



Vuthela SPARK

IGNITING INCLUSIVE ECONOMIC DEVELOPMENT IN ILEMBE

iLembe District Development Model One Plan

Aligning planning and budgeting through the District Development Model One Plan

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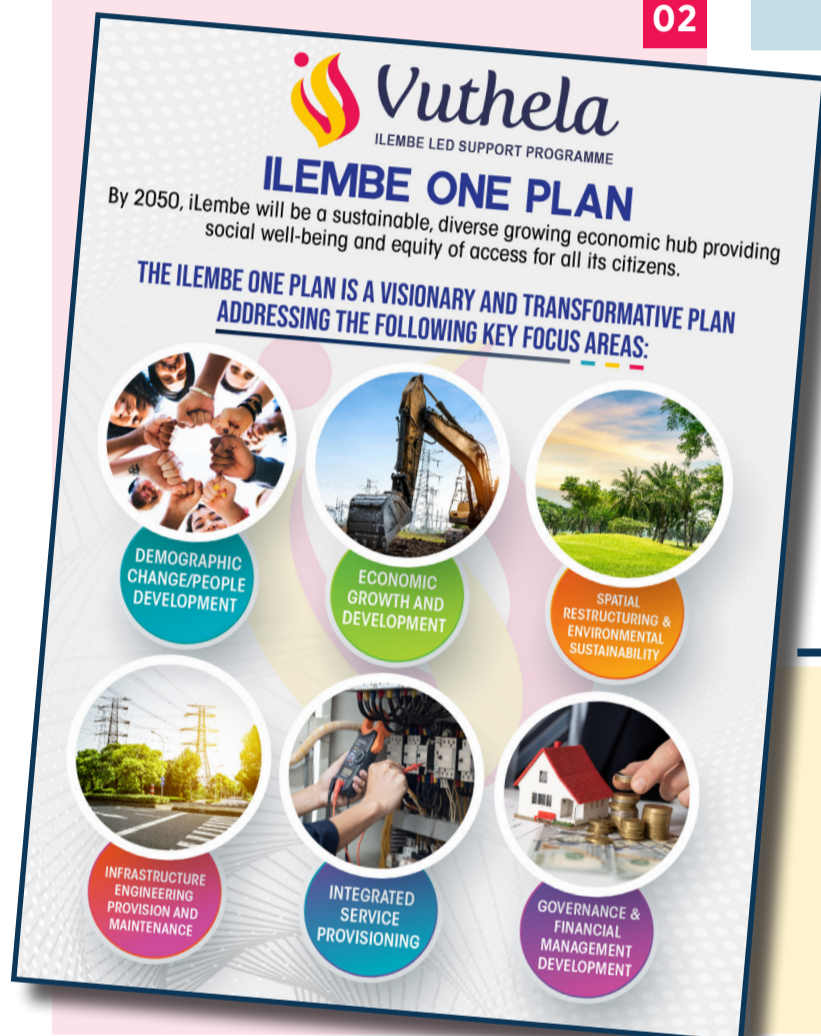
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Editorial: A comprehensive approach to Local Economic Development

Traditionally, local economic development practice, particularly in South Africa, has been largely limited to support for small medium micro enterprise (SMME) development, tourism and to a more limited extent, investment promotion.

What sets the Vuthela iLembe LED Support Programme apart from many local economic development initiatives is its comprehensive approach that sees inclusive economic growth and sustainable job creation as the outcome of well-functioning municipal finances, well-managed public infrastructure, an effective local regulatory system, together all enabling a supportive business environment for both established and emerging businesses. For this to happen, structured dialogue and partnership is required between the public sector, business, and civil society.

Local economic development requires an approach that sees the inter-connection between all these systems, and how failure or weaknesses in one aspect of the system has a knock-on effect on the other.

So, this month's newsletter covers the full ambit of this comprehensive approach. The Chief Financial Officer

for Mandeni Municipality, Nosipho Mngomezulu, tells us of the Mandeni Municipality's journey to strengthen its financial management systems to instil confidence from business and communities in the municipality's ability to prudently manage finances to better deliver infrastructure and services, through participating in Vuthela supported initiatives to better manage financial data, budget management, improve asset management and supply chain management.

The *Vuthela Spark* also focuses on the perennial challenge of the unspent electricity infrastructure capital budget in KwaDukuza over several years, and the critical interface between municipal infrastructure planning and procurement which requires strong cross-sectoral teamwork and optimum work processes between technical and financial departments in municipalities. As we all know too well, a stable and reliable energy supply is the lifeblood of a modern growing local economy and job creation.

No enabling environment for economic growth and job creation is possible without an uncompromising approach to dealing with fraud and corruption, and the newsletter reviews the assessment undertaken by SNG Grant Thornton, through the Vuthela programme, of the status of the anti-fraud and corruption strategies and

measures in place in the municipalities of iLembe, and steps required to improve them.

Vuthela Spark gives an update on the District Development Model One Plan for the iLembe District, an initiative from the Presidency and national government to better co-ordinate long-term planning and budgeting. The Vuthela programme has provided support in the formulation of the approved "First Generation" One Plan as well as the Comprehensive DDM One Plan which is currently undergoing further review and consultation.

On the SMME and skills development front, we look at the learning and experience coming out of the the Installation, Repairs and Maintenance (IRM) Hub project in the Mandeni municipal area.

Finally, but possibly most importantly, Franziska Sporri from the Swiss State Secretariat for Economic Affairs, the key partner and sponsor of the Vuthela iLembe LED Support Programme, reflects on the imperative for local economic development in iLembe to take full account of climate change and to ensure local economic development initiatives are designed to build resilience and reduce vulnerability to climatic shocks. After the devastating floods of April 2022, it would be only the foolhardy who would ignore this advice.



iLembe District Development Model One Plan



The vision of the iLembe District Development Model One Plan is that by 2050, iLembe will be a sustainable, diverse growing economic hub providing social well-being and equity of access for all its citizens, and to develop one integrated district says Sibusiso Mahlangu, Manager: Town Planning, iLembe District Municipality.

Located strategically about 65 km north of the eThekweni Metropolitan Municipality, iLembe is linked by the N2 coastal highway to Durban in the south and Richards Bay in the north, giving it access to the two largest harbours in Africa. Immediately to the south of iLembe within eThekweni, is the King Shaka International Airport and the renowned Industrial Development Zone (IDZ) of the Dube TradePort Corporation.

One district, one plan and one budget. That is the essence of the District Development Model (DDM) One Plan which aims to replace a “silo” approach with all spheres of government – local, provincial and national – aligning plans and resources to achieve the country’s developmental outcomes.

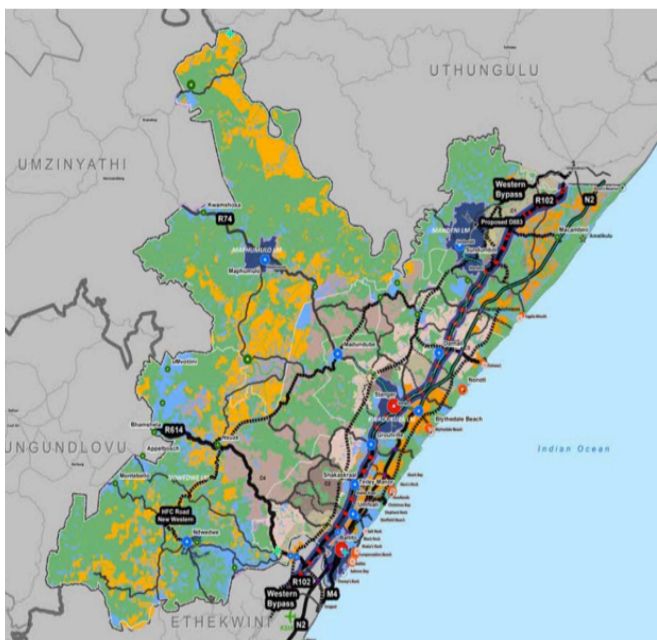
The Vuthela iLembe LED Support Programme is assisting the iLembe municipalities in the development of the DDM One Plan which presents an opportunity to approach planning and budgeting in a new way.

The DDM One Plan is a 25- to 30-year strategic plan with a vision to develop iLembe as one integrated area. President Cyril Ramaphosa in his budget speech in 2019 initiated the DDM One Plan as “a new integrated district-based approach to addressing our service delivery challenges [and] localise[d] procurement and job creation, that promotes and supports local businesses, and that involves communities”. Such an approach will require that national and provincial departments have district-level delivery capacity to provide implementation plans in line with priorities identified in the State of the Nation address.

One Plan will narrow the distance between people and government by strengthening the coordination role and capacities at a district and local level; ensure inclusivity through budgeting based on the needs and aspirations of the people and communities at a local level; build government capacity to support municipalities; and strengthen monitoring and evaluation at a district and local level.

In KwaZulu-Natal, the DDM is closely integrated and aligned with the Operation Sukuma Sakhe (OSS) programme model which brings together all service delivery stakeholders to provide services in an integrated manner.

The iLembe DDM One Plan includes the four local municipalities of Mandeni, KwaDukuza, Maphumulo and Ndwedwe as one integrated area.



The 2021 Spatial Development Framework of the iLembe district

The main areas of urbanisation and industrial development within the district are found within the KwaDukuza and Mandeni municipalities whilst Ndwedwe and Maphumulo municipalities are mainly rural in nature. Most of the rural inland areas are tribal authority areas, characterised by low-income households, subsistence farming and sparse municipal services.

iLembe is a leading commercial, industrial, property development and tourism destination in the province. With a current population of about 694 000, the district has been experiencing high urban growth over the last 20 years with an in-migration of people into the district from surrounding areas. This places the development of economic opportunities and the provision of social and infrastructure facilities and services under huge pressure.

The key long-term trends, challenges and opportunities that will direct future development of the iLembe district are the following:

- The population of the iLembe district will continue to increase from its current level of 694 540 persons to 787 078 by 2035 and possibly as high as 1,072 000 by 2055. iLembe is one of the municipalities in the province with the highest population and economic growth rates, creating the needs and opportunities for infrastructure development, higher levels of employment, basic service delivery and other social and socio-economic services developments.
- The existing rural-urban migration trend in the district is expected to continue, resulting in an increased demand for new infrastructure creation mainly along the broader coastal urban development corridor between Ballito and KwaDukuza. This is expected to progressively grow northwards toward the fast-growing Mandeni.
- While inward rural-urban migration and urban densification is taking place, the social and economic development needs of the rural areas of the district must receive attention. Sustainable provision of infrastructure, services, and the development of economic opportunities to enhance sustainable livelihoods, will remain focus areas in future. The development of the small-town urban nodes of Ndwedwe and Maphumulo will require continuous and focused attention.
- Poverty, inequality, and a lack of basic service delivery in especially the shadow urban corridor and the rural areas are imbedded characteristics of the district that must be addressed in future.

Unemployment levels are high, and the household income levels are low. Developing the skill levels of the people of the district is therefore important and needs to be addressed.

- The district is exposed to the threats of climate change. The frequency of droughts, floods and other extreme weather events is increasing. iLembe should therefore embrace new trends towards sustainable development and formulate long-term policies that place it in a position to engage meaningfully with environmental challenges.
- Maintaining the existing infrastructure in the district and meeting the demands for new infrastructure development as a result of the the high population and economic growth, are fundamental challenges in the district. The high levels of backlog of social and economic infrastructure, including basic services infrastructure such as water, sanitation, waste removal and electricity infrastructure, can only be addressed by adopting a well-coordinated approach between all levels of government and with the participation of the private sector and civil society.
- Economic development leading to employment creation is vitally important in the district. Policies leading to cutting regulatory and administrative red tape which hinders rapid business development, reviewing the industrial and commercial sector development policies and strategies of the district, and maximising the tourism development opportunities are important facets of growing the economy of the district. The application of innovative new technological products should be proactively pursued.
- The location of the district between the two most important harbours in Africa and the presence of the King Shaka International Airport and its associated Dube TradePort, are important cornerstones that should be used to propel the long-term economic development of the district.
- Investment attraction and retention remains a key priority in the district. The retention of the existing production factors and the creation of new businesses are very important to ensure the future growth of the district. Formulating policies on the provision of district-wide investment incentives and coordinating the raising of developer contributions by the local municipalities are important.

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ILEMBE ONE PLAN

By 2050, iLembe will be a sustainable, diverse growing economic hub providing social well-being and equity of access for all its citizens.

THE ILEMBE ONE PLAN IS A VISIONARY AND TRANSFORMATIVE PLAN ADDRESSING THE FOLLOWING KEY FOCUS AREAS:

DEMOGRAPHIC CHANGE/PEOPLE DEVELOPMENT

ECONOMIC GROWTH AND DEVELOPMENT

SPATIAL RESTRUCTURING & ENVIRONMENTAL SUSTAINABILITY

INFRASTRUCTURE ENGINEERING PROVISION AND MAINTENANCE

INTEGRATED SERVICE PROVISIONING

GOVERNANCE & FINANCIAL MANAGEMENT DEVELOPMENT

Fraud risk management reviewed to promote honesty and ethics



The effectiveness of systems in place to manage fraud and corruption within the iLembe district family of municipalities were assessed against legislative prescripts and best practices in order to identify gaps and opportunities for further development writes Thantaswa Mpetsheni, Enterprise Risk Manager at iLembe District Municipality.

Although municipalities have designated risk champions, there is still a need to capacitate them to ensure efficient execution of their responsibilities.

The risk management committees are chaired by independent chairpersons who support the municipal managers in discharging their duties in implementing fraud and corruption strategies.

Communities, especially ratepayers, and businesses, demand that municipalities promote a high standard of service delivery and strive to ensure that the administration at city or town hall is composed of competent and honest officials.

Municipalities, against the background of their statutory framework and as part of their vision to be credible, must introduce good governance practices that bring them closer to the people, empower communities, enhance integrity and ruthlessly deal with any form of fraud, corruption or maladministration.

It is in the interest of the public that all municipal staff must at all times conduct themselves with honesty and integrity, in order to safeguard the public resources for which they are responsible. For these reasons, the Vuthela iLembe LED Support Programme reviewed the effectiveness of systems in place to manage fraud and corruption within the iLembe district family of municipalities.

Corporate advisory audit firm, SNG Grant Thornton, reviewed anti-fraud and corruption strategies, policies, and fraud prevention plans to ascertain the effectiveness of the systems in place to manage fraud and corruption.

They also reviewed the preventative measures as outlined in the anti-fraud and corruption strategy, which include whistle-blowing mechanisms, fraud and ethics training, fraud risk assessments and awareness campaigns. A gap analysis was performed, based on best practice versus “as-is” status of fraud and anti-corruption programmes, and opportunities were identified for further development.

Fraud risk governance

Effective governance processes are the foundation of a fraud risk management programme. Lack of effective corporate governance undermines any fraud risk management programme. The organisation’s overall tone at the top sets the standard regarding its tolerance of unethical conduct, fraud and corruption.

Even though the risk management committees in all municipalities in the district have a responsibility for fraud risk management, some municipalities have not had discussions at their committee meetings on the implementation of their anti-fraud and corruption strategies and policies. The review also discovered that there is limited budget allocated for implementation of fraud risk management activities.

The risk management committee’s charter for all municipalities was reviewed and it was concluded that not all provide clear outlines for the committee’s duties, particularly relating to anti-corruption and fraud prevention. Risk management appears to be understaffed in most municipalities, which makes it difficult to implement the anti-corruption strategy.

All municipalities within iLembe have developed the enterprise risk management framework that is guiding risk assessment processes.

Accounting officers must ensure that a risk assessment is conducted annually to identify emerging risks of the institution and to review existing fraud risk registers.

A risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit effort and priority, and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all officials to ensure that it is incorporated into the language and culture of the institution.

Some municipalities do not have a detailed fraud risk register which is in line with the framework. As per fraud risk reviews, the action plans to be implemented were found to be a year apart. This exposes the municipality to fraud risks for a prolonged period of time. This further suggests that participants in the fraud risk assessment workshop may not have thought through the mitigation actions for the fraud risks identified, but rather inserted the dates for the sake of being compliant.

It is recommended that the mitigating action plans be split over four quarters of the financial year.

Municipalities are encouraged to use short and simple descriptions when identifying fraud risks for the layperson to understand. For example, “abuse of petty cash” could be “theft of cash, borrowing of cash and then paying back or loaning cash to employees from the petty cash to make money from the interest”.

Based on the findings above, it is recommended that the fraud risk registers at all municipalities be reviewed and updated to ensure that they include primary and secondary fraud risks listed.

Fraud training and awareness

The enterprise risk management framework and the anti-fraud and corruption strategy require “institutional arrangements regarding education, training and development” and for funds to be available for the training and development of employees. It was identified that at the iLembe district family of municipalities, municipal employees have not signed anti-corruption and ethics pledges and there are no integrity pacts in place for service providers.

Due to Covid-19 in the past two years, municipalities were only limited to social media awareness.

A district-wide awareness campaign, which also included the launch of the whistle-blowing hotline, was held on 23 June 2022, and the mayors within the district signed ethics and anti-corruption pledges. The hotline seeks to ensure a systematic management of whistle-blowing and fraud reporting incidents.

It has been recommended that municipalities must develop a training and awareness programme to educate employees and stakeholders on their anti-corruption strategy.

Ethical culture

The anti-fraud and corruption strategy states that: “The management of ethics goes beyond the prevention of fraud, corruption and misconduct. It aims to promote an ethical culture that infuses all decisions in an organisation as well as the way people interact with each other.”

During review of the anti-fraud and corruption strategy in relation to ethics, it was found that the preventative measures were not implemented, for example, completion of gift registers and declarations and interest.

It was recommended that executive management at municipalities should provide leadership in respect of ethics by living the values and being exemplary in so far as ethical conduct and behaviour are concerned. This should include issuing communiques on an ongoing basis promoting values of the municipality, ethical behaviour, and ethical culture.

Case management database

It was found that municipalities did not have a case management database. However, the whistle-blowing services recently appointed from 1 July 2022 have remedied this situation.

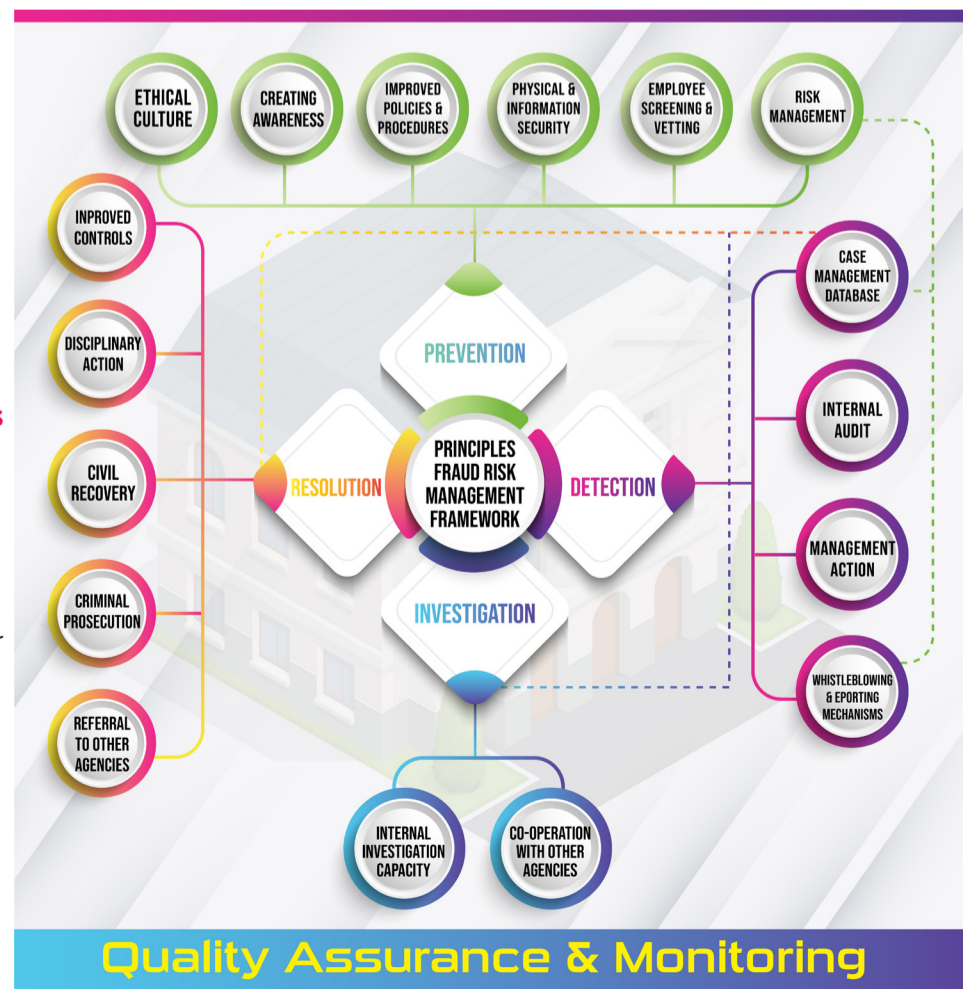
Whistle-blowing and reporting lines

District-wide whistle-blowing services have been launched and clearly identify reporting lines for incidents of fraud and corruption. It was noted that some municipalities have included the whistle-blowing policy in their strategies. It was recommended that they develop a stand-alone whistle-blowing policy.

The survey was conducted within iLembe district and the answers given confirm that there is general mistrust of the current whistle-blowing system in place.

It was recommended that municipalities must update their whistle-blowing policy and encourage employees to report fraud and corruption, even if it is made on an anonymous basis.

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Moves at advanced stage to curb under-spending at KwaDukuza electricity business unit



The supply of electricity in KwaDukuza has been under strain because of under-spending of the capital budget over a number of years. Steps have been taken to beef up supply chain management processes, and an improved rate of capital expenditure is being forecast for the 2022/2023 financial year says the Chief Financial Officer, Shamir Rajcoomar

Services at KwaDukuza Municipality, said the 10-year electricity master plan has a list of projects that need to be executed. He said if funding is available, the project is considered for the current financial year.

Sibusiso Jali, Executive Director: Electrical Engineering Business Unit, believes the prob-

When demand for electricity by residential and commercial users is short-circuited because of inadequate infrastructure, it is indeed a concern if the electricity infrastructure capital budget earmarked for electricity service improvements remains underspent year after year.

In the 2019/20 financial year, the electricity business unit spent R26 462 209,49 of its capital budget of R48 682 069,24 (54%). In 2020/21, it spent R39 967 450,31 of R80 247 230,00 (50%). In 2021/22, it spent R81 563 861,44 of R126 174 223,00 (65%).

The Vuthela iLembe LED Support Programme has two components that speak directly to the issue of efficient and effective infrastructure development and delivery:

- The Public Finance Management (PFM) Component seeks to strengthen the financial position of municipalities through better capacity to plan, finance and manage infrastructure investments and the provision of public services.
- The Municipal Infrastructure (MI) Component seeks to improve planning and access to infrastructure services for development investment, effective and efficient service delivery, and sustainable growth.

The Vuthela programme has undertaken specific interventions to support KwaDukuza Municipality such as a review of the electricity master plan and two PFM projects – an audit of the SCM system and a SCM capacity building programme. But despite these interventions, the problem of electricity capital budget underspending remained unresolved.

In an effort to better understand and learn from the limited success of the interventions to date, key role players in the electricity infrastructure delivery system were interviewed to share their perspectives on the issue and the steps that were being taken to resolve the problem.

Upgrade programme

KwaDukuza Municipality has embarked on a programme to upgrade its networks to stabilise and improve the quality and firmness of supply. The upgrades which have thus far been undertaken are in line with the findings of the energy master plan network study.

For the southern network, KwaDukuza Municipality has upgraded the Shakaskraal/Hilltop/Business Park 33 kV overhead line and associated network equipment from 19MVA capacity to 30MVA capacity. A firm 30 MVA capacity has been secured via the Eskom Driefontein substation and has reduced overload situations considerably. The planning and design for the KwaDukuza Municipality substation is at an advanced stage.

Duma Mhaule, Director: Electrical Engineering

lem lies with the SCM system and processes for projects that did not get off the ground, resulting in underspending of the capital budget.

He said it took a long time to source a contractor due to SCM compliance processes. Sometimes a tender is cancelled and must be re-advertised. Six months can go by without any funds being spent. "Hence, there will be a rollover of funds to the next financial year."

He said the tender evaluation committee which sits once a week sometimes lacked a quorum and this delayed the appointment of a contractor. When a contractor is eventually in place, the availability of spares could be a problem. A specific switchgear could take four months to be delivered if manufactured overseas.

Jali said there was a time when contract documents were only three pages. Now they are almost 50 pages and most of the information had to do with compliance and nothing to do with the actual tender.

He added the bid evaluation committee lacked the discretion to overlook a small mistake or omission.

Contractors are required to comply 100%. This also resulted in tenders being cancelled.

The issue of material delivery also caused delays. Previously the municipality carried a large supply of items. Now all contractors must procure their own material.

Shamir Rajcoomar, Chief Financial Officer at KwaDukuza Municipality, has a very different perspective, and points to capacity constraints within the electricity business unit itself, resulting in delays and subsequent rolling over of funds.

Low capital expenditure

He said the KwaDukuza Municipality has been faced with relatively low capital expenditure. Over the years, the root causes of, and factors contributing to, low capital expenditure have been identified and steps have been taken to improve in this regard.

Some of the interventions that have been implemented over the past few years included the following:

- Restructuring of bid committees.
- Capacitation of bid committees.
- Setting up of three bid specifications committees as well as three bid evaluation committees.
- Separation of the bid specifications and bid evaluation committees for the electricity business unit and civil engineering business units, with the majority of members serving on these committees coming from the respective business units themselves.

Rajcoomar said additional human resources within the demand management unit of the SCM section had been employed.

Reporting procedures have been improved and standard operating procedures have been revised.

Budgets are now approved at least one month before the commencement of a new financial year as are procurement plans put in place.

A panel of consultants to drive the various projects approved for the electricity business unit has been appointed. This would include project design, compilation of specifications, conducting the departmental evaluation of the tenders and project management of the various projects.

There has also been the appointment of a panel of contractors to attend to various repairs and maintenance to electricity infrastructure; the appointment of a panel of contractors for various electrical capital projects; and the appointment of a panel of contractors and suppliers to supply various electrical components required by the electricity business unit.

Rajcoomar said various operational and management vacancies in core service delivery departments, including the electricity business unit, had been filled.

"It must be pointed out that the above interventions were also directed at other key service delivery departments.

"These interventions have assisted certain business units, such as the civil engineering business unit which achieved an overall capital expenditure for the 2021/2022 financial year in excess of 95%."

Continuing challenges

He said similar interventions, however, did not appear to resolve the low capital expenditure challenges experienced by the electricity business unit. Some of the reasons for this include:

- Non-responsive bids to various tenders advertised. This results in the tender being cancelled and re-started.
- Unsuccessful bidders lodging appeals against the decisions of the tender committees. This delays the final award pending resolution of the appeal by the tender appeals committee.
- Relevant bid committees not meeting the quorum requirements.
- Non-availability of critical electrical components due to upstream supply chain challenges being experienced by manufacturers and wholesalers.
- Delays in the submission of the departmental evaluation reports to the various tender committees.
- Delays in the electricity business unit of submitting deferred items back to the relevant bid committees.
- The February 2022 Constitutional Court judgment on the lawfulness of certain provisions of the Preferential Procurement Regulations (PPR) of 2017, had an impact. This effectively put a stop to tender processes, pending further advice and guidance from the National Treasury.
- The devastating impact of the April 2022 floods which delayed various projects.
- Delays in obtaining various approvals for critical infrastructure projects of extremely high value which contributed to delays in commencement of the procurement processes.
- Unreliable cash flow forecasts on some of the bigger and more strategic capital projects which gave rise to delayed processes for raising financing for the projects.

Rajcoomar said the municipality had made tremendous progress in addressing overall SCM-related challenges.

"However, it appears that capacity constraints within the electricity business unit itself, compounded with the above matters, have largely contributed to historically low capital expenditure.

"It must be mentioned that the above challenges have been largely addressed during the course of the 2021/2022 financial year and most of the major strategic projects have either been finalised through the SCM processes, or have advanced sufficiently through the SCM processes, to the extent that we forecast an extremely high rate of capital expenditure for the electricity business unit for the 2022/2023 financial year," he said.

Public Finance Management upskilling bears fruit in Mandeni



Mandeni Municipality's budget and treasury office is already reaping benefits of public finance management interventions initiated by the Vuthela iLembe LED Support Programme, says Chief Financial Officer, Nosipho Mngomezulu.

The Vuthela iLembe LED Support Programme embarked on strengthening the Public Finance Management (PFM) component within Mandeni Municipality, as part of its overarching mandate to contribute to the improvement of the iLembe district and the quality of life for its residents.

Sound financial management practices are essential to the long-term sustainability of municipalities as they underpin the process of democratic accountability.

As part of its overarching mandate to contribute to the improvement of the iLembe district and the quality of life for its residents, the Vuthela iLembe LED Support Programme embarked on strengthening the Public Finance Management (PFM) component within Mandeni Municipality.

The Vuthela PFM project activities include a single indigent register; development charges policy, systems, and implementation; data cleansing; budget management training; revenue policy review and revenue enhancement strategies; supply chain management skills audit; SCM policy review and capacitation programme; asset management training; councillor capacitation; audit and risk management; and procurement management.

The following are some of the benefits that have accrued to Mandeni Municipality's budget and treasury office from the support provided through the Vuthela PFM interventions.

Data cleansing

The project objective was to assist streamlining the processes of maintaining customer data and cleansing of data with a view to update records and enhance debt collection.

The project started in June 2019 and was completed in June 2021. Approximately 5 600 customer accounts were submitted for data cleansing. The process included the submission of customer data for verification and authentication with the Credit Bureau, Department of Home Affairs, and Companies and Intellectual Property Commission (CIPC) among other platforms. A comprehensive report was produced which furnished the municipality with current full contact details of customers and their economic statuses.

Upon completion of this project, the municipality was able to update the billing data with a view to collecting from those customers whose debt collection propensity was ranked above 60%. The municipality was able to:

- Reduce return mail.
- Get more information on property owners.
- Develop a working relationship with Department of Human Settlement in terms of property ownership through the title deeds project initiated by the Vuthela Private Sector Development Component.
- Develop a debt collection strategy.

Budget management policy

The project objective was to assist strengthening budget management, reporting, improving budgeting for capital projects as well as repairs and maintenance, and policy and standard operating procedure (SOP) review.

The project started in July 2020 and was completed in July 2022. The project assisted the municipality in the preparation of adjustment, draft and approved budgets. With the implementation of Municipal Standard Chart of Accounts (MSCOA) since 2017, which has been a challenge in most municipalities especially for budget managers and the CFO, the project was able to assist the municipality to ensure a better understanding of MSCOA by all role players, as this had previously only been associated with finance while it is an organisational responsibility. This includes ensuring that MSCOA is understood from the Integrated Development Plan (IDP) up to the reporting stage of the municipal processes.

Technical support was provided to the municipality, where the appointed service provider had one-on-one engagement with municipal finance officials. Relevant budget and treasury office staff were assessed to ascertain their learning needs in the execution of budget management responsibilities. This assisted in the formulation of the training plan which was successfully rolled out.

There has been significant improvement from the commencement of the project to address the findings

raised by the Provincial Treasury, which demonstrates the growth in knowledge obtained from training sessions. The project also assisted with:

- Reduction of findings from both Provincial and National Treasury.
- Policy review.
- Development of budget management procedure manuals.
- Staff capacitation.
- Understanding of MSCOA transacting and reporting.

More than 10 training sessions and workshops were attended by the municipality, including a session with senior municipal officials. Municipal officials were also equipped with strategies on how to budget for disaster, given the disasters that the municipality has been faced with since 2020.

Asset management

The project objective was to capacitate officials in asset management and improve their ability to implement good practice asset management systems.

The project assessed the asset management practices of the municipality, and fixed assets register, policies and procedures, and infrastructure reports were reviewed. This further included staff and asset management unit assessment. Some improvements have already been noticed.

Supply chain management

The project objective was intended to capacitate SCM officials and end-users, with a view to improve demand, contract management, and functionality of bid committees

The project started in December 2019 and was completed in August 2021. It focussed on developing strategies for addressing the Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE). From this project, the Vuthela programme assisted the municipality in developing a UIFWE strategy and policy, which is being partly implemented. Irregular expenditure is closely managed since there is clear guidance on how to deal with such expenditure when it occurs.

Further to the strategy, a skills audit of municipal officials was undertaken to establish learning needs to identify relevant training interventions to improve staff capacity in SCM as well as other role players. Seven training sessions were attended by municipal officials, and there are already improvements, especially on audit findings in relation to the implementation of SCM policy and regulations.

The Public Financial Management cycle



Fraud Risk Management

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Pre-employment screening and vetting

At the iLembe district family of municipalities, the human resources departments are supposedly not consistent in performing full vetting of all employees. There are no ongoing checks or screening of employees working in high-risk business areas such as the supply chain management, security and finance departments.

Municipalities have been advised that since people's situations change, it is important to monitor employees for red flags of potential fraud and corruption. There should be ongoing screening of employees in high-risk business areas.



SMEs supported to grow their business and the local economy



The Installation, Repairs and Maintenance (IRM) Hub project in the Mandeni Municipality is providing local SMEs with business development support and coaching says Shannon Moffett, the Building Inclusive Growth expert in the Vuthela iLembe LED Support Programme.

When a construction company lost essential tools during the July 2021 civil unrest, it was in much need of assistance.

Thanks to the Installation, Repairs and Maintenance (IRM) Hub project in the Mandeni Municipality which is supported by the Vuthela iLembe LED Support Programme and implemented by the National Business Initiative (NBI), Indrani Govender of Ricinz Construction was put back on her feet.

The project which focuses on SMEs and unemployed youth, is providing support to 19 local IRM SMEs with business development support and coaching.

Indrani's background is in retail and she was boarded for post-traumatic stress disorder after a horrific accident and then being robbed at gunpoint. She started Ricinz Construction after finally having "the guts to go into business on my in own" in 2010. In its early days, she submitted 36 tenders, never giving up hope until she was finally awarded a tender on the 37th attempt.

Ricinz started with grass cutting and landscaping and then saw business opportunities during winter when those services hit a lull. Ms Govender signed up on different programmes to branch out into other areas the business now offers. Ricinz shifted to construction as its core business, focusing on building, plumbing, civils, paving and carpentry. The business now offers three stand-alone but complementary services, namely, construction, electrical and telecommunications.

Ricinz is registered with all relevant associations and has won many awards over the years, some of which offered financial support which was pumped back into the business. Ricinz has also won awards for job creation for women and youth in rural areas.

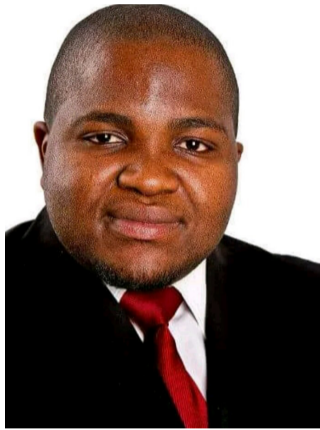
Ms Govender explained that entrepreneurship is a very lonely journey, especially as a woman in a male-dominated field.

"There are times where I am in desperate need of assurance, so I have been able to just pick up the phone and call the IRM business advisor who is there to listen, mentor and advise, and give support during difficult times.

"Finance is the lifeblood of the business. I had always had problems with not having the right accountants or accounting systems, but through the project's support, a reputable accounting company was appointed, and I now have accounting systems that have been set up so I know that my finances are in order."

Business advisor for the IRM Hub programme, Siphon Nkosi, echoed that a major stumbling block for SMEs is financial management practices, especially where they are experiencing sudden growth or have secured large contracts which necessitates that they make significant financial outlays.

"Our main focus in the project is to support these SMEs in business development, compliance which is a big requirement for SMEs, access to finance and link-



(L) Thakasa Qhoshha of ThakasaQ Trading Enterprise; (R) Indrani Govender of Ricinz Construction



ThakasaQ Trading Enterprise installed new sewer line for the new offices of Mandeni Drivers License Testing Centre

ages to market, optimising how business owners run their businesses," said Mr Nkosi.

A requirement for the businesses that were onboarded is that they need to create employment opportunities for graduates of the Umfolozi TVET College in the artisanal skills. An innovative part of the project is that some of the SMEs are being supported to create sub-contract opportunities for the other SMEs which are in start-up phase.

"To date, three SMEs will be provided with an online web-based accounting system and access to bookkeeping support by chartered accountants. They are assisted with budgeting, cash flows and tax compliance," said Mr Nkosi. Also benefiting from the programme is the emerging home-based ThakasaQ Trading Enterprise, a civils service-oriented company which was established six years ago with a vision to create first-class integrated services and business solutions with efficient logistics follow-ups.

Owner, Thakasa Qhoshha, explained, "I am grateful for the support in administration and accounting principles to keep the business healthy and viable, and enable it to grow. It is often taken for granted that these areas are understood and managed by small businesses but failure to do so is detrimental in the long run."

For him, a key area of support has been in networking. "Businesses these days rely on networking. Through the programme, I have registered with all relevant civil and business bodies and associations and anticipate that this will bear fruit," said Mr Qhoshha.

Identifying market opportunities and using innovation to do so has been an encouraging part of the programme. Mr Qhoshha explained, "We have identified a key opportunity in upgrading an access road in the area which is used every day but is a dead end. We have been supported through the project to take this idea and develop a proposal which we are waiting feedback on."

Mr Qhoshha says he is benefiting from what he is learning about marketing and balancing quality service offerings with costing and time taken on specific contracts. The business is working on this, developing brand products, and online presence through website and social platforms.

For both of these SMEs, employing local staff is key and both Ms Govender and Mr Qhoshha are passionate about his.

"It is all about changing people's lives and job creation so if I can create a job for one person, this makes it satisfying for me. My greatest asset is my staff, and Ricinz employs learners and graduates from the Umfolozi TVET College. My motto is that we rise through raising others."

THE INSTALLATION, REPAIR AND MAINTENANCE (IRM) INITIATIVE

The National Business Initiative (NBI) manages the Installation, Repair and Maintenance (IRM) initiative in the country and is a large-scale programme to expand skills and employment across the infrastructure value chain.

Adopted as part of the framework agreement at the 2018 Presidential Jobs Summit, the IRM initiative is embedded in the Presidential Youth Employment Intervention (PYEI) and the EERP Skills Strategy.

The aim is to expand opportunities for job retention and job growth in IRM enterprises in a range of industries within the infrastructure value chain including manufacturing, plumbing, electrical, general maintenance, domestic appliance repair, welding, carpentry and electronics repairs.

Supported by the Vuthela iLembe LED Support Programme, the IRM Initiative operates at the interface between supply and demand, unlocking the demand for skills in these various industries and supporting and enabling TVET institutions to respond to this demand through agile and flexible occupational training combined with structured workplace learning.

Sponsor attributes Vuthela programme's success to great partnerships



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The Vuthela iLembe LED Support Programme was designed to improve the competitiveness and resilience of the iLembe district through a series of support programmes, writes Franziska Spörri, Head of Economic Cooperation and Development, South Africa, programme sponsor Swiss State Secretariat for Economic Affairs (SECO).


backlogs, unlock new opportunities through infrastructure investment, develop skills and entrepreneurs, and tap into new markets and value chains.

Climate change and its effects on local economies also necessitate that developmental programmes incorporate interventions that will build resilience, whilst reducing vulnerability

between the public and private sector is helping to improve processes linked to building plan approvals.

Support has been provided to improve municipalities' plans in key infrastructure sectors, with further support underway to improve asset management systems, automation of electricity monitoring systems and dealing with non-revenue water and electricity. Public financial management skills and capacities are being expanded. Skills and entrepreneurial development projects are already harnessing the opportunities of iLembe's human capital, especially the youth, while opportunities are being explored to further develop a sustainable and environmental-friendly e-waste sector.

Last but certainly not least, coordination and collaboration between stakeholders is assisting iLembe to not only recover from the recent external shocks, but to also plot a way forward to grow the local economy. Enterprise iLembe has been strengthened to play an active role in this regard together with the municipal counterparts. These are just a few positive impacts.

These results can only be attributed to the great partnerships that were formed to drive this process, the ownership of the programme at all levels, and hard work. I and my team, namely Gerhard, Judith, Shakespear and Seabelo, together with our colleagues from SECO Headquarters, Lorenz, Gisela, Philippe and Jennifer, want to use this opportunity to thank all our partners for bringing the programme to fruition. In the words of Henry Ford: **"Coming together is a beginning. Keeping together is progress. Working together is success."** 

It is with great pleasure that we at the Swiss State Secretariat for Economic Affairs (SECO) can look back over the last six years of our partnership with the Vuthela iLembe LED Support Programme.

It has not been an easy ride. After seeing the effects of not only the Covid-19 pandemic and the 2021 July unrest on the communities and businesses of iLembe, we learnt with great sadness about the loss of lives and properties caused by the floods of April 2022. Our deep-felt condolences go out to the people of iLembe.

But these challenges also brought clarity on what needs to be done when pursuing local economic development. Not only is it critical to strengthen the institutional fibre of the iLembe district (including its municipalities, its agencies, its labour and private sector), but it is also important to address service delivery

to climatic shocks.

This is exactly what the Vuthela iLembe LED Support Programme aims to achieve – it was designed to improve the competitiveness and resilience of the iLembe district through a series of support programmes, namely public financial management capacity at municipal level, infrastructure planning and development, private sector development through creating a more enabling environment and skills development, building inclusive growth, and strengthening partnerships and coordination for a more proactive and comprehensive response to economic challenges.

While the external environment has been really challenging over the last two years, we are very much encouraged by the positive results that we are seeing. Not only have homeowners in pilot project communities received their title deeds, but an active dialogue

iLembe District Development Model One Plan

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The vision for iLembe One Plan is:

"By 2050, iLembe will be a sustainable, diverse growing economic hub providing social well-being and equity of access for all its citizens."

iLembe One Plan is a visionary and transformative plan addressing the following key focus areas:

- Demographic change/people development.
- Economic growth and development.
- Spatial restructuring and environmental sustainability.
- Infrastructure engineering provision and maintenance.
- Integrated service provisioning.
- Governance and financial management development.

Key factors influencing future development

These focus areas provide the basis for putting the district on its future growth path. Key factors influencing future development are:

- Acknowledging the global digital transformation of economies and creating opportunities and infrastructure development;
- The need for sustainable development that has significant implications on long-term planning, including:
 - *Renewable energy.*
 - *Responsible infrastructure development.*
 - *New economic thinking in line with green initiatives.*
 - *Multi-stakeholder collaboration and collective action.*
 - *The use of new technology.*
 - *Better provision for equity of access by gender, youth, and disability groups.*
 - *Elevating public awareness for sustainable future economic development.*

Long-term goals

The long-term goals of One Plan are:

- To create a transformed and diversified economy that can provide jobs, attract investment, and create livelihoods for all citizens.
- To establish a new understanding on economic growth that better addresses human needs and makes more efficient use of natural resources.
- To develop communities that cater to local needs, giving priority to the vulnerable, provide functional support and participation to become the cornerstone of human dignity.
- To establish iLembe as a hub of socio-economic development by means of its urban-rural linkages in terms of public transportation, accessibility, and spatial equity.
- To create a biological diverse environment as a core element of civic space, and urban and rural development.
- To develop iLembe with robust infrastructure and bankable projects that boost social development, health, wealth, access to education, public safety, and high standards of living.
- To achieve breakthroughs in computing, mobile connectivity, innovation, and advanced intelligence with the ability to provide new services and service delivery systems that truly benefit everyone.
- To coordinate an effective, efficient, and reliable public and private partnership mechanism to effectively manage challenges.
- To formulate bold policy responses that better foster innovation, technological change, social cohesion and prudently increase productivity.

Joint and collaborative planning at all levels of government with the involvement of private sector and civil society, lies at the core of the current One Plan. It is therefore necessary that the key programmes are related to institutional building and capacitation, such as:

- Formulation of a new social compact: revitalisation of the iLembe Economic Development Facilitation Committee (iEDFC).
- Institution of permanent committees of national, provincial, and local government officials, private sector and civil society that aligns to the cluster committee structures to plan and monitor implementation of the DDM.
- Addressing the financial sustainability of the district and local municipalities.
- Formalisation and institutionalisation of the DDM One Plan procedures and processes in the district: the cluster, technical and political sub institutional structure to be aligned to municipal decision-making and monitoring.
- Alignment of the DDM and IDP process with specific reference to the full involvement of the national and provincial sector departments in the planning process.

The One Plan should be supported through legislation and regulatory framework for assigning responsibilities and for implementation and monitoring.

The way forward

An initial draft of the iLembe One Plan has been circulated to national, provincial, and local government stakeholders for comments and inputs. An updated draft of One Plan will be circulated to all public and private stakeholders once it has been reviewed by the relevant structures within the DDM institutional framework. The structures are four DDM sector clusters and the technical and political hub. There are plans to host a district-wide DDM workshop before finalising One Plan by November this year.





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, the 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

The programme comprises 43 projects (contracts) across the five components of which 18 have been completed, 12 are in implementation, one is awaiting contracting, one is in evaluation, four are being finalised for contract tendering and seven have yet to commence.



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.
- ▶ **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 skills development; greater investment in and growth of Small and Medium Enterprises, leading to increased employment.
- ▶ **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.

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