

2009

**LOCAL ECONOMIC
DEVELOPMENT
(LED)
STRATEGY**

NKOMAZI LOCAL MUNICIPALITY

2009

**“QUALITY LIFE FOR ALL THROUGH SUSTAINABLE
ECONOMIC DEVELOPMENT”**



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1. SECTION ONE: ORIENTATION

1.1 TERMS OF REFERENCE

The Nkomazi Local Municipality LED Strategy is developed in line with the following terms of reference;

Develop a Local Economic Development (LED) Strategy which clearly highlights the following:

- Municipal Status Quo in terms of demographic, socio-economic and economic profiles
- Municipal LED Strategy Framework clearly indicating LED vision, goals and objectives as well as programmes and projects
- Programme and project concept prioritisation to guide implementation
- Programme and Project Implementation Plan
- Monitoring and Evaluation Plan (Mechanism)

1.2 BACKGROUND AND CONTEXT

In June 2005, Nkomazi Local Municipality developed a Local Economic Development Plan. The plan was focused mainly on the following issues:

- Introduction to LED
- Legal Framework for LED
- Socio-Economic Profile of Nkomazi Local Municipality
- Economic Profile of Nkomazi Local Municipality

The Plan did not deal with the following key elements of the LED strategy:

- LED Strategy Framework
- LED Implementation Plan

- Monitoring and Evaluation Plan

To deal with the identified challenges, Nkomazi Local Municipality held an LED summit in September 2006, with the view of developing an LED Implementation Plan. The report developed did not culminate into a complete LED Strategy with an Implementation Plan.

This project, development of the LED strategy for Nkomazi Local Municipality, is premised on this background.

In context, the strategy takes into account work previously done as well as new developments that have emerged thereafter.

As part of project execution, a Project Implementation Plan was developed, submitted and approved, as follows:

- Phase 1: Creating an Enabling Environment*
- Phase 2: Perspective/ Situational Analysis*
- Phase 3: Local Economy Assessment and Development of LED strategy Framework*
- Phase 4: Project Concept Development and Prioritisation*
- Phase 5: Development of Implementation Plan, Monitoring and Evaluation Mechanism*
- Phase 6: Consolidating the LED Plan and Strategy*

2. INTRODUCTION

This Section is aimed at providing the background and overview of the purpose of the study, the methodology followed in compiling the LED Strategy, and the study area. It also provides an indication of structure of the remainder of the report. The following sub-sections are included in Section 1:

- Purpose of the Study
- Concept of LED
- Study area
- Methodology

2.1. Purpose of the Study

Nkomazi Local Municipality appointed Fumani Ma-Afrika Group to formulate a Local Economic Development (LED) Strategy for the municipality. The strategy is based on identified development needs, opportunities and comparative advantages of the area, providing the Municipality with guidelines to create and facilitate economic development, realize the underlying economic development potential, and encourage private sector investment and job creation.

The strategy should foster the exploitation of strengths and opportunities in order to minimise the weaknesses and threats of the municipality. The strategy should therefore be used as a tool by the municipality to ensure dedicated and effective utilisation of available resources and to promote local economic development in a proactive and dynamic manner.

The purpose of this study is to evaluate the region (on an economic basis) and to identify trends and gaps within the economic base. The identification of opportunities and strategies follow this, in order to assist the municipality in addressing the creation of employment

opportunities, investment and business development and the resultant positive spin-off effects throughout the local economy.

In view of the above, this LED strategy aims to provide the municipality with the following:

- Identifying LED opportunities and programmes
- Developing business concept testing and project Prioritisation matrix
- Developing LED vision, goals and SMART objectives
- Identifying Projects for implementation

The underlying principle is the fact that a gap exists between the existing levels of development and the potential level of development. In order to bridge this gap in the local municipality with this LED strategy, the following aspects will be addressed:

- Legislative, policies and national and provincial LED programmes.
- Economic analysis
- Socio-economic and demographic analysis
- Spatial planning and local economy assessment

2.2. Clarification of LED Roles and Responsibilities

Local Economic Development (LED) is an approach towards economic development, which allows and encourages local people to work together to achieve sustainable economic growth and development, thereby bringing economic benefits and improved quality of life for all residents in a local municipal area.

LED has been recently adopted by local government as one of its Key Performance Area (KPA). While LED is a relatively recent phenomenon in South Africa, it is applied, as a programme, to improve the economic performance of municipal areas. Importance is emphasised on the geography of a certain space economy. Focus is placed on a local space as the best positioned for economic intervention.

Local Economic Development is an ongoing process, rather than a single project or a series of steps to follow. 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 for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents.

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

By its nature LED is a partnership which involves government, the private sector and civil society. It is not a specific action or programme but occurs when a spectrum of stakeholders harness their individual resources and ideas to strive for a better economic status within a locality. Thus all the stakeholders have responsibilities and roles 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 Councillors and Officials, 2001):

National Government:

- Co-ordinate and align support to municipalities for LED through their IDP process
- Provide support to municipalities to implement their developmental mandate
- Provide the overall legislative 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 finances), and
- Monitor the outcomes and impact of municipal-led 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 (Provincial economic trends, land use, investment, new developments) with municipalities, and
- 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 area. They have the following direct responsibilities:
- Plan and co-ordinate LED strategies within the frameworks of IDP
- Establish the LED structure comprising of the District and local municipalities, to foster co-operation and co-ordinate LED policies, strategies and projects within the District
- Identify lead LED sectors that can kick-start development within Districts by undertaking economic research and analysis

- Promote joint marketing, purchasing and production activities
- Promote networking of firms within the District (e.g. tourism routes)
- Collect and disseminate information to assist local municipalities with LED policies
- Identify resource availability (e.g. grants, land, infrastructure, etc.)
- Maintain a strong relationship with the province, and
- Provide the necessary training to municipalities.

Local Municipalities:

- The 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 the necessary infrastructure and services, promoting a positive image of their area, making their environment more appealing and welcoming of 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 development. In view of the above, local municipalities have the following responsibilities:
 - Ensure that social and economic development is prioritised within the municipal Integrated Development Plans (IDPS)
 - Conduct local 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 mobilise the efforts 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 service and infrastructure delivery

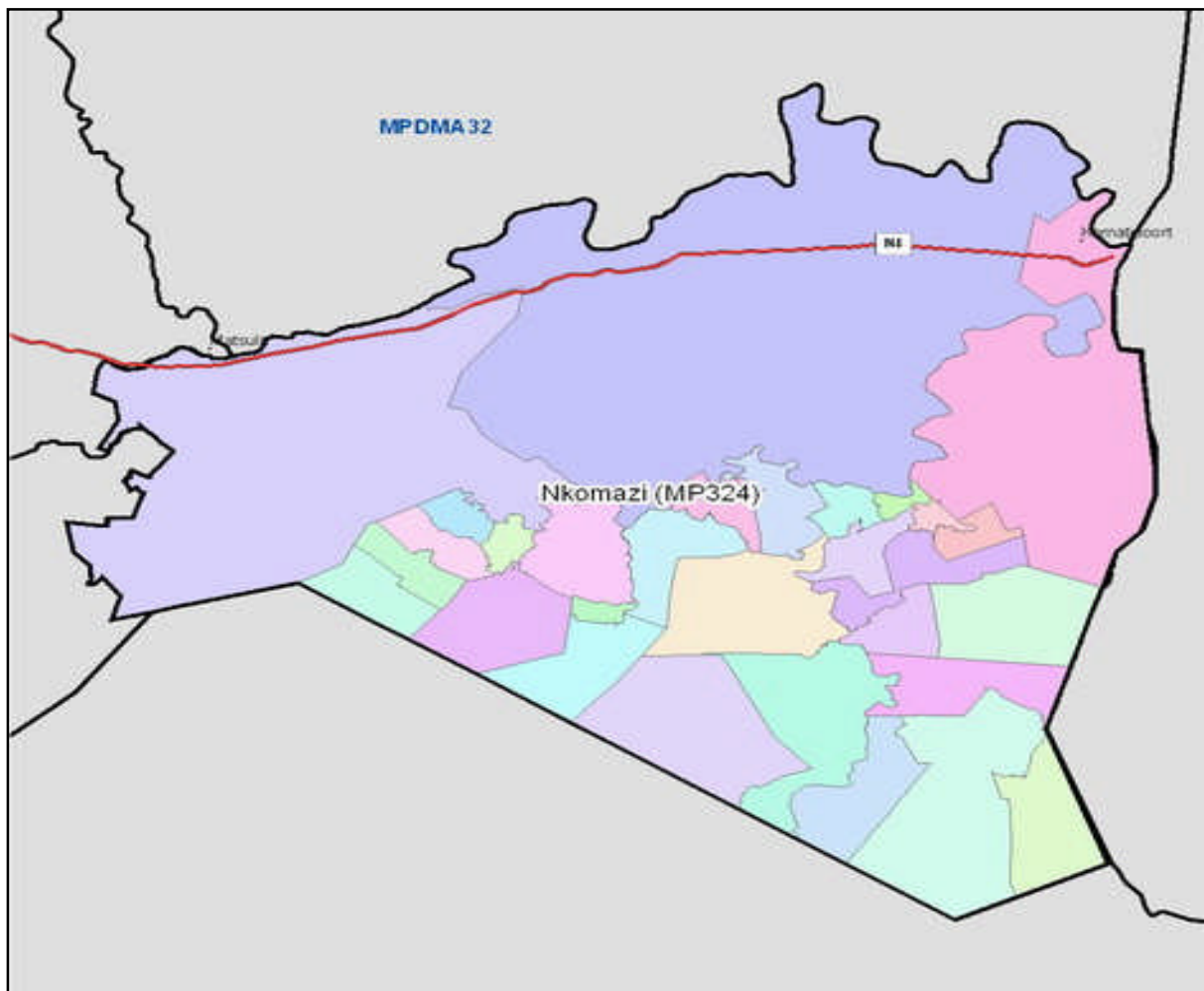
- Improve the quality of life of and facilitate economic opportunities for the local population by addressing infrastructure and service delivery backlogs
- Develop an understanding and communicate the complex local economic relations, limitations and advantages to role players
- Network with key sectors and role players to create partnerships and projects
- Motivate and support individuals, community groups and local authorities to initiate and sustain economic initiatives
- Mobilise civil society to participate in LED and encourage public participation, and
- Establish sector linkages and clustering of economic activity.

Civil Society:

- The new developmental form of local government puts emphasis on civil society involvement in local government activities. For civil society involvement to have the desired effect however, the representatives should have the legibility and respect of the people or organisations 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 leaders who are prepared to commit time and energy to LED. That active engagement of women and young people in the leadership is essential.
- 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 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 adopt a practical development agenda which focuses on realistic and sustainable goals, long-term plans and achieving small visible improvements by getting people involved, and
- The goals must be realistic and address the community's needs. To achieve this, there needs to be constant evaluation and adjustment of the action plan.

2.3. Study Area

The Mpumalanga Province shares a border with Swaziland and Mozambique. The province is most well known for its wildlife – the Kruger National Park falls within the boundaries of Mpumalanga. It consists of 4 District Municipalities and 20 Local Municipalities. One of the local municipalities is Nkomazi. Nkomazi Local Municipality is located in the Ehlanzeni District. This local municipality is approximately 3240 km² and consists of 30 wards. The figure below portrays the map of Nkomazi Local Municipality



Source: Demarcation Board, 2006 Municipal Profiles

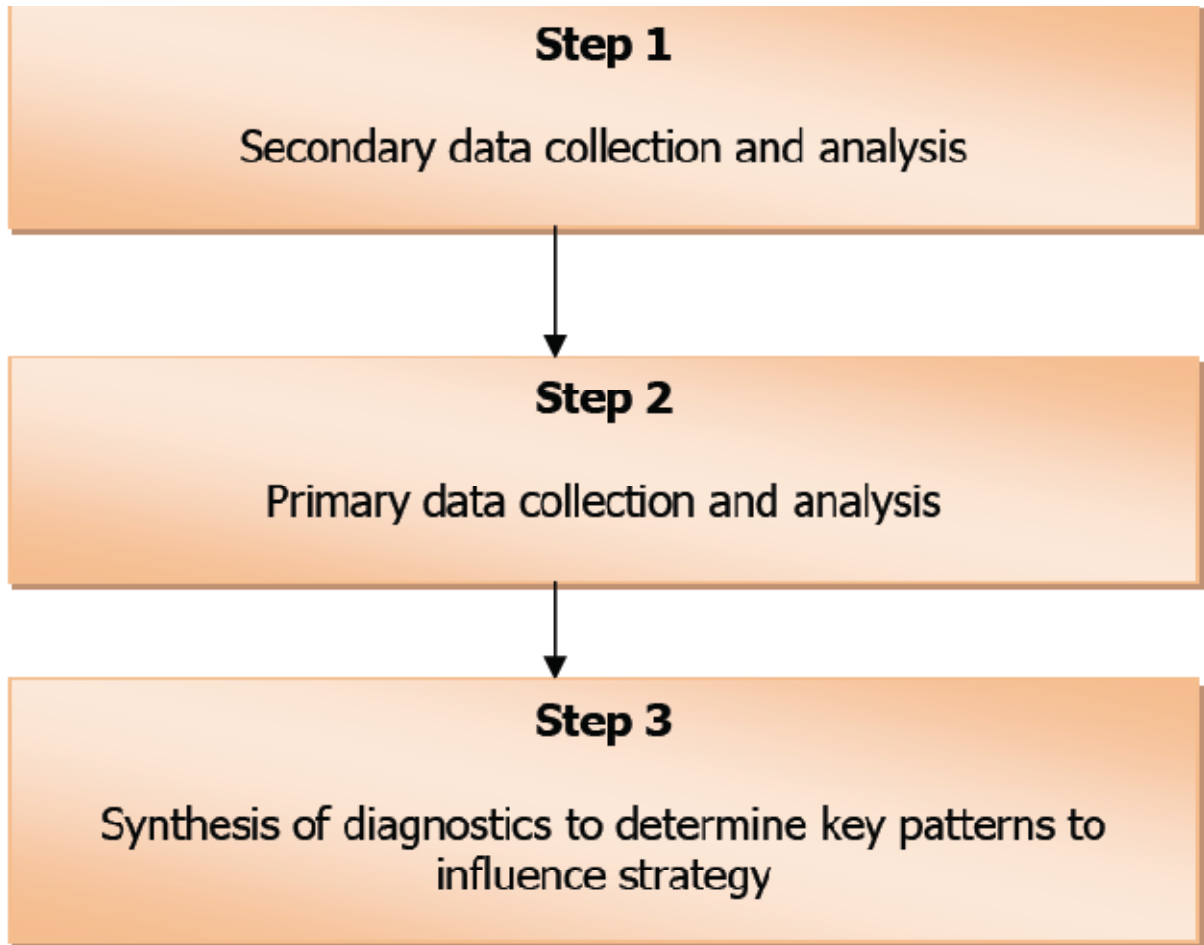
2.4. Methodology

The methodology used for this study is shown with the below Diagram and detailed upon in the following sub-sections.

The World Bank describes the Local Economic Development planning process as a stakeholder driven process which begins with the first step as one focused on organizing the LED effort. **Fumani Ma-Afrika Group** understands this first step as critical given the size and economic nature of Nkomazi Local Municipality. Based on this understanding, **Fumani Ma-Afrika Group** approached this project with a view to engaging the following key LED stakeholders:

- Officials from the Nkomazi Local Municipality
- Officials from Ehlanzeni District Municipality
- Members of the LED Forums from both Nkomazi Local Municipality and Ehlanzeni District Municipality
- Sector departments such as DLGH, DEDP, DALA
- Small and big business within the municipality
- Business chambers
- SEDA, MEGA, Umsobomvu etc

The nature of the project entails that both qualitative and statistical analysis (quantitative) research methodologies be adopted to collect, analyse and interpret data for decision-making. Fumani Ma-Afrika Group utilized both secondary and primary data sources to gather, collate, analyse and interpret information as shown below:



2.5. Structure of the Remainder of the Report

The Remainder of the report is structured as follows:

- **Section 3: Legislative Framework, Policies and Programmes.**

This section provides background on the history and the current policies, which direct Local Economic Development (LED), at the National, Provincial and Local Level.

The section also outlays the current strategies and programmes aimed at creating a conducive environment for economic development and promoting local economic development. This analysis provides critical base information required for economic development planning.

- **Section 4: Demographic, Socio-Economic and Economic Profile.**

This section brings the analysis down to a local level, providing an indication of the socio-economic, demographic and economic conditions in the Municipality.

- **Section 5: Local Economy Assessment and Strategy Framework.**

This section is where most of the public participation occurs. A SWOT analysis, a vision and objectives are formulated on this stage, as well as programmes and projects identified.

- **Section 6: Programme and Project Prioritisation.**

In this section the implementation of programmes and projects are prioritised according to specific criteria.

- **Section 7: Implementation plan sets out the specific steps to be undertaken in order to kick start the programmes and projects.**

- **Section 8: Monitoring and Evaluation Plan which sets out key performance indicators for each programme and it should be evaluated.**

- **Section 9: Conclusion and Recommendations:**

This section provides an executive summary of the document and a synthesis, diagnostics, conclusive findings and recommendations.

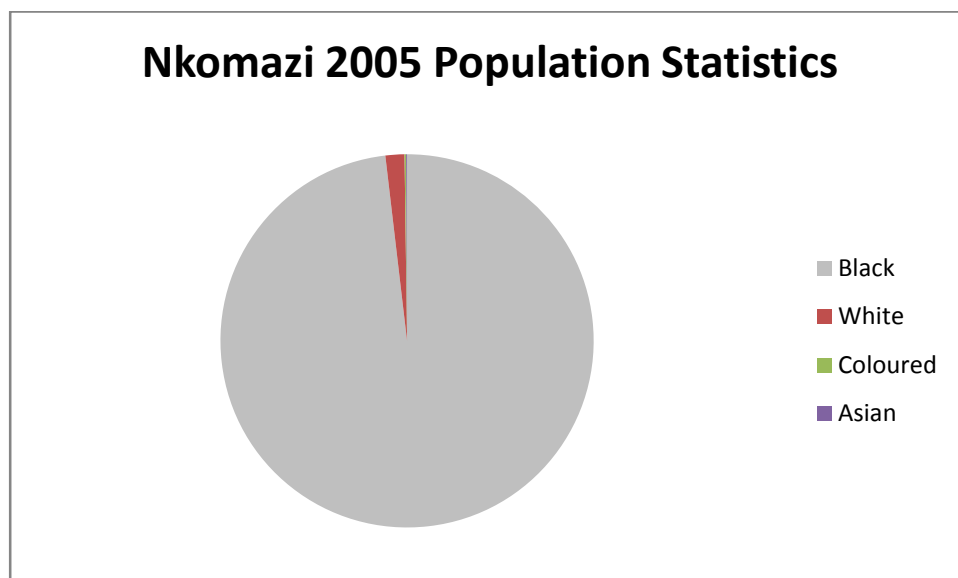
3. PERSPECTIVE (SITUATIONAL) ANALYSIS OF NKOMAZI

4.1 Demographic Analysis

2005 Population Statistics

Region	Population Group				Total
	Black	White	Coloured	Asian	
Mpumalanga	3 375 846	229 069	19 598	12 953	3 637 466
Ehlanzeni	1 495 121	59 336	6 648	3 158	1 564 264
Nkomazi	3 47 836 (98.2%)	5 818 (1.6%)	513 (0.1%)	246 (0.1%)	354 413

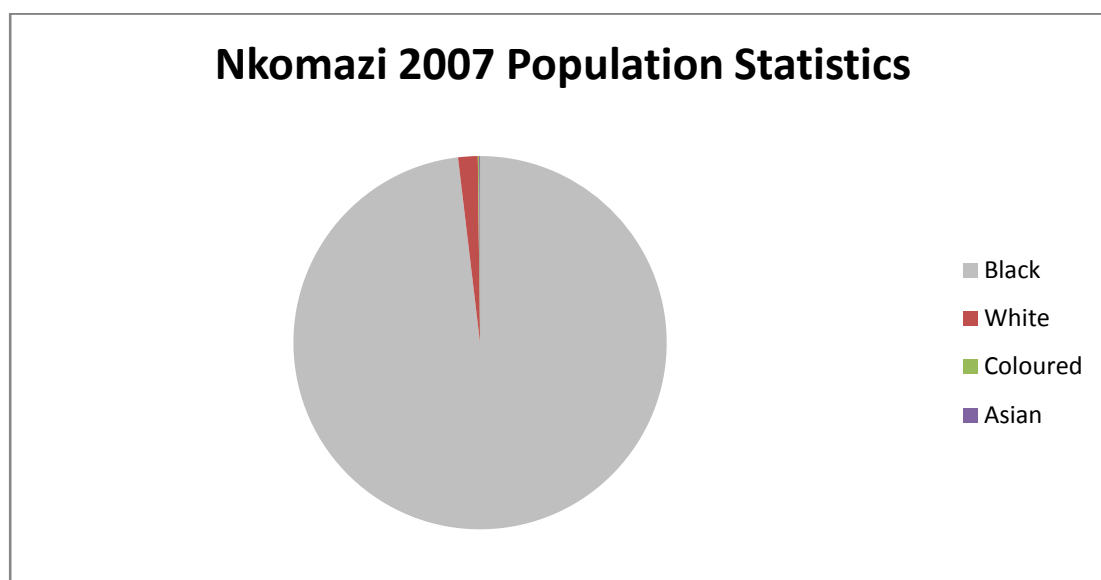
Sources: Own calculations based on Global Insight Data (2007)



2007 Population Statistics

Region	Population Group				Total
	Black	White	Coloured	Asian	
Mpumalanga	3 421 854	222 947	18 361	12 836	3 675 997
Ehlanzeni	1 516 357	59 556	6 227	3 126	1 585 266
Nkomazi	350 395 (98.1%)	6 036 (1.7%)	478 (0.1%)	242 (0.1%)	357 151

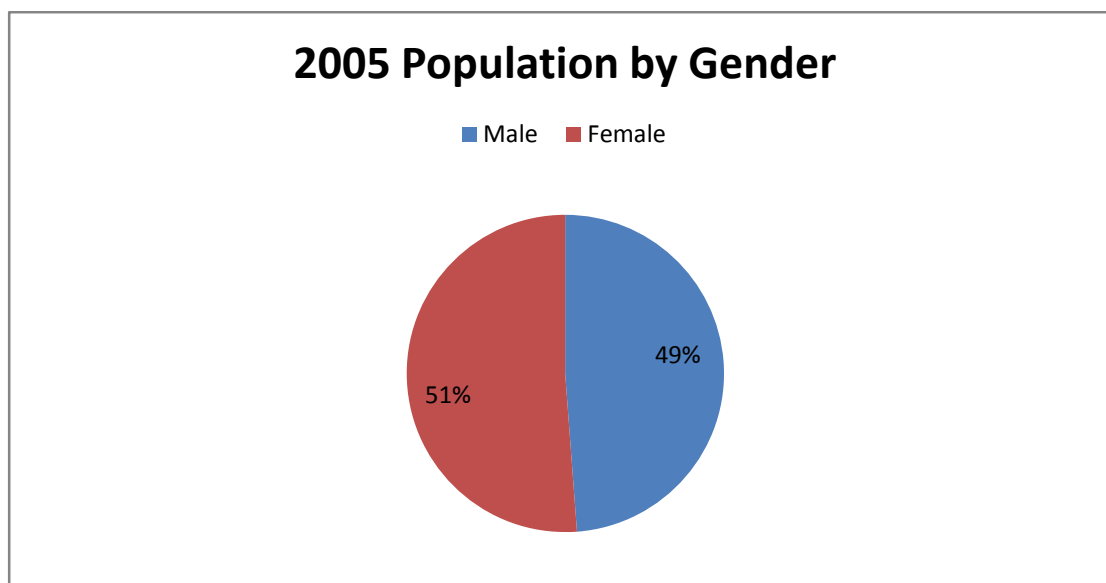
Sources: Own calculations based on Global Insight Data (2007)



2005 Population by Gender

Region	Population Group		Total
	Male	Female	
Mpumalanga	1 670 663	1 705 183	3 375 846
Ehlanzeni	732 661	762 461	1 495 121
Nkomazi	169 800 (48.8%)	178 035 (51.2%)	347 836

Sources: Own calculations based on Global Insight Data (2007)



Population Statistics show the following scenarios:

- The black population group forms the majority of the Nkomazi Population at 347 836 (98.1%)
- By 2007, the black population had increased to 350 395, an increase by 0.7% over 2 years
- As at 2005, the population of Nkomazi stood at 354 413, representing 22.7% of the Ehlanzeni population
- By 2007, the total population of Nkomazi stood at 357 151, representing 22.5% of the Ehlanzeni
- On the other hand, 2005 population statistics show that females make up 51.2% of the Nkomazi population, while males make up 48.8%

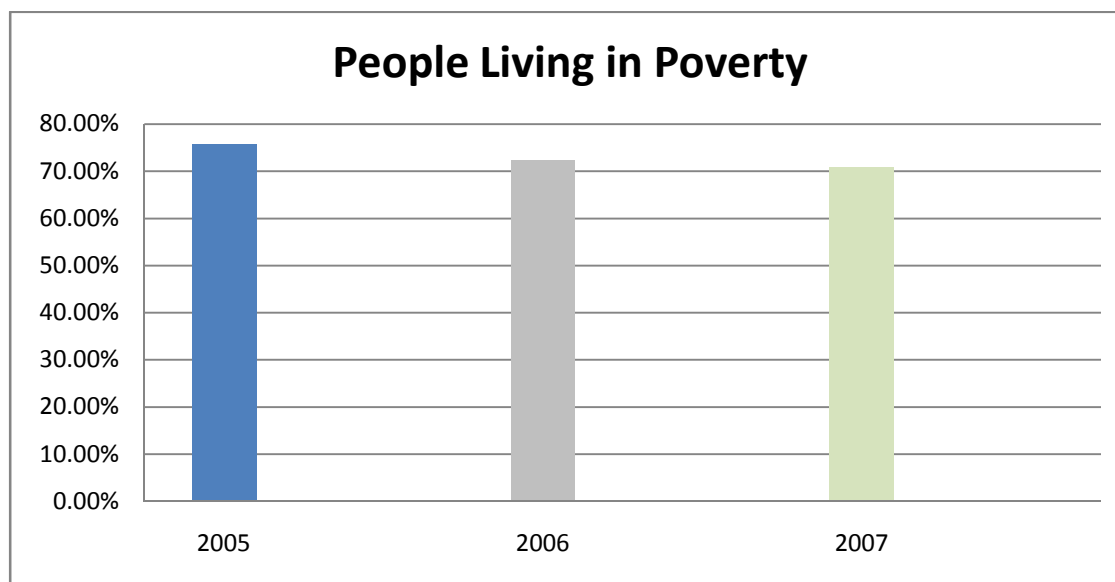
4.2 Socio-Economic Analysis

Poverty Indicators

People living in poverty within Nkomazi (Less than R400/month)

Year	Number of People	% of Total Population
2005	268 378	75.7%
2006	257 551	72.4%
2007	253 209	70.9%

Sources: Own calculations based on Global Insight Data (2007)

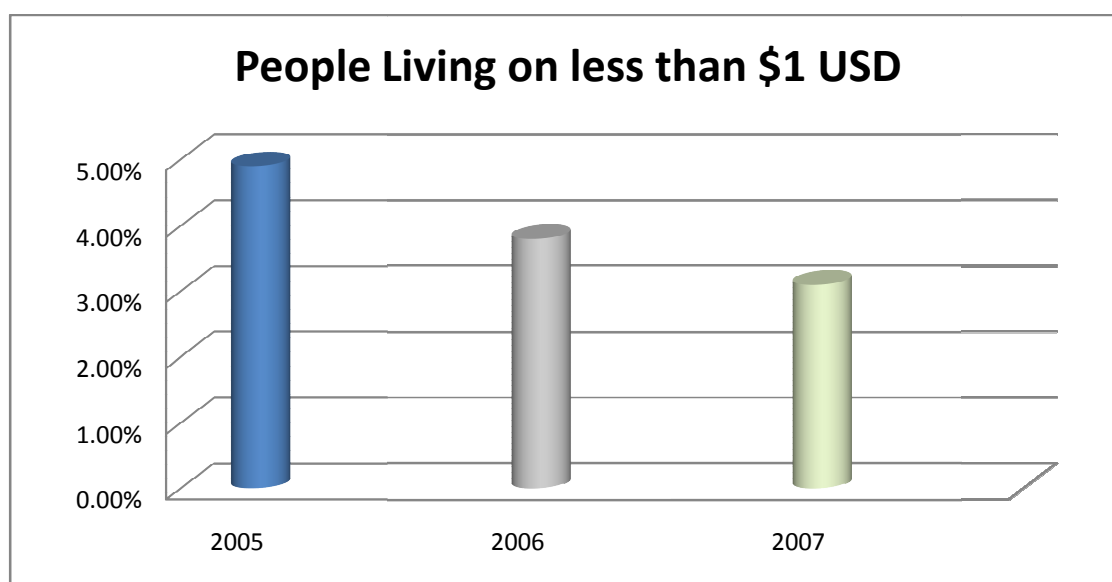


Source: own calculations based on Global Insight Data (2007)

People living on less than 1 Dollar (\$1) Per Day

Year	Number of People	% of Total Population
2005	17 331	4.9%
2006	13 620	3.8%
2007	11 239	3.1%

Sources: Own calculations based on Global Insight Data (2007)



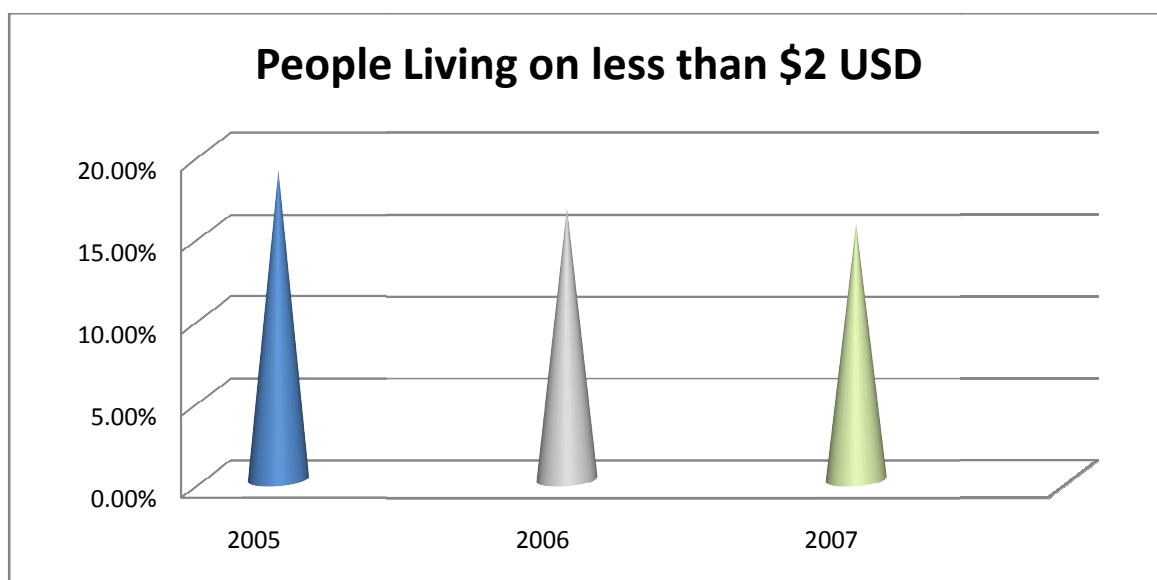
Sources: Own calculations based on Global Insight Data (2007)

People living on less than 2 Dollars (\$2)

Year	Number of People	% of Total Population
2005	66 931	18.9%
2006	59 071	16.6 %
2007	55 627	15.6 %

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Nkomazi Gini- Coefficient (Income or wealth distribution disequilibrium)

Year	Code
2005	0.61
2006	0.61
2007	0.61

Sources: Own calculations based on Global Insight Data (2007)

Poverty

- Statistics show that in 2005, 75.7% of the population of Nkomazi lived in poverty, declined to 72.4% in 2006 and 70.9% in 2007
- Other interesting statistics are reflected on the tables showing people living on less than 1 day and 2 per day
- In terms of the Gini-Coefficient statistics show that between 2005 and 2007, there has been no change in terms of the disequilibrium in wealth and income distribution, which stands at 0.61

Human Development Index

It is a measure of people's ability to live a long and healthy life, to communicate, to participate in the community and to have sufficient means to be able to afford a decent living. HDI less than 0.5 is Low, HDI above 0.8 is High and HDI between 0.5 and 0.8 is Medium.

Year	Code
2005	0.42
2006	0.41
2007	0.41

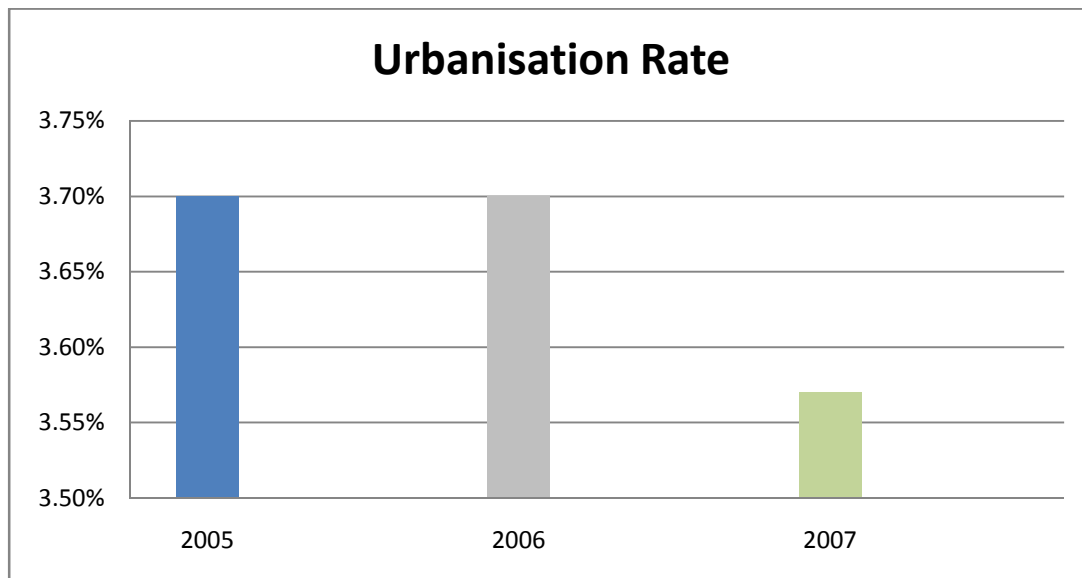
Sources: Own calculations based on Global Insight Data (2007)

- Statistics show that in 2005, HDI stood at 0.42, 0.41 in 2006 and 0.41 in 2007
- All the statistics show a low HDI since they are below the 0.5-0.8 threshold which represents medium HDI

Urbanization Rate (% of people living in Urban areas) within Nkomazi

Year	Rate
2005	3.7%
2006	3.7%
2007	3.57

Sources: Own calculations based on Global Insight Data (2007)



Sources: Own calculations based on Global Insight Data (2007)

Statistics show that the people living in urban areas within Nkomazi are as follows:

- 3.7% in 2005
- 3.7% in 2006
- 3.7% in 2007

There is no change over the period. Statistics also show that Nkomazi is predominantly rural.

Functional literacy within Nkomazi % (Age 20+, complete Grade 7 or Higher)

Year	Rate
2005	45.6%
2006	46.9%
2007	46.8%

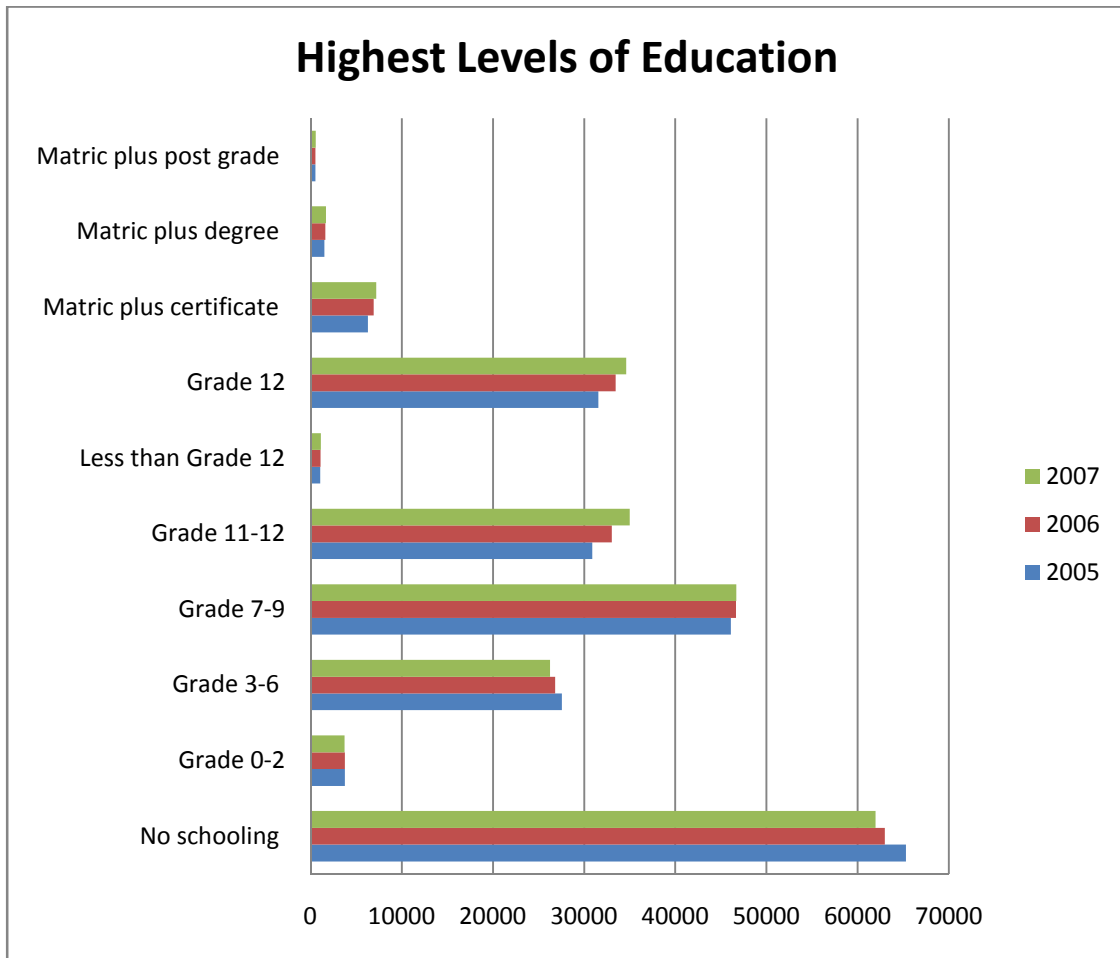
Sources: Own calculations based on Global Insight Data (2007)

- In 2005, functional literacy stood at 4.5%, changed to 46.9% in 2006 and 46.8% in 2007
- Generally, there is an increase in functional literacy, signifying a decline in the illiteracy rate

Levels of Education Highest (age 15+) within Nkomazi

Year	No schooling	Grade 0-2	Grade 3-6	Grade 7-9	Grade 11-12	Less than Grade 12	Grade 12	Matric plus certificate	Matric plus degree	Matric plus post grade
2005	65292	3765	27561	46081	30910	1055	31576	6278	1494	526
2006	62 977	3742	26838	46656	33033	1103	33464	6903	1612	524
2007	61947	3715	26271	46701	34989	1138	34628	7208	1678	547

Source: Own calculations based on Global Insight Data (2007)



Sources: Own calculations based on Global Insight Data (2007)

Statistics show the following interesting scenarios:

- In 2005, 65 292 people living in Nkomazi had no formal schooling (18.4% of total population), changing to 61 947 in 2007, representing 17.3% of the total population
- Within the same period, 31 576 people had Matric (Grade 12) representing 8.9%. this figure changed to 9.7% in 2007

4.3 Economic Profile

Location Quotient of Economic Sectors within Nkomazi and Ehlanzeni (2005-2007)

YEAR /REGION	AGRIC	MINING	MFRG	ELECTICITY	CONSTRUCTION	TRADE	TRANSPORT	FINANCE	COMM. SERVICES
2005									
Ehlanzeni									
Nkomazi	1.67	0.97	0.78	0.23	1.15	1.24	1.24	0.77	1.14
	2.65	0.63	0.62	0.45	1.49	0.89	0.94	0.53	1.84
2006									
Ehlanzeni	1.65	0.99	0.74	0.23	1.17	1.27	1.25	0.76	1.18
Nkomazi	2.67	0.68	0.59	0.44	1.48	0.88	0.93	0.54	1.87
2007									
Ehlanzeni	1.68	1.12	0.70	0.23	1.12	1.26	1.24	0.73	1.19
Nkomazi	2.72	0.65	0.55	0.43	1.54	0.86	0.92	0.53	1.89

Source: Own calculations based on Global Insight Data (2007)

Location Quotient

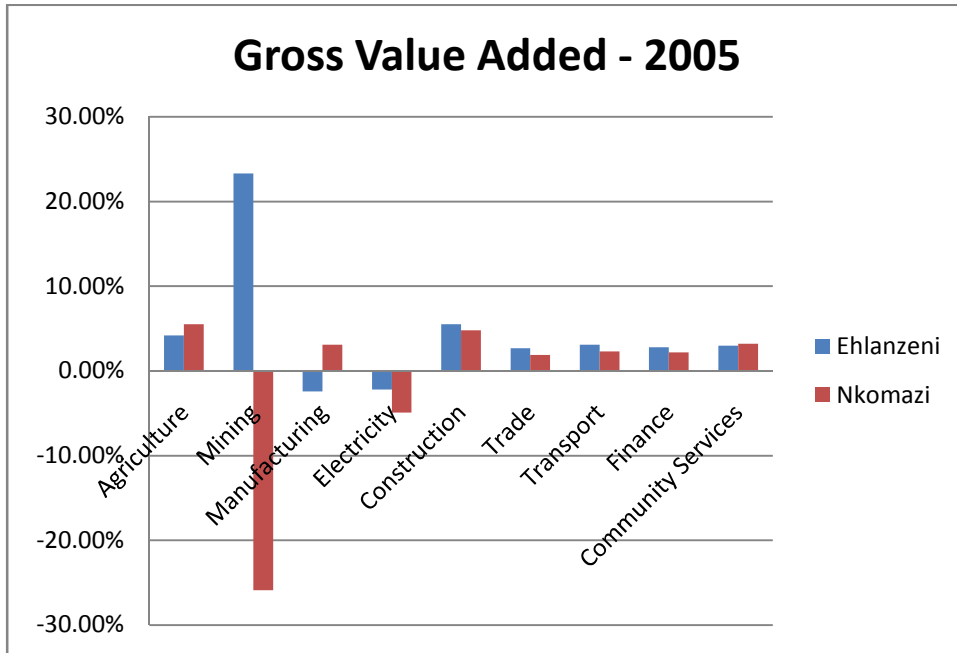
As a measure of the comparative advantages of sectors in different locations (areas), the location quotient statistics reveal the following interesting scenarios

- In 2005, Ehlanzeni had its highest location quotient in agriculture (at 1.67) and Nkomazi had also its highest location quotient in agriculture (at 2.65)
- The same trend continues for both Ehlanzeni and Nkomazi in 2006 and 2007
- Nkomazi has a comparative advantage in agricultural activities, followed by community services (across the three years)

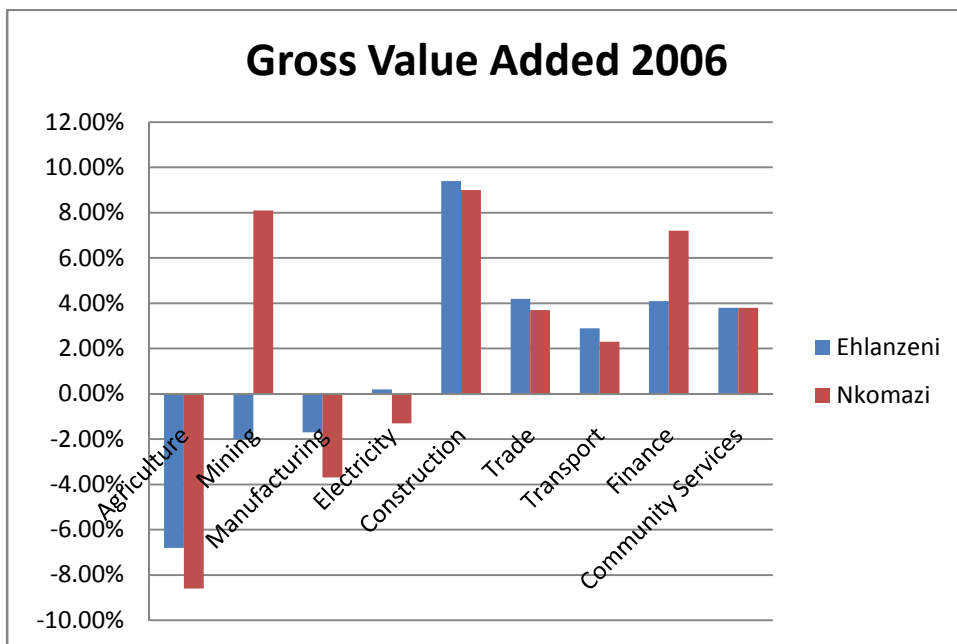
Gross Value Added by Region: Annual Growth: Broad Economic Sectors

Year/Region	BROAD ECONOMIC SECTORS						
	AGRIC	MINING	MANUFRG	ELECTRICITY	CONSTRUCT	TRADE	
2005							
Ehlanzeni	4.2%	23.3%	-2.4%	-2.2%	5.5%	2.7%	3.1%
Nkomazi	5.5%	-25.9%	3.1%	-4.9%	4.8%	1.9%	2.3%
2006							
Ehlanzeni	-6.8%	-2.0%	-1.7%	0.2%	9.4%	4.2%	2.9%
Nkomazi	-8.6%	8.1%	-3.7%	-1.3%	9.0%	3.7%	2.3%
2007							
Ehlanzeni	2.8%	1.3%	-3.4%	-3.1%	13.5%	1.7%	2.1%
Nkomazi	2.6%	-12.0%	-5.1%	-4.7%	12.9%	2.3%	1.7%

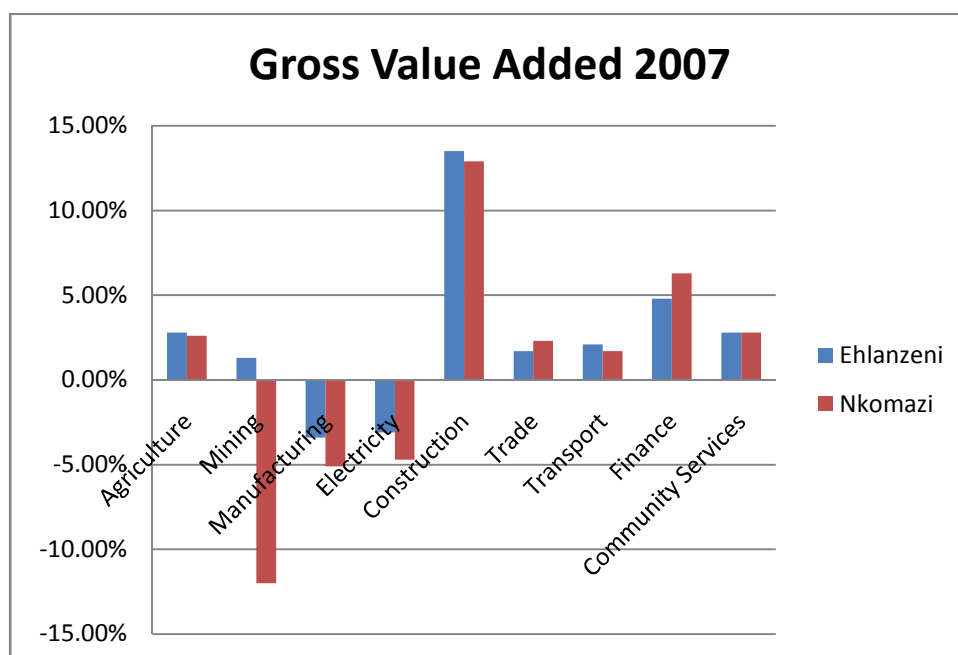
Source: Own calculations based on Global Insight Data (2007)



Sources: Own calculations based on Global Insight Data (2007)



Sources: Own calculations based on Global Insight Data (2007)

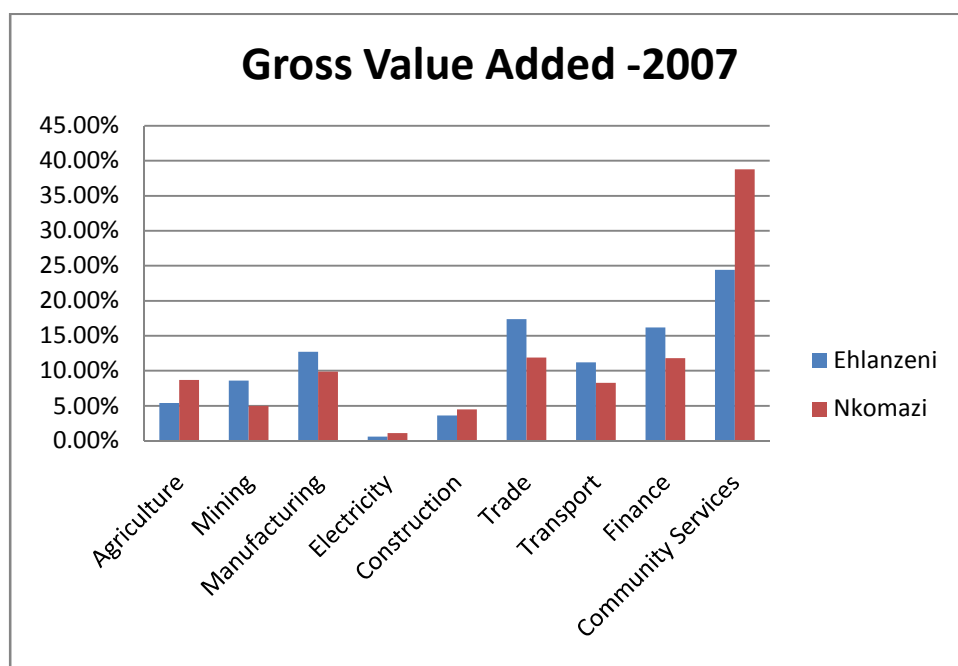


Sources: Own calculations based on Global Insight Data (2007)

Gross Value-Added by Region: Average Annual Growth: Broad Sectors

Statistics show the following scenarios about the growth of sectors within Nkomazi Local Municipality between 2005 and 2007

- In 2005 agriculture grew by 5.5% in Nkomazi, by – 5.5% in 2006 (decrease) and by 2.6% in 2007
- Within the same period, community services grew by 3.2%, 3.8% and 2.8% respectively
- On the other hand, construction grew by 4.8% in 2005, 9.0% in 2006 and 12.9% in 2007
- Construction therefore experienced the highest annual growth levels over the period 2005-2007.



Sources: Own calculations based on Global Insight Data (2007)

Gross Value Added by Region: Broad Economic Sectors: Sector's share of the Region's total

Statistics show the following scenarios about sector contributions to GVA-R:

- In 2005 community services had the highest contribution with 39.0%, decreased to 38.8% in 2007
- Within the same period, agriculture contribution from Nkomazi shows a higher percentage than the district contribution at 7.2% in 2005, 7.4% in 2006 and 8.7% in 2007, compared to 4.5%; 4.6% and 5.4% for the district within the same period
- Other sector also show some interesting features

4.4. ANALYSIS OF KEY FINDINGS.

Unemployment and poverty are a national challenge. Nkomazi Local Municipality is not exclusive to this. Poverty as indicated in the preceding sections are very high in this study area with 70% of the population living in poverty in 2007, compared to the 75.5% in 2004. This slight decrease can be directly attributed to the emigration of the population that are in pursuit for a better life in the more urban areas of neighbouring provinces or the growing informal trade sector, as the other economic sectors have shown a declining trend in terms of labour remuneration.

With depreciating levels of poverty, the Gini co-efficient of Nkomazi remained at 0.61 in the 2004-2007. The Gini-co-efficient is an indicator that measures levels of inequality in a certain space. It can be deduced that there has not been any change in terms of wealth distribution hence the constant inequality.

The urbanisation rate of Nkomazi is only 3.7%, rural economies are often characterised with a high level of unskilled labour. In 2007 17% of the total population in Nkomazi had no formal schooling. Accompanying this is the fact that the human development index which is the measure of people's ability to communicate, live a healthy life and participate in the community, decreased insignificantly from 0.42 in 2004 to 0.41 in 2007.

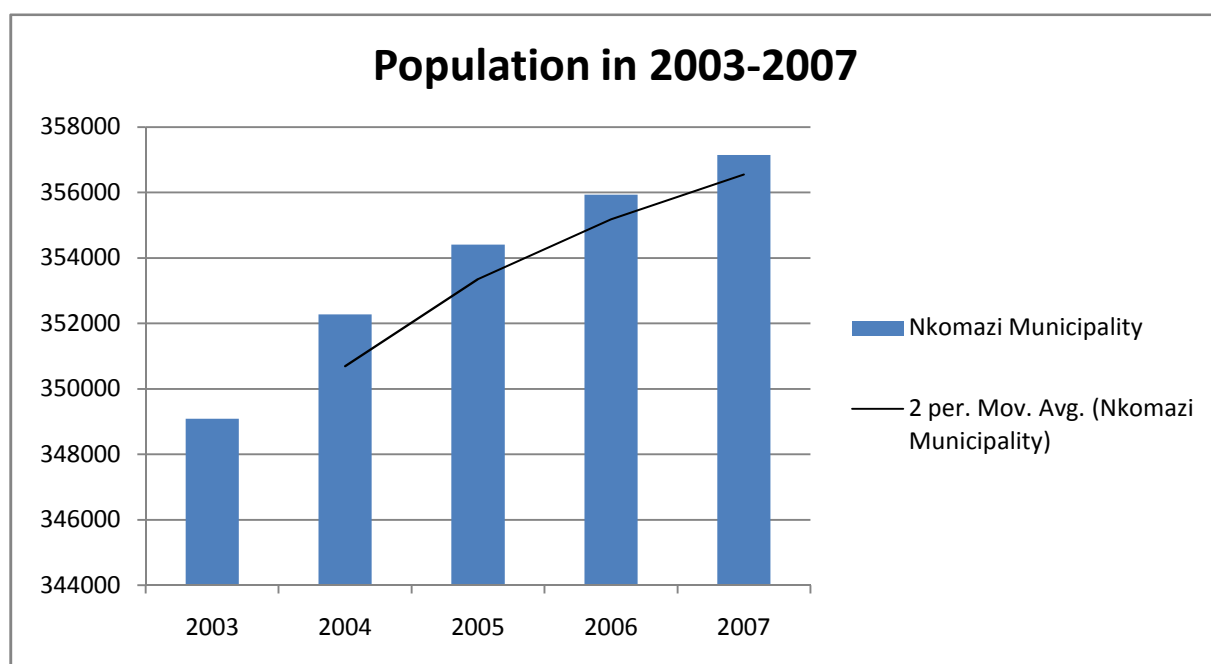
The key economic sectors in Nkomazi are construction and finance contributing 12.9% and 6.3% respectively. These are followed by community services with a GVA of 2.8%. In order to diversify Nkomazi's economy and reduce the heavy dependence on the above sectors it is imperative to promote the development of other sectors with potential. This will as a consequence expand Nkomazi's economic base and offer more employment opportunities. The sectors with potential have been identified as tourism, mining and retail and wholesale sector. Upstream and downstream beneficiation of these sectors is highly recommended as this is where employment and income generating solutions lie.

This section provides an executive summary of the document and a synthesis, diagnostics, conclusive findings and recommendations. This synthesis will be done as follows:

- Demographic
- Socio-economic
- Economic

Demographic Profile

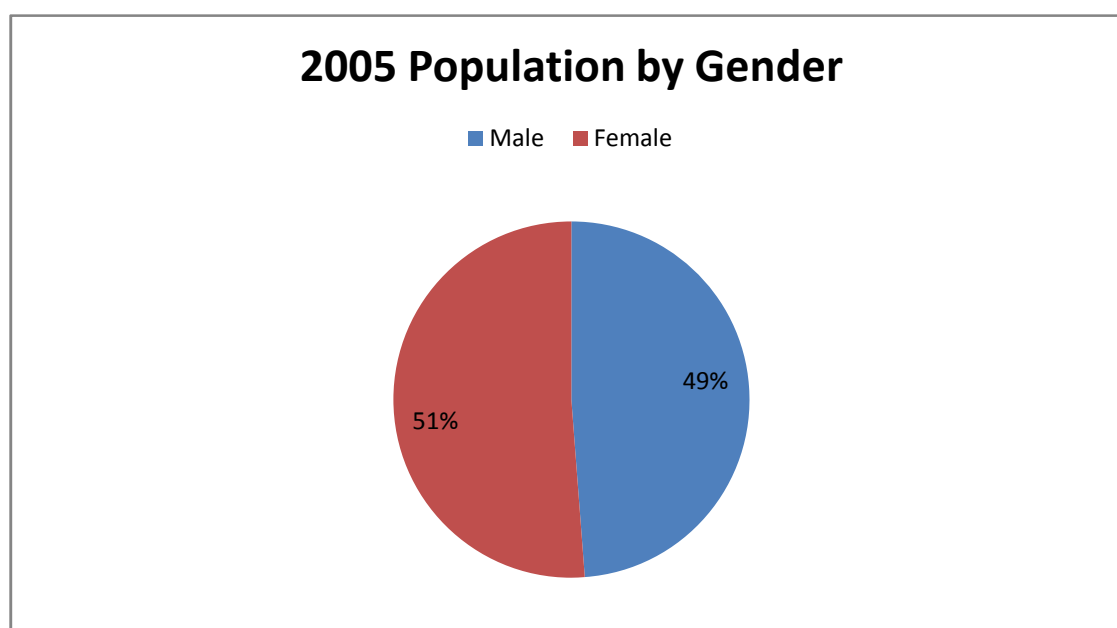
The total population of Nkomazi Local municipality in 2005 was 354413. Since 2003, the population of Nkomazi grew at an average annual growth rate of 0.56% per annum compared to the 1.34% population growth rate in the district, thereby decreasing the share of Nkomazi local municipality in the district population from 22.6% in 2005 to 22.5% in 2007. The relatively lower share could be ascribed to the higher population growth rates of the other municipalities in the district, thereby outpacing Nkomazi’s population growth rate.



Source: Own Calculation based on Global Insight Data (2007)

The above figure depicts the population trend for Nkomazi Local Municipality using the moving average. The moving average is a trend analysis technique that utilizes the change in population based on past numbers in order to indicate what the trend with regards to population has been and speculate on what the future population will be. By looking in the moving average trend line in the figure above, population numbers have been increasing in the period 2003-2007.

The following figure depicts the male to female ratio in Nkomazi:



Sources: Own calculations based on Global Insight Data (2007)

As can be clearly seen in the above sketch, Nkomazi has slightly more females than males, with females constituting 51% of the total population in 2005. This situation could be ascribed to possible out-migration from the area in pursuit for a better life. It also translates directly to programmes focusing on women empowerment. This can be read together with the urbanization rate of Nkomazi shown as follows:

Urbanization Rate (% of people living in Urban areas) within Nkomazi

Year	Rate
2005	3.7%
2006	3.7%
2007	3.57

Source: Own Calculation based on Global Insight Data (2007)

The state of urbanization in Nkomazi is dreadful, with only 3.5% of the population living in urban areas in 2007, compared to the 3.7% in 2005. This translates to approximately 96% of the population living in rural areas, which are planning areas B and C. Planning area B that extends from the northern side of the N4 is mainly characterised by commercial farming and planning area C, the southern part of Nkomazi, mainly characterised with informal settlement patterns and high levels of unemployment

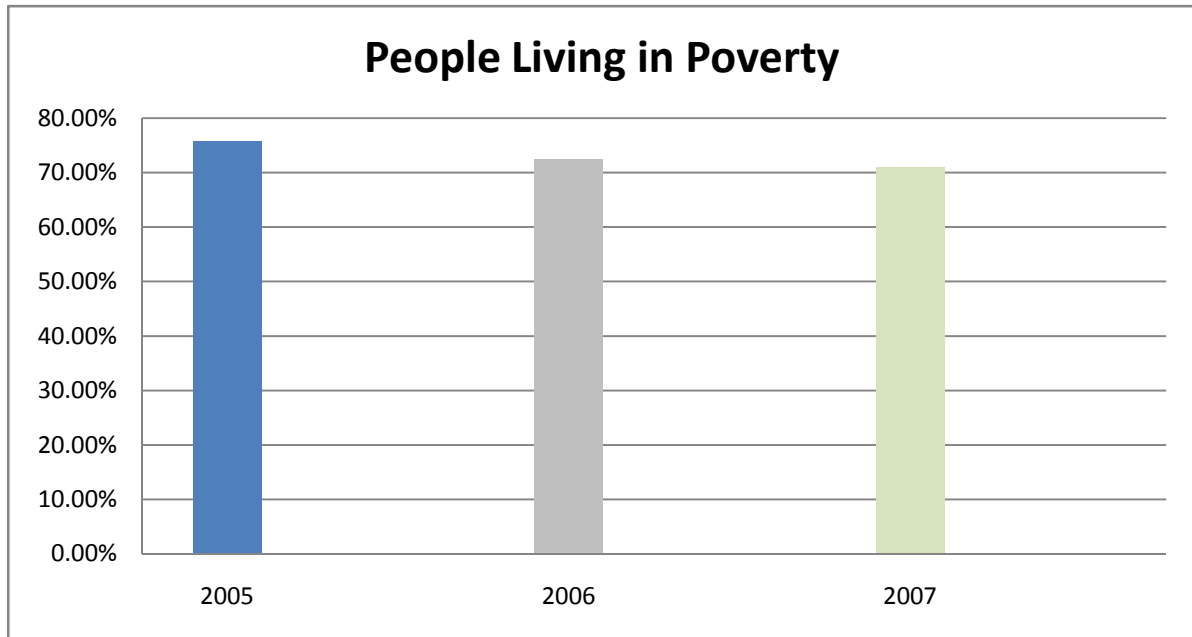
Socio Economic Profile

Measuring the life expectancy, literacy rates and income levels as proxy of quality of living, the Human Development Index (HDI) of Nkomazi was substantially lower than the district HDI in 2007, i.e. 0.41 in Nkomazi compared to 0.5 in the district. In part reflecting this situation, the functional literacy rate in Nkomazi was also lower, with only 46.8% of the 20+ year old population having obtained grade 7 or higher, compared to 59% in the district.

The lower Gini coefficient of 0.61 for the municipality indicates a less equal distribution of income than is the case district wise with a Gini coefficient of 0.65 in 2006. The income inequality in Nkomazi remained constant in the period 2005-2007.

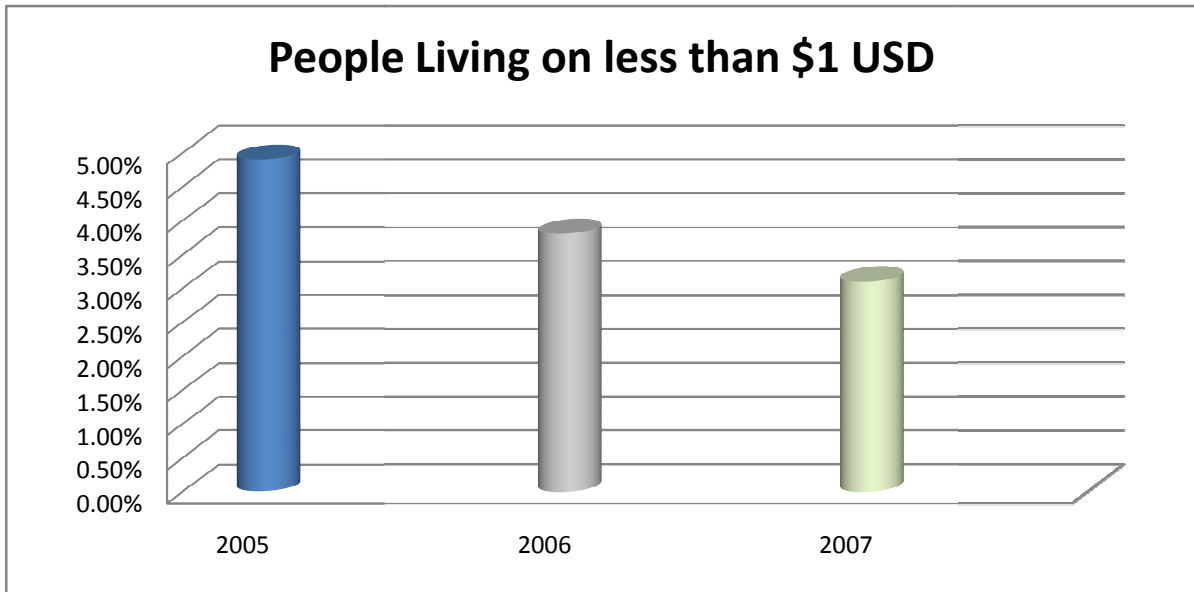
In 2006, a staggering 70.9% of the Nkomazi lived under the national poverty line \$1 poverty line compared to 55.6% in the district. As indicated in the table below, the poverty rate in Nkomazi decreased since 2005.

People living in poverty within Nkomazi



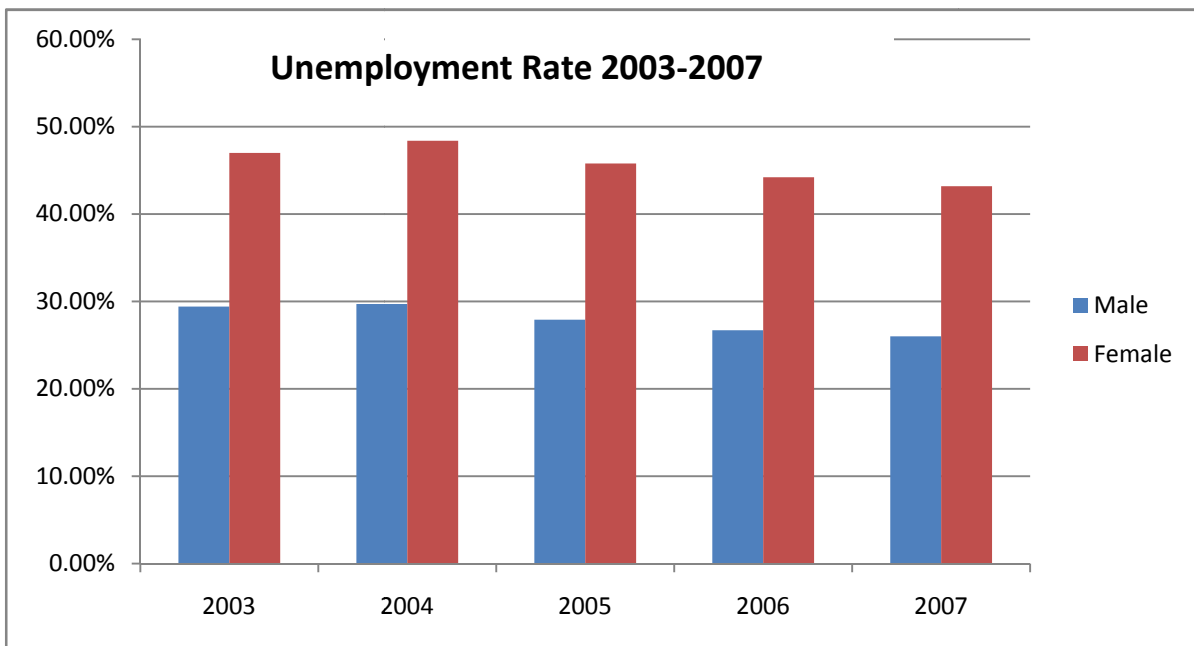
Source: Own Calculation based on Global Insight Data (2007)

In terms of numbers, 253209 people lived under the poverty line, contributing 28% towards total number of poor in the district in 2007 compared to 30% in 2005. The graph below shows this decreasing trend.



Sources: Own calculations based on Global Insight Data (2007)

In the final recommendations of the international panel of experts appointed by the National Treasury to help identify the binding constraints to shared growth, propose policies to overcome them and monitor developments, it was analysed that unemployment is at the heart of poverty thus the fight against poverty should begin with unemployment. The following table depicts the unemployment rate in Nkomazi.



Source: Own calculations based on Global Insight Data

The figure above depicts the unemployment rate by gender in the 2003-2007 period. As can be clearly seen in the above figure, unemployment rate has been on a downward trend. In 2003 the unemployment rate of males stood at an estimated 29% and 47% for the females, collectively contributing 37% to the total unemployment rate of Nkomazi. In 2007 the total unemployment rate of Nkomazi was approximately 34% which can be attributed to the 26% and 43% of males and females respectively. This decreasing trend in unemployment could be attributed to the following:

- growth of the informal sector in the trade sector
- the possible outmigration which was depicted in the population ratio in the preceding sections
- as well as programmes favourable to females (women empowerment)

It can thus be deduced that 34% of the 71% poverty rate can be attributed to unemployment. Thus by putting in place strategies that will fight unemployment Nkomazi would have halved the fight against poverty, thereby coinciding with the national targets of halving poverty by 2014. Implication brought by this deduction is that the unemployed population is an untapped resource in the fight against poverty, thus this should be the basis of Nkomazi's poverty strategy thereby promoting self employment and small business development.

Economic Profile

From 2003-2007 the Nkomazi economy grew at faster pace than the district economy at an average annual growth rate of 8.9% per annum compared to 2.9% for the district economy. This resulted in the Nkomazi economy decreasing its share in regional output from 8.3% (R1, 002,014) in 2003 to 6.4% (R2, 268,521) in 2007. The decreasing share to regional output can be attributed to the fact that local economic growth was outpaced regionally.

The sectoral composition of the Nkomazi economy for 2003 and 2007 is illustrated in the table below.

GVA Sector Performance 2003 – 2007					
Sector	2003	2004	2005	2006	2007
Agriculture	19.7%	20.0%	21.1%	19.3%	19.8%
Mining	23.7%	25.3%	18.7%	17.2%	15.1%
Manufacturing	20.7%	21.0%	20.3%	19.5%	18.5%
Electricity	21.4%	20.8%	19.8%	19.5%	18.6%
Construction	17.5%	18.4%	19.3%	21.0%	23.7%
Trade	19.0%	19.5%	19.9%	20.6%	21.1%
Transport & communication	19.2%	19.6%	20.0%	20.5%	20.8%
Finance & business	18.0%	19.2%	19.6%	21.0%	22.3%
community services	18.9%	19.3%	19.9%	20.7%	21.3%

Source: Own Calculations based on Global Insight Data 2007

As illustrated by the table, the construction sector made the largest contribution toward output at 23.7%, followed by finance and business (22.3%) and community services (21.3%). The sectors that increased its shares significantly since 2003 include construction, finance and business growing at average annual growth rates of 6.7%, and 4.8% respectively. The sectors that experienced the lowest growth rates for the period include manufacturing, mining and electricity growing at 2.2%, 2.7% and -3% respectively.

The high growth rates of the finance and business sector could be ascribed to the high growth in its real estate and other business activities sub- sectors, while the growth in the community services could be ascribed to the public administration, education, health and social work sub-sectors.

The growth in the Nkomazi economy resulted in the highest increase in formal employment in the agricultural sector with a labour remuneration of 11% and 10% in community services. The table below depicts this employment trend.

Labour remuneration per sector 2005									
REGION	AGRIC	MINING	MFRG	ELECTICITY	CONSTRUCTI ON	TRADE	TRANSPORT	FINANCE	COMM. SERVICES
Ehlanzeni	417293	910701	1161676	86524	431368	2343578	1419703	2183331	5587357
Nkomazi	46663	49800	74513	5027	31542	109580	72076	72089	595629
% of Nkomazi	11,18%	5,47%	6,41%	5,81%	7,31%	4,68%	5,08%	3,30%	10,66%
Labour remuneration per sector 2007									
Ehlanzeni	480114	1187332	1155519	102159	609543	2943375	1647160	2526815	6845112
Nkomazi	54383	60500	72938	5983	44137	137458	82617	84749	728185
% of Nkomazi	11,33%	5,10%	6,31%	5,86%	7, 24%	4,67%	5,02%	3,35%	10,64%

Source: Own Calculations based on Global Insight Data (2007)

It can clearly be seen that the sectors with the highest economic growth in the 2003-2007 period are also one of the highest contributors to labor remuneration, with construction and community services contributing 11% and 10% to the district's labour remuneration. Although mining, manufacturing and electricity are the slowest growing sectors in Nkomazi they contribute significantly to formal employment with labor remuneration totalling 5%, 6% and 6% respectively. It can thus be deduced that there is a direct link between economic growth and employment, thus by targeting sectors which Nkomazi has comparative advantage formal employment can be increased. However this should not limit job creation only to the sectors with comparative advantage as there are sectors of potential for economic growth i.e. manufacturing which is embedded in the agro-processing and other value addition mechanisms.

The approach followed in this section, to identify the local level comparative advantages, is conducted through Location Quotient. Thus the point of departure for this section relates to the provision of a theoretical foundation of the classification system utilized. The core considerations of the system are discussed in this section. Location quotients are not

particularly complex – as it is a measurement of the levels of concentration in the region. Industry groups that dominate in the area will have higher LQ and ones that are relatively scarce will have lower LQ. The following is a broad outline of the categorization associated with LQ’s:

Location Quotient Categories

Location Quotient		
< 0.75	Low	Local needs are not being met by the resident sector. The region is importing goods and services in this sector.
0.75 to 1.24	Medium	Most local needs are being met by the resident sector. The region will be both importing and exporting goods and services in this sector.
1.24 to 5.00	High	The sector is serving needs beyond the sector, exporting goods and services in this sector.
> 5.00	Very High	This is indicative of a very high level of local dependence on the sector, typically in a “single-industry” community.

The preceding classification and the associated definitions provide a clear indication of the specific activities to be performed on the various individual sectors in the local areas. It is therefore critical to ensure that the economic development initiatives and activities being undertaken at a local level are informed by the selection (and therefore targeting) of the individual sectors. The following section presents the results of the investigations relating to the local level comparative advantages from a sectoral perspective. The table below indicates the comparative advantages of Nkomazi.

The aim of this section is to identify and discuss the local level implications associated with the comparative advantages. In this context, it is vitally important that this section informs the strategic framework.

Location Quotient of Economic Sectors within Nkomazi and Ehlanzeni (2005-2007)										
YEAR /REGION	AGRIC	MINING	MFRG	ELECTICITY	CONSTRUCTION	TRADE	TRANSPORT	FINANCE	SERVICES	COMM.
2005										
Ehlanzeni	1.67	0.97	0.78	0.23	1.15	1.24	1.24	0.77	1.14	
Nkomazi	2.65	0.63	0.62	0.45	1.49	0.89	0.94	0.53	1.84	
2006										
Ehlanzeni	1.65	0.99	0.74	0.23	1.17	1.27	1.25	0.76	1.18	
Nkomazi	2.67	0.68	0.59	0.44	1.48	0.88	0.93	0.54	1.87	
2007										
Ehlanzeni	1.68	1.12	0.7	0.23	1.12	1.26	1.24	0.73	1.19	
Nkomazi	2.72	0.65	0.55	0.43	1.54	0.86	0.92	0.53	1.89	

Source: Own Calculations based on Global Insight Data (2007)

The comparative advantage for Nkomazi lies in the following economic sectors:

- Agriculture and Forestry
- Construction
- Community Services

With reference to the remainder of the sectors with a location quotient of less than one, local needs are not being met by the resident sector. The region is importing goods and services in this sector. This does not however mean that these sectors should be neglected during interventions. It is clear that the external environment is having a significant influence on the local sectors' comparativeness. Actually these are the sectors of potential as intervention can promote that the goods being imported for production be sourced

locally thereby creating upstream beneficiation and creating more employment and business opportunities.

It is secondly necessary for the various interventions to be of such nature that the underlying characteristics of the local business environment are improved. In the light of the preceding identification of the individual sectors to target on, the Nkomazi economic development interventions should therefore be aligned with this specific target.

Although the following sectors do not depict Nkomazi's comparative advantage they are potential economic development sectors:

- Manufacturing
- Trade
- Mining
- Transport

4. LOCAL ECONOMY ASSESSMENT AND STRATEGY FRAMEWORK

Local economy assessment was performed using the following approaches and methods:

- SWOT analysis of economic sectors during the 2006 LED summit
- SWOT analysis performed during the IDP processes
- Interviews conducted with selected organizations
- Workshop held in Ka-Mhlushwa to analyse the Perspective Report and development of the Strategy Framework

5.1 SWOT Analysis of Nkomazi Local Municipality

Strengths

Key strengths of Nkomazi Local Municipality that underpin economic development include the following:

- Successful skills training programmes, especially on Local Economic Development
- Improved administration and relations between the municipality and traditional authorities
- Ability and capacity to provide communities with basic services
- Managerial positions filled with qualified and skills personnel
- Improved institutional capacity to operate as a municipality
- Improved revenue collection and base

Weakness

- Location of LED under Community Services despite the fact that it is a Key Performance Area (KPA)
- Inadequate staff in LED to execute the broad range of LED issues
- Huge backlog in basic service delivery
- General lack of baseline data about community needs
- General lack of funds to address community and development needs
- Poor communication between the municipality and communities
- Poor capacitating of ward committees and traditional leadership on issues of economic development and planning
- Inadequate office space

Opportunities

- Geographic location of the municipality in respect of the Maputo Development Corridor
- Proximity to sea via Maputo and the Swaziland market
- Potential for economic growth through the exploitation of the high agricultural potential of the area
- Potential for economic growth through the exploitation of the potential in tourism and mining
- Exploitation of potential within other sectors through improved cooperation between the municipal council, traditional leaders and other community structures

Threats

- Spiralling unemployment due to declining sector performance
- High poverty levels and wealth gaps between the rich and the poor
- Rural sprawls that are unplanned and uncontrolled
- Huge and uncontrollable influx of foreigners from neighbouring countries such as Swaziland, Mozambique and Zimbabwe
- High HIV/AIDS impact, especially on the working population

5.2 Economic opportunities and constraints identified within Nkomazi by Sector

5.2.1 Economic opportunities

Agriculture

- Sugar cane production and molasses
- Poultry farming
- Biodiesel production
- Game farming
 - Mawewe
 - Mahushe
 - Private Game
- Ultra boards Production

Mining

- Coal mining at Mangweni
- Salt mining
- Explore coal, goal and platinum mining

Tourism, Arts and Culture

- Eco-tourism
- Accommodation facilities
- Art and craft manufacturing
- Eco-walks along the mountains
- Beneficiation from Kruger National Part
- Tour operations

Other opportunities

- Development of shopping malls
- Tonga Centre

- Junction of Mbuzini road, Mbangwane road, road to Tonga and the road to Steenbok

SMME Development

- Salt production and quarrying
- Retail and wholesaling
- Transportation of goods and people (explore new routes)
- Bar gas and coal waste
- Agro-processing
- Cultural activities
 - Skills and entrepreneurship development
 - Infrastructure development in preparation for the 2010 world cup
 - Emergency, safety and security.

5.2.2 Constraints to Economic Development within Nkomazi

Agriculture

- Uncoordinated approach to farmer development and support by the district, local municipality and sector support departments
- Unresolved land claims and land ownership wrangling
- Lack of entrepreneurial, farming and marketing skills, especially among resettled farmers (to include mentorship)
- Lack of capital funding for machinery and stock
- Unwillingness by the youth to engage in agricultural activities
- Inadequate spatial framework for the municipality

Mining

- Unresolved land claims and land ownership wrangling
- Lack of capital funding for equipment
- Lack of entrepreneurial and mining knowledge, especially among the previously disadvantaged
- Inadequate spatial framework for the municipality

Other constraints and challenges

- Poor relations between small-emerging and established businesses
- Lack of information on government programmes that promote and support economic development
- Lack of initiative and good attitude towards economic development among community members
- Lack or absence of incubation houses and business parks for nurturing and growing small businesses
- High crime levels and security concerns among visitors, residents and businesses

5.3 Nkomazi LED Vision and Goals

The Nkomazi Local Municipality LED vision is based on the following critical challenges to be addressed by the municipality and its key partners:

- Economic growth and development
- Employment creation (jobs)
- Poverty eradication (alleviation) and equitable distribution of wealth
- Sustainable utilization of resources

After a series of interactions on the challenges and the possible solutions to the challenges, the following vision was formulated:

LED Vision
Quality life for all through sustainable economic development

Explaining the vision

The vision statement is premised on two key elements, namely:

- Quality life for all
- Sustainable economic development

Quality life for all

This vision element draws Nkomazi Local Municipality to focus on addressing the following critical challenges:

- Creation of employment opportunities and quality jobs
- Poverty eradication through sustainable means and reduce over-dependency on government grants

- Bridging the wealth gap or wealth inequality

Sustainable economic development

Sustainable economic development as a vision element focuses the municipality on the following key challenges

- Identifying and growing (promoting growth of) economic sectors that contribute to growth of municipal GDP
- Identifying, targeting and supporting growth of economic sectors that will promote quality job creation and subsequently poverty reduction
- Developing and implementing programmes and projects that will assist growth of the economy of the municipality
- Maintaining or sustaining an ecologically balanced environment through proper spatial planning, land-use management and environmental impact assessments

Flowing from the LED vision, the following mission statement and goals will be pursued to attain the municipal LED vision:

LED Mission statement, Goals Objectives

Mission

To create and sustain economic growth and development that addresses the challenges of joblessness, poverty and wealth inequality; in an environmentally sustainable manner.

From the mission statement, the following LED goals were identified:

- Create and sustain growth of economic sectors that will contribute to development within Nkomazi Local Municipality
- Identify and promote growth of economic sectors that will create quality jobs and reduce poverty
- Identify and implement community programmes and projects that will create self-sustenance within communities
- Promote and sustain the growth and development of sectors that promote environmental sustainability
- Develop the requisite skills for economic development within the municipality and its stakeholder communities
- Identify and develop appropriate infrastructure supportive of economic development within the municipality

LED SMART Objectives

From the LED vision, mission statement and goals, the following LED SMART objectives were derived:

- To promote and sustain a 2%-4% annual growth of the key economic sectors of the municipality in line with the revised ASGISA targets
- To promote a 3%-6% annual growth of the SMME sector within the municipality through jointly targeted support programmes
- To half unemployment within the municipality by 2014 through economic sector development, SMME development and various community investment programming initiatives
- To identify and develop appropriate skills required within targeted sectors for economic growth and development
- To identify and develop appropriate infrastructure needed to support or enable economic development within the municipality within the next 3-5 years

Programmes or Pillars for Economic Development

Emanating from the municipality's LED vision, mission, goals and SMART objectives; the following were identified as the key pillars for economic development within Nkomazi Local Municipality:

- Targeted Economic Sector Development
- SMME Development
- Targeted Infrastructure Development
- Skills Development

The four (4) pillars are the generic building blocks for economic development and competitiveness within Nkomazi Local Municipality.

The programmes and projects to be implemented by Nkomazi Local Municipality are based on these pillars or generic building blocks.

5.4 LED Programmes and Projects for Implementation

LED Programmes

Economic Sector Support

- Research to determine economic sectoral performance, skills and challenges
- Identification of economic bottlenecks within various sectors
- Development of investment incentives for sectoral growth and development
- Capacity building, mentoring and incubation

SMME Development and Support

- Identifying skills challenges within the SMME sector
- Capacity building of SMMEs on:
 - ❖ Entrepreneurship
 - ❖ Small Business Management
- SMME net working and market development

Investment Planning and Promotion

- Development of project concept papers and project prioritization
- Conducting feasibility studies on prioritized projects
- Developing business plans (cases) for investment promotion
- Conducting (holding) LED Investment Promotion Summit, jointly with the District
- Packaging of investment opportunities identified in video form

Infrastructure Development Programmes

- Identify infrastructure backlogs that impede on economic development around sectors
- Joint development of the infrastructure with the district, provincial departments and private partner

LED Projects

The following projects have been identified for implementation by the municipality and the different stakeholder partners; within the next 3-5 years.

Shopping Malls

- Tonga Centre
- Mbuzini road and Mangweni road junction

Agriculture

- Sugar Cane Production
- Biodiesel production
- Game farming
 - Mawewe
 - Mahushe
- Production of ultra boards
- Agro-processing

Mining

- Coal mining at Mangweni
- Salt mining

Tourism, Arts and Culture

- Kruger Junction Information Centre
- Eco-tourism
- Accommodation facilities for 2010
 - Hotel in Mbuzini
 - Bed and Breakfast (Lodges)
- Art and Craft manufacturing Centre
- Tour operations development

Infrastructure Development

- Road construction in line with IDP
- Water supply in line IDP
- Provision of electricity in line with IDP
- Waste water management in line with IDP and SDF

Institution Arrangements

- Establish fully-fledged LED department called Economic Development and Planning
- Establish Portfolio Committee responsible for Economic Development and Planning
- Establish a fully functioning LEDF (Local Economic Development Forum) through assistance of Provincial Department of Local Government

6. PROGRAMME AND PROJECT PRIORITIZATION MATRIX

Opportunities for economic development in Nkomazi were identified through consultation and desktop studies. These opportunities are further categorised into strategic goals and objectives and pillar and opportunities/programmes. Thereafter the identified programmes are supplemented or augmented by different projects that will bring realisation of the derived goals and objectives. This was done consultations with government role-players, LED partners, LED summit and workshop. During the workshop the identified projects were prioritised. As the economic base of Nkomazi is not limited to the projects identified at the workshop, additions to the programmes and projects were made in order to ensure the optimal exploitation of opportunities and strength and the curbing of challenges and threats of the economy of Nkomazi Municipality, thereby ensuring a creative and unique solution that will ensure the required impact.

6.1 ALIGNMENT OF PILLARS (PROGRAMMES) TO GOAL AND OBJECTIVES

This section will provide an overall prioritisation framework which will include the goals, objective, programmes/opportunities and projects, and the relation to each other. Thus an integrated approach is necessary to ensure optimal rate of implementation and economic development within the Nkomazi local municipality. Thus to be strategic it will be required that the interactions between goals, objectives, programmes and projects are established. This integrated approach for the development of the Nkomazi local municipality is shown in the table below.

Goals	Objectives	Pillar
Create and sustain growth of economic sectors that will contribute to development within Nkomazi Local Municipality	To promote and sustain a 2%-4% annual growth of the key economic sectors of the municipality in line with the ASGISA targets	<ul style="list-style-type: none"> • Economic Sector Development • SMME Development
Identify and promote growth of economic sectors that will create quality jobs and reduce poverty	To half unemployment within the municipality by 2014 through economic sector development, SMME development and various community investment programming initiatives	<ul style="list-style-type: none"> • Economic Sector Development • SMME Development
Identify and implement community programmes and projects that will create self-sustenance within communities	To promote a 3%-6% annual growth of the SMME sector within the municipality through jointly targeted support programmes	<ul style="list-style-type: none"> • SMME Development • Skills Development
Promote and sustain the growth and development of sectors that promote environmental sustainability	To promote and sustain a 4% - 6% annual growth of the key economic sectors of the municipality in line with the ASGISA targets	<ul style="list-style-type: none"> • Economic Sector Development
Develop the requisite skills for economic development within the municipality and its stakeholder communities	To identify and develop appropriate skills required within targeted sectors for economic growth and development	<ul style="list-style-type: none"> • Skills Development
Identify and develop appropriate infrastructure supportive of economic development within the municipality	To identify and develop appropriate infrastructure needed to support or enable economic development within the municipality within the next 3-5 years	<ul style="list-style-type: none"> • Infrastructure Development

The above table indicates the integrated approach of the Nkomazi Local Municipality economic development. As can be seen in the above table, each goal is linked to an associated objective, however the pillars are interchangeably used with the objectives, this is based on the assumption the pillars are planned actions clustered together in order to create momentum in the local economy, thus making them building blocks for LED and its objectives. Pillars are explained in detail in the following section.

6.1.1 Pillar One: Targeted Economic Sector Development

The main objective of this pillar is to stimulate value adding activities relating to the economic sectors with which Nkomazi has comparative advantage and development potential, i.e. agriculture, mining and tourism. In more detail, it encompasses the implementation of projects which utilises the local raw materials and resources as primary inputs.

STRATEGIC PILLAR: TARGETED ECONOMIC SECTOR DEVELOPMENT		
ECONOMIC SECTOR	DEVELOPMENT OPPORTUNITY	POTENTIAL PROJECTS
Agriculture	Agricultural product development, Agro-processing	sugar cane production and molasses, game farming, biodiesel production, poultry farming, beneficiation of molasses, beneficiation of sugar cane, game farming value chain, packhouse for agricultural products; Manufacturing of agricultural pesticides manufacturing of seeds and fertilisers agricultural equipment production provision of transport services small scale farming
Mining	Mineral production Upstream and Downstream Mineral Beneficiation	coal mining , salt mining, and the exploration of gold and platinum mining, establishment of coal cluster, transportation of mining products, Establishment of catering business for the mines, Establishment of SMMEs to supply fresh fruit and vegetables to the mining sector, Develop SMMEs that provide cleaning services for the local mines, Establishment of small engineering services (eg. Welding), small scale mining
Tourism	Route Development Supporting tourism business Development Eco-tourism promotion Manufacturing Beneficiation of existing tourism Products	art and craft manufacturing, tour operators and accommodation establishments, beneficiation of Kruger National Park, ethnic and cultural development, tour guide development, development of bed and breakfast, tourism safety promotion, tourism marketing activities,
Retail and wholesale	Retail and wholesale trade development	Identify the specific needs and requirements of the municipality's level economy especially with regards to input requirements and services that could be supplied by wholesalers, Develop a wholesale and retail development strategy for local produce, Create investment incentives for wholesalers, manufacturing of arts and crafts, establish economic linkages for local produce and raw materials
Economic Sector Support	Economic Research and Planning	Investment plan; continuous update of data, feasibility studies for potential projects; benchmarking on LED practises; impact monitoring of LED interventions

The above table indicates the integrated approach in relation to the strategic pillar or LED programme, with the possible projects linked to the development potential of each economic sector. Manufacturing as a secondary activity has been identified across all the sectors, thus it must be emphasised that this sector is also a sector of high development potential in Nkomazi.

6.1.2 Pillar Two: SMME Development

The main purpose of this pillar is to achieve economic empowerment. SMME development offers the previously disadvantaged communities which are characterised by lack of skills the opportunity to access economic opportunities. Thus SMME development not only offers the platform for second economy inclusion, but also promotes skills development and job creation. Thus it is safe to say the cornerstone of the development of any economy, is SMME development. Equally important is the access to information by SMMEs, whether it is information on market dynamics and penetration, product design, technological development or client demand.

Small businesses in Nkomazi need support through networking among similar businesses and other capitals of industries. These businesses do not only need financial support but also support with regards to information on new developments, etc. Gaps in the services that business support centres provide needs to be identified and the extent to which these centres serve the local businesses should also be determined. SMMEs should also support each other with regards to information sharing and forming consortiums. It is furthermore extremely important that government institutions set the example of using SMMEs through procurement policies and encouraging the private sector to do the same, ensuring start up operations but not promoting state dependant entities. The following table reflects the opportunities and potential projects in the SMME development pillar.

STRATEGIC PILLAR: SMME DEVELOPMENT

DEVELOPMENT OPPORTUNITY	POTENTIAL PROJECTS
SMME support	SMME database; Undertake SMME needs analysis; Undertake support base gap analysis; Undertake financial support gap analysis; SMME forum; marketing of SMMEs and their activities
Procurement and promotion of SMME activities	SMME policy, procurement policy, establishment of business linkages (funding access, technology, business opportunity, etc.), emerging entrepreneurial business forums, one-stop-shop business support centre; SMME development and support desks within municipality; specialised SMME funding
Partnership and networking development	Establish business directory; Institutional arrangements to facilitate partnerships; appoint a networking and matchmaking expert that could facilitate the entire networking and matchmaking of local businesses and industries; establish PPP's

The above table addresses the key challenges faced by SMME's in Nkomazi and seeks to address them with the projects identified, where after the projects will be subjected to a prioritisation matrix to determine which should receive urgent attention when implementing.

6.1.3 Pillar Three: Targeted Infrastructure Development

Basic infrastructure has an impact on the socio-economic conditions of a community. The lack of infrastructure and basic services includes a risk adverse environment. The efficiency of a municipality in terms of infrastructure provision influences business location and investment as well as the feasibility of business and access to markets. Infrastructure includes access to land, buildings, road networks and services such as electricity, water, waste collection and sewerage services. Infrastructure development is regarded as one of the most prominent methods of employment creation, due to the high level of labour intensity that can be related thereto.

Basic infrastructure is imperative to creating a conducive environment for business and economic development and thus speaks directly to the function of local government according to the white paper on Local Economic Development. The objective of this pillar is to indicate the need for basic infrastructure to support the economic growth of the municipality. The development of basic infrastructure is not the responsibility of the LED unit, but falls more within the realm of key performance area (KPA) of Basic Delivery. Good infrastructure is the catalyst for economic development in any area.

Pillar Three does not have any support programmes or projects as they cannot be budgeted for nor implemented through the LED Unit. It has however been deemed important by several community members, businesses and government role players, that this thrust be included in this LED strategy, as identified in the LED summit in 2005 and the LED workshop in 2008. However the achievement of this pillar will be based on the implementation of infrastructure projects as planned in Nkomazi's IDP. The following infrastructure projects are of critical importance:

- Roads and transport

- Water supply
- Electricity provision
- Waste management, particularly waste water management

The LED unit should not address the development and upkeep of services and infrastructure, although they should undertake consultations with the applicable role players. These consultations should be undertaken to ensure that economic development is not hampered severely due to insufficient or inadequate infrastructure as this is a direct contribution to a business and investment environment.

6.1.4 Pillar Four: Skills Development

Not only is the LED unit located in the community services directorate of the municipality it is also inadequately staffed thereof limiting the capacity of the municipality to deliver in terms of LED. Thus the aim of this pillar is to capacitate Nkomazi 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.

STRATEGIC PILLAR: SKILLS DEVELOPMENT	
DEVELOPMENT OPPORTUNITY	POTENTIAL PROJECTS
Institutional Arrangements	Establish Economic Development and Planning department, portfolio committee for LED; LED agency; training of officials; service delivery strategy in relation to LED; performance management system; skills audit
Community Capacity Building	Skills audit, incubation associated with development potential of municipality; training of community on LED and its benefits; SMME training, co-operatives training; mentorship projects

6.2 PROJECT CONCEPT DEVELOPMENT AND PRIORITISATION

In order to determine the impact that each opportunity will have on the economy in terms of job creation, capacity building, social upliftment, etc. it is important to prioritise these opportunities according to a specific set of criteria, which will facilitate the selection process of strategic projects. The prioritisation criteria will be informed by the LED goals drawn up by key LED stakeholders as follows:

- Economic growth
- Job creation
- Poverty alleviation
- Environmental Sustainability
- Capacity building
- Promotion of economic infrastructure

This section will outlay the specific criteria ambit to the above goals.

Criterion One: Economic impact:

The evaluation of an opportunity in the light of its probable impact on the economy is the first criterion used. Economic impact refers to the sum of the projects' influences on the local economy. This implies that all the different impacts are taken into account. These impacts refer to aspects such as increased/ additional levy income, new business sales, potential multiplying effects and social advantages and foreign direct investments.

Criterion Two: Job Creation:

Job creation is inherent of the establishment of any LED project. There are a number of indirect effects on the local economy and the local community. These effects vary from social to economic to environmental and as such quite complex to measure with absolute accuracy, however the main dimension of the impact of any LED projects is the number of jobs, both temporary and permanent that will be derived from that project. This criterion thus addresses the following:

- The number of direct jobs to be generated
- Long term sustainability of these jobs

Criterion Three: Capacity Building

One of the key aspects of community economic development is the recognition of the community as a resource, however previously disadvantaged communities are characterised of lack of skills. Thus in an attempt to include the “second economy” into the “first economy” it is critical to promote capacity building through skills transfer. The following should be considered when looking at this criterion:

- Will the envisaged project transfer skill to LED officials?
- Will the envisaged project promote skills development of the community

Criterion Four: Economic Empowerment:

As stated above to establish economic empowerment, economic opportunities should be matched to the skills available locally, thus it becomes the prerogative of local government to ensure that the required skills are available in the local communities. This criterion thus takes into consideration the skills transfer aspect to communities and also the capacity building of SMMEs. Thus the cornerstone of economic development of any formerly disadvantaged space economy is the development of SMMEs and the broader community.

The following considerations are kept in mind when a potential project is measured in terms of SMME development:

- Will the proposed project cater for SMME skills training and assistance
- Will the proposed project promote the potential establishment or expansion of start-up SMMEs
- Will the proposed opportunity make use of local resources and skills
- Will the proposed opportunity be sufficiently linked to the primary and tertiary sectors of the economy

Criterion Five: Environmental Sustainability

One of the key aspects of sustainable development is environmental sustainability. All LED projects have to satisfy the needs of the community today without compromising the life and needs of the community in the future. Where necessary an EIA will have to be conducted.

Criterion Six: Community Participation

LED is an approach whereby the growth of economic sectors is promoted and targeted for the development of the community. It is thus imperative, against this explanation that the community must participate. Thus project should encourage community participation and consultation. The following will address community participation criterion:

- Is the project informed by community needs
- Does the project encourage community participation

Criterion Seven: Ease of implementation

The implementation of each opportunity indicates the ease of implementing a related project. The cost of the implementation of such a project and the possible access to funding are considered. Existing infrastructure will also impact on the implementation of a project. Factors such as the following should be considered, when assessing this criterion.

- Will the existing infrastructure enhance the implementation of the project
- Does the project cater for the development of economic infrastructure

The criteria discussed above are applied to each project identified to prioritise it according to a ranking. The projects with the highest ranking are considered for the implementation. A prioritisation model was developed which ranks opportunities as

high, medium and low with regards to each criterion. The Table below indicates the ranking that was used.

6.2.1 Prioritisation Model

	Poor	Low	Medium	High
Project	0	1	2	3

In this section each programme or development opportunity and project will be measured from 0-3 (low-high) on the criteria identified above. Thus programmes and with the highest ranking will receive the highest priority. This process for Nkomazi has been catalysed through identification of anchor projects during the LED Summit and workshop that occurred in 2005 and 2008 respectively.

PROGRAMME	EI	JC	EE	CB	EI	CP	ES	RANK	PROJECTS	EI	JC	EE	CB	EI	CP	ES	RANK	
Economic Research and Planning	2	1	1	3	2	3	3	15	Continuous research and development (update of economic baseline data)	2	2	1	3	2	3	3	16	
										Nkomazi investment plan	2	1	1	2	2	2	3	11
										Investment Incentives Policy	2	1	1	2	2	2	3	13
										Benchmarking of LED practises	1	1	1	2	2	1	2	10
										Resources investigation	2	1	1	1	2	1	3	11
Economic sector development	3	3	3	2	2	3	2	16										
Agriculture										Sugar cane production	3	3	3	2	2	1	2	16
										Biodiesel production	3	3	3	2	2	2	1	16

PROGRAMME	EI	JC	EE	CB	EI	CP	ES	RANK	PROJECTS	EI	JC	EE	CB	EI	CP	ES	RANK
									Game farming	3	3	3	2	2	2	1	16
									Production of ultra boards	3	3	3	2	2	1	2	16
									Agro-processing	3	3	3	2	2	1	2	16
Mining	3	3	3	2	1	2	1	15	Salt mining	2	2	2	2	2	2	2	14
									Coal mining	3	3	3	2	2	2	2	17
Tourism, Arts and Culture	3	3	3	3	3	3	3	21	Kruger Junction Information Centre	3	2	2	3	3	1	3	17
									Eco-tourism	3	3	3	2	3	2	3	19
									Hotel in Mbuzinin	3	3	2	2	2	2	2	16

PROGRAMME	EI	JC	EE	CB	EI	CP	ES	RANK	PROJECTS	EI	JC	EE	CB	EI	CP	ES	RANK
									Bed and Breakfast	3	3	3	3	3	3	3	21
									Art and craft manufacturing centre	3	3	3	3	2	3	2	19
									Tour operations development	3	2	3	2	3	3	3	19
Retail and wholesale sector	3	3	2	2	2	2	2	16	Tonga centre	3	3	2	2	2	2	2	16
									Mbuzini and Mbangwane road junction	3	3	2	2	2	2	1	15
SMME Development and support	3	2	2	3	3	2	3	18	Business support centre	3	2	3	3	1	1	2	15
									SMME network programme	3	2	3	3	3	2	3	19
									Incubation	3	3	3	3	2	2	2	18

PROGRAMME	EI	JC	EE	CB	EI	CP	ES	RANK	PROJECTS	EI	JC	EE	CB	EI	CP	ES	RANK
									Nkomazi Investment Summit	3	2	3	3	3	2	3	19
Infrastructure development	3	3	2	2	2	2	2	16	Road Construction	3	2	2	2	2	2	2	15
									Water Supply	3	1	1	1	2	1	2	10
									Provision of electricity	3	2	2	2	2	2	2	15
									Waste management	3	3	2	2	2	2	2	16
Institutional arrangements	3	2	3	3	3	1	3	18	LED Department	3	2	3	2	3	1	3	17
									Portfolio Committee	3	1	1	2	3	1	3	14
									LED forum	3	1	2	2	3	3	3	17

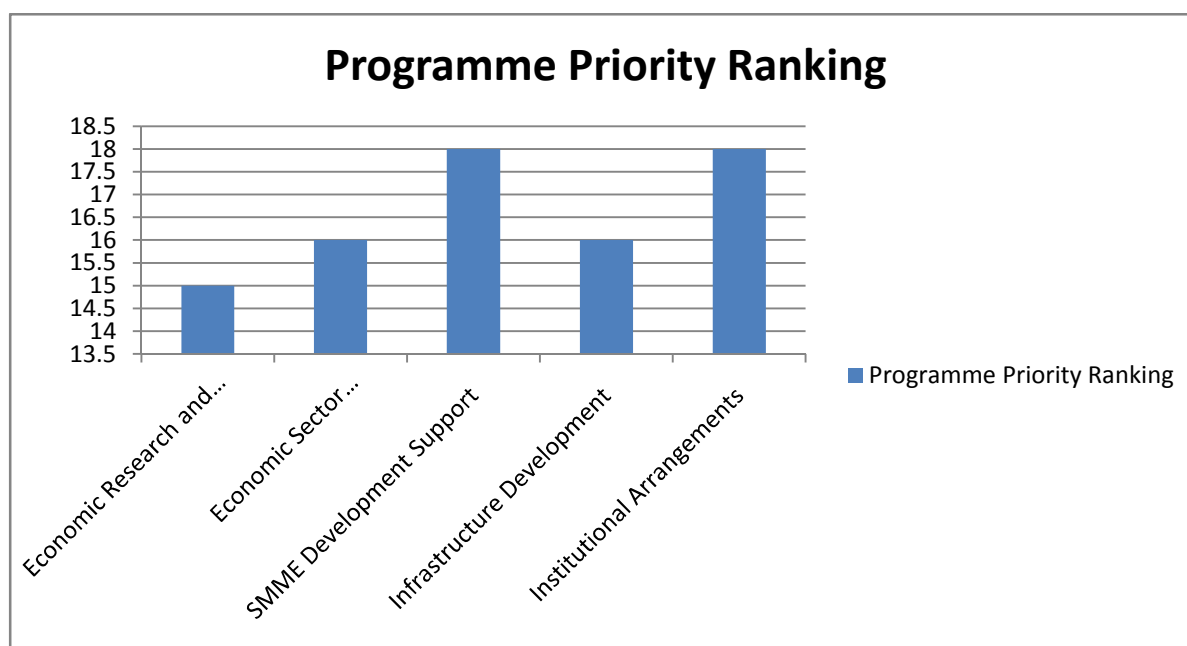
Important Notes about the matrix:

- The ranking in the matrix above is based on the identified criteria
- Programmes and Projects are rated in the same manner.
- Although a programme is a sum of planned projects to achieve a certain objective. The total ranking of a programme does not equal the total ranking of its associated projects.
- The assumption in categorising the ranking is that each criterion will score equally in a ranking level. e.g. for a B&B to receive a medium ranking, it must score 2 in all categories. Where x is a programme or project the ranking can be categorised as follows:

Type	Formula	Priority
Category One	$x=0$	no priority
Category Two	$0 \leq x \leq 7$	low priority
Category Three	$7 \leq x \leq 14$	medium priority
Category Four	$14 \leq x \leq 28$	high priority

- According to the table above score will range between zero and 28, where the lowest priority projects/programmes will have a score of zero and highest priority will be 28.

The figure below clearly indicates which programme should receive priority.



Sources: Own calculations based on Global Insight Data (2007)

As it can be evidently seen in the above diagram, SMME development and support and institutional arrangements are the highest ranking programmes, both securing a ranking of approximately 18. This demonstrates the need to build structures within Nkomazi as an institution to drive economic development affairs. The proposed institutional arrangements include the establishment of the LED unit, portfolio committee for LED and the establishment of an LED forum. Thus the implementation of this programme should receive high priority and fast paced action.

SMME development and support is also in category four ranking, which translates into high priority and requires fast paced action. This scoring could be attributed to the fact that local economic development is moving into a trajectory that promotes social inclusion and cohesion through community economic development. This transition to community economic development requires that the community become solutions towards the common enemy of poverty and unemployment and through community participation, capacity building, job creation and economic potential that this programme promotes; SMME development is the innovative solution to unemployment and poverty.

The second highest ranking programme is the economic sector development also warranting fast paced action as it stands in category four of priorities. One of the guiding principles of local economic development is to utilize local resources. The economic sector development programme promotes this principle through the development of tourism, mining and retail development. Although Nkomazi has comparative advantage in agriculture, construction and community services, it has more economic potential in mining, tourism and agriculture.

The development of basic infrastructure is also critical for economic development as has an adverse risk on the socio-economic conditions of a community. Moreover the provision of basic infrastructure is the core function of local government. However the LED unit should undertake the facilitation and consultation role to ensure the implementation of this programme. This programme includes the provision of water, electricity, roads, transport and waste management.

Economic research and planning includes projects such as conducting baseline study, Nkomazi investment plan, investment incentives policy, excursion on LED and the investigations of available resources. Although the scoring of this programme warrants fast paced action, it is the lowest ranking programme in the whole strategy. Economic research and planning should be implemented as follows:

- Conduct baseline data
- Investment and Incentives Policy
- Nkomazi Investment Plan
- Resources investigation
- Benchmarking of LED practices

An interesting fact to note is that all the programmes in the Nkomazi LED strategy are high priority, but some more than the others. It has been mentioned in the preceding sections that this strategy will take the integrated approach towards local economic development. Thus while analyzing the ranking of the above programmes; the scores should not be looked at in isolation, as the successful implementation of one programme depends on the other. The implementation of these programmes is discussed in the following section.

7. IMPLEMENTATION FRAMEWORK

Local economic development by its nature, is a partnership of various stakeholders, thus the execution of projects will involve the different roles and responsibilities by these stakeholders or partners within a certain period of time. This section seeks to address just that: what must be done, who should do it and by when should this be done.

Key aspects for implementation

The implementation of this strategy requires a basic foundation to be put in place. The implementation of the thus LED strategy urges the following:

- Establishment of the proposed institutional drivers. i.e. Department of Economic Development and Planning.
- Political ambition to ensure success. i.e. Portfolio Committee for LED
- Ensure people employed within the LED unit have the required expertise to ensure effective management and implementation of LED initiatives
- Ensure that this unit is capacitated with financial resources to carry out implementation
- Political will, interest and communication are stimulated which, all together will contribute in the success of the strategy.
- Establish and continuously improve relations with key LED stakeholders
- to ensure that all involved take ownership of the programmes and projects. Without the taking of ownership of a programme and/or project, success cannot be seen at the end of the tunnel.

This section will give a basic step by step process of how to go about playing your role as local government in creating a “conducive environment” for economic development and thus unlocking the economic potential of Nkomazi. Nevertheless it must be noted that local economic development is not a one off event but a continuous process informed by a series of events. The proposed series of events/steps for the identified projects is tabulated below:

7.1 SMME development and support.

SMME development is the cornerstone of economic development. With the current employment opportunities and the lack of skills to access these economic opportunities, SMME development offers the reconciliation of these two aspects of economic development and thus the potential inclusion of the second economy into the mainstream. Nkomazi municipality should unlock this SMME potential through the following projects.

Project Name	Nkomazi Investment Summit	SMME network programme	SMME development incubator	Business Support Centre
Project Description	One of the objectives of this summit is to create a platform for LED partners to engage on possible investment options for Nkomazi. This summit must identify and promote such options.	This project entails creating a platform for small businesses in Nkomazi to network, share knowledge and gain insight from capitals of industries.	The main aim of this project will be to identify the various skills and services required in the tourism, agriculture and mining sector and thus provide training in direct alignment to the required skills	The main aim of this project is to provide special assistance to SMME through dedicated effort from all SMME agencies and parastatals. This project answers directly to the mandate of "providing a conducive environment for economic development" whereby support required by SMMEs will be dealt with under one roof.
Preliminary Tasks	Acquire political buy-in	Acquire political buy-in	Acquire political buy-in	Acquire political buy-in
	Identify key stakeholders	Identify key stakeholders	Compile proposal for request for funding	Compile proposal for request for funding
	Compile proposal for request for funding	Compile proposal for request for funding	Identify sources for funding	Identify sources for funding
	Identify sources for funding	Identify sources for funding	Identify key stakeholders	Identify key stakeholders
	Secure Funding	Secure Funding	Acquire MOU from other state organs	Acquire MOU from other state organs
	Establish project steering committee (PSC)	Establish project steering committee (PSC)	Secure Funding	Secure Funding
Action	Marketing and Promotion of Summit	Marketing and Promotion of Summit	Establish project steering committee (PSC)	Establish project steering committee (PSC)

Project Name	Nkomazi Investment Summit	SMME network programme	SMME development incubator	Business Support Centre
	Mobilise beneficiaries and key stakeholders	Mobilise beneficiaries and key stakeholders	Compile Terms of reference	Compile Terms of reference
	Conduct Summit	Conduct Exhibitions	Call for proposals for development of incubator	
Risks	Lack of buy-in politically	Lack of buy-in politically	Lack of buy-in politically	Lack of buy-in politically
	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders
	Lack of commitment from PSC	Lack of commitment from PSC	Lack of commitment from PSC	Lack of commitment from PSC
	Insufficient Funding	Insufficient Funding	Lack of Funding	Lack of Funding
Resources	Human Resources: LED Co-ordinator, LED Officer	Human Resources: LED Co-ordinator, LED Officer	Human Resources: LED Manager, LED Co-ordinator, LED Officer	Human Resources: LED Co-ordinator, LED Officer
	Financial Resources: R300 000	Financial Resources: R500 000	Financial Resources: R1,500 000	Financial Resources: R600 000
Implementation Time	three months	three months	six months	six months
Project Completion	four months	four months	Multi- year project	Multi- year project
Project Frequency	Annually	Quarterly	Once off	Once off
Outcome/Output	Nkomazi Investment framework	Nkomazi SMME Network (NSN)	Skills development; diversification of business mix	Skills development; diversification of business mix
Monitoring and evaluation	Continuously done by LED Unit	Continuously done by LED Unit until	Continuously done by LED Unit	Continuously done by LED Unit

7.2 Economic Sector Development

The key economic sectors in Nkomazi are construction and finance contributing 12.9% and 6.3% respectively. These are followed by community services with a GVA of 2.8%. In order to diversify Nkomazi's economy and reduce the heavy dependence on the above sectors it is imperative to promote the development of other sectors of potential. This will as a consequence expand Nkomazi's economic base and offer more employment opportunities. The following sectors have been identified as key sectors for development:

- Tourism
- Agriculture
- Mining
- Retail and whole sale development

Project Name	Kruger Junction Information Centre	Arts and Crafts Manufacturing Centre	Tourism Product Development
Project Description	Being in close proximity to the Kruger National Park and the Mozambique border, Nkomazi is endowed with domestic and international tourist. A need arises for the provision of information to these tourist, thus the aim of this project is to satisfy that specific need.	The main aim of this project is to formalise the arts and crafts sector in Nkomazi, thereby providing employment opportunities and inclusion of the second economy into the mainstream economy	this project aims to cluster the available opportunities in tourism and “sell” them to the communities for development, thereby creating a tourism agency for Nkomazi. Where economic opportunities in tourism will be matched with the available SMME. These opportunities include tour operations, accommodation establishments and the promotion of eco-tourism
Preliminary Tasks	Acquire political buy-in	Acquire political buy-in	Acquire political buy-in
	Compile proposal for request for funding	Compile proposal for request for funding	Compile proposal for request for funding
	Identify Sources for funding	Identify Sources for funding	Identify Sources for funding
	Identify key stakeholders	Identify key stakeholders	Identify key stakeholders
	Establish partnership with MTPA	Establish partnership with MTPA	Establish partnership with MTPA
Action	Establish project steering committee (PSC)	Establish project steering committee (PSC)	Establish project steering committee

			(PSC)
	Get Funding	Get Funding	Get Funding
	Compile Terms of Reference	Compile Terms of Reference	Compile Terms of Reference
	Appoint Service Provider	Appoint Service Provider	Appoint Service Provider
		Conduct feasibility study and business planning	Conduct feasibility study and business planning
		Mobilise SMME	Mobilise SMME
Risks	Lack of buy-in politically	Lack of buy-in politically	Lack of buy-in politically
	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders
	Lack of commitment from PSC	Lack of commitment from PSC	Lack of commitment from PSC
	Lack of Funding	Lack of Funding	Lack of Funding
Resources	Human Resources: LED Co-ordinator, Tourism officer	Human Resources: LED Co-ordinator, Tourism officer	Human Resources: LED Co-ordinator, Tourism officer 4
	Financial Resources: R800 000	Financial Resources: R1 000 000	Financial Resources: R700 000
Implementation Time	six months	six months	three months
Project Completion	Multiyear project	Multi -year project	Multi year project
Outcome/Output	Tourism linkages, Awareness of Community on Tourism Business Opportunities,	SMME development,	Increase in tourism products
Monitoring and evaluating	M+E with every achieved milestone	M+E with every achieved milestone	M+E with every achieved milestone

7.2.1 Mining and Quarrying sector.

Mining in Nkomazi is one of the lowest contributors to the overall GVA, contributing approximately -12%. Many factors can be attributed to the demise of this factor however what is more critical is to derive positive economic growth from this sector. Many allegations of coal and salt mining are made, thus showing the possibility of these resources availability. Thus further investigations have to be conducted to determine the mineral resources availability of Nkomazi and to also determine the viability for exploring these minerals.

Project Name	Sustainable Mining Development Strategy
Project Description	This project will serve as a master plan for the mining sector. It will investigate the backward and forward linkages that exist in the mining sector, with the view of exploitation of these linkages for curbing unemployment and SMME development
Preliminary Tasks	Acquire political buy-in
	Compile proposal for request for funding
	Identify sources for funding
	Identify key stakeholders
Action	Get Funding
	Establish project steering committee (PSC)
	Compile Terms of reference
	Call for proposals for development of strategy
Risks	Lack of buy-in politically
	Lack of buy-in from key stakeholders
	Lack of commitment from PSC
	Lack of Funding
Resources	Human Resources: LED co-ordinator, LED officer
	Financial Resources: R300 000
Implementation Time	six months
Project Completion	Four months
Outcome/Output	Viability of salt and coal mining
Monitoring and evaluation	M+E with every achieved milestone

7.2.2 Agriculture and Forestry Sector

Nkomazi has comparative advantage in the agricultural sector this can be attributed to the abundance of crop farming occurring in and around that area, from avocado, citrus, nuts, banana, to goat and cattle farming. This sector has been identified by the world summit as a solution to providing food security and halving poverty by 2014. Local government is not directly responsible to create jobs; however it is best positioned to create a conducive environment for such job creation to occur.

Project Name	Agricultural and Forestry Development Strategy	Game farming, production of ultra boards, Sugar cane and biodiesel production
Project Description	this will serve as a master plan for this sector and investigate options that will enable Nkomazi Local Municipality to promote the diversification of agricultural activities, in order to reduce unemployment and include local SMME into the mainstream economy	this project entails the clustering of available subsistence farming in order to develop the synergy of these farming activities into commercial farming
Preliminary Tasks	Acquire political buy-in	Acquire political buy-in
	Compile proposal for request for funding	Compile proposal for request for funding
	Identify Sources for funding	Identify Sources for funding
	Identify key stakeholders	Identify key stakeholders
		Conduct feasibility studies for each concept
Action	Get Funding	Get Funding
	Establish project steering committee (PSC)	Establish project steering committee (PSC)
	Compile Terms of reference	Compile Terms of reference
	Call for proposals for development of strategy	Call for proposals for development of feasibility study
Risks	Lack of buy-in politically	Lack of buy-in politically

Project Name	Agricultural and Forestry Development Strategy	Game farming, production of ultra boards, Sugar cane and biodiesel production
	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders
	Lack of commitment from PSC	Lack of commitment from PSC
	Lack of Funding	Lack of Funding
		Lack of availability of land
Resources	Human Resources: LED co-ordinator, LED Officer	Human Resources: LED co-ordinator, LED Officer
	Financial Resources: R300 000	Financial Resources: R1.5mil
Implementation Time	three months	six months
Project Completion	Three months	three months
Outcome/Output	Options for SMME development and job creation in agriculture,	Options for SMME development and job creation in agriculture,
Monitoring and evaluation	M+E with every achieved milestone	M+E with every achieved milestone

7.3 Economic Research and Planning.

Undoubtedly, timely and accurate economic research is vital for undertaking more sound economic policies, LED interventions and economic impact of such interventions and for coping with various risks under a dynamic and rapid integration of our economies. From a local government's viewpoint, economic research should aim at achieving the following objectives:

- To promote and sustain a 4% - 6% annual growth of the key economic sectors of the municipality in line with the ASGISA targets
- To promote a 3%-6% annual growth of the SMME sector within the municipality through jointly targeted support programmes
- To half unemployment within the municipality by 2014 through economic sector development, SMME development and various community investment programming initiatives
- To identify and develop appropriate skills required within targeted sectors for economic growth and development
- To identify and develop appropriate infrastructure needed to support or enable economic development within the municipality within the next 3-5 years

Underlying the achievement of this strategy and Nkomazi LED vision thereof is economic research and planning. This programme includes conducting economic baseline survey, investment plan and policy, investment incentives policy, benchmarking of LED practices and resources investigation.

Project Name	Investment Plan, Investment Policy	Benchmarking of LED practises
Project Description	The main aim of this project is to document identified investment opportunities and thus advise Nkomazi local municipality on investment policy options	LED is a fairly new concept to local government thus the main aim of this project is to undertake excursions in order to learns local best practises on LED.
Preliminary Tasks	Acquire political buy-in	Acquire political buy-in
	Compile proposal for request for funding	Budget planning
	Identify sources for funding	Identify key stakeholders
	Identify key stakeholders	Identify local best practises
Action	Get Funding	Establish project steering committee (PSC)
	Establish project steering committee (PSC)	Mobilise stakeholders
	Compile Terms of reference	
	Call for proposals for development of strategy	
Risks	Lack of buy-in politically	Lack of buy-in politically
	Lack of buy-in from key stakeholders	Lack of buy-in from key stakeholders
	Lack of commitment from PSC	Lack of commitment from PSC
	Lack of Funding	Insufficient Funds
Resources	Human Resources: LED co-ordinator, LED officer	Human Resources: LED co-ordinator, LED officer
	Financial Resources: R300 000	Financial Resources: R300 000
Implementation Time	six months	Three months
Project Completion	Four months	One month
Outcome/Output	Attraction of investment	Application of best practises
Monitoring and evaluation	M+E with every achieved milestone	M+E with every achieved milestone

7.4 Infrastructure Development

Refer to section nine on discussion of this pillar/programme.

8. MONITORING AND EVALUATION PLAN

A monitoring and evaluation plan is needed so that Nkomazi Local Municipality can monitor and 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 indirectly measure the economic impact of each of the Pillars as well as LED in general have been designed. These proxies are compiled into a development index for Nkomazi 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 utilised four pillars in order to achieve its objectives of job creation, economic diversification, linkage development and improved business environment. The four pillars for which indicators have been developed are as follows:

- Targeted Economic Sector Development
- SMME Development
- Targeted Infrastructure Development
- Skills Development

The four pillars were used as guidelines for the index in order to measure the success of each pillar. An additional indicator 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:

8.1 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 Nkomazi's 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

8.2 SMME Development index

The objective of this pillar is to diversify and expand existing businesses in Nkomazi 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 pillars 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 SMME
- Number of registered co-operatives
- Overall GDP
- Overall Employment, formal and informal

8.3 Economic Sector Development Index

The economic sector development pillar has been divided into sectors that Nkomazi has development potential, agriculture, mining and tourism.

- **Agriculture sector index:** The objective of this pillar is to add value to agricultural activities and to commercialise subsistence farming which utilise 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 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 strategy 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 Nkomazi or through Nkomazi 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 scheduled 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
- Skills development index: Not only is the LED unit located in the community services directorate of the municipality it is also inadequately staffed thereof limiting the capacity of the municipality to deliver in terms of LED. Thus the aim of this pillar is to capacitate Nkomazi 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:
- Skills audit
 - Number of LED training workshops undertaken
 - Number of LED awareness workshops undertaken

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.

PILLARS	INDICATORS	2008/2 009	2009/2 010	2010/2 011
LED implementation index	Number of LED project successfully implemented			
	Number of LED actions per programme successfully facilitated			
	Number of direct permanent employment			
	Number of direct temporary employment			
SMME Development	Number of registered SMME			
	Number of registered co-operatives			
	Overall GDP			
	Number of direct permanent employment			
	Number of direct temporary employment			
Agriculture sector development	Number of emerging farmers			
	Number of operational co-operatives			
	Agriculture sector GDP			
	Agriculture sector Employment			
	Agro-processing GDP			

PILLARS	INDICATORS	2008/2 009	2009/2 010	2010/2 011
	Agro-processing Employment			
Mining sector development	Mining Sustainable Plan			
	Mining sector GDP			
	Mining sector employment			
	Mineral beneficiation GDP			
	Mineral beneficiation employment			
Tourism development and promotion	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 annual events			
Skills development index	Skills audit			
	Number of LED training workshops undertaken			
	Number of LED awareness workshops undertaken			

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 4% in the 2008/2009, 5% in 2009/2010 and 6% in the 2010/2011 in order to achieve the 4%-6% set at the Nkomazi LED summit and workshop, guided by ASGISA
- The goals of the SMME development have to increase by 3% in the 2008/2009 financial year, 5% in the 2009/2010 and 6% in the 2010/2011 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.

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.

9. CONCLUSION AND RECOMMENDATIONS

LED is now recognized as a key component in broader efforts to reduce poverty. There is also an emerging consensus that LED cannot bring about effective poverty reduction without incorporating explicit poverty reduction actions. Therefore, a key challenge is to ensure the pursuit of inclusive economic development that provides for both the promotion of local wealth creation and poverty reduction; this ensures that those traditionally left out are active participants and have access to opportunities resulting from development. This stresses the importance of implementing projects in Nkomazi that are focused on poverty relief and human development.

In the formal economy, specific actions might include targeting business expansion aimed at jobs for the poor, targeting the poor as an unskilled labour force for training and placement assistance, and through micro-enterprise/micro-credit programmes. The municipality can take the first step by employing and training unemployed local people in their skills development programmes, such as the proposed incubation project.

Programmes might also target the informal economy. In addition to reducing poverty, formalizing the informal economy might form a long-term goal for health and safety reasons, better public management or increased revenues through taxation. The municipality should consider actions that tolerate and support the informal economy while they seek to strengthen the skills and resources of people engaged in the informal economy.

The participation of provinces and local governments is indispensable to the success of the poverty and employment creation interventions. Given that the task of selecting, planning, implementing, monitoring and reporting on the projects is complex and sometimes controversial, provinces and district and municipalities are asked to draw up their preferred shortlist, assist in the selection of implementers and play a role in the monitoring of

projects. The main strategy in accessing assistance in from these organs of state is to establish relations and continuously involve these state organs in activities of the municipality. Moreover ensure alignment of interventions with their mandate. Community involvement in the execution of the identified projects is also imperative. For instance when implementing a project the owning agency - which will own the assets created by the project - must be community based. It should be a statutory entity, a community based trust, a community based section 21 companies or a non-profit organization, etc. This leads directly to community economic development.

Community Economic Development is a process where action taken locally by a community to provide economic opportunities and improve social conditions in a sustainable way. Often CED initiatives aim to improve the lot of those who are disadvantaged.

Community economic development is defined by the following criterion:

- Projects must be economically based and use a business decision-making model to help promote self-sustainability of project.
- Ownership of the project should be held within the community
- Facilitation of project through social enterprises such as co-operatives with transparent fiscal and management procedures.
- Projects will be located within poor, isolated or disadvantaged communities.

Community Economic Development Principles

Principle	Benefits and Advantage
Local use and production of goods and services	circulation of income within the local community; less income outflow; stronger economic linkages
Job Creation	reduced dependency on social grant; opportunities to live more socially productive lives ; personal and community self-esteem
Capacity Building	higher labour productivity; greater employability in communities ;
Community Participation	Bottom up approach; local decision making;
Human Dignity	self-respect ; community spirit ; gender equality ; social dignity regardless of background or colour

Furthermore community economic development must an important focus when considering the implementation of anchor projects in the Nkomazi Local Municipality. Community economic development is aimed at altering traditional local economic development (LED) through stressing the importance of ownership within the community. Projects are thus implemented through NGO or local service providers. Community Economic Development in the Nkomazi Local Municipality would guide economic development in achieving the following:

- Build ownership of assets.
- Facilitation by open and accountable community-groups
- Increase the self-reliance of local communities.
- Reconnect poorer communities to the mainstream.
- Regenerate the locality to meet needs locally.
- Retain wealth within the community.
- Self-sustainable change.
- Utilize community-based solutions to economic issues.

Therefore CED is a process which increases and expands local ownership of assets and capital, and leads to increased retention and reinvestment of wealth through greater circulation of capital within the local market. Ultimately, CED activities seek to transition and transform the second economy through community-owned pro-poor employment and wealth creation.

CED actions are therefore those which:

- Are located in the second economy (e.g. in areas which are geographically and structurally isolated or disconnected from the mainstream economy).
- Involve the beneficiary as the community (defined as a group of people who are both geographically proximate and who share a common objective or goal, whether this is a community-at-large or a subset of individuals within a wider community group).
- Involve the commercialisation of community assets (e.g. market based development strategy).
- Are responsive to locally defined needs and are managed through a community directed process.
- Have a business-like financial management and decision making systems.
- Lead to increased multiplier effects within the local community by helping to retain and reinvestment wealth created locally (e.g. will help to stop leakage of earning back into external mainstream markets).
- Utilise community-owned assets and seek to utilise the maximum level of community-based solutions as possible.
- Are facilitated by a capacitated NPO organization with experience in community-based project management. This external facilitation is necessary in order to address the administrative and technical requirements of grant funding in which many CED projects will be initially reliant on, and because partnering with an NPO will enable local government and the community to maximise the use of existing resources thereby stretching the breadth and scale of limited resources for development.

	Community Development	Local Economic Development	Community Economic Development
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Market Orientation	No market orientation – social orientation in marginalized communities.	First economy orientation (e.g. mainstream, formal markets).	Second economy orientation (e.g. isolated, marginalized & informal markets).
Project Ownership	Ownership lies with the funder of the project (e.g. state, private donor, service provider) with the community helping to mobilise the project’s implementation.	Ownership lies with individual businesses that are beneficiaries for the project and with government body applying funds to the project (e.g. local government).	Ownership lies with the community (either at larger or community group) with mobilisation through partnerships with NPOs and government bodies.
Facilitator(s)	Main facilitator is through NPO and local government (community acts as participants).	Government bodies (e.g. local / state government, parastatals, development agencies etc.)	NPOs act to facilitate in partnerships with community (who remain owners of the project).
Intended Outcomes of Project	Infrastructure and capacity building (e.g. skills and basic infrastructure development)	Increase competitiveness of and support business environment within the first economy.	Increase retention and reinvestment of wealth in the local market and to transition and transform second economy with the first.

Projects promoting agro-processing should be implemented as a community owned projects, which utilised the local assets to gain access to the formal economy. Currently small-scale farmers are operating on a sustenance level and cannot access the formal market on their own and as a result lose a lot of money and produce.

Produce is what the 96% non-urban population of Nkomazi is mainly characterized with. Agricultural activities are undertaken on a subsistence level. For this study to make the desired impact, rural development strategies should be looked at. The rural areas in Nkomazi south and the northern side of N4 are the most rural; these areas also bear the largest burden of poverty hence the high levels of unemployment. Thus development in these areas should be pro-rural. The following aspects of rural development should be considered when implementing the proposed economic programmes in the non-urban Nkomazi.

- Promote self employment through small or emerging business development
- Promote small scale farming to enable the transition from subsistence to commercial farming
- Promote the conservation of history and culture through tourism development
- Promote labour intensity for the absorption of the untapped human resource

Further Recommendations:

Before commencing with any LED implementation, ensure that the LED Unit is established and capacitated to be able to operate and function

- Make use of experts for the drafting of the relevant project business plans, including the responsible parties, the amount of funding required, the timeframes for implementation, resources and equipment needed for implementation, etc.
- Use the tourism, mining and agriculture sectors as economic catalysts for stimulating development across all sectors of the local economy
- Ensure balanced economic development by means of adopting and integrated, holistic, coordinated and diverse developmental focus
- Start LED by implementing the programmes and projects with the fastest anticipated impact on job creation, poverty alleviation, BEE, SMME development, increase in living conditions, human development, etc, followed by those with a medium and long term effect.
- Make sure all financial sources, equipment, human resources, etc are in place and available before starting with the implementation of a programme and/or project
- Focus on stimulating economic development and empowerment of local people at the same time
- Make sure that the implementation of projects are executed by local people and not imported labour
- Set reasonable timeframes and keep a monthly/weekly track record to evaluate the progress of all necessary actions

Appendix 1

LEGISLATIVE AND POLICY FRAMEWORK

1.1 Legislation governing LED in SA

1.1.1. 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 organisations 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 Nkomazi 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 organising the effort.



1.1.2 The White Paper on Local Government (1998)

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

- The concept of Developmental Local Government
- Cooperative Government System

Developmental 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:

- Maximising social development and economic growth
- Integrating and coordinating local government activities
- Democratising 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
- Utilising 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 head development in their space.

Nkomazi 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
- Democratising 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.

1.1.3 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 Nkomazi:

- 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 marginalised areas
- Stimulate economic development opportunities in rural areas
- Support an equitable protection of rights to land
- Promote accountable spatial planning and land-use management

1.1.4 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 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
- Utilise 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 (KPA) 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 organise the LED effort for planning, implementation and support.

1.1.5 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 today, 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 realising their optional 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

1.1.6 The Five Year Local Government Strategic Agenda (2006-2011)

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 Organisational 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

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 Nkomazi 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 Nkomazi Local Municipality should rely on current statistics from credible sources

Appendix 2

1.2 POLICIES, PROGRAMMES AND STRATEGIES PROMOTING LED

1.2.1 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, EDM 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
- 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
- Agri-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 Nkomazi LED programmes should focus on the following programmes:

- Poverty Reduction
- Agriculture Development
- Appropriate Skills Development

In terms of the pillars and the related programmes, Nkomazi 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
3. SMME development
4. Local economic development

1.2.2 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.

1.2.3 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

1.2.4 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.

1.2.5 SMME Development and Support (Promotion) Strategies

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

Other strategies include the following:

- National Youth Enterprises Strategy

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

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 for Nkomazi Local Municipality must take into account these challenges and programmes developed for implementation must seek to address them.

The Local Economic Development Strategy for Nkomazi 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.**

▪ **A Cooperative Development Policy for South Africa**

Implications

For Nkomazi 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.

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

- Nkomazi 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.

▪ **Draft Strategy Framework for Forestry Enterprise Development**

Implications

Nkomazi'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

Appendix 3

1.3 Nkomazi Local Municipality's Integrated Development Plan

Integrated development planning is a planning concept focused on a more strategic, responsive and all inclusive performance driven process. The concept is a result of the Local Government Transition Act (LGTA) of 1996 and the Municipal Systems Act of 2000. A municipal IDP clearly indicates the following:

- Key performance areas and indicators
- Specific goals and objectives to be achieved within time-frames
- Specific programmes and projects for implementation
- Target dates for completion of programmes and projects
- Budgets and sources of funding

The Nkomazi Local Municipality IDP (2008-2011) identifies the following:

- KPA 1-Infrastructure and Services
- KPA 2-Local Economic Development
- KPA 3-Social Development
- KPA 4-Institutional Transformation
- KPA 5-Financial Management

Each of the KPAs specifies;

- Priority issues
- Objective
- Measure
- Target
- Date
- Programme budget

The LED Strategy should be comprehensive and aligned to the IDP with clear budgets for implementation by the municipality, once it is adopted.

Local Economic Development is priority issue 10, while tourism is priority issue 11 (according to the 2008/9-2011-12 IDP).

All projects around LED and tourism relate to construction projects and nothing budgeted for in terms of the soft issues of LED such as:

- Feasibility studies
- Environmental Impact Assessments
- Business Plans Development
- Investment Planning (summits)
- Marketing and Branding (places and products)

The Nkomazi local municipality IDP also shows that the structure has the following departments represented:

- Public safety
- Community services
- Financial services
- Municipal works
- Corporate services

LED is not structurally represented and falls under community services.

Implications

The Integrated Development Plan (IDP) for Nkomazi Local Municipality has the following implied by the documents:

- Local Economic Development is regarded as Key Performance Areas 2 (KPA 2). This signifies municipal view of local Economic Development. However, such a view is structurally misrepresented by the absence of a directorate (department) that deals directly with LED. Instead, LED is part of community services, signifying the misconception around the new LED paradigm by the municipality
- Programmes and projects budgeted for LED and tourism are infrastructure related and no mention of the other 'softer' issues that assist develop an enabling environment for business to flourish.
- In addition to the infrastructure related projects, the LED strategy of Nkomazi should feed into the IDP programmes and projects related to the following:
 - Feasibility studies
 - Investment promotion
 - Environmental impact assessments
 - Business planning
 - Brand and marketing of opportunities

The municipal structure of Nkomazi as highlighted in the IDP is not representative of all the KPAs. LED/Tourism needs to be a department.

1.3.1 Spatial Development Framework for Nkomazi Local Municipality

The White Paper on Spatial Planning and Land-use Management (July 2001) clearly states that: “every municipality should have an indicative plan showing desired patterns of land-use, directions of growth, urban edges, special development areas and conservation-worthy areas as well as a scheme recording the land-use and development rights and restrictions applicable to each ... in the municipality...”

The Spatial Development Framework (SDF) should highlight the following:

- Land use
- Directions of growth
- Urban edges
- Special development areas
- Conservation development rights schemes
- Restrictions applicable to land use

Local Economic Development (LED) is undertaken within the context of the municipality’s spatial plans.

For Nkomazi Local Municipality, “lack of a comprehensive status quo analysis has always been a limiting factor in the spatial planning processes”. The ability of the municipality to plan land-use and the direction of economic growth is therefore curtailed.

Nkomazi Local Municipality has three planning areas

- Planning Areas A
- Planning Areas B
- Planning Areas C

Planning Areas A consists of the areas around the Maputo Development Corridor (MDC). It is the most well developed part of Nkomazi, covering the following adjacent areas:

- Kruger National Park boundary on the north
- Malelane
- Komatipoort
- Marloth Park
- Hectorspruit
- Kaapmuiden

In terms of urban, social and economic development, these are the most advanced areas within Nkomazi.

Planning Areas B extends from N4 in the North, bordering the previous Kangwane homeland. The area is characterised by successful commercial farming, both centrally and in the east. Key products include the following:

- Sugar
- Fruit
- Banana
- Mango
- Citrus
- Papaya

The other area extends from the N4 through the mountains in the southwards towards Umjindi. Forestry is found within the area but not very well developed.

Planning Area C is mainly the southern part of Nkomazi. It is the largest of the three areas.

This area has the following characteristics:

- It is associated with under-development compared to the other areas
- It has large population sizes and high unemployment levels
- Settlement patterns are sometimes not properly planned
- Economic development is low but there is potential for growth

The areas that make up planning area C include the following:

- Kamaqhekeza
- Kamhlushwa
- Schoemansdal
- Tonga block A,B,C
- Mangweni