

2009

Local Economic Development (LED) Strategy



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1 SECTION ONE: INTRODUCTION

The concept of Local Economic Development (LED)...”has been gaining prominence in development theory and practice over the last decade. As a result, numerous concepts and definitions on LED have emerged, partially overlapping, partially complementary and partially contradictory”.

As a concept, LED has gone through phases as follows:

- **Phase One:** activities focused strongly on the marketing of locations to external investors, often linked with incentive systems such as;
 - ✓ Tax breaks
 - ✓ Reduced costs of public services
 - ✓ Infrastructure development
- **Phase Two:** focus changed to endogenous economic potentials, striving to support the competitiveness of existing firms, promoting entrepreneurship and business start-ups, usually done through;
 - ✓ Entrepreneurship development and training programmes
 - ✓ Business support and business linkage mechanisms
 - ✓ Providing access to finance
 - ✓ Skills and rural development
 - ✓ Sectoral development
- **Phase Three:** a more holistic approach which focuses on enhancing the individual business support and sectoral development approaches of the second phase. Its aim is to ensure that the entire business and community environment is more conducive to economic development by;
 - ✓ Providing a competitive local business environment
 - ✓ Encouraging and supporting networking and collaboration between businesses and public/private and community partnership
 - ✓ Facilitating workforce development and education
 - ✓ Focusing inward investment to support cluster growth and

- ✓ supporting quality of life improvements

The Govan Mbeki LED Strategy is premised on phase three of the LED conceptual framework, without neglecting elements of phases one and two that are not yet covered.

1.1 Terms of Reference

The Mpumalanga Provincial Department of Local Government contracted Fumani Ma-Afrika Group to develop a Local Economic Development (LED) Strategy for Govan Mbeki Local Municipality, with the following key project deliverables:

- Perspective Analysis of the local space
- Local Economy Assessment and Strategy Framework Development
- Programme and Project Prioritization
- Implementation Framework
- Monitoring and Evaluation Framework

Perspective Analysis

The analysis is designed to provide Govan Mbeki Local Municipality with a status quo analysis of the demographic, socio-economic and economic profile of the locality.

Local Economy Assessment and Strategy Framework Development

Local economy assessment seeks to understand the economic conditions prevailing within and outside the locality. In the process, the LED vision, goals and objectives are formulated, together with set of programmes and projects for implementation.

Programme and Project Prioritization

The deliverable seeks to assist the municipality prioritize programmes and projects for implementation based on a clearly defined criteria.

Implementation Framework

The framework seeks to guide Govan Mbeki in terms of the implementation processes, indicating specific tasks, time-frames, funding and support mechanisms.

Monitoring and Evaluation Framework

It is designed to develop mechanisms for controlling and checking implementation progress and early warning signs.

1.2 Purpose of the Study

The study is aimed at providing Govan Mbeki Local Municipality an opportunity to:

- Assess the local economy in the context of sectoral growth opportunities and challenges, as well as the socio-economic dynamics within the locality
- Identify LED opportunities and development initiatives for implementation by all the key stakeholders
- Develop LED vision, goals and objectives that should guide economic development within the local space
- Identify specific development thrusts (programmes) and initiatives (projects) for implementation

In addition, the study seeks to achieve the following:

- Promote a shared understanding of the LED concept, use of sound LED best practices and process flow
- Promote more effective institutional collaboration by strengthening the LED capacities of relevant institutions
- Promote private-public sector collaboration, support and funding of municipal LED programmes and projects

The outcome of the LED Strategy formulation process is the identification of:

- **Quick-win** LED initiatives that address some of the critical socio-economic challenges of the locality
- **Catalytic projects** that have a strong leverage or multiplier effect by addressing critical market failures and eliminate root causes of obstacles to economic development and unlock resources and business opportunities

The key principles underlying the development of the strategy include the following:

- Joint public and private sector determination of opportunities, constraints and priorities that are needed to improve the performance of the local economy
- Incremental approach which focuses on the identification and implementation of quick-wins which are low cost before the determination of catalytic projects, which require high commitment to cooperation and serious and persistent political backing
- Implementation processes that are championed by local key stakeholders for the benefit of all in the community

1.3 The LED Concept

Local Economic Development (LED) is defined as *“an outcome based on local initiatives and driven by local stakeholders”*.

It involves identifying and using local resources, ideas and skills to stimulate **economic growth** and **development**. The aim of LED is to create employment opportunities to the best of all the local residents.

The concept of LED is premised on two fundamental concepts, namely;

- Economic growth
- Economic development

Economic Growth is traditionally defined as the annual rate of increase in the total production or income in the economy.

Economic growth requires an expansion of the production capacity of the local economy, as well as an expansion of the demand for goods and services produced in the economy. Both the supply and demand factors are necessary for sustained economic growth.

Economic Development refers to the improvement of the people's living conditions

It entails an improvement in the quality of life of the majority of the population as a result of economic growth, the reduction of inequality and the eradication of poverty.

In the context of Govan Mbeki Local Municipality, development is deemed to have taken place when the following concrete indicators are dealt with in the growth context:

- Poverty
- Unemployment
- Inequality
- Life expectancy
- Education
- Material living conditions

Key LED characteristics include the following:

- It is an on-going process rather than a single project or mere steps to follow
- LED entails stakeholders in a locality involved in different activities aimed at addressing a variety of socio-economic needs of the community
- LED is implemented based on local competitiveness but in the context of national and global economic, political and social dynamics
- The new LED paradigm entails the engagement of key stakeholders and the adoption of the **facilitation approach**

Facilitation is understood as a process of decision-making guided by a facilitator who ensures that all affected individuals and groups are involved in a meaningful way and that the decisions are based on their input and are made to achieve their mutual interests

Systemic thinking is central in the new LED paradigm, in which the role of the facilitator is that of;

- raising internal awareness and understanding of the local context
- motivating constant learning and reflection
- focusing on communication and interactions
- supporting the development of endogenous solutions
- applying a step by step incremental philosophy

The White Paper on Local Government reinforces the LED role of municipalities through the concept of **developmental local government**.

Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.

However, the White Paper clearly states that job creation is not the role of municipalities, but that of creating an enabling business environment.

1.4 Clarification of LED Roles and Responsibilities

In order for LED to be effective, a community needs to identify and consider its own economic strengths, weaknesses, opportunities and threats, and agree on a shared vision and strategy.

By its nature, LED is a partnership which involves government, the private sector and civil society. Collectively, all the stakeholders have roles and responsibilities to play in the process. As such, the roles and responsibilities of the various tiers of government as well as civil society in Local Economic Development are outlined below (Resource Book for Municipal Councilor and officials, 2001):

National Government

- Coordinate and align support to municipalities for LED through the IDP process
- Provide support to municipalities to implement their developmental mandate
- Provide the overall legislation and regulatory framework for LED
- Maintain strong inter-governmental relationships and institutions
- Provide the necessary resources to municipalities for the implementation of LED
- Disseminate information to provincial and local government about LED
- Increase administrative efficiency (such as access to land and finance)
- Monitor and evaluate the outcomes and impact of municipal LED activities

Provincial Government

- Align LED initiatives with National and Local priorities
- Strengthen and support the capacity of local government
- Make available financial and technical resources to implement and sustain LED
- Share information regularly with municipalities
- Monitor and evaluate the impact of LED initiatives provincially

District Municipalities

District municipalities are better positioned to provide a coordinator and supporting role to the local municipalities within their broad geographic areas. They have the following direct responsibilities:

- Plan and coordinate LED strategies within the framework of IDPs
- Establish the LED structure comprising district and local municipalities to foster cooperation and coordinate policies, strategies and projects within the district
- Identify lead LED sectors that can kick-start development within the district by understanding economic research and analysis
- Promote joint marketing, purchasing and production activities
- Promote networking of firms within the district
- Collect and disseminate information to assist local municipalities with LED policies
- Identify resources needed and available
- Maintain a strong relationship with the province
- Provide the necessary training to municipalities

Local Municipalities

Local municipalities are the key LED implementation agencies of government. They have a more direct impact on LED in terms of their potential influence on issues and factors such as by-laws, tender and procurement procedures and other regulations, access to land and necessary infrastructure and services, promoting a positive image of their area, making their environment more appealing and welcoming all investors and visitors, facilitating skills development and by being responsive to the needs of the local and potential business concerns. Local authorities therefore need to be proactive in promoting economic growth and development.

In view of the above, local municipalities have the following roles and responsibilities:

- Ensure that social and economic development is prioritized within municipal IDPs
- Conduct economic regeneration studies as part of the IDPs

- Establish capacity within the municipality to promote interdepartmental collaboration
- Establish an LED forum within the community to mobilize the effects and resources of local stakeholders around a common vision
- Build and maintain an economic database to inform decisions and act as an early warning system for the municipality
- Identify and market new economic opportunities
- Create an enabling environment for local businesses through efficient and effective services and infrastructure delivery
- Improve the quality of life of and facilities for the population by addressing infrastructure and service delivery backlogs
- Develop an understanding and communicate the complex local economic relations, limitations and advantages to the role players
- Network with key sectors and role players to create partnerships and projects
- Monitoring and supporting individuals, community groups and locatives to initiate and sustain economic activities
- Mobilize civil society to participate in LED and encourage public participation
- Establishment sector linkages and clustering of economic activities

Civil Society

The new development form of local government puts emphasis on civil society involvement in local government activities. For civil society to have the desired effect, however, the representatives should have the legibility and respect of the people and organizations they represent. Civil society should also share a common LED vision with the local municipality within which they reside.

- A community must have a core of local, capable and respected leadership prepared to commit time and energy to LED
- Community leaders need to have or acquire the necessary skills, knowledge and attitudes necessary to manage economic change

- Leaders must operate in a transparent manner and must be accountable
- Leaders must be willing to report, listen and ensure the support of the community
- Leaders should provide inspiration and participate in developing new layers of leadership
- The community must develop a practical development agenda which focuses on realistic and sustainable goals, long term plans and achieving small visible improvements by getting people involved
- The goals must be realistic and address the community needs. To achieve this, there needs to be constant evaluation and adjustment of the action plan

1.5 Study Area and Methodology

1.5.1 Study Area

Govan Mbeki Local Municipality is located within Gert Sibande District, Mpumalanga Province. The municipality boasts of both mining and manufacturing sectors that contribute significantly to the local, provincial and national GDP.

The following map shows the location of Govan Mbeki, both within Gert Sibande and Mpumalanga, towns within the locality and related land-use, **as adopted from the municipal Spatial Development Framework;**

The Govan Mbeki LED Strategy focuses on identifying and exploiting economic opportunities characterized in the different towns and zones across economic sectors dominant in the locality.

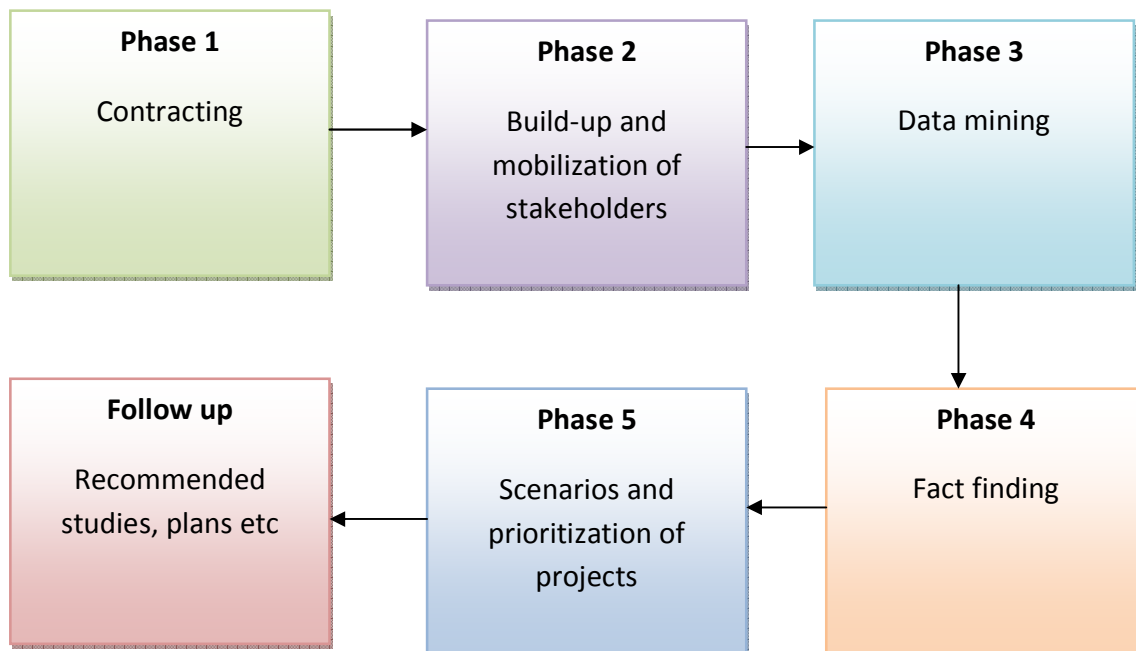
1.5.2 Study Methodology

The development of the Govan Mbeki LED Strategy was guided by a **Genesis Model**

Genesis –which means **Generating-Strategy-Innovation-Solution** for local economic development, is a “robust and innovate methodology to define strategic priorities and launch or accelerate a process of transformation in local economic development”.

It is a methodology for identifying strategic interventions (catalytic projects) in the context of a territorial economic development initiative

The following diagram illustrates the structure of the Genesis exercise model that was utilized in the development of the Govan Mbeki LED Strategy:



Contracting Phase

Phase one was aimed at;

- Aligning objectives and expectations
- Agreeing on project deliverables and implementation plan
- Getting political, administrative and stakeholder buy-in

Build –Up Phase

The phase entailed;

- Identifying, informing and inviting all key stakeholders
- Collecting sector based information
- Conducting stakeholder workshop and
- Launching the project flow (process)

Data Mining Phase

Secondary data sources were identified, located and explored to provide;

- Demographic perspective
- Socio-economic perspective
- Economic perspective of the locality

Fact Finding Phase

This phase entailed detailed stakeholder workshops to;

- Analyze the interim perspective report/results
- Contextual workshop to perform the local economy assessment and determine LED vision, objectives, programmes and projects

Verification and Decision Phase

The final phase of the exercise entailed one-on-one interviews with key stakeholders within the municipality and key economic sectors, especially mining, manufacturing, trade and tourism.

The aim was to;

- collect additional information
- verification on key decisions taken
- synthesis of all key decisions for implementation (programmes and projects)
- consolidation and reporting

After-Genesis: Follow-Up

The result of this process, which is the strategy implementation phase, has developed a set of key decisions which include;

- feasibility studies
- business plans development
- application for funding

The tangible outputs of the Genesis methodology in the strategy development for Govan Mbeki are:

- a set of strategic programmes and projects that are supported by key stakeholders
- alignment of stakeholders to a common vision and unity of purpose for the future

From a strategy process perspective, the methodology has assisted to deal with the following:

- mobilization and engagement of key local stakeholders
- development of a common LED vision for the desired future
- identifying key LED objectives
- formulating a set of programmes and projects for implementation
- developing a monitoring and evaluation framework

Two distinct methods adopted in the strategy formulation are:

- Desktop Research
- Action Research

Desktop Research analyzed secondary data made available from sources deemed credible for the purposes of the LED strategy. Secondary data analysis focused on the following:

- Demographic profile of Govan Mbeki Local Municipality
- Socio-economic trends over the five year period (2003-2007)
- Economic profile of the local space, clearly highlighting
 - ✓ GVA sector contribution
 - ✓ Sector growth rates
 - ✓ Comparative advantages

Action Research allowed all key stakeholders to participate in the LED Strategy formulation process.

The Rapid Appraisal process based on the **Participatory Appraisal of Competitive Advantage (PACA)** methodology was adopted. Workshops were organized to perform the following;

- Performing an economic SWOT analysis of the local space with the view to identifying
 - ✓ Internal strengths and weaknesses
 - ✓ External opportunities and threats
- Developing the LED Strategy Framework that focuses on
 - ✓ LED vision, goals and objectives
 - ✓ Programmes and projects for implementation

1.6 Report Structure

The remainder of the strategy report is structured as follows:

Section Two

This section provides a perspective analysis of Govan Mbeki Local Municipality in terms of the demographic, socio-economic and economic profiles. The analysis attempts to explore the development relationship between **economic growth and economic development** over a five year period.

Section Three

The section highlights the strategy framework of Govan Mbeki Local Municipality. It examines the following key aspects:

- Economic SWOT analysis of the local space
- LED vision, goals and objectives
- Programmes (**development thrusts**) and projects (**initiatives**) for implementation

Section Four

Alignment of programmes and projects to the LED goals and objectives is done in section four. Through clearly defined criteria, section four evaluates and prioritizes the identified programmes and projects for implementation purposes.

Section Five

Section five focuses on the strategy implementation framework for the prioritized programmes and projects, in line with the alignment. Implementation time-frames, funding and support mechanisms are dealt with in the framework.

Section Six

In section six, issues of LED monitoring and evaluation are covered. Indicators for the different development thrusts and projects are identified, as well as measures on detecting deviation from the strategy implementation.

Section Seven

Finally, the strategy report ends with a summary of the key decisions to be taken through a conclusion and set of recommendations. Also included in this section are recommendations on Community Economic Development.

2 SECTION TWO: PERSPECTIVE ANALYSIS OF GOVAN MBEKI

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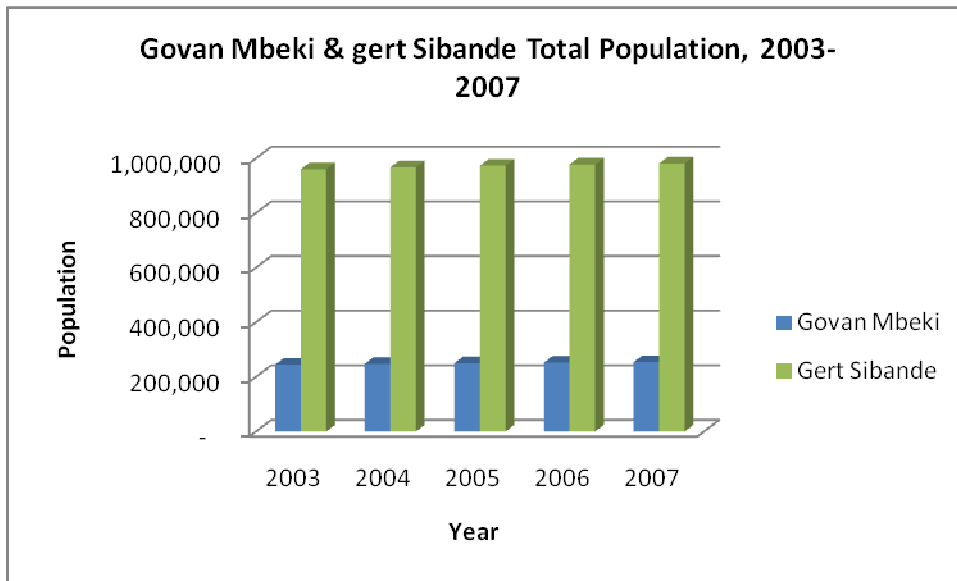
The perspective report focuses on the demographic, socio-economic and economic profile of Govan Mbeki and Gert Sibande over a five year period.

2.1 Demographic Analysis

Table 1 and Figure 1 show the demographic data for Govan Mbeki and Gert Sibande.

Table 1

Year	Demographic					
	Total population		Population Density		Population Growth Rate (%)	
	Govan Mbeki	Gert Sibande	Govan Mbeki 2960 km ²	Gert Sibande 31897 km ²	Govan Mbeki	Gert Sibande
2003	244 727	960 372	83	30	1.4%	0.81%
2004	247 683	967 253	84	30	1.2%	0.67%
2005	250 366	973 560	85	31	1.1%	0.61%
2006	252 387	978 030	85	31	0.8%	0.42%
2007	254 031	981 569	86	31	0.7%	0.33%



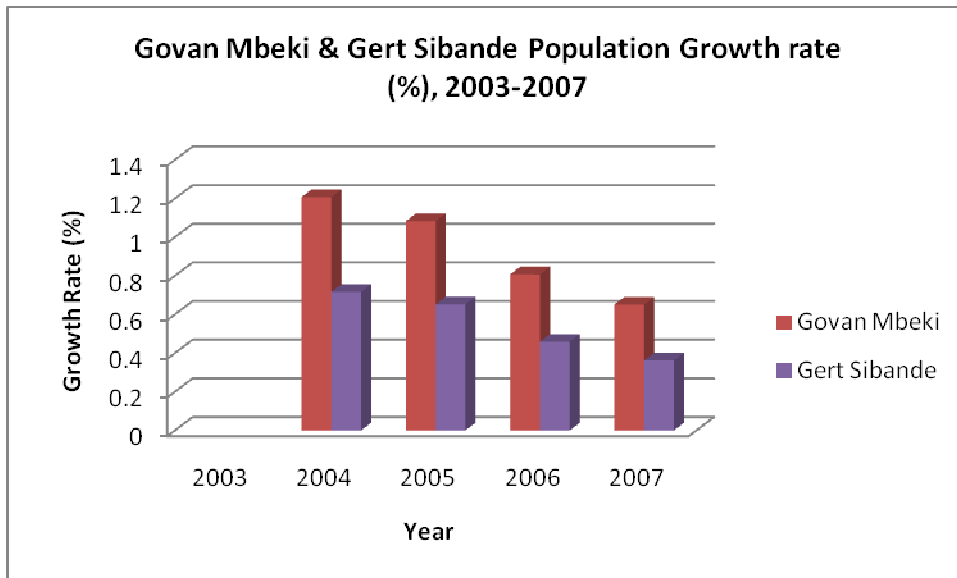
Source: FMAG Calculations based on Global Insight Research 2007

Table 1 and Figure 1 show that:

- There is marginal increase in population size between 2003 and 2007 for both Govan Mbeki and Gert Sibande
- Such trends could be a result of low birth rates or low immigration trends into the space over the period but they need to be investigated as they have implications on development strategies.
- Population density is higher in Govan Mbeki than in Gert Sibande
- Between 2003 and 2007, there is a marginal increase in population density for both Govan Mbeki and Gert Sibande

Figure 2 shows the population growth for Govan Mbeki and Gert Sibande.

Figure 2



Source: FMAG Calculations based on Global Insight Research 2007

Figure 2 shows that:

- Population growth is positive in both Govan Mbeki and Gert Sibande.
- Population growth is declining.

These trends need to be investigated further as they have implications on development strategies.

2.2 Socio-Economic Analysis

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Highest Level of Education

Table 2 and Figure 3 show the highest level of education for those aged 15 years, for Govan Mbeki and Gert Sibande for the period 2003-2007.

Table 2

Category	Govan Mbeki & Gert Sibande Highest Level of Education Achieved; 2003-2007														
	2003			2004			2005			2006			2007		
	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Average
No schooling	22 280	124872	21 558	121 525	19 399	110 576	19 775	112 536	20 634	116 979	20 729	117298	20 729	117298	
Grade 0-2	3 260	15 690	3 198	15 482	2 979	14 708	3 018	14 838	3 075	14 996	3 106	15197	3 106	15197	
Grade 3-6	23 224	94 397	22 760	93 084	20 805	86 255	21 334	88 186	22 020	90 654	22 029	90497	22 029	90497	
Grade 7-9	41 413	150 559	41 303	150 873	41 574	153 827	41 697	153 928	41 544	152 625	41 506	152362	41 506	152362	
Grade 10-11	32 806	106 557	34 526	113 174	39 725	133 004	37 842	126 313	36 256	119 968	36 231	98203	36 231	98203	
Less than Matric & certif./dip	1 151	3 123	1 134	3 130	1 106	3 121	1 121	3 156	1 172	3 255	1 137	3157	1 137	3157	
Matric only	37 812	102 107	39 880	108 066	43 031	118 921	42 509	116 859	41 398	112 929	40 726	111776	40 726	111776	
Matric & certificate / diploma	8 411	21 744	8 460	21 841	9 962	25 943	9 687	25 194	8 990	23 324	9 102	23609	9 102	23609	
Matric & Bachelors degree	2 546	6 108	2 524	6 103	2 599	6 468	2 589	6 410	2 570	6 283	2 566	6274	2 566	6274	
Matric & Post grad	1 140	2 294	1 176	2 359	1 119	2 286	1 130	2 284	1 195	2 395	1 152	2324	1 152	2324	

Figure 4 shows the average for the highest level of education for Govan Mbeki and Gert Sibande for the period 2003 to 2007.

Figure 4

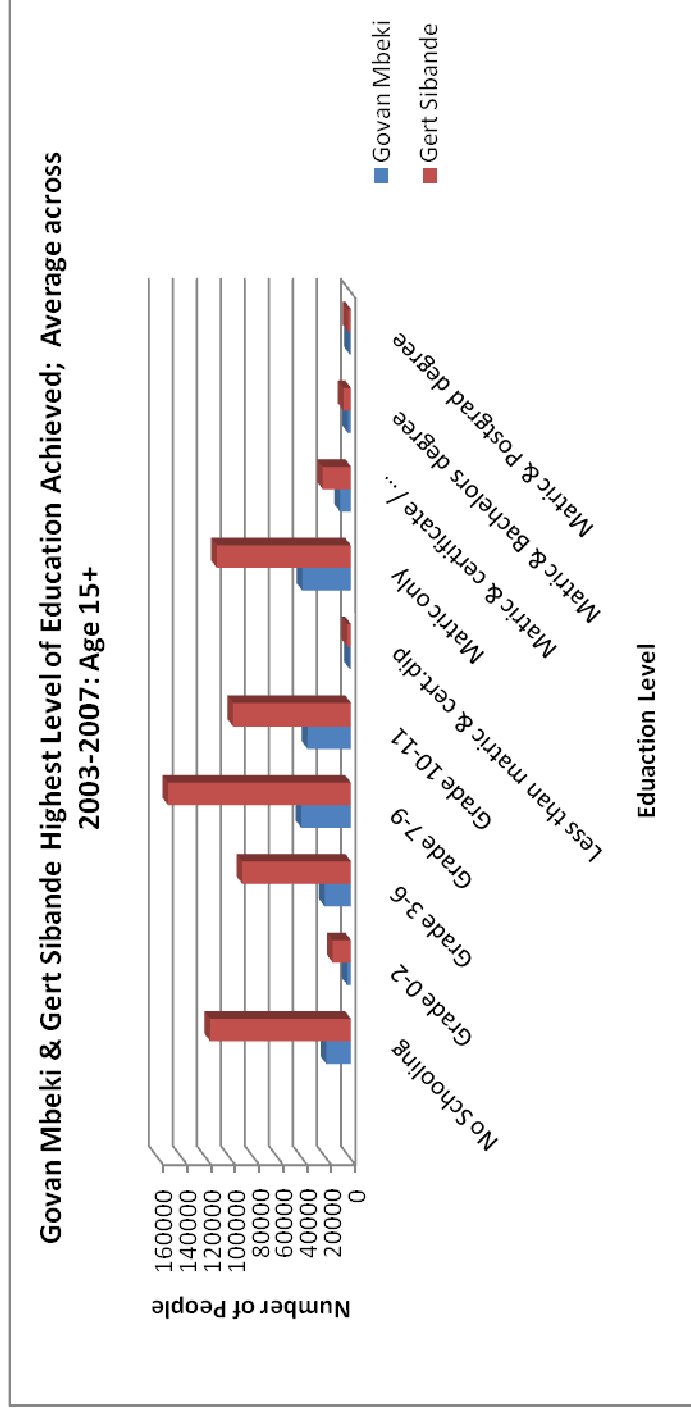


Figure 4 shows that:

- Among the 15 years and older, the highest number is within the grade 7 to 9 level of education.
- There is a very low number for those with bachelors and post graduate training.

These trends need to be understood further as they have implications on development strategies..

Table 3 and Figure 5 show the highest level of education for those aged 15 years, for Govan Mbeki and Gert Sibande for the period 2003-2007 in relative terms.

Table 3

Govan Mbeki & Gert Sibande Highest Level of Education Achieved Percent; 2003-2007: Age 15+												
Category	2003		2004		2005		2006		2007		Average	
	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande
No schooling	13	20	12	19	11	17	11	17	12	22	13	20
Grade 0-2	2	3	2	2	2	2	2	2	2	3	2	3
Grade 3-6	13	15	13	15	11	13	12	14	12	17	13	15
Grade 7-9	24	24	23	24	23	23	23	24	23	29	24	24
Grade 10-11	19	17	20	18	22	20	21	19	20	2	19	17
Less than Matric & certif./dip	1	0	1	0	1	0	1	0	1	1	1	0
Matric only	22	16	23	17	24	18	23	18	23	21	22	16
Matric & certificate / diploma	5	3	5	3	5	4	5	4	5	4	5	3
Matric & Bachelors degree	1	1	1	1	1	1	1	1	1	1	1	1
Matric & Post grad degree	1	0	1	0	1	0	1	0	1	0	1	0

Source: FMAG Calculations based on Global Insight Research 2007

Figure 5

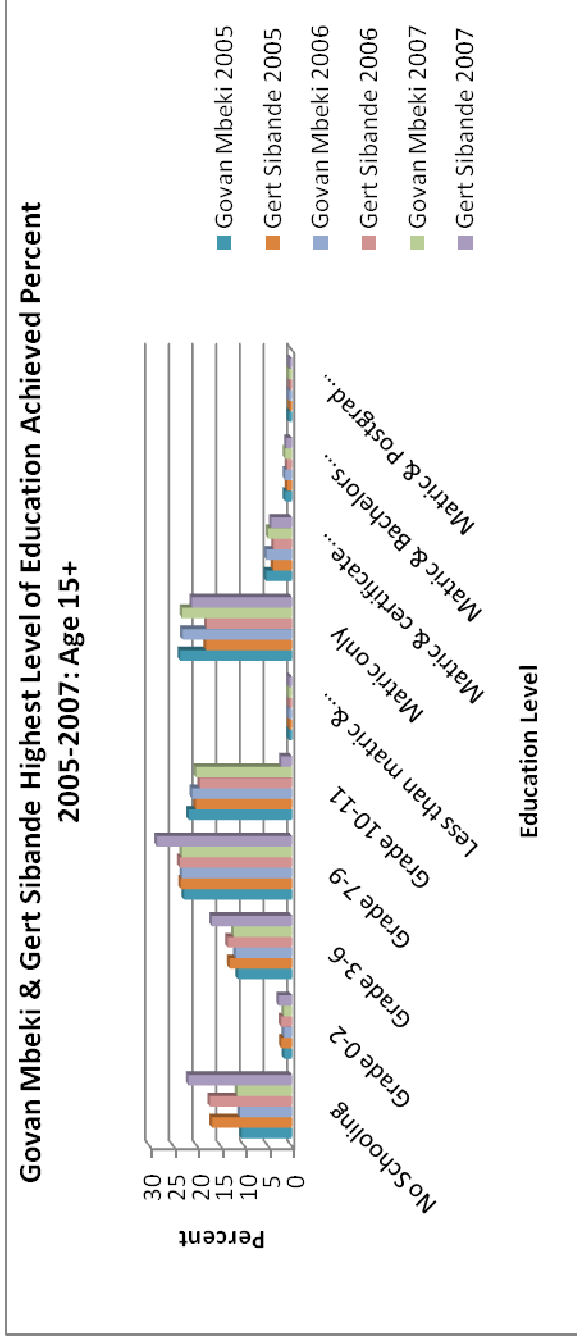


Table 3 and Figure 5 show that:

- Gert Sibande has a higher percentage of people with no schooling than Govan Mbeki.
- There was a spike in the percentage of those with grades 7 to 9 in Gert Sibande. Obviously there must have been something positive that was done in Gert Sibande that needs to be understood in terms of replicability.

Figure 6 shows the highest level of education percent averaged across 23003 to 2007.

Figure 6

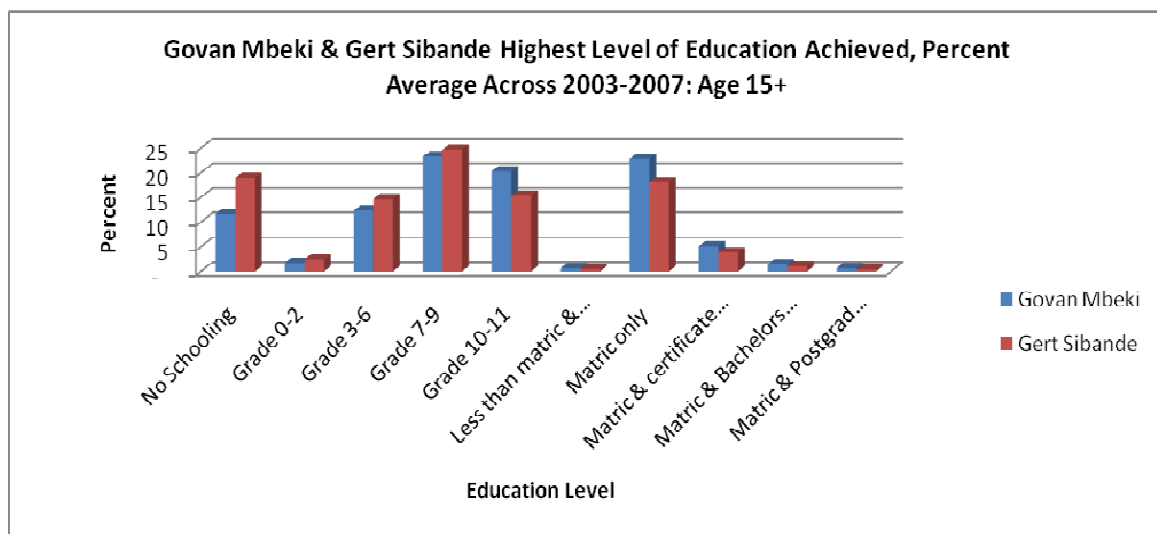


Figure 6 shows that:

- Govan Mbeki has higher percentages for those with Matric and above.
- Govan Mbeki has lower percentages for those with grade 9 and below.

These statistics have implications for development strategies especially in relation to capacity building.

Economically Active Population (EAP)

30

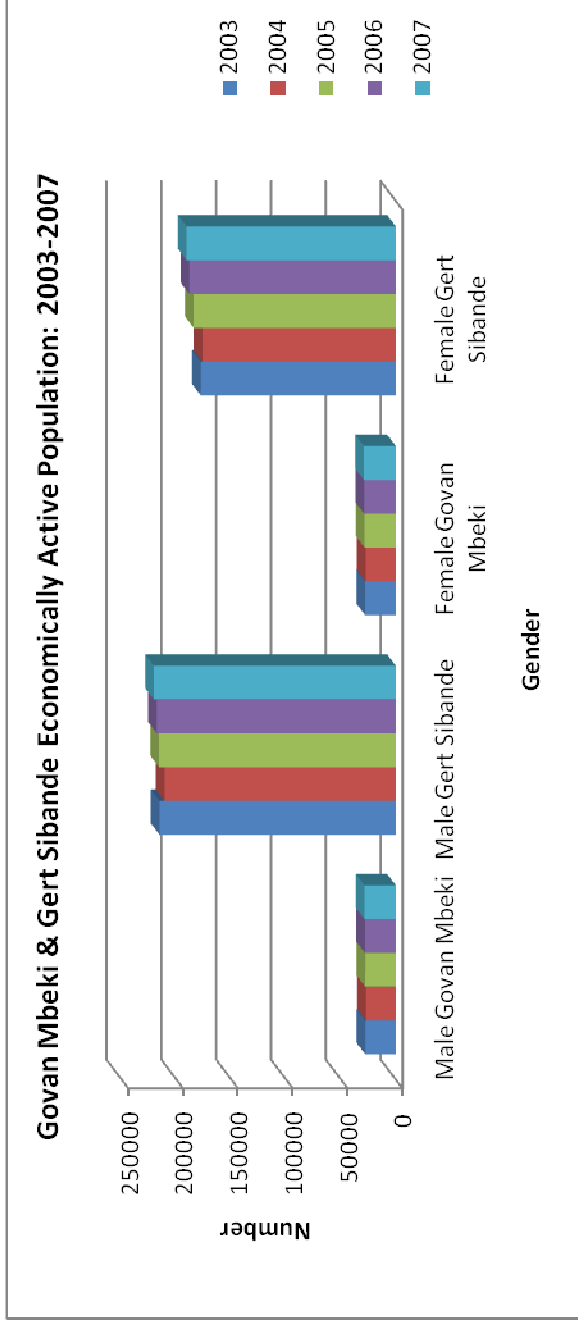
It refers to the total number of people, who are willing and able of work, that is, workers in the formal sector of the economy plus self employed persons.

The Table 4 and Figure 7 show the EAP of both Govan Mbeki and Gert Sibande between 2003 and 2007.

Table 4

Govan Mbeki & Gert Sibande Economically Active Population (EAP): 2003-2007						
	2003	2004	2005	2006	2007	Average
Male Govan Mbeki	27897	27282	27936	28217	28569	27980
Male Gert Sibande	215584	210907	216026	218099	220690	216261
Female Govan Mbeki	28038	27556	28575	28983	29182	28467
Female Gert Sibande	177993	176500	184481	188412	190881	183653

Figure 7



The Table 4 and Figure 7 show that:

- The male EAP population experiences marginal increases between 2004 and 2007
- The female EAP population experiences slightly higher increase for the same period.

Figure 8 shows the EAP averaged across 2003 to 2007.

Figure 8

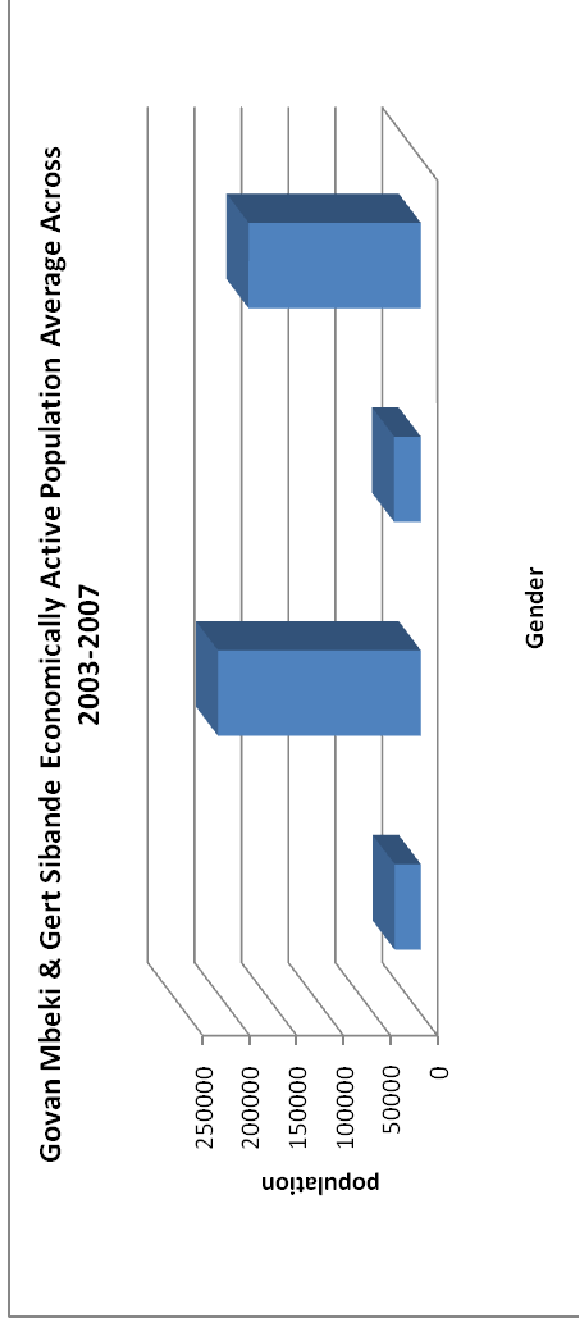


Figure 8 shows that generally the male EAP population is higher than the female EAP.

Table 5 and figures 9 and 10 below show the EAP for Govan Mbeki and Gert Sibande in relative terms.

Table 5

Govan Mbeki & Gert Sibande Economically Active Population Percent: 2003-2007							
	2003	2004	2005	2006	2007	Average	
Male Govan Mbeki	50	50	49	49	49	50	50
Male Gert Sibande	55	54	54	54	54	54	54
Female Govan Mbeki	50	50	51	51	51	50	50
Female Gert Sibande	45	46	46	46	46	46	46

Figure 9

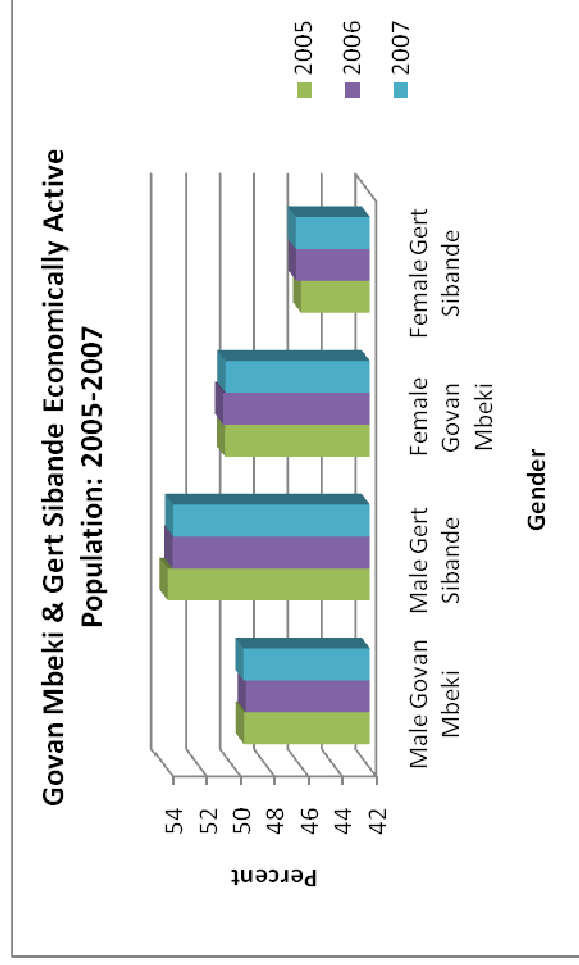


Figure 10

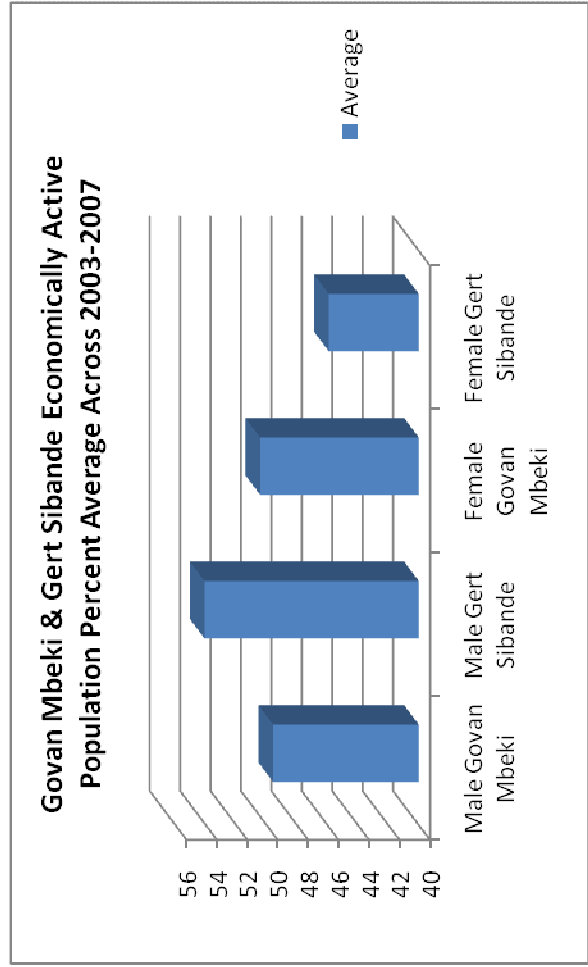


Table 5 and figures 9 and 10 show that:

- The percentages for male and female EAP are similar in Govan Mbeki and Gert Sibande.
- There is a higher percentage of male EAP in Gert Sibande

Total Employment

The following table shows total employment by sector within Govan Mbeki and Gert Sibande between 200 and 2007

Table 6 and figures 11 and 12 show the employment for Govan Mbeki and Gert Sibande.

Table 6

Sector	Govan Mbeki & Gert Sibande Total Employment (Formal & Informal): 2003-2007													
	2003		2004		2005		2006		2007		Gert Sibande Average	Govan Mbeki	Gert Sibande	Govan Mbeki
	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande				
Agriculture	3 511	43 060	3 209	38 105	3 021	34 513	2 962	34 259	2 968	34 861	3134	36960	3134	36960
Mining	14 960	24 870	17 166	28 134	17 312	30 243	18 147	29 291	17 521	29 054	17021	28318	17021	28318
Manufacturing	17 370	27 128	18 129	28 057	21 308	32 409	23 102	32 293	21 818	31 285	20345	30234	20345	30234
Electricity	629	2 994	642	3 058	669	3 403	716	3 304	695	3 184	670	3189	670	3189
Construction	3 185	8 849	3 780	10 083	5 122	13 831	6 705	14 500	5 991	13 649	4957	12182	4957	12182
Trade	14 335	37 575	14 157	35 849	18 227	46 358	23 348	47 115	21 849	45 153	18383	42410	18383	42410
Transport	2 819	7 833	2 942	7 965	3 466	8 899	4 064	8 850	3 821	8 720	3422	8453	3422	8453
Finance	2 988	7 491	3 192	7 776	3 832	10 394	5 234	9 662	4 642	8 912	3978	8847	3978	8847
Community services	8 123	29 296	8 100	29 035	8 400	30 951	8 826	31 439	8 551	30 425	8400	30229	8400	30229
Households	6 127	16 943	5 913	16 352	5 907	17 070	6 173	16 788	6 071	16 334	6038	16697	6038	16697

Total	74 048	206 040	77 230	204 414	87 265	228 073	99 277	227 502	93 928	221 576	86349	217520.4	36
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Source: FMAG Calculations based on Global Insight Research 2007

Figure 11

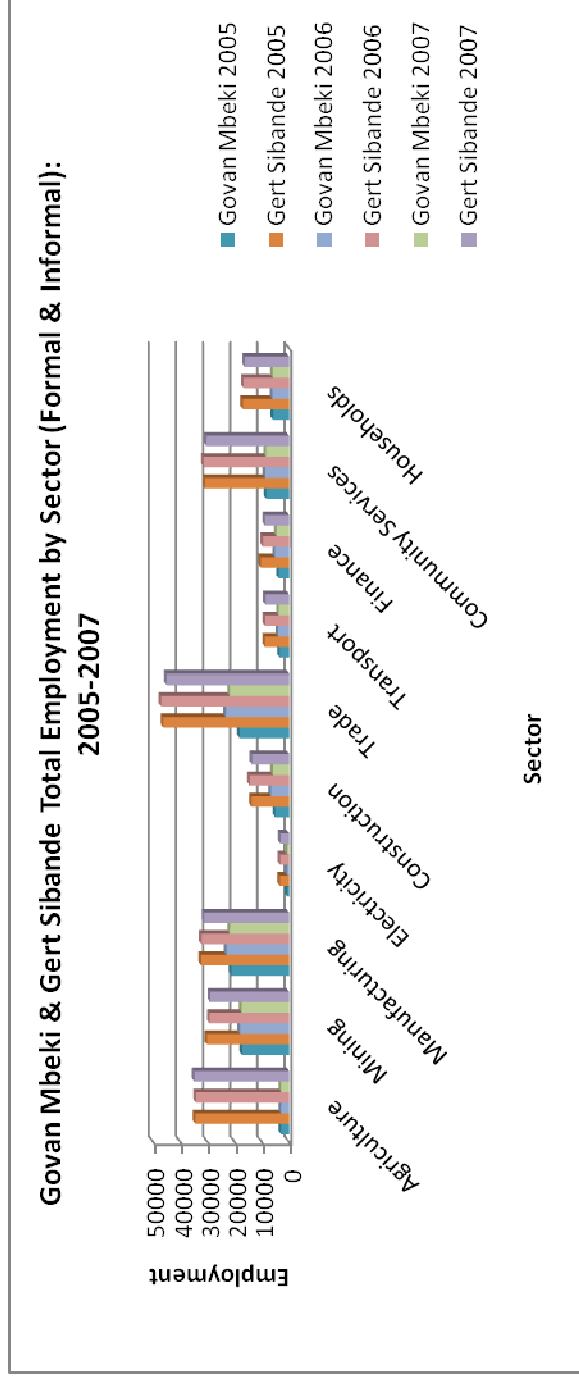


Figure 12

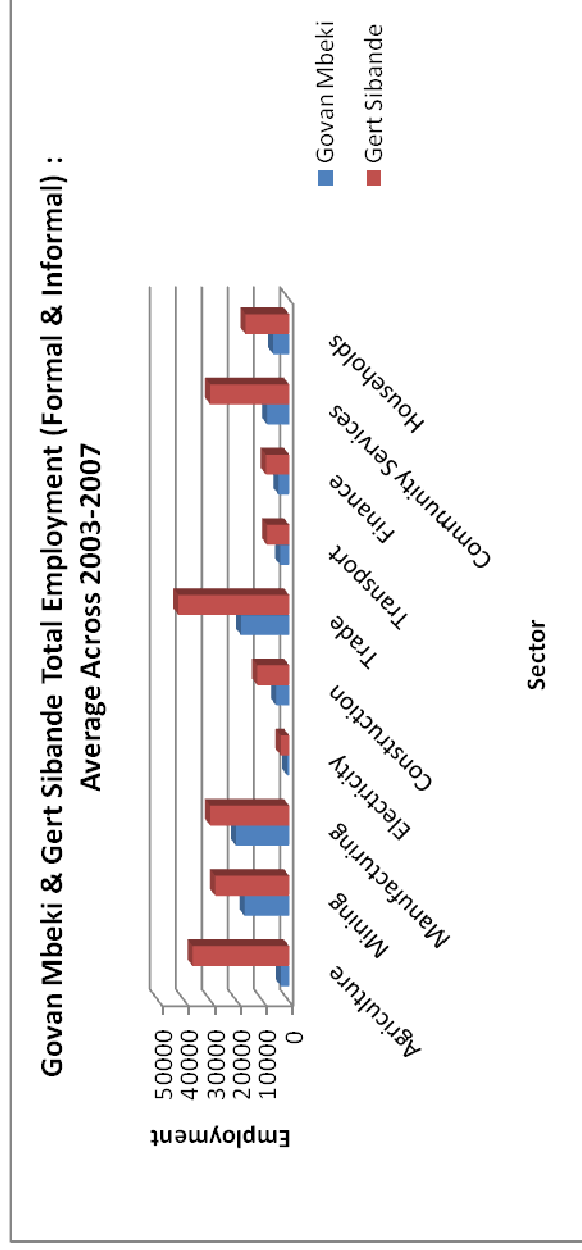


Table 6 and figures 11 and 12 show that:

- Employment increased slightly in trade in Govan Mbeki
- Employment declined slightly in manufacturing in Gert Sibande

Table 7 and Figures 13 and 14 a and b show the employment for Govan Mbeki and Gert Sibande in relative terms.

Table 7

Sector	Govan Mbeki & Gert Sibande Total Employment Percent (Formal & Informal): 2003-2007											
	2003		2004		2005		2006		2007		Average	
	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande
Agriculture	5	21	4	19	3	15	3	15	3	16	4	17
Mining	20	12	22	14	20	13	18	13	19	13	20	13
Manufacturing	23	13	23	14	24	14	23	14	23	14	24	14
Electricity	1	1	1	1	1	1	1	1	1	1	1	1
Construction	4	4	5	5	6	6	7	6	6	6	6	6
Trade	19	18	18	18	21	20	24	21	23	20	21	19
Transport	4	4	4	4	4	4	4	4	4	4	4	4
Finance	4	4	4	4	4	5	5	4	5	4	5	4
Community services	11	14	10	14	10	14	9	14	9	14	10	14
Households	8	8	8	8	7	7	6	7	6	7	7	8
Total	100	100	100	100	100	100	100	100	100	100	100	100

Source: FMAG Calculations based on Global Insight Research 2007

Figure 13

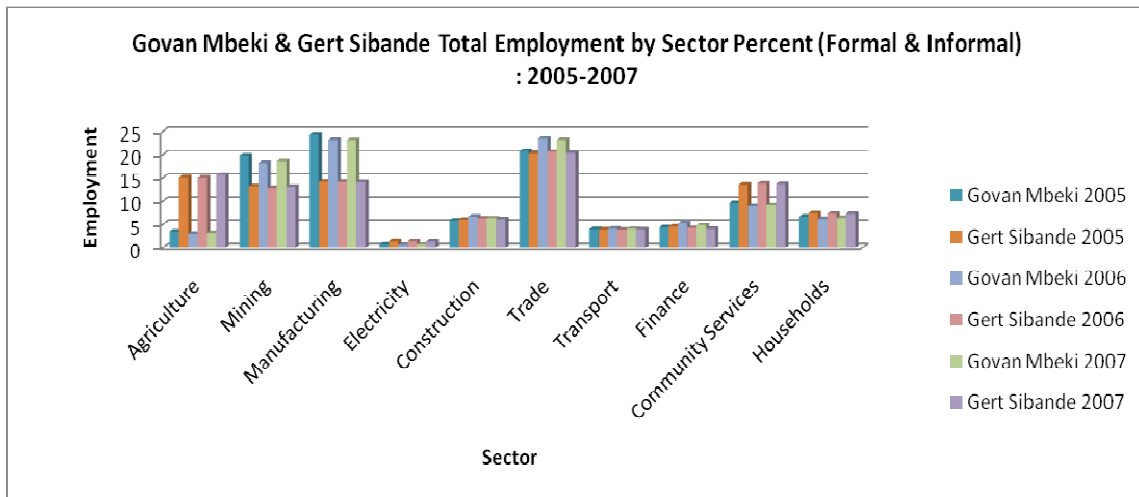


Figure 14a

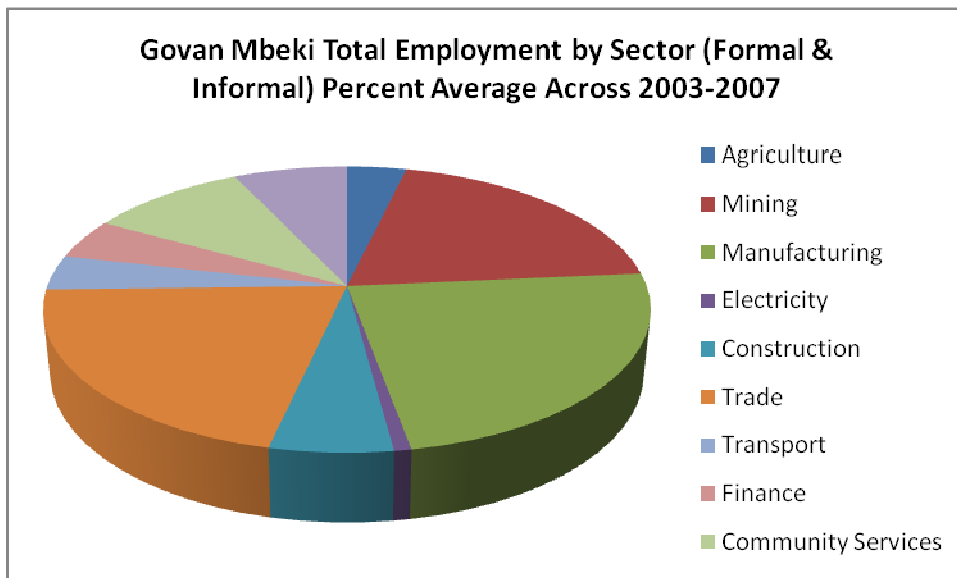


Figure 14b

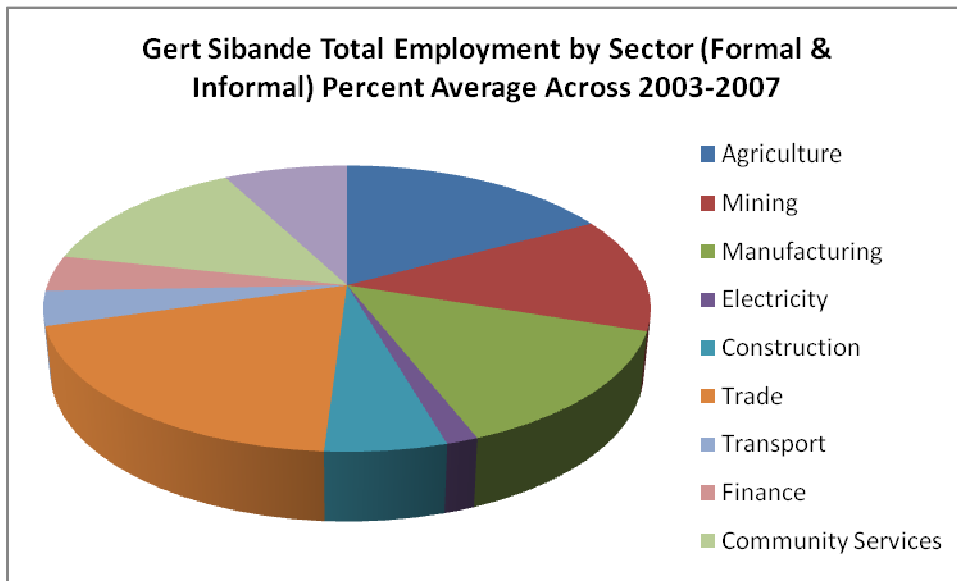


Table 7 and Figures 13 and 14 a and b show that:

- Over the period, mining, manufacturing and trade are the largest contributors to employment within Govan Mbeki
- Least employment levels are experienced in electricity and transport, over the same period
- For Gert Sibande, significant employment levels are in trade, agriculture, manufacturing and community services (2005-2007)
- Agriculture contributes more to employment in Gert Sibande than Govan Mbeki.

Figure 15 show employment growth in Govan Mbeki and Gert Sibande:

Figure 15

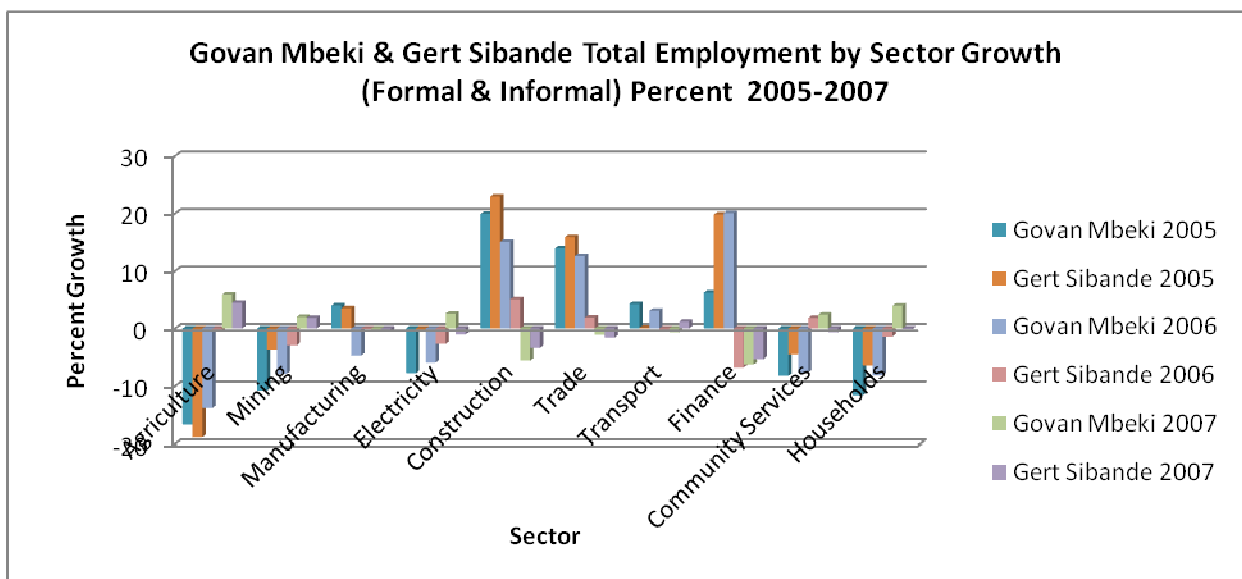


Figure 15 shows that:

- Most sectors are experiencing negative employment growth
- Agriculture experienced negative growth but is recovering

The causes for the decline in employment growth need to be understood so as to be able to identify remedial measures.

Figures 16 a and b show formal employment by sector for Govan Mbeki and Gert Sibande.

Figure 16a

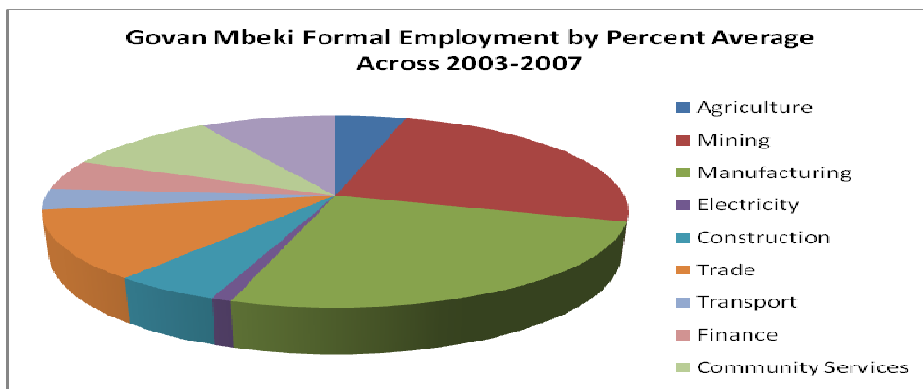
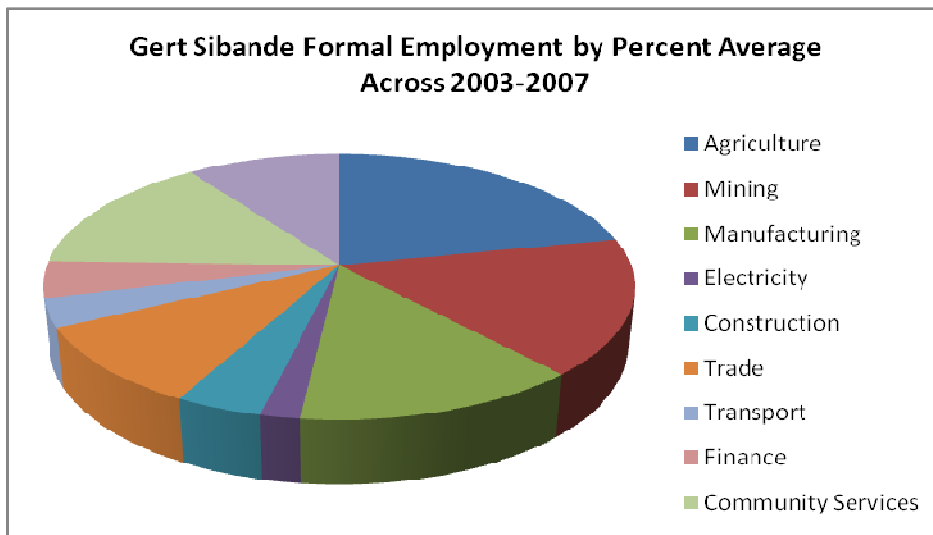


Figure 16b



Figures 16 and b shows that:

- Manufacturing contributes more to employment in Govan Mbeki than in Gert Sibande

- Agriculture contributes more to formal employment in Gert Sibande than in Govan Mbeki.

Figure 17 shows formal employment growth for Govan Mbeki and Gert Sibande.

Figure 17

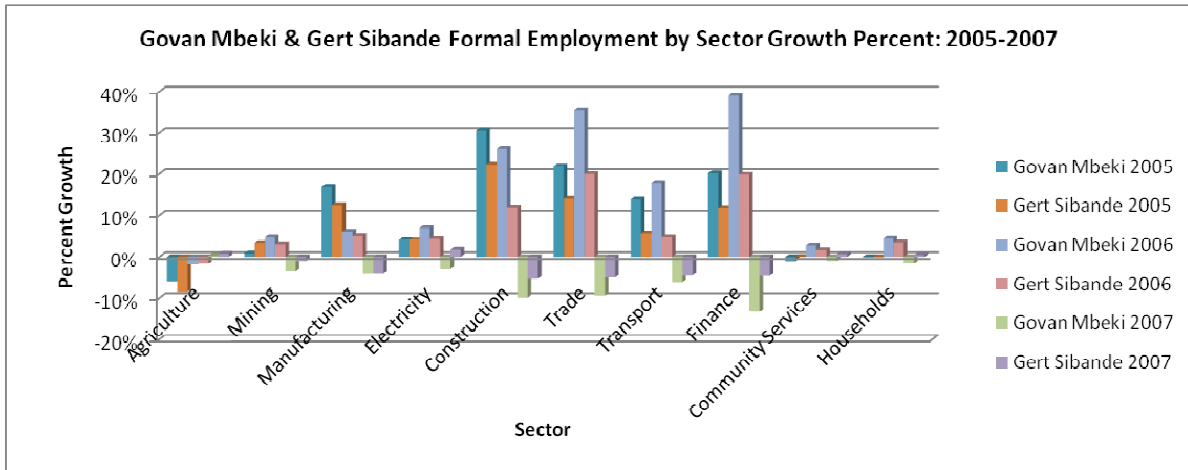


Figure 17 shows that:

- Formal employment growth is negative in agriculture but is recovering.
- Most sectors experienced negative growth in formal employment.
- Finance, construction and trade experienced the largest negative growth

Figures 18 and b show informal employment by sector for Govan Mbeki and Gert Sibande.

Figure 18a

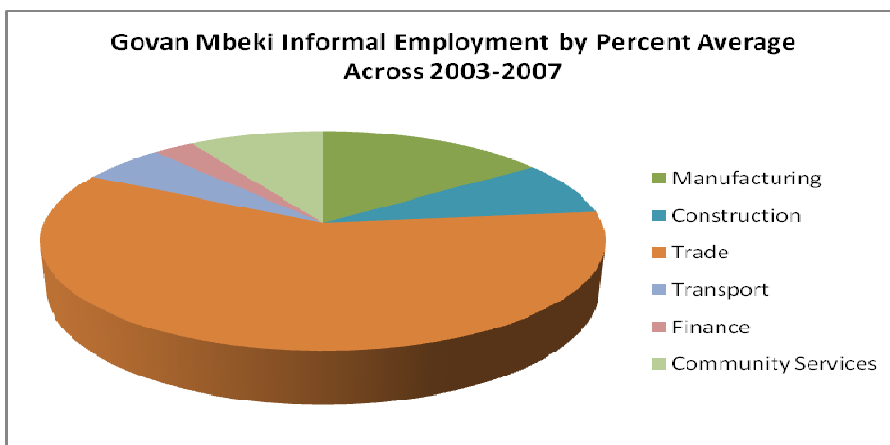


Figure 18b

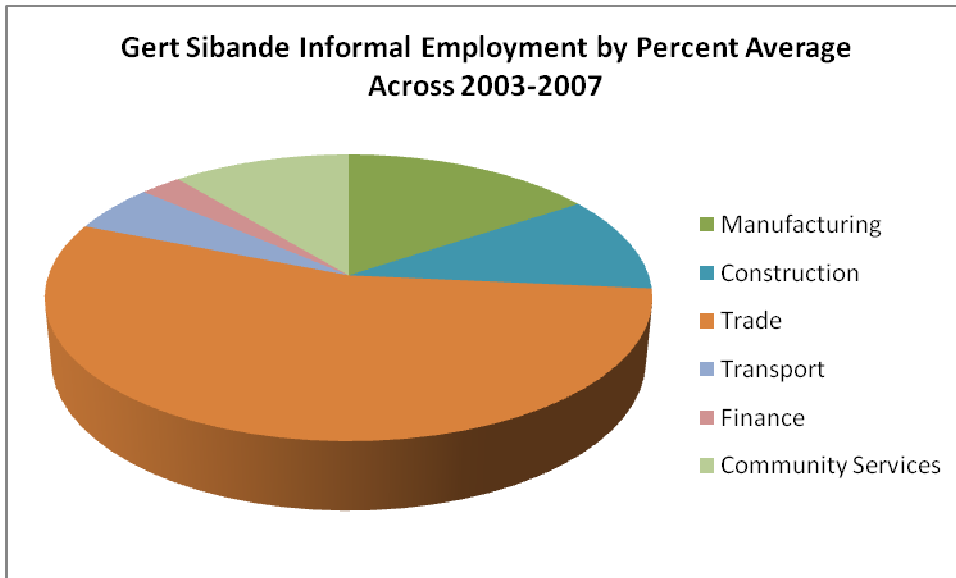


Figure 18 shows that:

- Some industries like agriculture are not recorded in terms of informal employment.
- Trade contributes the most to informal employment in both Govan Mbeki and Gert Sibande.
- The least contributor to informal employment in both Govan Mbeki and Gert Sibande is finance.

Figure 19 shows informal employment growth in both Govan Mbeki and Gert Sibande.

Figure 19

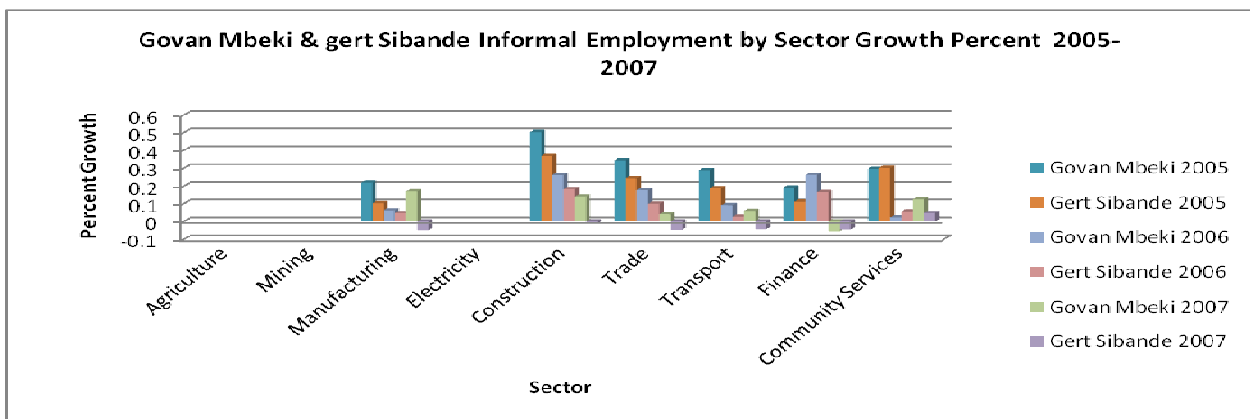


Figure 19 shows that:

- Informal employment is declining in all sectors in both Govan Mbeki and Gert Sibande.
- Some sectors like construction experienced large negative growth in informal employment.

Informal employment can be key to development strategies and needs to be well understood.

Poverty

Table 8 shows poverty gaps between population groupings and within groupings for Govan Mbeki and Gert Sibande.

Table 8

Govan Mbeki & Gert Sibande Poverty Indicators : Poverty gap (R million) :2003-2007											
Population Grouping	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	G M
	2003		2004		2005		2006		2007		
Black	123	107.65	121	112.86	119	118.72	105	116.59	110	116.09	1
White	6	2.03	6	2.13	6	2.22	6	2.18	6	2.15	
Colored	1	0.47	1	0.49	1	0.51	1	0.5	1	0.5	
Asian	0	0.08	0	0.09	0	0.09	0	0.09	0	0.09	
Total	130	110.23	128	115.56	126	121.54	112	119.36	117	118.83	1
<i>Source: FMAG Calculations based on Global Insight Research 2007</i>											

Table 8 shows that:

- Poverty gap is highest within the black population grouping
- Poverty among the colored people is the lowest
- Between population groupings, the poverty gap is unacceptably high, especially between black and other racial groups

Human Development Index (HDI)

HDI is a measure of people’s ability to live a long and healthy life, to communicate, to participate in the community and have sufficient means to be able to afford a decent living, i.e. longevity, knowledge and income. A HDI of above 0.8 is high; between 0.5 and 0.8 is medium and below 0.5 is low.

Table 9 summarizes the HDI for Govan Mbeki and Gert Sibande between 2003 and 2007.

Table 9

Govan Mbeki & Gert Sibande Human Development Index (HDI) 2003-2007										
	2003		2004		2005		2006		2007	
Population Grouping	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande
Black	0.54	0.45	0.55	0.45	0.55	0.45	0.56	0.45	0.55	0.45
White	0.88	0.86	0.88	0.87	0.89	0.87	0.89	0.88	0.89	0.87
Colored	0.73	0.19	0.74	0.19	0.74	0.19	0.75	0.2	0.75	0.2
Asian	0.78	0.22	0.79	0.22	0.79	0.22	0.8	0.22	0.8	0.22
Total	0.62	0.51	0.63	0.52	0.63	0.52	0.63	0.51	0.63	0.51

Source: FMAG Calculations based on Global Insight Research 2007

Table 9 shows that;

- HDI for the Black population grouping is the lowest, although in the medium category, followed by colored and Asian
- HDI for the White population grouping is above 0.8 and therefore high
- Overall, HDI for Govan Mbeki is higher than the District HDI and is in the medium HDI category

Economic analysis title to move here!

Per Capita GDP

Per capita GDP is an expression of the economic variable (GDP) to the population of the area, that is, GDP divided by total population. GDP at constant prices or real GDP is the value of goods and services valued on a specific base year. This is done to eliminate the effect of inflation.

Table 10 and figure 20 show per capita GDP-R for Govan Mbeki and Gert Sibande.

Table 10

Govan Mbeki & Gert Sibande Per Capita Gross Domestic Product by Region (GDP-R) Constant 2000 Prices : 2003-2007		
Year	Constant 2000 Prices	
	Govan Mbeki	Gert Sibande
2003	51 222	131 453
2004	53 453	135 948
2005	56 220	140 114
2006	61 443	146 102
2007	65 488	151 607

Figure 20

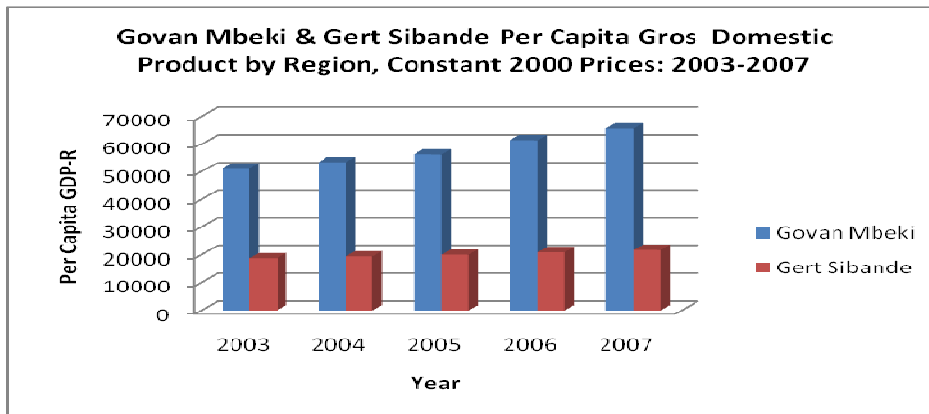


Table 10 and figure 20 show that per capita GDP is higher in Govan Mbeki than in Gert Sibande. The cause for this discrepancy needs to be well understood in designing development strategies.

Figure 21 shows growth in per capita GDP for Govan Mbeki and Gert Sibande.

Figure 21

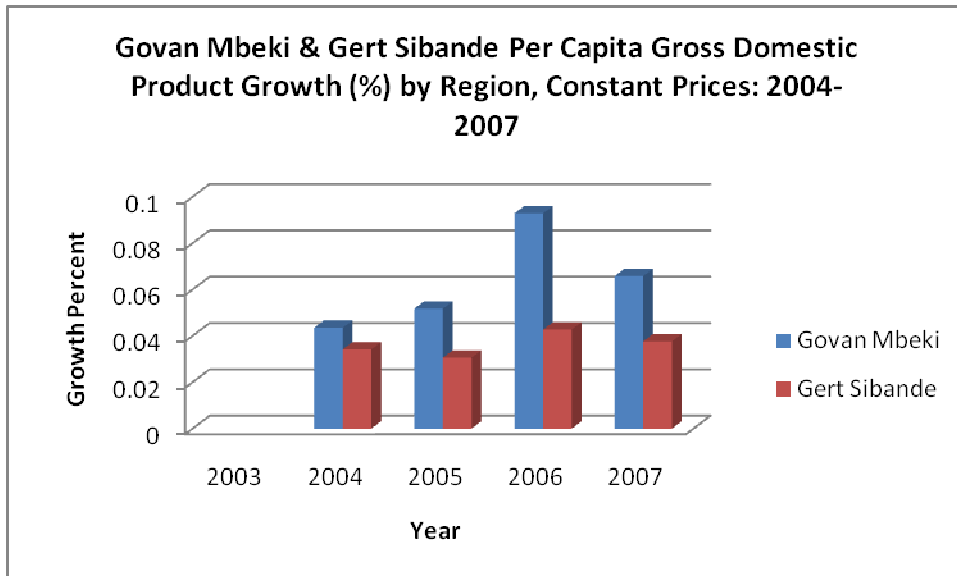


Figure 21 shows that:

- Both Govan Mbeki and Gert Sibande experienced positive growth in GDP.
- GDP in Govan Mbeki grew more than that in Gert Sibande.

Additions

Table 11 and figures 22 and 23 and show the value added for Govan Mbeki and Gert Sibande.

Table 11

Govan Mbeki & Gert Sibande Gross Value Added by Region Constant 2000 prices (GVA-R) (R 1000) 2003-2007												
Sectors	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande	Govan Mbeki	Gert Sibande
	2003		2004		2005		2006		2007		Average	
Agriculture	100 675	1 127 511	102 316	1 128 678	110 035	1 101 731	97 412	1 218 257	99 571	1 147 788	102 002	1 144 793
Mining	2 835 498	3 889 855	2 950 459	3 600 252	2 708 767	3 718 105	2 634 877	3 807 569	2 532 276	4 063 318	2 732 375	3 815 820
Manufacturing	5 315 411	5 694 846	5 614 350	7 797 737	6 095 859	7 156 796	6 782 407	6 481 154	7 442 642	6 005 989	6 250 134	6 627 304
Electricity	197 710	870 567	201 938	963 514	208 840	957 010	228 722	923 011	241 451	919 999	215 732	926 820
Construction	147 549	305 508	163 200	527 961	196 045	440 519	247 049	374 061	309 048	331 056	212 578	395 821
Trade	683 449	1 928 170	744 146	2 563 855	873 324	2 443 918	057 132	2 203 936	1 466	2 033 318	903 703	2 234 639
Transport & Communication	436 022	1 491 707	465 981	1 909 712	545 724	1 800 365	646 035	1 669 849	726 010	1 550 049	563 954	1 684 336
Finance & Business Services	679 489	1 821 449	752 581	2 661 747	868 520	2 410 974	040 498	2 143 065	1 713	1 985 378	908 160	2 204 523
Community Services	619 240	2 253 878	629 050	2 528 986	645 483	2 461 306	672 300	2 367 633	690 560	2 294 039	651 327	2 381 168

Source: FMAG Calculations based on Global Insight Research 2007

Figure 22

Local Economic Development (LED) Strategy

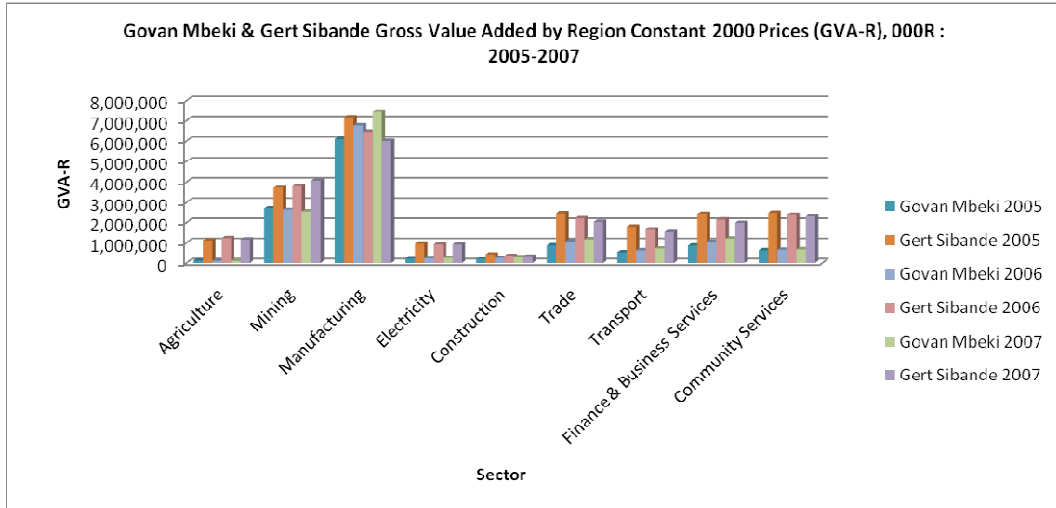


Figure 23a

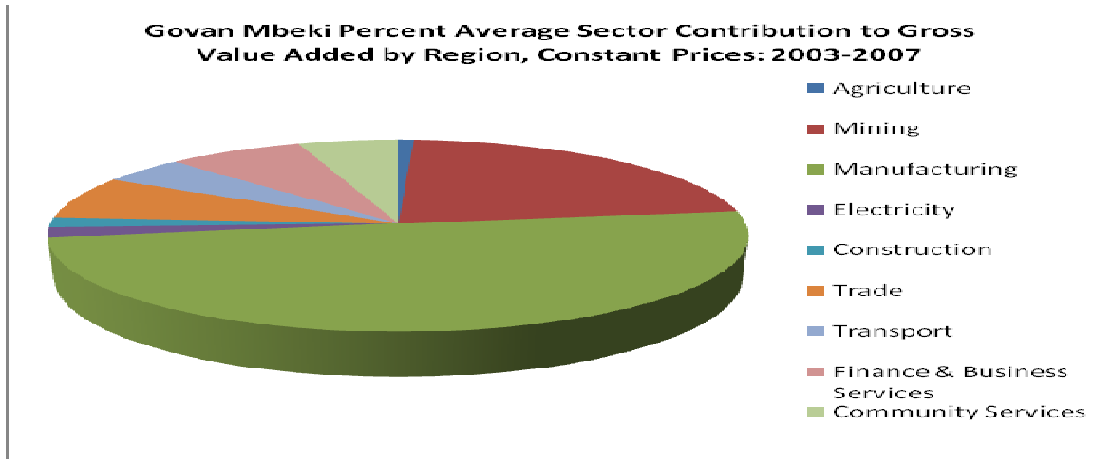


Figure 23b

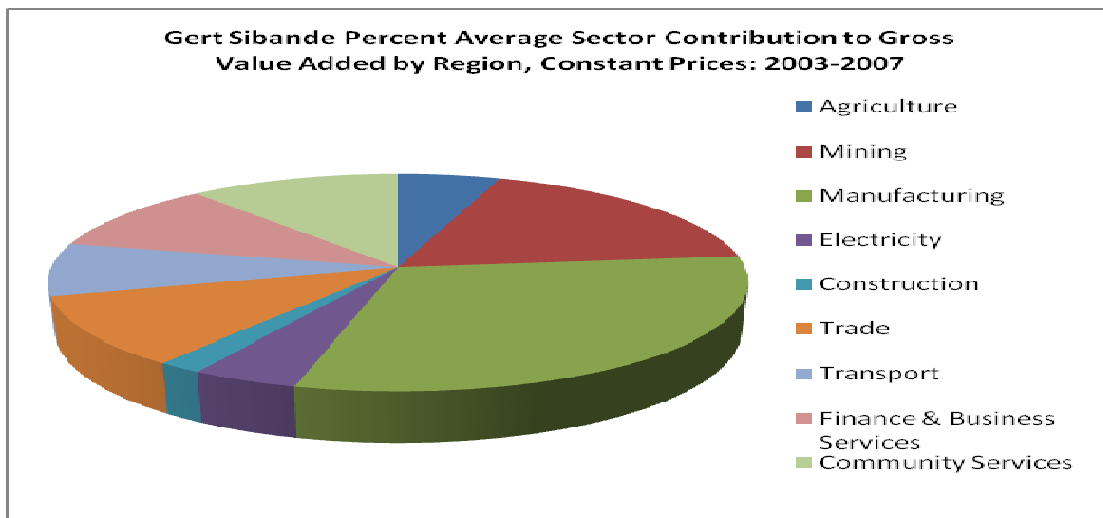
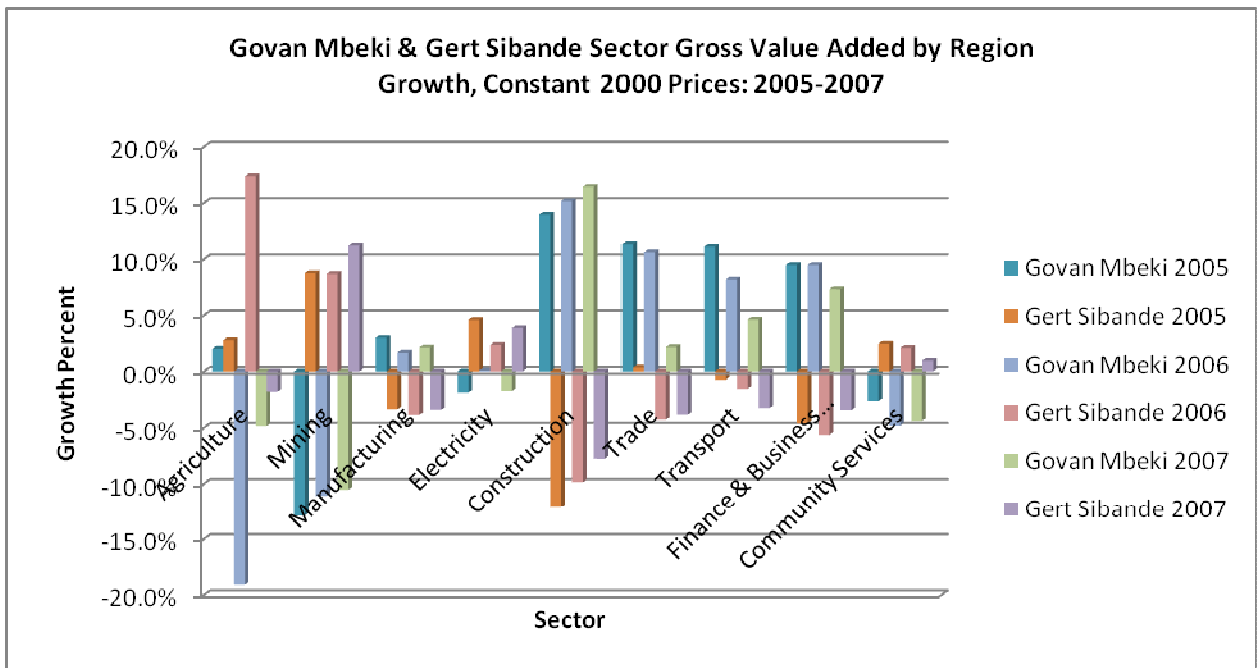


Table 11 and figures 22 and 23 a and shows that:

- Manufacturing is the highest contributor to Value added in both Govan Mbeki and Gert Sibande.
- Manufacturing contributes more to value added in Govan Mbeki than Gert Sibande.
- Agriculture contributes very little to value added in both Govan Mbeki and Gert Sibande.

Figure 24 shows growth in value added for both Govan Mbeki and Gert Sibande.

Figure 24



MUNICIPAL SECTORAL PERFORMANCE (summary)

Sector	2003	2004	2005	2006	2007	Comments
Agriculture	↓	↑	↑	↓	↑	stable
Mining	↑	↑	↓	↓	↓	Declining
Manufacturing	↑	↑	↑	↑	↑	Growing
Electricity	↑	↑	↑	↑	↓	Growing
Construction	↑	↑	↑	↑	↑	Growing
Trade	↑	↑	↑	↑	↑	Growing
Transport & communication	↑	↑	↑	↑	↑	Growing
Finance & business	↑	↑	↑	↑	↑	Growing
Community services	↑	↑	↑	↑	↑	Growing

MUNICIPAL COMPARATIVE ADVANTAGES (Summary)

SECTOR	Albert	Msukaligwa	Govan Mbeki	Dipaleseng	Mkhondo	Pixley	Lekwa
Agriculture	Moderate	Moderate	Challenging	Challenging	Challenging	Challenging	Challenging
Mining	Driving	Moderate	Challenging	Challenging	Driving	Driving	Challenging
Manufacturing	Challenging	Challenging	Driving	Challenging	Challenging	Challenging	Challenging
Electricity	Challenging	Challenging	Driving	Challenging	Challenging	Driving	Driving
Construction	Challenging	Challenging	Driving	Moderate	Moderate	Challenging	Challenging
Trade	Challenging	Challenging	Driving	Moderate	Moderate	Moderate	Challenging
Transport &	Challenging	Challenging	Driving	Moderate	Challenging	Challenging	Challenging
Finance & business	Challenging	Challenging	Driving	Challenging	Challenging	Driving	Moderate
Community services	Moderate	Moderate	Moderate	Challenging	Moderate	Moderate	Moderate

3 SECTION THREE: LOCAL ECONOMY ASSESSMENT AND STRATEGY FRAMEWORK

Section three of the strategy focuses on two critical aspects

- Local economy assessment that seeks to appreciate the conditions prevailing in the Govan Mbeki business environment
- Development of the Govan Mbeki Strategy Framework that seeks to articulate the LED vision, objectives, programmes and projects for implementation

3.1 Economic SWOT analysis of Govan Mbeki

A workshop organized, broken into commissions; deliberated on the internal and external business environment and conditions within Govan Mbeki produced a set of results as follows:

Strengths

- Diversified economy based on mining, manufacturing, agriculture and other sectors
- Broad tax base and high potential to generate more revenue
- Well established community and stakeholder engagement platforms
- Lean but highly dedicated workforce
- Service delivery levels generally regarded as good to excellent

Weaknesses

- Wrongly located and inadequately staffed LED unit
- Lack of motivation due to workload
- Development very skewed in favor of Secunda and along racial lines
- Little or no understanding of sector development potential
- Uncoordinated SMME development and support
- Absence of economic development policies, incentives and investment promotion plan

Opportunities

- Huge potential in agriculture development
- Economic development nodes have been identified and rollout plan exists
- Upstream and downstream beneficiation potential in petrochemicals and manufacturing related activities
- Potential to partner mines and SASOL to develop and avail procurement opportunities to local SMMEs
- Potential to develop communities through Community Economic Development for exploiting opportunities

Threats

- Uncoordinated support from key stakeholders will discourage participation and support
- Skewed Human Development Index signifies wealth distribution inequalities and is a social discrepancy that needs attention
- The Global Financial Crisis (started October 2008) is a major threat to the mining and manufacturing sectors of the Govan Mbeki economy
- Poor after-settlement support to farmers and unresolved land claims are threatening the agricultural sector potential
- HIV/AIDS pandemic putting strain on productivity levels due to absence of employees

To complement the SWOT analysis performed by the key stakeholders, the following approaches were also employed:

Systemic Competitiveness Framework

This describes and analyses the competitiveness of a locality through four categories, as follows;

- ✓ Micro level-level of skills, business networking and capital flows
- ✓ Meso level-support institutions, policies targeting sectors, areas or certain groups

- ✓ Macro level – general conditions and policies and framework relevant to economic development e.g. the onset of the global financial crisis
- ✓ Meta level – captures the values and beliefs that form the social capital of the Govan Mbeki locality

Value Chain Analysis – which is an analysis of the sequence of productive processes, from the provision of specific inputs for a particular product to primary production, transformation, and marketing, up to final consumption? Using this method, it was discovered that key stakeholders have little information on sector based chains, that is, they could not

- Assess economic growth potential
- Assess poverty alleviation and employment location potential
- Assess pragmatic aspects such as
 - ✓ Business policy and incentive environment
 - ✓ Available and needed resources
 - ✓ Synergies among programmes

Porter's Five Forces Analysis was applied in selected sectors to assess competitive dynamics within the economic sectors. Selected sectors were mainly:

- ✓ Mining
- ✓ Manufacturing
- ✓ Tourism

The five aspects that were explored are:

- Rivalry among existing firms
- Bargaining power among suppliers
- Bargaining power of buyers
- Threat of new entrants
- Threat of substitute products

3.2 LED Strategy Framework

The Strategy framework is an articulation of the LED vision, objectives, programmes and projects for implementation by Govan Mbeki and all key stakeholders.

Its development is premised on the methodologies employed to complement the SWOT analysis to give credence to the identification of the development thrusts (pillar or programmes).

To provide a clear understanding of the concepts that underpin the strategy framework, the World Bank provides key definition of the concepts as follows:

Vision: the vision describes the stakeholders' (community, private sector, municipality, non-governmental organizations) agreement on the preferred economic future of the local space

Objectives: are set performance standards and target activities for development. They act as key performance indicators and should be SMART

Strategies: Are based on the overall vision and specify desired outcomes of the economic planning process upon achievement of the stated objectives

Programmes: are set out approaches to achieving realistic economic development goals. They are also commonly known as development thrusts or pillars for economic development

Projects and Action Plans: projects implement specific programme components. They must be prioritized and all costs must be established. They are also known as development initiatives

Source: World Bank: local Economic Development Plan, 2006

3.2.1 LED Vision and Objectives

During the strategy formulation workshop, stakeholders were requested to envision the economic outlook after implementation of various programmes and projects.

The key vision elements that emerged from the commission discussions include the following:

- Creation of job opportunities
- Reduced dependency on government grants and reducing the poverty gap
- Economic growth based on key and diversified sectors
- SMME contribution to economic growth and development
- Creation of a district economic hub

From the above vision elements, the following LED vision for Govan Mbeki Local Municipality was developed:

“To develop a robust and all inclusive economic hub of the district; empower communities and address the socio-economic challenges of unemployment and poverty through sustainable growth and development”

Explaining the vision

- **Robust and inclusive economy** – the vision of the municipality is that of growing all key sectors with growth potential. Such growth should be capable of bridging the gap between the first and second economy
- **Economic hub of the district** – Govan Mbeki Local Municipality has sectors that dominate the economy of Gert Sibande District. Key sectors that contribute to such dominance include finance, mining and manufacturing. The vision of the stakeholders is to ensure that Secunda and precincts become a metropolitan based on economic growth of all the key sectors

- **Empower communities** – A programme called Community Economic Development should be implemented to ensure that community members have the requisite information and skills to access and exploit economic opportunities that would improve their living conditions
- **Address socio-economic challenges** – Govan Mbeki, like all other localities in South Africa, is faced with a variety of socio-economic challenges which include unemployment, poverty, increasing poverty gap, illiteracy and other social ills. The LED Strategy should gear the municipality and all key stakeholders to deliver on addressing the key socio-economic challenges as highlighted in section two of the strategy
- **Sustainable growth and development**- growth and development within Govan Mbeki should ensure striking a balance among the following critical forces;
 - ✓ Economic growth of key economic sectors
 - ✓ Social development that addresses socio-economic challenges
 - ✓ Environmental sustainability

Based on the vision outline, the following LED objectives were formulated:

- To identify, develop and promote targeted economic sector growth in line with key provincial and national growth targets
- To identify, promote and support SMMEs and communities in order to address socio-economic challenges of unemployment and poverty, in line with the Millennium Development Goals
- To enhance LED good governance through the development of appropriate institutional structures and arrangements that can deliver
- To ensure the development of appropriate infrastructure in line with the IDP processes and development initiatives emanating from the strategy implementation processes
- To identify, brand and market (promote) investment opportunities in line with municipality, district and provincial potential

3.2.2 LED Programmes and Projects

As stated in the World Bank set of definitions, programmes and projects are derived from the LED vision and objectives. Collectively, they are the set of strategic thrusts that are implemented to achieve the objectives and realize the vision.

The key programmes (pillars) derived from the stated objectives for implementations by Govan Mbeki are:

- **Pillar One:** Economic Sector Development and Support
- **Pillar Two:** SMME and Community Development
- **Pillar Three:** Good Governance and Institutional Arrangements
- **Pillar Four:** Infrastructure Development and Services Provision to Business
- **Pillar Five:** Branding and Marketing of Investment Opportunities

The following table highlights the programmes and projects for implementation by Govan Mbeki and its key private sector stakeholders:

LED Programmes	LED Projects for Implementation by the municipality	LED projects for implementation by private sector
Economic Sector Development and Support	<p style="text-align: center;">60</p> <ul style="list-style-type: none"> • Assess economic opportunities and feasibility of projects around; <ul style="list-style-type: none"> ✓ Agriculture ✓ Manufacturing ✓ Mining beneficiation ✓ Other sectors with potential e.g. tourism • Develop sector based plans as follows; <ul style="list-style-type: none"> ✓ Agriculture development Plan ✓ Manufacturing development plan ✓ Diversification plan for other sectors 	<ul style="list-style-type: none"> • Crop and animal production • Agro-processing • Manufacturing of protective clothing • Supply of goods and services to the mining sector
SMME and Community Development	<ul style="list-style-type: none"> • Conduct SMME research study to; <ul style="list-style-type: none"> ✓ Determine SMME size and scope ✓ Determine SMME practical challenges ✓ Develop and update SMME database 	<ul style="list-style-type: none"> • Mines and manufacturing firms to sign MOU with

	<ul style="list-style-type: none"> ✓ Develop SMME support plan • SMME capacity Development <ul style="list-style-type: none"> ✓ Entrepreneurship ✓ Financial management ✓ Marketing and procurement processes ✓ Networking and developing linkages ✓ Campaigns (awareness) on community economic development • Establish one-stop information centre for SMMEs within LED unit or at nearest Tusong Centre <ul style="list-style-type: none"> ✓ Avail procurement opportunities within the businesses and municipality ✓ Avail business support information ✓ Avail any other support mechanisms 	<p>Municipality on SMME support</p> <ul style="list-style-type: none"> • Business to avail procurement opportunities to Municipality for match-making • SMMEs to create profiles of their services and avail for match-making • Private business to develop
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		<p>communities through their programmes, mentor and coach SMMEs</p>
<p>Good Governance and Institutional Arrangements</p>	<ul style="list-style-type: none"> • Establish Department called Planning and Economic Development • Integrate all planning and economic development related functions • Strengthen LEDF by establishing sector based committees • Strengthen LEDF by developing clear terms of reference and action plan (annually) • Strengthen portfolio committee on LED through training 	<ul style="list-style-type: none"> • Private business to participate funding and capacity development of LEDF
<p>Branding and marketing of investment opportunities</p>	<ul style="list-style-type: none"> • Develop corporate brand for Govan Mbeki local municipality • Identify and package sector based initiatives • Develop investment prospectus for marketing the initiatives • Develop investment promotion policy and specific incentives • LED summits and investment promotion conferences 	<ul style="list-style-type: none"> • Co-funding of sector based studies for packaging • Participate and co-fund LED summits and

		investment promotion conference
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Pillar Five: Infrastructure Development

This pillar focuses on the development of the basic infrastructure and infrastructure for economic development. Basic infrastructure development is not the responsibility of LED but the overall IDP mandate executed by technical services and basic service delivery. However, infrastructure has a major impact on economic development, since it is a catalyst for economic development. All departments concerned should work in tandem with the LED unit to ensure that economic infrastructure is in place in line with the IDP, technical services plans and economic initiatives identified.

For implementation purposes, the various programmes and projects should be prioritized and then an implementation plan designed to guide the process.

4 SECTION FOUR: PROGRAMMES AND PROJECT PRIORITIZATION

The purpose of this section is to outline and present the alignment of LED vision to the objectives and programmes. This alignment is in line with the World Bank's definition of key concepts.

Opportunities for local economic development are exploited through the programmes and projects identified. These programmes and projects are derived from the LED goals and objectives; which are also derived from the Govan Mbeki LED vision determined by key stakeholders.

An integrated approach has been adopted to ensure alignment and optimal implementation of economic opportunities. This integrated approach ensures that appropriate linkages exist and project implementation is synergized.

4.1 Alignment of objectives programmes and projects

The alignment of the vision, objectives and programmes is shown on the following table:

LED Vision	LED Objectives	LED Programmes/Projects
<p>To develop a robust and all inclusive economic hub of the district, empower our communities and address the socio-economic challenges of unemployment and poverty through sustainable growth and development.</p>	<ul style="list-style-type: none"> To identify, develop and promote targeted economic sector growth in line with key provincial and national growth targets 	<p>66</p> <ul style="list-style-type: none"> Economic sector development and support <ul style="list-style-type: none"> ✓ Assess economic opportunities by sector and feasibility of the projects ✓ Develop sector based development plans for supporting the identified projects
	<ul style="list-style-type: none"> To identify, promote and support SMMEs and communities in order to address socio-economic challenges of unemployment and poverty, in line with the Millennium Development Goals 	<ul style="list-style-type: none"> Conduct SMME research study on size, scope, problems and create SMME database SMME and community capacity building Establish one stop SMME information centre within LED desk
	<ul style="list-style-type: none"> To enhance LED good governance by developing appropriate institutional structures and 	<ul style="list-style-type: none"> Establish department called planning and economic development and integrated all

	<p>arrangements that can deliver on LED</p> <ul style="list-style-type: none"> • To identify, brand and market investment opportunities in line with municipal policies 	<p>related functions</p> <ul style="list-style-type: none"> • Strengthen LEDF through sector based committees and capacity building • Strengthen portfolio committee on LED through training
		<ul style="list-style-type: none"> • Develop Govan Mbeki corporate brand • Identify and package sector based initiatives • Develop investment policy, incentives and prospectus • LED summits and investment promotion policy

The table highlights that each objective has a number of programmes and projects. This is in line with the strategy notion that an objective can be achieved in as many ways as is possible. Below is a detailed explanation of each programme.

Promote targeted economic sector growth

The main aim of this programme is to ensure economic growth of the local economy through concerted and targeted effort around the following economic sectors (or sub-sectors);

- Manufacturing
- Mining
- Agriculture
- Tourism
- Finance

A diversification strategy that ensures both upstream and downstream beneficiation should be pursued. Economic research and planning plays a central role in the identification of key economic icons on which beneficiation can be pursued. The promotion of investment initiatives will be based on the research findings.

Based on the above research, the following plans will be developed

- Manufacturing Development and Support Plan
- Agriculture Development and Support Plan
- Mining Development and Support Plan
- Tourism Development and Support Plan
- Infrastructure Development and Maintenance Plan

Identify, Promote and Support SMMEs

Given the nature of the South African economy in general, (two economies in one) development of SMMEs is of paramount importance in two ways;

- SMMEs contribute significantly to the GVA national economy
- SMME development, if properly done, can alleviate poverty, joblessness and other social ills experienced by communities

The main aim of this programme is to ensure a structured approach to the promotion and support given to SMMEs, so that they can grow. Focus should be given on the following key aspects:

- Conducting research to understand SMME challenges
- Establishing an information centre easily accessible to SMMEs
- Develop an SMME database highlighting the scope and size of SMMEs
- Developing the capacity of SMMEs through a variety of interventions

LED Good Governance and Institutional Arrangements

The current location and staffing of the LED unit cannot ensure proper planning, implementation, monitoring and evaluation of LED programmes and projects. This pillar therefore focuses on two critical recommendations:

- 1) Establishment of a separate Department called **Planning and Economic Development (PED)**. Key LED components should be comprised of specialists in the following areas
 - ✓ Economic research, planning and evaluation
 - ✓ Economic sector development
 - ✓ SMME development
 - ✓ Stakeholder management

2) Integration of all planning and economic development areas into the PED department. These include;

- ✓ Tourism
- ✓ IDP
- ✓ Town Planning
- ✓ Environmental Management
- ✓ Business licensing

The other key aspects of the good governance and institutional arrangements include:

- Capacitating the Local Economic Development Forum (LEDF)
- Capacitating the Portfolio Committee on LED
- Capacitating all managers and political leaders on the new LED paradigm

Identify, Brand and Promote investment initiatives

Both corporate branding and promotion of investment initiatives are necessary ingredients for the successful implementation of the LED strategy for Govan Mbeki.

The aim of this programme is to ensure the identification of key investment opportunities, the branding of such initiatives as well as their subsequent promotion to potential investors.

The following are key in the achievement of the programme objective:

- Identification and packaging of sector-based initiatives from detailed feasibility studies
- Development of an investment policy and specific incentives to attract investors
- Corporate branding of Govan Mbeki and all its towns
- Holding of LED summit and investment conference to promote the municipality and its opportunities

4.2 Programmes and Project Prioritization

4.2.1 Programme and Project Prioritization Criteria

The purpose of this section is to prioritize the different programmes and projects according to the potential multiplier effect or impact of the programmes. The programmes and projects deemed to have the greatest impact will be implemented first.

The criteria used in the prioritization are as follows:

- Capacity building
- Economic empowerment
- Job creation
- Economic growth and impact
- Implementability

Criterion 1: Capacity Building

The development of capacity within the LED unit, SMMEs and community on issues of Local Economic Development was identified as a key factor in shaping the future of the Govan Mbeki Local Municipality. Such capacity building interventions will ensure that both the first and second economy grow to the benefit of big business and SMMEs. The prioritization matrix should therefore favor programmes and projects that promote skills development and transfer.

Criterion 2: Economic Empowerment

Economic empowerment is a criterion which measures how a particular project favors the previously disadvantaged groups. This dimension forces project implementation to be as inclusive as possible, signifying the importance of community economic development. Key questions that guide such determination are:

- Will the proposed project cater for SMME, community and small business assistance and involvement?

- Will the proposed initiative be sufficiently linked to the primary and tertiary sectors of the local economy?
- Will the proposed initiative make use of local resources and skills?
- Will the proposed project promote the establishment or expansion of start-up SMMEs?

Criterion 3: Job creation

One of the key dimensions of LED is dealing with the socio-economic challenges of unemployment and poverty. Any project implemented should at least address the following issues:

- The number of direct jobs to be created or generated
- Quality of the jobs created
- Long term sustainability of the jobs
- Ability to improve skills and capacity levels of the local people

Criterion 4: Economic Growth and Impact

Economic impact refers to the sum of the project's influence on the economy, commonly known as its multiplier effect in terms of GDP or Gross Geographic Product (GGP) contribution. Other impacts also considered include the following:

- Increased levy income
- Social advantages
- Foreign direct investment
- Inflows resultant

This criterion is probably the first to be considered when evaluating any investment opportunity or initiative from a business perspective

Criterion 5: Implementability

This criterion focuses on the ease of implementing a particular project. Key issues for consideration under this criterion include:

- Cost of implementation of the programme/ project
- Possible access to funding and the funding mechanism
- Existing infrastructure availability and need for new infrastructure

4.2.2 Programmes and Project Prioritization

A prioritization model was developed which ranks programmes and projects as **high, medium, low and poor**. The programmes and projects that are considered as having the highest ranking receive implementation priority first.

The table below indicates the ranking that was used:

Rank	Poor	Low	Medium	High
Project/project Score	0	1	2	3

Each programme and project will be measured on a 0-3 score and the programme/project with the highest ranking score will receive priority.

The following table summarizes the programme and project scoring using a matrix:

- Five factor criteria of:
 - ✓ Capacity Building (CB)
 - ✓ Economic Empowerment (EE)
 - ✓ Job Creation (JC)
 - ✓ Economic Impact (EI)
 - ✓ Implementability (I)

- Three point score of:
 - ✓ Low (1)
 - ✓ Medium (2)
 - ✓ High (3)

Programmes	CB	EE	JC	EI	I	Rank	Project	75	CB	EE	JC	EI	I	Rank
Economic Sector Development	3	3	3	3	2	14	<ul style="list-style-type: none"> Assess economic opportunities and conduct feasibility studies 	2	3	3	3	3	3	14
							<ul style="list-style-type: none"> Develop economic sector support and implementation plans and communicate with stakeholders 	3	3	2	2	2	2	12
SMME and Community Development	3	3	3	2	2	13	<ul style="list-style-type: none"> Conduct SMME research study and develop support plan 	3	3	3	3	3	3	14
							<ul style="list-style-type: none"> SMME and community capacity development 	3	3	2	2	2	3	13
Good Governance and Institutional Arrangements	3	3	3	3	3	15	<ul style="list-style-type: none"> SMME one stop information centre 	2	3	2	2	3	3	13
							<ul style="list-style-type: none"> Create department called Planning and Economic Development and integrate all related functions 	3	3	3	3	3	3	15
							<ul style="list-style-type: none"> Strengthen LEDF through capacity development and committees 	3	3	2	2	2	2	12

Important notes about the matrix

- Programmes and projects are rated in the same manner
- The ranking in the matrix is based on a five factor criteria
- Although a programme is a sum of all the planned projects to achieve a particular objective, the total programme ranking does not necessarily equal the total ranking of its associated projects
- The assumption in categorizing the ranking is that each criterion will score equally in a ranking level
- Where **X** is a programme or project, the ranking can be categorized as follows:

Type	Formula	Priority
Category One	$x=0$	no priority
Category Two	$0 \leq x \leq 5$	low priority
Category Three	$5 \leq x \leq 10$	medium priority
Category Four	$10 \leq x \leq 15$	high priority

According to the table, the score for programmes and projects range between 0 and 15, where the lowest scores zero and the highest 15.

From the above model, all LED programmes fall within the high category level, as follows in order of priority.

- | | |
|---|----|
| 1. Good Governance and Institutional Arrangements | 15 |
| 2. Economic Sector Development and Support | 14 |
| 3. SMME and Community Development | 13 |
| 4. Marketing and Branding of initiatives | 12 |

Note: *Economic Infrastructure development was not evaluated since it was agreed that it should follow only when economic activities are ear-marked for a particular area.*

The above matrix shows that all the projects are also in the priority category as follows:

- Create department called Planning and Economic Development; and integrate related functions
- Conduct SMME research study and develop support plan
- Assess economic opportunities and conduct feasibility studies
- Identify, package and develop investment prospectus for identified initiatives
- Establish SMME one stop information centre
- SMME and community capacity building
- Strengthen portfolio committee, managers and councilors on new LED paradigm
- Develop economic sector support and implementation plans
- Strengthen LEDF through capacity development and committee
- Develop investment policy and specific incentives
- LED summits and investment conferences
- Corporate branding of Govan Mbeki

The above matrix shows that all programmes and projects for Govan Mbeki Local Municipality are in the high priority category and the challenge is on whether the municipality can have the time and resources to implement all at once. The strategy gives the municipality an opportunity to further engage and come up with annual implementation or action plans that will further prioritize programmes and projects for implementation.

Possible factors contributing to the above scenario could include the following:

- Configuration and lean staffing of the LED unit
- Absence of a stakeholder owned and driven LED strategy
- Uncoordinated LED support by key stakeholders
- Lack of LED capacity development on the new LED paradigm that emphasizes the facilitation role of the municipality and the creation of a conducive business environment
- Allocation of inadequate budget for core LED activities and absence of mechanisms for sourcing funds.

5 SECTION FIVE: IMPLEMENTATION FRAMEWORK

Pre-conditions for LED Implementation

Implementation of the LED programmes and projects can only be effectively executed once certain basic conditions are met. These pre-conditions range from institutional arrangements, capacity development and political leadership requirements that would provide the necessary energies for successful LED implementation.

The following is an outline of some of the critical preconditions for LED implementation

- Establishment of the proposed institutional structures that should drive LED within Govan Mbeki Local Municipality, such as
 - ✓ Establishing department called **Planning and Economic Development**
 - ✓ Strengthening LEDF
 - ✓ Strengthening other structures on LED
- Political ambition to ensure success, especially by the Portfolio Committee on LED
- Capacity building of the LED unit to ensure grounded expertise
- Ensure that the unit has adequate financial resources for the implementation of LED projects
- Ensure the LED stakeholders are in constant communication with LED structures on programme and project implementation
- Prioritize quick wins or projects that have greatest anticipated impact on
 - ✓ Job creation
 - ✓ Poverty alleviation
 - ✓ Empowerment and
 - ✓ Capacity and skills development

- Focus on stimulating economic development and empowerment of the local people through community economic development programmes
- Ensure that the implementation of projects is executed by local people and not always imported labour or expertise, otherwise encourage partnerships

The purpose of the implementation framework is to provide a step by step process of how best Govan Mbeki Local Municipality can undertake programmes and projects that seek to achieve the government role of ***'creating an enabling business environment'***.

The various activities to be undertaken by the municipality and key stakeholders are tabulated below.

Project Name	Assess economic sector opportunities and conduct feasibility studies	Developing sector based development and support plans
Project Description	Assessment of opportunities and potential in agriculture, manufacturing, mining and other sectors, and conducting feasibility studies for key initiatives	Develop business development and support plans for; <ul style="list-style-type: none"> • Agriculture • Manufacturing • Mining and other sectors
Preliminary Tasks	<ul style="list-style-type: none"> • Acquire political and administrative buy-in • Compile concept paper for request for funding • Identify sources of funding • Identify key stakeholders and support partners 	<ul style="list-style-type: none"> • Acquire political buy-in • Compile proposal for request for funding • Identify potential sources of funding • Identify all key stakeholders • Acquire MOU with stakeholders
Action	<ul style="list-style-type: none"> • Establish project steering committee (PSC) • Compile plan and get funding • Compile terms of reference • Appoint service provider • Conduct study and complete report 	<ul style="list-style-type: none"> • Establish project steering committee (PSC) • Get funding and compile terms of reference (TOR) • Call for proposals to undertake study

	<ul style="list-style-type: none"> Implement projects 	<ul style="list-style-type: none"> and appoint service provider Conduct study and compile business plans
Risks	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> ✓ Funding ✓ Political buy-in ✓ Buy-in from stakeholders ✓ Commitment from PSC 	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> ✓ Funding ✓ Political buy-in ✓ Buy-in from stakeholders ✓ Commitment from PSC
Resources/Sources of funding	<ul style="list-style-type: none"> ±R500 000 per selected sector Own funding or engage key stakeholders 	<ul style="list-style-type: none"> ±R200 000 per initiative Own funding or engage key stakeholders
Implementation Time-Frame-work	2009-2010 Financial year	2010 – 2011 Financial Year
Desired outcome	Set of sustainable projects for implementation by private sector investors	Mechanisms on how to implement and support the sectors

SMME DEVELOPMENT AND SUPPORT

Project Name	SMME research study and develop SMME support plan	SMME and community capacity development	Develop SMME one stop information centre
Project Description	Conduct research on SMME size, scope, database and practical problems and develop support plan	Develop SMME capacity on entrepreneurship and business management as well as communities on economic development opportunities	Develop SMME one stop information centre within LED unit and avail opportunities and support services
Preliminary Tasks	<ul style="list-style-type: none"> • Acquire political buy-in • Compile concept paper or business case for request for funding • Identify sources of funding and support • Identify key stakeholders 	<ul style="list-style-type: none"> • Acquire political and administrative buy-in • Compile proposal for funding • Identify sources of funding • Sign MOU with key partners 	<ul style="list-style-type: none"> • Acquire political buy-in • Engage key stakeholders • Establish funding mechanism • Establish the centre
Action	<ul style="list-style-type: none"> • Establish project steering committee • Compile plan to get funding 	<ul style="list-style-type: none"> • Establish PSC • Identify specific challenges • Develop terms of reference and 	<ul style="list-style-type: none"> • Get funding or relevant personnel • Engage all key

	<ul style="list-style-type: none"> Compile terms of reference and appoint service provider Conduct study and compile SMIME support plan 	<ul style="list-style-type: none"> Roll-out training and capacity building related programmes 	<ul style="list-style-type: none"> Develop an information system for storage and retrieval Up-date it regularly
Risks	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> Political and administrative buy-in Funding Stakeholder buy-in Commitment form PSC 	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> Political and administrative buy-in Funding Stakeholder buy-in Commitment form PSC 	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> Political and administrative buy-in Funding Stakeholder buy-in Commitment form PSC
Resources/sources of funding	<ul style="list-style-type: none"> ±R600 000 Own funds or engage stakeholders 	<ul style="list-style-type: none"> ±R500 000 p.a. Own funds or engage stakeholders 	<ul style="list-style-type: none"> ±R100 000 Personnel Own funds
Implementation Time Frame	2009-2010 financial year and database updated annually	2009-2010 financial year and on-going	2010-2011 financial year

Desired outcome	SMME database highlighting scope, size, problems and interventions	Viable, growing and sustainable SMME that contribute to municipal GDP	Accessible and reliable information for SMMEs
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GOOD GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS

Project Name	Create department called Planning and Economic Development	Strengthen LEDF through capacity building	Strengthen capacity of LED portfolio committee, managers and councilors
Project Description	Creation of a separate department which deals with planning and economic development issues and incorporate related functions	Strengthening the functioning of LEDF through LED training and formation of sector-based sub-committees	Strengthening the capabilities all key structures on new LED paradigm
Action	<ul style="list-style-type: none"> • Establish project steering committee (PSC) • Compile planned structure • Compile key functions of new department 	<ul style="list-style-type: none"> • Establish project steering committee (PSC) • Get funding and compile terms of reference (TOR) • Call for proposals to 	<ul style="list-style-type: none"> • Establish PSC • Compile terms of reference and appoint service provider • Conduct capacity building interventions

	<ul style="list-style-type: none"> Establish and staff the department 	<ul style="list-style-type: none"> undertake trainings Conduct trainings 	
Risks	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> ✓ Funding ✓ Political buy-in ✓ Buy-in from stakeholders ✓ Commitment from PSC 	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> ✓ Funding ✓ Political buy-in ✓ Buy-in from stakeholders ✓ Commitment from PSC 	<ul style="list-style-type: none"> Lack of <ul style="list-style-type: none"> ✓ Funding ✓ Political buy-in ✓ Buy-in from stakeholders ✓ Commitment from PSC
Resources	<ul style="list-style-type: none"> Specialists in <ul style="list-style-type: none"> ✓ Research, planning ✓ Economic development ✓ Stakeholder engagement ✓ SMME development 	<ul style="list-style-type: none"> ±R150 000 Own funds GTZ/DLG 	<ul style="list-style-type: none"> ±R200 000 Own funds GTZ/DLG
Implementation Time Frame	2009-2010 financial year	2009-2010 and on-going	2010-2011 financial year and on-going

Desired outcome	Well capacitated department capable of planning, implementing and evaluating LED projects	Well capacitated and functioning LEDF	Structure that understand and support LED initiatives
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BRANDING AND MARKETING

Project Name	Develop Govan Mbeki corporate brand	Package investment initiatives and develop prospectus	Develop investment policy and specific incentives	LED summits and investment promotion conferences
Project Description	Develop a corporate brand for Govan Mbeki in line with current and mirror image	Identifying and packaging investment initiatives and developing investment prospectus for marketing them	Develop policy that guide investment and promotion and the specific incentives for attracting investors	Holding LED summits annually and investment conference every two years
Preliminary Tasks	<ul style="list-style-type: none"> Acquire political buy-in Develop concept 	<ul style="list-style-type: none"> Acquire political and business buy-in 	<ul style="list-style-type: none"> Acquire business support Develop concept 	<ul style="list-style-type: none"> Acquire political and business buy-in

	<p>paper and proposal to seek funding</p> <ul style="list-style-type: none"> Identify sources of funding , and support stakeholders 	<p>Develop concept paper and proposal to seek funding</p> <ul style="list-style-type: none"> Identify sources of funding and stakeholders 	<p>paper discussion</p> <ul style="list-style-type: none"> Identify key stakeholders 	<ul style="list-style-type: none"> Develop concept paper and proposal for funding Identify key stakeholders
Action	<ul style="list-style-type: none"> Establish project steering committee Obtain funding Compile terms of reference Appoint service provider Develop corporate brand 	<ul style="list-style-type: none"> Establish project steering committee Obtain funding Compile terms of reference Appoint service provider Package the initiatives and develop an investment prospectus 	<ul style="list-style-type: none"> Establish PSC Compile terms of reference Appoint service provider or do it internally Develop the policy and incentives 	<ul style="list-style-type: none"> Establish PSC Obtain funding Compile terms of reference Hold Summit annually and conference once every two years

Risks	Lack of: <ul style="list-style-type: none"> • Political support and buy-in • Stakeholder support • Funding • Commitment from PSC 	Lack of: <ul style="list-style-type: none"> • Political support and buy-in • Stakeholder support • Funding • Commitment from PSC 	Lack of: <ul style="list-style-type: none"> • Political support and buy-in • Stakeholder support • Funding • Commitment from PSC 	Lack of: <ul style="list-style-type: none"> • Political support and buy-in • Stakeholder support • Funding • Commitment from PSC
Resources	<ul style="list-style-type: none"> • ± R2m • Own resources 	<ul style="list-style-type: none"> • ± R1.5m • Engage key stakeholders 	<ul style="list-style-type: none"> • ±R200 000 • Own funds • Do internally • Engage stakeholders 	<ul style="list-style-type: none"> • ± R300 000 per annual • Own funds • Engage stakeholders
Implementation Time-Frame	2011-2012 financial year	2011-2012 financial year	2011-2012 financial year	<ul style="list-style-type: none"> • Summit annually • Conference every 2-3 years
Desired outcome	Govan Mbeki brand as district economic hub	Feasible investment initiatives for uptake by investors	Policy and incentives that promote investment	Platform for marketing investment opportunities and LED initiatives

6 SECTION SIX: MONITORING AND EVALUATION FRAMEWORK

A monitoring and evaluation plan is needed so that Govan Mbeki Local Municipality can monitor, evaluate and report the findings on how well the local economy is performing against certain set benchmarks. The evaluation component is also intended to incorporate lessons learnt into the decision-making process of implementing further development programmes.

A set of proxies to measure the economic impact of each of the programmes as well as LED in general have been designed. These proxies are compiled into a development index for Govan Mbeki Local Municipality. Proxies should be based on readily available and reliable data, which allows for annual measurements.

Indicators can help describe changes over time with a common base value, identify benchmarks and progress in relation to goals as well as reflect the status. Indicators are measurements that give us information about the changes in the condition of something over time. Indicators help us define the nature and size of environmental problems, set goals for their solution, and track progress towards those goals. They are useful because they help to express a large quantity of data or complex information in a simple way. Economic indicators are usually reports which contain specific information, e.g. on population growth, GDP growth, etc. The indicators were selected on the basis that they would be reflective of the objective that they were designed to measure. They were also designed to be able to be measured on an annual basis, and be based on reliable data.

The LED strategy utilized four programmes in order to achieve its vision of economic empowerment, economic diversification and linkage; and improved business environment. The four programmes for which indicators have been developed are as follows:

- Economic Sector Development and Support Index
- SMME Development and Business Support Index
- Good Governance and Institutional Development Index
- Branding and Marketing Index

The four programmes were used as guidelines for the index in order to measure the success of each objective. An additional indicator, **LED implementation Index** was also designed in order to provide the municipality with an index that directly measures their success. The following provides an explanation of the indicators designed:

6.1. LED Implementation Index

The number of LED projects successfully implemented, the number of LED actions per programme successfully facilitated as per the proposed implementation plan, the number of direct permanent employment, and the number of direct temporary employment generated per year gives an indication of how effective the Govan Mbeki LED Unit is in the implementation of this LED Strategy. This Index thus seeks to measure the effectiveness of the LED Unit in implementing the projects and programmes set out by this LED Strategy. Through this index, the LED Unit can measure its performance in implementing this strategy and its effect on the local economy. The indicators utilised as performance proxy for the performance of the LED unit are:

- The number of LED projects successfully implemented
- The number of LED actions per programme successfully facilitated
- The number of direct permanent employment opportunities created
- The number of direct temporary employment opportunities created

6.2 SMME Development Index

The objective of this pillar is to diversify and expand existing small businesses in Govan Mbeki Local Municipality through business support and networking and to stimulate the development of new businesses. It is aimed at providing local business owners and entrepreneurs with the necessary skills and knowledge to effectively manage their businesses, as well as providing financial and non-financial support. Successful implementation of this pillar could be measured by noting changes in overall employment which accounts for not only direct employment created but also the generation of indirect job opportunities and further spin-off effects in the local economy. Growth in GDP is another measure of determining success in this programme as well as the tress index. The

following indicators are thus used to measure the success of the LED Unit in implementing this Pillar:

- Number of registered SMMEs
- Number of registered co-operatives
- Overall GDP
- Overall Employment, formal and informal

6.3 Economic Sector Development Index

The economic sector development pillar has been divided into sectors that Govan Mbeki has development potential, that is, agriculture, agro-processing, mining and tourism.

- **Agriculture Sector Index:** The objective of this pillar is to add value to agricultural activities and to commercialise subsistence farming which utilises local raw materials and resources. Agriculture Sector employment and GDP growth are used as indicators of the development of the Agriculture Sector value chain on the basis that as the sector develops there will be increasing opportunities for job and GDP growth. The number of emerging farmers and successfully run farmer co-operatives will be used as main indicators on this pillar. The following proxies are used to measure this index:

- Number of emerging farmers
- Number of operational farmer co-operatives
- Agriculture Sector GDP
- Agriculture Sector Employment
- Agro-processing GDP (i.e. manufacturing)
- Agro-processing Employment

- **Mining and Manufacturing Sector Development Index:** The objective of this pillar is to undertake mineral investigation and add value to mining sector activities through establishing up and downstream linkages. The level of employment and GDP growth in the mining sector are used as indicators. Additionally, other non-metal mineral products and the metals, metal products, machinery and equipment sub sectors of the manufacturing sector are combined for both GDP and for employment to act as a proxy for the extent to which mineral exploration and beneficiation is taking place. However, all this will not be

possible without the necessary research, thus an implementable sustainable mining development plan will also act as an indicator on this pillar.

- **Tourism Development and Promotion Index** - The objective of this pillar is to stimulate the development of the tourism industry through the development and promotion of local resources and activities. The Tourism Grading Council of South Africa's (TGCSA) lists the number of graded establishments on a web based directory. This directory should be used as a baseline. Development in the tour operator, tourism monitors and accommodation establishments should be used as indicators. The number of tourists flowing into Govan Mbeki or through it should be used as one of the indicators. Annual sport and tourism-related events can focus favourable attention on the municipality as a tourist destination, giving local tourism activities and attraction more exposure and increasing tourist flows into the area. For the duration of events, tourist spending also increases in the region, as visitors take up local accommodation, utilise local services and retail shops and visit local attractions. In utilising events as a monitoring and evaluation indicator for this pillar, the hosting of events is defined as a significant schedule happening which will attract attention. The following indicators are used as proxies to measure the success of the LED in increasing number of tourists and tourist spending, namely:
 - Number of registered tour operators
 - Number of registered tour guides
 - Number of established accommodation tourism products
 - Number of jobs created according to tourism products
 - Number of events held annually

6.4 Good Governance and Institutional Arrangements

The LED unit is both incorrectly located and inadequately staffed thereby limiting the capacity of the municipality to deliver in terms of LED. Thus the aim of this pillar is to capacitate Govan Mbeki to be able to perform their LED roles and responsibilities in the most effective way. This section of the report will also address lack of skills required by the community in order to access economic opportunities. The main indicators for the monitoring and evaluation of this pillar will be:

- Establish PED department

- Integration of related functions
- Number of LED training workshops undertaken for LEDF, unit and management
- Number of LED awareness workshops undertaken for councilors and community

In order to monitor and evaluate the effective implementation of the LED Strategy, a Monitoring and Evaluation template has been developed setting out the different indexes discussed above.

PROGRAMMES	INDICATORS
LED Implementation Index	Number of LED projects successfully implemented
	Number of LED actions per programme successfully facilitated
	Number of direct permanent employment
	Number of direct temporary employment
SMME Development Index	Number of registered SMMEs
	Number of registered co-operatives
	Overall GDP
	Number of direct permanent employment
	Number of direct temporary employment
	SMME skills and community capacity development workshops
Agriculture sector development Index	Number of emerging farmers supported
	Number of operational co-operatives supported
	Agriculture sector GDP
	Agriculture sector Employment
	Agro-processing GDP

PROGRAMMES	INDICATORS
	Agro-processing Employment
<p>Mining and manufacturing sector development Index</p>	<p>Mining and manufacturing Sustainability Plan development</p> <p>Mining and manufacturing sector GDP</p> <p>Mining/ manufacturing sector employment</p> <p>Mineral beneficiation GDP</p> <p>Mineral/ manufacturing beneficiation employment</p>
<p>Tourism Development and Promotion Index</p>	<p>Number of registered tour operators</p> <p>Number of registered tour guides</p> <p>Number of established accommodation tourism products</p> <p>Number of jobs created according to tourism products</p> <p>Number of annual events held</p>
<p>Good Governance and Institutional Arrangements</p> <p>Branding and Marketing</p>	<p>Establish PED department and integrate related functions</p> <p>Number of LED training workshops undertaken</p> <p>Number of LED awareness workshops undertaken</p> <p>Number of packaged initiatives promoted</p> <p>Number of summits and conferences held</p>

The following are important notes that need to be known in populating the template:

- The template should be 'populated' with real values
- The baseline data is 2008
- The goals of the economic sector development have to increase by percentages, guided by ASGISA targets in the context of the global financial crisis
- The goals of the SMME development have to increase by 2% in the 2009/2010 financial year; 2.5% in the 2010/2011 and 3.% in the 2011/2012 financial year.

As a matter of emphasis, an important aspect for the successful implementation of this LED strategy is to develop the LED unit and to provide the LED unit with the rightful recognition, time and effort it deserves, and secondly is the need to ensure that all stakeholders and parties involved in the LED process take ownership of the programmes and projects identified in this strategy. The performance benchmarks are however, affected by the current global financial crisis.

It is also suggested that the monitoring and evaluation template/plan be incorporated into the performance management system so as to ensure accountability and responsibility for the implementation of the LED Strategy and its programmes and projects.

7 SECTION SEVEN: CONCLUSION AND RECOMMENDATIONS

As previously indicated, the concept of Local Economic Development (LED) is derived from two broad concepts, namely;

- Economic Growth
- Economic Development

Economic growth is traditionally “defined as the annual rate of increase in the total production or income in the economy.” It requires an expansion of the production capacity of the local economy, as well as an expansion of the demand for goods and services produced in the economy.

Both the supply and demand factors are necessary for sustained economic growth.

Economic development refers to the improvement of the people’s living conditions. It entails an improvement in the quality of life of the majority of the population as a result of economic growth, the reduction of inequality and the eradication of poverty.

The Govan Mbeki LED Strategy attempts to rally all stakeholders within the locality towards development of an inclusive, robust and sustainable economy. However, an added dimension to the strategy for consideration by the municipality is the concept of **community economic development**, which borrows heavily its principles from community investment programming as stated in the National Framework for LED, 2006.

Definition

Community Economic Development is a process where action is taken locally by a community to provide economic opportunities and improve social conditions in a sustainable way.

Community Economic Development is defined by the following criteria:

- CED is aimed at improving the lives of the economically disadvantaged
- Projects must be economically sound and use a business-decision model to help promote self-sustainability
- Ownership of the project should be held within the community
- Project facilitation should be through social enterprises such as cooperatives and done with transparent fiscal and managerial procedures and discipline
- Projects should be located within poor, isolated or disadvantaged communities

CED Principles and Benefits

The following table summarizes the principles and benefits of adopting a CED approach;

Principle	Benefits
Local production and use of goods and services	<ul style="list-style-type: none"> • Circulation of income within the local community; less income drain and stronger economic linkages
Job creation	<ul style="list-style-type: none"> • Reduced dependency on social grants and creation of opportunities to live better lives • People live socially productive lives and improves community's self-esteem
Community participation	<ul style="list-style-type: none"> • Higher labour productivity • Greater employability in communities
Capacity Building	<ul style="list-style-type: none"> • Enhances community participation in economic affairs • Aids bottom-up approach to decision-making • Improves local economic decision-making process
Human Dignity	<ul style="list-style-type: none"> • Improves social dignity regardless of background or colour • Enhances gender equality • Improves community's spirit and self-respect

In the implementation of Community Economic Development programmes, **Govan Mbeki Local Municipality** should be guided by the distinction between **Community Development**, **Local Economic Development** and **Community Economic Development**, as shown below:

Criteria	Community Development	Local Economic Department	Community Economic Development
Market Orientation	No market orientation, only social orientation in marginalized communities	First economy orientation i.e. mainstream, formal markets	Second economy orientation i.e. isolated, marginalized and informal markets.
Project Ownership	Ownership lies with the funder of the project with the community helping to mobilize support for implementation	Ownership lies with individual businesses that are beneficiaries for the project. Communities may receive employment	Ownership lies with the communities mobilized through NPOs or cooperatives.
Facilitator(s)	<ul style="list-style-type: none"> Main facilitator is the NPO and local government Community acts as participants 	Government bodies, parastatals, development agencies and private business.	<ul style="list-style-type: none"> NPOs act to facilitate with the community Community remain project owners
Intended outcomes of the project	Infrastructure and capacity building e.g. basic skills like ABET	Increase competitiveness of and support business environment within the first economy.	Increase wealth retention and reinvestment and help local market bridge gap between first and second economy.

In the context of the overall LED Strategy development process, interactions and recommendations, the following submissions are reiterated;

1. Establish a fully-fledged department called **Economic Development and Planning**, and bring all planning related issues into this department.
2. Avail **adequate LED budgets** to ensure implementation and supplement these budgets by engaging other key stakeholders and funders.
3. **Conduct relevant studies** to ensure projects implemented are sustainable both in the short and long-run.
4. In the implementation of projects, make sure **quick-wins** are implemented before long-term **catalytic projects**.
5. Build the required capacity and engage all key stakeholders

REMEMBER, “...success depends on both strategy formation and strategy implementation...”

APPENDICES

1. LEGISLATIVE FRAMEWORK

1.1. The Constitution of the Republic

Section 152 outlines the following objectives of local government

- To provide democratic and accountable government to local communities
- To ensure the provision of services to communities in a sustainable manner
- To promote social and economic development
- To promote a safe and healthy environment
- To encourage the involvement of communities and community organizations in the matters of local government

Section 153 of the Constitution mandates municipalities to structure and manage their **administration, budgeting and planning processes** to give priority to the basic needs of the community and to promote the social and economic development of the community.

Implications

The constitution of the Republic of South Africa has the following implications on Local Economic Development:

- It mandates local government in general and local municipalities in particular, to **promote social and economic development**
- It encourage the involvement of communities (stakeholders) in all matters of local government
- The constitution also mandates municipalities, such as Govan Mbeki Local Municipality, to structure their administration (especially LED), budget and plan all the processes that will improve the lives of members of the communities.

By its very nature, LED is a stakeholder driven process in which the first step is that of **organizing the effort**

1.2. The White Paper on Local Government (1998)

Developed in 1998; the White Paper on Local Government highlights the following issues:

- Reality of local governance as influenced by the apartheid system
- The concept of Developmental Local Government
- Cooperative Government System
- Municipal Institutional Systems
- Municipal Political Systems
- Municipal Administrative Systems
- Municipal Transformation

Critical issues raised by the White Paper relevant to Local Economic Development are:

- Development Local Government
- Cooperative Government

Development Local Government

The White Paper on Local Government introduces the concept of Developmental Local Government, which is defined as “Local Government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives.”

The White Paper identifies the following characteristics of developmental local government

- Maximizing social development and economic growth
- Integrating and coordinating local government activities
- Democratizing development, empowering and re -distributing national wealth
- Leading and learning from past experiences

In terms of Local Economic Development, the White Paper states that; “local government can play an important role in promoting job creation and boosting the local economy, investing in the basics-by providing good quality cost effective services and by making the local space a pleasant place to live and work is the key starting point”.

It identifies two critical initiatives that are needed, namely:

- Reviewing existing policies and procedures to promote local economic development
- Provision of special economic services, especially through marketing and investment support, small business support service, research and technology and skills development

The White Paper further identifies tools and approaches for developmental local government, namely;

- Integrated Development Planning, budgeting and performance monitoring
- Performance Management
- Working together with local citizens and partners

Cooperative Government

According to the White Paper on Local Government, Cooperative Government focuses on three critical areas, namely:

- Operating within the framework of intergovernmental relations
- Working with local government
- Horizontal cooperation between municipalities

An intergovernmental relation focuses on the cooperative relations between the spheres of government to

- Collectively harness all public resources behind common goals and within the framework of mutual support
- Developing a cohesive, multi-sectoral perspective on the interests of the country as a whole
- Coordinating activities to avoid duplication and wastage
- Utilizing human resources effectively
- Dividing roles and responsibilities between the spheres of government

Finally, the White Paper states that “local government is not directly responsible for creating jobs. Rather, it is responsible for taking active steps to ensure that the overall economic and social conditions of the locality are conducive to the creation of employment opportunities...”

The powers and functions of local government should be exercised in a way that has a maximum impact on the social development of communities-in particular, meeting the basic needs of the poor-and on the growth of the economy...”

Implications

By introducing the concept of developmental local government, the White Paper on Local Government encourages local municipalities to spear heard development in their space.

Govan Mbeki Local Municipality, together with other partners should focus on the creation of a conducive business environment by:

- Promoting establishment of job creating ventures
- Promoting and marketing local investment opportunities
- Providing quality cost-effective services for business and the general community
- Democratizing economic development processes by allowing stakeholder to participate

Lastly, the White Paper clearly states that local government’s role is not that of creating jobs but creating a conducive environment for businesses to create employment opportunities for the citizenry.

1.3. White Paper on Spatial Planning and Land use Management

The White Paper on Spatial Planning and land-Use Management was developed to deal with the relationships among the following elements of human kind:

- Social
- Economic
- Environmental

The White Paper highlights the following critical issues of land-use management:

- Principles
- Land-use regulators
- IDP-based local spatial planning
- A uniform set of procedures for land development approvals
- Spatial planning framework

Principles of land-use management are aimed at achieving the following:

- Sustainability
- Equality
- Efficiency
- Fairness and
- Good governance in spatial planning and land-use management

On land-use regulators, the White Paper clearly states that municipalities are the regulators of land-use management.

As required by the Municipal Systems Act, a municipality's IDP must have a spatial development framework. The White Paper outlines the minimum requirements (elements) of the framework.

Implications

More significantly, the principles and norms of the White Paper on Spatial Planning and Land Use Management are aimed at achieving the following for municipalities such as Govan Mbeki:

- Assist in restructuring of spatially inefficient settlements
- Promote the sustainable use of land resources within the municipality
- Channel resources to areas of greatest need, especially previously marginalized areas
- Stimulate economic development opportunities in rural areas
- Support an equitable protection of rights to land
- Promote accountable spatial planning and land-use management

1.4. Municipal Systems Act (Act No.32 of 2000)

The Municipal Systems Act introduces the concept of Integrated Development Planning (IDP) by specifying Key Performance Areas (KPAs) the municipalities should focus on, as part of the IDPs. These are:

- Infrastructure Development and Basic Service delivery
- Institutional Development and Transformation
- Good Governance and Public Participation
- Local Economic Development
- Financial Viability and Management
- Social Development

The Act requires that the IDP specify the following:

- Municipal Vision
- Assessment of existing levels of development
- Development priorities for the different communities
- Project Schedules
- Spatial Development Framework

- Operational Strategies e.g. the LED strategy
- Disaster Management Plan
- Financial Plan

Like the other KPAs, Local Economic Development requires the following; that:

- It be part of the IDP
- Clear strategies, programmes and projects be developed
- Financial and other resources be available to operationalise the strategy
- A structure be developed and resourced with requisite human capital

Section 4 (2) of the Act outlines the duties of the municipality as follows:

- Expand the involvement of the local community
- Ensure that municipal services are provided to the local community in a financially and environmentally friendly manner
- Consult the local community about the level, quality, variety and impact of municipal services provided and other options available for service delivery
- Secure democratic and accountable government
- Promote and undertake economic development in the municipality
- Utilize the resources of the municipality in the best interest of the local community

Implications

The Municipal Systems Act has the following implications for local economic development:

- LED is regarded as one of the Key Performance Areas (KPAs) of the municipality. As such, it needs a proper structure, planning and budget for execution of the LED mandate
- The emphasis on the development of an Integrated Development Plan is critical for LED. The Plan and Strategy activities must be fed into the IDP budget and financed by the municipality. This relates to only those activities aimed at creating an enabling business environment.

Finally, the Local Government Municipal Systems Act pre-supposes the importance of stakeholder participation in municipal activities. LED emphasis is also on the need to organize the LED effort for planning, implementation and support.

1.5. The National Framework for Local Economic Development (LED) in South Africa (2006-2011)

The National Framework for Local Economic Development (LED) in South Africa (2006-2011) is the most profound policy framework on LED to-date, and is aimed at supporting “the development of sustainable local economies through integrated government action... action which is developmental and stimulates the heart of the economy which comprises those enterprises that operate in local municipal spaces”.

Guiding Principles and Objectives of the Framework

The Framework identifies the following as the guiding principles for LED.

- Government has a key role to play in shaping the national economy
- Local government is responsible for the creation of an enabling environment for employment opportunities
- Local Economic Development is an outcome of action and interventions resulting from local good governance and improved programs in local spaces
- Inward investment will be effective when the local space’s potential competitive advantages are known and exploited
- Promotion of robust and inclusive local economies requires the concerted action of all spheres of government and private sector
- Locally owned appropriate solutions and strategies must emerge to support national frameworks
- Competitiveness must take into account the global and integrated nature of the world economy
- Private companies, social partners and cooperatives form the heart of the economy and have a role to play
- People are the single greatest resource and including all citizen in development, and increasing their skills leads to increased opportunities for stimulating local economies

- Local initiative, energy, creativity, assertive leadership and skills will ultimately unlock the latent potential in local economies and will shape local spaces

Objectives of the Framework

The national framework identifies the following objectives as they relate to LED:

- To shift towards a more strategic approach to the development of local economies and overcome challenges of failures in respect of instances where municipalities themselves try to manage litany of non-viable projects or start-ups
- To support local economies in realizing their optimal potentials and making local communities active participants in the economy of the country
- To elevate the importance and centrality of effectively functioning local economies on growing the national economy
- To wage the national fight against poverty more effectively through local level debates, strategies and actions
- To improve community access to economic initiatives, support programmes and information
- To improve the coordination of economic development planning and implementation across government and between government and non-governmental actors
- To build a greater awareness about the importance and role of localities and regions which globally are playing an increasingly significant role as points of investment facilitated by supportive national policies

Outcomes of the Framework (2006-2011)

The National Framework declares that by the end of 2011, the following outcomes are delivered:

- Analysis of municipal economies is undertaken and shared understanding across government of the challenges and potentials of these areas developed
- The comparative advantages and competitiveness of all municipalities are identified, incorporated into the LED strategy and exploited

- All municipalities have credible LED programs, which are being effectively implemented by a dedicated local economic development unit or similar entity
- All municipalities have innovative spatial development strategies, land-use policies, by-laws and implementation capacity to facilitate fast and effective business establishment and functioning, especially for informal/ street traders and SMMEs
- All municipalities have at least one public-private partnership through which a major investment is being implemented
- A national excellence centre for monitoring, learning and research in local and regional economies is established

1.6. The Five Year Local Government Strategic Agenda

The 5 Year Local Government Strategic Agenda of 2006 identifies three strategic priorities, namely:

- Mainstreaming hands-on support to Local Government to improve municipal governance, performance and accountability
- Addressing the structure and governance arrangements of the State in order to better strengthen, support and monitor local government
- Refining and strengthening the policy, regulatory and fiscal environment for local government and giving greater attention to the enforcement measures

The Strategic Agenda identifies five (5) Key Performance Areas as:

- KPA 1-Municipal Transformation and Organizational Development
- KPA 2-Basic Service Delivery
- KPA 3- Local Economic Development
- KPA 4-Municipal Financial Viability and Management
- KPA 5- Good Governance and Public Participation

KPA 3, Local Economic Development, identifies the following high level activities for implementation by the different spheres of government:

- Manage the national and provincial IDP engagement process and ensure alignment with LED strategies of municipalities anchored by credible and updated data
- Each province to conduct an LED capacity assessment based on a municipal LED competency framework
- Mobilization and deployment of LED related capacity in selected municipalities
- Economic profiling of nodes and development of economic development strategy

Implications

The 5 Year Local Government Strategic Agenda has a direct reference to Local Economic Development in the following ways:

- Local Economic Development is regarded as one of Key Performance Areas for municipalities
- To improve performance of local municipalities such as Govan Mbeki requires hands-on support from other spheres of government and the structural changes to the LED unit
- The LED strategy should be aligned to the municipal IDP and its budget incorporated into the IDP
- The economic profile of Govan Mbeki Local Municipality should rely on current statistics from credible sources

2. POLICIES, PROGRAMMES AND STRATEGIES PROMOTING LED

2.1. Mpumalanga provincial growth and development strategy (PGDS)

The Mpumalanga Provincial Growth and Development strategy provides a socio-economic and demographic overview of the province, economic sectors of the province as well as the growth development opportunities and challenges.

Provincial Overview

The PGDS puts the population of Mpumalanga at 3.4 million according to 2004 statistics compared to 3.1 million in 2001.

It identifies population concentrations as follows:

1) **Ehlanzeni**, mainly in:

- Mbombela
- Nkomazi
- Bushbuckridge

2) **Nkangala**, mainly in:

- Emalahleni
- Steve Tshwete
- Thembisile
- Dr. J S Moroka

3) **Gert Sibande**, mainly in:

- Albert Luthuli
- Govan Mbeki

The identified municipalities tend to be rural area and township dominated.

In terms of poverty, the following areas have a significant number of people living under the Minimum Living Levels (MLLs).

- **Ehlanzeni**
 - ✓ Bushbuckridge
 - ✓ Kanyamazane
 - ✓ Nkomazi
- **Nkangala**
 - ✓ Kwa Mhlanga
 - ✓ Siyabuswa
 - ✓ Bamokgoko
- **Gert Sibande**
 - ✓ Oshoek

Economy of Mpumalanga

The PGDS identifies the following characteristics of the economy of Mpumalanga:

- Economic growth in the province averaged 2.5% between 1996 and 2001 and 2.6% real growth between 2003 and 2006
- Sector contribution to provincial Gross Value Added (GVA) is dominated by manufacturing and mining which together contribute 50% of the economy (GVA 2004)
- District contribution to provincial GVA in 2004 was dominated by districts as follows:
 - Nkangala 44%
 - Gert Sibande 33%
 - Ehlanzeni 23%

Implications

In terms of population concentrations within the province, Ehlanzeni has the highest concentrations and poverty pockets. On the other hand, Ehlanzeni has the lowest provincial GVA contributions of 23% compared to Nkangala at 44% within the same period.

To reduce poverty and contribute meaningfully to the provincial economy, municipalities should consider SMME development and support as one of the key options, especially through the establishment of cooperatives and other initiatives.

Growth and Development challenges and Opportunities

The PGDS identifies the following challenges:

- Poverty
- HIV/AIDS
- Agriculture decline
- Lack of appropriate skills
- Environmental degradation
- Infrastructure and service delivery backlogs

The following growth and development opportunities are identified in the PGDS as follows:

- Agro-processing
- Agro-products
- Stainless steel
- Chemical and chemical products
- Wood processing
- Tourism
- Services
- Infrastructure development

The strategy further identifies the three development pillars and their key programmes as follows:

Pillar One: Economic Development

- ✓ Maximum exploitation of agricultural potential and opportunities
- ✓ Beneficiation within economic sectors
- ✓ SMME development
- ✓ Local economic development
- ✓ Urban economic development
- ✓ Urban and rural development programme

Pillar Two: Infrastructure Development

- ✓ Facilitation of integrated land reform
- ✓ Coordinated social development

Pillar Three: Sustainable Environment Development

- ✓ Water resources
- ✓ Terrestrial resources
- ✓ Duties of district municipalities
- ✓ Environmental management
- ✓ Environment rehabilitation programmes
- ✓ Community based natural resources management

Implications

The Govan Mbeki LED programmes should focus on the following programmes:

- Poverty Reduction
- Agriculture Development
- Appropriate Skills Development

In terms of the pillars and the related programmes, Govan Mbeki LED and support programmes should fall directly under the four key programmes identified in the PGDS, namely:

1. Maximum exploitation of agricultural potential and opportunities
2. Beneficiation focus within economic sectors ,especially petro-chemicals
3. SMME development
4. Local economic development

2.2. Draft Regional Industrial Strategy

It proposes the establishment of special economic zones (SEZ), industrial parks, logistics parks, industrial estates and innovation hubs, to ensure promotion of regional growth coalitions and support for industrial clustering among firms.

The strategy also proposes the establishment of a systemic competitiveness support facility, especially for start-ups. This can be in the form of a revolving fund for SMMEs.

2.3. Broad Based Black Economic Empowerment Strategy

A number of B-BBEE Strategy elements have relevance to economic development and these include:

- Achieving a substantial increase in the number of black people who have ownership and enterprises
- Achieving a substantial increase in the number of black people who have ownership and control of existing and new enterprises in the property sectors of the economy, which government has identified in its macro-economic reform strategy

- Achieving a significant increase in the number of black entrepreneurs
- Increasing the proportion of ownership and management of economic activities vested in community enterprises and cooperatives.

Key areas relevant to LED include:

- Preferential procurement measures
- Strengthening small business capacity to benefit from procurement initiatives
- Improved financing mechanisms
- Promoting access to finance by DTI
- Profiling of franchising opportunities
- Training and entrepreneurship promotion

2.4. Accelerated and Shared Growth Initiative South Africa (AsgiSA)

It outlines focus areas that need to be closely monitored and supported through relevant policies, strategies and programmes.

These areas include:

- Access to procurement opportunities for small enterprises
- Easing the regulatory burden on small enterprises
- Access to finance, particularly venture capital
- Easing the cash flow problems experienced by SMMEs doing business with government.

2.5. SMME Development and Support (Promotion) Strategies

2.5.1. The Micro-Economic Reform Strategy

The strategy places SMME development, BEE, (B-BBEE) gender equity and economic sector growth at the core of micro-economic reform.

As for SMME development, the strategy proposes the following:

- specific sectoral initiatives to promote small business development
- the introduction of new products to support small enterprises
- greater coordination across government
- consolidation of all mentorship programmes
- improved access to finance
- increased access to markets
- the promotion of entrepreneurship
- the expansion of business support infrastructure

2.5.2. National Youth Enterprises Strategy

The strategy outlines three key objectives to be achieved through its implementation:

- To ensure that entrepreneurial skills, talent and experience are nurtured among youth, women and men to enhance their capacity to participate in all aspects of the Republic's social, economic and community life
- To ensure that young women and men are recognized as a key target group of need and a resource in the development of small enterprises with national, provincial and local economies
- To maximize access to financial and non-financial resources for youth, women and men who are in business

Key focus areas of the strategy include the following:

- Creation of a entrepreneurial culture
- Strengthening and expanding successful youth enterprise support schemes
- Addressing the financial needs of youth entrepreneurs
- Provision of training, such as new venture creation Learner-ship
- Monitoring youth enterprise development endeavors.

2.5.3. South Africa's National policy Framework for Women's Empowerment and Gender Equality

The National Gender Framework was developed as a step towards achieving gender equality as guided by the “vision of human rights, which incorporates acceptance of equal and inalienable rights of all women and men”.

Challenges facing South Africa and women

The policy framework was developed on the background of a myriad of challenges facing South Africa in general and women in particular. These challenges include the following:

- Gender relations
- Poverty
- Globalization
- HIV/AIDS
- Violence against women and children
- Access to basic needs
- Access to basic resources
- Access to employment
- Economic employment of women
- Access to land
- Access to science and technology
- Women's access to political power
- Implementation of laws and the national gender machinery

Implications

Key challenges that are faced by women with implications on LED and support include the following:

- Poverty
- Access to basic needs
- Access to basic resources
- Access to employment
- Economic employment of women
- Access to land
- Access to science and technology

The formulation of a Local Economic Development Strategy for Govan Mbeki Local Municipality must take into account these challenges and programmes developed for implementation must seek to address them.

Principles and Guidelines of the Framework

The policy framework is guided by the principles that:

- There is equality of all persons and that non-racism be enshrined in the South African Constitution
- There is an understanding that women are not a homogeneous group
- Women's rights be seen as human rights
- Customary, cultural and religious practices be subject to the right to equality
- Affirmative action programmes targeting women be developed and implemented
- Economic empowerment of women be promoted
- Serious attention be placed on changing policies and practices which have hither-to hindered women's access to basic needs, the economy and decision-making
- Efficient machinery be set up at national and provincial levels and in public and private organizations to ensure that the policy is implemented
- Adequate structure and resources must be set aside to guarantee the implementation of programmes

- Where a need arises, additional legislation be developed to make it possible for women’s empowerment and gender equality to be attained
- Appropriate training to improve knowledge, skills and attitudes in gender analysis and gender equality be provided to all policy makers, strategic and operational mangers
- Effective collaborative strategies to enhance relationships between various structures be developed.

Implications

The Local Economic Development Strategy for Govan Mbeki should take into account the following key principles; that:

- Affirmative action programmes targeting women be developed and implemented:
- Economic empowerment of women be promoted
- Serious attention be paid on practices that hinder women access to basic needs and the economy
- Adequate resources and structures be set up to implement all women empowerment programmes
- Appropriate training to improve knowledge, skills and attitude, be developed and implemented
- Collaborative strategies be developed among all key partners to ensure women empowerment.

2.5.4. A Cooperative Development Policy for South Africa

The Cooperative Development Policy of 2004 was developed on the backdrop of President Thabo Mbeki’s statement of 25 June 1999, which stated that “the Government will place more emphasis on the development of a cooperative movement to combine the financial, labour and other resources among the masses of the people, rebuild our in their own development through sustainable economic activity”.

Policy Objectives and Purpose

The policy seeks to achieve the following:

- Create an enabling environment for cooperative enterprises which reduces the disparities between urban and rural businesses, and is conducive to entrepreneurship
- Promote the development of economically sustainable cooperatives that will significantly contribute to the country's economic growth
- Increase the number and variety of enterprises operating in the formal economy
- Increase the competitiveness of the cooperative sector so that it is better able to take advantage of opportunities emerging in national, continental and international markets
- Encourage persons and groups who subscribe to values of self-reliance and self-help, and who choose to work together in democratically controlled enterprises, to register cooperatives in terms of the Act
- Enable such cooperative enterprises to register and acquire legal status separate from their members
- Promote greater participation by black persons, especially those in rural areas, women and persons with disabilities and youth in the formation and management of cooperatives
- Establish a legislative framework that will preserve the cooperative as a distinct legal entity
- Facilitate the provision of support programmes that target cooperatives, specifically those that create employment or benefit disadvantaged groups
- Improve communication between government and the cooperative movement

Implications

For Govan Mbeki Local Municipality, the policy objectives are fundamental for the following two reasons:

- The objectives clearly spell out an optional avenue for entrepreneurship development, poverty eradication and employment creation
- The objectives clearly show that the policy seeks to encourage formalization of business enterprises such as cooperatives and that development and support programmes be crafted at all levels to assist the sector

Scope of Cooperatives

The policy applies to all types and forms of cooperatives, to include **emerging and establishment cooperatives, primary and secondary cooperatives.**

Key among the various types are the following:

- Housing cooperatives
- Workers' cooperatives
- Non-profit social cooperatives
- Agricultural cooperatives
- Financial services cooperatives
- Consumer cooperatives
- Marketing and supply cooperatives
- Transport cooperatives

Core Principles of Cooperation

The policy states the following principles which are universally accepted guidelines that influence cooperative practices:

- Democratic member control
- Member economic participation
- Autonomy and independence
- Education, training and information cooperation among cooperatives concern for community

Implications

For Govan Mbeki SMME development and support programmes, the cooperative development policy of South Africa has the following implications:

- Govan Mbeki can encourage the establishment of and management of a variety of cooperative types as identified in the different economic sectors of the district
- The local municipality can develop targeted education, training and information aimed at enhancing the functioning of cooperatives within the district thereby bringing both economic and social upliftment of members and their communities.

Government's Role and Support to Cooperative Development

Lastly, the policy identifies the government's approach to cooperative development as that of **creating a favorable legal, economic, administrative and institutional environment by:**

- Giving a clear, legal definition of a genuine cooperative enterprise
- Reforming the cooperatives administration
- Ensuring that the legal framework does not hinder the development and growth of cooperative enterprises
- Making a clear distinction between technical support services to cooperatives and the regulatory functions of the state
- Facilitating the formation of cooperatives with the objective of encouraging instead of replacing self-help
- Allowing cooperatives to set up their own support service institutions
- Coordinating and orienting external assistance to cooperatives and self-help groups

Govan Mbeki Local Municipality's role in SMME development in general and cooperatives development in particular should find its space and expression within the above confines of the stated roles and support activities.

2.5.5. Draft Strategy Framework for Forestry Enterprise Development

The Draft Strategy Framework for Forestry Enterprise Development (FED) of June 2005, defines forestry Enterprise Development as "market-driven, profitable business ventures,

involving previously disadvantaged communities and individuals, and based on the sustainable use of forests and forest-based resources”

The definition is provided in the context of the following pillars of economic development in South Africa.

- Poverty eradication, especially among previously disadvantaged groups
- Broad based black economic empowerment (B-BBEE) – ownership and management of forestry enterprise by black people
- Sustainable utilization of forestry and forestry- related products

Strategic Objectives of the Framework

The draft strategy framework for forestry enterprise development is based on the following strategic objective;

“Development of a strong and equitable plantation forestry sector that underpins growth and development in the timber processing, value adding and marketing sector”.

The framework identifies two broad forestry sectors and their sub-sectors as follows:

- **Timber Production, Contracting and Processing**
 - ✓ Plantation forestry
 - ✓ Indigenous forestry
 - ✓ Forestry contracting
 - ✓ Sawmilling
 - ✓ Manufactured timber products
 - ✓ Pulp and paper
 - ✓ Timber board products
 - ✓ Pole production
 - ✓ Charcoal production
- **Non-Timber Forestry Products**
 - ✓ Medicine plants trade
 - ✓ Firewood collection and distribution

- ✓ Honey production
- ✓ Tourism
- ✓ Trade in indigenous fruits
- ✓ Alternative forestry products

Guiding Principles

The strategy framework was developed as guided by the following core principles:

- Linking growth and broad based black economic empowerment
- Capitalizing on sector strengths
- Forging business partnerships
- Promoting public-private sector cooperation
- Cooperative governance at national, provincial and municipal levels

Implications

Govan Mbeki's SMME development and support programmes should take into account the basic tenants of the FED strategy framework, particularly on B-BBEE, sector strengths, the need for PPPs and cooperation at all the three levels of government.

Lastly, the strategy framework identifies the following conditions required for FED:

- FED awareness and access to information
- Simplified and streamlined regulatory environment
- development of public infrastructure
- Training and extension
- Finance and business services

3. MUNICIPAL CONTEXT OF LED

3.1. Integrated Development Plan (IDP)

Integrated Development Planning is a planning concept focused on a more strategic, responsive and all inclusive performance driven process. It is a result of the following pieces of legislation:

- Local Government Transition Act of 1996
- Local Government Municipal Systems Act of 2000

The Govan Mbeki IDP highlights the following key issues:

- Municipal overview
- IDP Planning Process
- Goals, Objectives and key Focus Areas
- Priorities, objectives and strategies (Service Delivery and Budget Implementation Plan)
- Key internal and external projects

The following are some of the key challenges identified, as they relate to local economic development:

- LED is not represented on the municipal Organogram despite the fact that it is one of the Key Performance Area, raising questions around whether the municipal Organogram is aligned to the IDP or not
- As KPA 6, LED has the main objective of increasing the capacity of the municipality to promote tourist attractions and increase community involvement of previously disadvantaged
- By location LED in the community Services Department, more emphasis is placed on social services at the expense of Local Economic Development. Such emphasis shows an understanding of previous LED paradigm within the country

Municipal LED role is that of creating an enabling environment for business development and investment inflows, in line with the National Framework for LED in South Africa (2006-2011).

The IDP identifies one LED related project which focuses on the development of informal trading stalls at Secunda CBD, ward 25 for a R200 000 Budget.

3.2. Spatial Development Framework

A spatial Development Framework (SDF) is a visual representation, in spatial form, which indicates where strategic intervention is required, where public and private land development and infrastructure investment, should take place and desired and undesired utilization of space.

The SDF links the municipal budget with projects in visible or spatial format. It shows both the current and planned land use patterns within a locality.

The following table outlines the current land-use patterns within Govern Mbeki:

Area	Dominant Industry/ Activity
Leandra	<ul style="list-style-type: none"> • Agricultural • Industrial & Commercial Areas • Potential for Growth
Lebohang	<ul style="list-style-type: none"> • Residential Area only (dormitory township) <p>No employment areas, No formal industries or commercial activities</p> <ul style="list-style-type: none"> • Development space available
Bethal	<ul style="list-style-type: none"> • CBD developed but not fully developed • Industrial & commercial activities • Residential sites • Lots of potential for growth
eMzinoni/Milan Park	<ul style="list-style-type: none"> • Residential town (dormitory township) <p>No employment areas</p> <ul style="list-style-type: none"> • Milan Park Centre stagnating as many businesses have relocated

	<p>to Bethal</p> <ul style="list-style-type: none"> • Very Few formal business in eMzinoni
Kinross	<ul style="list-style-type: none"> • Agriculture Service Centre • Town strategically, situated on N17 and R547/R546, intersection enroute to Richards Bay • Town sits on the rail corridor • No informal settlements <p>CBD Decaying</p>
Evander	<ul style="list-style-type: none"> • Gold mining (Harmony Mine Company) • Close to Secunda • Limited Tertiary commercial activity • CBD displays signs of urban decay • Gert Sibande technical college • Provincial hospital
Trichardt	<ul style="list-style-type: none"> • Adjacent to Secunda (separated by rail line) • Diversified and developed • SASOL hotels • No informal residential units
Secunda	<ul style="list-style-type: none"> • Most important & major urban centre for Govan Mbeki • Supports SASOL II & III • Supports other surrounding town e.g. Trichardt • Has the most diversified economy in Gert Sibande District • Industrial & Commercial Sector also vibrant • Vaal Triangle Technikon satellite Campus
Embalenhle	<ul style="list-style-type: none"> • Largest residential municipality • Accommodate SASOL employees • Largely a dormitory town, relies on Secunda for specialised needs • Economically lagging behind

	<ul style="list-style-type: none">• Informal, un-serviced settlements, in law lying areas (flood plains)• No/very few commercial/industrial activities
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The spatial Development Framework of Govan Mbeki does not pay enough attention on planned land-use, but adequately deals with the current land-use patterns as identified above.

