

LED *in action*

December 2005

LED *in action* is the monthly newsletter of the Provincial Local Economic Development (LED) Support Programme. It includes interviews with key stakeholders, feedback on key programmes and projects and current LED thinking.



The Provincial LED Support Programme's Programme Coordination Unit (PCU), which will guide the programme over the next five years presented their Inception Report to the Programme Steering Committee (PSC) on 6 December 2005. PCU members Tomasz Kilianski, Fund Advisor; Pumla Kubukeli, Programme Coordinator; Keith Cook, Programme Director; Juan Carlos Battaglia, Team Leader: Finance and Contracts Unit; Christian Weltzien, Team Leader: Project Generation Unit; Hugh Brooks, Procurement and Financial Systems Advisor and Nhlanganiso Dladla, Local Government Support Fund Advisor.

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Local government research findings

The Local Government Research Team was tasked to identify constraints that municipalities currently pose to local economic development in the Eastern Cape; and to investigate provincial, national and international good practice that could counter these constraints.

Primary research consisted of interviews with representatives from municipalities, business (both formal and informal) and civil society through a detailed questionnaire. This was augmented by a review of existing documents. Information was analysed using a framework comprising the four drivers of developmental local government: development facilitation, governance and administration, regulation and service delivery. Through this, a number of constraints and good practices were identified which

in turn were used to make some recommendations for areas of focus for the Local Government Support Fund (LGSF).

Findings provincially, nationally and internationally indicate that local economic development works best when municipalities facilitate and stimulate an enabling environment through a focus on effective and creative planning and strategies; mobilising stakeholders and building social capital; establishing and participating in partnerships; designing appropriate institutional responses; reducing onerous regulatory requirements and lastly; and possibly most importantly in the context of the Eastern Cape, providing and maintaining infrastructure.



The Interim Programme Coordination Unit's Local Government Research Team, Jeremy Timm, Onke Makhunga and Lu Heideman.



Delegates at the SMME Finance Research Workshop

SMME Finance Research Workshop

A study of the provision of finance to Eastern Cape SMMEs was recently completed by Robert Keith. The study highlights the following:

- A large increase in funds is being made available to SMMEs from three new sources: the South African Microfinance Apex Fund (SAMAF), Mafisa (for small agricultural loans), and IDC's new SMME Fund.
- There is a market gap in the provision of development finance for enterprises needing less than R100, 000. ECDC's allocation to this market segment can be strengthened, together with better mentoring of loanees.
- The major commercial banks are using the Khula Guarantee Scheme to make loans of an average size of R350, 000. Their obligations contained in the Finance Sector Charter will increase their activity in the SMME market.
- Secondary and Tertiary financial institutions should be supported to strengthen their engagement with the SMME market.



Competitive Advantage Research Team (Left to right):
Researcher/Trainer, John Lawson; Researcher/Trainer, Zini Godden; Economist Data/Analyst, Melinda McCann;
Team Leader, Anne Vaughan; Researcher/Trainer, Thabo Selai; Researcher/Trainer, Anton Cartwright.

Competitive advantage assessment, training support and value-chain analysis

Studies on municipal-level competitive advantage and priority value-chains and subsectors commenced at the beginning of December with completion scheduled for the end of March 2006.

The competitiveness study aims to identify the competitive advantages of each municipality in the Eastern Cape. The study will use a variety of data sources combined with participatory assessment and LED training in the six districts.

The value-chain study will firstly identify the subsectors and value-chains that have the greatest potential to impact on poverty through enterprise development. The selected value-chains will then be studied in detail and strategies for their growth will be designed, together with existing participants in the value-chain.

Both studies aim to identify “quick-win” catalytic LED projects, and to mobilise, educate and stimulate co-operation among key stakeholders.

Regional Office preparation

Office space for six regional offices has been negotiated with the following:

- Eastern Cape Development Corporation (ECDC), for OR Tambo District Municipality area
- ECDC, for Chris Hani DM area
- Ukhahlamba DM
- Alfred Nzo DM
- Amatole DM
- Cacadu DM

For each office, counterparts have been negotiated with DMs, ECDC and the Department of Housing

Local Government and Traditional Affairs (DHLG&TA).

It is with great pleasure that we are able to report that the PSC meeting of 6 December 2005 approved the PCU recommendation to combine the posts of Local Government Support Fund (LGSF) Advisor and Local Competitiveness Fund (LCF) Advisor into one post of Regional Programme Fund Advisor. This restructuring has enabled the elevation of the two satellite offices at Ukhahlamba DM in Barkley East and Alfred Nzo DM in Mount Ayliff to full Regional Office status. This means that there will now be a fully fledged regional office for each district municipality.



Ukhahlamba Regional Office Team (Left to right): Fiona Sephton, Director: Community Services and Planning; Phumeza Skoti, LED Coordinator and Mawethu Danyela, Agriculture Coordinator.

ECDC boss lauds LED programme

The Province's European Union (EU) funded Local Economic Development (LED) Support Programme provided an excellent institutional opportunity to strengthen bi-lateral relations between the European Union and the Eastern Cape, Eastern Cape Development Corporation (ECDC) CEO Kevin Wakeford said.

In terms of the programme, three funds will be established to support provincial stakeholders and technical assistance will be mobilised.

The three funds are:

- a Local Government Support Fund aimed at assisting municipalities within the province to create an appropriate enabling environment for economic growth,
- a Local Competitiveness Fund aimed at helping local partnerships to identify and capitalise on their area's competitive advantage and
- a Financial Innovation Fund that will help improve access to finance.

ECDC, in association with a full time PCU team that has been deployed at ECDC head office, which will soon be augmented by additional members at the six regional offices, two of which are hosted at ECDC offices, will engage in project generation up to bankable projects, in relation to the Local Competitiveness Fund and Financial Innovation Fund.

The Local Government Support Fund will be launched in February and the Local Competitiveness Fund will be launched in March, following which, proposals will be called for. Within three months of the closing of the call for proposals, funds will be ready for disbursement.

The wider objective of the Programme is a significant reduction in the number of households living below the poverty line. This will contribute to the PGDP targets, set for the year 2014, of reducing by 60-80% the number of households living below the poverty line, and eliminating gender disparities. With the support of the EU, it brings to the Province total resources of over R250 million over a 5-year period from 2005 to 2010.

The Eastern Cape Provincial LED Support Programme is the third in a series of European Union-funded provincially-based local economic development support initiatives. The three programmes represent



ECDC CEO Kevin Wakeford views the Provincial LED Support Programme as an opportunity to strengthen bi-lateral relations between the Province and the European Union (EU)

a total commitment of Euro 100 million to economic development in South Africa, a significant portion of the Euro 125 million a year commitment of aid from the European Commission to South Africa in the 2003-2006 EU-SA Country Strategy. The first LED support programme was launched in Limpopo and was followed by another in KwaZulu-Natal.

"This is one of the biggest provincial government and EU partnerships in Southern Africa and is one of the boldest actions initiated by the EU in terms of stepping up development in the Eastern Cape. The amount of resources they have put on the table is a huge statement of intent and, as a significant stakeholder we at ECDC intend to seize the opportunity to build confidence between ourselves and the EU through an effective and efficient relationship which can strengthen bi-lateral relations in terms of trade and foreign direct investment," Wakeford said.

Still on the cards

The following documentation is scheduled to be finalised shortly and apart from the draft Programme Handbook, should be available on the programme website by 31 December 2005:

- Final Report
- Final suite of local government reports
- Report on evaluation of systems
- Learning network report
- Training programme report
- Draft ToR for Advisory and Coordination Groups
- Role descriptions for counterparts
- Communications report (including stakeholder profile)
- Draft Programme Handbook (fund criteria & key findings of competitive advantage & value chain studies to be added by PCU).

IPCU signs off

The interim, or set-up, phase of the Programme is at an end. The IPCU, based in the Eastern Cape Socio-Economic Consultative Council (ECSECC), will now formally disband, leaving the Programme Coordination Unit (PCU) with full coordination responsibilities. The handover has been smooth, and the scene has been set for the detailed design and launching of the funds.

The use of the funds to support innovative and catalytic projects will be critical, given the relative size of the funds and the importance of leveraging fund application and programme lessons to attract additional resources and to contribute to the on-going strengthening of the provincial and local government partners. The PCU is well placed in the key provincial partner institutions to undertake this work, and will activate the programme's regional offices early in the New Year. Those offices will become critical focal

points for fund launches and proposal support, as well as the building of effectively integrated support to LED partnerships, enterprises and municipalities. They will also be critical focal points for the learning network that is being developed to capture and disseminate learning associated with programme implementation.

The PCU is composed of a range of motivated and professional individuals with very relevant comparative and provincial experience. Its Inception Report has now been approved by the PSC, and it is poised for implementation. Systems and team functioning will be readied for the challenges of 2006.

"I would like to thank the members of the IPCU for their dedicated and professional work, and trust that they will continue to serve in this Province, whether in support of this or other Programmes", Team Leader John Reynolds said.



The Interim Programme Coordination Unit (IPCU) has been responsible for the Provincial LED Support Programme's interim stage which comes to an end in December. Back Row: Lu Heideman, Local Government Researcher; Ian Weir, Training Specialist; Mickey Mama, Public Sector Institutional Development Specialist; Mike Lewis, Research Manager – Baseline Researcher; Onke Makhunga, Local Government Researcher; and Jeremy Timm, Research Manager: Local Government. Front Row: Patrick Mjele, Public Sector Institutional Development Specialist; Namhla Njokweni, Project Secretary; John Reynolds, Team Leader; and Russell Grinker, Public Sector Institutional Development Specialist.

PCU Programme Coordinator Pumla Kubukeli shares her views on the programme

Pumla Kubukeli who is the coordinator of the long-term experts making up the PCU, stressed the urgency of putting in place workable and sustainable pro-poor programmes in partnership with government, the private sector and the people of the Eastern Cape. She sees the Provincial LED Support Programme as a catalyst for change that can strengthen this partnership by stimulating economic growth, especially for the poor.

The PCU will need to ensure that counterparts are active in the host departments, and that skills enhancement efforts have maximum impact at community level and result in increased economic activity, says Kubukeli. This, she argues, will ensure that the programme is sustainable.

The PCU is positioned to meet very tight deadlines for the launch of the first fund, the Local Government Support Fund (LGSF) scheduled for February 2006. The other funds will also be launched in 2006, with calls for submission of proposals made at appropriate intervals throughout the year.

Kubukeli also noted that the intention with the programme is to develop a 'pipeline' of projects.



Pumla Kubukeli PCU Programme Coordinator

The team's experience is that a great number of programmes get log jammed at the design phase. We have focused our attention on developing systems and instruments that ensure that once the funds are up and running, that the programme delivers a critical mass of projects.

"The EU funding will enable the programme to establish what works best for economic development in the province, so that over time, the programme will form part of the provincial budget and become sustainable. We recognise that initially we will be piloting the funds to establish what can become sure wins, and what to flag. There certainly is a learning-by-doing component to the programme, and we want it to be associated with a 'can do' ethos."

Keep in Touch

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Ikamva eliqaqambileyo!

