ECONOMIC DIVERSIFICATION OF A MINING TOWN: A CASE STUDY OF ORANJEMUND

A dissertation submitted in partial fulfilment of the requirements of the degree of

MASTERS OF BUSINESS ADMINISTRATION

of

RHODES UNIVERSITY

by

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Abstract

Economic Diversification of a Mining Town: A Case Study of Oranjemund

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Can mining industries and mining based localities promote Local Economic Development (LED)? This case study, on the mining town of Oranjemund, seeks to examine the economic diversification prospects of the town.

Stakeholder views are considered and their aspirations determined, through an interview process. Relevant theories on economic development, growth and sustainability are outline. Lessons are drawn from local and international empirical studies on mining towns. The roles and contributions stakeholders and institutions could realize that could lead to local economic diversification and LED are defined. The opportunities and threats that could affect the town's LED process are identified.

This paper concludes that it is imperative that sound relationships be developed amongst key stakeholders. It further, recommends that a strategic LED plan be designed for Oranjemund and that national government, through the regional and local authority, lead the process.

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Acknowledgments

I hereby would like to extend special thanks to my supervisor Dr Doreen Atkinson for her invaluable contribution and for providing persistent support throughout my research period.

Secondly, I would like to thank my parents, my brother and sister for their constant encouragement and the infinite support, which they were always willing to provide.

I would also like to extend a special gratitude to the National Research Foundation of South Africa and my employer, Pupkewitz MegaBuild, for the generous funding they extended to me, towards this study, in my final year.

To all my family and friends who occupied a motivational role and understood that I could not always surround them through this time, I would like to thank you all for being so considerate.

Declaration

I declare that the material contained in this dissertation is my own work except where properly acknowledged and that the substance of the thesis has not been submitted for assessment elsewhere.

……

Angelo Helmuth **November 2008**

Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
CDM	Consolidated Diamond Mines
DKG	Deutsche Koloniale Gesellschaft
EIU	Economic Intelligence Unit
EPZ	Economic Processing Zone
FGFDC	Free State Goldfields Development Centre
GDP	Gross Domestic Product
GNP	Gross National Product
HIV	Human Immunodeficiency Virus
LED	Local Economic Development
MMSD	Mining, Minerals and Sustainable Development
MW	Megawatt
N$	Namibian Dollar
NAMDEB	50:50 joint venture between the Namibian Government and De Beers
NamPower	Namibia Power Corporation Ltd
NCCI	Namibia Chamber of Commerce and Industry
NEPRU	Namibian Economic Policy Unit
NGOs	Non-Governmental Organisations
OTMCo	Oranjemund Town Management Company
PEC	Private Enterprise Committee
PPP	Private Public Partnership
R&D	Research & Development
SD	Sustainable Development
SIAPAC	Social Impact Assessment and Policy Corporation
SMEs	Small and Medium Enterprises
SOEs	State Owned Enterprises
U$	United States Dollar

CHAPTER 1: INTRODUCTION

1.1. Introduction

Namibia has a land area of approximately 825'000 square kilometres and an estimated population of 2 million people. Mining is considered the backbone of Namibia's economy. The mining sector's contribution towards the country's Gross Domestic Product (GDP) was 12% in 2007.

The dynamic economics of the mining cycle bring both life and death to mining towns, but it is usually very difficult to forecast the timing and magnitude of potential problems. There will always be mine closures but where and when is not easily predicted with accuracy. (Neil, et al., 1992). Factors such as mineral exhaustion, high production costs, mineral price fluctuations, which in turn are influenced by volatile market changes, could lead to mine closures. The energy sector has, in particular, been very volatile during the past few years, and this has had a major impact on products such as coal and uranium.

The mining sector offers significant employment and business opportunities within certain geographic areas. Social support services, such as health and education services, are provided by mining companies, to locals within some Namibian mining towns. The mining companies, in some countries, do fulfil a gap, which national governments have difficulty in undertaking effectively, due to a chronic lack of government fiscal resources, capacity and skills. The social and economic contributions made by mining companies are important. However, can mining towns and communities survive economically and socially after the mining activity ceases, as mineral resources become depleted?

The Namibia Government's 2003 minerals policy was designated to ensure the sustainable contribution of minerals to the socioeconomic development of the country.

Namibia's Vision 2030 is the Policy Framework for Namibia's Long-term National Development. The core of the visioning exercise is a concern for the population's social, economic and overall well-being. This National Policy also seeks to promote the creation

of a diversified, open market economy, with a resource-based industrial sector and commercial agricultural sector, placing great emphasis on skills development.

Namibia's decentralisation policy was conceived by Government in 1996 and adopted by Parliament in 1997. The decentralisation policy identified national development objectives to be addressed as follows:

- Extend, enhance and guarantee participatory democracy.
- Ensure and safeguard rapid and sustainable development.
- Transfer the capacity from national government, to regional and local government councils to plan, implement, manage and monitor delivery of services for their constituents.

This case study draws particular attention to the mining town of Oranjemund, which is situated in the Karas Region. It is anticipated that as diamond reserves become depleted and offshore mining increases, which is more capital intensive, massive labour cutbacks can be expected. This could ultimately result in severe economic and social devastation for the businesses and community of Oranjemund. The experiences of Kolmanskop, Pomona, Bogenfels and Elizabeth Bay, which turned into "ghost towns" after mining closures, show that mine closures can destroy a local economy.

Another critical issue that underpins this study is the uncertainty on the closure of the diamond mines in Oranjemund, as there are a number of variables that determine the operations of any mine. In the case of Oranjemund, mixed and conflicting responses were obtained about the future of the town, and no definite confirmation could be provided on the duration of the mining operations in Oranjemund. This revealed the confidentiality that exists in the diamond industry.

The researcher wishes to make a contribution to the local economic development prospects of the town of Oranjemund, through identifying opportunities for the town, which could assist stakeholders, to consider possible interventions that could bring about the local economic diversification of the town of Oranjemund.

1.2. Problem Definition

This paper will argue that economic diversification is imperative for economic growth and development, where the local economy is reliant on mining as the key economic activity. The importance of economic activity will be explored, with specific emphasis being placed on economic growth, development and diversification.

In the view of the above, the following questions will be considered:

1.2.1. What are the prospects for mining industries and the mining based localities to **diversify** to other economic activities?

1.2.2. Can mining industries and mining-based localities promote **economic development** as opposed to simply **economic growth**?

1.3. Goals and Objectives of the study

1.3.1. To analyse existing theories regarding economic diversification of mining towns,

1.3.2 To explore the economic diversification opportunities for the town of Oranjemund.

1.3.3. To determine the aspirations of stakeholders regarding the economic sustainability of Oranjemund as a town, and

1.3.4. To make proposals for future diversification options.

1.4. Benefits of the study

1.4.1. The study will outline possible stakeholders' interventions which could minimise or prevent the possible socio-economic challenges, which could arise if mining activity ceases.

1.4.2. The study will outline possible economic opportunities that stakeholders could engage into, to optimally benefit from existing or future economic opportunities, which exist in the town.

1.5. The Structure of the study

The study will contain the following chapters:

1.5.1. Chapter 2: Methodology: The methods deployed to conduct this study are discussed.

1.5.2. Chapter 3: The Spatial Context: An overview of the Namibia economic landscape and the Karas Region is presented. The economy of the town of Oranjemund is also outlined.

1.5.3. Chapter 4: Mining in a Comparative Context: Relevant literature on the subject content is reviewed. Subject matter on economic development and growth is also addressed with relevance to the mining sector. The involvement and contributions of stakeholders, with consideration to LED is discussed.

1.5.4. Chapter 5: Case Studies: Ideas drawn from local and international comparative cases of mining diversifications, are summarized.

1.5.5. Chapter 6: Perspective of Stakeholders in Oranjemund: Contributions obtained from the interviews conducted with stakeholders are outlined.

1.5.6. Chapter 7: Economic Opportunities: Economic opportunities are identified for the economic diversification of Oranjemund.

1.5.7. Chapter 8: Conclusion and Recommendations: A summary of the most important findings of the study, the conclusion reached and recommendations are made for Oranjemund's LED drive.

CHAPTER 2: METHODOLOGY

2.1. Introduction

This research is conducted in a constructivist paradigm and is of a descriptive and normative nature. Constructivism implies that the researcher considered the subjective views, opinions and meanings of the social actors.

The application of current theories regarding economic diversification to the situation in Oranjemund, is of a deductive nature, where assumptions of theories on LED is tested (Babbie and Mouton, 2001). Theories regarding economic growth, development and sustainability, are examined in the context of LED, where it has relevance to economic diversification of Oranjemund. The research is based on international comparative perspectives regarding mining diversification, from which the researcher created a theoretical frame of reference that was tested in Oranjemund through empirical research.

Triangulation of data sources and analytical perspectives were applied in the study to increase the accuracy, reliability and validity of the findings. “One analysis of case study methods found that those case studies using multiple sources of evidence were rated more highly, in terms of their overall quality” (Yin, 2003: 99).

The study is of a descriptive nature, but also provide recommendations.

2.2. Literature Review

In responds to the objective of the study, available data relevant to the study was reviewed. Literature was derived from a variety of sources such as, books, academic papers, articles, journals, web based information and government reports. Data obtained from these sources, included literature on Namibia, Karas region, Oranjemund, mining towns generally (on local and international comparative case studies), and economic development and diversification.

The literature review process aided the development of the questionnaire that was applied for this study.

2.2.1. Questionnaire Development

The questionnaire was developed, using previous questionnaires designed by Edwards, et al (2002) and New Dimensions Consultancy; and was tailored to suit the requirements of this study on Oranjemund.

The qualitative instrument was developed using various books, previous research, and a variety of materials on mining, business, social and economic development. This was done specifically to identify different topics, and to categorise them into different industries.

2.3. Qualitative Data Analysis

Extensive documentary analysis was conducted. These included reports drawn from government departments, municipalities, local companies, newspapers and case studies, relevant to the research.

Qualitative researchers tend to use inductive analysis of data, meaning that the critical themes emerge out of the data (Patton, 1990). Qualitative analysis requires some creativity. The challenge is to place the raw data into logical, meaningful categories, to examine them in a holistic fashion, and to find a way to communicate this interpretation to others (Hoepfl, 1997).

A constant comparative analysis approach was used, through the collection of data from a variety of sources. This method allows the researcher to take a sample of data, obtained from an interview, a statement or a theme, and compare it to other available information. Feedback was sought from participants and relevant parties throughout the analysis.

Subsequently, all data was organised into different categories, from where all answers were allocated into appropriate themes.

Ethical Considerations

"The stance of the researcher vis-à-vis the phenomenon under study is a matter of great debate between both methodologists and philosophers of science. Critics of qualitative inquiry have charged that the approach is too subjective, in large part because the researcher is the instrument of both data collection and data interpretation, and because a qualitative strategy includes having personal contact with and getting close to, the people and the situation understudy. From the perspective of the logical-positivist scientific paradigm, subjectivity is the very antitheses of scientific inquiry" (Patton, 1990: 54).

The researcher was therefore cognisant of the fact that an element of subjectivity was going to influence the results. An objective approach with regards to the views of the stakeholders was adopted. The researcher made strenuous efforts to remain as objective and value-neutral as possible, but a degree of subjectivity was inevitable, particularly in the drafting of possible recommendations. The exercise of triangulation was also important to confirm the researcher's conclusion.

2.4. Use of Case Studies

Case studies are useful when one needs to understand particular problems, or unique situations in great depth, and where one can identify cases rich in information – rich in the sense that a great deal can be learned from a few exemplars of the phenomenon in question (Patton, 1990: 54).

As this research was of a qualitative nature, it was considered better suited as a case study.

2.5. Selection of Key Stakeholders

The significance of this research necessitated the need for a selection of key stakeholders that would be a true representation of an extensive population.

The sample size was derived from the three main categories, within the target population that were identified as the main categories that could influence or contribute to the LED prospects of the town. The selection of interviewees was determined by the availability of the interviewee, after an appropriate appointment was made and a short discussion held regarding the research.

Organisational managers and community leaders were particularly considered for this study, as they are in a position to initiate and commit resources that could have an impact on the town's development.

The target population was divided into three main categories.

a. *Government and related agencies*

- Ministry of Regional and Local Government and Housing
- Ministry of Trade and Industry
- Karas Regional Council
- Oranjemund Council

- Ministry of Tourism

b. *Business community*

- Namibia Chamber of Commerce and Industry (NCCI)
- Local Banks
- Small and Medium Enterprises (SMEs)
- Development Bank of Namibia (DBN)
- Non-governmental Organisations (NGOs)

c. *Local community*

- Residents, employees, ex-employees, unions and church organisations

	List of Interviewees							
No.	**Organisation**	**Title**	**Surname and Name**	**Position**	**Details**	**Method of Interview**		**Date**
1.	NCCI	Mr.	Shaanika, Tara	CEO	Representing the business community	Face-to-face	Tape Recorded	
2.	FNB	Mr.	Mwinga, Martin	Analyst	Economic researcher	Face-to-face	Tape Recorded	
3.	SMEs Compete	Mrs.	Mouton, Claudine	Director	Co-ordinating SME business activities	Face-to-face	Tape Recorded	
4.	Namdeb	Mr.	Soroseb, Phillip			Telephonic	Tape Recorded	18/12/2007
5.	OTMCo.	Ms.	Kamutuezu, Elizabeth	Manager: Local Economic Development		Telephonic	Tape Recorded	14/12/2007
6.	ELCIN	Ds.	Shivolo, Efraim	Pastor		Telephonic	Tape Recorded	13/12/2007
7.	Karas Regional Council	Mr.	Nambala, Toivo	Councillor: Oranjemund Constituency		Telephonic	Tape Recorded	14/12/2007
8.	NCCI and Spar	Mr.	Kalenga, Israel	Local NCCI representative and Businessman		Telephonic	Tape Recorded	19/12/2007
9.	NEDICO	Mr.	Mameja, Jerry	CEO	Researcher	Face-to-face	Tape Recorded	13/12/2007
10.	Namdeb Hospital	Dr.	Kanyemba, Stanley	Doctor		Telephonic	Tape Recorded	17/12/2007
11.	Rosh Pinah	Mr.	Ickua, Theo	Manager: Local Economic Development		Face-to-face	Tape Recorded	18/12/2007
12.	Old Mutual	Mr.	Erastus, Elia		Ex-Namdeb employee	Face-to-face		
13.	Namdeb Hospital	Ms.	Elago, Nita		Namdeb employee	Face-to-face		

2.6. Field Implementation

The qualitative fieldwork was conducted by the researcher. A total of 13 in-depth interviews were conducted.

The interviews were conducted with representatives of the business community, the local community, government and local authority representatives, and other professionals.

All interviews were recorded by means of a tape recorder, and subsequently written recordings were made, which were analysed to determine the classification of all data.

Data was collected through a variety of means, which include: interviews, documents and reports.

The interview process took the form of open-ended questions. This enabled the researcher to understand and capture the points of view of other people (stakeholders) without predetermining those points of view through prior selection of questionnaire categories (Patton, 1990: 24).

The study used qualitative research methods, viz. semi-structured interviews. Bogdan and Biklen (1982: 145) define qualitative analysis as "working with data, organising it into manageable units, synthesising it, searching for patterns, discovering what is important and what is to be learned, and deciding what you will tell others".

The process of analysis consisted of a process of organising the data into categories, resulting in data being grouped on the basis of themes, concepts and similar features.

The information from the interviews was then compared to the international literature, to identify international lessons for Oranjemund.

2.7. Limitations of the Research

Key challenges encountered during the study were as follow:

- Unavailability of representatives from key stakeholder organisations, resulted in their views not being considered for this research.
- Due to the location of Oranjemund and the high cost of travel, the researcher could not spend enough time in the town, to interview more residents. The researcher only visited Oranjemund once, for a period of five days. Areas of importance could have been overlooked during that visit.
- Most of the interviews were conducted telephonically, which might have resulted in less personal contact and possibly, therefore, the unwillingness of interviewees to confide their personal views to the researcher.

CHAPTER 3: THE SPATIAL CONTEXT

3.1 The General Namibia Landscape

3.1.1. Geography

The Republic of Namibia is situated on the Southwest coast of Africa, bordering the Republic of South Africa to the south and east, Botswana and Zimbabwe to the east, and the Republic of Angola and Zambia to the north. In the west is the Atlantic Ocean.

Namibia has a land area of approximately 825 000 sq km and a population of approximately 2 million people. The country is one of the least densely populated countries in the world (2.4 persons per km^2).

3.1.2. Government

Namibia is a unitary republic with a multiparty and multiracial democracy. The 1990 Constitution clearly stipulates the distinction of power between the Executive, Legislature and Judiciary.

The Constitution contains entrenched clauses for the private ownership of property and for fundamental human rights protection (EIU, 2005), and clearly states that Namibia should have a mixed economy and encourage foreign investment.

3.1.3. Economy

The Namibian economy has a modern market sector and traditional subsistence sector, which are both critical for creating the country's wealth. The country is heavily dependent on the earnings generated from primary commodity exports, such as minerals, livestock and fish. (See Annexure 3 – Namibia's Key Economic Indicators)

The bulk of Namibian's imports originates from South Africa. Namibia's economy remains integrated with the economy of South Africa.

Given its small domestic market but favourable location and a superb transport and communications base, Namibia is a leading advocate of regional economic integration.

3.1.3.1. Mining

Mining is a significant contributor to the country's GDP. Diamond, uranium, copper, lead, and zinc, are important mineral resources. Other mineral resources being mined in the country are gold, silver, tin, vanadium, semiprecious gemstones, tantalite, phosphate, sulphur, and salt. (See Annexure 1 – Map of Mining Locations in Namibia).

The Namibia Government's 2003 minerals policy was designated to ensure the sustainable contribution of minerals to the socioeconomic development of the country (Mobbs, 2004).

3.1.3.2. Agriculture

The majority of the Namibian rural population depends on small-scale agricultural activities for their livelihoods, in the subsistence sector. This is normally limited to goat and cattle for livestock and crop farming include millet, sorghum, corn, and peanuts.

The larger commercial agricultural sector, consists primarily of livestock ranching, which includes cattle, karakul sheep, goat, and ostrich farming. A variety of crops are also produced for export and local consumption.

3.1.3.3. Fishing

Namibia is home to some of the richest fishing grounds in the world. Commercial fishing and fish processing is one of the fastest-growing sectors of the Namibian economy in terms of employment, export earnings, and contribution to GDP. The industry provides valuable employment to low skilled workers, both on a permanent and seasonal basis (NEPRU, 1998).

3.1.3.4. Physical Infrastructure

Namibia also boasts modern civil aviation facilities, a well developed deepwater port at Walvis Bay, and an extensive, well-maintained land transportation network.

Water resources have come under growing pressure (EIU, 2005), but electricity and water are available at all towns, in Namibia.

3.1.3.5. Tourism

Tourism is an important sector of the Namibian economy and a significant generator of employment. It is the third-largest source of foreign exchange after mining and fisheries.

Tourism is a growing sector in Namibia, the sector has a positive impact on resource conservation and rural development. Some 29 communal conservancies have been established across the country, resulting in enhanced land management while providing tens of thousands of rural Namibians with much needed income. (http://www.state.gov/r/pa/ei/bgn/5472.htm)

3.2. The Karas Region

The Karas Region covers 161 235 km², about 20% of the total surface area of the country. (See Annexure 2 – Namibian Regional Map)

The region includes the constituencies of Keetmanshoop (Rural and Urban), Karasburg, Berseba, Lüderitz and Oranjemund, with Keetmanshoop the capital and seat of the Regional Government, the Karas Regional Council.

There are some 69 329 people (2001 Population and Housing Census, 2004) in the Karas Region, less than 4% of the total Namibian population. With an average of 0.4 persons to every km², the Karas Region is one of the most sparsely populated areas in the country. The largest concentration of people are found in major urban and mining centres such as Lüderitz (± 15 00); Oranjemund (± 8 000), Karasburg (± 16 000) and Keetmanshoop (±

22 000), with the remaining population spread across the region in smaller settlements such as Berseba (± 9 000), Aroab, Bethanie and Tses.

3.2.1. Agricultural Industry in the Karas Region

3.2.1.1. Stock Farming

Stock farming at subsistence and commercial level consists of sheep, goats and cattle. In recent years, this has grown in scope to include commercial ostrich and game farming operations. No stock farming activities are practiced in the Sperrgebiet, but opportunities to exist for small stock and game farming activities, once the restrictions to the area are relaxed or removed.

3.2.1.2. Irrigated Crop Zone

Despite its dry arid geography, there are some well watered agricultural zones in the region. This is mainly due to the major feeds from the Orange and Fish and water catchments such as the huge Naute Dam.

Crops such as lucerne, dates, onions, grapes, maize, olives and cotton are cultivated on a commercial basis. There is potential for small-scale agricultural projects, along the banks of the Orange River, for local consumption in Oranjemund.

3.2.2. Marine Industry

The fishing grounds off the Karas coast and the habour at Lüderitz make the region to be an important player in the international fishing industry. The industry provides valuable employment to low skilled workers, both on a permanent and seasonal basis. (NEPRU, 1998)

A wide variety of both pelagic (‘open water’) and demersal (‘bottom dwelling’) species are harvested along the Karas coast, with the port of Lüderitz acting as the major centre for the landing and processing of catches.

The Atlantic ocean around Lüderitz is ideal for mariculture operations using suspended trays and anchored nets, as oyster, mussels and seaweed cultivation is practiced successfully at a commercial scale. Other mariculture activities that could be considered are abalone and mussels ranching, rock lobster cultivation and marine fish farming, with species such as salmon.

Marine cultivation has a great potential for development in the Oranjemund and Lüderitz areas, where the excavations created by mining activity, along the coast could be effectively used as ponds for marine culture farming.

Sound management practices introduced in the 1990's have resulted in a steady growth of Namibia's fish stock levels and catches.

Freshwater aqua-culture projects are practiced on small-scale in towns such as Berseba and Bethanie. According to Kirchner and Sage (2005: 2) "Commercial line fishing and recreational shore angling could both have an impact on the coastal economy" of Oranjemund.

3.2.3. Tourism

Tourism is one of this region's most dynamic economic sectors. This is borne out by the rapid growth of local and international visitors to the region over the past few years, with tourists to Namibia already accounting for over 1 million people a year.

The newly proclaimed /Ai-/Ais Richtersveld Transfrontier Park in the south promises to further encourage regional tourism links. Tourism to the Sperrgebiet has great potential for Oranjemund, and will need to form part of the town's diversification strategy.

3.2.4. Infrastructure

The region has a well developed energy and water network and an advanced post and telecommunications system that links villages and towns with the rest of the country and the world at large. Oranjemund has a well-developed water and electricity reticulation system. Water is obtained from the Orange River and electricity directly from Eskom.

3.2.4.1. Energy

Electricity is available in all major urban centres in the region. Only small villages in remote locations and with very small populations are not yet comprehensively served. The biggest consumer of electricity is the mining industry. With the high demand of energy in South Africa, potential blackouts could adversely affect Namibia's mining sector.

3.2.4.2. Water

Water is a scarce commodity in Namibia. Potable water is available in all towns and villages throughout the region. Water for irrigation is obtained from the Naute Dam and the Orange River.

3.2.4.3. Post, telecoms, media & banking

Communication facilities such as internet, fax, telex and PABX, to ISDN and video conferencing, together with sound cellular networks are available in all towns and villages. Television, satellite network and radio services coverage in English and various local languages are available. Postal and banking services are offered within the region.

3.2.5. Transport

The Karas Region has a very good transportation network of roads, rail and airstrips that provides the connection between towns and villages and also links Namibia to Johannesburg, Cape Town, Durban, and Botswana.

Licensed air transportation facilities are available in Keetmanshoop, Lüderitz, Rosh Pinah and Oranjemund. There are daily scheduled flights, with the exception of Saturdays',

between Windhoek and Cape Town, to and from Oranjemund. Chartered flights are available on request to and from Oranjemund.

3.2.6. Mining Industry

The mining industry is a major pillar of Namibia's national economy. The Karas Region is the single most important mining region in Namibia, contributing a significant portion to the Gross Domestic Product (GDP) (Karas Regional Development Plan 2001/2002 – 2005/2006: 39).

The development of the Karas Region is, both historically and economically, closely tied to its rich mineral deposits that provide a significant number of employment opportunities. Minerals mined in the Karas Region include diamonds, zinc, copper, tin, lead, silver, marble and gemstone. Gem quality diamonds are mined in Oranjemund.

The mining sector generated N$ 6,5 billion during 2007, contributing 12,4% towards Namibia's GDP, according to the Preliminary National Accounts 2007 (2008).

3.2.6.1. Diamonds

The diamond industry made up about a tenth of the entire Namibian economy, in 2001 and 2002, and Namdeb is the dominant producer (Boer and Sherbourne, 2003: 1). Diamond mining now constitutes about 47,5% of all mining activities in Namibia. The contribution of diamond mining to the national GDP in 2007 was 6%, according to the Preliminary National Accounts (2007). Figures for diamond cutting and polishing do not form part of the above calculations. If these processing activities are included, they would add significant value to the diamond industry's contribution to the GDP, as they are highly labour-intensive.

Diamond mining has proven that 95% of Namibian diamonds are of "gem" quality. "Namibia is one of the leading producers of diamonds but this level of production is not sustainable indefinitely. Assuming that global demand for these precious gems continues

and that artificial substitutes are not invented, at some point in the future there will be no more diamonds and the diamond mining industry will cease to exist. No one knows when this will happen. It is remarkable that there is so little public information and discussion about the magnitude of Namibia's diamond deposits. Namdeb claims to have a 10-year business plan but this is a confidential document not available to the general public" (Boer and Sherbourne, 2003: 3).

Total permanent employment in the diamond industry, with the exclusion of employment in the cutting and polishing, has drastically declined from a high of 6 731 in 1990, to 3 905 in 2005 (Chamber of Mines of Namibia, 2007), despite an increase in the number of new players, in the industry since 1997. There were only 306 contractors employed by Namdeb, De Beers Marine Namibia Trans Hex Marine Namibia and SakaweMining Corporation in 2005 (Chamber of Mines of Namibia, 2007).

Namibia has rich marine diamond deposits (Boer and Sherbourne, 2003), but it is not expected that marine diamond mining operations would have a significant improvement in employment, as this form of mining operation is highly technologically driven and requires little semi– or unskilled labour. Marine diamond operations thus would not create the much-needed employment opportunities required for the Karas region, as only a few highly skilled labour is required to ensure operations

The Consolidated Diamond Mines of South West Africa (CDM), now called Namdeb, after the 50:50 partnership with De Beers and the Government of Namibia, said in its 1991 Annual Review: "It is currently estimated that only about 2% of the diamonds originally in the ground will remain un-mined when operations on land come to an end" (Boer and Sherbourne, 2003: 2). This proves the irrevocable reality for diamond mining in Oranjemund, that Namibia's profitable diamond mining activity will surely come to an end.

3.2.6.2. Zinc

Zinc is another important contributor to the Karas Region's economic growth and development.

Rosh Pinah Zinc Corporation operates an underground zinc mine (Mobbs, 2004), situated in Rosh Pinah. The Skorpion mine and its associated Namzinc refinery (Chamber of Mines of Namibia, 2007), owned by Anglo Base Namibia, is situated 25 kilometers (km) north of Rosh Pinah and 85 km northeast of Oranjemund (Coakley, 2000). It is an open pit mine.

Permanent employment provided at the end of 2005 for both the Rosh Pinah and Skorpion Zinc mines were 1 189. Contractors' employment for the same period was 437. (Chamber of Mines of Namibia, 2007).

It is anticipated that the life span of the Skorpion Zinc Mine will be at least 15 years. The development of the Namzinc refinery, an associate to Skorpion Zinc, has created additional employment opportunities in this sector, as the refinery has about 565 employees (Chamber of Mines of Namibia, 2007) in 2005. The Rosh Pinah's, zinc concentrates are transported to Kumba's Zincor refinery in South Africa for treatment (Mobbs, 2004).

Mining for zinc concentrate has reached a record in 2005, with a production of 258 936 tons, in comparison to the results of 242 477 tons in 2004. There was however a reduction of lead concentrate mined by the Rosh Pinah mine. Production for 2004 and 2005 were, 27 188 tons and 24 690 tons respectively.

Zinc mining has a prominent position in Namibia's mining industry, as the ore and the refined zinc are normally transported via road to harbours. In the case of Skorpion Zinc, the shipping facilities at Lüderitz are utilised to export, their products. This chain of events creates additional employment opportunities in other industries, such as the

transportation sector. There is great opportunity for the mining towns of Rosh Pinah and Oranjemund to work together in order to diversify their local economies beyond mining.

3.2.6.3. Copper, Marble & Other Minerals

The Karas Region has other metals such as copper, which include the Haib deposit, to be mined by Deep South Mining (Pty) Ltd. (Mobbs, 2004). Silver and tin are also present at Rosh Pinah, marble and gemstones have been identified at various locations and mining practices normally takes place on a small scale for these minerals.

Offshore natural gas reserves, at the Kudu Gasfield, could provide a number of employment opportunities for the people of the Karas Region. The construction of the proposed 800 MW power station to be built about 25 km from Oranjemund, by Namibia Power Corporation (Pty) Ltd. and other investors (Mobbs, 2004), is still anticipated. It is not clear when this project will commence, but due to its complexity and cost that is estimated in the U$ billion range, it surely will not be commenced soon.

“Despite a long mining tradition and progress toward recent democracy, there is still a severe shortage of skilled Namibians at all levels of the mining industry. In the formal sector of the mining industry, expatriate personnel hold a large share of the professional and technical management positions, while low-skilled black Namibians constitute the majority of the miners” (World Bank, 1992: 33). “The reason for this is a lack of training facilities in Namibia. Faced with the shortage of skills in areas when technical innovation is needed, the leading mining companies have developed a comprehensive range of training programmes that are tailored to their own requirements. Since the number of mining employees has been declining, it is important that released manpower can be transferred either to other mines or to other sectors. However, there has been a problem in transferring labour, because the training programmes have not worked on a national basis”. (Herrmann and Silfverstolpe, 1993).

3.2.7. Social Environment

Karas continues to be a home and refuge for many people – a number of male workers from outside the Karas Region are employed by the Oranjemund and Rosh Pinah mines (Karas Regional Development Plan 2001/2002 – 2005/2006). The fishing industry is also an important provider of employment.

3.2.7.1. Education, Health and Other Services

Despite the gains of development in the past ten years, a sizeable rural population still faces many of the developmental pressures of many nations on the African continent: Food Security, HIV & Aids, and unemployment.

Expenditure on education now ensures that over 90% of all children aged 8 – 14 years attend school and the region has a literacy rate of 92% for all persons aged 15 years and over, according to 2001 Population and Housing Census (2004). Social services are well resourced, and health care is provided by urban hospitals and district clinics.

Life expectancy in the Karas region is at 51 years, slightly below the national norm of 52 years. According to the Karas Regional Development Plan (2001/2002 – 2005/2006), other diagnostic health indicators such as the infant mortality rate (70 per 1000 births) and under five mortality rates (91 per 1000 births) are above the national averages of 67 and 87 respectively.

More than 60 percent of the all households in the Karas region have access to communication by means of a telephone or radio, and over 50 percent have access to television and occasional newspapers. Electricity is used by about two-thirds of households in urban areas and about by a third of households in rural areas, for cooking and lighting. More than 70 percent of household have access to safe piped water. About 58 percent of households use flush toilets while 26 percent have no toilet facilities (2001 Population and Housing Census, 2004). The statistical averages for the Oranjemund constituency are slightly higher in comparison with the overall averages for the Karas region, indicating that an enhanced social environment is offered in Oranjemund.

3.2.7.2. Poverty

The Namibia Household Income and Expenditure Survey (2003/2004) revealed that 73 percent of household income, in the Karas region is derived from salaries. The Karas region's average household's income is around N$ 44 629 p.a. and the average household consumption is N$ 43 311 p.a. This compares favourably to national household averages that are N$ 43 520 p.a. and N$ 42 129 p.a., for income and consumption respectively.

Poverty, particularly in small isolated rural communities, is a root cause of many of the social problems in the region, according to the Second Delimitation Commission (1998). Recurrent droughts have caused people to drop out of farming and this reality is further exacerbated as people do not have the skills or financial resources to engage in new industries or opportunities which are developing in the region. Nearly a third of households live in poverty, spending more than 60% of their income on food alone. Incidents of under-nourished families and of child neglect are common. Alcohol abuse is also another social ill that is common when money is available (Karas Regional Development Plan 2001/2002 – 2005/2006).

Other social facilities such as schools, health facilities, postal services and law and justice are well provided for within the region (Karas Regional Development Plan 2001/2002 – 2005/2006).

The Karas region possesses a diverse economy, and a variety of natural resources, such as minerals, tourism, marine resources and agricultural resources. This places it ideally for the development of a diverse economic base. A number of initiatives have been made by key regional stakeholders to unleash the potential of the Karas Region, such as the drafting of the Regional Development Plan 2001/2002 – 2005/2006. If the regional economic developmental opportunities can be effectively explored, the Karas Region will fulfil its role as a major economic contributor to Namibia's GDP.

Regional economic developments are important to curb social ills, such as alcohol and drug abuse, that are mostly driven through distress, caused by the lack of employment.

To address some of the challenges of the region, it is important that opportunities are identified in region's towns, villages and settlements that could effectively contribute to the overall development of the region. LED opportunities identified in the town of Oranjemund, would surely contribute to the overall wellbeing of the Karas Region.

Key Indicators of Karas Region and Oranjemund Constituency

		Karas Region	Oranjemund Constituency
Population Size			
Total		69329	7789
Females		32346	2777
Males		36976	5012

Age Composition (%)			
Under 5 years		11	6
5 – 14 years		20	14
15 – 59 years		63	77
60+ years		6	1

Marital Status: 15 years and above (%)			
Never married		55	58
Married legally		32	0
Married with certificate		29	37
Married traditionally		3	2
Married consensually		8	1
Divorced/Separated		1	1
Widowed		3	1

Private Households			
Number		15481	1431
Average size		4.1	3.8

		Karas Region	Oranjemund Constituency
Head of Households (%)			
Females		35	18
Males		65	82

Literacy rate (%)			
15+ years		92	92

Education 15+ years (%)			
Never attended		8	8
Currently at school		23	18
Left school		66	73

Labour force 15+ years (%)			
In labour force		74	86
Employed		72	90
Unemployed		28	10

Housing conditions (%)			
Households with:			
Safe water		94	98
No toilet facility		26	2
Electricity for lighting		50	83
Access to radio		81	87
Wood/charcoal for cooking		35	0

		Karas Region	Oranjemund Constituency
Main Source of income (%)			
Household main income:			
Farming		7	1
Wages and Salaries		69	89
Cash remittance		6	1
Business, non-farming		5	5
Pension		10	0.3

Mortality			
Infant deaths per 1000 live births			
Females		38	15
Males		57	45

Life expectancy at birth (years)			
Females		61	73
Males		54	71

Source: 2001 Population and Housing Census. Karas Regional Basic Analysis and Highlights

3.3. The Town of Oranjemund

3.3.1. Establishment and Location

"The discovery of diamonds in 1908 led the German colonial government, to draft an agreement with Deutsche Koloniale Gesellschaft (DKG), a German company, on whose land diamonds were originally discovered. The colonial government decreed a desolate, under-populated coastal strip of land extending some 350 km north of Orange River as a restricted area. This resulted in the formation of the Sperrgebiet or 'Forbidden Territory'" (Hazleton, 2002). Since then, any trespassing in the area without the necessary access authorization, in the form of a valid permit, would result in prison sentencing or heavy fines. The Sperrgebiet was particularly designed to give the then German government control over the diamond resources. This declaration is currently still enforced.

The diamond mining town of Oranjemund, which is situated in the Sperrgebiet, was established in 1936 as an accessory facility to support the land diamond mining operations. It is a private mining town, owned by Namdeb Diamond Corporation according to an agreement between the Namibian Government and De Beers. The town has been "closed" ever since (OTMCo., 2006). Access to the town is only granted to valid permit holders. Visitors to the town, thus require security clearance and authorization from Namdeb, before access to the town can be granted (Hazleton, 2002).

The town of Oranjemund, meaning "Orange mouth" in German, is situated in the extreme southwest of Namibia. Its geographical co-ordinates are 28º 33´ 0´´ South, 16º 26´ 0´´ East (http://www.maplandia.com/namibia/karas/oranjemund/) and it is a constituency of the Karas region. Oranjemund borders South Africa, to the south, along the Orange River. At the northern bank of the Orange River. On the western side, it borders the Atlantic Ocean. On the northern and eastern side, the Oranjemund constituency borders the constituencies of Lüderitz and Karasburg. (See Annexure 5 – Map of Oranjemund and Neighbouring Constituencies)

Oranjemund is situated approximately 395 kilometres south from the harbour town of Lüderitz, via Rosh Pinah, and 90 kilometres from Rosh Pinah, a settlement where zinc is mined. The southern part of Oranjemund borders the Orange River, the Sir Ernest Oppenheimer Bridge provide access over the Orange River to South Africa. The South African towns of Alexander Bay and Port Nolloth, are situated 13 kilometres and 100 kilometres respectively, south of Oranjemund. The town of Springbok that is frequently visited by the residents of Oranjemund, is situated about 245 kilometres south of Oranjemund.

The town has a number of utilities, such as sport grounds, schools, medical centres, residential facilities, an airport of international standard, and community centres, that all belong to Namdeb. Namdeb employees living in Oranjemund are provided with free housing, water and electricity. Private businesses operating in the town lease property from Namdeb. Most of the individuals or businesses in the town have a strong link to Namdeb. Some private firms have built their own buildings, but the land still belongs to Namdeb. Another positive development is that Namdeb has outsourced all non-core activities to private businesses and individuals, such as the bottle store, Spar, Woolworths, bars, the gym and restaurants that were previously managed by Namdeb. “There are about 3070 accommodation units in the town, with the bulk of the units catering for single housing” (OTMCo, 2006: 19).

The area has an abundance of desert fauna and flora that is indigenous to the harsh environment of the Namib Desert. The area is strictly controlled as only tour operators with concessions and visitors with valid permits are granted access. Tourist attractions include the former diamond settlements, turned ghost towns, such as Kolmanskop, Pomona, Bogenfels and Elizabeth Bay.

According to the *2001 Population and Housing Census* (2004), the Oranjemund Constituency, representing the settlements of Oranjemund and Rosh Pinah, has a population of 7 789. There is evidence that there was an increase in the population of Oranjemund, as the OTM Co. Strategic Business Plan (June 2006) outlined that

Oranjemund has a population of more than 11 000 people. People entering the town legitimately, do not always leave when their access permits expires and thus illegally resides in the town.

The OTM Co Strategic Business Plan (2006), further reports that there are about 170 businesses in the retail sector and 160 shops operating in the informal sector. It also placed the total employment in Oranjemund at 6 538. The economy of the town comprises of the following industries:

- mining industry - 4 286 employees
- tourism sector (restaurants and accommodation outlets) – 30 employees
- agriculture sector – 10 employees
- retail sector (groceries, furniture, hardware and small stores) - 1 670 employees
- Informal sector – 200 employees
- Central Government (education, police, customs, immigration, regional council, etc.) – 115 employees
- Local Government (OTM Co and Town Maintenance Contractors) – 227 employees

According to the OTM Co Strategic Business Plan (2006), it is anticipated that Oranjemund would have a significant decline in employment opportunities, if scaling down of land base diamond mining operations come into effect. Direct employment reduction by Namdeb would affect a number of sectors, as Namdeb is currently responsible for 53% of the employment in the town. Although new opportunities can be developed, OTM Co. is confident that other employment opportunities will exist that will prevent the total collapse of the town's economic system (OTM Co, 2006: 9).

Current employment in Oranjemund

3.3.2. LED in Oranjemund

Industry	**Employer**	**Current Jobs**
Mining	Namdeb	3‘466
	Marine Mining	20
	Namdeb Contractors	800
Tourism	Overnight Accommodation, Restaurants, Tour Operators and bars	30
Agriculuture	Agriculture – existing cultivation	10
Retail	Spar, Pupkewitz, Furnmart, Lewis and smaller shops	1‘670
Informal Sector	Small Scale Enterprises	200
Central Government	Regional Council	4
	Immigration	8
	Customs	8
	Nampol	21
	Mines and Energy	4
	Magistrate	2
	Education	68
Local Government	OTM Co.	37
	Town Maintenance Contractors	190
Totals		**6‘538**

Source: OTM CO Strategic Business Plan, June 2006

According to a Government Press Release on July 25, 2003, The Namibian Cabinet took a decision on 8 July 2003, that Oranjemund be proclaimed as a "self-sustainable town" to facilitate diversification and sustainable economic development.

There is a strong sense of expectation amongst local stakeholders such as OTMCo., Namdeb, the business community, the local community and the local council that once Oranjemund is declared a town and access restrictions to the town are removed, this would lead to the creation of local economic development opportunities for the town.

"Cabinet further instructed that the statutory process leading to the proclamation of Oranjemund as a town be instituted, and that the relevant land portions of un-surveyed state-owned land be sub-divided, alienated and transferred to a local authority, to be instituted on the day of proclamation" (Government Press Release, 25 July 2003).

"It emerged that some years ago, Namdeb indicated that it wanted to systematically relieve itself of having to perform certain non-core activities. It desired to achieve a sustainable town, which would continue to thrive after the cessation of large scale land mining activities in and around Oranjemund. This would entail economic diversification of the settlement. Various feasibility studies were undertaken and legal opinions have been obtained to determine the viability of such an option. It is envisaged that the proclamation of Oranjemund as a town would result in the following:" (Government Press Release, 25 July 2003).

- diversification of the economic base
- land ownership to residents
- local entrepreneurship
- skills and capacity building
- broadening of the municipal revenue base, a stable community, and
- securing a long-term future for Oranjemund.

"In 2004 Namdeb registered Oranjemund Town Management Company (Pty) Ltd (OTMCo.), a wholly-owned subsidiary of Namdeb, as a vehicle to drive the sustainability

initiative and secure a long-term future for the town. Namdeb management, the Mineworkers Union, the residents of Oranjemund and local businesses are fully represented on the board" (Namdeb Annual Review 2007).

The *Namdeb Annual Review 2007,* outline the purpose of OTMCo as follows:

- To implement and manage the town establishment process to declare Oranjemund as a Local Authority in terms of the Local Authorities Act (Act 23 of 1992)
- To initiate and develop a diversified economic base for Oranjemund to ensure that the town will continue to exist without the mining activity;
- To build capacity for effective town management and administration to ensure that when the Local Authority is established the town has the necessary knowledge, skills and experience for a smooth transition from a mining town to a local authority;
- To administer and manage well-established municipal and other related services as a forerunner of a local authority.

According to the OTM Co.'s Strategic Business Plan (2006), many workers on the mine started their working careers on the mine and have lived their entire lives in the protective environs of Oranjemund. It is believed that many of these workers would like to retire in Oranjemund, where they spent most of their productive lives. The practice in the town, has always been that when households retire or accept voluntary separation packages or lose employment for whatever reason, they have to vacate the properties of the mine and find a new home. There is thus unwillingness from many ex-workers to leave Oranjemund.

Before a vicious cycle of urban decay sets in, it is important that Oranjemund diversifies its economy and builds up a critical mass of businesses independent of the mining operations. According to the Oranjemund Town Management Company, a critical element of urban economies is private land ownership and the proclamation of a township is necessary to facilitate freehold title and the diversification of the economy (OTM Co., 2006).

3.3.3 Current Developments

According to the Namdeb in-house Journal, *Sperrgebiet Gazette* (20 March 2008), the Inter-Ministerial Committee, established by the Namdeb Board of Directors, originally aimed for April 2008 to expedite the proclamation process. However, due to the complexity of the proclamation process, which involves a number of professions and role players, the anticipated date for proclamation was intended to be September 2008 (*Sperrgebiet Gazzete*, 20 March 2008). During September 2008, the proclamation process has not been completed and the date for proclamation has been extended indefinitely.

Namdeb has created the Oshipe Development Fund to support the development and growth of Small and Medium-sized Enterprises (SMEs) in Namibia, through financing, equity participation, and business, technical and managerial support services (Chamber of Mines of Namibia, 2007). A number of initiatives, in Oranjemund and across Namibia, have received financial support from the Oshipe Development Fund to date.

Oshipe Development Fund has invested more than N$750’000 into Okawe Vegetables (Pty) Ltd, an agricultural project situated along the northern banks of the Orange River in Oranjemund. Okawe Vegetables intends to expand the vegetable growing initiative into a commercially viable venture that will supply vegetables to Oranjemund, Rosh Pinah and Lüderitz. Another initiative funded by Oshipe, is a printing company that does printing for businesses in Oranjemund.

According to the *Namdeb Annual Review 2007*, Oshipe Development Fund has to date invested N$8’9 million in seven businesses, operating in the manufacturing, mining, agriculture and service sectors, of which N$3’6 million were in five projects at the end of 2007.

As a wholly-owned subsidiary of Namdeb, Oshipe could play a vital role in the diversification strategy of the town, through the provision of business development services, such as consultancy, training and mentoring services for businesses in

Oranjemund. Another service that would be critical for business establishment and growth in the town is financing, access to credit. With financial support from Namdeb, Oshipe could be used as the vehicle to provide financial assistance to businesses that could fulfil a critical service in Oranjemund's development, especial where commercial banks are sceptical.

Oshipe also has the ability to develop the necessary synergies between industry role players and businesses in Oranjemund that could be fundamental for business growth and development in Oranjemund.

The town of Oranjemund has a heritage that stretches over a century, created through diamond mining. The historical and economic contributions of the diamond mining activity, to the Karas region and country as a whole, can never go unnoticed. The challenge is for stakeholders to build on the town's legacy, as the only means to ensure its future. Of paramount importance is the development of the town's economy, as the reliance of diamond mining is surely not a sustainable means to ensure the town's survival.

Not attending to the economic challenge of the town, will be devastating for the region, as the Karas region, despite its wealth in mineral resources, faces numerous developmental challenges. The risk therefore, for not promptly looking at the economic diversification of Oranjemund, would result in countless economic losses and social expenses. If the town were to decline, then the investment cost of the infrastructure developed in the town, would therefore not optimally contribute to the development of future generations, after the depletion of the non-renewable mineral resource, namely diamonds. National social and environmental costs could be even higher, as the responsibility to deal with the impact of the mining closure on the town, its people and the environment, will rest with government.

The diversification initiative of Oranjemund could be seen as one of the major post-independence projects in the region. With government's overstretched resources, the

development of a fully-fledged town for Oranjemund, with town status will be fundamental for the people of the Karas region and those that would like to establish themselves in Oranjemund. The development of business initiatives that would provide employment opportunities for the people of the region, would have far-reaching benefits for the country as a whole. The importance of economic diversification and the attempts that are being made in Oranjemund, is crucial for the success of the town.

CHAPTER 4: MINING TOWNS AND ISSUES OF LOCAL ECONOMIC DEVELOPMENT

4.1. Mining and Related Factors

The dynamic economics of the mining cycle bring both life and death to mining towns, but it is usually very difficult to forecast the timing and magnitude of problems. All mines will close eventually, but it is not always clear when this will happen (Neil *et al.*, 1992).

At closure, the mine infrastructure and other over-sized buildings become a liability instead of an asset, in the face of lost revenue from taxes and other income, if the infrastructure and buildings are not utilised. As the population dwindles, all businesses and relevant institutions close, leaving infrastructure abandoned.

"The social environment in the community where the mine is operating often gets worse with closure. Social violence, increased drug and alcohol use, depressed expectations, power struggles, more extreme social hierarchy, and paralysis of normal ways of making decisions are common" (Kuyek and Coumans, 2003: 3).

The natural environment too is affected. The process of mining transforms the natural landscape, and pollution of air, water, waste and noise, tend to take place. This can cause devastation of indigenous vegetation and wildlife. The cost of mining to the natural environment should be considered in its totality, prior to commencement of any mining activity. The damage to the environment should also be addressed before, during and after mine closures.

Mine closures will therefore, if not appropriately mitigated, lead to the common phenomenon of ghost towns.

A ghost town is a town that has been abandoned, usually because the economic activity that supports it, has failed, or because of natural or human-caused disasters such as a depleted natural resource, war, floods, accidental land contamination, epidemics, new developments, or when land is expropriated by government and everyone living there is asked to leave (see, for example, a web page devoted to ghost towns (http://folknation.wordpress.com/2007/10/01/ghost-town/).

Anand and Sen (2000: 2035) maintain that "The goal of preserving productive capacity intact is not an obligation to leave the world as we found it in every detail. What needs to be conserved are the opportunities of future generations to lead worthwhile lives. The fact of substitutability (in both production and consumption) implies that what we are obligated to leave behind is a generalized capacity to create well-being, not any particular resource. Since we do not know what the taste and preferences of future generations will be, and what they will do, we can talk of sustainability only in terms of conserving a capacity to produce well-being. They further state that the preservation of the resource base does not imply that all exhaustible (e.g. mineral and fossil fuel) resources must be conserved; that is likely to be unfeasible. But if society's broad stock of capital is to be maintained, we have to replace the non-renewable resources that are used up with something else. That has to be reproducible capital, whether physical or human. The idea that the proceeds from a 'wasting asset' should be set aside and reinvested so that the yields from these investments compensates for the dwindling resources," according to them, this is also traceable to Hicks (1946: 197) (Anand and Sen, 2000: 2036).

The challenge for decision makers is to optimally utilise our natural resources – for our existence, to ensure social and economic benefit, but this should not be done at the cost of our natural habitat and the future generations.

The 'voice of society' also compels companies to build and manage ongoing relationships with a broader range of stakeholders. These include shareholders, employees, suppliers, customers, partners, government, and equally important, a range of external stakeholders representing broader societal interests that are key to a particular

business long-term success. Risks and opportunities are identified by engaging with corporate stakeholders. By listening to and discussing issues of mutual interest with a range of affected parties, companies can uncover potential hazards, identify areas of mutual opportunity, and turn themselves into 'learning organisations' (Trialogue, 2004).

However, a recent paper written for the Australian Cabinet is of particular significance to possible future government involvement in, inter alia, declining mining communities. It puts forward an economic regeneration approach, concentrating on co-ordination at the local level to bring together entrepreneurs, trade unions, local government, and other interests to initiate development (Neil, *et al.,* 1992: 9).

Neil *et al* (1992: 22) also argue that "Mine closure should not be looked on as a problem, as the closure of mines is a foregone conclusion, but 'as the natural conclusion of the process of exploiting a finite resource. As the final and logical outcome of a series of steps (exploration, development, production) closure should be a straightforward and anticipated event. Forward planning could be help to circumvent certain problems associated with closure, and facilitate coping with others. They further argue that policies must involve forward planning on the part of both the community and company alike, and that these must be based on an appreciation of the long-term potentials of a community. If a community is to survive, the cost of it doing so may become a public responsibility, incurred at the expense of some other form of government expenditure, or to the detriment of the growth of a more efficient industry elsewhere. They further inform that attempts at long-term diversification may not necessarily be the optimum strategy".

Neil *et al.* (1992: 32) further state that "It is relatively rare for mines to 'run out of ore'. It is more likely that economic exhaustion will occur, when the operations to mine the ore become too expensive in relation to output and profitability. A prime example of this is the impending closures of uranium mines in Elliott Lake, Ontario. Although substantial reserves of mineralised material may remain in place, all mines have a cut-off grade below which profitability and returns are not sufficient to sustain the operations."

Neil et al (1992: 37) argue that "The success or failures of diversification depends on a multitude of variables – location, size, nature of existing economic base, transportation links, availability of government help, corporate dynamism, community spirit, entrepreneurial abilities, and advance planning. Diversification can be considered in two ways. The first is 'vertical' diversification, where additional activities related to the mining sector (for example, processing, transportation, mining other communities) broadens a community's economic base. However, this still leaves the community vulnerable to the vagaries of the mineral economic cycle and does not move it away from dependence on a single sector. 'Horizontal' diversification creates activities in an entirely different economic sector (for example, manufacturing, forestry). This is certainly a preferable alternative, as it lessens a community's vulnerability to reliance on a single sector."

4.2. Economic Growth and Economic Development

Barkley (2001: 12) states that, "For economists, economic growth and economic development are related but distinct phenomena. "Economic growth" is a quantitative measure of changes in the size of the local economy. Growth is generally represented by changes in population, employment, production of goods and services, housing stock, etc. Alternatively, "economic development" is a qualitative measure of variations in the local quality of life. Variables used to reflect these changes include poverty and infant mortality rates, level of education, mean family income, thus, changes in per capita income are often used as a representative measure of local development".

According to Mohr, Fourie, *et al.* (2004: 11), "Macroeconomics is concerned with the economy as a whole, where an overall view of the economic system is developed and total and aggregate economic behaviour is studied. The emphasis is on topics such as total production, income and expenditure, economic growth, aggregate unemployment, the general price level, inflation and the balance of payments. Macroeconomics is therefore the world of totals".

Economists usually distinguish five macroeconomic objectives which can be used to judge the performance of the economy, mainly: economic growth, full employment, price stability, balance of payment stability and equitable distribution of income. According to them (Mohr *et al.*, 2004: 62), "The first and arguably the most important criterion is economic growth. The measuring yardstick for economic growth is the total production of goods and services in a specific period of time. The central measure of economic growth, in the national accounts is the gross domestic product (GDP). The gross domestic product is the total value of all final goods and services produced within the boundaries of a country in a particular period (usually one year)" (Mohr, et al., 2004: 63).

Smit, Dams, Mostert, Oosthuizen, Van der Vyver and van Gass, (1996: 363) further explain that "Economic growth mainly refers to an increase in the GDP in a developed country with already established production patterns. It pertains to the growth of already existing factors such as capital, labour and technology".

Another term commonly deployed is economic development, which at times is used interchangeably, when people refer to economic growth, but these terms have distinct meanings. Smit *et al.* (1996: 650) explain that "Economic growth is an increase in the goods and services available to the community, while economic development is the diversification of economic activity as well as the improvement of the standard of living of the population as a whole. Economic development implies a change after economic growth has taken place. The following would arise from economic development: a) more and/or better government services which will result in a longer life expectancy and a higher literacy rate for the population as a whole, b) more job opportunities, c) a larger more stable middle class, d) a better and/or fairer distribution of income, e) individual freedom, and f) stability in the changes which occur". (Smit *et al.*, 1996: 650).

Some authors maintain that economic development refers to more than growth in production and markets. According to Eisinger (1988: 39) quoting Potter (1954) explains; "The embrace of the notion that economic development involves a qualitative increase in collective well-being, a perspective long articulated by the field of

international development economies, was late coming. From the American point of view, development was always considered a process by which 'underdeveloped' societies caught up to nations which had long since traversed the path to economic modernity."

Eisinger (1988: 39) further quotes (Potter, 1954) who states that "growth was simply a process by which a society augmented an already abundant economy; growth, therefore, rather than development constituted a legitimate American objective". Eisinger (1988: 39) quoting authors such as Kurihara (1959: 26-31), Hirschman (1958), Todaro (1977) and Kindleberger and Herrick (1977) further explains that "Development economics began as an effort to address problems of societies with low per capita incomes, stagnant growth rates, great income disparities, unskilled labour, and insufficient capital to exploit whatever natural advantages there might be. However, the goal of development economics has been to identify strategies, for diversifying economies, which would result in, increasing per capita incomes, achieving a more equitable distribution, and improving 'quality of life' factors".

This view is supported by Smit *et al.* (1996), arguing that economic development is a basic change in the whole community and its economic profile. The discovery of minerals and precious metals in an underdeveloped country, and the founding and establishment of a mining industry can contribute to economic development. The increase of total production as a result of technological progress or more effectively application of production factors, is called economic growth.

The principle of economic sustainability, complemented by economic development, can be applied to the mining sector, as recent research by Nel and Binns (2002: 249) illustrates. They argue that "Gold mining has played a vital role in the growth of South Africa's economy and the creation of major industrial and business centres such as Johannesburg. The negative effect of these mining activities, however through downsizing and closure has had serious economic and social effects on businesses, communities and individuals. They examined a town such as Welkom in the Free State

Goldfields, and evaluated the local economic development initiatives that have been introduced to provide employment and diversify the local economy. According to them, it is evident that the magnitude of the crisis of mine down-scaling and the limited success of development initiatives suggest that much more significant and better co-ordinated interventions will be needed from a range of community-based and business institutions, together with support from provincial and national governments. The experiences of the Free State, therefore, have wider relevance for other areas in which economic restructuring and job creation are key priorities".

Nel and Binns (2002: 250) further explain that "The experience of Welkom represents not merely the economic collapse of a mining town, but also a very serious threat to sustainable futures and livelihoods in a sizeable city and its surrounding hinterland of numerous mines and towns". Nel and Binns (2002: 252) quote several authors who discuss the implication of the loss of mineral-based economies. They quote authors such as Stöhr (1990), Edwards and Coit (1996) and DeLyser (1999), maintaining that "Despite the seriousness of the economic decline that has taken place in many towns and regions, after mine closures, it has been shown that the loss of mineral-based economies has often led to significant economic restructuring activity as efforts are made to develop alternative economic foci, including tourism and other new growth sectors".

Nel and Binns (2002) maintain that "The scenario of job losses and de-industrialisation matched by LED initiatives provides the broad theoretical context in which the experience of Welkom in South Africa is situated. Attempts to identify possible economic alternatives for mining towns that have lost the primary reasons for their existence are clearly of concern to planners, developers and the affected communities themselves. The ripple effects of mine closure have been disastrous and, according to consultants who were appointed to identify alternative growth options for the area, the problem is that the local economy has been too dependent on this sector and faces a major challenge in terms of diversifying its economy and subsequently reducing its dependency on the mining sector. Compounding this situation is the fact that most of the other economic sectors are

to a large degree also reliant on the success of the mining sector for their own sustainability".

It is important that attempts are made early, upon commencement of mining, to diversify the economies of mining towns, as dependence on the mining sector, exposes the local economy of a mining town to a total economic collapse.

This raises important questions about the role of mining in economic growth and economic development. Mining may cause the country's GDP to rise (e.g. diamonds on Angola and oil in Arab countries), but mining does not necessarily lead to development. For development to occur, it has to be complemented by diversification of the economy, away from mining.

According to Atkinson (2005: 10), "The extent of these impacts in South Africa (or different parts of the country) can, of course, be debated. But there is a *prima facie* onus on the mining industry to show how such possible effects can be neutralised and reversed. This is the challenge of "sustainable development" (SD): How can the various types of "capital" or "assets" generated by the mining investment be channeled into other sectors? How can mineral assets be transformed into human capital, skills, entrepreneurship, or infrastructure?"

Anand and Sen (2000: 2032), maintain that "What is also of importance is the route through which growth of GNP most effectively influences human development. Economic growth not only involves an increase in private incomes. A great deal depends on the distribution of such income, and the source of that income (e.g. whether it is derived from a sustainable industry or not). It can also significantly contribute to generating resources that can be marshalled to improve social services (such as public healthcare, epidemiological protection, basic education, and safe drinking water. They justify their previous statement by arguing that the higher the average income of a country, the more likely it is - given other things are constant – that it will tend to have

higher average life expectancy, lower infant and child mortality rates, higher literacy, and in fact, a higher value of "human development index"".

Complementing the argument of Smit *et al* (1996), Atkinson (2005: 10) argues that, "Mines are not sustainable, because its natural resource is not renewable. In addition to this incontrovertible fact, mining has several negative consequences for local economies – consequences which have been collectively called the "Dutch disease" of the resource curse".

There are several dimensions of the "Dutch disease", but relevant to Oranjemund are the following consequences:

1. *The spending effect:* Part of the additional income generated by the mineral boom is spent on non-traded goods and services (education, health, welfare, construction), leading to excess demand (since imports are constrained), while local production of traded goods is less profitable and this encourages its relative contraction.

2. *The currency appreciation effect:* The mining boom causes the local currency to strengthen, which hinders export development.

3. *The technology substitution effect:* The cost of labour increases relative to capital (wages are bid up), leading to labour-substitution technologies.

4. *The enclave effect:* Mineral booms tend to generate few direct externalities, and most investments are channeled into welfare, not manufacturing, creating an almost hermetically-sealed mining industry.

5. *The dependency effect:* National and regional economies develop a dependence on mining revenues. (Atkinson, 2005).

An important question concerns the *preconditions* for mining investment to lead to desirable outcomes for local economic growth and development that would benefit local communities in the long-term. Possible requirements are: (1) a very responsible, democratic government, which is concerned about social goods, (2) probably a strong middle class, which exerts influence on government to be democratic and responsive, and (3) a well organised working class, which exerts influence on government to be socially responsive. For mining investments to be *sustainable*, (i.e. not just short-term, as long as the minerals last!), the government must actively promote *diversification* of the economy. Such efforts should probably be made at national, provincial and local level – hence the importance of the way Oranjemund is governed.

4.3. Economic Sustainability and the benefits of Economic Development and Growth

Ekins and Max-Neef (1992: 69) define sustainable development as "the whole process of economic progress in which economics contribute to improvements in human welfare".

The Minnesota Department of Energy and Economic Development writes in its strategic plan prospectus: "It is not enough to create any jobs, the concentration must be on creating employment which pays a living wage and has potential for growth" (1985a: 3), quoted in Eisinger (1988: 39).

According to Smit *et al* (1996: 650) quoting the *Human Development Report of 1991*, stating that economic development should concern people, through the following dimensions:

1. Development of people: Money should be invested in education, health and nutrition of people so that they can make a contribution to the economic, political and social structure.
2. Development by people: This is done by full participation in all planning, and the implementation of development strategies.

3. Development for people: The development which takes place should meet everyone's needs and create opportunities for everyone.

In *The Ahwahnee Principles for Smart Economic Development*, Cole, Kelly, Corbett and Sprowls (2001) argue that "Prosperity in the 21st century will be based on creating and maintaining a sustainable standard of living and a high quality of life for all. To meet this challenge, a comprehensive new model is emerging which recognizes the economic value of natural and human capital. Embracing economic, social, and environmental responsibility, this approach focuses on the most critical building blocks for success, the community and the region. It emphasizes community-wide and regional collaboration for building prosperous and liveable places".

"Justifying Economic Development, in popular discourse economic development is understood principally as the creation of more jobs and independent livelihoods, such as businesses, in a variety of sectors, thus avoiding the dependency from single-product economies. Sometimes the term is qualified with the words "in the private sector" – the locus of 'real' or productive work – but this is generally a needless qualifier in a society where large-scale public employment is not a genuine alternative. New jobs are generated locally, it is assumed, when new business enterprises are established, when existing concerns expand in place, or when distant firms in-migrate. Each of these processes is made possible by private investment. In the mind of a politician or development official, the benefits that flow from such investments are quite clear. Investment generates jobs. Jobs mean fewer unemployed people, more income, greater tax revenues, fewer social expenditures, lower-cost to government, and a more robust employment multiplier" (Ekins and Max-Neef, 1992).

For the employment multiplier to be sustainable, one needs different kinds of industries – otherwise the greater income will simply lead to more imports, and hence more dependency and vulnerability.

The various links between private investment and its private and public benefits constitute the justifications for economic development policy in the minds of economic development practitioners, for it is policy that helps to generate the dynamism in this casual chain.

Petrin *et al*, (1994) describes "The entrepreneur as a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organisation forms; or as a person who is willing to take risks; or a person who, by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand, or as one who owns and operates a business (Petrin, Tyson and Rogers, 1994: p. 2-3)".

According to Petrin *et al*. (1994), "Entrepreneurship is considered to be a prime mover in development, and nations, regions and communities that actively promote entrepreneurship development demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in many respects, not only by its economic structure and its economic vigour, but also by the social vitality and quality of life, which it offers with a consequent attractiveness to people. Entrepreneurialism is also important because it promotes economic diversification and therefore economic resilience". Petrin (1994), therefore argues that "The economic vitality of a country is no doubt a necessary condition for social vitality. Without it other important factors that make living attractive in certain areas, such as education, health, social services, housing, transport facilities, flow of information and so on, cannot be developed and sustained in the area in the long run".

Salvatore (2004: 8) stipulates "The reasons for the existence of firms and their functions as follows: A firm is an organisation that combines and organises resources for the purpose of producing goods and/or services for sale. In the process of supplying goods and services that society demands, firms provide employment to workers and pay taxes

that government uses to provide services (such as national defence, education, and fire protection) that firms could not provide at all or as efficiently".

The studies contained in Neil *et al* (1992: 33) suggest that "The life expectancy of a mining community is directly related to the mine upon which it depends. The prospects of a mining community can be extremely variable because mine life is dynamic and ever-changing in response to a host of factors, including markets, prices, ore grades, exploration, corporate strategies, technology, costs, environmental requirements, and mining rate". They (Neil *et al* 1992: 37) further emphasize their argument, by stating that "Mining communities are founded for a single purpose – to exploit the nearby mineral resources. Only in a relative few cases does the existence of a community precede the discovery of the resource. Because of these reasons, every civic leader in a mining community would like to see his or her town diversify beyond its mining roots".

It therefore could be argued that if businesses within the formal sector, and small and medium enterprise development could be promoted within the local economy of Oranjemund, such sectors may stimulate the natural growth or development of other business sectors, thus ensuring that money circulates longer in the Town of Oranjemund. Other benefits that would be derived from the local economic diversification of Oranjemund would lead to the creation of employment opportunities, and economic and social spin-offs that would have a positive impact on the sustainability of the town and its community.

4.4. Institutions involved in Economic Growth and Economic Development

Ekins and Max-Neef (1992: 123) briefly described the institutions which deal with economic activity, progress and development, and identified the specific agencies through or in which all human activity, economic or otherwise is expressed. The four groups of institutions are: *market institutions*, involved in the exchange of commodities, often mediated by money; *government institutions*, sanctioned by formal political

processes, the rule of law or state power, *households*, normally comprised of families; and civic society, *the voluntary groupings of citizens* based on issues, interests or locality. "...All these institutions are involved in economic activity, and all four groups are significant sources of wealth creation" (Ekins and Max-Neef, 1992: 123).

Ekins and Max-Neef (1992) emphasise that "The role of the state and local government in economic development is to ensure continuous private investment in local enterprises and undertakings by whatever actions or inducements seen acceptable and effective. In this way, the state should ensure diversification, whether within the same industry (e.g. agriculture or mining), or from one industry to another (e.g. from mining to industry or agriculture)".

Supporting these sentiments, others like Ekins and Max-Neef, 1992, and Smit *et al.* 1996, give a detailed account of the role of government in regional adaptation and development, which generally involves the provision of information and the improvement of the quality and mobility of productive resources. Therefore, government needs to take the following steps, to promote employment and incomes in underdeveloped regions:

1) The inflow of capital should be made easier by means of low interest rates, tax concessions and incentives, and direct investments. At de-concentration points, limits on private investment must be removed.

2) A second possible policy affects transport costs and services and the construction of new routes. When decisions are made about goods tariffs, regional interests should be taken into account. The regions themselves should be allowed to initiate policy decisions that directly affect their interest.

3) Governments should allocate contracts to certain regions, to make resources more profitable.

4) Governments should subsidise technology to promote investment and technological improvement

5) A region's development should be promoted by drawing up a regional economic analysis and formulating development plans, which will encourage investment and diversification.

6) Government funds should be used to improve public services and facilities, such as schools, health services, roads, water supply and sanitation facilities, libraries and recreational facilities.

7) Finally, there should be programmes to improve and mobilise human resources by means of education, vocational training and retraining, removal of discrimination and other limitations, and support in finding job opportunities (Smith *et al*, 1996).

A case study performed by Rio Tinto, states that "The extractive industries make significant contributions to economic growth, but that there are a number of adverse consequences that need to be mitigated if their contribution to growth is to be translated into poverty reduction. The prime responsibility for mitigating these adverse consequences rests with governments. But businesses, as social citizens, should recognise both the positive and adverse consequences and comment on the actions they are taking, in conjunction with governments, other businesses and civil society, to ensure that the poverty impact is maximised and adverse consequences are mitigated" (Eme 2003: 1).

Black, Hartzenberg & Standish (1995) argued that "Sustained economic growth, entailing a right shift in the long-run aggregate supply (LRAS) curve, promotes balance of payments stability, and also enables a country to achieve higher levels of per capita income. According to them, government expenditure can impact on the LRAS through public sector investments, but in most countries private sector investment also has a crucial role to play. The bulk of investment should be private investment. They further state that naturally government policy can influence both the magnitude and the

efficiency of private sector investments. According to them the *new growth theory* examines the dynamic underlying investments and technological progress, and suggests ways in which governments can foster growth and innovation by appropriate interventions".

Positive externalities lie at the heart of new growth theory. These externalities increase the marginal productivity of society as a whole, and thus act as a significant spur to growth. They identified three types of investments which can be expected to yield positive externalities:

1) *Investment in human capital*: This form of investment generates knowledge and skills, which contain certain good public characteristics – for example skills gained at one firm can often be transferred to other firms.

2) *Investment in R&D*: This also benefits consumers, as well as other producers, by creating technological spill-overs, thus making new findings available and encouraging further research.

3) *Investment in infrastructure,* both material (such as roads) and immaterial (such as education), creates beneficial externalities by raising the yield on private investments. Thus, the new growth theory provides a strong justification for substantial government investment in human capital, R&D and infrastructure, thereby creating favourable conditions for private sector investments and economic growth. They conclude by stating that the insights of new growth theory suggests a number of opportunities and challenges for government policy. If governments of State Owned Enterprises (SOEs) can strike an appropriate balance, they may go a long way towards fostering meaningful growth and capital inflows, freeing themselves from onerous balance of payments constrains and laying the foundations for future prosperity. (Black, et al., 1995).

Cole *et al,* (2001) further state that "While each community and region has unique challenges and opportunities, the following common principles should guide an

integrated approach by all sectors to promoting economic vitality within their communities, and in partnership with their neighbours in the larger region. The principles are as follows:

1. *Integrated approach* – Government, business, education, and the community should work together to create a vibrant local economy through a long-term investment strategy that: (a) encourages local enterprise, (b) serves the needs of local residents, workers, and businesses, (c) promotes stable employment and revenues by building on local competitive advantages, (d) protects the natural environment, (e) increases social equity and (f) is capable of succeeding the global marketplace.

2. *Vision and inclusion* – Communities and regions need a vision and strategy for economic development according to these principles. Vision, planning and implementation efforts should continually involve all sectors, including the voluntary civic sector and those traditionally left out of the public planning process.

3. *Poverty reduction* - Both local and regional economic development efforts should be targeted to reducing poverty, by promoting jobs that match the skills of existing residents, improving the skills of low-income individuals, addressing the needs of families moving off welfare, and insuring the availability in all communities of quality affordable child care, transportation, and housing.

4. *Local focus* – Because each community's most valuable assets are the ones they already have, and existing businesses are already contributing to their home communities, economic development efforts should give first priority to supporting existing enterprises as the best source of business expansion and local job growth. Luring businesses away from neighbouring communities is a zero-sum game that does not create new wealth in the regional economy. Community economic development should focus instead on promoting local entrepreneurship to build locally based industries and businesses that can succeed among national and international competitors.

5. *Industry clusters* – Communities and regions should identify specific gaps and niches their economies can fill, and promote a diversified range of specialized industry clusters drawing on local advantages to serve local and international markets.

6. *Wired communities (users of information technology)* – Government should use and invest in technology that supports the ability of local enterprises to succeed, improves civic life, and provides open access to information and resources.

7. *Long-term investments* – Publicly supported economic development programmes, investments, and subsidies should be evaluated on their long-term benefits and impacts on the whole community, not on short-term job or revenue increases. Public investments and subsidies should be equitable and targeted, support environmental and social goals, and prioritize infrastructure and supportive services that promote the vitality of local enterprises, instead of individual firms.

8. *Human investment* - Because human resources are so valuable in the information age, communities should provide life-long skills and learning opportunities by investing in excellent schools, post-secondary institutions, and opportunities for continuous education and training available to all.

9. *Environmental responsibility* – Communities should support and pursue economic development that maintains or improves, not harms, the environmental and public health.

10. *Corporate responsibility* – Enterprises should work as civic partners, contributing to the communities and regions where they operate, protecting the natural environment, and providing workers with good pay, benefits, opportunities for upward mobility, and a healthful work environment.

11. *Compact development* - To minimize economic, social, and environmental costs and efficiently use resources and infrastructure, new development should take place in existing urban, suburban, and rural areas before using more agricultural land or open

space. Local and regional plans and policies should contain these physical and economic development planning principals to focus development activities in desired existing areas.

12. *Distinctive communities* – Having a distinctive identity will help communities create a quality of life that is attractive for business retention and future residents and private investment. Community economic development efforts should help to create and preserve each community's sense of uniqueness, attractiveness, history, and cultural and social diversity, and include public gathering places and a strong local sense of place.

13. *Regional collaboration* – Since industries, transportation, land uses, natural resources, and other key elements of a healthy economy are regional in scope, communities and the private sector should cooperate to create regional structures that promote a coherent metropolitan whole that respects local character and identity".

With relevance to the economic diversification of Oranjemund, the main questions that need to be answered are as follows; Are stakeholders motivated and committed to the local economic development course of the town? Are stakeholders aware of the important roles they could play to develop and contribute to the economic diversification process of the town?

4.5. Stakeholders

It is important that stakeholders understand their contribution to the diversification process. All stakeholders have a relevant role to play, by effectively and efficiently participating in the diversification process. Institutional strength and responsibility need to be deployed, where each stakeholder takes ownership of a role or activity it could diligently perform.

Roles that could be fulfilled by stakeholders are as follows:

4.5.1. Government Institutions

Central Government can play an important role in facilitating the local economic development process of towns according to Scott (1995), Dale (2002) and Edwards *et al*., (2002).

The Government can contribute by:

- Developing and establishing the policy and legal framework within which the LED processes can take place.
- Providing public services (health, education, trade, safety & security) and infrastructure development (transport network, telecommunication and building).
- Providing the visionary role and ensuring that instruments are developed through which the local economic development process would be led.
  - The overall process would need to be managed and co-ordinated by the regional authorities.
  - Government support will ensure that the local economic development process acquire support and credibility from all stakeholders.
- Providing resources for local economic development through its development agencies or line ministries.
- Co-ordinating activities between government departments, other government entities and stakeholders.
  - Instigating the development of local institutions that would contribute to the local economic development process.
  - Creating linkages and networking opportunities amongst LED stakeholders and external parties, such as government agencies, communities, NGO's, and other relevant partners.
- Encouraging State-owned Entities (SOEs) to participate in the local economic development process.
- Identifying, supporting and co-ordinating community programmes and projects that can address challenges faced by the locals.

4.5.2. Regional and Local Authorities, and Municipalities

In many instances, local authorities have taken the lead in LED in the interest of the community at large. Local authorities, therefore, can provide leadership in the absence of national government.

The Regional and Local Authorities, and Municipalities can contribute by:

- Ensuring that local regulations and by-laws promote the establishments of new business ventures and the retention and expansion of existing businesses.
  - Developing policy changes that will create a positive business environment and that will address the following business challenges: labour, tax, business protection and trade policies.
  - Promoting business development policies. Policies should promote local business growth and development. External companies, must be encourage to jointly undertake national and provisional projects with local businesses, or to employ an equitable amount of the local labour force. Favourable conditions must be developed for small businesses, such as the provision of mentoring and financial assistance that will aid their development and growth.
- Developing a Local Economic Development Framework that will strategically address the local social, economical and environmental concerns of the local economic development process.
  - This must be developed in conjunction with stakeholders.
- Ensuring the provision of local by-laws that will address improvements in the livelihood of communities.
  - ensure the provision of functional services to the community and other stakeholders at all times.
  - ensure proper and timely distribution of information to the community, through public meetings, announcements and consultations.
- Providing incentive packages that will attract, enhance and promote investment.
  - Protect businesses that contribute to the town's diversification process. Provide incentive packages that will encourage business establishment, alternatives in the form of favourable local taxes, could also be considered for local businesses.

- Adopting land-use policies that support Local Economic Development Strategies (Edwards et al, 2002: 27). Ensuring that the town planning is in accordance with the town's development agenda. By ensuring the availability of land for the purpose that will promote local economic development.
- Co-ordinate activities of various stakeholders (Edwards *et al*, 2002: 27). Foreign companies, donor agencies, local business and regional and national role players, must be involved by Local Government.
- Stimulating new developments by, for example providing serviced sites, developing infrastructure housing projects, incubators and industrial parks. In the case of Oranjemund, for example, the provision of a road that directly links Lüderitz to Oranjemund will encourage traffic to pass Oranjemund, thus shortening travelling time between South Africa and Lüderitz, by two hours.
- Initiating guiding projects that could revitalise the local economy. For example, local authorities can develop pedestrian zone in the CBD or a shopping complex (Edwards *et al*, 2002: 27). It is important that these projects reflect the needs of the residents of Oranjemund.
- Promoting Public-Private-Partnerships (PPP) initiatives with stakeholders and other parties, on projects that are critical for local economic development, but where private sector and other institutions seek partnerships.

4.5.3. Business Institutions

The private sector plays an important role as investor, job creator and provider of goods and services. As a stakeholder in LED it is important that the private sector contributes to policy-making, strategic planning, and resources in an organised way (Edwards *et al*, 2002:28).

The Chamber of Commerce can contribute by:

- Addressing the concerns and aspirations of the local business community and engaging other stakeholders on issues of concern.

- Identifying business opportunities and shortcomings in the local market and encouraging its members to capitalise on such opportunities and full gaps, in the market.
- Advising and influencing government and the local authorities on policies and practices that will enhance local business performance.
- Providing business support structures through, training, the development of linkages, mentoring of small businesses and by representing the interest of local businesses.
- Lobbying for government support, where required.

The Mining Company can contribute by:

- Supporting local economic development initiatives, in its entirety, through the provision of funding or committing other resources to such initiatives.
- Relinquishing all its non-core activities to reputable entrepreneurs, workers or community members that have the interest of the community at heart.
- Outsourcing all its non-core services from local entrepreneurs.
- Instigating the local establishment of major suppliers and service providers that service the mine.
- Developing and training local skills, by sponsoring students, community members or individuals that could address the local economic development challenges.
- Relinquishing its infrastructure (fixed assets) by transferring it to the local authority, selling it to individuals or the business community and/or donating it to the community.

4.5.4. Local Community, NGO's and Unions

These organisations represent the interest of the poor and provide a voice to those who never get heard (Edwards *et al*, 2002:28).

The Local Community can contribute by:

- Participating in shaping the economic transformation of the area.

- By organising workshops and meetings with stakeholders to outline shortcomings and benefits, on the LED initiative.

- Developing and identifying “grassroots” community projects and programmes that could involve women, elders, and children. These projects could involve a community gardening or agriculture projects. It can also include the establishment of a community managed kindergarten or the setting-up of support services for drug or alcohol abusers, HIV/Aids sufferers, orphanages, retirement homes or any social initiative.
- Developing and driving the Community Economic Development Strategic Plan that forms part of the overall LED Strategic Plan.
- Supporting local businesses and have participatory relationship with the local authority and other stakeholders.
- Mobilising community resources, such as land, knowledge, labour, and cultural heritage, for the betterment of the community’s development.
  - By ensuring that community resources are shared with stakeholders, to improve community livelihood.
  - By sharing resources can accelerate the LED of the town.

NGO’s can contribute by:

- Providing a shared vision for local economic development.
- Providing development assistance to the community, supporting local SMEs and businesses on projects and programmes that are economic developmental in nature. Initiatives that could be considered are manufacturing, craft and arts, agriculture, woodwork and needlework activities.
- Assisting in the building and development of the social structure within the community, by supporting local church organisations, social projects and programmes.
- Forming Private Public Partnerships (PPPs) with local organisations and institutions.
- Assisting with the provision of local services such as health and education, where the government and local authority lacks to address such shortcomings.

- Assisting with infrastructural development projects that are critical for LED, but does not seem to get the necessary priority from government or the local authority.
- Providing organisational vehicles that can promote transparency and accountability (Edwards et al, 2002).
- Serving as a conduit to channel public sector, private sector and donor funds to marginalized constituencies (Edwards et al, 2002).
- Developing and transferring skills to grassroots communities (Edwards et al, 2002).

It is important that the Local Economic Development process of any town is a guided and controlled process, with the involvement of stakeholders that have a shared vision and that are committed to the developmental course of action.

The literature on the local economic development of mining towns is intriguing and challenging, as cities such as Johannesburg and Kimberley, in South Africa; and Antofagasta in Chile, came about because of mining. Countries such as the United Arab Emirates benefited greatly from their oil and gas resources. In all these locations, local economies were diversified beyond their mineral resource dependency.

It is important, in the case of Oranjemund that concerted effort by integral institutions be made, to develop sectors that could ensure the town's economic survival.

4.6. Local Economic Development

In an opportunity study of the local economic development of Walvis Bay, Edwards, Haufikua and Mameja (2002: 15), suggest that "Local Economic Development is not a new concept. It starts from the premise that every community or locality has within itself certain characteristics that could be harnessed to develop the local economy. It is thus important, they argue, that strategies employed should utilise local skills and resources – to arrive at such strategies it is necessary to identify the opportunities and to recognise the comparative advantages of the locality".

The Local Government Commission (LGC), a non-profit organisation, in Sacramento, California, argues that "Strong, diverse, local economies are the backbone of a liveable community. They further state that, in today's global marketplace and growing e-business sector, it is imperative to focus on nurturing community-supportive local businesses that provide a stable tax base" (http://www.lgc.org/ahwahnee/principles.html). The LGC's argument is also supported by the International Labour Organisation, which argues that, "In order to alleviate poverty through the creation of decent work and stimulation of economic activity, the LED Programme promotes a participatory development process. It encourages partnerships between the main private and public stakeholders and enables the joint design and implementation of a common development strategy. The overall objective is to base economic activity on social conditions and local resources. LED makes use of regional capabilities and local competitive advantages in a global context. This holistic approach creates linkages across conventional policy areas and integrates local, national and international levels". (http://www.ilo.org/dyn/empent.portal?p_prog=L&p lang=EN)

A research article by Nel and Binns (2002: 252**)** quoting several authors such as Syrett (1995), Blakey (1994), Demaziere and Wilson (1996), states that "Attempts to restructure declining mineral and other economies accord with contemporary thinking and practice, for the benefit of the local community is often referred to as "local economic development" (LED)". Nel and Binns (2002: 252) further quote Goetz and Clarke (1993), state that "The LED concept reflects the interest in what might be termed the 'new localism', which is characterised by enhanced decentralisation involving the devolution of decision-making powers to local-level actors, increasing democratisation and a greater role for local people in determining their town or region's economic future".

It is evident from the Nel and Binns paper (2002: 252) that "The responsibility for local economic development and growth attempts are with the people in local businesses, local government and voluntary organisations. People would need to take advantage of existing local resources and the opportunities presented in the areas, to create the new jobs and to

stimulate economic activity. They reiterate that LED seeks to encourage economic growth in sectors other than those in which recent hardship has been experienced".

Smit et al (1996: 713) suggest that "Before a decision can be made on the development required in a region, prior development in that region must be thoroughly investigated, by way of an *economic basis study*. This is an empirical investigation of the economic activities in a region. It firstly identifies the community to be studied, i.e. a municipal region, a market area or other geographic area. Then the economy is divided into two sections: companies that serve the market outside the community and companies that serve the market in the community. The goods and services intended for the outside market are called export or basis goods".

These goods according the Smith *et al* (1996: 714) "Include all sales outside the community, not only actual trade with foreign countries. The remaining goods that are intended for the internal market are called non-export or non-basis goods. Export goods are regarded as the primary driving force of the local economy. If services that serve the outside market increase or decrease, services that serve the internal market are forced to move in the same direction. If export industries close, local businesses feel the effects of this by the reduced spending power of unemployed consumers. How many non-basic services would be created if basic services increase? The simplest assumption is that the proportion of basic and non-basic job opportunities will remain the same in the long term. An increase in the number of basic job opportunities will lead to a proportional increase in non-basic job opportunities. An important application possibility of the basis study is that prediction estimates can be made, although this is not an essential part of the basis study".

"The growth or reduction of employment in basic industries can be predicted with estimates for a certain period. This projection can help to predict changes in the population, income, land use and the tax base. This can help the planning for capital budgets, tax, housing, electricity, fuel and many other needs" (Smith *et al*. 1996: 714).

The challenge is for the basis study to provide the relevant information to decision makers, and to guide them, on how investors and government can intervene most effectively, to develop the local economy. Its is recommended that stakeholders need to take it upon themselves to mould the local economic development framework of Oranjemund.

4.6.1. Namibian view on LED and Decentralisation

Edwards *et al* (2002: 14) argues that "The policy of decentralisation was subsequently passed, by cabinet (Namibian Government) to facilitate the democratisation process. It will also ensure that economies develop local resources and skills to ensure local survival, making regions self-reliant".

The report further recognised the fact that there are many different approaches to LED, and that "It is important to recognise that no model can be wholly transferred from one situation to the next and that LED will have to evolve out of a critical appraisal of local conditions" Edwards *et al* (2002: 15).

A key distinction between economic development and local economic development is that economic development is an unguided processes influenced by a variety of factors, prevailing within the economic system in a given period, affecting certain places (areas). Local Economic Development, on the other hand, is a structured, purposeful, planned activity, introduce to stimulate economic activity. For the latter to succeed, proactive government intervention is needed to facilitate and attract investment.

"Success of LED will depend on the creative and collaborative efforts of stakeholders. In addition, the report outlined and fully described the approaches to LED which are; *Community Development Approach, Private Sector-led Approach* and *Local Government-led Approach*. It concludes by stating that to support local economic development, central, local and regional governments may adopt policy frameworks, enact legislation or pass by-laws that can support economic development and employment creation" (Edwards *et al*, 2002: 15).

4.6.2. Promoting LED in Mining Communities

A report on De Beers Koffiefontein Mine, outlines in The Mining, Minerals and Sustainable Development (MMSD) project that "Advance planning and close cooperation by the company with local authorities, communities and NGO's is key to successful mine closure and achievement of post mine closure stability" (MMSD, 2002a: 44). The World Bank supports this. It maintains that early community consultation can have an important impact on the outcomes of the mine closure, leading to higher efficiencies and better management. Furthermore, consultation provides the means to bridge the gap between corporate and community expectations, as well as between company knowledge and community experience (World Bank, 2002: 14). "One mitigation strategy that has to be employed early in the mine closure process, is that communities have to be assisted by government and the mining community in realising that they need to reduce their dependency on the mine" (World Bank, 2002: 14; Pelser, 2004).

It is important that the diverse roles, stakeholders could fulfil are identified and form part of the development process, to ensure the advancement of Oranjemund's LED agenda.

CHAPTER 5: CASE STUDIES

The chapter deals with the investigation of international and local mining cases where the changes and challenges are outlined which mining towns' experience.

5.1. Case studies of Carletonville and Koffiefontein

Two South African case studies are particularly relevant: One was conducted by Elize van Eeden (1997), on the gold mines in Carletonville, and the other by Andre Pelser (2004), on the diamond mines in Koffiefontein.

It emerged from the case studies that the discovery of gold in Carletonville and diamonds in Koffiefontein, led to the local economic development transformation of these farming towns, after the mines were established. Typically, several economic changes took place:

- Major infrastructure and town development initiatives where undertaken, as this was prompted by the expansion and establishments of the mines.
- The work opportunities available in these mines resulted in the increase of the local labour population. This, in turn, led to growing purchasing power in the local economy.
- A number of other opportunities also emerged due to these developments such as shops, agricultural activities and other retail and craft opportunities.
- The mining companies also extensively invested in these towns, in the form sports, cultural, social and recreational facilities.

As much as the benefits were enormous, due to the mining activity, there were also serious drawbacks during the mining operations and when there was a downscale in the mining activities.

In the case of Carletonville, the presence of underground water depositories, due to the gold mining activity, endangered the lives of mine workers. This led to the decision of the mining companies to pump out the surplus water gradually. The depletion of the

underground water by the mines in the 1960's affected every sphere of community life, including agriculture. Agriculture lost its position as a prime economic activity, because of the impact the mining activity had on the town.

Lives were lost because sink-holes occurred on mine property, and the town development was hampered due to unstable surfaces caused by intense ground movement in Carletonville.

The closure of the Koffiefontein mine in 1982 resulted in great losses for the business community and in Carletonville a number of businesses disappeared.

From the experiences of Carletonville and Koffiefontein, we can derive key insights for Oranjemund. The effect of the presence of the mines in Carletonville can be perceived both negatively and positively. Mining activity instigated the town's local economy, but in a distorted and one-sided manner. On the negative side, it was the extraction of the subsurface water by the mines, followed by surface subsistence and the drying up of boreholes, which primarily had a detrimental economic effect on the community as a whole.

"As far as a sound framework for economic development was concerned, it was left to local government to initiate this. A lack of mutual co-operation and exchange of ideas between the local government of Carletonville and the local mining industry over many years also contributed to the maintenance of the economic status quo" (van Eeden, 1996: 114).

5.2. The Case Study of Welkom

A case study by Etienne Nel and Tony Binns (2002) revealed the local economic development attempts in Matjhabeng, with particular emphasis on the city of Welkom. The economic and social effects, the downsizing and closure of gold mines had on businesses, the community and individuals in Welkom, is briefly discussed.

The city of Welkom was founded in 1947, after it was earlier developed as a private company town (Nel and Binns, 2002: 255). The discovery of gold led to significant changes to the landscape of Welkom.

- The gold rush ensured the availability of labour to the mines.
- Massive investments were made in establishing mining infrastructure.
- The highest level of town planning standards was adhered to during the town development phase.
- Rapid expansion of mining associated industries and services contributed to the town's development were experienced.
- Businesses enterprises increased.

These positive developments in the town were experienced for over three decades. The fall in the gold price and the exhaustion of most accessible seams during the mid-1980's, resulted in the closure of mines. These mine closures brought with it devastations that had far reaching economic and social consequences for businesses and the community of Welkom.

- Massive staff cuts (retrenchments) took place, affecting low-skilled miners that could not find alternative employment. This also deprived miners' families, who lived in the rural areas, of the much needed salary remittance that was usually sent home.
- Most of the unemployed miners were reduced to poverty, destitution and a dependence on marginal, informal-sector survival strategy.
- A number of general dealers and businesses that were reliant on the mining industry closed.
- The absence of a concerted and properly targeted recovery plan was a major concern for stakeholders. Local individuals and organisations were left to deal with the crises in Welkom.

- The Free State provisional government did provide limited support, but there was no directed and committed support from the national government.

The seriousness of the situation in Welkom and neighbouring towns prompted local authorities, the business community, and the mining community to work together. This joint co-operation by the stakeholders led to the establishment of the Free State Goldfields Development Centre (FGFDC). The current board composition of FGFDC consists of councillors, representatives of established businesses, parastatals, mines and non-governmental organisations (NGO's) in the area. Its objective is to promote the successful management of change from a mining economy to one based on diversified competitive and export-driven enterprises. (Nel and Binns, 2002: 259)

Other organisations such as the local technical college, Welkom College, also played a significant role in training emerging entrepreneurs. The Free State Development Corporation, which supports development and job creation projects through the province, has provided its support to development plans and initiatives in Welkom. The Free State provincial government also provided selective support for the area, most notably in the construction of a racetrack. Harmony Gold Group has supported the establishment of a gold jewellery cluster in the area. Anglo-Gold has made land available for development and provided facilities for the small business hive. They are still active in the local economy through its Small and Medium Enterprise Division. The National Union of Mineworkers, through the Mineworkers Development Agency, has established its own training and business support centre in Welkom, which retrains and assists unemployed miners and their families

The experience in Welkom highlights important potential lessons for Oranjemund. National government involvement is of paramount importance, when a LED initiative is undertaken. As Government has the ability and capacity to develop the conducive economic environment for diversification.

It is evident that a "single-sector economy, dependent on a limited resource whose value is determined by international commodity prices" (Nel and Binns, 2002: 255) and that is non-renewable, is always precarious. "The local economy in Welkom was too dependent on the mining sector. The major challenge was to diversify its economy and subsequently reduce its dependence on the mining sector (Nel and Binns, 2002: 257).

There is no doubt that relationships between key stakeholders, such as the mining companies, governmental departments, the business community, the local community, civil organisations and NGOs, are paramount in terms of addressing the social and economic challenges that accompany mine closures.

"Despite attempts made to restore the local economy of Welkom, only a fraction of the jobs lost in the downsizing of the mining industry have been restored and the economy of Matjhabeng has not returned to its previous levels of prosperity" (Nel and Binns, 2002: 264). More still have to be done in the area, due to economic and social problems that still prevail.

5.3. An Economic Opportunity Assessment study of Arandis

A local economic opportunity assessment study conducted by Jerry Mamaja (2003) on the town of Arandis clearly provides some similarities between the above South African studies and this local study on Arandis.

The town of Arandis is located about 60km from the coastal town of Swakopmund, and less than 5km from the Rössing Uranium mine. Arandis was established in 1976 by the Rössing Uranium mine, primarily for the mineworkers' community and their families. Rössing provided the infrastructure and constructed modern, well-equipped schools and a hospital. Municipal services such as electricity and water were heavily subsidised by the mine. The mine also built sport and recreational facilities, and provided sponsorships that

ensured an active sport system in the town. All these factors led to the influx of many family members of those employed at the mine.

The sharp decrease in the price of uranium on the world markets resulted in the mine becoming less profitable and it had to reduce its workforce. Two major retrenchments were carried out: In 1991, 530 workers were retrenched and 275 in 1999 and 2000. The majority of those retrenched resided in Arandis. Following the retrenchments, most of the men left, while women and children remained behind since the children were attending local schools. During the same period, some of the employees relocated to Swakopmund and Walvis Bay. Currently only one third of Rössing's 810 employees reside in Arandis.

In 1994, the town was proclaimed an independent town with an elected Local Authority. The mine handed over the management and the provision of the municipal services to the Arandis Town Council. With the Rössing mine being susceptible to the world market prices of uranium, and not being able to fund services as they had over the past years, this challenges Arandis to find a way to survive independently of the mine and its future (Mameja, 2003: 4)

With its EPZ status, Arandis has clearly demarcated an industrial area with provision of water and electricity. The location of Arandis and its prevailing weather condition makes the following industries viable for the EPZ: textile, footwear, assembling, manufacturing, processing (food and beverages) plastic plants, storage and warehouse facilities, and repackaging.

"To market local manufacturers, the Namibian government embarked upon a series of programmes that would boost the export industry. Chief among these programmes has been the introduction of the EPZs. Activities that qualify for EPZ consideration include all export-manufacturing activities, value added processing in agro-industry and mineral beneficiation, storage and warehousing, break-bulk activities and business services. The incentives offered by the government to prospective investors include exemption from corporate income tax, general sales tax, additional sales duty, stamp duties, transfer duties

and import duties (for exports out of SACU); guaranteed currency conversion; liberal labour and custom regulations; and conditional reimbursement of up to 75% percent of EPZ personnel training costs". (Mameja, 2003: 9)

Unfortunately, due to a lack of marketing, supporting infrastructure, insufficient vision on the part of the local leadership and overall promotion of Arandis as an ideal location for EPZ investors, the Arandis EPZ never took off. (Mameja, 2003)

There are several insights from Arandis which may be useful for the study of Oranjemund.

Locals in Arandis did not have a sense of ownership of the town, when the Council offered 898 houses for sale at very affordable prices and only 385 were purchased, this indication revealed a lack of ownership of the town among those living in Arandis. In the case of Oranjemund, there seemed to be a strong interest from the local and business communities to acquire property.

In Arandis, residents are unwilling to pay for municipal services – which are much lower than what they had to pay when under the management of the mine. Residents are also a reluctant to bury relatives locally. This can be viewed as an unwillingness, to take ownership of the town. There are evidence of similarities between the communities of the two towns, currently in Oranjemund, only private individuals and businesses are paying for water and electricity. The municipal cost of workers are all subsidised by Namdeb. Only two cases of burials were reported in Oranjemund.

When men were retrenched, they moved back to their place of origin and left the wives and children so that the children could continue their schooling in Arandis. In Oranjemund, when people are retrenched they have to leave the town, except when one member of the family is still employed by the mine.

Business owners reside and own houses in Arandis. Most business owners moved to Arandis to commence businesses. When large numbers of people, including business

owners, left the town as a result of the retrenchments, the local people who remained behind did not have the money to take over the abandoned businesses. Entrepreneurs from out of town then moved in and took over those businesses. Other factors keeping locals from participating in business activities were a lack of starting capital and lack of support from local government.

The Town Council claims that the relocations of residence and businesses away from Arandis, could be linked to concerns regarding the proximity of the mine from the town and the potential for radiation. The Town Council also pointed out that a key weakness of the town is that it is invisible. There is poor indication where the town is from the main road.

The lack of banking facilities, supermarkets and the fact that local shops are expensive and not sufficiently stocked, forces residents to conduct their shopping in Swakopmund. The disadvantages of running a business in Arandis are due to the following: Distance from other markets, distance from suppliers, high communication costs, smallness of local market, lack of transport, shortage of skilled labour and slow growth of local markets (Mameja, 2003). On the contrary these services are all offered in Oranjemund and the town is well developed, but residents still prefer to do their shopping in Springbok. This is done due to low stock levels in shops, poor product range and cost of products.

To date no significant improvements from a LED perspective has taken place in Arandis, but a number of organisations are still optimistic about the future of the town. The town has a local economic development policy in place. This is important to note that the development and implementation of any local economic development plan, is a complex and cumbersome process –that requires collective effort from relevant stakeholders. It is for this reason that Arandis could ideally be a practical case from which Oranjemund could draw a number of lessons, on how not to diversify.

5.4. Mine closures in Australia

A study conducted by Laurence (2004) on mine closures in Australia identifying the reasons for closure and the relevant strategies that were deployed by the different mines to mitigate the effects of closure.

It emerged from the studies that the mine closures were stimulated by the following main reasons:

i. The exhaustion of economic reserves at mines and an inability to access promising exploration targets, in the case of the mines in Tenant Creek and the Woodcutters mine, situated in the Northern Territory of Australia.
ii. The exhaustion of operating capital in the case of Mount Todd Gold mine was caused by a depressed gold market price, unexpected hard metallurgically complex ore, and environmental issues.
iii. The drop in commodity prices and production difficulties.

The strategies deployed by the mines in the different territories to mitigate the effects of closures were as follows:

5.4.1. Tenant Creek, Northern Territory, Australia

Tennant Creek is a town located in the Northern Territory of Australia. During the 2001 census, the town had a population of 3 185. Gold was discovered in 1930s in the rich Tennant gold fields. A number of mining companies operated continuously in the area for approximately 70 years.

In 1998 the company made a decision to leave the fields, close the existing mines and rehabilitated older abandoned workings. The reasons given for closure were the exhaustion of economic reserves at all mines and an inability to access promising exploration targets.

Closure took place over a 5-year period. The company formed a closure group and circulated a draft closure plan for each site. Stakeholders such as Government, the local

council and other authorities were all informed about the intended steps the company would take. Professionals and miners were transferred to other sites and the morale and safety of those who remained were monitored.

The local council ensured that community members who received welfare payments, moved into the area attracted by the low cost of quality housing and other services. This assisted the survival of the town.

The government instigated the establishment of an economic development committee with the private sector, and a regional development plan was developed.

Preparation was made for the railroad construction as attempts were considered to turn the town into a service centre. Proposals considered for the town were: Tourism and Aboriginal groups service centre, low security prison and an alcohol rehabilitation centre.

Local businesses were also blamed for not pursuing diversification strategies, although a scheme was in place where federal funding was available to employ a consultant.

Current developments are that the town has recreation parks, a well developed transport system (airport, rail and road), a primary and high school, leisure and entertainments facilities, including a number of sport clubs. Tourism is a growing industry in the town.

5.4.2. Alluvial Sapphire Mines, Inverell, Australia:

Inverell is a town in the north of New South Wales, Australia. The town has a population of 9 749 people.

The sapphire mining industry first peaked in the 1970s, due to high prices and strong demand, when a number of small-scale operators and public companies were extracting sapphire from mainly shallow deposits.

The smaller companies have all ceased and larger companies have merged. The exploration boom in the late 1980s, which resulted from new research into the mode of formation of sapphire, failed to increase reserves.

The prospects for employees in that region of relatively high unemployment were not good. The mines were the largest employers. Many workers were older and of retiring age the younger would leave the town to find alternative employment.

The mines supported and were supported by small communities of approximately six to ten thousand people. Unemployment remains high and depressed real estate and small business closures were further effects of the mine closures.

The local council formed a committee to look at the diversification of the economy.

The state government believed that the mining of sapphires by small-scale operators was not sustainable in the longer term and sought to bring larger mining companies into the scene. Many small miners left the industry at that time. This was a disappointing result for government.

The Australian cases clearly illustrate the importance of a stakeholders consultation process during a mine's operations and prior to closure. It is particular of importance that government support is provided to ensure that programmes for diversification, receive the required attention. The fact that mine closure is inevitable cannot be ignored, as its implications have far reaching consequences on stakeholders.

The formulation of strategic plans is another important factor that should be developed, to mitigate any closure effect. Where relevant potential problems are identified and appropriate remedial actions implemented. This is normally the process where a diversification plan is designed. Government, together with the mining and business communities, need to commit resources to develop and implement these diversification plans.

If an economic diversification plan is not implemented in a timely and appropriate manner, an optimal closure outcome will not be achieved. It is proper that a diversification strategy forms part of a mines close plan, which needs to be designed when the mine starts up. This will ensure that programmes are developed in phases, along the operations of the mine, which will surely bring about the change to the mining community. The failure of closure plans are that most of these diversification strategies only becomes a matter of concern during closure.

The consequences of a poor consultation strategy are severe in terms of its human and other costs. The long-term business of the mine might be affected negatively, due to it track record – with the way it dealt with past closures. Legal cost and poor relationship with stakeholders might affect current and future operations. A community's live may be ruined, due to inadequate planning for closure.

It is important for mining companies, to comply with their corporate social responsibility, and not the leave the community worse off, than in their original position. Social, environmental and economical consequences of mine closures need to be sufficiently addressed, with well planned action.

5.5. Mine closures in Norway

An investigative report on the economic restructuring of four Norwegian mining communities, namely; Meldal, Folldal, Verran and Royrvik was conducted by Britt Dale (2002).

Lokken (Meldal municipality) is located 70km southwest of Trondheim, a rural valley with old agricultural settlements. Copper mining started in early 1654, whereafter it developed into a large-scale industry and a mining town developed. New deposits were discovered and the production of sulphur was of great importance in the 20th century.

There was a gradual reduction of the labour force since 1960, due to low-priced ore. The mine was eventually closed in 1987.

Folldal is a mountainous municipality with a sparse and scattered settlement pattern. The opening of the copper mine in 1748 laid the basis for the settlement. In the 1960s the resources in the old mines were emptied. New deposits were discovered in nearby areas. Mining started in 1968 and was operational until 1993.

Malm (Verran municipality) is located north of Trondheim, started mining in 1912, after the discovery of iron ore. Upon the commencement of mining the rural town was transformed into a busy mining town. In the 1970s, when the mine struggle to be profitable, the Norwegian state had to provide it with financial support several times, until it was finally closed in 1989. When the mine reopened in 1990, it was again declared bankrupt and closed in 1997.

Mining in Royrvik where sulphur ore, copper and zinc were mined, led to the growth and development of Royrvik. Mining also led the increase of the population in the area. During the 1990s it was not possible for the mine to make an economic return and it was closed down in 1998.

An integral strategy has been deployed by institutions in Norway to restructure the communities of the four mining towns. The economic restructuring process of the mines was led by the government, with community leaders, trade union leaders, and the mining companies all participating. Stakeholders involved efforts were directed to activities that could prevent further job losses and population declines. Attempts were also made to develop a local economy that would sustain the communities. New jobs were established but not enough to substitutes those that were lost.

The government undertook several innovative strategies to assist the mining community. Tax reductions and economic incentives were granted to communities and businesses in peripheral regions, along with subsidies for traditional industries and single-industries in

crises. The government furthermore, coordinated the economic restructuring activities in these mining towns, by encouraging all parties involved to direct their efforts to working out a successful restructuring process. Finally, the government provided financial support to the mining communities for their economic restructuring, over a period of time (Dale, 2002: 13).

The mining companies also played their part in assisting the mining towns, by selling mine houses cheaply to residents. Other infrastructures were given to the municipalities.
In the communities of Lokken and Malm, the local authorities, in cooperation with the regional and national government, were in charge of the process to attract new large manufacturing companies to the area (Dale, 2002: 15).

The private sector was encouraged by government to establish small and medium-sized manufacturing firms, based on the local resources (infrastructures and skills) of the area (Dale, 2002: 16). Local communities were able to establish machine and electronic shops, which sourced out services to the mines (Dale, 2002: 16). Tourism activities were developed, by the local and business community in Roros old mining infrastructure dating from the 18th century were well preserved that Roros is on UNESCO's listing of World Heritage Sites (Dale, 2002: 17)

Stakeholders, engaged in broad public participations to encouraging local economic creativity, mobilizing local resources and developing existing local enterprises (Dale, 2002: 16). A network of local groups and organisations formed, and played an active role in various local developmental projects and programmes. Some of these project and programmes succeeded in establishing a broad range of new, small firms in the communities (Dale, 2002: 18)

An important lesson that originates from the cases on mining towns is that mining towns are not sustainable, due to mining's dependence on external variables, such as commodity price fluctuations, level of available economic reserves, capital layout of mines and depletion of a non-renewable resource. The cases further substantiate that the consequence of mining have far reaching ecological and social devastations, purely

because of the mining activity. The cases also show that any attempt to mitigate the local economy of any mining town after mining ceased is not guaranteed.

It is thus imperative that mining towns reduce their dependence on the mine as early as possible, by doing the following:

- Ensuring that closure plans address the future of the town and its community.
- Ensuring that environmental and social implications during and after mining is properly considered and mitigated.
- Ensuring that consultation is promoted amongst key stakeholders.
- Ensuring that not all investment for development is associated with the mining industry. Other developmental activities, not related to mining, must be embarked upon to instigate diversification of the economy.

The literature on economic growth and development places emphasis on economic development, as opposed to economic growth. For local economic development to materialise (transpire), institutional participation is imperative. Local economic diversification therefore can only flourish if there is a strong interest from stakeholders, particularly in the case of a mining town, where the challenge is to diversify the local economy beyond mining. It is with these views, that government's role to develop and promote, a conducive economic environment, is justified. This is important as stakeholders and institutions can only effectively and efficiently contribute to the betterment of a society and community, once such environment exists.

CHAPTER 6: PERSPECTIVES OF STAKEHOLDERS IN ORANJEMUND

This chapter outlines the concerns of stakeholders in Oranjemund and the possible corrective measures that need to be introduced, for the town to succeed in its LED initiative.

Interviews were conducted with 13 individuals, representing key stakeholder organisations that have an interest in Oranjemund. (See Annexure 7 – List of Interviewees)

The interview questions (See annexure 8 – Interview Questions) were direct to get a general perspective of the aspirations of stakeholders, regarding the local economic development prospects of Oranjemund. Stakeholders interviewed represented the business community, the local community, an independent researcher and government.

Below is a profile of businesses and organisations in Oranjemund, approximate figures were used, to provide an overview of businesses and organisations in Oranjemund.

Businesses and Organisations in Oranjemund			
No.	**Details:**	**Quantity**	**Type/Ownership**
Retail Companies			
1	Clothing, jewellery and related businesses	9	Private
2	Furniture and household equipment	3	Private
3	Vehicle dealerships	2	Private
4	Grocery, food and related stores	6	Private
5	Hardware and related businesses	7	Private
6	Restaurant, take-away and catering businesses	17	Private
7	Cosmetic, beauty salons and related businesses	11	Private
8	Spares and related products	5	Private

9	Banks (FNB and Bank Windhoek)	2	Private
10	Spares and related products	5	Private
11	Finance, Insurance and related businesses	7	Private
12	Entertainment bars, clubs and bottle stores	10	Private
13	Other services for businesses and households	24	Private
Engineering & Contracting Companies			
1	Mechanical / auto mechanic related businesses	15	Private
2	Electrical and related businesses	5	Private
3	Civil & building construction businesses	14	Private
4	Consulting and engineering related services	8	Private
Travel & Tourism companies			
1	Vehicle rentals, travel agents, and related services	7	Private
2	Accommodation establishments	6	Private
Other Organisations			
1	Sport clubs and related organisations	13	Namdeb/Public
2	Churches	10	Public Org.
3	Kindergartens	3	Namdeb/Private
4	Private School	1	Namdeb
5	Hospital	1	Namdeb
6	Clinic	1	Government
7	Post Office (Nampost)	1	SOE
8	Home Affairs, Mines & Energy, Health & Social Services, Regional Council, etc.	N/A	Government
9	Namdeb, OTMCo, etc	N/A	Namdeb

6.1. Business Community

Interviewees

Several business organisations were interviewed.

Mr. Martin Mwinga is an FNB Economic Analyst (interviewed in his personal capacity). Mr. Mwinga is an economic consultant, currently providing training and consulting services, in his private capacity to the residents and business community in Oranjemund.

Another consultant interviewed was Ms. Claudine Mounton representing SMEs Compete Consultancy. SMEs Compete Consultancy is conducting a survey on local businesses and customer service in Oranjemund and has also been involved with the organising of the Oranjemund cultural festival.

Members of the Namibia Chamber of Commerce and Industry interviewed were Mr. Tara Shanika the Chief Executive Officer of the NCCI, and Mr. Isreal Kalenga representing the Oranjemund NCCI Branch. The NCCI is representing the interest of the business community in Oranjemund, and has worked with Namdeb on a number of projects. The NCCI also has a representative sitting on the Oranjemund Council.

Overview

During the interviewing process, it emerged that there was a clear awareness amongst the businesses community that the future of mining is diminishing and that immediate interventions are required to develop the local economy of the town.

The business community also felt that recognition had to be given to Namdeb for the establishment of the sound infrastructure in Oranjemund. They are convinced that Namdeb performed very well from an economic, social and environmental perspective. The company also established itself as a major contributor to Namibia's GDP and is the largest employer after government. It has committed significant funds for social projects, such as sponsorships to social institutions and community projects. It also offers bursaries to Namibians, and has developed health and schooling facilities in Oranjemund.

The respondents believe that the investments undertaken by Namdeb in Oranjemund, must be seen as a national asset that will be inherited by the municipality or local authority and the community of Oranjemund, once mining cease.

Economic Analysis

Threats

There was a general view that the fact that Oranjemund is a closed town, limits the influx of people and this adversely affect the towns' local economic development progress. The location of the town and its access limitations, are identified as serious concerns.

Respondents maintained that the lack of available infrastructure for the expansion of existing businesses and the establishment of new businesses, is of concern. Available accommodation is not sufficient, as current available residences are assigned to Namdeb employees. People visiting or working for contractors and businesses in the town normally struggle to find suitable accommodation. The fact that Oranjemund is not yet proclaimed a town, limits people from legally constructing and owning property, as a title deed would not be registered against that property.

According to the SME consultant, people do not have confidence in the local government structures. Stating that the businesses are complaining that OTM Company is not doing enough to support business development. The SME consultant further stated that there is also a general fear amongst local businesses to accept external competition.

The economic consultant believes that since most people employed in the town are not from the Karas region, but from other regions in the country, this should be viewed as a matter of concern. He feels that people will return to their places of birth or hometowns upon closure of the mine. This could be viewed as a risk for businesses, if they have to establish themselves in Oranjemund, without sufficient government support.

The NCCI also believes that there is a risk that Oranjemund will not survive as a town, due to its market size if the mine has to close down. They argue the need for Namdeb and

Government to provide a conducive local environment and to avail packages that will attract businesses to the town. They believe that once businesses are developed in Oranjemund there will be an increase in the population. According to the NNCI, financial support is required from Namdeb and Government to develop skills that would be available for businesses in Oranjemund and other industries in Namibia.

Another concern for the business community is the size of the local market in Oranjemund. It feels that it is not large enough to encourage the establishment of big businesses. They feel the closed town status of Oranjemund defeats all LED intentions, as there is no certainty when Oranjemund will be proclaimed a town.

The business community feels that consideration for the establishment of a secondary school in Oranjemund is imperative. This is required because parents normally send their children to schools in South Africa or other parts of Namibia, once they reach junior secondary level (grade 8).

Opportunities

The businesses community responded positively concerning the future economic development prospects of the town. They emphasised that there are a number of formal businesses operating in the Oranjemund, and that there is evidence of increased business activity taking place in the informal sector.

The economic consultant believes that the development of the tourism and agriculture sectors could support the LED drive of Oranjemund and this must be promoted. He also stated that he was informed that a plan is underway for the construction of a hotel in Oranjemund. The SME consultant raised the possibility of organising cultural festivals in the town that will promote local products and give an opportunity to entrepreneurs and visitors from outside to showcase their products. The NNCI is confident that activities such as agriculture, aquaculture and tourism are opportunities that will benefit the town, due to the availability of water and land. The NNCI also believes that manufacturing projects must also be identified. Other opportunities to be offered according to the NCCI,

due to the climate of Oranjemund, are fishing, water sports, and activities such as golf and boxing. The NNCI stated that Oranjemund could be used as a service centre for nearby towns in the Northern Cape (Alexander Bay and Port Nolloth) and southern Namibia.

The SME consultant is also optimistic that a lot of opportunities are present in the retail sectors and tourism, especially scenic tours, and consulting services in bookkeeping, human resources and business development can be considered for the town.

The NCCI proposed that for any new job opportunities in the town, the people from Oranjemund or Karas region must be considered for employment opportunities, such as the rehabilitation works on mining areas.

The respondents agreed that the infrastructure of Oranjemund is well developed in comparison to medium sized towns in Namibia. It also emerged there is surely a need for infrastructural expansions if new businesses have to be accommodated in the town. All respondents agreed that the availability of resources such as land, water and electricity favours the development of new businesses and future business expansions. The need for the construction of accommodation establishments, residence and business premises is very evident in the town. The economic consultant identified the construction of a retirement village as an economic opportunity that must be considered for the town because of its climatic conditions.

The economic consultant believes that the fact that banks already operate in the town, is a positive reflection of the economic potential of Oranjemund.

Respondents were confident that a significant number of people would like to remain in the Oranjemund, after mining ceases, if they are given that opportunity. They also agreed that there is sufficient buying power in the town, provided opportunities are created where people could spend their money.

Actions

The business community feels that the proclamation process needs to be accelerated. Once this process is successfully completed, it will encourage investments to flow into Oranjemund, it would enable people to acquire property and it would grant visitors access to the town.

The respondents raised the need for the private road between Rosh Pinah and Oranjemund to be tarred, as frequent accidents occur on this road. The NCCI believes that the responsibility of tarring the road must be placed with Government.

According to the economic consultant, workshops are being held in the town on financial planning and business management for community members and workers to prepare them for the future development of the town. The NCCI also stated that they have started training SMEs in Oranjemund, in the areas of business management and administration.

There is also agreement amongst the businesses community that investors need to be encouraged to invest in Oranjemund. The NCCI feels that incentives must be provided for businesses to be established in the town. This will create the necessary confidence required to attract new businesses to Oranjemund.

The respondents also feel that there is a need for Namdeb to relinquish more of its non-core activities, by outsourcing it. Local people must be encouraged to participate in potential business initiatives through the formation of partnerships and joint-ventures.

The economic consultant feels that Government needs to develop a strong presence in the town. The business community would require support from government to ensure their survival. He further argues that Government has pledged funds to sustain a mining town such as Tsumeb and could thus do the same for Oranjemund.

The business community also feels that strong relationships need to be developed amongst key stakeholders such as Namdeb, NCCI, OTM Co., the Government and the

community of Oranjemund. According to the NCCI, government departments such as Environment, Agriculture and Trade have already committed their support to the development of Oranjemund.

The respondents agreed that Non-governmental Organisations (NGOs) could play an important role in the town's developmental agenda. NGOs are currently not active in the town, but could work closely with the local authorities on social, economic and environmental areas. A strong NGO is important for the development of the town. NGOs could develop PPPs (Private Public Partnerships) with local companies and community organisations. Respondents all agreed that there is a need for NGO involvement in the town. The NCCI stated that NGOs could participate in the areas of business development, education and religion.

The respondents highlighted that the success of Oranjemund's LED initiative is highly dependable on the type of support government can provide.

Leading the LED process

When questioned on which institution should lead the local economic development initiative of Oranjemund, respondents had different views.

The SME consultant feels that OTM Co. should lead the LED course of the town, as they have initiated a number of business surveys in the town and is heading the proclamation process of Oranjemund.

The economic consultant believes that the NCCI is already working on the future development prospects of the town and should lead the LED process.

Members of the NCCI believe that they need to drive the LED process of the town, as they have already engaged a number of stakeholders such as Government, OTM Co., the local community and the businesses community on possible interventions that could lead to the local economic development of Oranjemund.

6.2. The Local Community

Interviewees

Interviews were conducted with five members of the community, who are applying their professions in Oranjemund, with the exception of one, who resigned.

Employment status of respondents was as follows:

- An accountant working for Namdeb
- A doctor working for Namdeb
- A pastor working for the local Lutheran Church
- A health administrator working for Namdeb
- A human resource administrator, an ex-Namdeb employee

It was important to obtain the views of community members, particularly those representing the working class, as their concerns and contributions to the LED course of Oranjemund cannot be ignored.

Economic Analysis

Threats

The respondents felt that the "closed town status" of Oranjemund impedes on development prospects, as this is evident from the slow phase of development experienced in the town. Another respondent noted that the lack of foreign investment in the town, due to the entrance limitations to the town for Namibians and other foreign nationals must be seen as a threat.

One respondent stated that the key economic weakness of the town is its reliance on the diamond mining activity, and the fact that the town's survival depends on the mine. He feels that if diamond mining stops the town will "die".

The respondents strongly felt that most of the people currently in the town would leave the town once mining ceased. One reason cited was that people came to the mine to work. If the mine closed and suitable alternative employment is not found, people will return to their places of birth or hometowns. Another reason is that there is no intention on the part

of most people, to permanently establish themselves in the town, as most of their family members are not staying in the town.

Most of the respondents also identified the availability of existing infrastructure for business development as a serious problem. The current infrastructure for business expansion or for the establishment of new businesses is a concern, as most available spaces are occupied.

Respondents indicated that the cost of living is very expensive in Oranjemund. There is a strong sentiment that goods are expensive because of a lack of competition. Residents state that the inappropriate pricings and unavailability of goods result in people travelling to Springbok or Port Nolloth in South Africa to do shopping.

Another common concern raised by the respondents was the availability of accommodation. There is a lack of accommodation establishments, for visitors and residents, in the town. Current available accommodation is reserved for Namdeb employees and private individuals struggle to obtain accommodation.

Respondents also raised the issue about the poor road infrastructure between Rosh Pinah and Oranjemund. They stated that the road is a gravel road that is very unsafe to travel on.

Opportunities

One respondent indicated that the future economic strength of Oranjemund is the possibility of off-shore diamond mining activities, as an alternative to on-shore mining.

Most respondents emphasised that the development of a tourism sector and the Kudu Gas Field project are economic strengths that could lead to the creation of business and employment opportunities in Oranjemund. It is predicted that these activities will encourage the influx of people to the town.

One respondent argued that since diamonds are mined in Oranjemund, value addition activities on diamonds could be done locally. The respondent added that the sorting and valuations of diamonds are all activities that could be undertaken in Oranjemund and not in Windhoek, as it is currently being done.

The respondents generally feel that the infrastructure in the town is well developed and there is sufficient land available for future development.

The development of an agriculture sector also received strong support from respondents, as they feel that local food production projects can be undertaken, as land and water (Orange River) is available in Oranjemund.

One respondent feels that since Oranjemund has a well-equipped hospital that in cases of emergencies provides health services to nearby towns such as Rosh Pinah, Luderitz and Port Nolloth. This must be seen as an economic strength.

Actions

Community members feel that they are not consulted or informed by stakeholders such as Namdeb, OTM Co., the NCCI, the local council or any governmental department on the future development prospects of the mining town. They further proposed that a committee needs to be established that could co-ordinate meetings to ensure people are informed.

Other community members complained that the clinic and hospital are the only health facilities in the town and this not sufficient for the community. The clinic belongs to government and the hospital belongs to Namdeb and cater only for individuals that work for the mine or that are able to afford these services. There is thus a need for government to ensure that people in the town, who are unemployed or can cannot afford these services, have access to them. (It can be assumed that people who are illegally in the town, do not want to expose themselves).

Some community members also felt that the private school in the town only benefits those individuals working for the mine. Since the school caters for scholars up to grade 7, there is a need to upgrade it, as scholars need to leave the town to attend secondary school at other towns in Namibia or South Africa. The community argued for the need of a public school that could benefit everybody in the town and that caters for scholars up to grade 12.

One respondent raised the issue of alcohol abuse and HIV/Aids related matters in the town, as a concern for the community. He stated that alcohol abuse is a common practice amongst community members and that there is an increase of HIV/Aids related cases in the town, and believes that this will get worst once the mine closes. There are thus serious interventions that will be required to address these dilemmas.

A number of products are not available in local shops and people prefer to do their shopping in Springbok. The community feels this will only be corrected if competing stores are invited to the town that could provide products and services at an affordable price than current prices.

Most community members are confident that some people would like to remain in the town after the mining activity ceased, but other members feel that people would leave the town, if they do not find suitable employment once mining activity ceased.

The respondents feel that it is important that government and big businesses intervene to provide funding and assist the community with business opportunities, training, financial assistance and any form of support that could ensure the community survive. The mine needs to create awareness about the opportunities that are available. Vocational training opportunities and community based training needs must be undertaken to ensure that local skills are developed.

Leading the LED Process

All respondents believe that the involvement of NGOs in the LED process of Oranjemund would be valuable, but could not provide information on the activities NGOs could undertake in Oranjemund. They feel NGOs must be approached by stakeholders, to determine the role they could play in Oranjemund.

Most respondents also feel that all stakeholders could contribute to the LED process of Oranjemund, and believe community leaders should lead the process. They feel the local NCCI branch must also be involved. They further argued that it is important that the responsibility of LED is not placed on one organisation or individual, but must be a collective effort. They challenged OTM Co. to come up with a plan that will ensure the town's sustainability.

Other respondents feel that the national government must be fully mandated to manage the LED process of the town.

6.3. Independent views

Interviewee

Mr. Jerry Mameja is the managing director of NEDICO, a local research consultancy and represents the views of an independent researcher. He has done extensive research on local economic development. He has conducted studies on the Local Economic Development Opportunity Study for Walvis Bay and an Economic Assessment Study of Arandis.

It was felt that Mr. Mameja's experiences on the subject matter of LED would be imperative for this study, as independent views can provide useful information that at times are overlooked by people who are directly involved and at times ignoring the realities that an initiative such as this are faced with.

General

The independent researcher believes that Karas is a strategic region, because most of the imports from South Africa passes through the region. He further stated that the Karas Region is the biggest contributor to the Namibian economy and is rich in resources but poor in wealth creation and development. He identified Namdeb as the biggest tax contributor to the government.

Economic Analysis

Threats

The independent researcher interviewed stated that Oranjemund is like any other mining town, as all the mining towns' life expectancy depends on the life expectancy of the mine. He further stated that the potential for Oranjemund to exist as a town depends on the mine.

He said that cemeteries are a good indicator if a town is considered a "home town". If people are not buried in the town, that is clear indication that it is not a "home town". Another indicator is to determine if people are in the town only to work or if there is a clear interest from them to establish themselves in the town. He argued that if people only went to work in the mine, then there is a probably no intention for them to remain in the town, once the mine closes. Another indicator is that if people do not own property, or where ownership is restricted, this raises concerns for any developmental agenda. If there is a reluctance from government to actively get involved, this is also an indicator that government does not support the LED initiative of the town.

Another concern raised by the independent researcher was that most of the people who work in the mine are not from the region and money thus moves quicker out of the town rather than contributing to the development prospects of the region.

Another risk he identified is HIV/Aids in mining towns, as most men are working in the mines and away from their families. They tend to engage in irresponsible sexual

practices. This risk is even greater in the case of a closed town such as Oranjemund, and needs to be properly mitigated.

He further emphasised that it is important that there is a genuine intent from Namdeb to empower the locals in the town and not for the mine to be seen to try developing the town. The mining company must not try impress government or the local community, they must embark on this initiative to make it work, by committing resources for it to succeed.

Opportunities

He feels that tourism opportunities should be explored in Oranjemund, as the scenic view and location of the town, are unique. He believes that agriculture and farming activities could also be considered for Oranjemund, but argues that these sectors require experiences and skills that might lack in Oranjemund.

Actions

According to the independent researcher, any local economic development initiative should provide local and sustainable opportunities to locals. It is important to start with true grassroots developmental projects, which must provide empowerment opportunities to the community. People should be equipped with new skills to ensure that they are able to function in other sectors. The challenge is how capacity-building initiatives will be driven, regarding the training, development and mentoring instruments that will be applied to ensure LED is achieved.

The independent researcher stated that Government would have to invest in the town if it were declared a town. Relevant governmental and private institutions would also have to be established in Oranjemund. If there is no commitment from government to establish themselves in the town, this will seriously challenge the developmental prospects of the town.

He believes that the mine must provide funding to support and train SMEs to start businesses in the town. The mine could fund intervention to could attract business to the town. Other stakeholders such as the Government Institutes Pension Fund (GIPF), Government, Ministry of Trade, NGOs such as Joint Consultative Council (JCC), other foreign donor agencies such as Deutscher Entwicklungsdienst (DED) and German Technical Cooperation (GTZ) must all be involved. He believes that NGOs can play an important role in the sense of social enhancement. The role of NGOs can never be overemphasised, as they can be even more effective than governments. OTMCo. could ensure that the local environment is conducive for business development and that opportunities are developed for businesses.

Leading the LED Process

He believes that unless there is a higher authority that drives the strategic direction for the development of the town it would not work – Regional Government must get this mandate from Central Government. This implies that if there is a political will, change is more forthcoming. There need to be laws and policies that support the town's developmental agenda. He states that a political arrangement needs to drive the economic development process – government through the regional authorities, have the resources to bring about the anticipated change to Oranjemund. He further questions the mandate of OTMCo. wanting to know, if OTMCo. is established to address the interest of Namdeb or the community of Oranjemund. Reinforcing his argument he states that Namdeb is running a true business and business decisions will always supersede social interest.

Strategic leadership is required in the town, for the LED initiative to succeed. This will require everyone to be involved.

He concluded by saying that planning for mine closure should have been done at the inception phase. The road map for the journey ahead must be planned, but must not overlook environmental, social and economic implications. He believes that a lot can be learned from fishing towns such as Walvis Bay and others, which came about because of

the fishing activities. Significant progress has also been made in the copper belt region in Zambia. But the question ought to be asked what can Oranjemund offer?

6.4. Government, local authority and municipality

Interviewees

Representatives of stakeholder organisations interviewed and classified under the local authority segment were Mr. Ickua, a local economic development manager at the Rosh Pinah Zinc mine (interviewed in his personal capacity), Ms. Elizabeth Kamutuezu representing OTM Co., and Mr. Toivo Nambala the local councillor for the Oranjemund Constituency, representing the Karas Regional Council.

Mr. Ickua is an economic development manager at the Rosh Pinah Zinc mine, and is driving the LED initiative for the town of Rosh Pinah. His organisation has a close relationship with OTM Co. and the Karas Regional Council, and they are all working towards a successful LED programme for the mines in the Oranjemund Constituency.

Mr. Elizabeth Kamutuezu is the local economic development manager at OTM Co. and is heading the town of Oranjemund's LED programme. Mr. Nambala is the councillor for the Oranjemund Constituency, that resorts under the Karas Regional Council and he is based in Oranjemund.

General

The local councillor explained that OTMCo., is a subsidiary of Namdeb. Its core objective is to manage the town (serving as a local municipality). This is due to the absence of a local authority. It is thus assumed that OTM Co. is geared to become the municipality or to operate as a local municipality.

A common concern raised by respondents is the fact that the town is still heavily dependent on Namdeb for its survival. As diamond resources become depleted, Namdeb will have to end its activities. This could be disastrous for the town.

Economic Analysis

Threats

The local economic development manager from a local mine stated that there is a lack of skilled personnel in the Oranjemund constituency, as the three mines, namely Rosh Pinah, Zinc Scorpion and Oranjemund are closely located and do need skills that could benefit the mines in the region. He further expressed concern for people that are eager to enter Oranjemund, as he believes that most of people try entering the town for the wrong reasons, as their intentions are to illegally obtain diamonds.

Respondents also indicated that the fact Oranjemund is a closed town, limits its economic potential.

The councillor stated that a weakness of the town is that people in Oranjemund are not from the town. What currently is happening, is that when people retire, they prefer going back to their places of origin and it is mostly younger people who prefer to stay in the town. Supporting this statement, the local economic development manager from a nearby mine supported the councillor's sentiments, as he believes that there are people who would like to stay in the town, but to retain them after mine closure will be a challenge.

The representative of OTM Co. admitted that people are normally relocated to their places of birth or choice, once they lose their employment at the mine. She also reiterated that there are other concerns such as people who are illegally residing in the town. These are people who failed to leave the town after their permits expired.

The councillor also stated that the informal settlement is a challenge that needs to be addressed, as it could become a fertile ground for crime and other social ills, which needs to be addressed.

All respondents highlighted the fact that a lack of accommodation in the town is a common concern that needs to be addressed urgently.

The economic development manager also noted that Oranjemund is situated in a flood risk area, as such a flood was experienced in the past.

Another concern raised by the councillor was that the financial limitations of the Karas Regional Council this limits the Council's ability to effectively contribute financially to the development of Oranjemund.

Opportunities

The OTM Co. is confident that there are a number of business opportunities in Oranjemund that can be explored in the town, but these are all subject to the opening of the town. The representative of OTM Co. further indicated that investors have expressed their interest in the town.

All respondents highlighted that agriculture and tourism are sectors that could be considered as economic strengths of Oranjemund and that these sectors must be developed. Reasons supporting this argument are that Oranjemund is rich in fauna and flora, the availability of water (Orange River) and the fact that the mouth of the Orange River is viewed as a tourist attraction point.

In addition to sectors such as tourism and agriculture, the local councillor believes aquaculture activities must also be developed in Oranjemund. Other opportunities to be considered are the development of accommodation facilities, such as the construction of a hotel or lodge.

Respondents indicated that the availability of sufficient land, water and electricity also makes Oranjemund attractive for investors. They also believe that if projects such the Kudu Gas initiative is realised, it would have endless spin-offs for Oranjemund.

As diverse entrepreneurial skills and experiences are required to bring about the much needed development to Oranjemund, the town is open to all opportunities.

There was a general acknowledgment from all respondents that the existing infrastructure cannot accommodate more businesses. They further stated that sufficient land is available and attempts must be made to develop new infrastructures and improve existing infrastructure.

The councillor also believes value addition activities must be considered for Oranjemund.

The representative of OTM Company further stated that the proximity of facilities such as the international airport and border post, and the fact that the town is located in the Sperrgebiet. He furthers alluded that Oranjemund is situated in favourable location for investors and tourists.

Action

OTM Co. says that a number of programmes are in place to educate the community in a number of areas, relating to life skills and business development. They are also conducting studies on investment opportunities in the town.

The local councillor also informed the researcher that the Constituency Development Committee is used as a vehicle to inform and consult the community on developmental issues and the activities of the council.

OTM Co. also stated that the workshops and hostels in Oranjemund are under utilised, and their intention is to establish a technical college or high school. Consideration for the establishment of a Vocational Training College (VTC) is being examined, as there is no VTC in the Karas Region. Another factor supporting this action is because of the availability of resources, in the form of infrastructure and skills in Oranjemund.

The local councillor highlighted the fact that Namdeb has been actively involved in funding a number of studies in the field of agriculture, aquaculture and on tourism prospects of the area.

OTM Co have done some development of the roads in the town, invited companies to conduct research and are working with a number of companies that could attract new business and improve the development of existing business.

Respondents also indicated that Oshipe Development Fund could play a vital role, through supporting entrepreneurs in Oranjemund.

The local economic development manager stated that the farming communities need to be involved and approached in the region as their involvement could contribute to positive economic growth.

The councillor stated that the Regional Council is already driving the proclamation process and is currently looking at ways on how the town could be sustained after mining.

The councillor further proposed that when contractors enter the town through successfully acquiring a local tender, they must be encouraged to partner local companies and employ locals. There is a key drive to attract businesses to invest in Oranjemund.

The local economic development manager believe that the needs and shortcomings of the community in Oranjemund must be identified and interventions must be developed that would prosper future economic development.

The councillor also stated that Namdeb has transferred its non-core businesses to private entrepreneurs, such as retail outlets, bottle store, club, and food outlets.

The councillor proposed that the road between Rosh Pinah and Oranjemund be tarred, as this will make access to Oranjemund more convenient and safer.

The local economic development manager from the nearby mining town, also indicated that his company (a mining company) is already working together with OTM Co., to ensure that the two towns do not become ghost towns should the mining activities come to an end. This, in his view, will ensure that sustainable developed and income generation activities are developed.

According to OTM Co., to establish a business in the town one must apply to the local authority, through the office of OTM Co., where the Private Enterprise Committee (PEC) reviews the application, before approval is granted. The PEC consists of the OTM Co., the local council and the NCCI members.

The OTM Co. representative stated that upgrading works are currently being undertaken on the water and electricity reticulation system in the town, and this will guarantee sufficient supply of water and electricity for future development.

Leading the LED process

The respondent from a local mine believes that the local economic development initiative of Oranjemund, must be led by the Namdeb, as they have the money for investments. He also says that Oshipe Development Fund could play a vital role and that government must be included to build hospitals, schools, roads, and other infrastructural developmental projects. He added that local businesses and the community must form part of the process. He further states that line ministries such as local government, agriculture, education, lands, tourism and trade must all be involved, to address the LED challenge of Oranjemund.

The representative of OTM Co. believes that OTM Co. and Namdeb would need to lead the LED process for Oranjemund. She encourages local people to take advantage of any opportunities in Oranjemund. She believes that Government should provide the conducive environment, and other organisations that should for part of this initiative are the NCCI, the Karas Regional Council, Community Members (the local councillor must

act on their behave of the community), business community, the union and Oshipe Development Fund.

The councillor strongly feels that Government should drive the LED process of Oranjemund, through the Karas Regional Council.

Most of the respondents responded positively, when question on the future economic prospects of Oranjemund. From the survey, several significant economic opportunities became evident, as is described in the next chapter.

CHAPTER 7: ORANJEMUND'S FUTURE DEVELOPMENT: PROSPECTS, OPPORTUNITIES, AND RISKS

The data revealed that there are several economic opportunities that could be introduced in the town, which could significantly contribute to the town's economic sustainability.
The identification of economic opportunities are imperative for Oranjemund's local economic development strategy, as it could lead to the establishment of new business ventures that could result in the creation of new employment opportunities in Oranjemund.

7.1. Economic Opportunities

7.1.1. Small Scale Mining

It emerged that the mouth of the Orange River and the tailing dumps consisting of gravel from the mining activities, have rich diamond deposits. These deposits might be uneconomical to re-mine commercially through the deployment of capital intensive machinery. Nevertheless, it creates an opportunity for the introduction of small scale mining activities, where miners could use labour intensive methods, and low-tech machinery. The creation of small mining companies, which could subcontract their services to Namdeb, could have a significant impact on the local economic development of the town.

7.1.2. Diamond cutting and polishing

It was felt by some respondents that consideration must be given for value addition activities on diamonds, to be done locally in Oranjemund.

The increase in the number of diamond cutting and polishing facilities in Namibia, and the Namibian Government's determination to introduce more value-adding activities,

through the processing of local minerals and other raw materials, perfectly endorse the establishment of a diamond cutting and polishing facility in Oranjemund.

The local development of these raw materials would create significant employment, which would have a positive impact on the local economy.

As off-shore diamond mining activities is on the increase and the gradual scale down of on-shore diamond mining activities is taking place, it creates a perfect opportunity to consider private investment funding for the development of a diamond cutting and polishing facility in Oranjemund. This initiative will not be sustainable indefinitely, but would provide the much needed employment opportunities for the residents of Oranjemund and would have an impact on the LED initiative of the town.

The establishment of a diamond processing facility would also give Oranjemund some more time to diversify its economy.

Other activities such as the sorting and valuation of diamonds could also be done in Oranjemund. Private investors need to be enticed to establish diamond cutting and polishing facilities.

7.1.3. Tourism

The development of the tourism sector in the town was the most prominent economic opportunity raised by respondents.

The location and environment of the town makes it a potential tourist hot spot. The scenic view of the coastal environment, with the town's unique flora and fauna, can have numerous benefits for the local economic development of the town, with spin-offs that could extent to a number of other businesses. By developing a solid tourism sector in the town, other sectors such as retail and other services might have an increase in activity.

This will ensure that trade activities, with money generated outside Oranjemund, is promoted.

The location of the town provides a number of tourism opportunities that can be introduced.

Mining Tourism

The touring of old non-operational mine dumps, existing mining sites in operation and old mines like those that became ‘ghost towns” such as Kolmans Koppe could be explored.

This form of tourism would be unique to Oranjemund, as this will give an opportunity to tourists to understand the complexity of the diamond mining operations. This form of tourism could become an effective tool to attract tourists to the town.

Cultural Tourism

The diverse cultures in the town creates a perfect opportunity for exploring cultural tourism opportunities, as people from all over Namibia resides in Oranjemund, where a cultural village or art centre could be establish to share Namibia’s rich cultural heritage. This could benefit people in the town who are unemployed and also could potentially provide opportunities, for those Namibians in nearby towns such as Lüderitz, Rosh Pinah and Aus to provide traditional products, such as food, arts and crafts, to tourists.

Eco- Tourism

The mouth of the Orange River to the south, the Atlantic Ocean to the west and the surrounding desert scenic provides a diverse ecological experience. The area surrounding the town possesses a rich and diverse ecology. The town is located in the Sperrgebiet that borders the Richtersveld/Ai-Ais Transfrontier Park, which are popular National Parks.

7.1.4. Agriculture

The availability of land and water and the town's favourable climate makes it suitable for farming initiatives. The banks of the Orange River or nearby land could certainly be effective deployed for horticultural and intensive farming practises.

Aqua farming (fresh-water aquaculture) is another initiative that could be deployed, due to the availability of water, fish and land.

The availability of water and land and the town's close proximity to nearby towns such as Rosh-Pinah in Namibia, and Alexander Bay and Port Nolloth in South Africa, makes Oranjemund ideal for the development of a well structured local agricultural sector.

Water as a resource could also be pumped from the Orange River, purified in Oranjemund and transported to nearby towns such as Lüderitz and Aus.

7.1.5. Mariculture

Marine cultural activities that could be explored include oyster and mussel farming. The possibility of marine fish farming can also be considered, through using the deep holes near the edge of the sea that were created through the excavations by mining activities. The marine fish farming dams and ponds could also be constructed.

7.1.6. Special Events

The infrastructure of the town enables it to host a number of national and international sports events. The eighteen hole golf course is of an international standard and can be used to host national and international golf events. Boxing has always been popular in the town, in the past a number of successful domestic and national sports events were held in the town. Sports activities such as marathons, rugby, netball, soccer, tennis, cricket, squash, hockey often take place with competing local teams and teams from nearby towns in Namibia and South Africa.

Water related sports such as fishing, canoeing, rafting, and land-base activities such as hiking, athletics, soccer and other sports codes should be held in the town, to attract visitors.

Trade fairs and conferences could be introduced as annual events. The town has a number sport fields, a community hall and conference halls that are well equipped.

It is important to capitalise on these opportunities, as their contributions could have far-reaching benefits for the town. The promotion of major events in Oranjemund could have a positive economic impact on the local economy of the town, because a large number of people coming from outside the town, would be encouraged to spent their money on accommodation, shopping, food and drinks. Spending by visitors will create the necessary boost for local economic development, as additional injection of income from visitors, could potential create new business opportunities that could result in the creation of more jobs.

7.1.7. Retail

The lack of retail outlets and the limited choice of commodities in the town has been highlighted as serious concern by residents. It emerged that residents are forced to do their shopping in South Africa, in nearby towns such as Port Nolloth and Springbok that are better equipped, and where prices are affordable and a larger variety of goods are available.

There is thus sufficient opportunity for expansion in the retail sector, businesses that could potentially fill this gap in the market should be invited to the town, this will ensure that money is spend in the town.

More business establishment trading in groceries, clothing, furniture, and entertainment are required in the town. This will surely ensure the availability of much needed services

and goods required in the town, and could lead to stimulate a more competitive practice, then what is currently prevailing.

The local authorities could conduct research on the current extent of purchasing power which is lost to other towns. This information can then be used to entice other retailers to invest in Oranjemund.

7.1.8. Property & Housing

The fact that the town is not yet proclaimed makes it impossible for businesses and individuals to own property and/or to invest in the improvements of such properties. The current properties are all leased through Namdeb and the lack of accommodation is a serious concern for all.

Only after the proclamation process is completed, will the local council be in a position to make land available for sale. This will also enable visitors to freely access the town and purchase land.

The town is also ideal for the establishment of a retirement village and, or holiday homes, provided medical, sport, recreational and retail facilities are available.

If tourism is to be pursued, the lack of accommodation will become a barrier for the sector to reach its full potential. Developers and investors need to be invited and informed of the potential economic opportunities in the town.

7.1.9. Other Investments and Development Initiatives

I. The Kudu Development has been declared a national priority. The project will have tremendous economic benefits for Oranjemund. The anticipated cost of the project is estimated at U$800 million that will include the development of an offshore gas field and the construction of an 800MW gas-powered station at Oranjemund. Electricity production for the project is expected around 2009.

II. Consulting Services and other professional services that include construction, engineering, medical, auditing, human resources, finance, and other business related service would be in great demand if some of the anticipated developments in the town is realised, such as the proclamation process, the Kudu gas development and the possible emergence of well organised small-medium enterprises.

7.2. Factors Affecting Economic Development

7.2.1. Proclamation Process

The delay in the proclamation process is having an adverse economic effect on the town. The fact that Oranjemund is a closed town and located in a protected area, the "Sperrgebiet", restricts the movement of people to the town. This also limits the opportunity for private individuals and business to acquire and own land, and therefore is a disincentive to investment.

It is envisaged that Oranjemund will be proclaimed a town before the end of 2008, as this is a very complex process that requires the co-operation of a number of professional stakeholders, if it is to be realised. There is a possibility that the proclamation process might be postponed until 2009, due the slow phase of development.

The proclamation process is a barrier to the local economic advancement of the town.

7.2.2. Location of the Town

Some respondents felt that the distance of Oranjemund, in relation to other towns in Namibia, adversely affects its economic development potential

Entrance to the town is limited. The only tarred road accessing the town is through South Africa. The road that links the town to the rest of Namibia is a gravel road that passes through Rosh-Pina. Accidents frequently occurred on this road, and the number of crosses next to the road bears testimony of the lives that were lost on this road.

The opportunity should be explored to open the private road from Alexander Bay to Lüderitz via Oranjemund, to the public, as this will significantly reduce the travel time between Lüderitz and Cape Town or Johannesburg. The opening of this road will boost the business and tourism sectors of Oranjemund. This will result in an increase in the flow of traffic, between Lüderitz and South Africa, via Oranjemund.

This will most probably only be realised, once the proclamation process is completed.

7.2.3. Market Size

Some respondents noted that the population of Oranjemund is too small for effective LED to take place. This is considered a serious economic weakness. A counter- argument is that the employment and income levels are relatively high in Oranjemund, in comparison to other towns in Namibia. This places Oranjemund in a favourable position, as it has a strong middle class.

The town has an acceptable market size, with an extremely acceptable purchasing power, considering that 90% of the town's residents are employed. There is sufficient buying power in the town to support the local businesses.

The timely approval of businesses seeking entrance to the town can be seen as drawback. The process whereby businesses need to apply to the town council to be established in the town, seemed to be anticompetitive, as this process protects existing businesses, against competing companies. The town surely needs more businesses especially in the form of restaurants, groceries stores and pharmacies as the existing stores are viewed by residents as being expensive and poorly stocked. Only the creation of a competitive business climate will provide Oranjemund with the much needed local economic acceleration it requires.

Another negative aspect identified by the community is the exorbitant fees charged by the business community. They feel the cost of living is high, in Oranjemund, because of the lack of competition. This results in people doing their shopping in towns such as Port Nolloth and Springbok in South Africa. This denies the town from the opportunity to promote the local multiplier effect and money retention in the local economy.

7.2.4. Business Support Structures

It was clear from the respondents representing the business community that not enough is done in the town to support business development. There is thus a need in the town to encourage existing businesses to expand and to encourage the establishment of new businesses in the town.

Consideration must also be given to informal sector business activities, particularly small manufacturing activities and community based business projects. Support for business development could be in the form of training, financing (funding), or incentives for the development of new vital sectors – in the manufacturing, agriculture and retail sectors.

Partnership arrangements need to be promoted amongst local businesses and new companies. OTMCo, Government, NCCI and Namdeb could conduct business surveys to determine the type of support required by local businesses. Surveys are also needed to determine what the expectations are from new businesses and investors, for investing in Oranjemund.

7.2.5. Human Resources

The skills shortage has been identify as an area of concern, most people in the town came to work in the mine, and thus do not posses diverse skills for future employment.

The current global skills shortage phenomenon that has negatively affected the general Namibian economic landscape, could pose its own challenges for the local economic development of Oranjemund.

It will be a challenge for the town to attract highly qualified skilled personnel and entrepreneurs, due to the current limited business opportunities, lack of employment opportunities and the lack of sufficient goods and services. Work opportunities for unskilled and lower skilled workforce will be well received in the region, due to the availability of labour and current high unemployment that is currently prevailing, in the country.

There is a need for Namdeb and Government to develop skills that would be available for businesses in Oranjemund, if the LED drive is to be successful.

7.2.6. Infrastructure Capacity

A common problem identified by the respondents was the lack of accommodation and infrastructure, for workers and businesses in the town. The infrastructure in Oranjemund is well developed in comparison with most other towns in Namibia.

The drawback however is the lack of sufficient buildings that could be used to accommodate new businesses. The lack of available accommodation also negatively affects visitors to the town. The available accommodation establishments are not adequate to address the demand for accommodation, when there are activities in the town. Businesspeople, who wish to reside in the town, wait for extensive periods before suitable accommodations become available.

Another common problem is the poor condition of the road linking Rosh Pinah and Oranjemund. The tarring of this road is imperative. Its poor quality at times can be damaging to vehicles and it, is also an accident risk, making it dangerous to travel on.

The opening of the private road along the west coast, would reduce the distance between Oranjemund and Lüderitz, to about 100 kilometres. This would increase the flow of traffic between Lüderitz and Northern Cape via Oranjemund. The Sir Ernest Oppenheimer Bridge link Oranjemund to Alexander Bay, across the Orange River.

The infrastructural development requirements in Oranjemund, need to be high on the national Government's priority list for Oranjemund. This will would also provide an opportunity to developers and contractors to move into the town and establish themselves, during the development process.

7.2.7. Relationship

The poor relationship between the respective institutions and the community is an issue that presented itself strongly during the research. It emerged during the interviewing process that the there is not a proper coherence of activities amongst OTMCo., NCCI, the Regional Council, the business community and the local community. Feedback of discussions amongst organisations, does not seem to reach the community. This is identified as a shortcoming that could negatively affect the development prospects of the town.

The community feels that they are also not involved, or are not adequately informed on future initiatives being considered by OTMCo. This barrier has created a breakdown of confidence by the community and the relevant institutions present in the town. There is not sufficient consultation taking place with community organisations. Although organisations such as OTMCo., NCCI, Namdeb and the Regional Council frequently meet, the outcome of these meetings do not reach the community. The lack of proper feedback and consultation structures could be blamed for this weakness in relationship.

These poor relationships can be extremely destructive for the local economic development of the town, as community members may refuse to participate or contribute to the development of the town. It is thus relevant that appropriate platforms and channels

are developed that will enable community members to be informed on developmental matters of the town.

The roles that local and regional organisations could fulfil need to be identified and recognition needs to be given to the respective institutions. A platform then needs to be created that will ensure that positive relationships are developed and maintained amongst these institutions.

7.3. Environment

According to the United Nations Institute for Namibia (1989) environmental challenges that cannot be ignored, are that Lüderitz and Oranjemund are mostly uninhabited due to its harsh environment consisting of desert sand, shifting sand-dunes, salt pans and bare rock outcrops. It therefore important that these factors need to be considered when the future prospects of the town are analysed. The continued environmental changes that are common in the area, ranging from excessive temperature changes, to unbearable desert storms, can be seen as a barrier to the local economic development of the town.

Another concern in the area is its close proximity to the mouth of the Orange River, where the land is low lying. This makes the area prone to floods that could have catastrophic results for the town of Oranjemund, in the event of a flood. Consideration must be properly placed to locate future developments on higher-lying areas.

7.4. Social

The town is troubled by the emergence of an informal settlement, which has led to an influx of unskilled workers, seeking employment at the mine. This is a great contributor of the high unemployment rate in the town. The abuse of alcohol is another social ill that needs to be attended to, if the town hopes to maintain its status as “Namibia’s safest town”, due to its low levels of crime.

HIV/AIDS is another factor that poses a serious risk to the community of Oranjemund, as this could have an adverse effect on the productive sector of society, especially on the employees of Namdeb. The fact that the mine is a closed town and mine workers are migrant workers who are mostly men, could be catastrophic for Oranjemund and thus necessitate the need for the implementation of programmes and projects that could equip people to protect themselves and create the necessary awareness.

Life skills programmes that will enable people to deal with the unemployment challenges, possible future retrenchments, alcohol and drug abuse, and other forms of abuse, need to be introduced in the town.

The lack of a secondary school has been raised as a concern, as pupils after completing primary and junior secondary school, have to leave the town to further their high schooling in South Africa or other towns. The need for a high school in Oranjemund has been emphasized as issue of great concern by the interviewees.

The opportunity for the establishment of a Vocational Training Centre exists. This is prompted due to the availability of existing training facilities, where mine workers were trained. Professional engineering and technical skills are available in the town that could be deployed to train artisans. The training of artisans could have far reaching benefits for Namibia's mining sector, where the shortage of qualified Namibian artisans is of great concern, in a booming industry.

It also emerged from the interviewing process that Oranjemund has a very well developed hospital, belonging to the mine, with state of the art equipment. There is an opportunity to provide quality health services, during emergencies to nearby towns such as Lüderitz, Rosh-Pinah, Noordoewer and Alaxander Bay. The only challenge would be to develop an integrated system that will ensure efficient and effective health service delivery to all nearby towns.

It was evident during the investigations that the interviewees acknowledge the significant contributions NGOs could make to the town, even though none of the interviewees could identify the specific role NGOs should play. NGOs could be very critical in community and socially driven projects, as they have the experience, expertise and the funding to effectively ensure that these projects obtained the desired results.

Women's groups could be supported with the establishment of small-scale domestic projects, such as poultry farming, animal husbandry, gardening and needlework. Community volunteering services involving counselling activities for HIV/AIDS sufferers, and drug and alcohol abusers could also be established in the town. Church groups could get involve with adult literacy classes, the establishment of a kindergarten and community driven projects on a small-scale.

On the social spectrum, it will be important to introduce NGOs, but Government have to take ownership with the involvement of the community to drive these initiatives.

CHAPTER 8: CONCLUSION AND RECOMMENDATIONS

This paper has argued the importance of economic diversification and the favourable impact it could have for the development of the local economy of the Town of Oranjemund. However, it does not fully address the local economic challenges of Oranjemund, but provides the basis for future studies to draft an economic development framework for Oranjemund.

It is also proposed that a more conclusive study be conducted that could devise detailed strategies that could be deployed, within an Economic Development Framework for Oranjemund. The strategies identified should clearly outline the appropriate implementation method and the reviewing and monitoring instruments to be deployed that will ensure capacity building and sustainability of each strategy. A possible LED Model must also be developed that is suitable for Oranjemund. Any plan however would also need to take cognisance of the environmental and social consequences and benefits that might occur from any LED action.

A unifying relationship needs to be developed with all stakeholders to ensure a collective stand is taken on the future of Oranjemund. The roles of the different stakeholders such as; the National Government, Namdeb, OTMCo., NCCI, Karas Regional Council, Local Churches, NGO's, the Union, the Local and Business Community should be defined within the local economic development process of the town.

National Government will need to become much more involved. This should include inputs from ministries such as Local Government and Housing, Ministry of Trade and Industry, Ministry of Mines and Energy, and others to ensure that the Local Economic Development initiative of the town received the necessary recognition, as it should be viewed as a national initiative. It will be required from Government to avail financial and human resources if the desired results are to be achieved. Failure to effectively get Government support would surely result in Oranjemund becoming a "ghost town", such as Kolmans Koppe

Oranjemund has done its part for Namibia and the people of Karas. It is now Namibia and everybody who benefited from the diamond mining activity, to do their part for Oranjemund.

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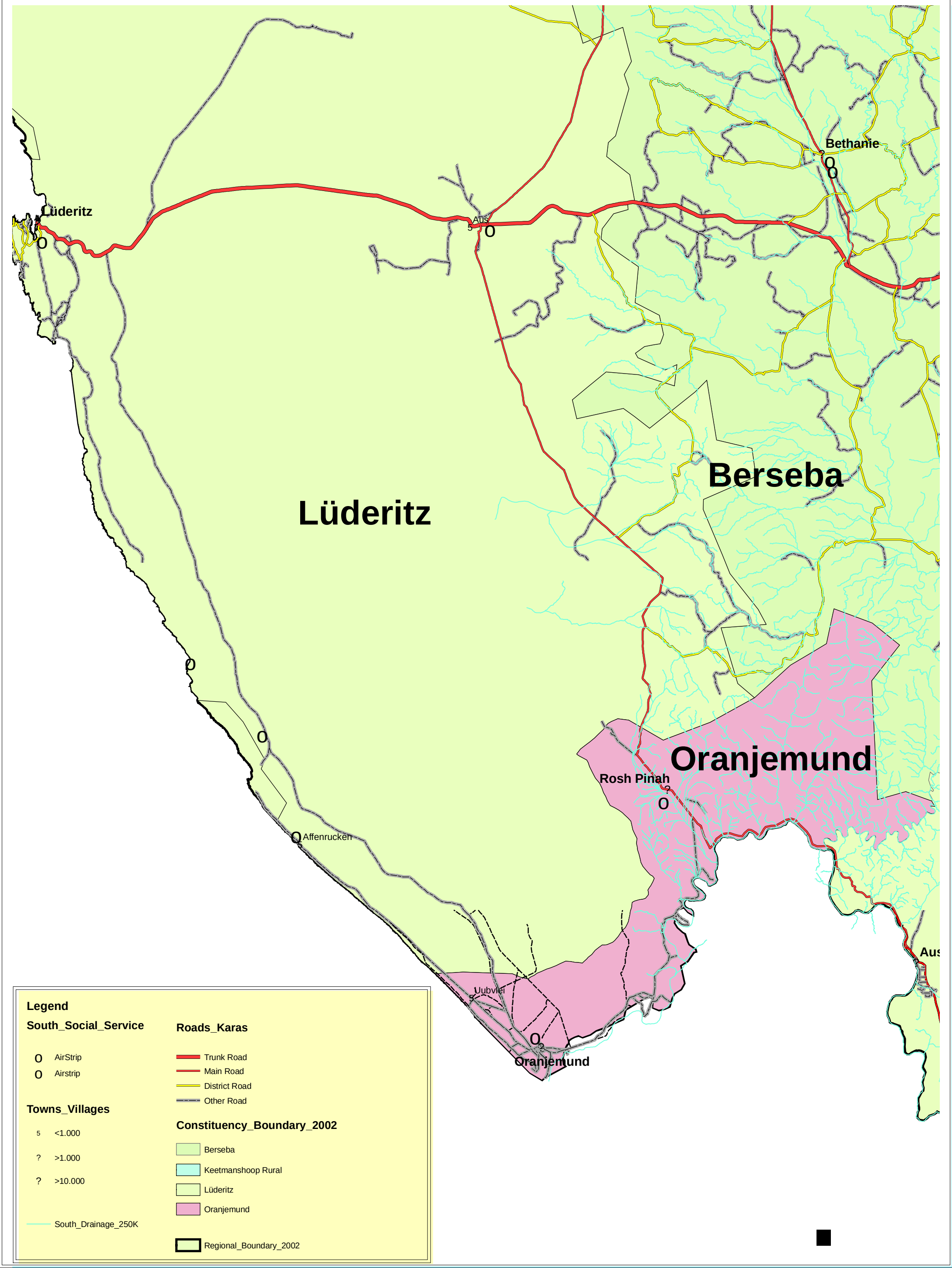
ANNEXURES

Oranjemund and the Neighbouring Constituencies



Namibia's Key Indicators

Indicator	Value	Year	Source
GDP	N$39.6 billion	2005	Preliminary National Accounts 2006
GDP per capita	N$18874	2005	Bank of Namibia
Average GDP growth per annum	4.70%	2005	Preliminary National Accounts 2006
Average per capita GDP growth per annum	7.10%	2005	Preliminary National Accounts 2006
Gini coefficient	0.701	Apr-03	National Household I/E Survey 2003/04
Imports as % of GDP	51.10%	2005	Preliminary National Accounts 2006
Exports as % of GDP	47.60%	2005	Preliminary National Accounts 2006
Average annual inflation rate	7.30%	2006	Bank of Namibia
Average annual exchange rate N$:US$	6.5274	December 2005	Bank of Namibia
Average prime lending rate	13.50%	Jun-07	Bank of Namibia
Government revenue and grants as % of GDP	29.60%	2005	Bank of Namibia
Government expenditure as % of GDP	33.10%	2005	Bank of Namibia
Budget deficit as % of GDP	1.50%	May-04	Budget 2006/7
Government debt as % of GDP	32.00%	May-04	Budget 2006/7
Population	1,830,330	2001	Population and Housing Census 2001
Population growth rate	2.60%	2001	Population and Housing Census 2001
Number of economically active people	608,610	2004	Labour Force Survey 2004
Central government employment	85,024	Dec-03	Labour Force Survey 2004
Unemployment as % of economically active	37%	2004	Labour Force Survey 2004
Life expectancy at birth	52 years	1997	UN Human Development Report 1999
Crude HIV prevalence ratio in pregnant women	22.00%	2002	Report of the 2002 National HIV Sentinel Survey MoHSS
Communal land as % of total land area	41%	1994	National Development Plan 1
Commercial land as % of total land area	44%	1994	National Development Plan 1
Poor households	38%	1993/94	National Household I/E Survey 1993/94

Source: IPPR 2008

MINING LOCATIONS IN NAMIBIA

Source: Chamber of Mines of Namibia (2007)

NAMIBIAN REGIONAL M

ECONOMIC DIVERSIFICATION OF A MINING TOWN:
A CASE STUDY OF ORANJEMUND
INTERVIEW QUESTIONS

A. GENERAL QUESTIONS {ALL}

1. What current involvement does your organisation have with Oranjemund? Who in your organisation leads this? Do they have adequate resources to do this? Do you have any reports (e.g. annual reports, newspaper cuttings), which describe your involvement?
2. What do you consider to be the current and future economic strengths of Oranjemund?
3. What do you consider to be the current and future economic weakness of Oranjemund?
4. As things stand now, what do you think are the most likely development prospects for Oranjemund?
5. What initiatives for economic diversification do you consider to be most promising for Oranjemund, as well as its place in the Karas Region, and for the nation in general? How can this be promoted?
6. Who do you believe should lead such initiatives?
7. What support should the government, the mining company, and other stakeholders provide?
8. What support can your company provide?
9. What risks will such initiatives face, and how can they be mitigated?
10. Do you have an idea how many people live in the area?
11. Are most of the people from here? {Try to probe for the percentage of people who are not from the area}
12. How many businesses currently operate in the area? {This is very general question, no detail are required}
13. What kind of businesses Operate in the area?
14. Do locals own most of the businesses?

15. {If no} Why do you think outsider own these businesses? {Probe for issues such as a lack of finance, capital, businesses skill etc}
16. What business activities are currently being operated by non-locals can be undertaken by locals? {Probe for issues of zoning, availability of businesses skill etc.}
17. Most people came to work in the mine. Do you think that people are willing to stay here even if they lose their employment in the mine?
18. Are there people that you would say, are actively unemployed in the area? {Probe for the type of people who are unemployed}
19. Beside the mine, what other job opportunities are available?
20. Are you aware of any EPZ businesses that operate in the area?
21. Can the existing infrastructure accommodate more businesses?
22. Is there enough land around this area to set up new businesses?
23. Are services such as water and electricity easily accessible to businesses? {Probe for small versus big businesses}
24. How would you rate accessibility of accommodation in this area?

B. LOCAL AUTHORITIES\GOVERNMENT\GOVERNMENT AGENCIES

1. {All except local authority} Do you know of any particular government policy that aims to Promote local businesses? {Ask what are the Policies and their aims}
2. {For local authority} Does your municipality have a database on businesses and business activities? {Probe for how often this data is collected, the main purpose of such data and also how they disseminate information}
3. [for local authority} As a final question, is the budget allocated to the action programme sufficient to meet the changing economic demand of your community? {Probe for detail on the size of the budget allocated to LED, the main focus of this allocation and what still needs to be done in regard}.
4. What are the policies aimed at LED? {Probe for when these policies were implemented, what is their main focus, why these policies were implemented}

5. What are the existing regulation and by-laws? {interviewer: regulations and by–laws refer to tools used by local authorities to govern within their jurisdiction}
6. Retention, expansion and attraction of businesses and industries is one of the most efficient ways to create employment and develop the local economy; What are the policies in this regard. {Probe for incentives such as tax incentives, infrastructure, land & building, regulatory framework, finance & approval}.
7. What are the policies aimed specifically at human resource development? {if no policies probe for why these policies are not regarded important, and when does the local authority envisage to start such policy, Also probe for policies aimed at supporting community organisation, job training, creative linkages, international linkages etc.}
8. {For local authority} "Any dollar that leaves the community creates unemployment". What if any has your municipality done to ensure that dollar made in this area, i.e. plugging the leaks?
9. {For local authority} What role could council play to promote partnership between all the stakeholders?
10. Of projects awarded by the local authority, which are procured to local businesses?
11. Which of the projects that are outsourced to outsiders- can be undertaken by the local people? {Probe why these functions are outsourced to external business and why not to local}

C. BUSINESS PEOPLE ONLY

1. As a businessperson, would you say that the existing policies on LED are sufficient?
2. What products/ do local people prefer to buy outside Oranjemund?
3. Why do they prefer to buy these products outside? {Probe for issues of pricing, quality, customer service, availability etc.}
4. What other untapped business opportunities do you think exist in this area? {Probe for tourism, SMEs, etc.}

D. COMMUNITY/EMPLOYEES

1. Do you think that the community involvement in LED is sufficient? {Probe for this is sufficient, also get clarity on their involvement could be enhanced}
2. How could community involvement be enhanced?

E. CONCLUSION {ALL}

1. How could other organisations such as NGO" s get involved in LED activities?
2. Whom do you think should take the lead in LED?
3. Do you have any closing comments?