

WESGRO

**Assessment of the Western Cape Agribusiness
Investment Unit (AIU)**

Final Report

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Executive Summary

Although investor confidence in South Africa has been declining, investor confidence in Cape Town is described as being “good”.ⁱ Literature shows that the negative outlook on investor confidence in South Africa is due to a number of national level factors. The range of national level factors cited in the literature include issues such as (i) legislation, (ii) labour unrest, (iii) quality of the education system, as well as (iv) visa and work permit problems.ⁱⁱ Against this backdrop, the Western Cape Department of Agriculture established (and funded) the Agribusiness Investment Unit (AIU) in 2009, in order to recruit new direct investments in the Western Cape agribusiness sector, as well as retain existing investments by supporting their expansions.ⁱⁱⁱ The AIU uses a proactive investment strategy to recruit investors into the Western Cape agribusiness sector from international, national and local sources.^{iv} A key aspect of the AIU is its business facilitation role and its aftercare services that it provides to investors.

Research Scope

To this end, Wesgro commissioned Mthente Research and Consulting Services (Pty) Ltd to conduct an evaluation of the confidence levels of existing investors and their experiences of engaging with the Western Cape Agribusiness Investment Unit (AIU). This assessment will address the following questions:

1. What are the investment criteria used by investors when considering investing in the agribusiness sector in the Western Cape?
2. What concerns do the investors have that influence the nature of their decisions to invest in agribusinesses in the Western Cape?
3. What have been their positive and negative experiences with regard to these investments and their interactions with the AIU?
4. Are their needs being met by the AIU’s interventions and programmes?

Key Findings and conclusions

The following key findings and conclusions emerged from the research study:

- Investors criteria are closely tied to the socio-economic and political environment of the region
- Investors in the Western Cape are impressed by the physical infrastructure such as Ports, good roads and transportation channels
- Good governance is an important draw card for investors in the Western Cape.

- Most investors have expanded their businesses internationally but have not yet expanded into Central Africa.
- Overall confidence levels are good but there are concerns about skilled labour shortages and rising costs of commodities such as water and electricity.
- The AIU was portrayed in a favourable light and investors explained that strong investment support in the form of the AIU was another investor draw card.
- With regards to investor needs the dominant theme was the need for follow-ups and more frequent and focused engagements with the AIU
- The main barrier to growth and development amongst the investors was the prevalence of red tape and lengthy application processes for incentives.

Key Recommendations

The following key recommendations could be made in terms of

- Playing to your strengths – the AIU must build on its strong support mandate and expand itself to become a ‘one-stop shop’ for investor in Western Cape agribusiness sector
- More strategic engagements with investors and better ‘follow-up’ services
- Disseminating information to investors through workshops, roadshows and broad engagements
- Monitoring and Evaluation of the investors projects and businesses and feedback on them from the AIU
- Continued research and “needs analysis” of investors in the sector.
- The AIU acting as a facilitator with government and expanding into a lobbying role for investors.

A full table of findings and recommendations are included in the summary table below.

Table 1: Summary Table

Summary of Findings and Recommendations					
Investment criteria	Market demand in the area and the potential for market growth in the Western Cape.	Favourable location and geographic advantage of the Western cape	Environmental factors such as access to good commodities, however costs of these commodities such as water and electricity were a concern.	The Western Cape has good physical infrastructure in the form of distribution channels by road, sea, air etc.	Good governance and socio-political stability – the calm political environment in the Western Cape is seen as favourable to investors.
Issues that influence confidence levels	Access to labour and sufficient skills levels – whilst labour supply is good in the WC, concerns over skills levels and poor education levels.	Investors appreciate having an investment support system such as the AIU, investment support a good draw card.	Provincial governance and a favourable and efficient local government is an important factor in the WC's favour for investors.	Red Tape and regulations can affect investor confidence in not only the WC but in South Africa in general. Investors appreciate support from the AIU in this regard.	
Expansion plans in South Africa and Africa	Most investors interviewed are planning to expand .	Primary expansion plans are to other large centres within South Africa. These were mainly Gauteng and Durban.	Expansion into Africa the next main focus area with investors indicating investment and expansion plans into Mozambique, Zambia, Namibia and Lesotho.	Main concern in this regard was access to networks and the need for bodies like the AIU to assist with networking in other African countries.	
Engagement with the AIU	Overall, positive feedback and favourable experiences with the AIU.	Main strength was investment support and initial services offered. Good relations with	Primary challenges experienced by investors were areas beyond their control such as red tape, regulations	There was a call for more site visits by the AIU post-investment to see who the investment has played out.	Investors expressed a desire to have continuous interactions with the AIU

		head of the AIU and his commitment to the investors.	and waiting periods for administrative issues to be resolved with government departments such as the dti .		during the whole life cycle of the investment .
Barriers to Agribusiness growth and development	Administrative barriers in the form of red tape with applications for incentives, lack of administrative capacity when it comes to dealing with government regulations.		High risk profile of the agribusiness sector in terms of sectoral instability both locally and globally.	Investors expressed that in the WC agribusiness sector is very crowded, exclusive and competitive . It is difficult to get a good foothold in certain areas such as food production as a new farmer.	
Suggestions for improving investor confidence in Western Cape	Better education levels for labourers and workforce. A basic level of education was seen as lacking. In addition, more skills development for unskilled workers in the sector was called for.		Playing to the provinces strengths by promoting the good infrastructure and highlighting the stable socio-political environment.	Introduce more accessible and favourable incentives to investors.	
Suggestions for improving investor relations with the AIU	Requests from investors for more continuous information regarding investment trends in Agribusiness, general agribusiness trends and needs analysis within the sector. Suggestions of AIU running information workshops or roadshows.	Investors suggest that the AIU expand its services to become a “One-stop-shop” for investors in terms of dealing with applications and regulations etc.	The AIU should expand its lobbying role with other governmental departments on behalf of the investors.	More post-investment services in the form of follow-up visits, site visits and evaluations of the investments further into its life cycle.	More communications from the AIU in the form of newsletters or information packs on emerging trends and sectoral information. This will also assist with expanding networking opportunities and increase awareness amongst investors of what is happening in the agribusiness sector.

1. Introduction

The Agricultural Sector is one of the primary pillars of the Western Cape's economy. It accounts for approximately 23 percent of the value of South Africa's agricultural production and plays an important role (directly and indirectly) in generating economic growth. Needless to say this economic growth is pertinent to the creation and sustainability of jobs along the agribusiness value chain, and the sustainability of the entire economy (both in the Western Cape and nationally) through the provision of products, both for local use and for export. According to Wesgro's 2012/2013 Annual Report, "The Western Cape's agriculture sector contributed 3.5 percent to the regional economy at R9.7-billion, but also contributed 22.6 percent to the **national agriculture sector and is one of the largest export contributing sectors of the regional economy.**"^v

Against this backdrop, the Western Cape Department of Agriculture established (and funded) the Agribusiness Investment Unit (AIU) in 2009, in order to recruit new direct investments in the Western Cape agribusiness sector, as well as retain existing investments by supporting their expansions.^{vi} The AIU uses a proactive investment strategy to recruit investors into the Western Cape agribusiness sector from international, national and local sources.^{vii} A key aspect of the AIU is its business facilitation role and its aftercare services that it provides to investors. In this regard, the official Tourism, Trade and Investment Promotion Agency of the Western Cape Province (Wesgro) is the first point of contact for foreign importers, local exporters and investors wishing to invest in the growing Cape; manages the AIU through its Investment Promotion Unit (IPU). Furthermore, the AIU has also developed close working relationship with many municipalities to assist with their investment promotion strategies.^{viii} According to the Western Cape Minister of Agriculture and Rural Development, Mr Gerrit van Rensburg, "The agribusiness unit is not a nice-to-have luxury [...] – it is an absolute necessity to help ensure the sustainability of agriculture in the Western Cape."^{ix}

To this end, Wesgro commissioned Mthente Research and Consulting Services (Pty) Ltd to conduct an assessment of the Western Cape Agribusiness Investment Unit (AIU). This assessment will be used to understand and improve Wesgro's AIU services to investors and further improve the outcomes in terms of investor confidence and quality/quantity of investment, and ultimately grow and retain investment in the agribusiness sector in the Cape.

1.1 Background

Although investor confidence in South Africa has been declining, investor confidence in Cape Town is described as being “good”.^x Literature shows that the negative outlook on investor confidence in South Africa is due to a number of national level factors. The range of national level factors cited in the literature include issues such as (i) legislation, (ii) labour unrest, (iii) quality of the education system, as well as (iv) visa and work permit problems.^{xi}

Despite the fact that investor confidence has been deemed positive in Cape Town, literature also cites a few very specific challenges when it comes to investing in Cape Town. These challenges involve the need to better support existing investors to access national and African markets through (i) strengthening regional transport connectivity; (ii) addressing input costs such as energy/electricity, telecommunications and broadband; (iii) improving regulatory approval decision-making time-frames, improving supply and access to labour force skills; improving the effectiveness of public transport; and lastly, investment in critical economic infrastructure and systems such as the port and the Atlantis Special Economic Zone.^{xii}

In addition, literature highlights that there are also unexploited investment opportunities at both the national and local level. A more pro-active investment promotion strategy is recommended for Cape Town. The suggestion is that this strategy includes (i) sector-specific investment promotion strategies and (ii) a clear business retention and expansion policy and programme. The literature further elaborates on these two components, highlighting the various role players involved in each component as well as their responsibilities.^{xiii}

Finally, literature also highlights the importance of the incentives policy in assisting to attract new investments at both national and local level and in addition, the literature provides a number of recommendations to enhance Cape Town’s financial and non-financial incentives. These include, developing a National Policy on Foreign Direct Investment; improving the efficiency of the Cape Town Ports; developing a Cape Town Business Retention Policy and Programme; and improving of the monitoring of the incentives policy – particularly at local level.

1.2 Terms of Reference

According to the Terms of Reference (TOR) agreed to by Mthente and Wesgro, this research study includes the following:

- An assessment of investor confidence in the Western Cape as a potential investment destination
- An assessment of investors' experiences in investing in the Western Cape's agribusiness sector
- An assessment of investors' experiences through engagement with the Agribusiness Investment Unit

1.3 Report Structure

The remainder of this report is structured as follows:

- **Chapter 2** describes the methodology used by Mthente to conduct the study.
- **Chapter 3** is a catalogue of the findings from the data obtained.
- **Chapter 4** provides conclusions and corresponding recommendations.

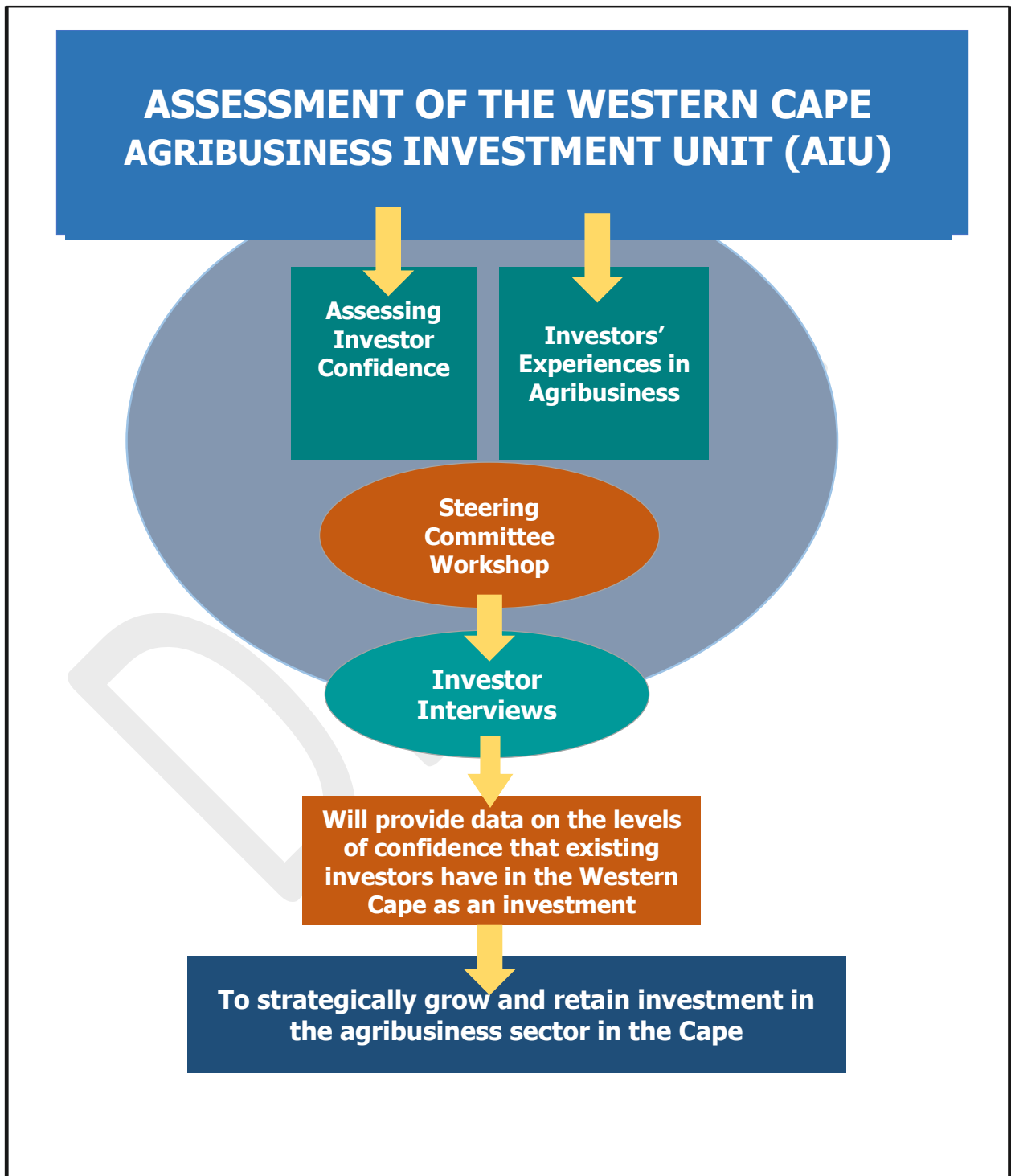
The following information is also contained in the appendices of the report:

- **Appendix A** details interview participants,
- **Appendix B** includes the interview guide, and
- **Appendix C** includes the transcripts of the interviews

2. Methodology

Mthente's approach to conducting the study used a multi-faceted approach, which included a steering committee workshop and in-depth interviews with stakeholders.

Figure 1: Conceptual Framework



Following a workshop that Mthente facilitated with the steering committee the following key indicators were developed. The conceptual framework emanated from the projects research objectives and the key focus areas that the steering committee wanted to gather data on in relation to the AIU evaluation. Table 1 below outlines these indicators and key focus areas. The conceptual framework will inform the manner in which the findings will be presented according to key area and theme.

Table 2: Conceptual framework and headline indicators

Key Research Focus/Question	Research Methodology/Approach
<p>1. Investment criteria</p> <ul style="list-style-type: none"> • General considerations when investing in the agribusiness sector • Specific considerations when looking to invest in the Western Cape’s agribusiness sector <ul style="list-style-type: none"> - Unique considerations when looking to invest in the Western Cape - Have these considerations changed over time? 	Investors, stakeholders, and desktop
<p>2. Level of confidence, current state and experience in investing in the Western Cape Agribusiness sector</p> <ul style="list-style-type: none"> • Current level of confidence <ul style="list-style-type: none"> - Related to challenges or success • Experience investing in the Western Cape agribusiness sector <ul style="list-style-type: none"> - Positive/ negative - Administrative aspects - Investment services 	Investors, stakeholders
<p>3. Expansion plans related to an African strategy</p> <ul style="list-style-type: none"> • Plans to further invest in South Africa • Plans to invest in the rest of Africa 	Investors
<p>4. Engagement with the AIU</p> <ul style="list-style-type: none"> • Experience during initial engagement <ul style="list-style-type: none"> - Related to level of service - Expectations and additional services - Satisfaction/ dissatisfaction • Post-investment services 	Investors and stakeholders

<p>5. Barriers that inhibit agribusiness' development</p> <ul style="list-style-type: none"> • Perceptions regarding government and private entities <ul style="list-style-type: none"> - Funding - Accessibility of development finance and support • Perceptions related to investor feedback regarding the AIU services 	<p>Investors, stakeholders</p>
<p>6. Suggestions on how to improve investor confidence and Wesgro</p> <ul style="list-style-type: none"> • How to improve investor confidence in the Western Cape? • Advice related to Wesgro 	<p>Investors and stakeholders</p>

2.1 Qualitative Interviews

Information from in-depth interviews with key stakeholders and investors provided insight into the focus areas and research questions listed in table 1. Thirteen interviews were conducted with investors. The investor's shortlisted were drawn from agribusinesses specialising in the following: organic wines, meat products, dried fruit, software solutions, juice, mushrooms, tulips, abalone farming, aid food and biotechnology. This diverse group of investors were selected in order to elicit specific insight in the current state of the Western Cape Agribusiness sector, barriers preventing agribusiness development, engagement with the AIU, and to gain an in-depth understanding of the unit's short-comings. A full list of the investor interviewees is included in **Appendix A**. In addition, seven interviews were conducted with internal stakeholders affiliated with Wesgro. A full list of the internal stakeholder interviewees is included in **Appendix B**.

Over a period of three weeks (through the standard practice of three telephonic /email attempts to engage stakeholders and investors) we were able to secure fourteen interviews with AIU investors and seven interviews with key internal stakeholders. The interview guide used in this qualitative research included broad, open-ended questions that were strictly aligned to the main areas of focus in table 1. The interview guide is included in **Appendix C**. Despite not being able to conduct interviews with the non-AIU investors, interviews held with both the AIU investors and key stakeholders yielded rich qualitative data. In addition, all interviews conducted were guided by questions which were closely aligned to the project's objectives and were further developed during an inception meeting. After each interview, the interviewer transcribed all responses in verbatim fashion. Thereafter, the data was open

and axial coded in accordance with qualitative research methodologies. Coding allowed the identification of predominant and sub-themes, based on the interviewees' responses.

Table 3: List of investors interviewed

Name	Organisation	Date Interviewed
1. Willem Russouw	Stellar Organics	18 May 2015
2. Sedick Sondag	Excellent Meat Corporation	5 May 2015
3. Reinhardt Siegruhn	Oursource	24 April 2015
4. JP Viljoen	Montagu Dried Fruit	25 May 2015
5. Reaaz Ahmed	Good Hope Meat Hyper	7 May 2015
6. Hentie De Wet	Henties Fruit Juice	4 May 2015
7. Schalk De Beer	Nouvelle Mushrooms	5 May 2015
8. Adrian van Wyk	Prominent Tulips	19 May 2015
9. Wayne Cooke	Doring Baai Abalone	30 April 2015
10. Ruwayda Kootbodien	RNT Snacks	19 May 2015
11. Shamsudien Ahmed	Freezerlink	---
12. Guy Baxter	GC Rieber	28 April 2015
13. Robby Irwin	Noble Wines & Spirits	29 April 2015
14. Johannes Schuller	Le Bon Bon Confection	---
15. Kobus Cotze	Agri Protein	4 May 2015
16. Kevin Chambers	Genetwister	4 May 2015

2.3 Scope and Limitations of the Research

The scope and limitations of the research included the following:

- With regard to the AIU investors, an interview was scheduled with Shamsudien Ahmed (Freezerlink) but unfortunately, Shamsudien Ahmed was unable to attend the interview due to reasons undisclosed. Johannes Schuller (Le Bon Bon Confection) was removed from the list, as requested by Salman Kajje.
- With regard to the non-AIU investors, due to lack of interest expressed on their part we were unable to schedule or secure interviews with these stakeholders. The matter was brought to Salman Kajje's attention and after discussion; we were advised to exclude the non-AIU members

from the project's methodology. Salman Kajie however requested that two additional stakeholders be added to the interview schedule.

- With regard to the key stakeholders, an interview was scheduled with Goodwell Dinga, but when the interviewer arrived at the venue Goodwell Dinga was unavailable and as result, his acting deputy Elmarie Kolnink stood in.
- Finally, it is worth mentioning that interviewees were selected by Wesgro. After receiving the shortlisted database of potential interviewees, the lead researcher attempted to recruit shortlisted candidates. As a result, the data yielded may include a degree of selection bias based on simple convenient sampling methods and may not be generalised.

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3. Findings

This chapter will identify and explore the topics and issues that are at the heart of the study. By engaging with investors and key stakeholders within the agribusiness sector, one may obtain a nuanced overview with regard to the central concerns and issues that need to be addressed, based on and aligned with the project's methodology. After an analysis of qualitative data obtained during the AIU investors' interviews, the following findings were identified:

1. Investment criteria
2. Confidence levels and experiences of Western Cape Agribusiness investors.
3. Investors expansion plans and perception on exporting within Africa
4. Investors experiences and perceptions of their engagements with the AIU
5. The barriers that exist to inhibit growth in the agribusiness sector
6. Investors suggestions and recommendations on how to improve investor confidence in the Western Cape and in the AIU

3.1 Investment criteria

One of the aims of the research was to assess investor confidence in the Western Cape as a potential investment destination. In order to do this, it is important to firstly gain insight into the criteria that influences the decisions of investors when identifying potential investment destinations. The criteria outlined below vary from market demand forces to skills availability and good governance. The responses from all the investors were varied and the dominant streams are explored with direct reference to their own words.

3.1.1 Market demand and market systems

An important criteria when looking at investing in the Western Cape was the market position and the level of demand for goods and services in the area. Three of the investors mentioned that the current market in the Western Cape is an important consideration when looking to invest in the agribusiness sector, in general. Each business's market offerings differ substantially, depending on the nature of the specialised business. It is however clear that regardless of the area of specialisation, investors attempt to identify a positive correlation between a business' products and their client base. As with any business model, research is required to assess the demand for a specific product. Aligned with market demand are factors such as niche marketing and diversification. Product diversification is linked to market growth, according to one of the investors interviewed. It seems as if investors tend to scrutinise

the viability of investing in a business based firstly on its business model. If the business model show investors that its products are in demand and that it has a plan to grow its market, either within a niche market or through product diversification, it may be of interest as a potential investment.

In addition to a sound business model and market demand, one investor mentioned that the systems put in place to manage a business's production is an important consideration when investing.

Production management is a vital aspect to consider due to the fact that streamlined processing and sustainable management, in terms of production output and human resources, influence a business's production cost and profit margins. If bespoke business management systems are not put in place, it may influence the viability of the business. The following extracts illustrates these sentiments from the investors.

I come from and I studied in Stellenbosch, that's the reason... The Western Cape has a very growing market; we sometimes wonder why our product is selling well here. Our growth inside the stores are very good, the important thing is that your product must be good...There are more people in the Western Cape and finance it's not too bad...

(Hentie De Wet, *Henties Fruit Juice*)

Then obviously the market demand – that's really where we start. So, we start with the market demand, then we work our way back and we see whether the area can actually support us...

(Reinhardt Siegruhn, *Oursource*)

In any business you have to see if you have a client base that will support your product or growth. You can't grow if you didn't do any analysis or know where you're going...

(Sedick Sunday, *Excellent Meat Corporation*)

Then obviously the market demand – that's really where we start. So, we start with the market demand, then we work our way back and we see whether the area can actually support us...

(Reinhardt Siegruhn, *Oursource*)

I will look to see if the business has a good system, the systems in managing their products are very important. I will check their reputation and if they have contacts in the industry they're in. I believe the networks and the reputation is the one thing that could bring the business.

(Kevin Chambers, *Genetwister*)

I deal with the Muslim population, so for me Western Cape is attractive. The market is bigger and the opportunities are endless. The potential to innovate and take time to test products beforehand, plus the samples are more to test into are more in Western Cape. Western Cape on the other side is not profitable compared to Johannesburg.

(Reaaz Ahmed, *Good Hope Meat Hyper*)

3.1.2 Location and geographic advantage

The next most dominant theme that emerged from the interviews was the issue of location and the geographic advantages that the Western Cape offers agribusiness investors. Location in this sense does not only refer to a specific area or region, but it also refers to the socioeconomic variables embedded within a location. Infrastructure and social climate are regarded as the most reported factors related to location as a key consideration and these issues will be addressed later in the report. The investors pointed to the various natural resources and climate factors that make basing their agribusinesses in the Western Cape favourable. The following extracts speak to the elements of location that are most appealing to the investors.

If you're talking agribusiness then I think that there is no better place than the Western Cape because this is the heart of agriculture. We've also got good infrastructure here, however in some cases we actually out grew ourselves so as a province we also need to make sure we expand as investment expands – and to give a typical example, the ports, we've got serious congestion at the ports because the majority of exporters are here. So now we need to invest in infrastructure in order to expand.

(Bongiswa Matoti, *Department of Agriculture*)

Good climate, clean environment, shipping link, world class city, airlines, good roads, broadband, good electric grid, good banking system, food processing industry, and good labour. I picked Western Cape because of the shipping and I live here so I didn't want to move

(Guy Baxter, *GC Rieber*)

It's difficult to find property where you can do agriculture, it not easy. You need to be near the sea... it's a great drive by Western Cape, they really trying to in carry the agriculture which is abalone farming and oyster farming and fish farming because it creates jobs, that's what we need.

(Wayne Cook, *Doring Baai Abalone*)

I will give [the location] an 8 out of 10... The conditions, the standard of living are pretty good down here compared to a lot of places. It's more attractive here: we have the sea, we have the mountain, tourism, and we have nice people coming here.

(Robby Irwin, *Nobel Wines & Spirits*)

It would have to simply be stability. For me I would put my money in the Western Cape because there's better access to market and plain simple stability. Western Cape has strong infrastructure; it's a very good phytosanitary area – we have very little pests and it's a very clean area, we don't have African Horse disease and the African Fruit fly...and the ports are hugely important and we're right at the port here.. (Reinhardt Siegruhn, *Oursource*)

3.1.6 Environmental factors

A consideration which is related to that of geographic advantages is the environmental criteria that investors consider in relation to their investments. Factors relating to the environmental conditions specific to the Western Cape were mentioned by almost half of the investors as a consideration when seeking to invest. According to Willem Roussouw of Stellar Organics the environmental conditions are key, he explains that:

We get a lot of sunlight so the Western Cape, for full production, is probably the safest area... Compared to the Stellenbosch for example we have more water, we have a lot better soil... So the weather conditions and location are very important.

(Willem Russouw, *Stellar Organics*)

The quality of soil, availability of water and price of land in the Western Cape seem to be some of the predominant considerations. Being one of the largest and most costly assets, land is a realistic and logical consideration to factor into one's business plan, especially businesses that rely on land for agri-farming. On the other hand, a couple of investors mentioned that land and water are expensive within the Western Cape.

The land is still cheapest in the Western Cape. I would say land is affordable, and I am not referring to Stellenbosch for the buying of a wine farm, I am referring to land and water in rest of the Western Cape. There is excessive labour available and I would definitely invest my money in the Western Cape, Also the question of the harbour is still only two hours from us... whole infrastructure of Cape Town is actually very good, but we just have to keep it up. (JP Viljoen, *Montagu Dried Fruit*)

Many of the investors made reference to the expenses relating to these issues and felt that land and water were expensive commodities in the Western Cape. One of the stakeholders interviewed provided some context for this. Jason Bell from Wesgro explained that:

“Land and water is going to be expensive all over the world, not just in the Western Cape, and the reason why it is so expensive, in my opinion, is because the quality of the land that you get in the Western Cape doesn’t compare with qualities that you get in other provinces. Water, it’s an international commodity which is becoming more and *scarcer* [sic]. So true investors shouldn’t even look at those issues because they are international issues. The return on investment is what they should be looking at, and if I tell you that you can grow a crop of grapes and within two years you’ll have a bottle of wine that is exportable, it comes from the ground into the bottle, I would say I would rather go for that option than to look at the cost of the land and the water. Look at the long term return on investment for your products that you want to produce in the Western Cape, and the infrastructure is here. The management is here. The export markets are] reachable from here” (Jason Bell, Wesgro).

3.1.3 Stability – Political, social and economic

Once one moves on from the location and market demands in an area, the next most important criteria is the political, social and economic stability of an area, particularly when it comes to international investors within the Western Cape. Stability can mean many different things to many different people, but in terms of investment criteria, as one investor explained, “stability would mean for example, the rules we put on the table in our discussions today, would they hold for tomorrow” – (Reinhardt Siegruhn, *Outsource*). Although the data does not indicate that stability is associated with a guarantee of business outputs, it does seem to relate to continuity of production and security of an investment. Continuity of production has been inferred based on responses that highlight social climate as a highly considered factor when identifying potential investment destinations. Other factors related to social climate that were mentioned include demographic statistics, such as a locations’ predominant culture, language and religion. These factors tend to also be related to the accessibility to the aforementioned potential markets and market demand.

The majority of the investors interviewed mentioned that the social climate of a location is important because of the stability factor. This is encapsulated in the following quotation:

...to me value systems are probably the most important, because it denotes to how you resolve conflict and basically, if I go into an area and it’s okay to kill somebody to resolve conflict, then to me that area is not stable. For instance if you go into a place and the predominant culture is aggressive... and the population is relatively young and uneducated, then it’s going to go bad... specifically if there is also a lot of poverty involved – unless there is a big intervention...
(Reinhardt Siegruhn, *Outsource*)

It is obvious that investors are in search of potential investment locations that are socially stable, which may have been given additional priority due to recent conflict in South Africa as a result of xenophobia. Furthermore, investors highlighted that crime reports are consulted in order to gain insight into the location's social climate, which may play a role in deterring potential investors as reported in the following quotation:

First of all, stability. Once you've established stability then you can start looking into resources – then you see what does the infrastructure look like, do you have roads, can we operate there, do you have skilled labour or do we have to bring people from other places etcetera. We've actually got a lot of negative sentiment flow in from the guys we deal with, due to the xenophobic attacks... Then we start looking at education, value systems etcetera...

Social drive and values system. There are certain tangibles that you can look at. For instance you can look at the religion of an area and how well that's actually practiced. Then I'll [look] at crime reports because those are neutral... so I'll go to StatsSA and draw conclusions on those. Next thing I'll do is I'll go look at the education profile of an area, then the demographics. The infrastructure, costs and the quality of the products that are produced. Then we will consider a friendly place, and check the language.

(Reinhardt Siegruhn, *Oursource*)

Another investor also added some context to this and how political and social instability can hamper investment, no matter how brief it is or if it is resolved, once the impression has been lost it is hard to win it back.

We met a potential investor through Wesgro, but after the xenophobia attacks, the potential investor was not interested anymore.

(Reinhardt Siegruhn, *Oursource*)

Basically what the investors are saying is that the investment into an area also has to take into account the full package when it comes to crime, social services, governance and basic infrastructure, as the two investors quoted below explain:

Infrastructure... Things like labour stability, you know it is unfortunate that you get certain areas I would say where we have a lot of labour unrest and that definitely adds a very negative impact on your consideration. Things like crime. (Adrian van Wyk, *Prominent Tulips*)

What are important are things like crime and labour unrest, infrastructure and things like that. So those are the main drivers. If you can show that your crime stats are lower, that your cost because all of that has a has an impact on your cost of business.

Most of the problems that we face are national problems... They aren't unique to the Western Cape. Crime and Eskom not being able to supply electricity and labour unrest and things like that, those are all national problems...

(Adrian van Wyk, *Prominent Tulips*)

When it comes to the allure of a stable social climate Robby Irwin from *Nobel Wines and Spirits* summed it up by saying that, “people want to invest, but again it must be made attractive to someone that will invest. If the picture is kept nice and clean and rosy, people will invest. If the picture is blurry and made untidy and messy, they’re not going to invest”.

3.1.4 Good infrastructure – Physical

In terms of stability it is important to delve deeper into the particular issues that add to that stability when it comes to operating a business in a region and agribusiness in particular that is labour intensive and requires mass distribution channels. Physical infrastructure thus becomes an important criteria, especially in relation to transport and methods of distribution.

The Western Cape’s ports are an obvious infrastructural advantage, however transport remains an important criteria. Investors mentioned that the Western Cape is connected by a well-established network of roads. Within the agribusiness sector, many investors are seeking out locations that are in close proximity to the ocean in order to have access to the ports. Access to roads and ports offer investors the option to distribute provincially, nationally and internationally.

According to Schalk De Beer (*Nouvelle Mushrooms*): “Ten years ago we were a small company. We were distributing locally, as we progressed my administrative process multiplied [...] we had to work our way to provinces. The administration is high when you distribute nationally and if you don’t distribute, you won’t grow.” Access to transport infrastructure thus influences a business’s expansion in terms of market growth. The Western Cape has also been highlighted as a point of access to the rest of Africa, which further emphasise the province’s transport infrastructure as being well managed and maintained.

It’s convenient... We’ve got ports... When you look at the ports [in] South Africa, we got Cape Town, Port Elizabeth and you got East London. You got Durban... Not forgetting Richards Bay... Richards Bay, that’s the one people want. If they’re going to want to work in Africa, people want to work from South Africa being to Africa... There are more big businesses that are based down here as well and a lot of head offices [are] down here [in] Africa. Overseas people would like to own or be part of a South Africa base company if you come to trade in Africa, because... I think South Africa as far as trading... probably has the best credentials compared to any other African country. The others are trading in oil but here we have gold, diamond we have a bit of everything.

(Robby Irwin, *Nobel Wines & Spirits*)

However, whilst the physical infrastructure may be favourable in terms of access to distribution channels, the costs of logistics when moving goods through the country can also be difficult as one investor explained:

From an attractive point of view, I would say Western Cape has environmental growth, compared to other places in the Agribusiness sector. From the production point of view the Western Cape grows. The negative side is the 65% majority of the market comes outside of the Western Cape, from the consumer point of view. That makes the logistics more expensive and difficult... The thing about Johannesburg is that the market is there, that's the frustration for me. The biggest markets are in Johannesburg, so if you invest here you are forced to ship there.

(Schalk De Beer, *Nouvelle Mushrooms*)

3.1.5 Good infrastructure - Political

Another important aspect of the local infrastructure is the political infrastructure of a region and the presence of good governance was an important criteria for the investors interviewed. Good governance of the Western Cape Province is another major draw card for investors. The following quotation from Robby Irwin (*Nobel Wines & Spirits*) may provide insight into this consideration: "When investors look to invest in South Africa, they look at the Western Cape first. It's probably the most stable. I think Western Cape will get more credit by running a really good administration and we are not heavily in debt as a province, compared to any other. The Cape has kept us above water... in general, it's a reasonably well run province". As discussed in the previous section, social stability is an important consideration for investors. Local government has a role to play in the economic and social development of a province.

With this in mind, the Western Cape is regarded as South Africa's most administratively functional province. In addition, local government has marketed the Western Cape, and Cape Town specifically, as a sustainable and world class tourist destination. Focus have been placed on aesthetic natural beauty as a Western Cape offering. Aligned with aesthetic considerations, investors reported that the quality of life; access to markets, especial niche markets; and a sense of loyalty are considered when looking to invest in Western Cape's agribusiness sector. The extracts from investors below illustrates these sentiments and the weight that is given to sound political climates when it comes to choosing an investment location.

Western Cape is an attractive option... You know the Western Cape is the prettiest part of the country.... Quality of life here is pretty good. Western Cape is the best managed province in the country... that's independently sort of verified. Local government at the local government level, the government is working to keep businesses happy and things like that are what you want to hear.

(Adrian van Wyk, *Prominent Tulips*)

When they looking to invest in South Africa they look at Western Cape first... it's probably the most stably. I think Western Cape will get more credit by running a really good administration and we are not heavily in debt as a province compared to any other province... The Cape has kept us above water, we did a good job it's not easy to maintain... in general it's a reasonably well run province.

(Robby Irwin, *Nobel Wines & Spirits*)

The presence of good physical and political infrastructure has most certainly added to the Western Cape's appeal and is an important selling point for the region and a central component of its 'brand' in terms of political and social stability. This is an important point that was not lost on the investors, who commented that the Western Cape has a strong brand as a result of these favourable components. Aspects relating to the Western Cape's infrastructure was once again highlighted as a key factor is making the 'brand' attractive.

I think we have a very strong brand in the Western Cape and we stand above the other provinces when it comes to GDP growth, so we've been growing faster than even Gauteng Province's GDP. That alone (emphasised) gives an investor confidence to invest in the Western Cape, but also there is the avenue of investing in the Western Cape to be a stepping stone for the rest of Africa. We've been doing this for the past fifteen years and developed a West African corridor where we have actually used exports to attract investors into the Western Cape. So we've got the management skills, we've got the connections in the markets, and we've got long lasting relationships with the governments, especially on the West Coast of Africa, and with that in mind, clients I think would rather look at establishing a manufacturing capability in the Western Cape, instead of looking at any other province, because we competing with other provinces for investors to come in. So what gives use the unique or attractiveness is our GDP growth, we have the capacity, we have a strong government here that promotes and protects foreign investors, and we have a possible market for their products that they are producing in the Western Cape. So it's a one-stop-shop.

(Jason Bell, *Wesgro*)

3.1.7 Labour force and available skills

Generally, when seeking to invest in the agribusiness sector, investors consider a region's access to employable skilled labour as being a key component of a successful investment. One of the aspects that investors attributed to production growth was the availability of a skill labour force in an area or in the very least a labour force with an acceptable level of education that can be trained or up skilled.

Another key draw of the Western Cape is the cost of labour, as one investor explained:

The whole atmosphere of the Western Cape is highly effective in productivity.... our labour is still effectively one of the cheapest in the world... That is why they are buying more and more products from South Africa because it is affordable and the world can still eat it because we provide it at affordable prices. But yes that is the uniqueness of the Western Cape in my opinion.

(JP Viljoen, *Montagu Dried Fruit*)

However, there are many aspects of the Western capes labour force and skills availability that are of concern to investors. Investors reported that labour unrest negatively impacts their perception when considering to invest. In addition, skilled labour and a location's general level of education have been reported by many investors as an important consideration. A location's education profile may indicate the availability of employable staff, especially when skilled labour is required for a specific business to operate effectively. The availability of skilled labour affects a business' cost to produce their products, the quality of the product and as a result, the reputation of the business. Furthermore, these findings are supported by the literature^{xiv} which acknowledges labour unrest and quality of education systems as negative contributing factors of investor confidence in South Africa.

It is important for investors that there is a local skilled workforce available in the area and that the investors do not have to look at bringing in skilled labour from other areas , which will add to administrative and human capital costs, as one investor explains, “ once you've established stability then you can start looking into resources – then you see what does the infrastructure look like, do you have roads, can we operate there, do you have skilled labour, do you have people who can build a pack shed or run a pack shed, do we have to bring people from other places etcetera” (Reinhardt Siegruhn, *Oursource*).

The lack of a skilled labour force can also hamper expansion, which is an important factor when considering investment, as illustrated by JP Viljoen of *Montagu Dried Fruit* when he says that, “We export most of the products to Australia and in Switzerland. We export to seven countries, but into Africa at this moment no... as you cannot put up a factory in Swellendam, because you will not get the skilled labour there... it will take you years. So in my opinion there is no problem to sell South African agri-processing foods, it has actually been sold before the time. To process it and to pack it here is a big question mark. [It is difficult] to grow the business fast enough and skill the people, to get more products out in the boxes and to get it exported it. Because in my instance, you know you put all your money, all your growth, back into the business which is the right thing to do but even that is not enough to feed the growing of the business (JP Viljoen, *Montagu Dried Fruit*).

The criteria outlined in this section all have one thing in common, they all feed into the levels of confidence that an investor has in situating his business to the Western Cape and the manner in which the criteria fall into line will directly affect the levels of confidence they have in the area and the growth potential of their investments. The data shows that the level of confidence and the experiences that the investors have had in the Western Cape are directly related to the way in which they have encountered the physical, social and political infrastructures and moreover how they have dealt with skills issues and the growing need for expansion into Africa and international markets, as outlined in the next section.

3.2 Levels of confidence and experiences in investing in the Western Cape

The data indicates that investor confidence in the Western Cape is generally good, which is also supported by the literature^{xv}. As previously discussed, the Western Cape's infrastructure, standard of living and its status as an international tourist destination contributed to the favourable level of investor confidence. In addition to these contributing factors, the most dominant factor which contributed to their confidence levels was an environment where they felt they had a good level of investment support in terms of investment services and administrative assistance. With regards to this component, investors mentioned that Wesgro has been a key contributing factor in terms of their subjective assessment of investor confidence when investing in the Western Cape.

3.2.1 Investment support services

In addition to local and municipal government working to market the Western Cape as a sustainable and international tourist destination, Wesgro's official mandate and mission provide support for such marketing. According to its mandate, Wesgro seek to market the Western Cape as a competitive business and tourism destination within national and international arenas. In addition, Wesgro's mission is to stimulate, facilitate and increase economic growth and opportunities through tourism, trade and investment promotion by effectively marketing Cape Town and the Western Cape as a tourism destination^{xvi}.

Many investors attributed their favourable level of confidence in the Western Cape, to the support they received from Wesgro. This may be further explained through the feedback received by Wayne Cook: "I will probably give it an eight, because they are user friendly... Wesgro has been supportive and they are happy to engage... When we got there, they said *bring us your ideas and we will help you to get to the right* departments. They have encouraged use to go to other sectors to look for job funders for the

agribusiness funding project.” Furthermore, this sentiment was shared by Reaaz Ahmed: “If I would call my contact now at Wesgro to tell him what I want, I’m sure he will try all his best to help me. I rate Wesgro 10 out of 10 for effort...” Although investor confidence is influenced by a myriad of factors, it is clear based on the data that investors regard Wesgro as a supportive structure put in place to assist developing agribusinesses.

In addition to sustainable economic and social development within Western Cape, investors believed that their level of confidence and positive experiences in investing within the Western Cape’s agribusiness sector is boosted by their engagement with Wesgro. Primarily, investors mentioned Wesgro’s willingness to assist, provide guidance and access to contacts within the industry create a supportive environment for investors. As a result, Wesgro have been earmarked as a driver within the agribusiness sector.

Wesgro has been the better driver of the market, they have changed my perception of what we can still do. The second you have support structure you start thinking out of the box.

(Sedick Sunday, *Excellent Meat Corporation*)

South Africa was driven hard by the Western Cape government and the Department of Economic Development... so you got all those lines sort of connected. You got Wesgro driving and trying to encouraging people to invest... if you got a good project and you want funding, if it is possible they got the contacts... From the economic development side, Western Cape is a user friendly environment, but you still need the money and you still need to go through all those problems, but Wesgro is there to try to help. At least you have a thing like Wesgro which is a starting point and it’s essential to have something like that which can open doors on a national level or government level or at least point you in a right direction or they can oversee your initially project if it’s worthwhile and advise you.

(Wayne Cook, *Doring Baai Abalone*)

3.2.3 National policies and good governance.

With regards to the experiences of the investors with investing in the Western Cape, once again, governance within the Western Cape has been highlighted as a contributing factor to investors’ confidence levels in the region. Issues revolving around legislative policies have been an important theme affecting levels of investor confidence in the Western Cape. Although not specifically a provincial issue, national policy has been a recurring theme according to interviews conducted. This sentiment is supported by Carl Opperman (*Wesgro, Ex-Board Director*): “The agribusiness sector has a lot of room

for improvement. It is a sector that contributes and can contribute further to the economy, not only of the Western Cape but to South Africa as a whole and Africa, but there's got to be some structural changes and there's got to be several revisits on certain policy matters of the government."

Furthermore, administrative concerns such as national policy and red-tape issues are regarded as being governed more effectively within the Western Cape, compared to the rest of South Africa's provinces, as indicated by Angelo Petersen (Wesgro, *Ex-Board Director*) when asked what he felt was the main draw card for investor, "Governance, I think the Western Cape is seen as be governed better than the rest of the country".

Although the majority of investors reported positive levels of investor confidence in the Western Cape's agribusiness sector, the lowest rating of investor confidence was reported by Jason Bell (Wesgro, *Acting Head of Exports*). The following quotation offers insight into the manner in which national level concerns may overshadow and cloud an evaluation of investor confidence at the provincial level:

"Because the Western Cape is part of the bigger picture, I don't think investors are confident in the country, at whole. We [South Africa] are a few percentage points away from being listed as junk by the S&P, Standard and Poor's indicator. If I was an investor looking from outside to inside, I would say *let's hold off and see what happens in the next six to twelve months*, and it is a national government driven confidence damper, let me put it that way. However, the story of the Western Cape is not being told when it comes to rating the entire country and I think *that* is where we are losing out. When these rating agencies rate a country, they don't specifically look into provinces, but they look at the country as a whole. As an investor from outside coming in... I wouldn't even go deeper into the country if the whole country is being almost listed as junk. So I don't think investor confidence is very high. On a scale from one to ten, I would say it's sitting at about four." (Jason Bell, Wesgro)

These sentiments are echoed throughout the investor interviews when it came to the national political climate and national policy frameworks that affect the agribusiness sector as outlined in the quotes below.

I think on a political front, it's the stability we got here with the current DA government, number one. Numbers two is the structural development and let's look at the Department of Agriculture that we got in the Western Cape that is one hundred percent functional; the only one that's functional out of the nine provinces and national. So, out of the agricultural primary side I would say that is our big backbone. I should say also with the new department of economic opportunity where agriculture has moved into an economic cluster and not part of the socio-economic cluster will make it a business, it is not a welfare organisation anymore and that will give me a lot of confidence with the current grouping on government's side that we can take forward. The further thing is the knowledge base of the farming group here is also more superior than we got in other areas because we are more export driven than what the rest of the country is locally driven.

(Carl Opperman, *Wesgro Ex-Board Director*)

Local government at the local government level is working to keep businesses happy and that's what you want to hear.

(Adrian van Wyk, *Prominent Tulips*)

3.2.4 Red tape and regulations

Although investors reported that their experiences and level of confidence in investing in the Western Cape's agribusiness sector was generally positive, issues relating to administration were mentioned as being an area of frustration and concern which will directly affect confidence levels. Red tape was high on their agenda and the difficulties in negotiating the red tape in order to access incentives and financial assistance. Accessing financial aid is a problem which has primarily been accredited to issues revolving around red-tape and administration. In addition, investors felt that the duration and process of application for financial aid is unreasonably long.

We thought it could be really straightforward and be able to produce and be able to distribute in South Africa. The issue is there is a scale and everything costs money. There are a lot of expectations in the business, as far as accreditation and labour issues plus BEE. It's very expensive as far as the administrative is concerned. Administrative expenses are very costly. We only have the administrative problems.

(Schalk De Beer, *Nouvelle Mushrooms*)

There is a lot of red tape... the administration on red tape of documentation, taxes and abide to sanitary certificates and things like that, they can also play a role.

(JP Viljoen, *Montagu Dried Fruit*)

Even the internal stakeholder, Ms. Matoti from the Department of Agriculture pointed to the difficulties accessing financial incentives, she explains that, "there is money but the biggest challenge is access... In terms of the access, in government in particular there is a problem with red tape – that's one. And secondly, there might actually be conditions on the money...perhaps that should be the first one... It's either the industry is prepared to meet those or they are not" (Bongiswa Matoti, Department of Agriculture).

3.2.2 Available skills and labour force demographics

In addition to the regulatory and administrative concerns, there were a large number of investors who raised concerns related to labour force issues once again. Although some investors mentioned that

within the Western Cape “the labour force and the level of productivity is not bad” (Schalk De Beer, *Nouvelle Mushrooms*), other investors reported concerns with regard to access to skilled labour in the Western Cape. These concerns primarily revolve around capacity building and loss of skilled labour. Investors felt as if the agribusiness sector is losing skilled labour and the turnover of skilled labour is not being replenished. One investor related the lack of staff turnover to the exclusivity of the sector. According to this train of thought, the required skills are not being transferred to the youth in order for them to enter or sustain the agri-industry.

It was not easy and it's risky, with competition. You have to put more finance in order to gain more, and that's risky. For me the major concerns we are losing skilled people in the industry, we are not putting in the top candidates... We are losing skilled people to other industries, and we are not recovering
(Kevin Chambers, *Genetwister*)

The lack of skills... if you look at the number of qualified people, they are about 45 to 55 [years] so you can imagine the knowledge they have. It needs to be transferred to the younger generation. That would require training and we would spend money for that.
(Adrian van Wyk, *Prominent Tulips*)

Reaaz Ahmed (*Good Hope Meat Hyper*) mentioned that the lack of skills in the Western Cape is a challenge. In line with this, Reinhardt Siegruhn (*Oursource*) expressed disappointment in South Africa's skilled labour.

We can't find skilled enough people in the country to do the kind of work we want... As soon we are appointed we can't get someone to do the job. We are forced to outsource. The 65% turnover of the JSE is generated outside of South Africa. We have the best infrastructure... but why would a company invest in a country that doesn't have skilled people in farming? Farming has politics and it has a bad reputation. (Reinhardt Siegruhn, *Oursource*)

Nonetheless, as Salman Kajie points out below, despite these concerns over skills development in the sector, investors in the Western cape have contributed hugely to employment figures in the region over the last four years which shows that despite labour concerns, the draw of cheaper labour and a large pool of available labour is still a good draw card for investors.

Interest in the sector has increased and this, I think, will be to the benefit of the advancement of the sector. Also the worth of the investment deals has also increased since the establishment of the unit. Between 2010 and 2012 investment worth went from R98 million to R172 million; 2013 we were at R180 million and last year (2014) we were at R225 million...and also we asked the companies who we've assisted to sign investment declaration forms and many of the companies recorded the positives of direct

job creation...so I'd say this is a success in its own right, because in a way we're contributing to the alleviation of the 25 percent unemployment rate in the country.

(Salman Kajie, *Wesgro*)

3.3 Expansion of businesses and further investment in the Western Cape.

In terms of expansion plans, many of the investors interviewed are exporting or are considering the possibility of exporting from the Western Cape, either locally or within Africa. They did express though that they had experienced challenges with expanding into rest of Africa and difficulties with export logistics and regulations. This section highlights those investors who have expanded locally, experiences of those who have expanded internationally and the challenges involved in both areas of expansion.

3.3.1 Expansion locally

In terms of local markets, the majority of the investors were well established locally and had a good local market share. The smaller businesses also expressed their plans to expand into larger local markets beyond their provincial borders and into more expansive markets such as Durban and Gauteng, as the quotes below illustrate.

We have people in George, Transkei, Mthatha and PE. It's very strong places at the moment plus Gauteng. We are slowly getting ourselves in South Africa. We are selling to the local market only...It gets too expensive if you do not have the connections.

(Hentie De Wet, *Henties Fruit Juice*)

Durban would be our choice. Durban has an agribusiness zone; it's a nice and healthy environment, it has good roads.

(Gay Baxter, *GC Rieber*)

At the moment we supply nationally, but the South African market is still growing and we are not in a position yet to. We haven't fully exploited the opportunities in the South African context... So we are definitely looking locally... Our challenge is that the rest of Africa, there are a couple of countries in Africa where their economies are growing very nicely... But they are not yet at a stage where they are really economies that buy our product.

(Adrian van Wyk, *Prominent Tulips*)

However, one of the investors interviewed stated that they have no plans to expand as they have carved a comfortable niche for themselves in the Western Cape and are happy to rather expand their provincial market and gain a stringer customer base closer to home.

With the Western Cape, we have quite a few cash and carries... what we get in the Western Cape at the end of the day is our maize and our packaged pellets all come out of the Western Cape... Even though in Johannesburg, cost of maize and packaging were much cheaper because the transport is not far from those areas, but being in Cape Town at the end of the day, we only know Cape Town. We are quite comfortable in Cape Town, where we are basically born and bred and we have been living off our city in Cape Town.

(Rywayda Kootbodien, *RNT Snacks*)

3.3.2 Expansion in Africa and international markets

In terms of where investors felt they would like to expand, they either expressed interests in expanding to or they are currently exporting to the following African countries: Angola, Ghana, Nigeria, Uganda, Mozambique, Cameroon, Kenya, Tanzania, Botswana and Ecuador.

We are just starting with a new product that will be for import marketing... We are going to Namibia, Botswana, Mozambique, and Tanzania... Its closer to us and the agencies, plus they have been around so they have contacts, and they have their distribution networks set up with a period of time, plus they are trustworthy.

(Hentie De Wet, *Henties Fruit Juice*)

The next plant will be in the east, or west of Africa either Ghana or Kenya. It is easy to do business in Ghana, and it has a stable environment plus it is easy to move around there. We want to build a world-class factory and do something similar in Ecuador and Angola, and bring those products close from where it is distributed, so we can reduce transport money. What we want to do, as a group is to work with the likes of Unisaf, World food program, and Doctors without Borders. So they understand what we are doing and we understand what they need.

(Gay Baxter, *GC Rieber*)

No...Our main export is to Europe and America. We would love to go into Angola and to other countries with our product. It's not that easy anymore, but we would love to have help in Africa if we can get decent contracts or stuff like that in Africa that would be amazing... But currently America and Europe is 90% of our market and then local is 10%...

(Willem Russouw, *Stellar Organics*)

None of the products are produced in our plants, we outsource them. We buy them locally. We will just put it in a container and export it... you don't really need facility for that. The guy would request a certain product, we source the product and we ship it to... Ghana, Nigeria, and Angola. We are the provider to Burger King for the whole of South Africa. So Burger King goes to Nigeria.

(Sedick Sunday, *Excellent Meat Corporation*)

We have been to Burkina Faso, Nigeria it's an ongoing thing... Angola it's really expensive... you must have the right contacts... Angola is very expensive, putting your people there to travel and hotels; it's extremely expensive.

(Robby Irwin, *Nobel Wines & Spirits*)

We are looking to expand to Africa. We have already sold meat in Africa and we have got inquiries in Uganda, Mozambique, Angola and Cameroon. There is a major option for growth in Africa and beyond... We will export in Uganda, Kenya and Tanzania. We got an opportunity to establish some presence...

(Reaaz Ahmed, *Good Hope Meat Hyper*)

We are exporting currently, we were exporting from day one in our business. We are exporting to Angola and Namibia, and we are looking at expanding a plant into Botswana area. But nothing serious as yet, there has just been talks that we would like to expand into Botswana; put up a small plant there and see if it is going to work out.

(Ruwayda Kootbodien, *RNT Snacks*)

Nigeria and Ghana. Ghana is lovely, stable and people are educated. Nigeria is big and we have networks there. It is part of the international strategy. I think South Africa will be the smaller part of our business.

(Reinhardt Siegruhn, *Oursource*)

However, despite the plans for expansion internationally and within Africa, the investors explained that network barriers have hampered expansion attempts and made the export market a difficult sea to navigate, as outlined in the next section.

3.3.3 Challenges to expansion and export

With regards to expansion plans the investors pointed to limited access to contacts or networking, and costs as being the main factors prohibiting expansion plans.

Yes and we have started, but we are not big enough to invest. We will love to expand and we have communicated that with Wesgro

(Kevin Chamber, *Genetwister*)

We have been thinking about expanding. I think we still need to grow here first and explore here in South Africa. It is difficult to export our product, but we do have agencies, but at this stage it's still early for us. The product it's still young.

(Schalk De Beer, *Nouvelle Mushrooms*)

However, Jason Bell from Wesgro points out that it is part of the AIU's remit to assist with facilitating introductions to these networks and assisting the investors with meeting their resource needs when it comes to expansions, as outlined below. This points to perhaps a lack of communication of these objectives to the investors interviewed and this is a point that will be raised again when it comes to the suggestions from investors on how the AIU can better their services provided to the investors and help them meet their needs.

We promote exports, exports lead to export orders, export orders lead to capacity building, and once there are more demand for products in the international markets that's when companies in the agribusiness phase either grow their businesses number one, or tap into the value chain to help them supply that foreign markets. So there are jobs that are being created to facilitate, to help with the demand from the foreign market. (Jason Bell Wesgro)

We would take clients into markets. We monitor them afterwards with post-marketing evaluation that we do, six months to a year, and remember these clients are clients that regularly go and promote their products on international markets. The first question we ask them: 'are you going to need additional assistance on expanding your operations?; or will you need funding to assist with the export ... If they say 'no, our current operations is capable of handling the demand,' we say 'okay fine, but speak to our AIU just in case you get another order and you will then need to expand your operations.' So we then take that lead and we pass it on to the AIU unit and we go and see the client together. So it's an introductory meeting. So they [AIU] takes over the client, we still speak to the client on the export side, but they [AIU] then start the process of tapping into incentives, tapping into whether it's a new or existing investment, getting clients to be... export-order-facilitation ready; let me put it that way. So we make sure that the factory has got the capacity to handle the demand and that's our relationship in a nutshell.

(Jason Bell, *Wesgro*)

One investor pointed to this facilitation as being directly connected to her ability to expand her business, as she explains, "Due to Wesgro assisting us with our expansion process we have currently more than 20 employees because our plants have grown. So we have created more jobs in our business as well in a positive way. Expectations were definitely met... Salman helped our business

financially because of the purchasing of property for the business, which obviously puts a strain on the business” (Ruwayda Kootbodien, *RNT Snacks*).

3.4 Engagement with the Agribusiness Investment Unit

Investors expressed both positive and negative feelings toward Wesgro, during their initial engagement. Positive experiences included Wesgro’s networking prowess and solution driven attitude. Investors mentioned that Wesgro provided advice, credibility and linked investors to opportunities. Salman Kajje has been mentioned numerous times by investors as a point of access and a key support structure.

Negative sentiments expressed related to administration. Investors felt that the administrative processes involve an unreasonably long waiting period and that the duration is unnerving. Due to the administrative problems faced by investors, access to financial aid is a drawn-out process. Many felt that Wesgro should play a bigger role in the sector in terms of adopting a hands-on approach when attempting to understand the agricultural business. As such, investors mentioned that Wesgro should follow up and remain in contact.

3.4.1 Positive experiences

The dominant responses from the investors interviewed were positive ones and related to the strong level of support they felt they received from the AIU. Despite the long processes investors have to go through to get through administrative issues generally they felt that Wesgro’s AIU assisted them with those channels and tried where possible to aid them with navigating the various lengthy processes mentioned below.

I can tell you about the AIU... it takes a long time and I do understand why. The local municipality, I think we have a good contact there. I think we can have much better contact if we can get a little bit more out of our municipality... But if we need information they are quite accessible. Wesgro play a very integral part of bringing the partners together and getting them a solution that can work.

(Willem Russouw, *Stellar Organics*)

The idea of meeting and working with Wesgro... we wanted to develop the export market. That was the initial plan. We wanted to build relationships with Wesgro and with the resources they got in Africa.... So Salman came here and presented what Wesgro can offer. At that time we were expanding our manufacture plan, that’s where he become our supporting structure. The development we intended to do was in the region of R40 million-growth expansion on the plant... That’s where we got involved with Wesgro. They gave up support and direction, and they told us everything we needed to know plus the incentives we can get for the agribusiness and manufacturing. Since 2012 we started many parts of the

business, and late 2012 we managed to sign a deal with Burger King, when they came into the country. Salman came again with his team and showed us what they can offer as an incentive... and the funds come through. I think what Wesgro is doing is very good. The opportunities are endless. The conduct of the team, they understand our business, plus they understood where we are going. I always recommend them to our clients.

(Sedick Sunday, *Excellent Meat Corporation*)

Wesgro has always been there and they always offered assistance. We had meetings, we have been in and out there [Wesgro]... I got regular correspondence via emails from them verifying if there is something happening there like speakers or whatever it is they having. I must say one thing, they keep us informed on a regular bases. We never had a problem with them. All I can say, at the moment we have a great relationship with Wesgro and things are working very well. When we need them they are there.

(Robby Irwin, *Nobel Wines & Spirits*)

All the services that we received from Salman were excellent. He still keeps in contact just to find out if there is anything else that he can still do for our company... I found that we're very happy with everything that Salman brought to table and explained... He saw that everything was followed through and he has done what's best for our business.

When we actually purchased the property, Salman approached us to say: *we can still contribute towards the purchase of the property*, which will allow us to grow in our business as well, buy machinery for expansion, all those things... he also introduced us to somebody to become BEE compliant and he put us onto another person to help me with the documentation because it was quite a few things that a person must fill in. He introduced me to an agent to assist me with the documentation and everything went off very smoothly after that. Even with the machinery that we purchased for the business for the new plant.... He also advised us how to go about and what to do and things like that and everything went off very well. (Ruwayda Kootbodien, RNT Snacks)

They helped the business and they introduced me to relevant people. It helped the business to grow with their guidance. If I had a challenge, they have always been there for the business and me.

Johannesburg and Durban connect businesswise, I would like it if we could channel opportunities from them. Allow them to help us grow. The MEC sector is looking for help in the Western Cape, to grow agribusinesses in the halaal industry. (Reaaz Ahmed, *Good Hope Meat Hyper*)

It was nice and they explained everything. Even if you missed something or you miss the deadline, with them it was fine. They went the extra mile to get us what we wanted.

(Reinhardt Siegruhn, *Oursource*)

I really feel like part of the family of Wesgro, because they actually invite you to all the events that they are doing. I met a lot of foreign buyers in their offices, in one on one meetings... Wesgro is always there and you can ask them anything... If I for instance want to go to Russia now, they will give the whole broad based of data of all the people that they are connected to in Russia Moscow and I can immediately make contact and save a lot of time. So I think in the agriculture business the guys are very effective, I cannot speak for the others.

(JP Viljoen, *Montagu Dried Fruit*)

The interaction with them was fantastic actually, they were very solution driven and it's important to realize that that Wesgro was not the company that wanted to liquidate, they could see the value and the potential of our business... but I've only got very good things to say about Wesgro specifically. My interactions with them have always been positive, I think they've got fantastic connections to various organizations... From a networking perspective, it is really good.

I think the existing work they do in terms of putting people in touch with investment firms and funding and things like that is crucial.

(Adrian van Wyk, *Prominent Tulips*)

From the beginning they were keen to help us, but we were not ready. At the beginning we didn't have any reference and it was difficult, no one knew us. We asked if they could ask similar businesses around so that they can link you to potential investors, they couldn't. When it comes to exports, they're perfect. They linked us with the IDC and we're happy with them... They do a great job and they are good in terms of promoting the Western Cape as an investor destination. Their services are good.

(Schalk De Beer, *Nouvelle Mushrooms*)

A strong theme throughout these quotes from the investors is the AIU's ability to connect the investors with important stakeholders and market insiders, this is a very important investment criteria and a very favourable advantage to growing your investment in an area through clever networking and making important business connections. This is a core strength of the AIU from the investors' point of view.

3.4.2 Challenges experienced

When it comes to evaluating the services of any business there are bound to be some challenges that are experienced by the businesses 'customers' and in the case of the AIU the investors did experience

some challenges in relation to the amount of time they had to wait for processes to come to fruition and the inconsistencies that arose in terms of inspections and paperwork. These challenges are captured in the quotes from the investors below, some of whom despite large level of frustrations, explained that eventually the situation was resolved.

He [Salman] took me to IDC in Cape Town; they took us in a 9 months intense process... They were following up to check the process with IDC. That created a settle impression. They work quite closely together. IDC is looking for projects they have to spend a 4 billion rent a year I think, but getting to that money is difficult. IDC offices are very great basically the challenges are they are ruled by their accountancies. They must get everything into order and if you cannot get the money and you cannot blame them. There is a bit of a human factor, to tick all the box and you go through other process. They all are trying to protect themselves. Over the past years there was so much money disappeared or badly spent

(Wayne Cook, *Doring Baai Abalone*)

Paper trails and paperwork... that's a nightmare and a real struggle. The paperwork... it's very difficult. You can imagine when you don't have access to start-up money, how can you even start when you can't print a R10 document or write a letter. There are people with wonderful ideas. How do you start when you don't know how to start? It took me up to 18 months to get everything in place before I could approach the Western Cape government. Our project is R45 million. We would never have dreamt it if it wasn't for Western Cape government coming on board supporting us through grant funds, national funds and we got a portion of that. We have Wesgro as sort of the attachment support. That gives you certain credibility within the business sector.

I think it is a case of understanding the business and saying *how can we promote more of these projects to be successful*. We fit all the BEE requirements and with all the challenges we have, we shared. There must be more drive in the agribusiness sector and culture. Wesgro can be the facilitator to the culture.

(Wayne Cook, *Doring Baai Abalone*)

The time period could have been shorter. Firstly documentation went missing along the line so we had to resubmit documents to the head office again. The inspector only came back to us about 6 months later. The first inspector that came, he came after about 3 months, he came but then he was no longer handling the case. He approved everything so we were told that any day now... any day now. Eventually nothing came through after a month and I phoned Salman and he followed it up. Just to find that the first inspector was fired and somebody else was going to handle it. So we had to resubmit and follow up where the documents are.

Then only 3 months later another inspector came and he came to inspect the property... more than 2 weeks then our money was paid out. ...but just for those six months basically, that wait. You have tied up your cash so there is a growing concern that your cash is trapped. At the end of the day it was paid

out and that put a relief on us, so if that process can just be shortened... but at the end of the day it played out fine... we appreciate that we have Wesgro that will support us as an individual business in order to grow our businesses further.

(Ruwayda Kootbodien, *RNT Snacks*)

I think because the inspector is not based in the Western Cape it [the process] is a bit long... And if Wesgro can connect closer to the DTI... then they would be much faster when investigating and in growing agri-processing in the Western Cape. They bring you to the documentation, they visit you, they will advise you and they will pull the trigger and there you go. In my opinion they need to be closer and because they are situated in Cape Town, it is two hours from the inland and they can investigate people in different scenarios... I would suggest that Wesgro make the process much faster and if the DTI gives them that inner lane into the smaller business enterprises. (*JP Viljoen, Montagu Dried Fruit*)

Here in Western Cape we a nutritional industry offering. Up until October 2013 we were told there were no incentives for businesses like ours. In October 2013 I called the CEO of Wesgro to find out some more information. I had a meeting with one of the Wesgro assistants or associates and I explained everything. Then nothing happened. The problem is we should have filled the application in beforehand... We have no deductions on rate tax, electricity, equipment, tax breaks on government level, or national level. We had specialist look at this thing. If you can go to Wesgro, I'm sure you will see our application when we applied for incentives and the answer was no. It's a frustration to us that we can't get them; they say it does not apply to us.

I asked if they can help me find premises, they couldn't. I appreciate the initiative, but the important things they couldn't do anything about. Now they are playing a role to make us interact and get us contacts. My senses is that they can be more proactive. It looks good and feels good, but at the moment it hasn't done any good for the business.

(Gay Baxter, *GC Rieber*)

3.4.4 Post-investment interactions

With regard to post-investment services, investors are looking for a consistent level of engagements and a very specific type post-investment support structure that meets their particular post-investment needs. Many investors mentioned that Wesgro should adopt a facilitative role when dealing with businesses. Investors said that Wesgro should attempt to learn more about the investors' business, as well as the market. Being invited to more workshops, access to information and information about what is available for investors, were also mentioned as illustrated in the quotes below.

From my side I know Wesgro is putting a lot of effort into the market for people to get on board with their assistance. We have been once or twice in their meetings, at some point we were looking for machinery and export. They called to check if there was any improvement. I was impressed that they

went out of their way to check up and wanted to help to take the business forward. I think now will be the fantastic time to be involved with Wesgro.

(Hentie de Wet, *Henties Fruit Juice*)

I think first of all, to be able to put us in connection with the right people where we can get the right finance and the right insight. How do we need to structure the farming unit to be acceptable to get grants? Some information would be of help... Then to acquire equipment ... and then maybe how to get the right connection with agriculture that we can get sustainable. If there's funding available for this specific unit.

Bring buyers together so that we can have the chance to meet the buyers...the supermarket buyers ... But they don't really help us in the past. If you can factor the supermarket buyers, talk to them and get the listing. That is always very good to have, but it doesn't help you to go there if you don't have production to supply them.

(Willem Russouw, *Stellar Organics*)

Back to knowing agriculture and continue driving it up the chain in the economic development sector of Western Cape and nationally ... They [Wesgro] must create awareness ... [Interviewer: through knowledge?]. Exactly. Send people up to farms, understand how it works and looking at the numbers.

(Wayne Cook, *Doring Baai Abalone*)

If they can introduce us to important people within the spirit industry, if someone is looking for alcohol, then yes they could contact us? It doesn't have to be in Africa only, anywhere in the world.

(Robby Irwin, *Nobel Wines & Spirits*)

From my perspective it was a waste of time. They didn't even follow up. All the projects I was given went nowhere.

(Reinhardt Siegruhn, *Oursource*)

Information is there, but you're on your own... So the follow up is one of the things I would say they must keep it up. They have to visit the actual part where expansion is in businesses... But you need them to come out to the sites to see what is going on, to see what you want in practical terms

(JP Viljoen, *Montagu Dried Fruit*)

I would like Wesgro to help us get with the health industry; I wouldn't know where to start. I want them to get us the ... I don't expect them to sell or market our product for us. It would be helpful if they could get us into the market. Show me what I will get from you and make it attractive. Make it easy for me to get that. They can't help with my business or how to know my brand.

(Gay Baxter, *GC Rieber*)

These quotes from the investors highlight a need for the AIU to look at their investor engagement strategies post-investment and if their follow-up processes with investors are consistent and meaningful for the investor. There is a sense amongst investors that once they invest or once the businesses has gone through the initial processes that they are largely left to themselves to continue on their own with post-investment guidance and this is an important part of sustaining investors interests and also their support for the AIU's mandate.

3.5 Barriers to agribusiness development and growth

In terms of barriers that inhibit the agribusiness sectors development, the interviews with the investors gave very little data to analyse with regards to this questions as most of the barriers have been mentioned within other contexts in terms of socio-political climates, the concerns over semi-skilled and unskilled labour in the region and the issues regarding the lack of financial capacity of some companies to expand. Interestingly in terms of barriers the internal stakeholders provided the most feedback and insight into possible barriers to growth in the sector. Ms. Matoti outlined her vision in terms of sectoral development and the challenges she foresaw with growth in the region,

I do foresee growth in confidence in investment, but the challenges to confidence in investment in agriculture is lack of clear policy on land reform which may result in instability –although this is not unique to the Western Cape. Secondly would be water. We are a water scarce province compared to our counterparts... then it would be electricity at number three with the issues of energy... if you talk to potential investors, this might be an issues.

(Bongiswa Matoti, *Department of Agriculture*)

In addition, in terms of growth barriers marketing was also mentioned by two internal stakeholders. Jason Bell reported that the Western Cape is not being promoted efficiently. This sentiment is further supported by Jacyntha Twynham (Wesgro). Data indicates that the Western Cape is not being marketed as a niche, unique investment attraction. As Jason Bells explains: "the Western Cape's story is that of success. I haven't come across another province that has the same enthusiasm about creating jobs, enthusiasm about going out there and making business happen. On the agribusiness

side, the story that the Western Cape is actually the food basket for the rest of Africa, is not being told, because if you think about it, what other first world production of agribusiness or agri-products, is manufactured on the African continent? Realistically? Nothing. So, investors has actually identified the Western Cape for the rest of the African continent” (Jason Bell, *Wesgro*).

In terms of the investors view on barriers they centred on administrative barriers and the nature of risk within the agribusiness sector itself. When asked to discuss what they felt were the factors that are inhibiting agribusinesses from accessing development finance and support the stakeholders responses revolved around international barriers, such as administrative factors which included certification in order to trade internationally. Lack of financial aid, financial access and red tape are among the primary factors which are perceived as barriers to growth. Lack of adequate incentives that are structured according to certain conditions were also mentioned in this category.

3.5.1 Administrative barriers

Two of the internal stakeholders acknowledged that the administrative processes involved in growing the sector through investors is a major contributory factor to hampering investment and being a potential barrier to faster growth. They explain that:

The biggest problem, the biggest elephant in the room is a national agency called DAF, Department of Agriculture and Forestry, and the opportunities are there but we cannot get our national department to talk to the foreign countries where these products are supposed to go to so that they can get certification for that product to be exported into that particular market. There’s huge demand for our meat and our fruit and vegetable products in South-East Asia, but we cannot export it because there is a barrier put in place by that particular country, that suppliers need to comply with certain veterinary and phytosanitary certification.

(Jason Bell, *Wesgro*)

In terms of accessing finance and accessing incentives it is also an administrative nightmare. Whilst incentives may not play a large factor in bigger businesses decisions to invest (according to Angelo Petersen (*Wesgro*, *Ex-Board Director*), “incentives for a big players are not really that much of an attraction, for the smaller start-ups it is obviously an attraction because obviously it assists”), for small business incentives act as a lifeline to investment and lack of administrative capacity can lead to them not being able to access such incentives. As Ms. Matoti explains:

There is money but the biggest challenge is access... In terms of the access, in government in particular there is a problem with red tape – that’s one. And secondly, there might actually be conditions on the money...perhaps that should be the first one... It’s either the industry is prepared to meet those or they are not. And we must remember that when government sets up an incentive, they align it with what the

industry needs – government can never set up an incentive without consulting the industry first. So we consult the industry, and we put in the goals of government in there as well. So somewhere somehow we need to be driving the objectives of government as well, and it's then a question of whether the industry is willing to meet up halfway or not. (Bongiswa Matoti, *Department of Agriculture*)

And another thing that speaks to access is that sometimes these things [grants/incentives etc.] tend to have a city focus but the bulk of the sector is located in the rural area. So you need to find means and ways of communicating and distribution these because for farmers for instance, it may be a challenge to leave the farm. (Bongiswa Matoti, *Department of Agriculture*)

3.5.2 Risk environment

Two investors characterised the agribusiness industry as a risky and competitive industry. Although a certain degree of risk is expected in all forms of financial investments, some investors' risk appraisal may influence these concerns, especially when rewards and incentives are considered.

My experience is that the risk profile puts them off... The big focus in the Western Cape is in the food industry, the risk is you have to get in the right food industry. The industry is moving very slowly, I think there is no finance for innovation... New ideas need to be brought in Western Cape. We need change and new things into that area.

We have found a lot of foreign interested investors; they want to be involved here. Everyone wants to invest here in Western Cape. I think we have to make sure there are no complications for foreign companies to come and set up here... Western Cape has potential, from new developments to linking black economic programs.

(Kevin Chambers, *Genetwister*)

To invest in agribusiness in general, I think the investment confidence is quite low.... I think that the risks are very high and rewards are not that fantastic. .. It's an expensive business to be in and you know I think that is a national thing, so it's not just particular to the Western Cape... there are so many barriers to preventing entry into that market... The biggest problem we face in the agri-industry, in general, is that it is a fairly exclusive sector... you don't really get new farmers entering the fold and what you also find is that it's very much a traditional model of... the son takes over from the dad. There are very few young guys coming in and you need that in order for the business or sector to be sustainable... You have to get what I like to call *New Farmers*, preferably guys who are previously disadvantaged, who are not entering the market and can be successful. The problem is that those guys, 99% of the time do not have the required skill set, education, general knowledge, and funding to do it.

(Adrian van Wyk, *Prominent Tulips*)

3.6 Suggestions on how to improve investor confidence in the Western Cape and the AIU

According to the investors, in order to improve investor confidence in the Western Cape, Wesgro should adopt a facilitative role, as highlighted before. In addition, investors mentioned that Wesgro should lobby national and provincial government with regard to improved incentives. The extracts below speak to this finding and highlights a different approach that Wesgro can adopt in relation to maximising its influence in terms of influencing policy and process when it comes to investment incentives and policies.

3.6.1 The AIU as a facilitator

In order to respond to the investors needs they suggested that the AIU deepen its role as a facilitator to access networks, lobby for investors at government level and act as a gatekeeper through the various mazes of red tape with regards to exports and market expansion. As one investor points out:

Wesgro has an every strong role to play lobbying provincial and national level. I do not think they are on top of the manufacturing and imports in South Africa. I think they need to polish their act and be a powerful lobby. In order to get business's here in Western Cape, they need to make Western Cape business friendly. They were supposed to be the one coming to me, and sorting our application. They should have an in-house capacity to have it clear to me, instead for me paying someone else to do the job. (Gay Baxter, *GC Rieber*)

He goes on to explain that Wesgro should expand its services in facilitation to become a "one-stop shop" for investors, by this he means that:

[...] let's for arguments say that I want to export... I must be able to approach them and say "Wesgro I want to export." How does it work? What forms do I need? Who do I phone? I need to meet all those things and what would be ideal would be if they have some sort of an online format or whatever where I fill in my company details and they generate the forms and everything automatically and submit it to the relevant people or departments to make it happen... A month later I get a phone call back from Wesgro saying "thank you very much, you are now allowed to export... And you know then they could expand that service... what logistics company is going to do what? What do you want to export? The then it becomes a real engagement... maybe that's something that they need to possibly market themselves as.

(Gay Baxter, *GC Rieber*)

This role is acknowledges by the head of the AIU, Salman Kajie, who explains that the AIU has facilitated growth with many of its investors, however the investors have suggestions as to how that role can be expanded or tailored to meet their specific expansion needs.

The AIU started in 2008 and from my understanding it's there to provide investment services to local business, and to increase FDI...the whole thing is a process really. The unit has its own investment targets with its own budget, and overall it's contributing to growth of the sector.

It's about introducing companies to incentive like those from the DTI, following up with the companies – basically project managing – and customised intelligence. For example, if I go through some of the services I can say that for Excellent Meat corporation we helped them with getting approval for a DTI incentive; for Prominent Tulips we facilitated a funding opportunity for them which they eventually got – then for RNT Snacks we helped them get the MCEP incentive for an expansion plan; and we put Wayne Cook of Doring Baai Abalone in contact with the IDC for his funding. So, we've definitely added value to these companies by helping them with their expansion/growth decisions – helping them identify and get incentives, approved finance, helping them find suitable sites for expansion.

(Salman Kajie, *Wesgro*)

3.6.2 Consistent follow-up services and better post-investment communication

The dominant theme when it came to investor needs was the need for consistent levels of engagement with the AIU and more specifically a greater number of follow-up services and the possibility of site visits. This sentiment was echoed by the AIUs internal stakeholders also who felt that particularly those companies that are trying to expand should have more frequent follow-up engagements with the AIU.

I would say perhaps we need to clarify our services as the AIU and indicate to companies what we can and can't do – maybe reposition the Unit...also I would recommend yearly follow ups for our once-off investment deals and more frequent follow ups with those companies that come to us when they have plans to expand...the difficult thing is that we don't have the power of attorney to provide a hard service to these companies – like funding or authorising things – because we play a more facilitating role...

(Salman Kajie, *Wesgro*)

This idea of being very clear to investors as to what the AIU mandate is was also pointed to by the stakeholder interviewed at DEDAT. She explained that:

The type of services that they offer needs to be communicated to the sectors that they are plying in. Why say that? They are often people in our domestic markets and opportunities get missed; should they know about the service that Wesgro offers that enables them to match opportunities- maybe not only investment promotion but trade facilitation where perhaps is a commodity in charge in developing our Agri sector. So this one of things we can try to facilitate. (Elmarie Kolninck, *DEDAT*)

Improve in the investor manifest. It's very cold, if they could just explain more to the investors.

Follow up...Don't just introduce people. Facilitate the challenges and help solve them. They could have called and found out why they didn't invest into our project, so we can know what we did wrong in order to solve the problem... besides that. They are doing a great job.

(Reinhardt Siegruhn, *Oursource*)

In addition, they suggested that Wesgro should assess projects more and provide feedback to applicants. Not only would this be very helpful to the investors in terms of strengthening their business but also it would strengthen stakeholder and investor engagements and strengthen Wesgro's relationships with their investor through regular contact.

I think they could do needs analysis for us.

To me the challenge is that the brand Wesgro isn't that well known... but if you don't know about Wesgro in the first place then you're never going to know about the website. I just happened to be on the website now and it says Wesgro is about tourism, trade, and investment... Ok that's fantastic but that still doesn't give me a feeling of what exactly Wesgro is about... I feel that they need to tell me more about the services that they provide.

I haven't heard from them in quite a while

(Adrian van Wyk, *Prominent Tulips*)

If they could create some sort of line of funding for good projects, that would help... but they don't have money to give. What are they looking for, how can the help, what avenues do have? Spend more time in accessing projects in other words, it difficult because are they there to access projects and to drive projects.

(Wayne Cook, *Doring Baai Abalone*)

I would love if they could come more often. I would like it if they could connected us more and give us credit. We never been supported the way I felt they were supposed to.

(Kevin Chambers, *Genetwister*)

Better and more consistent communication was also as part of this follow-up continuum. Investors wanted not only more frequent communication with the AIU but more so better face-to face engagements in the form of site visits, workshops and networking opportunities in person, as illustrated in the quotes below.

We need knowledge, export contacts and network with relevant people... We want to expand the business and would like to expand. Wesgro should visit companies more so they can get a feeling and know more about the business... and communication.

(Hentie De Wet, *Henties Fruit Juice*)

You need to keep the client by visiting the client...make that follow up...find out what they need...don't lose contact, once you've provided them a service, don't lose contact...because that's the thing with companies – once you lose contact they can easily forget that you've given them a service and don't necessarily attribute their success to your help

(Bongiswa Matoti, *Department of Agriculture*)

It is just that I would like Wesgro to offer more to us as individuals, public, as business people. Have workshops so we can educate our clients also. Interact with people in workshops and basically interact with others. That way we can ask questions about things that concern us. Maybe send an email so that you know what the workshop is going to be about, so that you can prepare yourself if there are any concerns that you would like to know. (Ruwayda Kootbodien, *RNT Snacks*)

I would like to be invited to more workshops: for them to explain basically what is out there for us. What we as the individual and as business people can benefit from; and how to expand into other countries just like Botswana and not have a fear going into Botswana. We need to know the pros and the cons so we would like to have workshops where Wesgro can educate us more about what is out there. What is out there for us and how to make use of certain things, if we should expand? We do not know what the taxes are like, about the running of the country, things such as tax and the tax laws and the implications that you as a business person face when you go and set a business in another country. (Ruwayda Kootbodien, *RNT Snacks*)

I think Wesgro should look at the digital age, there is no need to drive all the way for a meeting. What they can do it to create an online high-speed sort of mini Google database of service providers for Western Cape where I can find anything I want and relevant contacts. [Interviewer: They do have a database]... I did know about that.

(Gay Baxter, *GC Rieber*)

However, client and investor engagement is a two way process and the investors must also be encouraged to reach out to Wesgro also in order to facilitate a better relationship with the AIU and themselves. As Willem Russouw from Stellar Organics explains:

I don't know enough about Wesgro, that's my fault, I didn't put effort into that so I think Wesgro must send us a type of bullet point presentation and say listen this is what we can do...And then we can say listen you can do that, we need this, so if they can somehow not send it in a 100 page : we might be able to do this or we are connected into this department or into this and they can do this and this and this... that would be very helpful for a company.

(Willem Russouw, *Stellar Organics*)

I got my contact through Wesgro. He [Salman] has been an asset to my business. I'm grateful to Wesgro, and I still believe we have to strengthen our relationship with them.

(Reaaz Ahmed, *Good Hope Meat Hyper*)

3.6.4 Improve internal capacity

A key issue which arose in the discussions with the internal stakeholders of the AIU was the issue of internal capacity. Needless to say it is pointless talking about increase engagements and follow-ups or expanding the Units mandate if there is insufficient capacity within the organisation to fulfil these requirements. As in any business you can only extend yourself so far with your clients and with regards to the AIUs investors they seem to understand that the Unit is doing its best despite various regulatory restrictions, lack of capacity to conduct follow-up's and the various levels of turnover that have led to internal; instability. This can affect investor confidence within the Unit if they are seen to lack capacity and are inconsistent in terms of the nature of their engagements with their investors.

Given the resources in the unit and also the issue of stability... Well, I mean the high staff turnover, at some point we were actually in a situation here where we needed to replace people in a period of a year...and the thing is somebody starts with something then the person is gone...and so for the main issue has been the retention and what this means for the follow up process...so do people make follow ups with these companies?

(Bongiswa Matoti, *Department of Agriculture*)

In terms of challenges, the unit is definitely under capacitated, and over the years there's been a high staff turnover as well – we've had about six or so different heads of the unit. So I think that those two things – the capacity issue and the coming and going of heads – has definitely impacted negatively on the following up and engagement with some companies...for some companies there's been a period of two or three years of non-engagement after that initial contact.

(Salman Kajie, *Wesgro*)

Moving on from internal capacity it is also important for the AIU to look at growing the capacity of its mandate and expanding its services to have a more inclusive stance towards a variety of investor across agribusiness value chain. As the stakeholder from DEDAT explains:

You can't just keep focusing on the investors and trade leads, you also need to understand and link the information that you have gathered to the sector on the ground, and I think that's something not happening. You would find that many of our industry players might not even know that you exist. I can tell you for aquaculture, a fraction of the people actually know that that particular business exist. They need to increase their foot print in the sector.

(DEDAT)

You have agribusiness experts working with agribusinesses that's segregated from the rest of the industry, and it's important that it is that way because agribusinesses is one of the main revenue generating and job creating sectors within the Western Cape. So that, number one, is a plus because I haven't seen it in any other operation similar to Wesgro; that they have a department that intensifies their view on a particular industry. So those are the positives and it also gives my team the confidence that they have a team back in the agency that they can bring these projects to and say 'please handle this particular client he's secured an export order, help him grow his company.' With growth, comes employment. It's a double tapping system, to put it that way. Exports create jobs, the incentives stimulates the growth of that jobs.

(Jason Bell, *Wesgro*)

I'd put more people in there [AIU] simply because of the size of the industry; you have one, two, three people... well, they've got an agribusiness head, then they are supposed to have a retention's person and then an administrator. I would actually have at least two people looking at new business: one looking at retentions, head of the department and an administrator, so five people. Simply because, you have to look at the agribusiness sector itself and break it down into the various subsectors. So you have aquaculture, you have flowers, you have meat, you have the ostrich, you have wine, you have table grapes, you have fruit, you have... so just look at the subsectors alone; those are huge subsectors and huge potential, and the current staff that's there cannot handle the capacity that's required of Wesgro to actually even market our services to those industries. We don't have the capacity, if I look at the AIU unit. If the head of that unit has seen 50% of all the subsectors in one year, I don't think they even got close to 35%. So there's a lot of brand building or the offerings of the unit that's not being marketed to the various subsectors and if I don't know about something, I am not going to access it.

(Jason Bell, *Wesgro*)

3.7 SWOT Analysis

As highlighted by the findings, the Western Cape is regarded as a primary destination which attracts investors based on its well-developed infrastructure, social stability and governance. The AIU is perceived as a vital aspects which contributes to the Western Cape's attractiveness, especially in terms of investment promotion, agribusiness development and expansion. Stakeholders however reported that due to the AIU's lack of marketing, their perception and understanding of the services provided by the AIU are not well grasped. In addition, stakeholders reported a range of administrative issues that they experienced which may be related to the AIU's high staff-turnover and it being an understaffed unit.

Overall, stakeholders regard the AIU as contributing to agribusiness successes as well as challenges. Among the successes expressed, access to information and being a supportive structure seems to be at the top of the list. However, it was highlighted that the AIU should conduct research within the agribusiness sector in order to provide information, act as a facilitator during the application process and provide post-investment follow up sessions.

The findings highlight many of the strengths and weaknesses of the AIU and provide suggestions as to how investor confidence can be improved not only with regards to the Unit itself but more importantly with regards to the manner in which the investors view investment within the Western Cape in general. Rather than summarising the findings it is more useful to look at the findings in terms of a SWOT analysis of the investors' perceptions in terms of both investment in Western Cape and of the role of the AIU.

SWOT Analysis of Investor Confidence in the Western Cape

Strengths

- Strong market demand in the region
- Good governance and a stable political climate
- Strong investment support systems, such as Wesgro

Weaknesses

- Unskilled labour force and labour unrest
- The exclusivity of the sector
- High costs of commodities such as water and electricity

Opportunities

- Become a "one stop shop" destination for investors
- Introducing more accessible and favourable incentives for investors
- Young vibrant workforce to be trained and upskilled

Threats

- Unstable work force and low levels of educational attainment in rural areas
- Red tape and difficult regulatory processes inhibiting investment
- Unstable political climate if there is a change in Provincial leadership

SWOT Analysis of the AIU

Strengths

- Good reputation amongst investors
- Good support services to new businesses
- Strong research and advisory element
- Facilitating connections and networking investors

Weaknesses

- Internal capacity issues and staff turnover leading to inconsistencies
- Inconsistent levels of investor engagements and follow-ups
- Awareness of the AIU's mandate is low amongst investors
- Administrative barriers and red tape issues in investment processes are hampering investor confidence

Opportunities

- Strong desire to expand investments amongst investor offers AIU opportunity to expand its mandate to that field
- Site visits and face-to-face interactions will increase investor confidence levels in AIU
- Monitoring and evaluation of investor engagements.
- Needs analysis of investors will assist in identifying investor needs more efficiently

Threats

- Lack of consistent communication with investors could isolate them
- Lack of post-investment support and engagement leading to loss of investor interest in continued investment in the region
- Lack of knowledge and support for investors willing to expand can hamper sectoral growth.

4. Conclusions and Recommendations

By analysing the investors' perceptions and responses the following conclusions can be made. Given that these conclusions will inform the workshop to look at how they can be used to inform detailed recommendations within the AIU, we have offered high-level recommendations for each conclusion. These recommendations will evolve and deepen following the findings workshop.

4.1 Investment criteria

The study shows that when it comes to the criteria that investors look for when considering investing in a sector or a region, they invariably look to the same indicators and rather predictable one at that such as socio-political climate, level of education of the labour force, level of available skills, stable political climate and of course the geographic advantages of the location. In terms of the Western Cape the investors were encouraged by the good governance of the region and the impressive physical infrastructure which aids transportation and distribution of their products and services. However, despite these positives there was evidence that small flare ups of crime or civic unrest can deter investors and can make them anxious of the disruptive potential of an unstable political or social climate when it comes to investing in a region. All of these issues are mainly beyond the control of the AIU. However, one important component of their criteria does directly involve the AIU and Wesgro and that is the investor's desire for a good investor support network and an investor assistance programme, a service that is provided by the AIU.

Recommendation: The AIU should play to its strengths and continue to build on its support services which received high praise from the investors. A good support service and assistance with networking is an important draw card for investors. It would be beneficial for the AIU to perhaps market its mandate to a wider audience to inform investors across the whole agribusiness value chain so as to attract more clients

4.2 Level of confidence and how its influenced by the considerations and concerns of investors

Overall the level of investor confidence amongst those interviewed was positive. Again it was influenced by the factors already mentioned above and the more stable the region is in terms of governance, labour and regulations the more confidence investors have in investing in the agribusiness sector. The main concerns for the investors interviewed was the lack of skilled labour in the region which leads one to conclude that unskilled labour in the Western Cape could be a serious deterrent to

investment in the area. Take for example the recent developments in the West Coast region with the SBIDZ development. Feasibility studies of the area conducted in 2009 highlighted the low levels of educational attainment and the low levels of skilled labour as being a matter of concern, hence the SBIDZ proposing a training facility to up skill local labour to operate in the emerging oil and gas industry¹. This is an area that the AIU needs to look at as to how they can address the skills gap through partnerships with the seta's or other training and skills development initiatives within the agricultural sector and the rural communities.

Recommendation: AIU should partner with training bodies such as the Agri-SETA's to look at how they can assist with skills development and perhaps engage investors directly with the training bodies and training incentives that are available to their workforces.

4.3 Investors expansion plans

Whilst the majority of the respondents are currently operating in various provinces and exporting to international markets, only a handful are currently exporting agricultural goods or products to other African countries. This signals that investors are more willing to export to Europe and other international markets than internally within the African continent. From the interviews it appears that the reasons behind this are twofold. Firstly, the market demand is high internationally and for some investors it was more cost effective to process their products overseas rather than within Africa. For others the issues of regulation and red tape were a deterrent to expanding beyond South Africa into the African market, with them wanting to rather grow their domestic market to other large areas such as Durban and Gauteng.

Recommendation: Networking and access to networks were issues key raised in relation to expansion as well as investors concentrating on growing the local market. It is recommended that the AIU work with investors to facilitate better access to these intercontinental networks and assist with continue to assist with exporting processes to aid expansion.

¹ Brink, M. (2009) *Saldanha Development Zone Pre-Feasibility Analysis*. Demacon. [Online] Last accessed June 8th 2015. Available at http://www.saldanhabay.co.za/pages/IDZ_LED/IDZ/Pre_Feasibility_Analysis_Executive_Summary.pdf

4.4 Experiences of the AIU

Overall the responses from the investors were positive in relation to their experiences of the AIU. The general consensus was that the AIU served a useful purpose and was invaluable to assisting some of the investors with the expansion of their businesses and their initial investments also. The main complaint was the lack of follow-up and the inconsistencies with regards to information from the AIU on its mandate and its services. There is a need for greater clarity on what the Unit can and can't do and moreover if they have the ability to expand these services to become as one investor put it a "One-stop-Shop" for agribusiness investors in the region.

Recommendation: The AIU should consider expanding its mandate to become the "One-Stop-Shop" investors are seeking and address their other needs regarding facilitating policy interventions and assisting with export information and easing the burden of red tape for smaller businesses.

4.5 Needs of investors from support agencies such as AIU

The investors all pointed to a need for better and more frequent engagements with the AIU. A need was identified with those interviewed for a deeper level of interaction that involves site visits or project assessments. This responds to a need within the investors to have continued guidance and support and as such for the AIU to be a partner on their investment journey pre and post investment.

Recommendation: The investors all identified a need for more strategic and more frequent engagements with the AIU. It is recommended that the AIU increase its capacity to allow them to conduct more site visits. In addition it is suggested that the AIU adopt a form of monitoring and Evaluation of the assistance that the AIU has given to investors.

APPENDIX A: List of Interviewees

In-depth interviews were conducted with investors from the organisations captured in the table below.

Name	Organisation	Date Interviewed
17. Willem Russouw	Stellar Organics	18 May 2015
18. Sedick Sunday	Excellent Meat Corporation	5 May 2015
19. Reinhardt Siegruhn	Oursource	24 April 2015
20. JP Viljoen	Montagu Dried Fruit	25 May 2015
21. Reaaz Ahmed	Good Hope Meat Hyper	7 May 2015
22. Hentie De Wet	Henties Fruit Juice	4 May 2015
23. Schalk De Beer	Nouvelle Mushrooms	5 May 2015
24. Adrian van Wyk	Prominent Tulips	19 May 2015
25. Wayne Cooke	Doring Baai Abalone	30 April 2015
26. Ruwayda Kootbodien	RNT Snacks	19 May 2015
27. Shamsudien Ahmed	Freezerlink	---
28. Guy Baxter	GC Rieber	28 April 2015
29. Robby Irwin	Noble Wines & Spirits	29 April 2015
30. Johannes Schuller	Le Bon Bon Confection	---

31. Kobus Cotze	Agri Protein	4 May 2015
32. Kevin Chambers	Genetwister	4 May 2015

In-depth interviews were conducted with stakeholder from the organisations captured in the table below.

Name	Organisation	Date Interviewed
33. Bongiswa Matoti	Department of Agriculture	18 May 2015
34. Elmarie Kolninck (in place of Goodwell Dinga)	Department of Economic Development and Tourism	20 May 2015
35. Jacyntha Twynham	Wesgro	20 May 2015
36. Jason Bell	Wesgro	3 June 2015
37. Salman Kajie	Wesgro	20 May 2015
38. Carl Opperman	Wesgro: Ex-board director	18 June 2015
39. Angelo Petersen	Wesgro: Ex-board director	24 June 2015

APPENDIX B: Wesgro Interview guides

Assessment of the Western Cape Agribusiness Investment Unit (AIU)

Qualitative Stakeholder Guide

Introduction:

Mthente Research and Consulting Services (Pty) Ltd has been commissioned by Wesgro (Destination Marketing, Investment and Trade Promotion Agency for the Western Cape) to conduct an Assessment of the Western Cape Agribusiness Investment Unit (AIU).

The aim of understand and improve Wesgro's AIU services to investors and further improve the outcomes in terms of investor confidence and quality/quantity of investment, and ultimately grow and retain investment in the agribusiness sector in the Cape.

❖ Introduction

1. Can you briefly describe your role in the Agriculture and Agribusiness division?
2. Broadly speaking, how would you describe the current state of the agribusiness sector in the Western Cape? (Please elaborate).
3. In what ways has you and your department contributed to the growth of the sector? Probe: policies and regulations in place
4. Feedback from investors highlighted that one of their foremost challenges is securing finance especially for expansion/African, what are your perceptions regarding government (*e.g. the.dti, the IDC*) and private entities development funding and support in up-scaling activities? Probe on:
 - **Adequacy and effectiveness** of financial products
 - **Accessibility** of financial products offered
5. In your opinion, what factors are inhibiting agribusinesses companies from accessing development finance and support?

❖ **Assessing Investor Confidence**

6. Investors interviewed have shared what some of the considerations that they make when considering to invest in a place (WC included), as a stakeholder, what would you say are some of the unique investment criteria unique to the Western Cape - keeping in mind the context of the agribusiness sector?
7. And how would you describe the current levels of confidence in investing in the Western Cape? Please elaborate on why you say this based on your observations of the growth/decline of this sector.
8. Any key suggestions on how to improve investor confidence in the Western Cape?
9. Will there be further investment in South Africa? In the Western Cape?
 - a. If so, why?
 - b. If not, why?

❖ **Agribusiness Investment Unit**

10. What has been your/your department's involvement in the AIU as one of the four partners responsible for the establishment of this Unit
11. Investor feedback regarding the AIU and its benefits on the whole was limited, what are your perceptions on this and the services
12. If you can give Wesgro any advice, what would that advice be?
 - Recommendations
 - Improvements

Thank you for your time!

AIU INVESTOR INTERVIEW GUIDE

Assessment of the Western Cape Agribusiness Investment Unit (AIU)

Qualitative Investor Guide

Introduction:

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❖ Assessing Investor Confidence

1. What do you consider when looking to invest in the agribusiness sector in general?
2. Having discussed your considerations when investing in the agribusiness sector in general, what do you consider when looking to invest in the Western Cape agribusiness sector in particular?
 - Have these considerations changed since your company first started out in the Western Cape compared to now?
3. a) What investment criteria do you consider when looking to invest in the Western Cape?
 - Destination aspects
 - Visa regulations **(NB: probe pertains to international investors only)**
 - Positive/Negative experiences
 - Successes/challenges
 - Investment needs
 - What makes the Western Cape an attractive/unattractive location?b) Are any of these investment criteria unique to the Western Cape as opposed to other parts of South Africa? What is unique to the Western Cape?
4. Based on this feedback, how would you describe your current levels of confidence in investing in the Western Cape? Please elaborate on why you say this.

- Is your level of confidence attributed to any challenges/successes previously mentioned?
- 5. Any key suggestions on how to improve investor confidence in the Western Cape?
- 6. Will there be further investment in South Africa? In the Western Cape?
 - a. If so, why?
 - b. If not, why?
- 7. Was the investment part of an African strategy? Are you intending on investing into the rest of Africa from the Western Cape or do you intend export to the African market?

❖ **Investors' experiences in Agribusiness**

- 8. How would you describe your experience investing in the Western Cape agribusiness sector?
 - Positive/negative
 - Investment services offered by the municipality
 - Administrative aspects
 - Environmental Impact Assessments (EIA)
- 9. When you first engaged with the Agribusiness Investment Unit (AIU), what was your experience?
 - Level of service provided by the AIU team?
 - What additional services would you have liked from an IPA during the initial stages of engagement?
 - Satisfaction/dissatisfaction
 - Expectations
- 10. Post-investment
 - a. What services from an IPA would you like to receive post-investment?
 - b. How long after the investment?
 - c. Export strategy? Africa strategy?
- 11. Note: Only for Non-AIU Investors –
 - Awareness of Wesgro's AIU (If yes, continue with probes)
 - Requirements from an investment promotion agency like Wesgro's AIU
 - Expectations
 - Considerations
- 12. If you can give Wesgro any advice, what would that advice be?
 - Recommendations

- Improvements

Note to Interviewer: question 12 pertains to Wesgro as a trade and investment promotion agency, and you need to familiarise the interviewee of Wesgro's investor services OR services of an Investment Promotion Agency (IPA) so that they can answer question as concise as possible. See Attachment for Wesgro's services and paragraph on IPAs.

Thank you for your time!

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ⁱ Investor Confidence Assessment of Cape Town, 2014

ⁱⁱ Ibid

ⁱⁱⁱ Terms of Reference, pg. 3

^{iv} Ibid

^v Wesgro, 2012/2013 Annual Report, pg. 16

^{vi} Terms of Reference, pg. 3

^{vii} Ibid

^{viii} Ibid.

^{ix} Engineering News, 2009, available from: <http://www.engineeringnews.co.za/article/western-cape-agri-business-unit-established-to-promote-investment-2009-09-11>

^x Investor Confidence Assessment of Cape Town, 2014

^{xi} Ibid

^{xii} Ibid

^{xiii} Ibid

^{xiv} Investor Confidence Assessment of Cape Town, 2014

^{xv} Investor Confidence Assessment of Cape Town, 2014

^{xvi} Terms of Reference, pg. 3

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