research Unit of Rhodes University, to which study reference is made.

#### **6.2.5 Crime**

The crime rate and the unsafe environment are regarded as a problem by many people and can be seen as a general hindrance to economic development and as a major cause of reluctance to invest in the area. A special study on Social Risks and Safety has been undertaken. Thefts and similar crimes dominate in KWT while crimes causing bodily harm dominate in the townships.

Short-term activities constraining the crime rate could be to make the police more visible in the streets. Reducing the waiting time for trial, which now often take too long, is another measure. Also, introduction of a Business Improved District, where the businessmen pay a levy for additional services to make the CBD a safer and more attractive place, could improve the situation. Finally, in the longer term there is now also an option to set up a Municipal Police Force, which would supplement the National Police Force and thus assist in improving the situation.

### **6.3 Agriculture**

#### **6.3.1. General**

The rural areas are of varying agricultural quality, reflecting its variety of agro-ecological zones. Rainfall, evapo-transpiration, soils and slopes are natural determining factors governing land capability. These affect the suitability of different areas for crop and/or animal husbandry and forestry, as well as influencing the choice of crops, animals and tree species. The northern parts of the planning area (Amatola mountain area) are suitable to forestry, which also takes place specifically on state land.

Other factors also play a major role in determining the extent to which the natural potential is realized, or abused. Large-scale commercial enterprises can generally command the resources necessary to utilize land resources efficiently, and are better

positioned to respond to changes in the markets. Small-scale farmers face a variety of constraints, such as the following:

- Shortage of draught animals and/or mechanical draught power.
- Shortage of arable.
- Shortage of grazing land.
- Overstocking and land degradation
- Decline in carrying capacities
- Shortage of labour.
- Lack of capital for both agricultural inputs and services.
- Lack of access to financing, which might counter the lack of own capital.
- Insufficient access to markets for products and input suppliers.
- Lack of transport to markets.
- Problems of reliability in supply and quality of produce.
- Poor roads

Of the factors listed above those relating to physical and institutional infrastructure are the most pertinent to King William's Town's regional role and to development planning. The town constitutes a significant market for agricultural produce. Principles of sustainability would suggest that - from many points of view - reliance on locally produced goods is the most appropriate. This sustainability will only be achieved with directed investments in institutional support and communication infrastructure that supports local farmers in obtaining inputs, advice and information, and in accessing markets and finance.

Dryland farming is predominant among subsistence level households. Important environmental factors in this form of agriculture include the distribution of rainfall over the year, the variability of rainfall from year to year, evapo-transpiration rates and soil and topographic parameters.

Some agricultural practices have direct and indirect consequences for both rural and urban environmental quality. These become particularly severe in the region's undulating landscape. Overgrazing, particularly in communally used rangeland, leads to increased soil erosion. Water borne soil particles increase suspended matter in the water. They also increase sedimentation in dams, thereby slowly but steadily decreasing holding capacity. Water erosion in rangeland and from heaped manure may contribute to increased faecal pollution, and certainly to higher biological oxygen demand (BOD). Wind erosion is unrestricted in overgrazed and burnt areas, as well as following winter ploughing of crop land.

King William's Town and East London provide a market for many basic food crops that could be produced locally, even by small-scale farmers. Many factors conspire against these producers as indicated above.

Although it is not the responsibility of local councils to engage in direct support to the agricultural sector some activities could be undertaken to encourage development. The town cannot claim to be particularly "sustainable" if most of its food comes from the Free State or Cape Town.

### **6.3.2 Urban Agriculture**

Urban agriculture and small-scale farming have the potential to become significant contributors to urban as well as rural household's livelihoods. At present the agricultural sector within the King William's Town TLC and the TRC contributes an insignificant 2.46 % to the local economy and employs 4.9% of those in formal employment. The sector's potential contribution to the economy and in providing employment is probably ten times the existing situation.

At present thousands of households are practicing backyard gardening. There are attempts to start community gardens even though none is operating. There are a few informal livestock kraals in operation.

An assessment on current activities, interest and demand for additional urban agricultural activities has been carried out in cooperation with local communities. Communities, physical planners and town engineers have identified areas suitable for community gardens and community kraals. These areas have been entered into digital maps.

All necessary resources are available. Land for community gardens is available and under TLC ownership or control. Inputs such as seeds, fertilizers etc. are available locally. Skills in growing vegetables and rearing small stock, (chicken, sheep) are common. Agricultural extension is planning to establish extension offices in urban areas. Residents in most townships have actively expressed interest and ambitions to get more involved in agricultural activities.

There seems however to be some institutional bottlenecks hindering a proper development of urban agriculture. For example there is a need for the council to identify under which office the responsibility for coordination and implementation of urban agriculture should be placed as well as a need to secure and maintain control over land used for or suitable for community gardens and community kraals. Another conclusion is that awareness has to be raised and existing skills nurtured.

## **6.4 Modern Sector Economy**

### **6.4.1 Commerce**

King William's Town is the commercial centre for a large catchment area. This has been the case since the 19<sup>th</sup> century. The former settlers' stores have during the last 20-30 years been replaced by chain stores, which to a large extent now dominate the business of the Central Business District (CBD). The CBD plus adjacent areas now include at least 150 different commercial facilities. A network of taxis connects the King William's Town CBD with the catchment area and a large number of people visit the CBD for shopping every day.

King William's Town provides a significant function as a trade centre in its hinterland. A number of wholesalers are located in the town, three major ones providing food and household goods, others providing building materials. The

wholesalers are parts of regional and/or national chains, with outlets elsewhere in the region for example in Stutterheim, Alice, Fort Beaufort, Queenstown, Grahamstown, and of course East London. The catchment areas of these wholesalers overlap to a considerable degree. Retailers patronise more than one wholesaler.

Discussions with wholesalers, and visits to a sample of communities suggest that on average each small rural community has a small general dealer and two or three *spazas* (equivalent to hawkers operating out of their homes, and selling very small quantities of daily requirements). Commonly, shebeens are also located in most villages.

When the Group Areas Act was revoked in 1990 many of the more privileged people having a western style of life and who supported much of the then existing local market moved to East London. Property prices fell as supply exceeded demand, but a positive result has been that KWT has since become one of the most deracialized and integrated towns in South Africa. The character of the town has thus changed somewhat, which has had an impact upon the character of the CBD, with a new mixture of types of shops and the supply of goods.

Dimbaza is the only township with a CBD of magnitude. Dimbaza is also the township situated at the farthest distance from King William's Town, 20 km, which makes commuting and shopping there more expensive. Zwelitsha has a small CBD and a fairly large population and has probably a potential for a larger CBD at least for food and goods for every day needs. There is also a small CBD in Bisho

Banking facilities are concentrated to King William's Town proper. Establishment of bank branch offices at least in Dimbaza and Zwelitsha would probably support local economic development in these townships. The fact that salaries now are disbursed in KWT only might favour shopping in the central CBD at the cost of the CBDs in the townships. Shops for the supply of goods for every day needs should be located as close to the dwelling areas as is viable and possible.

In order to achieve the sustained positive development of the King Williams Town area, it is vital to have an active commercial life and a fair distribution of services over the entire area. It is, however, equally important to have a robust and attractive main CBD in King Williams Town proper. There is a tendency that there is a decline in this respect at present, which is alarming and is being studied as a special pilot study under the CUP Project.

### **6.4.2 Industry**

Industrial activities are predominantly located in four industrial zones i.e. King William's Town proper, Bisho, Zwelitsha and Dimbaza.

The industrial zones in King William's Town proper and Bisho contain smaller industries, mostly light industrial activities. The industrial zones of Zwelitsha and Dimbaza were initiated under the Apartheid era and designed to attract heavy industries with basically labour intensive production. The former government subsidised these industries. When this came to an end in the early 1990`s in combination with the abolition of trade barriers, many factories were forced to close down.

At present, a substantial cluster of garment industries is employing an estimated 4000 – 6000 people, mainly located in Dimbaza but also in Zwelitsha. There is at present ongoing discussions on the establishment of another industry in Zwelitsha with a substantial amount of new jobs to be generated, should it materialize.

Dimbaza also has a foundry. The former large employer, King Tannery, located in King William's Town proper has recently closed down. Another large employer in KWT is the TI Group making specialised engineering products.

There is a great number of small, medium and micro scale enterprise (SMME) in the area. All enterprises within the informal sector in King William's Town also fall within this sector. The general constraints to SMME development have been identified as

- lack of access to information
- lack of access to markets
- lack of knowledge and development in the technical spheres
- lack of technically skilled staff
- lack of access to credit
- lack of business management skills among entrepreneurs and workers
- lack of motivation to engage in business with a long-term perspective
- lack of infrastructural services such as water and electricity

SMMEs also operate within the tourism and the urban agricultural sectors.

The employment situation within the Planning Area by economic sector (employed, 15-65 years) in 1996 shows that a large percentage of the employed people are working in the community sector: - 39 %; and that the next biggest sector is manufacturing employing 26 %, after which comes trade with 13 %.

In the rural areas a higher percentage of employment is found in the manufacturing sector but lower in the community sector. KWT proper has a substantially larger percentage working in the financial sector, 16 %.

### 6.4.3 Informal sector

The informal sector is very important in South Africa and is estimated to cover around 30 % of the national GDP. This sector is likely to have potential for job creation and also for economic growth. The informal sector includes small manufacturers like repair workshops, knitting and dressmaking, hairdressing, kindergarten etc. Black rural women is probably the most neglected group in South African and needs special attention

Against the background of high unemployment and poverty many people tend to gravitate to the informal sector on the basis of its relatively easy entry level, nil or minimal need for start up capital and need for only basic level of skills.

In a recent sample survey of the informal sector in KWT the following criteria were used for defining informal enterprises

- size: self employed or micro enterprises with few employees
- legal status: unregistered not bound to or benefiting from recognised standards
- levels of resources: scarce availability of physical, human and financial capital

The survey was carried out in KWT proper and the townships of Dimbaza and Ilitha. KWT proper was estimated to have 110-155 informal business activities, Dimbaza 97 and Ilitha 12. The major conclusions reached are as follows:

- the informal commercial business sector is not well organised and is on the whole survivalist in nature; the scale of the activities is small and of low intensity, especially outside KWT proper
- the informal industrial sector appears to exist only in Dimbaza, based on its industrial base, and is very small. This small core provides the opportunity for creative ideas on job creation through pilot initiatives. A small core of people display an entrepreneurial spirit, wishing to explore opportunities which offers the prospect to support specific initiatives as examples to others and to what can be done
- a network of support structures exists for the foundation of a support system. This must be done in phases as the gap between informal and formal is so great

The survey identifies the need for setting up support systems for the informal commercial sector and specific enterprises in the non-commercial sector. The sample survey of the informal sector in King William's Town is presented in more detail in the report *Draft Report, Informal Business Study, July 2000*.

**Co-operatives** do not seem to be common or to be a well-known economic solution in South Africa. The incentive for people to start up a co-operative is to share a common need e.g. to buy food at a price they can afford and therefore establish a store selling food. There are different kinds of co-operatives, for example working co-operatives, users co-operatives, producers' co-operative, consumers' co-operative.

The viability of establishing co-operatives should be explored as well as the establishment of **Farmers' markets** in central locations in order to support the informal sector agricultural produce.

### **6.5 Tourism**

Tourism is a fast growing industry in many parts of the world. The sector as a whole shows a worldwide annual growth of 5%-6%. South Africa has a very good potential for development of the tourism sector and, within this context, the Eastern Cape must be seen as having a similar potential.

King William's Town and its surrounding region, however, has a very limited tourism sector to date; nevertheless there is certainly scope for expansion. The existing tourism and potential for development include a wide variety of activities, structures, natural resources etc. The landscape of the Amatola region varies from unexploited beaches via beautiful undulating hills and deep river valleys to mountains. The cultural heritage includes above all strong black cultures like the Xhosa culture as well as the colonial cultures with English and German influences. Many of the political leaders of today's South Africa trace their background to this area, a fact that could be utilised as an attraction in the development of tourism products.

It is evident that King Williams Town cannot stand on its own as a tourism destination. Therefore any development of tourism in the area has to take place in a wider geographic context including the entire Amatola region. Many actors, private and public, are involved in the tourism arena and a systematic approach and organisation must be applied in order to gain synergies and result.

The Eastern Cape Tourism Board (ECTB) is a parastatal organisation established to implement national and provincial tourism policies within Eastern Cape. Regional and local offices are established. King Williams Town TLC has, however, no clear role and responsibility identified within the organisational set-up for tourism development.

Tourism can be seen as system based upon integration and interaction between attractions, services, transportation, promotion and information. The specific study on tourism has identified a number of weaknesses as well as strengths within these components of the system. The natural as well as the cultural environment, particularly the Xhosa culture, as described above can be turned into a great resource. The knowledge and awareness of the attractions must, however, be improved and spread and the care for the cultural and natural environment has to be reinforced. Services in the form of accommodation, restaurants and other activities are there, but need in some respects to be improved. Inappropriate transport facilities and infrastructure seem to hamper tourism development as well as inadequate information and marketing arrangements. Background data and statistics are scarce, which severely affects the understanding and awareness of the economic potential of the tourism industry specifically at the regional and local level. As a consequence the promotional activities are at risk to be misdirected or not fully effective.

## **6.6 Economic Infrastructure**

In order to achieve economic development it is necessary to support the activities with appropriate arrangements in terms of transportation, communication, banking, financing and other services. These services are, in this context, named economic infrastructure.

### **6.6.1 Transportation**

The transportation system has been described in Chapter 4, Regional Setting, to which reference is made.

### **6.6.2 Banking, Finance and Professional Services**

Outside the significant towns there are few, if any, formal financial services, whether banking or insurance. Small-scale agriculture is not viewed as attractive to financiers, and savings are at a scale that does not warrant the establishment of permanent facilities. There is also a general trend to close bank branches and retrench workers, with rural sites being particularly targeted.

There are informal mechanisms through which rural households are able to meet specific needs. The best known is the burial society. Another one is where a group of households pool monthly contributions in a fund. Some, or all of this fund is given to members on a rotational basis for the purpose of making large purchases, thereby avoiding hire-purchase charges, or interest on loans. A variation is the establishment of a fund from which members can borrow at very high rates of interest. This interest builds up over the year and is then distributed evenly to all members prior to Christmas when every household expects to have high expenditures.

It may be possible to build on the concepts and experience gained through these accepted informal mechanisms to establish consumers' co-operatives, group owned and managed small general dealers or financial service providers at a slightly higher and more sophisticated nature and scale.

It is in the interest of King William's Town to encourage the development of small-scale enterprises, including appropriate financial services in its hinterland.

### **6.6.3 Telecommunication**

The sale of telephones has been "explosive" during the recent years, especially with respect to cellular phones. While these may have increased dramatically in urban areas, the network coverage is not total over the rural areas, so the impact in small rural communities is not as great.

Telephones represent a critical component in modern business, where rapid and frequent communication with a client or supplier may be important. Access to a telephone line also gives access to facsimile and Internet services.

Efficient communication services are essential for business development. Unless the ownership level in King William's Town has increased dramatically since 1996, there may be important implications for business development in the town. Of special concern is the pertaining time lag between application and installation of services - the longer the lag the greater the resistance to business establishment.

### **6.7 Education**

An important base and indicator for economic growth is the level of education. Of the population aged 20 years or more only 6 % or 6 052 people had tertiary education while 13 % or nearly 13 000 had no schooling at all. The national figures are 6 % and 19 % respectively.

In King William's Town TLC there are three technical colleges, one technikon (Border Technikon) and one university (The Bisho Campus of the Fort Hare University in Alice). In East London there are three colleges, three technikons (satellite campuses from Border Technikon, Port Elizabeth Technikon and East Cape Technikon) and one university (Rhodes University satellite campus with main campus in Grahamstown).

The King Campus of East London College has four vocational 2-year programmes of which one focuses on business management, preparing the students for self-employment. Other courses are financial management, management assistant and clothing production. A public management programme is an option as well as on spot training courses for both the private and the public sectors. There are also some private colleges teaching economics and other related subjects, e.g. Strategic Community College, Academy of Learning, Damelin, Oxford College, Stanford Business College.

There seems to be a potential for further strengthening of King Williams Town as an educational centre specifically focused on local economic development matters. This would however have to be further looked into preferably in partnership with the business and industrial community.

### **6.8 Summary Statement**

From the description and analysis of the existing situation as briefly presented in the previous chapters, it can be concluded that there are a number of factors that determine the future economic development of the area. These can, even if not strictly separated from each other, be grouped in spatial and non-spatial issues.

Following the above there is a need for a spatial structure/framework to work within in order to achieve a feasible investment structure for infrastructure and services. Efficient and sustainable use of land and other resources including transportation systems are all part of the economic development framework.

As follows from Chapter 4, Regional Setting, the King William's Town - East London Corridor has been identified as such a development corridor having good economic potential for further growth.

Within this spatial development concept it is also vital to give the area an identity or trademark "branding" which should reflect a common vision and development strategy. Taking its point of departure in the above Corridor planning principle, a number of planning concepts, as already presented in Chapter 4, can be applied:

- *The Medium-sized Town Concept*
- *The Educational Centre Concept*
- *The Small-Scale Diversified and Integrated Industry Concept*
- *The Eco-Cultural Tourism Concept*
- *The Regional Transportation and Service Centre Concept*
- *The Provincial Administrative Centre Concept*

All of these concepts can contribute to the development of a sustainable and lively city and be used in comprehensive and integrated planning to build on strengths and to correct weaknesses. It also can be used to identify potential threats as well as clarify opportunities. In doing so, the development of complementary - not competing - economic and social activities is crucial as well as capitalising on what is unique for each community.

In conclusion, the assessed strengths, weaknesses, threats and opportunities in relation to economic development in the King William's Town area are outlined below:

### **Strengths**

- KWT is a centre for commercial and other services for a large catchment area and is centrally located in the middle with good roads connecting most surrounding areas.
- KWT form part of the Development Corridor East London-King William's Town-Dimbaza.
- KWT is the provincial capital of Eastern Cape with the Provincial Government Administration located in Bisho
- KWT has existing, good infrastructure, housing, industrial land and premises for absorbing further investments and economic activities
- KWT has shown political stability over time which is a good basis for attracting investments and building up economic development
- The amalgamation with East London will constitute a large and competitive entity with good possibilities to market itself and to attract public and private investments
- The supply of tertiary educational institutions is very good, including 3 technical colleges, one technikon and a satellite campus of Fort Hare University in King William's Town TLC. East London has 3 technical colleges, 3 technikon satellite campuses and a satellite campus of Rhodes University.
- Close proximity to deep sea harbour, in East London and in the ongoing harbour project of Coega (though quite far away), and airport both in Bulembo and in East London

- A substantial cluster of garment industry showing prosperous growth.

### **Weaknesses**

- The unemployment rate is very high, probably near 70 %.
- The education level is generally low and the labour force has generally low skills
- There are few labour intensive industries operating in KWT except within the garment industry
- The industrial economic base is un-diversified, being basically based on garment production, which also to a large extent is managed from abroad.
- The area was one of the main areas for separate development under the former government leading to economic, social and spatial fragmentation and under-utilised infrastructure.
- The area is situated far from the main markets and growth areas in South Africa. The long distances to Durban, Johannesburg and Cape Town make transport costly.
- There seems to be a tendency that many people, entrepreneurs, enterprises and politicians act and work in isolation, not taking advantage of partnership concepts or collective ways of operation. There is no co-operative movement based neither on consumers' initiatives nor producers'. This might have caused less growth and loss of opportunities
- A large part of the population live under poor conditions, are exposed to high transportation costs and have a very weak economic base, which limits their ability to get employed or to start a micro business. The inequality in capacity between people is wide and creates bottlenecks in economic development.
- Farming is very limited in the area because of confused land rights, lack of skills and attitudes. There is probably a potential in farming both for sale of products and for subsistence. The legal aspects on land ownership need to be looked into. Land needs to be reserved for both urban and rural agriculture.
- No integrated rural development programme has been launched to assist the rural areas, which has hampered the agricultural activities. Small-scale agricultural activities are very sensitive to irregular weather conditions and cannot bear economic losses from one year to another.
- Access to capital is a major constraint for SMMEs. The interest rates are high. In general the Government support schemes to SMMEs don't seem to reach the target groups. Information on these schemes, e.g. Khula and Ntsika, as well as other similar schemes like the COMSEC and the PERMAC schemes supported by donors should be more widely spread and copied.
- Banking facilities in the planning area are centralised to KWT. This represents a constraint to existing economic facilities and for economic development in the townships. People have to go to KWT to collect salaries, which in turn favour the central CBD.

### **Opportunities**

- On a nation-wide basis the Comprehensive Trade, Development and Co-operation Agreement with the European Union creates opportunities for e.g. increased export of goods and services and exchange of technical know how, student exchange, financial support and inward investment. A similar agreement exists with the US.

- The fragmented settlement structure has potentials, which by means of consolidation have a potential for economic growth. Effective transport system allowing reduced costs and limiting urban sprawl for more effective use of investments in infrastructure are important measures
- The neighbouring countries represent a potential for economic growth in the long run.
- The fact that KWT is an administrative centre for the whole province gives opportunities to attract other types of provincial administration and activities.
- There is probably a future demand for extended education and training within the fields of public management including local economic development. The latter is a sector, which is fairly new to local government and is going to spread all over South Africa and therefore represents a new and interesting market. The Fort Hare branch in King William's Town give courses in local economic development. Kings College gives courses in entrepreneurial training. The idea of making KWT a centre for LED education and for entrepreneurial training therefore has some potential
- There is a set up of support schemes and financial schemes organised mainly at national level, which open up possibilities for operational support for activities in KWT. An operator connected to the municipality and who is familiar with this support structure is needed.
- The implementation of the Preferential Procurement Act offers opportunities for especially SMMEs to establish on the market. The act states that Government institutions when buying goods and services should favour categories of people previously disadvantaged by unfair discrimination on the basis of race, gender or disability.
- The automotive industry in East London will supply all right hand driven Mercedes cars from the plant in East London. The Daimler Benz Company is promoting supporting industries to establish in South Africa and the East London area. This might give opportunities also for KWT.
- The garment industrial cluster shows good prospects for economic growth and job creation.
- Big potential for tourism. The natural resources and the unique culture and history of the Xhosa people and the colonial period with especially its German historical influences, which together with wildlife are extraordinary resources for increased tourism.
- Many of the South African leaders either come from region or have received their tertiary education here. This target group represents an opportunity for networking to attract more Government interest for diverting development activities to the area.

### **Threats**

- The dependency on political and economic agreements might in the long run be vulnerable as they can be changed on relatively short notice, e.g. the so called free quota now making export of garment viable.
- Growth of crime rates will make South Africa vulnerable to loss of investment opportunities and decreased tourism.
- The present turmoil in the CBD of KWT, many shops are closing down, and people with high purchasing power move away, indicates a threat in the long run as the CBD in East London might take over much of the attractiveness resulting in a downward spiral effect for the KWT CBD.

- The present open and plural society might in the worst case not succeed which could lead to economic and social decline.
- The South African labour force show in some cases militant behaviour risking negative incentives for existing and potential investors.
- In case corruption cannot be controlled and strong ethic rules cannot be maintained local economic development will be negatively affected.
- The HIV/AIDS epidemic constitutes an enormous threat to the population from both a social and an economic point of view. It needs to be monitored and given much attention.