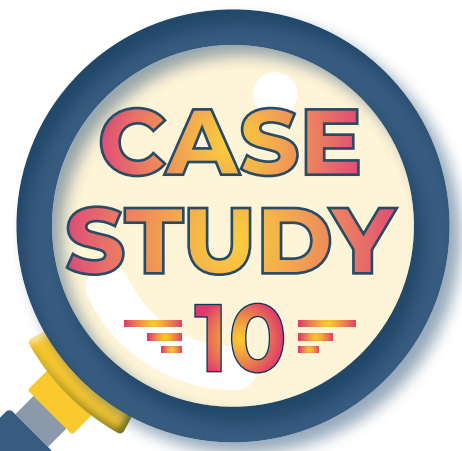




Vuthela

ILEMBE LED PROGRAMME



**CASE
STUDY**
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Vuthela iLembe LED Support Programme: Close Out Study



A Case Study in the iLembe District of
KwaZulu-Natal, South Africa

December 2023



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
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Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO



KWAZULU-NATAL PROVINCE
ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA



enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

Introduction

The Vuthela iLembe LED Support Programme was undertaken in partnership with the iLembe District Municipality, the KwaDukuza and Mandeni local municipalities, the KZN Department of Economic Development, Tourism and Environmental Affairs (EDTEA), National Treasury (NT) and the Swiss State Secretariat for Economic Affairs (SECO), the Official Development Assistance (ODA) partner over a six-and-a-half-year period.

The programme has still to run for a further one-year period to December 2024, to see to the completion of municipal transferred implementation projects.

Institutional arrangements included local, provincial and national government in South Africa, International Development Partners, International Finance Corporation (IFC), United Nations Industrial Development Organisation (UNIDO), SECO, and the contracted private sector Implementing Agent, Mariswe (Pty) Ltd who was contracted to operate the Programme Co-ordinating Unit (PCU). The iLembe Chamber of Commerce, Industry and Tourism was included as a partner in the Programme Steering Committee.

Programmatic structures

The partners were contractually bound by the programmatic structures.

The Project Management Team (PMT) comprising representatives for the partners, oversaw the development and implementation of the programme, providing direction to the PCU, and



reviewing progress reports, workplans, budget and approving key decisions. The PMT members drawn from the three municipalities were responsible for ensuring close communication and feedback between the programme and the municipal beneficiaries.

The Programme Steering Committee (PSC) which comprised mayors, municipal managers and other senior staff from the municipalities, as well as key national and provincial agencies with an LED mandate and the iLembe Chamber, was to serve as the main policy body overseeing the project execution, providing strategic guidance and oversight of the programme established in line with the general requirements of the Programme Agreement.

The Project Steering Committees enabled ownership of interventions by municipal heads and staff and other actors, depending on the project thematic area.

As the formal Implementing Agent, the role of the KZN EDTEA was to draft all foundational documents of the programme, facilitate presentation to KZN Provincial Cabinet and

to take legal responsibility for the contract to manage the PCU.

The Vuthela Programme aimed to strengthen the business enabling environment in the iLembe district for inclusive, sustainable growth through systemic interventions, reforms in municipal finance management, infrastructure development, municipal regulatory environment, and supporting enterprise skills training and partnerships and economic governance arrangements.

The programme rationale was simple, based on the need for strengthening municipal finances to improve management of infrastructure investment and public services, improved planning and access to infrastructure services for development, investment and sustainable growth, addressing obstacles to doing business in the district, by improving the regulatory environment, supporting skills development and growth of SMMEs and sustaining partnerships and capacity for local economic development.

Relevance 11 years on

Although designed in 2012, the challenges that the programme was designed to address still persist today, 11 years later, and remain a key priority and relevant to all municipalities, illustrating the long-term nature of system reform interventions and the time it takes to achieve results and impact.

These key priorities are:

- Efficient management of the municipal revenue cycle.
- Developing coherent and predictable Development Charges and Incentive policies.
- Eliminating under-budgeting on infrastructure and under-expenditure on

infrastructure budgets.

- Addressing Non-Revenue Water (NRW) and Non-Revenue Electricity (NRE).
- Developing Asset Management Systems and Maintenance Budget Allocation based on life cycle costing of infrastructure.
- Effective infrastructure planning.
- Developing an integrated Indigent System.
- Speeding up development approval processes.
- Assisting SMMEs (including youth enterprises) with business skills development, competitiveness, market access, finance.
- Most LED still largely remains limited to poverty-focused local government-grant funded projects.
- Structured public-private partnership arrangements remain unrealised.

The Vuthela Programme addressed five key components of municipal management:

- Public Finance Management (PFM) – strengthening the financial position of municipalities through better capacity to plan, finance and manage infrastructure investments and the provision of public services.
- Municipal Infrastructure (MI) – improved planning and access to infrastructure services for development investment, effective and efficient service delivery and sustainable growth.
- Building Inclusive Growth (BIG) – inclusive and sustainable growth and employment interventions to support SMEs in growth sectors.

- Private Sector Development (PSD) – address obstacles to doing business in the district by improving the regulatory environment and supporting skills development, greater investment and growth in SMEs leading to increased employment.
- Partnerships & Cooperation (P&C) – sustained partnerships and capacity for LED in the iLembe district and the replication of the approach in policy elsewhere in South Africa.

The conceptual design of the programme cut across the long-standing debate in South Africa between addressing poverty directly and stimulating economic growth by combining both needs.

The design reflected the need for ease of business interventions targeting both established and emerging SMMEs, together with youth skills and startup support, and the need for infrastructure planning to address long-term economic infrastructure in addition to addressing short-term basic needs infrastructure backlogs.

The iLembe district was selected for the programme as it demonstrated a history of high growth but also significant poverty that required addressing.

The programme identified synergies between municipal finance, municipal infrastructure and municipal regulatory functions like development approvals and building plans and sought to address key challenges relating to management, financial management and economic infrastructure planning and delivery shortfalls in municipalities.

Summary of successes

Key successes include the completion of 37 out of 44 planned, scoped and funded projects and leveraging an additional budget of R69 million through technical submissions, including the implementation of a Supervisory Control and Data Acquisition (SCADA) system in KwaDukuza municipality; implementation of a comprehensive asset management system in iLembe district; creating greater awareness on the planning and use of renewable energy; update of development charges policies to be more transparent and concise; updated Indigent Policies and an automated District Indigent Register and improvements in contract management.

The programme also included oversight and support of several programmes which were procured directly by SECO; iLembe ICT, iLembe ease of doing business, the Umfolozi TVET employability study, and the Installation, Repair and Maintenance (IRM) project.

An independent Public Expenditure Framework and Accountability (PEFA) Assessment identified three high impact PFM projects:

- Accredited Municipal Leadership, Finance and Oversight Capacity programme with 35 certificated councillors and senior managers.
- Updated the Indigent Policies for each municipality, aligned and installed the automated indigent register that is used by all municipalities in the district. This included training of staff and the implementation of the system which is currently being institutionalised.



- Improvement in contract management and the implementation of an Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (UIFWE) Strategy led to a significant decrease in the UIFWE from R645 million in 2018/19 to R123 million 2021/22

Municipal infrastructure

Municipal infrastructure master plans for electricity and solid waste were updated; a SCADA (Supervisory Control and Data Acquisition) system was designed for the electricity supply network; and strategies developed to curb revenue losses from supplying water and electricity.

The internationally recognised EDAMS Asset Management Information System was installed.

Private sector development included ease of doing business reforms in property registration, getting electricity and construction permits. KwaDukuza is currently digitalising several municipal processes such as building plan applications, getting electricity, business licenses etc, under the Senza-Lula initiative.

Economic development strategies were developed, and Enterprise iLembe was supported with the development of a five-year Strategy and Change Management Framework, the development of a Human Resource and Performance Management System, as well as a Project Management and Project Finance Information system.

Knowledge management

Knowledge management successes include the production and distribution of the *Vuthela Spark* monthly newsletter to keep stakeholders informed about projects, the development of 11 case studies on pertinent issues, and the hosting of five Policy and Practice Dialogue seminars to allow stakeholders to share their perspectives and resolve emerging challenges.

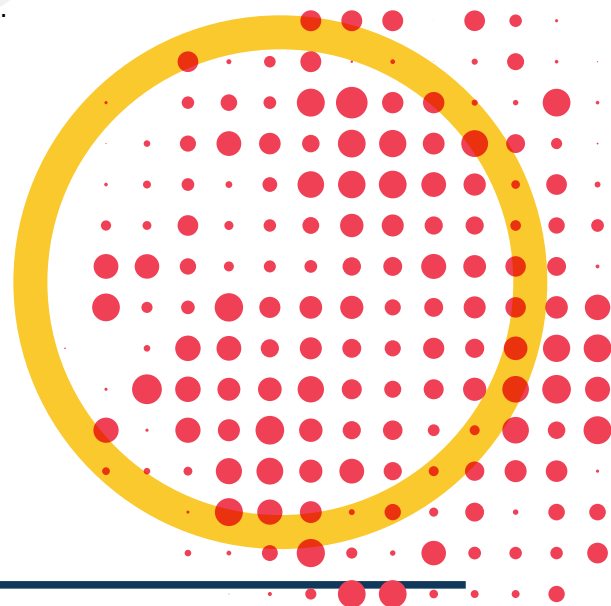
The Vuthela Programme was intended to ignite the economic development process, as the name implies,

Many systems have been put in place to resolve the issues that remain relevant since the programme began.

The PCU management component of the programme comes to an end in December 2023, with another year of municipal transfer project implementation that will then conclude the programme in December 2024. There is still much work to be done to complete the processes which were ignited, and to achieve the results and impact for which the programme was designed.

Positive outcomes have been achieved in the majority of projects, but the programme still has to realise full impact across all elements, including:

- Increased budget allocation to maintenance;
- Increased budgets and expenditure on infrastructure;
- Seamless and digital applications for development and building plan approvals;
- The development of a feasibility study for the Isithebe Solar Farm, based on the pre-feasibility conducted by Vuthela.
- Reduced Non-Revenue Water;
- Reduced Non-Revenue Electricity; and
- The Asset Management System and Consolidated Indigent Register system that are fully integrated across all business processes.



Summary of challenges

Challenges included the failure to secure full commitment of municipal staff in taking full ownership in driving projects through output, uptake, and institutionalisation in some cases.

This was linked to the need to develop a more coherent change management methodology required to make many of the systems-based initiatives more effective.

Programme delays and approvals for extensions often resulted in projects being put on hold pending decision-making, which was often too slow.

The procurement manual and policy which lay at the heart of programme process was slow in being finalised.

Media and communications was slow in being finalised during the first year of the programme implementation. It should have started earlier in the programme with an allocated budget, as it proved highly effective in stakeholder relations when it gained traction and created greater awareness on the programme and its objectives.

Risk factors

The use of an outsourced Implementation Agent and third-party contracts did not take full account of the risks associated with this arrangement, and this made it more difficult to mitigate risks or sharing of risks. This is an important issue for future programmes that envisage adopting this model to consider.

The appetite for municipal units to align around the programme was overstated at the outset, and it would have been more effective for the



programme to align around existing municipal institutional arrangements.

This case study summarises the aims, outcomes and learnings from the projects undertaken in each of the components under the programme as well as the programme as a whole. It is intended to support the ongoing development work in the district and to assist other municipalities in their efforts to promote LED.

Public Finance Management (PFM)

Aim: To strengthen the financial management of the three municipalities through better capacity to plan, finance and manage infrastructure investments and the provision of public services resulting in a positive contribution to the business climate.

Outcomes and impacts

- Improved budgeting for investment assets and operations and maintenance.
- Improvements on procurement management to ensure that service delivery takes place in a manner that will attract investors.
- Development of three infrastructure development charges policies that promote equity and fairness, predictability, spatial and economic neutrality and administrative ease and uniformity.
- Development of an indigent management system for all municipalities in the district.
- Development of a district-wide Business Continuity Management plan.
- Reduction of UIFWE from R645 million in 2018/19 to R123 million 2021/22
- Accredited training of councillors and senior officials.

Insights and learnings

- Environment is overregulated.
- Include at least one year of monitoring and evaluation to ensure institutionalisation and optimisation of systems.
- Include change management to ensure smooth uptake.
- Beneficiary municipalities to include the programme outcomes on annual performance plans, which can be monitored by the oversight committees and municipal councils.

What still needs to be done

- Budget and asset management – budgeting and spending on capital projects, operation and maintenance after the installation of EDAMS system by MI.
- Implementation of Development Charges policies once the Municipal Fiscal Powers and Functions Act is enacted.
- Implementation of revenue enhancement, asset management and UIFWE strategies.
- Consider the recommendations of regional customer care centre feasibility study to establish a sound customer care unit in each municipality.
- Continuous training of oversight role players.

- Strengthening of linkages between finance and especially with technical/infrastructure departments and other relevant departments.
- Optimise use of automated indigent system by all municipalities.

- Municipalities must take ownership of PFM projects and develop an implementation plan to ensure that the impact that was intended for this component is realised.

PFM in KwaDukuza Local Municipality

Aim: to improve budget credibility and adherence to laws and regulations via the implementation of Municipal Standard Chart of Accounts (mSCOA).

Outcomes and impacts

- Awareness of the budget and mSCOA requirements in all financial cycles of the municipality.
- Marked assignments were undertaken with the attendees to ensure adherence to the course requirements.
- Awareness was undertaken for all staffing levels.
- Measurable improvement on the quality of the budget compilation and alignment with National Treasury requirements.
- Amendments to the policy incorporating best practice changes.
- Alignment of financial system to best practices and development of budget management standard operating procedures.
- Supported finance department with certain audit matters during the 2021/22 external audit period.
- Awareness of reporting obligations by the technical departments.

Insights and learnings

- Ongoing training due to implementation of subsystems and mSCOA development.
- Manager, controls and user department support to be considered.
- Drill-down of budget principles to user departments is an ongoing process.
- Ongoing training required.
- Provided the municipality with the confidence in the asset management maturity to obtain an in-house asset management system. However, this presents a unique set of challenges.
- Asset life cycle optimisation to become embedded in the organisation.
- Formal adoption of resolutions to add weight to outcome reports.
- Training on mSCOA transactional environment and focused programme on reconciliations to monitor and improve the accuracy and credibility of financial information.
- KwaDukuza is one of the fastest growing municipalities and an ongoing review of controls and processes is required to ensure relevance to the changing environment.

What still needs to be done

- Handover to municipality champions.
- Beneficiary municipalities to include the

programme outcomes on annual performance plans, which can be monitored by the oversight committees and municipal councils.

Finance Operations and Procurement (FOP)

Aim: To provide critical support to financial operations and ensure that the overall programme is successful and efficient.

Outcomes and impacts

- Developed Procurement Framework for Foreign Donor Funded Project (FDFP) to ensure efficient turnaround times and timeous payment of service providers.
- Implemented online Procurement System.
- Auditor General's unqualified opinion with no findings.
- Risk Management.

Insights and learnings

- Slow flow of funds led to undue delays.
- Contract management issues.
- Late payment of PCU members.
- Complex and protracted FDFP registration with SARS.
- Procurement Manual.
- Contract Participation Goal (CPG) considerations.
- PCU members on flat charge-out rate with no inflationary adjustment.
- Inflated bid prices – indicative budget range.
- Communication and publicity.
- Initially insufficient number of bid responses and quality of bids.

Municipal Infrastructure (MI)

Aim: To create an improved physical environment for business investment and growth and easing infrastructure constraints directly by contributing towards selected municipal infrastructure projects, and indirectly by building the capacity of the district municipalities for infrastructure planning, prioritisation, development and maintenance. Applying the framework of the Theory of Change, under the MI Component, the following outcomes were envisioned:

- Outcome 1:** *Reduced infrastructure constraints;*
- Outcome 2:** *Increased planning capacity and financing strategies; and*
- Outcome 3:** *Enhanced planning and management of key sectors.*

Impacts and outcomes

Outcome 1:
Assisted municipalities in reducing infrastructure constraints by providing assistance to source additional funding for infrastructure project implementation. However, only partial success was achieved to assist the iLembe District Municipality with an application for activities to improve water loss management.

Outcome 2:
Various infrastructure planning activities, one formal training session in asset management and other informal training as part of project outputs, various infrastructure sectors (water, sanitation, electricity, solid waste management).

Insights and learnings

It may be necessary to establish a separate structure, or leveraging the LED agency of the district, Enterprise iLembe, to pursue such initiatives by means of project preparation and project implementation that will benefit businesses and residents in the district. It should focus on catalytic projects that can have the greatest impact.

Infrastructure planning and having sufficient, up-to-date information are critical elements to inform project identification, prioritisation, and lead to initial project specifications, which in turn can be used to source funding and lead to project implementation.

The training and capacitation activities could have been better coordinated and aligned between the PFM Component and the MI Component according to the main thematic areas of infrastructure project planning and asset maintenance.

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Impacts and outcomes

Outcome 3:

The programme assisted the iLembe District Municipality to enhance contract management and their relationship with the Siza Water concessionaire. This capacity building should assist the municipality in managing the remaining period of the concession contract and plan for the exit strategy.

Two studies were conducted on the use of renewable energy and the green economy to illustrate how to alleviate energy costs and the impacts of power cuts on water and wastewater infrastructure operations.

Insights and learning

Contract management, especially in complex cases such as concession contracts, requires the skills to effectively manage the legislative, technical, financial and contract performance elements, but also, to maintain and manage relationships of the parties to the contract.

The implementation of the studies' recommendations remains a challenge due to a lack of ownership and not having identified a suitable individual or individuals as drivers of such initiatives. Municipalities do not have the necessary knowledge and capacity to undertake the planning and implementation of non-conventional infrastructure projects falling outside of their mandated infrastructure service delivery sector.



Training of councillors

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What still needs to be done or to continue

The iLembe District Municipality has to deploy the Asset Management strategy and plan and take on the proposed Operations and Maintenance budget into the municipal budgeting process to ensure sustainable and reliable asset management.

The updated O&M plan and maintenance procedures must be applied into the digital EDAMS asset management system for all asset component types such as pump stations, reservoirs, and manholes. The municipality will need to continue with implementing each of the EDAMS modules for:

- Data and network improvement;
- Maintenance management, job card management;
- Water balance and non-revenue water;
- Rehabilitation planning; and
- Contract and workflows for projects.

Implement recommendations from the Sundumbili NRW study on non-physical losses and consideration to perform similar studies for other urban areas in the iLembe district.

Review and update of infrastructure Master Plans (water, sanitation, electricity, roads and stormwater, solid waste).

Complete installation and testing of SCADA and Control Room; followed by initiation of new business operations and processes (may include additional training and capacity building; reconsideration of the operations' implementation modality).

Implementation of the NRW grant transfer project, funded through SECO. And implementation of the NRE grant transfer projects in the KwaDukuza and Mandeni local municipalities.

iLembe District Municipality to prepare an Exit Management Strategy on the water concession contract, based on the template developed under Vuthela contract.

Private Sector Development (PSD)

Aim: to create independent entrepreneurs in the ICT space and provide solutions to societal challenges using ICT and change the lives of young people within the poverty line.

Impacts and outcomes

- Good data results from construction permit reforms.
- Funds raised for digitisation of KwaDukuza Local Municipality approval processes (Senza-Lula) currently in implementation.
- 30 KwaDukuza and Mandeni youth graduated from a 12-month coding, app and website accredited ICT training programme to create youth “apptrepreneurs” in local communities.
- 44 youth trained as general repairers under the Instal, Repair Maintenance (IRM), initiative.
- 20 KwaDukuza entrepreneurs provided with an intensive six-week entrepreneur development support programme, and financial business support.

Insights and learnings

- Involvement of relevant stakeholders and officials in the concept stage of projects.
- Enter into MOU with responsible stakeholder with clear guidelines and financial implications.
- Taking into account the current economic status particularly towards the vulnerable targeted group, no project should be designed without the inclusion of learner incentives (stipends).
- Good partnerships established for implementation of (some) projects. For example, the Moses Kotane Institute (MKI) and Enterprise iLembe providing training facilities, and the WBG doing the Isithebe feasibility assessment pro bono.

What still needs to be done

- Service provider/trainer to be proactive in administering of students’ certificates with SETA to meet desired graduation deadlines.
- The project learnings and systems developed under the construction permit ease of doing business project, should be shared with other municipalities. Specifically national government

should look towards developing and distributing the system to reduce individual municipal costs.

- The project learnings and institutional and legislative recommendations from the two pilots in the property registration ease of doing business project needs to be shared and considered by relevant government departments.

Building Inclusive Growth (BIG)

Aim: To prepare and implement specific plans to facilitate private sector development, investment in, and growth of SMEs in the iLembe district, resulting in increased employment, specifically for identified, targeted businesses.

Impacts and outcomes

- Great challenges getting local municipality buy-in for the iLembe Business Directory project. This had a significant impact on sign up with almost no sharing by municipalities.
- Vuthela Programme able to support other stakeholders and sectors where aligned with the programme objectives. This included:
 - Supporting Enterprise iLembe in the implementation of their Youth Enterprise Park programme in Mandeni and applications for funding.
 - Support of the Global Eco-Industrial Park assessment of Mandeni,
 - Support iLembe Chamber in skills needs survey and analysis.
 - Developed two successful business plans for KwaDukuza Local Municipality for funding SCADA and their Senza-Lula digitalisation programme.

Insights and learnings

- Across this and other projects, it is suspected that lack of time allocated to some of the Vuthela projects was due to project support not being included in officials' KPAs.
- Municipalities often don't have officials with the technical capacity or time to write funding proposals or have time to participate in projects outside their KPAs.

What still needs to be done:

Continued support to the Global Eco-Industrial programme, specifically if selected for the implementation of the project over the new phase.

Review the pre-feasibility of the Isithebe 6MW solar farm project, and develop the full feasibility assessment with concept drawings, if Ithala would like to peruse this project.

Partnerships & Cooperation (P&C)

Aim: To build LED networks and partnerships to strengthen economic governance and facilitate ownership of implementation processes; improve LED policy environment; address skills transfer.

To create greater alignment around LED practice and interventions within government as well as between the public and private sector and optimise capacity.

Outcomes and impacts

- District Local Economic Development Strategy and Implementation Plan which also required the formulation of three local strategies and implementation plans for Maphumulo, Mandeni and Ndwedwe. (2019/2020)
- iLembe District Economic Recovery Strategy and Implementation Plan, which the Vuthela PSD and P&C formulated on behalf of the Covid-19 District Command Council and approved on 23 July 2020.
- Assessment of Economic Recovery Strategy and Implementation Plan that was reviewed by the Economic Cluster. (May 2021)
- Enterprise iLembe capacitated to strengthen the institution as a district LED driver:
 - Enterprise iLembe Five Year Strategy (2019 -2024) and Change Management Framework (Council Approved, Oct 2019);
 - Selection Policy for Enterprise Ilembe Board of Directors (April 2020);

Insights and learnings

- “Existing mechanisms for co-operation and coordination among parties have not as yet resulted in sustained, effective partnerships” (2012).
- District LED Forum and District Economic Facilitation Committee (public-private dialogue) both in existence, the former ineffective, the latter moribund.
- Initiative undertaken through Vuthela to revitalise both structures/systems, superseded by Covid-19 and the establishment of the Covid-19 DCC Economic Cluster and replacement of all other co-ordinating structures.

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Outcomes and impacts

- Enterprise iLembe: Human Resource and Performance Management System (2023); and
- Enterprise Ilembe: Project Management Information and Project Finance System (2023).
- District Development Model: One Plan.
- First Generation (June 2022)
- Comprehensive One Plan (December 2022)
- Knowledge Management
- 15 issues of Vuthela Spark
- 11 Case Studies
- 5 Seminars
- Digital Resource Centre
- Institutionalisation within Enterprise iLembe

Insights and learnings

- 36 meetings of the Economic Cluster since 26.05.2020 (145 hrs/18 days) do provide a mechanism for LED implementation review and monitoring but effectiveness marred by:
 - Poorly programmed agendas;
 - Poor participation;
 - Limited Strategic Management engagement; and
 - Largely limited to the tabling and noting of activity reports.

What still needs to be done:

- Structured, programmatic public-private dialogue needs to be institutionalised. The iLembe District Economic Development Facilitation Committee needs to be revitalised and resourced (professional secretariat).
- DDM One Plan, District Economic Recovery Strategy, District LED Strategy, Municipal LED Strategies, and Implementation Plan, DDM One Plan: Economic component need to be reviewed and a clear framework provided for guiding economic planning in the district.
- Enterprise iLembe needs to fully institutionalise five-year strategy, HR and Performance System and Project Management Information and Project Finance System.
- Economic Cluster needs to be provided with a professional secretariat function to provide for more programmatic and prioritised approach to the work of the Cluster.

Managing the Money

The Vuthela Programme has strengthened the iLembe District Municipality’s revenue unit and created a strong platform for the municipality to build on.

“The initiative has had a great impact in areas that required intervention and has assisted iLembe District Municipality immensely,” said Revenue Manager Muziwandile Gumede.

Several projects were undertaken by the Vuthela Programme to help the iLembe District Municipality to manage its finances.

A system for managing the municipality’s indigent customers was designed and developed, along with appropriate policies.

Unauthorised, fruitless and wasteful expenditure had been reduced from R645 million in 2018/19 to R123 million 2021/22.

Accredited training

Councillors serving on financial oversight committees underwent an accredited training in financial leadership and management to improve and strengthen their capacity in the execution of their responsibilities.

The Public Finances Management Component of the initiative has improved budgeting for investment assets, operations and maintenance. The management of the procurement process has also been improved, leading to better standards of service delivery.

Policies have been developed to implement development charges for infrastructure development in a manner that should improve predictability and certainty.

A framework for a district business continuity management plan was developed, which proved valuable and relevant during the Covid-19 pandemic, the civil unrest of 2021 and the floods of 2022. This will ensure proper coordination during the times of crisis and also ensure that municipalities are able to provide critical services.

A project to improve the management of municipal assets was implemented in three municipalities (iLembe District Municipality, KwaDukuza Local Municipality and Mandeni Local Municipality), to ensure proper budgeting for capital assets and spending thereof, as well as operations and maintenance budgeting in line with NT financial norm of 8% of total Property Plant and Equipment (PPE).

In improving the asset management, the amendments of asset management policies to incorporate best practices, better alignment of financial systems to best practices and greater awareness of reporting obligations from the municipality’s technical departments was undertaken.

Improved financial management

The Vuthela Programme’s key projects that improved the iLembe District Municipality’s financial management capacity included initiatives to address non-revenue water and the review and update of the Operations & Maintenance Plan, seeking to improve budget allocations for infrastructure maintenance.

A funding agreement has been secured for the iLembe District Municipality to execute additional non-revenue water projects to the value of R32 million, and the municipality has received the

first payment and is currently proceeding with the implementation of Component 1 of the project, focusing on six geographic areas to implement various non-revenue water activities. Component 2 of the project focuses on water meter population management.

The Vuthela Programme has also provided technical support to iLembe District Municipality to monitor and manage the Siza Water concessionaire and contract. This included monitoring the concessionaire, reviewing the financial and legal model, and developing an exit management strategy template in preparation for when the contract ends in 2029.

The detailed specifications developed through the programme for the Supervisory Control and Data Acquisition system (SCADA) were used to successfully source funding for its implementation. This system will allow the KwaDukuza Local Municipality to control and manage its electricity supply better through remote monitoring and switching in the transmission network and more effective responses to outages (planned or unplanned).

These key projects and activities have improved the management of financial and infrastructure aspects in the district, laying the base for future growth in this rapidly developing region.

Forging the Future

Several master plans for economic and infrastructure development in the iLembe district which were produced under the Vuthela Programme projects have laid a strong foundation for future growth in the district.

These also serve as information sources for project identification, prioritisation and funding allocation.

An overall District Local Economic Development Strategy and Implementation Plan was developed, which included the formulation of three local strategies and implementation plans for Maphumulo, Mandeni and Ndwedwe.

The Vuthela Programme also assisted to develop the iLembe district's first District Development Model (DDM) One Plan, which was completed, and approved by the DDM Political Hub in December 2022.

Challenges for coordination

Creating mechanisms for co-operation and coordination among parties has been a challenge.

The District LED Forum and District Economic Facilitation Committee (the latter for public-private dialogue) are existing structures but are largely moribund.

The DDM Economic Cluster now constitutes the formal active co-ordinating and economic governance mechanism for the district, but its meetings are marred by poor participation.

The focus of the meetings is the tabling and noting of routine activity reports by different

agencies of government with little or no strategic discussion, identification of economic priorities or reviewing of activities and outputs against a clearly understood and articulated economic strategy and plan for the district.

The Economic Cluster needs a secretariat that includes an economic technical competency in addition to a purely administrative function to provide for a more strategic, programmatic and prioritised approach to the work of the cluster.

The DDM One Plan, District Economic Recovery Strategy, District LED Strategy, Municipal LED Strategies and Implementation Plan need to be reviewed, integrated and a clear commonly understood framework provided for guiding coordinated economic planning in the district.

Public-private dialogue

Structured, programmatic public-private dialogue also needs to be institutionalised. Enterprise iLembe has been strengthened as a LED driver for the district and is well placed to lead this initiative.

The iLembe District Economic Development Facilitation Committee needs to be revitalised as a formal public-private dialogue mechanism as a component of the DDM Economic cluster and properly resourced through Enterprise iLembe to ensure that economic planning and programming is better focused on business enabling interventions with material impact on the local economy.

Summary of key lessons

Many of the development challenges that the Vuthela Programme was designed to address are long standing and some have seemed intractable.

But the lessons learnt from the successful projects and those that proved challenging provide valuable guidance for similar initiatives.

The most persistent problems became apparent at the cross-sectoral level.

Strategies to resolve non-revenue electricity and non-revenue water had to be located at the intersection of the Financial and Technical sections. Development Charges policies required the intervention of Planning and Technical divisions, and Finance and Community Outreach sections were responsible for the development of the Indigent Register.

The issue of sharing or transferring ownership of the challenge between technical, financial and other divisions proved to be a complex one.

Although the Vuthela Programme aimed to address the most relevant and pressing challenges for the municipalities, there was often a challenge securing the participation, focus and engagement of relevant officials in project activities.

Systemic interventions key

A key lesson that emerged from the programme was that systemic interventions by municipalities to improve the enabling business environment are likely to have a more material impact on economic growth, investment and employment, than just limiting activities to skills development and grant-based SMME projects. But these

interventions require a high level of commitment, strategic management and systems thinking from leadership for them to be successful.

The terrain of public sector reform is a highly complex one, with a high risk of failure, and requires a change management methodology instead of a generic project management approach.

It takes a long time to institutionalise and optimise interventions, which require persistence and continuous engagement between relevant municipal divisions.

The Vuthela Programme's development partner and Official Development Assistance funder, SECO, affirms that a big learning was that the application of international funding should be on programmes of reform that support the district, with "tentacles" into key reform areas that are aligned to municipal strategies and policies.

An important element was how to drive interlinked aspects in a sequenced way and fully exploit the opportunities for these links to develop.

The Vuthela Programme remained critically relevant in the current economic and developmental context that South Africa finds itself in.

While many positive outcomes have emerged, critical lessons and learnings include the need for high level buy-in, support and ownership for systemic reforms to take root. The role of a support programme must be clear – it must be integrated into municipal activities and not treated as a stand-alone add-on.

Partnership model to be reviewed

The partnership model between the public and the private sectors needs to be reviewed - the public sector cannot be expected to drive local economic development on its own.

Flexibility, agility and open communication between partners is key to a successful outcome.

The iLembe District Municipality should consider other mechanisms of peer-to-peer learning to continuously dialogue and learn from each other, and it was crucial that the proposed Resource Centre is established as a central focal for economic development in the iLembe District Municipality, says SECO.

The next big challenge will be to develop and implement an appropriate resources plan to sustain the reforms and continue with projects, and to build on past successes towards achieving the reforms required for sustainable economic growth.

The PMT member for KwaDukuza, Sikhumbuzo Hlongwane, recommended that future programmes should adopt the contracted Programme Co-ordinating Unit (PCU) model, instead of using special purpose development agencies of the municipalities, which are constrained by municipal legislation.

A major learning was that the programme inception must involve all intended beneficiaries, especially other municipal functions, to ensure that there is alignment with the aim of the programme.

It was also recommended that economic development programmes and projects should be included in the municipality's scorecards and individual performance contracts.

The KZN Department of Environment, Tourism and Economic Affairs concluded that the Vuthela Programme emphasised that LED was not an isolated function within a municipality. It requires an integrated approach to implement a holistic intervention to build capacity within the municipality and create an enabling environment for investment in the district.

Closing remarks from partners and participants

Public and private sector delegates who attended the close-out workshop of the Vuthela iLembe LED Support Programme recently confirmed that the formal inclusion of the Vuthela Programme in local municipal processes was a key success factor for many of its interventions.

Here is a selection of some remarks:



Daniel Lauchener, Head of SECO South Africa:

The 37 projects completed through the funding had succeeded in contributing to economic growth in the district.

“The main objective was to promote a more viable and resource-efficient private sector, reliable economic frameworks and more favourable investment opportunities.

“We have seen many good and positive outcomes during the course of the programme and there are many lessons to consider.

“The Vuthela Programme remains critically relevant in the current economic and developmental context that South Africa finds itself in.”



Richard Clacey, Vuthela Programme Manager:

A large measure of the programme’s success was due to its integrated cross-cutting approach.

“Our overall objective in essence was to contribute to strengthening the business enabling environment for inclusive growth.

“This was achieved by implementing a comprehensive programme that conceptualised LED beyond SMME development, tourism and investment promotion. The programme strengthened the business enabling environment through systems-based reforms in municipal finance and infrastructure, the business environment, SMME skills training and partnership development.

“This approach moved beyond the ‘pro-poor’ vs ‘economic growth’

dichotomy prevalent in South Africa's LED policy and practice and reflected the need for a balanced approach. I am convinced that the systemic interventions that are implemented to improve the enabling business environment will have a bigger impact on growth than limiting the scope of LED to SMME skills development and grant funding. It will see more jobs created than the funding of individual projects, whose sustainability record to date has not been promising."



HW Mayor, Councillor TP Shandu, iLembe District Municipality:

The residents of the district thanked SECO for funding the Vuthela Programme and the key partners for executing it successfully.

"Your support has contributed to the development of the district and has improved the lives of residents. Our municipal institutions are now in a much better position to achieve positive outcomes for the district, and to build on our efforts to respond to unemployment and poverty. The learnings from the programme will help us to serve our people better in the future."



Sibusiso Mahlangu, Vuthela PMT and General Manager P&D, iLembe District Municipality:

The programme was successfully customised by beneficiary municipalities and partners during the inception phase and considered an innovative approach. It was a complex programme but good institutional arrangements made it successful. The success of donor projects of this nature should find expression internally and be part and parcel of municipal institutional matters."



Wiseman Cele, Youth Manager, KwaDukuza Local Municipality

"Our country and our district are confronted with high rates of unemployment and poverty, and this course presented young people of iLembe with an ample opportunity to earn recognition from government and the private sector as powerful agents of change. The project aimed to create independent entrepreneurs in the ICT space and provide solutions to societal challenges using ICT, and is among many interventions that was projected to bring about change in the life of young people within the poverty lines."



Mzwandile Gumede, Manager, Finance Department, iLembe District Municipality:

The Vuthela Programme initiative had a great impact in areas that required intervention and had assisted iLembe District Municipality immensely.

“The projects have strengthened the revenue unit and created a further platform for the municipality to build on.”



Adil Nunkumar, Director, Finance Department, KwaDukuza Local Municipality

“The Vuthela Programme was a successful and a well-executed programme. The finance, operations and procurement component provided critical support and was an integral part of this success.”



Cobus Oelofse,

CEO of the iLembe Chamber of Commerce, Industry and Tourism:

The Chamber congratulates the Vuthela Programme on its successes and on achieving a positive image for the district.

“The programme remains relevant to South Africa’s development priorities and has left many positive impacts for the district to build on.”



Lucy Mokoena, Deputy Director, Regional and Local Economic Development at KZN EDTEA:

The Vuthela Programme has benefitted local government by taking an integrated approach to economic development.

“It was an empowering and challenging programme that built capacity across all its components. Some achievements and lessons learnt are already being used by other government departments.”



Ofentse Lekwape, ODA Portfolio Manager: Economic and Infrastructure, National Treasury:

The Vuthela Programme was one of the best projects that Treasury has managed. Congratulations to the programme’s managers for their resilience and professionalism.

“Key to the success of the programme was the implementation support on the projects that municipal officials did not have the capacity to undertake. We had flexibility in the system and an understanding partner in Swiss SECO. It has been a hugely successful relationship.”



Sikhumbuzo Hlongwane, Vuthela PMT, and ED, Planning and Economic Development, KwaDukuza Local Municipality:

The programme’s contributions to the local economy include improving the ease of doing business to unlock economic development and improving the enabling environment by developing policies and plans for LED infrastructure.

“Financial management and governance oversight was improved, which contributed to investor confidence in the municipal area.

“The programme should be included in the municipality’s scorecards and individual performance contracts in the future.

“The Vuthela brand represents a successful programme and it inspires confidence whenever it is mentioned. It would be great if the iLembe District Municipality can continue to use the brand to promote municipal projects in the future.”

