

DEPARTMENT OF ECONOMIC AFFAIRS AND RDP



LOCAL ECONOMIC DEVELOPMENT
PROGRAMME
LED

INVESTING IN LOCAL JOBS
AND INDUSTRIES

LOCAL ECONOMIC DEVELOPMENT PROGRAMME FOR THE WESTERN CAPE

TRADE UNION
LIBRARY AND
EDUCATION CENTRE

PROCESSED

Ensuring through a holistic, consultative and integrative process, the economic viability of communities at the local level

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LOCAL ECONOMIC DEVELOPMENT PROGRAMME OF THE WESTERN CAPE

1. INTRODUCTION

Local Economic Development (LED) is one of the primary building blocks in terms of the economic growth and development equation for the Province. The primary challenges LED has the potential to address include the following:

- ❖ Job creation
- ❖ The building of an enabling environment that will encourage economic engagement by a larger number of local entrepreneurs
- ❖ Drawing together a number of critical partners and mobilising their energies and resources towards local economic growth and development
- ❖ Facilitating access to finance, markets, capacity building and business support services
- ❖ Creating the environment which will effect economic viability of local communities and their Local Authorities
- ❖ Linking local product development to provincial, national and international markets

There are many other fundamental challenges. The key issue though is whether people in their communities, especially rural and peripheral environments, are benefiting in real terms regarding the quality of their lives.

The LED programme will also give effect to the "Growth, Employment and Redistribution: A Macro Economic Strategy" framework that outlines the strategy for rebuilding and restructuring the South African economy. The document confirms Government's commitment: "It is Government's conviction that we have to mobilise all our energy in a new burst of economic activity. This will need to break current constraints and catapult the economy to higher levels of growth, development and employment needed to provide a better life for all South Africans." (1996:2)

Central to the LED process is the promotion and development of the SMME sector, an objective that is clearly outlined in the Macro Economic framework. Support mechanisms mentioned regarding the development of SMMEs include:

- ❖ Ntsika Enterprise Promotion Agency (non financial assistance)
- ❖ Khula Enterprise Credit Guarantee Limited (loan guarantees)
- ❖ Khula Enterprise Finance Limited (whole sale loans)

The above mentioned will be accessed along with a range of incentives and business opportunities to effect meaningful and sustained local economic development.

A multi-faceted and integrative approach to LED will be the programmatic thrust of the Department where key partners and respective resources will be mobilised.

2. CORE BUSINESS OF LED

2.1 Ensuring through a holistic, consultative and integrative process, the economic viability of communities at the local level.

This implies the following:

- ✦ Expanding existing economic activity through access to finance, markets, capacity building and business support processes
- ✦ Mobilising local resources, including capital, labour and institutional resources to foster local growth of industry and job creation
- ✦ Encouraging the development of new and innovative business activity including beneficiation, creative use of natural resources (found locally), forging partnerships with mega-projects and forming a range of strategic business alliances
- ✦ Actively advocating partnerships with key role players
- ✦ Actively encouraging networking and co-operation amongst companies and firms in a local area and strengthening linkages within the local economy
- ✦ Ensuring that more consumers become producers
- ✦ Facilitating access to the global economy

2.2 KEY GUIDING PRINCIPLES

The Department will be guided by the following **7 principles**:

1. The local area/region's future prosperity rests upon the survival and strengthening of its existing industries.
2. To increase the flow of long term investment funds into the local area or region.
3. There is a need to invest in human skills as well as industrial and economic infrastructure.
4. To mobilise local energies and talents to forge new employment opportunities.
5. Seek direct measures to reduce poverty.
6. To ensure public accountability and a return on investment from public funds.
7. Promote greater access to and opportunities for black persons, women, rural persons and disabled (economic empowerment).

2.3 KEY OBJECTIVES

- ❖ The launching of nine pilot programmes throughout the Province from which clear policy framework and programme of action will be derived for the whole Province
- ❖ The mobilising of all relevant stake holders and a range of resources (including training providers, government, tertiary sector, etc) as part of a major consultative and networking process to help to ensure the success of the Provincial LED programme
- ❖ The leveraging of financial, business, product and marketing support from a range of national and international resources within the context of the provisions outlined in the Macro Economic Framework and consistent with the Provincial economic plan
- ❖ Impacting on mega projects in the Province and negotiating linkages with local conditions that will reinforce LED and allow for the spread of economic resources
- ❖ The development and accreditation of Local Business Service Centres (LBSCs) and Manufacturing and Technology Centres (MTCs) strategically located throughout the Province with the capacity to assist communities regarding SMME support, development and refinement of leading edge technologies and the quest for higher quality goods at more competitive prices
- ❖ The mobilisation of intellectual property (Information) and training resources from research institutions, business schools attached to universities, NGOs and other
- ❖ Facilitation of a healthy environment for the ongoing refinement of frameworks, policy, programmes and perspectives through symposia, seminars and workshops
- ❖ The accessing of a number of Government incentives including Tax Holidays and other
- ❖ The promotion and development of Local Industry Parks (LIPs) that will facilitate the "from raw materials to consumer" production chain in the manufacturing industry
- ❖ The establishment of a LED Network Programme at a provincial level directed towards the 9 pilot programmes

2.4 STRATEGIC REQUIREMENTS

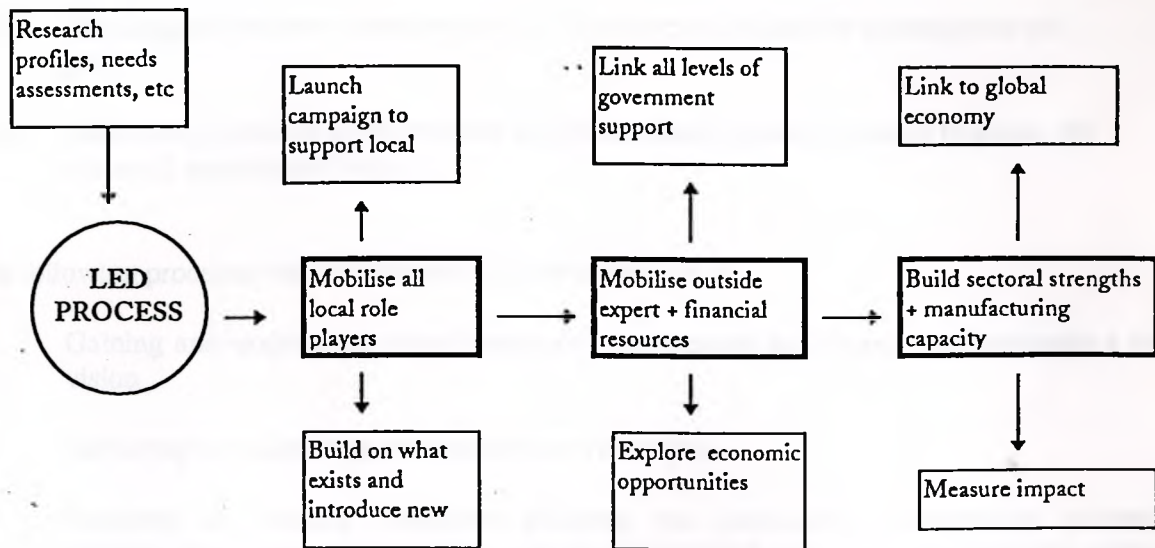
- 2.4.1 Two programmes have been launched in the Genadendal and Ashton communities which require immediate follow up. This includes detailed profiles of the communities, the formulation of an LED programme for each context including the setting of performance indicators, the nomination of facilitators that will drive the programmes and the corresponding costs.

- 2.4.2 The finalisation of an LED framework including a functional definition and proposed programme of action from the perspective of the Department
- 2.4.3 The interrogation of the Department's perspectives and thinking by a range of resources prior to the design and planning of a provincial symposium where the framework and programme will be refined
- 2.4.4 The gathering of research information, statistics and profiles that will inform all programme design and planning processes
- 2.4.5 The launching of an LED media campaign declaring the intentions of the Department and calling on all resources including communities to assume greater and collective responsibility for local economic development

3. PILOT PROGRAMMES

- 3.1 Nine pilot programmes will be launched throughout the Province for the following intended benefits:
 - ❖ The refinement of the Department's LED framework through concretisation and operationalisation for further application in other communities
 - ❖ Testing the success of forging partnerships and strategic business alliances that will build the local SMME sector, facilitate access (finance, products, markets) and allow for greater local economic engagement
 - ❖ Refining strategy for the application of government incentives and support mechanisms (e.g Khula, etc) for maximum local impact
 - ❖ Testing the efficacy of the LED programme in terms of a range of quality of life indicators and economic engagement targets
 - ❖ Refining approaches focusing on local economic development that will give effect and add value to the macro economic framework

3.2 CONCEPTUALLY THE FOLLOWING IS INVOLVED:



3.3 OPERATIONAL IMPLICATIONS

3.3.1 A series of community meetings and workshops are organised

3.3.2 Research processes are commissioned including community profiles, local skills register, assessment of current and potential economic activity, geographic information regarding natural resources and linkages with economic opportunities close to the relevant community

3.3.3 A number of documents are generated tabling the relevant information needed to help the community and its social partners formulate strategy concerning for example:

- * Market expansion + new market identification
- * Manufacturing potential highlighted
- * Beneficiation prospects
- * Linkages with Government and private sector investments (including mega projects)
- * SMME development and linkages with capacity building, finance and business support services
- * Strategic business alliances are negotiated and procurement opportunities are sought to help build the SMME sector through contracting

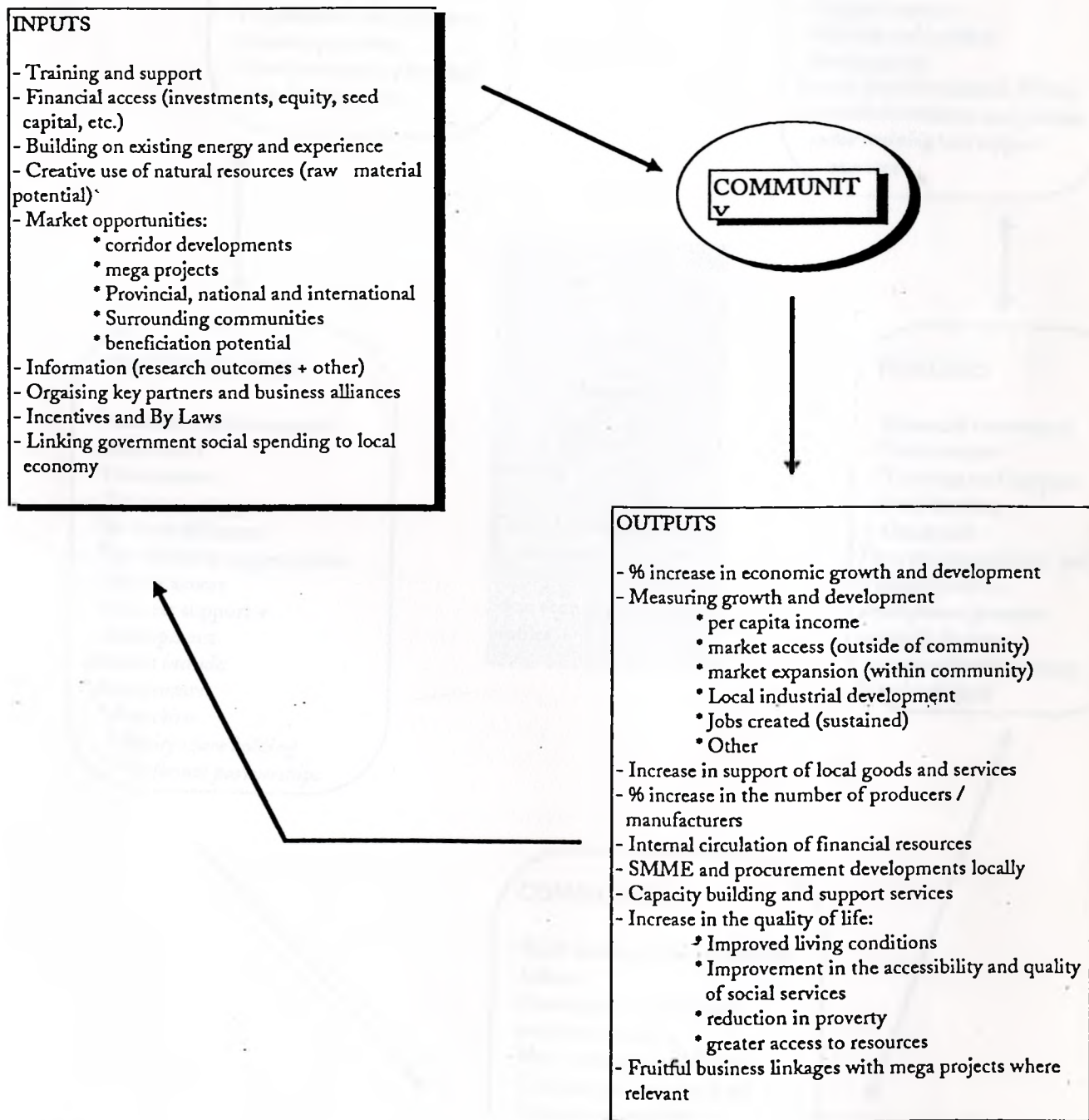
- 3.3.4 The above mentioned strategy are put into effect requiring workshopping, facilitation support, negotiations and institution building
- 3.3.5 The range of business processes and activity now realised are left to strengthen and grow
- 3.3.6 The entire process is monitored and at predetermined periods, evaluated to assess the extent of success and impact

The following processes will be followed in the nine pilot areas:

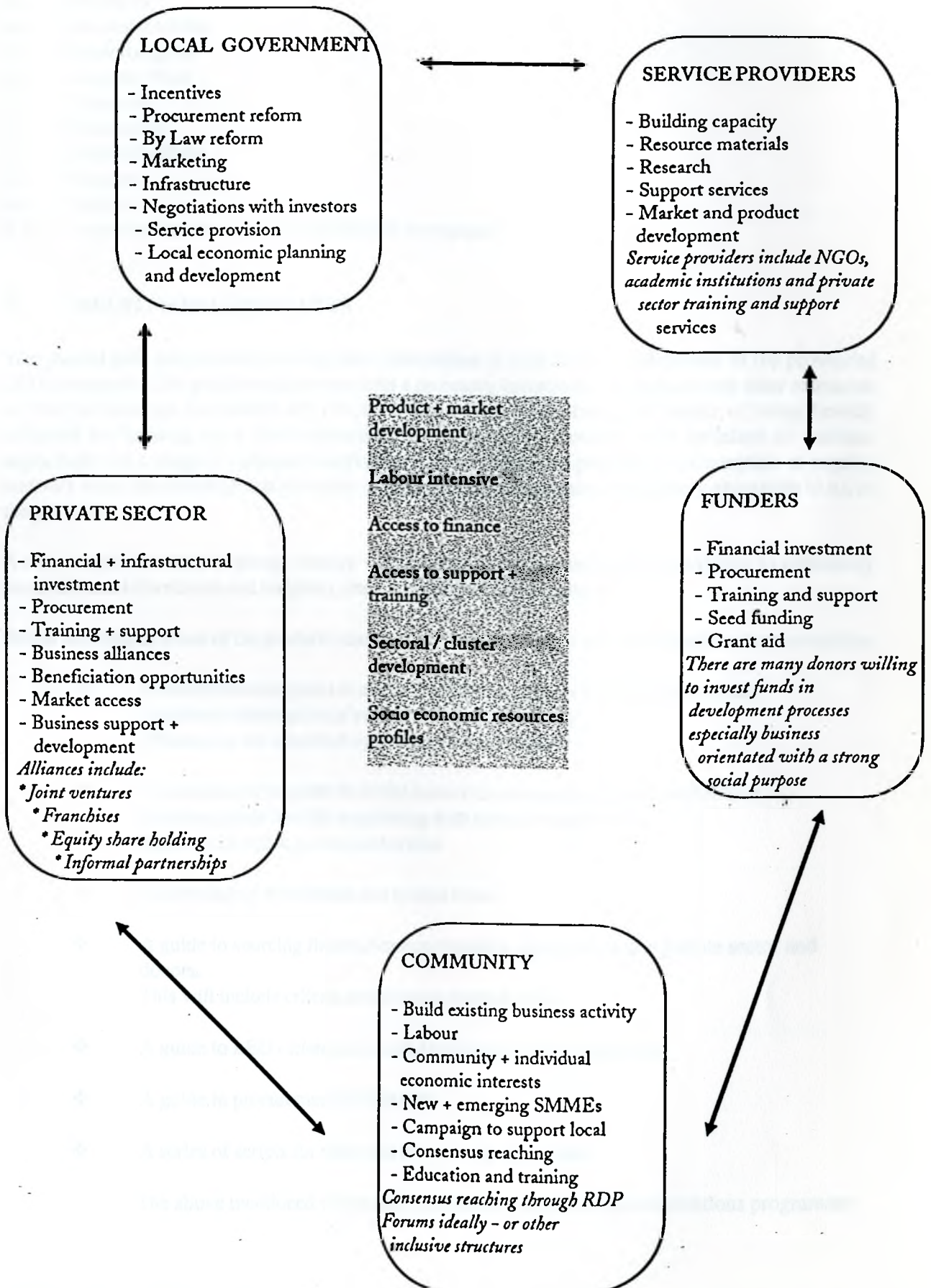
- ❖ Gaining and maintaining broad community involvement and support, and achieving a shared vision
- ❖ Exploring short and long term development strategies
- ❖ Building on existing resources including the community's competitive advantages, infrastructure, capital assets and, most important, the human resources available within the community
- ❖ Analysing strengths and weaknesses and choosing the most appropriate development opportunities
- ❖ Implementing an action plan
- ❖ Evaluating and adjusting the action plan on an on-going basis.

3.4 INPUTS AND OUTPUTS

The outputs / impacts / final end results are important to define and to transform into measurable indicators. The inputs refer to the range of resources (including human) that are invested so that the planned outputs are realised. Below is a graphic presentation of the inputs needed for the defined outputs:



3.5 PRIMARY PARTNERS IN THE LED PROCESS



4. THE NINE PILOT AREAS ARE:

- 4.1 Mosselbay
- 4.2 Montagu/Ashton
- 4.3 Plettenbergbay
- 4.4 Beaufort West
- 4.5 Vredendal
- 4.6 Genadendal
- 4.7 Mitchell's Plain
- 4.8 Guguletu
- 4.9 Atlantis
- 4.10 Any other key 'rural' towns strategic to the regions.

5. MULTI - MEDIA PRODUCTS

The planned pilot programme involving nine communities is critical to the refinement of the provincial LED programme. The pilot therefore represents a necessary investment of financial and other resources so that the learnings can benefit all. Despite this, the Department faces the danger of being heavily criticised for focusing on a few communities at the expense of others. It is therefore of cardinal importance that a range of resource material are made available for provincial consumption at regular intervals where the learnings and outcomes of the pilot programmes are immediately accessible to all in the province.

A communications and marketing strategy will be needed utilising multi media mediums to effectively share relevant information and insights gained through the pilot programmes.

Below are ideas of some of the products that can be developed for provincial and national consumption:

- ❖ A comprehensive guide to all the available incentives that can be accessed including a description of each and their applicability
[Please see the attached information on incentives]
- ❖ A comprehensive guide to all the incentives managed by Local Authorities including guidelines for negotiating with investors and donors.
This will aimed at Local Authorities.
- ❖ A compilation of business and market ideas
- ❖ A guide to sourcing finance from community, government, the private sector and donors.
This will include criteria and relevant contact details
- ❖ A guide to LED - *aimed at Local Authorities and communities*
- ❖ A guide to procurement for SMMEs
- ❖ A series of scripts for radio and television programmes

The above mentioned will be the products of a coherent communications programme.

6. OPERATIONAL PLAN FOR THE NEXT SIX MONTHS

Task name	Start	Finish	Jan	Feb	Mar	Apr	May	Jun
LED working framework + programme	13 / 1 / 97	31 / 1 / 97	↔					
Follow up 2 launches - Genad + Ashton	13 / 1 / 97	20 / 1 / 97	↔					
Refine provincial programme	13 / 1 / 97	20 / 1 / 97	↔					
LED symposium - planning committee	20 / 1 / 97	20 / 1 / 97	■					
Meeting: All Town Clerks	10 / 2 / 97	10 / 2 / 97		■				
Meeting: Line Function Depts re: LED	17 / 2 / 97	17 / 2 / 97		■				
Reactivate LSBC for pilot communities	27 / 1 / 97	30 / 6 / 97		←	→	→	→	→
Provincial symposium	19 / 2 / 97	20 / 2 / 97		■				
Meeting: Mega projects	24 / 2 / 97	17 / 3 / 97		↔				
Meeting: PLP managers	3 / 3 / 97	7 / 3 / 97		↔				
Meeting: Reps of Khula, Ntsika, T & I	3 / 3 / 97	17 / 3 / 97		↔				
Launch new pilot programmes	3 / 3 / 97	21 / 3 / 97		↔				
Develop multi-media products	17 / 2 / 97	26 / 5 / 97		←	→	→	→	→
Pilot impact assessment	2 / 6 / 97	30 / 6 / 97		←	→	→	→	→
Introducing local Industry Parks (LIPs)	3 / 3 / 97	30 / 6 / 97		←	→	→	→	→
Monitoring: 6 pilots	16 / 1 / 97	30 / 6 / 97	←	→	→	→	→	→
Pilot evaluation programme	23 / 6 / 97	27 / 6 / 97						↔

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During June, the evaluation programmes need to run simultaneously if possible so that July can become the month for review and strategy planning. Each pilot community needs to have its own strategy programme as the dynamics, needs and challenges will differ.

Recommendation: Two day review and strategy planning workshops where among other, the following will be determined:

- ⊙ Reviewing evaluation outcomes
- ⊙ Plan of action for the next six months
- ⊙ Redefining key performance indicators where relevant

The first *provincial workshop* to discuss the above mentioned and to invite input from a range of resources to take place on the **10 July 1997**.

7. HUMAN RESOURCE NEEDS

A full time person will be needed to ensure the success of the programme. It will be strategic though for the Department, given its limited capacity, to source out the following:

- 7.1 Management of the pilot programmes at a cost of R75 000 each
- Please refer to 3.2 and 3.3
- 7.2 The development and production of the media products needed
- Writing and production

7.3 Evaluation and strategy planning programme

8. COST PROPOSAL

It must be noted from the outset that the recommended budget of R500 000 will not be sufficient for the financing of the entire programme. While the Department will not make business finance available (seed capital, etc), the bulk of the planned expenditure will be on a range of enquiry processes, media production, facilitation, training and education. Costs will be set aside for the communications programme as well.

Below is a recommended budget:

The following needs to be noted:

- ❶ Most of the work will need to be sourced out as the Department does not have the human resource capacity to drive the programme.
- ❷ The sourcing out will need to be by normal tender processes
- ❸ The recommended per hour rate for consultants be set at a ceiling value of R200 per hour or R1 600 per day
- ❹ Other sources of funding need to be accessed as well

RECOMMENDED BUDGET

8.1 PILOT PROGRAMMES - NINE COMMUNITIES

Activity	Detail	Cost
1.1 Community profiling, surveys, market analyses, etc.	10 days @ R1 600	16 000
1.2 Monthly meetings	12 meetings @ R500 ❶	6 000
1.3 Media costs	R5 000 ❷	5 000
1.4 LBSC establishment	10 days @ R1 600 ❹	16 000
1.5 LED workshops / support programme	8 workshops of 2 days @ R1 600	25 600
1.6 Impact assessment	4 days @ R1 600	6 400
Total:		R75 000
Analyses: The total investment re: LBSCs		96 000
The pilot programme of six communities will amount to:		R 450 000
The media budget specific to the pilot (all six communities)		30 000

- ❶ These costs can include food, venue, basic materials, notices that need to be sent out and reporting relevant to each meeting.
- ❷ The LED development process needs to be tabled in detail including all profiles done, market analyses and potential, audit of local SMMEs, etc... This fund can also be used for multi-media marketing of the community and its economic potential.

- 3 The LBSC received funding from the Department of Trade and Industry through a protracted process. The investment of R16 000 per community will assist with the start up costs of the LBSC while it waits for funding from the above mentioned department. This funding will ensure its sustainability.

8.2 MULTI-MEDIA PRODUCTS

Activity	Detail	Cost
2.1 There will be a focus on six specific products to be developed for provincial consumption that will draw on the outcomes of the pilot programmes. These products will also provide invaluable information to Local Authorities, the private sector and communities. <i>[Please refer to 4. "multi-media products"]</i>	R8 000 per product including writing and production R8 000 x 6	R48 000

8.3 TRAVEL AND ACCOMMODATION FOR DEPARTMENT STAFF

Activity	Detail	Cost
3.1 The full time staff member that needs to co-ordinate and monitor developments will need to be travelling regularly to each pilot community.	Travel: 2 000Km per month @ R1.20 x 12 months = R28 800 Accommodation: R350 per night x 4 nights x 12 months = R16 800	R45 600

8.4 STRATEGY PLANNING

Activity	Detail	Cost
Each pilot community will need to do strategy planning for the next six months which includes incorporating all learnings and insights derived from the first six month process. <i>[Please refer to 5 "Operational plan for the next six months"]</i>	6 programmes of two days each @ R1 600	R19 200

8.5 DEPARTMENT MEETINGS

Activity	Detail	Cost
The Department will be having a series of meetings with for example, PLP managers, Mega projects, etc. These meetings could incur costs re: materials, food, venue and other	R500 per meeting x 2 meetings per month for 12 months	R12 000

8.6 CONSOLIDATED BUDGET

ITEMS	COST	NOTES
1. Pilot communities	R450 000	The programme exceeds the recommended budget of R500 000 by R98 800. Please note that the budget is for a 12 month period even though the operational plan covers the next six months.
2. Multi-media products	R 48 000	
3. Travel and accommodation	R 45 600	
4. Strategy planning workshops	R 19 200	
5. Department meetings	R 12 000	
TOTAL:	R574 800	

9. SOURCING OUT

The human resource capacity within the department is limited. The success of the LED programme depends on consistency and continuity. The following is recommended:

9.1 A shift to project managing activity rather than delivery by ourselves

9.2 The following to be sourced out:

- * Nine pilot programmes
- * Multi-media products (writing and production)
- * Strategic planning workshops

Consulting organisations to include NGO's, academic institutions, individual consultants and private sector consultants. Emphasis should be on Black providers.

10. IN CONCLUSION

The LED programme and process is critical to economic growth and development in our province. The success of the programme cannot however depend on our internal capacity which means that we need to develop the project management competence to ensure that work gets done on our behalf. This, given reality, is the way to go.

**WESTERN CAPE MINISTER OF ECONOMIC AFFAIRS
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