

Address by the MEC for Economic Development, Tourism and Environmental Affairs, Mr. Michael Mabuyakhulu, on the occasion of the Regional and Local Economic Development Summit (RLED) SUMMIT held @ Inkosi Albert Luthuli Convention Centre in Durban (ICC)

13th and 14th October 2014

Topic: *Broadening participation towards radical economic transformation*

Programme Director, HOD of EDTEA, Mr. Golding;

The MEC for Co-operative Governance and Traditional Affairs, MEC Dube-Ncube;

The MEC for Agriculture and Rural Development, MEC Xaba;

The Chairperson of SALGA KZN, Councillor Mdabe;

Your worship, the Mayors;

Esteemed amakhosi;

Heads of Departments;

Development practitioners;

Conference delegates;

All protocol observed

We want to extend gratitude at being part of this august gathering where experts, specialists and policymakers have converged to discuss and find solutions as to how we can fast track the local economic development programme within the context of radical economic transformation.

Programme director, the term “radical economic transformation” has been bandied about in many platforms with a number of intelligent and capable women and men unpacking it and telling us what it really means for our country. Without claiming any expertise on matters economic, we feel it is apt that, before we begin with our remarks, we share our understanding of this term.

However, before we do that, we beg the indulgence of this gathering to share with it what one of our best minds has said about this term:

“...radical transformation affects the fundamental nature of something and is about far-reaching and thorough actions, characterized by a departure from tradition; innovative or progressive. Radical

transformation in government will include production relations; less conflictual, characterized by more equitable benefit-sharing and by less inequality. It must mean placing job creation at the heart of work programmes and promoting a more inclusive job-rich pattern of growth."

Our own understanding, over and above what has been said is that:

"Radical economic transformation is...

- **changing the structure of the provincial economy to reflect the country's racial and gender demographics in both the ownership and participation patterns;**
- **focusing on robust government implementation of policies and strategies;**
- **promoting issues of localization, industrialization, beneficiation, infrastructure development, skills development and entrepreneurship development;**
- **implementation of broad based black economic empowerment"**

As such, therefore, radical economic transformation cannot be achieved by doing more and of the same.

But why is there a need for radical economic transformation twenty years into democratic rule? The high levels of unemployment, the glaring inequalities and grinding poverty in which our people live all demand that we do something revolutionary if our freedom is to find practical expression in all strata of society. But, radical economic transformation is not only about social upliftment. Radical economic transformation is about the competitiveness of our country and her economy. Radical economic transformation is about unleashing the full economic potential of all of our people in order to ensure that they contribute meaningfully to their own advancement.

It is in this context that we approach radical economic transformation. We have also, you might have noticed, that all of us agree that our economy needs to be transformed. What we need to deal with is the how part of it. Before we deal with the how part and tabulate some of the interventions we have introduced to transform the economy and ensure that there are no potential players who are left on the periphery of economic activity, allow us to share with you our understanding of local economic development. We appreciate that, since yesterday, fundis and experts have shared with the Summit informed descriptions of LED but, in order to contextualize our contribution we feel it is proper that we also give the definition of LED a go.

According to the World Bank, LED is **"...about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes"**.

Elsewhere in the definition, it is said that LED **“...offers local government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy. It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. LED encompasses a range of disciplines including physical planning, economics and marketing. It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance”.**

As Cabinet, we expect that this fourth RLED Summit will yield the following benefits:

- **Collaborative understanding and shaping of the LED landscape;**
- **Effective dialogue that produces decisive mechanisms towards LED Support;**
- **Creating an affective vehicle to craft and provide sustainable enablers for LED to drive urban and rural economies;**
- **Provision of a vehicle for decisive implementation plans towards achieving a radical economic transformation and job creation; and**
- **To allow for an orderly and effective interface between different role-players in the RLED space to deliberate and arrive at mechanisms to aggressively prop up the Social Partnership agenda of economic emancipation and empowerment.**

These objectives are only achievable if we are really radical in our approach. For this to happen, all of us are expected to re-imagine the world.

Allow us then, Programme Director, to share some of the radical and practical ideas whose implementation we need to explore in order to fast track sustainable local economic development.

1. Promotion of small businesses for LED development

- a) We should explore non-refundable venture capital for innovative ideas with potential to satisfy dire needs as well as create wealth and employment. This would be used for the purpose of funding machinery, equipment, tools and working capital.
- b) We need to explore extended grace period for repayment of loan debt in respect of start-up ventures. Obviously in this regard, a partnership with financial institutions would be a prerequisite.
- c) We also need to explore lease-back financing for business land and buildings.

2. The promotion of the co-operative sector as a focal point of our LED approach

- a) We need to encourage both the public and private sectors to source the provision of services from co-operatives; for example, cleaning of state properties internally, externally and gardening services
- b) The development of co-operatives that integrate closely associated skills from various soft skills disciplines for the purpose of building capacity and transferring knowledge as well as enhancing competencies and finessing delivery capability should be prioritised. For example:
 - I. Marketing, advertising, graphics design
 - II. Sales, merchandising, distribution and customer relations
 - III. Planning, manufacturing and packaging
 - IV. Engineering, maintenance and safety
 - V. Accounting, finance and economics
- c) We need to activate Chambers of Business to use their national and international networks for the purpose of developing new and penetrating existing export markets for local co-operatives.
- d) We must come up with lucrative programmes that can attract food stokvels dream beyond Christmas distribution of food packages but also indulge in poverty alleviation on a long term basis.
- e) We must consider the regulating existing, previously advantaged cooperative and/or cartels for the purpose of allowing new entrant African cooperatives to gain access to markets especially within the farming industries

3. The contextualization of the radical economic transformation within the LED Project

In LED radical economic transformation involves mobilizing financial support from both public institutions and private institutions to support the priority sectors in KwaZulu-Natal including, but not limited to, manufacturing, automotive sector, maritime, ICT, green economy and tourism. This can be done through forging partnerships with relevant stakeholders to support local enterprises, co-operatives and SMMEs that will produce goods and services that meet the needs of locals. This is embraced in the strategic objectives of EDTEA'S RLED unit

The strategic objective of RLED is to facilitate partnership-based projects that stimulate competitiveness and sustainable employment opportunities. Our emphasis on partnerships on projects such as the Gijima KZN Local Competitiveness Fund seek to support enterprises that form partnerships between large and emerging enterprises with a view to enhance the capacity of the emerging entrepreneurs, improve efficiencies in the production of goods and create meaningful jobs. The projects that have been funded are in the different sectors of the economy including, automotive, agro-processing, forestry and green economy (medical waste processing).

The following projects have been funded by the department under Gijima LCF

The following table illustrates the projects that were awarded funding:

Call For Proposal	Name	Status	Total	DEDT Portion	Beneficiary Portion	Jobs
2011-12	Opus 1 and Mooi River Textiles	Completed	R1,434,095	R1,003,868	R430,227	102 jobs created
2012-13	Floriculture Centre	Implementation	R8,500,000	R5,000,000	R3,500,000	56 jobs to be created
	Farmgate Dairy	Implementation	R8,706,000	R4.350,000	R4.356,000	44 jobs
	Behr SA (pty) Ltd	Implementation	R7,297,002	R4,988,651	R2,308,351	26 jobs to be created
2013-14	Sihleza Community Forestry Project	Implementation	R4,746,453	R3.322,517	R1,423,936	7 to be created
	Tongaat Hulett Sugar (Amatikulu)	Implementation	R4,962,472	R3,473,730	R1,488,742	27 to be created
	Ecocycle Waste Solutions	Implementation	R7,200,000	R5,000,000	R2,200,000	40 to be created
2014-15	Toyota Bushuku	Implementation	R7,750,000	R5,000,000	R2,750,000	7 to be created
			R62,650,515	R37,138,766	R25,511,749	606

- **Operation Vuselela:** Sugar cane growing supporting the small scale growers in the rural areas.

- **Community Economic Development Initiative:** this project is run by the unit in partnership with the NGO's that assist applicants to package financially viable projects that are run by the communities. Successful projects will be partially (80%) funded by the department.

4. Focus on financial co-operatives as a means to ensure that local people are empowered to play in the financial services space and to be able to finance their own LED ventures

- a) We need to introduce lucrative programmes that can attract financial stokvels dream beyond short-term exhaustible savings.
- b) We need to consolidate existing stokvels into small financial community savings cooperatives.
- c) We need to try to convert the so-called loan sharks and turn them into dignified small lending cooperatives.
- d) It is our task to capacitate stokvels, loan sharks and other similar groupings in stock market, property and blue chip investment activities
- e) We must capacitate existing financial co-operatives to fund other co-operatives.
- f) Capacitate Masingcwabisane (Burial Scheme) to participate in the whole value chain including, for example, obtaining a stake in coffin-manufacturing businesses.

5. Positioning the informal economy sector as a pillar for LED, highlighting how far we have gone in establishing informal economy chambers in all districts, which districts are outstanding and how do we aim to take this forward.

Chambers

Programme director, it is our pleasure to announce that almost all municipalities have set up their Informal Economy Chambers. Sadly, out of all the municipalities only 6 do not have chambers, and they are in the following districts:

1. UThukela (Mbabazane and Indaka)
2. UGU (Vulamehlo and UMzumbe)
3. UMzinyathi (Msinga)
4. UMgungundlovu (Mkhambathini)

We urge local economic development practitioners in these districts to work with EDTEA's regional offices to help establish these Chambers. All chambers must be up and running within the next three months. We have also observed that some of the Chambers in the municipalities are inactive and these include:

1. Amajuba (Emadlangeni LM)
2. uThungulu (uMfolozi, Ntambanana)
3. uMkhanyakude (Hlabisa)

Working together with our partners, we are hard at work to ensure these Chambers are fully functional and are able to carry out their mandate.

Policy Alignment Programme

Following the adoption of the provincial informal economy policy, all municipalities have been consulted and assisted to develop their informal economy policies. However, this is a process-related task and it is an on-going process as there have only been a few municipalities with passed policies. Municipal informal economy policies that have passed are:

- uThungulu (uMhlathuze, uMlalazi, Nkandla)
- uMkhanyakude (uMhlabuyalingana)
- iLembe (Maphumulo)
- Zululand (eDumbe, uLundi, Nongoma, Abaqulusi, Phongolo)

The rest of the policies within municipalities are still work in progress.

6. Highlighting the capacity-building initiatives (including training) to ensure that LED thrives

The KZN Department of Economic Development, Tourism and Environmental Affairs in partnership with the University of KwaZulu-Natal is playing a major role in providing capacity building/ skills development opportunities for RLED Practitioners and other RLED the relevant stakeholders. Year one of the postgraduate programme was funded by Gijima KZN and the second and final year of the Post Graduate Diploma and Masters Programme delivered in academic year 2011 was funded directly by the KZN Department of Economic Development, Tourism and Environmental Affairs through its own budget vote for four years from 2011/2012 financial year. The total budget for this period is R17, 4 million

The project is intended to also develop capacity within the University of KwaZulu-Natal so that the project will contribute to an ongoing programme capacity for leadership development in Local Economic Development.

The Programme consists of a postgraduate Diploma and Masters in LED specialization. The initial results however, show significant progress in the right direction. The program made an impact in building career path for its participants. The first pilot group of students graduated for Masters and Postgraduate diploma in LED specialization in 2012.

This partnership has yielded the following achievements.

- 10 Young researchers enrolled in 2013/2014 FY and 6 graduated
- 8 young Researchers supported this current FY 2014/2015
- 9 LED Champions supported in 2013/2014 FY
- 9 LED Champions supported this current FY 2014/2015
- 66 LED practitioners participated on the winter school workshops 2012/2013 FY
- 74 LED practitioners participated on the winter school workshops in 2013/2014 FY
- 76 LED practitioners participated on the winter school workshops this current FY 2014/2015
- 29 LED officials trained during uMngeni LED capacity building workshop done by EDTEA and SALGA-KZN

Summary of the UKZN LED postgraduate programs NQF 7&8

2012/2013 intake

Program	Number of Enrollments	Number of graduates
Masters	22	7
Postgraduate Dip	22	10

2013/2014 intake

Program	Number of Enrollments	Number of graduates
Masters	22	Nil
Postgraduate Dip	25	Nil

2014/2015 intake

Program	Number of Enrollments	Number of graduates
Masters	24	Nil
Postgraduate Dip	20	Nil

7. Commentary on the need for coherence and synergies in the economic planning among all spheres of government

In an effort to forge coherence and synergies in the economic cluster among the RLED stakeholders, our department; COGTA and SALGA have signed an MOU or a Collaborative Agreement.

The main objectives are:

- to improve cooperation and strengthen the relationships on a wide range of issues in the different spheres of government, inclusive of the District and Local Municipalities
- better compliance and enforcement of key legislation impacting on service delivery at municipal level and other related economic growth and development projects
- the development and management of sustainable local economic development programmes and projects
- the monitoring and evaluation of business licensing function and related informal economic processes to be implemented at municipal level

Areas of collaboration;

- Governance Matters and Compliance
- Infrastructure and Institutional Funding for Public and Private Sector
- Marketing and Strategic Events
- Training Development and Capacity Building

8. Highlighting the existing and ideal partnerships with funding agencies for LED projects

The RLED unit has developed strong financing relationships with funding agencies as well as financial institutions. These relationships were formed in terms of securing funding for RLED projects whether it was contribution to the project, working capital or asset finance. Through these build in or bonded relationships these funding agencies and financial institutions provided easy access to finance which was a major stagnating point for the LED Projects.

The most prominent of such partnerships or working relations examples are:

- an agricultural project who obtained funding from Agribusiness Development Agency
- A logistics company that obtained funding for assets from a financial institution.

- Referrals to funding agencies like, National Empowerment Fund (NEF), Small Enterprise Funding Agency (SEFA), Ithala, and the Commercial Banks.

Other partnerships

Swiss State Secretariat for Economic Affairs (SECO) has established an LED Support Programme for Ilembe District through the National Treasury. This programme covers the Ilembe District Municipality, KwaDukuza Local Municipality as well as Mandeni Local Municipality.

The Programme includes the following interventions:

1. Partnering with the three target municipalities to improve municipal financial management, infrastructure, policies, and services for LED;
2. Partnering with public and private sector stakeholders to enhance skills development and business support services; facilitate access to finance for local entrepreneurs and SMEs; improve productivity and competitiveness of local SMEs; and establish networks and market linkages towards local business expansion and employment growth;
3. Improving existing and developing new LED capacity and partnership mechanisms between institutions, sectors and levels of government; and
4. Connecting to national and provincial policy processes to ensure the dissemination of LED lessons learnt

Total indicative programme cost (including costs for the Private Sector and Value Chain Development Components during inception & implementation phases) = **CHF17.3 million (±R202 million) and**
EDTEA will manage about = **CHF7.5 million (±R87 million)**

Further, a partnership with NGOs through the programme of Community Economic Development Initiative (CEDI)-an initiative for rural Cooperatives-has been established. The main objective is the sharing of specific competencies and capacities with NGOs in order to achieve sustainable community economic development within the rural communities of KZN. The NGO'S are to;

- ✓ To provide support to local entities rural areas
 - ✓ Identification and stimulation of economic opportunities
 - ✓ Ensure increased productivity and improved livelihoods,
 - ✓ Ensure acquisition of skills to ensure sustainability,
 - ✓ Ensure the active participation of these groups in the economic growth process.
- Target: **LSM 1- 5** (R1-R4 165 per month)

9. Highlighting some of the stumbling blocks (due to lack of vision, capacity and resources) that hamper LED initiatives in municipalities

Programme director, the success of LED is dependent on the active participation of all stakeholders. An objective fact is that currently local stakeholder relationships are generally poor. These relationships are adversely affected by different conceptions of LED and poor skills and technical capacity. This results in a lack of cohesion and synergy in the planning and implementation of LED.

District, local and provincial government rely on service providers in the development industry to assist with the planning and implementation of LED projects. In this regard, the small pool of service providers and the absence of standards and norms in the industry adversely affects LED.

The non-availability of professionals or subject specialist within the departments to implement certain projects, e.g. Engineers, has proved to be a hindrance to the timely implementation of infrastructure development projects.

Further challenges include, but are not limited to:

- Lack of funding for LED/ lack of access to funding. In most cases LED is not budgeted for in the municipalities.
- Lack of human capacity especially in rural municipalities- no expertise to debate, negotiate and strategize with private sector to attract investment
- Confining LED to distinct municipal boundaries which basically are not economic boundaries. This results in unhealthy competition amongst municipalities and realization of provincial or regional economic growth.
- Poor infrastructure- maintenance of operational infrastructure which results in lack of appetite for investment
- Serious infrastructure planning, procurement & project management capacity constraints in the municipalities
- Challenges relating to SMEs & the conditions in which they operate e.g. access to finance, low productivity, and lack of access to markets

Notwithstanding all of these challenges, our country expects us to occupy the forward trenches in the campaign to attain radical economic transformation. All investments; all flagship projects and all developmental programmes take place at the local level. In essence, Programme Director, all economic development is local economic development. Therefore, local economic development practitioners are the most empowered cadre of officials to lead the radical economic transformation drive. However, as we have always said, LED is doomed if it is only led, funded and implemented by government. The private sector needs must come also come to the party not only with gripes and highlighting challenges but also offer technical and other kinds of assistance to ensure that LED is not only for the marginalized but a stable building block for future economic growth. In conclusion, I would like to leave you with the words of one of the world's most progressive thinkers, Karl Mark, who spoke thus about revolution:

“The philosophers have only interpreted the world in various ways. The point, however, is to change it”

I thank you