



# Vuthela SPARK

IGNITING INCLUSIVE ECONOMIC DEVELOPMENT IN ILEMBE



## Keeping the lights on

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## Editorial: Survey reveals key Challenges and Opportunities for Economic Growth

The mid-year iLembe District Business Confidence Survey undertaken by the partnership of iLembe Chamber of Commerce, Industry & Tourism (iCCIT) and Enterprise iLembe (Ei) – the only district Business Confidence Survey of its kind – again highlights the priority areas identified by the business sector for strengthening the enabling environment for business and contributing to inclusive economic growth in the district.

These include: a responsive and effective public sector, refurbishing ageing infrastructure, enhancing law and by-law enforcement, reining in the cost of doing business and removing red tape.

The most omnipresent challenge currently impacting heavily on the cost of doing business and the quality of life of iLembe residents is that of energy security which the article on the Business Confidence Survey notes is more Gigawatt hours being load shed in the first five months of 2023 than in the whole of 2022.

For that reason, the Vuthela iLembe LED Support Programme Partnership and Co-operation (P&C) component hosted a second policy and practice “Synergy for Energy Synergy” seminar in September to bring a range of key public and private stakeholders and energy role players together to develop a common understanding of the rapidly changing regulatory environment and the options and opportunities for resolving, or at least mitigating, the impact of energy insecurity and unreliability in KwaDukuza. The key issues raised are set out in this issue of *Vuthela Spark 14*. **There was agreement at the seminar that public-private dialogues should be sustained and institutionalised going forward in the district.**

Two major areas of concern in the district remain the challenge of municipal electricity and water losses to both the business enabling environment and municipal finances. These require systemic interventions. In this issue we take a deep dive into the development of an improved, integrated approach to asset management at iLembe District Municipality, with the support of the Vuthela Programme, which should see businesses and communities in the district benefit from improved water and sanitation services. The implementation of the Asset

Management Strategy (AMS) and updated Operations and Maintenance (O&M) Plan will extend the working lifespan of key components in the water and sewerage systems, ensure proper maintenance is carried out and prepare the district to better manage emergencies that may arise. The article draws attention to the National Treasury guideline that a municipality allocates a budget of 8% of the value of its Property, Plant and Equipment (PPE), towards planned routine, preventative, and reactive maintenance. The amount allocated by the iLembe District Municipality between 2020 and 2023 ranged between 2.1 and 5.4%. This is a metric that needs to be closely monitored going forward.

*Vuthela Spark 14* showcases Enterprise iLembe’s Business Incubator as a strategic instrument to promote economic inclusivity and overcome the challenges confronting small businesses, like access to finance, regulatory compliance and addressing market needs. The Business Incubator provides secure working space with computers, communication facilities and meeting rooms. Business support services include management training and mentoring, accounting services and assistance with statutory, taxation and compliance requirements.

As the penultimate issue of the *Vuthela Spark* before project implementation closes out at the end of October 2023, we provide a snapshot of the status of the Vuthela Programme’s project portfolio (37) across the five integrated intervention components – Public (Municipal) Finance, Municipal Infrastructure, Private Sector Development, Building Inclusive Growth, Partnership and Co-operation.





# Keeping the lights on

**Learnings and insights about renewable energy are helping the KwaDukuza Local Municipality to implement renewable energy policies and plans.**

**P**ublic and private sector participants at the Vuthela iLembe LED Support Programme's Synergy for Energy seminars have pledged to continue engaging around how the KwaDukuza Local Municipality will address the ongoing electricity crisis.

Senior officials from KwaDukuza Local Municipality joined representatives of South African Local Government Association (SALGA), other municipalities and the private sector to discuss how electricity will be generated and distributed within the district at the series of seminars hosted by Vuthela.

The need for effective partnerships and collaboration between the private and public sector to address the impacts of the national electricity crisis emerged as a central theme at both seminars.

The KwaDukuza Local Municipality has approved a policy for small-scale electricity generation and is already installing meters which can measure power being fed into the system by small producers. A draft policy on appointing IPPs has also been developed and the process for appointing a service provider to undertake feasibility studies to procure IPPs has begun, said Jali.

A project is also underway to review tariffs, contracts, and metering systems for resellers of electricity, including housing estates, shopping centres, malls, apartment buildings and business parks.

## Regulation compliance

Renewable energy options selected for implementation in the municipality must comply with regulations, said Eskom's Regional Manager Mlungisi Hleleni.

He said all transmission lines and transformers in the district were in good condition. Eskom is building two new substations at Tinley Manor and Nonoti, and

KwaDukuza Local Municipality is currently financing and building the Dukuza sub-station to support future growth in the area.

While this bodes well for future plans, Hleleni cautioned that all new developments that are linked to Eskom's network must comply with standards, and developers or the municipalities will be held responsible for remedying transgressions.

"For any development that results in the violation of Eskom standards on the Eskom infrastructure, the municipality or the developer will take full responsibility of the project proposed to address those issues," he said.

## Alternative options

SALGA Energy Adviser Nomathamsanqa Mote told the seminar that ongoing loadshedding was incentivising paying customers to seek alternative options for their energy needs and many were going off-grid. This resulted in declining municipal revenue from electricity sales. SALGA believed that several avenues should be pursued to secure reliable electricity supplies. These include fixing Eskom's generation capacity; enabling private investment in generation capacity; accelerating procurement of new capacity from renewables, gas, and battery storage; encouraging businesses and households to invest in rooftop solar; and fundamentally transforming the electricity sector to achieve long-term energy security.

SALGA urged municipalities to identify energy projects that can be incorporated into their Integrated Development Plans (IDPs) and to maintain and upgrade their distribution networks to accommodate renewable energy projects and the implementation of small-scale electricity generation in the future.

**Effective collaboration between the private and public sector to address the impacts of the national electricity crisis was a major theme in the seminars.**

## Lessons from Cape Town

The seminar was appraised of developments in Cape Town by Shane Prins, who heads the city's Loadshedding Mitigation Programme.

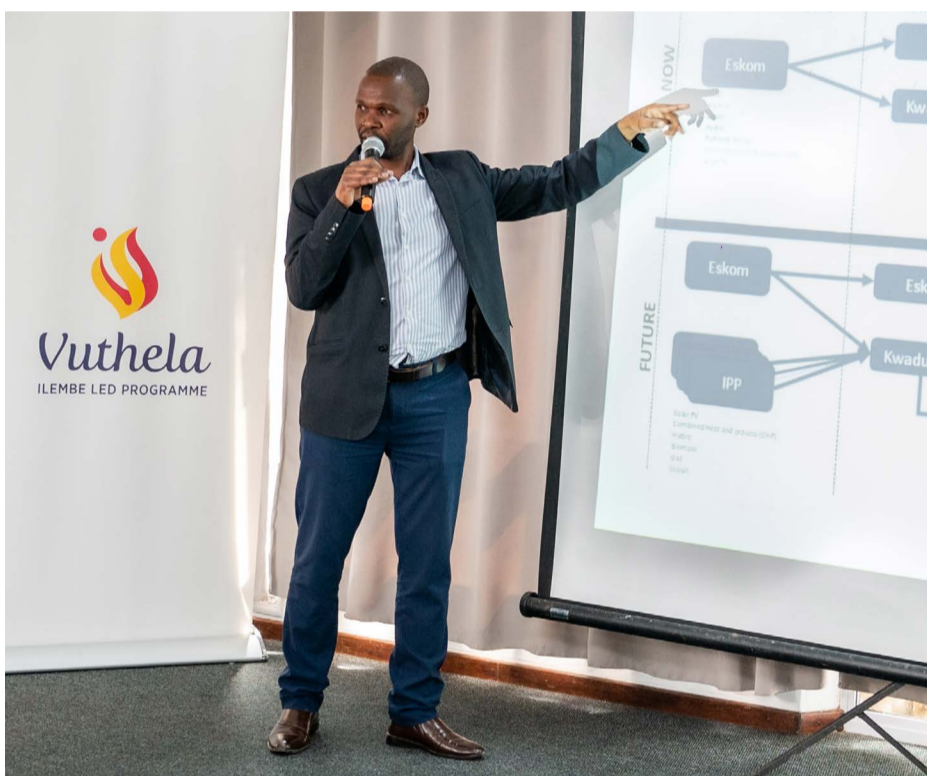
Cape Town launched a tender for embedded IPPs in 2022, targeting IPPs who produce up to 200MW. Power from these IPPs is expected to come on stream in 2026.

The city's first utility-scale Solar Photo-Voltaic (PV) plant will be located on vacant land between industrial and residential zones in Atlantis and will provide 10MW directly into the city's network.

The city also owns a site in Somerset West which has been earmarked for the construction of a 50MW Solar PV project which will include battery storage.

While the electricity network conditions and consumer profiles of Cape Town and the KwaDukuza Local Municipality are very different, the city's experience in seeking alternative power sources provided important insights into the options available to resolve the current electricity crisis in the iLembe district.

With public and private sector players in the electricity sector agreeing to continue discussing and planning energy projects, the Vuthela Synergy for Energy seminars have set the stage for dialogue to continue playing a central role in the municipality's development.



*Sibusiso Jali, Executive Director: Electrical Engineering Business Unit, KwaDukuza Local Municipality*

## Future continuation

The Vuthela Programme comes to an end at the end of December 2023 although a number of energy and water loss implementation projects will proceed for another year until 31 December 2024. Seminar participants – who say they have derived great value from the seminars – have decided to continue interacting after the funded programme ends. Enterprise iLembe CEO Linda Mncube said the seminars provided the engagement platform needed for effective collaboration and should be continued.

A high level of coordination between municipal and national structures will also be required to manage the rapidly evolving national policy framework and changing local regulations that will determine how the policy is put into practice in the future.

Loadshedding and the lack of a reliable power supply is hindering the KwaDukuza Local Municipality's capacity to cater for growth and has had a big impact on the ease of doing business in the district, said Sibusiso Jali, Executive Director: Electrical Engineering Business Unit for the municipality.

The municipality receives all its electricity from Eskom at present. In the future, this supply will be augmented by electricity provided by Independent Power Producers (IPPs), who may produce it from solar, hydro-electric, biomass, gas or ocean resources, if feasible.



*Public and private sector participants at the recent Vuthela iLembe LED Support Programme's Synergy for Energy seminar*



# Changing the rules of power

Dialogue is playing a central role in the development of renewable energy solutions for the KwaDukuza Local Municipality.

Several developments in the local and national regulatory environment are rapidly changing the rules around how electricity will be generated and distributed in the KwaDukuza Local Municipality in the future.

This emerged at the second Synergy for Energy seminar held by the Vuthela iLembe LED Support Programme to consider ways of securing a reliable electricity supply for the KwaDukuza Local Municipality.

Locally, the municipality has recently adopted an Energy Policy and regulations are being drafted to manage the implementation of alternative energy sources to supplement the failing Eskom supply.

Nationally, the Electricity Regulation Amendment Bill 2023, which seeks to create a competitive multi-market electricity industry, has been formally introduced into parliament. The Bill is expected to diversify ways of buying and selling electricity by introducing competition and decreasing electricity costs.

Meanwhile, the process of receiving public comments on the South African Renewable Energy Masterplan (SAREM) has been completed. The plan is expected to be finalised by November this year and implementation will begin immediately.

## Engagement and collaboration

These major regulatory developments will require public and private stakeholders to continue engaging and collaborating on plans to produce alternative energy supplies.

The KwaDukuza Local Municipality Energy Office, which falls under the Office of the Municipal Manager's Special Projects Directorate, developed the Energy Policy which has now been approved by the Council, confirmed Chimene Pereira, Director: Special Projects, who managed the process.

"The policy was adopted with the understanding that it may be amended from time to time," said Pereira.

The municipality is now developing a bylaw for embedded generators and considering whether tariffs should be applied. The next step will be to conduct a feasibility study around the best approach for KwaDukuza related to the cost of supply and its current infrastructure.

The policy will have several implications for the private sector and consumers of electricity in the municipality,

including safety precautions for installations.

"The cost-related implications are not fully understood," said Chimene. "There is a potential for revenue losses and tariffs must still be determined. We are not entirely sure what the financial implication for local government will be under the new policy."

The policy will allow the municipality to explore an energy mix for its own generation capacity, and will change the role of Eskom in the energy value chain if demand is reduced.

The new policy will change the way that electricity is generated and procured, with the Council playing a greater facilitation role in the process.

## Generation strategies

Generation strategies will include embedded power systems like installing rooftop solar PV systems on municipal buildings with or without feeding into the municipal grid. This could be financed through the municipality's balance sheet, debt or grants.

It may also include building stand-alone power plants like large wind farms or solar parks on municipal land with the possibility of selling surplus power to Eskom. This could be financed through debt or grants, public-private partnerships, operational agreements or special purpose vehicles with other municipalities and partners.

The policy will also pave the way for municipalities to procure energy from embedded generators based on feed-in tariffs, net metering and net billing principles.

Municipalities will play a facilitation role by buying electricity from local producers and selling it to willing customers. They may also store excess electricity and sell it when the demand is high, and provide electricity services like installations and maintenance for a fee.

Commenting on aspects of the policy, Sustainable

Energy Africa Senior Project Coordinator Sinawo Sigalelana said it was progressive and promoted the uptake of embedded generation for KwaDukuza.

The policy clearly articulated the requirements for connecting Small-Scale Embedded Generators (SSEGs) and states that customers can be compensated for feeding back to the grid once a NERSA approved SSEG tariff is in place.

However, the policy lacked guidance on embedded generation that was not small scale and standards were not explicit.



Chimene Pereira, Director: Special Projects, KwaDukuza Local Municipality

Effective collaboration between the private and public sector to address the impacts of the national electricity crisis was a major theme at the seminars.

## Municipal power procurement

On the national front, the Department of Mineral Resources and Energy's (DMRE) Amended Regulations on New Generation Capacity paves the way for municipalities to procure their own power.

The DMRE has clarified the requirements for municipalities to develop or buy power from IPPs. Municipalities will be required to apply to the Minister and applications must be supported by a feasibility study approved by municipal council, with evidence of alignment with the IDP and proof of compliance with the Municipal Finances Management Act (MFMA).

In another major national development, the Electricity Regulation Amendment (ERA) Bill has now been formally introduced into parliament. This Bill seeks to transform the electricity market by creating a competitive multi-market electricity supply industry managed by a transmission system operator.

The ERA Amendment Bill will allow market participants to trade with each other, registered generators to enter into private power purchase agreements (PPAs) with direct customers, and generators to form PPAs with transmission system operators.

Transmission system operators will purchase electricity from Eskom and independent power producers.

Establishing an independent transmission company is part of the process of unbundling Eskom into separate generation, distribution and transmission entities.

This plan was first announced by President Cyril Ramaphosa in 2019.

The poor performance of Eskom's generation unit is the cause of national loadshedding. It is expected that unbundling Eskom will lead to more competitive generation and allow dedicated transmission and distribution companies to expand their operations.



Richard Clacey, Programme Manager of Vuthela, and Gerhard Pretorius, Deputy Head of SECO, South Africa

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# iLembe businesses still embrace a pessimistic outlook, survey finds

While the latest measurement of business confidence in the iLembe district features negative sentiment, there is optimism that the outlook can improve with certain interventions.

**D**ark clouds still hang over businesses in the iLembe district – the iLembe Business Confidence Index (iBCI) for mid-year 2023 has recorded negative business sentiment.

The iLembe Chamber of Commerce, Industry & Tourism and Enterprise iLembe believe a responsive and effective public sector, refurbishing ageing infrastructure, enhancing law and bylaw enforcement, curbing community unrests, reining in the cost of doing business and removing red tape, are all necessary for businesses to overcome the numerous structural and economic challenges.

The iLembe Chamber of Commerce, Industry & Tourism, in partnership with Enterprise iLembe, collaborate to produce the iLembe Business Confidence Index (iBCI), aimed at providing a biannual picture of business confidence in the iLembe district, as well as an overall business outlook.

The iBCI is a hybrid index derived from, firstly, a biannual business survey conducted in the iLembe district, and secondly, a weighted index of financial and economic activity variables.

Linda Mncube, CEO of Enterprise iLembe, said greater impetus is required to improve the overall business confidence in the district.

“The repairs to critical road infrastructure, ensuring energy security, turning the tide on high inflation and the conclusion of the ongoing business rescue processes at Tongaat Hullet and Gledhow Sugar are some of the critical interventions to restore

confidence back into positive terrain.

“The Tourism, Catering, Accommodation, and Property Management sector is still in the negative territory, which is concerning as they are key contributors to the district economy. It should, however, be acknowledged that the recent tourism industry research confirmed that this sector is firmly on an upward trajectory following the slump induced by the pandemic. The contribution made by this sector to the GDP of the district during the first half of 2023 is now more than the pre-pandemic figures in 2019 (2023= R3.4bn, 2019= R2.2bn).

“Notwithstanding the prevailing negative sentiments, it should be acknowledged that the economic activity component of the iBCI is above 50 index points, signifying the resilience and continued robustness of the district

**Greater impetus is required to improve the overall business confidence in the iLembe district.**

economy,” said Mncube.

iLembe Chamber CEO, Cobus Oelofse, said a further decline in business confidence was concerning, especially since it further embeds negative sentiment from previous periods.

“The iBCI 2023 Mid-Year was shaped by several macro and local factors – Eskom’s power generating woes with more Gigawatt hours being load shed in the first five months of 2023 than in the whole of 2022; damaged electronic equipment; reduced production capacity and increased operational costs as businesses invest in load shedding mitigation measures.

“The cost-of-living crisis manifested itself in fuel, fertiliser, and stubbornly high food prices, setting the trend for headline inflation.

“Locally, the ongoing delay in repairs to infrastructure, specifically critical roads, following the KZN floods of 2022, the continued beach closures in the neighbouring eThekweni Metro, and business rescue interventions at Tongaat Hullet and Gledhow Sugar, formed the background to a challenging 1st half of 2023.

“There is some optimism in that the private sector and all levels of government within the iLembe district are committed to dynamically partnering on specific initiatives to stabilise our economy, and that will aid the viability and growth of small and medium enterprises and secure investment in key economic sectors and geographies in our district,” Oelofse said.



LEFT: Linda Mncube, CEO of Enterprise iLembe  
RIGHT: Cobus Oelofse, CEO of iLembe Chamber

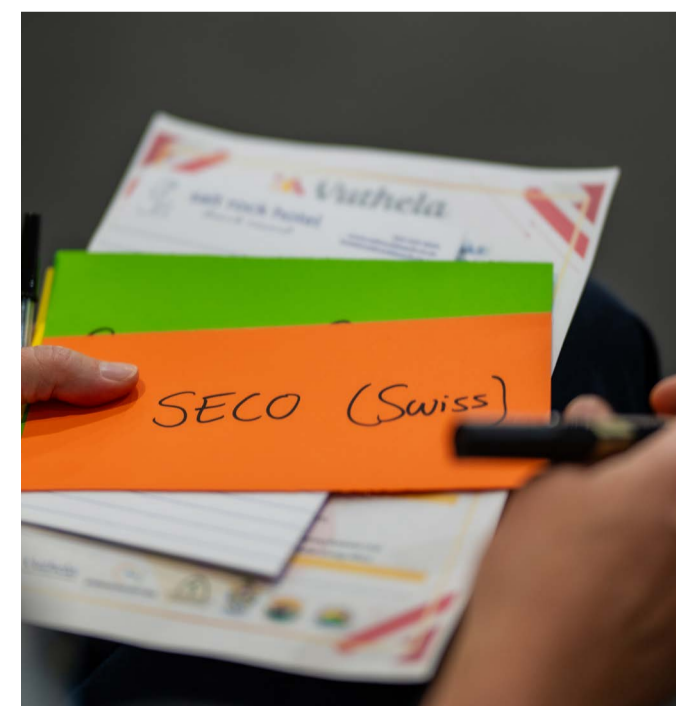
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Shahil Juggernath, Business Developer, Flexible Generation, ENGIE

The 18-month long process of developing involved labour unions, industry players, and community representatives who came together to create a social compact that supports national objectives and promotes the development of renewable energy value chains.

With the expected approval of national legislation around renewable energy, the completion of SAREM, and new local municipal regulations about to be promulgated, the scene is set for an imminent surge in energy developments within the Kwadukuza area.



## ▶ continued from page 03 Changing the rules of power

### SA Renewable Energy Masterplan

Meanwhile, it has been announced that the process of receiving public comments on the SAREM has been completed.

The master plan was developed by the Department of Mineral Resources and Energy (DMRE) in collaboration with industry experts and other government departments.

SAREM aims to support market demand for renewable energy, drive industrial development, foster inclusive development and build local capabilities in the renewable energy sector. The intention is to capitalise on the growing renewable energy and battery storage market, and to use the opportunity for inclusive industrial development.



# Improving water services in the iLembe district

An improved, integrated approach to asset management is expected to improve service delivery for businesses and residents.

**B**usinesses and communities in the iLembe district will benefit from improved water and sanitation services following the development and implementation of an asset management strategy (AMS) and updated Operations and Maintenance (O&M) Plan, to improve management of municipal infrastructure.

The AMS and updated O&M Plan will extend the working lifespan of key components in the water and sewerage systems, ensure proper maintenance is carried out and prepare the district to manage emergencies that may arise. This initiative is part of the Vuthela iLembe LED Support Programme.

Asset management is a legal requirement and an operational imperative for municipalities: it is essential for effective service delivery. This asset management strategy will help to streamline and prioritise municipal workflows, improve accuracy of asset records and enhance responses to business and community needs.

The iLembe District Municipality's Accounting Officer is required to manage and maintain municipal infrastructure assets that are used to deliver services in line with section 63 of the Municipal Finance Management Act.

operational objectives of the iLembe District Municipality over the next seven years.

These objectives formed the basis of the strategy and resulting updated O&M Plan, which creates cohesion between the financial, planning, and technical aspects of service delivery.

## Asset Management Enabling Policies and Plans

The Vuthela Programme also supported the review of the Asset Management Policy to guide the management of assets and define the key principles around how assets are managed. It also aligned the AM policy to the latest generally recognised accounting practice (GRAP standards) and best practice in asset management. It is further supported by an Asset Management Plan and Practices and Procedures analysis, which outline the activities to be implemented, whereas the updated O&M Plan outlines what will be required in the future for the maintenance - procedures and budget allocation.

The AM policy and strategy describe how assets will be identified, verified, assessed and listed with spatial information in the Fixed Asset Register.

Each piece of equipment and infrastructure is identified by a unique

The O&M Plan specifies the resources that will be required to operate and maintain assets and locates the responsibility for control, access, and security of the asset. It also defines asset operating policies like working hours and energy management, standards of performance expected from the asset, and how performance data is collected and reported.

Municipal maintenance activities are structured in customised plans that are compiled for each asset and coded according to the type of work required.

Recommendations are made on the activities and frequency of maintenance to be performed on each asset type to ensure optimal use from the asset in terms of life expectancy as well as meeting service level targets and performance requirements. It is important that maintenance activities performed are recorded or logged in order to inform the future planning, budgeting and prioritisation of maintenance activities.

These will ensure optimal utilisation of each asset to its useful life or even beyond, to best apply financial, human, and technical resources for its operation, as illustrated in Figure 1.

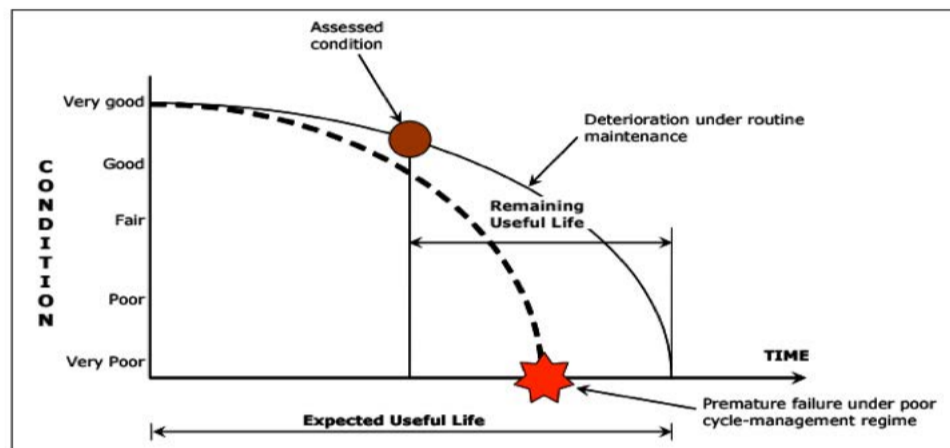


Figure 1. Illustration of asset maintenance investment over asset life

From historical information, the following can be reported on Historic Spend on Repairs and Maintenance, illustrated in Table 1.

Historical Asset Value	Total Assets PPE	Actual Expenditure on R&M	Repairs & Maintenance versus Total PPE Assets (%)
FAR 2020/21	R 2 182 523 256,29	R 56 071 931,00	2.6%
FAR 2021/22	R 2 282 831 814,62	R 47 608 849,00	2.1%
FAR 2022/23	R 2 345 294 942,70	R 126 445 000,00	5.39%

Table 1 Historic Spend on Repairs and Maintenance

The guidelines from National Treasury propose that a municipality allocates a budget of 8% of the value of its Property, Plant and Equipment (PPE), towards planned routine, preventative and reactive maintenance.

Furthermore, from the updated O&M Plan, the budget allocation for maintenance can be taken as a percentage of PPE (carrying value), informed by the Fixed Asset Register. The average annual maintenance budget for 2023/24 was proposed to allow for a gradual increase from the 2022/2023 maintenance budget. See Table 2 on page 6.

To give context to the iLembe District Municipality's water & sanitation asset portfolio, they own and operate 10 water treatment works, the largest being of design capacity of 40MI/d, an estimated 4 500km of bulk and 15 000km of reticulation water pipelines, 357 reservoirs, 15 water pump stations, 12 wastewater treatment works, 885km of sewer pipelines and 87 sewer pump stations.

Complementing the strategy, a computerised asset management information system (EDAMS) is being implemented under a separate Vuthela project that commenced in January 2023.



## Aligned to the IDP

The asset management strategy emanated from the Asset Management Policy and supports the overall development objectives of the municipality by controlling the planning, purchasing, construction, operation, maintenance, renewal, and disposal of municipal assets. These objectives are also aligned to the district's Integrated Development Plan (IDP).

It will allow the municipality to prioritise budgetary expenditure for asset management and maintenance to improve service delivery and ensure improved use of assets up to and potentially beyond assets' Expected Useful Life (EUL). Additional infrastructure assets that will be required in the future to meet the needs of the communities have also been identified.

The strategy will be executed through a long-term plan, including the updated O&M Plan, that ensures the consistent and effective management of all assets up to 2030. The O&M Plan puts into effect the organisational and

code attached to it, so it can be easily located and tracked. The code on the asset must correspond to the information recorded and updated in the Fixed Asset Register.

Every asset is assigned a location (local municipality reference), sub-location (area name/scheme name or facility) and exact Geographic Information (GIS) coordinates where possible, so that it can also be represented in the GIS of the municipality as well as in the newly deployed EDAMS asset management information system.

## Municipal training

Municipal officials from financial asset management, technical asset management and the GIS unit were trained to understand the asset management value chain and manage assets more effectively, ensuring optimum service delivery.

This includes the management of the traditional water and sanitation business cycle from water source and abstraction to the treatment, distribution, and storage of drinking water, and thereafter the collection, treatment, and disposal of wastewater. It also includes how the municipality reports on and manages potable water quality and effluent water quality for Blue and Green Drop purposes.

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# Partners in growth

Several skill-building projects are coming together with development initiatives to support the drive for inclusive economic growth in the iLembe district.

The Business Incubator established by Enterprise iLembe is playing a major role in supporting the objectives of the Vuthela iLembe LED Support Programme by developing skills and advancing inclusive growth in the iLembe district.

Enterprise iLembe is an economic development agency owned by the iLembe District Municipality. It attracts investment and facilitates economic development in the iLembe district.

Enterprise iLembe aims to enable businesses in the district to compete successfully on the international stage, to participate in the national economy and to promote local economic development. It aims to create sustainable jobs and improve the quality of life of communities, especially the poor and marginalised.

CEO of Enterprise iLembe Linda Mncube says several

projects have been implemented to support skills development and economic progress in the district.

Enterprise iLembe has established a Business Incubator as a strategic instrument to overcome the challenges confronting small businesses, like access to finance, regulatory compliance and addressing market needs.

The Business Incubator provides secure working space with computers, communication facilities and meeting rooms. Business support services include management training and mentoring, accounting services and assistance with statutory, taxation and compliance requirements.

The recently launched iLembe One Stop Shop provides several commercial services, including company registration, at no cost to businesses. This initiative is expected to significantly improve the ease of starting a business in the district and responds directly to the "Doing Business" survey undertaken by the World Bank Group as part of the Vuthela Programme in the early phases of the programme which pointed to the time-consuming challenges of setting up a new business in the iLembe district.

Enterprise iLembe, in partnership with the iLembe Chamber of Commerce, Industry and Tourism, also initiated an

Entrepreneur Competition to stimulate and support small business ownership.

An Install-Repair-Maintain (IRM) Hub has been established at the Mandeni campus of Umfolozi TVET College in partnership with the National Business Initiative (NBI), Mandeni Municipality, iLembe Chamber and local manufacturing businesses.

IRM roles account for around two million jobs (12% of all employment) in the South African economy and 736 000 of these jobs are occupied by young people.

The IRM initiative recognises that youth unemployment cannot be solved through labour absorption in the formal sector alone and it is essential to develop township enterprises that grow economic activity and self-employment opportunities.

Mncube said that the skills and business development projects underway are designed to support and develop small businesses and contribute to overall economic growth in the district.

"They serve as a practical demonstration of successful partnerships between organised business, local government and the development agency in this district," says Mncube.

"We look forward to extending the collaboration with all stakeholders who share our aim to develop and grow the local economy for the benefit of communities in the future."



KZN MEC Siboniso Duma, Economic Development, Tourism and Environment Affairs at the iLembe One Stop Shop launch



Business Incubator provides business services

▶ continued from page 05

## Improving water services in the iLembe district

Type of Infrastructure	Current Asset Value	Replacement Costs	Minimum Average Annual Maintenance Budget as % of Replacement Cost	Maximum Average Annual Maintenance Budget as % of Replacement Cost
Bulk water storage	R558 648 766,41	R1 246 264 635,49	R49 850 585,42	R99 701 170,84
Water treatment works	R486 256 357,72	R1 142 432 433,12	R45 697 297,32	R91 394 594,65
Water reticulation	R818 241 819,82	R1 825 386 530,46	R73 015 461,22	R146 030 922,44
Sewage treatment works	R72 181 374,59	R174 040 359,89	R6 961 614,40	R13 923 228,79
Sewer reticulation	R283 729 008,04	R294 039 104,72	R11 761 564,19	R23 523 128,38
	<b>R2 219 057 326,58</b>	<b>R4 682 163 063,68</b>	<b>R187 286 522,55</b>	<b>R374 573 045,09</b>

Table 2: Average Annual Maintenance Budget for 2023/24

This project involves the procurement, installation, and implementation of a comprehensive asset management information system, asset and network data update, planning, management, operation, and maintenance of these assets.

departments to make the system fully operational.

A change management process is critical for the municipality to implement as it involves changes in business processes in the management of assets – not only technical, but also financial and information management.

This project nears completion in September 2023 under the Vuthela contract but will continue under a licencing and support contract directly with the iLembe District Municipality, funded by the Vuthela Programme, until 30 June 2025.

To realise its full potential, it will require dedicated efforts from several iLembe District Municipality

This requires full coordination and cooperation between various departments in the iLembe District Municipality.

The EDAMS Asset Management Software ensures that the municipality moves from a manual system for logging of data or job cards, to a fully electronic and integrated system for planning, budgeting, and financial management tools. It will also automate maintenance schedules, develop workflows and track activities to improve the management of water services from planning to implementation and commissioned asset management.

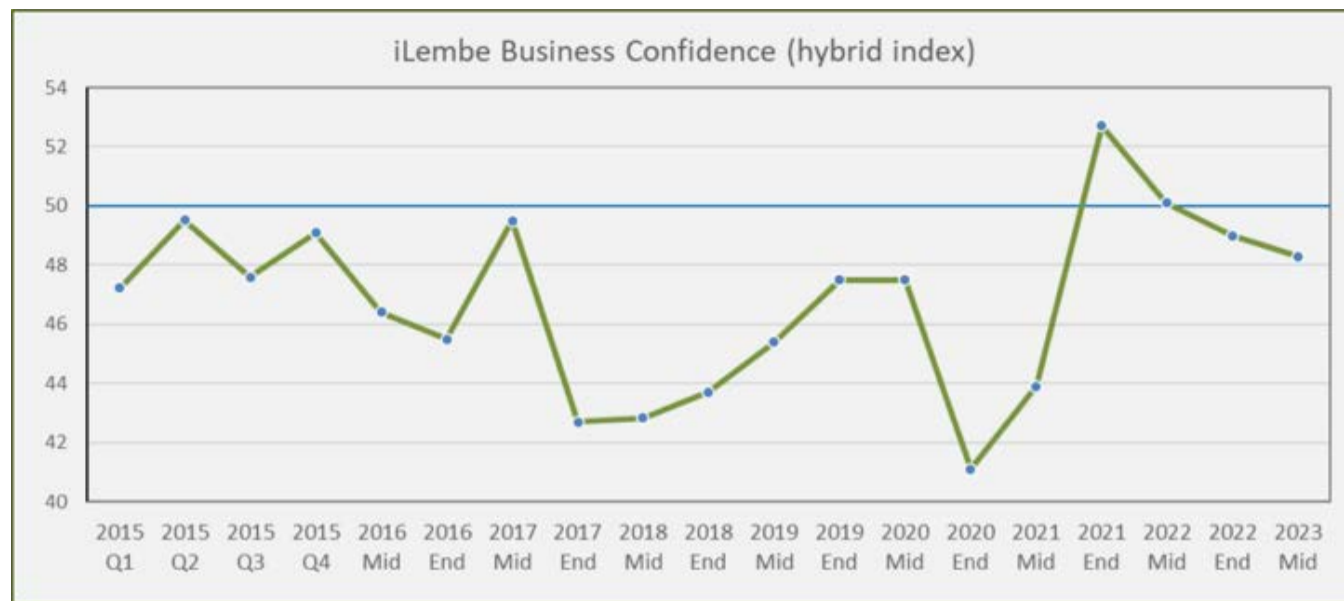
This includes improved management of non-revenue water, development of preventative maintenance procedures based on recorded asset performance and activities conducted on assets, and more.

While the asset management strategy and its supporting policies and plans meet all legislative requirements, they will also safeguard these assets and improve efficiency by streamlining workflows and maintaining accurate records.

Budgeting and planning will be more accurate, and the level of transparency within municipal departments will be enhanced as the records and data will be easily accessible.



# iLembe businesses still embrace a pessimistic outlook, survey finds



## Highlights and key findings

- Negative business sentiment resulted in the iBCI 2023 Mid-Year (i.e., both the Survey and Economic Activity Indices) being recorded at 48.3 index points, a decline of .7 index points compared to the second half of 2022, and a 1.8 index point decline Y/Y.
- The iBCI Survey Index component, in which regional businesses leaders and investors indicate their sentiment about the region's economic and business performance, was firmly entrenched in negative territory at 40.6 index points.
- The iBCI Economic Activity Index element was recorded at 55.9 index points, the fifth successive period of positive economic activity for the iLembe district.

All business indicators included in the iBCI Survey Index were recorded in the negative.

Sales Volumes (34.9;<10.6), as a measure of business performance, return on sales efforts and trading location, and Order Book (38.4;<0.1), as a leading indicator of market depth and liquidity, remained firmly entrenched in negative territory.

Levels of Employment (48.4;>8.4) persistently remain in the negative, despite the improvement recorded. Sentiments around job retention and creation are symptomatic of the challenging economic conditions.

With regard to business sentiment per economic sector, only two sectors recorded positive business confidence, i.e., above the neutral level of 50 index points.

The sectors that recorded positive sentiment are Transport, Warehousing, Storage sector (56.5;>22.7), and Arts, Culture & Creative Industries sector (75.0;>17.5), also the most confident sector.

Business sentiment in other critical economic sectors in the region were in the negative, namely Manufacturing, Assembly sector (28.4;<1.6), Agriculture, Forestry, Hunting sector (37.0;<3.5), Construction, Property Development, Property Sales sector (46.4;>5.7) and the Tourism, Catering, Accommodation, Property Management sector (46.5;>2.5).

## Manufacturing, Assembly sector

The Manufacturing, Assembly sector remains the least confident business sector, with sentiment being recorded at the lowest levels since the introduction of the iBCI – lower than the levels seen during the pandemic and 2021 unrests.

Loadshedding, load curtailment and power outages remain the primary drivers of dampened sentiment in the sector. The factors impact directly on production downtime, output capacity and profitability, and filtering through to business sentiment as well.

The cost-of-living challenges and subdued local economic growth have left manufacturers with not only a reduction in sales volumes, as indicated above, but also with limited opportunity to pass on factory gate price inflation.

## Agriculture, Forestry, Hunting sector

Sentiment in this sector declined by a further 3.5 index points to a confidence level of 37.0 index points – a position best summarised by the recent newspaper headline “KwaZulu-Natal’s sugar industry is enduring a long, long winter”.

Gledhow Sugar Mill’s announcement that it is voluntarily commencing business rescue proceedings, short on the heels of a similar move by Tongaat Hulett in October 2022, set the tone for sentiment in this sector.

Reports of payment defaults and the escalation in fertiliser and fuel prices are contributing to the dejected sentiment in this sector.

## Construction, Property Development, Property Sales sector

The slump in business sentiment in this sector stalled with an improvement of 5.7 index points, although business confidence in this key sector in the iLembe district’s economy remains firmly in the negative.

Views expressed by responding businesses in this sector once again highlighted delayed planning approvals, unwieldy building control processes, development of infrastructure, expectations around developers’ contributions towards infrastructure development, and increasing concern about the capacity of especially road infrastructure and resulting traffic congestion.

These constraints are magnified in periods of rapidly increasing input costs, and higher inflation in general, with respondents stating that it is not uncommon for developers to rework development costs, and return on cost, numerous times in between development plan submissions.

An increase in the illegal occupation of private property, and land invasion in general, were highlighted as a growing concern.

## Tourism, Catering, Accommodation, Property Management sector

Business confidence in this sector remained entrenched in the negative, despite an improvement of 2.5 index

points during the previous six-month period.

This dampened sentiment persisted despite the delivery of a hugely successful 2023 edition of the Ballito Pro Surfing competition, with its popular ancillary activities, that provided a boost to holiday accommodation, with occupancy levels of 95% and above being reported, and the hospitality industry in general.

The inaugural ZA Fest, which featured the Ndlovu Youth Choir, and the international surfing competition, the Ballito Pro, added to the KZN North Coast’s destination appeal.

The ongoing water quality issues plaguing the neighbouring Metro resulted in the closure of seven Durban and wider eThekweni Metro beaches immediately prior to the commencement of the mid-year school holidays. Fears were expressed that impressions might exist that these issues extend onto the KZN North Coast, and that brand North Coast becomes collateral damage.

## Confidence within municipalities

In line with the business sentiments expressed by respondents in the Manufacturing, Assembly sector, the Mandeni Local Municipality (22.0;<9.9), which hosts the Isithebe Industrial Estate, the manufacturing heartland of the iLembe district, remained the least confident region in the iLembe district. The most confident local municipality remains Maphumulo (60.0;<12.5), whilst business sentiment in KwaDukuza (41.5;<2.5) declined to entrench itself in the negative.

## Looking ahead

The iBCI Survey component also reflects on business expectations and business outlook over the next six months. Business expectations for the second half of 2023 remain marginally in the negative, being recorded at 49.7 index points, 9.1 index points more positive than the current sentiment. The Activity Index of the composite iBCI was recorded at 55.9, confirming that the general business climate in the region is potentially better than what businesses perceive it to be according to the Survey Index (40.6).

The two market related indicators of Market size, and the economic decline, and Competitiveness and adaptability, were indicated by 62% of participating businesses as primary constraints to conducting business in the iLembe district. The public sector indicators of Service delivery & infrastructure provision (38%), Regulations and compliance (23%), and Property rates and taxes (29%) were selected by all the business respondents as primary business constraints.

## Conclusion

Several macro and local factors formed the background to a challenging first half of 2023, reflected by the iBCI 2023 Mid-Year remaining in the negative.

The iLembe Chamber of Commerce, Industry & Tourism and Enterprise iLembe are of the view that a concerted effort is required in addressing the “basics” viz. a responsive and effective public sector, refurbishing ageing infrastructure, enhancing law and bylaw enforcement, curbing community unrests, reining in the cost of doing business and removing red tape. These elements are all essential for local businesses to overcome the numerous structural and other modern economic challenges.





# Summary of Vuthela Programme Portfolio

The infographic below provides a summary overview of the status of the project contracts undertaken by the Vuthela PCU across the five integrated components – Public (Municipal) Finance Management (PFM), Municipal infrastructure (MI), Private Sector Development (PSD), Building Inclusive Growth (BIG) and Partnership and Co-operation (P&C).

**COMPONENT 1:**

**PUBLIC FINANCE MANAGEMENT**

Aimed 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.

	CONTRACT DESCRIPTION	BID/CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
<b>OUTCOME 1:</b> Enhanced Policy & Oversight Capabilities	Building capacity of Councillors and senior managers for financial oversight	VILP/I/001	Complete
	Assessment of municipalities' public financial management using Public Expenditure and Financial Accountability (PEFA) performance indicators on data integrity, financial reporting and legislative scrutiny	PCU insured	Completed for baseline information
<b>OUTCOME 2:</b> Enhanced Revenue Management	Revenue Management Part 1	VILP/O/026	Complete
	IT system to support indigents register	VILP/O/027	Complete
	A single indigents register across all municipalities	VILP/S/003	Complete
	Feasibility Study of Regional Customer Care Centre - Phase 1	VILP/I/018A	Complete
	Feasibility Study of Regional Customer Care Centre - Phase 2	VILP/I/018B	Withdrawn
	Drafting of Memorandum of Agreement: Regional Customer Care Centre and Automated Indigent Register	VILP/I/037	Complete
	Data cleansing	VILP/I/005	Complete
	Development charges policy, system and implementation.	VILP/I/004	Complete
	Assessment of municipalities public financial management using Public Expenditure and Financial Accountability (PEFA) performance indicators on revenue management.	PCU insured	Completed for baseline information
	Revenue Management Part 2	VILP/I/052	Implementation
<b>OUTCOME 3:</b> Enhanced Budget, Audit, and Risk Management Skills	Audit and Risk Management	VILP/I/028	Complete
	Assessment of municipalities' public financial management using Public Expenditure and Financial Accountability (PEFA) performance indicators on public investment management and asset management.	PCU insured	Completed for baseline information
	Budget Management	VILP/I/006	Complete
	Asset Management	VILP/S/011	Complete
	Assessment of municipalities' public financial management using Public Expenditure and Financial Accountability (PEFA) performance indicators on internal controls on non-salary expenditure	PCU insured	Completed for baseline information
<b>OUTCOME 4:</b> Enhanced Management of Procurement Processes	Supply Chain Management capacity building for all municipalities	VILP/I/009	Complete
	Skills audit of Supply Chain Management officials	VILP/S/008	Complete
	Unauthorised, irregular, fruitless and wasteful expenditure register	VILP/S/002	Complete
	Assessment of municipalities public financial management using Public Expenditure and Financial Accountability (PEFA) performance indicators on procurement management and administration	PCU insured	Completed for baseline information

**COMPONENT 2:**

**MUNICIPAL INFRASTRUCTURE**

Aimed to provide enabling infrastructure for inclusive economic growth; reduce infrastructure constraints through capacity building measures to plan for infrastructure investments, and through specific infrastructure investments that reduce waste and promote green economy initiatives

	CONTRACT DESCRIPTION	BID/CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
<b>OUTCOME 1:</b> Reduced Infrastructure Constraints	Lower Tugela Bulk Water Offtake funding packaging	VILP/S/029	Withdrawn, funds transferred
	Specialist Technical and Mentoring Support for Preparing Alternative funding Applications	VILP/I/046	Withdrawn, funds transferred
<b>OUTCOME 2:</b> Increased Planning Capacity	Integrated Asset Management: Asset Management Plans (iLembe DM and infrastructure services; KwaDukuza LM & Mandeni LM and infrastructure services)	VILP/I/010	Completed
	Determine and address capacity building and training requirements for Asset Managers and linked positions (IDM, KLM, MLM)	VILP/S/007A	Completed
	Scoping of asset management system/s	VILP/S/011	Combined into VILP/I/010, Completed
	Non-Revenue Water pilot study for Sundumbili (apparent or non-physical water losses), IDM	VILP/S/012	Completed
	Electricity Master Plan update (KwaDukuza LM), Electricity Master Plan full review (Mandeni LM)	VILP/I/013	Completed
	Integrated Waste Management Plans (IWMP) for KwaDukuza LM & Mandeni LM; Consolidated IWMP for IDM (from all LMs)	VILP/I/014	Completed
	SCADA & Control Room specifications for electrical services management, KwaDukuza LM (all points of supply from Eskom and main KLM substations) & Mandeni LM (one Point of Supply)	VILP/S/015	Completed
	Asset Management Plan uptake and implementation support to IDM: Asset Management Strategy and update of operations & maintenance plan	VILP/I/030	Ongoing, contract ends September 2023
	Infrastructure information management and improvement for six areas, IDM	VILP/I/041	Completed
	Asset Management Information system and implementation for IDM	VILP/I/044	Ongoing, contract ends September 2023
	Activities to address Non-Revenue Water in IDM: physical losses	VILP/O/031	Transferred to iLembe DM for implementation.
	Appointment of an Occupational Health and Safety Officer for execution of the contract on Non-Revenue Water, VILP/O/31	VILP/S/031A	Transferred to iLembe DM for implementation.
	Site engineering project management support for execution of the contract on Non-Revenue Water, VILP/O/31	VILP/S/031B	Transferred to iLembe DM for implementation.
	Source funding for the review and update of the Regional Water and Sanitati on Master Plan	VILP/S/032	Withdrawn, funds transferred
	Non-Revenue Electricity (NRE): NRE strategy and programme development for KwaDukuza and Mandeni LMs respectively	VILP/I/033	Completed
	Non-Revenue Electricity: NRE pilot project, Mandeni LM	VILP/I/042A	Transferred to Mandeni LM for implementation. Bid being finalised into the municipal format.
	Non-Revenue Electricity: NRE pilot project, KwaDukuza LM	VILP/I/042B	Transferred to KwaDukuza LM for implementation. KwaDukuza to appoint a project manager to assist.
	SCADA & Control Room implementation support through oversight	VILP/S/034	Under implementation - funded by the EU. Vuthela provides oversight; World Bank provides Technical Advisory support. Estimated completion by December 2023.



# Summary of Vuthela Programme Portfolio (continued)



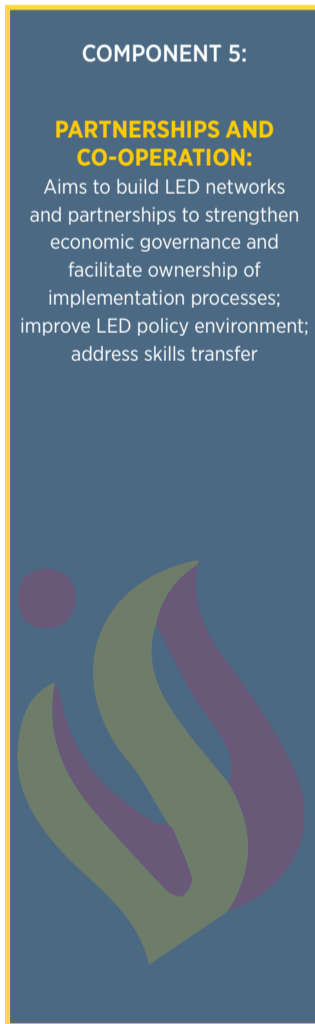
OUTCOME 3:	CONTRACT DESCRIPTION	BID/CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
Enhanced Planning	Develop Terms of Reference for Siza Water Concession Five-year Review	VILP/S/016A	Completed
	Five-year review of Siza Water concession (past five years; next five years' planning)	VILP/I/016B	Completed
	Opportunities for Green Infrastructure: Added scope to planned regional wastewater treatment works for energy efficiencies, renewable energy and sludge beneficiation	VILP/I/017	Completed
	Continuation of concession contract support: concession contract monitoring; concession contract review (and new supplementary agreement); review of the Siza Water financial model; development of an exit management strategy template	VILP/I/035	Completed
		VILP/I/035A	Included under one contract 035
		VILP/I/035B	Included under one contract 035
	VILP/I/035C	Included under one contract 035	
	Detailed feasibility and preliminary design - energy efficiencies, renewable energy at Sundumbili Water Treatment Works	VILP/I/036	Completed
	Development of Green Procurement Policies and Guidelines for municipalities	VILP/I/043	Withdrawn, funds transferred
Renewables and circular economy initiative to be finalised with municipal partner	VILP/I/045	Withdrawn, funds transferred	



OUTCOME 1:	CONTRACT DESCRIPTION	BID/CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
Preparation and implementation of 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.	Provide support to the IFC's employability assessment of Umfolozi TVET college	SECO funded	Completed
	iLembe ICT project	SECO funded	Completed
	KDM Entrepreneur support programme	VILP/I/047	Completed
	Ease of Doing Business - getting electricity	SECO funded via WBG	Completed
	Ease of Doing Business - property registration	SECO funded via WBG	Completed
	Ease of Doing Business - construction permits	SECO funded via WBG	Completed
	Provide support to the National Business Initiative's Installation, Repair and Maintenance hub	SECO, GIZ and SAPPI funded	Completed



OUTCOME 1:	CONTRACT DESCRIPTION	BID/CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
Specific projects identified for the Green Economy and other key sectors, with SECO and/or other institutional support which will assist inclusive growth SMMEs and achieve project objectives.	iLembe energy efficiency scoping study	VILP/I/021A	Completed
	iLembe waste efficiency scoping study	VILP/I/021B	Completed
	Investigate renewable energy options for Isithebe Industrial Park	SECO funded via WBG	Completed
	Digitisation - iLembe business directory	VILP/I/049	Completed
	Provide support to the Sustainable Recycling Industries e-waste programme for iLembe	SECO funded	Completed



OUTCOME 1:	CONTRACT DESCRIPTION	BID/ CONTRACT NO.	COMMENTS/ STATUS AUGUST 2023
Review and alignment of local economic development strategies	Formulation of three LED reviewed strategies by Councils	VILP/I/022	Complete
	Formulation and approval of iLembe District Economic Recovery and Implementation Plan	PCU Insourced	Complete
Effective Institutions and processes For LED Strategy monitoring and Evaluation	Support LED strategy implementation monitoring by Local Municipalities	PCU Insourced	Complete
Effective Multi-Actor Municipal LED and Local Economic Governance Structures	Support Enterprise iLembe on LED Forum	PCU insourced	In abeyance with DDM Economic Cluster
	Support Enterprise iLembe on iLembe District Economic Facilitation Committee	PCU insourced	In abeyance with DDM Economic Cluster
Institutional assessment and strengthening of Enterprise iLembe	Enterprise iLembe Institutional Assessment, 5-year Strategic Plan and Change Management Framework	VILP/S/024	Complete
	CM Implement sub-project 1: HR and Performance Management	VILP/I/050	Complete
	CM Implement sub-project 2: Project Finance and Information & CM Implement sub project 3: Project Management System	VILP/I/039	Complete
iLembe Growth & Development Strategy	iLembe District Development One Plan	PCU insourced	Completed
	Planning and Implementation of Transversal (Matrix Management)	VILP/I/051	Withdrawn
Developed and Adopted programme of Knowledge Management and Dissemination of Strategy	Developed and Adopted programme of Knowledge Management and Dissemination of Strategy	VILP/I/040	Implementation





## WHAT IT IS ABOUT

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

## OBJECTIVES

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

## STATUS OF PROJECTS

Of the 44 contracts, 32 (73%) have been completed, five (11%) are in implementation, two (5%) are subject to transfer to municipalities and five (11%) have been formally withdrawn.



## WHO ARE THE PARTNERS?

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

## THE FIVE INTER-RELATED COMPONENTS OF THE PROGRAMME

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

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