**CHAPTER 11**

 **LOCAL ECONOMIC DEVELOPMENT**

**11.4 PROVINCIAL LOCAL ECONOMIC DEVELOPMENT PLAN**

**11.4.1 PURPOSE**

LED is one of the five Key Performance Areas (KRA’s) that can give effect to the Departmental and Provincial priorities. The five-year Local Government Strategic Agenda recognized that the competitive and comparative advantages of the Municipalities can only be achieved through strong partnership with both the national and provincial departments, state owned enterprises, organized business and communities.

The Departmental Annual Performance Plan and National LED Framework mandates the LED unit to develop an LED Plan to identify key niches for the Department of Cooperative Governance and Traditional Affairs to be engaged with in order to support economic growth and assist Municipalities to understand their unique role in contributing to the national economy.

The Plan will therefore also assist the Department in the refinement and implementation of the existing LED programmes, without replicating what other line function Departments may be currently implementing.

Local Economic Development (LED) can be defined as a participatory process where the local role-players interact to develop, grow and strengthen the economic base of a geographic locality. These activities are focused at improving the business environment which will result in the identification of barriers to spontaneous economic growth, formulating and implementing measures to overcome the barriers while exploiting economic and business opportunities. This will reduce transaction costs and improve the quality of local production factors in a manner through which employment opportunities are created and sustained.

As a programme, LED is intended to maximise the economic potential of all municipal localities throughout the country and, to enhance the resilience of the macro-economic growth through increased local economic growth, employment creation and development initiatives within the context of sustainable development. The “local” in economic development points to the fact that the political jurisdiction at a local level is often the most appropriate place for economic intervention as it carries alongside it the accountability and legitimacy of a democratically elected body.

The LED approach encompasses a collection of policies, strategies and other instruments that are applied as tools to achieve LED outcomes. Therefore, the approach can be seen as a partnership between all players having an impact on the local economy including National, Provincial and local government, the community and the private sector in order to stimulate the economy in an area. To this extent, LED is not a separate function of government but rather a responsibility of all community stakeholders.

Economic development in communities can be achieved by pursuing the LED approach. There are various outcomes of LED such as the creation of employment opportunities, alleviate poverty, and redistribute resources and opportunities to the benefit of all.

It is important to note that the LED is an ongoing process, rather than a single project. LED is thus everything that impacts on economic development and growth in a spatial location and therefore encompasses all interested and affected parties involved in various different initiatives aimed at addressing a variety of economic needs and imperatives.

## 11.4.2 POLICY ALIGNMENT

In terms of influencing LED, Provinces have an important role to play in guiding local governments in contextualising national imperatives and grounding them within the realities and specificities of each province. Provincial governments thus play a leading role in ensuring that economic planning, infrastructure investment and development spending takes place in accordance with the principles set out in National policy frameworks and development plans. Thus, the provinces ability to align and integrate with National policies will contribution significantly in achieving economic growth. Therefore, in assessing the Districts LED’s alignment to policy, the Provincial Growth and Development Plan has been identified as a key tool for guidance, coordination and alignment and has been the primary framework utilized to benchmark Districts LED’s alignment to policy.

### IMPORTANCE OF THE PROVINCIAL GROWTH AND DEVELOPMENT PLAN

The formation of LED programmes and the implementation of projects is a fundamental driver of social and human development; this is the primary reason that The Provincial Planning Commission views the importance of the Provincial Growth and Development Plan through the lens of economic growth as a cross-cutting issue which is contained in every single aspect of the KZN PGDP. Hence, the Provincial Growth and Development Plan represents the provincial perspective on what types of developmental issues should be taken into account in the Province which reflect national and sector growth initiatives. Furthermore, the Provincial Growth and Development Plan is a strategic document which can potentially assume a vital role in ensuring the effectiveness and coordinated delivery of the objectives of the developmental state, in its role as an alignment mechanism for LED. Significantly, the Provincial Growth and Development Plan provides an essential linkage between national and local development processes and can assume a pivotal role in influencing horizontal linkages within LED ensuring that development at the sub-provincial level takes place in an integrated manner.

### ALIGNMENT RATIONAL AND CRITERIA

In assessing the Districts LED’s alignment with the Provincial Growth and Development Plan the key criteria used to assess LED’s alignment with the KZN PGDP has been determined by the LED’s ability to align with the KZN PGDP’s main pillars. These main pillars are focused on

1. Job Creation
2. Human Resource Development
3. Human and Community Development
4. Strategic Infrastructure
5. Environmental Sustainability
6. Governance and Policy
7. Spatial Equity

### GAP/CHALLENGE ANALYSIS

A gap and challenge analysis has been undertaken to identify strengths and weaknesses, as well as opportunities and threats which lie in the development of an effective LED strategy. The SWOT analysis is illustrated in Table 1.

**Table 1: SWOT Analysis**

|  |  |
| --- | --- |
| **Strengths** | **Weakness** |
| * LED’s have avision, goals, objectives and projects are outlined.
* Majority of the LED’s assessed have included more than half of the check points outlined in the evaluation of the situational analysis criteria.
* Most salient economic features/sectors in Local Municipalities are reflected in LED’s such as agriculture, tourism and manufacturing are highlighted. Insuring that the key economic sectors are identified and analysed.
* The base economic resources and economic infrastructure of the local Municipalities is identified and analysed
* In most cases consultations with relevant stakeholders has been conducted and informed LED’s.
* Goal, objectives, visions play a significant role and provide an opportunity for LM to setting out a blue print as to where they want their LM to be and to go over the next few years.
 | * There is a lack of understanding of economic and growth concepts. Such as value chain, and backward and forward linkages which impacts the identification of challenges and opportunities faced by the local Municipalities.
* Local Municipalities have struggled to identify and present the competitive and comparative advantage of their area.
* The exclusion of significant information regarding land patterns including the land redistribution, land tenure reform, land restitution, land suitable for housing development, etc. are not included in many of the local Municipalities in their LED’s
* For many local Municipalities, key issues, concerns, problems, challenges and opportunities are not included in some of the LED strategies.
* Feasibility of projects is questionable as no timelines or budgets are associated with projects.
* Municipalities have limited capacity to ensure that LED portfolios function efficiently.
* The roles and responsibilities of key players are not outlined or are not clearly outlined.
* The monitoring and implementation framework is not well developed and outlined in majority of the LED’s
* The use of data and application of data has resulted in a misrepresentation of what is happening in the area.
* Several LED’s have no status quo which means they can’t address the key developmental and sectoral challenges faced in the local area.
* Projects are not convincing enough that they could create jobs or to meet the other targets set in PGDP.
 |
| **Opportunities** | **Threat** |
| * There is an opportunity of formulating a strong monitoring and implementation frame work.
* There exists an opportunity for the LED Unit in the implementation phase to partner with private and public stakeholders including Wildlife, EDTEA, DEA, DoE and Financial Institutions,
* LED Units could strengthen their capacity through skills and knowledge upgrades by aligning with private stakeholders and District Departments.
 | * There is a possibility of having long wish lists of unimplementable projects in various LED Strategies,
* Lack of alignment of the recommendations to the provincial and national vision means that the national and provincial targets will not be fully met,
* Poor baseline data of the current realities of the area and a lack of targets for recommended projects means that there is no way of knowing when the project will achieve its objective.
 |

From the above analysis, the following table provides a synthesis of challenges facing LED, many of these challenges are interlinked and co-dependent. The overall observation of the LED’s reviewed from all Districts indicated that most of the sub-phases that are required for developing a thorough, and effective LED Strategy Document have not been included in the reports. It should be noted that the lack of the inclusivity of some sub-phases in the LED Report has several consequences including, among others, the following:

**Table 2: Challenges**

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| --- |
| **Challenges**  |
| Capacity Building  | Even though LED officer or manager have been indicated in LED Strategies, there is a capacity challenge of training staff and of careers in LED. Furthermore, isolated LED units without capacity results in a lack of credibility in the LED.  |
| Access and understanding of data  | In most of the LEDs a core challenge has been the lack of Municipalities access to quality data used to enhance understanding of local economies and the identification of local competitiveness, as well as Municipalities understanding and use of data.  |
| Reference to provincial, district and local policy and legislation framework | LEDs have fallen short in presenting and aligning LEDs with provincial policy framework. There is thus an insufficient reference to Provincial economic targets that need to be replicated at the Municipal level |
| Financing constraint  | For each municipality to produce an effective LED Strategy there is a need for finance which some Municipalities lack; consequently, there are Municipalities who have LED Strategies older than 10 not being reviewed |
| LED Strategy Appropriateness | LED strategies to some extent do not speak to local conditions and challenges. This means that they will not be implementable or their implementation will partially address the local needs |

### RECOMMENDATIONS

The purpose of these recommendations is to assist in the refinement and implementation of LED programmes. In highlighting ways in which the District, Local government and private stakeholders can work together in the creation of effective LED programmes, the table below provides an overview of suggested recommendations:-

**Table 3: Recommendations**

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| --- |
| **Recommendations**  |
| Capacity Building  | It is proposed that high levels of support and priority be attached to training LED officials and development of capacity in LED be retained and strengthened in order that local government officials be capable enough to negotiate and strategize with the private sector around common interests. Capacity building is significance for improving the profile of LED officials and for greater professionalisation.  |
| Integration and closer cooperation | There is a need for greater integration and closer cooperation between both LED stakeholders and sector departments involved in implementing LEDs. The inclusion of all relevant stakeholders is thus necessary at all phases of compiling the LED, from conducting the situational analysis, outlining the strategic framework and setting out the implementation plan. Thus, maximising the potential for LED partnerships between private and public sector |
| Functioning LED forums (District and Local government departments) | It is proposed that greater collaboration among relevant departments at a District and Local level be forged in identifying the needs of Municipalities and how those needs can be meet. District and local support teams thus need to be formed and their inputs be included in the formation of LED Reports and in the implementation of LED outputs.  |
| LED Strategy Appropriateness | Municipal LED strategies will need to be broadly aligned with district strategies. Many of the high-level strategy decisions for Municipalities could be more effectively taken at district level. Local opportunity could thus be identified within a framework identified at district level. Data could also be analysed at district level, and then disaggregated into the local implementation plans.  |
| The promotion of greater professionalization of LED |  It is proposed that to achieve greater professionalisation of LED that awareness be raised of the importance of LED for local governments. Local governments must be made aware that LED should move from the backburner to assume a central position in the development agenda of localities. In so doing, awareness needs to be heightened of understanding LED as a cross-cutting issue.  |
| Economic data | It is proposed that Municipalities are supported in accessing economic data for understanding local economies, identifying competitiveness and for enhanced LED planning.  |
| Monitoring and Evaluation | The selection of projects to be included in the LED would therefore need to be selected under a set of criteria focused on the practical implementation of the project. Considering the projects budgets and timeframes. Monitoring and elevations frameworks need to be clearly outlined and include monitoring and verification indicators and mechanisms to monitor responsible role players for projects  |

## 11.4.3 BEST PRACTICE ELEMENTS, PREREQUISITES FOR GOOD LOCAL ECONOMIC DEVELOPMENT

LED should seek to be financially, socially, institutionally and environmentally sustainable. Financial sustainability implies that an LED intervention should be able to cover its own costs, possibly detaching itself as soon as possible from the funding of the donor agencies which sustained the intervention at the beginning (Canzanelli 2001). Social sustainability implies that a shared vision of future development is reached among all the local actors (Canzanelli and Dichter 2001). Institutional sustainability implies that local administrations and authorities are fully committed to support the process and to channel to it all the public initiatives to be implemented in the area (ILO 2001). Best practices for local economic development outlines criteria that should be fulfilled within 4 subset categories which include local business support mechanisms; sectoral development and investment; entrepreneur development and development of workforces. For local economic development to prosper, effort needs to be put in to ensure these structures are in place to allow for growth.

### Local Business Support and Development

Local sectors cannot grow without support and incentives for start-up businesses and SMMES in the province. Developing business clusters can be achieved by identifying opportunities for joint ventures and Municipalities can aid this process through assisting with negotiations concerning joint ventures and aiding in the preparation of business plans and project plans. Strategy interventions can be developed for business support through the following mechanisms:

* providing advice on market analysis and economic opportunities
* providing advice on product development and identification of target markets
* identifying management capabilities and recommending training requirements
* Determining start-up costs, forecasting sales and conducting a break-even analysis
* assisting with financing and marketing planning
* conducting financial analysis on proposed business plans and opportunities
* providing advice on licensing, taxation and business requirements

### Sectoral Development and Investment Attraction

It is imperative to identify sectoral opportunities for economic development (e.g. mine support, tourism, forestry, arts and crafts) within the regional economy. Municipalities can be a positive enabler in this process by acting as a liaison between local organizations, businesses, individuals and representatives of government concerning economic development. The development of partnerships within the community to develop and promote opportunities acts as a catalyst to investment attraction. Local organizations, businesses and individuals must be assisted in taking advantage of economic development. In addition, jobs within the sector can be created by providing employment opportunities or developing the skills of local people/artisans, entrepreneurs or community members. Identifying community skills training and development requirements to take advantage of economic development opportunities helps fast-track people’s inclusion in local economic development. Sectoral development can also be further promoted by the following practices:

* conducting surveys and research on market opportunities
* assessing marginal citizen-centred programs
* identifying capital development program opportunities

### Entrepreneurial Development

Entrepreneurial development is best supported by Municipalities providing funding and facilities such as business incubators. Thereafter for local economic development to thrive these opportunities need to be promoted and sustained. Citizens in Municipalities need assistance on preparing business plans and project plans. Market access and local economic inclusion needs to occur by:

* providing advice on market analysis and economic opportunities
* providing advice on product development and identification of target markets
* identifying management capabilities and recommending training requirements
* Determining start-up costs, forecast sales and conduct a break-even analysis
* assisting with financing and marketing planning
* providing advice on licensing, taxation and business requirements
* conducting financial analysis on proposed business plans and opportunities

### Development of Workforces

Researching trends and gap analysis can be conducted to discover the potential of workforces that can be active within the local economy. Providing training and professional development initiatives at the provincial, regional and municipal levels of governance allows the participation of people in workforce planning at the provincial, regional and municipal levels. Municipal officials also have a role to play in participating in reviews of national training packages that need to be conducted on a regular annual basis. Workforce or labour participation can also be elevated by exploring recruitment, selection and retention issues at a regional and municipal level by convening tripartite consultation processes on workforce issues.

### Community Development and Financial Support

The conducting of ongoing research and investigations into private and public sector economic development funding opportunities aid local economic development practice within Municipalities. Industry and government representatives should be consulted concerning eligibility requirements for funding and preparing of proposals for funding to support community economic development. In this regard, Local economic development implementation can be also fast-tracked through:

* maintaining an inventory of programs and contacts
* reviewing and testing innovative funding modalities
* pursuing outside investments
* Developing unmet support services (e.g. consulting, research, project management)

## 11.4.4 CONCEPTUAL APPROACH

This section of the document discusses 5 concepts that are put forward as an approach for LED within the Province. The discussion and adoption of these concepts support approaches adopted in the PGDS and seek to further focus attention to ensure:

* Greater impact and improving relevance;
* Improving coherence with respect to government interventions;
* Understanding the relationship between all parts of the economy within the province;
* Highlights the relationship between various geographies of the province; and
* Linking visually the relationship between urban and rural dependence.

The five concepts should be read together, reinforcing each other and providing a co-ordinated approach to LED.

### Concept 1: Adopting a Value Chain Approach

A value chain approach to LED is beneficial as it creates access to opportunities. There are many examples where government interventions either intervene in some areas of the economy only to realise that the interventions are not having the desired impact because restrictions exist elsewhere. Similarly, there are examples where there is duplication of effort or where projects are located in areas that are not likely to yield the biggest impact. This provides some motivation for the use of value chains in analysing sectors within the KZN Province. For this reason, the KZN PGDS mentions value chain analysis with respect to a number of sectors e.g. the nine-point plan mentions the ‘revitalisation of the agriculture and agro-processing value chain or the energy production value chain under environmental resilience (p30). The adoption of this approach for this process will add detail to the provisional and district level discussions and interventions on value chains.

A value chain approach allows for the understanding of a market system entirely. It allows for the understanding of businesses, manufacturers and industry that operate within a sector - from input supplier to end market buyers; the support markets that provide technical, business, financial and logistic services to the industry; and the business environment in which the industry operates.

The LED Value Chain Approach provides for an opportunity to support pro-poor development and job creation by best understanding in which parts of the value chain to create enterprises, develop business relationships, improve market structures and the enhancement of the business environment. It can also promote the development of local micro and small enterprises and aid in reducing the constraints within poor market access and low bargaining power (Canzanelli, 2001).

Value chains (e.g. the food value chain in figure 1) are not limited to one jurisdiction or local area, as it is continuous and can transfer across multiple regions, Municipalities, districts, provinces, as well as internationally. For example, the value chain for food crops start in rural areas with the growing of crops which find their way to bulk markets which are often located in industrial areas, then to retailers which are situated in commercial and residential areas. Some of these products might be exported to other countries, which in the case of perishable goods would use air freight. Other products like dry goods (like nuts) might be exported via sea or land.

Figure 1: Food Value Chain

 

1. **Prerequisites for a Value Chain to work**

The value chain approach requires:

* Government Support and Infrastructure
* Lowering the costs of services
* The reduction of friction of distance through logistics.

By understanding the entire processes involved in all areas of the value chain, it is possible to assess aspects of the value chain for improvements, innovations, interventions etc. Brazil for example, examined the impact of export trade on local producers which led to upgrading of local production in global systems. It was found that competitiveness may be strengthened by firms themselves (individually or through joint action of firms), at industry level (collective action) and, importantly, through local and central public action. It was discovered that some of these actions can be driven through locally developed regional innovation systems (Hindon & Hindson, 2005). Information will be captured to provide information on what interventions that can be made to improve business opportunities, competitiveness and address the challenges which are laid out in the various programmes of Provincial Government. Aside from considering the prerequisites for making value chains work. The strategic framework will specifically address the following issues in relation to values chains:

* Projects – aligning projects to relevant values chains to identify what interventions are being made and by whom. This will also highlight the intervention gaps
* Challenges – what are the key challenges faced by industries or companies in the value chain.
* Opportunities – proposing key opportunities that might exist, including comparative advantages, export potential, opportunities for micro businesses and catalytic interventions.
* Cluster opportunities – highlighting areas where clustering will add value to the value chain and where SMME’s can likely benefit
* Stakeholders – identifying stakeholders relevant to the value chain and describing roles that stakeholders play, and what opportunities exist for various partnerships and
* Consider appropriate funding opportunities.

### Concept 2: Clustering

Clustering occurs within a concentrated geographical area when businesses and manufacturers co-operate towards common goals. They establish close linkages and working alliances to improve their collective competitiveness. Clusters help to bunch together co-located firms and organisations and collectively they are enabled as a high-performance system (Cluster Navigators, 2001). This concept is effective as it is easier to solidify linkages collectively within a cluster as opposed to a single business trying to thrive as an individual entity. An active local cluster includes firms and support organisations working together, to develop regional sector comparative advantages to achieve results. This would not be possible to achieve through individual business entities. Nevertheless, clusters are predominantly a local activity, and for development initiatives to be sustainable they should be driven by local organisations (Cluster Navigators, 2001). Clustering seeks to advance:

* co-operation
* knowledge share
* logistic requirements
* benefiting from economies of scale – either the provision of infrastructure or services to the cluster members.
* easy collaboration between government, business and research and educational institutions.

As demonstrated in the figure 2, clusters can be established for certain aspects of the value chain where it makes sense for industries and other organisations to cluster.

Figure 2: Clustering incorporated into the value chain approach

Clusters allow for investment into an area that can service the cluster, a feat that is made more difficult and sometimes impossible if businesses are not near each other. Clustering also allows for interaction between and small and big businesses and the better opportunity for small businesses to collaborate on matters of procurement. It is a community of business which fosters a ‘getting to know you’ approach, which is a vital part of business relations.

### Concept 3: Contextualising Micro enterprises in LED framework

Micro businesses are often considered one half of the dual economy and often identified separately from the more formal economy. What this approach is recommending is that micro enterprises need to be part of a continuum of small and often informal enterprises to larger formal businesses, and not discussed as though there is no relationship between the two.

Local Economic Development initiatives should enable, promote and sustain micro-macro links: If practitioners should examine the influence of policies and institutions on livelihood options and highlight the need for policies to be informed by insights from the local level and by the priorities of the poor. For example, on a local level, SMMEs should be given an emphasised platform to engage with big business on a regional/macro level to acquire more skills in managing their businesses, for overall economic growth. Sectoral productivity, connectivity, local business expansion and investment in manufacturing and industry would allow for an overall boost in the economy. In addition, skills development and job creation on local and regional levels would be ensured through local economic development. This would also have a positive impact on the economy on a micro and macro level, thereby inversely strengthening the continuum for LED.

Among both the macro and micro spheres, pro-poor LED should be effectively implemented and the most important LED interventions with a pro-poor regional development focus must be driven through:

* Improved delivery of infrastructure which maximizes opportunities for both employment creation and SMME development in disadvantaged areas;
* Creating an improved regulatory environment for SMMEs in general;
* Setting aside municipal land and facilitating the activity of urban agriculture;

Local government policy intervention should provide a more facilitative environment especially for the functioning of survivalist enterprises. Forms of policy intervention ranges from the development of a local information base, zoning changes, marketing support and promotion; facilitation of periodic markets, and assistance for development of appropriate vocational training. Improving business infrastructure to support the activities of emerging entrepreneurs, include the facilitation of small business hives, incubators or nurseries, the provision of markets, or making available premises for use as local business information, support or advice centres.

### Concept 4: Mapping of Economic Regions

An economic region is a geographical area that possesses a comparative advantage in an identified sector. Therefore, Local Economic Development needs to promote jobs, skills and resources to complement strong sectors in regions and vice-versa. For example, if an area has a potential for the development of a specific commodity then that region would be identified as specific for the production and retail of that commodity. Regions throughout the province possess differentiated climatic and environmental conditions that are specific also to the growth of a certain agricultural product. For example, bananas and pineapples are often grown in the northern and southern part of coastal Kwa-Zulu Natal as opposed to Amajuba District which thrives in terms of dairy products, because of its potential to sustain livestock and produce diary commodities.

Core industrial and manufacturing regions such as eThekwini, Umhlahuze and Msunduzi can be connected to the smaller agricultural economic regions of the province. Regions that are characteristic of dominant sector comparative advantages must be mapped. This is to highlight the sector opportunities and investment areas in the province so that Local economic development interventions and projects can be strategically located and implemented within context of sector comparative advantages. The conceptual framework will map the following economic regions:

* Industrial
* Agriculture
* Tourism
* Logistics

### The relationship between top down and bottom up approaches

Historically there has been a debate between top down versus bottom up planning. The debate is particularly relevant in developing countries, where often large scale regional interventions required are driven from central policy directors. The post-modern approach flips that concept on its head and takes into consideration socio-economic problems as well as the needs of people within communities. This different approach is a grassroots approach to planning and local economic development.

The bottom up approach attaches the reality that socio-economic regions have different resources, climates, people and therefore a diagnosis must be made sectorally as well as territorially to determine the interventions that a region would need to develop. The bottom up approach encourages regional economic development as opposed to the proposals of sectoral industrial projects. It identifies that Municipalities not only need support but in addition, a way of securing financial budgets for the implementation of projects.

## 11.4.5 FUNDING MODEL

### Funding Issues

Finding funding for LED projects is a key consideration of Municipalities. The issue however is not only whether funding exists or not; but:

1. How funding can be accessed
2. Determining what funding sources exist and for what the funding can be used
3. What the requirements for accessing the funding is – who qualifies
4. Having the capacity to apply, administer and account for the funding and
5. in some cases where funding has been obtained there is sometimes the inability to spend due to a host of reasons including institutional, capacity etc.
6. Funding applications and reporting may be onerous, complicated and time consuming to complete.
7. How to fund out of the box thinking and innovation
8. In the case of investment funding there may be questions asked of Municipalities regarding their capacity to negotiate partnerships or investment deals.

Conceptually, it is therefore not sufficient to provide a list of funding sources and make that available to Municipalities. It is equally important to provide support to Municipalities to ensure that they are able to access, spend and report. The nature of support will depend on the strengths and weaknesses of a particular municipality, what they require funding for, the nature of the funding (conditions and requirements) and the type of reporting required. Furthermore, the issue of funding or financing LED projects should be contextualised with the value chain approach to highlight synergies, gaps, funding overlaps or inappropriate funding choices. If we accept that LED is inclusive of all role-players, i.e. private, public, and community, it is important to consider funding not only for Municipalities but for any entity that is contributing to the LED within the area. Consequently, it is important to note that funding is also geared towards other role-players, e.g. co-operatives, SMMEs etc.

### Funding Sources

There are at least 4 types of institutions that provide funding or finance for LED projects:

1. **Government**

National Departments, Provincial departments, Municipalities and Government Agencies all have funding for LED projects or infrastructure related to LED projects. The finance provided by government institutions directed at Municipalities generally falls into 2 categories: grants or equitable share. Where funding for non-government institutions exist, these are either in the form of grants or loans.

1. **State Owned Enterprises**

State Owned Enterprises (SOEs) were created as wholly, or partially government owned enterprises designed to stimulate economic development in the country. They are intended to focuses largely on infrastructure development, operation and maintenance; e.g. Eskom established to be the preeminent power producer, providing enough energy to support economic development. One of the hallmarks of SOE’s is their ability to raise capital for development initiatives and economic projects. This coupled with funding received from government suggests the potential for LED projects to be funded, especially if these projects are related to the agenda of a particular SOE, or the local project is part of a broader project or programme being undertaken by the SOE.

1. **Private sector**

Loan Financing; corporate social investment; enterprise development; private equity and venture capital make up the options of private funding that is available. Accessing private funding largely depends on the relationship between private sector and Municipalities, SMMEs, the nature of LED project, the capacity of small businesses and Municipalities to make applications, and importantly the legal and policy framework that supports or limits private sector funding for public sector projects.

One of the key support areas mentioned in the stakeholder workshop was that of developing partnerships between potential investors and Municipalities. This needs further exploration.

1. **Donor Agencies**

Within South Africa there are a number of well-known donor agencies, such as USAID, the British Council etc. Donor funding exists for a range of projects, e.g. greening the economy, LED, social projects like early childhood education.

Annexure C is a list of funding sources compiled by the Western Cape Government: Department of Environmental Affairs and Development Planning in 2014. This type of exercise is extremely useful in the context of limited capacity in Municipalities, and limited access to information by SMMEs. Whilst not all the funders listed in this Annexure applies to KZN, the vast major are national organisations that do apply. In addition, there are other organisations that will be appropriate for KZN that will not be relevant to other provinces.

### Funding Framework

1. **Compilation of LED project funding sources**

There is a need to compile information pertaining to funding sources, similar to that compiled by the Western Cape Government. The compilations should contain a list of funders, what they fund, what their contact details are, application forms and funding window for each institution. It should also highlight which organisations are eligible for funding and the requirements for accessing the funding. Instead of being a document though, the compilation could be captured on a web portal, which can be updated annually and made available to all stakeholders at any point. The compilation should also provide guidance what type of funding is suited for which parts of the value chain.

1. **Applying, administering and accounting for funding**

COGTA could consider making capacity to assist Municipalities, SMMEs, CO-Ops, NGOs etc. This could also be undertaken by development agencies where these exist. Incorporated into this providing capacity should be an assessment of the entity’s ability to administer, spend and account for the funds. If an entity is deemed not to be able to manage the funding effectively, provisions should be made to ensure that the funding is appropriately used and reported on.

1. **Skills Development**

Training programmes should be developed specifically for entities trying to access funding. The training facilitated by COGTA should focus on all aspects of accessing, deploying and accounting for the funding.

## TOOLKITS

Toolkits have been research to unearth the key issues in developing LED strategies and LED projects and programmes. 5 toolkits were considered and the highlights recorded.

### TOOLKIT 1: UN- HABITAT

According to the UN Habitat toolkit, this is the criteria for a good LED process:

* + It is Participatory and Inclusive - Public, private, civil society, and marginalized groups work together to develop locally based solutions.
	+ It has Local Leadership - Development strategies are developed at the local level (e.g., district, etc.), city or region itself, not imposed from higher levels of government or donors.
	+ The Local Economic Development process is values-based. The values of local people (i.e. what is important to them) drive the process and the solutions
1. **Tool 1: Conducting A Basic Situation Assessment**.

An economic situation assessment provides you with the information you will need to make strategic decisions that will direct your LED efforts. This tool gives hints and tips to develop a useful assessment, even if you are dealing with limited time, money and resources.

1. **Tool 2: Youth in LED**

Involving local youth leaders will legitimize your planning process and can lead to better ideas and solutions. Local youth leaders can also help with outreach and communications about economic development programmes for youth, and provide valuable feedback on the successes or challenges of the programmes.

1. **Tool 3: Focusing on Sectors.**

Cities, towns and regions may have natural advantages in one or more sectors due to their workforce, location, natural resources or history. Understanding and building on these advantages can be key to a LED strategy. As a sector develops, there will be more advantages to companies within that sector and to the wider economy, such as economies of scale, knowledge transfer, and workforce skills. The economy would be stronger and more resilient in the long term.

1. **Tool 4: Good Ideas: What’s Already Working.**

Around the world, cities are exploring great ideas for LED. Often inspiring success stories can be adapted. This tool explores LED ideas that have been successfully replicated in many locations, and it examines some of the planning and policy tools that can be used to implement them. Some good ideas that implemented within an LED strategy are to ensure:

* + A green economy
	+ Good transportation networks
	+ Brownfield development
	+ Business support services
	+ Leadership and entrepreneurship
1. **Tool 5: Economic Multipliers.**

Cities and regions can use economic multipliers as a tool to predict how an investment will affect their local economy. They can be used as part of a formal economic development study, or as a quick estimate to help a community group decide whether to support a proposal in their area.

**TOOLKIT 1: Contextualisation to LED in KZN**

The workforce in KwaZulu-Natal is a predominantly youthful population. More effort should be made to engage the youth to determine what they think and how they see themselves contributing the economic development.

### TOOLKIT 2: GOVERNMENT OF ALBERTA, CANADA

This toolkit was described as one of best practice for the prosperity of Local Economic Development Practices and projects in Canada. Canada, however is a developed country and may rank higher in terms of standard of living, access to resources, quality of life and development, as compared to South African and KZN. Nevertheless, the tools that are used can be used to solve problems, even in poverty and unequal areas or regions.

1. **Tool 1: Asset Building**

Asset Building states that all people whether they live in poverty or not, have assets. These assets can be developed or enhanced. Asset building supports people with limited financial resources to accumulate assets that help them improve self-efficiency and eradicate poverty. This can be achieved through financial literacy education and an individual development account. The financial literacy workshops give individuals or family units the skills and confidence for financial management.

1. **Tool 2: Asset Mapping:**

This has been developed so that community leaders can engage with and aid people in their communities. It is used in strategic planning, community development and organisational development. The process of asset mapping includes:

* Identifying Inventory of assets in the community
* The ranking of the most valued aspects of a community, and
* Reasons where people place high value on assets in the community.

Thereafter, a mapping exercise is conducted which is used by the community, for engagement and future development.

1. **Tool 3: Community Resilience**

To discover the social as well as the economic vitality of rural communities; and in relation to backlogs and services, appropriately provision solutions to be implemented. For example, identifying if a community is living in a high risk environmental area, and if so making better provisions for those communities.

1. **Tool 4: Social Enterprise**

Involves the implementation of initiatives such as business ventures and housing projects with good funding models to empower and support communities.

**TOOLKIT 2: Contextualisation to LED in KZN**

Municipalities within KwaZulu-Natal have already engaged in asset mapping and building exercises so it is important to find a way forward. There is a need to use these tools to aid in budgeting and financial management of LED projects. A step further would be to use community assets as a tool for communities to engage in Local economic development empowerment, especially in rural areas.

### TOOLKIT 3: WORLD BANK FOR THE CITY OF SMOLYAN IN BULGARIA

This toolkit is adopted from the World Bank, and the World Bank has been known to drive and support successful Local Economic Development Programs and initiatives in many countries. Regarding the development of an LED Strategy, the World Bank had developed the Cities of Change Program, where they supported ten cities from Central and Eastern Europe region under the Cities of Change Network. This support included the financing of network meetings, training in appropriate methodologies and the provision of technical assistance to initiate the development of five-stage local economic development strategies planning process.

The programs and projects were to fulfil a preferred vision for Smolyan Municipality. This five-stage process included:

1. Tool 1. Organizing the Effort
2. Tool 2. Doing the Local Economy Assessment
3. Tool 3. Preparing the Strategy
4. Tool 4. Strategy Implementation
5. Tool 5. Developing of the Monitoring and Evaluation System

**TOOLKIT 3: Contextualisation to LED in KZN**

A huge commonality among all municipalities in KwaZulu-Natal is the existence of an LED Strategy that must be produced in line with the Integrated Development Plan. However, it is also common that many LED Strategies are outdated, old and not updated on a regular basis. This toolkit provides a set of guidelines to produce LED documents. Perhaps if the process of writing these documents are standardised and they are completed on a regular basis then LED documents would be more effective in providing accurate and insightful information for analysis and LED implementation and records.

### TOOLKIT 4: eGOVERNANCE IN LOCAL ECONOMIC DEVELOPMENT

ICT and technology have become leading tools in accessing and transferring of knowledge and information in a globalised world. In the context of the 21st century citizens and people need access to technology and computers so that they may use it as a tool to access information effectively and efficiently. This e-governance toolkit had been adopted in Gauteng so that LED processes would be effectively fast tracked. If officials or LED practitioners have access and can transfer and collect information quickly, they are more equipped to engage in problem solving, analysis, implementation and even evaluation and monitoring. There are many objectives that ICT can achieve in terms of planning and development. These are:

* + Integration
	+ Connectivity
	+ Access
	+ Development and access to a common data base.
	+ Effectiveness and efficiency in terms of gathering information and sharing information.

**TOOLKIT 4: Contextualisation to LED in KZN**

LED strategies and plans would be so much easier to development with the aid of information ‘at your fingertips’. There is a large volume of data provided by national and provincial government, that would make it easy for municipalities to under status quo analysis, understand their comparative advantage and understand what other initiatives exist in their areas of jurisdiction.

### TOOL KIT 5: USAID- LOCAL ECONOMIC DEVELOPMENT

This toolkit refers specifically to strengthening the intuitional environment and creating a business enabling environment for successful growth of Local Economic Development. In an economic sense business support is a catalyst for the growth of any economy. Economies require interventions for local and foreign investment. Regions on a micro and macro scale require the financial flow of capital and investment through both public and private spheres so that local economic development projects, programmes and interventions may prosper and thrive.

1. **Tool 1: Preliminary Assessment**

The preliminary assessment is designed to enable USAID staff to determine if there is reasonable potential for developing an LED component as part of their country program and, if so, what the most significant issues would be.

1. **The Economy**

The preliminary assessment of the economy is intended to be a relatively rapid and ‘big picture’ assessment that reviews the macro level environment and major Assessment and consider the questions posed to provide a basis for the assessment. The section is divided into subtopics, where each subtopic provides an assessment methodology, data needs and sources of data that provide practical guidance to completing the assessment.

1. **The Institutional Framework and Business Enabling Environment**

Information is collected in the assessment of the Economy, this step begins to analyse specific factors that will influence (enhance or hinder) the LED enabling environment, and any resulting programs

1. **Tool 2: Detailed Assessment**

If the results of the preliminary assessment suggest that it is worthwhile to take a more in-depth look at LED programming, the next step is to undertake a detailed assessment. The detailed assessment will further analyse issues that are important in determining the feasibility of possible project components, and the potential for interventions at national and local government levels.

Building off the preliminary assessment of the economy, answering questions in this step enables you to assess the local opportunities and constraints to be addressed through an assistance program.

1. **Tool 3: Determine Potential Projects**

Based on the assessment, understand what type of LED programming may best suit the situation. This section provides clarity and suggestions for ways that LED programming can fit into overall economic growth, democracy and governance programs of the mission.

**TOOLKIT 5: Contextualisation to LED in KZN**

The key concerns in the Province that hinders the growth of local economic development include:

* + Lack of institutional Support
	+ In most instances lack of financial resources for LED projects
	+ Poor Business enabling environments and support/incentives
	+ Public and private investment

This toolkit makes recommendations on how these various issues can be addressed and perhaps if this type of toolkit is looked at, it may result in some solutions for problem impediments for the growth of LED in the Province.