



# Vuthela SPARK

IGNITING INCLUSIVE ECONOMIC DEVELOPMENT IN ILEMBE

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## Editorial: Business Enabling Environment

For residents and businesses in iLembe, the last 12 months have been a stark experience of what it means to operate in the absence of an “enabling business environment”.

**C**ivil unrest and widespread looting were followed by devastating floods which destroyed lives and critical infrastructure, and then more recently Stage 6 loadshedding by Eskom which has left businesses and residents reeling in the dark. And let us not forget that all of this has taken place during a global pandemic which has destroyed and disrupted lives, businesses, and supply chains.

This edition of *Vuthela Spark* deals largely with the issue of the business environment. The business enabling environment can be defined as the “the set of policy, institutional, regulatory, infrastructure and cultural conditions that govern formal and informal business activities”. In a recent article, the World Bank notes that “while private sector development is driven by the efforts and ingenuity of private entrepreneurs, it is critically affected by a range of public policies and

regulations that create a conducive business environment.” This incentivises the start-up of new firms, the facilitation of existing businesses, the creation of good jobs, and the transition of informal to formal firms” (World Bank, 04 Feb 2022).

And who better placed to reflect on the business enabling environment in the iLembe district and what needs to be done to improve it, than the voice of organised business, the iLembe Chamber of Commerce, Industry and Tourism, whose perspectives are set out in detail in this edition as a critical partner in achieving inclusive growth in the district.

With all things electrical on our mind, we also take a closer look at the high-sounding Supervisory Control and Data Acquisition (SCADA) system where the Vuthela programme has assisted the KwaDukuza Municipality with the design specifications and the formulation of the business plan to secure a grant for KwaDukuza from the EU funded National Treasury General Budget Support Programme. KwaDukuza Municipality is currently pro-

**The business enabling environment can be defined as the “the set of policy, institutional, regulatory, infrastructure and cultural conditions that govern formal and informal business activities”.**

curing and installing the system to better monitor and control the extensive electricity supply network.

In the early phase of the Vuthela programme, the International Finance Corporation (IFC) undertook a Doing Business Report for the iLembe District, and three critical issues were identified for further action: improving the ease of getting electricity, building permits and

property registration.

We reflect on the progress that is being made in the implementation of the “Senza-Lula” project in KwaDukuza to digitalise and make it easier to have building permits signed off, obtain town planning approvals, get electricity, and acquire business licenses and informal trading permits. We also look at progress in implementing a simpler and more affordable system for registering property transactions for poorer residents of the district to secure tenure.

Last but certainly not least, we look at the importance of effective municipal budget management without which infrastructure cannot be delivered and maintained, and crucial municipal services provided that are at the very heart of an enabling business environment.



# New control system to improve electricity services in KwaDukuza Local Municipality

by ANDRES DETOMASI, international electricity and energy expert with the International Finance Corporation (IFC, part of the World Bank Group), and MONJA ESTERHUIZEN, Vuthela iLembe LED Programme Key Expert - Municipal Infrastructure Support.

The KwaDukuza Local Municipality (KDM) is installing a SCADA system and Control Room to monitor and control the extensive electricity supply network for which it is responsible in its area of jurisdiction.

This process was initiated through the Vuthela iLembe LED Support Programme with the drafting of specifications in 2019. The Executive Director: Electrical Engineering Business Unit, Mr Sibusiso Jali, has been on board and spearheaded the KDM's involvement and participation from the beginning of this initiative.

## What is SCADA in simple terms?

The approach for restoring power predominantly used by municipalities or electricity service utilities in the past is through dispatching maintenance crews to the fault location following customer calls. This implies long times for service restoration, depending on how quickly customers report the power outage and the maintenance crews to locate and solve the problem.

Instead of relying exclusively on call centres to keep track of power cuts at all voltage levels, utilities could incorporate a Supervisory Control and Data Acquisition (SCADA) system to remotely operate, supervise and control their high and medium voltage infrastructure. This is done by means of installation of monitoring and communications infrastructure that can send and receive signals between the component being monitored, such as a substation anywhere in the network and a master station that could be situated at the main offices of the utility/ municipal service provider. Skilled personnel would monitor the network and can act immediately should a fault arise.

The SCADA can assist the utility to gather useful information on the electricity network and performance of components that can be used in trend analysis. This in turn can better inform the utility to perform planned and preventative maintenance. The SCADA is further complemented by an Outage Management System (OMS) to manage and resolve incidents at low-voltage level.

A state-of-art SCADA system is one of the most cost-efficient solutions that not only helps utilities increase reliability through automation but also helps to lower costs and enable problem areas to be detected and addressed automatically and remotely. This in turn allows human resources to be deployed elsewhere to ensure quality service delivery.

## The history of the SCADA project in KDM in terms of the original design work that was done by Zutari (previously Aurecon)

In 2016, under the scope of the Vuthela Programme, the IFC identified the need of implementing a SCADA system in KwaDukuza Municipality, considering the size of the utility company (about 46 000 customers and 120MW as its maximum power demand) and the importance of improving the reliability of supply provided by the municipality in some areas of the KDM. In 2019, Zutari (previously Aurecon) was appointed to work on the

functional design of the SCADA and Control Room, scoping the integration of 15 existing 33kV substations and six future 132kV and 33kV substations of KwaDukuza and Mandeni Municipalities. It further included specifications for setting up of a Control Room to operate and monitor the SCADA and making recommendations for the human resources required.

Towards the end of 2019, the KDM with the assistance of the Vuthela team, prepared a Business Plan proposal to the National Treasury (NT) Department, which implemented funding from the European Union, under the 5th Call for Funding Proposals. The submission was successful and the process started in 2020 with the KDM and NT to establish the project implementation structures and procuring of a service provider to implement the SCADA and Control Room for the electrical services network of the KDM.

At present, the KDM is in the procurement stage of the project for implementation and the establishment of a centralised Distribution Control Room, fully supported by a SCADA system, taking control of networks operations of the 10 power facilities/ substations. Vuthela and the IFC continue to support the municipality through the implementation of the project.

The proposed technical solution designed for implementing the SCADA system and Control Room in KwaDukuza is shown in the following figure:

This will improve service delivery levels significantly. Faults will be identified and rectified swiftly and the power supply will be more consistent...

The new system will allow the KDM to receive data from key points in the power network in real time, enabling it to respond immediately by managing components of the network remotely from a central control room.

The system consists of hardware and software components which are

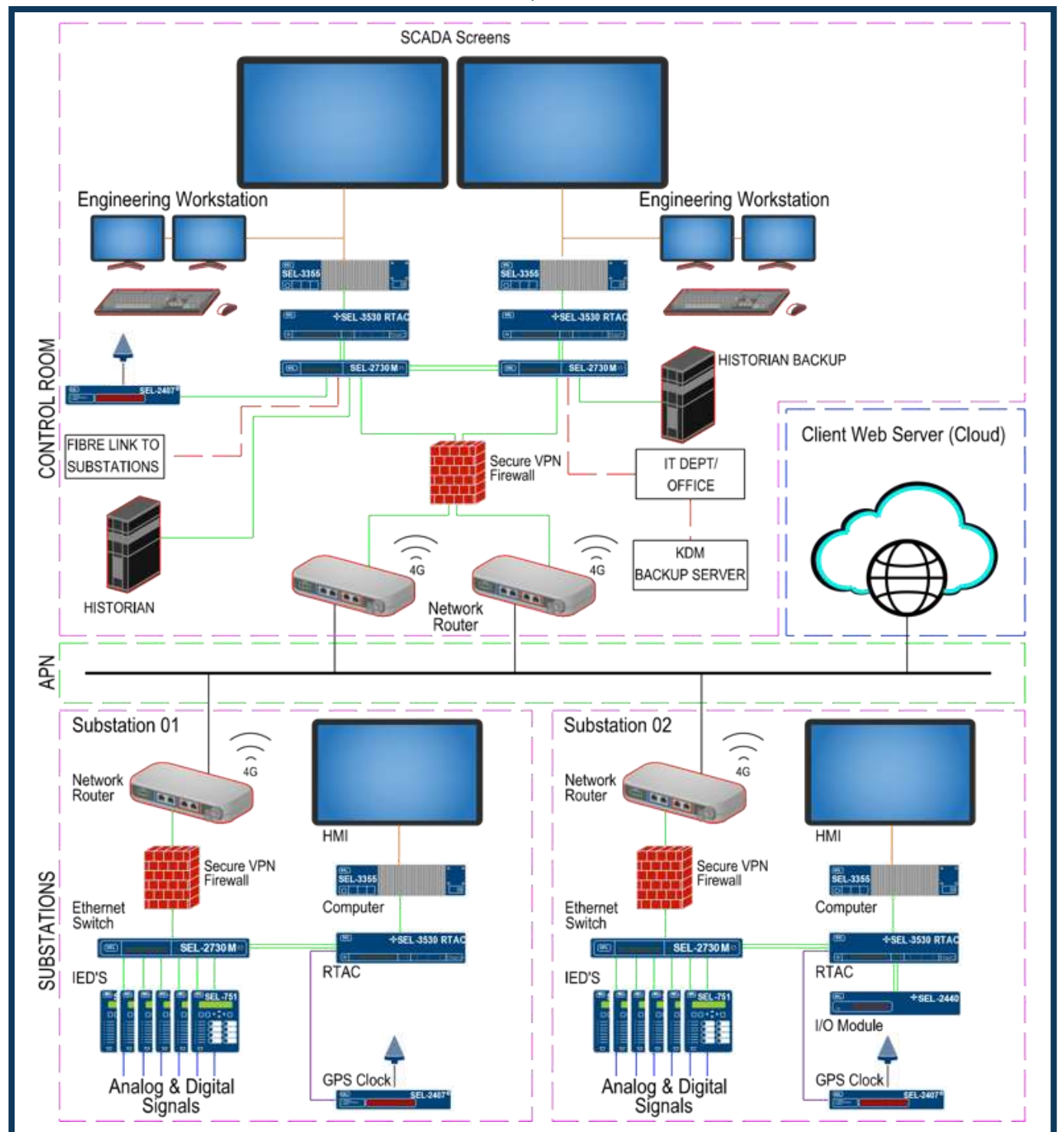
installed onsite at identified points in the network and at the main offices of the KDM. This will enable communications and monitoring of the power flow of electricity and reporting the network's performance to a central control centre in the municipality.

This will improve service delivery levels significantly. Faults will be identified and rectified swiftly and the power supply will be more consistent. Domestic, commercial and industrial consumers of electricity will experience a better quality of service, a streamlined and faster fault restoration process.

All staff who will operate the SCADA will be trained to ensure that the effective use of the system will improve business confidence and lead to growth in the region.

Recent studies into the loss of revenue from electricity in KwaDukuza found that several areas of data collection about customers and their usage could be improved.

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# The Local Economy is Key to Business Success

**I**t is at local economic level that a business can thrive or die. Local authorities must heed business communities' pleas for progressive policies, says Cobus Oelofse, CEO of the iLembe Chamber of Commerce, Industry and Tourism

The saving grace of our country will lie in the wellbeing of our local economies, because business happens locally. Local and district municipalities across South Africa deliver the utility services that businesses require, maintain such infrastructure, enforce by-laws and determine tariffs and tariff structures that aid competitiveness. It is in the local economy where the business environment is either made or broken.

This was the nub of a discussion this newsletter had with Cobus Oelofse, CEO of the iLembe Chamber of Commerce, Industry and Tourism, on the role of business within iLembe, key concerns of the business sector and how the business environment can be enhanced to unlock economic growth.

Oelofse stressed that business chambers should not be seen as pressure groups but rather, in the South African context as social partners that promote and protect the interests of business and the business community. Government at local, provincial and national spheres exert a great deal of influence on the way business is conducted through policies, rules and regulations.

Focus, time and interest seldom allow individual businesses to engage on behalf of the collective on, for example, matters of policy or process. Therefore, the Chamber promotes the collective interests of business, through engagement with and representation to relevant government departments - often not only addressing concerns but also making suggestions to promote and safeguard interests of the business community.

## The Vision

The vision of the iLembe Chamber of Commerce, Industry and Tourism is to represent, promote and energise local business thereby fostering a strong economic environment that will make iLembe District the preferred place to do business in.

The iLembe District - the smallest district municipality in KwaZulu-Natal - wedged between Durban and Richards Bay, consists of four local municipalities, viz. KwaDukuza, Mandeni, Maphumulo and Ndwedwe.

The Chamber has great confidence in the economy of iLembe District and hence pushes for an environment that attracts and retains investors.

"The iLembe Business Confidence Index (iBCI) consistently highlights concerns about infrastructure failings and decay, and the need for policies that create an environment that is conducive for business," said Oelofse.

## Investor-friendly policies

He said there was a need for policies that keep abreast of what investors are looking for.

He recently had an enquiry from a significant business about which KZN municipalities offer rebates for energy-efficient or green businesses - a future-proofing approach that would economically benefit any of the iLembe local municipalities if it was in place.

"Hence, as a Chamber, we endeavour to influence policy that will ensure that our district remains attractive and appealing.

"The lifestyle of iLembe District, our KZN North Coast beaches, weather and sought-after lifestyle are



Cobus Oelofse

all important and positive factors. But we also need to be obsessed with looking after our economically-critical infrastructure.

"It is not only the roads that must be maintained. The state of our beaches is also paramount if we want to attract, especially, overseas visitors. The high spending visitors that we need to target do not wish to deal with anti-social behaviour, disorderly informal trading or filthy beaches.

A comparative study was recently conducted by Urban-Econ Development Economists into municipal rates and tariffs to ascertain the competitiveness of the KwaDukuza commercial property sector when measured against the Johannesburg and eThekweni Metropolitan Municipalities and the George and Stellenbosch Local Municipalities.

"The commercial property sector is viewed as the backbone of local economic growth and development within the KwaDukuza Local Municipality, currently and in the future.

"The competitiveness and long-term sustainability of this economic sector is fundamental to the socio-economic well-being of the KwaDukuza region and its surrounds, as well as the financial viability of the local authorities that benefit from property rates and municipal service/ utility revenues.

"A region's business value proposition is often dependent on competitive municipal tariffs, charges and fees. If not, this catalytic regional economic sector will be vulnerable to investor rejection and business value destruction, making it unsustainable in the long term," said Oelofse.

The study ascertained that KwaDukuza Local Municipality is the most expensive municipal area for the development of retail property, among the study subjects, and the second most for the development of office and industrial property, after the eThekweni Metro.

This represents a significant challenge in efforts by both the public and private sectors to retain and attract new investment and development into this municipality.

## Remain competitive

Oelofse said rapid growth within the iLembe District has resulted, often, in infrastructure lagging and there was a need to continuously play "catch up". He hailed the

construction of the Dukuza substation as a significant step that is reassuring to new business investors and residents alike.

"We are well-positioned as a relatively new and fast-growing area to develop new, modern infrastructure, although the upgrade of ageing or infrastructure not fit for purpose remains a challenge for our authorities."

Oelofse said approaches and policies must be put in place that will enable iLembe District to remain competitive in the long term.

Voicing disappointment, he said the Isithebe Industrial Estate, employing more people than all the Special Economic Zones (SEZ) in the country put together, and which sits between the Dube TradePort SEZ and the Richards Bay SEZ, is not adequately attended to, protected and promoted.

"This is hugely frustrating, especially considering the hard work put in by the Mandeni municipal leadership and the iLembe Chamber's Isithebe Business Cluster. I am afraid that it feels like Isithebe is always sucking the hind tit - it is a significant economic asset, not only for iLembe and KZN, but for the whole country," said Oelofse.

Ease of doing business, in line with the Vuthela iLembe LED Programme intentions, remains front of mind for the Chamber. In addition to policy, implementation of policy and associated processes need to be streamlined in order for it to be a unique selling point in luring investors to iLembe.

"The cost of doing business must be simple, it must be fair, easy to administer and most importantly, transparent. Too often investors are caught off-guard by charges that they were not made aware of when wooed. Businesses need to know what they are in for from the outset."

"The local business community also shares the common national concern around corruption and value for money delivery of services and infrastructure," Oelofse said.

Oelofse indicated that the iLembe District was the second most impacted area, after the eThekweni Metro, by the April and May 2022 KZN floods, with 35 people sadly losing their lives in the disaster. The iLembe District should be prioritised for the restoration of especially road infrastructure that has rendered the municipality isolated from an access point of view.

Oelofse said that such economic infrastructure in iLembe should be repaired without unnecessary delay.

## iLembe Business Confidence Index

Turning to the impact of Covid-19 on the business sector, he said the resilience of iLembe's local economy was severely tested.

"We are hopeful that we can quickly recover to pre-pandemic levels, especially in the tourism and hospitality sectors."

Oelofse said the 2021 iBCI demonstrated the hardiness of the iLembe District's economy during the pandemic, and a turn on a positive trajectory that was aided by the economic recovery strategy of the region.

He said the iBCI was set against the backdrop of more relaxed economic restrictions associated with the Covid-19 Risk Adjusted Strategy, the global negative reaction to the fourth wave in South Africa attributed to the Omicron variant, and the destruction of businesses and business confidence during the violent civil unrest that engulfed KwaZulu-Natal, and parts of Gauteng, during July 2021.

According to the iBCI, political volatility in KwaZulu-Natal was also a debilitating factor for economic activities. The July 2021 unrest had badly dented investor confidence and requires greater political stability to restore business assurance.

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## Look out for Vuthela Spark 3 which will feature:

-  How fraud-proof is your municipality?
-  Why are electricity budgets not spent?
-  Views from our partner, State Secretariat for Economic Affairs (SECO)

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## Remote SCADA system


The SCADA system will provide up-to-the-minute information about usage in every section of the electricity supply network, allowing faults and other anomalies to be identified instantly and suitably addressed.

### What problems will SCADA address in the KwaDukuza Local Municipality (KDM), with reference examples?

The KDM is a licensed electricity service provider for most of the urban areas within its area of jurisdiction. The SCADA project in KDM will drastically streamline the fault restoration process, improve the management of Eskom's loadshedding programme, and simplify the operation of the medium voltage network (11kV) in the municipality.

 SCADA allows the municipality to properly rotate the application of the loadshedding programme.

It's worth highlighting that, at present, most of the outages are related to loadshedding issues (resulting from the bulk generation electricity utility), and the SCADA allows the municipality to properly rotate the application of the loadshedding programme.

As an example of local best practice, Centlec (utility providing services in the Mangaung Metropolitan Municipality) implemented a SCADA system in 2019, fully integrated to call centre services, allowing the utility to improve its performance in terms of network operations and customer care services. Another local example is the case of City Power of the Johannesburg Metropolitan Municipality, which since 2021, has integrated 51 substations to its new SCADA system, and plans to integrate other 29 power facilities during Financial Year 2022/23. 


## Senza-Lula project creates an enabling environment for local economic development

# KwaDukuza Municipality to digitalise systems and processes

**R**eduction of red tape is an incentive for any investor. Aiming to improve the investment competitiveness of the area, the KwaDukuza Municipality Ease of Doing Business Tools and Systems Project is part of national government's National Development Policy Support Programme, funded by the European Union and implemented through the National Treasury.

"The Project has adopted its change management tagline Senza-Lula which means we are making it easier. The project is expected to be completed in 2023 and is a legacy project of the Vuthela iLembe LED programme," said Mr Sikhumbuzo Hlongwane, Executive Director of Economic Development and Planning at the KwaDukuza Local Municipality.

Mr Hlongwane explained that this project emanates from the preliminary work done by Vuthela in partnership with World Bank, as part of implementing recommendations of the 2015 study on Ease of Doing Business in Ilembe.

 The objective of Senza-Lula is to create an enabling environment for local economic development in the KwaDukuza Local Municipality through tools and systems interventions which make it easier to do business in the municipality.

The objective of Senza-Lula is to create an enabling environment for local economic development in the KwaDukuza Local Municipality through tools and systems interventions which make it easier to do business in the municipality. Through this project, developers, investors and businesses (both formal and informal) will find it easier to have building permits signed off, obtain town planning approvals, get electricity, and acquire business licenses and informal trading permits.

"A major output of this project is to digitalise submission of town planning, building plans, outdoor advertisement, business licenses, informal trading, rates clearance and electricity connection applications. This system will also assist the applicant to digitally track their application in the system. It is expected that the implementation of this system and the various key components of the project, i.e. amending SOPs, developing new policies and capacity building of staff, will improve turnaround time of considering applications submitted to the municipality," said Mr Hlongwane.


### Senza-Lula:


*making business simpler, faster, smarter.*



Sikhumbuzo Hlongwane, Executive Director of Economic Development and Planning at the KwaDukuza Local Municipality

Municipal officials will be fully trained in the new systems and tools, and will be better able to offer services to the public. A document management system will store all documents on an upgraded, stand-alone server and officials will be able to review these applications on specialist equipment in a one-stop shop within the municipal building.

In order to ensure access to these tools, several public usage portals will be established. Furthermore, Senza-Lula will include translation of relevant of bylaws into isiZulu by professional language practitioners. 

 A document management system will store all documents on an upgraded, stand-alone server and officials will be able to review these applications on specialist equipment in a one-stop shop within the municipal building.





Community's needs drive the budget process

# The Importance of Effective Municipal Budget Management

**The Municipal Finance Management Act aims to secure sound and sustainable financial management in municipalities, writes Zama Soji, the Public Finance Management Key Expert at the Vuthela iLembe LED Programme which is helping municipalities to improve Revenue Management, Asset and Budget Management, Supply Chain Management and Audit/ Risk Management.**

Sound management of a municipality's financial affairs - professionalism, transparently and honesty - can provide a better place to live and work for communities.

Municipal financial management involves managing a range of interrelated components: planning and budgeting; revenue; cash and expenditure management; procurement; asset management; and reporting and oversight.

Each component contributes to ensuring that expenditure is developmental, effective and efficient and that municipalities can be held accountable to achieve service delivery.

Section 152 of the Constitution states as one of the key objectives of local government the provision of services to communities in a sustainable manner.

Section 153 of the Constitution requires a municipality to structure and manage its administration, budgeting and planning, to prioritise the basic needs of the community, and to promote the social and economic development.

Key to municipal financial management is monitoring the budget that provides money to deliver services that affect people's lives every day. Without funds to implement the policies, the municipality will not be able to "make a difference" or serve communities well.

## The municipal budget

In order to ensure effective financial management, accountability and reporting within an organisation, the commu-



Zama Soji, the Public Finance Management Key Expert at the Vuthela iLembe LED Programme

nity's needs drive the budget process, based on available resources and capacity within the municipality.

Budgeting involves projecting the revenue base to be realised by the municipality and determining planned expenditure to address community needs, by preparing detailed plans and forecasts.

According to the MFMA, a municipality may only incur expenditure in terms of an approved budget, and any expenditure incurred in excess or outside the purposes of the budgeted amount is considered to be unauthorised expenditure.

It is, therefore, necessary that the community's needs and operational requirements of the municipality are prioritised and budgeted for, based on available funds and resources. This requires that the annual budget must be aligned with the municipality's Integrated Development Plan (IDP).

Municipal officials have a crucial role in ensuring credible budgets are prepared. There are two types of municipal budgets, capital budget and operating budget.

The capital budget deals with significant, medium to long-term costs that must be incurred to develop or enhance infrastructure and equipment, for example, putting in water pipes to a new township.

A municipality's capital budget will list the estimated costs of all items of a capital nature such as the construction of roads and buildings, and the purchase of vehicles that are planned in that budget year.

The operating budget comprises income and expenditure. It deals with the day-to-day costs to deliver all municipal services to the community - for example the salaries and wages, printing and stationery, security, and operations and maintenance to ensure delivery of services. The operating income is the money collected from rates and taxes, service charges, interest, and traffic fines, among other things.

Adequate repairs and maintenance expenditure is crucial to ensure that infrastructure assets are maintained in accordance with a maintenance plan, to enable the assets of the community to provide the services efficiently for years to come. Infrastructure must be maintained so that service delivery is not affected and National Treasury recommends that for every R10 spent on building/ replacing infrastructure, R0.80 should be spent every year on repairs and maintenance. This translates into a Repairs and Maintenance budget that should be eight percent of the value of property, plant and equipment.

## Spending on capital budgets

Capital spending includes spending on infrastructure projects like new water pipes or building a library. Under-spending on a capital budget can lead to under-delivery of basic services. National Treasury has introduced financial indicator norms, and the indicator on capital spending looks at the percentage by which actual spending falls short of the budget for capital expenses.

Persistent underspending may be due to under-resourced municipalities which cannot manage large projects on time. According to National Treasury financial norms, municipalities should aim to spend at least 95 percent of their capital budgets and failure to spend even 85 percent is a clear warning sign.

A major weakness of many municipalities is the ability to compile credible capital budgets or to manage the implementation of their infrastructure programmes.

**Key to municipal financial management is monitoring the budget that provides money to deliver services that affect people's lives every day. Without funds to implement the policies, the municipality will not be able to "make a difference" or serve communities well.**

continued on page 07

# Beneficiaries in Ilembe Finally Receive Title Deeds

## Pro-bono conveyancer receives B-BBEE points

**F**or thousands of people, homeownership is being stifled by red tape and high registration costs.

A pilot programme implemented by IFC in collaboration with the Vuthela iLembe LED Programme has been exploring opportunities to reduce the cost burden on homeowners trying to obtain their title deeds.

The pilot looked at the possibility of securing the services of conveyancers for free in exchange for B-BBEE points.

By offering pro-bono conveyancing services to assist beneficiaries in the Mandeni Municipality to register their transfers and issue title deeds, a conveyancer / conveyancing firm is able to claim B-BBEE socio-economic spend credit/points. This is provided the necessary and applicable paperwork is concluded by and between the conveyancer and beneficiary in question.

The first two beneficiaries who have benefited from this arrangement have signed and received their title deeds after HSG Attorneys Incorporated handled the case file without fee and in terms of the applicable B-BBEE socio-economic spend. The socio-economic spend has been validated by the company's B-BBEE auditors as claimable and has contributed to their B-BBEE scorecard and Level 1 outcome.

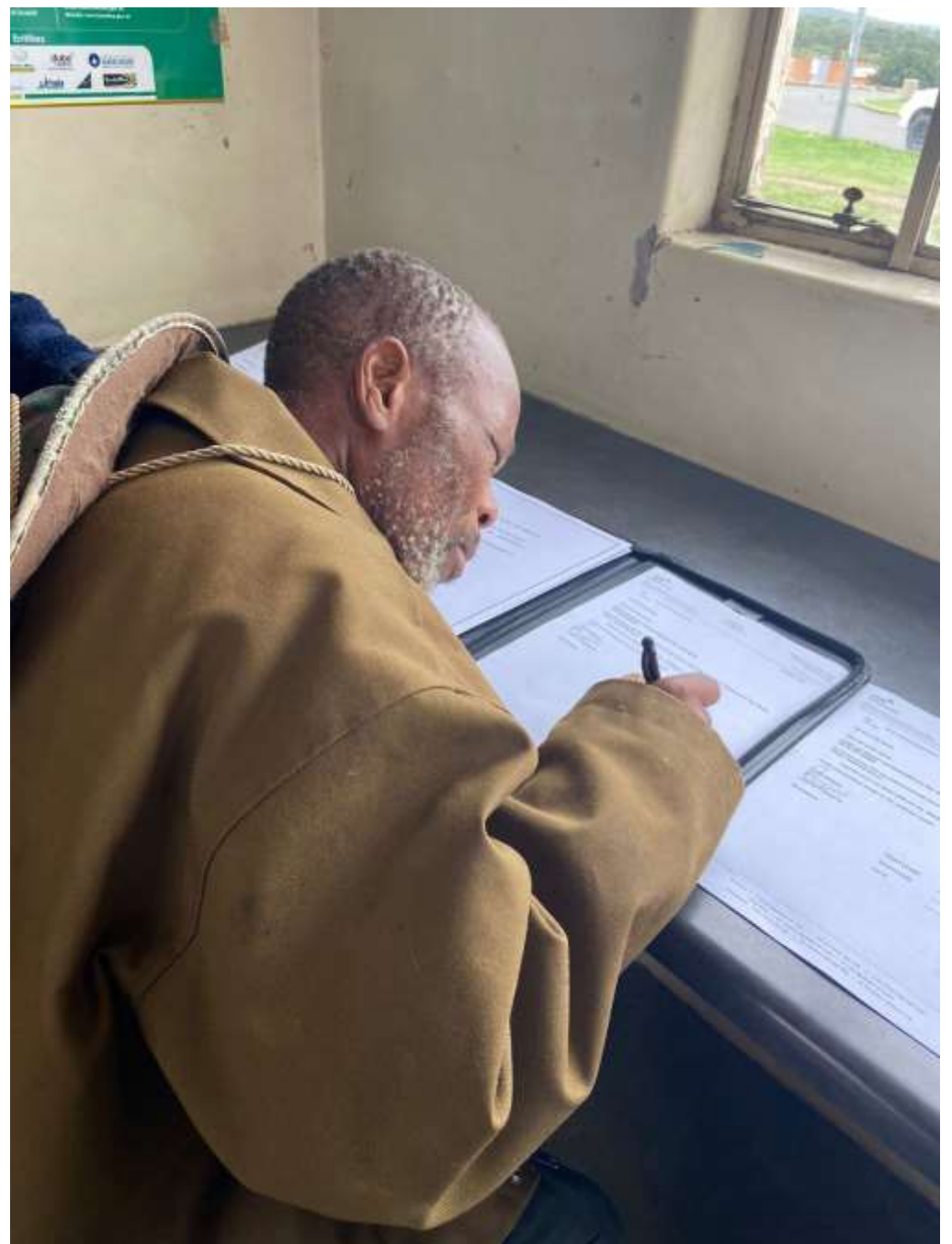
Under the Private Sector Component of the Vuthela Programme, KwaDukuza and Mandeni Municipalities have been working closely with the International Finance Corporation (IFC), a member of the World Bank Group, to make it easier to do business in the district, thereby attracting investment, growth and jobs. This work has primarily focused on the KwaDukuza Municipality targeting complex business licenses including improving access to electricity and implementing reforms in the process of building plans approvals given the property sector growth in the municipality. The third leg of IFC's "doing business" work is focused on property registration and is being implemented in both KwaDukuza and Mandeni by GeoAfrika who have been contracted by the program.

**F**A pilot program implemented by IFC in collaboration with the Vuthela Project has been exploring opportunities to reduce the cost burden on homeowners trying to obtain their title deeds.

"South Africa has a property registration system that is reliable, but it is not used by many South Africans because it is an expensive and complex system that is beyond the reach of the average citizen," said Senior Operations Office at the IFC, Amina El Zayat.

It is estimated that 70% of the population do not use the official systems and that most of the lower-value real estate market activity is conducted informally. This limits the security of tenure of homeowners. One of the focus areas of the project looked at a simpler and more affordable system for registering transactions for low-income areas.

More than 300 case files were collated from an office set up to assist Sundumbili residents with getting their title deeds which they didn't have due to them being lost, intestate estates, divorces and informal sales. The majority of these are being dealt by the Title Deed Adjudication Committee which has been established and funded by the province and supported by the project.



Mr Nkosi from Sundumbili B

Considering the cost of conveyancing could be an inhibiting factor for low-income households, the project team decided to test if they could get pro-bono conveyancing work on two cases in exchange for B-BBEE spend points. The ultimate test was to validate whether the conveyancing fees as well as disbursement costs, that were paid by the conveyancing firm during the course of the transfer process, could be claimed against their B-BBEE social development spend target.

"This is exciting because it opens the door for a potential funding stream for qualifying beneficiaries from a large and previously untapped source - corporate B-BBEE spend. This could potentially attract large law firms to provide pro-bono conveyancing services to further improve their B-BBEE credentials making that service more accessible to the beneficiaries who generally couldn't afford this service," said Ms El Zayat.

The project team was very happy to hand over the title deeds to the two beneficiaries at no cost to them.

A key recommendation coming from this project is that the maximum utilisation potential of B-BBEE socio-economic spend by the private sector is investigated fully and promoted more broadly.

The category of beneficiary and their typical socio-economic profile make them ideal candidates to qualify fully for the use of the B-BBEE funding for purposes of property transfer costs and disbursements with 100% of that spend qualifying for full B-BBEE socio-economic points by the donating party.



## Local Economy is Key to Business Success



This urgency, he says, should not be pursued at the expense of an environment that favours business, i.e., compliance with standards, rules policies and regulations.

“Being able to comply is a real frustration for emerging businesses. The Chamber’s Business Support Unit helps SMMEs, among others, to get on their feet, by also providing a mentoring role.”

### Business is key

Commenting on the relationship between business and local government, Oelofse said there was open acknowledgement of the importance of the business sector to the economic well-being of the district as a whole.

He said responses to the Chamber’s lobbying and advocacy efforts had been a mixed-bag. He hoped some of the overtures at national level with regard to a re-energised commitment to the social compact between business and government will filter through strongly to district and local spheres of government.

“Some of our municipalities are able to identify and acknowledge the concerns of business, and are willing to do something about the trepidations of the business community.”

Looking to the future, Oelofse said the Chamber’s role in maintaining and improving the confidence of existing

businesses and drawing future investors has never been more important.

“We must prepare and position ourselves to be competitive, especially with new opportunities that present themselves when there is disruption in global trade, as currently is the case.

“We must ensure that iLembe District is ready to embrace future technologies, and encourage the rethinking of what our economy and sectors will be like 20 years from now so that we can keep abreast,” said Oelofse.

In conclusion, Oelofse acclaimed the Vuthela iLembe LED Support Programme and its objective of promoting sustainable inclusive growth and job creation through a comprehensive approach to local economic development by focusing on the five elements of municipal finance, municipal infrastructure, private sector development, building inclusive growth and partnerships.

“The goal of the Vuthela Programme to build capacity to aid the ease of doing business is global best practice. As such, this support intervention is welcomed by the business community.

“The Chamber believes that the success of the Vuthela Programme will lie not only in the exposure to improved and best practices, but also the extent to which it will embed practices and processes, also behaviourally.

“The depth of focus by the implementation partners is also a key to the success of this unique intervention,” Oelofse said.



## Municipal budget management

This has largely resulted in municipalities having to return grant funds to National Treasury and experiencing financial management challenges due to, amongst others, poor budget practices, weak financial management and lack of oversight by municipal council on budget implementations.

In the iLembe District, while municipalities have experienced under-spending on capital budget over the past two years due to lockdown posed by Covid-19 restrictions, KwaDukuza Local Municipality over the past three years has been a chronic under-spender of its capital budget, with an average of R82 million (34%) on projects like housing, electrical infrastructure upgrades and road maintenance.

As per the Auditor General’s report, the reasons for under-spending at KwaDukuza include non-adherence to procurement plans for capital projects which delayed the awarding of contracts and delays in construction as a result of the nationwide lockdown.

### Developing best practice in budgeting

In an effort to instil best practice in municipal budget management in the iLembe District Municipality and its local municipalities KwaDukuza, Mandeni, Ndwedwe and Maphumulo, the Vuthela iLembe LED Programme appointed a firm of financial management consultants to assist in improving budgeting skills and strengthening budget management.

**Good financial management is the driving force behind local service delivery**

Capacity building and training of budget managers and officials was a fundamental deliverable of this assignment. The training covered areas of under-

spending on capital budget as well as budgeting for operations and maintenance among others, of which the latter seem to be a challenge across all municipalities.

There was practical training based on day-to-day functions performed by officials. Feedback was provided to the respective officials on errors identified and additional guidance and support was given directly

**Training was initiated to address the gaps identified during the assessment phase, with a view to improving their knowledge which could assist in realising their actual competency.**

to these officials on the areas that still required attention.

The training was delivered over an 18-month period, with multiple face-to-face sessions, virtual engagements, and onsite visits to municipalities.

The training focused on officials who play critical roles in budget management, with a combination

of finance and non-finance officials.

Additionally, training focused on the ability to transact on a day-to-day basis against the budget in the Municipal Standard Chart of Account (mSCOA) environment.

Training was initiated to address the gaps identified during the assessment phase, with a view to improving their knowledge which could assist in realising their

actual competency.

Additionally, a standardised budget policy, virement policy and funding policy, a comprehensive procedure manual, together with a costing methodology for the measurement of expenditure incurred in the rendering of services, were developed to enable alignment to legislative and best practice processes.

Good financial management is the driving force behind local service delivery - local activists and ward committee members are required to properly understand municipal finance and budgets so that they’re able to engage councillors on important conversations regarding spending and development priorities.

A sound budget is one which sensibly allocates realistically expected resources to the achievement of defined performance objectives identified as priorities, thereby ensuring that the municipality will be able to continue operating in a financially sustainable manner in the future.



## 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

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



## WHO ARE THE PARTNERS?

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

## THE FIVE INTER-RELATED COMPONENTS OF THE PROGRAMME

### ▶ Public Finance Management

- strengthening the financial position of municipalities through better capacity to plan, finance and manage infrastructure investments and the provision of public services.

Medium Enterprises, leading to increased employment.

▶ **Building Inclusive Growth Component** - inclusive and sustainable growth and employment interventions to support SMEs in growth sectors.

▶ **Municipal Infrastructure** - improved planning and access to infrastructure services for development investment, effective and efficient service delivery, and sustainable growth.

▶ **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.

▶ **Private Sector Development Component** - greater investment in and growth of Small and

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