



Vuthela SPARK

IGNITING INCLUSIVE ECONOMIC DEVELOPMENT IN ILEMBE

Perspectives from the MEC of the KZN Department of Economic Development, Tourism and Environmental Affairs

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Editorial: Reflecting on the higher-level outcomes of the Vuthela iLembe LED Support Programme

The Programme Co-ordinating Unit (PCU) contract of the Vuthela iLembe LED Support Programme is moving to a close at the end of the third quarter in 2023.

The overall programme will however continue until December 2024 for the municipal infrastructure implementation projects being transferred to the municipalities. Our analysis is now increasingly shifting towards reflecting on the higher-level outcomes of the initiative, its successes and failures, the uptake and institutionalisation of new systems ie. sustainability, the longer term impact. It also means looking at the lessons emerging from the programme experience and the applicability or not of the programme model to resolve local economic and other development challenges elsewhere in the province or country.

In *Vuthela Spark 9*, the Provincial MEC for Economic Development, Tourism and Environmental Affairs (EDTEA), Siboniso Duma, reflects on the value of the Vuthela Programme as a comprehensive and multi-disciplinary Local Economic Development (LED) intervention at the district/regional level. The newly appointed Head of the Swiss State Secretariat for Economic Affairs (SECO), South Africa, Daniel Lauchenauer, looking on with fresh eyes and comparative global experience, cautions about the time that reform initiatives such as the Vuthela Programme take

to show real results and impact. He identifies the need for communication and dialogue in multi-agency initiatives, and the importance of partnerships. He also cautions about the notion of a "template" approach with regard to the replicability of development experiences from one context to the other.

The results of the recent iLembe Business Confidence Survey undertaken by the iLembe Chamber of Commerce, Industry and Tourism together with Enterprise iLembe were recently published for the year-end 2022.

The top requirements of business in the district were the refurbishing of ageing infrastructure, enhancing law enforcement, curbing community unrests, reining in the cost of doing business and removing red tape.

It confirms the critical role that government in general, but local government in particular, have in creating the conditions in which business can thrive, investment increase, and the district economy grow.

This issue also takes a deeper dive into District Development Agencies and the role that they play in local economic development, with a particular focus on the change management interventions supported by the Vuthela Programme at Enterprise iLembe to better position the agency to play a leading role in driving

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economic development, creating an enabling district business environment, enterprise development, investment promotion, and job creation in the iLembe district.

A key challenge for Enterprise iLembe remains going beyond SMME enterprise support and tourism marketing, as important as they are, to also develop the strategies, skills, and interventions to support pro-growth systemic competitiveness and the fostering of a business enabling environment in the district. If the iLembe district is going to achieve inclusive growth, it is going to need to get the growth momentum back into the district economy after years of muted growth, if not stagnation.

The recent placement of Gledhow Sugar Company in KwaDukuza in business rescue should serve as a further shot across the bows for greater urgency to address structural economic issues in the district in particular and the province and country as a whole.

Finally, Zama Soji, Key Expert for Vuthela's Public Finance Management (PFM) Component, reflects on the efforts to address business continuity challenges in the district and the proposed establishment of a Work Area Recovery (WAR) site, increasingly relevant given the social unrest of 2021 and the floods of 2022.



Perspectives from the MEC of the KZN Department of Economic Development, Tourism and Environmental Affairs

The KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs (EDTEA) supports the Vuthela Programme with programme administration.

In this article, KZN MEC for EDTEA, Siboniso Duma, shares perspectives on local economic development (LED) challenges and successes in the province and the role and impact of the Vuthela Programme in the iLembe district, through the lens of EDTEA's partnership.

What is your critical assessment of the role of partnerships between the government and private sector?

In local economic development, partnerships between the government and the private sector are key. The Vuthela iLembe LED Support Programme demonstrated that public policy must work alongside the private sector.

The Programme helped in making the planning and the delivery of soft and infrastructural projects both faster and better. Despite the reasonable success of the partnerships in the Vuthela iLembe LED Support Programme, there is a need to assess and confront the difficulties in the performance of multi-stakeholder collaborations at every stage of the contract for ease of implementation and future lessons.

What do you see as the key constraints holding back the economy in KZN province from attaining growth?

KZN's limited participation in international trade holds back the growth of the KZN economy. The province has not robustly taken advantage of its potential sectors and value chains such as those in agriculture, forestry and mining in order to massify its export capabilities thereby growing an economy that creates jobs.

The traditional manufacturing anchor industries in KZN have been left to either close down or not grow at all e.g. clothing industry, chicken farming, shoe manufacturing firms and others. That new manufacturing industries have not been established has not helped in growing the KZN economy.

Moreover, other challenges confronting the success of economic development in the KZN province entail a lack of local government capacity for implementation, inadequate funding for LED, weak development institutions, lack of effective planning methodologies and failure to manage participation at the local level. This is where the Vuthela model provided an intentional intervention thereby supporting local government to facilitate development.

A model resembling that of the Vuthela Programme can play a meaningful role in locality development albeit any replication for such should be influenced by context realities.



MEC of the KZN Department of Economic Development, Tourism and Environmental Affairs, Siboniso Duma

Do you think the model of a multi-disciplinary intervention such as the Vuthela Programme may be a useful model to address other challenges in the province?

The model brought together international experts, all three spheres of government, private sector consultancy services and development experts to contribute to providing technical assistance in the delivery of a special economic development programme. In other words, the Programme created a platform for various actors to collaborate and cooperate in pursuit of economic development.

From the Vuthela experience, the model has the potential to contribute towards maximising the efficiency of place-based economic development strategies and their implementation.

Arguably, a model resembling that of the Vuthela Programme can play a meaningful role in locality development albeit any replication for such should be influenced by context realities.

What do you think are the key lessons, both good and bad, that have come from the Vuthela Programme experience in iLembe?

Ongoing strategic conversations and adaptation are necessary in development – when the province was hit by the disasters (floods, social unrest and Covid-19), the Programme had to play a role in supporting government towards rebuilding the economy. This was a role that was not envisaged when the Programme was mooted. It must be pointed out that the Programme could have allowed more flexibility to intervene directly in supporting SMMEs.

Building project management capacity – the Programme helped build skills to:

- Manage projects with confidence;
- Avoid dangerous shortcuts and omissions;
- Monitor risks and correct trouble spots; and
- Put together a solid team and effective documentation.

The Programme created a platform for various actors to collaborate and cooperate in pursuit of economic development.

Leveraging of funding – the Programme assisted in pooling resources together to plan for infrastructural development and to unlock economic opportunities within a short space of time. The Programme was funded using donor funding combined with local government finances.

Infrastructural planning and public finance management – the Programme elevated the significance of planning for development infrastructure such as water and electricity among others.

In the conventional LED practices by municipalities planning for infrastructure would be a function for the Technical Department which happens in isolation to LED.

The same can be said with Public Finance which is a function performed in isolation from LED.

This Programme instilled the notion of a holistic view of LED implementation.

When the province was hit by the disasters (floods, social unrest and Covid-19), the Programme had to play a role in supporting government towards rebuilding the economy.

Vuthela Programme support to Enterprise iLembe

Since 2019, the Vuthela iLembe LED Support Programme has been supporting Enterprise iLembe to better position itself as a sustainable economic development agency with a central role in facilitating and driving economic development, creating an enabling district business environment, enterprise development, investment promotion, and job creation in the iLembe district. **Richard Clacey, Vuthela Programme Manager** shares insights into the process.



Enterprise iLembe is the District Economic Development Agency for the iLembe district in KwaZulu-Natal. It was established in 2006 and is a special-purpose municipal entity, with the iLembe district as the sole shareholder with a core mandate to drive economic development and investment promotion in the iLembe district.

Overview of DDAs/LEDAs

District Development Agencies (DDAs), or Local Economic Development Agencies (LEDAs) as they are often referred to generically in the international context, have had mixed fortunes in their effectiveness and impact in driving inclusive growth and job creation not only in South Africa, but also internationally.

The genesis of LEDAs goes back to the 1950s in Europe, where they were established to support reconstruction efforts to address the economic devastation of World War 2. Later, with the increasing pace of decentralisation, and the need for local governments to take on a broader

role beyond basic infrastructure delivery and service provision, as well as increasing competition between regions for investment in a rapidly globalising world, LEDAs emerged as vehicles for place-based development in more developed economies. In the global south and developing countries, LEDAs have emerged largely as a mitigating response to the negative impact of increasing globalisation and deregulation, and efforts to deal with economic exclusion, marginalisation and poverty.

South Africa experience

South Africa's experience with LEDAs was initially driven by the Industrial Development Corporation (IDC) which in 2004 launched the agency concept after visits to Russia and France and committed an initial R240 million to the development of 36 agencies in South Africa over the next decade. The key rationale for the establishment of agencies, according to the IDC at the time, was:

- Leveraging of local assets and place advantages;
- Municipalities were often not focused on economic potential due to extended mandates and were principally focused on addressing basic need priorities;
- Municipalities lacked specific capacity in relation to business and project management;



Richard Clacey,
Vuthela Programme Manager

- Municipalities were too focused on poverty alleviation projects and programmes – not sustainable and viable business opportunities;
- Competitive/comparative advantages lead to skewed investment and development; and
- The need to deal with market failure and the mitigation of risk to promote investment and economic growth. (S Nel, IDC, Nov 2017)

Core objectives – IDC

For the IDC, the core objectives of development agencies were to:

- Promote and develop economic potential on a local/ regional basis by building on opportunities which recognise the unique competitive strengths of a region/ district's economy;
- Leverage public and private resources for development linked to opportunities which offer economic and spatial development potential;
- Manage the spatial organisation of the area in a socially efficient manner, particularly using public land and targeted private projects;
- Develop and foster entrepreneurial potential and innovative activities which support and drive economic growth; and
- Strengthen the respective areas, real and perceived environment, so that they can compete effectively for capital investment necessary to develop their full economic potential. (S Nel, IDC, Nov 2017)

Key features

The key features of development agencies were that they were to be owned by the municipalities, to be special purpose vehicles straddling both public and private sector, and focused on catalytic initiatives, converting economic development plans into implementation. By 2017, the IDC reported that there were nine fully completed IDC agencies (of which Enterprise iLembe was one), but a further 11 agencies were eventually to be withdrawn (C Nel, IDC, Nov 2017). The Department of Co-operative Governance, and Traditional Affairs (COGTA) Local Economic Development (LED) Framework of 2016 stated that there were more than 30 LEDAs established and charged with the responsibility to implement LED programmes in South Africa.

At the KZN Cabinet Lekgotla held on 11-13 September 2012, it was resolved to establish DDAs in each district of KwaZulu-Natal as key economic drivers as identified in the KZN Provincial Growth and Development Strategy (PGDP). The KZN COGTA thereafter embarked on a programme to establish and support DDAs that would roll out high-impact and catalytic projects per district to address the identified capacity challenges.

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Some highs and some lows among iLembe business sentiments

The iLembe Chamber of Commerce, Industry & Tourism, in partnership with Enterprise iLembe, have jointly produced the iLembe Business Confidence Index (iBCI) year-end 2022 which considers economic and market-related aspects that have a bearing on the business mood amongst businesses in the iLembe district.

A concerted effort is required to address basic issues affecting business in the iLembe municipal district.

This is the finding of the iBCI year-end 2022, a collaboration between the iLembe Chamber of Commerce, Industry & Tourism and Enterprise iLembe.

The latest iBCI in the iLembe municipal district found that refurbishing ageing infrastructure, enhancing law enforcement, curbing community unrest, reining in the cost of doing business and removing red tape were top of the requirements for businesses to succeed and overcome the numerous structural and other economic challenges.

The measurement of business confidence is considered significant since it indicates the current and expected state of a region's economy. It is widely recognised that business leaders' subjective, individual expectations play a key role in business investment decisions. It is also considered as a good indicator of the overall business cycle in South Africa and its regions.

Challenges

The iBCI was shaped by a number of macro and local factors - Eskom's record levels of rotational loadshedding, record high fuel prices, and the impact of the Transnet strike in October 2022 on operations of the Durban Harbour.

At a regional level, the delay in repairing critical roads following the KwaZulu-Natal floods of April and May 2022, the closure of the adjacent Durban and wider eThekweni metro beaches due to critically high E. coli levels, and Tongaat Hulett's business rescue intervention towards the end of October 2022, formed the background to a challenging second half of 2022.

Highlights and key findings

- Negative business sentiment resulted in the iBCI 2022 Survey Index and Economic Activity Index both declining into negative territory, recorded at 49 index points, a decline of 1.1 index points compared to the first half of 2022, and a 3.7 index point decline year-on-year.

- The iBCI Survey Index component, in which regional business leaders and investors indicate their sentiment about the region's economic and business performance, remained in negative territory at 42.5 index points - the lowest level recorded since the first half of 2021. The iBCI Economic Activity Index component remained unchanged at 55.6 index points, the fifth successive period of positive economic prospects for the iLembe district.

- The performance of the business indicators included in the iBCI Survey Index was varied against the levels recorded in the previous survey period, with all the indicators, however, being in the negative.

- > Sales Volumes (45.5;>3.8), as a measure of business performance, return on sales efforts and trading location, and Order Book (38.5;<4.4), as a leading indicator of market depth and liquidity, remained firmly entrenched in negative territory.

- Levels of Employment (40.0;<4.2) remains persistently negative, symptomatic of the adverse events and economic conditions on employment and social security in the region.

- With regards to business confidence per economic sector, three sectors recorded positive business confidence, i.e. above the neutral level of 50 index points. These sectors were Energy, incl. Oil, Petroleum and Gas sector (51.3;-); Wholesale; Retail; Vehicle Trade sector (54.2;0); and Arts, Culture and Creative Industries sector (57.5;<5) being the most confident.

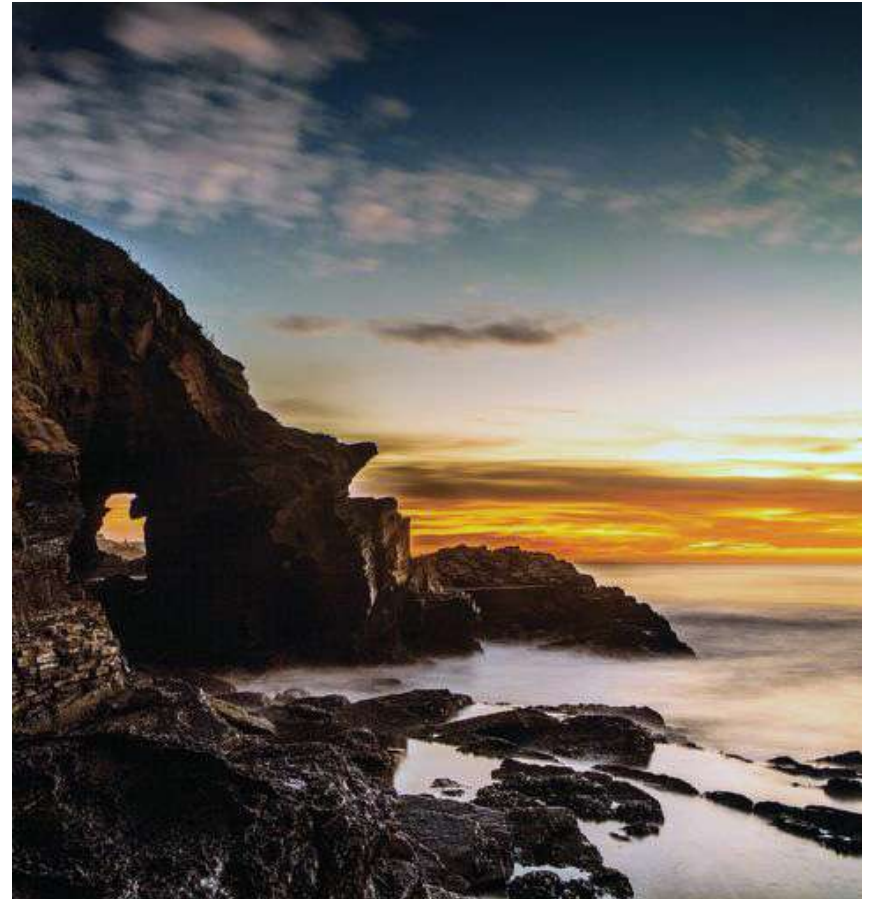
- Business sentiment in other prominent regional sectors was in the negative, namely Manufacturing; Assembly sector (30;<9.7); Agriculture, Forestry and Hunting sector (40.5;<14.0); Construction, Property Development, Property Sales sector (40.7;<6.6); and the Tourism, Catering, Accommodation, Property Management sector (44;>3.3).

- Business confidence in the Tourism, Catering, Accommodation, Property Management sector remained entrenched in the negative, despite a slight improvement from the gloomy sentiment expressed during the previous six-month period.

- > Responses indicated that general trade in this sector has not yet recovered to pre-Covid levels, and that international tourists, especially, are still less than 2019 levels.
- > Respondents indicated that 2022 visitor numbers were an improvement on the previous year and that domestic marketing is proving beneficial.
- > In addition to the impact of the cost of fuel on the travel decisions of holidaymakers, increases in revenue were negated by sharp increases in input costs, especially fuel for stand-by generators. One business reported that generator fuel equates to 2% of its turnover, whilst others reported that the need for electricity generation doubled their operational electricity expenses.
- > Several respondents highlighted the water quality issues which resulted in the closure of a number of Durban and wider eThekweni Metro beaches, and the confusion about whether those issues extended into the KZN North Coast. There was consensus among respondents that local tourism role players have their work cut out to ensure that the KZN North Coast brand does not experience collateral damage.

- Business sentiment in the Construction, Property Development, Property Sales sector continued its slump, with this key sector in the iLembe district's economy becoming the fifth least confident business sector.

- Sentiment in the Agriculture, Forestry, Hunting sector declined by 14 index points, mainly on the back of the Tongaat Hulett business rescue intervention and the uncertainty it placed on the entire sugar value chain, including cane supply, milling operations, refining, and animal feeds.



- The strike in October 2022 that crippled South Africa's ports, including Durban, contributed to business sentiment in the Transport, Distribution, Warehousing, Storage, Freight Forwarding, Shipping & Exports sector declining by 19.1 index points and resulting in this sector being the second least confident sector. The "dismal" road infrastructure repairs and maintenance following the 2022 floods have added a daily burden of inconvenience of operators in this industry.

- The Manufacturing, Assembly sector was the least confident business sector. Loadshedding/load curtailment, power outages, industrial and especially community unrest, inadequate security, and decaying and inadequate infrastructure in industrial nodes, continue to take its toll on this labour-intensive sector.

- The Mandeni Local Municipality (31.9;<4.1), which hosts the Isithebe Industrial Estate, the manufacturing heartland of the iLembe district, remained the least confident region in the iLembe district.

The most confident local municipality was Maphumulo (72.5; -), whilst KwaDukuza (43.5;<3) declined by 0.3 index points to entrench itself in negative sentiment.

Business outlook for next six months

The iBCI Survey component also reflects on business expectations and business outlook over the next six months.

Business expectations for the first half of 2023 remain negative, being recorded at 44.4 index points, 4.6 index points more negative than the current sentiment.

- The Activity Index of the composite iBCI remained unchanged in the second half of 2022 at 55.6 index points, confirming that the business potential in the iLembe region is at a better level than what businesses in the region actually experience.

- The two market-related indicators of *Market size and the economic decline*, and *Competitiveness and adaptability* were indicated by 60% of participating businesses as constraints to conducting business in the iLembe district.

- > The public sector indicators of Service Delivery & Infrastructure Provision (41%), Regulations and Compliance (31%), and Property Rates and Taxes (28%) were selected by all the business respondents as primary business constraints.

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Interview with new head of Swiss State Secretariat for Economic Affairs SA

The Swiss State Secretariat for Economic Affairs (SECO) provides financial and technical support to the Vuthela iLembe LED Support Programme. Daniel Lauchenauer, new Head of SECO South Africa shares his views on the Vuthela Programme.

The Vuthela iLembe LED Support Programme was designed to improve the business enabling environment of the iLembe district to support inclusive growth and employment creation through a comprehensive and integrated series of interventions. Although you have only recently taken over the role of Head of SECO South Africa, could you indicate early impressions of the relevance and appropriateness of this Programme or critical reflections from your fresh perspective?

I would like to express my gratitude for the opportunity to participate in this interview, particularly in light of the significance of the Vuthela iLembe LED Support Programme in our portfolio. The fact that my first project visit outside Pretoria brought me to KwaZulu-Natal highlights the importance we place on this initiative and my desire to gain a deeper understanding of its operations.

The Programme is an ambitious one, and I am aware that it has not been an easy journey to reach this stage. External factors such as the Covid-19 pandemic, public unrest, and natural disasters have undoubtedly contributed to the challenges faced. Despite these hurdles and the project's complexity, the accomplishments are noteworthy, and I want to commend the municipalities for their dedication to the initiative. The municipalities' commitment is a testament to the Programme's relevance and confirms that the approach taken was appropriate. It is important to recognise that the municipalities' involvement in the region's economic development will remain essential beyond Switzerland's direct support.

What lessons can be shared with the Vuthela Programme from similar programmes run by SECO elsewhere?

Three points I would like to mention here. Firstly, and I believe this is in line with the experiences so far, we have to be aware that reform processes take time. The Vuthela Programme has gone a long way in the past years, but there is still more to be done. Sometimes steps are incremental, and patience is needed. Secondly, the willingness to compromise can be challenging, especially when partners have different priorities or interests. However, it is essential to maintain open communication and dialogue throughout the process to ensure that all stakeholders feel heard and their concerns are

The institutional building and capacity development were crucial for the success of the Programme. They have also had a positive impact on the governance aspects, which is another essential factor for success...

addressed. Thirdly, the partnerships formed through the Vuthela Programme will have a long-lasting impact on the communities involved. They will help to build trust, cooperation, and social capital, all of which are invaluable in addressing future challenges and risks.

What lessons can be shared from the Vuthela Programme? What stands out for you as a key differentiating factor of the Vuthela Programme from other similar initiatives?

Undoubtedly, the institutional building and capacity development were crucial for the success of the Programme. They have also had a positive impact on the governance aspects, which is another essential factor for success underlying any developmental programme of this nature. Additionally, I would like to highlight the establishment of a dialogue forum for both the public and private sectors, which has created a "safe space" for discussing sensitive issues. This forum has been crucial for building trust and strengthening partnerships.

Do you foresee the Vuthela Programme being used as a template in other municipalities in South Africa or elsewhere to mount an integrated intervention to improve municipal finance, infrastructure planning and development, creating an enabling environment for private sector development as well as skills development for SMME development, and strengthening partnerships?

When we started the Vuthela iLembe LED Support Programme our objective was to pilot a comprehensive LED approach with a significant emphasis on governance and framework conditions. Looking at the successes but also challenges encountered, I am confident that many elements and lessons can be replicated and applied to



Daniel Lauchenauer, Head of SECO South Africa

other municipalities. Nevertheless, it's important to note that there is no guaranteed formula for development success through copying and pasting. Therefore I refrain from calling it a "template" which can be replicated to other areas. The need for holistically addressing development challenges at multiple levels however remains a crucial determinant for success.

Would SECO consider running a similar programme elsewhere in South Africa or in the developing countries that it supports?

Building on my previous response, we do not believe in a one-to-one replication approach and have no intentions of implementing such. Nonetheless, we see ourselves as a learning organisation and always take the lessons learned and success factors into account when designing new interventions, not only in South Africa but also in our other partner countries.

Any other critical comments you would like to add?

Although the current phase of Switzerland's direct support for the Vuthela iLembe LED Support Programme is concluding, we have not reached the end of the road. There is still work to be done, and it's even more vital that local partners take the lead. Switzerland's economic development cooperation is not abandoning iLembe and KZN. We intend to remain engaged and continue to collaborate on various levels. Additionally, I'd like to highlight that the embassy of Switzerland together with Trade & Investment KwaZulu-Natal are organising a business seminar on 11 May 2023. The event will focus on investment opportunities for Swiss companies in KZN, as well as vice versa.

iLembe business sentiments

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2021/22 Christmas holiday trading

Enterprise iLembe's Tourism Performance Bi-Annual Report for the period July to December 2022 indicates that Ballito, specifically, welcomed 108 447 visitors, with occupancy levels of 89%.

This was an increase of 24% compared to December 2021, and compared to 79% in 2019.

Respondents to the iBCI Survey component also indicated that 2022 visitor numbers were an improvement on the previous year and that domestic marketing is "starting to pay off".



Cobus Oelofse

Looking ahead

Cobus Oelofse, CEO of iLembe Chamber of Commerce, Industry & Tourism, said high inflation and a stricter monetary policy stance accompanied by electricity supply shortages (even during the holiday period) carried the prospects of tough business conditions ahead and placing a lid on economic expansion and fixed investment.

"Notwithstanding, established business' resilience and endurance could utilise the positive business prospects to its benefit and bolster business in the iLembe region. Tourism remains a pivotal activity for the iLembe region, and an important business link to other sectors with the potential to restore normality.

"Inflation is slowing and gives rise to a less strict monetary policy stance. This is supported by stabilising fuel prices.

"Increasing electricity and water tariffs, and more frequent power outages, could, however, contribute

to price instability and hardship amongst households and businesses. Unemployment will remain rigid and unacceptably high and could lead to further socio-political disturbances."

Linda Mncube, CEO of Enterprise iLembe, said the private sector and all levels of government within the iLembe district

are committed to dynamically partnering on specific initiatives to stabilise the economy.

"This will aid the viability and growth of small and medium enterprises and secure investment in key economic sectors and geographies in our district. The potential exists!"



Linda Mncube



iLembe Disaster Management Centre will serve as a Work Area Recovery site

A centre with great potential for housing key municipal services in the event of disaster has been identified to ensure a coordinated approach to business continuity in the iLembe District Municipality writes Zama Soji, Key Expert for Vuthela's Public Finance Management (PFM) Component.



Zama Soji, Key Expert of the Vuthela Public Finance Management (PFM) Component

The devastating impact of business interruptions caused by the Covid-19 pandemic, civil unrest in July 2021 and the April 2022 floods in the iLembe District Municipality has caused business continuity to be prioritised under the Vuthela audit and risk management project.

Having developed the business continuity strategies for all municipalities within the iLembe district, the question of how and where the municipalities should assemble to continue with their business had to be addressed.

During the execution of the project, the District Enterprise Risk Management Forum identified an iLembe District Disaster Management Centre (DMC) for consideration as a work area recovery (WAR) site.

This would allow those already identified as key/critical resources, especially from a crisis management aspect, to be able to follow a coordinated approach to any disaster effecting the district. The DMC could also serve as a central point in order to assess any potential risks or vulnerability to communities, mitigating disaster severity, ensuring emergency preparedness, promoting rapid and effective response, ensuring the provision of relief, and implementing necessary actions in line with applicable legislation.

While the DMC is situated in a floodplain site, the manager in charge informed the team that necessary precautions were taken into consideration when erecting the building to mitigate against the risk of flooding.

It is important that this risk is evaluated again to confirm that the building will be accessible in the event that flooding occurs.

The centre has great potential for housing municipalities in the event of disaster. However, critical issues of health and safety; accessibility; alternative electricity generation and verification of wireless connectivity capacity; as well as a failover solution as a backup, must be considered.

The DMC manager has also indicated that plans are in place to upgrade the centre and make the DMC a recovery site. However, due to limited financial resources, the iLembe District Municipality will have to consider external funding sources to upgrade the centre to enable municipalities to function and continue with their critical activities in the event of crises.

Clear road map

There is a need to develop a clear road map with an in-depth feasibility study involving all the key stakeholders and interested parties, in which the following would need to be considered:

- Formalise the agreed purpose of the DMC and align with district-wide strategies;
- Review ICT capability at the DMC, more especially in terms of capacity and internet security;
- Consider ICT access to all local municipality servers and requirements and see if cloud hosting is not a better and more cost-effective option;
- Civil engineering to review drainage capabilities, more especially around the access point and existing carpark, together with the adjacent municipal buildings;
- Installation of an external fire escape staircase, and ensure that all health and safety protocols and requirements are considered;

There is a need to develop a clear road map with an in-depth feasibility study involving all the key stakeholders and interested parties...

- Review the current back-up generating capacity supporting the DMC and that it is sufficient, that the generator is in a working standby condition, with service plan and fuel supply reserves;
- Consider alternative power generation using solar, battery storage and an inverter;
- Review seating capacity, more especially if one or more municipalities are facing a crisis;
- Consider creating a work area on the ground floor open area, thus increasing the seating capacity and to cater for any staffing disabilities;
- Upgrade the carpark area and improve the security of the site; and
- Prepare business plans to apply for external funding towards the upgrading of the DMC in order to create a state-of-the-art Disaster Management and Work Area Recovery Centre.



External view of the DMC from the carpark and the unused open ground floor space which lends itself to extended office space

Vuthela Programme support to Enterprise iLembe

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By 2018, Ugu, iLembe, uMhlozinga, uMgungundlovu, Harry Gwala, uThungulu and uThukela districts had established agencies, while Amajuba, Zululand and uMzinyathi districts had appointed development boards. (KZN COGTA, January 2018)

But development agencies have had to confront the same challenges that have bedevilled the broader policy and practice of LED in South Africa. These relate firstly, to the conceptual “dichotomy” or tension between LED as project-oriented poverty alleviation/welfare, on the one hand, and LED as the promotion of pro-growth systemic competitiveness and the creation of a business enabling environment, on the other. Secondly, there is the perennial challenge of ensuring greater integration and co-ordination between LED role players at national, provincial and local levels.

Furthermore, the current architecture of government, whether by constitutional design or compromised practice, has created an LED institutional environment of multiple contested and duplicated terrains of planning and delivery at the national, provincial, district, local and parastatal levels (IDC, Development Bank of Southern Africa, Small Enterprise Development Agency, etc) where joint accountability is low and sanctions for non-delivery and failure are either absent, or at best opaque. The presence of DDAs and the recent emergence of the District Development Model (DDM) have yet to reflect a material shift in these conditions.

Ongoing distrust

If inter-governmental co-ordination and partnership is hard to achieve, what LED analysts such as C Rogerson (2009) called “Cross Sectoral Partnerships” (CSPs) between government, business and civil society have proved even harder to establish, let alone sustain. A number of the LED assessments over the years have cited the ongoing distrust that exists principally between the business sector and local government, whose inherent tension around the capacity of the local state to deliver an enabling business environment, and the legacy of a predominantly white-controlled private sector, have prevented sustained programmatic partnerships that could strengthen local economies.

Rodgers 2016 noted that: “Notwithstanding the concerted efforts put into LED interventions, several factors have undermined the general performance of LED initiatives. These often include a poor awareness of what is LED, lack of understanding of local economies, human resource capacity and budget constraints, widespread corruption linked to state capture, the targeting of

unsustainable community-based interventions, weak business environments for the private sector, and the challenge of attempting to coerce market-based forces to function in spaces with the limited prospects of profitability.”

Vuthela support

Since 2019, the Vuthela iLembe LED Support Programme has been supporting Enterprise iLembe to better position itself as a sustainable economic development agency with a central role in facilitating and driving economic development; creating an enabling district business environment; enterprise development investment, and job creation in the iLembe district.

The first phase of this Vuthela Programme support comprised a detailed institutional assessment/diagnosis that was undertaken by Sigma International at both a programme and institutional level to determine the relevance, efficiency, effectiveness and impact of the agency with respect to its mandate, programmes, functions and activities. A key requirement of the assessment was to define specific areas requiring change, with a focus on strategic positioning, mandate, sustainability and an appropriate funding model.

The key findings related to the need for focus and streamlining the products and services of the agency, as well as finding a better balance between project-oriented poverty alleviation and LED as the promotion of pro-growth systemic competitiveness and the creation of a business enabling environment. Other issues related to governance with recommendations for a balanced Board of Directors drawn from both the public and private sectors and aligned to the key economic sectors in the district (tourism, agriculture, manufacturing, and property development and construction). Other findings related to compliance, performance management and partnerships. Assessments were made of the existing project portfolio and specific recommendations made on how to increase impact, sustainability or establish smart exit plans for non-performing projects.

Strategic model developed

Thereafter, Sigma International worked with Enterprise iLembe and role players to develop a five-year Strategic Plan and Change Management Framework for the organisation. A strategic model based on six key strategic themes was identified relating to relevance, impact, good leadership and governance, income diversification for sustainability, business agility, efficiency and productivity, and human capital development. Both the five-year Strategy and the Change Management Framework were formally approved in a resolution by the iLembe District Council on 19 October 2019.

The leadership of the agency was addressed through the appointment of a new representative Board in January 2021 with private sector representation from priority economic sectors in the district as well as financial, legal and economic technical competencies. A new Chief Executive Officer, Linda Mncube, was thereafter appointed by the Board in October 2021.



The two key change management projects emerging from the strategy formulation were:

a) the design, development and implementation of a Human Resource and Performance Management system, and

b) the design, development and implementation of an integrated Project Management and Project Finance Information System.

Human Resource and Performance Management System

The institutional assessment found several legacy weaknesses relating to the human capacity of the organisation including limited skills in investment promotion, project finance, project management, research, economic and project feasibility, risk management as well as a misaligned organogram for the outputs and objectives of the organisation. Furthermore, the assessment noted that performance indicators at organisational, unit and individual reporting levels were largely activity-based and lacked a results-based orientation. In formulating the five-year strategy, a specific goal, defined as **Strategic Goal 03: Strengthening productivity, efficiency, and agility through Human Capital Development** was developed, comprising two objectives: a) to strengthen the institutional capacity via an appropriately skilled, experienced, and productive workforce and b) to build an agile and efficient organisation that will enhance the entity's effectiveness and delivery.

To take this forward, the Vuthela Programme supported an intervention for the design, development and implementation of a Human Resource and Performance Management system assignment which was undertaken by LEAD HR Consulting during 2022 and completed by 28 February 2023. The project involved the following components:

- The formulation and Board approval of 18 Human Resource Policies;
- The review of the organisational structure, including structural organisational review, the formulation of a benchmark review report and the design, development and approval of a new structure aligned to the five-year Strategy and Change Management Framework.



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Vuthela Programme support to Enterprise iLembe

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- Following approval of the organisational structure by the Enterprise iLembe Board, a detailed job and competency analysis, and the formulation of 30 job profiles and grading, and finalisation and approval of job descriptions;

- Simultaneously, with the job and competency analysis, a skills audit was undertaken which revealed that in terms of the requirements of the newly constituted structure and job profiles and descriptions, a number of staff lacked or partially lacked the formal educational requirements and technical competence for their posts. Specific recommendations were made to remedy this situation; and

- The design and development of a Performance Management System including training of staff and management, the development of a Performance Management training manual, the formulation and finalisation of signed Performance Agreements which includes progress development plans, Career Development Plans and competency requirements.

The uptake of the Performance Management system is being tested and implemented in the 2022/2023 year, with its formal adoption in the 2023/2024 financial year.

Implementation of Strategic Project Assessment, Project Management and Project Finance Change Management Projects

The assignment was undertaken by Sigma International from 1 June 2022 until 28 February 2023 and comprised the following key requirements:

- To strengthen the strategic project portfolio and project management and information systems with respect to the following:

- > A rapid strategic assessment of the Enterprise iLembe current project portfolio and its alignment with the five-year Strategic Plan in respect of relevance, impact, and performance;

- > Guidance with respect to strengthening the project portfolio through the identification of potential projects and the formulation of at least five concept plans (including a financial plan/ identification of potential funding sources) to give effect to the five-year strategy (aligned to key sectors identified and being prioritised);

- > To focus on the Incubator programme, the agricultural section activities (but also including other current and emerging projects), with respect to establishing relevant indicators; establishing data base systems, integrating project management and financial management information systems;

- > Designing and establishing a robust Project Appraisal tool and manual to guide processes and criteria for the selection of new projects through Project Identification, Concept Note, Project Feasibility, Project Appraisal including financial impact; and

- > Based on review of existing practices, identify, source and implement a customised project management tool or manual process with templates integrated with financial management software, including Standard Operating Procedures for uptake.

- To strengthen the financial management and information capacity of the organisation through:

- > The development and/or improvement of systems, processes and skills/capacity relating to management accounting, integrated cash flow management, debtors and creditors, and real time management accounting with particular focus on the following: development of a robust (integrated) cash flow tool and processes that need to be adopted by management, financial staff, and project-related staff;

- > The review and alignment of current management accounting practices (for decision-making) to ensure that they are aligned to the decision-making needs of the organisation. e.g., a) by project, b) financial/project reporting, and c) measuring impact; and

- > The development of a comprehensive financial policies manual (aligned to best practice) that is followed and adhered to; and develop Standard Operating Procedures reflecting key financial management systems for standardisation, e.g., debtor and creditor management systems.

Strengths and weaknesses

The project management Status Quo Report reflected on several strengths of the organisation such as its involvement in several impactful socio-economic projects. Beneficiaries expressed appreciation for the organisation in their areas. There has been good progress in the development of strategic partnerships, and there was strong commitment from the management and staff to strengthen the organisation and its impact. In terms of weaknesses the Status Quo reflected on:

- Lack of time management for current projects;
- Siloed mentality across the entity's departments;
- ISO 9001 implementation (for which the organisation is accredited) which is at higher level and not embedded within Enterprise iLembe's operational processes; and
- Lack of commercial skills during the business development and project management lifecycle.

In terms of areas for improvement:

Project Identification/Appraisal - it was noted that there was limited evidence of project-structured prefeasibility/feasibility exercises undertaken within the organisation; project costing was not standardised.

In terms of **Project Initiation**, costing of the projects was not clearly defined and this resulted in the project management fee being arbitrarily set without any link to the total project value and the absorption of project resource's time (time is not recorded); project measurement appeared to be used in an ad-hoc manner to set performance targets and track project progress (no fixed documented framework in place); existing versions of business plans/project charters which provided the reporting/measurement framework lacked detail regarding resourcing and (in some cases) there was no methodology showing how Enterprise would oversee/manage project implementation.

For **Project Planning**, no Standard Operating Procedures existed to address work breakdown structure, stakeholder engagement, communication or risk management.

On **Project Execution**, the key gap related to the lack of automated data integration and reporting systems (between projects and financial reporting) to minimise errors; the need for ongoing project profitability analysis to be conducted and used for decision-making due to the siloed mentality (and operations) among staff and thus departments; and departments reported different project information (often conflicting) on the same project.

On **Monitoring and Evaluation**, the report noted the need for a structured, automated project level information system to be integrated with financial reporting of the entity. Various existing systems (MUNSOFT, Action Assist) were not being fully utilised to capture/report project level progress. There was no automated performance monitoring and evaluation tool tied to key risk indicators and there was no evidence of structured regular high-level monitoring and evaluation of projects. Hence, there was no proper project information dashboard/system as information was scattered and not systematically collated. The project close-out process was not formalised/standardised.

To strengthen project management systems, the assignment undertook the following:

- Five concept plans were developed providing for a detailed project format for Tourism, Container Economy, an Agri ESD model, Waste Management, and Multi-sector Incubator;

- A detailed Project Identification and Appraisal Framework including an excel toolkit was developed to ensure that only feasible projects were accepted;

- A robust MS-Excel based Project Management Information System (PMIS) was developed with formats populated for the full typology of projects (agricultural projects, incubator project/skills development and infrastructure) to ensure that the organisation became fully data-driven and evidence-based, allowing for integrated reporting and evidence-based impact; and

- Both the Project Identification and Appraisal Framework and the PMIS included a Standard Operating Manual to ensure full ownership and uptake, which was a critical aspect of the project during the latter aspect of the project through training, interactive sessions and the review of populated formats undertaken by Enterprise iLembe project staff.

The finance and project finance components proved more problematic as a result of the challenges of securing the support of the existing finance system service provider, MUNSOFT, to determine the extent to which it could provide a project level capability around project finance, particularly cash utilisation, that could be integrated with the PMIS. Following an extensive delay, it

was determined that this facility existed, but could only come into effect once the Enterprise iLembe Chart of Accounts had been restructured for the 2023/2024 budget which would allow for financial information to be fully captured at a project level and thereafter be formally adopted. A report relating to MUNSOFT additional capabilities was developed together with an interim cash flow tool pending the introduction of the new budget for the 2023/2024 financial year.

A further key product of the project was the Finance Manual which provided a fully standardised operating procedure for all financial management aspects including budgeting, debtors, supply chain management, LED projects and cash flow management.

The full results of the Human Resource, Project Management and Project Finance interventions, which are all highly integrated will only become fully evident later in the 2023/2024 year and require a high level of commitment of iLembe Enterprise management and staff.





WHAT IT IS ABOUT

The Vuthela iLembe LED Programme responds directly to the urgent need to address unemployment, poverty and inequality by accelerating inclusive local economic development and growth in line with the National Development Plan, the KZN Provincial Growth and Development Plan, iLembe District Municipality Growth and Development Plan as well as the Integrated Development Plans of the family of local municipalities in the district.

OBJECTIVES

The overarching objective and expected impact of the programme is to contribute to the improvement of the economic future of the iLembe District and the quality of life of its inhabitants, through sustainable growth of the local economy, and the creation of higher, better and more inclusive employment and income generating opportunities.

STATUS OF PROJECTS

Of the 43 project contracts, 23 have been completed, 13 are in implementation, two are subject to transfer to municipalities and five have been formally withdrawn.



WHO ARE THE PARTNERS?

The Vuthela iLembe LED Programme, is a joint initiative of the State Secretariat of Economic Affairs of the Swiss Confederation, the KwaZulu-Natal Department of Economic Development, Tourism and Environmental Affairs, the iLembe District Municipality, and the KwaDukuza and Mandeni Local Municipalities. The programme includes participation of the Ndwedwe and Maphumulo Local Municipalities.

THE FIVE INTER-RELATED COMPONENTS OF THE PROGRAMME

- ▶ **Public Finance Management** - strengthening the financial position of municipalities through better capacity to plan, finance and manage infrastructure investments and the provision of public services. skills development; greater investment in and growth of Small and Medium Enterprises, leading to increased employment.
- ▶ **Municipal Infrastructure** - improved planning and access to infrastructure services for development investment, effective and efficient service delivery, and sustainable growth.
- ▶ **Private Sector Development Component** - Address obstacles to doing business in the district by improving the regulatory environment and supporting
- ▶ **Building Inclusive Growth Component** - inclusive and sustainable growth and employment interventions to support SMEs in growth sectors.
- ▶ **Programme Management, Partnership and Co-ordination Component** - sustained partnerships and capacity for local economic development in the iLembe District, and the replication of the approach in policy elsewhere in South Africa.

CONTACT INFO: **Add:** Suite 29, First Floor, White House Centre, 13 Chief Albert Luthuli Street, KwaDukuza, 4450
Tel: 087 056 0945 **Email:** admin@vuthelaled.co.za **Website:** www.vuthelaled.co.za

