PROVINCIAL LOCAL ECONOMIC DEVELOPMENT STRATEGY FRAMEWORK

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Table of Contents

List of Figures

List of tables

List of Maps

INTRODUCTION

As part of its constitutional mandate to support and strengthen the capacity of municipalities to manage their affairs, the Mpumalanga Provincial government has commissioned the development of provincial local economic strategy framework. The objective of the development of LED framework is to improve the quality of the municipal local economic development strategies in the province. The framework aims to capacitate local governments to develop strategies that are responsive to their economic development potential within their area of jurisdiction. It is also an attempt to develop an instrument that will enable the province to create a standardised instrument without compromising on the innovation capacity of the municipalities. The province has taken this approach recognising that:

> "stimulating regional development is difficult and far from a mechanical process that can follow a simple formula or plan. It depends on many factors and forces coming together in a particular place and time, any one of which can jeopardise success"
>
> Todes and Turok (2014).

As such comprehending this within the local government and province at large is important for all the role players to contribute meaningfully towards the development of potential within the area of their jurisdictions.

There are myriad of approaches in the development of the LED strategies, and these have been applied unevenly across the province. As a result, the capacity of the province to conduct a monitoring and evaluation of the strategies in a consistent manner has often been hampered. This has also resulted in a number of municipalities being unable to take advantage of economic opportunities that exist within their areas of jurisdiction, which is of concern to the provincial government. While there are several reasons for this inability to maximise in opportunities, a key common factor identified in most of them is the manner in which local governments within a particular region/district interpret their economic potential. In some cases, local and district municipalities share a similar economic landscape including development potential but their approach toward the development of their area of jurisdiction differs markedly. Equally, some local municipalities within the same district share similar economic potential but their interpretation of the economic potential and their sectors/areas of focus are different. This is partly a reflection of the capacity of the institutions to identify opportunities and respond to these in a manner that brings about economic development, and results in the development potential of many local governments in the province not being fully realised.

The first important element of realising such development potential is to make sure that the instruments used to analyse and interpret economic potential are not only standardised but are also able to provide the municipalities with the capacity to illuminate such potential. The purpose and aim of this exercise is to develop an LED Strategy framework that is linked to various national and provincial planning frameworks.

1. BACKGROUND

There are number of factors which determined the capacity and capability of a region to attract investment. For local government, the ability to attract investments is influenced by its ability to, among others, provide a package of resources such as availability and access to infrastructure, skilled human resources, availability of housing and recreational amenities which attract skilled human capital. These resources are identified and provided through a local government's Local Economic Development (LED) strategy, and as Koma (2014) points out, the LED strategy is critical in boosting local economies to "address high level of poverty, unemployment and inequalities and most importantly to address South Africa competitiveness and the integration of South African economy into the global economy".

In an attempt to boost local economies, the Mpumalanga Department of Economic Development and Tourism (MDEDT) identified the need to develop a LED strategy framework that has a strong economic development focus aimed at poverty alleviation and orientated towards pro-poor economic growth. The key feature of the strategy framework is that it should guide municipalities when developing a LED strategy and thus create the environment and conditions for a thriving economic sector responsive to the social development needs of the municipalities. The LED framework aims to foster sustainable economic activities in the municipalities; integrate the development initiatives of local, regional and national economy; and promote coordination between these spheres of government.

The development of a LED Strategy framework will help municipalities address some of the core challenges they face in the development of their LED strategies, specifically:

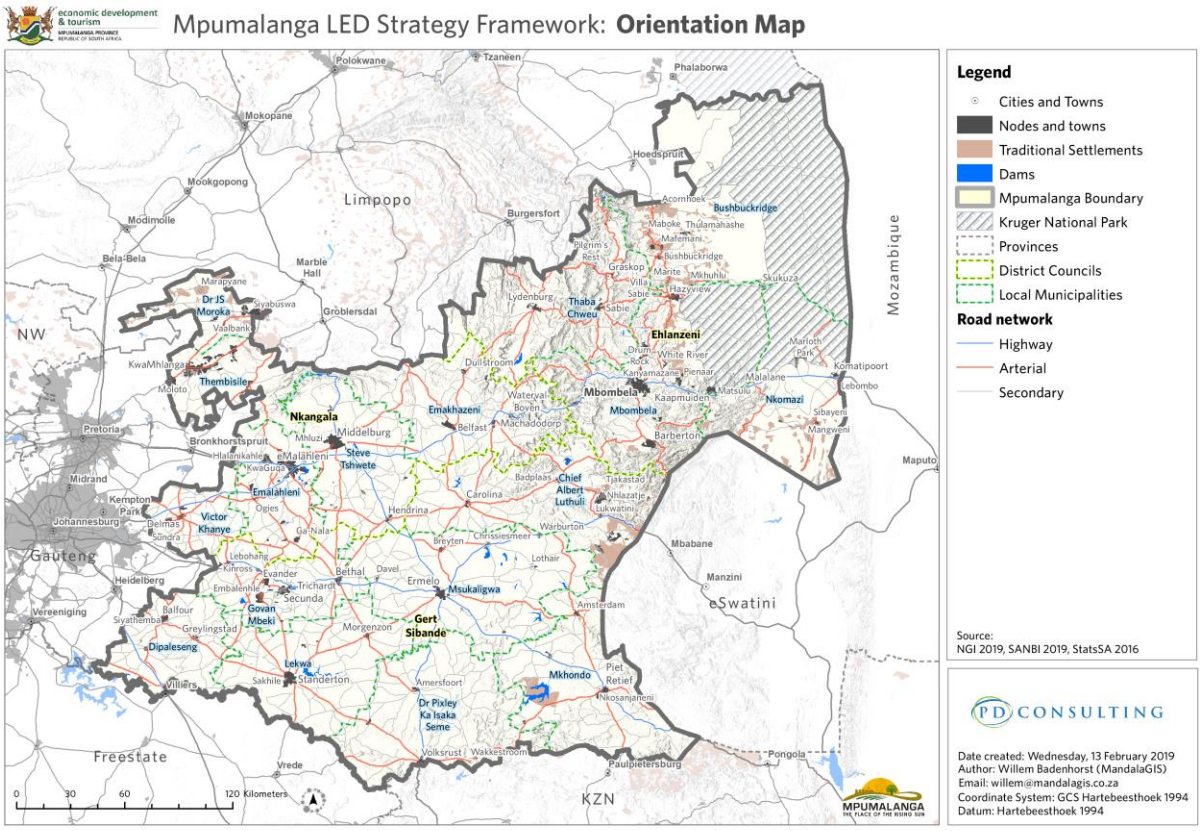
- Determining key economic drivers by sector;
- Ensuring alignment with other municipal policies and strategies;
- Identifying a practical programme for each economic sector that could be used as a basis for proactive economic development initiatives;
- Designing a guideline for redistribution of wealth and opportunities, poverty alleviation and job creation;
- Ensuring that development opportunities have definite geographic and spatial orientation;
- Enhancing collaboration between the private sector and the public sector;

- Capacitating local government to perform a new developmental role;
- Addressing the current limited private sector investment in the job-rich sectors and unconducive environment to local economic development.

The LED framework has to be located in the social realities of the municipalities, and therefore it has to be multi-sectoral in its approach. Its success will depend on how it assists the municipalities to harness and incorporate the existing economic, social, infrastructure, and human capital, which are prerequisites for economic development. In addition, there have been various initiatives driven by other spheres of government to identify and develop strategies for various sectors in the province. As such it would be crucial to guide the municipalities to align with and incorporate such initiatives in the development of their LED strategies.

2. STUDY AREA

Mpumalanga province is one of the nine provincial governments within the republic of South Africa. It is located within the eastern part of South Africa, and shares its eastern border with Mozambique and Swaziland. The province borders Limpopo province to the north, Gauteng province in the east, and Kwazulu-Natal and Free State provinces in the south east and south west part respectively. As Mpumalanga share borders with four provinces and two countries, it is strategically located with access to both local and international markets.



Map 1: Mpumalanga Province and Municipalities
Source: NGI 2019, SANBI 2019 and StatsSA 2016

3. POLICY FRAMEWORK

3.1 National Policies

3.1.1 National Development Plan

The South African government's National Development Plan (NDP) outline its vision to achieve sustainable and inclusive growth primarily through investment in strong network of economic infrastructure in South Africa. The plan proposes to achieve this through investment in the development of transport, energy, water, information and communication infrastructure. There are several key opportunities highlighted in the NDP that are relevant to Mpumalanga province, such as the need for the expansion of coal exports - a natural resource that the province is well endowed in. In addition, it put emphasis on development of the ultra-supercritical coal power plant, fluidised bed combustion, underground coal gasification combined circle as well as carbon capture and storage in Mpumalanga.

Information and communication technology (ICT) has been identified as a key stimulant in the growth of the national economy and in addressing spatial exclusion. Opportunities exist for enterprise development and job creation though the development and application of content, business processes outsourcing and services. The expansion of the ICT infrastructure will enable the province to accelerate the implementation of the industrial revolution.

The NDP also highlights the risk to water contamination in the long run due to the exploitation of water resources in the Mpumalanga highveld (eMalahleni and Steve Tshwete). This pose a risk to the national economy and specifically for the areas sourcing water from the highveld, which includes some part of Gauteng and Limpopo provinces. The NDP identifies the need to protect the long-term sustainability of the economy by ensuring compliance to environmental regulations and stringent policing of various players especially within the mining sector around highveld. In addition, given that South Africa is a water scarce country, it will be important for the municipalities in the province to strengthen their demand management system in order to ensure sustainability in the long run. Essentially, there is a need to ensure that there is balance environmental protection, nature conservation, agriculture and energy requirements and water resources.

3.1.2 National Industrial Policy Action Plan 2017/2019-2019/2020

The National Industrial Policy Action Plan (IPAP) aims to guide South Africa to industrialisation by focusing on key strategic sectors of the economy. It also aims to ensure that the economy is developed and grows in an inclusive manner for the benefit of the population. The IPAP further strives foster the alignment between public and private sector institutions and maximise on the opportunities that lies within the State-Owned Enterprises. It provides the policy guideline on the sectors which the country should target in order to attract the investments that will grow the economy and create employment. The key sectors identified that are relevant to the economy of Mpumalanga include clothing, textile, leather and footwear; metal fabrication; agro-processing; forestry, timber, paper, pulp and furniture and minerals beneficiation.

3.1.3 National Local Economic Development Framework (2013-2018)

The South Africa government has introduced the National LED Framework in order to capacitate local governments in the development of LED strategies. This was followed by the 2013-2018 South African National Framework for Local Economic Development which is the revised iteration of the 2006 – 2011 National Framework. The 2013-2018 framework is contextualized with the new country's policy imperatives, namely: the NDP, New Growth Path, the latest iteration of the IPAP, Comprehensive Rural Development Programme, Strategic Infrastructure Programme and the Integrated Urban Development Framework.

The LED National Framework is driven by Five Core Pillars:

- building a diverse economic base;
- developing learning and skilful local economies;
- developing inclusive economies;
- enterprise development and support; and
- economic governance and infrastructure.

3.2 Provincial Policies

3.2.1 Mpumalanga Local Economic Development Strategy (2006)

The Mpumalanga Local Economic Development Strategy provides global and national policy instrument for the development of the local economic development strategy within the province. It starts by providing a detailed analysis of the global economic outlook and its implications for the province. This is followed by a detailed outlook on the national economy and the economic sectors which have potential to impact on the provincial economy (mainly tourism, manufacturing and mining). Thereafter it provides an analysis of these sectors and how they could be exploited for the benefit of intensifying local economic development. The Mpumalanga Local Economic Development Strategy thus contextualises the economic outlook of the province and links the strategy to the district municipalities using the integrated development plans (IDPs).

3.2.2 Mpumalanga SMME Strategy (2008)

The SMME Strategy aims to exploit the economic strengths of the province, provincial growth and development prospects and the policy and economic trends for the benefit of its people. It identifies sectors and areas that have the potential to address the economic and social needs of the province and thereafter to empower and support public and private sector institutions which have interest in SMME development in these sectors. Key interventions of the strategy include:

- alignment of provincial to national policies and regulations,
- enabling and assisting SMME's with public sector procurement opportunities and access to finance
- guiding organised business by directing them to areas which they could work with and support SMMEs, and
- prioritising targeted groups (young, women and people with disability) as instrumental in expanding the impact and footprint of SMME's in the province.

The LED opportunities identified in the strategy include unlocking downstream opportunities in mining and quarry, agriculture and forestry, manufacturing as well as in energy.

3.2.3 Mpumalanga Growth and Development Path (2011)

The Mpumalanga Growth and Development Path (MGDP) builds on the National Growth Path and emphasises economic growth that creates jobs, reduces poverty and reduces inequalities. it

aims to create infrastructure that drive development and employment creation. It also highlights the priority of the province as job creation sector in the primary (mining and agriculture), secondary (manufacturing) and tertiary sectors (tourism). In addition, it aims to take advantage of potential new sectors such as green energy and information and communication technology as well as putting strong emphasis on addressing the apartheid spatial planning. Essentially, the MGDP identifies various sectors which directly impact on the local economic development of all the municipalities in the province.

3.2.4 Mpumalanga Economic Interventions

This document identifies economic potential within the province, district and local municipalities in terms of a hierarchy of interventions. At the provincial level it highlights mining, energy, tourism as the key sectors within which the province has comparative and competitive advantage and which should be pursued to drive economic growth. It further identifies the sectors with economic potential in each district municipality, for example: trade, tourism and agriculture in Ehlanzeni; mining, utilities and manufacturing in Nkangala and mining, manufacturing and agriculture in Gert Sibande.

The document recommends that the sectors identified for the province, district and local municipalities should be targeted at each of these levels, and it also highlights that gold and chrome should be explored as the future commodities for mining sector investment. Within the agricultural sector, it recommends that produce such as livestock, fruits, vegetable and maize as be targeted for exploitation where the potential exists. Manufacturing, in particular chemical petroleum products, is seen as having high potential and should be pursued as should the trade and tourism sectors.

3.2.5 Mpumalanga Vision 2030

Mpumalanga Vision 2030 provides the social, economic and institutional vision for the development of the province over the next decade. In order to expand the economic development in the province emphasis is put on the development of economic infrastructure (water, energy and transport) with a strong focus on district municipalities competitive advantages. This include the steel industry in Witbank and Middleburg, petrochemical in Goven Mbeki, forestry around Sabie and Mkhondo, and agro-processing. Vision 2030 lays emphasis on the development of mining beneficiation through taking advantage of the mineral

commodities currently being mined in the province in Witbank, Middelburg, Mashishing, Secunda and Ermelo. It also highlights taking advantage of rich tourism endowment of the province. The focus points for development are identified as the secondary nodes as well as primary nodes along the corridors, and the Comprehensive Rural Development Programme (CRDP) projects.

3.2.6 Mpumalanga Industrial Development Plan

The Mpumalanga Industrial Development Plan identifies seven (7) industrial clusters located within the geographical areas of eMalahleni (mining and metal fabrication), Middleburg (metal fabrication), Mbombela (wood products), Secunda (petrochemical and coal), Hazyview/Sabie (timber and forestry), Delmas (mixed agricultural) and Komatipoort (sugar cane and agro-processing). These clusters are linked to the global and local supplier chains of the mainly big industries in the automotive, energy, oil and gas industries. In order to explore the economic potential that is encapsulated within these clusters the industrial plan emphasises investment in research and development. It also proposes strengthening relationships and working together with key institutions such as the Department of Trade and Industry, South African Institution of Mining and Metallurgy, Department of Science and Technology, and the Agriculture Research Council, among others.

The key local economic development initiatives highlighted in the plan include among others welding school, light industrial hub, steel and metal fabrication hub, cleaner industrial development located in Steve Tshwete. In Dr Pixley Ka Isaka Seme Municipality hydrophonic, fly ash and farm packaging are highlighted as the major economic development initiatives. Fresh produce as well as emerging and community farmer support programme are identified areas with the LED prospects for Msukaligwa and Bushbuckridge municipalities respectively.

3.3 Conclusion

There are sufficient national and provincial policies are which provide content for local economic development in Mpumalanga province. This include the National Development Plan which highlight the Highveld as an important area for the exploitation of coal deposit for the export market. The National Industrial Policy Action Plan which highlight among other metal fabrication; agro-processing; forestry, timber, paper, pulp and furniture and minerals beneficiation as sector which should be explored for industrialisation.

The Mpumalanga provincial government has developed a plethora of policies and plans which are aimed at enabling local economic development within the province. Key among this include the Mpumalanga Industrial Plan which highlighted a number of clusters which should be targeted for expanding the local economies within the province. In addition, policies such as Mpumalanga Growth Path and provincial LED have also outlined the approach which economic development should be driven to propel local economic development. Thus, there are sufficient policies at National and Provincial levels to develop LED across the province.

4. UNDERSTANDING LED

4.1 What is Local Economic Development?

As defined by Swinburn (2006:1), LED is a "process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and sustainable employment generation". LED is targeted mainly to achieve economic development which will assist the society to work towards balance development through to reach high economic growth while addressing social issues affecting the community (Rogerson, 2009). It boosts local economies by generating economic activities and employment as well as alleviating poverty (Koma, 2014). LED

> "serves as an important strategy to boost local economies to address high level of poverty, unemployment and inequalities and most importantly to address South Africa competitiveness and the integration of South African economy into the global economy"
>
> (Todes and Turok, 2014).

The economic development within the local government environment is a process that requires the active participation of all spheres of government to set their goals as meaningful participants within the development arena (Patterson, 2008). At the local government level this is influenced by the ability to craft LED strategies which are responsive to the needs of the local communities (Rogerson and Rogerson, 2010). The implementation of the LED strategies should then be supported by the provision of a package of resources such as good infrastructure, skilled human resources, availability of housing and recreational amenities which attract skilled human capital. These then determine the suitability of a region to attract investment.

Of importance to LED is creating strategic partnerships and linkages among different stakeholders and role players in the development space (Patterson, 2008). In this context, the ability to bring both public and private sector institutions to participate meaningfully within the targeted location is critical (McEwan, 2003). This create an appetite for the private sector to invest in the local economy which in turn helps arrest capital flight, economic dislocation and de-industrialisation (Binns and Nel, 1999).

As such, municipalities can play important and meaningful roles in ensuring that the business sector is better able to participate actively in investing within the local economy. This is highly dependent on the capacity of the municipalities to respond as an enabler in creating meaningful economic opportunities through applying scientific knowledge (Binza, 2010). In South Africa, the popular notion is that development has to be government-led in terms of the policy setting agenda, but private sector-driven in terms of resourcing and support and community-based in terms of buy-in and beneficiation (Rogerson, 2009)**.**

4.2 International Experience

Governments across the world spend money to stimulate growth, fight unemployment and stimulate economic development (Koster *et al,*2016). This is precisely because economic growth, and by extension economic prosperity, does not happen naturally without an active role for local institutions (Yang *et al*., 2008). These local institutions should be supported with the necessary enabling factors, and there is need for the institutions to be made aware of the presence and implementation of these factors (Turner and Berube, 2009).

The introduction of policies, programmes or incentives that are responsive in addressing challenges and responding to opportunities in a particular space is critical in guiding this investment to drive economic growth (Kline and Moretti, 2014). These policies, programmes or incentives are not confined to one layer of government, thus, should be embraced by all players including the state-owned enterprises and private sector institutions (Pugalis and Gray, 2016). Therefore, this dictates that institutional capacity should exist at local and national levels and within the public and private sector space. This includes learning about the policy and also the basic function of infrastructure and associated infrastructure requirements that are catalytic to attract the investments. Institutions are vital in creating conducive conditions or an enabling environment for economic development (Todes and Turok (2017). Thus, there should be institutions that are technically capacitated to respond to existing conditions that will enable prosperity within regions.

The ability of the government to implement effective economic development policies therefore depends, in part, on the capacity of the institutions. Their role is to look at areas which have the potential and understand the inefficiencies that exist in those places as well as to respond through policies and programmes that are effective and efficient (Glaeser and Gottlieb, 2008;

and Barca *et al.,*2012). Thus, the institutions, if they are capable and effective, should be able to promote and unlock development in places where it might not have occurred (Todes and Turok, 2015). Taking into consideration that promoting development requires different public and private sector institutions to participate and cooperate, it is crucial to coordinate the efforts of such institutions to ensure that different spheres and agencies of government complement and reinforce each other (World Bank, 2014 and Waisman *et al*., 2014).

Successful implementation of place-based policies depends on the ability of the public and private sector institutions to learn (Wink *et al*., 2016). This includes creating tailor-made solutions for the targeted location. This is in recognition of the fact that local institutions that shape economic, political and other forms of interactions are fundamental in sustaining economic development (North *et al*., 2006). The capacity of the institutions to learn leads to functional institutions that enables and creates a conducive environment for economic prosperity (Neumark and Simpson, 2015). Such institutional capacity will enable the targeted area to compete in the highly competitive environment through creating niches to capitalise on local advantages. This could be achieved in two ways:

- Through the provision of basic services by institutions, as well as by oversight and facilitation of the performance of the private sector (Acemoglu *et al.,* 2005). These could range from the provision of bulk and connector infrastructure as well as facilitating the approval process for building and licensing (Bergman, 2006).
- By playing a more proactive role in creating a conducive environment, for example through facilitating investor conferences and forums (Jourdan, 1998).

As Todes and Turok (2005) have highlighted, one of the fundamental approaches in strengthening local economies is through the strengthening of local human and institutional capabilities. It is through capable human capital that all key elements which drive investment could be achieved. Another important component of strengthening the local institutions is through the government's ability to attract and retain skills (Koma, 2014). This is important for strengthening the local institutions with respect to the policy continuity and institutional memory. This is precisely because pursuing, identifying, attracting and retaining the investment in a specific location require a different set of skills and knowledge which cannot easily be acquired (Todes and Turok, 2017). Thus, the inability to retain skilled technocrats may undermine the success of places targeted by policy interventions (Turok, 2012; World Bank, 2014).

4.3 The South African Experience

The first LED initiatives were applied in the small towns South Africa in the early 1990s and revolved through acceleration of forum movement (HSRC, 2003). They were based on local participatory model, which centred on stimulating economic activities and generating employment in various rural and small-town municipalities (Khambule and Mtapuri, 2018). LED in SA is currently predominantly driven through market-led initiatives as well as poverty relief, training and job creation programmes (HSRC, 2003). Community or locally-based development became implicit in 1994 through the introduction of Reconstruction and Development Programme (RDP), which was the first initiative by the democratic government to institutionalise the LED as part of their development initiatives (HSRC, 2003).

Under the RDP, LED programmes and projects of varying magnitude were implemented across the country. As it evolved over the years there was attempt to institutionalise the LED programme in the municipalities, which was seen as crucial for enabling cities to achieve global competitiveness, poverty relief and reduce unemployment. The first of such initiatives was the development of Local Economic Development Agencies (LEDA) with a strong focus on the underdeveloped regions most to stimulate economic activities (Khambule and Mtapuri, 2018). The focus was on improving the institutional and capacity arrangements (Nene, 2015).

The main focus of the cities in driving LED is through the establishment and promote initiatives such as tourism, business support for small and micro enterprises, promotion of flagship projects such conversion centres (HSRC, 2003). Such LED initiatives are implemented in both distressed and thriving towns to stimulate as well as to accelerate economic development initiatives. In rural areas economic development initiatives tend to focus more on areas such as the development and promotion of farming ventures as well poverty relief interventions. In terms of initiatives that are mainly driven by the municipalities, public works and tourism are seen as priority areas to drive growth and job creation. Industrial recruitment and incentives provision are not often seen as major priority areas for intervention.

In citing Nel and Bins (2003) survey on the assessment of the 87 local authorities LED initiatives in South Africa, HSRC (2003) indicate that the prevailing reasons for the municipalities to implement the LED programmes are due to high level of unemployment, addressing business closures and need to stimulate the economy. Local government strategies and programmes

pursued in implementing the LED are mainly influenced by the national government policy and targeted funding (HSRC, 2003). The study also highlights the major concerns for municipalities which include lack of funds, lack of support by the provincial and national government as well as personnel. This leads to the municipalities focusing on designing programmes that will enable them to access the funding that is available, even though the funded programme may not be their competitive and comparative advantage.

In implementing LED initiatives, various institutional models have been implemented. This ranges from the development of special agencies which are designed to be responsible for the implementation of economic development initiatives, to project-specific models which fall under specific local economic development programmes. Both these mechanisms to implement economic development have been hampered by lack of coordination and efficiency in the local government (Khambule and Mtapuri, 2018). Added to this is the challenge that emanates from highy unequal cities and regions which makes it difficult to develop a shared agenda even among the neighbouring municipalities (Khambule and Mtapuri, 2018). This is compounded by the competing priorities and development programmes of the different interest groups within the same local government.

Widespread poverty and hardship within the local government jurisdictions creates tensions amongst political leaders, fosters factionalism and can result in regular demands for their replacement leading to instability within the institution. This adversely affects economic development initiatives and does not give sufficient room to robust leaders to make complex decisions necessary for local development. In assessing local economic development in Emakazeni Local Municipality, Koma (2014) states that “lack of confidence in local and regional government from marginalised communities also encourages short-term decision-making and undermines support for long-term developmental agendas”. Added to this is the conflation of LED with poverty alleviation initiatives (Koma, 2014). The net result is that unsustainable economic development initiatives being pursued in the long run, and in some instances this has compromised sustainable economic development in promising areas. This could also be could be attributed to the quality of governance especially in poor regions.

Local and regional governments lack the tax base of their more prosperous counterparts and often struggle to attract and retain professional talent (Todes and Turok, 2017). Development agencies and/or special purpose vehicles are able to recruit skilled human resources that can

drive economic development programmes, but local government is often faced with the challenge that such resources work on specific assignment with limited timelines and are unable to maintain continuity and share expertise in implementing local economic development (UCLG, 2016).

Enterprise development initiatives are a key ingredient for LED (Koma, 2014), and enterprises are typically supported through various initiatives and support mechanisms such as premises and industrial space, market access support (especially within the public sector environment) and linkages with the existing large enterprises. Specific and critical roles of local government in enabling enterprise development includes the creation of an enabling environment by ensuring that all the necessary infrastructure required (such as water and electricity) is available and approval processes are expedited in a manner that will encourage the investors to located in the municipality (SALGA, 2016). Due to unevenness of development opportunities especially in the localities where there are limited commercial enterprises it is difficult to sustain efforts that support the start-up and growth of viable business. The public sector in such cases tend to invest in technical assistance programmes, business premises or incubators, skills training and long-term financial support.

One of the major challenges in promoting LED especially advancing the enterprise development is “concentrated economic ownership which gives big business considerable power to determine whether and where to invest” (Todes and Turok, 2014). The main economic sectors that have been growing in the South African economy include business and financial services, knowledge-intensive industries and telecommunications which are less mobile than manufacturing operations and light industry. Local governments struggle to attract such sectors in the face of competition from the more established centres, and this constrains their ability to take advantage of the fast-growing sectors to expand their economies.

The apartheid spatial patterns have also put a strain on the economic development especially in provinces such as Mpumalanga. Most growth sectors prefer to be located in close proximity to their consumers and highly skilled employees, which also happens to be in the major towns. Cities and major metropolitan regions have established economic base which they are able take advantage of by building the upstream and downstream economic activities (World Bank, 2009). Thus, in areas which have low economic base like most part of the municipalities of Mpumalanga, it requires a sustained effort to support the start-up and growth of viable

businesses on any scale in rural and peri-urban localities. This is compounded by the fact that such areas have little experience of commercial enterprise. The industries with more potential for rural development, such as agriculture and agro-processing, have struggled from the withdrawal of tariff protections and subsidies, and poor quality agricultural support programmes (Todes and Turok, 2014)

4.4 Policies for Strengthening Economic Development

In an attend to strengthen local economies, the South African government has developed a number of policy instruments which aim to strengthen the local economic development across the country. This ranges from industrial policy initiatives to rural development programmes which have been initiated and piloted across the country. Key among this include the regional programmes such as the spatial development initiative, industrial development zone, and special economic zone, as well as local area-based policies which include special integrated presidential projects, urban renewal programme, and neighbourhood development programme. The description of this policies and programmes which have been implemented over the years are discussed below.

4.4.1 Spatial Development Initiatives (SDI)

The SDIs were conceived in 1995 as a regional economic integration programme which spans across different countries and within different provinces (Rogerson, 2000). According to Jourdan (1998), the SDI policy was established as an economic development initiative particularly targeting those areas with the greatest potential for growth. There were eleven SDIs: Maputo Development Corridor, Phalaborwa, Platinum, West Coast Investment Initiative, Fish River, Wild Coast, Richards Bay, Kwazulu-Natal, Lubombo, Gariep, and Coast to Coast (Rogerson, 2002). The SDIs were used to identify strategic investment in the targeted areas in order to strengthen the existing clusters and new areas of potential in the economy (Jourdan, 1998). To promote the investments in the targeted SDI, international promotions were held specifically profiling potential investments in the targeted location (Jourdan, 1998 and Rogerson, 2002). Close cooperation was forged between the SDI project teams, national investment agency as well as foreign trade offices to promote the SDI to the potential investors (Jourdan, 1998).

SDI coordination was driven from the political and technical level (Jourdan, 1998). At the political level, the government established a committee composed of the ministers whose work impacts directly on the investment environment. In addition, each SDI had two political principals, that is, at central government level it had a minister, and at provincial level, it was assigned to Member of the Provincial Executive (MEC) (*Ibid).* At the technical level, a coordination committee was established composed of SDI project managers and senior government and parastatal officials to develop strategies that fast-track project implementation (Jourdan, 1998:5).

Despite all these initiatives to institutionalise the programme within different spheres of government, coordination remains a challenge. For example, in the Wild Coast SDI, the programme faced the challenge of communication due to the poor message and channel of communication. (Kepe, 2001). There was no clear strategy on how the programme would be implemented and the people that were assigned to work on the SDI did not have information about the benefits that their sponsor and other stakeholders would bring to address the development challenges and opportunities in the Wild Coast (Kepe, 2001). In some cases where the programme sourced the expertise of the external consultant for communications, lack of knowledge on local social dynamics was a hindrance due to the consultant being an outsider, leading to poor communication and packaging of the message (*Ibid*). This led to tension between local government officials and traditional authorities in areas such as Port St Johns and Mkambathi (Kepe, 2001).

4.4.2 Industrial Development Zones

The South African government initiated the Industrial Development Zones (IDZ) with the aim of facilitating investments, creating jobs and boosting exports (Tang, 2008). The first four IDZs which were created during the inception of the IDZ policy included Coega, OR Tambo, East London, and Richards Bay IDZs (Nel and Rogerson, 2013). This was followed by the establishment of two additional IDZs, Saldanha Bay and Dube Trade Port. IDZ's have been replaced with the Special Economic Zones (SEZs) after the enactment of the SEZ Act in 2014.

Coega was the first IDZ established in 1996 prior to the establishment of the IDZ policy in 2001 (Tang, 2008). Since the IDZ's inception and also the enactment of IDZ policy in 2001, not all the zones have been fully developed, and even those that have managed to start up such as East London IDZ have only attracted a modest flow of investments (Nel and Rogerson, 2013). They

have also performed dismally in meeting their intended objectives (DTI, 2012). Their shortcomings could be attributed to the merits and rationale for selecting the location thereof. A typical example is a location of Port Elizabeth IDZ and Coega IDZ which have been located in close proximity to each other with both targeting the same industry (Tang, 2008).

There are a number of institutional challenges that resulted in the lack of reasonable success at the IDZs. Key among these are:

- lack of coordinated planning,
- insufficient guidance on governance arrangements,
- dependence on government funding,
- lack of targeted investment promotion measures, and
- insufficient marketing and inadequate coordination across government agencies (DTI, 2012).

Apart from this limitation, the incentives provided by the IDZ were also limited to value added tax (VAT) and custom incentives (SARS, 2016). As Nel and Rogerson (2013) noted, South Africa did not offer any unique value proposition to the IDZs. This weakened competitiveness of South Africa's IDZ model as compared to their counterparts in other parts of the world which offer additional incentives such as relaxation of labour laws (Martinek, 2014).

4.4.3 Special Economic Zones

The SEZs are specially demarcated areas in which aspects of business differs from the norm prevailing in treating and interacting with the business in the country for specific targeted economic activities (Nel and Rogerson, 2013; CDE, 2012). The SEZ Act was enacted in 2014 with the aim of repositioning South Africa and integrating it into the world economy (DTI, 2012). This policy builds on the New Growth Path (NGP) and Industrial Policy Action Plans as well as the country's experience in the implementation of the IDZ to assist in job creation and manufacturing of exports (Nel and Rogerson, 2013).

According to section 39 (3) of the SEZ Act 16 of 2014, the existing IDZs which are in force on the enactment of the SEZ Act are regarded as SEZ zones. As a result, the existing six IDZ (Coega, OR Tambo, East London, Richards Bay, Saldanha Bay and Dube Trade Port) have become SEZs on the enactment of the SEZ Act. In addition, Maluti-A-Phofung SEZ located in the Free State Province has been designated as a SEZ. It is expected that three additional SEZs will be established, viz; Atlantis, Musina and Bojanala SEZs which will be located in

Western Cape, Limpopo and North-West Province respectively (DTI, 2016). Essentially, in the immediate future there will be a total of ten (10) SEZ spread across the nine (9) provinces.

The SEZ's main focus is to attract foreign direct investments (FDI) as well as to increase the export value of commodities (DTI, 2012). The policy is fairly new and its impact on the South African economy as well as its overall intended objectives can only be assessed once the implementation takes place. Most of the incentives have just been formalised in 2016 with the South African Revenue Services (SARS) codifying and effecting the implementation thereof. The key incentives are the reduction of the corporate income tax to 15%, employee tax incentives encouraging the companies to employ people between the age of 18-29 years, custom and excise incentive targeting goods that are imported into the SEZ control areas to be exempted from import tax (SARS, 2016). Some of the institutional challenges include creating an enabling legislation relating to the incentives. For example, approval for employees' tax incentives (ETI) were only finalised in the first quarter of 2018, four years after the enactment of SEZ Act.

4.4.4 Special Integrated Presidential Projects (SIPP)

The SIPPs were the first spatial targeting projects launched by the South African democratic government in 1994. The programme had two main goals which are to transform government through the introduction of integrated approach to governance and service delivery, and also to deliver technical services (Napier & Rust, 2002a). Their objectives were to fast track pilot projects aimed at immediate delivery of basic services such as housing, welfare, education, and community facilities as well as to create job opportunities (Todes and Turok, 2015). The programme had 13 projects which were located across the country in urban and rural areas (Napier and Rust, 2002a). Their "economic development initiatives were limited to the construction of offices, retail and industrial facilities to support cooperatives and small businesses" (Todes and Turok, 2015:50). The programme was commended for its ability to deliver housing, infrastructure and services. Although the stakeholders felt the impact of the programme in the delivery of projects, such impact was only limited to the project areas, that is it could not be felt in a wider geographical area or institutionally (Napier and Rust, 2002a). This was due to the fact that the programme was "not integrated with the areas beyond their projects boundaries nor within the broader objective of government" (Napier and Rust, 2002a: 67).

The success of SIPPs could to some extent be attributed to their institutional arrangements with the programme given the presidential status (Napier and Rust, 2002b). This created an enabling environment for the implementation of the programme. This was demonstrated by the fact that the implementation of the programme in different places was driven by different institutions; the provincial government, municipalities, consultants and special purpose vehicles (Napier and Rust, 2002a). The important lesson from the implementation of the SIPPs using different institutions is that the local environment is the key determiner of which institution will be effective in the delivery of the programme. Therefore, successful implementation of this type of programme is that the institutional arrangements should be defined and structured informed by the local environment.

4.4.5 Urban Renewal Programme

The South African government launched the Urban Renewal Programme (URP) in 2001 targeting eight urban renewal nodes (Küsel, 2009). The targeted nodes included townships across four provinces created under apartheid for black people, namely Alexandra, Mitchells Plain, Khayelitsha, Inanda, KwaMashu, Mdantsane, Motherwell and Galeshewe (SACN, 2009). The primary objective of the program was poverty alleviation and development (Küsel, 2009). This was to be achieved through a coordinated effort of the three spheres of government in targeting the identified nodes (DPLG and IDT, 2002). The programme mainly aimed to promote investments that address poverty and underdevelopment (HDA, 2013).

The criteria for selection of URP nodes included, among others, townships created during apartheid, with low internal economic opportunities, poorly connected to the surrounding neighbourhood, and with low skills level within resident population (Küsel, 2009). To achieve the intended outcomes, the programme identified crowding in public investment, intergovernmental planning, area based planning and budgeting, partnership and community participation as key drivers for urban renewal in the townships (*Ibid*).

In evaluating the URP in Johannesburg, Thwala (2009) highlighted the importance of integration as critical for the success of the programme with emphasis on enablers such as individual and institutional capacity rather than on physical development. One of the challenges that the URP faced was that it targeted quite a wide geographical area which was difficult to manage from a stakeholder participation point of view (Thwala, 2009). This created a challenge for the

management of the programme by spreading the programme investment across a wide geographical area, reducing the impact of the programme (DPLG, 2006). In evaluating the programme the Department of Rural Development and Land Reform (2012) identified the lack of coordination as a major challenge, and this was attributed to weak institutional arrangements between all spheres of government coupled with lack of clarity about their involvement and contribution to the development (DPLG, 2006).

The political coordination of the programme became a challenge during implementation due to the fact that the programme was structured around a complex set of relationships amongst the spheres (DPLG and IDT, 2002). The success of the programme mainly relied on programme managers who have deep understanding of the government process including how to work with, and around them, and the capacity of the programme leadership played an important role in circumventing the challenges relating to coordination (DPLG, 2006)**.** In addition, the ability of the programme managers to access political leaders has been key to addressing some of the challenges faced.

Programme managers need to have the capacity and authority to manage people that are working on the projects and also act decisively where there is a need to do so (DPLG, 2006). The key success of the programme could be attributed to the technical and political skills of the project manager, or the twinning of project managers who possess technical skills with political strategic leadership. This is precisely because “the ease with which a project manager can interact with political leadership, provincial leadership or heads of line departments, to a large extent, determines how difficult the implementation process will be” (DPLG, 2006:68).

Despite the City of Cape Town depicting some notable progress on the programme, the political uncertainty with different political parties leading the administration at national, provincial and local government level has impeded some progress in the Khayelitsha and Mitchell’s Plain URP (*Ibid*). Thus, in cases where the interaction is fluid the programme has received the support of these stakeholders and led to the success thereof. The endorsement of political and administrative leadership played an important role in instilling the confidence of the residence in the programme (*Ibid*). Projects which the Mayor and City Manager have supported enjoyed greater profile and authority within the municipality (*Ibid*). The importance of positioning the programme in this manner has been highlighted by the programme manager in Mdantsane citing his preference in positioning the programme in such high office as that “would assist in

securing the buy-in of line departments and individuals who are currently not co-operating fully" (DPLG, 2006:33). The importance of political support has also been experienced in Inanda, Ntuzuma and KwaMashu (INK), which has ensured the officials continuously take interest and pay attention to the programme. The impact of political support has also been experienced in Galeshewe where the programme received support from the ward councillor who spoke about the programme in all the public meetings and this led to community buy-in (*Ibid*).

The manner in which the programme has been institutionalised in the municipalities played an important role in driving the success and failure of the programme (DPLG, 2006). For example; in Galeshewe a bottleneck in decision-making was created with the Municipal Manager making all the decisions regarding the programme *(Ibid)*. This created a number of challenges with regard to the speed with which decisions could be made given the plethora of other activities which the Municipal Manager is responsible for. This limitation was identified and intervention was made by adding a layer between the Municipal Manager and senior officials to enable progress on the projects (*Ibid*).

The institutional arrangements also played a major role in determining the progress especially at the municipal level with the leadership of line departments (line managers) viewing the urban renewal responsibilities as 'an added burden'. Todes (2006) highlights the unpleasant historical experience in implementing a programme of similar nature contributed towards the line departments being reluctant to cooperate. This was partly due to the fact that the line managers' performance appraisal does not include evaluation of their performance on URP projects (DPLG, 2006).

The ability of the programme to retain staff has also played an important role in the success thereof. In assessing Alexandra Renewal Project (ARP), the DPLG (2006) highlighted that changes in the leadership of the programme has been unsettling and confusing to the staff working on the programme. This is because whenever there is a change the staff experienced a different management style, project approach and development ideology which they were required to adopt. The change of leadership has also led to loss of institutional memory, this led to the situation whereby some decisions which have been taken are not carried through or remembered (*Ibid*). In worse scenarios, this led to the projects being left halfway, leading to total collapse of the projects.

Proper planning also played a role in the implementation of the programme. In some instances, the programme experienced delays in the implementation of the projects (DPLG, 2006). Such delays could be attributed to the inefficiencies within the procurement systems. In most of the URPs, the consultants were appointed in 2002 to develop the business plans, a year after the announcement of the URP (*Ibid*). Despite being able to appoint the consultants, Buffalo City municipality was faced with a challenge whereby a year later, in 2003, they had to commission other consultants with the business plans only finalised in 2004 (*Ibid*).

In Khayelitsha, the City of Cape Town played an important and leading role in attracting the investment by participating in the planning process of the URP (Donaldson *et al.,*2013). This enabled the physical planning process to be approved on time and also provided assurance to the private sector investors. The importance of planning in the URP has also been highlighted by DPLG (2006) indicating the importance of spatial planning as providing order and coherence to physical and other interventions. This instilled confidence in the targeted node. In areas which there is no structured planning, physical structuring of the areas as it develops can add to fragmentation. Essentially, planning assists various stakeholders, investors and local residents, in creating the image and also sharing the vision of what is to be achieved. In that case, the public investment in the built environment can influence private investment.

4.5 What drives LED?

4.5.1 Institutional

Governments across the world spend money to stimulate growth, fight unemployment and reduce under-development of its populace (Koster *et al.,*2016). This is precisely because economic growth, and by extension economic prosperity, does not happen naturally, that is without the active role of local institutions (Yang *et al*., 2008). There is a need for the local institution to learn about the enabling factors (Turner and Berube, 2009). The outcome of learning may include the introduction of a policy, programme or incentive that is responsive in addressing challenges and responding to opportunities in a particular space (Kline and Moretti, 2014). These learnings are not confined to one layer of government, thus, should be embraced by all players including the state-owned enterprises and private sector institutions (Pugalis and Gray, 2016). Therefore, this dictates that institutional capacity should exist at local and national levels and within the public and private sector space. This includes learning about the policy and also the basic function of infrastructure and associated infrastructure requirements that are

catalytic to attract the investments. Institutions are vital in creating conducive conditions or an enabling environment for economic development (Todes and Turok, 2017). Thus, there should be institutions that are technically capacitated to respond to existing conditions that will enable places to be prosperous.

The ability of the government to implement effective LED therefore depends in part on the capacity of the institutions. Their role is to look at areas which have the potential and understand the inefficiencies that exist in those places as well as to respond through policies and programmes that are effective and efficient (Glaeser and Gottlieb, 2008; and Barca *et al.,*2012). Thus, the institutions, if they are capable and effective, should be able to promote and unlock development in places where it might not have occurred (Todes and Turok, 2015). Taking into consideration that promoting development requires different public and private sector institutions to participate and cooperate, it is crucial to coordinate the efforts of such institutions. This coordination is critical to ensure that different spheres and agencies of government complement and reinforce each other (World Bank, 2014 and Waisman *et al*., 2014).

4.5.2 Capacity to Learn

Successful implementation of place-based policies depends on the ability of the public and private sector institutions to learn (Wink *et al*., 2016). This includes creating tailor made solutions for the targeted location. This is in recognition of the fact that institutions that shape economic, political and other forms of interactions are fundamental in sustaining economic development (North *et al*., 2006). The capacity of the institutions to learn leads to functional institutions that enables and creates a conducive environment for economic prosperity (Neumark and Simpson, 2015). Most importantly, such institutional capacity will enable the targeted place to compete in the highly competitive environment through capitalising on local advantages to identify niche opportunities.

4.5.3 Skilled Human Capital

Todes and Turok (2005) note that one of the fundamental factors in strengthening local economies is through the strengthening of local human and institutional capabilities. It is through capable human capital that all key elements which drive investment could be achieved. Another important component of strengthening the local institutions is through the government's ability to attract and retain skills. This is important for strengthening the local institutions with respect to

the policy continuity and institutional memory. This is precisely because pursuing, identifying, attracting and retaining the investment in a specific location requires a set of skills and knowledge which cannot easily be acquired (Todes and Turok, 2017). Thus, the inability to retain skilled technocrats may undermine the success of policy interventions (Turok, 2012; World Bank, 2014).

Skills play an important role in shaping the economies and prosperity of places. The cities and urban areas tend to have high levels of prosperity due to their endowment with skilled human resources, as compared to areas which have low education level and skills base (SACN, 2009). These highly-concentrated areas have created the environment for the people and firms operating in those locations to share the knowledge about their interlinked industries and firms including market intelligence, relevant changes in the structure of the economy and the opportunities opening up (Alcacer and Chung, 2007). As Neumark and Simpson (2015) highlight the sharing of such information has the advantages of addressing inefficiencies in human capital and ultimately increases productivity levels.

4.5.4 Agglomeration

International literature on the drivers of growth in places suggests that the agglomeration associated with the concentration of people is one of the factors that play important roles in making places attractive to investments (Krugman, 1991). As noted by the World Bank (2014:24) the clustering of the firms "can generate increasing returns to scale from agglomeration, thus fuelling high, sustained economic growth and job creation". This is because the concentration of people in places creates a locational advantage by attracting skills that are required by the local firms and industries. Where a large number of skilled people are concentrated, such places have the effect of higher productivity. As Glaeser and Gottlieb (2008) argue, productivity levels increase with the population density. Firms prefer to locate in areas which have comparative advantages such as a highly skilled workforce compatible to their requirements (Cohen and Paul, 2005). Agglomeration also creates an enabling environment for taking advantage of the division of labour and also creating economies of scale (McGranahan *et al.,* 2014). Economic concentration has the advantage of creating efficiencies that generate opportunities for expanding productivity in the places. This point is also emphasised by Turok (2012) citing key advantages of spatially concentrated development as facilitating the process of lowering costs, creating efficiencies, making advanced infrastructure more viable as well as enhancing learning and innovation.

A concentrated population also creates a bigger market for goods and services. According to the World Bank (2014), one of the major advantages associated with agglomeration is its ability to enable similar and related firms to converge into one area leading to create local demand for the firms' main outputs. At the firm level, the concentration of firms in one place creates an opportunity and scope for creating and taking advantage of some efficiencies and reducing the transaction costs (Madhok, 2002). The key advantage of the concentrated locations in driving economic development is the ability to take economic advantage of the concentration of production and social benefits which are derived from the convergence in consumption (Turok, 2006).

Agglomeration provides places with the opportunity to reduce the cost of public infrastructure (Turok, 2013). The cost of providing bulk infrastructure such as bulk electricity, water and waste treatment plants become much cheaper in highly concentrated places. Added to this is the reduction of connector infrastructure in cities as compared to dispersed settlements which are dominated by low density spread over wide distances (Todes and Turok, 2017). Agglomeration plays important roles in increasing concentration which leads to reducing the transaction cost at a firm and individual level (Turok, 2013). This is achieved through the reduction of the distances between the firms as well as distance between the places where people work and live.

Though a substantial body of literature highlights the positive elements of agglomeration, there are some disadvantages which can offset these progressive advantages such as rising congestion, overloaded infrastructure and rising land costs (Turok and McGranahan, 2013).

4.5.5 Infrastructure

Investment in public infrastructure has played an important role in achieving the economic potential of regions (Turok, 2012). Public infrastructure investment has mainly been assigned to enabling infrastructure such as water (dams, electricity (generation and bulk distribution), transport (road networks, rails and ports) among others. This type of infrastructure creates an enabling environment for private sector to consider investing in areas where such infrastructure exists due to its ability to reduce costs and increase productivity (Neumark and Simpson, 2015). In addition, "infrastructure investment can be cost-effective in delivering productivity growth in targeted regions and can act as a redistributive tool across locations" (Neumark and Simpson, 2015). Tacoli (2003) indicates that good infrastructure strengthens market linkages for smaller

traders and Glaeser (2008) emphasizes “government-sponsored transportation infrastructure” as a major factor influencing the growth of particular places.

4.5.6 Entrepreneurship

Entrepreneurship plays a pivotal role in addressing the social and economic inequalities of places. Areas which are endowed with entrepreneurs create opportunities for job creation and money to circulate within the communities (Naudé, 2014). This creates a number of multiplier effects including sustaining local employment opportunities. Entrepreneurship drives investments and innovations which are the important driver for economic growth (Holcombe, 1998). The more entrepreneurs exist in a particular place, the higher the chances of realising the investments which can lead to economic growth. The investment by the entrepreneur takes place as a result of opportunities for growth not in search of creating the cause for growth (Holcombe, 1998). That is entrepreneurs can invest in areas where opportunities for economic growth exist.

Lack of entrepreneurship in South African townships and rural areas to some extent is due to historical factors. In the apartheid era, people living in the townships were not allowed to own businesses (Jürgens *et al.,*2013). This destroyed the entrepreneurial spirit of many black South Africans and denied the townships the vibrancy which is necessary to stimulate their underlying economies (SACN, 2009). As the changes in apartheid legislation evolved, there were limited business opportunities that the township populace could venture into. In addition, the light industrial sites which in many economies serve as incubators for emerging entrepreneurs did not exist in the South African townships (World Bank, 2014). As such, opportunities for the progression of the local business/entrepreneurs to move into bigger industrial zones/site was not created (World Bank, 2014).

In an attempt to raise funds to sustain apartheid, the apartheid government criminalized the economic activities such as selling of traditional beer by the black people in the townships (World Bank, 2014). This resulted in the home-made beer mainly brewed by the women in the townships being closed down over that period. Their businesses were replaced by government-driven brewing enterprises which sold the beer in the municipal halls. As the World Bank (2014) notes, this practice did not only destroy entrepreneurship spirit amongst black people in the township, it also adversely affected the income of women who were the main drivers.

Jürgens *et al*. (2013) note the potential economic base that the townships possess could not be reached given that the people residing in the townships were systematically denied the opportunity to explore economic activities. In addition, as the years evolved with some slight reforms, there were other endogenous impeding factors such as councillors demanding bribes and also favouring themselves in the allocation of sites and licenses (World Bank, 2014).

4.5.7 Balanced Development in Rural-Urban Settings

In South Africa there are at least three types of local economies, namely, cities, towns and rural areas. Each of these types has different economic structures, resources and types of economic activity. For example, the economies of cities usually have a complex and varied mix of construction, processing, services, trade and industries. Towns may have mining, processing, trade and feeder industries into farming or mining. Rural areas may be dominated by farming though there could mines close by as well. The factors which differentiates cities, towns and rural areas is agglomeration or density of population, and scale or extent of economic activity.

LED is often associated with urban development as it is more often encountered in medium and large cities than in small towns and rural villages. Some argue that LED at the level of a small rural area, say of 5,000 inhabitants, is not plausible, especially with their less diverse economic structures. It is unlikely that it is possible to have a critical mass for the creation of a competitive advantage at this level. In South Africa disproportionate levels of poverty are to be found in rural areas – where many South Africans live. The rural areas account for 13% of the national output and are home to 35% of the population (Department of Cooperative Governance, Statistics SA). Increased urban bias in development strategies without equivalent rural development can be detrimental to both rural as well as urban areas. Continuous significant growth in the urban population can be considered as a direct result of a shift in balance between the rural and urban sectors, which is closely linked to economic growth and changing patterns of employment. Urban bias strategies can result in the development of commerce and industry, and the growth of transportation, communication, education and other types of infrastructure in urban areas. The perception of better opportunities lures migrants to urban areas, depriving rural areas of skilled people and placing increased pressure on urban infrastructure and services.

Ideally, the development of an LED strategy should be an integral part of a broader strategic planning process, where both urban and rural areas are developed according to contextual circumstances. This approach is acknowledged by the Urban Development Framework (Department of Housing, 1997), and the Integrated Sustainable Rural Development Strategy (Republic of South Africa, 2000) which specifically look at LED as a strategy which has the potential to address the economic problems within various localities within South Africa for particular urban and rural contexts. This is an area where the importance of regional integration plays a critical role and where provincial and district frameworks are imperative to guide development. Proper alignment of policy and implementation across the three spheres of government is important.

4.6 LED in Mpumalanga

4.6.1 Current Content

All the municipalities in Mpumalanga have manage to develop LED strategies, though of concern is the currency of these strategies, with some having been last updated almost 10 years ago. The strategies have common structures and content, including policy analysis, socio-economic analysis, strategy framework and SWOT analysis although the latter two do not future in some municipal LED strategies. In addition, reference or allowance for monitoring and evaluation in number of municipalities.

4.6.2 Challenges

One of the major challenges that is faced by Mpumalanga's local authorities in the development of local economic development is the building of a shared agenda for the future of the local economy. This is complex at different levels. The first hurdle is usually the conflict between politicians and technocrats, and between political and technical perspectives. According to the interviews held with the practitioners in the consultations with the district municipalities, the politicians perceive established forums such as LED forums as platforms to exert their influence in the society, with the agenda being hijacked to address issues that have nothing to do with local economic development.

The second scene of conflict is between the technocrats and the local emerging entrepreneurs, as the latter often see the LED forum as platform for negotiating and securing contracts in the municipalities. As such this derails the visioning and implementation of practical LED programmes that are responsive to the local business needs in the municipalities within the province.

4.7 Institutional Support

As has been previously noted in this report, institutions are important for implementing and strengthening the formulation of local economic development strategies. The institutions that are available to support the municipalities in implementing LED at local government (district and local municipality) level can be categorised into policy, development finance institutions and business support services. Although the role of the local government is to create an enabling environment for local economic development, it is equally important to ensure that the financial resources are made available to strengthening LED initiatives. Availing financial resources should also ensure that the local government is also able to take advantage of various mechanism in the quest for provision of services to the local residents to strengthen the local economic development. The public sector investment in technical assistance programmes, business premises or incubators, skills training and long-term financial support will play a meaningful role in unlocking the economies of such regions (Todes and Turok, 2014). Below is a number of institutions which provide different forms of support to local economic development initiatives.

Table 1: Institutions supporting local economic development initiatives

Name of institution	Type of Support	Role/Description
COGTA	Policy	Provide policy direction in the implementation of local economic development in South Africa
DBSA	Development Finance Institution	Provide financial and technical support to the municipalities in the provision of infrastructure related services that are catalytic for economic development of local governments
Department of Trade and Industry	Financial	Provide grants and policy funding for various sectors which the local economies could explore to enable economic growth and create employment
Small Enterprise Development Agency	Business Support	Assist the emerging enterprises with training as well as guiding them with the business development initiatives in

Name of institution	Type of Support	Role/Description
		various sectors
National Development Agency	Business Support	Take interest in the development of cooperatives to take advantage of economic opportunities
Mpumalanga Department of Economic Development and Tourism	Business Support	Support the municipalities in the development of their economic development initiatives through funding feasibility studies as well as providing economic policy coordination
Mpumalanga Economic Growth Agency	Business Support	Fund feasibility studies in various sector of the economic to identify the economic potential in various geographical spaces within the province. It also support the municipalities in assessing the economic potential of various sectors
Mpumalanga COGTA	Policy	Provide policy direction and support for the municipalities in their development role. It also assist the local governments in managing municipal infrastructure grant which is a catalytic financial instrument for financing local economic development initiative projects
National Development Agency	Business Support	Provide support to community-based organisations that provide development services in poor communities by assisting them with registration and compliance, strengthening institutional capacity, grand funding and resources mobilisation as well as linkage to sustainability
SEFA	Business Support	Provide bridging finance to the SMME located in different local municipalities
IDC	Development Finance Institution	Responsible for providing finance to the private sector institutions that have potential to take advantage of economic potential that exist in specific sectors of the economy
National Empowerment Fund	Development Finance Institution	Responsible for facilitating economic empowerment and transformation in South Africa, through providing financial assistance in the form of loan to emerging enterprises that have potential to exploit economic opportunities
Land and Agricultural Development	Development Finance Institution	It is a specialist agriculture bank guided by a mandate to provide services to the commercial farming sector and agribusiness as well as to make available new, appropriately designed financial products to facilitate access to finance for new entrants to agriculture from historically disadvantaged backgrounds.

5. SOCIO-ECONOMIC ANALYSIS OF MPUMALANGA

5.1 Demographics

5.1.1 Population

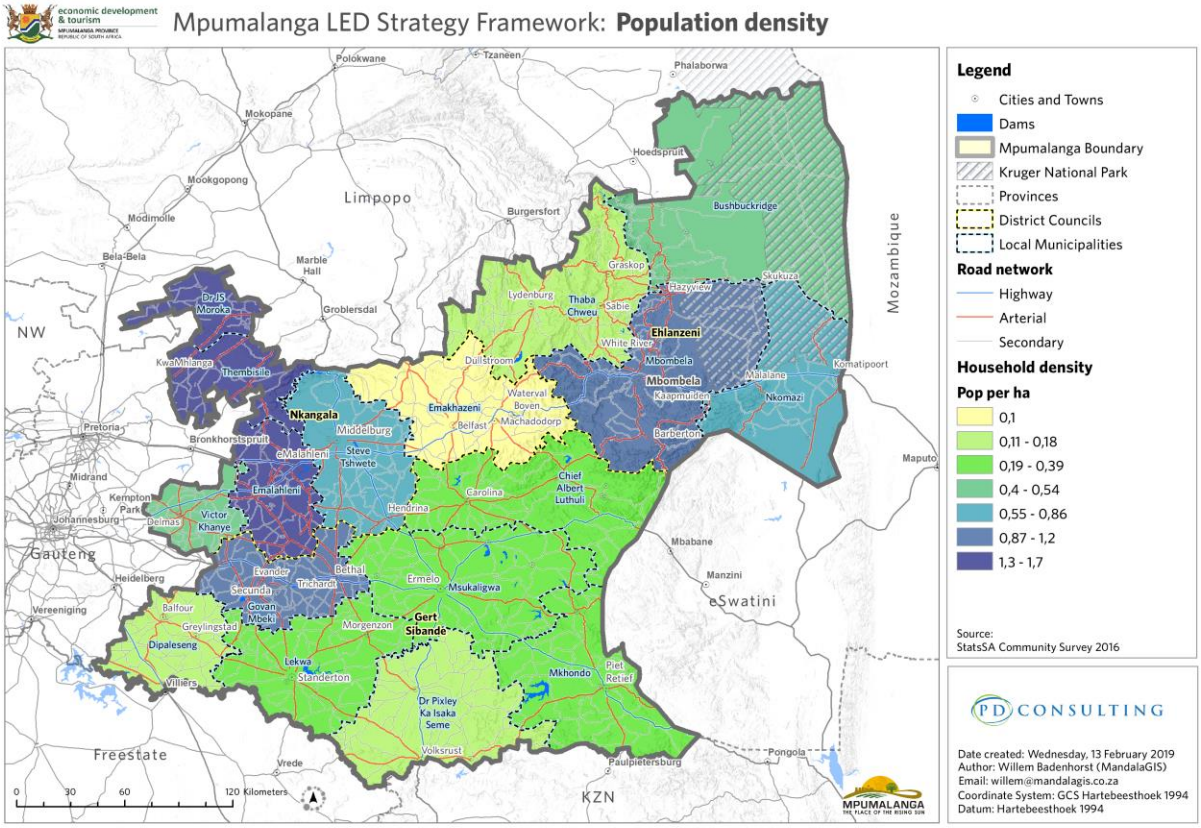
According to Statistic South Africa there are just over 4,3 million people in Mpumalanga province. City of Mbombela is leading with 16% (693,396) of the population. Followed by Bushbuckridge with the second highest population in the province recording 12.7% (548,760), while eMalahleni is the third recording the population of 10.5% (455,228). Nkomazi and Govan Mbeki have recorded the fourth and fifth highest population concentration at 9.5% (410,907) and 7.8% (340,091) respectively. Thembisile Hani is the sixth populous municipality in the province with the population of 7.7% (333,3331). Steve Tshwete is the seventh biggest municipality with the 6.4% (278,749) people in the province. Essentially, 70.5% of the population in the province is concentrated in seven (7) municipalities, that is Mbombela, Bushbuckridge, eMalahleni, Nkomazi, Govan Mbeki, Thembisile Hani and Steve Tshwete. Therefore, if the government wants to have a significant impact in improving the lives of the people, focusing on these seven municipalities will enable the province to make significant inroads.

Table 2: Population per municipality

	Municipality	2016	%	Cumulative
1	City of Mbombela	693,369	16.0%	16.0%
2	Bushbuckridge	548,760	12.7%	28.6%
3	Emalahleni	455,228	10.5%	39.1%
4	Nkomazi	410,907	9.5%	48.6%
5	Govan Mbeki	340,091	7.8%	56.4%
6	Thembisile Hani	333,331	7.7%	64.1%
7	Steve Tshwete	278,749	6.4%	70.5%
8	Dr JS Moroka	246,016	5.7%	76.2%
9	Mkhondo	189,036	4.4%	80.6%
10	Chief Albert Luthuli	187,630	4.3%	84.9%
11	Msukaligwa	164,608	3.8%	88.7%
12	Lekwa	123,419	2.8%	91.5%
13	Thaba Chweu	101,895	2.3%	93.9%
14	Dr Pixley Ka Isaka Seme	85,395	2.0%	95.9%
15	Victor Khanye	84,151	1.9%	97.8%
16	Emakhazeni	48,149	1.1%	98.9%
17	Dipaleseng	45,232	1.0%	100.0%

Source: Stats SA, Community Survey 2016

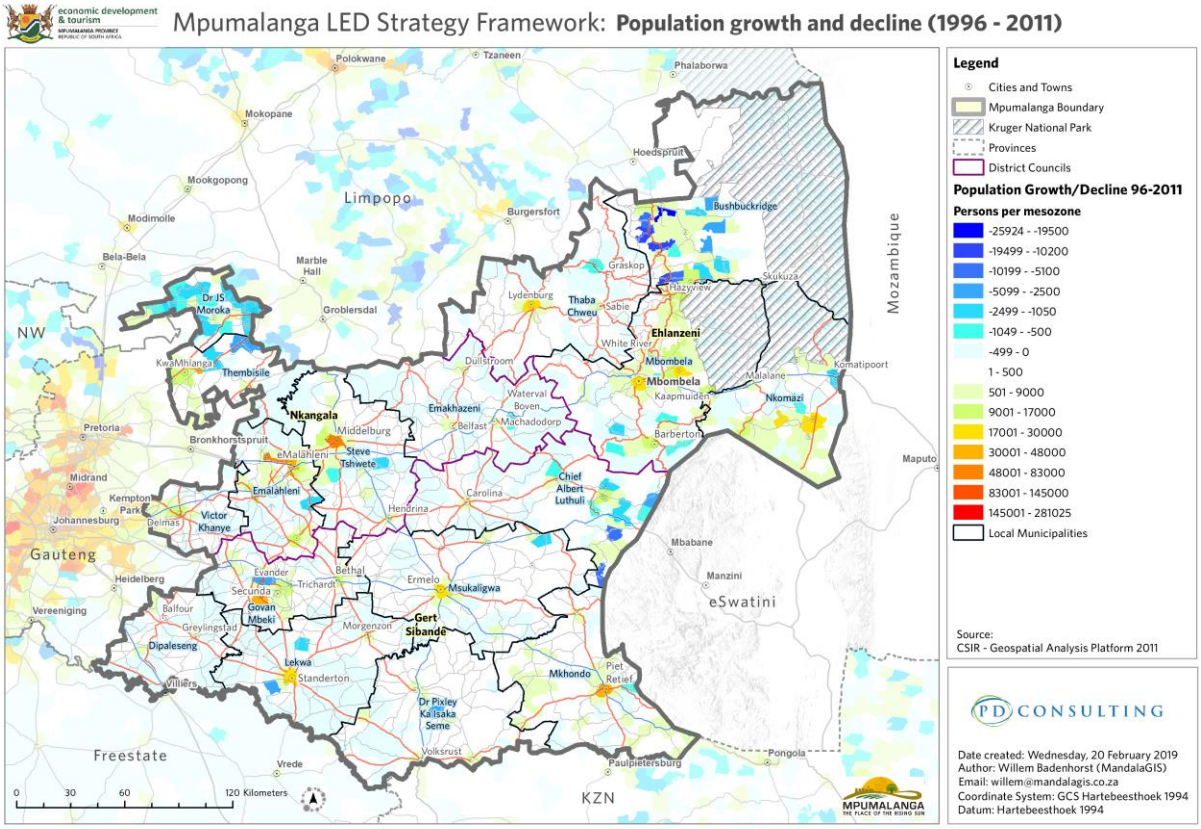
Looking at the spatial concentration of the population, as can be observed from the population density Map 2 below, the two municipalities with the highest population concentration per hectare are eMalahleni and Dr JS Moroka, with population densities of between 1.3 and 1.7 per hectare. They are followed by City of Mbombela and Govan Mbeki with population densities of around 0.87 and 1.2 people per hectare respectively. Steve Tshwete and Nkomazi record population concentration of 0.4 - 0.54 person per hectare. Dipaleseng, Lekwa, Msukalegwa, Mkhondo and Albert Luthuli Local Municipalities are least populous municipalities in the province with population densities of 0.19 - 0.39 person per hectare.



Map 2: Population Density
Source: Stats SA, Community Survey 2016

The Map 3 below provides us with the ability to spatially observe the population trends at the mesozone level. Though the province has generally experienced the population growth over the years, such growth has not been experienced in all areas. That is some places have recorded

population decrease. The map below depicts the population growth and decline from 1996-2011 in the province. As depicted in the map below, there are quite a number of areas in the province which have experience population decrease. Dr JS Moroka has experienced population loss in a number of areas and population decrease has also been experienced by a number of areas in Ehlanzeni District with Bushbuckridge appearing to have lost people, from as high as 25,924 to a low of 500. Although the population seem to have been lost in a number of areas, the major urban centres in the province have experienced population growth. Key among these are Middleburg, eMalahleni and Piet Retief, Lydenburg, Secunda, Standerton and Lekwa.



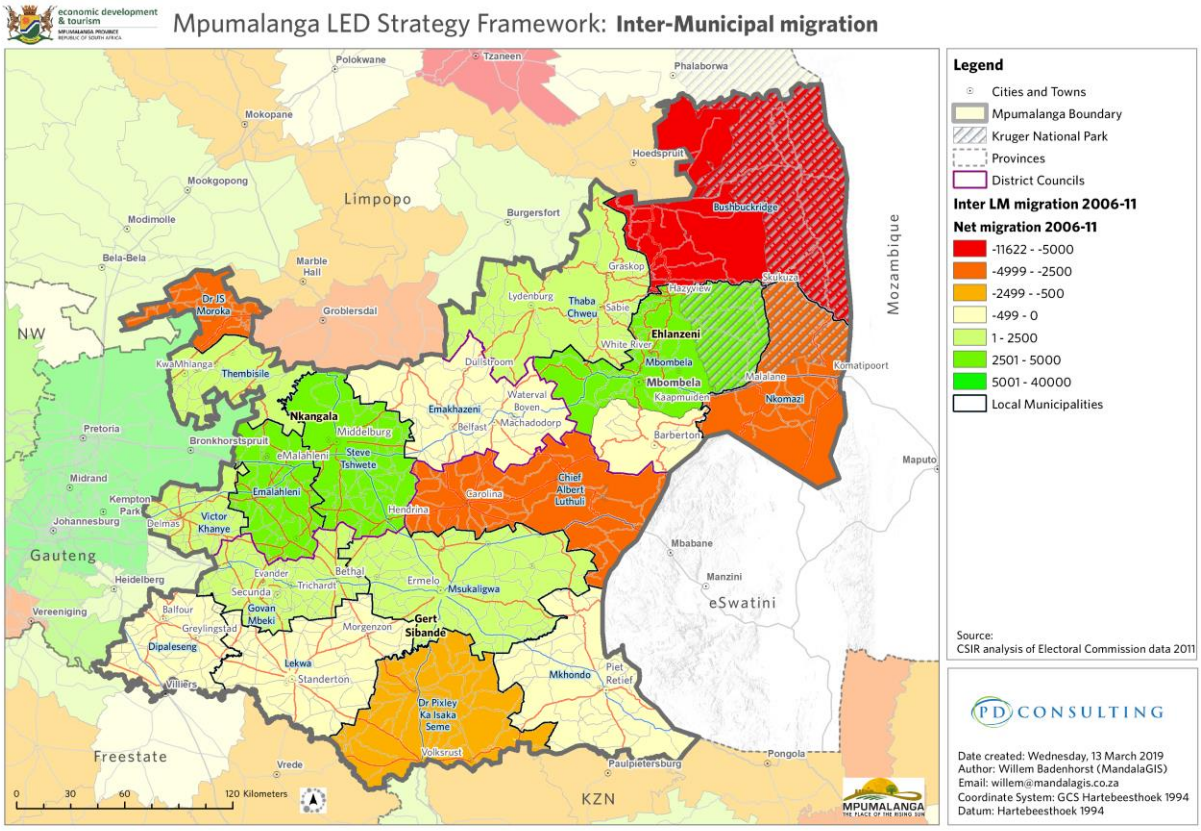
Map 3: Population Growth and Decline (1996-2011)
Source: Stats SA, Community Survey 2016

5.1.2 Migration

With respect to the inter-municipal migration between 2006-2011, Map 4 below depicts a number of municipalities that have experienced population loss, Bushbuckridge seem to have experienced the highest population decline of between 5,000 to just over 11,000. Nkomazi, Dr

JS Moroka and Albert Luthuli have recorded the second highest population loss of up to 4,999. Pixley Ka Isaka Seme has experienced the third highest population loss in the province of up to 2,499 people. Other municipalities which have experienced similar population loss are outside the province, mainly in the north (Limpopo) and south (Free State and KZN) of Mpumalanga province.

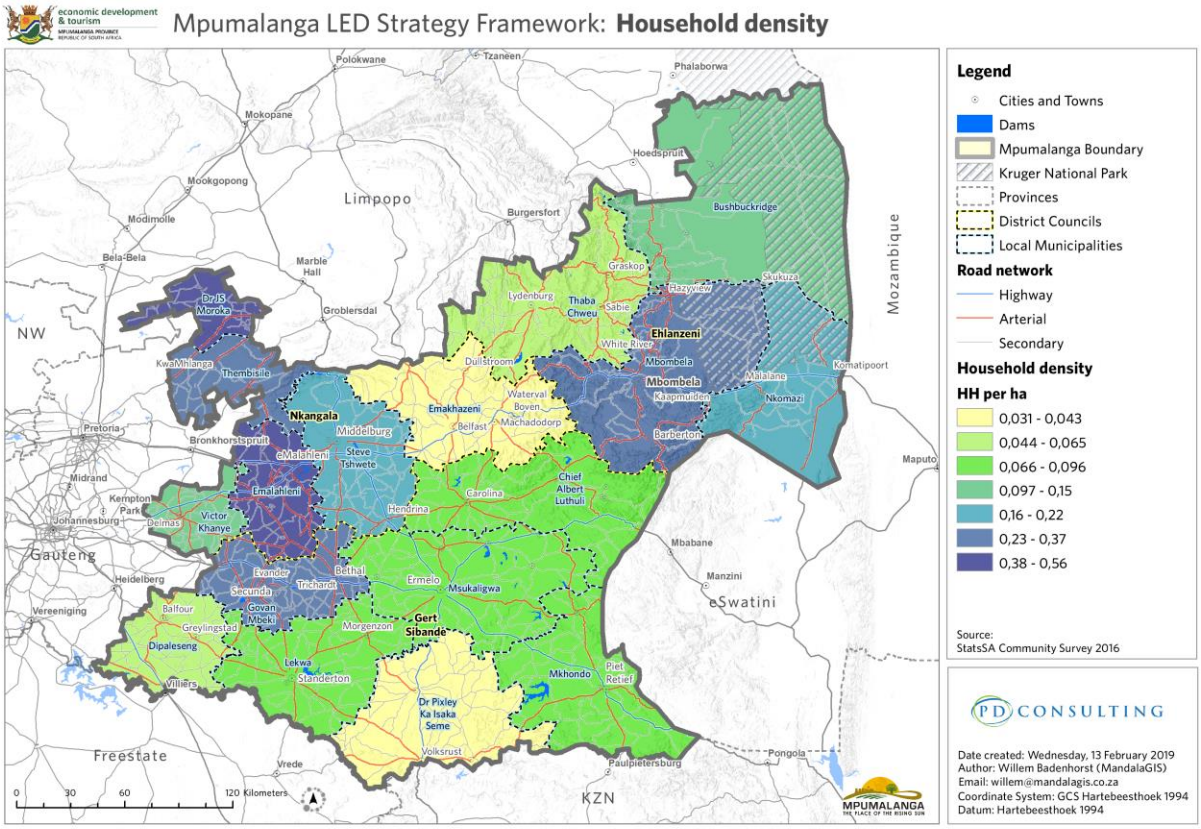
There are three municipalities in the province, that is Mbombela, eMalahleni and Steve Tshwete, which have experienced a marked population growth between 2006 - 2011. A closer look closed at the district municipalities trends, with the exception of Dr JS Moroka, all the municipalities in Nkangala District have experienced population growth albeit at various magnitude. While in Ehlanzeni District Municipality only Mbombela has experienced population growth, while other municipalities have experienced population loss. Msukaligwa is the only municipality that has experienced population growth (uuto 2500) in Gert Sibande District, albeit not significant as compare to the leading municipalities in Nkangala and Ehlanzeni districts. Other municipalities such as Dipaleseng, Lekwa and Mkhondo have experienced the population loss of up to 500 people.



Map 4: Inter-Municipal Migration
Source: CSIR, Analysis of Electoral Commission Data

5.1.3 Households

Households' concentration in the province follows the same patterns as the population and as can be observed from Map 5, is highest in local municipalities within Nkangala District - eMalahleni and Dr JS Moroka municipalities. The second tier of municipalities with the highest households per hectare are spread across the province which include City of Mbombela, Themsile Hani and Govan Mbeki municipalities with household concentration of between 0.38 - 0.56 household per hectare. Third tier municipalities include Nkomazi and Steve Tshwete followed by Lekwa, Msukalekwa, Mkhondo and Albert Luthuli which are the fourth tier of the municipalities with regards to household concentration. Dipaleseng and Thaba Chweu with between 0.044 -0.065 household per hectare, and Emakhaseni and Dr Pixley ka Isaka Seme recording (between 0.0031-0.0043 per hectare) have the lowest households density in the province.



Map 5: Household Density
Source: Stats SA, Community Survey 2016

Table 3 below show the number of the households in the province and where they are concentrated geographically. There are seven (7) municipalities (Mbombela, eMalahleni, Bushbuckridge, Govan Mbeki, Nkomazi, Steve Tshwete and Thembisile Hani) which makes 70.6%) of the households in the province. Mbombela has the highest number of households 206 136 (16.6%) in the province followed by eMalahleni and Bushbuckridge as the second and third municipalities with households of 150 420 (12.1%) and 136 780 (11%) respectively. Govan Mbeki has the fourth highest number of households with a record of 108 894 (8.8%) in the province. While Nkomazi and Steve Tshwete have the sixth and seventh highest number of households recording 86 713 (7%) and 82 775 (6.7%) respectively. Improving the services in these municipalities will impact on the largest proportion of the households in the province.

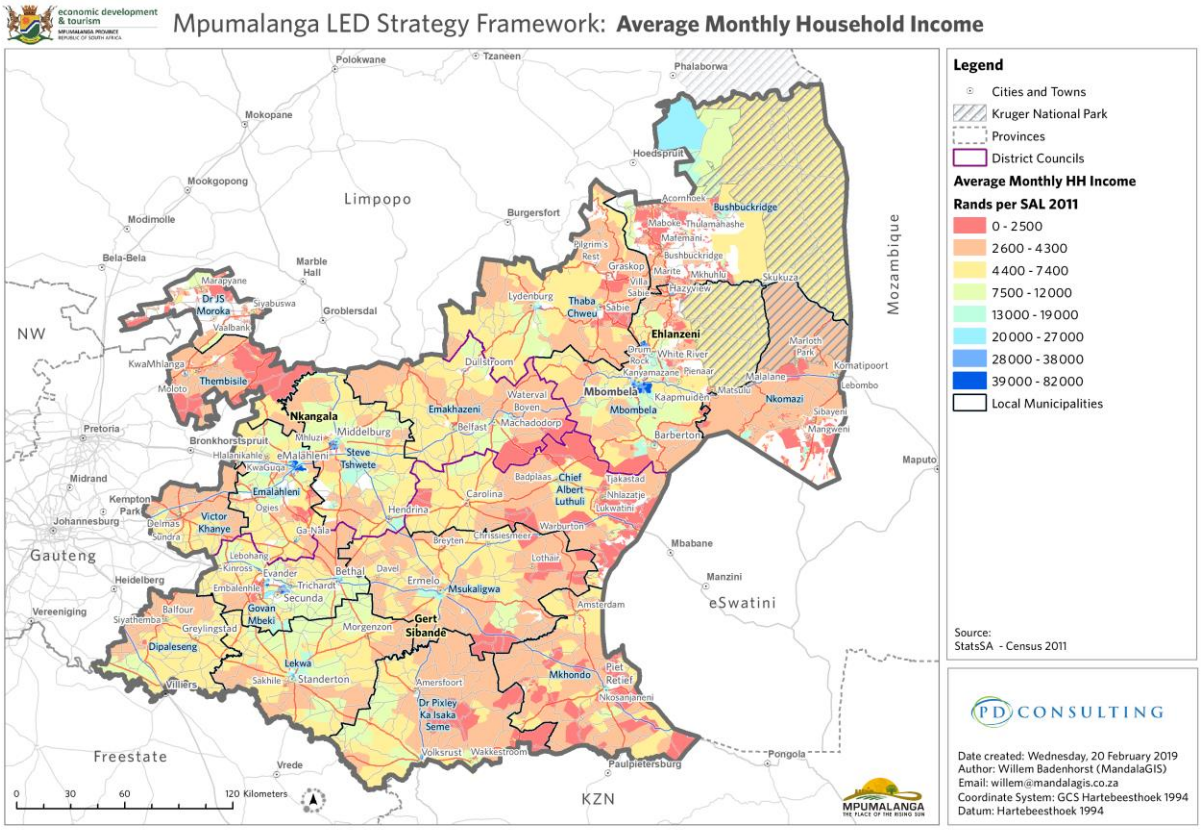
Table 3: Population Per Municipality, 2016

	Municipalities	2016	%	Cumulative
1	City of Mbombela	206,136	16.6%	16.6%
2	Emalahleni	150,420	12.1%	28.7%
3	Bushbuckridge	136,780	11.0%	39.8%
4	Govan Mbeki	108,894	8.8%	48.5%
5	Nkomazi	103,965	8.4%	56.9%
6	Steve Tshwete	86,713	7.0%	63.9%
7	Thembisile Hani	82,775	6.7%	70.6%
8	Dr JS Moroka	62,367	5.0%	75.6%
9	Chief Albert Luthuli	53,480	4.3%	79.9%
10	Msukaligwa	51,089	4.1%	84.0%
11	Mkhondo	45,595	3.7%	87.7%
12	Lekwa	37,334	3.0%	90.7%
13	Thaba Chweu	37,022	3.0%	93.7%
14	Victor Khanye	24,270	2.0%	95.6%
15	Dr Pixley Ka Isaka Seme	22,546	1.8%	97.5%
16	Dipaleseng	14,877	1.2%	98.7%
17	Emakhazeni	14,633	1.2%	100%

Source: Stats SA, Community Survey 2016

5.1.4 Household Income

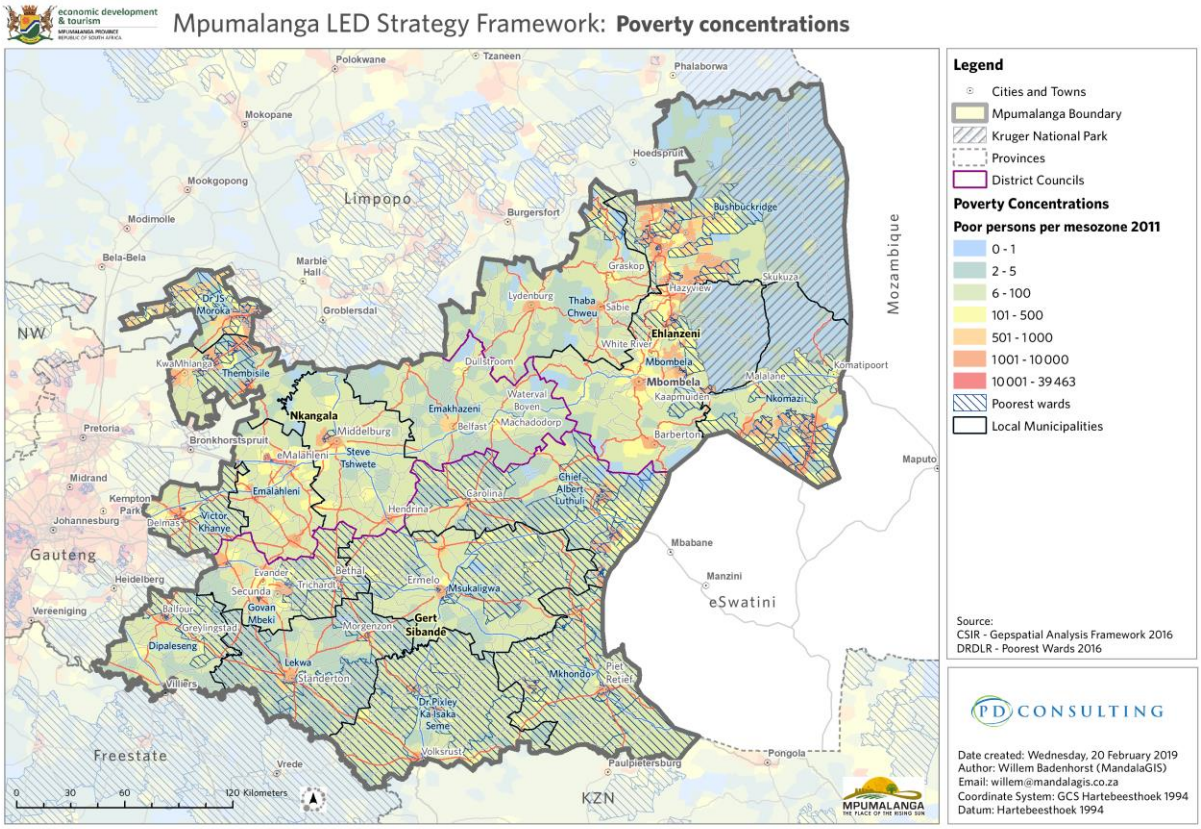
The Map 6 present the households monthly income across the province. As can be observed there are few households, depicted in blue, which have incomes of between R39,000-82,000 per household, and these are mainly in Mbombela and eMalahleni. There is also a visible representation of households with income of between R13,000-27,000 per months in area such as Mbombela, Bushbuckridge, eMalahleni, Steve Tshwete and Govan Mbeki. Gert Sibande has a large share of the areas which have no income and low income in the province. Although some district such as Nkangala demonstrate a fair share representation of higher household income, there are quite a number of areas specifically in Dr JS Moroka and Victor Khanye without income.



Map 6: Average Monthly Household Income
Source: Census 2011

5.1.5 Poverty Concentration

Although poverty is spread across the province, the large number of people affected by poverty are mainly concentrated in some parts of the few areas than others. As can be observed from the Map 7 below areas such as Bushbuckridge, Mbombela, Thembisile Hani, Dr JS Moroka and southern part of Nkomazi have high spatial representation of people affected by poverty recording in excess of 1000 people. Although areas such as Middleburg and eMalahleni shows some strong representation of the people living in poverty in excess of 1000, such representation is not spatially representative as compare to other municipalities in the province. This negates against common national trends with areas which are prosperous recording a highest poverty concentration.



Map 7: Poverty Concentration in Mpumalanga Municipalities
Source: Stats SA, Community Survey 2016

5.2 Analysis of the Economy

5.2.1 Economies of the districts

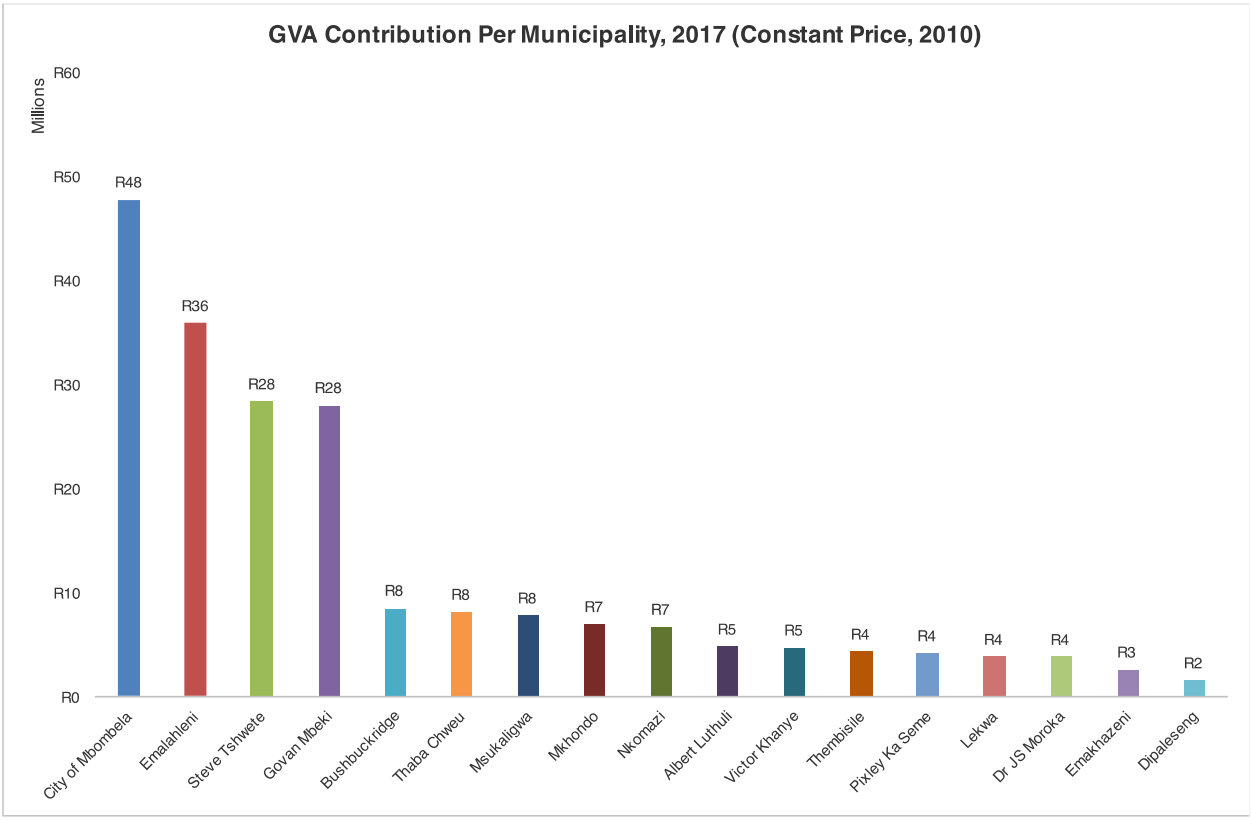
Table 4: Comparative and Competitive Advantage of the District Economies

Ehlanzeni	Gert Sibande	Nkangala
Agriculture: sub-tropical fruit and sugar cane	Manufacturing: Petro-chemical industry	Coal mining & electricity generation
Gold & chrome mining	Agriculture: crop- and livestock farming	Manufacturing: Metals fabrication
Tourism: Scenic views and KNP	Coal mining & electricity generation	Tourism: trout-triangle
Forestry	Forestry	Agriculture: crop- and livestock farming

Source: Mpumalanga SDF and Vision 2030

5.2.2 Gross Domestic Product

Mpumalanga economy generated just over R207 billion of the Gross Value Added (GVA) in 2017. As depicted in the Figure 1 and Table 5, Mbombela is taking the lead in term of sector contribution generating R47 billion (23%) to the economy of the province. This is followed in second by eMalahleni which has generated just over R35 billion (17.3%) to the GVA of the province. Steve Tshwete and Govan Mbeki are the third and fourth largest economies with the total contribution of just over R28 billion (13.7%) and R27 billion (13.5%) to the provincial economy respectively. The latter four municipalities contribute 67.5% to the provincial economy, with the remaining fourteen municipalities sharing the remaining 33.5%.



Source: IHS and SERO, 2017

Figure 1: GVA Contribution per Municipality, 2017

The table below provide a breakdown of economic contribution of each municipalities and also the overal contribution of each to the total provincial economy. As can be observed from the

Table 5 below 67.5% of the economy in the province is concentrated in four (4) municipalities which include Mbombela (23%), eMalahleni (17.3%), Steve Tshwete 13.7%) and Govan Mbeki 13,5%). Only 33.3% of the economy is concentrated in the remaining fourteen (14) municipalities.

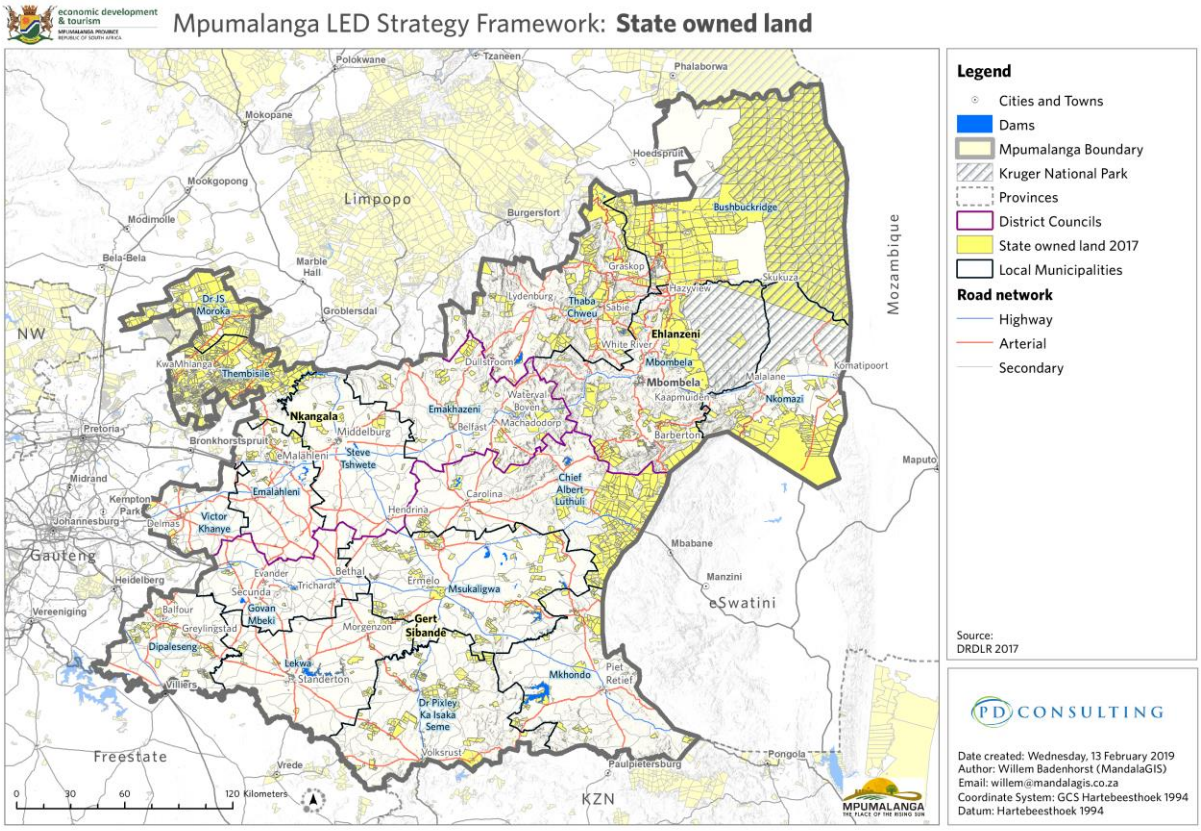
Table 5: Gross Domestic Product Per Municipality, Constant Price 2007

	Municipality	GDP	% Contribution	Cumulative
1	City of Mbombela	47,713,143	23.0%	23.0%
2	Emalahleni	35,836,252	17.3%	40.3%
3	Steve Tshwete	28,320,473	13.7%	54.0%
4	Govan Mbeki	27,962,896	13.5%	67.5%
5	Bushbuckridge	8,487,449	4.1%	71.6%
6	Thaba Chweu	8,101,105	3.9%	75.5%
7	Msukaligwa	7,754,178	3.7%	79.2%
8	Mkhondo	6,922,330	3.3%	82.6%
9	Nkomazi	6,667,774	3.2%	85.8%
10	Albert Luthuli	4,762,476	2.3%	88.1%
11	Victor Khanye	4,674,728	2.3%	90.3%
12	Thembisile	4,281,085	2.1%	92.4%
13	Pixley Ka Seme	4,128,613	2.0%	94.4%
14	Lekwa	3,779,028	1.8%	96.2%
15	Dr JS Moroka	3,762,259	1.8%	98.0%
16	Emakhazeni	2,563,544	1.2%	99.3%
17	Dipaleseng	1,517,482	0.7%	100.0%

Source: IHS & SERO 2017

5.2.3 Land Ownership

Land is a strategic asset which could be used to drive economic development. As can be observed from the Map 8, the larger proportion of state owned land is mainly located in former homeland municipalities with Thembisile Hani, Dr JS Moroka and Bushbuckridge municipalities depicting a larger share of land ownership. Nkomazi and Albert Luthuli also depict a fairly large portion of land which is owned by the state. Of concern is that areas which demonstrate high economic activities such as eMalahleni, Mbombela and Steve Tshwete demonstrate scantly patch of land which is owned by the state. Of concern is that the large proportion of the state land is on areas which have least agriculture potential (This will be discuss in detail in the next section).



Map 8: State Owned Land in Mpumalanga Municipalities
Source: Department of Rural Development and Land Reform, 2017

5.2.4 Agriculture

5.2.4.1 Sector Contribution

As can be observed from Figure 2 Mbombela (23.6%) is leading with respect to agricultural contribution to the provincial economy. This is followed in second distance by Thaba Cheweu with a paltry contribution of 10.1%. Mkhondo and Steve Tshwete are the third and fourth biggest contributor to the agriculture sector in the province with the contribution of 8.8% and 8.5% respectively. The dominance of Mbombela is mainly due to the vast track of forestry and also developed saw mill industry.

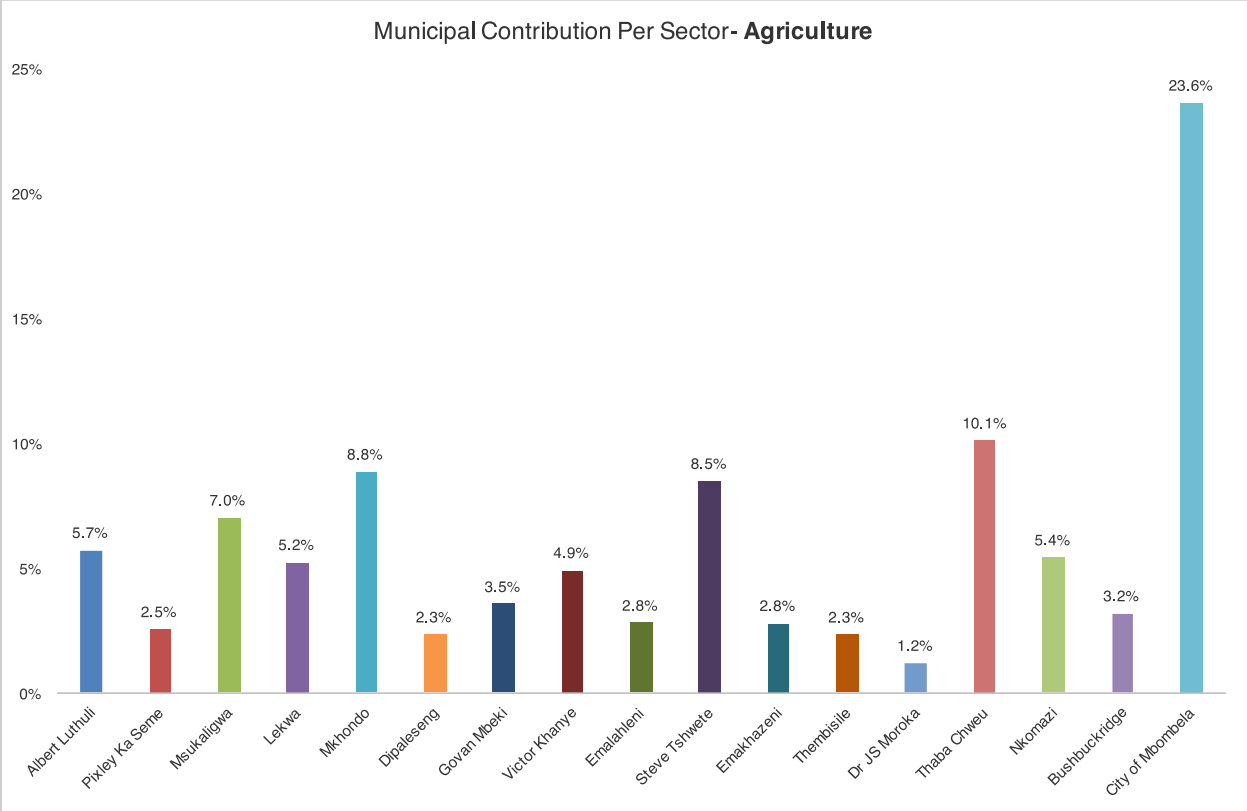
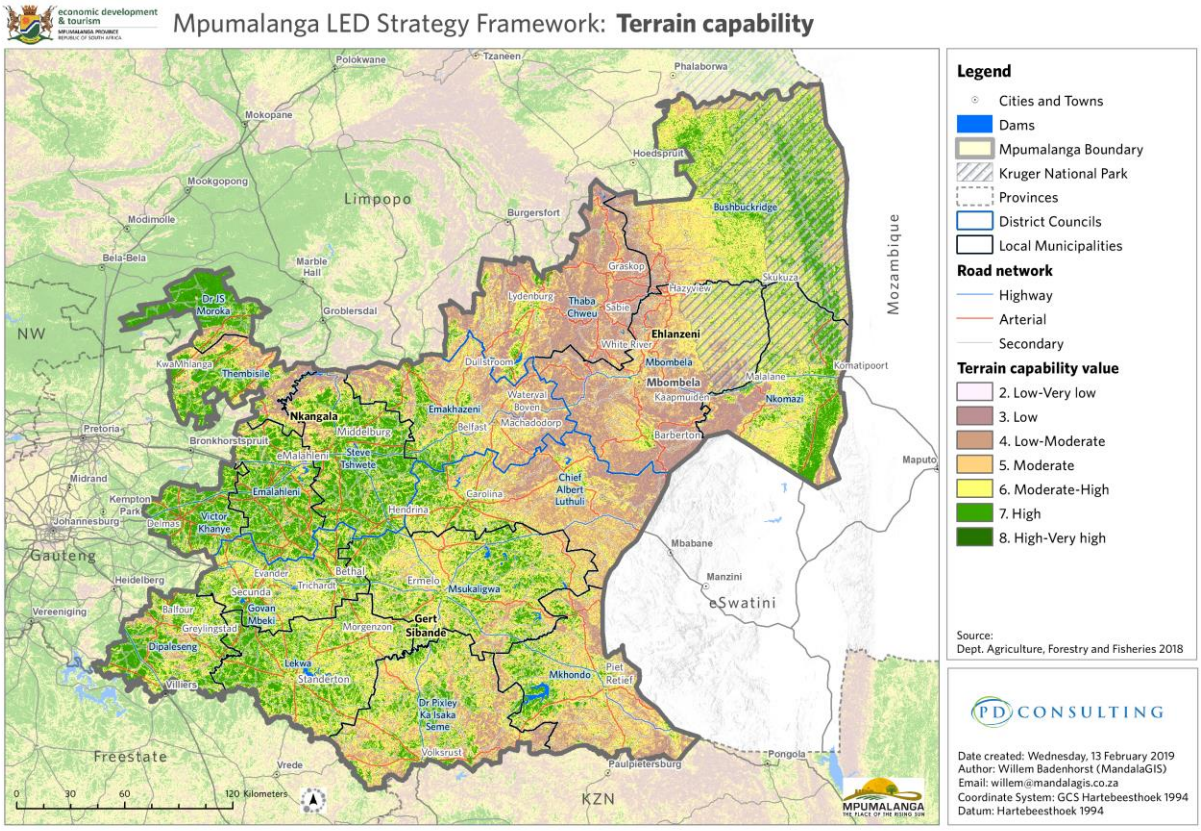


Figure 2: Municipal Contribution, Agriculture Sector

Source: IHS and SERO, 2017

5.2.4.2 Terrain Capability

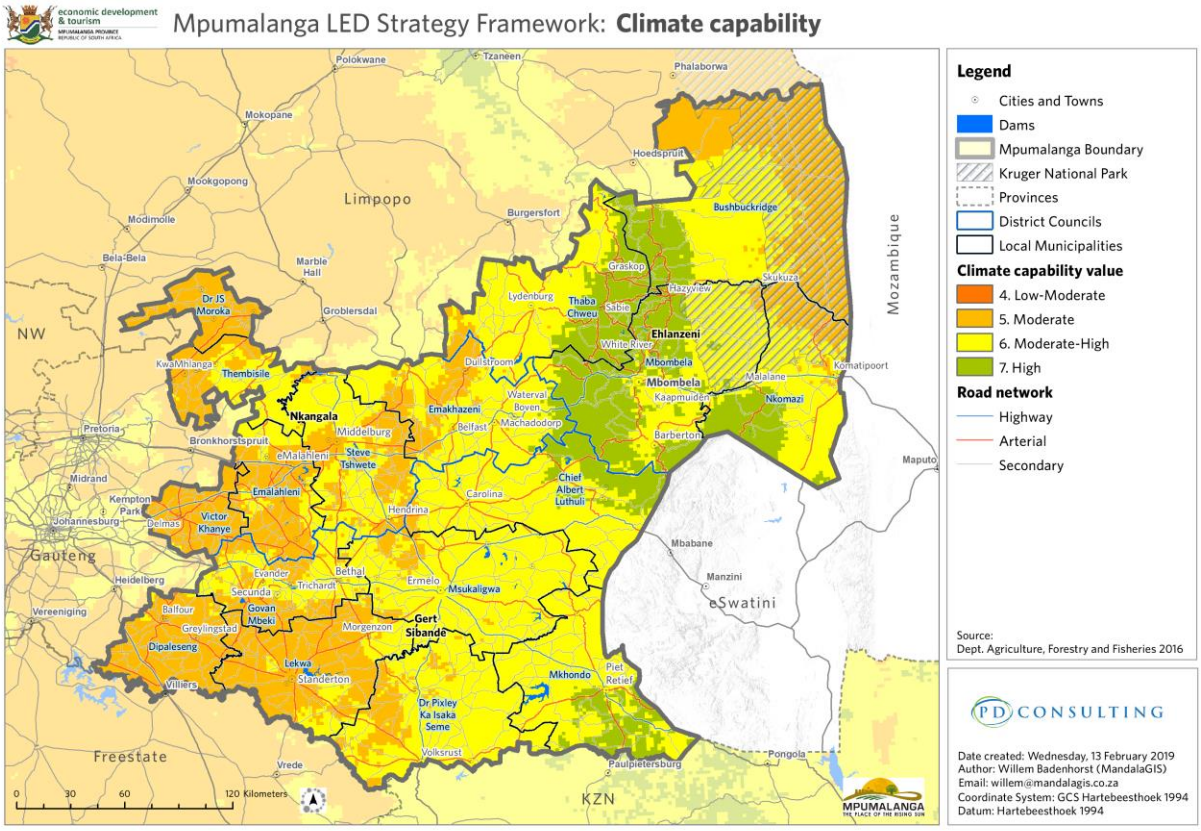
Map 9 demonstrates the capability of the terrain in the province. As can be observed large portion of the terrain which demonstrate very high capability is located within Nkangala District Municipality followed in second by Ehlanzeni District Municipality. However, in the latter district municipality, such land is mainly located within the Kruger National Park (KNP) belt, which cannot be exploited for agricultural purpose. There is a fairly sizeable land with very high capability which is located in the Nkomazi Municipality. This land is currently exploited for generating agricultural economic activity, mostly used for sugar cane farming.



Map 9: Terrain Capability in Mpumalanga Municipalities
Source: Department of Agriculture and Forestry, 2016

5.2.4.3 Climate capability

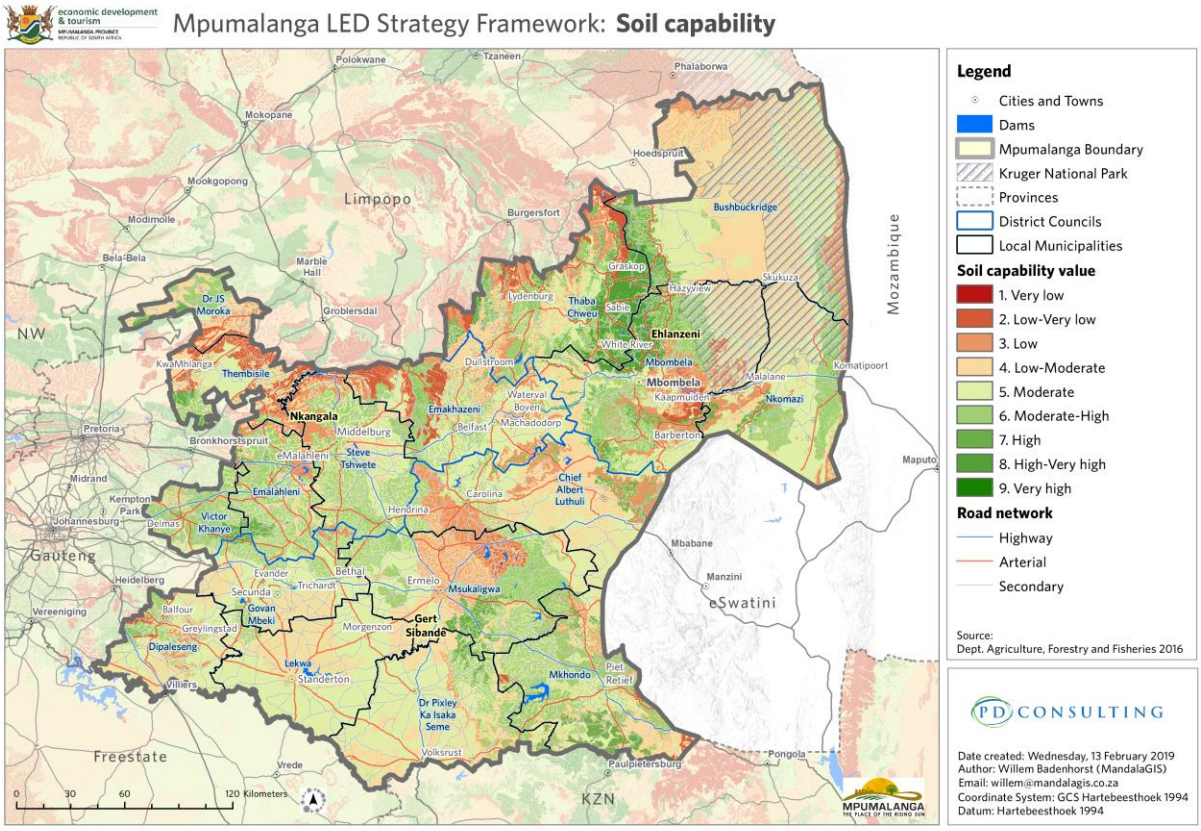
As can be observed from Map 10 there are various magnitude of rainfall patterns across the province. The high rain fall is mainly experienced within the Ehlanzeni District Municipality especially in areas around Mbombela, Thaba Chweu and Albert Luthuli. The key activity in this area, Sabie Ridge, is predominantly forestry with large plantation of forest located here. The second highest rainfall area is around Steve Tshwete and some parts of Gert Sibande district municipality which have a good agriculture potential (see map on crop capability). The central to southern part of Mhondo municipality also has good climate with high potential for agriculture. This land is mainly exploited through forestry plantations.



Map 10: Climate Capability in Mpumalanga Municipality
Source: Department of Agriculture and Forestry, 2016

5.2.4.4 Soil Capability

With respect to soil capability the province has fairly a good share of land that is moderate for agricultural purpose. The large proportion of such land is located within Gert Sibande District Municipality. Though most appealing land that has very high capability is located in between Thaba Chweu, Mbombela and Bushbuckridge municipalities. This land mainly includes areas such as Graskop, Sabie and White River with a mixture of agriculture use which ranges from citrus to forestry.



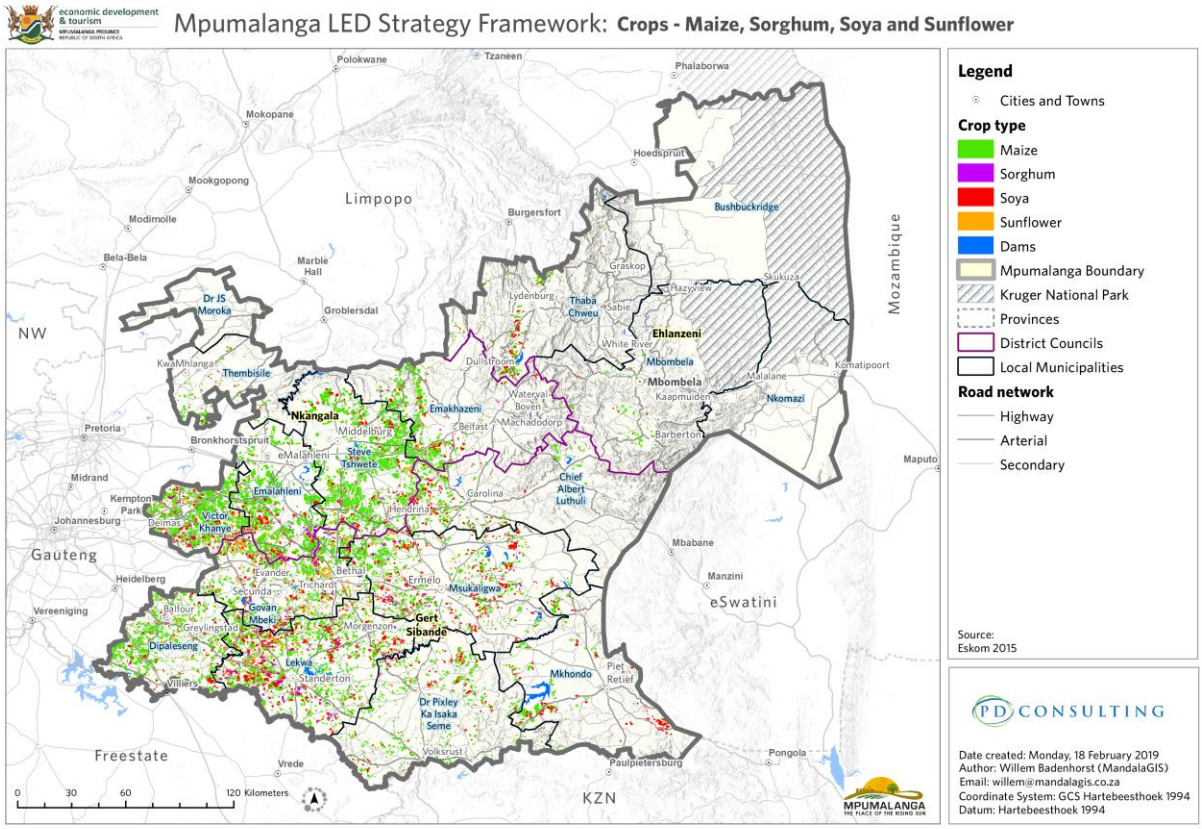
Map 11: Soil Capability in Mpumalanga Municipalities
Source: Department of Agriculture and Forestry, 2016

5.2.4.5 Crop Capability

To contextualise the agricultural potential in the province, Map 12 illustrates the various produce that could be grown. As can be observed, maize potential is quite significant followed by soya and sunflower. Looking closely on the spatial location were the potential exist, as can be observed from Map 12, a significant potential is centred between Nkangala and Gert Sibande District Municipalities with the scant potential in some parts of Ehlanzeni. Land with high agricultural land use potential competes with mining (coal) sector in Nkangala and Gert Sibande districts.

Although various crops show potential in eMalahleni and Steve Tshwete, future prospect of the sector is bleak in these municipalities due to long term mining activities which continue to sterilised a large proportion of the land. Despite its potential for mining, a large proportion of land with agricultural potential falling within Gert Sibande still has better prospect for long term agricultural exploitation. Given the countries outlook with respect to the energy mix with little

interest in the non-renewable energy it would be ideal for the land within the Get Sibande which has agriculture potential to continue to be protected for agricultural use. This will mainly assist in protecting the sector which has long-term potential to expand the local economy.



Map 12: Crop- Maize, Sorghum, Soya and Sunflower

5.2.5 Mining and Quarrying

As can be observed from Figure 3 mining is dominant in three municipalities: eMalahleni (37%), Steve Tshwete (21.9%) and Govan Mbeki (18.7%). The latter three municipalities contribute 77.6% to the mining industry in Mpumalanga. The other noticeable municipalities which have mining representation include Mbombela (3.6%), Pixley Ka Seme (3.4%), Mkhondo (3.3%), Thaba Chweu (3.2%) and Victor Khanye (2.4%).

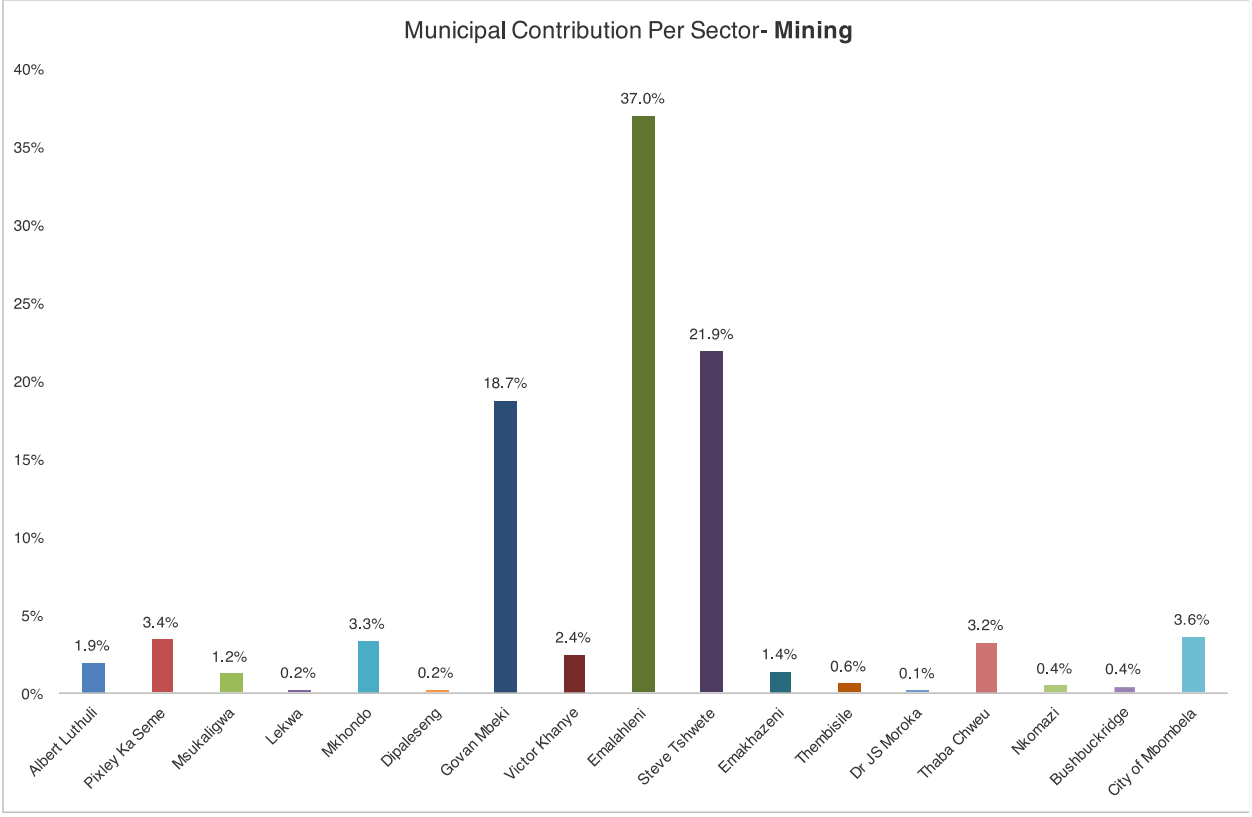
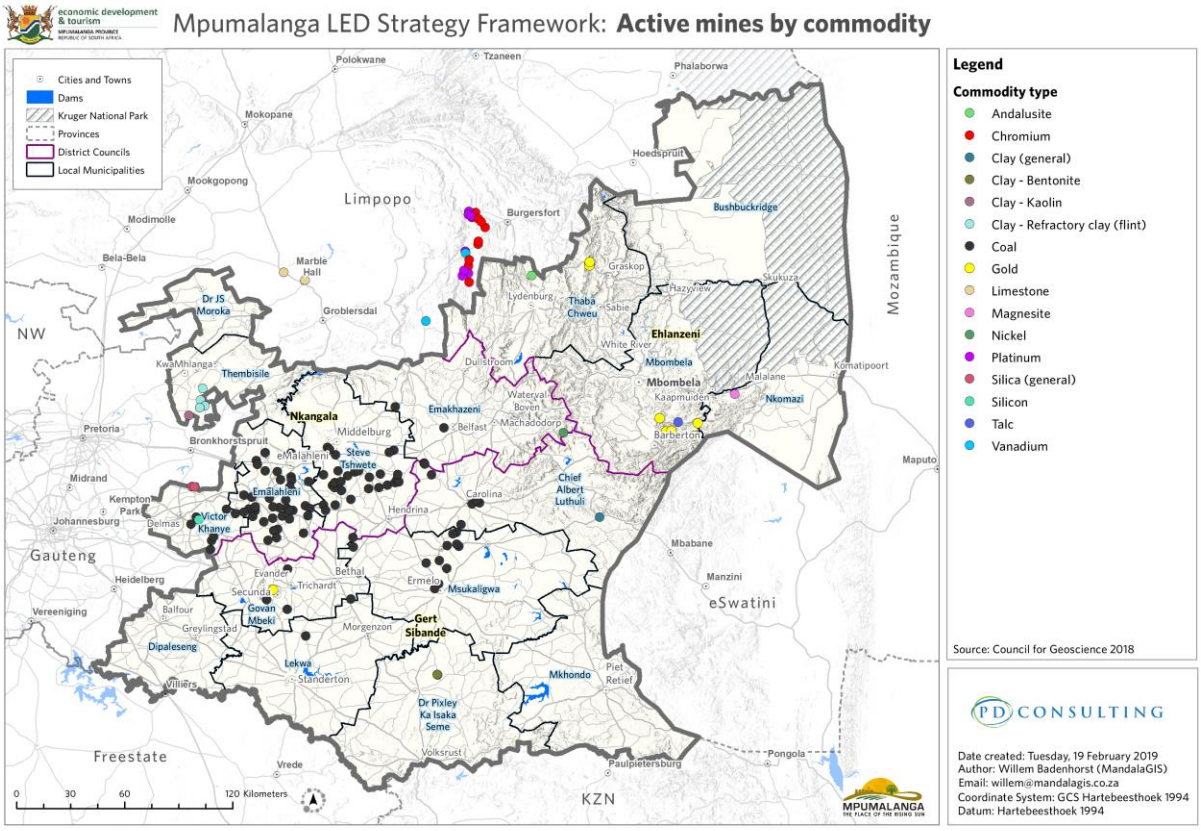


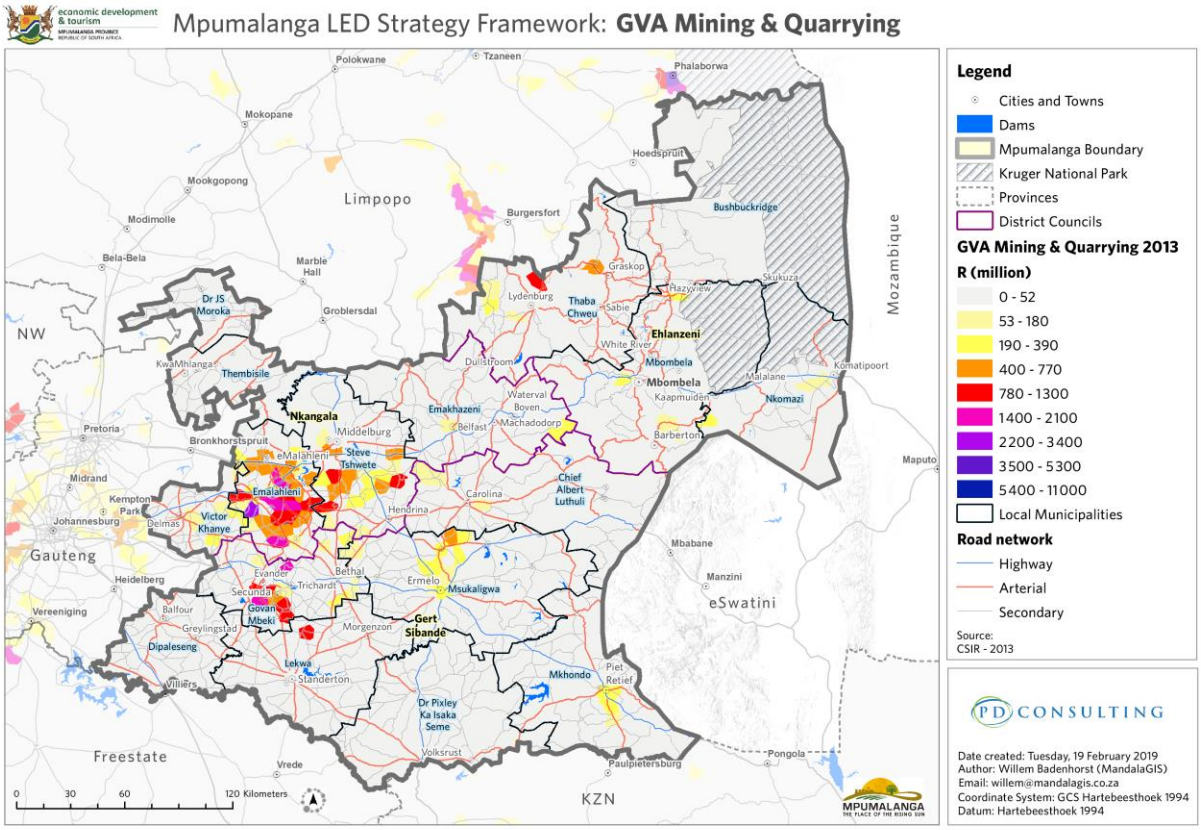
Figure 3: Mining Contribution per Municipalities
Source: IHS and SERO, 2017

Map 13 provides a geographical spread of the mining activities in the province per commodity. Coal mines are quite dominant around Nkangala and Gert Sibande district municipalities. Although Gert Sibande spatially has fairly good share of the deposits, they are not significantly exploited as compared to the Nkangala District - Steve Tshwete and eMalahleni. Other deposits that are notable include gold (around Baberton and Graskop), silica (Thembisile Hani) and platinum (just outside of the Thaba Chweu Municipality). Although these deposits are located in an adjacent municipality which falls within another province, they have a significant impact on the economy of Thaba Chweu.



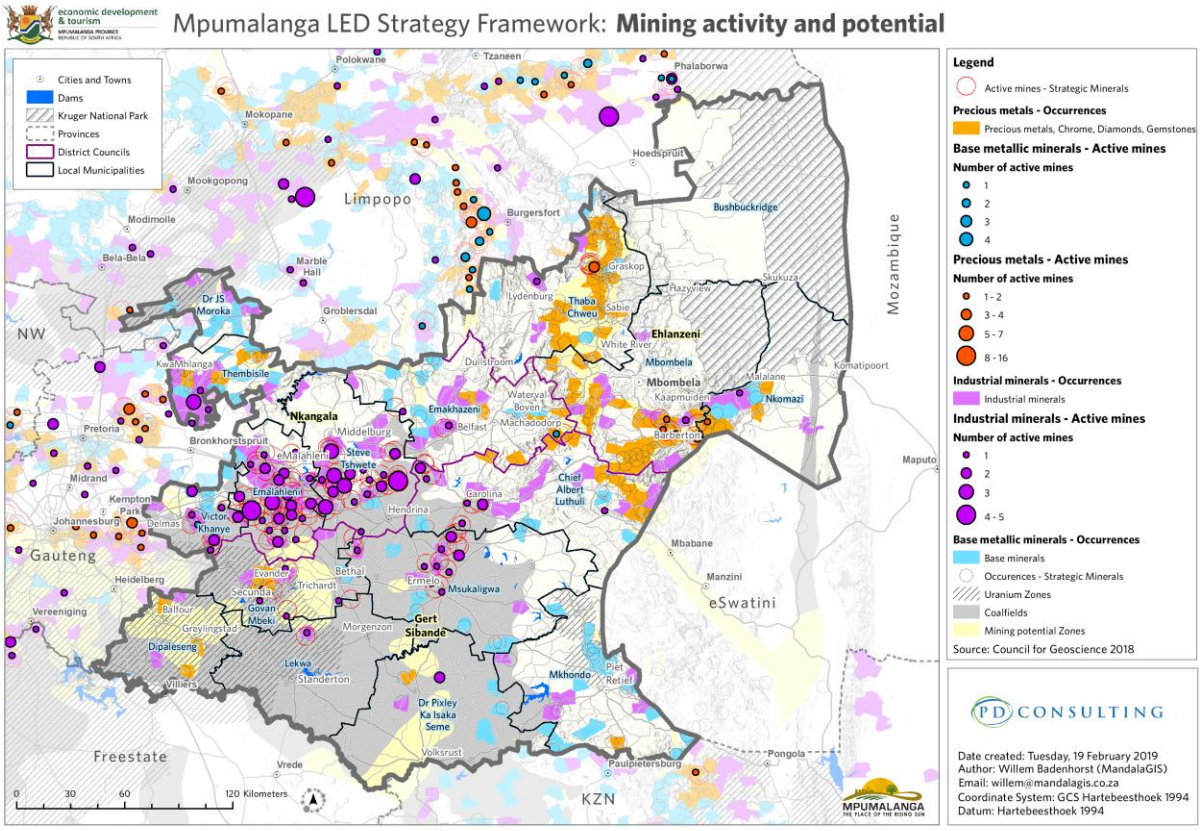
Map 13: Active Mines by Commodity in Mpumalanga Municipalities
Source: Council for Geoschience, 2018

Looking at the spatial distribution of the mining sector in the province as can be observed from the Map 14, the value of mining activity is concentrated in eMalahleni and Steve Tshwete municipalities with a GVA contribution of between R3.4 billion and R400 million. The mining activities in this area are also influenced by the location of the coal power station which uses coal deposits as the inputs in their generation process. The national energy strategy which currently advocates for an energy mix with strong interest in the renewables pose a serious challenge to long term prospect in this sector in providing input to the power station. In addition, the modern coal fire power station also takes 25% less coal which lead to reduced demand for coal by the power station. Not all is lost with the coal, there is an opportunity for the province to look into exploiting coal export to expand the coal demand as advocated in the National Development Plan (NDP).



Map 14: GVA Mining and Quarrying
Source: CSIR, 2013

Map 15 shows the two types of minerals deposits with a high potential in the province: precious metals such as gold and industrial minerals in the form of coal. The precious metals are mainly located in Ehlanzeni District with a strong representation in Barberton and Graskop, with some potential around Machadosdorp. The coal deposits are mainly located in Nkangala District with eMalahleni and Steve Tshwete depicting a marked exploitation. While other areas such as Ermelo in Gert Sibande District Municipality demonstrate some potential there is limited exploitation of the deposits. It should be noted that mining competes with strong agricultural sector which is currently thriving in the district. There are difficult long-term choices which will need to be made with respect to the sector to be prioritised, between agriculture and mining, in Gert Sibande. The district has made a decision to pursue the agricultural sector given that it is the most promising sector for economic growth and employment generation in the long run. However, the exploration and discovery of export coal remains a threat to sustainability of the agricultural sector.



Map 15: Mining Activity and Potential
Source: Council for Geoschience, 2018

5.2.6 Manufacturing

As can be observed from Figure 4 the manufacturing sector is dominant in Govan Mbeki, Mbombela and Steve Tshwete contributing 30.9%; 20.6% and 19.6% to the sector in the province respectively. Govan Mbeki dominants is due to presents of a global petrochemical conglomerate Sasol which is also producing various by products of petrochemical. eMalahleni is the fourth biggest manufacturing hub in the province contributing 10.1% to the provincial manufacturing output. Thus, the four municipalities (Govan Mbeki, Mbombela, Steve Tshwete and eMalahleni) contribute just over 81% to the provincial manufacturing output.

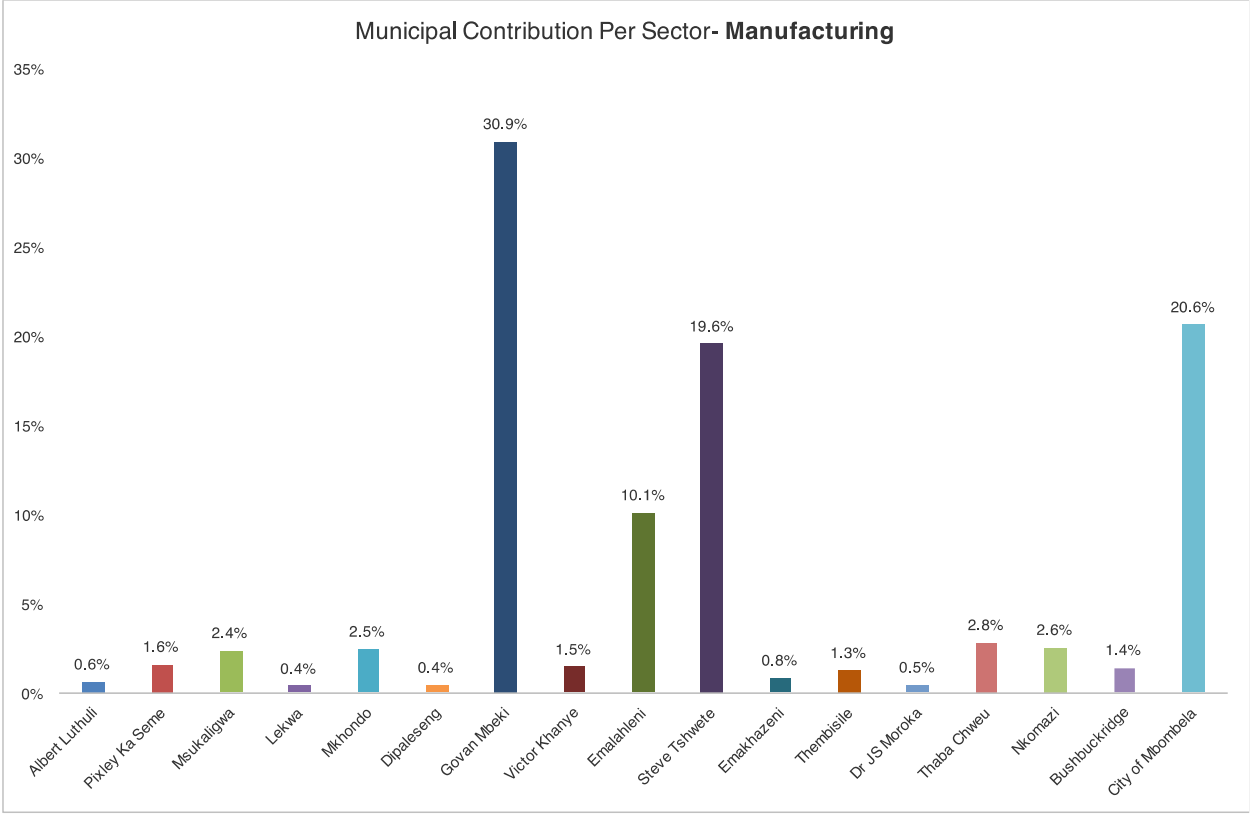
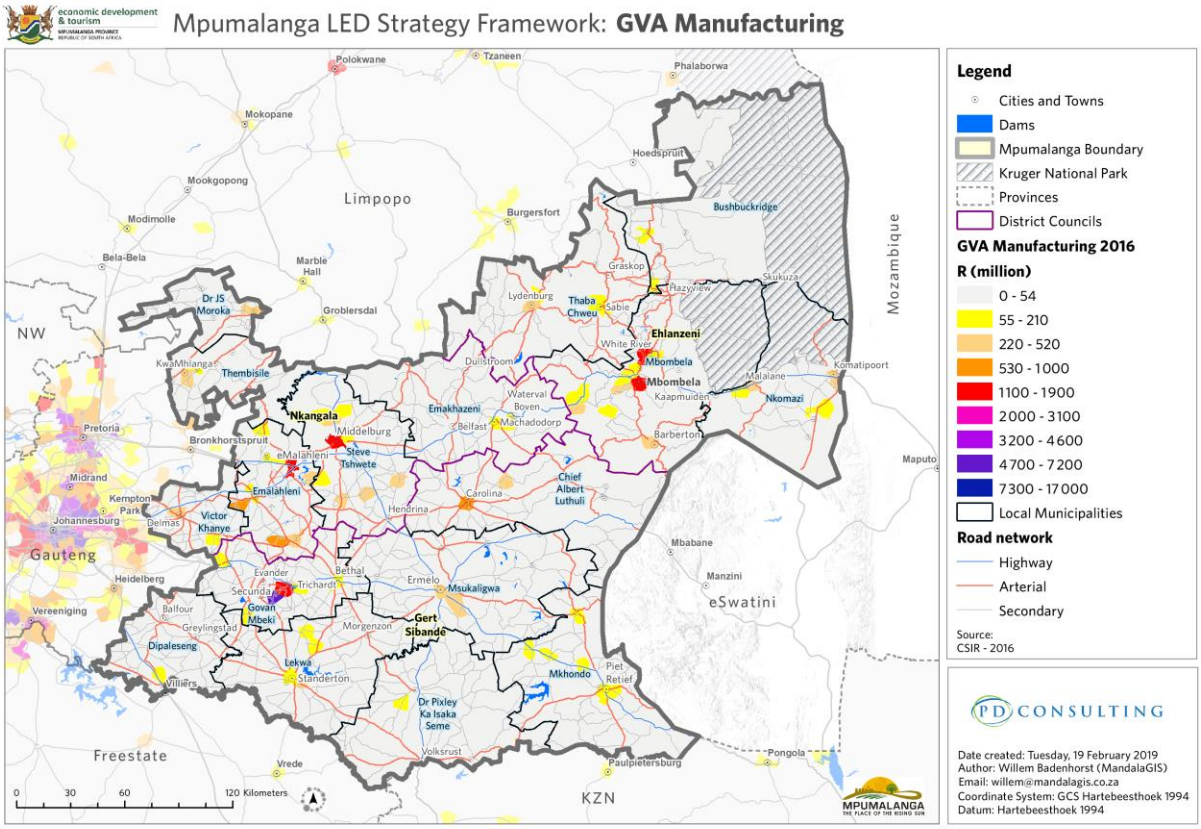


Figure 4: Manufacturing GVA
Source: IHS and SERO, 2017

Map 16: Manufacturing GVA in Mpumalanga

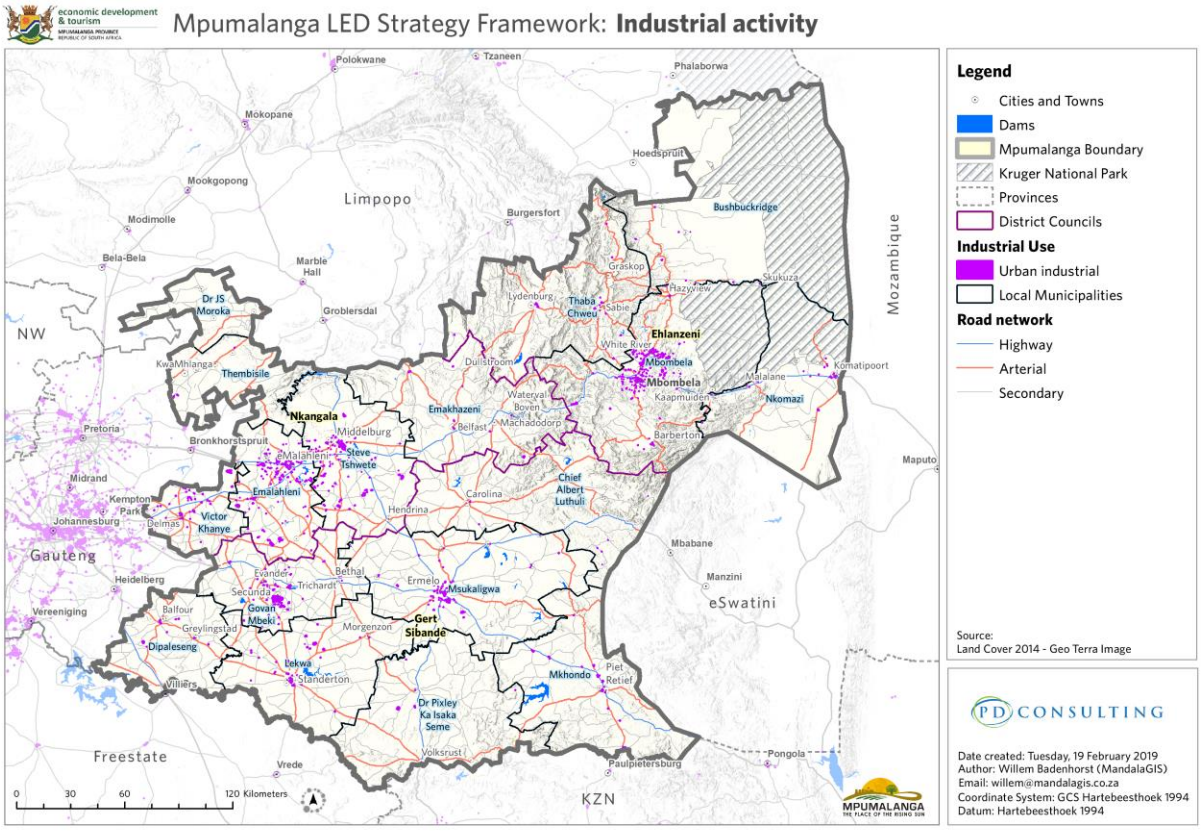
demonstrates the spatial location of the manufacturing activities in the province. The highest GVA is generated around Secunda in Govan Mbeki with the GVA in the region of between R7,2 billion to R2 billion. Other areas which have high contributions to manufacturing GVA are Middleburg-eMalahleni and Mbombela-White River with a GVA of around R2 billion. Although there are some manufacturing activities in other areas their contribution is not significant, with GVA of between R50 million and R220 million.

Although the sector seems to have high output in Govan Mbeki, this is mainly as a result of one international conglomerate, Sasol, which is located in the municipality. Sasol's manufactured products in this area are of high value, leading to the significant municipal contribution to the sector.



Map 16: Manufacturing GVA in Mpumalanga
Source: CSIR, 2016

Spatially, there are four industrial nodes in the province. These are depicted in the Map 17, showing eMalahleni and Steve Tshwete as the core nodes for industrial activities followed by Mbombela towards White River and Secunda.



Map 17: Industrial Activities in Mpumalanga
Source: Land Cover Geo Terra, 2014

5.2.7 Utilities and Electricity

Looking at the contribution of utilities and electricity generation to the economy, Figure 5 shows that Mbombela, eMalahleni and Steve Tshwete are the most dominant contributing 18.6%, 16.9% and 13% to the provincial sector respectively. Bushbuckridge and Govan Mbeki are the fourth and fifth biggest in the province with the contribution of 11.3% and 7.0% respectively. The dominant of this sector in these municipalities is mainly driven by urbanisation rate and high household's concentration with the local municipalities generating income from the provision of water and electricity. That is the higher the GVA contribution in the municipality the higher the household concentration.

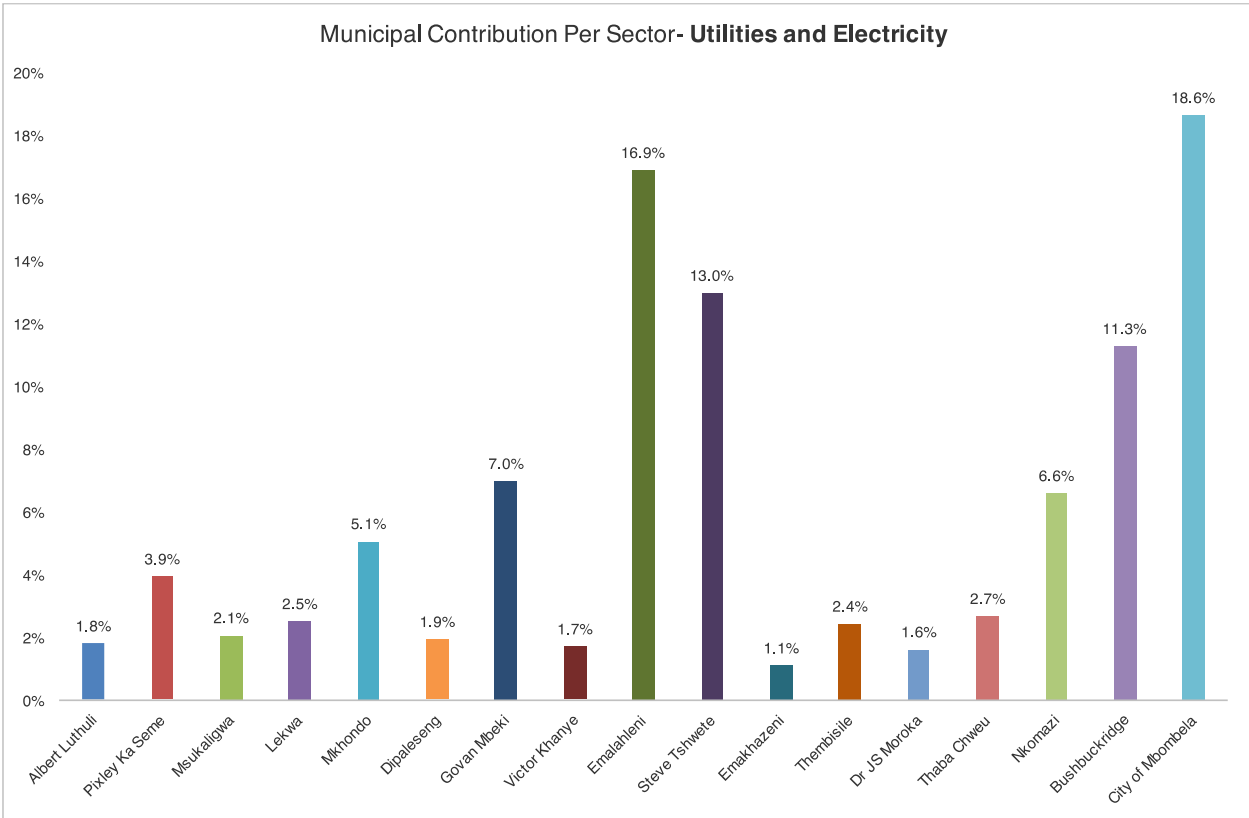
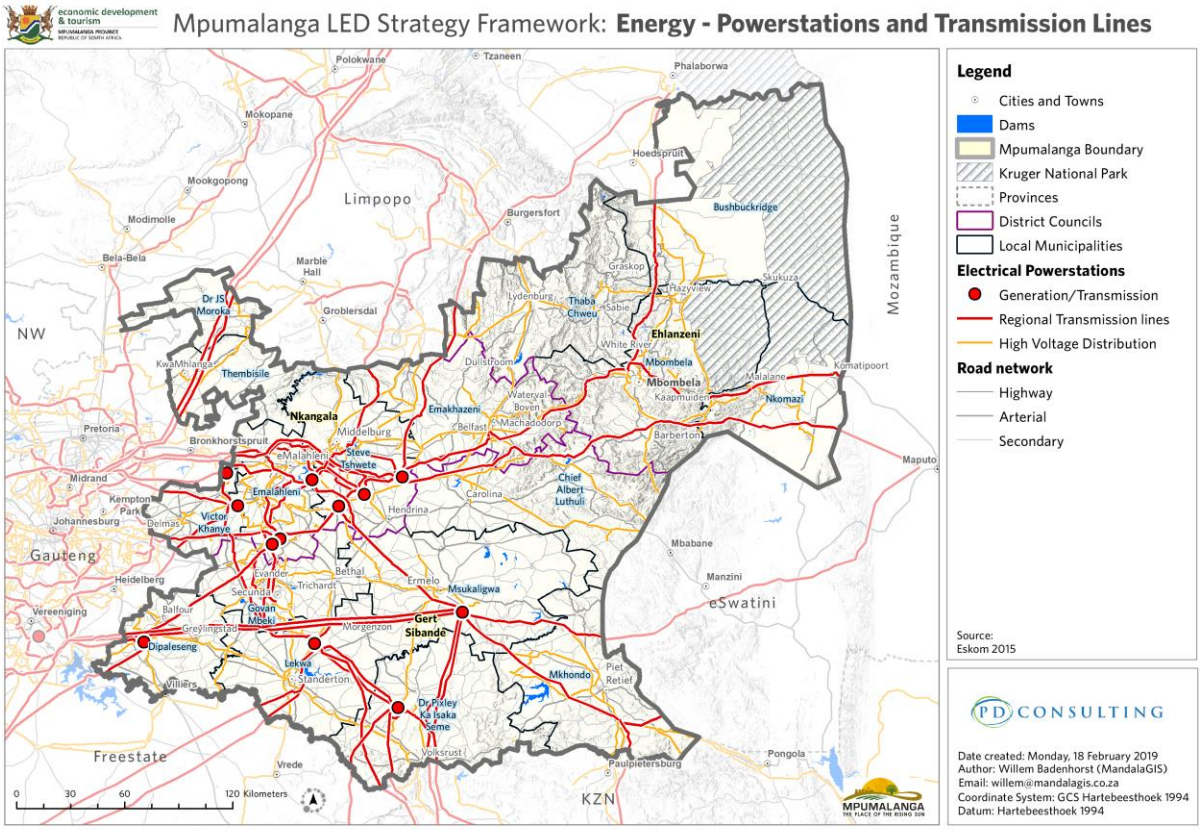


Figure 5: utilities and Electricity Gross Value Added
Source: IHS and SERO, 2017

As can be observed from the map below there are twelve power stations in the province located within the coal belt, with Gert Sibande District Municipality hosting eight of these power stations. Steve Tshwete and eMalahleni Local Municipalities host four of these power stations. In Gert Sibande District Municipality, the power stations are located within four municipalities, this include Dipaleseng, Lekwa, Msukalegwa and Dr Pixley Ka Seme Local Municipalities. It should be noted that despite large proportion of power stations in the province that there are some long-terms challenges with regard to the life of the power stations/. Firstly, most of the power stations are too old and they are reaching the end of their life span. Secondly the national energy strategy is advocating a strong energy mix with strong emphasis on renewable energy. As such this poses challenge for long term impact on the economy of the municipalities which are heavily relying on energy generation as their backbone of the economy.



Source: Eskom

5.2.8 Construction

The construction sector is mainly dominant in Mbombela (32.6%), eMalahleni (11.8%), Govan Mbeki (9%) and Steve Tshwete (8.7%). This is mainly driven by the growth of other sectors as a result of other services within the areas which demonstrate high population growth resulting in high demand for the services. Moreover, the growth of central business districts in major urban centre in the province is also a pillar of growth for the sector. The prospect for growth in this sector remains high especially in areas with high economic activities such as the services sectors, manufacturing and mining sectors. The dominant of Mbombela has mainly been driven by institutional investors with a number of various developments taking place as a result of growth of government.

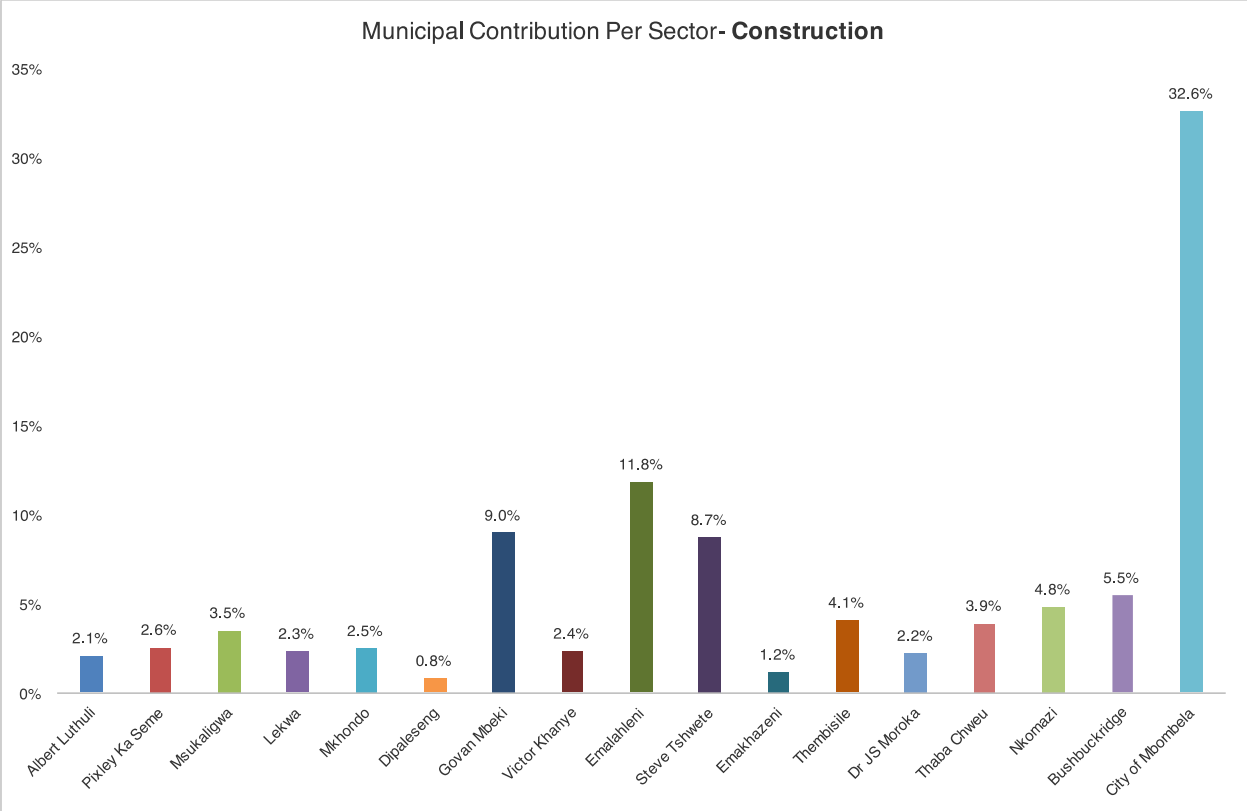


Figure 6: Construction GVA
Source: IHS and SERO, 2017

5.2.9 Trade

It is not surprising that Mbombela has experienced growth of 34.4% in trade. This is mainly due to its rich tourism sector with the main tourist attraction, Kruger National Park, located within the municipality. In addition, number of tourist attractions are located within the municipality which include Sudwala Caves and Blyde River Canyon. Moreover, the location of the seat of government in Mbombela also plays a significant role in promoting trade related activities in the area. Other areas which have recorded a significant contribution in this sector include eMalahleni (10.9%), Govan Mbeki (8.6%) and Steve Tshwete (8.4%). These trends are the reflection of economic activities and attended population concentration in the province.

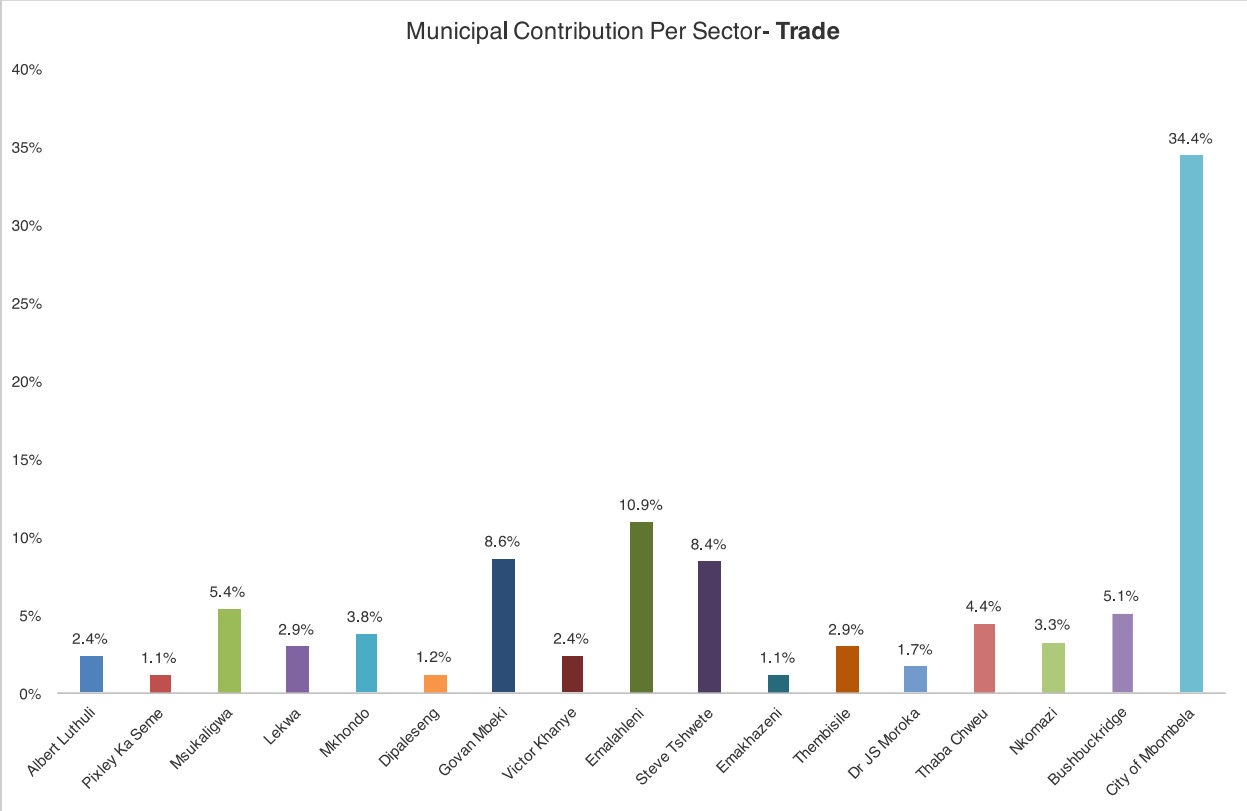


Figure 7: Trade GVA
Source: IHS and SERO, 2017

5.2.10 Transport

Transport services is also dominant in Mbombela (31.8%), eMalahleni (11.5%), Steve Tshwete (8.6%) and Govan Mbeki (8.1%). The Msukaligwa is the fifth biggest with the contribution of 7.9% to the provincial GVA contribution. The latter mentioned municipalities contribute 67.9% to the GVA of the province. Again this is a reflection of the location of economic activities in the province.

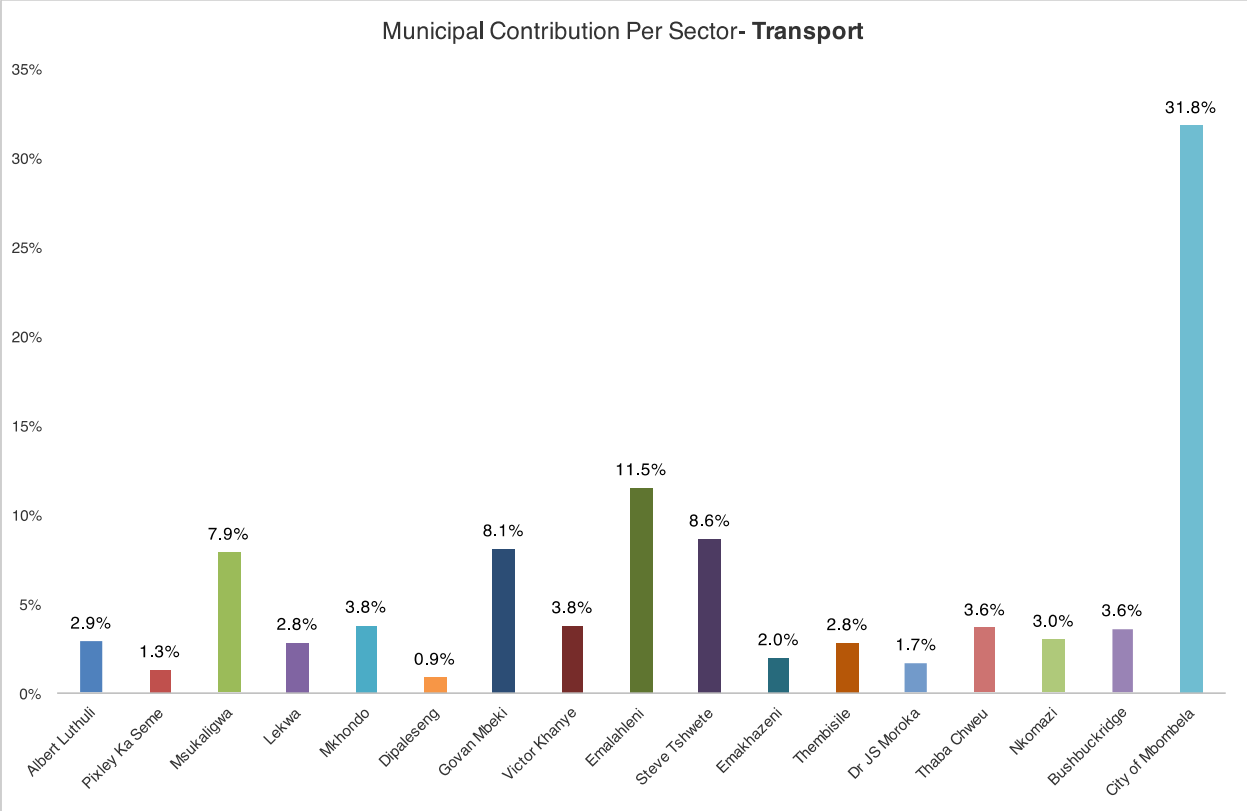


Figure 8: Transport GVA
Source: IHS and SERO, 2017

5.2.11 Finance

Finance and business services are mainly concentrated in Mbombela with the total contribution of 33.4% in the province. This is followed by eMalahleni and Steve Tshwete which have contributed 10.9% and 9.2% to the fiancé and business services in the province. Govan Mbeki is the third most dominant with the contribution of 7.8%. The latter four municipalities make 61.3% of the provincial GVA for finance business services.

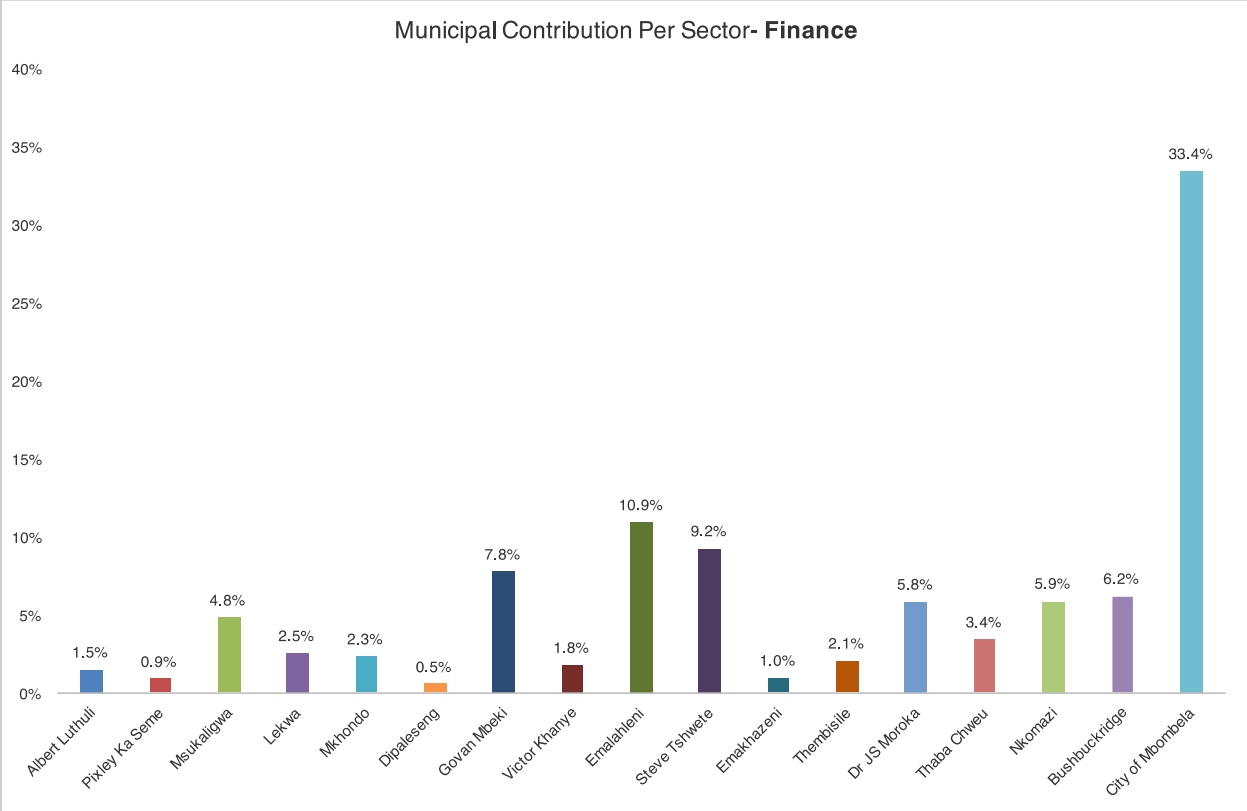


Figure 9: Finance GVA
Source: IHS and SERO, 2017

5.2.12 Community Services

It is not surprising that community services is the biggest sector in Mbombela. This is due to the fact that the provincial government seat and number of national government departments provincial/regional offices are located in Mbombela. In addition, there are district municipality and local municipality offices located here. The establishment of high court in the Mbombela and Middleburg will also add impetus to the growth of the sector in the long run, with a number of functions that support the court and the sector likely to be located permanently in the province. As can be observed from figure 10 Mbombela (33.4%) is the highest contributor to community services GVA followed by eMalahleni (9.5%), Steve Tshwete and Bushbuckridge (8.3% and 7.6% respectively).

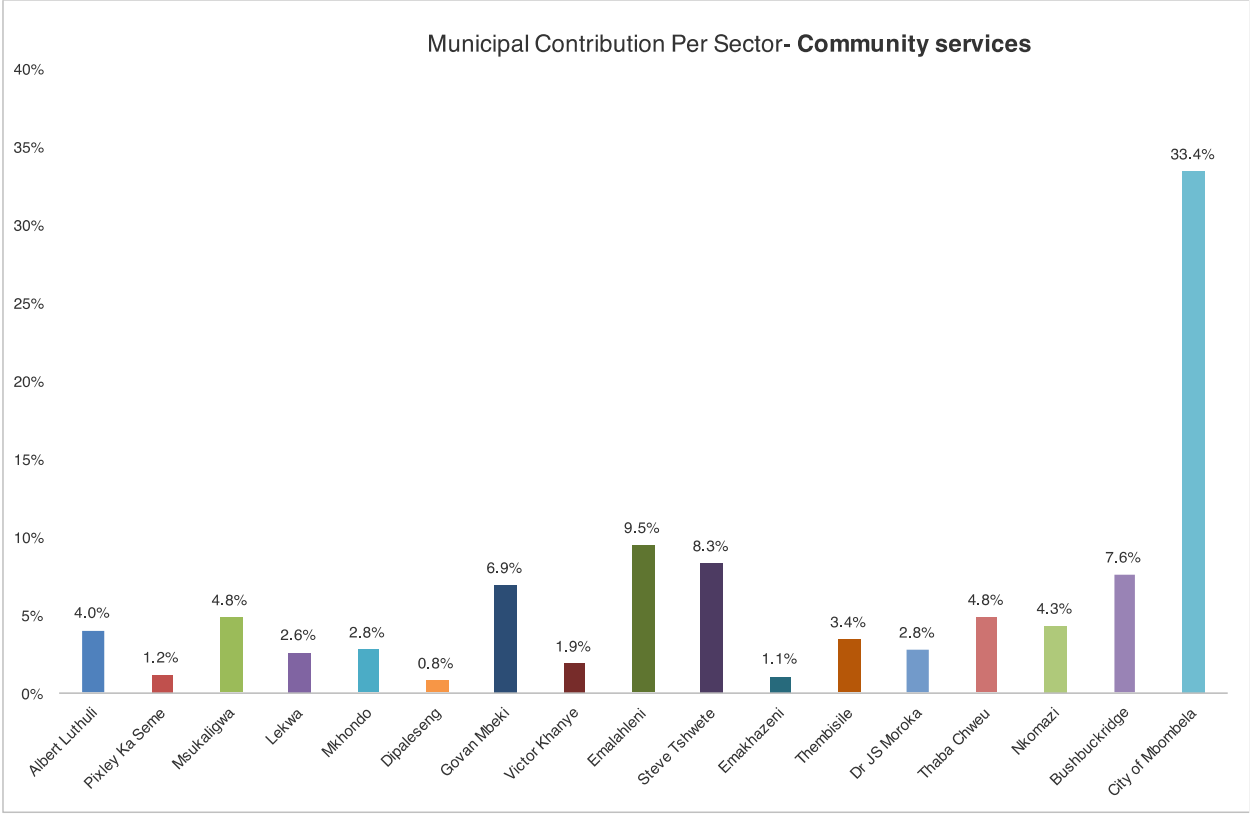


Figure 10: Community Services GVA
Source: IHS and SERO, 2017

5.3 Employment Concentration

Trade and community services are the most dominant sectors in the province in terms of employment contribution with the total employment of 233 843 (23.9%) and 205 090 (20.9%) respectively in 2014. This predominance has continued up to 2017. The agriculture, mining, manufacturing and construction are the second-highest sectors in terms of employment contribution: agriculture, mining and manufacturing have contributed employment of between 86,000 and 90,000 each. Electricity and transport are the lowest employment contributors in the province. A closer look at the difference in terms of employment contribution between 2014 and 2017 shows that mining is the only sector which has shed employment, recording a decrease of 7,763. On the other hand, construction and finance have experienced a sizeable increase number of employment opportunities with a contribution of additional 10,253 and 8,458 employment opportunities respectively. The decrease in mining employment could be attributed

to increased mechanisation in the sector as well as low global economic growth leading to low commodities demand.

Table 6: Employment Contribution per Sector (2014-2017)

High | Medium | Low

Year	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
2014	86,274	89,201	86,629	18,400	79,234	233,843	46,598	133,797	205,090
2017	92,418	81,418	92,016	21,371	89,487	238,081	51,315	142,255	227,508
Difference (2014-2017)	6,143	-7,783	5,387	2,971	10,253	4,239	4,717	8,458	22,418
Year	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
2014	8.8%	9.1%	8.8%	1.9%	8.1%	23.9%	4.8%	13.7%	20.9%
2017	8.9%	7.9%	8.9%	2.1%	8.6%	23.0%	5.0%	13.7%	22.0%

Source: IHS Regional Explorer

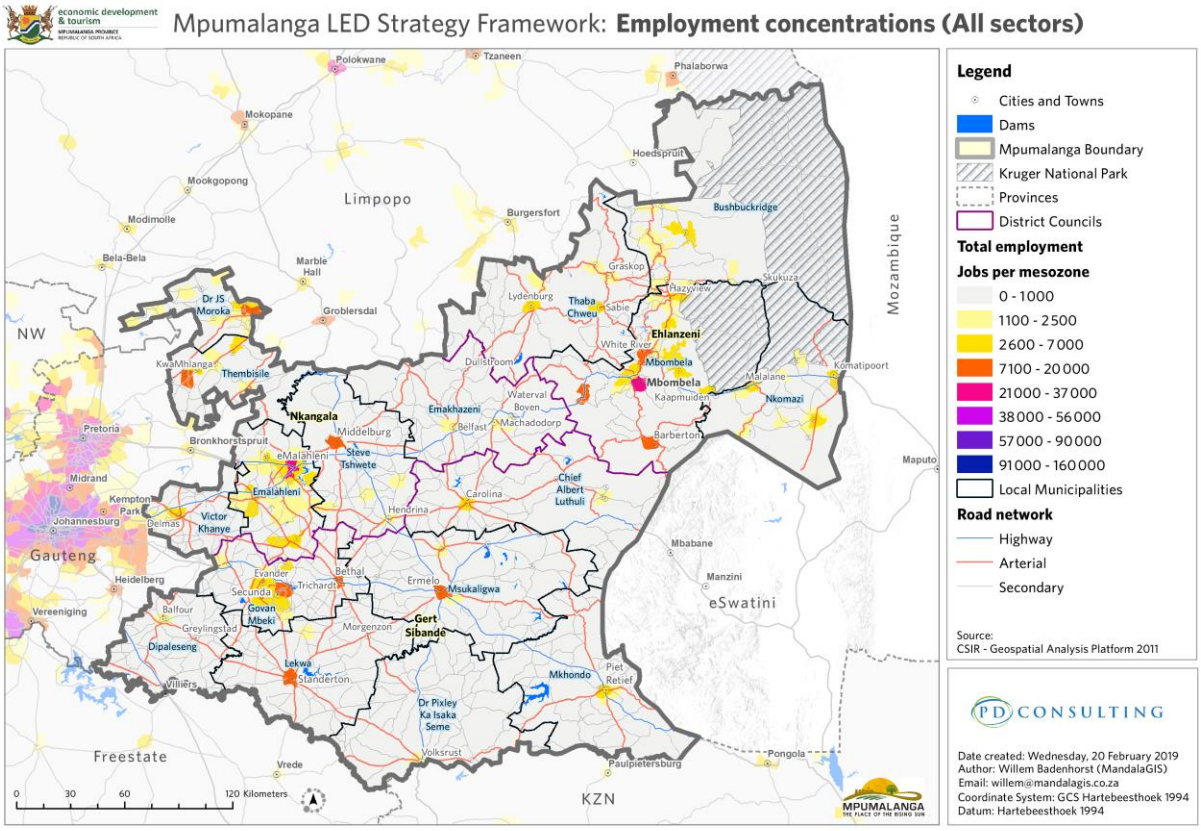
With the exception of eMalahleni a closer scrutiny of the employment contribution per sector shows that the dominat sector in the municipalities miror the province. Equally the second most dominant sector is community services followed by finance in almost all the the municipalities.

Table 7: Employment Contribution Per Sector, 2017

Geography	Agriculture	Mining	Manufacturing	Electricity	Construction	Trade	Transport	Finance	Community services
Mpumalanga	8.9%	7.9%	8.9%	2.1%	8.6%	23.0%	5.0%	13.7%	22.0%
Gert Sibande	8.5%	7.1%	11.0%	2.8%	8.5%	23.3%	4.7%	13.4%	20.7%
Nkangala	5.1%	15.8%	9.3%	2.3%	9.5%	20.2%	5.5%	14.1%	18.3%
Ehlanzeni	12.3%	2.0%	7.1%	1.4%	8.1%	25.0%	4.7%	13.7%	25.8%
Chief Albert Luthuli	9.4%	7.6%	12.8%	4.1%	9.1%	24.5%	5.1%	9.8%	17.6%
Msukaligwa	6.9%	13.9%	10.9%	2.6%	9.2%	22.3%	5.1%	12.5%	16.5%
Mkhondo	7.2%	10.0%	8.3%	4.9%	9.4%	23.7%	4.7%	14.2%	17.7%
Dr Pixley Ka Isaka Seme	7.0%	3.2%	6.7%	0.7%	10.5%	24.5%	6.8%	16.2%	24.3%
Lekwa	7.4%	2.5%	7.8%	1.2%	8.3%	26.4%	4.6%	18.1%	23.7%
Dipaleseng	9.3%	1.1%	7.7%	0.5%	8.0%	26.6%	5.0%	18.9%	22.8%
Govan Mbeki	10.0%	5.7%	13.4%	2.9%	7.6%	21.7%	4.2%	12.0%	22.6%
Victor Khanye	14.3%	7.9%	9.3%	2.4%	7.2%	20.7%	6.7%	15.0%	16.5%
Emalahleni	2.9%	21.3%	9.5%	2.4%	9.8%	18.8%	5.0%	13.6%	16.6%
Steve Tshwete	5.4%	15.2%	10.1%	2.3%	9.0%	19.7%	5.1%	15.2%	18.2%
Emakhazeni	14.1%	7.8%	8.3%	2.0%	8.1%	22.4%	6.9%	10.7%	19.8%
Thembisile Hani	3.7%	1.4%	6.5%	1.6%	13.0%	27.0%	7.5%	13.8%	25.4%
Dr JS Moroka	4.6%	1.0%	5.3%	2.0%	10.1%	26.2%	6.8%	13.7%	30.3%
Thaba Chweu	12.6%	7.6%	8.9%	0.7%	8.8%	24.8%	4.2%	11.4%	20.9%
Nkomazi	25.3%	1.1%	7.1%	1.3%	8.8%	21.8%	4.8%	8.7%	21.2%
Bushbuckridge	7.0%	1.0%	3.6%	1.6%	7.4%	26.3%	4.4%	11.0%	37.5%
City of Mbombela	10.0%	1.1%	7.4%	1.5%	7.8%	25.6%	4.9%	16.2%	25.5%

Source: HIS Regional Explorer, 2017

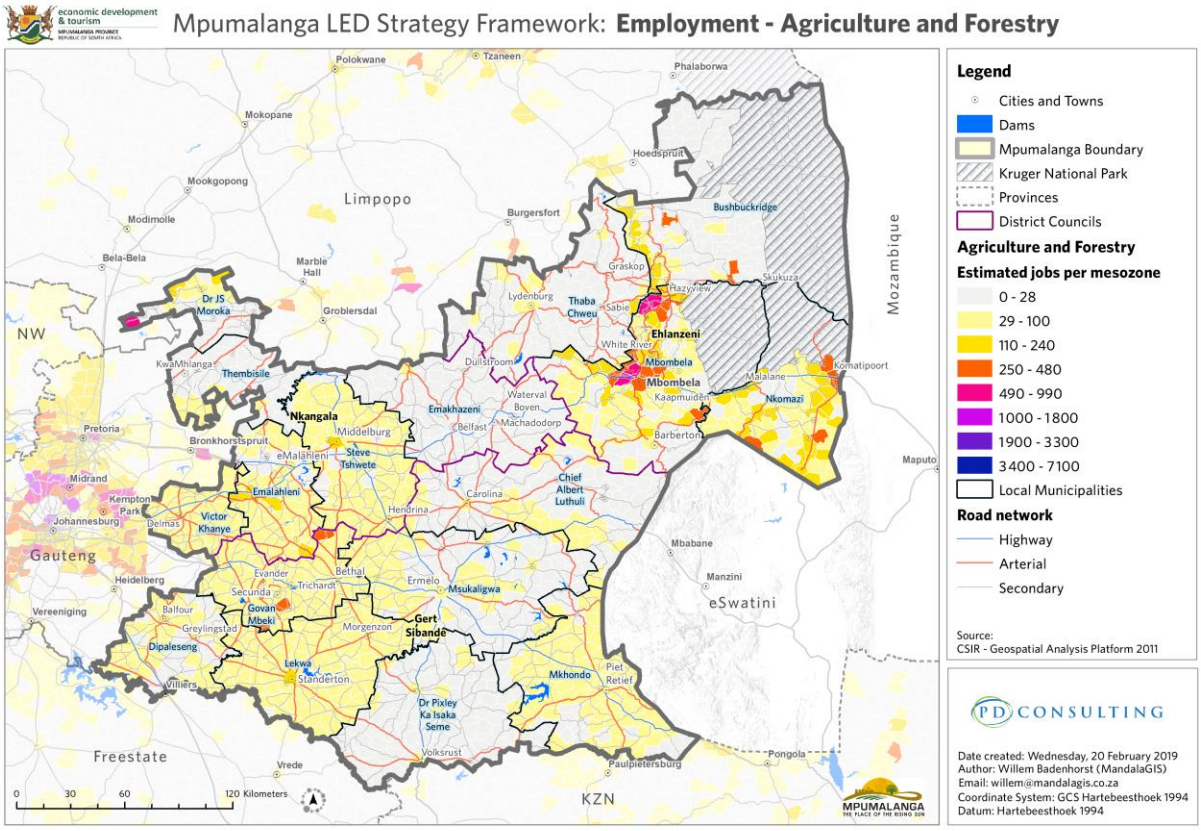
As depicted in Map 18 the larger proportion of employment is concentrated in the urban centre across the province. However, some areas enjoy high employment as compared to others. Areas which have high employment include Mbombela, eMalahleni, Steve Tshwete and Goven Mbeki. It is not surprising that these areas enjoy high employment; this is mainly due to their thriving economies. Rural municipalities such as Dr JS Moroka and Thembisile Hani also have areas with high employment concentration, albeit not as strong as the major urban centres.



Map 18: Employment Concentration- All Sectors
Source: CSIR Geospatial Analysis Platform, 2011

5.3.1 Agriculture

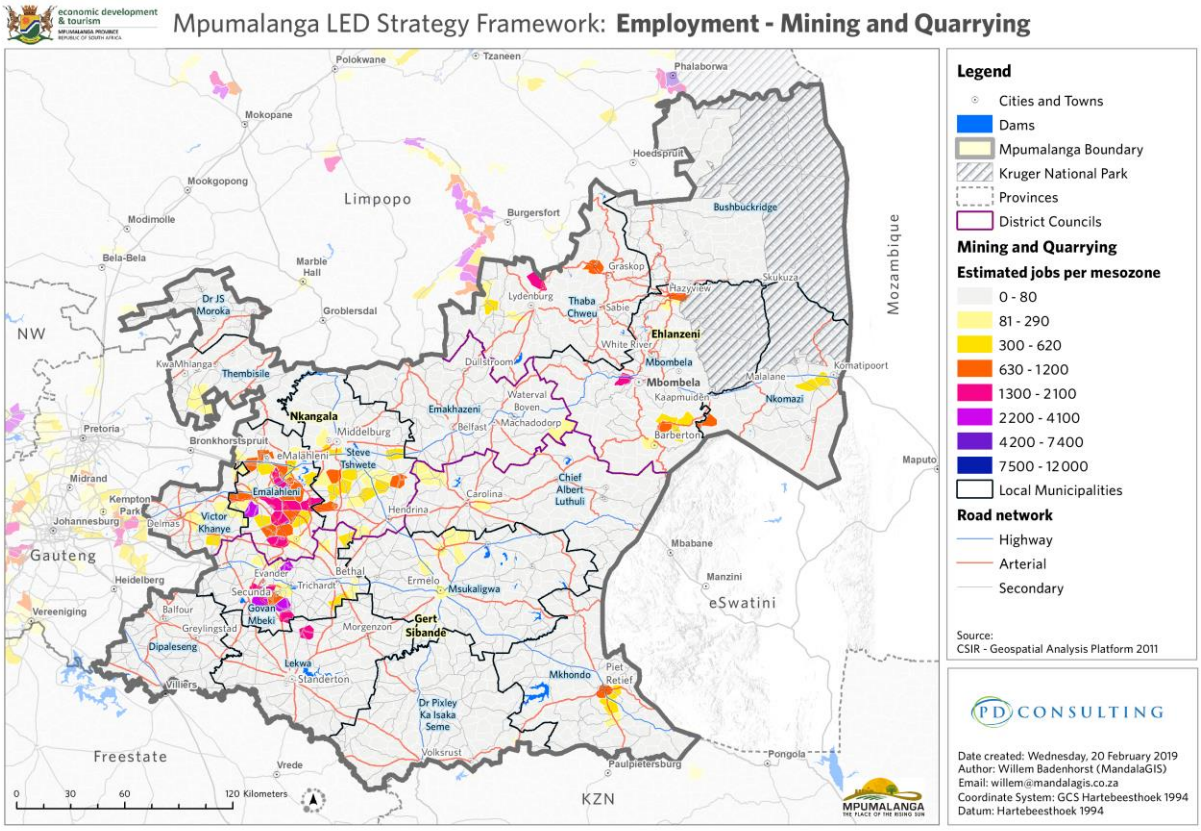
Though employment activity in the agriculture sector is spread across the province, the highest concentration is mainly in few areas which include Mbombela, Hazyview and the outskirts of Dr JS Moroka.



Map 19: Employment- Agriculture and Forestry
Source: CSIR Geospatial Analysis Platform, 2011

5.3.2 Mining

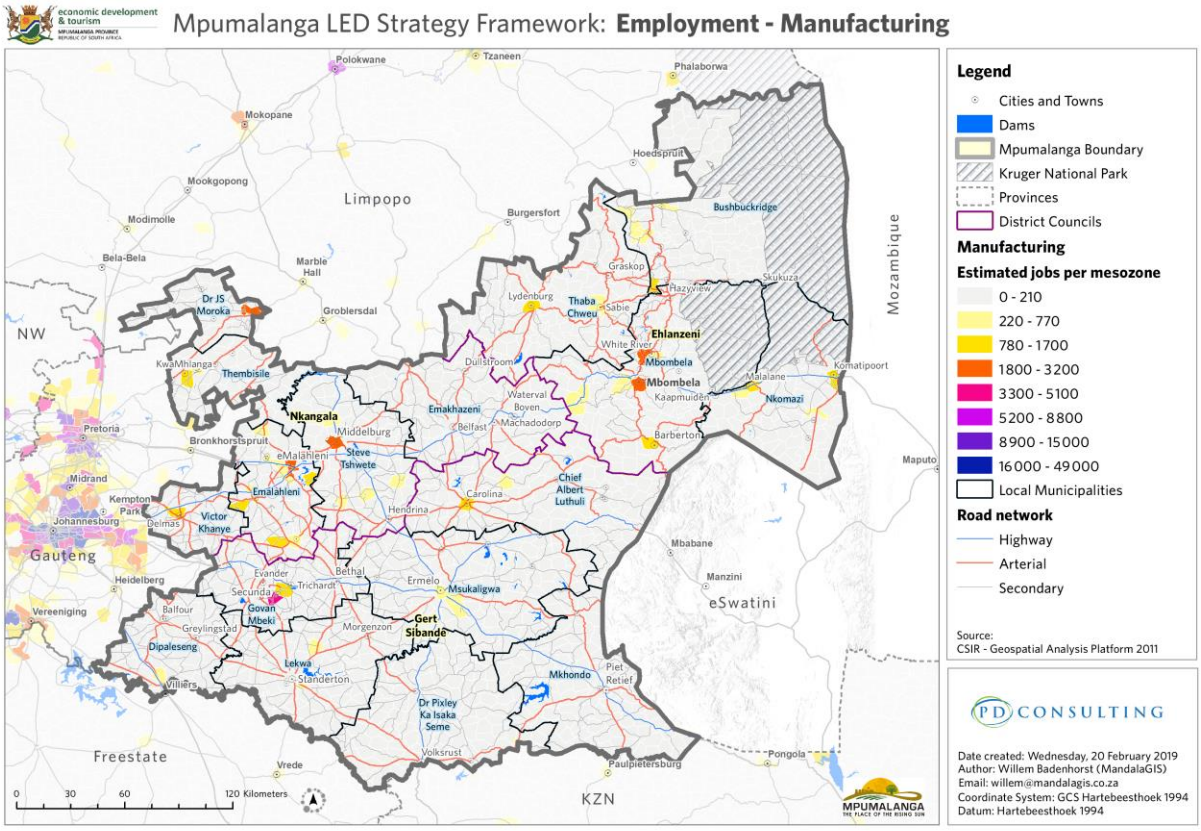
Mining employment is concentrated in few areas around eMalahleni, Steve Tshwete and Govan Mbeki where the employment is in the region of 1,300-2,100. Areas such as Lydenburg in Thaba Chweu also have high levels of mining employment which could be attributed to the proximity of the areas to the Eastern Bushveld Complex platinum belt with a sizeable number of people working in that mining belt living in Thaba Chweu. Other areas such as Barberton (which has gold deposits and mines) and Piet Retief have sizeable number of employees in the mining sector.



Map 20: Employment- Mining and Quarrying
Source: CSIR Geospatial Analysis Platform, 2011

5.3.3 Manufacturing

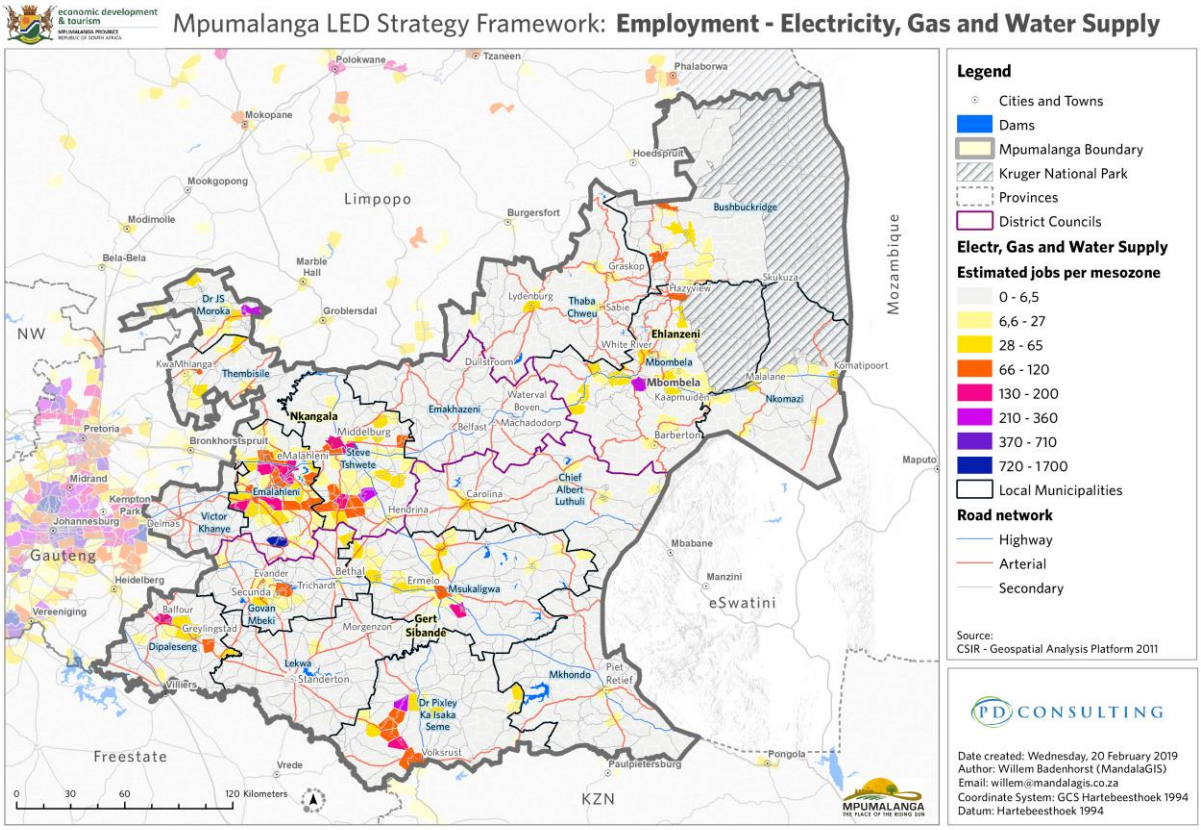
Manufacturing employed population is spatially concentrated in few areas which include areas around Mbombela, eMalahleni, Steve Tshwete and Govan Mbeki. Other areas which show employment concentration in this sector include various urban secondary centres across the province. However, as can be observed from the map there are quite few places across the province were the people employed in the manufacturing sector are concentrated. This is not surprising because the sector is generally concentrated in few areas with the major manufacturing centres being only in three urban centres that is Secunda (Govan Mbeki), eMalahleni and Middleburg (Steve Tshwete).



Map 21: Employment- Manufacturing
Source: CSIR Geospatial Analysis Platform, 2011

5.3.4 Electricity

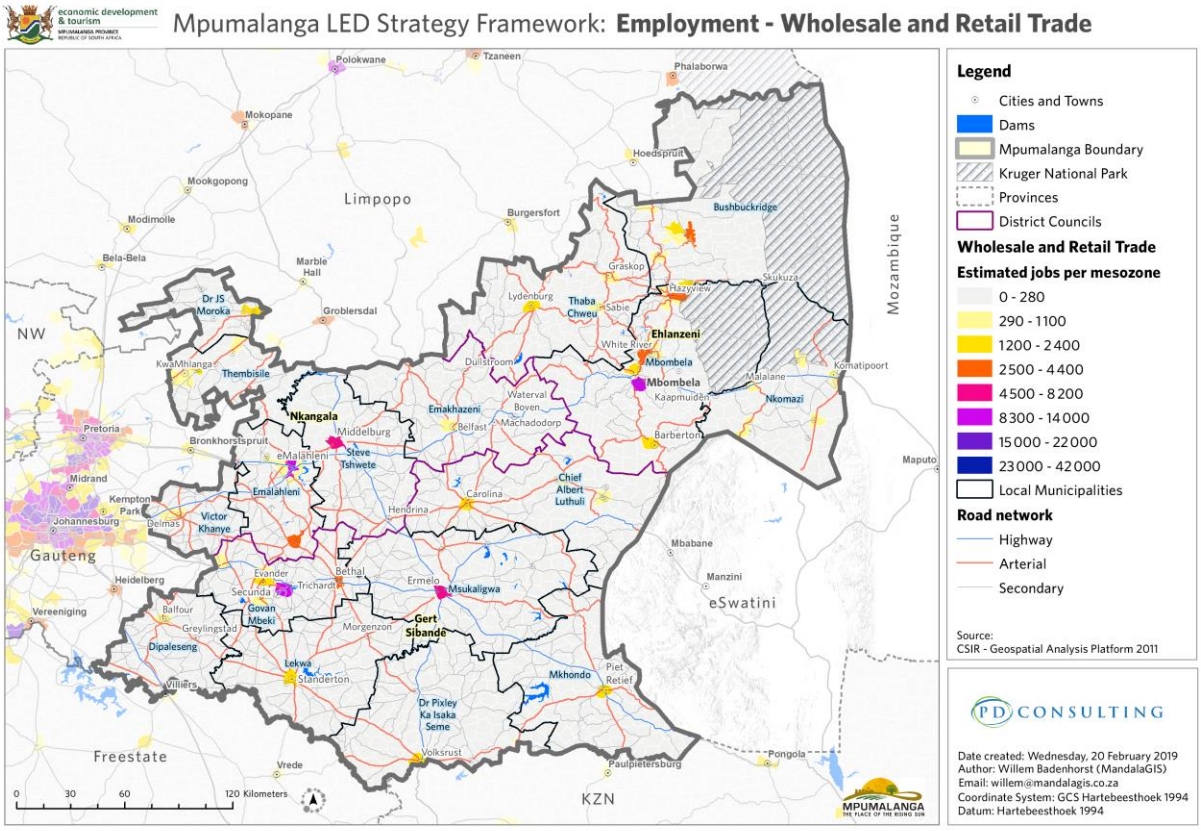
Employment in electricity, gas and water supply is concentrated in few areas across the province. As can be observed from the map below there is a large concentration of people employed in the sector around eMalahleni and Steve Tshwete. Dr Pixley Isaka Seme is also depicting a fairly large concentration of the people employment in the sector. Although Mbombela does not show wide spatial representation of the people employed in this sector, it has fairly large number (210-360) of the people employed, although spatially concentrated in the smaller area.



Map 22: Employment- Electricity, Gas and Water Services
Source: CSIR Geospatial Analysis Platform, 2011

5.3.5 Trade

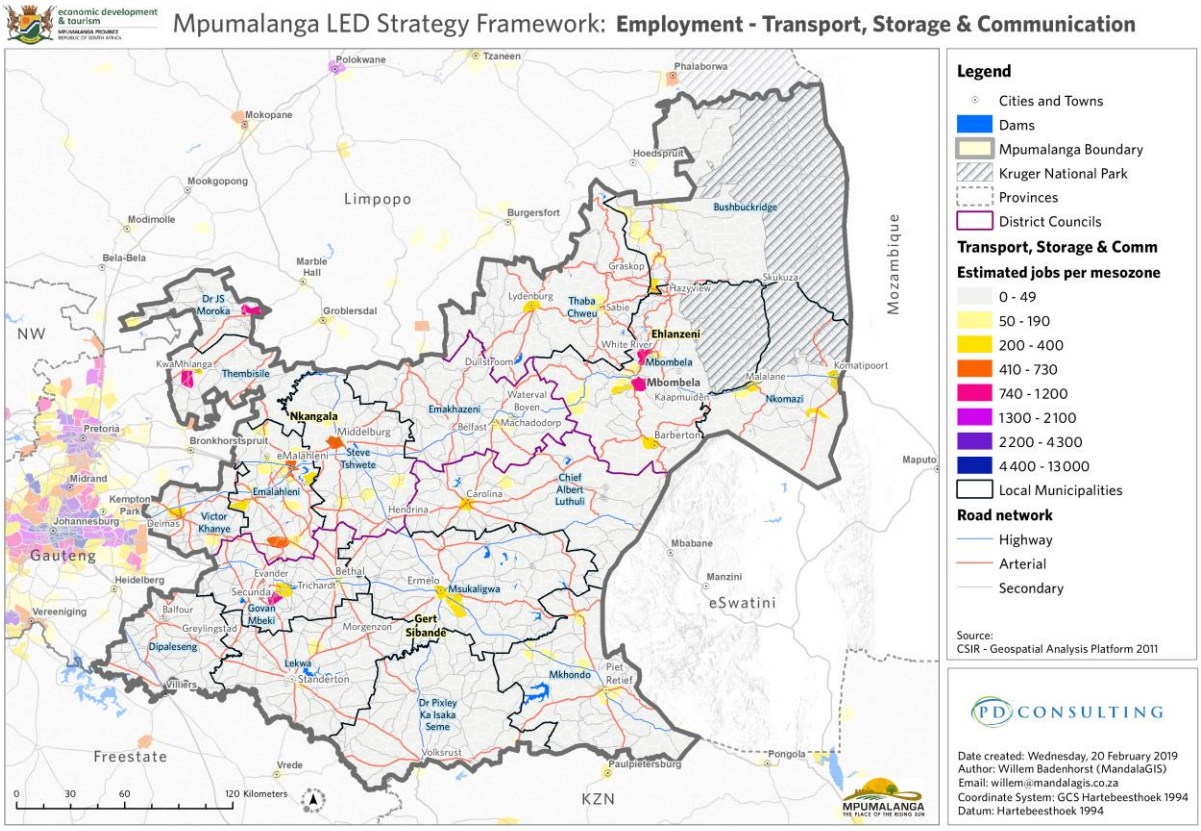
As can be observed from the map below wholesale and retail is mainly dominant in the major urban centres. As depicted in the map areas such as Mbombela, eMalahleni and Middleburg employ between 8300-14000 people in this sector. This is followed by areas such as White River and Hazyview which employed between 2500-4400 people. It is understood that the employment in this two areas could be attributed to a thriving tourism sector driving mainly by the Kruger National Park as a key tourist attraction areas.



Map 23: Employment- Wholesale and Retail Trade
Source: CSIR Geospatial Analysis Platform, 2011

5.3.6 Transport, Storage and Communication

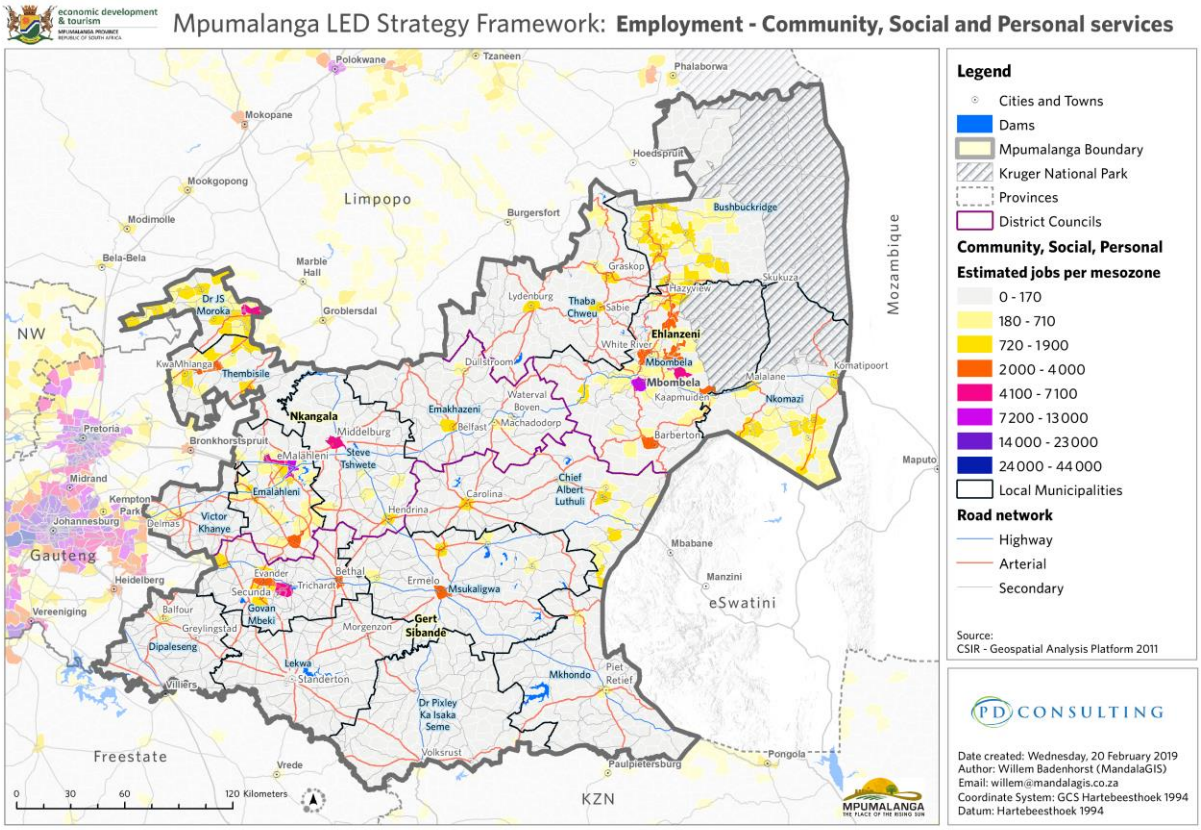
As can be observed from the map below, only Mbombela, White River, and Secunda shows the marked representative of people employed in the sector in the region of 1300-2100. Interestingly, Kwa-Mhlanga and eastern part of Dr JS Moroka demonstrate the employment representative similar to the later mentioned urban centres. Although eMalahleni and Middleburg have fairly sizable economies are second with respect to the employment representative in this sector. The third layer of the areas which have fair employment representation are towns such as Lydenburg, Carolina and Ermelo.



Map 24: Employment- Transport, Storage and Communication
Source: CSIR Geospatial Analysis Platform, 2011

5.3.7 Community

As can be observed from the map below the community services employed population is spread across the province with Mbombela recording the highest number of between 7200-13000 in the province. This is followed by Steve Tshwete, eMalahleni and Trichardt which have recorded the employment population between 4100-7100.



Map 25: Employment- Community, Social and Personal Services
Source: CSIR Geospatial Analysis Platform, 2011

6. LED TOOLKIT – DEVELOPING AN LED STRATEGY

6.1 THE LED PROCESS

There are generally six stages in the process of planning and developing a Local Economic Development Strategy. The diagram below shows that these stages can be grouped along a number of triangles, namely:

- **Basic instruments triangles** - stakeholders and locational factors, which are about the core of local economic development processes.
- **Innovative instruments triangles** – economic potential and policy thrust and synergy are very useful in adding an innovative twist, a wider perspective and a broader scope to LED.
- **Coordination triangles** - implementation and monitoring and evaluation are about practical issues in implementing an LED initiative.

The diagram shows a six stage LED strategy process which commences with stakeholder identification (agreeing on the institutional arrangements and stakeholder involvement upfront). The second stage is a local economy assessment focusing on the characteristics of the local economy, including the use of quantitative and qualitative information to highlight the existing structures and trends in business development, manufacturing, employment, skills, and other data that will help to identify the strategic direction. Stage three outlines various mechanisms to determine the economic potential of the local area. In stage four the primer outlines a strategy making process, which includes the components of agreeing on a vision, goals, and objectives. Stage five focuses on the development of implementation and action plans. Lastly stage 6 provides for strategy monitoring and evaluation to allow for adjustments and responses to changes in the local conditions.

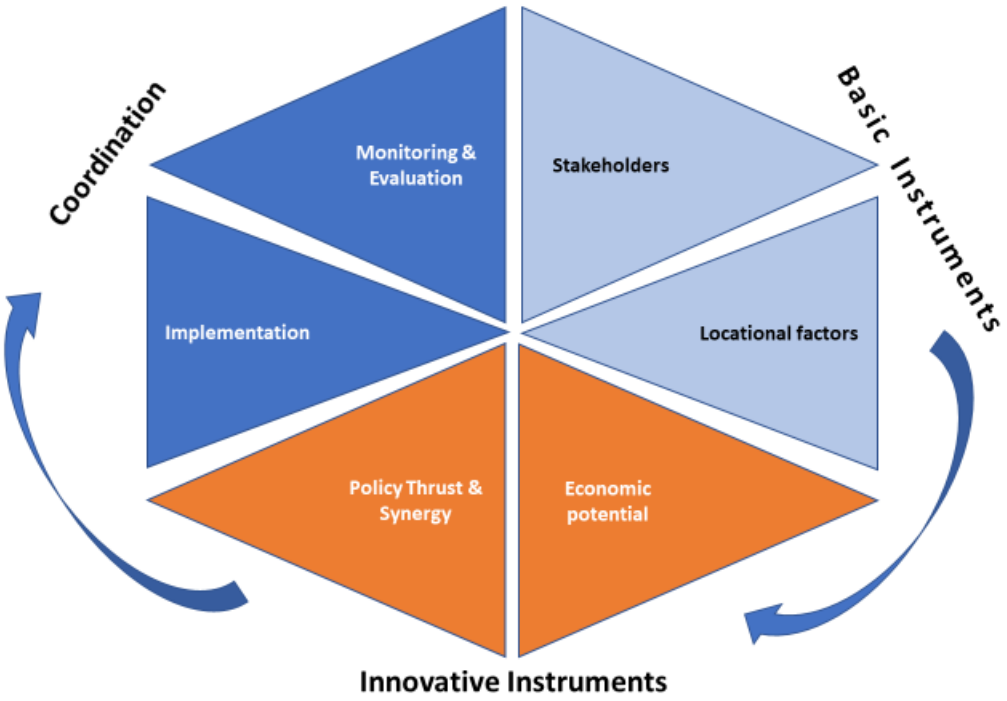


Figure 11: Six stages of LED Process

The next sections outline the LED strategy planning process. Each of the six (6) stages has a stated purpose, a list of actions, a list of tools available to choose from to collect and analyse data, and the expected outputs. The outputs will involve a report, plans, information databases, or models.

6.2 STATUS QUO ANALYSIS

Before an LED strategy can be charted, it is first necessary to gain a thorough understanding of the local context and dynamics of the local economy. A status quo assessment provides the municipality with the information it will need to make strategic decisions that will direct the LED efforts, and a baseline against which to compare progress.

The basic status quo assessment process is shown below.

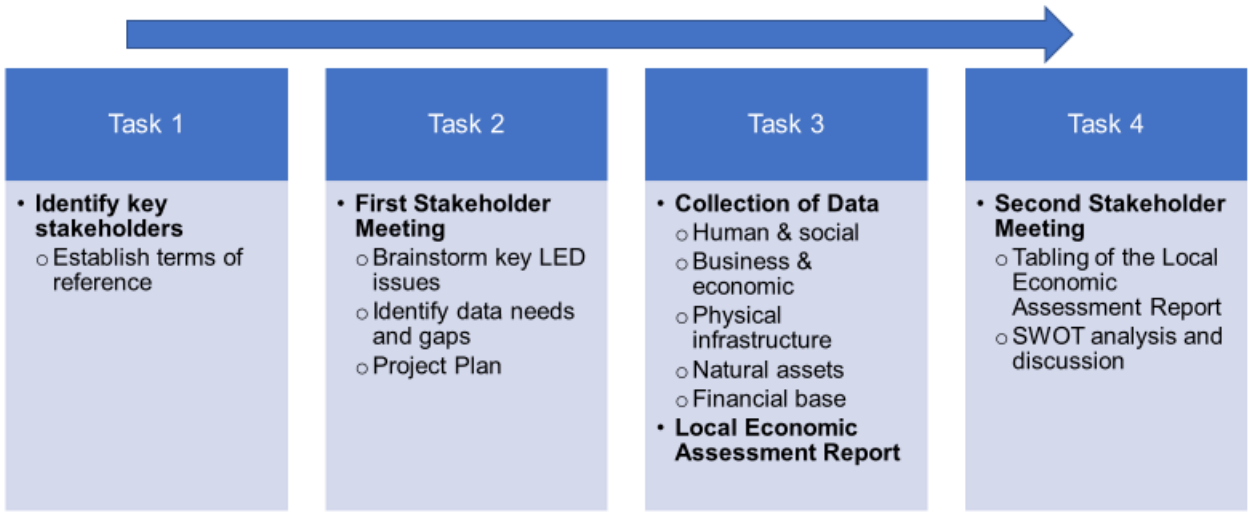


Figure 12: The status quo assessment process

6.2.1 Stakeholder Identification – Strategic Planning

A municipality begins the LED strategy planning process by first identifying the people, public institutions, businesses, community organisations and other groups who represent and have an interest in the local economy. The skills and resources that each of these stakeholders bring to the strategy process provide a critical foundation for success. This is often led by the local government. Key stakeholders should include representatives from the following institutions:

- Municipality – stakeholders should include the municipal manager, LED Manager, IDP Manager, town planner, infrastructure manager.
- District municipality – IDP manager, LED manager, economists, investment managers
- Provincial and national government departments, and parastatals
- Large corporates & business sector – based on the main economic drivers/sectors of the municipality
- Labour
- Education institutions – it is proposed that municipalities establish formal links with an institution of higher education to assist them with LED-related planning and implementation. This may also be a platform for taking advantage of various research projects which institutions of high learning undertake in their quest to produce higher degrees as well as scientific research articles.

This stage and the resultant planning exercise is undertaken in a form of a series of workshops. Establishing a Terms of Reference for the stakeholder group can avoid many potential problems and pitfalls.

The following organizational steps are recommended to begin the planning process:

1. **Step 1 – Appointment of Lead Official**: A responsible official to lead the LED planning process should be appointed by the municipality. In some municipalities, this can be the Head of Economic Planning or Executive in charge of economic development matters.
2. **Step 2 – Appointment of a Task Force**: A task force should be appointed by the municipality to oversee the management of the plan preparation process. The task force should comprise representatives from the government, private, and community sectors. The task force chair should be a well-respected business leader or senior public official, appointed by and reporting to the Lead Official. It is important that he or she be familiar with government processes.
3. **Step 3 – Appointment of a Planning and Management Project Team**: Once steps 1 and 2 have been completed, a planning and management project team should be appointed. The team may include experts seconded from the public and private sectors, an independent consultant, or a combination of the two. The team should be multidisciplinary, made up of experts in the fields of local economic development; urban governance and infrastructure; planning, management, finance; human resource development; environmental management or communications advisors. The team leader should be a specialist in local economic development.
4. **Step 4 – Mobilization of Stakeholders**: An initial workshop involving important stakeholders should be organized to brainstorm ideas and identify key issues, barriers, and risks to be addressed during the planning studies and plan preparation processes. (**See Annexure on Stakeholder Identification** for an idea of which stakeholders should be involved early in the process.) The workshop also provides an occasion to identify key sources of information and data which could be gathered and used in the planning studies and detailed planning processes. The facilitator and planning team should summarize the findings of the workshop in a project outline discussion paper circulated to stakeholders who attended the first mobilization meeting. The discussion paper should describe the agreed purpose, scope, and scale of activities to be covered in the project work plan to guide the planning process.

5. **Step 5 – Information Gathering**: It is important to sort out the type and quality of data and information available and need to be gathered for the LED before starting this step.
6. **Step 6 – Communicating the aim of the LED strategy development**: It is important that the task force prepare information about the purpose of the LED strategy and distribute this widely to public agencies, business, and the community. A media programme should be organized with project newsletters issued at regular intervals. A website or social media channel should be established for posting information and receiving comments. While these practices are not used widely in some municipalities, and may be discouraged in others, these new communication technologies have opened up many avenues for communicating and knowledge sharing, and should be used if permitted. It is important to convey to the municipality the importance of marketing what they are doing to prospective investors and, especially, expatriates who are often looking for investment opportunities in their birthplaces. A public hearing is also an opportunity to bring together all the interested citizens and inform them of LED and take the first steps in identifying problems faced by people.

See Annexure 1 - Stakeholder Identification Tool

6.2.2 Situational Assessment – Locational Factors

Locational factors are those features which determine whether a given municipality or region qualifies as a favourable setting for doing business. There are three types of locational factors to be considered when undertaking a situational assessment analysis:

- Tangible locational factors, which are mostly "hard" criteria and which can often be quantified
- Intangible factors relevant for firms, which are "soft" factors and not easily quantifiable
- Intangible factors relevant for individuals/professionals, which are basically those factors that define the quality of life in a given location

The aim of the assessment is to create an economic profile of the area that highlights its economic development capacity. To assess an economy, it would be necessary to understand the structure of that economy, its human resource capacity to carry out economic development, as well as how easy or difficult it is to do business in that economy. Through such an assessment it will be possible to reveal the potential of the local area and guide existing investors in making informed investment decisions assisted by the full knowledge of what is

available – for example, what natural resources (i.e. water) kinds of firms located within the municipality, social services and other services are available.

Some key information that is often used in assessing a local economy includes:

a) Economic Structure - size and sectoral structure of the economy and its outlying communities;
b) Local Resources - territorial-specific factors which influence competitiveness, including resources and market access, property, transport, and other infrastructure;
c) Human Capital - characteristics of the local population and labour force, including employment status and education levels;
d) Institutions - 'soft' determinants of competitiveness, which relate to the quality and effectiveness of government and informal institutions (e.g. Investment climate information) and will show how the government treats its business community; and
e) Regional and National Information - information on what is happening in other areas that impact on the community.

There are a broad range of methods to collect the required data to do a local economic assessment. These methods include:

- Desk-based research
- Quantitative and qualitative information
- Labour market analysis
- Statistical data analysis (national, regional, local)
- Questionnaires and surveys (local business enabling environment and business attitude surveys)
- Structured/unstructured interviews and focus groups (face-to-face, group discussions)

The situation analysis covers essentially **six types** of analysis that form the basis for developing the strategy as outlined in the sections below.

6.2.2.1 Human and Social Capital

Social capital refers to schools, hospitals, policing, social services, organised community groups, social and entertainment facilities. Human resources or human capital is measured by the extent of skills that are present in an economy and the skills to provide social services. Human resource development is pivotal to economic success. Efforts to develop the human resource base of a community are designed to provide citizens with the skills they need and information they require to find and secure employment.

Key data to be collected include the following:

a) **Quality of Life and Community Facilities**

Community facilities and services include those organizations, both public and private, which fulfil a social function or provide services to a community. Since individuals depend upon public facilities and services such as schools, hospitals, libraries, and recreational facilities, changes in access to these services, no matter how temporary, can seriously affect community members. The loss through relocation of an integral service or facility may lead to a decline in the quality of life currently enjoyed by the community. For example, the temporary or permanent loss of a community's only ambulance service or a delay in fire department response time due to a road closure can be of critical importance.

Health facilities are a good measure of the quality of life in an area. The number, proximity (access) and service quality of hospital, clinics, are important indicators of the availability of health facilities in an area. A poor health status has direct and indirect costs on a local economy. For example, the direct costs of a poor health status are manifested in medical costs undergone to treat diseases, whereas the indirect costs have a more detrimental effect on the economy. The indirect costs relating to poor health status extend beyond medical costs and affect the social, economic and environmental dynamics of a region. These costs significantly impact on the cost of labour, productivity, social and business welfare as well as the demand for services to be provided. The impact on the business environment and labour force is manifested in the increased tendency of employee absenteeism which leads to lower productivity levels and a decrease in production. The effect on households is, however, more profound. The prevalence of diseases affects expenditure patterns for households, diverting income earmarked for necessities towards medical expenses for the infected individuals or, in the case of death, funeral costs. In this light it can be said that poor health status can contribute to poverty creation in a region.

Data to be collected include the following:

- Hospitals, clinics, private health care, nursing homes
- Police, fire, and emergency medical services
- Libraries, recreation and other civic institutions
- Life expectancy; incidence of diseases; infant mortality rates
- Historical and cultural facilities

The analysis should include but not limited to the established standard such as the guidelines for the provision of social facilities in South African Human Settlement, which is accessible at

https://www.csir.co.za/sites/default/files/Documents/CSIR%20Guidelines_revised_reprintNov2015.pdf. This information should be projected spatially to comprehend the standard for the provision of these services and how they practically impact on the populace. In addition up to date sources of information which deal with health mortality and life expectancy should be collated.

b) **Demographic**

Knowing the demographic characteristics of a community will contribute to a baseline understanding of the impact of LED programs and projects, particularly for monitoring and evaluation purposes, and for measuring the added value, of a specific LED programme and project.

Demographic data should be examined in designing public involvement and outreach activities that are responsive to the ethnic, age, educational attainment, and economic characteristics of the affected communities. Socioeconomic-related information should be used to identify spatial patterns and growth trends of specific subgroup(s) within a community (e.g., ethnic racial groups, elderly, etc.) with specific consideration given to situations that may warrant greater customization of outreach resources. For example, a skewed female-male distribution may emphasize the need to explore opportunities that foster employment creation and economic development in the municipality, whilst promoting the role of women or youth in some initiatives.

A good understanding of the way the ***population*** may change in future is central to considering the long-term planning issues. For example, the population size will determine the current demand for services and employment, while the population growth rate will determine the projected demand. Population figures further impact on equity share proportions and other similar issues so any suggestions that they are declining it would be a source of contention in smaller municipalities.

The ***household profile*** of an area can often reveal vital information with regards to welfare as smaller households typically point to the fact that interdependency is lower. Larger households can create a myriad of social ills such as overcrowding and therefore largely impact on people's quality of life. Household income is a vital determinant of welfare and the standard of living. Household income is a family's ability to meet their basic needs in the acquisition of food, shelter and clothing.

The ***age structure*** of a population is important for planning purposes and dependency ratios (the number of children <15 years plus the number of older persons aged 65+ as a percentage of those aged 15-64) provide a good measure to assess the pressure on the productive population. The age composition of a locality also has growth implications including in access to housing, health and welfare facilities, the capacity of educational institutions, as well as the availability of sport and recreation facilities to cope with the large young population.

Data to be collected include the following:

- Population number, projections and growth rates
- Population age, race & sex distribution and projections
- Poverty and income levels
- Out- and in-migration rates
- Household size and family structure
- Household income
- Trends over time and compared to other areas

c) **Skills, Competency and Innovation**

The extent of skills available in an economy is often a key determinant of employment levels. The skills however have to be applicable to the types of employment opportunities that are available. For example, where there are minerals, the skills required are in mining engineering, geology and economics. In addition, mines will need construction skills to construct underground tunnels, machinery and skills to transport minerals. Alongside these key skill areas, there will be a need for a range of support services.

The same logic can be applied to land use for agriculture or of natural and cultural resources for tourism. In each sector, there are a host of goods and services that are needed alongside the lead sector to provide for the needs of industry and households.

Understanding the educational composition of a municipality is a vital aspect for strategic planning. Municipalities with diverse educational institutions are more likely to benefit from diversified economic activity and attract research investment. Some of the key indicators regarding the educational and skills provision in a community are the literacy rate, extent of education and training facilities in a specific area, and the type of programmes offered by learning institutions.

Key data to be collected include the following:

- Educational institutions by size, programmes, research capabilities
- Government resources and services
- Business facilities (management training, technical assistance programmes, business development associations/centers, incubators, trade show venues and events)
- Non-government institutions and service agencies
- Successful and unsuccessful past local economic development initiatives (business closures, recent business start-ups)
- Level of entrepreneurial and small business development activity

d) **Labour Force**

Collecting labour market information can provide a workforce profile that highlights skills levels, shortages, skills in decline and LED trends. It can be used to identify labour market deficiencies, barriers to labour market entry and employment take-up and potential workforce programmes, as well as identify industrial sectors that can be assisted and encouraged to locate in the area. It can identify specific groups of people that are unemployed which will help direct what LED actions and interventions are necessary.

- Unemployment rates and numbers by sex, age, occupation
- Employment rates and numbers by sex, age, occupation, industry
- Labour force participation by sex, age, occupation, industry
- Labour force by skills classifications, education and training levels
- Trends over time and compared to other areas

6.2.2.2 Business, Market and Economic

LED activities are often structured around the attraction of private sector investments. There are three types of companies that can be targeted in LED: local companies, external investors and start up enterprises. The extent of economic activities in particular area coupled with the features of a given locality will determine which of the three types of business will be the priority target. This stage should include all types of business from major corporations to informal traders and home based businesses.

Gross Value Added (GVA) is the most commonly used measure of a region's economic activity. GVA is a measure of total output and income in the economy. It provides the rupee value for the amount of goods and services produced in an economy after deducting the cost of inputs and raw materials that have gone into the production of those goods and services. It also gives sector-specific picture like what is the growth in an area, industry or sector of an economy. It can be utilised to the size of economic production, sectoral composition of the local economy and the growth rate of production. The sectoral composition of the local economy is often used to assess the level of diversification or concentration of a region's economy.

This information will provide an understanding of the structure, characteristics and nature of the local economy. The breakdown of local economic information by industrial sector can provide an insight into how the local economy is performing, which sectors are prospering, which are declining, where business development opportunities exist, and the aggregate value of local productive chains.

The importance of consulting the business sector in data collection cannot be underestimated. A clear perception of the facilitating and hindering factors in doing business will give the municipality a clearer picture of what is needed to encourage growth of businesses.

Factors to be considered include the following:

a) Performance of the local economy overtime and compared to other areas
b) Sectoral composition of economic activity
c) Estimation of size, characteristics of formal and informal sectors
d) Identification of primary markets and linkages for existing producers
e) Industry concentrations and clusters
f) Inter-industry and supply chain relationships
g) Identification of key economic leakages - when and why local money leaves the local economy (residents leaving area to purchase goods, businesses & manufacturers purchasing materials outside area)
h) Firm births, deaths, and relocations
i) Foreign investment and trade, current and potential
j) Taxes (local, provincial sales, income or business taxes)
k) Taxation policy (e.g., property tax – rates, jurisdictions and boundaries, exemptions)

l) Cost of business start-up - Summarise typical start-up costs (business permits fees and time requirements, land, taxes, labour costs, lease rates)

See Annexure 2 for a template Business Enabling Environment Survey Tool

6.2.2.3 Physical Capital

Physical capital refers to the buildings, housing, social facilities and different types of infrastructure. Such data can highlight current and future infrastructure deficiencies and needs and helps to prioritize investments in infrastructure for local economic development.

Infrastructure is a key resource in industrial and economic development. Industries, farms and mines cannot function without access to reliable "hard" infrastructure. This means that electricity, water and sanitation services, refuse removal and transport infrastructure are an integral part of the ability of the economy to function well and to grow. Planners need to make sure that infrastructure works well for current needs and also has excess capacity to cater for growth.

Closely aligned with infrastructural needs is the ***availability of sites and zoning*** for industries. As local government plays a key role in deciding on land use management and regulating land use, spatial planning is a critical input into LED. The review of current municipal land use plans will likely reveal growth trends and issues faced by the area. It is important to understand where growth has been most concentrated or decreased since it plays a critical factor in determining infrastructure needs, including public services such as schools, hospitals, etc. This information also provides intelligence and explanations about why some businesses choose to locate where they do.

The ***type of dwellings*** that people reside in is an important indicator of economic development as it directly impacts on quality of people's lives. Strong, well-built structures provide better protection against environmental hazards and could reduce vulnerability to opportunistic crime, thereby making communities more resilient. Housing is the most fundamental of human needs, and the composition of housing types gives an indication of the extent to which the different types are being provided. Moreover, housing characteristics are an important indicator of the economic health of a municipality. They are also generally a sign of an individual household's annual income. Stark contrasts between home values in adjacent areas can act as a barrier between communities, each of which can have a separate yet distinct sense of cohesion.

Key data to be collected include:

a) Geographic location in relation to markets, major urban centres, transport network
b) Real estate inventory total space, occupied (rental/owned) space, and vacant space by type of use (residential/industrial/office)
c) Land inventory: availability, zoning/use, status
d) Quality and available capacity of:
    - Communications (accessibility; public telephone; cellular)
    - Water infrastructure (public tap; piped on site; piped in the dwelling)
    - Power infrastructure (gas; paraffin; candles; electricity from authorities; other)
    - Sanitation (bucket; pit latrine; flush or chemical)
    - Transport infrastructure (major roads, highways, rail access, ports, airports, bus/truck services, shipping services)

6.2.2.4 Natural Capital

Natural capital are features which occur in nature: land for grazing and cultivation, and natural features which will attract investors and/or tourism. These is the spectrum of physical assets within the natural environment that deliver economic value through ecosystem services. Many forms of unsustainable development models and approaches erode the environmental resources upon which they are based and environmental degradation can undermine economic development.

There are a range of environmental issues that affect the local economy, including, but not limited to the following:

- over exploitation of terrestrial resources due to resources extraction
- poorly controlled and/or ill-planned agricultural expansion, settlement expansion and illegal cottage developments
- visual impacts associated with illegal developments, land use change and the disruptions/degradation of habitats
- pollution

It is therefore essential to develop a balance between utilisation of environmental resources and development which will ensure that environmental resources are conserved for future generations.

Key data and factors to be assessed include:

a) Primary resources: forests, land, and water
b) Climate, and topography
c) Aesthetic, natural and scenic resources
d) Economic support: Flood control, recycling, pollution control, and soil management

6.2.2.5 Financial Capital

Financial resources include the range of financial services that people living in an area require as well the instruments and finance required by businesses and government. Information on financial capital provides an understanding of whether businesses view the local municipality as being supportive of the local business community; the range and number of financial and non-financial agencies that support SMME and business development, and the effectiveness of these organizations in supporting new businesses and business development.

Key factors to be looked at include the following:

a) Financial Services: availability of financing for business development and expansion to all sectors including informal and women (sources: government programmes, banks, other lenders, venture capital, local area capital, micro credit programmes, etc.)
b) Local Government budgets: from local taxes, transfer payments from national government, grants, user fees, etc.

6.2.2.6 Regional Competitive/Comparative Analysis

Also important in the local economic assessment process is the development of comparative information on the position of neighbouring municipalities and other regional, national or international competitors.

Understanding the local area's relative competitiveness and opportunities for collaboration requires looking at other municipalities or communities located nearby, within the same municipal area or region. Examining places outside the vicinity but that are similar in size or economic function may also lend understanding to the competitive environment in which the local area operates. This process can also serve to identify opportunities for complementary or cooperative economic development between communities. Seeking out opportunities to

collaborate can help address local issues better and increase national and global competitiveness.

Some questions to consider in analysing competitive/comparative advantage are:

- What other local areas/jurisdictions in the region have the most significant impact on the municipality?
- What other local areas/jurisdictions do you consider an economic competitor or collaborator? Why?
- How strong are the linkages with these areas (communication, transportation, produce, markets)?
- What opportunities are available to improve these linkages?
- What are the areas of common economic interest?
- What opportunities exist to work together to promote common economic interests?
- What are your competitive advantages over these other local municipalities or jurisdictions?

6.2.3. Conclusion

The output from undertaking a status quo analysis is a basic socio-economic situation assessment, along with some ideas for next steps, primarily compiled from the knowledge of local experts and businesses. The situation assessment forms the basis of a solid LED planning process, and can later be used as important baseline data as part of a monitoring and evaluation strategy for LED initiatives.

6.3 ECONOMIC POTENTIAL ANALYSIS

6.3.1 What is Economic Potential?

Economic potential refers to the potential of a local municipality or region for economic development and growth and creation of added value. It usually means that available resources have not yet been tapped and fully developed or exploited, possibly because of, for example, lack of local skills, deficient infrastructure, etc. Put differently, this analysis helps to identify economic sub-sectors with future competitiveness and growth potential in a region.

Economic potential analysis can be used to find answers to questions like:

- how can we know today what economic sectors might have future growth and job potential?

- which regional products to promote nationally and particularly internationally?
- what sub-sectors to choose for attracting private investment?
- what sub-sector producers to link up with national and international intermediaries and buyers downstream of value chains?

The analysis is useful for the following:

- assisting local government to identify the main economic potentials of a region
- identifying current or future competitive advantages with regards to private sector development
- helping local producers to stay or become more competitive

Typically, the analysis is conducted in three phrases:

1. In-depth desk research conducted at the beginning, in which statistical data on production, trade and investment of a local area are collected, examined and aggregated for the region concerned, resulting in a number of most important growth areas;
2. Field research in the local area, narrowing down the number of potential sectors based on the buyers' assessment of firms' capacity and performance to meet the changing demand, and on the assessment of industry capacity to meet requirements in terms of volume and quantity; and
3. Comparison of current and potential global demand with current capacities and structures. The identified performances and shortcomings are then presented in a feedback workshop to local/regional stakeholders and put down in a comprehensive report.

6.3.2 Approaches to Economic Potential Analysis

There will be a need to use certain approach to economic analysis. Economic Potential Analysis is based on concepts like SWOT analysis, value chain analysis, learning from global buyers, gap analysis and global comparative trade analysis. These approaches are explained below.

6.3.2.1 SWOT Analysis

The most commonly used tool for economic potential assessment is the SWOT analysis. The aim of the SWOT exercise is firstly to identify the key local assets or strengths and main local obstacles to growth or weaknesses. Secondly, it seeks to detect the main opportunities and threats that are posed by the external environment. The local SWOT analysis can then, in turn, be used to formulate strategies that will allow the locality to make the most of its internal

strength and the external opportunities and minimize the negative effects of weaknesses and threats.

Its development is based and builds on the information obtained in the situational assessment, and aims to undertake an analysis of:

- Strengths (e.g. favourable geographical location, growth industrial sectors, rich variety of culture and heritage, good transport infrastructure, etc.)
- Weaknesses (e.g. lack of business start-ups, shortage of management/key labour skills, gaps and issues within education training to meet labour market demand, equal opportunities issues such as access to education etc.)
- Main opportunities (e.g. new forms of tourism for the region, environmental developments, regeneration of key regional towns or cities, programmes to tackle unemployment etc.)
- Main threats (e.g. decline or migration of population, lack of inward investment, environmental pollution, lack of adequate transport infrastructure etc.)

The SWOT analysis will list the strengths, which can be built on; the weaknesses, which need to be taken into account and, where possible, overcome; the opportunities, which can be acted on; and the threats, which need to be minimised. In the process of drawing up a SWOT analysis, strengths and weaknesses will always be determined before identifying opportunities and threats. This will allow relating opportunities to strengths and possible threats to weaknesses. Opportunities and threats cannot stand alone as unrelated items; they always have to be justified and explained. During the definition of opportunities, care should be taken not to set unattainable targets, which will not be met.

It is appropriate to rank the different items of the four categories of the SWOT analysis by order of importance and significance. This will facilitate the process of deriving an explicit and clearly structured list of development needs and potentials and to point out the policy implications.

See Annexure 3 for a template SWOT Analysis

6.3.2.2 Industry Cluster/Value Chain Analysis

Value chain analysis and cluster analysis look at the competitiveness of local firms in specific sectors and value chains. A value chain refers to activities undertaken to bring a product from its conception to its end use and beyond. This includes activities such as input provision, design, production, marketing, distribution and support to the final consumer. In some instances few

firms in the link control certain links in the chain. In other cases many firms provide different functions or links in the chain. Activities can be contained within a single geographical location or spread over wider areas or even continents. One link in the chain can represent thousands of firms or could refer to one firm only.

Value chains are an important means of linking rural or small firms with regional or global markets. Small and rural firms are increasingly under competition from global firms that are part of or supplied by highly organized value chains, as they are often unable to organize themselves in an efficient way to be able to respond to increasing competition from better organized value chains. From a local and regional perspective, value chains deal with the way small firms interact and form part of the bigger economic systems.

A key concept within sub-sector analysis is leverage; that small focused inputs can generate commensurately larger outputs. This recognizes that development agencies cannot afford to work with small firms on an individual basis and that therefore they must seek to make interventions that can influence large numbers of firms with a single stroke.

Value chain analysis also has strong links to the approach of cluster development. The latter means geographically close groups of interconnected companies and associated institutions in a particular field, linked by common technologies and skills. They normally exist within a geographic area where ease of communication, logistics and personal interaction is possible. Clusters are normally concentrated in regions and sometimes in a single town. From the definition above it becomes apparent that cluster and sub-sector analysis is closely related, and that a clusters can also form part of a value chain.

Understanding the concepts of value chains, sub-sectors and clusters will allow for development of strategies that promote inter-firm cooperation to collectively improve the efficiency of participating enterprises. Clustering and networking is particularly pursued in response to competitiveness constraints arising from small firm size, resulting in:

- Cost sharing and participating for more effective innovation and research and development
- More effective advocacy (influencing policy making) and buyer/supplier negotiation
- Improved access to inputs and services

- More efficient marketing and market access opening possibilities for increased specialisation

Value chains and sub-sectors have potential to improve technology for some components or the upgrading of certain parts of the system, resulting in increased opportunities. This has further potential for unlocking opportunities in niche markets or switching from one industry to another more profitable one. Examples can be a group of manufacturers that switches to the profitable motor industry, or a group of nurseries switch from traditional garden plants to medicinal plants.

6.3.2.3 Challenges and Opportunities

Undoubtedly in the process of conducting the Local Economy Assessment and determining the Economic Potential, a variety of themes and opportunities will have arisen. This should highlight issues that the municipalities have identified in the socio-economic process which will lead to strategy development process and provides basic prioritization areas of focus. This exercise can be based around the questions below

Identify	Consider
Top three barriers that are holding the local economic development back	What can be done to remove these barriers? Are there any temporary ways around the barriers?
Top three high-potential sectors in the area	What could be done to support these sectors? What could be done to promote investment in these sectors?
Top three assets in the municipality	Are any of them underutilized? For example, are there areas of natural beauty that are not promoted to tourists? What barriers could be removed to promote better utilization of key assets?
Top three opportunities for increasing economic flow into the local economy	Considering the existing ways that money flows inwards – such as tourism – and identify which of these could be increased and how.
Top three opportunities for reducing economic flows out of the local economy	Consider how money leaves the local economy – such as through the purchase of imported goods – and identify how these outflows could be reduced. For example, is it possible to provide goods/ services locally or attract businesses that provide these goods/services?

DEVELOPMENT OF STRATEGY - STRATEGY THRUST AND SYNERGY

Envisioning “Where we want to go?” is one of the most inspiring exercises of LED planning process. By grounding the visioning process with information from the local economic assessment and economic potential analysis, communities can dream the attainable. Then, the development of objectives represents a translation of the vision statement into substantial and specific goals able to guide practical decision-making.

The strategy development process is shown below.

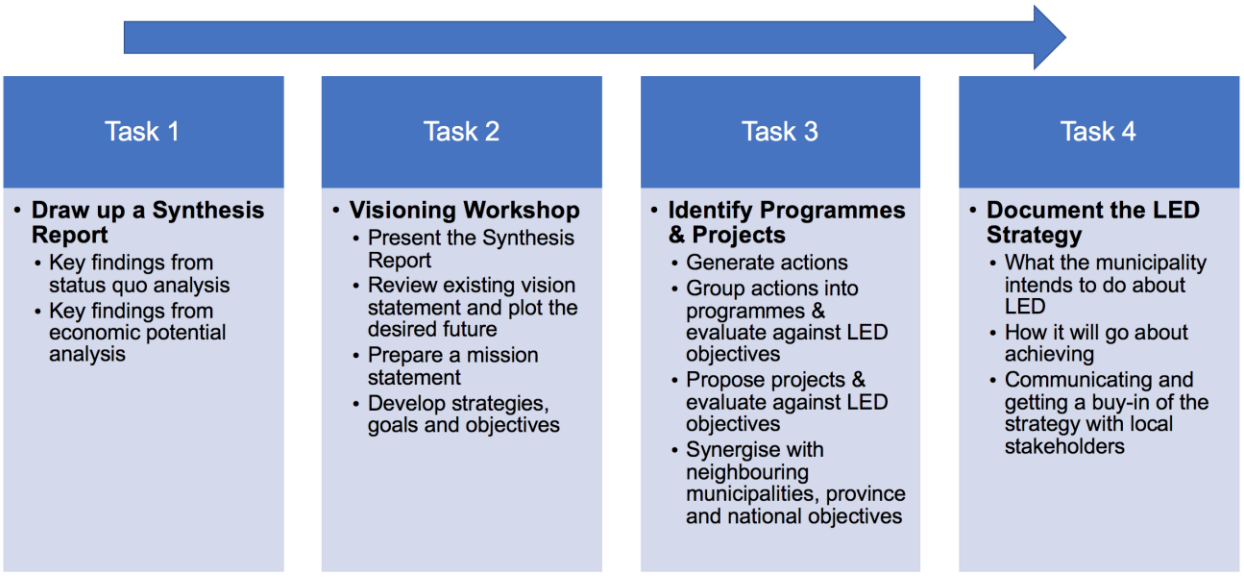


Figure 13: The strategy development process

6.3.3 Developing a Vision

Defining a municipality’s Vision is one of the most essential elements of a strategic plan. A Vision implies a general goal or desirable future picture, which is understood, supported and implemented by the overall local community. A Vision presents a situation that a municipality desires to have in 10-15 years. It is not an abstract statement; despite its conciseness, it is full of meaning. With a Vision, a municipality starts out from the future rather than the present. All interventions are focused on working towards the future, rather than on addressing the current problems. As a rule, a Vision definition includes a description of a municipality in the foreseeable future, local economy development level, focuses on key sectors, living conditions

and the life environment of the people, and implies compliance with certain civil society standards.

Vision statements should be realistic in terms of their time frame and the capacity of government, business, and communities to fund and manage the implementation of projects and programs included in the LED Strategy.

To facilitate the planning process and prepare for the visioning workshop, it will be helpful to draw up a synthesis report that summarizes the key findings from the situational and economic potential assessment. This step is not to pre-empt the visioning and planning process but to ensure that the process builds on the findings and recommendations of previous work done in the area. **(See Annexure 4 for an example Synthesis Report)**

It is important that a Visioning Workshop follow after the drafting of the Synthesis Report. In a workshop facilitated by external support, the selected LED Team and other stakeholders should engage in a group dialogue, discuss the local economy analysis and agree on a vision of the preferred economic future of the municipality. The workshop may be designed to take into consideration these tasks:

1. Present the synthesis document and validate with the participants;
2. Review the situational and economic potential assessment analysis;
3. Review existing vision statements if any. Stakeholders can then be asked:
    - To give concise statements about their “dreams for the economic future of the community”.
    - What are the most important aspects of the desired future (e.g. Jobs, income, poverty reduction, etc.)?
    - Whether existing vision encompasses the economic perspective or whether it needs to be reframed to reflect economic aspects and aspirations of the locality.
    - What is different about your vision of the future from what you see today

4. Get agreement on themes based on what best captures the group’s idea.

It is important that LED stakeholders are able to relate strategy formulation to issues identified in the Situational Assessment. Some guide questions that can be posed to stakeholders to trigger analysis and provide a clearer context and basis for vision setting and strategy formulation:

- What critical gaps and issues identified in the Situational Assessment need to be addressed?
- What strengths and opportunities can the LED strategy seek to build on?
- What conclusions can you make about the competitive position of the locality?
- What groups in the municipality are perceived to be especially disadvantaged (e.g., rural poor) and must be given special attention?

In general, a good vision statement should be: a) understood and shared by members of the community; b) broad enough to allow a diverse variety of local perspectives to be encompassed within them; c) inspiring and uplifting to everyone involved; and d) easy to communicate

The following diagram illustrates different contributions to a Vision.

Figure 14: Elements contributing to a Vision

Timeframe is another important consideration and will need to be specified to help guide the process. Often, 3-5-10 year time frames are selected to keep the vision realistic and to allow for concrete measurement parameters. A balance is required since longer-term planning will send the signal that LED is not about quick fixes, however tangible results are necessary to address urgent needs and keep the momentum going.

6.3.4 Mission

In economic development plans, a mission statement takes the form of a policy statement outlining the purpose of the plan together with the strategic directions and strategic architecture to be created over a set period of time to support the development and management of the economy in achieving a LED vision and outcomes.

The mission statement should provide the framework for the development of strategies. It may include a thematic set of strategic outcomes that elaborate the vision:

- Industries, clusters, and initiatives that will be targeted to support a more diversified economic base to increase local economic and employment multipliers.
- Key elements or building blocks of strategic architecture that must be strengthened, built, and managed to enhance the competitiveness, growth, and development of the economy.
- Mechanisms for the management of threats, risks, and changes that have the potential setback to the economy or prevent the realization of the vision.

Steps in Preparing a Mission Statement:

- Convene a meeting of stakeholders. (Meeting should include business leaders, heads of agencies, community leaders, academics, professionals, labour, and industry associations.)
- Review the scenarios and pathway analysis developed through the LED process.
- Sort out the themes that will provide the best overall road map for setting the strategic directions and strategic architecture (road map) to guide the development of the economy.
- Develop the themes into a mission statement.

6.3.5 Strategies

Economic development strategies are used to direct and formulate a wide range of actions, initiatives, and activities to achieve a future desired development outcome set by a vision statement. They should

- describe important future strategic directions and actions that build on a municipality's unique resources, creativity, status, and competitiveness strengths to develop its economy - based on a good understanding of emerging and anticipated long-term environmental changes, trends, and circumstances;
- provide the framework for many different stakeholders to work collaboratively and cooperatively in continually shaping and building a municipality's strategic architecture and infrastructure to ensure it has the capacity to respond to changes in market demands and behaviour, technologies, innovation, governance, endowed resources, human capital needs, risks, and pressing environmental factors that have the potential to impact on the economy in the future; set the focus of important actions, initiatives, projects, and programmes to be undertaken to develop the economy (when these are to

be completed, by whom, utilizing what resources), and not just having a list of things that need to be done; and

- provide certainty to government agencies, business, investors, developers, and communities that the actions and programmes in the LED strategy to deliver on a range of outputs that progressively support the realization of the vision and outcome sought by the strategy.

Steps in Preparing Strategies:

- Convene a meeting of stakeholders. (Meeting should include business leaders, heads of agencies, community leaders, academics, professionals, labor, and industry associations.)
- Develop strategies under the themes or strategic directions set out in the mission statement.
- Ensure all strategies are targeted, measurable, and achievable, and can be resourced and managed.
- Ensure the strategies can be linked easily into the action plan.

6.3.6 Developing Goals and Objectives

6.3.6.1 Developing Goals

Goals point to specific outcomes that the community seeks to achieve. Goals are much more descriptive and concrete than a vision or mission statement, and should be directly related to the findings from the Status Quo Analysis.

Each goal statement should have the following characteristics:

- Be clear regarding what is to be done and why – it should be based on the Local Economic Assessment and flow directly from the vision
- Outcome oriented – represents specific key result areas on which the LED Strategy will focus to achieve the vision. The specific key result areas will be the gaps and critical issues identified in the SWOT Analysis and Local Economic Assessment.
- Robust - it leaves open a variety of possible means
- Inclusive - reflects the voices of all people who are involved and the greatest needs and highest economic priorities of the municipality
- Concise

The set of goals may include statements that are industry-specific as well as goals that impact and cut across all economic activities such as improved local business investment climate, i.e. business regulations, bureaucracy and assistance to business.

6.3.6.2 Developing Objectives

Objectives are even more specific than goals. They are the core structure for any LED strategy. They define priorities for economic development and are the basis upon which actions are ultimately taken. The list of objectives should be comprehensive and complete, but only include the core ideas that are essential to realising the LED vision. Only those ideas that the authorities can influence or have control over can be listed.

In order to be able to measure the success and the impact of individual priorities, these need to be quantified. This will include defining appropriate and quantified targets, and whenever possible, a baseline. Indicators should be: Specific, measurable, achievable, realistic and time-bound (SMART). If a municipality design an indicator, such as economic growth or reduction in unemployment, then it should ask itself to what extent the strategy was actually able to influence any change. It is important to clearly describe the milestones that will help the community assess where it is (baseline or pre-intervention) and where it will be if the initiative were successful (objectives). For example, to increase agricultural production by 15% by 2030; number of people that were employed after re-skilling; or number of active businesses in the incubator after three years. These indicators need to be linked closely to the actions, rather than the wider economy.

Prioritising objectives should help to focus the next steps in the LED process, creating better strategy options and getting stakeholders to think more broadly about LED. All of this will help form consensus. It will also help identify early on where conflict may occur so that it can effectively be incorporated into the process. Goals should be directly related to the findings from the Situational Assessment.

It might be necessary for stakeholders to consult with their constituents or organisation once a draft set of objectives is developed.

The guiding questions in developing objectives include, *inter alia*:

- What are the key economic issues facing our local area?”
- Group similar issues under broad headings (e.g., Business Development).
- Identify priority issue groups.
- Assess and analyse the issues, beginning with the high priority ones.

- Integrate issues into a concise objective statement. Objectives have an action verb and a subject (e.g., promote poverty reduction).

If the issue is not an objective but a way to deal with a problem, it is a strategy option or action.

See Annexure 5 for sample Goals and Objectives

6.3.7 Identify Programmes and Projects

6.3.7.1 Programmes

The programmes are groups of actions that when implemented, can help realize the local area's LED vision, mission and objectives. This becomes the most tangible point in the planning process – where thinkers and doers connect, where specific actions are envisioned and those with the greatest promise of success are chosen.

How to identify the Programmes:

- Generate actions for pursuing priority objectives
- Refine and organize actions – determine whether it is a project or programme
- Combine or group into programme options, evaluate against LED objectives and improve/refine.
- Agree on the programmes

See Annexure 6 for sample Programme Identification

6.3.7.2 Projects

Within each programme area, specific projects should then be proposed and selected on the basis of clear criteria. Each potential LED project should be assessed to determine whether it meets the broader LED goals, objectives and priorities that were discussed and agreed to by the stakeholders. For particularly longer and complex projects, it is useful to undertake a careful feasibility study as a first step to verify whether the project can be technical and financially viable.

See Annexure 6 for sample Project Identification

6.3.8 Alignment with District/Provincial/National Objectives

The goals, objectives, programmes and projects of a local economic development strategy cannot be developed and agreed in isolation. The municipalities will have to ensure alignment of LED objectives to district, provincial and national priorities. The strategy should complement and enhance ongoing programmes and projects; the strategy most certainly should not duplicate ongoing actions, or compromise or ignore such actions. The strategy has to be justified in terms of relevance, pertinence and coherence.

Creating regional linkages by developing coordinated initiatives, such as marketing strategies, tourism development or infrastructure plans with neighbouring localities, local authorities can often magnify the impact of their own efforts while reducing costs.

6.3.9 Synthesis (Documenting the Strategy)

At this point, it will be important to write up a local economic strategic plan document to serve as a reference to guide the LED core team and other stakeholders in implementation and decision-making. Good practice shows that the best LED strategy documents are brief and easy to use. If the LED core team cannot write the strategy themselves, often a consultant is hired to document the plan.

The plan should be a short, easy-to-read, well-presented document. Its purpose is to explain what the municipality intends to do to develop the economy, and how it will go about doing it. The plan should include sufficient basic information to inform the reader about the economy—and where to find more information about it. The vision, strategies, and priority actions to support the development of the economy, and the governance arrangements should be presented. Reference should be made to supporting public documents such as reports, statistics, or multimedia material.

Once complete, this document should also be made available to the general public, government and business investors so that they can understand the economic plans of the locale and how they may fit into the plan and be able to contribute to it. If funds are sought from different sources, whether higher tiers of government, donors or business investors, the LED strategy should be able to quickly provide coherent relevant economic information and a rationale for coordinated action and efficient use of the funds.

The LED Strategy should also incorporate other planning efforts in the local area, so that it is a comprehensive picture that shows synergy and good coordination. The plan should also include a continuing programme of communications and outreach to involve and engage community partners.

Some key components that should be incorporated:

- A balanced set of hard and soft infrastructure programs, i.e. meeting needs for transport, energy, water, waste management and communications networks (hard) as well as social needs for educations, training, business support and healthy lifestyles (soft);
- A summary table highlighting priority initiatives and sectors earmarked for investment with budgets and plans to attract investors;
- A schedule of LED projects consisting of a breakdown of costs and budgetary expenditures, together with projected and specific program targets, which include land area, jobs created and/or safeguarded, new small and medium sized enterprises, learning opportunities and businesses assisted;
- An outline of processes for monitoring, review and evaluation.
- A project implementation table that clearly identifies individual projects with appropriate goals, sources of funding, implementing agency, start date and project duration;
- Clear statements of the nature and requirements of each project, along with expected outputs and outcomes. These can be used as a benchmarking mechanism for monitoring the progress and output of project as it is implemented;
- A table that clearly identifies LED project partners, funding sources, project duration, target groups and commencement and expected completion dates.
- The plans should document the conceptual links from vision to projects. This will keep the logic consistent and will help in reviewing progress in realising the vision;
- Plans should reflect the resources that partners bring to LED projects and further resources required to achieve goals; and
- Projects should identify the risks that could hinder progress and consider methods to contain or manage these.

Sample Outline of an LED Strategy – See Annexure 7

6.4 IMPLEMENTATION

Getting there is ultimately what the entire strategic planning process is about. Evaluating possible strategies and detailing action plans are the specific activities that will enable municipalities to realize their objectives though implementation.

The LED implementation process is shown below.

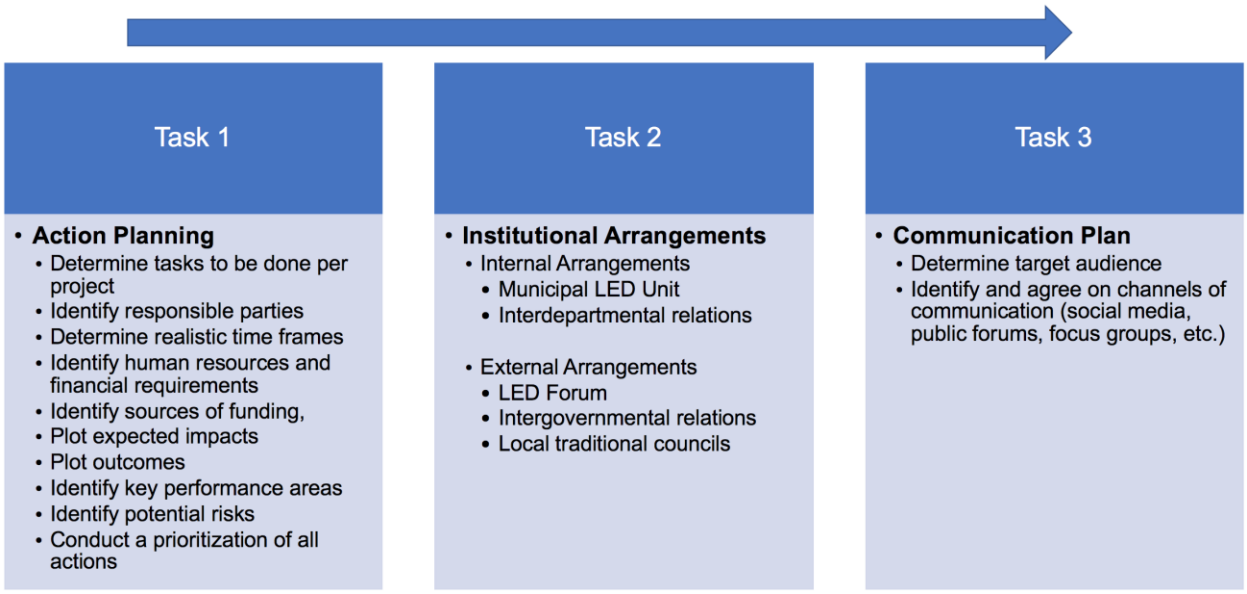


Figure 15: The LED implementation process

6.4.1 Action Plan

Once the LED Strategy has been developed and agreed to, it must be operationalized. A simple way to clearly map out what needs to be done is through action planning. The action plan lays out specifically for each project, a hierarchy of tasks, responsible parties, realistic time frames, human resources and financial requirements, sources of funding, expected impacts, outcomes, and performance measurement systems for evaluating each project.

The action plan framework can be divided into Initial Actions, Advanced Action and Broad-based Actions.

Initial Actions for LED are good first steps in getting a strategy process moving forward. These actions do not require significant financial capital, infrastructure or organisational capacity.

Examples include creating a stakeholder group, committing to 'buy-local' goods and services and implementing demonstration projects.

Advanced Actions for LED are those that require more technical know-how, organisational capacity, experience and funds. They also require further research, specific expertise and more time than initial actions. Depending on the municipality and the approach selected, these advanced actions might become one part of a larger strategic plan. In other cases, this might be all the local municipality is capable of implementing. Some examples of advanced actions include construction of physical infrastructure, establishment of business incubators, organizing of co-operatives.

Broad-based Actions are more complex, larger, more expensive comprehensive programmes or sector-based broad support programmes. They may incorporate several of the advanced actions into the integrated broad based-action. These broad-based action alternatives generally bring significant results, although are costlier and complicated to implement. Examples of this are a sustainable tourism programme or an urban-rural linkages programme.

There are five basic inputs needed to implement projects included in an action plan. These are known as the five Ms: Materials (natural and construction), Manpower (labour), Management (project, professional, operations), Markets (financial, suppliers, consumer, and trade), and Money (equity and debt finance). Each input needs to be quantified according to type, quantity, quality, and time. The outputs generated by an action planning process normally include products, service programs, infrastructure, other built assets, employment, community and/or environmental improvements, and spin-offs and/or linkages.

The action plan should:

- List and clearly understand the tasks and actions involved in the chosen strategy.
- List the actors, organisations and individuals that need to be involved in each action and which tasks they are responsible for.
- Specify the resources required to complete the action (e.g., people, finances, equipment, information), confirm funding, and make sure any other pre-conditions are met.
- Specify time frames for each action, including financial and other resource inputs.

- Identify risks, gaps and weak links in the action plan and how they will be addressed (e.g., actions or tasks for which there is no clear lead person/organisation, no funding or a lack of other key resources, capacity limitations, etc.).
- Reconfirm the commitments of each partner (e.g., as specified in partnership implementation agreements, memorandums of understanding, sectoral work programmes, budgets, etc. including attendance at action plan workshops and launch events).
- Agree on a coordination mechanism (essential when multiple actors are involved) and describe it. This may involve an existing individual or organisation taking the lead or the formation of a new position or organisation with a coordinating role. The coordination mechanism (e.g., regular meetings) should serve to monitor progress including the timely completion of tasks, adherence to budgets, and the maintenance of the agreed to standard of performance and quality

Steps:

- Convene industry panels to identify projects, programmes, and activities to support the strategies for the LED.
- Prepare a list and description of projects or programmes for each strategy to be included in the action plan.
- Identify all linked activities by grouping projects into sector, programmatic, and clusters projects.
- Identify the implementation and funding mechanisms for each action item.
- Ensure relevant inputs are available and gain commitments.
- Identify and create institutional frameworks for implementation, monitoring, and evaluation of all actions.
- Conduct a prioritization of all actions in the action plan.

See Annexure 8 for Example Action Planning

6.4.2 Prioritising Actions for LED

Despite having already prioritized objectives in Stage 3 of the LED process, often the result of the stakeholder discussions is a long list of programmes and projects. These may all not be realistic not only from a financial perspective but from the perspective of the capacity of the local municipality to get everything done within the identified timeframe.

Identifying strategy options by designing and choosing the best action or group of actions, is the heart of strategic planning. Creating the best actions are the ultimate means to achieving the local area's objectives. Key factors to be considered include the following:

- Consider the SWOT analysis and review priority objectives for the local area
- Review the list of actions and identify if there are common actions that are likely to be a part of every strategy (e.g., organisational issues such as the creation of a LED officer position or LED committee)
- Review the list and identify any obvious, simple actions that are easily attainable, commonly desired, universally agreed upon and that can be implemented quickly. These can be referred to as *Low Hanging Fruit* and *Visible Results*.
- Group actions by common themes. Usually, the list of actions contains specific suggestions (for example appoint an LED manager by September) as well as broad actions (develop a tourism strategy) and these can be grouped together.

There are several ways to conduct a strategic prioritization exercise. What is important is that criteria for selection is identified, explained and agreed to. This way prioritization is systematic, transparent and not based on only one or two projects favored by a few leaders.

There are a variety of criteria that can be identified:

- Relevance - the greater the contribution to the Vision-Goals-Objectives, the better
- Mandate - the more consistent with (local) government body mandate, the better
- Capacity - the less it requires new capacities, the better
- Resources - The less costly, the better
- Sustainability – have the impacts of the project been considered with respect to protecting the environment and preserving the capability of the environment to support human life?
- Time Frame – the more doable within the time frame, the better
- Acceptance - the more support it can generate from stakeholders, the better

See Annexure 8 for Example Action Planning Prioritization

6.4.3 Institutional Arrangements

Many LED strategies failed because of poor governance and management. Governance can be affected by political interference, unwillingness of agencies to collaborate and share resources and information, and poor project financing arrangement. Many LED strategies also fail because insufficient attention is given to securing long-term resources and commitment from agencies involved in the implementation of projects.

The governance practices used to support the implementation of LED strategies vary between municipalities and provinces. There is no one size fit all- best practice- model which can be applied for implementing LED strategies.

6.4.3.1 Internal Institutional Arrangements

Internally, the assessment of the municipal administrative capacity to successfully implement the LED strategy is very important. Any number of institutions or organizations may be the main organization and coordinating agency for LED within the municipality. Often this is the local municipal government through a department for economic development, also known as the Municipal LED Unit. As an independent department, the LED Unit can focus all its efforts on LED. Having such a unit also sends a signal to the external stakeholders such as business community that the municipality is serious about local economic development. The size of the municipality and budget availability (affordability) will inform the staffing of the Unit. Also important will be the opportunities and challenges which needs to be addressed by the municipality in responding to the local economic environment. However, as a strategic Unit, it will require a Head/Director, who will be able to represent economic development issues in management and in other related structures effectively. It will require someone who will effectively mobilise resources to implement the strategic objectives of the LED Strategy, and also to drive the economic vision of the municipality as a whole, without him/her being overloaded with non-LED related issues.

Interdepartmental coordination is also critical. Taking into cognisance the fact that LED has to permeate all aspects of the municipal programmes. All departments within the municipality should work closely and be linked to the LED unit to enhance LED implementation, and also to avoid duplication of functions. Interdepartmental forums should be made out of representatives from other municipal departments, especially of the same cluster, thus, economic cluster.

Moreover, a clear strategy in terms of how these departments will link to each other must be formulated. The inter-departmental relations will mean that municipal LED units will require staff members who adequately understand and are acquainted with what is happening in other municipal departments. This will also mean that departments should have periodic joint or interdepartmental meetings in the form of interdepartmental forums. Thus, the department should highlight their contribution to the LED and also opportunities which could be exploited in for driving the LED. For example, infrastructure unit may be working with national or provincial sector department or agency in implementing strategic projects in the municipality. In such cases there may be opportunities for supplier development or enterprise development which will among other assist local firms.

6.4.3.2 External Institutional Arrangements

Given the Intergovernmental Relation Framework, implementation of the LED strategy should encompass external arrangements. Various roles and responsibilities have been assigned to the national, provincial, and district municipalities on matters of support and capacity building for local municipalities to carry out its constitutional mandate of service delivery and LED. The Municipal LED Unit should work towards aligning its programmes to those of district, provincial and national government. In addition, sharing of information and expertise with other spheres of government should be advocated. It is advisable that the municipality should commit itself to the various intergovernmental forums. The critical intergovernmental forum which will ensure that the local municipality LED initiatives thrives is the district intergovernmental forum.

The municipalities should also establish an LED Forum, which will be a formal structure which will be used to mobilise resources and skills from different stakeholders in the local area. It will also work towards achieving the alignment of different policies and legislation of different spheres of government. More importantly, this forum will assist in terms of inputs towards socio-economic development related strategies and policies; SMME development; access to finance, provision of information; skills development; crime prevention strategies; health related strategies; and infrastructure development and other relevant issues. The forum will be constituted by representatives from all LED stakeholders like trade and SMME sector, informal sector, agricultural sector, mining sector, tourism sector and so forth. The LEDF shall serve as a broader stakeholder forum but also have different working groups (e.g. Mining sector working group, Tourism working group, SMMEs working group, etc), which will be coordinated by development (LED) officers dealing with those sectors. The makeup of the forums will be

informed by the opportunities and challenges identified in the strategic objectives responding to the overall vision.

The Traditional Leadership and Governance Act (2003) emphasis the importance of traditional councils in municipal governance. It stipulates that traditional councils are important to support municipalities in identifying community needs; facilitate the involvement of traditional community in the development or amendment of the integrated development plans of a municipality in whose area that community resides. Traditional councils are also significant with reference to participation in the development of policies and legislation; and promote ideals of co-operative governance, integrated development planning, sustainable development and service delivery. What is even more important is that this Act identifies local authorities as one of the important institution which can alert a municipality to any hazard or calamity that threatens the area of the traditional council, or the well-being of people living with the municipal as well as contributing to disaster management in general.

The traditional leadership has an important democratic role to play in traditional communities, many of which practice customary law, which is constitutionally recognized and managed by the traditional councils. There are other important economic and planning activities that the traditional authorities play such as allocation of land for housing and business in the rural areas. This directly impact on the local economic development in areas were thee is dual governance of traditional and local authority. This is perverse in areas such as Dr JS Moroka, Thembisile Hani and Bushbuckridge among others which historically their residence have accessed land through traditional council. These areas are former homelands whereby the traditional authorities have been given the right to manage the land on behalf of the state. Traditional councils have a fundamental role to play in administering the affairs of the community, and assist and support the traditional leaders, such as the kings and queens, the senior traditional leadership and the headmen and women. The role of traditional leadership is very important in the context of Mpumalanga, as it is one of the provinces that is characterized by many of tribal authorities.

The stakeholder relationship between the municipality and traditional leaders is particularly important when it comes to the advisory relationships between municipalities. These stakeholders should be recognized and consulted to ensure consistency with the Constitution

and embrace the spirit of co-operative governance within traditional structures in a manner that does not impede local economic development.

6.4.3.3 Proposed Institutional Arrangements

Local economic development has been grappling with the location of the mandate. That is at the national level the LED is located within the Department of Cooperative Governance and Traditional Affairs (COGTA). While at the provincial level the LED is located within the Department of Economic Development and Tourism as well as the Department of Cooperative Governance and Traditional Affairs. As such this dual mandate has for some time created the confusion to the municipalities as well as to the province regarding this concurrent mandate. The provincial cabinet took a decision to located the overall economic development policy including LED as the overall mandate for DEDT. While COGTA has only been left with the responsibility to support the municipalities in so far as enabling the implementation of the LED in the municipalities. As such the role of the two departments could be summarized as follows

- The DEDT is mainly responsible for economic policy direction including associated policy support such as financial and SMEE development and
- COGTA support to municipalities

The role of the district municipalities will be to coordinate the local economic development within their areas of jurisdiction. This will among other things include galvanizing the support at the regional level to address the projects that have regional impact. It is important to understand the role of the district within their limited capacity. Thus, the district do not provide services such as land zoning or processing and the approval thereof. As such their role should be exercised concurrently with the of local municipalities, with the role of the district mainly being responsible to coordinate the projects and programme that have regional scale. This will include facilitating various national and provincial institutions that support LED initiatives such as IDC, NEF and MEGA as well as initiating the investment drive in the district.

Below is the schematic representation of the local economic development in the province

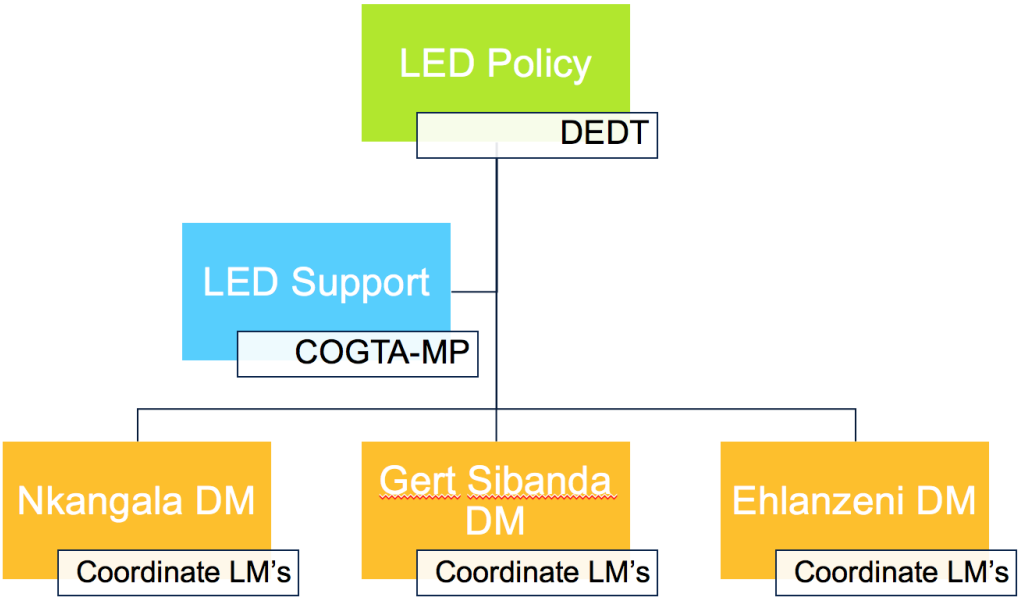
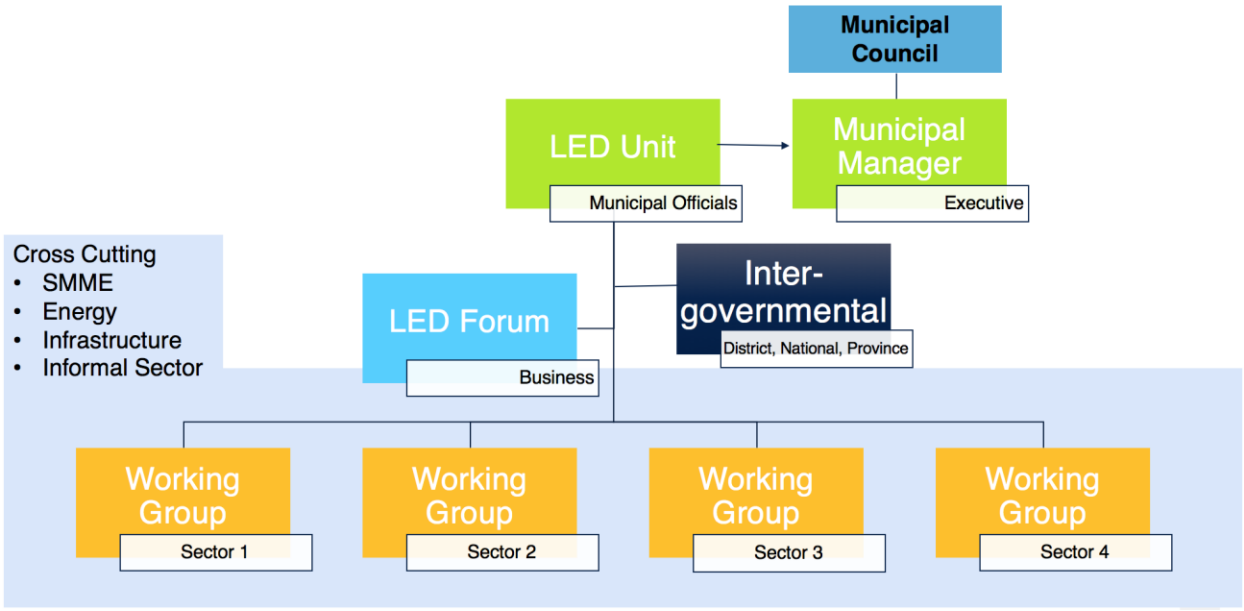


Figure 16: Local Economic Development Support Structure in Mpumalanga

Below is the schematic representative of how the LED should be institutionalized in the municipalities. As can be observed from the diagram below, the LED unit report to the municipal manager who ultimately report to the municipal council. The LED unit is the custodian of the economic development in the municipality. The head of LED unit should report directly to the municipal manager. The unit should be responsible for the development of the strategy and coordination of LED activities within the municipality.

LED forum should be led by the business with the LED unit providing the secretariat responsibility and coordination of various stakeholders. Thus, in order to have a successful downstream and upstream linkages of various economic activities and strong supplier development, the forum should be led by the business. The forum should also be supported by various working groups which with the leaders of the working groups participating in the LED forum. There are specific issues which by their nature are cross cutting, such as SMME development and Infrastructure, and therefore will be reflected in all the working groups and the forum. Ideally, these issues should mainly be discussed in the main LED forum given their nature. Where a need arises, specifics should be directed by the forum to working groups where micro-issues could be debated for the benefit of the sector.

The district municipality should be responsible for intergovernmental coordination. That is, it should be responsible for facilitating and coordinating various national and provincial sector departments to play meaningful role in the implementation of LED in the municipalities.



7.5.3.4. Cross-cutting Issues

Government has a number of instruments to support sectoral development, including access to finance, skills development, quality standards and productivity, market access, provision of infrastructure, and targeted SMME and informal sector development. These cross-cutting issues are detailed below:

7.5.3.4.1. Access to Finance

The challenge of access to finance is the main constraint confronting entrepreneurs in general. This is due to, amongst others, the limited pool of financiers, the high cost of borrowing, borrowing conditions that most entrepreneurs cannot meet, etc. In order to address the challenge of access to finance, the following measures can be considered:

- Early stage capital to develop project up to bankability stage
- Non-financial support to develop project up to bankability stage
- Industrial financing through DFIs.
- Syndicated financing through set-asides by the DFIs.
- Government incentives for business in general.
- Strategic collaboration with banking institutions

7.5.3.4.2. Skills Development

Technical skills and know-how are critical to the success of enterprises. However, South Africa's history has resulted in the denial of access to technical skills and know-how to the majority of the population in general. This has made it very difficult for entrepreneurs, especially from the Historically Disadvantaged communities to both acquire critical technical skills and access this technical know-how. In this regard, the following measures can be considered:

- Specialised technical training, in partnership with development partners, can be provided in selected areas. Selection of training will be guided by the priority sectors, value chains and products for which technical skills and know-how are required.
- Mentorship support where experienced companies will provide guidance targeting development needs of participating individual entrepreneurs. The intention is to provide customized guidance in all the key areas such as financial management, operations and production planning, human resource development, administration, marketing and business continuity.
- Incubation support wherein emerging entrepreneurs and enterprises will be given incubated support in protected conditions until they are able to operate on their own in the external unprotected environment and remain sustainable and profitable.
- At the level of vocational training there is a need for much greater coordination between the development and implementation of sector strategies and the corresponding Sector Education and Training Authorities (SETAs). In particular, the SETAs related to the high impact sectors prioritised from time-to-time by government themselves require priority attention such that they are optimally supportive of the sector development process.
- There is also a requirement to strengthen the integration between tertiary institutions and industries in the same geographic location. This is particularly the case in more technology and skill intensive industries where local tertiary institutions form a fundamental pillar of industrial clustering.

7.5.3.4.3. Access to Markets

One of the critical success factors for any enterprise is the ability to sell its products in the marketplace at a price that allows that enterprises to cover all its production costs and make a profit. One of the challenges confronting small enterprises is the huge barriers to markets. These barriers are caused by, amongst others, the fact that many sectors of the economy are highly concentrated and dominated by a few large corporations. In order to provide assistance to enterprises to access markets, the following measures can be considered:

- Leveraging provincial, district, local municipalities and State Owned Enterprises' procurement through the Preferential Public Procurement Act and the set-a-sides. This will involve the deliberate and systematic ring-fencing of procurement opportunities within the public sector which can only be accessed by locally domiciled companies.
- Ensuring that domestic firms are sufficiently competitive to capture significant portions of public and SOE expenditure, without compromising price and quality. A range of coordination needs to take place between public procurement managers and potential suppliers and amongst firms that can potentially form supply consortia
- Export market support including export readiness measures and export marketing
- Support to access domestic supermarket shelves in partnership with participating supermarket chains

7.5.3.4.4. Quality Standards and Productivity Support

One of the challenges confronting domestic enterprises is a perception that local products are of poor quality compared to foreign ones. In addition, the high costs of accessing quality standards and approvals prohibit many enterprises from using acquiring quality standards such as ISO1400, etc. In order to address these challenges, measures to encourage acquisition of quality standards and continuous improvement and competitiveness of local enterprises should be considered. This can be done in partnership with a range of organisations such South African Bureau of Standards, Productivity South Africa and others.

7.5.3.4.5. Infrastructure

The provision of industrial infrastructure is an important way to foster industrial clustering, both in areas of traditional industrial agglomerations and in underdeveloped areas with latent economic potential. In South Africa support for industrial infrastructure has thus far largely been limited to Industrial Development Zones and matching support available to municipalities under the Critical Infrastructure Programme.

Appropriately placed industrial infrastructure can play a fundamental role in generating qualitatively new economic activity. It supports clustering of firms to take advantage of an existing resource such as an airport (e.g. Transport/Logistics hub), specific telecommunications infrastructure (e.g. High Tech Park) or a university or science council (e.g. Science Park). A catalytic project-specific infrastructure such as cold chain facilities can unlock particular types of agro-processing activities.

7.5.3.4.6. SMME and Informal Economy Support

In many countries, economic growth is determined not only by the formal economy (the economic sectors that are legally registered and pay taxes) but also by the informal economy (those activities that are not legally registered). In some cases, the size of the informal economy is greater than the formal economy, and it interacts with the formal economy by supplying certain goods and services. The linkages between the formal and informal sectors of the economy need to be understood and considered in the devising of a local economic development strategy. Moreover, large numbers of low-income families work within the informal economy in many areas. However, these informal activities are often low-growth activities as a result of a lack of access to proper infrastructure and services (i.e. electricity, water, roads), regular means of financing, information and skills. The development of an LED strategy should recognize and accommodate the constraints and opportunities of the informal economy so as to broaden the appeal of a strategically planned LED strategy.

Small enterprise support will focus on a combination of improving 'supply side' factors such as finance and technical support, together with finding ways to strengthen market opportunities for small enterprises, including cooperatives. Some of the measures proposed under quality standards, access to finance, skills development and access to market will apply to SMME support. Local municipalities should form collaboration with, for example, SEDA, Department of Small Business, SETAs, etc.

6.4.4 Communicating the Strategy

An effective communications plan is an integral part of the overall LED Strategy. Relationships with stakeholders need to be cultivated and maintained on an ongoing basis throughout the life of the strategy. The successful engagement of stakeholders and community members will require a regular flow of information. Stakeholders will need to understand what is being done and why. It is also important to ensure that they have a clear understanding of how their actions or contributions impact project outcomes.

A Communications Strategy should closely reflect the overall the vision and goals contained in the LED Strategy and serve to:

- support the achievement of the overall LED objectives
- engage effectively with stakeholders (both external and internal)
- demonstrate the success and impact of the work being done

- contribute to wide-spread community buy-in and understanding
- change behaviour and perceptions where necessary

It is important that a communications strategy should be seen to contribute to the achievement of the overall objectives of the LED Strategy itself. In this way communications will be recognised not as an add-on, but something as fundamental as operational or policy objectives to achieving the vision and goals of the strategy.

Once the LED Strategy has been documented, the LED core team should already be planning to present the plan to senior levels of government (e.g. Mayors, municipal councils, planning officials or other concerned departments) for integration into their comprehensive plans and annual investment plans. This would promote higher-level government support for the plan.
The importance of involving these officials from the beginning should not be underestimated. If not fully involved they should at least be aware of the LED strategic planning process that is underway and that the LED Strategy is viewed as a valuable contribution to the current local planning system, a process that built on previous efforts/documents. This will help to continue to build trust and commitment, and ensure acceptance and use of the output.

Equally important, the Strategy should be presented to community stakeholders during a community assembly or other opportunity. It will keep the community informed and will garner further community interest and support. Whenever possible the communication tools that are used should incorporate an opportunity to solicit feedback or input. Stakeholders will be much more engaged in a process or strategy that they have helped to shape.

The communication strategy will target at least two general groups of people.

7.5.4.1. Members of the General Public

It is expected that their views and comments will be very general, broad and diverse. However, it is important to gauge the community's expectation and aspirations for the future development of the municipality.

7.5.4.2. Stakeholder Groups

Views, comments and suggestions to be raised by stakeholder groups will likely be more focused and substantial, reflecting their respective areas of interest. Their views will be important in identifying key issues that need to be addressed and the essential components expected of the strategy. The following stakeholder groups can be consulted:

- Statutory and Advisory Bodies
- Legislative Council and other Elected Bodies and Political Parties
- Business and Community Organizations
- Labour unions
- Academic and Professional Institutions

Some of the communication channels that can be considered can include the following:

7.5.4.3. Public Forums

Public forums will provide opportunities for stakeholder groups and interested members of the public to express views and comments.

7.5.4.3. Focus Group Discussions

More focused discussions with stakeholder groups will be organised to present our work and solicit their advice and suggestions, particularly on issues that may have implications on their respective fields. We will arrange focus group discussions throughout the entire process of the development of the strategy.

7.5.4.4. Presentations to Statutory and Advisory Bodies

Presentations to statutory and advisory bodies should be arranged to obtain their views and comments.

6.5 MONITORING AND EVALUATION

6.5.1 Developing Monitoring Framework

Ongoing monitoring is provided through the formal structures and evaluation of specific project outcomes ensures that the strategy continues to lead to the achievement of the LED vision, goals and objectives.

Monitoring is the continuous process (daily, monthly, and annual) of routinely gathering information on all aspects of a project or programme. It should be a collaborative process with all the stakeholders involved in some aspect: collection, evaluation, review, etc. It is used to:

- Inform decision-making on project implementation;
- Analyse the current situation;
- Identify problems and find solutions;
- Discover trends and patterns.

The monitoring programme should regularly collect data on those performance measures that are indicators for the objectives used in the strategy option evaluation in Section 6.3.2.

Key Monitoring Questions:

- Has a monitoring framework been completed using the original objectives?
- Are there other monitoring specific objectives?
- What uncertainties are being addressed through the monitoring programme ?
- Have performance measures (indicators) for monitoring been agreed to?
- What is the source of data?
- Who is to do the monitoring, data collection and evaluation?
- How often is the data to be collected?
- How will the monitoring process be documented and communicated?
- What happens to the data? Who gets access to it?
- How will it be communicated? How will the results be used and by whom?

See Annexure 9 for Example Monitoring Tool

6.5.2 Reviewing the LED Strategy

Good monitoring and evaluation techniques help to quantify outcomes, justify expenditures, determine improvements and adjustments and develop good practices. This information also feeds into the review of the total strategy. The LED strategy should be reviewed at least in three years to ensure that the overall strategy itself is still relevant. It may be that conditions have

changed or that the initial assessment was incorrect to the local conditions. The LED strategy should evolve continuously to respond to the ever-changing competitive environment.

6.6 FUNDING THE LED STRATEGY

Funding a LED strategy is often very difficult. One of the reasons for this is that local authorities often do not have a statutory responsibility to deliver LED services. When it comes to budget time LED is competing for scarce resources with departments such as housing, health and education. Sometimes, it is difficult for elected officials to justify spending scarce resources on LED efforts because short time horizon responses (such as improving access to piped water) are often perceived as more important than some of the soft LED initiatives that often have longer time horizon, and whose benefits may not be immediately apparent.

A proactive fund-raising attitude is essential in funding implementation of the LED strategy. The municipality needs to study the funding possibilities and requirements of various funders and donors active in its area. Often, the problem is not the lack of money, but a lack of ready-to-go projects. Therefore, a good pipeline of projects that meets the preparation format of the respective funder/donor is important. Some projects might also be bankable. It will be critical to learn to draw up good business plans and doing pre and feasibility studies.

6.6.1 Pre-feasibility Studies

In order to identify projects that will be viable, it is important to conduct pre-feasibility and feasibility studies. The viability of the identified and agreed LED projects along with their complete value chain and possible spin-offs would have to be comprehensively assessed beforehand. This will entail undertaking pre-feasibility studies and exploring the following:

- Description and nature of the project
- Products to be produced/Services to be offered
- Market sizes locally & internationally
- Competition and its market share
- Required infrastructure and costs
- Skills requirements compared with availability
- Availability of local investment
- Operational costs
- Income potential per project
- Possible risks associated with the project

- Time scale of establishing the structure
- Recommendations on whether to pursue the project or not.
- Lessons learnt from similar projects elsewhere

Some studies on projects carried out in the past might have included feasibility studies. These will be taken into consideration. Where gaps might exist, additional information will be sourced to complete the feasibility study.

6.6.2 Business Plans

The business plans should be prepared for projects regarded as having the highest priority and that should be addressed in the immediate future. These projects would have been identified as having the potential to have the largest immediate impact in the area and require the involvement and facilitation from the Municipality to ensure increased economic development.
The business plan will also be prepared for the projects in order to source funds and serve as a guide for implementation. Key components of the business plan will include:

- Identification of critical and urgent projects;
- Assessment of each project's socio-economic impact;
- Setting up institutional arrangements for implementation – with clear designated responsibilities and roles for relevant stakeholders;
- Financial projections determining investment required to undertake identified projects;
- A funding strategy to source loans and equity from funding institutions and investors; and
- Mapping the implementation path of each project, with timelines that take account of various constraints that might emanate and other critical path issues

6.6.3 Sources of Funding

In order to ensure that economic development get traction in local government, there is a need to ensure that resources are allocated to the LED. Though there are lot of funding institutions to support LED initiatives, one of the key challenges that is facing local government is lack of funding for LED units, especially in funding the programme and various initial phase such as research.

Local public investment is mainly financed by budgetary transfers from the national government or external aid, and only marginally by local taxation on businesses in the local area. The key difficulty is that the local authorities often lacks adequate funds to drive the LED process independently. The table below provides examples of LED programmes and the concomitant sources of funding.

Programme/Projects	Source of Funding
Hard Infrastructure (Transport, Water, Electricity, Communication)	Internal municipal sources, MIG, DBSA, Multilateral DFIs (AfDB), NDPG, SOEs, PPP financiers, Bond Issuance
Training and Development	SETAs, private businesses CSI, MDA, NGOs, SOEs
Industrial/Enterprise Development	DTI, IDC, NEF, Department of Small Business Development, SOEs ESD initiatives
Soft Infrastructure (Health, Security, Education, Cultural)	National Treasury, Multilateral DFIs (World Bank, AfDB), Department of Sports and Recreation
Industrial Innovation	TIA, DTI (SPII)
Export Development and Promotion	DTI (TIA; TISA; Export Councils), DIRCO, ECIC, IDC, CGIC and private ECAs
Access to Finance	DTI, IDC, DBSA, Venture Capitalists, Private Equity Investors, SEFA, PIC, Land Bank, NEF,
Feasibility Studies	DTI (CPFP)
Community Development Projects	MDA, National Treasury (Job Fund), IDT, Local and International NGOs, National Lotteries

7. CONCLUSION

The LED Strategy framework provides a process to be followed by municipalities when developing LED strategies. While taking the national, provincial and local government policies into consideration, municipal LED strategies must reflect the situational analysis report which will indicate their areas of strength, weakness, provide opportunities and threats. IDP planning in municipalities to be informed by economic plans which depicts socio-economic situation other than social needs only. The role of LED strategy is to inform the municipality to comprehend economic development opportunities that will enable the municipality to thrive. This include among other things increasing income levels through creating sustainable jobs and economic opportunities for the entrepreneurs

The definition of local economic development emphasis the participation of the local people to benefit from their local resources. Stakeholder participation is critical so that there is ownership to the strategy and everybody support the implementation. The recommended institutional arrangement provides proper management of inter-governmental relations and the different roles to be played by government, private sector and the civil society. LED forums should be led by private sector institutions with the large firms in the municipalities taking the lead. Government, especially the Councilors must provide both political and administrative support for implementation and must support initiatives from both government and the private sector. DEDT should be responsible for the overall economic policy including initiatives for LED in the province. COGTA should be responsible for coordination and support through the available funding programmes (MIG).

LED Strategy must provide a vision so that everybody works towards achieving it. The objectives set must be specific, measurable, attainable, relevant and time bound. Identification of implementable programmes and projects become critical as economic development will be realized through implementation of programmes and projects.

8. Recommendations

The LED Framework is promoting uniformity in municipalities when developing LED strategy. It is recommended that all municipalities use the format as outlined in the framework when reviewing or developing their LED strategies.

ANNEXURE 1: STAKEHOLDER IDENTIFICATION TOOL

Stakeholder	Description of key Interest	Description of key potential contributions	Partnership Assessment Is their involvement: A=Essential: process will fail without involvement B=Important: process is limited and implementation may suffer without it C=Minor: nice to have
Government			
Formal Business			
Informal Business			
Community Organisation			
Training Institution			
Labour			
NGO			
SOE			

ANNEXURE 2: BUSINESS ENABLING ENVIRONMENT SURVEY TOOL

LOCAL BUSINESS ENABLING ENVIRONMENT SURVEY

The aim of this **Local Business Enabling Environment Survey Instrument** is to obtain information on your perceptions of local conditions and regulations that affect local businesses. The goal is to highlight policies and practices that hinder business development and identify key opportunities and issues facing local businesses. Your answers should reflect only your experience of the municipal business-enabling environment. The information obtained will be treated confidentially and neither your name, nor the name of your business will be used. The information will be used by the Local Economic Development Partnership in your municipality to help develop a strategy to develop the local economy. Your input to that strategy is invited by contacting:

A. BASIC INFORMATION ABOUT YOUR BUSINESS

Q.1 What is your position in this business?

Owner	
Chief Executive/President	
Finance/Marketing/Personnel Manager	
Other (Please specify)	

Q.2 Type of business activity?

Agricultural production	
Manufacturing	
Retail Trade	
Service Sector	
Construction	
Mining	
Street Vendor	
Other (Please specify) ……	

Q.3 Organizational form (*please choose one*)

Type	Private Enterprise	Public Enterprise
a) Partnership		
b) Sole proprietorship/		
c) Proprietary Limited Company		
d) Close Corporation (CC)		
e) Other (Please specify) ……..		

Q.4 What is your key business activities/products?

_____

_____

_____

_____

Q.5 How long has your business been active (months/years)? _____

Q.6 Please estimate the percentage of your products/services that are sold in:

In your Town/City area	
In the Region	
Within the County	
Outside the Country	

Q.7 How many people does your business employ (full time equivalents)?

0	1-5	6-10	11-50	51-200	>200	n/a

B. BUSINESS PERSPECTIVE ON THE OPERATING ENVIRONMENT

Q.8 Do you intend to expand your business?

YES □□*Go to Q.8.1*
NO □□*Go to Q.9*

Q.8.1 Where do you intend to expand your business? (*please tick the appropriate box*)

Within the Municipality	Outside the Municipality

Q.9 Are you optimistic or pessimistic about the future of your business in your community?

OPTIMISTIC □
PESSIMISTIC □

Q.10 Does the business experience difficulties in finding qualified people?

YES □
NO □

Q.11 In which skills areas do you think your staffs need training? Rank each skills area from 1 to 9 according to priority, with 1 being the highest and 9 being the lowest

a.) Technical skills		f.) Finance	
b.) Accounting		g.) Quality Control	
c.) Computer skills		h.) Budgeting	
d.) Management		i.) Other (please specify) ……...	
e.) Marketing and Sales			

Q.12 Where do you experience the main competition for your products/services? Using a scale of 1-3, please rank accordingly in order of importance, 1 being the most competition, 3 being the least.

a.) Other local businesses	
b.) National businesses	
c.) Foreign goods/suppliers	

Q.13 Do you think that business associations can help you develop your business?

YES ☐
NO ☐

Q.14 List any business association operating in your community.

_____

_____

_____

_____

Q.15 In which business sector would you invest in a new business?

_____

_____

_____

_____

Q.16 Please list in order of importance, the five most important factors that hinder you from expanding your business.

1. _____

2. _____

3. _____

4. _____

5. _____

C. PERCEPTIONS OF MUNICIPAL GOVERNMENT

Q.17 Approximately how many days per year does the owner/manager spend dealing with municipal government officials on regulatory requirements? _____ days.

Q.17.1 Do you consider this to be: **Too Little** □□ **Reasonable** □□ **Too much** □

Q.18 Approximately how much time per year does it take you to process and receive all of the required licenses and permits that allow you to operate as a business (please include land, construction, waste water, all other permits and certifications) _____ days.

Q.18.1 Do you consider this to be: **Too Little** □□ **Reasonable** □□ **Too much** □

Q.19 Based on your current experience of municipal government practices, please rate each of the following practices in terms of how they currently impact your business. (Using a scale of 1-5, where 1 is *no impact* and 5 is the *most impact*, please circle the appropriate number).

MUNICIPAL PRACTICES	**No Impact**	**Little Impact**	**Moderate Impact**	**Major Impact**	**Significant Impact**
Rules and regulations change too frequently	1	2	3	4	5
Too much time is spent in dealing with authorities	1	2	3	4	5
Overlapping, duplicating and contradictory rules	1	2	3	4	5
Rules are too complex and impossible to comply with	1	2	3	4	5
Requirements are unpredictable and depend on officials	1	2	3	4	5
Lack of clear regulations in some areas	1	2	3	4	5
Costs are too high and unpredictable	1	2	3	4	5
Use of municipal power in unfair competition	1	2	3	4	5
Unregulated competition from informal sector economy	1	2	3	4	5
Corruption and irregular practices	1	2	3	4	5

Q.20 Please list in order of importance, the three most important measures that the municipal government could introduce/undertake to make it easier for your business to grow.

1._____

2._____

3._____

Q.21 From the list below and using a scale of 1-6 where 1 is the most important, please identify in order of importance, the measures that you would like to see introduced by the municipality that you think would support your business to develop and expand.

MUNICIPAL MEASURE	Rank in Importance (1-6)
Provide training and expertise for the business	
Improve procedures for businesses	
Provide information on business development	
Improve business support infrastructure	
Reforming local taxation policies	
Other (please specify) …….……..	

Q.22 Based on your current experience of factors that affect the growth and effective operation of your business, please rate each of the following factors in terms of how they impact your business. (Using a scale of 1-5, where 1 is *no impact* and 5 is the *most impact* , please circle the appropriate number).

INFRASTRUCTURE	No Impact	Little Impact	Moderate Impact	Major Impact	Significant Impact
Roads	1	2	3	4	5
Rail	1	2	3	4	5
Air Access	1	2	3	4	5
Port Access/services	1	2	3	4	5
Business premises/land	1	2	3	4	5

PUBLIC SERVICES	No Impact	Little Impact	Moderate Impact	Major Impact	Significant Impact
Tax administration	1	2	3	4	5
Business licensing and operating permits	1	2	3	4	5
Electricity supply	1	2	3	4	5
Water availability	1	2	3	4	5
Solid waste disposal	1	2	3	4	5
Telecommunications availability	1	2	3	4	5
Police protection	1	2	3	4	5
Fire protection	1	2	3	4	5
Planning and zoning regulations	1	2	3	4	5

QUALITY OF LIFE	No Impact	Little Impact	Moderate Impact	Major Impact	Significant Impact
Tax rates	1	2	3	4	5
Medical care and hospitals	1	2	3	4	5
Education system	1	2	3	4	5
Hotel facilities	1	2	3	4	5
Conference facilities	1	2	3	4	5
Telecommunications costs	1	2	3	4	5
Crime, theft and disorder	1	2	3	4	5
Housing costs and availability	1	2	3	4	5
Recreation amenities	1	2	3	4	5

OTHER	No Impact	Little Impact	Moderate Impact	Major Impact	Significant Impact
Lack of qualified personnel	1	2	3	4	5
Customs and trade regulations	1	2	3	4	5
Corruption	1	2	3	4	5
Access to, and cost of, financing	1	2	3	4	5
Availability of effective business support services	1	2	3	4	5

Q.23 Based on your current experience, how good do to you think the support to Small, Medium and Micro Enterprises (SMMEs) is in your community? (Using a scale of 1-5, where 1 is *poor* and 5 is *excellent*, please circle the appropriate number).

SUPPORT TO SMMEs	Poor	Fair	Satisfactory	Good	Excellent
Business Associations	1	2	3	4	5
Professional Associations	1	2	3	4	5
Municipal Government	1	2	3	4	5
Central Government	1	2	3	4	5
Professional Private Services	1	2	3	4	5
Local Economic Development Office	1	2	3	4	5
District Municipality	1	2	3	4	5
International Organizations	1	2	3	4	5
Non-Governmental Organizations	1	2	3	4	5

Q.24 How would you rate your relationship with the following bodies/departments? (Using a scale of 1-5 where 1 is *poor* and 5 is *excellent*, please circle the appropriate number).

WORKING RELATIONSHIPS	Poor	Fair	Satisfactory	Good	Excellent	N/A
Mayor	1	2	3	4	5	6
Municipal Council	1	2	3	4	5	6
Municipal LED Unit	1	2	3	4	5	6
Municipal Finance Department	1	2	3	4	5	6
District Municipality LED Unit	1	2	3	4	5	6

Q.25 Which municipal government department most positively affects the development of your business and why?

_____

_____

_____

_____

Q.26 Which municipal government department most negatively affects the development of your business and why?

_____

_____

_____

Q.27 Can you name one municipal government department that deals with local economic development?

YES ☐☐ Please provide the name of the department_____
NO ☐

Q.28 Which of the following groups, if any, is the most active in promoting local economic development in your community? (*please tick/check only one*)

Municipality	
A formal incorporated public-private partnership organization	
Private business (Chamber of Commerce, Board of Trade)	
Other (please specify) ……	
Do not know	

Q.28.1 Does the municipal government provide any LED funding for external organizations? If yes, please specify which organization.

YES ☐☐_____
NO ☐
DO NOT KNOW ☐

Q.29 Which of the following best describes the situation with regard the organization and delivery of local economic development in your municipality? (*please tick/check only one*)

The office of the Mayor/chief executive officer/city manager has responsibility for local economic development activities	
Local economic development activities are centralized in a separate department/division	
Local economic development is decentralized and functions are carried out by several line departments	
Some local economic development functions are centralized while others are carried out by separate line departments	
Local economic development is a function of a larger agency, such as a community development department, that is responsible for housing, zoning, and inspections	
Do not know	

D. BUSINESS VIEW ON THE ECONOMIC DEVELOPMENT OF THE MUNICIPALITY

Q.30 In order of importance, which are the three fastest growing sectors/industries in your municipality?

_____

_____

_____

Q.31 In your opinion, which are the three sectors/industries that are declining the most in your municipality?

_____

_____

_____

Q.32 Which are the three most attractive businesses enabling environment features about your municipality for investors (three strengths)?

_____

_____

_____

Q.33 In order of importance, which are the three worst businesses enabling environment features (three weaknesses)?

1._____

2._____

3._____

Q.34 In your opinion, how has the overall business-enabling environment changed over the last three years? (*please circle the appropriate number*)

Improved	Stayed the Same	Deteriorated
1	2	3

Q.35 What three things could you do to contribute towards the development of the local economy in your city?

1._____

2._____

3._____

Q.36 From the list below, please select the most appropriate description that describes the development of your municipality's economy during the last five years. (*please tick/check only one*)

Rapid growth	
Moderate growth	
Slow growth	
Economic base is stable; no real growth or decline	
Modest decline	
Significant decline	

Q.37 Does your municipality have an official economic development plan?

YES □□*Go to Q.37.1*
NO □□*Go to end*

Q.37.1 Do you or somebody you know that participated in the economic development process, know which of the following methods were used to develop the plan? (*check/tick all that are applicable*)

Business needs survey	
Citizen survey	
Advisory committees appointed to represent the entire community	
Special interest advisory groups (e.g., city center/downtown merchants, top industry representatives)	
Elected neighbourhood commissions	
Open meetings/public hearings	
Inspections/evaluations of the condition of existing facilities	
Consultant studies (please provide a brief description of what these were) ……	
Analysis of local data on permits, employment, etc.	
Information from state agencies responsible for economic development	
Other (please specify). ……	

ANNEXURE 3– SWOT ANALYSIS TOOL

Strengths Inside the Local area	
Key Questions	**List of Strengths**
Consider each category into which data collection has been organised (the four kinds of capital: natural, social/cultural, human/social, financial), and ask: ✓ What are the local area's strongest resources? ✓ What are the local area primary economic opportunities? ✓ What opportunities exist to maximise the strength of this resource? ✓ What resources could, with support, promotion, or investment, become a strength?	
List the top three strengths to build on. ✓ Where can the biggest changes occur? ✓ Which are easiest to address?	1. 2. 3.
Weaknesses Inside the Local area	
Key Questions	**List of Weaknesses**
For each category of data analysis, identify weaknesses related to economic development: ✓ What are the liabilities that can limit achievement of economic development? ✓ What are the local areas biggest weaknesses or problems (think back to what triggered the planning process) ✓ What problems are faced by businesses in dealing with local government and other tiers of government? ✓ What are the needs and constraints that restrict the accomplishment of business and economic development initiatives (e.g. need for retraining, poor management experience)?	
List top three weaknesses to minimise. ✓ Which are impossible to change (dismiss these)? ✓ Where can the biggest changes occur? ✓ Which are easiest to address?	1. 2. 3.
Opportunities from Outside the Local area	
Key Questions	**List of Opportunities**
Opportunities relating to each category of analysis can be looked at in different ways. ✓ What opportunities exist for maximising, enhancing, or supporting existing strengths that have been identified? ✓ What improvements or support could identified weaknesses benefit from? ✓ What opportunities external to the local area can be identified for each category?	
List top three opportunities to exploit. ✓ Which are impossible to take advantage of (dismiss these)? ✓ Where can the biggest changes occur? ✓ Which are easiest to address?	1. 2. 3.
Threats from Outside the Local area	
Key Questions	**List of Threats**
Threats refer to forces internal and external to the local area that threaten the local area's resources, opportunities, or values. The purpose of this analysis is to identify threats and then plan for prevention, mitigation, or minimisation of potential negative impact. ✓ What threatens identified strengths? ✓ What threatens realisation of identified opportunities? ✓ What weaknesses threaten to become worse - under what circumstances?	
List top three threats to address ✓ Which are impossible to address (dismiss these)? ✓ Where can the biggest changes occur? ✓ Which are easiest to address?	1. 2. 3.

ANNEXURE 4– SYNTHESIS REPORT TEMPLATE

Demographic	**Population :** • By size, age, growth rate, projected growth rate, household size, population density. This could include a poverty mapping exercise to identify demographic characteristics by wards in the municipality. **Employment :** • Employees by industrial activity -- compare regionally and nationally, and note changes over time, if possible • Age structure of the employed and the occupation breakdown of employed and unemployed (disaggregated by gender) • Structure of employment (full/part-time/male/female) -- compare nationally and over time • Unemployment figures, by numbers, age • Numbers and other information on people and activities in the informal sector **Education:** • Numbers and types of schools • Further and higher education establishments by type and numbers attending. • Educational attainment levels by numbers and types -- compare nationally **Training:** • Numbers and types and age groups of technically qualified individuals and those going through training programs. • Number of training schools/institutions/programs locally available (e.g. technical-vocational skills training, business planning and development) • An assessment of skill/occupational shortages/oversupply.
Economic	• Numbers and sizes of firms, broken down by sectors • Number of inward investments, foreign and domestic (both greenfield and existing companies) by sector • Number of companies that export/to where/ by what sector/company size • Vacancy rates of industrial and commercial space by size, location, absorption rates
Investment Climate Infrastructure (Ease of Doing Business)	• Opinions on ease of engaging with government practices: ✓ Rules and regulations are unclear, change too frequently ✓ Too much time is spent in dealing with authorities ✓ Rules and regulations are too complex and impossible to comply with ✓ Costs are too high and unpredictable ✓ Corruption and irregular practices • Amount of 'red tape' and the ease of getting through red tape (e.g. health or fire permits, permits to operate, permits to build) • Existence of supporting business networks, such as Chambers of Commerce • Access to funding (including training support, business incentives) • Assessment of local government/authority's capacity to carry out economic development (existence of land use plans, other development plans) • Local authority economic development support (accessibility of government officials, special programs to support new business)
Hard Infrastructure	**Utilities:** • Condition of water, electricity and wastewater provision in areas of economic activity • Cost of utilities (water, electricity, garbage collection) – comparison with other municipalities **Land and Land development:** • Assessment of provision of land, real estate/office space for economic development activities (including markets) and Central Business Districts **Roads and Transport:**

	• Condition of road and bridge network from the location of the economic activity to the market centres • Availability of transportation from the area of study and markets and ports (ports, airports, fish ports, markets) **Information Communication Technology (ICT):** • Availability of internet services • Broadband strength
National and Regional	• What neighbouring municipalities are doing in terms of their local economies • How neighbours are competing • How are neighbours, or could, collaborate • National level activities that may impact on the municipality - both positive and negative • Opportunities available through the national and other tiers of government (i.e. national development programs, SMME development programs) • Opportunities and threats presented by the district/provincial government • Regional trends that may impact on the municipality

ANNEXURE 5: DEVELOPING GOALS AND OBJECTIVES

In developing objectives, it is important to clearly describe the milestones that will help the community assess where it is (baseline or pre-intervention) and where it will be if the initiative were successful (objectives). (Example: To increase agricultural production by 15% by 2025).

Objectives should seek to build on strengths, overcome weaknesses, exploit opportunities, or deal with threats identified in the Situational Assessment.

Following are tasks to illustrate how to set objectives:

1. Identify key issues (concerns, problems, challenges, and opportunities)
2. Assess issues (distinguish: cause – effect – outcome)
3. Restate issues as succinct statements of objective
4. Organize objectives: separate means from ends, actions from objectives
5. Develop SMART indicators of performance (Specific, Measurable, Attainable, Realistic, and Time bound)
6. Prioritize objectives

Table: **SMART Objectives**

SMART OBJECTIVES	
Specific	Does the object address a specific issue?
Measurable	Is it possible to measure the impact when the objective is achieved?
Attainable	Is it an objective that can be achieved?
Realistic	Will there be the sufficient resources to achieve the objective?
Time bound	Is it clear how long it will take to achieve the objective? Is this timeframe realistic?

The objective takes each goal and breaks it down into separate components.

LED Goals with Objectives

GOAL	OBJECTIVE
To enable the appropriate provision of business services and conditions to support the development and expansion of new and expanding businesses	By 2020, to ensure, through business attitude surveys, that the local business enabling environment is considered greatly improved by 80% of the businesses

Questions to facilitate prioritisation of objectives:

1. Have issues been translated into the objective? OR Does the objective directly relate to the issue/issues?
2. Does each objective have SMART indicators?
3. Do the objectives take into account the relevant constraints and opportunities identified in the situation analysis
4. Is each an important achievement in its own right or are some repetitive?
5. Do any objectives contain information that is more of an action – i.e. programme/project

ANNEXURE 6: DEVELOPING PROGRAMMES AND PROJECTS

How to identify the Programmes

- Task 1. Generate actions for pursuing priority objectives
- Task 2. Refine and organize actions – determine whether it is a project or programme
- Task 3. Combine or group into programme options, evaluate against LED objectives and improve/refine.
- Task 4. Agree on the programmes

Following are examples of programme options that are typical core choices and selection will be depend on local circumstances

PROGRAMME	DESCRIPTION	HOW?
PROGRAMME 1: ENCOURAGING LOCAL BUSINESS GROWTH	Enabling the provision of advice in order to retain and strengthen existing local business	• Technical support • Resources to enabling existing local business to grow
PROGRAMME 2: INTEGRATING THE UNEMPLOYED	Programmes to mainstream the poor and disadvantaged populations into the economy	• Ensure that new growth industry extends employment opportunities to low-income workers • Ensure these groups have access to and can take advantage of opportunities for advancement (targeted skills training, special credit financing schemes)
PROGRAMME 3: INVESTMENT IN SOFT INFRASTRUCTURE	Improving the commercial environment for business	• Skills training and business-focused education • Research and development • One-stop shop advisory services • Business support services • Business networking • Financial advisory services

Within each programme area, specific projects should then be proposed and selected on the basis of clear criteria. Each potential LED project should be assessed to determine whether it meets the broader LED goals, objectives and priorities that were discussed and agreed to by the stakeholders. For particularly longer and complex projects, it is useful to undertake a careful feasibility study as a first step to verify whether the project can be technical and financially viable.

To illustrate the relationship between projects and programmes and using the three programme examples above, here are the types of projects that might fit under each of these programmes

PROGRAMME	DESCRIPTION	PROJECT(S)
PROGRAMME 1: ENCOURAGING LOCAL BUSINESS GROWTH	Enabling the provision of advice in order to retain and strengthen existing local business	Project 1: Establish and promote a "Buy Local" purchasing initiative
		Project 2: Improve municipal legislation and services through a full review of business regulations and requirements
PROGRAMME 2: INTEGRATING THE UNEMPLOYED	Programmes to mainstream the poor and disadvantaged populations into the economy	Project 1: Initiate a vocational scholarship programme to encourage work-based training and education
PROGRAMME 3: INVESTMENT IN SOFT INFRASTRUCTURE	Improving the commercial environment for business	Project 1: Provide training and support facilities to develop local business associations (e.g. chambers of commerce, SETAs)
		Project 2: Create a vocational scholarship programme to encourage work-based training and education

Including 'early-win' projects that will achieve visible and tangible impact in the short-term will be fundamental to the overall LED strategy development process in ensuring the continued support of the different stakeholders

ANNEXURE 7: SAMPLE OUTLINE OF A LED STRATEGY

1. Note from the Mayor	Introducing the LED Development Process
2. Purpose of the LED Strategy	Explaining the role of the strategy
3. The Stakeholders	An overview of the partners involved and their contribution to the strategy development
4. Alignment with national, provincial and district policies & initiatives	An account of how the strategy coordinates with prevailing national policies, on-going national level development programmes with relevance to the municipality.
5. Past Achievements	An account of what the municipality has already achieved in the past
6. Situational analysis and identification of issues	Socio-economic environment and things that drive the economy of that municipality. Spatial development patens and cultural observations.
7. LED Vision	A detailed description of the municipality's vision
8. SWOT Analysis	Socio-economic analysis and description of the strengths, weaknesses, opportunities, and threats
9. The LED Strategy	An account on the objectives, development themes (priorities), and a description of what will change through the delivery of the strategy
10. Cross-cutting issues	An explanation on how cross-cutting issues will be incorporated into the strategy delivery. These are horizontal issues to be considered right across the strategy. For example, one of the most important goals of development is reducing poverty and unemployment level, reducing gender and other inequalities, facilitation of employment of youth, and inclusion of marginalized communities
11. Intergovernmental cooperation	How the municipality will cooperate with neighbouring municipalities in order to better achieve (some of) the objectives of the strategy
12. Municipal capacity building	The organisational audit (during analysis stage), designing an organisational capacity building programme as part of the strategy.
13. Financial plan	Overview of the budget and funding
14. Delivering the strategy	An account of the implementation and monitoring arrangements, with a clear description of who is responsible for what by when
15. Appendices	Detailed situation analysis, implementation arrangement, action plan, risks & mitigation measures, copy of any business survey/questionnaire used

ANNEXURE 8: DEVELOPING ACTION PLANS

Action	Type of Action	Description of Action
Entrepreneur and Small Business Support	Incubators	An incubator consists of a building or set of buildings where office space is rented out to fledgling business at below-market rents to help minimize overhead costs.
	Skills Training Centre	A skills training centre is a facility that works in partnership with businesses and the local are to provide access to education and training in various fields, conduct programmes to assist the creation of employment opportunities and make available a job bank network for the local area.
Physical revitalization, infrastructure and Business Growth	Physical infrastructure investment	Investments in physical or hard infrastructure projects are undertaken to improve the built environment. Often these projects are done to improve economic efficiency (transportation) and/or quality of life (water, sewer, power), which make the local area more livable and attractive for business retention, expansion and attraction.
	Cluster development	Clustering refers to firms or entrepreneurs (including farmers) engaged in similar economic activities locating in one area and working together to advance business opportunities and add value. Related concepts are growth nodes and investment corridors.
	Industrial/Business/Science and Eco Parks	The idea is to set aside or zone a significant area of land (a park) where specific activities will take place. Eco-industrial parks (or eco-clusters) have been promoted and are basically the same concept, except they intentionally try and attract businesses that can co-operate to improve their environ- mental and economic performance through more efficient use of raw materials, reducing outputs of waste, conserving energy and water resources and reducing transportation requirements.
Investment	Foreign Direct Investment	This involves attempting to attract foreign direct investment from outside the local area. Once a LED strategy is in place, the goal is to attract investment that is responsive to the local area values.
	Support for the Informal Economy	The informal economy is comprised of economic activities not recorded and not subject to formal rules of contract, licensing, labuor, and taxation. Informal economies often contribute directly to poverty reduction by providing for the livelihoods of large portions of the population.

			By supporting the informal economy, other important social development issues can also be addressed, including gender equity, cultural preservation, child labour and public health and safety.
	Sustainable Development	Tourism	Sustainable tourism is often pursued because it is not so dependent on financial capital or major infrastructure, and is therefore an entry sector that can achieve quick results, especially important for poorer areas. It is also seen as a win-win option, designed to mitigate the economic needs of a local area and to protect the cultural and natural environment. However, balance is never an easy task to obtain.

There are a variety of criteria to prioritise actions and factors to consider include:

Relevance	**the greater the contribution to the Vision-Goals-Objectives, the better**
Mandate	the more consistent with (local) government body mandate, the better
Capacity	the less it requires new capacities, the better
Resources	The less costly, the better
Sustainability	have the impacts of the project been considered with respect to protecting the natural world and preserving the capability of the environment to support human life?
Time Frame	the more doable within the time frame, the better
Acceptance	the more support it can generate from stakeholders, the better

Sample Action Planning Template

LED Programme Title:	**Project Title:**	
Short Description of the Project (Project components and major activities):		
Expected Results (Objectives):	Target Group(s) (Population sector or geographical areas):	
Stakeholders:		
1.		
2.		
3.		
Project Manager:	Source of Funding:	
Activity	Timeframe	Outputs
1.		
2.		
3.		

ANNEXURE 9: MONITORING AND EVALUATION FRAMEWORK

Key Monitoring Questions:

- Has a monitoring framework been completed using the original objectives?
- Are there other monitoring specific objectives?
- What uncertainties are being addressed through the monitoring programme?
- Have performance measures (indicators) for monitoring been agreed to?
- What is the source of data?
- Who is to do the monitoring, data collection and evaluation?
- How often is the data to be collected?
- How will the monitoring process be documented and communicated?
- What happens to the data? Who gets access to it?
- How will it be communicated? How will the results be used and by whom?

Manager or Staff Responsible:					
Project Objective (monitoring criteria)	**Performance Measure**	**Baseline Measure**	**Year 1**	**Year 2**	**Year 3**
Objective 1					
Objective 2					
Data source					
Parties involved and responsibilities					
Documentation format					
Results: storage location, communication plan, and access					

Evaluation key questions:

Adequacy and Effectiveness	• **Has the action plan been satisfactorily implemented?** • **Has the action plan adequately achieved the stated objectives?** • **Have sufficient resources been organised to carry out the action plan?** • **Have the leadership and capacities of the individuals and organisations involved been sufficient?** • **Will the partnerships and networks formed in the LED process be sustained and strengthened?** • **Have the adverse impacts, both anticipated and unexpected, been**

	adequately addressed? • **Can the results be sustained?**
Efficiency	• Could resources have been used differently or been substituted to produce more results within the estimated costs? • Could the same results been achieved for less money or effort? • Would a strategy option plan have produced the same or better results at a lower cost? • Were the resources managed in the most efficient way possible to achieve the objectives?
Review	• Have circumstances changed? Have priorities changed? • Is the SWOT still valid? • Has new information been introduced that changes things? • What were the unanticipated impacts? What changes need to be made to address them?
Adjustment and recommendations	• How must action plans change to better meet objectives? • Have conditions changed so much that a complete review of objectives and actions is necessary?

Evaluation should eventually address this question: How well are the actions achieving the LED objectives? (by using the evaluation framework below)

Objective (evaluation criteria)	**Anticipated impact on objective (expected change from baseline performance measure)**	**Actual impact on objective (actual change from baseline performance measure)**	**Variation explanation**
Objective 1			
Objective 2			