



Umtshezi LED Strategy and Plan

EXECUTIVE SUMMARY

This project was supported by



Contents

1.	Introduction	1
2.	Policy Framework.....	2
2.1	Current National LED Policy	2
	2006: Stimulating and Developing Sustainable Local Economies – National Framework for LED	2
2.2	Provincial Approach.....	4
3.	Summary Strategic Basis for Umtshezi	5
3.1	Priorities from the National Policies	5
3.2	Priorities from the Provincial Policy	7
3.3	Implications of the Umtshezi economic analysis.....	8
4.	Umtshezi Strategy	12
4.1	Vision and Mission Context	12
4.2	Strategy 1: Municipal – Multi Stakeholder Forum	13
4.3	Strategy 2: Municipal Functions.....	14
4.4	Strategy 3: Sector Support and Strategies	15
4.5	Strategy 4: Enterprise Support	16
4.6	Strategy 5: Support to Land Reform Beneficiaries.....	17
4.7	Strategy 6: Municipal and State Procurement	19
5.	LED Plan: Project Matrix	20
5.1	Strategy - Project Matrix	21
5.2	Project Outlines for Supporting Strategic Economic Development	22
	Strategy 2: Municipal functions and program focus.....	22
	Strategy 3: Sector support and strategies - Tourism sector strategy.....	23
	Strategy 3: Sector support and strategies - Agricultural Sector Strategy	24
	Strategy 3: Sector support and strategies - Industrial Sector Strategy	25
	Strategy 4: Enterprise support – EIC and targeted Business Support.....	26
	Strategy 4: Business Database	27
	Strategy 4: Enterprise support- Business Retention and Expansion Programme	28
	Strategy 6: Municipal and state procurement.....	29

1. Introduction

The Umtshezi Municipality has undertaken the development of an LED Strategy and Plan with the assistance of the Gijima KZN LED Support Program. The goals of the project include the following: To -

- Develop an understanding of the status quo.
- Develop a common understanding of the LED problems and opportunities facing the Umtshezi area.
- Develop a shared LED strategy and plan for the area.

The project process has included a review of the status quo, including a statistical analysis that will provide a common baseline understanding of the Umtshezi economy and context for LED. The reports generated include:

- A status quo report.
- A training report.
- The LED Strategy.

This report is the conclusion of Phase 3 and entails the development of a strategy and plan. The report includes the following areas:

- The policy environment relating to LED in the Province and Nationally.
- The strategic basis for the Umtshezi approach.
- The LED strategy.
- Project identification.

Approach taken in the strategy

The LED strategy outlined in this report is designed to be carried forward as a 'living document'. The strategy is articulated through a set of interventions at a project level. The goals are long term, leading up to five year plan.

The strategy is designed to overcome weaknesses, take up opportunities or exploit competitive advantage. The projects identified in this process are clearly linked to various aspects of the strategy. The strategy also looks to develop multiple approaches to achieve different goals. In the industrial sector for example it is important to both support local businesses being established and developed; as well as attracting larger businesses from outside. This supports local entrepreneurial development and job creation. Local BEE goals are also strengthened through this approach.

Implicit in the strategy is the need to meet the macro policies of the state. This includes poverty reduction and growth goals as outlined in ASGISA, the BBEE and BEE goals, and the redistributive goals outlined by departments such as The Department of Land Affairs. The strategies are clearly linked to these national goals.

2. Policy Framework

An understanding of the policy environment is important as it provides direction for local initiatives and more importantly it points to where funding is currently being targeted and where it is likely to be spent in the future. The policy environment for undertaking LED has shifted over the last three years. This is mainly as a result of the national framework for South Africa (ASGISA) and a renewed emphasis on focusing on the informal or marginal economic sectors (second economy).

The policy areas analyzed for this project include:

- The Accelerated Shared Growth Initiative –South Africa
- Analysis of the Second Economy
- National LED Policy
- Provincial Policies

Only the National LED policy guidelines and the Provincial Policies are summarized below. The main report contains a full analysis.

2.1 *Current National LED Policy*

2006: Stimulating and Developing Sustainable Local Economies – National Framework for LED

The national LED strategy is located within that of ASGISA and the macro-economic policy framework. It refers to the second economy and is built around the premise that the economic growth being currently experienced will continue within the parameters outlined in the ASGISA programme. The current framework has a re-found emphasis on the role of the state. While in previous policies there was a strong private sector role, this policy has moved the state back into a more central role.

The policy describes the role of the state as to assist and to create the conditions for local action to emerge and grow. The role of the municipality in the new policy is somewhat ambiguous in that municipalities are referred to as crucial and central, but at the same time given very little direct focus. The section repeated below is one of the few places where the policy directly addresses the role of municipalities. The policy indicates that municipalities should focus on:

- Provision of infrastructure and quality and reliable services,
- Managing spatial policies,
- Land-use regulation and development applications,
- Managing service tariff policies,
- Managing a progressive property tax system,
- Marketing the territory,
- Compliance of land use and health and environmental regulations.

- Municipalities should also ensure that their actions do not “impair business start-up and growth and inhibit job creation”,
- Municipalities should support local enterprises by being the link with outside agencies.

The New Focus: Sustainable Developmental Community Investment

The policy introduces a concept for Sustainable Developmental Community Investment (SDCI). The central themes in the programme are:

- Mobilising Communities
- Improving the multiplier effect
- Government as partner to communities
- A Programme of Sustainable Community Development

The Focus of Government will be on four strategic intervention areas:

- Improve market and public confidence in municipalities through an alignment of national provincial and local programmes.
- Identify and exploit competitive advantage of the 52 municipal regions.
- Intensify enterprise support.
- Introduce sustainable developmental community investment programming.

Relevant Areas for Umtshezi Local Municipality

Improve Market and Public Confidence in Municipalities

- Finalise appropriate spatial policies in IDPs linked to a municipal-wide land-use management system.
- Improve infrastructure investment and intergovernmental coordination.
- Support Municipal- Business Forums.

Intensify Enterprise Support

- Implement the new small business development strategy.
- Improve access to finance.

Introduce Community Investment Programming

- Promote cooperatives.
- Encourage community or third tier banking.
- Improve trading markets and ring market system.
- Improve local multiplier of government spend.

2.2 Provincial Approach

The main document used in this section is the Strategies and Policies with National, Provincial and International Priorities (August 2005). This document states that the “aim ... is to assist municipalities to ensure that the strategies and actions they adopt, and that inform their IDP, are in line with those of the Provincial Growth and Development Strategy (2004). The PGDS has been summarised and presented as Strategic objectives, Key processes and Key Performance Indicators.”

The relevant sections are summarized in the diagrams below. The key issues are those relating to industrial development, agriculture and agri-industry, tourism and business support & access to finance.

3. Summary Strategic Basis for Umtshezi

3.1 *Priorities from the National Policies*

2006 LED Policy

Indicates that municipalities should focus on:

- Provision of infrastructure, quality and reliable services,
- Managing spatial policies,
- Land-use regulation and development applications,
- Managing service tariff policies,
- Managing a progressive property tax system,
- Marketing the territory,
- Compliance of land use and health and environmental regulations.
- Municipalities to ensure that their actions do not "impair business start-up and growth and inhibit job creation".
- Municipalities should support local enterprises by being the link with outside agencies.

Key National Guidelines

Improve Market and Public Confidence in Municipalities

- Basic financial management, project management linked to provision of infrastructure and services in a financially sustainable manner.
- Provision and maintenance of quality and reliable infrastructure and services.
- Establishment of clear and well supported spatial policies and land-use management systems with particular emphasis on integrating small and informal traders in business zones.
- Clear and unambiguous policies for economic development at the local level based on market realities
- Speedy and effective handling of development applications for business establishment, property development, and township establishment.
- Sound and strategic property rates and service tariff policies.
- Proper community care/interface, billing and revenue collection systems.
- Communication and marketing of services and regulations in an inclusive manner.

Strategies (LED Policy 2006)

Strategy 1: Improve Market and Public Confidence in Municipalities

- Finalise appropriate spatial policies in IDPs linked to a municipal-wide land-use management system.
- Improve infrastructure investment and intergovernmental coordination.
- Support Municipal-Business Forums.

Strategy 2: Identify and Exploit Competitive Advantage of 52 Municipal regions.

- Analyse the 52 municipal economies.

Strategy 3: Intensify Enterprise Support

- Implement the new small business development strategy.
- Improve Access to finance.

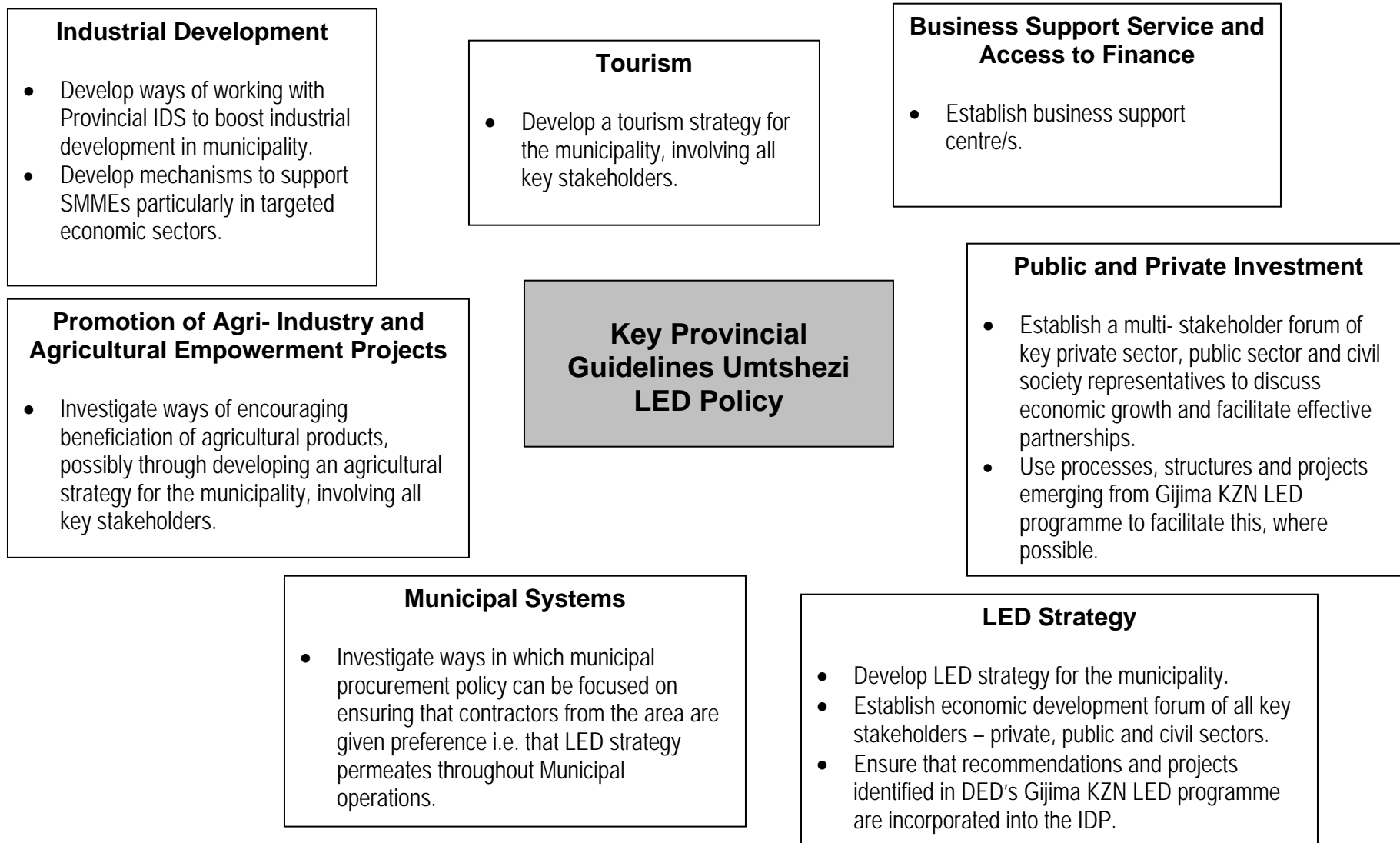
Strategy 4: Introduce Community Investment Programming

- Promote cooperatives.
- Encourage community or third tier banking.
- Improve trading markets and ring market system.
- Improve local multiplier of government spend.

Sustainable Development Community Investment Programme (LED Policy 2006)

- Mobilising communities.
- Improving the multiplier effect. Spending (particularly government spending) in marginalized areas typically has a low multiplier.
- Government as partner to communities.
- Improve market and public confidence in municipalities through an alignment of national provincial and local programmes.
- Identify and exploit competitive advantage of the 52 municipal regions.
- Intensify enterprise support.
- Introduce sustainable developmental community investment programming.

3.2 Priorities from the Provincial Policy



3.3 Implications of the Umtshezi economic analysis

The economic analysis undertaken in the Status Quo report indicates that the poverty and unemployment rates in Umtshezi have increased, with employment opportunities not being created quickly enough for the number of people entering the labour force. The Development Bank (2005) has clearly indicated that employment (a job or an income generating activity) is the best protection against poverty. This means that any strategy must protect and build formal employment and assist the poor and second economy participants to access opportunities. The balance between the two approaches and the use of available resources is also important.

Formal Sector

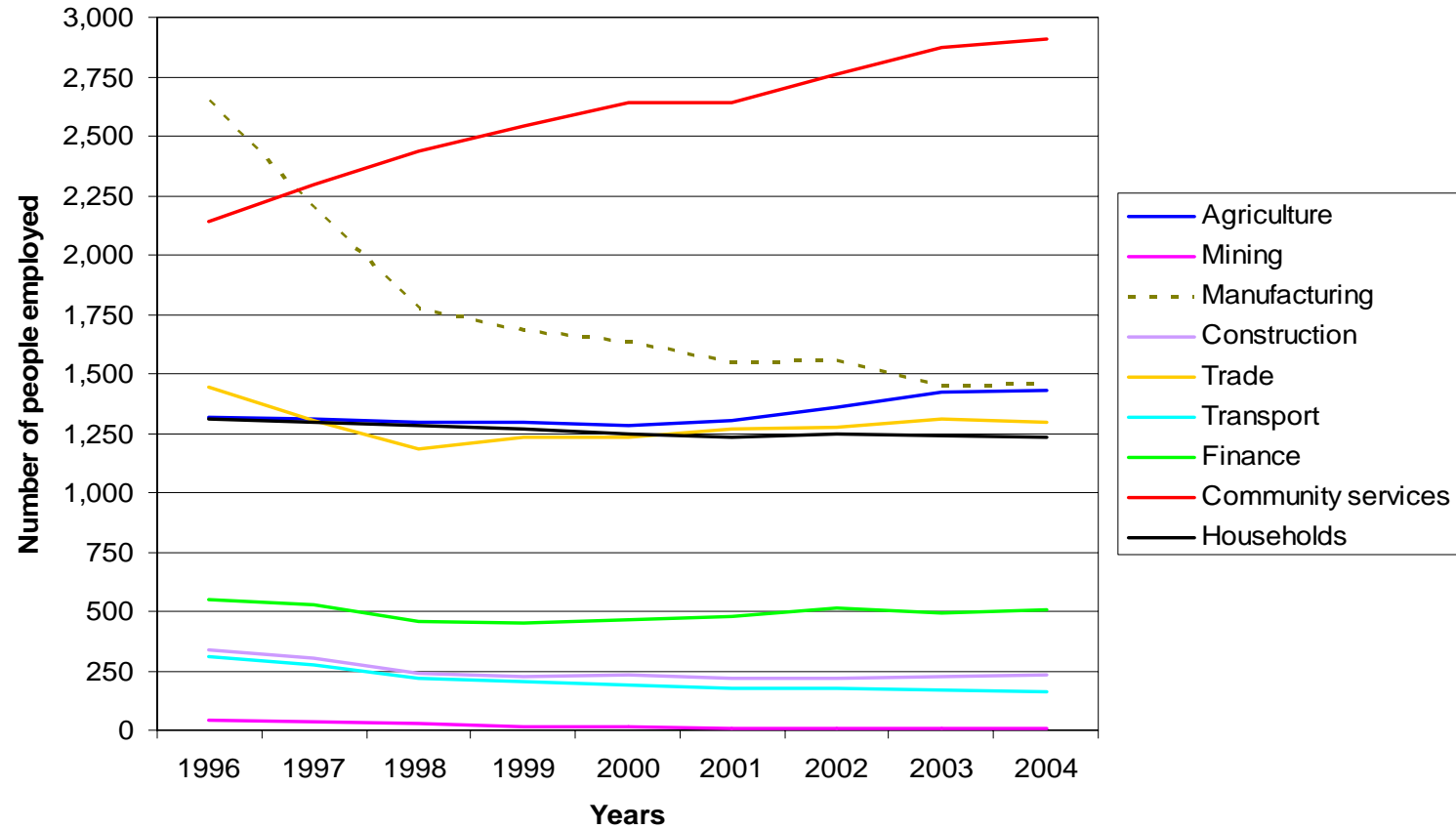
The economy experienced a negative growth rate until 1999 – 2000, and even since then has exhibited a fluctuating growth rate in spite of the national positive growth.

In terms of sectors the area has had mixed success. The three most positive private sectors remain agriculture, manufacturing and trade. These are also the three most important sectors historically. The three sectors differ in their forecast in terms of potential growth, challenges, and the future of employment demand. The manufacturing and agri-processing sectors remain important, but have experienced a decline. The Estcourt area has been a key centre for the processing of agricultural products (60% of manufacturing was previously in food processing) – mostly meat and dairy products. There are obvious important backward and forward linkages between agriculture and food processing which can be exploited. The manufacturing sector was well established in the past but has experienced a steady decline with a number of large firms closing down. The decline was partly a result of the national slow down in the sector, but also as a result of industries moving to larger centres. The remaining industries are exhibiting growth as the sector as been growing in terms of GDP/GVA, but not in employment. The upturn in manufacturing will not necessarily lead to industries coming back.

The agricultural sector is well established and indicates a level of stability in terms of employment¹. There are two key challenges in the sector. The first is that there is a dependency on traditional crops and products with very little innovation or value addition. The second is that the sector appears to be struggling with the possible impacts of land reform. There have been some positive signs as the Estcourt Farmers Association has been investigating the local solution developed at Besters near Ladysmith. At the same time there is also the area proposed for the Gongolo Game Reserve which has been unable develop a common vision.

¹ There are indications that national on-farm employment has declined rapidly. Available statistics for the Umtshezi area did not indicate this. However restructuring due to land reform, product changes and technological change could spark a change in on-farm employment.

Umtshezi: Formal Employment per Sector (1996 - 2004)



The decline in manufacturing employment is notable and a cause for concern. The decline is probably associated with the closure of some firms, the sensitive nature of the sector to broader trends (foreign exchange, cost of raw material, transport etc) and an increase in mechanization. The sector as been growing in terms of GDP/GVA, but not in terms of employment. The increase in employment in community services is largely linked to the establishment of wall to wall local government and the expansion of the public sector. This trend will tend to slow as new government structures have been established. The stability in employment in the agricultural sector is positive as this sector is a large employer and has experienced a general down turn in employment at a national level. The construction sector should be showing an improved growth in employment, as should trade. There may have been additional capacity in these sectors which meant growth could take place without additional employment. Additional capacity may also have been taken on as 'casuals' without permanent employment being created. Finance has remained stable, although the sector is growing.

Informal sector

The most disturbing trend is that unemployment and poverty levels will continue to increase unless a new approach is developed. This is despite a growing economy (see Table 1 below). The point is that the economy will not create as many formal sector opportunities as there are job seekers. Future opportunities need to be generated in more creative ways.

Unemployment Rate: 1996 and 2004			
	Male	Female	Total
1996	43.6%	57.5%	50.0%
2004	53.1%	73.7%	62.7%

The statistics generated in the status quo assessment indicates the total number of people involved in the informal sector as follows:

	Manufacturing	Construction	Trade	Transport	Finance	Community services	Total Informal
Estcourt	388	434	1,493	84	82	537	3,019
Weenen	11	0	215	0	0	70	296
Total	398	434	1,708	84	82	607	3,315

This is probably an under assessment². It does not clearly identify the number of small businesses as some of the people counted above will in fact be employees in the sector. Trade obviously dominates the informal sector, with community

² The statistics are from Global Insights and are based on a model. Accurate statistics on the informal sector are notoriously difficult to access.

services following. (A community service in this context refers to service providers such as telephone kiosks.)

It is unlikely that the second economy will disappear; it is a more realistic approach to manage and support the people who are involved in the second economy. The LED strategy must investigate ways in which the second economy or informal sector can be developed and supported.

Challenges to economic transformation

One of the goals of an LED strategy is to influence and impact not only on the rate of economic growth but also the spread of ownership and benefits. A key challenge in measuring and monitoring transformation is the lack of information relating to ownership and control. There is no data sources to obtain this information. The problems include:

- Company data from CIPRO is not at a local level, but does include ownership.
- Land data from the Department of Land Affairs (Deeds office) does not include race as a field.
- Some companies are registered in other centres such as Gauteng and employment statistics are not registered as local.
- The South African Revenue Services are loath to release statistics.

There are a number of initiatives that can assist Umtshezi Municipality. The first is that there are initiatives by other parties to resolve this lack of data. The Deeds office as part of the Department of Land Affairs is undertaking a 'land ownership audit' to measure their impact on land ownership. The Department of Economic Development is facing a similar 'impact measurement' dilemma. It is useful to monitor these initiatives and analyze the results relating to Umtshezi.

There is also a proposed project in this strategy to undertake a local survey. This would capture critical information relating to the economy and be a framework for future impact measurement.

The strategy aims to impact on these economic characteristics in the following strategies:

Stakeholder mobilization and Service Provision:

- Multi stakeholder forum.
- Municipal functions and programs
-

Redistribution:

- Industrial strategy
- Tourism strategy
- Land reform and agriculture strategy
- Small enterprise support
- State procurement (targeted procurement)

4. Umtshezi Strategy

4.1 Vision and Mission Context

The Umtshezi Mission and Vision provides the context for the LED strategy. The LED strategy must support the Municipality in achieving the goals as set out in the IDP. The IDP in turn is informed by the goals of government – such as the goals of halving unemployment and poverty by 2014. All of these goals inform the Municipal vision and mission.

The Vision statement and the Mission Statement already communicate the commitment to and the importance of economic development.

The Umtshezi Vision states that “by 2020 Umtshezi Municipality will be the champion of sustainable development and a safe environment.”

In addition, the parts of the Umtshezi Municipality Mission Statement directly relating to LED include: -

1. Provide an enabling economic and social development environment
2. Establish and maintain community networks that promote healthy engagement between the Municipality and our stakeholders
3. Develop Umtshezi in a way that does not compromise future generations
4. Work co-operatively with other spheres of Government and the Private Sector

This places the emphasis on the enabling environment sustainability and partnership and co-operation. The core values of Co-operative Governance and Public-Private Partnerships again underlines this commitment.

The LED strategy developed in this process is therefore completely in line with the objective to: “Overcome low economic growth and investment through creating an enabling environment for the key economic growth sectors and engaging with potential investors.”

In reality what does this mean for a Municipality where there is limited staff capacity in the LED unit and a limited project level budget?

The Municipality must deploy resources to achieve the most effective impact, to areas of most need. The strategy adopted by the Municipality must also not be over ambitious in terms of resources requirements – both financial and human resource related. In the past LED strategies have often focused on large scale and ‘extravagant’ projects that were inappropriate in terms of available skills and resources. Smaller municipalities are often struggling to provide basic services to all their citizens and yet are expected to also resource large LED projects. There has been a renewed recognition that Municipalities have a substantial impact on their local economies – not just through the big flagship projects – but also through the effective, efficient and responsive nature of the infrastructure and service delivery. This includes in the development management role they have

(land use management, health and safety etc). Interventions need to be appropriate; it is often attractive to consider new initiatives when the current interventions are not supported. The development of industrial incentives is an example. Business people have indicated that they do not necessarily expect rates rebates or free services; but rather that the basic services are reliable and efficient.

It is for these reasons that the following strategy has been recommended:

Formal sector support:

- Municipal – multi stakeholder forum. This particularly for business – municipal relationships.
- Municipal functions and programme focus areas – land use management, economic infrastructure provision, business service provision etc.
- Sector support and strategies – particularly for tourism, industry and agriculture.

Informal sector / second economy support:

- Enterprise support to co-operatives and other small businesses (Enterprise Information Centre, skills development, mentoring etc).
- Support to land reform beneficiaries.
- Municipal and state procurement. This includes the impact of procurement & spending by the Municipality on the second economy and on the impact of state interventions (infrastructure development etc).

4.2 Strategy 1: Municipal – Multi Stakeholder Forum

The previous LED policies have emphasized the need for partnerships and forums for interaction and communication.

The Umtshezi Municipality and the business community have had an inconsistent relationship to date. The Municipality and the business community also need an environment where issues relating to Strategy 2 can be discussed.

The relationship between the broader economic community (including trade unions, the informal traders, youth groups) can meet the Municipality needs to be established.

These types of forums are useful as they create spaces for a broad range of stakeholders to share a space that they would not normally share. This is useful at a number of levels, including in the development of a shared understanding of each other, as a place to share information and a place to identify potential projects. It also facilitates the establishment of partnerships that need to develop. The forums generate a certain level of co-management and the sharing of responsibility. The presence of official organizations and structures gives it a sense of legitimacy. The forum is an important place for economic management and economic information sharing.

There are also a number of challenges that come with LED forums and these should not be underestimated. The first is that stakeholders may view the forum as an opportunity to direct the Municipality and the Municipal budget. In these circumstances the energy could be solely directed at the Municipality – without there being a shared level of responsibility (ie. the forum sessions become Municipality bashing occasions).

The structure of the forum must be clear. It should have Terms of Reference and the level or degree of decision making must be clear. The 'host' of the forum, and the entities responsible for expenditure (who provides the budget) must be clear. Commitment by stakeholders is typically variable and this can be an ongoing problem.

The issues covered by a Forum include the following:

- Improving integrated economic planning. The Forum could be a place to feedback into the IDP Process.
- The identification of economic opportunities and potential projects. This may be through the identification of local competitive advantage.
- To co-ordinate access to funding and finance for LED initiatives.
- To feedback on the performance of the Municipality concerning matters that impact on economic growth.
- To support the access to opportunities by previously disadvantaged communities and individuals.

4.3 Strategy 2: Municipal Functions

The 2006 LED policy has a section on 'Market and Public Confidence' which emphasizes the role that the Municipality has in creating the environment that promotes business development. These areas include local policies and by-laws:

- Municipal by-laws (including enforcement).
- Land Use management Systems or Land Use Schemes.
- Rates and levies.
- Budget preparation and reporting.
- Integrated Development Plan.
- Procurement policies.
- Policies dealing with the indigent, youth, women, disabled, etc.
- Business support institutions (Community Tourism Organization, Business Support Centres etc).

In terms of service delivery, municipalities are encouraged to review the level of integration of their systems. The policy document notes that "infrastructure development, service delivery, municipal financial viability and local economic development are not mutually exclusive concepts. They are interdependent and government (municipalities in particular) should develop strategies and management practices that take on a holistic and integrated approach."

This strategy is developed through:

- Promoting and sustaining open dialogue between the business community and the Municipality on policies and by-laws. This is in the drawing up of policies and by-laws, measuring the impact of policies and by-laws, and responding to requests for enforcement. Current examples include land use management, building and development permission, the Integrated Development Plan process etc). This also includes pricing structures for services and municipal rates.
- Promoting and sustaining open dialogue between the business community and the Municipality on infrastructure provision and maintenance. The business community is acutely aware of the needs that they have in terms of infrastructure and infrastructure development. While social needs are often the priority (for example where health issues are involved, such as cholera); the needs of the economy have been ignored to some extent.
- Establishing effective partnerships to implement Municipal policies and programmes. This could be done for example through establishing mentorship relationships with the business community for small enterprises.

It is also important to remember that the Municipality has a facilitation role – even in areas that are not the competency of the Municipality. This may be in terms of accessing funds for infrastructure, providing enterprise support (including co-ops) etc. The Municipality should establish processes for connecting the local economic actors to the various support institutions that are available.

4.4 Strategy 3: Sector Support and Strategies

The sector support approach is based on the assumption that economic growth can be driven by interventions in specific markets and sectors. The analysis typically makes use of an analysis of sector stakeholders, product development and selection, supply and value chains, markets areas and national and international trends. The strategy should begin by making use of the resources available to undertake sector specific interventions. A sector strategy would provide the basis for short and medium term interventions.

An ongoing intervention would include regular communication with specific sector groups and in working with those groups to monitor changes in the sectors. The feedback mechanism (which could be the LED Forum) will provide a mechanism to measure changes in the different sectors and to measure the impacts of various policies and interventions.

The Provincial Spatial Economic Development Strategy is the key document which drives economic development thinking at present and identifies four key sectors as drivers of economic growth in the Province. These sectors are:

- The Agricultural sector (including agri-processing) and land reform
- The Industrial sector
- The Tourism sector
- The Service sector (including government services)

All of the above are key in the Umtshezi area, in particular agriculture, industry and tourism. The Provincial Spatial Economic Development Strategy primarily identifies Estcourt as being on the exiting N3 corridor, being a service node and being part of a tourism corridor. In addition the tourism spatial strategy indicates that the Umtshezi area is considered to contain cultural and eco-tourism opportunities. It is important that these opportunities are exploited as a substantial amount of national resources are channeled into the tourism sector.

4.5 Strategy 4: Enterprise Support

This strategy emphasizes enterprise support to co-operatives and other small businesses. The instruments to implement the strategy include the establishment of Enterprise Information Centres, skills development and a mentoring programme.

The strategy is a central intervention being implemented within the ASGISA Initiative, the National LED strategy and within Provincial interventions. The need is to assist those “who are presently economically trapped in the non-functioning local township and rural marginalised economies of the Second Economy.” The ASGISA documentation refers to the notion of “eliminating the second economy”. That will probably not be possible and in some middle income countries the informal sector provides more than 50% of the employment and income generating opportunities.

The two main state agencies are the Small Enterprise Development Agencies (SEDA) which will undertake business support; and Khula – which provides wholesale funding. The SEDA was established through the amalgamation of a number of business support organisations into one body in order to bring all the business support functions under a single agency. The main organisation brought into the SEDA was the Ntsika Enterprise Promotion Agency. SEDAs will be established at District Municipality level and Enterprise Information Centres (EICs) at Local Municipality level. The SEDA offices will supply basic business support capacity and will be a conduit to further assistance (including Cipro and SARS). Business support services include information, advice and referrals; tender information and advice; import and export training; trade information; business assessments; technical support; business mentoring; market access and business linkages. The SEDA offices will also be able to use a set of diagnostic tools (computer based) that will assist the business advisor and the small business. SEDA want to put 80% of their resources into new business start ups, and 20% into supporting existing businesses. There will a SEDA established at a District Municipality level and Enterprise Information Centres (EICs) at Local Municipality level.

A long standing criticism of the Centres is that they are often managed through public sector institutions (such as municipalities) and are staffed by people who are not business oriented or entrepreneurs. It is therefore important that the business community is part of the programme and provide the practical aspects of business support. Discussions with the SEDA note that the DTI approach is shifting and differentiating between the micro enterprises which are driven by

survivalist needs and larger, opportunity driven SMMEs. It important that the approach is both strategic and targeted. The DBSA (2005, 81) notes:

The needs of entrepreneurial small business are quite different from those of the self-employed. ... Entrepreneurial small business needs *fixed and working capital, training, market information, and mentoring*, among other things. Non-entrepreneurial self-employment needs *encouragement, a limited amount of working capital, market protection, and monitoring*, in that order.

The enterprise support strategy aims at assisting in the establishment of a centre (a Enterprise Information Centre) but also in ensuring that the centre is effective, relevant and targeted.

4.6 Strategy 5: Support to Land Reform Beneficiaries

It is suggested in strategy 3 above that an agricultural sector plan be prepared. It is important that such a sector plan make clear provision for the inclusion of land reform as a transformative process. The experience of land reform in the municipal area has included a high level of competition and conflict. It is important that the strategy make resources available for mediation and stakeholder support.

The following table summarizes the current extent of the land reform programme in Umtshezi.

Programme	Extent
Restitution	74 claims
Redistribution	23 projects
Land Redistribution for Agricultural Development (LRAD)	3 projects
Labour Tenant	14 projects

The Provincial Land Reform Office of the Department of Land Affairs indicated that by 2005, 71 952 hectares of land had been transferred through the land redistribution programme in the Uthukela District. This is the highest of all the districts in the Province. One of the reasons for this is that the Uthukela District was the core of the then Pilot Land Reform area established in 1995.

The development of a land reform project into a holistic, functional social and environmental intervention is not only the responsibility of the Department of Land Affairs. The Department provides the land purchase funds and makes provisional support for infrastructure through the balance of the grant. This is available for infrastructure development on the projects, but this is usually only sufficient for basic infrastructure.

The LED aspects of the land reform projects are generally poorly developed. The Framework for Land Reform in KwaZulu Natal (2005) notes that: “Very few land reform projects, except those initiated by the private sector or in partnership with the private sector, facilitate the integration of beneficiary groups into commercial agricultural markets or provide opportunities for rural households to generate small amounts of income from their agricultural produce or natural resource products” (71). Land reform projects require not only the same kinds of support that other emerging farmers do; but additional support in the enterprise transformation process and resettlement process. This is termed ‘post-transfer support’ and requires enterprise, livelihood, infrastructure and social support interventions.

The Framework for Land Reform in KwaZulu Natal (2005) lists extension services, infrastructure development, training & capacity building, access to finance and access to markets as the most critical issues. The Uthukela District Municipality is currently completing a study on the economic impact of land reform projects in Uthukela. This project will assist in providing direction for future projects.

The land reform process offers a number of opportunities, but it requires excellent process management and facilitation skills. The district LED strategy noted that these are “not only in the existing agricultural sectors, but also in new areas such as game farming and eco-tourism”. This requires very careful consideration – in cases such as the Gongolo Wildlife Reserve it is important that the facilitation process be well managed. The district LED strategy recommends that “This is an area where the Municipalities and other government departments have a major role to play. The Municipalities have experience in implementing community level projects and have direct contact with communities. The Municipalities should therefore undertake the role of co-ordination and identifying areas of need.”

A survey of land reform beneficiaries in the Uthukela district indicated that the main issues relating to the projects included:

- A general lack of support. This was particularly agriculture and infrastructure.
- There is a level of institutional chaos relating to roles and responsibilities. This has led to a number of delays in support and implementation.
- Conflict of interest between beneficiaries and traditional authorities around land ownership.
- The projects have insufficient arable land.
- Lack of access to capital and start up capital.
- Theft and crime.
- Lack of profitability in projects and businesses.
- Lack of infrastructure and access to farm implements.
- Lack of access to training.

While few of the above are solely local government responsibilities, it is obvious that these problems will be brought to the attention of Councilors and local government officials. The co-ordinating role of local government in these issues is crucial. The project is being undertaken by the Uthukela District Municipality at present.

4.7 Strategy 6: Municipal and State Procurement

The national LED strategy noted that state expenditure (at all levels) is having a limited impact on development goals.

This strategy intervention is based on the use of the municipal procurement system to undertake targeted and preferential procurement. This should be undertaken as a specific study within the corporate services section. The intervention should not end at this point – but also the Municipality should monitor that any other state agencies are ensuring that maximum benefits are accruing to local enterprises and local labour. This would include infrastructure development such as water systems and road construction.

The procurement intervention aims to achieve the following goals:

- Establish a database of appropriate service providers. This will focus on supporting SMMEs and Previously Disadvantaged Individuals. The database will primarily serve to link the Municipality and government departments to the target group, but it will also be available for private sector to access when looking for contractors.
- The process will identify potential economic activities that can be outsourced or that are outsourced by the state and private sector. The database can be used by the target group to identify opportunities primarily in the public sector, but as above it will also serve to provide linkages into the private sector.
- The process will establish the required standards and needs (such as skills development). This is to assist SMMEs and individuals to understand whether there are minimum requirements (such as registration with appropriate bodies etc). This may for example relate to minimum requirements in a particular sector, for example for security companies. In addition the process will identify areas where there are skills gaps or in sectors where no appropriate companies exist. Appropriate skills development programs can then be developed.
- Establish appropriate communication channels through existing institutions (such as primary co-operatives, business organizations etc). The opportunities will need to be communicated on a fair and extensive basis; it is suggested that appropriate institutional structures be developed.
- Develop a set of appropriate procurement policies and practices. The Municipality will need to review the procurement policies and practices to ensure that the program is then effective and achieves the desired outcomes.

5. LED Plan: Project Matrix

The LED strategy outlined in this report is designed to be carried forward as a 'living document'. The strategy is articulated through a set of interventions at a project level. The strategy is designed to overcome weaknesses, take up opportunities or exploit competitive advantage. The projects identified in this process are clearly linked to various aspects of the strategy and are being incorporated into the Municipal Integrated Development Plan.

The matrix below identifies the potential LED strategic projects. Project sheets and potential funding sources for the projects are then outlined in some cases. No projects are developed for Strategy One: Municipal – Multi Stakeholder Forum as the Forum can be established without any external and budget support. There is also no separate project for Strategy 5: Support to Land Reform Beneficiaries as this is currently being developed at a district level through the Uthukela District Municipality.

Each year the strategy could be reviewed internally by the LED section. The LED strategy will therefore remain relevant and will inform the selection of IDP projects. The existing IDP project list is attached as an annexure in the main report. The IDP indicates the budget commitment time frame and process to be followed in the actual project implementation.

5.1 Strategy - Project Matrix

Strategy	Project Focus Area	Description and Current status
Strategy 1: Municipal – multi stakeholder forum	Multi- stakeholder forum	To be undertaken internally
	Business Chamber relationship	Currently ongoing
Strategy 2: Municipal functions and programme focus	Land Use Management System	Completed
	LED Strategy	Completed
	Land Audit	Terms of reference being prepared
	Rates Process	Terms of reference being prepared
	Economic Infrastructure Provision	Participating in District Study
	Business Related Services	Funding application submitted
Strategy 3: Sector support and strategies	Industry Sector Strategy	Funding application submitted
	Tourism Sector Strategy	Funding application submitted
	Agriculture Sector Strategy	Funding application to be submitted
Strategy 4: Enterprise support	Enterprise Information Centre	SEDA partnership.
	Targeting of support and advice, including mentoring	Funding application to be submitted; linked to SEDA Program.
	Business Database	Funding application to be submitted
	Business Retention and Expansion Program	Funding application to be submitted
Strategy 5: Support to land reform beneficiaries	Develop a Land Reform strategy	Participating in District Study.
Strategy 6: Municipal and state procurement	Municipal system to be developed	Funding application to be submitted as a single project.
	Monitoring system for other departments to be developed	

5.2 Project Outlines for Supporting Strategic Economic Development

The matrix above identifies a number of potential LED strategic projects. Project sheets and potential funding sources for the projects are outlined below. No projects are developed for Strategy One: Municipal – Multi Stakeholder Forum as the Forum can be established without any external and budget support. There is also no separate project for Strategy 5: Support to Land Reform Beneficiaries as this is currently being developed at a district level through the Uthukela District Municipality.

Strategy 2: Municipal functions and program focus

Name of Project: Audit of Business Related Services	
Project motivation	A major area of conflict between the business community and the Municipality relates to the provision of services. The Business Chamber regularly communicates with the Municipality regarding road conditions, the emergency fire services, electricity supply etc. Efficient and appropriate service provision is a key LED tool, in providing a platform for growing existing businesses and attracting new business. It is a core function of the Municipality and a municipality that can excel in these areas can use it as a marketing tool. At the same time the purpose of the project is not to create a 'complaints list' from business, but rather to ensure that both parties have clear expectations of what can be achieved.
Project objectives	To determine a service level understanding between business and the Municipality. This includes: <ul style="list-style-type: none"> • Which Municipal services are critical to business (prioritized) and at what levels? • The current service levels. • Potential areas of improvement and the cost requirements.
Project outputs	Business / Municipal service level agreement. Municipal plan of action for service provision.
Target / target groups	Existing businesses and potential businesses. Municipality and utility providers.
Responsible agent	LED Office and Office of the Municipal Manager
Activities	Project Steering Committee with business, municipality and utility providers Design and undertake survey Compile key list of issues Develop Memorandum of Understanding and Service Level Agreements.
Budget estimates	Done internally or outsourced at R 50 000.00 maximum.
Source of finances	Internal and Gijima
Institutional requirements	Multi party project steering committee
Partners	Business community and utility providers

Strategy 3: Sector support and strategies - Tourism sector strategy

Name of Project: Tourism Sector Strategy	
Project motivation	Tourism is identified as a local, district, provincial and national focus sector. The Umtshezi LED Strategy has identified it as a growth sector.
Project objectives	The Strategy process will focus on the current and potential future tourism strategies, products, initiatives and programmes in the wider Umtshezi area. The analysis will include an examination of trends in tourism, market demands, and supply side factors and constraints. This will enable the local government to highlight the strengths, weaknesses, threats and opportunities for the development of tourism in the area and assist in the creation and implementation of a tourism plan.
Project outputs	The outputs will include: <ul style="list-style-type: none"> • Full list off all existing products. • Understanding of existing constraints in the sector, particularly for new entrants. • Identify new opportunities through a competitiveness analysis and an understanding of the market. • Develop short, medium and long tem plans and identify potential projects.
Target / target groups	Municipality, private sector tourism companies, community members, NGO, CBOs, domestic and international tourists.
Responsible agent	LED Office
Activities	<ul style="list-style-type: none"> • Evaluate local economic base of tourism sector, including business and market relationships, including both supply & demand factors for local tourism. • Develop an institutional understanding and model. • Define comparative advantages in the area, and local strengths, weaknesses, opportunities and threats in the sector • Conduct workshops. • Develop strategy for the roles of local government of co-ordinating, facilitating and stimulating the tourism sector • Develop strategy for the development of tourism products. • Investigate possible funding sources for specific programmes and projects. • Develop action plan for each programme • Develop implementation programme / plan
Budget estimates	R250 000.00
Source of finances	Internal and Gijima
Institutional requirements	Make use of the existing tourism associations and Community Tourism Organization.
Partners	Local tourism businesses, local communities, NGO and CBOs, the Midlands Meander Association, TKZN, other tourism marketing associations, relevant national and provincial government bodies.

Strategy 3: Sector support and strategies - Agricultural Sector Strategy

Name of Project: Agriculture Sector Strategy	
Project motivation	Agriculture is identified as a local, district, provincial and national focus sector. The Umtshezi LED Strategy has identified it as a growth sector and it remains a critical sector for the long term economic sustainability of the area. Commercial agriculture remains an important employer within the region and subsistence agriculture provides a critical livelihood source in many communities. There is evidence that farmers are diversifying into other products and sectors in order to remain profitable. This includes tourism, game farming, milk processing and niche markets such as cut flowers.
Project objectives	While most Agriculture Plans focus on the agricultural potential of a region without linking this to practical resource management and economic development programmes that can be undertaken. It is important that this study not remain as a technical exercise in data gathering; rather it should focus on concrete opportunities in the sector. This includes highly specialized commercial ventures and livelihood support programmes. There are important structural changes taking place, such as land reform initiatives, which must be taken into account. In addition, partner organizations such as the Department of Land Affairs are important stakeholders if the agricultural sector is to be broadened and transformed.
Project outputs	The Plan will provide technical and strategic support to all stakeholders. The outputs will include: <ul style="list-style-type: none"> • Baseline data including technical information, baseline mapping and the identification of appropriate potential crops and livestock. • Identify financial and economic opportunities using techniques such as value chain analysis, identification of appropriate products and markets. Infrastructure requirements. • Identify opportunities to link with allied programmes. • Develop appropriate long term institutional arrangements with partner organizations.
Target / target groups	Municipality, farmers, farmers organizations, value chain participants (suppliers, financiers etc), land reform beneficiaries, government departments, community members, NGO, CBOs.
Responsible agent	Initiated by LED Office.
Activities	<ul style="list-style-type: none"> • Evaluate local economic base, including business and market relationships, including both supply & demand factors. • Develop an institutional understanding and model. • Define comparative advantages in the area, and local strengths, weaknesses, opportunities and threats in the sector • Conduct workshops. • Develop strategy for the development of agriculture products (raw and processed). • Investigate possible funding sources for specific programmes and projects. • Develop action plan for each programme • Develop implementation programme / plan
Budget estimates	R200 000.00
Source of finances	Internal and Gijima. The Department of Agriculture has in the pas indicated support for these projects it is currently understood that there are no funds available.
Institutional requirements	Make use of the existing tourism associations and Community Tourism Organization.
Partners	Municipality, farmers organizations, land reform beneficiaries, government departments, NGO, CBOs.

Strategy 3: Sector support and strategies - Industrial Sector Strategy

Name of Project: Industrial Sector Strategy	
Project motivation	The sector has historically been core employer and producer in the local economy. There are a number of structural problems that exist; such as the closure of some plants, the reduction in employment in the sector, a narrow base (there are 4 core industries) and a poorly developed small manufacturing business sector.
Project objectives	<p>To develop a two pronged strategy that supports both small and large industries. The approach must align local initiatives with the substantial and detailed Provincial and National initiatives that exist in the Provincial Spatial Economic Development Strategy, the Regional Industrial Development Strategy and the Provincial Industrial development Strategy.</p> <p>Small industry strategy: Determine levels of demand for various small scale manufacturing enterprises. Determine demand for services and infrastructure by small manufacturing sector. Determine supply of services and infrastructure. Development implementation plans around land release, service supply etc.</p> <p>Large industry strategy: Determine long term strategic direction of local industries. Develop understanding of sector trends – including employment, technology, transport, infrastructure, services, business support etc. Align these with Provincial and National plans. Develop short, medium and long term response strategy.</p>
Project outputs	<p>Strategies that provide short, medium and long term direction for all stakeholders. The outputs will include:</p> <ul style="list-style-type: none"> • Understanding of existing constraints in the small and large scale industrial sector. • Identify financial and economic opportunities through value chain analysis, identification of appropriate products and markets, demand profiles etc. • Determine service and infrastructure requirements. • Develop short, medium and long term plans.
Target / target groups	Industrialists, factory workers, Municipality.
Responsible agent	LED Office
Activities	<p>Small industry strategy: Undertake survey of small scale manufacturing enterprises and potential client base. Audit demand for services and infrastructure by small manufacturing sector. Audit existing supply of services and infrastructure. Development implementation plans around land release, service supply etc.</p> <p>Large industry strategy: Undertake workshops with local industries to determine long term needs and intentions. Undertake desk top study to develop sector trends. Align these with Provincial and National plans. Develop short, medium and long term response strategy.</p>
Budget estimates	R250 000.00 for both studies.
Source of finances	Internal and Gijima.
Institutional requirements	Project Steering Committee.
Partners	Business Chamber, Trade Unions, utilities and Municipality.

Strategy 4: Enterprise support – EIC and targeted Business Support

Name of Project: Enterprise Information Centre and Business Support Strategy	
Project motivation	<ul style="list-style-type: none"> To support the establishment of an Enterprise Information Centre (EIC) by the Small Enterprise Development Agency (SEDA) in Umtshezi (Estcourt). To support the effectiveness of the Enterprise Information Centre (EIC) through a targeted and effective understanding of demand.
Project objectives	<p>To support the establishment of the EIC Office in partnership with the SEDA. In this regard the Municipality could:</p> <ul style="list-style-type: none"> To provide institutional linkages. To provide infrastructure and physical building space if possible. To co-ordinate linkages with the business community, broader communities, existing SMMEs (such as co-operatives). To assist with the process management. <p>To support the effectiveness of the EIC through developing the following:</p> <ul style="list-style-type: none"> A profile of the types of small businesses existing in Umtshezi. A thorough understanding of the demand profile for business support services. An audit of existing business support services. An audit of potential service providers; including cost recover requirements, potential mentors and other support (including through the Business Chamber etc). Develop an appropriate package of business support services for small businesses.
Project outputs	<p>A directory of small businesses (including co-operatives).</p> <p>An understanding of the needs and challenges of small business, including the demand for services.</p> <p>A directory of service providers.</p> <p>Institutional arrangements for small business support, including those through the EIC.</p>
Target / target groups	Municipality, SMMEs, existing larger businesses, retired business people.
Responsible agent	SEDA and LED Office.
Activities	<p>In establishment of the EIC:</p> <ul style="list-style-type: none"> Identify potential partners (such as co-operatives, Business Chamber) etc. Identify potential building space and requirements. Assist in establishing reference group. Assist in communicating information relating to the EIC throughout the communities. <p>In assisting with targeting the EIC:</p> <ul style="list-style-type: none"> Undertake an audit of small businesses (including demand for support services). Undertake an audit of business support services. Develop required service packages. Develop the institutional arrangements required for implementation.
Budget estimates	<p>SEDA provides funding for the EIC. The Municipality is obviously encouraged to assist with funding or support where possible.</p> <p>The business support services profile study will cost approximately R120 000.00</p>
Source of finances	SEDA, Municipality, Gijima.
Institutional requirements	Establishment of the EIC office and assistance with a reference group or institutional support group.
Partners	<p>It is vital that the existing private sector businesses and organizations are partners in the project – the success of the EIC will largely depend on the quality of the advice and support available from the private sector. This includes the Business Chamber and retired business people etc</p> <p>The SEDA</p> <p>The SMME 'community' in co-operatives etc.</p>

Strategy 4: Business Database

Name of Project: Business Database	
Project motivation	To develop baseline information relating to the local economy. This will provide primary information on the local economy.
Project objectives	<p>Specific objective: To generate local data on a range of areas including contact details, ownership, employment, HIV & AIDS interventions, product lines, turnover etc.</p> <p>This will enable the Municipality to clearly analyze the local economy with existing businesses and producers and to chart a way forward with the LED stakeholders.</p>
Project outputs	<ul style="list-style-type: none"> • Primary information on the local economy. • Joint ownership of the data with local stakeholders. • Clear analysis of the current status of the economy. • Ability agree to goals with stakeholders (such as redistribution and ownership goals).
Target / target groups	Existing business, new businesses, Municipality, organized business.
Responsible agent	Municipality and organized business.
Activities	<p>Phase 1: Project mobilization</p> <p>Phase 2: Design questionnaire in conjunction with organized business and organized agriculture.</p> <p>Phase 3: Undertake survey and analysis</p> <p>Phase 4: Analyze results and implications with joint stakeholders.</p>
Budget estimates	R150 000 to R200 000.
Source of finances	Municipality, Gijima.
Institutional requirements	The exercise requires agreement and participation from the private sector and therefore organized business will be a key partner.
Partners	Organized business

Strategy 4: Enterprise support- Business Retention and Expansion Programme

Name of Project: Business Retention and Expansion Programme	
Project motivation	To ensure that local economic opportunities are fully exploited by existing and emerging businesses – the impact being that where possible that existing businesses continue to trade, that existing businesses expand (further employment) and new businesses emerge.
Project objectives	Specific objective: To analyze the local economy with existing businesses and producers to identify market opportunities for import substitution and identifying unexploited opportunities for existing businesses and where possible for new businesses.
Project outputs	<ul style="list-style-type: none"> Identified opportunities for import substitution and new business needs. These opportunities could be taken up by existing businesses or emerging businesses.
Target / target groups	Existing business, new businesses, Municipality, organized business.
Responsible agent	Municipality, organized business.
Activities	<p>Phase 1: Project mobilization</p> <p>Phase 2: Analysis of Business Environment (particularly Suppliers & Producers)</p> <p>Phase 3: Value Chain Analysis</p> <p>Phase 4: Focus Group Sessions and Documenting Opportunities</p>
Budget estimates	R150 000 to R200 000.
Source of finances	Municipality, Gijima, TIK.
Institutional requirements	The exercise requires mobilization and participation from business and therefore organized business will be a key partner.
Partners	Organized business

Strategy 6: Municipal and state procurement

Name of Project: Procurement Support Strategy	
Project motivation	The Municipality and other departments spend substantial amounts of funds in the Umtshezi area. These funds are powerful levers to target affirmative procurement and improve access to business for previously disadvantaged individuals and small businesses. The strategy can assist in directing expenditure and have a direct impact on the local economy. The expenditure by the municipality and other departments leaks out of the local economy with very few benefits accruing to local people. In some cases the SMMEs may need to be linked with business support organizations.
Project objectives	The objectives are as follows: <ul style="list-style-type: none"> • Establish a database of appropriate service providers (SMMEs and PDIs). • Identify potential economic activities that can be outsourced or that are outsourced by the state and private sector. • Establish the required standards and needs (such as skills development). • Establish appropriate communication channels through existing institutions (such as primary co-operatives, business organizations etc). • Develop a set of appropriate procurement policies and practices. • Monitor the system.
Project outputs	<ul style="list-style-type: none"> • The establishment of a database for local SMMEs • Develop a database of small businesses and service providers. • The establishment of a database for services that can be outsourced to SMMEs. • A skills development plan for the SMMEs. • Monitoring and evaluation system.
Target / target groups	SMMEs, Previously Disadvantaged Individuals, Municipality, local business.
Responsible agent	LED Office
Activities	<ul style="list-style-type: none"> • Undertake an audit of SMMEs (this may be available as a result of the projects outlined above). • Undertake an audit of Municipal and other departmental expenditure in the municipality area. • Undertake an audit of business outsourcing in the area. • Establish an appropriate • Link SMMEs with skills development developmental institutions such as the SEDA and the EIC. • Develop a Monitoring and Evaluation system.
Budget estimates	R250 000.00
Source of finances	Gijima
Institutional requirements	A Project Steering Committee
Partners	SEDA, Municipality, Department of Labour, Business Chamber, SMME groups (Primary Co-operatives).