



Province of the
EASTERN CAPE
ECONOMIC DEVELOPMENT AND
ENVIRONMENTAL AFFAIRS

Prioritised Strategic Projects

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1 EXECUTIVE SUMMARY

The Eastern Cape is the second largest province in South Africa. It is home to an estimated 6 743 800 people (13,5% of the country's population), and has the sixth highest provincial population density of 38.5 people per km². The Eastern Cape Province generated 7.8 percent of the total Gross Domestic Product (GDP) of South Africa in 2008, fourth after Gauteng, Western Cape and KwaZulu-Natal¹. To place this in perspective, however, Gauteng, the leading contributor, accounted for 36 percent of South Africa's GDP. In terms of real Gross Geographic Product (GGP) per capita, the Eastern Cape is the poorest province in the country, with an annual income of R13, 511 per person. This is largely due to the persistent extreme underdevelopment of the former homelands, where subsistence agriculture predominates, and citizens are compelled to travel for an average of 120 minutes in order to access economic opportunities.

In its 2010–2015 Strategic Plan, the provincial Department of Economic Development and Environmental Affairs (DEDEA) identified a number of opportunities arising from the above scenario. A pre-requisite to realising these opportunities is the adoption of a more expansionary macroeconomic policy with significant resource mobilisation (as envisaged in the Accelerated and Shared Growth Initiative for South Africa (ASGISA)), through a significant increase in state investment in economic infrastructure such as energy generation, water resource management and transport. The transformational power of state infrastructure investment will be in the development of viable logistics infrastructure connecting primary production activities in rural villages to economic activities and opportunities in the economic hubs of East London and Port Elizabeth, as well as ensuring that the those hubs are well connected to the economic powerhouse of Gauteng².

The global economic crisis of 2008/09 was characterised by job losses and shrinking of investment in job intensive industries. A number of countries have responded to the crisis by shifting focus from foreign direct investment (FDI) to retaining existing (internal) industries and jobs. There has simultaneously been a focus on increased public sector investment through a number of fiscal instruments in order to resuscitate ailing industries. South Africa has been relatively well insulated from the worst of the global recession, but our economy has not been immune to these international developments. The fact that, in the aftermath of the global recession, the Eastern Cape made one of the sharpest recoveries of all provinces in the country, demonstrates the centrality of government spending to the economy of the Province. This recovery came to a sudden halt when there was a 10.6 percent fall in government spending between February and March 2010³. The Strategic Projects identified in this document represent a focussed effort to contribute to the economic recovery of the Province through targeted Government spending.

In our 2010-11 Policy Speech, we noted that the disparities between urban and rural economic realities are exacerbated by an artificial theoretical separation between urban and rural

¹ Eastern Cape Economic Profile and Outlook. DEDEA. 2010

² DEDEA Strategic Plan for 2010-2015. DEDEA. 2010

³ http://www.fin24.com/Barometer/Eastern_Cape/Lower-state-spend-hits-Eastern-Cape-20100506 (Accessed 17 July 2010)

development in the minds of policy thinkers and academics. As a result, policy responses are largely limited to the development of “rural solutions” that are devoid of advantage and linkages to existing economic systems and mechanisms which create wealth and prosperity in the urban, industrialised areas. These limitations must be avoided when planning Government investment for the Eastern Cape.

It has been widely agreed that South Africa requires renewed efforts to place the domestic economy on a new growth path. Key to these efforts, and in line with the medium-term strategic framework, is state expenditure and investment in economic infrastructure, particularly that which targets high-potential sectors, accelerates job creation, and improves the lives of the people of the Province. The spatial articulation of the new Growth Path must be carefully considered to ensure that the future Eastern Cape economy is defined by the extent to which it is integrated.

Existing high-potential sectors are predominantly located in and near the two Industrial Development Zones (IDZs); at East London and Port Elizabeth. Both the East London and Coega IDZs are (or plan to be) high-demand consumers of energy and water. The Province has no power generation or refining capacity. To sustain and expand the industrial base of the IDZs, the Province will need to invest in infrastructure and develop the necessary energy generation capacity. Bearing the crisis of climate change in mind, every effort must be made to mitigate the potential environmental impact of such development.

The global recession, and its associated job losses, has intensified the focus on labour absorption. Infrastructure investment holds the added potential benefit of the wide scale deployment of labour absorptive, environmentally friendly construction methods. Refurbishment and modernisation of existing infrastructure should take place in the background, even while mega-projects are undertaken.

Despite being more than 60 percent rural, the tertiary sector dominates the provincial economy, with a total contribution of more than 70 percent. The urgent revival of the primary sector requires investment in market-oriented agricultural infrastructure. Such investment will return economic activity to the rural parts of the Province, providing prospects for hundreds of villages currently excluded from the economic map.

Overlaying a revival of the primary sector is the need to attend to the ever-pressing concerns relating to climate change, with urgency. While DEDEA has adopted a clear strategy towards developing a Green Economy, the evolution of this strategy requires multi-layered, multi-sectoral collaboration. Efforts to establish Green Industries are in their infancy, and would benefit tremendously from more robust support from National departments and agencies than is currently the case.

For the reasons advanced above, the Province has clustered the necessary infrastructure investments into Logistics; Water and Energy; Telecommunications; Renewable Energy; Forestry and

Agriculture and Environmental Management. Strategic projects in each cluster are further organised into four geographic development zones: Port Elizabeth and surrounds (Coega Industrial Development Zone); East London and surrounds (East London Industrial Development Zone); the Wild Coast Development Zone; and the Central hinterland. Green initiatives are also clustered geographically. Related support requirements are presented in this document.

2 PRIORITISED STRATEGIC PROJECTS

	WILD COAST	PORT ELIZABETH	EAST LONDON	HINTERLAND
LOGISTICS	1. Integrated Transport Hub 2. Provincial Parks infrastructure	3. Twinned Gateways 4. Relocation of Tank Farm and Manganese Terminal to Coega	5. Upgrade of EL Harbour 6. R72-N2-N6 Link	2. Provincial Parks infrastructure
WATER & ENERGY	7. Ntabelanga Multi Purpose Water Resource Development	8. Project Mthombo 9. CCGT Power Station		10. Bulk Water Transfer from Ntabelanga
TELECOMMS		11. SeaCom cable	11. SeaCom cable	
RENEWABLE ENERGY			12. Electric Vehicle Project 13. Bio-fuels Industry Development 14. Enabling Support for Alternative Energy Source Industries	
FORESTRY & AGRICULTURE	15. Forestry Development 16. Agricultural Development		13. Bio-fuels Industry Development	
ENVIRONMENTAL MANAGEMENT	17. Environmental Management Framework (EMF) for Wild Coast 18. Wild Coast Illegal Cottages Investigations		17. EMF for Buffalo City Municipality	19. Operationalisation of landfill sites 20. Peddie Revitalisation Programme 21. Environment Sector EPWP Projects

3 LOGISTICS

3.1 Integrated Wild Coast Transport Hub

3.1.1 Background

The Wild Coast is home to a small formal economy, which provides only 11% of value added to the Provincial Economy. There is, however, a significant subsistence and informal economy not measured by statistics. Subsistence and small-scale agriculture (livestock and maize) are the major private sector activities. Agriculture contributes 13% of value added and 8% of formal employment. Forestry is the main formal agricultural enterprise, with large forests to the north and west of Mthatha, mainly leased by the private sector but with community plantations also present. Some commercial farmers have invested in small-scale irrigation, with cabbage and potatoes the most popular crops. Subsistence agriculture makes a major contribution to household food security. Manufacturing is a small sector with 4% of value added and 6% of employment, centred on Mthatha. Food processing, wood products and furniture are the largest manufacturing sectors in Mthatha.

A contributor to the constrained, small economy of the Wild Coast is the lack of viable transportation infrastructure to support expansion:

- Currently, the only transport link between the Wild Coast and KwaZulu-Natal is by N2. Approval was recently granted for the construction of a new-route tolled section of the N2 through the Wild Coast, shortening the distance between Mthatha and Durban by 75km.
- The Mthatha Airport services passenger routes to Johannesburg (once daily) and Port Elizabeth (once a week) only. Charter flights can be arranged.
- The recently re-furbished East London – Mthatha Rail line was initially a passenger service only, with the intention to include cargo services at a later stage. Uptake has been slow.

By contrast, the region holds potential for substantially increased agriculture (particularly crops and forestry), tourism, and retail activities. Upgrading of existing infrastructure, and linking it into an integrated transport nucleus, centred on Mthatha, would greatly enhance the potential of the region to assimilate into a wider economic landscape.

3.1.2 Key Considerations

- Existing (inadequate) infrastructure can be upgraded
- The regional impact of greater economic activity would be significant
- Decreasing the access time to economic activity will dramatically improve the quality of life of citizens in the region
- Improved access to the region would facilitate the long-awaited, elusive “tourist boom” in the Wild Coast

3.1.3 Recommendations

It is recommended that the following actions are initiated:-

- Sanral is engaged at the appropriate level to ensure that the N2 Toll Road project is prioritised, and that the environmental impact is proactively managed
- Acsa is engaged at the appropriate level to ensure that the upgrade of the Mthatha Airport receives attention, with particular consideration for the introduction of cargo flights and increased routes
- Transnet is engaged at the appropriate level to revitalise the Kei-Rail undertaking, and extend the line to Kokstad

3.1.4 Summary

Sector	Transport logistics
Intervention	Medium term – 5/10 years
Project	Integrated Wild Coast Transport Hub
Location	Wild Coast, centred on Mthatha
Purpose	Improve access to the region. Facilitation of trade in agricultural products, tourism, and general commercial transactions. Provide interconnectivity to rest of the Provincial economy, and indeed to the National economy, thus providing the base for increased viability and investment attraction of the Wild Coast. Provide access to the region to deliver basic services. Decrease obstacles to meeting government's development objectives for the region.
Status	N2 Toll Road approved Proposal for Kei-Rail extension to Kokstad has been developed Recent refurbishment of the Mthatha Airport to be
CAPEX	To be determined
OPEX	To be determined
Skills Needs	Use of existing skills, upgrade of some skills, new skills required
Construction Jobs (Average)	To be determined
Operational Jobs	To be determined
Impact on EC	Increased investor confidence, improved national and regional logistics chain; industrial growth through better connectivity to rest of the country; revitalisation of agriculture; food security
Rural Impact	Faster and more reliable access to markets for agricultural products, access to greater EC through new EL-Mthatha-Kokstad-Durban rail line
Impact on Country	Increased investor confidence, improved national and international logistics chain, reduced cost of doing business
Other Opportunities	Resurgence of the economically depressed areas of Wild Coast and establishment of tourism node

3.2 Provincial Parks Infrastructure

3.2.1 Background

The Eastern Cape Parks and Tourism Agency (ECPTA) manages 20 nature reserves located throughout the rural Eastern Cape Province.

ECPTA has strategically prioritized its eco tourism infrastructure development and upgrade plan to meet its strategic objectives, in line with the objectives of the provincial government of the Eastern Cape Province. ECPTA needs to develop revenue streams to supplement its existing primary source of income – the transfer payment from the provincial government. It is recognized that tourism can make a major contribution to economic development in the rural areas of the Eastern Cape, and would have multiple objectives, namely to generate revenue for conservation; create jobs and SMME's – especially in impoverished neighbouring communities.

In order to realise this, appropriate eco tourism destinations, facilities, infrastructure, products and services need to be developed. The province and ECPTA have major backlogs in the provision of bulk infrastructure and these need to be addressed in order to develop meaningful and successful eco tourism products.

3.2.2 Key Considerations

- Various eco tourism products and services have been identified for development. These have all been backed up by feasibility studies, business plans, concept notes and tourism development plans
- Tarring, gravelling of roads leading to the Parks and internal road network for game viewing purposes by tourists that will result in increase in the occupancy rate and use of parks by tourists.
- Quick wins will be Mkhambathi, Hluleka, Silaka, Great Fish River, Tsolwana, Mpofu-Fort Fordyce, Dwesa-Cwebe, Baviaanskloof and Ongeluksnek.
- Some of the tourist accommodation in these parks is graded by the Tourism Grading Council.
- Only Mkhambathi needs complete revamping of accommodation facilities.
- Staff accommodation in these reserves requires upgrading.
- Fencing of these reserves need urgent attention as some of the revenue generating activities cannot be undertaken as they do not meet fencing specifications or introduction of the big five which attracts tourists.

3.2.3 Recommendations

It is recommended that the following actions are initiated:-

- DBSA, IDC, and **dti** are engaged at the appropriate level to assist with leveraging investment
- Ensure that the estimated R475m required to overhaul the Parks' Infrastructure is secured

3.3 Twinned Gateways

3.3.1 Background

Coega Industrial Development Zone (IDZ) and Ngqura Deepwater Port are strategically situated just east of Port Elizabeth (PE). They are geared to provide a competitive investment location and a total business solution for customers and ensure sustainable economic development.

Recent studies have confirmed the business case for establishing a dedicated logistics chain as a vital mechanism for asserting the competitive advantage of both Coega IDZ and the port. A proposal to guarantee a 24-hour service between Coega and Gauteng has been developed. The competitive advantage is very simple: Durban harbour is congested, as are both road and rail connectivity to Gauteng. The new dedicated link between Coega and Gauteng will be fast by comparison, particularly as transfer of goods landing at either Tambo Springs or Coega could be transferred to the intermodal facility within 24 hours.

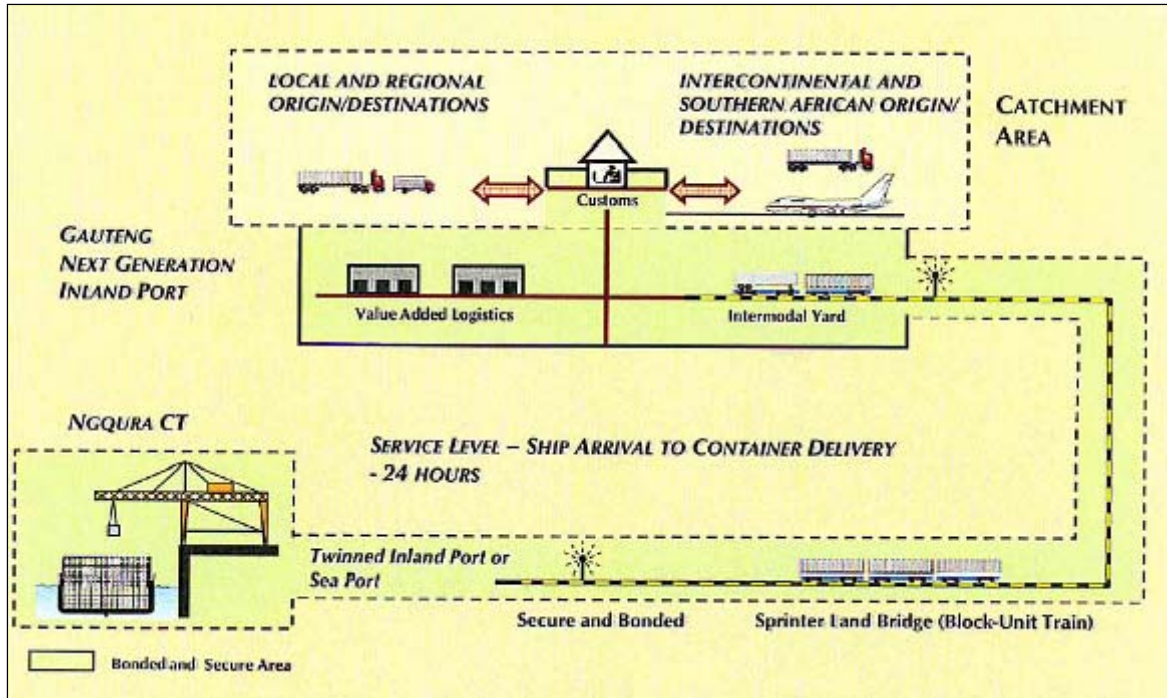
The concept centres on twinning a sea port (Coega) with a hinterland dry port (Tambo Springs). The two intermodal facilities can be developed primarily by the private sector. Public sector involvement (by Transnet), is necessary to guarantee access to the main rail line for the block trains. Transnet's participation in establishing access arrangements to the second container terminal in the Port of Ngqura will also be necessary.

The concept is for a business grouping of shipping lines, customers who need containers moved from both PE and Gauteng and abroad and the operators for the two intermodal facilities to drive the business case. Presentations have already been made to the Gauteng Economic Development Council and to large business groupings in Gauteng. Both groups embraced the concept with fervour since they are enduring the worst of the current unsatisfactory service from Durban to City Deep. The connectivity with Buffalo City and the eastern part of the Eastern Cape needs to be addressed and a good rail connection to the new Port of Ngqura is probably the best way.

3.3.2 Key Considerations

- Ideally suited land is available on the south side of Gauteng and similarly there is suitable land in Zone 2 of the Coega IDZ.
- There must be electronic lodging and tracking of all containers and goods, using GPS or similar, so that unless there is good reason to suspect that something is amiss, then the container goes from dispatch to receipt destinations without any impediment.
- When the container ship arrives in the Port of Ngqura, customs clearance should already have been done electronically and a land sprinter bridge is used to move the containers directly from the quayside to the waiting block train at the intermodal facility in the IDZ.
- Once the train is full, it sets off with priority to Gauteng and, at the new dry port of Tambo Springs, the reverse procedure is used. This is shown diagrammatically below.
- The big advantage from a logistics perspective is a guaranteed 24-hour ship to dry port and dry port to ship service. Currently, using rail, it usually takes 4-5 days for a container to reach City Deep from Durban.

- Suppliers in the NMBMM and the EC generally should now be able to compete for business in Gauteng and, conversely, business in Gauteng can consider relocating to the coast as they can now reliably serve hinterland customers and new customers abroad through the new Port of Ngqura.



3.3.3 Recommendations

It is recommended that the following actions are initiated:-

- Transnet is engaged at the appropriate level to ensure that the Twinned Gateways Project is given priority status.
- The Rail and Port Regulators are engaged independently of Transnet.
- Organised business and organised labour are engaged locally, provincially and nationally.
- Transnet’s future plans and the underlying assumptions and criteria which could impact the Twinned Gateways Project are interrogated independently.

3.3.4 Summary

Sector	Container logistics
Intervention	Short to medium term – 3/5 years
Project	Twinned gateways Coega to Tambo Springs
Location	Port of Ngqura, Coega IDZ, Tambo Springs (Joburg)
Purpose	Guaranteed 24 hour container service ship to Gauteng and Gauteng to ship (outperforming Durban), NMBM suppliers can compete for business in Gauteng and, conversely, business in Gauteng can consider relocating to the coast

Status	Updated version of original P&O Nedlloyd proposal, bulk of funding by private sector, site in Gauteng available, site in Zone 2 Coega IDZ available, access to Second Container Terminal in Port of Ngqura through Port Regulator, access to main rail line for block trains through Rail Regulator
CAPEX	Project not funded by state (private developers) but R50m for common enabling infrastructure in Zone 2 of IDZ
OPEX	OPEX costs largely offset by rentals, rates, taxes, municipal services' charges
Skills Needs	Use of existing skills, upgrade of some skills, new skills required
Construction Jobs (Average)	To be determined
Operational Jobs	To be determined
Impact on EC	Increased investor confidence, improved national and regional logistics chain, industrial growth through better connectivity to Gauteng, diversification of industrial sectors (less reliance on auto sector)
Rural Impact	Faster and more reliable access to Gauteng markets for agricultural products, access to greater EC through new El, Umtata, Kokstad, Durban rail line
Impact on Country	Increased investor confidence, improved national and international logistics chain, reduced cost of doing business
Other Opportunities	Resurgence of the economically depressed areas of Uitenhage and Despatch as centre of rail engineering for country The effective utilisation of the Port of Ngqura, with an independent corridor feeder solution servicing the multiple freight liners, and with load-on-load-off facilities to support the coastal and tranship operations, is a viable option

3.4 Relocation of “Old Port” infrastructure

3.4.1 Background

Old “City” ports were developed for a different purpose and for a totally different business and contextual environment to the needs of modern cities. The redevelopment of old “City” ports into different land uses and the tension that exists between old port type activities and the modern city is a global phenomenon that has resulted in the redevelopment of many inner city port areas and the relocation of the industrial port activities to new locations outside of the inner city limits. This was recognized by the Burgraff Commission in their 1985 report which recommended a mixed use waterfront development for the southern portions of PE harbour. In the same report, they also recommended the redevelopment of part of the old “City” port of Cape Town which is now the successful V&A Waterfront.

In the Feasibility Studies for the Coega Project dating back to 1997/8, the costs to Portnet of developing the new Port of Ngqura were to be offset by the value to be derived from redeveloping the southern portions of PE harbour. This principle is still valid and updated studies have been

undertaken jointly by the NMBMM, MBDA and PERCCI. Implicit in all this was the relocation of the Tank Farm and Manganese Terminal to Coega.

The difference today is that there is the fully operational deepwater Port of Ngqura with two container berths, an unused liquid bulk berth and two unused dry bulk berths. From a technical perspective, there is no impediment to providing a new Tank Farm and Manganese Terminal at Coega.

There are three different situations in PE harbour. The land on which the Tank Farm is located has been leased to the oil companies and the lease expires in 2014. There are serious environmental concerns about the extent of contamination of the land from leakages and incidents over the past 40/50 years and clean up costs and timeframes are unknown at this time. Responsibility for this lies with the oil companies under the overall authority of Transnet. The operation of the tank farms under present conditions is also a serious safety and environmental concern. The existing tanks have exceeded their life span by many years and were built to standards which are unacceptable today.

The second land holding is for the Manganese Terminal and there are also serious environmental concerns about the extent of contamination in this case. Transnet has operated the terminal since the 1950's and hence is wholly responsible for any clean up operations. The leases for the manganese storage areas are now granted on a yearly basis and Transnet has indicated that it will attempt to vacate the site by 2016.

The third land holding is what is known as the Southerport land. This land holding and its potential development is complex and follows obligations imposed on Transnet by an arbitration award. This land owning is now in private hands.

The NMBM is presently formulating a Local Spatial Development Framework Plan (LSDF) plan for the Mandela Bay Development Agency (MBDA) Mandate Area precinct of which the waterfront node forms a part. Tourism products are most likely to be developed for the area. In the meantime, the existing land use must be addressed with urgency. It is proposed that both the Tank Farm and Manganese Terminal be relocated to the Port of Ngqura.

3.4.2 Key Considerations

- With the new Port of Ngqura operational, the original rationale for the port has been fulfilled and there is no reason to continue to use the Port of PE for container shipments. Container operations should gradually move to the Port of Ngqura as was always envisaged. The northern quays can then be redeveloped to provide the required additional capacity for car exports and the need for redeveloping the southern portion of the harbour for that purpose is obviated.

Tank Farm

- Transnet is currently out on an RFP for a new Tank Farm in the Port of Ngqura. This was part of the original planning for the Coega Project and there is no impediment.
- The new Tank Farm facility can be commissioned at Coega by Mid 2015.

- The lease on the existing tank farm facility at the Port Elizabeth Harbour expires in 2014 and it would appear from the above timeline that the existing facility will overrun the lease period by approximately one year.
- The existing facility will be decommissioned and the rehabilitation completed after the new facility has been commissioned and become operational around.

Manganese Terminal

- The timeline developed by Transnet indicates that the earliest date that the 12 Mtpa Manganese ore terminal can be commissioned at Saldanha is the beginning of 2018. The proposed alternative timeline for the relocation and construction of the 12 Mtpa Manganese terminal to Coega can be commissioned by mid 2014.
- This will result in a 3½ year time saving and significant financial and economic benefit to Transnet, the Coega IDZ, Nelson Mandela Bay Metro and the Eastern Cape region.
- The development of the resultant vacant land at the PE Waterfront holds enormous potential for a range of tourism products, and should be explored with vigour.

3.4.3 Recommendations

It is recommended that the following actions are initiated:-

- The economic case for a waterfront development and the relocation of bulk liquid and dry storage facilities to the Port of Ngqura are lobbied with the Ministers for Public Enterprise, Mineral Resources and Transport, as well as the Presidency and the National Planning Commission.
- Transnet is engaged by provincial government to communicate the broader economic imperatives for the waterfront development, ensure adherence to the stated timeframes for relocation of facilities.
- Funds are made available to prepare a detailed feasibility for a waterfront development, and facilitate engagement with private sector investors.
- Transnet's plans and the underlying assumptions and criteria for further development of the Ports of PE and Ngqura are interrogated independently and these findings are shared with the relevant national departments.

3.4.4 Summary

Sector	Tourism
Intervention	Medium term – 5/10 years
Project	Relocation of “Old Port” infrastructure
Location	Port of PE and Port of Ngqura
Purpose	Remove out-dated, environmentally undesirable facilities from the Port of PE to purpose-built, modern facilities at the Port of Ngqura, and rehabilitate the land

	on which existing facilities are located
Status	Waterfront feasibility study with NMBM, Transnet RFP for new tank farm at Coega, manganese terminal at Coega studied, critical path analysis completed
CAPEX	Transnet (and oil companies) responsible for rehabilitation costs of land occupied by tank farm and manganese terminal, waterfront funded by private developers but R150m estimated for common enabling infrastructure
OPEX	To be determined
Skills Needs	Use of existing skills
Construction Jobs (Average)	To be determined
Operational Jobs	To be determined
Impact on EC	Environmental protection; improved potential land use in PE Port, with greater revenue potential for the city
Rural Impact	At later stage, once tourism established
Impact on Country	Viability of Port of Ngqura secured; Environmental disaster at PE averted
Other Opportunities	Future mixed-use waterfront development focused on leisure industry; tourism product development; sailing and other villages for Olympics bid

3.5 Upgrade of EL Harbour

3.5.1 Background

The Port of East London (EL) is critical to the economic survival, growth and development of East London and the predominantly rural hinterland that it serves, yet it currently faces an uncertain future as its capacity to service existing and new clients becomes increasingly constrained by its infrastructural limitations.

Due to the capacity limitations, potential foreign investors have been dissuaded from pursuing their plans to invest in the East London IDZ. Many of the containers destined for the East London area are diverted for shipment through Port Elizabeth, Durban and in some instances, Cape Town. This is placing huge pressure on the road network within the Eastern Cape, more specifically the R72 and N2, reducing the lifespan of these roads from 20 years to 7 years, according to the provincial Department of Roads and Transport. These factors conspire to impact negatively on the success of the IDZ as a catalyst for economic development in the Eastern side of the Province and threatens government's overall mandate of attaining economic growth and job creation.

The EL Port has had no major infrastructural upgrades or development to its container handling facilities since 1977, resulting in a backlog of facilities. The poor connectivity to world markets is causing current local manufacturers to reconsider their long-term viability in the region.

Various technical studies have been commissioned to consider requirements and socio-economic imperatives. Possible expansion options have been considered and in terms of the preferred option it is currently estimated that the proposed upgrade will cost approximately R5.0 billion. This includes R1.2 billion for equipment as well as 30% contingency costs. However, these studies were part of a pre- pre-feasibility stage, and further detailed studies would need to be undertaken to ascertain actual costs and final design specifications.

Transnet has indicated that in the best case demand forecast, the investment will only break even after 28 years. As such, Transnet has indicated that it will not be in a position to fund the expansion on its own. The shortfall in terms of current estimates is R 2.0 billion.

3.5.2 Key Considerations

- Core requirement of IDZ Regulations – to have access to fully functional port
- Port plays crucial role in fundamental investment decisions of potential investors. As such port needs to be able to respond to needs of investors and expand to cope with growing demand;
- Lack of regular scheduled vessels makes East London and IDZ an unattractive investment destination
- Current container facility under-resourced for expected short-term growth demand – no confidence by investors that facilities will become available in short term
- Limitations on vessel size – is a cost driver and negatively affects competitiveness
- Interim relief and long-term solutions to be found to counteract the impact of additional handling & transportation costs – adversely affecting competitiveness of local companies;
- Projected twelve year accumulative negative impact on ELIDZ investment proposals include 17 750 direct job losses and 13 200 indirect and induced job losses with potential investment loss of R14,4 billion.
- National and Provincial regional economic strategies and initiatives in support of the upgrading of the port are:
 - ASGI-SA
 - RIDS, NSDF
 - PGDP and Province’s Industrial Sector Development Strategy
 - High Impact Priority Projects (HIPP)
 - BCM IDP & City Development Strategy
 - ADM IDP & GDS.
- To ensure that the Port plays its critical role as catalyst for economic development in the region, it is imperative that the following infrastructure upgrades receive government approval and funding support:
 - The size (carrying capacity) of vessel is a crucial logistical cost driver - Limited access of vessels (245m in length) - Generation 3 & 4 vessels cannot be accommodated
 - Increased depth of the port from 10.5m to 12.0m to render it capable of accommodating Generation 3 and Generation 4 vessels;
 - Increased turning basin capable to accommodating larger vessels);

- Upgraded container handling facilities.
- Currently, no container crane facilities.

3.5.3 Recommendations

It is recommended that the following actions are initiated:-

- Expedite the acquisition and commissioning of suitable container crane facilities to provide an immediate capacity improvement to satisfy current industrial demand;
- Investigate steps to ensure that regular scheduled shipping services (including via feeder services) are rendered viable and maintained to make East London and its IDZ node an attractive investment destination in conjunction with shipping service providers;
- Mobilize support for the long-term upgrading of the East London Port leading to accessing of funding for infrastructure upgrades via interactions with key role-players, including Transnet, Dept of Public Enterprises (DPE), Dept of Transport (DoT), Provincial authorities including the Dept of Economic Development (DEDEA) and National Treasury (NT).

3.5.4 Summary

Sector	Sea port logistics
Intervention	Immediate, and Short to medium term
Project	East London Port expansion and upgrading
Location	Port of East London, serving East London IDZ
Purpose	To provide adequate logistics support to IDZ and region for the importation of inputs and exportation of manufactured goods for global markets
Status	Various motivations have been lodged over an extended period, including recently via the East London Mayoral Port Steering Committee. Proposals have, however, not met with a favourable decision or outcome in terms of current Transnet port planning intents for infrastructure investment which continue to discount any substantial investment to the Port for the foreseeable future.
CAPEX	Estimated upgrade cost: approximately R5,2 billion Quay Walls and Fittings Dredging Breakwaters Revetments Land Reclamation Paving Equipment (capital and Maintenance costs) – SAPO – R997 million Contingency costs

OPEX	OPEX costs to be determined
Skills Needs	Use of existing skills, upgrade of some skills, new skills required
Construction Jobs (Average)	To be determined
Operational Jobs	Job creation and retention (58 000 jobs to be created versus 16 000 jobs potentially lost) IDZ investments (investors lost/jobs lost) Better and more efficient access to markets Cost savings for business
Impact on EC	Increased investor confidence, improved national and regional logistics chain, industrial growth through better import and export capability, allowing for diversification and growth of industrial sectors.
Rural Impact	Supports sector diversification enabling establishment and expansion of industrial potentials with backward linkages beneficial for to rural community livelihoods. Critical components of Provincial Key Initiatives of the High Impact Priority Projects (HIPP) that will be improved by the port upgrade, include: N2 Corridor upgrade Umzimvubu basin water development Forestry cluster Agricultural development, including bio-fuels Kei rail initiative Road infrastructure upgrade (R63, R61, R72 ...)
Impact on Country	Increased investor confidence, improved national and international logistics chain, reduced cost of doing business

3.6 R72/N2/N6 Link

3.6.1 Background

Plans are in hand for the proposed upgrading of the R72 road linking East London and Port Elizabeth. Complementary planning envisages the development of a R72-N2 linkage to permit transportation of goods direct to the N2 national road. Further planning is contemplated to secure goods haulage between the EL IDZ and the inland provinces of Gauteng and Free State via the N6.

An alternative Buffalo River crossing is required in view of the congestion involved with the current routing of inbound traffic to East London through the built up West Bank area and its routing through the city CBD area. This dependency places significant road use stress upon the city road network. This route requires crossing of the Buffalo River at the Biko Bridge and the use of the main

CBD thoroughfare, with attendant bottleneck problems for the smooth flow of heavy transport hauliers.

The alternative proposed link will arise near the airport, some 2km from the East London IDZ zone. This is intended to provide a better link over the Buffalo River for heavy transport and will therefore provide enhanced connectivity for ELIDZ industries with their inbound and outbound freight destinations. Specifically the development will aid southward destination freight carriage (to Port Elizabeth and beyond) as well as improved linkage to the national road system via the N2.

3.6.2 Key Considerations

- Damage to municipal road system that was not designed to carry the current and future intended industrial transportation requirements;
- Current road system and linkages not suitable for industrial development for the long-term;
- Current linkages slow, inefficient and adding extra cost to logistics;
- CBD traffic congestion
- Local transport user and pedestrian safety compromised.

3.6.3 Recommendations

- It is recommended that the following actions are initiated:-
- Approval and funding support to be canvassed for the R72/N2 link from all relevant authorities including National Roads Agency, Treasury and local and provincial government Department of Roads.
- Preparatory work be done on upgrading the N6 link to East London

3.6.4 Summary

Sector	Road Transportation / logistics
Intervention	medium term
Project	R72/N2 Buffalo River Crossing and N6 upgrade
Location	R72 and N6 linking up to N2, serving East London IDZ
Purpose	To provide better logistic capability linking East London and Port Elizabeth and the inland national roads network. This will support investment attraction into the East London IDZ and the greater Buffalo City Municipality industrial nodes.
Status	In planning stage
CAPEX	R800m at initial planning date
OPEX	N/a
Skills Needs	Road construction

Construction Jobs (Average)	To be determined
Operational Jobs	To be determined
Impact on EC	Increased investor confidence, improved national and regional logistics chain, industrial growth through better freight movement capability, allowing for diversification and growth of industrial sectors.
Rural Impact	Supports sector diversification enabling establishment and expansion of industrial potentials with backward linkages beneficial for to rural community livelihoods.
Impact on Country	Increased investor confidence, improved national and international logistics chain, reduced cost of doing business
Other Opportunities	

4 WATER AND ENERGY

4.1 Ntabelanga Multi Purpose Water Resource Development

4.1.1 Background

The opportunity exists for the harnessing of water resources within the Mzimvubu Water Catchment to contribute to regional economic development. A study commissioned by the Eastern Cape provincial government through AsgiSA-EC concluded that there is a compelling business case of the development of a multi-purpose dam at the Ntabelanga site on the Tsitsa River, together with irrigated agriculture in the downstream sections. The benefits of the proposed project and its outputs are:

- the generation of 2.7 MW of hydropower;
- irrigation of between 250 ha and 5500 ha;
- development of a regional water treatment plant and bulk water distribution network;
- the creation of around 4 000 jobs; and
- the supply of 665 cubic metres of water per day for surrounding communities

In addition, the possibility also exists for the transfer of water to other strategic catchments, should future national water requirements dictate.

This independent study confirmed earlier conclusion of similar studies commissioned by the Department of Water and Environmental Affairs (DWEA).

Investments in large-scale water resources projects such as multipurpose dams generate vast arrays of economic impacts in their region and at interregional, national and sometimes, global levels. The impacts are both direct and indirect and include hydropower generation, irrigation, water supply, fish production, recreational benefits and flood control.

A World Bank multi-country study on multiplier effects of multipurpose dams (2005) reveals that "the multiplier values for large multipurpose dams in Brazil, India and Egypt range from 1.4 to 2.0, meaning that for every one dollar of value added directly by the project, another 40 cents were generated through indirect effects".

4.1.2 Key Considerations

- The business case of the Ntabelanga Multi Purpose Dam has not only been assessed in terms of technical aspects (at reconnaissance level) but also its impact on regional economic development
- The success of this proposed project would depend on the ability to develop linkages:
- infrastructure linkages: transport (roads) and energy (generation and distribution);

- upstream linkages or input: plant, machinery, equipment, consumables, services;
- downstream: value addition and beneficiation within the region;
- technological linkages: human resource development and research and development.
- Commissioning of a pre feasibility and feasibility study for the proposed Ntabelanga Multi Purpose Dam and Tsitsa Irrigation initiative.
- Adoption of a Mzimvubu Catchment Rehabilitation and Management concept developed by DWAE and AsgiSA EC to address the immediate environmental challenges such as sedimentation that are impacting negatively on the Mzimvubu Water Catchment.
- A partnership between national and provincial government should be established to ensure that the establishment of proper institutional mechanisms to drive the various phases of the project.

4.1.3 Recommendations

- Approval of R16 million (estimate) to undertake a pre feasibility and feasibility study for the Ntabelanga multipurpose dam and related irrigation projects on the Tsitsa River.
- Making provision for R1.1 billion (real terms: 2009) estimated as development costs Establishment of a representative province-led Project Steering Committee to drive various stages of project development
- Development of and implementation of a Mzimvubu Catchment Rehabilitation and Management Programme.

4.1.4 Summary

Primary Sector	Water Resource Development
Secondary Sectors	Energy; Agro-industry; Tourism
Intervention	Medium to long term – 5/50 years
Project	Ntabelanga Multi Purpose Water Resource Development
Location	OR Tambo and Joe Gqabi District Municipalities
Purpose	Realisation of potential for hydropower and irrigation, improvement of socio-economic conditions of Wild Coast, forestry and agricultural opportunities
Status	Business case developed
CAPEX	Estimated at R1,1 billion
OPEX	R460 million
Skills Needs	Use of existing skills, upgrade of some skills particularly in agricultural and forestry sectors
Construction Jobs (Avg)	Direct 2,500 (average), indirect 4,500 (average), induced 2,000 (average)

Operational Jobs	Direct 2,500 (2 shifts), indirect 20,000
Impact on EC	Supports poverty eradication, greater utilization of less productive or non-productive land
Rural Impact	Improvement of socio-economic conditions of poorest of the poor, greater utilization of less productive or non-productive land, access to greater EC through new EI, Umtata, Kokstad, Durban rail line
Impact on Country	Supports poverty eradication, greater utilization of less productive or non-productive land
Other Opportunities	Potential for recreation and eco-tourism; Necessary input for Agro Industry Development

4.2 Petro-Chemical (Project Mthombo of PetroSA)

4.2.1 Background

PetroSA has proposed the establishment of a world-class, complex refinery located in the Coega Industrial Development Zone (IDZ) with a capacity of 360 000 barrels per day of crude oil. The proposed refinery will help meet the projected national fuel supply shortfall and alleviate South Africa's dependence on imported liquid fuels in line with the country's Energy Security Master Plan. The new refinery will also mitigate the risk of a fuels crisis due to import disruption and ensure Clean Fuels availability to South Africa.

4.2.2 Key Considerations

The project will be connected seamlessly to cross-sector infrastructure, with an impact on the socio-economic development in the Eastern Cape. The Eastern Cape's contribution to the national GDP has been declining. The trend will be reversed if the refinery is constructed and its growth rate could increase by an additional 4.1% per year due to direct and indirect impacts. If the project is pursued, an additional amount of approximately R2,1 bn p.a. could accrue to Eastern Cape households in the form of remuneration if only the direct and indirect impacts are considered. The poorest 20% of households could benefit by an amount of R67 mil p.a., while the bottom 50% of households (in terms of income) could receive 16,5% or R316 mil of the total additional amount. Up to 27 500 temporary jobs will be created during the construction phase of three to four years and another 18 500 permanent jobs in activities associated with supporting and maintaining the refinery.

The project will therefore unlock the regional growth potential and strengthen forward and backward synergies between the various sectors of the regional economy most notably the auto and petrochemical industries. The one project element which is differentiated from all the others is the Power Station; Power Stations are not PetroSA's core business. Accordingly, PetroSA is proposing that a SPV is set up for this project element and the CDC and/or the NMBM could be a partner. The primary fuel will be PET coke, a byproduct of the refinery operations, but the addition of coal from Molteno could roughly double the amount of power that could be generated from 800MW to

1200MW. This needs access to the main rail line and rolling stock from TFR. PetroSA only require about 150MW of power and the rest will be directed to municipality and ultimately to the public.

More important are the opportunities that the Coega refinery will bring to the development of the SMME sector in the region and the potential for skills development over a wide range of disciplines. PetroSA will put in place a Competitive Supplier Development Programme (CSDP) that makes provision for the development and transfer of skills to local SMME's to enable them to compete on an equal footing with established local and international companies. Broad-based Black Economic Empowerment (BBBEE) opportunities will be created and it is estimated that at least 30% of the engineering, procurement and construction will be channelled to BEE contractors and sub-contractors.

4.2.3 Recommendations

- To fast track the FEED decision for Project Mthombo.
- DoE, DPE and dti are engaged so that the CSDP opportunities with Project Mthombo, the Rail Renaissance, and Transnet's and Eskom's capital expenditure programmes are aligned for maximum synergy.
- Organised business and organised labour are engaged locally, provincially and nationally.
- Provincial Government becomes the champion of Project Mthombo.

4.2.4 Summary

Sector	Energy (Petrochemical)
Intervention	Long term – 20/25 years
Project	Project Mthombo – PetroSA's Crude Oil Refinery
Location	Coega IDZ and Port of Ngqura
Purpose	Security of liquid fuels supplies, EURO V spec fuels, reduced reliance on global conglomerates
Status	Feasibility Study with PetroSA, recommendation to proceed with FEED with DoE, some engagements with funders, NMBM, CDC and Transnet by PetroSA
CAPEX	Refinery partially funded by state, considerable enabling infrastructure by NMBM and CDC
OPEX	Project not funded by state, OPEX costs largely offset by rentals, rates, taxes and municipal services' charges
Skills Needs	Use of existing skills, upgrade of some skills, new skills required, much higher levels of skills required (petroleum industry standards)
Construction Jobs (Average)	Expected to peak at around 25000 during construction Direct Operational Jobs at 1500, with a further 8000 indirect related jobs

Operational Jobs	Direct 50 (2 shifts), indirect 150, induced 100 (average)
Impact on EC	US \$ 3bn CSDP opportunity, enhanced investor confidence (country itself is showing confidence in EC), local crops provide biofuels for blending, X% GRP
Rural Impact	Blending with biofuels from local crops
Impact on Country	Security of liquid fuel supplies, higher quality fuels meeting Euro V specs, reduced reliance on global conglomerates, Y% GDP
CSDP Opportunities	Major opportunities in electrical, mechanical and instrumentation sectors

4.3 COEGA CCGT Power Station

4.3.1 Background

Due to the electricity crisis, the CDC and hence the Eastern Cape has lost a number of committed investors who were ready to begin constructing their facilities. The biggest investor that has been lost has been the Alcan/RioTinto aluminium smelter. The Sea-Ark shrimp farming project as well as the new technology Exxaro ferromanganese smelter were also cancelled when it became clear that the electricity crisis would also result in significant price increases. Banks and other financial institutions have asked a number of investors to obtain a firm commitment that there will be a secure and reliable electricity supply available when they start operations. This is a commitment that neither the NMBM/CDC nor any other entity for that matter can make. One of the investors asked to obtain such a commitment is Rainbow Nations Renewable Fuels, which is planning to produce soya meal and biofuels. The electricity crisis, which is not over, has thus negatively affected the CDC and the NMBM, and hence the EC, as an investment destination and will continue to seriously impact the investment promotion drive of the region.

The latest demand forecast for electricity in the Coega IDZ and the NMBM is expected to exceed 500MW by 2013 and there is no guarantee of additional supplies from Eskom. This power challenge leaves the CDC/NMBM with not only the loss of current investors but also in the position of not being able to attract more investors.

Investor type	Power Required (MW)	Capital Investment Value (R millions)	Permanent Jobs	Construction Jobs
BPO Park	1	300	2 000	500
Steel billets manufacturing	10	75	60	100
Chemicals manufacturing	30	1 000	130	480
Ferromanganese	165	500	500	500

Investor type	Power Required (MW)	Capital Investment Value (R millions)	Permanent Jobs	Construction Jobs
Smelter				
Auto despatch	1	100	30	150
Container Storage	2	50	30	100
Cold Storage	6	50	30	150
Port of Ngqura	40	Figures reported separately by the TNPA		
Bio-diesel	48	1 500	350	800
PetroSA	165	80 000	2 000	15-20 000
Total	468	83 575	5130	17780 (+5000)

There are also serious long term implications for the credibility of the Coega IDZ, the NMBM and South Africa as a developing country due to the investments that would have been turned away. It is well known that it is an uphill struggle to entice well entrenched investors away from their existing investment locations.

In June 2005, Cabinet gave approval for the DME to invite IPP's to Build, Own and Operate (BOO) base load power stations at approved locations. In terms of a subsequent Cabinet decision, these power stations were to utilise CCGT generating sets with a total installed capacity of 1,600MW. Further, the 1,600 MW generating sets were to be located at Coega and were to be commissioned by 2011. As mandated by the DME, PetroSA was to provide the gas, in the form of LNG, and iGas was to work with PetroSA to provide the landside gas infrastructure. Based on this, the CDC and the NMBM approached the DME to offer its assistance in the delivery of the Cabinet Decision due to the challenges that were being experienced in the Eastern Cape once the real ramifications of the power crisis became apparent.

The DME accepted the CDC/NMBM offer to assist and mandated the establishment of an Implementation Team comprising PetroSA, iGas, CDC and NMBM, acting under the Executive Authority of the DME on the 19th of May 2008 at a DME EXCO. These entities control the key energy/electricity enablers and/or have experience in resolving impediments to the successful implementation of major projects. The Implementation Team was tasked with re-establishing the business case for the Project and then reporting back to DME. DME would be responsible for ensuring that the necessary enabling legislative and commercial environment was in place and for guiding the Implementation Team in these aspects.

The Implementation Team mandated by DME established a Joint Working Group (JWG) to address a number of challenges including a realistic framework for an IPP, gas supply, long lead times for key equipment, credible developer/operator and tariff /regulatory issues. The JWG reported back to DME (now DoE) and the Pre-feasibility Study and the recommendations of the JWG were accepted at that meeting.

4.3.2 Key Considerations

- The loss of investor confidence in both the Coega IDZ and the country with the onset of the power crisis remains one of the most serious impediments to investor attraction. Funding institutions required guarantees of power supplies that the CDC and the NMBM cannot give and Eskom is unable to give.
- The loss of investors such as Alcan, Sea Ark, Straits Chemicals and EXXARO can be directly attributed to the power crisis, with Rainbow Nations, Phyto Chemicals and Kalagadi Manganese still hesitant.
- A specific advantage that Coega has is the transmission connectivity to the hinterland. This is already reinforced (Beta-Delphi) and upgraded (Dedisa- Poseidon) with the 765kV backbone planned and ready for implementation. The new Dedisa sub-station can accommodate up to 5,000MW of power ultimately. Connectivity to the Harding sub-station in KZN has been planned and can now be implemented which brings the HV network through the heart of the Eastern Cape.
- The Coega IDZ was seen as the preferred location for the fast-tracking of a CCGT Power Station for the following reasons:
 - There is a Cabinet resolution to import gas via the Port of Ngqura;
 - The Cabinet resolution also identified Coega as the site for a CCGT Power Station;
 - The Cabinet has endorsed the procurement of additional generation capacity through IPP's;
 - There are existing and potential berthing facilities in the Port for the importation of LNG;
 - Sea water cooling is readily available in proximity to the CCGT Power Station site;
 - There is a 400kV electrical transmission corridor available to connect to the national grid;
 - A large amount of preparatory work has already done by Shell/Eskom/ iGas, the original promoters of the project, and subsequently by CEF/iGas;
 - From a security of supply perspective, local power generation is essential;
 - From an energy efficiency perspective, transmission losses are reduced;
 - For national grid stability, an EC base load power station is an essential anchor ; and
 - Natural gas is an ideal low carbon footprint fuel to underpin other renewable energy technologies.
- The loss of investor confidence in both the Coega IDZ and the country with the onset of the power crisis remains one of the most serious impediments to investor attraction. Funding institutions required guarantees of power supplies which the CDC and the NMBM cannot give and Eskom is unable to give.
- A specific advantage that Coega has is the transmission connectivity to the hinterland which has already been reinforced (Beta-Delphi) and upgraded (Dedisa- Poseidon with the 765kV backbone planned and ready for implementation. The new Dedisa sub-station can accommodate up to 5,000MW of power ultimately. Connectivity to the Harding sub-station in KZN has been planned and can now be implemented which brings the HV network through the heart of the Eastern Cape.

- If national government takes the decision not to proceed with the Coega CCGT Power Station, then the PET coke power station becomes the best opportunity for base load power in the Eastern Cape.

4.3.3 Recommendations

It is recommended that the following actions are initiated:-

- DoE is engaged at the appropriate level to ensure that the Project is included in the IRP 2010 Electricity and that the CDC can now proceed with the RFP process.
- NERSA is engaged in terms of recognition of the Project and the need to wheel power to other entities in the Coega IDZ, the NMBM and the greater EC.
- Eskom is engaged at the appropriate level to ensure recognition of and support for the Project.
- The ISMO is engaged at the appropriate level to ensure recognition of and support for the Project.
- Organised business and organised labour are engaged locally, provincially and nationally.
- Provincial Government becomes the champion of the Coega CCGT power station project with the NMBM and the CDC as promoters and other entities as implementing agents.

4.3.4 Summary

Sector	Energy
Intervention	Medium term – 20/25 years
Project	Coega CCGT Power Station – 1st true IPP in country
Location	Coega IDZ and Port of Ngqura
Purpose	Coastal power generation (base load), network stability, reduced transmission losses, security of supplies, investor confidence, primary energy diversity, reduced carbon footprint
Status	Feasibility Study with DoE, EOI stage complete, DoE to authorize RFP stage, continued Transnet opposition
CAPEX	Project not funded by state (IPP) but R150m for common enabling infrastructure, lower CAPEX than nuclear and coal,
OPEX	Project not funded by state, higher OPEX than nuclear or coal, costs included in national tariffs, some exposure to oil prices and exchange rates
Skills Needs	Use of existing skills, upgrade of some skills, new skills required
Construction Jobs (Average)	To be determined
Operational Jobs	To be determined

Impact on EC	Security of supplies, investor confidence, X% GRP
Rural Impact	Support to HV transmission into main centres of population including EC
Impact on Country	Security of supplies, investor confidence, network stability, reduced transmission losses, primary energy diversity, reduced carbon footprint, Y% GDP
CSDP Opportunities	Electrical, mechanical and instrumentation sectors

4.4 Bulk Water Transfer from Ntabelanga

The opportunity exists for the harnessing of water resources within the Mzimvubu Water Catchment to contribute to regional economic development. A study commissioned by the Eastern Cape provincial government through AsgiSA-EC concluded that there is a compelling business case of the development of a multi-purpose dam at the Ntabelanga site on the Tsitsa River, together with irrigated agriculture in the downstream sections. The choice of Ntabelanga as the most optimal site for a large dam in the Mzimvubu catchment is influenced by the possibility of transferring water from the dam to adjacent catchment areas and dams. On the Wild Coast, this is a critical consideration, as much of the hinterland is relatively arid, which is a constraint to development of the area.

The most obvious user of freshwater is agriculture. In areas that do not have large amounts of freshwater available for use, such as the Hinterland of the Eastern Cape, irrigation is used to water the crops. This water must be transferred from areas of higher availability. At the moment, irrigation schemes in the Hinterland are in a state of disuse and disrepair as a result of the scarcity of water. Channelling water from the Ntabelanga Dam provides an ideal solution.

Other benefits of the proposed project and its outputs are:

- the generation of 2.7 MW of hydropower;
- irrigation of between 250 ha and 5500 ha;
- the creation of around 4000 jobs; and
- the supply of 665 cubic metres of water per day for surrounding communities
- In addition, the possibility also exists for the transfer of water to other strategic catchments, should future national water requirements dictate.

This independent study confirmed earlier conclusion of similar studies commissioned by the Department of Water and Environmental Affairs (DWEA).

Investments in large-scale water resources projects such as multipurpose dams generate vast arrays of economic impacts in their region and at interregional, national and sometimes, global levels. The impacts are both direct and indirect and include hydropower generation, irrigation, water supply, fish production, recreational benefits and flood control.

A World Bank multi-country study on multiplier effects of multipurpose dams (2005) reveals that "the multiplier values for large multipurpose dams in Brazil, India and Egypt range from 1.4 to 2.0, meaning that for every one dollar of value added directly by the project, another 40 cents were generated through indirect effects".

4.4.1 Key Considerations

- The business case of the Ntabelanga Multi Purpose Dam has not only been assessed in terms of technical aspects (at reconnaissance level) but also its impact on regional economic development
- The success of this proposed project would depend on the ability to develop linkages:
 - infrastructure linkages: transport (roads) and energy (generation and distribution);
 - upstream linkages or input: plant, machinery, equipment, consumables, services;
 - downstream: value addition and beneficiation within the region;
 - technological linkages: human resource development and research and development.
- Commissioning of a pre feasibility and feasibility study for the proposed Ntabelanga Multi Purpose Dam and Tsitsa Irrigation initiative.
- Adoption of a Mzimvubu Catchment Rehabilitation and Management concept developed by DWAE and AsgiSA EC to address the immediate environmental challenges such as sedimentation that are impacting negatively on the Mzimvubu Water Catchment.
- A partnership between national and provincial government should be established to ensure that the establishment of proper institutional mechanisms to drive the various phases of the project.

4.4.2 Recommendations

- Approval of R16 million (estimate) to undertake a pre feasibility and feasibility study for the Ntabelanga multipurpose dam and related irrigation projects on the Tsitsa River.
- Making provision for R1,1 billion (real terms: 2009) estimated as development costs for the project
- Establishment of a representative province-led Project Steering Committee to drive various stages of project development
- Development and implementation of a Mzimvubu Catchment Rehabilitation and Management Programme.

5 TELECOMMUNICATIONS

5.1 Undersea Cables (Broadband Access for the Eastern Cape)

5.1.1 Background

Telecommunications has proven itself a key enabler in a variety of guises in both the private sector and the public sector. An example was the amount of telecommunications infrastructure that is needed to be in place to enable the broadcast and ancillary services of the Soccer World Cup that just concluded.

As a modernising region, the Eastern Cape can adopt lessons from how other localities have adopted telecommunications infrastructure and associated services to give them a competitive edge. The following two areas are of particular interest:

- The “Smart City” concept;
- The Call Centre and BPO Industry

The Smart City Concept

A number of cities across the world have adopted a “Smart City” concept. This is primarily driven by providing telecommunications infrastructure to a particular area, which then enables (a) High Quality (*Inter-person/ Inter-community/ inter-entity*) Communications and (b) Content Development and Transmission.

A good example of how **high quality communications** channels enhance community life is in the Healthcare field. High quality video links between rural clinics and Teaching Hospitals can allow specialists at the Teaching Hospital may be able to obtain instantaneous pictures of patients in a rural clinic and be able to make diagnosis with the assistance of nurses at the clinic. This may then become a primary Healthcare tool.

An example of **content development** can be found in the Education arena. Teaching content can be “beamed” to under-serviced schools and thus augment the face-to-face teaching interventions that the learners receive. This will be particularly beneficial for the “difficult” subjects of mathematics, science and accounting. With the telecommunications in place, the content can be acquired from anywhere globally.

Cities and States have made it public policy to rollout the enabling infrastructure.

The Call Centre and BPO Industry

The BPO sector has become a priority sector for South Africa. This is because of the availability of skills in the country and the fact that the industry is human resource-intensive.

Gauteng, Cape Town and Durban have become BPO hubs in the country. However, there is a growing movement to consider business continuity. That is, to ensure that there is a geographical spread of BPO Centres to mitigate the impact of major disaster striking a particular area. The Easter

Cape has the opportunity to position itself to capture Business Continuity business in the BPO sector. A recent study has shown that the EC has all the attributes to be able to accommodate the BPO sector.

Three major undersea cables are expected to have an impact in the South African telecommunications are. These are;

- The African West Coast Cable (AWCC) – This cable links Cape Town to London in the UK via the west coast of Africa. This will also be used for the Square Kilometer Array (SKA) telescope, which is planned for the interior of the Western Cape. It will also assist the Cape Town BPO sector;
- The Seacom Cable – This cable, which was recently commissioned, links the eastern coast of Africa to France and Mumbai. This cable will dock at Mtunzini in Kwazulu-Natal; and
- The EASSy cable - that is also along the east coast of Africa and also docking in Mtunzini. This is due to be operational at the end of July 2010.

It is important to note that one cable terminates in Cape Town and the other two in Durban. Thus the whole Eastern Cape is starved of high capacity international bandwidth.

5.1.2 Key Considerations

- The Eastern Cape province does not have the benefit of any undersea cable linking it internationally;
- More pointedly, none of the newer undersea cables are terminating in the Eastern Cape. This also includes the SAFE cable that docks at Melkbostrand (in the Western Cape);
- The Coega IDZ has facilities to enable the docking of an undersea cable;
- Technology is increasingly being used as a teaching aid and enabler where there may be paucity of, say Mathematics or Science teachers. Thus technology deployment is becoming increasingly an public policy issue;
- The Trend in the world is for public policy to enable the deployment of telecommunications infrastructure for community and citizen benefit; and
- The BPO sector is an focus sector for the country and has an high employment density; and
- The BPO sector is starting to organise itself in the Eastern Cape will thus be demanding bandwidth to make the sector viable and competitive.

5.1.3 Recommendations

- It is recommended that the following actions are initiated:-
- The Seacom consortium be engaged to extend their cable to the Eastern Cape;
- The public policy decision be agreed to extend the EASSy cable to the Eastern Cape
- Both the East London IDZ and the Coega IDZ be designated areas for docking of undersea cable;
- The Coega IDZ be a designated area for the attraction of BPO sector investment; and

- The Eastern Cape builds the capacity to deploy technology for Public Good principles. Telecommunications, as with roads and highways, have a blue print in the EC.

5.1.4 Summary

Sector	Telecommunications – Undersea Cables
Intervention	Short to medium term – 3/5 years
Project	Extend Undersea Cables to the Eastern Cape
Location	Coega IDZ, East London IDZ and designated towns and cities in the Eastern Cape
Purpose	Develop Telecommunications Capacity for Content Transmission, Communications, Community Development and BPO Sector Development
Status	Feasibility and Initiation
CAPEX	R300 million to extend either Seacom or EASSY from Durban to Port Elizabeth
OPEX	The cable will be run on a commercial basis after the initial Capex injection. An Operator may have to be appointed or the incumbent operators for the two candidate cables may be utilised.
Skills Needs	The skills for the BPO sector are well-established. ICT skills may need to be improved to support the industries aligned to this venture.
Construction Jobs (Average)	Minimal
Operational Jobs	According to target
Impact on EC	The Eastern Cape coast will be on par with other coastal areas in the country. The BPO sector will be provided a central basis for their operations. Intensive job creation in the BPO centre. The Eastern Cape will have a hub for BPO sector to concentrate the effort for investment promotion.
Rural Impact	Schools and hospitals will become “online” and thus have access to advanced knowledge for say education and health sectors.
Impact on Country	The country will become more homogenous in terms of telecommunications connectivity
Other Opportunities	

6 RENEWABLE ENERGY

6.1 Electric Vehicle

6.1.1 Background

The Eastern Cape has undertaken extensive negotiations to be selected as the preferred location for the establishment of a manufacturing facility for the production of South Africa's first, locally designed electric vehicle (EV), the Joule. A development location for the EV vehicle assembly facility has been identified in the East London Industrial Development Zone (IDZ) and current planning envisages a production facility situated on a 38 hectare green-field land area in the IDZ.

The Joule project is poised to graduate from its current pilot production phase to enter a full production phase from early 2014. The project seeks to establish a facility with a 50 000 unit annual production capacity, at a total project cost of more than R5 billion, offering extensive and wide-ranging socio-economic benefits for the Eastern Cape's communities and industrial base.

The business case for the development, production and marketing of the Joule indicates that the project will create some 1 900 jobs in respect to direct employment opportunities associated with Joule manufacturing activities while some 9 000 additional employment opportunities will arise as indirect and induced employment, once full production levels are attained.

Industry projections are that as much as 20% of global automotive demand will convert to electric vehicles as soon as 2020 and a concerted wave of development in this direction is creating an exciting window of opportunity for the domestic industry to adapt in order to secure and retain SA's relevance, positioning and market share within the global automotive manufacturing chain into the future.

As part of this sector development and expansion, two new automotive industrial sub-sectors with good growth potential can be expected to be stimulated through the introduction of the Joule product. Opportunities will be created for associated battery and electric motor manufacturing, together with the supply of other EV-specific components and parts.

6.1.2 Key Considerations

Successful initiation of an entirely new EV industry segment within the SA automotive sector is strongly contingent upon the attainment of economic levels of production and market volume off-take. The EV business case has therefore been constructed on the basis of market projections which anticipate that:

- Government will respond favourably and act in an expeditious manner with enabling policy measures, infrastructure and incentives to stimulate and support a sustained change-over in consumer behaviour that is supportive of the rapid adoption of electric vehicles by motorist consumers, to reduce SA's reliance on carbon fuel consumption and the environmental consequences thereof;
- That, as part of the above effort, government will commit its own organs and entities of State to demonstrate substantial levels of purchasing and off-take of electric vehicles into the vehicle fleets operated by national, provincial and local government organisations and state-owned companies and entities.

As an immediate intervention, negotiation and confirmation of an EV off-take agreement by government – especially in the early stages of the Joule's efforts to break into fiercely contested international markets for electric vehicles -- is therefore seen as a key qualifier and enabler for the further development and the ultimate success of South Africa's venture into this new, high-potential area of automotive manufacturing and exporting.

Motivation for a formal signal from government to confirm and define its willingness to enter into designated procurement arrangements is founded on the basis that the leveraging of state procurement in support of strategic domestic industrial support now forms a key tenet of various high level government policy directives, including the National Industrial Policy Framework (NIPF) and its attendant three-year rolling Industrial Policy Action Plan (IPAP) as well as the New Growth Path initiative under pursuit by the Economic Development Department (EDD).

Leveraged state procurement is contemplated as a key initiative in these policy instruments which call for redress in the light of historic lost opportunities to manage procurements optimally in order to support, retain or even resuscitate ailing South African industrial sectors;

With the Joule EV Project now entering a critical phase in the financing and roll-out of the project, there is keen interest in determining with government – as a matter of urgency -- whether this high potential and strategic value auto sector investment can access the support and benefits contemplated by the various economic, industrial and development policies and programmes that have been announced by government.

The project is critically poised in its progress to assemble the requisite partners and resources (including the participation of various government organisations and agencies) to assure successful commissioning of the Joule. It has become important to ascertain the extent and timeframes within which state support for the project can be expected to materialise and high-level Ministerial assistance is therefore being sought to clarify state fleet procurement off-take commitments as an important aspect of anticipated state support.

6.1.3 Recommendations

- Canvassing of the **Minister of Trade and Industry (DTI)** to initiate steps, via the appropriate channels and protocols, to secure a firm state commitment to enter into an off-take agreement for the supply of electric vehicles (EVs) as part of future government organisation fleet procurements.

- Steps be taken to expedite Government clarification of the extent and mechanisms of industry start-up support measures for the inducement of consumer adoption of cleaner vehicle technologies. In respect to the Electric Vehicle sector incentive programmes stimulating both manufacturing participation and consumer behaviour are required to place the EV project on an even competitive basis with other countries internationally that are already active with a comprehensive range of production and demand stimulation measures.

6.2 Bio-fuels Industry Development

6.2.1 Background

The Eastern Cape is desirous of developing and exploiting its agricultural potential and has recognised that the support and further development of activities generating agricultural outputs, together with the further value addition to the region's produce, exist as key potentials and drivers towards long-term, provincial growth aspirations.

The Province is fortunate in having a number of factors in favour of the further development of agriculture and the attendant stimulation of investment into a range of agro-processing industries. These positives include the availability of land that is currently under productively used and the existence of climate potentials that are suited to a wide assortment of natural produce.

The economic stimulus potential of agriculture-based industrial activity is, however, challenged by various constraints, among which is the size of the local market, the distance to other accessible markets for agri-products (nationally and globally) as well as the high costs of logistics for the movement of produce (both for processing and for the eventual distribution of end products).

In combination, the above factors are leading to the selection of niche opportunities where the Eastern Cape can assemble sufficient competitive advantage to overcome logistical and market proximity limitations. An important economic opportunity that has thus been identified relates to the start-up and development of a bio-fuels production industry based on the beneficiation of rural production of feedstock.

Various investor-supported opportunities have emerged, including highly promising foreign direct investment interest. In recent times, this has included well advanced proposals for the establishment of a Transkei-based project for the production of canola seed feedstock for final processing and for the production of export-quality diesel, via a facility that was to be established within the East London Industrial Development Zone (IDZ). While the project proceeded to develop significant impetus, the investment did not eventually materialise – highlighting shortcomings that continue to impact the region's prospects of successfully maturing investor interest within the bio-fuels field.

6.2.2 Key Considerations

Successful establishment of a sustainable, domestic bio-fuels industry rests heavily on the preparedness of Government – through various departments and affected institutions -- to

accommodate, facilitate and support a complexity of critical operations that go to form the entire value chain for fuels development, distribution and consumer use.

At the feedstock procurement level, investors seek assurance that a sufficient and predictable volume of feedstock can be sourced at an appropriate quality standard from well equipped, trained and managed corps of producers, including possibly via farming co-operatives supported and assisted by government as part of its employment creation drive.

The development and demonstration of a farm-level agrarian production model – fully supported and enabled by all stakeholders – is therefore a critical precursor for the grassroots establishment of a bio-fuel capability in the Eastern Cape.

Added to this, a need exists for specialised infrastructure to be facilitated for the processing of bio-fuel feedstock through entities such as industrial development zones. Commensurate with this support, attention needs to be given to the development and maintenance of appropriate transportation infrastructure and capabilities to permit economic transportation of feedstock from rural farming areas to processing centres (sited either rurally or at a nearby Port for export-linked investments).

At the other extent of the value chain, producers require certainty over a range of policy and regulatory issues which require definitive and comprehensive resolution and articulation. These include:

- Decisive State leadership in defining appropriate feedstock crops suitable for the production of bio-ethanol and bio-diesel fuels in order to co-ordinate appropriate land use and production support and, specifically, also to satisfactorily address concerns over food security and prudent water resource management;
- Speeding up of policy developments regarding the regulated introduction of bio-fuels to the domestic fuel market, including via the determination of desirable/minimum levels for the blending of bio-fuels with conventional fuels;
- Development and adoption of technical standards to be referenced within the legislations and regulations applied by government to regulate bio-fuels production and its utilisation. This includes standards to ensure that fuels of suitable quality are produced and marketed that are safe for use and compatible with locally used motor vehicles;

Government has recognised that bio-fuel production offers extensive potential for agriculture-based value addition that includes vast employment potential as well as prospects for export earnings. There remains a concern, however, that SA has not moved with the requisite speed and decisiveness to win investment attention from global actors in the bio-fuels arena and this has been evidenced in the loss of investments in recent years.

6.2.3 Recommendations

- The Ministries of **Trade and Industry** and **Agriculture and Minerals and Energy** be lobbied to collectively formalise a holistic and fully integrated bio-fuels sector development plan that seeks to expedite the resolution and removal of all identified

impediments and constraints that have thus far served to limit or dissuade industrial investment activity;

- Subsequent efforts be co-ordinated to define and aggressively market South Africa as a country destination for foreign investment into the bio-fuels sector that exhibits high readiness to accommodate bio-fuel investments. This should be done through the presentation of a fully detailed and enabled specification of enabling instruments, standards and support measures that are appropriate to all activities forming part of the bio-fuels production value chain.

6.3 Enabling Support for Alternative Energy Source Industries

6.3.1 Background

Concerted efforts are under way to support the establishment and development new, renewable energy sectors within the Eastern Cape, with an intent that such industries will assist to arm the region with new, globally-relevant competitive industrial advantages with long-term upward potential for sustainable employment creation and economic benefits.

The fostering of industrial potential in support of renewable energy generation is also seen as important in respect to the opportunity that it presents to diversify the provincial industrial economy away from sectors that it has historically been reliant upon – some of which have been significantly curtailed through fierce global competition, accompanied by systematic loss of local or South African competitive advantage.

A number of sub-sectors of industrial potential have come to the fore recently within the greater renewable energy (RE) arena, which appear to have promising potential for the Eastern Cape. These RE initiatives include favourable land and natural resource conditions for the development of bio-fuels feedstock production and processing and the establishment of photovoltaic (PV) and wind power installations to generate alternative energy to augment the national electricity production and distribution.

The Eastern Cape government, through its Department of Economic Development (DEDEA), has lent strong political endorsement to the campaign to nurture the development of renewable energy and has committed the province to a path in which it will actively take advantage of its rural nature to advance the renewable energy industry to catalyse green jobs and to build a green economy.

6.3.2 Key Considerations

South Africa's progress to adopt and sustain new forms of energy generation to reduce its carbon footprint over time will be significantly influenced by the degree to which government and industry can collectively overcome the risks and uncertainties inherent in the pursuit of new sources of energy. Important in this collaboration will be:

- Timely clarification and articulation of broad policy and regulatory conditions that impact specific RE sub-sectors and/or the renewable energy area as a whole;

- Resolution of mechanisms and robust enabling instruments that permit commencement of power production by producers, including in respect of procedures and requirements attendant to Power Producer registration for connectivity to the energy supply grid and eligibility to benefit from market acceptable tariff offerings.

Complementary to the above, Government and its regulatory and industrial and development support agencies have a vital role to play in promoting the adoption of renewable energy as an environmentally sustainable choice. Among areas that should receive attention are efforts to simulate the creation of new and expanded markets for renewable energy and associated products and technologies required for the realisation of the Green Economy.

International experience has shown that governments are able to create demands for green and renewable products and that this is effective in facilitating the creation of new industries as part of the greater effort to sustain industrial development. As part of this drive, there is opportunity to identify ways to exploit the system of carbon trading to attract and earn additional project funding/investment.

6.3.3 Recommendations

- Timely clarification and articulation of broad policy and regulatory conditions that impact specific RE sub-sectors and/or the renewable energy area as a whole;
- Resolution of mechanisms and robust enabling instruments that permit commencement of power production by producers, including in respect of procedures and requirements attendant to Power Producer registration for connectivity to the energy supply grid and eligibility to benefit from market acceptable tariff offerings.

7 FORESTRY AND AGRICULTURE

7.1 Forestry Development

7.1.1 Background

It was estimated by a strategic environmental assessment commissioned by the Department of Agriculture and Forestry and Fisheries (DAFF) during 2007 that a realistic goal for new forestry development in the Eastern Cape would be 100 000 ha. In addition, there are around 30,000 ha of existing plantations that require rehabilitation and improved management to achieve their yield potentials.

Until the establishment of Asgisa-EC in 2008, it was the private sector that took the initiative and began to engage with communities. This resulted in the submission of forestry licence applications for nearly 35,000 ha.

Concerns about the way some within the private sector engaged with communities resulted in the formulation of a set of forestry development protocols by the DAFF, which aimed at ensuring awareness creation, thorough consultation, recognition of land rights, and transparency of proposed deals.

Asgisa-EC was instrumental in formulating a provincial forestry action plan with DAFF, and began to engage private forestry companies to ensure a better balance between the developmental and commercial opportunities that forestry enterprises could offer.

A model was developed in terms of which project ownership and the responsibility for basic management functions would rest within suitable, supported community structures, while the private sector companies would provide technical, managerial and administrative support. In exchange for this support, companies would secure access to a portion of the timber produced. At this stage there is only one forestry company that is to considering investing directly and it is assumed that some of the funding would be in the form of government grants/investments (land claims settlements, community works programmes, agricultural grants etc) or loans from development Finance institutions such as IDC and DBSA.

There are currently five such projects in which Asgisa-EC is playing a facilitatory role, covering an area of more than 5,000 ha extent.

The strategic objective of the province is to establish a 100,000 ha of new plantations and support the rehabilitation of 30,000 ha of existing plantations.

The total investment of R3 billion over a period of 10 to 15 years is required. Over 2000 jobs will be created during the establishment phase, which will rise to over 5000 sustainable jobs once harvesting and subsequent re-establishment commences after 9 to 10 years. Some of these jobs will be supervisory, management and governance roles. Annual revenue generated from these plantations will amount to around R600 Million. Once such a significant resource has been established, additional benefits will be generated from value adding processing, some of which will result in export earnings.

7.1.2 Key Considerations

Key considerations for such a project include:

- **Community awareness/interest/commitment** - it is critical from skills development, economic transformation and risk management perspectives to ensure that community awareness and mobilisation processes are thorough, transparent and effective.
- **Program funding** - although establishment costs represent the most significant portion of total costs, ongoing management, maintenance and protection costs are substantial and need to be secured and in place prior to project commencement. It is envisaged that the funding will be in the form of a mixture of grants, loans and hopefully private sector investment.
- **The role of government** - the facilitatory, oversight and monitoring roles that government, either through a specific department or agency, plays is critical for project sustainability and ensuring that the developmental goals are realised.
- **The private sector role** - the role of the private sector is essential to ensure access to markets (especially during recessionary dips) and technical, managerial and administrative support until such capacity is available within communities. In addition, private companies may be prepared to make direct investment into projects subject to secure access to timber.
- **Integration of DAFF and other existing tree plantations** - in order to maximise financial viability, the integration of existing plantations should be pursued where possible to increase the economies of scale and bring forward positive cash flow from mature tree harvesting. Having access to existing plantations will accelerate operational and management involvement of people within communities while progress is made with applications for new afforestation. The alignment of DAFF with this objective, notwithstanding the departmental challenges that will result, is essential.
- **Projected shortages of timber over the next 30 years** - as a national initiative, the target of 100,000 ha of new plantations has been accepted as one of the key components of the National Forestry Charter.

7.1.3 Recommendations

It is recommended that the following actions are initiated:

- R3 billion to be committed over a period of 10 to 15 years for the establishment and maintenance of the first rotation of 130,000 ha
- DAFF to act on its intention to withdraw from the management of those forestry plantations that have the potential to be integrated into viable and sustainable enterprises.

7.1.4 Summary

Sector	Forestry Development
Intervention	Long term – 10-15 years
Project	Development of new, and rehabilitation of existing forestry plantations within the areas of forestry potential which are scattered within rural areas
Location	Chris Hani, Elundini, OR Tambo and Alfred Nzo District Municipalities
Purpose	To establish 130 000ha of community-owned forestry enterprises that are adequately funded and supported by the private sector
Status	Part of the target already identified, more than 10000 ha scoped, preparation of five projects underway, engagement with the private sector on improving balance of developmental and commercial aspects making progress
CAPEX	R3 billion
OPEX	R20m per annum
Skills Needs	Forestry operational skills to be developed during period in which private sector provides technical, managerial and administrative support
Establishment Jobs (Average)	>2000 for 10 years
Operational Jobs	> 5000 once harvesting and re-establishment commences
Impact on EC	All revenue from plantations should accrue to the Eastern Cape -- estimated at R600 million per annum
Rural Impact	Existing plantations and areas with forestry potential are widely scattered throughout the poorest rural regions
Impact on Country	If 40% of the timber was sold to the closest pulpmill at Umkomaas, then an additional \$120 million (R900m) of foreign exchange would be generated per annum.
CSDP Opportunities	

7.2 Agricultural Development

7.2.1 Background

The Wild Coast area currently (and persistently) has extremely weak production capabilities, with manufacturing and agriculture employing less than 4% of the total population of the area, and contributing just 9% to its GDP. Given the agro-ecological potential and the pressing concerns of food security in the district, the poor performance of agriculture is of great concern. A variety of policy documents generated by Provincial and National government focus on the strategies required to establish agriculture as an income generator for the rural population. These strategies encompass land reform, access to financial assistance and technical support.⁴

As far back as 2006, the National Agricultural Sector Plan identified the management of communal land, soil erosion, the revival of dysfunctional irrigation schemes, the settlement of emerging farmers on state lands, and access to support services such as dipping and veterinary services, as its focus areas.

The provincial Department of Agriculture and Rural Development's Strategic Plan (2010/11 – 2014/15) suggests that the provincial backlog for agriculture infrastructure is estimated at R16

⁴ OR Tambo Wild Coast Investment Plan. Department of Environmental Affairs and Tourism. 2007

Billion. Targeted investment (infrastructure: water, electricity, telecommunication, rail, air, road, financial services, training, mechanisation) for agricultural development is identified as a critical precursor to wide-scale agricultural development and the inclusion of marginalised, subsistence farmers in mainstream agricultural economy. Interventions in this regard are detailed in the Department of Agriculture and Rural Development's Rural Development Strategy (RDS).

Implementation of the planned interventions requires the collaboration and contribution of all Provincial Government departments, Provincial Public Entities, National and Local Governments, and National State Owned Enterprises.

7.2.2 Key considerations

- **Small-scale crop farming:** Crops are currently produced at subsistence levels, and are (in the main) limited to maize and cabbage. Potential to expand the productive value of this sub-sector exists throughout the Wild Coast, especially if supported by public-sector investment in the rehabilitation of irrigation schemes and agricultural extension support.
- **Interventions aimed at the implementation of a livestock commercialisation** approach would need to be accompanied by investments in revitalising veterinary support services, including dipping. The introduction of regular livestock auctions would have substantial benefit for local communities. Goat, sheep and beef projects could be considered as projects for Cooperatives, possibly in joint ventures with private investors to capitalise farming activities.
- **Commercial crop farming:** The provincial Department of Agriculture and Rural Development proposes an increase in the land area under maize production and active engagement with Local Municipalities in the formulation of their IDPs in order to ensure that agricultural projects are sustainable. Asgisa-SA has made significant progress in this regard, and, as part of the Eastern Cape Rural Development Corporation, will pursue this goal in the future

7.2.3 Recommendations

It is recommended that the following actions be initiated:

- Formal collaboration agreements to be established between effected national, provincial and local departments and agencies
- Mechanisms to address and resource the estimated R16 Billion backlog in agricultural infrastructure should be elaborated
- Milestones in the RDS should be pursued and adequately resourced

8 ENVIRONMENTAL MANAGEMENT

8.1 Environmental Management Framework

The reasons for developing an Environmental Management Framework (EMF) include that an EMF:

- Allows for facilitation and co-ordination of specific development within areas that are suitable for development
- Promotes equitable allocation, and beneficial and sustainable utilisation of environmental resources
- Promotes integrated sustainable protection and management of the environment as well as the quality of environmental resources
- Assists in the decision making of Environmental Impact Assessments (EIAs)
- Provides input into the land use plans
- Provides pro-active information inputs for development proposals thus minimizes problem application
- Provides pro-active indication of opportunities and constraints for development
- Facilitates co-operative government through the identification of different regulatory responsibilities and recommending mechanisms for addressing the needs of the relevant authorities

It is expected that each Province develops and adopts an EMF to ensure that development decisions are well informed with respect to environmental issues across the entire country. To this end, the Eastern Cape must develop two outstanding EMFs:

- There is no EMF for the coast line from the Great Kei River to the Umtamvuna. This is the last part of the Eastern Cape Coast without an EMF. This will assist in consolidating the nodes for development, conservation and other uses for ease of determining what kind of activity will be authorized by the various organs of state before an applicant applies.
- There is a need for Buffalo City Municipality (BCM) to finalise an EMF that will complement the Spatial Development Plan and other Plans that have been developed by BCM as tools to guide land uses and facilitate decision making.

8.1.1 Recommendations

It is recommended that:

- An amount of R 3 million be made available to allow for the completion of the Wild Coast EMF
- Funding is sought for the R1.5 million required to complete the EMF for BCM

8.2 Wild Coast (Illegal Cottages) Investigations

The Special Investigations Unit (SIU) has been assisting the Department's Compliance and Enforcement Directorate (Green Scorpions) in investigating, compiling case docket and speedy response to reported construction of illegal cottages overnight in some of the inaccessible areas of the Wild Coast. This partnership was suspended due to the non-availability of budget for 2010-11.

This has had a quick and dramatic effect on the rate of increase of the illegal activities along the Wild Coast. The delay in response time has made the area particularly vulnerable to illegal sand mining, . It is critical that funds are secured to resuscitate this partnership by signing an MOU and fund its operations.

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