

# **LEKWA-TEEMANE LOCAL DEVELOPMENT AGENCY (Pty) Ltd**



## **Investments Prospectus**

**Bloemhof, Lekwa-Teemane Municipality**

**North West Province**

## Table of Contents

Programme	4
Introduction	5
Profile of Lekwa-Teemane Municipality	5
Map of Lekwa-Teemane	5
Socio-economic Challenges within Lekwa-Teemane Municipality	6
Lekwa-Teemane Opportunities and Investor offerings	7
Lekwa-Teemane Local Development Agency	7
- Agency Background	7
- Agency Objectives	8
Funding and Governance of the Agency	9
Agency Business Model	9
Projects of the Agency	10
Other Developments in Lekwa-Teemane	20
Agency Contact Details	20

## 1. INTRODUCTION

### 1.1. Profile of Lekwa-Teemane Local Municipality

Lekwa-Teemane Local Municipality is situated in the Dr Ruth Segomotsi Mompati District Municipality in the south eastern region of the North West province. The municipal area comprises of two major towns of: Christiana and Bloemhof, with Christiana as the municipal head office. The total geographical area of the municipality is 3,681.2560 square kilometres and borders the Vaal River on the eastern side.

The municipality has an estimated population of 42,967 persons and 10,730 households. The unemployment rate is estimated to be over 50% and the poverty rate estimated over 70%. The agricultural sector is the largest employer employing over 24%.

#### 1.1.1. Municipality Vision and Mission and Key Focus Areas of Lekwa-Teemane Municipality

##### **Vision**

To strive for the realization of developmental local government with an effective and affordable service provision which is sustainable in a safe environment through community participation.

##### **Mission**

##### **To support a developmental local government through:**

- Developing realistic integrated development programme
- Creating policies that enhance good governance
- Creating better coordination between all spheres of government

##### **To provide effective, affordable and sustainable service delivery through:**

- Building good infrastructure
- Accessing basic services
- Maintaining quality supply
- Enhancing revenue
- Sourcing funding
- Developing skills
- Creating an environment that is conducive to economic growth and development

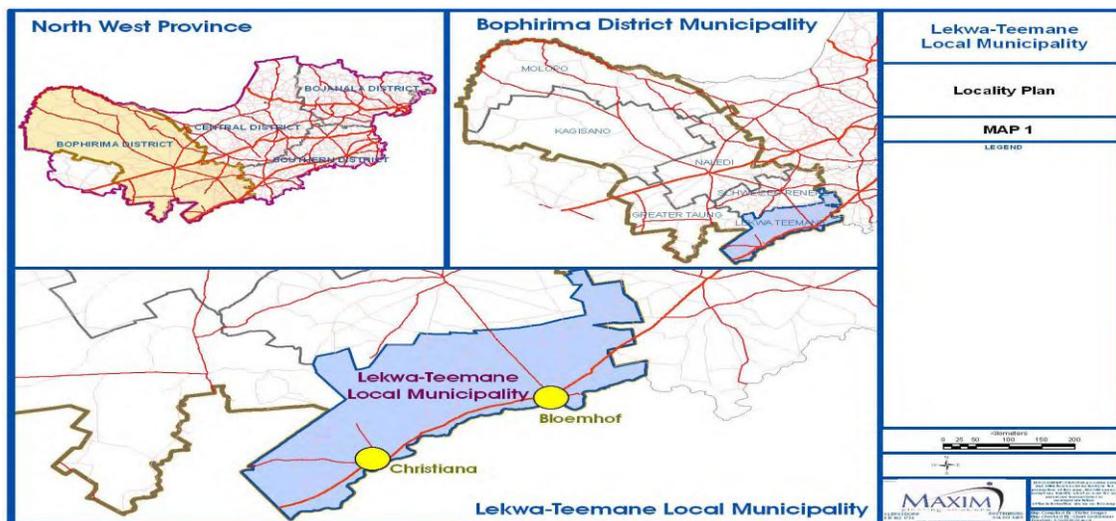
**To create a safe environment through:**

- Enforcing by-laws
- Implementing the disaster management plan
- Providing a safe and healthy environment

**To enhance community participation by:**

- Establishing an effective ward committee system
- Maintaining consistent communication with communities

**Figure 1: Map of Lekwa-Teemane Local Municipality**



## **1.2. Socio-economic Challenges within Lekwa-Teemane Local Municipality**

### **1.2.1. Unemployment and Low household income**

The municipality has an estimated population of 42,967 persons and 10,730 households. The unemployment rate is estimated to be over 50% and the poverty rate estimated over 70%. The agricultural sector is the largest employer employing over 24%.

### **1.2.2. Declining of economic sectors**

The economy of Lekwa-Teemane experienced negative and jobless growth during the period 2001-2005.

### **1.2.3. High-levels of poverty**

Due to high unemployment, the poverty level experienced by most of the residents is extremely high, making the majority of households to fall within the indigents category.

### **1.2.4. Lack of essential retail facilities**

The municipal area does not have essential retail facilities such a clothing, building, furniture and fast food outlets, such as: Truworths, Mr. Price, Markhams, Shoprite, KFC, Morkels, etc. As a result, local residents spend their money in neighbouring towns of Kimberley, Bloemfontein and Klerksdorp, etc.

### **1.2.5. N12 Treasure Rout Non-participation**

Whilst the municipality is situated on the N12 Treasure route which connects Witbank, Pretoria, Johannesburg, Potchefstroom, Klerksdorp via Lekwa-Teemane to Kimberly, George and Cape Town; the municipality is not exploiting this opportunity. The road is an alternative for tourists travelling to Cape Town and the Southern Cape, and therefore has large volumes of private, commercial and logistics vehicles and trucks. There are not even truck stops and/or major petrol stations in the towns of Christiana and Bloemhof.

### **1.3. Lekwa-Teemane Economic Opportunities and Investor Offerings**

- a) Beneficiation of agriculture– the area of Bloemhof and Christiana has vast arable land suitable for crop and livestock farming, and moreover it has sufficient supplies of water. Currently there is a large cattle feedlot (without a meat processing plant) and also myriad maize farms.
- b) N12 Treasure Route – being on the N12 there is a plethora of business opportunities that can spin-off such as: hotels, holiday resorts, truck stops, shopping centres, industrial parks, game lodges, golf and country estates, etc.
- c) Bloemhof Dam – this is one of the largest and most magnificent dams in South Africa (in fact it looks more like a lake than a dam), and has vast opportunities for development of hotels, residential estates, office parks, holiday resorts, bungalows, river rafting and boat stations, fishing, etc.
- d) Mining – the area of Christiana is renowned for its river diamond mining which dates back to 1870. Mining operations can still be explored in the future.
- e) Retail – there are no shopping centres boasting national retail brands to cater to both the residents of the municipality and the N12 travellers, therefore there is a need for such shopping facilities.
- f) Land Availability – the municipality owns over 8,000 hectares of land available for agriculture and other commercial developments.

## 2. About Lekwa-Teemane Local Development Agency

### 2.1. Agency Background

Lekwa-Teemane Local Development Agency (LTLDA) is a wholly-owned municipal entity of Lekwa-Teemane Local Municipality. The principal mandate of this Agency (LTLDA) is to facilitate sustainable economic development within Lekwa-Teemane Local Municipality and ensure that the local economy grows, creates and sustains jobs for the local people.

With the establishment of LTLDA, the municipality is seeking to facilitate growth of the local economy, job creation and sustainability. To this end, the municipality has identified myriad potential economic development projects that are intended to put the local economy on a sustained growth trajectory.

The role of LTLDA is that of a facilitator that identifies business opportunities that can be implemented on Municipal property, thereby unlocking value out of Municipal assets. The Agency performs the facilitation role by identifying business opportunities, packaging the opportunities through studies and presenting these opportunities to potential investors. In addition the Agency will facilitate the land availability agreements between the investor and the Municipality.

### 2.2. Agency Objectives

- i. Attract investments into Lekwa-Teemane municipal area.
- ii. To market and promote Lekwa-Teemane local economy among potential investors as a good investment destination.
- iii. Economic Growth: Promote investment in jobs, new growth sectors and support for innovation
- iv. To foster and strengthen the linkages between local businesses, local government and civil society as well as to attract new external investment.
- v. To demonstrate the investment opportunities in Lekwa-Teemane among key audiences.
- vi. To initiate and kick-start the implementation of strategic and high-value economic projects.
- vii. To implement large scale economic development projects for the Municipality.
- viii. To implement any other projects of the Municipality as and when required.
- ix. To ensure that local businesses play a key role in new high-value/impact projects.

### 3. Funding and Governance of the Agency

#### 3.1. Funding of the Agency

The Agency is funded by the Industrial Development Corporation (IDC) and the parent municipality (shareholder). The IDC funds over 66% of the Agency's budget on a conditional grant basis. The IDC also provide institutional support on governance, project management and operational aspects of the business. The bulk of funding of the Agency is budgeted to conduct the studies and to bring the projects into implementation stages.

#### 3.2. Governance of the Agency

Lekwa-Teemane Local Development Agency is governed by a non-executive board of directors. The board of directors reports to the Parent Municipality (Shareholder). The day-to-day running of the Agency is charged to the Programme Manager/CEO, who is the Accounting Officer of the Agency.

In addition there are myriad governing tools such as the Service Level Agreement between the Agency and its Parent Municipality, the Companies Act, Municipal Finance Management Act (MFMA), Municipal Systems Amendment Act, and other pieces of legislation.

### 4. Agency Business Model

There are numerous steps that the Agency follows in the initiation and implementation of projects, these are:

- a) Identification of potential projects – through the IDP processes, economic opportunities studies, leads by members of the community (business, labour, employees, etc) and other interested stakeholders;
- b) Scoping of identified projects that the board has approved and communicated the same to the shareholders for inclusion in the IDP;
- c) Undertaking of initial studies such as feasibility, market or financial studies to determine the viability of the projects;
- d) Identification of operating partners (investors) for the projects;
- e) Undertaking of other necessary technical studies such as environmental impact assessments, technical designs, etc;
- f) Drafting of the business plan for the projects;

- g) Assist the investor to secure funding for the projects;
- h) Facilitate the signing of land availability agreements between the Municipality and the investor;
- i) Monitor the implementation of the projects; and
- j) Exit the projects and initiate new projects.

## 5. Projects of the Agency

The Agency has identified myriad potential business opportunities that is in the process of packing through various studies and assessments. The identified projects are:

- a) Transit Node N12 (Christiana) – filling station with fast-food outlets (such as Wimpy, Barcelos), convenience shop, mini-bakery, truck-stop, gas outlet, long-distance bus stop, ATM, Car Wash, etc.
- b) Transit Node N12 (Bloemhof) - filling station with fast-food outlets (such as Wimpy, Barcelos/Nandos), convenience shop, mini-bakery, truck-stop, gas outlet, long-distance bus stop, ATM, Car Wash, etc.
- c) Bloemhof Dam Tourism Development (4-5 Star game lodges within Bloemhof Dam Nature Reserve)
- d) Hotel
- e) Agricultural produce and agro-processing
- f) Meat Processing
- g) Waste-to-Energy (Electricity Generation)
- h) Industrial Park
- i) Shopping Centre Bloemhof
- j) Christiana Shopping Centre

## 5.1. Transit Nodes – Bloemhof and Christiana



### Project Description

The two Transit Nodes in Bloemhof and Christiana are intended mega motor service and food centres to cater for motorists, taxi drivers, families, children and households seeking fuel for their cars, taxis and seeking fast food, refreshments, bread, long-distance bus travel, car wash services, playing facilities for children, fresh bread and confectionary services, and ATM services.

The two Transit Nodes are planned to have the following facilities:

- ✓ Engen 1-Plus - Petrol and Diesel Pumps
- ✓ Gas bottle refill and sales
- ✓ Nandos mini-outlet
- ✓ Car Wash
- ✓ Wimpy family restaurant – with children playing facilities
- ✓ Convenience bakery
- ✓ Convenience store
- ✓ ATM
- ✓ Long-distance bus terminus and tourism information office

### Estimated Funding Required

It is estimated that at least R14million will be sufficient to put up each of these investments. The IDC, NEF and commercial banks are potential funders for this project.

### Project Packaging Status

A feasibility studies and a manual traffic counts have been conducted. The traffic counts have shown that over 1,600 and 1,800 vehicles pass the intended locations for the Transit Nodes in Bloemhof and Christiana, respectively. The feasibility study can be made available to interested parties.

## 5.2. Bloemhof Hotel



### Project Description

Bloemhof Hotel is an intended 40-room hotel that caters for leisure and business tourists doing business and on holiday in the Southern parts of the North West Province and surrounding areas, and in-transit to and from Mpumalanga, Gauteng, North West, Northern Cape, Namibia, Botswana and Western Cape.

The hotel is intended to also have conferencing facilities with three meeting rooms with capacities of 80, 50 and 20 people. The conference facilities will be charged at R350 per person for conferencing and refreshments only, thus exclusive of room/overnight accommodation.

All the rooms will be the same with a bed, bathroom with toilet and shower, kitchenette and study table. The rooms will be charged a daily rate of R600, inclusive of breakfast.

### Financing

The hotel will require total financing of R17, 500, 000 which will include R17, 000,000 for total building and furnishing of the hotel, plus R500,000 working capital.

The owners and developers of the hotel will contribute R2, 100,000 of the required capital and therefore require R15, 400,000 loan funding. The IDC will be the first lender of capital to be approached for lending.

### Ownership and BEE

The hotel by two groups of investors, thus the majority shareholder and hotel operator with around 75% shareholding and a minority local black business owning between 10-25% shareholding.

### Size of the Project

The hotel will occupy a total floor area of 1,800m<sup>2</sup> and be on a land measuring 3,000m<sup>2</sup> with 1,200m<sup>2</sup> allocated for parking, gardening and landscaping.

## Location

The hotel will be located in Bloemhof on the N12 on the corner of the N12 and Hoopstad Road at the northern entrance of Bloemhof. The hotel will be close to the Bloemhof CBD and the Bloemhof Motor Plaza, as well as the planned Bloemhof Shopping Centre.

The land will be owned and serviced by Lekwa-Teemane Local Municipality and made available for the hotel development through a land availability agreement.

## Benefits

The hotel will bring myriad benefits to the local economy of Lekwa-Teemane, these are: job creation; increased municipal revenue from rates and taxes; increased gross domestic product; unlocked value out of municipal assets; increase in retail and service business revenue; and many indirect spin-offs.

## Financial Projections

The hotel is projected to generate revenues of R9million in the first year, R15million in year 5 and R30million in year 10; with gross and net profit margins averaging 83% and 43% in year 5.

## Project Packaging Status

A feasibility study has been conducted and can be made available to interested parties.

### 5.3. Agricultural Crops and Agro-processing



## **Project Description**

Lekwa-Teemane Olives Farm is an intended to be an olives cultivating farm with processing facilities to process some of the olives into olive oil, beauty products and health capsules. The project will target: local retail, restaurants and caterers, pharmacies, hospitals, beauty shops, etc, and international importers of table olives, olive oil, food, beauty and health products.

Lekwa-Teemane Olives Farm is planned to have the following facilities:

- ✓ 100 hectare olives orchard
- ✓ 30,000 olive trees
- ✓ Irrigation system
- ✓ At least two bore-holes
- ✓ 1,000m<sup>2</sup> factory for processing and storage of olives, olive oil, food, beauty and health products
- ✓ Olive oil pressing machinery and storage facilities

## **Financing**

The project will require total investment (inclusive of olive trees and required infrastructure) of R20, 000 per hectare. Therefore, the planned 100 hectares of olive trees will require R2, 000,000 plus at least R3, 000,000 to build and set-up the processing factory, and working capital of R600, 000.

The owners and operators of the farm will contribute R1, 000, 000 of the required capital and therefore require R4, 600,000 loan funding. The IDC will be the first lender of capital to be approached for lending, whilst the NEF and commercial banks may be approached after the IDC.

## **Size of the Project**

The Lekwa-Teemane Olives Farm will occupy a land area 100 hectares for both the orchard and processing facilities.

## **Location**

The Olive Farm will be located on a farm in Christiana.

The land will be owned and serviced by Lekwa-Teemane Local Municipality and made available for the project through a land availability agreement.

## **Benefits**

The project will bring myriad benefits to the local economy of Lekwa-Teemane, these are: job creation; increased municipal revenue from rates and taxes; increased gross domestic product; unlocked value out of municipal assets; increase farming and manufacturing activity and revenue; and many indirect spin-offs.

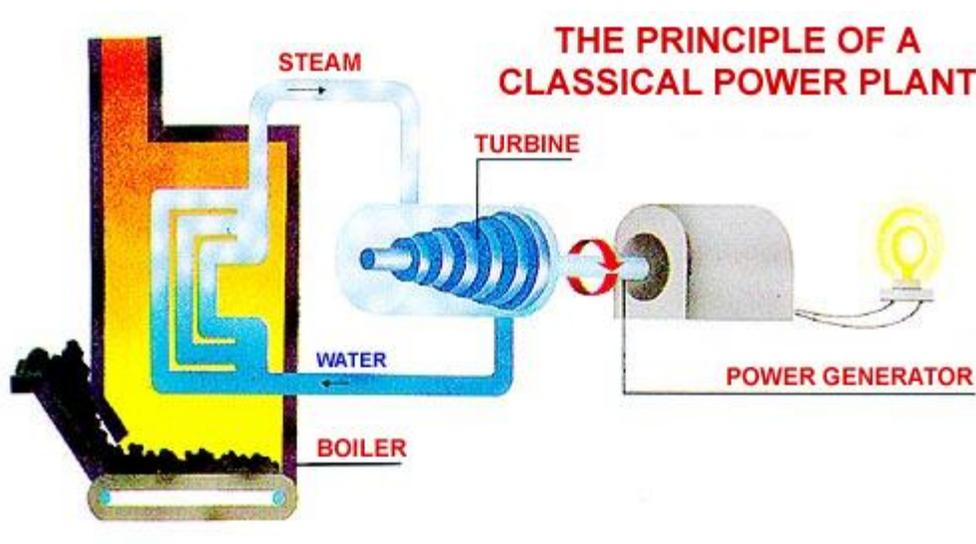
## Financial Projections

The Olives Farm is projected to generate revenues of R3,100, 000 in the first year of operations (fifth year) and R4,200,000 in the fifth year and R6million in year 10; with gross and net profit margins averaging 83% and 44% in year 5.

## Project Packaging Status

A feasibility study has been done on the olives orchard, but the soil studies are still pending.

### 5.4. Electricity Generation (IPP)



## Project Description

The project entails the development of an electricity generation plant. The electricity is to be generated from various raw materials such as: biomass, sewer, solid waste, macadamia nuts shells, sugar cane, bamboo and other sources.

## Project Packaging Status

The project is in the process of being scoped and feasibility studies also to be conducted at a later stage.

## 5.5. Bloemhof and Christiana Shopping Centres (2 Centres)



The two shopping centres in Bloemhof and Christiana are intended shopping centres to cater for households, motorists, tourists, residents of Bloemhof, Christiana, Taung, Hertzogville, Wolmaranstad, Sweize Reyneke and other neighbouring towns seeking groceries, medical services, furniture, banking services, fast food, pharmaceuticals, hardware materials, school uniforms, clothing, electronics, books and other fast-moving-consumer-goods.

The two centres are planned to have the following facilities:

- ✓ Pick 'n Pay Family Supermarket or Shoprite
- ✓ 3-4 Furniture stores
- ✓ 3-4 Fast-food and restaurants
- ✓ Chemist
- ✓ Capitec Bank
- ✓ African Bank
- ✓ 5 x ATMs of five different banks
- ✓ Hardware
- ✓ Bookstore
- ✓ Mini-medical centre with General Practitioner, Dentist, and Optometrist
- ✓ Cell phone shop
- ✓ Electronics and music shops
- ✓ Ablution facilities
- ✓ Major clothing shops: Truworths, Markhams, Foschini, Skipper Bar, Miladys, John Craig, Pep, Ackermans, Mr Price, etc.

### Financing

The shopping centre will require total financing of R30, 000, 000 which will include R28, 00,000 for total construction and civil works, plus R2, 000,000 for working capital.

The owners and operators of the centre will contribute +R3, 000,000 of the required capital and finance the remainder of R27, 000,000 through loans and equity funding. The IDC will be the first lender of capital to be approached for lending, whilst the NEF and commercial banks may be approached after the IDC.

## Ownership and BEE

The hotel by two groups of investors, thus the majority shareholder and centre operator with around 75% shareholding and a minority local black business owning between 20-25% shareholding.

## Size of the Project

The two shopping centres will each occupy a total floor area of +-12,000m<sup>2</sup> including parking and landscaping.

## Location

The centres will both be located in on the N12. In addition small taxi ranks will be erected at the centres to cater for public transport commuters.

The land will be owned and serviced by Lekwa-Teemane Local Municipality and made available for the two shopping centres development through a land availability agreement.

## Financial Projections

The shopping centres are each projected to generate revenues of R21million per annum from rental income, with annual escalations of between 8% and 10%.

### 5.6. Industrial Park



#### Project Description

The project entails the development of an industrial park agro-processing and logistics facilities. The development is to be located in Christiana.

#### Project Packaging Status

No studies have been done for this project.

## 5.7. Beef Beneficiation



c41-182131 www.fotosearch.com



### Project Details

The project entails the establishment of a meat processing factory that will slaughter and process livestock (cattle) for both export and domestic market. The beef beneficiation plant will bring revenue and investments into the local area through local and international sales of meat products. The plant will benefit local, provincial and national farmers with a market where they can sell their livestock, and benefits customers will a place they can buy beef products for re-sale and consumption.

The project is being undertaken to take advantage of the domestic and international demand for beef products.

### Business Opportunity

South Africa in 2007 produced 660,300 tons of beef and 110,700 tons of mutton. However, the consumption of both beef and mutton far exceed the production hence South Africa is an importer of both beef and mutton. For example in 2007 the consumption was 720,200 and 147,700 tons for beef and mutton respectively, resulting in shortfalls of 62,500 and 37,000 tons of beef and mutton respectively. The shortfalls were imported from SACU countries and other countries such as: Argentina, Paraguay, Australia, Zimbabwe, Brazil, Uruguay and New Zealand.

South Africa also annually exports tons of beef, mutton and pork to: Angola, Germany, Great Britain, Greece, Lebanon, Mozambique, Norway, Reunion and Swaziland

As at May 2008 South Africa had total cattle of 14 million and 25 million sheep and the figures have been almost consistent annually since February 2004. Mpumalanga Province had during the same period cattle and sheep at 1,4 million and 1,8 million respectively.

The existing abattoirs in the North West are operating at small scale hence the proposed plant will encourage local entrepreneurs to farm in beef and also ensure that the farmers get competitive prices for their beef stock; whilst also increasing the GDP of the province and local municipality through local and international sales of these beef products.

## **Beef Master Abattoir in Christiana**

It is the intention of Lekwa-Teemane Municipality to engage Beef Master to establish a beef processing and packaging plant in Christiana. The municipality will provide free land and offer investment incentives in order to appeal to Beef Master to set-up in Christiana.

## **Project Estimates**

To be profitable and sustainable on the long term, and to provide above average rates of returns to shareholders/investors, the projects must aim for the following targets per annum:

- Slaughter and sell – at least 200 cattle per day and 60,000 cattle per annum
- Sell all the guts from the 60,000 cattle and 45,000 sheep slaughtered per annum
- Selling at minimum prices of R18 per kilogram, making at least R3,900 out of every beef carcass – make R234,000,000 of beef sales per annum
- Make total sales of R346,500,000 of beef and lamp sales per annum

## **Project Packaging Status**

The feasibility study for this project has not been done.

## **5.8. Bloemhof Dam**



## Project Details

The project entails the development of residential, entertainment and eco-tourism facilities around the Bloemhof Dam. Residential and entertainment facilities will be developed on the land owned by the Municipality adjacent to the dam. Between two and four game lodges of 4-5 star grading will be developed within the Bloemhof Dame Game Reserve (concessions for these tourism developments are currently being negotiated), and these will be done along the Madikwe Game Reserve development model.

## Project Status

Studies that were done previously are being located and sought from NW Parks Board, and where necessary new and additional studies will be done.

## 6. Other Major Developments

Every year fishing tournaments are being held in Bloemhof and these events attract over 6,000 people into Bloemhof.

## 7. Agency Contact Details

The contact details of the ADUM are as follows:

Contact Person	Designation	Telephone and E-mail
Mr. Andrew Laastele	Programme Manager	Tel 053 4331018 Fax: 053 433 1442 Cell :078 199 1268 Email: <a href="mailto:andrewlaastele@hotmail.com">andrewlaastele@hotmail.com</a> <a href="mailto:ltdev@lekwa-teemane.co.za">ltdev@lekwa-teemane.co.za</a> <a href="mailto:ltdevagency@gmail.com">ltdevagency@gmail.com</a>
Mr. Khotso Sekhobo	Board Chairman	Cell: 071 923 8198