

Business Plan for the Establishment of the Kokstad Buy Back Recycling Centre Greater Kokstad Municipality

Submitted to:

The Local Economic Development Fund of the Department of Provincial and
Local Government

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1. Introduction

This Buy-back Recycling Centre business enterprise project was identified through the implementation of the Greater Kokstad Economic Regeneration project. The core purpose of the economic regeneration study was to assist local role players and stakeholders in the municipal area to formulate a local economic development and regeneration programme. It entailed four processes:

- The identification of key economic conditions and trends in the municipal area;
- The determination of which sectors and commodities in the municipal area were significant to its economic activity and could be developed in order to positively impact on economic development;
- The formulation of a local economic development and regeneration framework and strategy for the municipal area;
- The identification and formulation of three catalytic projects including two business ventures for immediate implementation and an institutional plan for the implementation of LED in Greater Kokstad.

1.1 Stakeholder Validation

The process of undertaking the study, formulating the framework and strategy, and identifying and prioritising the catalytic project was done through a participatory process that included a technical work of key roleplayers (18th February), a stakeholders workshop (10th March) and three meetings of the Greater Kokstad Regeneration Project Steering Committee.

2. Project Summary

Applicant:	Greater Kokstad Municipality	
Project:	Kokstad Buy Back Recycling Centre	
Project Classification:	SMME Development Environmental Management	
Estimated Project Duration:	Start	1 st June 2003
	Complete	1 st June 2005
	Estimated duration	104 weeks
Budget:	2003/4	776360.00
	2004/5	R480252.00
	Total Budget	R 1256612

2.1 Brief Project Summary

The purpose of the project is to establish a buy-back recycling centre within the town of Kokstad which will promote local economic development by:

- providing opportunities for Small and micro-enterprises
- creating full time and part-time employment and income generating opportunities
- consolidating Kokstad competitive advantage as a regional service centre
- promoting a clean and healthy town environment
- complementing Greater Kokstad's integrated waste management strategy and thereby reducing the cost of municipal services
- promoting environmental management

The enterprise will focus on the collection of cardboard, glass and cans and their onward bulk sale to the respective major recycling centres of Mondi, Consol and Collect-A-Can. The core collection of cardboard, glass and aluminium waste will be supplemented with "waste" craft production and sales.

The project will be driven at the outset as a Community-Public -Private (CPPP) Partnership under the custodianship of the municipality. The key partners will be, emerging recycling SMMEs', and the established private sector (Mondi Paper, Consol and Collect- A-Can). The recycling centre will be concessioned to a business enterprise and run as a business venture during the course of the project's life. The total value of the project is **R1 256 612** and the project comprising initiation, set up and first phase implementation (2 years) will take be 104 weeks.

The project will create about 50 jobs in the short-to-medium term and the financial analysis indicates that the centre will be a profitable venture by year 3. The role of Kokstad as a regional service and commercial centre may well see the expansion of the

recycling centre into a large and strategic regional undertaking in the medium term with a high impact on the region in terms of environmental management and job creation.

3. Project Details

3.1 Project Manager

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3.2 Name of Local Municipality: Greater Kokstad Municipality

Municipal manager (Acting): Mr Andile Mdletye
P.O Box 8
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3.3 Name of District Municipality: Sisonke District Municipality

Municipal Manager: Mr M Mabaso
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4. Context for Local Economic Development in Greater Kokstad

4.1 Status of the Greater Kokstad Local Economy

The Greater Kokstad municipality is situated in the southwestern part of KwaZulu Natal. It has a population estimated to be between 35 000 and 45 000 people (higher than the census enumeration). The economy is focused on commercial agriculture and wholesale, retail and government services within the town of Kokstad. The municipal area has an unemployment rate of 23% and more than 40% of households have an income less than R6000 per annum.

The town of Kokstad is a service centre and economic hub for the entire sub-region including the rural hinterland and small towns of the Eastern Cape, Lesotho and KwaZulu-Natal.

The unique features of the Greater Kokstad municipal area are:

- Its historical location as a cross border service and commercial centre for Lesotho the Eastern Cape and rural KwaZulu-Natal;
- The consequent fluctuating and unsettled population due to in-migration from the Eastern Cape in search of housing, employment and social services;
- The absence of traditional authorities and communal areas, although the area links into extensive communal areas in the Eastern Cape and Lesotho;
- The relatively small population, high levels of urbanisation and lower dependency ratio in comparison to the rest of KwaZulu-Natal and the bordering areas of the Eastern Cape;
- The unique history of the Griqua people and the presence of more than 3000 people of Griqua descent in the region.

4.1.1 Employment Levels and Types per Economic Sector

Census data indicates that 33% of the total population is formally employed and approximately 32% are in the school going age, the rest are either unemployed or unspecified. Of those employed, 37% are employed in elementary work and 12% are regarded as skilled. Employment contribution per economic sector indicates that Agriculture is the leading provider of employment at 27%, followed by trade at 16%, private households at 16% and social services at 13%

4.1.2 Recent Economic trends

Recent trends suggest that the role of Greater Kokstad as a commercial (wholesale/retail) and government service centre has begun to decline over the past 3 years. Kokstad's decline as the premier wholesale and retail centre for the region has been due to the decline of Umtata (a key commercial market), the expansion of wholesale/retail operators

into the smaller Eastern Cape towns, as well as the declining purchasing power of the rural population in the rural hinterland that Kokstad services.

The government service has declined due to the decision by the demarcation board to place Greater Kokstad and Matatiele municipal areas into KwaZulu-Natal. This has resulted in a number of Eastern Cape Departments moving their offices and services to areas within the Eastern Cape. The decline in government services is borne out in the business levies for 2001/2 which shows that provincial government contributions in the Greater Kokstad area has declined by 13,6%

4.1.3 Key aspects of the IDP LED Strategy

The Kokstad town centre is the main economic hub of the area with urban shops, wholesalers, commercial and industrial infrastructure to support economic activities. The current and future status of Kokstad as a service centre with higher order services and goods is an issue that requires close attention in the LED strategy. The strategy should focus on service retention and greater co-operation with cross-border towns and municipalities to reduce the strain and over-utilisation of social services in the Kokstad area.

Greater attention should be paid to sector diversification and expansion of the economic base through upstream and downstream beneficiation of agricultural produce. A great effort should be paid to business retention and attraction through incentive schemes. Skills development is a top priority.

4.1.4 Brief Sectoral Analysis

The Greater Kokstad economy is dependant on four (4) economic sectors:

- Agriculture
- Trade;
- Government
- Industry

4.1.4.1 Agriculture and Agricultural Processing

Agriculture is the leading employer in the area with a work force of 3055 people. The Greater Kokstad IDP provides combined figures for both the Matatiele and the Greater Kokstad area. According to the IDP, dairy, beef and sheep predominate, with dairy responsible for 41% of GGP in 1996, followed by beef and maize at 18%, and then sheep (12%) and potatoes and cabbages (9%).

Dairy farming is on the decline over the past few years because of relocation of NCD - Natal Clover Dairies. The Nestle's factory in Franklin has been converted into a sawmill.

There has been a significant reduction of dairy farms processing cheese. Sheep farming has been badly affected by stock theft. The early piloting of deciduous fruit production, particularly apples, has recently been undertaken with shade cloth with some success.

4.1.4.2 Commercial Sector (Whole Sale And Retail)

The Kokstad town has a variety of retail and wholesale businesses in the town centre. This sector depends both on local customers as well as neighbouring Lesotho, Eastern Cape and other rural towns. An estimated 1781 people were employed in the trade business in 1995. Most businesses in this sector have experienced a drop in sales because of the adverse economic conditions in the East Griqualand as well as the establishment of new retail outlets and wholesalers in the former Transkei towns.

4.1.4.3 Government

The government is also a major employer within the municipality, in particular in rural communities. The number of teachers, nurses, social workers and municipal/ utility-maintenance employees mainly coming from the rural areas evidences this. Budget cuts may pose a threat to this sector, which limits its opportunities for growth.

4.1.4.4 Industry

This sector employs approximately 526 people. Various sites have been zoned for industrial development within Kokstad, however most of these sites are used for commercial, warehousing and wholesaling. There is currently very little industrial activity in Kokstad. The closure and relocation of dairy processing plants has had an adverse impact on employment and job-creation.

There is a light manufacturing technology demonstration centre, which is currently not utilised. The equipment includes block making, candle making, concrete mixers, mouldings, baking and other small-scale equipment suitable for micro-technology demonstration.

4.2 Economic Regeneration and Framework

The Greater Kokstad Economic Regeneration Framework and Strategy defines the following key areas of intervention:

- To focus economic development around realistic catalytic initiatives natural to the area;
- To focus on strengthening urban and rural linkages and to build on the concept of a gateway;
- To link physical infrastructure and service delivery to realistic and practical job creation;
- To co-ordinate state interventions to promote LED initiatives
- To link and co-ordinate technical capacity development to incremental economic development
- To promote the concept of social, environmental and economic inter dependencies
- To develop practical and effective communication strategies
- To develop incentive packages to attract and retain trade and investment
- To compile a regional economic database that is linked to an Early warning system
- To entrench the philosophy that social upliftment, environmental protection, absence of crime and job creation are interdependent within a sustainable LED strategy

The proposed establishment of a buy-back recycling centre cuts across a number of these key strategic areas. It links job creation and environmental management, it fosters rural and urban linkages by stimulating downstream waste enterprise development in the smaller towns of the Eastern Cape, it underpins the drive towards retaining the town of Kokstad as a key commercial and service centre, and it links the provision of municipal services to job creation and poverty alleviation.

5. Recycling, Waste Management and Local Economic Development

5.1 Overview of recycling initiatives in South Africa

South Africa has a vibrant and economically viable recycling sector and the recycling of waste products which might otherwise be relegated to municipal or illegal dumps is a practice supported by government, industry and also private citizen initiatives.

Recycling of waste products benefits the environment as it reduces the volume of waste material in landfills and the recycling process creates less pollutants than that produced during the raw manufacturing process. Focused industrial attention on recycling initiatives has in addition contributed to the economy in the lowering of production costs in the reuse of waste materials, job creation in the development of a recycling infrastructure and also in terms of supporting economic empowerment in the informal sector in the payment of individuals and companies for the waste material supplied for recycling.

Communication campaigns by government and industry on the importance of recycling have had particular impact at school and community levels. These campaigns have contributed to increased public awareness about recycling as a tool for effective waste management and the protection of natural resources, and also promoted the economic benefits of recycling initiatives. The use of recyclable waste by community empowerment projects and poverty alleviation programmes has had twofold impact in the collection of recyclable waste for the craft industry and the related economic benefit of the resale value of these recycled products. Examples include the use of plastic bags by women's groups in Northern KwaZulu Natal to create hats and rugs for resale, tin crafts produced from recycled cans and stationary products from recycled paper pulp.

Formal business recycling initiatives are focused on three key sectors, namely paper, glass and tin cans. Recycling companies active in these spheres, namely Mondi, Consol and Collect-A-Can have recycling programmes which include public-private sector partnerships such as waste buy-back centres.

The Glass Packaging Industry, Consol Glass and Nampak Glass, produce glass sales of 540,000 tons per annum. Of this around 105,000 tons (20%) is recovered and recycled. All glass bottles and jars are recyclable through the glass packaging furnaces. Consol has recycling plants in Gauteng and the Western Cape. The benefit of using cullet (recycled glass) is that there are no fusion losses in the melting process and there is a reduction in energy costs as cullet melts at a lower temperature. One ton of cullet will generate the ability to remake one ton of bottles. In contrast it takes approximately 1.2 tons virgin batch material to manufacture 1 ton of glass.

Collect-A-Can, a non profit organisation, was founded by Iscor, Nampak (Metal Box) and Crown Cork in 1993. Collect-A-Can pays a fixed amount for bailed tin cans and in KwaZulu Natal the collection depot is based in Pinetown. The Company's core business is the recovery of steel used beverage cans (UBC). It also recovers aerosol, aluminium, food, oil and paint cans. Its recovery rate of all the steel beverage cans sold in Southern Africa

has grown from 18% in 1993 to 63% in 1999. In terms of quoted international recovery rates, the region now ranks in the top five in the world.

Mondi Recycling sources and supplies 300 000 tons of all waste paper grades to paper and board mills per annum. Of all paper and board consumed in South Africa, 52% is recycled. Tonnages recovered have improved by 53% in the last decade. Cardboard, newsprint, magazines, photocopy and computer paper are all recyclable and are economically viable products for sale to buy-back centres which then resell this waste paper to Mondi depots for recycling. In KwaZulu Natal, the Mondi depot is in Durban. In addition to supporting the establishment of waste buy-back centres, Mondi also provides training, equipment and support mentoring to entrepreneurs managing these centres as business enterprises. Mondi similarly assists hawkers to deliver waste paper and cardboard to the Centre by providing PaperBarrows to transport the materials. Hawkers are then paid per weight for the delivered waste paper.

Mondi supports community outreach and school education campaigns promoting recycling and proper waste management. These campaigns have contributed to increased public awareness on the subject and also the economic potential of waste recycling.

5.2 Waste Management and Recycling: The Greater Kokstad local context

Greater Kokstad has a major challenge around waste management. The present landfill is not suitable for the dumping of waste as a 3800-unit housing development has been recently established adjacent to the site. The plan is to close the landfill site. The cost of establishing a new land fill site in terms of new waste management strategies would cost the municipality approximately R10 million because of the topography of the area. As an alternative, the Greater Kokstad municipality intends to enter a municipal service delivery agreement with Enviro-Serve (Millenium) to remove the waste to a regional landfill site in the Ugu district on the south coast of KwaZulu-Natal. The Integrated Environmental System (IES) provided by Enviro-Serve would provide a substantial saving to the Municipality and reduce service rates for the municipality. This is due to the fact that the transport and waste technology of Enviro-Serve allows for the compacting of 12 tons of waste into containers as against the 3-5 tons of a normal refuse truck.

The IES systems also provides for an integrated system in the low income areas based on skips, which are serviced by litter pickers who will be contracted through enviroserve. It is estimated that 20 jobs will be created.

A critical aspect of the new waste management strategy is based on the need to reduce the level of waste going into the system. According to the Director of Community Services, Mr Budge, a key aspect of Kokstad's waste is cardboard. This is due to the fact that Kokstad is a trading town, and the presence of numerous wholesalers and retailers generates a substantial amount of cardboard waste.

According to Mr Budge, cardboard constitutes more than 50% of the current waste entering the system. The current estimated volume of recyclable dry waste generated within the current municipal system is approximately 20 tons of cardboard (400 tons per month). About 468 000 bottles per year are currently being recycled by the municipality

on an informal basis. . There are no estimates on cans, but this is seen to be fairly minimal in weight/volume.

Waste minimization and recycling thus become an integral part of the municipality's strategy to reduce costs and improve efficiencies. At the same time it offers a huge opportunity (and guaranteed market) for small and micro enterprises to enter into the waste and recycling sector and thereby creating sustainable businesses, income generation and job creation whilst simultaneously contributing to reduced service costs as well as a better managed environment for the local area. It thus constitutes a key local economic development initiative.

It is anticipated that the process of collecting, storing and bulk supplying recyclable materials (glass, cardboard and cans) would create at least 30 jobs for "waste" hawkers within the municipal area of Greater Kokstad alone. It is also foreseen that the buy-back centre would become a market for smaller towns surrounding Kokstad, particularly the Eastern Cape towns of Flagstaff, Bizana, Mount Fletcher and Matatiele, for whom the presence of a nearby buy-back centre would make it profitable to establish upstream mini-bulk depots to supply the Kokstad centre.

6. The Project/Business

6.1 Description of Project/Business

The establishment of a Waste Buy-Back Centre to be managed as a viable business enterprise initially targeted at a recycling market in Kokstad and thereafter to expand as a central recycling depot to service the recycling needs of surrounding towns and areas.

6.2 Purpose, Objectives and Strategies

- Promote and support the emergence of small and micro “recycling and waste” entrepreneurs
- Establish a small enterprise with an estimated turnover of R1,5 million with the option of expanding markets into nearby towns in the Eastern Cape and Sisonke District
- Consolidating the area’s competitive advantage as the premier retail and service centre for the broader region, through the provision of a unique service;
- Promoting a clean and healthy trading town, which will enhance the image of the town.
- Promote skills development and training
- Promote craft and enterprise development
- Fostering partnership and collaboration between public-private and community sectors

6.2.1 Project Strategies

6.2.1.1 SMME promotion and support

The Buy-back centre is intended to provide an opportunity for small and micro enterprise development within the waste and recycling sector. The centre itself will be a business enterprise employing at least 4 people, and there will be down stream opportunities for small enterprises and “waste/recycling” micro-entrepreneurs in Kokstad as well as other potential supply centres throughout the region. It is estimated that at least 5 – 8 enterprises employing approximately 50 people could be generated through backward linkages to the surrounding small towns, hotels and conservation areas

6.2.1.2 Cost reduction of municipal services

The establishment of the Buy-back centre will significantly reduce the costs of waste management by the municipality, thereby reducing municipal costs that will reflect in reduced service charges in the area which will serve as a cost reduction instrument which would be used both to promote cheaper services as an incentive for business investment and inward investment or as a means to provide lifeline supplies of water, electricity and sanitation for poverty alleviation.

6.2.1.3 Business retention and expansion

The Greater Kokstad Municipality needs to focus on regaining and consolidating the town of Kokstad’s competitive advantage as a regional service and commercial centre. The presence of the Buy-back centre will provide a unique service with strong backward linkages to nearby towns in the Sisonke District as well as the Eastern Cape.

6.2.1.4 Community Economic Development

The provision of skills development in small enterprise management and well as “waste” crafts will contribute towards poverty alleviation and greater self-reliance.

6.3 Benefits and Beneficiaries

6.3.1 Beneficiaries

The key beneficiaries of the business/project would be:

- small and micro-entrepreneurs who would be given an opportunity to develop sustainable business enterprises through a guaranteed market
- unemployed micro-“waste hawkers” who would benefit from being able to generate a regular income stream
- residents of Greater Kokstad who would benefit from reduced municipal service fees and a better lived environment

6.3.2 Planned Employment Generation

6.3.2.1 Part-time Employment

The following part-time employment opportunities would be created through the existence of the centre, and the establishment of upstream enterprises in surrounding small towns and centres (Matatiele, Flagstaff, Bizana, Mount Ayliff, Cedarville, Southern Drakensberg Hotels and KZN Wildlife Conservation

Type of employment	Rate	Women	Youth	Subtotal	Cost (R) per annum	Men	Cost (R) per annum	Total	Value over 3 years)
Labourer	40 p/ day	18	11	29	194880-00	14	94080-00	43	866880-00
Semi-skilled	1100 p/m	2	1	3	39600-00	1	13200-00	4	158400-00
Skilled	2000 p/month	1		1	24000-00	1	24000-00	2	144000-00
Totals		21	12	33	258480-00	16	131280-00	49	1169280-00

The percentage per gender/age profile as follows:

32% Men 42% Women 24% Youth

6.3.2.2 Full time Employment

The following full-time employment opportunities will be created by beneficiary profile

Type of employment	Rate	Unemployed	Retrenched	Disabled	Subtotal	Cost (R) per annum	Econ. active	Cost (R) per annum	Total	Value (R) over 3 years
Semi skilled	1300 p/m	1	3		4	62400-00	1	15600-00	5	234000-00
Supervisor	3000 p/m		1		1	36000-00			1	
Clerical	2500 p/m			1	1	30000-00			1	108000-00
Managerial	5000p/m						1	60000-00	1	180000-00
Totals		1	4	1	6	128400-00	2	75600-00	8	612000-00

The profile of the full time employment drawn from the following profile (%)

12,5 Unemployed 62,5 Retrenched 12,5 Disabled 25% Economically active

6.3.3 Brief description of the project beneficiaries in terms of average annual income, employment rate and dependency on social grants

In terms of the micro-entrepreneurs (hawkers) supplying the centre, the majority of them would have an annual income ranging from 0 (7% of households in Greater Kokstad have no income) to R6000-00 (40% of households earn R6000-00 per month or less). They would be drawn largely from the 23% of unemployed people living in the municipal area. The full time staff would be drawn largely from retrenched staff emerging from the declining commercial sector.

6.3.4 Improvement of beneficiaries' access to the local economy

The Waste Buy-Back Centre has the potential to make a significant contribution to the economic and social empowerment of the Greater Kokstad community. The Centre will result in immediate defined job creation and also contribute to an improved economic situation for hawkers and people without formal employment who would be paid cash for collecting and transporting recyclable waste to the Centre. This will contribute to poverty alleviation initiatives and also to the economy of the town of Kokstad and the municipal area of Greater Kokstad.

Recycling companies such as Mondi have indicated that they would be willing to train the entrepreneurs and other identified individuals on business management skills, the waste

paper sorting and recycling processes. The company would also provide entrepreneurial training at the Durban depot and provide mentoring support to the Centre. The training provided at the Centre will improve the economic viability of Centre staff and the outreach educational campaigns aimed at residents and businesses will contribute positively to social upliftment and economic improvement and poverty alleviation programmes.

In addition, the recycling of waste in the region will contribute positively to the social environment of the region in that on a micro-scale citizens will be actively involved in an effective regional waste management strategy.

6.4 Target Market

The core target markets for the project are:

Direct Customers

Mondi paper
Consol glass
Collect-A-Can

Supply customers

Wholesale retail outlets
Small town municipalities
Hotels
Resorts
Schools
Hospitals
Recycling hawkers

6.5 Comparative Analysis and best practice

The development of Waste Buy-Back Centres as depots for recyclable waste for resale to companies involved in the recycling process has been a predominantly successful venture both in KwaZulu Natal and Gauteng. The Brooke Street Buy-Back Centre in Durban is seen to be an excellent example of best practice of the optimal working of a Buy-Back Centre, both by industry and groups involved in monitoring and evaluating such initiatives.

Analysis of the critical issues impacting on the sustainability of these Centres has focussed on the following:

- committed support of local government and business to the venture
- that the Centres be managed as viable business enterprises generating income for the entrepreneur
- the need for the Centre to be located in an area which ensures continuous supply of waste products for recycling

- that the Centres have the necessary resources and equipment to sort and bail recyclable waste for transportation to the commercial recycling depots
- effective regional and local marketing strategies
- effective targeted awareness campaigns across the community (ie to residents and businesses) are considered equally vital in increasing public knowledge about the viability of these Centres, the economic opportunities presented by participating in recycling, and the positive impact of recycling on a regional and local waste management strategy

7. Marketing plan

7.1 The recycling market

Recycling initiatives have a ready market both at local source for the purchase or donation of recyclable waste and also through the resale of sorted waste to identified commercial recycling companies such as Mondi (paper), Consol (glass) and Collect-A-Can (aluminium tin).

7.2 Marketing plan

A crucial aspect of the sustained success of the Buy-Back Centre will be publicity and marketing of the venture across business and community sectors of Kokstad and the surrounding areas. The Community Services Directorate will play a key role in marketing the Buy-Back Centre through communication with residents, ratepayers and other municipal clients. The centre itself will have distinctive visible signage at its entrance, and directional signage will be erected on access roads to the Centre.

The Community Services Directorate will facilitate access to households and businesses through the distribution of promotional advertising pamphlets detailing the location and contact details of the Buy-Back Centre and also providing information about the types of waste suitable for recycling and the economic opportunities of supplying recyclable waste to the Centre. Similarly advertisements will be run in the local newspaper.

Once the centre is fully functional and has secured a major share of the Kokstad market, the centre will seek new markets in the surrounding small towns in the Eastern Cape as well as hotels, KZN wildlife resorts and other potential “mini-bulk” suppliers both within and outside of the municipal area. The centre must market itself as a key regional depot that can supply the main recycling companies at scale.

7.2.1 Target Market

The core target markets for the project/business are:

Direct Customers

- Mondi paper
- Consol glass
- Collect-A-Can

Supply customers

- Wholesale retail and other commercial outlets

- Small town municipalities
- Hotels
- Resorts
- Schools, hospitals
- Recycling hawkers

The market will be accessed through a number of different initiatives:

- Councillors and the ward committees
- Canvassing of wholesale and retail outlets
- Hotels, resorts and businesses
- Farmers Association
- Hawkers Association
- Schools
- Hospitals
- Community-based structures

7.3 Marketing Budget

The Municipality will assist with the marketing of the Buy-back Centre, both as an economic empowerment initiative in the region and also in terms of the importance of recycling as an integral part of the integrated waste management strategy. It is anticipated that the centre will actively support outreach campaigns initiated by the Municipality and the recycling business partners who have direct experience of such initiatives.

7.4 Time Frame to secure Market

A developmental marketing strategy is envisaged. The first phase will involve prelaunch promotional pamphlet development and distribution advertising the Centre. This phase will also feature meetings with the business sector in Kokstad and other organisations. Phase Two will promote the launch of the Buy-Back Centre. Phase Three will be promotional visits to schools and community-based structures to raise awareness about recycling and the role of the Buy-Back Centre. It is anticipated that Phase Three will incorporate the initiation of the specific awareness campaigns of the recycling companies. A projected period of 6 – 9 months is anticipated for these phases.

A continued awareness and promotional strategy will be important in focussing business and consumer attention on the social and economic benefits of recycling to the region as a whole. After phase three has been implemented, the marketing campaign will be expanded to surrounding areas and towns in the region.

8. Institutional Arrangements

8.1 Ownership and Management Structures

8.1.1 Business Venture under Municipal Concession

The Municipality has a threefold intention in supporting the development of a Buy-Back Centre for Greater Kokstad. These are:

- The economic development of the town of Kokstad, and the municipal area of Greater Kokstad as a whole
- Community economic and social empowerment
- Development of a regional and community ethos on waste management and recycling

The creation of an economically viable and sustainable business undertaking will generate income for the residents of Greater Kokstad and surrounding areas. The Buy-Back Centre will therefore operate according to sound business and economic empowerment principles. To this end, the Municipality envisages the Buy-Back Centre being established as a business enterprise through the award of a formal concession. The enterprise would undertake to manage the Buy-Back Centre as a profitable business entity in terms of various conditions set out in the concession. The conditions would include:

- The stipulation of basic uniform rates to be paid to hawkers by the entrepreneur. These rates would be determined after consultation with the private sector recycling partners.
- The enterprise in liaison with the Municipality and private sector recycling partners would commit to participate in community empowerment programmes associated with regional recycling initiatives. These would include the implementation over time of programmes such as the Mondi PaperBarrows and Kerbside Collection Campaigns, initially within the Kokstad area and thereafter in surrounding towns.

8.1.2 Role of Municipality

The Municipality is committed to performing an ongoing partnership role in the development and sustainable implementation of the Buy-Back Centre. It is similarly committed to a second phase of development, namely local community economic empowerment initiatives and the expansion of the recycling facility as a central regional depot to service surrounding towns. As effective co-ordination of the implementation of the establishment of the Buy-Back Centre is critical to ensure its success, the Municipality will appoint a co-ordinator for a specified period who will be responsible for the following functions:

- Assist Municipal management in the initiation and project business start up and implementation of the business plan for the Buy-Back Centre and co-ordinate Municipal participation in project development

- Liaison with private sector partner companies such as Mondi, Collect-A-Can, Consol – organise initial and ongoing business process meetings and ensure implementation of assigned tasks and follow-up responsibilities
- Be responsible as the liaison person between all parties to ensure the effective and successful implementation of the project plan, monitor and evaluate project process
- Develop the required framework for concessioning the Buy- Back centre, including liaison with private sector partner companies regarding best practice experiences, co-ordinate concession and award process.
- Co-ordinate publicity of the Buy-Back Centre on behalf of the Municipality to local residents and potential service to surrounding towns of the Buy-Back Centre as a regional recycling depot

8.1.3 Role of partner recycling businesses

Potential partner recycling businesses have indicated their support for such initiative and the positive impact of such a recycling centre for Kokstad and the region. All recycling companies motivated the importance of the recycling centre being managed as a viable business entity to ensure its sustainability. An example in motivation of this is that of a recycling centre in Gauteng which was established as a Section 21 company by government. It failed due to the fact that it was not operated as a business entity and as such there was no profit incentive to ensure its continued viability.

The recycling businesses consulted (namely Mondi, Consol and Collect-A-Can) all identified the pro-active role of the Municipality in launching such a recycling initiative as a critical commitment by local government to effective waste management strategies. They indicated a willingness to participate collectively in such an endeavour and encouraged the Municipality to convene a meeting of the potential partners to discuss the practicalities of establishment and implementation of the Buy-Back Centre.

Certain businesses such as Mondi stated their commitment as extending to assisting in establishing the necessary infrastructure for the Centre and providing recycling equipment; the sharing of best practice experience in identifying the criteria for an appropriate entrepreneur; to provide training and ongoing mentoring support to the Centre; transporting recyclable paper waste to their depot in Durban; and also the support of local and regional community and business awareness and publicity about recycling issues through their communication campaigns aimed at specific markets. In terms of Mondi's own contribution, it would require a contract outlining the exclusive relationship between the Centre and itself for the supply of cardboard and paper for recycling. In return, Mondi would guarantee to buy all the paper all the time, whatever the market context.

8.2 Partnerships

As part of its project viability assessment, the Greater Kokstad Municipality has ascertained that private sector recycling companies such as Mondi, Collect-A-Can, Consol would be willing to participate in a joint venture recycling initiative in Greater Kokstad together with the Municipality and a business enterprise to establish a recycling Buy-Back Centre in the town of Kokstad.

8.2.1 Investment of Municipality

The Municipality would commit the following resources to the establishment of the Buy-Back Centre:

- Full council support for initiative
- Co-ordinator for joint venture
- Provision of services such as electricity, water, sewerage
- Contribute to identifying and securing suitable storage space (shed/warehouse), and through the initial project budget to facilitate the procurement of office equipment, recycling equipment such as bailing machine and compactor for waste paper; weighing platforms and scales; cages for transporting recyclable waste; a vehicle for transportation of recyclable waste from smaller outlying areas to the Kokstad Recycling centre
- Transport costs to waste depots in Durban and Johannesburg
- Publicity and promotion of Centre to broader community

8.2.2 Business Contributions to Buy-Back Centre

- Commitment to active participation in initial and ongoing meetings regarding establishment of Waste Buy-Back Centre
- Commitment of sharing best practice experience of other waste buy-back centres and developing entrepreneur job profile
- Assist in the infrastructure needed to establish the Centre eg equipment, collection bins and other receptacles both onsite and at collection points at participating local businesses in Kokstad and surrounding towns
- Commitment to participation in Municipal community education campaigns about recycling
- Commitment to training, mentoring and resourcing of Entrepreneur and Centre employees
- Commitment to purchasing recyclable materials from Waste Buy-Back Centre (contractual basis)

9. Human Resource Plan

9.1 Skills Development

The Buy-Back Centre will contribute to the skills development of the region in the following ways:

- Formal skills training for staff employed at the Centre through training and mentorship programmes conducted in conjunction with business partner companies such as Mondi
- Informal sector capacity building through outreach programmes on waste management and recycling processes, and economic potential of participation in such initiatives
- Communication campaigns aimed at broader community (schools and community structures) on recycling and the environment

9.2 Projected Training

The projected accredited training will be undertaken in conjunction with the recycling companies, the KwaZulu-Natal Department of Agriculture and Environmental Affairs and the Department of Labour. The training components would include:

- Integrated Waste Management
- Crafts from Waste
- Business Management (strategy, financial management, marketing, stock control)

Type of training	Women	Youth	Subtotal	Cost (R)	Men	Cost (R)	Total	Value (R)
Literacy	18	11	29	20 000	14	10 000	43	30000
Numeracy	18	11	29	20 000	14	10 000	43	30000
Business Management	1			8000	1	8000	2	16000
Financial management		1	1	5000	1	5000	2	10000
Leadership	1		1	5000	1	5000	1	10000
Environmental and waste management	22	15	37	35000	20	20000	57	55000
Totals	60	38	97	93000	51	58000	148	151000

Training Beneficiary profile

34	Men	40	Women	26	Youth
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10. Development plan and Operating System

10.1 Location

The intention is that the storage space required for the initial establishment of the centre (1000 sqm) would be leased from existing and readily available commercial warehouse and storage space within the town of Kokstad. There is therefore no intention to lease municipal land or establish specific physical infrastructure for the project business.

10.2 Legal Compliance

There are currently no laws specific to the recycling industry in South Africa, although there are plans to develop legislation pertinent to the sector. Key current legislation would be compliance of the Buy-Back Centre to municipal bylaws and environmental principles, and a commitment to labour law and policy guidelines such as the Occupational Health and Safety Act.

10.3 Operating System

10.3.1 The Buy-Back Centre

The buy-back centre will acquire recyclable waste products from the following sources:

- Informal hawkers who would deliver recyclable waste to the Centre, for which they would receive payment per weight according to specified product type (eg paper, glass, cans)
- Businesses in Kokstad would supply waste products to the Centre for sorting and recycling - this could either be on a payment per weight basis to the centre or through negotiation between the entrepreneur and the business, a business arrangement could be entered into between the parties which would entail the entrepreneur collecting the waste products at specific times
- The same principle would be applied to schools, hospitals, local government offices
- Expansion of the recycling facility to service outlying areas and towns would enable the entrepreneur to acquire waste products from these locations in addition to clients in Kokstad

The centre will sort and bail acquired waste products according to the specific requirements of the partner recycling companies. These waste products would then be transported to the depots according to the requirements of the recycling depots as business partners in the initiative.

10.3.2 Operating systems of the partner cycling companies

The partner recycling companies manage their operating systems as follows:

10.3.2.1 Mondi

Mondi classifies waste paper for recycling into four groups, namely cardboard, newspaper, sorted magazines and books, white paper (computer, Xerox and photocopy) with black ink, pastel paper. The entrepreneur has to sort the waste paper into these categories and bail recyclable paper prior to transportation to the depot in Durban.

10.3.2.2 Consol

A collection agent sorts glass for own transportation to final processing plant in Johannesburg. Consol does not have a processing depot in KwaZulu Natal. The minimum load acceptable from a small operator is 5 tonnes per load. Currently, the closest agent to Kokstad for recycled glass is in Port Shepstone.

Consol has plans in development to change their operating system in the future. The proposal is not finalised as yet but will focus on the delivery of uncleaned and unsorted bulk glass to the two recycling depots in Johannesburg and Cape Town, and is promoted as being a more profitable venture to the agent.

10.3.2.3 Collect-A-Can

If an agent has the potential to collect more than 10 tonnes per month, then Collect-A-Can supplies a bailer machine to compact the cans. Collect-A-Can requires an exclusivity contract with the agent prior to the supply of the bailer. The agent is also bound to send a specific amount for recycling every month for which he is paid a fixed amount; this is stipulated in the contract. Collect-A-Can only collects around the Durban area, within a 50km radius. Agents need to use their own vehicles to transport the cans to the depot, which is in Pinetown. A vehicle with the minimum carrying capacity of 8 tonnes is the most viable.

11. Compliance with Local Economic Development Criteria

11.1 Short and long term jobs

The following number of long term temporary and permanent jobs will be created:

- 49 long term but non permanent jobs
- 8 permanent jobs

11.2 Target Beneficiary Profile

Women Youth (16 to 25) Disabled Other vulnerable

11.3 Linkages to the IDP

The IDP specifically identifies recycling as one of the areas or sectors that should be investigated to promote the development of entrepreneurial skills, community empowerment and poverty alleviation. The IDP also calls for a review of all functions of the municipality to identify where SMME's and local skills can be used.

11.4 Role of the Municipality

The Municipality must be the key facilitator, ensuring the establishment of a community-public-private initiative that will empower emerging small and micro entrepreneurs. The key role of the municipality will be:

- To secure the initial funding for the project
- To facilitate the establishment of the project-business through a community-public-private partnership and then to oversee the concessioning of the Recycling centre to a business enterprise;
- The municipality will create an enabling environment for a dynamic regional buy-back recycling centre by transporting the bulk supply to the recycling companies as part of its integrated waste management strategy
- To empower small and micro enterprise business enterprises to optimise opportunities arising from the Recycling centre

12. Implementation Plan

Project Time Frames

Total weeks

104

Summary of Implementation Phases (in weeks)

Project Phases	Duration
Project Initiation and establishment of project partnership between municipality, recycling businesses	4 weeks
Detailed consultation and negotiation with key partners and project commitments	4 weeks
Detailed consultation with local community, commercial and SMME sector	6 weeks
Finalisation of site, lease agreement and purchase of equipment	2 months
Finalisation of concessioning framework	2 months
Granting of concession; enterprise set up, training and establishment of systems	4 months
Planning of expansion plan into surrounding areas	4 months
Implementation of roll out plan into surrounding areas	4 months
Review of implementation of buy back centre and assessment of future options initiative	4 months
Project Close out	2 months

13. Finance and Funding

13.1 Assumption

13.1.1 Assumption on costing structure

The assumptions and costing upon which the financial analysis are based was obtained through key informants within the recycling sector. The price escalation in the cash flow, income and expenditure table in 13.2 is calculated at 10% per annum over a 5 year period

Paper Recycling			
Type of paper waste (1)	Centre pays suppliers (2)	Centre pays companies to remove paper waste from site (optional) (3)	Recycling company pays centre on delivery (4)
Cardboard (K4 grade)	R150 / tonne 15c / kg	R150 / tonne	R350 / tonne + R120 / tonne transportation to Durban
Newspapers (FN – Flat News)	R150 / tonne 15c / kg	R150 / tonne	R300 / tonne
Sorted magazines / books (SBMs)	R200 / tonne 20c / kg	R200 / tonne	R450 / tonne (High demand product)
Upgrades: HL1 White paper with black ink - computer, Xerox & photocopy paper	R500 / tonne 50c / kg	R500 / tonne	R1 200 / tonne
Upgrades: HL2 Pastel paper (Heavy Letter - HL1)	R300 / tonne 30c / kg	R300 / tonne	R800 / tonne
Cullet (Glass) Recycling			
Cullet	R170-00 per tonne		R270/tonne and transport of R180-00 per tonne
Aluminium			
	14c a kilogram (30 loose cans)		R 530/tonne (53 c a kilogram)

Notes

1. Paper waste has to be sorted in these categories at the Buy-Back Centre for bailing and delivery to the depot.
2. There are no uniform standardised rates of payment. These figures are estimated specifically for the Kokstad context.
3. Ideally companies should not charge the entrepreneur for the removal of paper waste. However should this not be negotiable then these are the recommended rates the centre should pay. This is assessed on bailed tonnes.
4. The transport amount is paid to the centre on delivery of the paper waste to the Mondi depot in Durban. If Mondi collected the waste from Kokstad, this amount would not apply.

13.1.1.1 Assumptions on turnover and operational growth

The anticipated volumes of waste collected and supplied to the recycling depots in the first three years is considerably lower than the estimates of what level of recyclable waste is currently going into the Kokstad waste system. This is due to the fact that past practice shows that where waste centres are established, their volumes are considerably lower than the waste deposited into the waste system until such time as the recycling centre has been well established and the culture, systems and procedures for the collection and supply of recyclable waste have been established.

The anticipated growth in recyclable waste volumes (and therefore turnover) are as follows:

Year 1 360 tons of paper
 60 tons cullet
 4 tons cans

Year 2 550 tons of paper
 80 tons cullet
 6 tons cans

Year 3 2400 tons of paper
 100 tons of cullet
 8 tons cans

Year 4 3600 tons paper
 140 tons cullet
 10 tons cans

Year 5 4800 tons paper
 160 tons cullet
 10 tons cans

13.2 Cash Flows, income and expenditure

Kokstad Recycling Centre					
Capital Investment					
	Year 1	Year 2	Year 3	Year 4	Year 5
Income	198320	327448	1424480	2342950	3416185
CAPITAL EXPENDITURE					
Single Load Cell vehicle Scale	100000				
Electronic Platform Scale	15000				
Vehicle with Trailer	148000				
Cardboard Bailing Machine	60000				
Total	323000				
OPERATING EXPENSES					
Rental,lights and water	114000	125400	137940	151734	166907.4
Salaries	204000	224400	246840	271524	298676.4
Administration	60000	66000	72600	79860	87846
Office expenses	24000	26400	29040	31944	35138.4
Waste Supplies	155000	170500	187550	206305	226935.5
Total	557000	612700	673970	741367	815503.7
Net Cash Flow surplus/shortage	-358680	-285252	750510	1601583	2600681

14. Total Funding Request

FUNDING REQUEST		
ITEM	YEAR 1	YEAR 2
CAPITAL		
Single Load Cell vehicle Scale		100000
Electronic Platform Scale	15000	
Vehicle with Trailer	148000	
Cardboard Bailing Machine	60000	
Total	223000	
MANAGEMENT AND OPERATIONS		
Municipal Project Co-ordinator	120000	120000
Training	75000	75000
Operating capital	358360	285252
Total	776360	480252

14.1 Total funding requests (R) over a possible two year period

Year 0 to 1	Year 1 to 2	Year 2 to 3	Total
R776360.00	R 480252.00		R 1256612

14.2 Summary of projected quarterly expenditure (R) in year 0 to 1

1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Total
R 97000	R 112045	R 194090	R 373216	R 776360