

## **STILL TO BE ADDRESSED:**

- **Institutional arrangement for LED (in Setsoto Local Municipality)**
- **Stakeholder analysis (only community and officials participated to date)**
- **Audit of current projects –Internal**
- **Confirmation of new projects for 2007**
- **Annexures – Workshop guidelines**
- **Annexures – Attendance register at workshops**

**Draft**

## Glossary

ASGISA	Accelerated and Shared Growth Initiative in South Africa
BEE	Black economic empowerment
CASP	Comprehensive Agricultural Support Programme.
DBSA	Development Bank of Southern Africa
DPW	Department of Public Works
EPWP	Expanded Public Works Programme
GDP	Gross domestic product
GEAR	Growth, employment and redistribution
IDP	Integrated development plan
ISRDP	Integrated Sustainable Rural Development Programme
LRAD	Land Redistribution for Agriculture Development programme
Mafisa	Micro Agricultural Finance Schemes of South Africa
NEPAD	New Partnership for Africa's Development
NPWP	National Public Works Programme
NSDP	National Spatial Development Perspective
RDP	Reconstruction and Development Programme
SEDA	Small Enterprise Development Agency
SETA	Sector Education and Training Authority
SMME	Small, medium and microenterprise
URP	Urban Renewal Programme

## *Table of Content*

List of Tables.....	3
List of Maps.....	3
1 INTRODUCTION .....	4
1.1 Defining Local Economic Development (LED).....	4
1.2 Purpose of this document.....	5
2 SETSOTO SOCIO-ECONOMIC ANALYSIS.....	5
2.1 Background to Setsoto socio-economic situation.....	6
2.2 Socio-economic indicators of Setsoto Local Municipality .....	6
2.2.1 Demographics.....	6
2.2.2 Gross Geographic Product (GGP) .....	7
2.2.3 Employment.....	7
3 THE LEGISLATIVE FRAMEWORK FOR LED.....	8
4 NATIONAL POLICIES, PROGRAMMES IMPACTING ON LED .....	11
4.1 Background .....	11
4.2 LED as a second economy approach.....	11
4.3 LED Linkages to other Strategies, Programmes and Projects .....	12
4.4 Linkages between LED and ASGISA .....	12
4.5 LED and the Expanded Public Works programme .....	13
4.6 Small Enterprise Development.....	13
5 THE NATIONAL STRATEGY GUIDELINES.....	14
5.1 A vision for LED .....	14
5.2 Improved basic quality of life.....	14
5.3 LED is not confined to one unit or programme .....	14
5.4 Investment promotion .....	14
5.5 Meeting basic needs.....	14
5.6 Supportive civic culture .....	14
5.7 Linkages with national and provincial programmes.....	14
5.8 The four National LED policy Trusts.....	14
6 PROVINCIAL STRATEGY GUIDELINES .....	15
6.1 Key LED Principles.....	16
7 SETSOTO LOCAL MUNICIPAL IDP AND LED.....	16
8 STRATEGIC ANALYSIS OF SETSOTO.....	17
8.1 Economic SWOT analysis of Setsoto.....	17
9 SETSOTO LED FRAMEWORK.....	17
9.1 LED Vision .....	17
9.2 LED Objectives.....	17
9.3 LED strategies .....	18
9.4. LED Programmes and Projects identified for 2007.....	18
9.5. Community Consultative Identification Process .....	20
9.7. LED tools and approaches .....	21
10. CONCLUSION.....	22

## *List of Tables*

Table 1:	Demographic profile of Setsoto
Table 2:	Percentage households with total annual income below R6000
Table 3:	Percentage households with access to basic household services
Table 4:	Gross geographic product of Setsoto
Table 5:	Industry of employment in Setsoto
Table 6:	Legislative framework for LED
Table 7:	Economic SWOT analysis of Setsoto
Table 8:	Setsoto LED Framework
Table 9:	LED strategic programme with indicators
Table 10:	LED projects identified for 2007
Table 11:	Financial and other project support

## *List of Maps*

Map 1	Setsoto Local Municipal area
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## 1 INTRODUCTION

The Integrated Local Economy Development (LED) Plan for Setsoto Local Municipality focuses on providing a consistent and conclusive set of measures to promote sustainable local economic activities, which ultimately could lead to employment generation. This document therefore provides a framework for LED in the Setsoto for Municipal Managers and LED officials including all community and business LED stakeholders. To be able to understand, initiate, facilitate, implement, promote, monitor and evaluate LED the following aspects are addressed:

- A socio-economic situation analysis of Setsoto
- The legislative framework for LED
- National LED strategic guidelines
- Provincial LED strategic guidelines
- Setsoto's LED vision
- Local LED framework including LED programmes and projects
- LED tools and approaches to enhance LED

### 1.1 Defining Local Economic Development (LED)

Local Economic Development (LED) is about local people working together to achieve sustainable economic growth that brings economic benefits and a better quality of life, thus improving the environment for all in the community.

The Department of Provincial and Local Government (dplg) defines LED as: "A process whereby local initiative combines skills, resources and ideas in stimulating local economies to respond innovatively and competitively to changes in the national and global economies, towards the goals of job creation, poverty alleviation and redistribution".

LED as the process through which public, business, labour and non-governmental sector partners work collectively can identify, utilize and harness resources to stimulate the economy in the Setsoto area. The aim is to increase local income and create new job opportunities through enhancing the community's ability to adapt to and cope with changing economic conditions. Each area has a unique set of opportunities and problems and must therefore develop its own LED strategy.

Specific developmental elements of LED are urban and rural renewal, attempts to sustain the present, improvement of infrastructure, enhancing skills and systems, acceleration and promotion of economic growth. Especially in the South African context with its history and legacy of unequal development, LED is a process of development, which uses development capital, *i.e.* local resources and assets (such as raw material, finances, support, human capital, technology, knowledge, etc.) in a needs-based approach lead by broad-based community consultation to identify redistribution approaches and ways to invest in people in order to improve the overall quality of life.

On the other hand, in life's ever-changing environment with economic, technological, political, governmental and regulatory drivers, LED is an ongoing process, and takes place in the context of the regional, national and global economies. LED needs to be designed in a way, which assists the local area to respond to these contexts creatively.

Finally, LED intervention must benefit disadvantaged and marginalized people and communities within municipal boundaries. LED, which can take place via many different mechanisms and in which the different constituencies can play many different roles, is a process, which at its best results in wealth creation, employment generation, and rising, and more equitably distributed incomes in the local area/communities concerned. It is abundantly clear that not only is LED an important element of social upliftment, but that municipalities are one of the key players in the process of shaping the local economy.

## 1.2 Purpose of this document

The ultimate purpose of this document is to provide a comprehensive and integrated LED approach that will enable Setsoto Local Municipality to improve and develop the local economy.

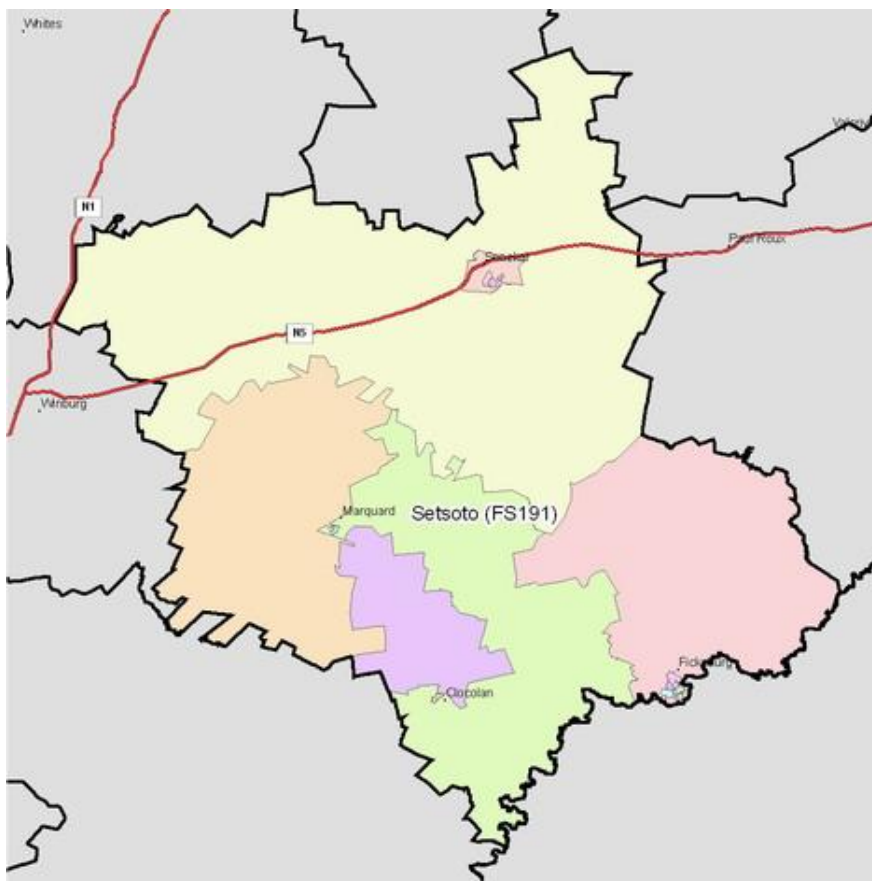
This Integrated LED Plan is firstly to strategically guide LED in the area through the development of programmes, projects and tools, whereby to promote sustainable local economic development and investment. Secondly to generate opportunities for employment where it is much needed. Through improving the local economy and creating employment there will be a decrease in poverty and crime.

The purpose of developing LED programmes is to ensure a consistent and conducive environment to promote sustainable local economic activities and employment generation.

## 2 SETSOTO SOCIO-ECONOMIC ANALYSIS

Setsoto is located in the Free State and in the Thabo Mofutsanyane District municipality[DC19] . Setsoto Local municipality (FS191) consists of 17 wards. The geographical area of the municipality is 5966.2290 square kilometres. Thabo Mofutsanyana District has beautiful hills and fruit farming. This district forms the eastern part of the Free State province, and borders the Kingdom of Lesotho and Kwa-Zulu Natal. The district is one of the most important tourist destinations in the Free State, mainly because of the spectacular scenic beauty of the Drakensberg and Maluti mountain ranges. The most famous attraction is the Golden Gate Highland National Park, which is well known for its spectacular sandstone formations. Other attractions include trout fishing, the annual cherry festival at Ficksburg, water sports at the Sterkfontein dam, the Basuto cultural village in Qwaqwa, and Bushmen rock paintings near Fourisburg

Towns within the Setsoto area includes Senekal, Marquard, Ficksburg and Clocolan



Map 1: Setsoto Local Municipal area (<http://www.Demarcation.org.za>)

## 2.1 Background to Setsoto socio-economic situation

Setsoto, like other parts of South Africa suffers from a highly dualistic economy, which results in a major challenge of expanding benefits to the poor, where economic growth does not necessarily lead to benefits for the poor, and where many people will not access the formal economy.

Thus in a policy speech in April 2004 to the National Council of Provinces the President talked of the First and Second Economies in South Africa. "The First Economy is modern, produces the bulk of our country's wealth, and is integrated within the global economy. The Second Economy (or the Marginalized Economy) is characterized by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the First and the global economy, and is incapable of self-generated growth and development."

The formal sector is well developed, and increasingly is internationally competitive in certain sectors. In seeking to be competitive, as South Africa emerged from the Apartheid siege economy, there has been a massive job loss from the formal economy in selected, usually labor-intensive sectors.

However, the March 2003 Labor Force Survey of Statistics SA showed that two million new jobs were created in the previous seven and a half years, bringing the total of those employed to 11.6 million. This represents an employment growth rate of over 2.5% a year. However this has not managed to keep up with entrants to the workforce and levels of unemployment are very high and range somewhere between 30 and 40%. Many of these have entered the informal economy but the informal sector has been neglected in much LED work.

Clearly maximizing growth and simultaneously promoting pro-poor development are high on the agenda of the largest centers. It is in such areas that some of the greatest innovation is shown, in terms of issues such as strategic planning, partnership formation, support for vulnerable economic sub-sectors, training for employment and major investments.

## 2.2 Socio-economic indicators of Setsoto Local Municipality

### 2.2.1 Demographics

The latest Demographic indicators by Municipality, 2001

Table 1: Demographic profile of Setsoto

	Total population	Literacy Rate
District Thaba Mofutsanyane	725 853	62.8%
Setsoto	123 178	61.6%

Table 2: Percentage households with total annual income below R6 000, 2001

	Unemployment rate	Households with real income below R6 000
District Thaba Mofutsanyane	47.8%	59.1%
Setsoto	41.1%	64.9%

Table 3: Percentage households with access to basic services, 2001

	Electricity	Water	Sanitation	Refuse removal	Telephone	Housing
District Thaba Mofutsanyane	36.1%	6.1%	28.8%	53%	13.5%	38.9%
Setsoto	27.8%	4.7%	64.8%	34.7%	19.8%	52%

\*Information: Development Report 2005

## 2.2.2 Gross Geographic Product (GGP)

Setsoto's various town units together with their contribution to the GGP of Setsoto are indicated in table 4 below:

Table 4: Gross geographic product of Setsoto

DISTRICT	AGRICULTURE	MINING	MANUFACTURING	ELECTRICITY/ WATER	CONSTRUCTION	TRADE	TRANSPORT	FINANCE	COMMUNITY	GENERAL GOVERNMENT	OTHER PRODUCERS	LESS IMPUTATIONS	TOTAL
Senekal	7 361	11 1	36115	195	813	31091	4426	18827	2952	36929	6209	2850	210187
Ficksburg	49 738	0	8335	3770	1956	59676	13044	81752	1895	37606	4466	31817	230421
Marquard	67 083	0	0	1166	0	9941	2518	9454	428	8537	2252	1753	99626
Clocolan	34 032	0	0	1041	0	16686	2860	8906	1299	15798	2349	2075	80896
<b>TOTAL</b>	<b>224465</b>	<b>11 1</b>	<b>44450</b>	<b>7929</b>	<b>2769</b>	<b>117394</b>	<b>22848</b>	<b>118939</b>	<b>6574</b>	<b>98870</b>	<b>15276</b>	<b>38495</b>	<b>621130</b>
% of total	34.0%	0.0 %	6.7%	1.2%	0.4%	17.7%	3.5%	18.0%	1.0%	14.8%	2.2%	4.3%	100%

Source: Setsoto Municipality: RIDP, 2003/2004

## 2.2.3 Employment

The industry of employment and the percentage of the labour force employed in the various sectors are indicated in the table below:

Table 5: Industry of employment in Setsoto

OCCUPATIONAL CATEGORY	% OF ACTIVE LABOUR FORCE
Technical	10.27 %
Managerial / Administrative	8.85 %
Clerical / Sales	21.91 %
Transport / Communication	3.67 %
Services	17.58 %
Farming	1.53 %
Artisan	6.16 %
Production / Mining	11.80 %
Unspecified	18.23 %
<b>TOTAL</b>	<b>100.00 %</b>

Source: Setsoto Municipality, RIDP 2003/2004

## 2.3 Summary

Approximately 124 000 people reside in Setsoto. The literacy rate of the residents is above 60% whilst the unemployment rate in the area is above 40%. Nearly 65% of households reflect an income below R6000 per month. It is obvious that a huge percentage of the people are poor. What is even more alarming is the limited number of households with access to water.

Finally, two sectors namely Agriculture and trade represent the highest percentage contribution to the GGP of Setsoto.

### 3 THE LEGISLATIVE FRAMEWORK FOR LED

The emphasis of development is on co-ordination, co-operative governance in accordance with the powers, responsibilities and abilities of the three spheres of government, and facilitation, rather than direct, state-led or interventionist development. Many of the key powers are being delegated to municipalities, in terms of the Municipal Systems Act of 2000 and the future Land Use Bill. Refreshingly, the Green and White Papers advocate a shift from bureaucratic, rule—and regulation based planning to normative planning, based on policies and principles. These relate to the goals of the RDP, including the need to undertake substantive reconstruction and redistribution in the name of social justice.

The key emphasis is on local authorities, which are closest to the ground and which have to live with the outcomes, and where achieving environmental and economic sustainability is most important. In this respect, the Green and White Papers are designed to provide the local flexibility needed to promote coherent LED initiatives.

Much can be achieved, even in relatively remote, poorly resourced localities. However, local circumstances in each place must be the point of departure.

In the context of LED, the most likely route to success is through the adoption of broader, inclusive methodologies and perspectives that seek to integrate economic and social/cultural aspects of development and to ensure sustainability. An exclusive fixation on the local is likely to obscure wider forces and processes; a flexible approach is needed. Narrow economism is not the route to local empowerment for those hitherto un—or disempowered. Development is recognized as normative, subjective and multifaceted, with substantial implications for (re)distribution and social justice. This has particular relevance in the current South African context.

The White Paper on Local Government, and the subsequent package of related legislation (discussed later), provide a new national context for local governance across the country. The range of critical issues faced by Cities mirror South Africa's national concerns. Local government system, organization, strategy, budget and implementation programmes should be aligned with those of other spheres of government, and vice versa.

National legislation, policies and regulations form the backbone of LED. A clear understanding and linkages to related policies, programmes and principles are essential for a co-ordinated integrated LED. A sophisticated legal and policy basis exists to support developmental LED in South Africa. What has been achieved in terms of the institutionalization of an LED framework, over a period of ten years of experimentation and policy formulation, has the potential to serve as a model for other developing countries faced with similar development challenges.

LED has been mainstreamed in South African urban economic practice and in development planning. LED interventions have received greater attention and have recorded the greatest successes. However pro-poor LED policy has recently been developed and been supported by the government, and is receiving greater recognition at the level of local government, as reflected in actions and policies ranging from affordable service provision, to procurement and small business support.

Local Economic Development forms an integral part of Local Government and Poverty reduction.

There are various sets of legislation and Government Policies that emphasizes the importance of Local Economic Development. These policies and legislation are, amongst others, the following:

- The Constitution,
- The White Paper on Local Government,
- The RDP,
- The Development Facilitation Act (1995)
- The Local Government Demarcation
- The Local Government Municipal Structures Act (1998)
- Municipal Systems Act (2000)
- The Disaster Management Act
- Municipal Finance Management Act 2003

- The Property Rates Act and
- The Local Economic Development Policy Paper

A brief description of how these legislation impacts on LED is summarized in the following table

Table 6: Legislative framework for LED

Legislation	Impact on LED
The Constitution (1996)	<p>The Constitution recognizes Local Government as a distinctive sphere of government and mandates them to 'give priority to the basic needs of the community, and to promote the social and economic development of the community; and participate in national and provincial development programmes'</p> <p>The Constitution obliges local government to "encourage the involvement of communities and community organizations in the matters of local government".</p>
The Local Government White Paper (1998)	<p>The RDP document articulated the new developmental role of local government in the White Paper on Local Government, which stressed that, "...the central responsibility of municipalities (is) to work together with local communities to find sustainable ways to meet their needs and improve the quality of their lives".</p> <p>The Local Government White Paper translated the objectives for participation and development set out in the RDP and the mandates outlined in the constitution into a definable statement on how local government would look and function in the future.</p>
RDP	<p>"developmental local government" is charged with promoting empowerment and redistribution, and delivering four significant and essentially pro-poor outcomes, namely:</p> <ul style="list-style-type: none"> <li>- the provision of basic household infrastructure and services (such as electricity, water and sewerage), to those who currently have little or no access</li> <li>- the creation of livable, integrated cities, towns and rural areas, in which the spatial legacy of apartheid separation is addressed</li> <li>- the achievement of local economic development, in which local government can play an important role in job creation and in boosting the local economy through the provision of business-friendly services, local procurement, investment promotion, support for small businesses and growth sectors community empowerment and redistribution</li> </ul>
The Development Facilitation Act (1995)	<p>This a key local government planning and development instrument, which introduced measures to facilitate and accelerate the implementation of reconstruction and development programmes and projects in relation to land, laying down general principles governing land development throughout the country.</p>
The Local Government Demarcation Act (1998)	<p>This Act sought to eliminate small and ineffective local councils through combining neighboring or near local authority areas under a single jurisdiction, and also assigned rural areas surrounding urban centres to the control of the latter.</p> <p>This Act, indirectly lays a basis for pro-poor development through ensuring fairer spatial distribution of resources.</p>

Legislation	Impact on LED
The Local Government Municipal Structures Act (1998)	<p>The Act provides for the three categories of municipality to operate within the newly demarcated areas and assigns them specific powers and duties. The duties and powers are based on the Constitution and are generally of a service type nature, but include the following LED-type tourism, planning, public works, infrastructure development and markets. In undertaking such duties municipalities are expected to promote economic and social development in the area under their jurisdiction. The Act also allows for the participation of traditional leaders within local government administration in the areas in which they reside.</p>
Municipal Systems Act (2000)	<p>This is the last key piece of legislation and the one, which has the most direct influence over the principle of popular participation in local governance and local-level development. The Local Government Municipal Systems Act provides for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of communities, and ensure universal access to essential services that are affordable to all. The Act describes the “core processes or elements that are essential to realizing a truly developmental local government system. These include participatory governance, integrated development planning, performance management and reporting, resource allocation and organizational change”.</p> <p>In terms of service provision, municipalities are required to prioritize the basic needs of the community and to ensure that all residents have access to a minimum level of basic services.</p> <p>LED may be promoted through the provision of special tariffs for commercial and industrial users. A further LED provision is that municipalities may establish service utilities or acquire ownership of a company which renders a municipal-type service.</p> <p>The Act spells out the same powers and duties as detailed in the Structures Act and obligates municipalities to undertake developmentally orientated planning, requiring Municipalities to develop IDP's . These plans should involve widespread consultation with communities and other stakeholders and should link and co-ordinate all municipal development plans, municipal resources, capacity and budgets and be compatible with national and provincial planning requirements. In terms of service provision, municipalities are required to prioritize the basic needs of the community and to ensure that all residents have access to a minimum level of basic services. The Act clearly provides the mandate for participatory governance in local government affairs and development matters.</p>
The Disaster Management Act	<p>The integrated coordinated disaster management policy is focused on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters, and post-disaster recovery. The Act also provides for the establishment of national, provincial and municipal disaster management centers.</p>
Municipal Finance Management Act 2003	<p>This Act identifies the supervisory functions to be performed by especially the National Treasury, and also the Provincial Government.</p> <p>A municipal revenue fund must be established and the Municipal Manager, as the accounting officer, will have to control it. Consolidated financial statements must be prepared on an annual basis within a limited time frame, where after the fund will be audited via the Auditor General.</p> <p>Budgets are to be prepared in accordance with the municipality's IDP</p> <p>Procurement of goods and services must be done in accordance with the Preferential Procurement Policy Framework Act, No. 5 of 2000.</p> <p>The Act is developed to secure sound and sustainable management of the</p>

	<p>financial affairs of municipalities and other institutions in the local sphere of government; to establish treasury norms and standards for the local sphere of government; and to provide for matters connected therewith.</p> <p>Of importance to LED in particular are also the clear procedures laid down also for:</p> <ul style="list-style-type: none"> <li>• Establishment and financial governance of Municipal entities</li> <li>• Supply chain management policy for goods and services</li> <li>• Conditions and process for public-private partnerships</li> </ul>
<p>The Property Rates Act</p>	<p>All land and improvements thereon is subject to property tax levied by municipalities in accordance with a determined rate. Guidelines are given as to how a valuation roll should be compiled, objections dealt with and the roll validated, in order to become the basis for property tax.</p>

## 4 NATIONAL POLICIES, PROGRAMMES IMPACTING ON LED

### 4.1 Background

In the past eight years, South African policy-makers have introduced a number of policy and strategy measures aimed at preparing South African economic sectors and institutions for participation in the global knowledge economy. These include, but are not limited to:

- The White Paper on Science and Technology – “Preparing for the 21<sup>st</sup> Century” (1996)
- The National Research and Technology Foresight Project (1998)
- A Human Resource Development Strategy for South Africa – “A National at Work for a Better Life for All (2001)
- The South African Information Technology Industry Strategy (2001)
- The National Biotechnology Strategy for South Africa (2001)
- The Department of Trade and Industry’s (DTI) Integrated Manufacturing and Industrial Strategy (2001)
- The National Research and Development Strategy (2001)
- The National Plan for Higher Education (2002)
- DTI’s ICT Cluster Strategic Plan (2002)
- DTI Vision 2014
- The Advanced Manufacturing Technology Strategy (2003)

However, at a local level Setsoto Local Municipality needs to ensure that they capitalise on the national efforts through their own LED approach. For this purpose reference to other national programmes is essential in planning for LED.

### 4.2 LED as a second economy approach

The dualistic economy in almost all municipal areas within South Africa consists of two economies; the first is an advanced, sophisticated economy, based on skilled labour, which is becoming more globally competitive. The second is a mainly informal marginalised, unskilled economy, populated by the Unemployed and those unemployable in the formal sector. The second economy is “poverty-trap”. It is linked to the first economy by the extent to which it can still supply cheap, unskilled labour this economy may require. It survives on money transfers sent by family members who have been able to secure regular or occasional employment within the first economy, as well as social grants and elements of the social wage provided by the democratic state. It is also linked to the first economy by the goods (mainly food), equipment and services it purchases with the meager sources at its disposal. Those resources also make it possible for the second economy (or the poor) to maintain an informal or micro enterprise sector of small traders, artisans and service providers.

In his 2003 address the State President, president Thabo Mbeki shared the key strategies to meet the growth and development challenges of the second economy:

- The integrated Sustainable Rural Development Programme (ISRDP)
- The Urban Renewal Programme (URP)
- Expanded Public Works Programme (EPWP)
- A boost to infrastructure spending in underdeveloped regions and communities.
- Support to local government's preparation and implementation of integrated development plans (IDPs)
- The development of SMMEs and co-operatives in urban and rural areas.
- Black economic empowerment (BEE) and special programmes for women's economic development
- The expansion of micro-credit to enable the poorest to engage in the economy
- The incorporation of the unemployed within the Skills Development Programme, especially as implemented by the SETAs
- The continued restructuring of education so that it gives the youth the skills to engage in the economy
- Agrarian reform, including a Comprehensive Agricultural Support Programme and forestry development
- The creation of an echelon of community development workers to help build social cohesion in the second economy, and to help develop strategies and forge links that can transform the second economy.

It is against this background that Setsoto needed to develop their LED Plan.

#### **4.3 LED Linkages to other Strategies, Programmes and Projects**

LED is a holistic discipline and other local authority strategies and plan that should influence, and be influenced by, the local economic development agenda potentially include:

- City strategic plan
- Planning, zoning, resource management and land use development strategies
- Transportation strategies
- Leisure and recreation strategies
- Housing strategies
- Anti-poverty strategies
- Education and training strategies
- Crime and public safety strategies
- Environmental strategies and Agenda 21
- Waste disposal and pollution control strategies

In addition to looking at the relationships that LED has with other local plans, there is a need to look beyond the local area to other plans, rules and regulations that will impact upon the local economic agenda. These will include national and/or provincial laws and policies, for example:

- Telecommunications deregulation
- Financial regulations
- Environmental standards
- Taxation
- Land and property laws
- National government infrastructure investment plans

#### **4.4 Linkages between LED and ASGISA**

ASGISA is an accelerated and Shared Growth Initiative growth strategy and targeted interventions to overcome key constraints in the macroeconomic environment, in infrastructure and logistics provision, in skilled labour availability, in the competitive environment and cost structure of the economy as well as in the regulatory environment and in the institutional capacity of government to deliver:

- industrial development,
- sector strategies,
- enterprise development as well as
- Second Economy initiatives more broadly
- Including competitiveness and competition that are necessary to unlock the potential of the economy

The following sectors are targeted:

- Steel industry
- Tourism
- chemicals,
- creative and cultural industries,
- metals,
- agro-processing and
- textiles and clothing
- Automotive industry

Setsoto Local Municipality needs to take cognitions of these initiatives to benefit from the national strategies.

#### 4.5 LED and the Expanded Public Works programme

The EPWP is a national priority programme aimed at job creation, infrastructure and service delivery, training, and skills development. It aims to provide an opportunity to:

- Draw significant numbers to the unemployed into productive work to enable them to earn an income within the first five years of the programme
- Provide unemployed people with education and skills within the first five years of the programme
- Ensure that participants in the EPWP are able to use the experience either to set up their own business or to become employed

Potential for job creation as part of LED can be identified in the following sectors:

- Infrastructure (increasing labour-intensiveness of government-funded projects)
- Environment (creating work in public environmental improvement programmes)
- Social (creating work in public social programmes, e.g. home-based care workers and early childhood development workers)
- Economic (income-generating programmes from government procurement of goods and services specifically for small enterprise learnership/incubation programmes).

The programmes in support of LED, referred to as “expanded” because:

- It has expanded beyond the traditional focus on infrastructure, into social, environmental and economic work activities
- It will be expanding the application of existing best practices to the rest of the rest of government
- It will seek larger budgets for components of the programme that prove successful

As part of a holistic LED plan, the EPWP has the following common characteristics:

- Workers are usually employed on a temporary basis (by the state, contractors or other non-governmental organizations)
- Workers are provided with a combination of work experience and training
- The public sector body makes a deliberate attempt to use its expenditure on goods and services to create additional work opportunities for the unemployed (usually unskilled)
- It also attempts to identify and develop exit strategies for workers when they leave the programme

#### 4.6 Small Enterprise Development

The Small Enterprise Development Agency (seda) is the Department of Trade and Industry's agency for supporting small business in South Africa and established in December 2004.

The mandate of **seda** is to design and implement a standard national delivery network that must uniformly apply throughout the country. Its role includes the support and promotion of co-operative enterprises, particularly those located in rural areas.

The work of **seda** is carried out in line with the Department of Trade and Industry's Integrated Small Enterprise Development Strategy, which aims to:

- Strengthen support for SMME's access to finance

- Create an enabling regulatory environment
- Expand market opportunities for specific categories of small enterprises Localise small business support through a grid of seda-coordinated information and advice access points
- Initiate a national entrepreneurship drive and expand education and training for small business
- Co-fund minimum business infrastructure facilities in local authority areas across the country

Regarding business infrastructure facilities, the strategy expects that the integrated strategy has to link up closely with current local economic development (LED) efforts in all municipalities.

## 5 THE NATIONAL STRATEGY GUIDELINES

The Department of Provincial and Local Government issued a chapter on LED for South Africa. The most important 8 principles are summarized below:

### 5.1 A vision for LED

Local people, through their democratically elected municipality, should establish a vision for local economic development. This should include promoting growth, reducing inequality, increasing participation and tackling poverty.

### 5.2 Improved basic quality of life

All residents and businesses should have access to good services and a clean and healthy environment.

### 5.3 LED is not confined to one unit or programme

Everything that the council does – if it is done well – could potentially contribute to economic development. The responsibility for economic development should not be confined to a special unit or programme responsible for investment promotion.

### 5.4 Investment promotion

All efforts to attract investment should be linked to clear social and economic goals, especially job creation and balanced development.

### 5.5 Meeting basic needs

Growth and development lies in meeting basic needs. Public works, housing, social and community services constitute an opportunity to bring people into the labour force.

### 5.6 Supportive civic culture

Civic institutions, cultural and social structures can help to build confidence and trust. Networking for small firms contribute to sharing ideas and taking risks. A divided city cannot be successful or competitive. It is in everybody's interest to narrow the gaps, which divide us geographically and economically.

The economic potential within impoverished communities is considerable. With the right support and encouragement, including concerted education and training, the poorest in our community can achieve a great deal.

### 5.7 Linkages with national and provincial programmes

National and provincial programmes such as ASGISA, SEDA, EPWP, and SETA support economic development and in particularly address the second economy.

### 5.8 The four National LED policy Trusts

The four LED policy trusts in South Africa are:

- Promoting competitive advantages
- Leadership and Governance
- Investing in communities
- Public-private participation

## 6 PROVINCIAL STRATEGY GUIDELINES

Provincial Development is guided by the FSGD plan. Based on the social and economic development challenges of the province, the Free State Province has identified the following as primary development:

- Stimulate economic development.
- Develop and enhance the infrastructure for economic growth and social development.
- Poverty alleviation through human and social development.
- Ensure a safe and secure environment for all the people of the province.
- Promote effective and efficient government and administration.

The indicators from the Free State Growth and Development Plan guide this Plan.

- Socio-Economic Analysis: Based on the minimum requirements listed above, the analysis conducted by Setsoto Local Municipality does not provide adequate feedback on the problems identified through the review/analysis.
- Strategy guidelines on LED: Developed strategies need to be linked to specifically identified problem areas that have been identified in the analysis phase.
- LED Strategies and Programmes: Strategies and programmes of the Free State Growth and Development Plan guide this LED Plan.

Specific Programmes of action were announced to grow the formal economy. These include the following:

- Raise the rate of investment.
- Work to reduce the cost of doing business in the country.
- Particular attention to SMMEs.
- Speed up the process of skills development, focusing on the shortfalls that had already been identified.
- Enhance the country's export performance, focusing on services and manufactured goods.
- Increase spending on scientific research and development.

To give effect to these developmental objectives, the province has identified the 11 areas that need to be addressed by 2014:

1. To achieve an annual economic growth rate at least equal to the national average economic growth rate.
2. To reduce unemployment from 38.9% to 20%.
3. To reduce the number of households living in poverty by 5% per annum.
4. To improve the functional literacy rate from 69.2% to 85%.
5. To reduce the mortality for children under five years to 65 per 1 000 live births.
6. To reduce the obstetrical maternal mortality rate from 65.5 to 20.06 per 100 000 women in the reproductive age group.
7. To stabilize the prevalence rate of HIV and AIDS and reverse their spread.
8. To provide shelter for all the people of the province.
9. To provide free basic services to all households.
10. To reduce the crime rate by at least 7% per annum.
11. To provide adequate infrastructure for economic growth and development.

Key programmes of action to grow the informal economy are:

- The Expanded Public Works Programme launched in all provinces during 2004.
- A Financing Protocol was finalized during 2004 relating to the Urban Renewal and Rural Development Programmes.
- The Apex Fund (dedicated to the extension of micro credit) that came into operation in 2004.
- The Department of Agriculture to increase its support to agricultural activities in the communal land areas as well as other small-scale agriculture.

- During the 2005 financial year, finalise the strategy for the development and extension of financial and non-financial support to cooperative enterprises.
- The Department of Education would expand the reach of the Adult Basic Education and Training programme.
- Work with provincial and local governments to ensure that the end of 2004 in the identified urban and rural nodes deploys Community Development Workers.
- Ensure that modern information and communications technologies were introduced in the development nodes as quickly as possible to assist in all their developmental and governance efforts.

### 6.1 Key LED Principles

In the identification of objectives and strategies for LED, the following principles were considered:

- LED strategies prioritise job creation and poverty alleviation;
- LED targets previously disadvantaged communities;
- LED promotes local ownership, community involvement, Local leadership and joint decision making;
- For LED to be successful stakeholder involvement is imperative – This includes forming partnerships with local, national and international partnerships;
- LED should ensure it includes local resources and skills to maximise opportunities for development;
- The LED Plan must integrate diverse economic initiatives into a comprehensive approach

## 7 SETSOTO LOCAL MUNICIPAL IDP AND LED

The IDP can be seen as the macro development plan for the municipal area. It summarizes the socio-economic environment, provides a situation analysis of the geographic, the level of infrastructure (including roads, schools, etc.) and provides a demographic profile of the people of the area. The IDP summarizes all government structures, systems and provides a legislative framework for service delivery and development. Different sector plans such as the spatial development framework, rural development plan, Capital project plan, Youth development, HIV/AIDS, LED, etc. form an integrated part of the IDP

The LED plan is a socio- economic investment and development plan directly informed by the IDP for the development of the area and its people if also directly informs the IDP.

Apart from the National guidelines, a set of localized strategy guidelines was also formulated, together with the Thabo Mofutsanyana District Municipality and other neighbouring local municipalities. In general, the following two strategies need to be highlighted:

Local municipalities should act as agents for local communities to apply for funds. Funds should only be distributed through local municipalities. A condition for LED projects should be proper after care and monitoring facilitated by the local municipality, with assistance from the district municipality.

All development efforts of other organs of state or private organisations should go through municipalities.

## 8 STRATEGIC ANALYSIS OF SETSOTO

Against the LED background and policy guidelines, an economic SWOT analysis conducted in Setsoto revealed important information:

### 8.1 Economic SWOT analysis of Setsoto

The potentials (strengths) and also the constraints (weaknesses) identified for Setsoto are indicated in the two columns below:

Table 7: Economic SWOT analysis of Setsoto

POTENTIALS / STRENGTHS	CONSTRAINTS /
<ol style="list-style-type: none"> <li>1. The extensive possibilities of recycling. There is also great potential in the manufacturing of natural compost by mixing the animal manure at Sparta with natural sources like leaves.</li> <li>2. The manufacturing of construction materials like bricks and thatching and sandstone. Setsoto has a huge and willing workforce, who can be trained and employed through this potential.</li> <li>3. Tourism. Ficksburg aims to become an events center for the whole Setsoto and by proper coordination of destinations and marketing, as well as using local arts and crafts as a supplement, this could be a hugely popular tourist destination</li> <li>4. Aldam Nature Resort with accommodation and private investment and development potential (Until recently before the re-demarcation Willem Pretorius Nature Reserve)</li> <li>5. Cherry festival attracts several tourist to the area</li> <li>6. Potential of distributing and exporting fruit</li> </ol>	<ol style="list-style-type: none"> <li>1. The large distances to markets.</li> <li>2. The condition of the infrastructure is not equipped to handle large amounts of people yet.</li> <li>3. The locality of Lesotho so nearby, places pressure on the existing infrastructures and especially on the health facilities, due to the large number of people infected with HIV/AIDS.</li> <li>4. Unemployment and crime.</li> </ol>

## 9 SETSOTO LED FRAMEWORK

As a result of an in depth strategic analysis, regional analysis, research and through a community consultative process, the following vision for local economic development in Setsoto are recorded:

### 9.1 LED Vision

Local stakeholders participating in the creation of a conducive environment for promoting growth, reducing inequality and collaboratively aim at sustainable local economic growth

### 9.2 LED Objectives

From the above National, Provincial and District Guidelines objectives to be considered for Local Economic development includes:

- Promoting Enterprise development
- Enhancing livelihood, security and self-reliance
- Increased Tourism
- Agricultural diversification
- Industrial development and agri-processing
- Sustainable mining
- Upgrading the second economy

The following six specific LED objectives are set for Setsoto Local Municipality

- To create an enabling environment for LED
- To promote the development of SMMEs
- To enhance environmental security and development
- To enhance Tourism and investment in the economy
- To expand and diversify the agricultural sector
- To enhance industrial and commercial development

### 9.3 LED strategies

An Integrated LED approach focuses on sustainable economic growth . The Setsoto LED strategies are directly linked to the 6 identified objectives as reflected and summarized in Table.....

Table 8: Setsoto LED Framework

Objective	Strategies
To create an enabling environment	<ul style="list-style-type: none"> <li>▪ Conducive incentive policy development and implementation</li> <li>▪ Efficient Municipal service delivery and infrastructure provision</li> <li>▪ Improved Safety and security</li> <li>▪ Spatial development</li> </ul>
To promote the development of SMMEs	<ul style="list-style-type: none"> <li>▪ Facilitate capacity building programmes for SMME's</li> <li>▪ Facilitate training and support for SMME's</li> <li>▪ Develop and apply processes to implement the procurement policy</li> </ul>
To enhance environmental security and development	<ul style="list-style-type: none"> <li>▪ Implement comprehensive awareness campaigns and skills development programme, in cooperation with relevant departments</li> <li>▪ Develop and implement training and mentorship programmes amongst previously disadvantaged people with the assistance of voluntary organizations for conservation practices and ward greening</li> </ul>
To enhance Tourism and investment in the economy	<ul style="list-style-type: none"> <li>▪ Actively promoting tourism development through:               <ul style="list-style-type: none"> <li>▪ Comprehensive marketing strategies</li> <li>▪ Encourage and support the development of eco- tourism</li> </ul> </li> <li>▪ Facilitate the development of Parks</li> </ul>
Expanding and diversifying the agricultural sector	<ul style="list-style-type: none"> <li>▪ Commonage development</li> <li>▪ Collaboration with relevant departments, guidance and skills training to emerging farmers (small scale farming)</li> <li>▪ Development of agri-processing industries</li> <li>▪ Assistance to potential entrepreneurs in product development and marketing</li> </ul>
To enhance industrial and commercial development	<ul style="list-style-type: none"> <li>▪ Development of the CBD</li> <li>▪ Support anchor businesses with functional infrastructure and effective municipal service delivery</li> <li>▪ Assistance to potential entrepreneurs in product development and marketing</li> <li>▪ Development of industrial Parks</li> </ul>

### 9.4. LED Programmes and Projects identified for 2007

To be able to successfully facilitate project implementation, Setsoto Local Municipality needs to develop and sustain facilitating capacity.

A coherent approach for Setsoto Local Municipality is to a mid and long term LED strategy which analyses the most urgent needs in the municipal area and which outlines a strategy how to address these needs. The success of LED in Setsoto will depend on how the local government is aligning their development strategies, coordinating their actions and how efficient the provided funding will be used.

The main LED objectives identified for 2007 will be targeted through the establishment of 6 LED programmes, as indicated on the next page.

- Programme 1: Land, Infrastructure, Housing and Service development
- Programme 2: SMME-Promotion
- Programme 3: Organisational development
- Programme 4: Tourism promotion
- Programme 5: Agricultural diversification
- Programme 6: Industry and commercial promotion

#### 9.4 Strategic Indicators

To be able to evaluate these strategic objectives, indicators are developed and needs to be applied in the annual assessment of the level of success reached through the LED strategy.

Table 9: LED strategic programmes with Indicator

Objective	Strategies	Proposed Programme	Indicator
To create an enabling environment	<ul style="list-style-type: none"> <li>▪ Conducive incentive policy development and implementation</li> <li>▪ Efficient Municipal service delivery and infrastructure provision</li> <li>▪ Improved Safety and security</li> <li>▪ Sustainable Spatial development</li> </ul>	Land, Infrastructure, Housing and Service development programme	Facilitate at least 2 projects within the MIG/EPW/ASGISA framework within 1 year
To promote the development of SMMEs	<ul style="list-style-type: none"> <li>▪ Facilitate capacity building programmes for SMME's</li> <li>▪ Facilitate training and support for SMME's</li> <li>▪ Develop and apply processes to implement the procurement policy</li> </ul>	SMME-Promotion	<p>Establish effective links with SEDA, Dept of Labour and SETAs within 6 months</p> <p>Facilitate at least 4 training projects to empower at least 40 SMME's per year</p>
To enhance environmental security and development	<ul style="list-style-type: none"> <li>▪ Implement comprehensive awareness campaigns and skills development programme, in cooperation with relevant departments</li> <li>▪ Develop and implement training and mentorship programmes amongst previously disadvantaged people with the assistance of voluntary organizations for conservation practices and ward greening</li> </ul>	Organisational development	<p>At least two Awareness campaigns per year</p> <p>Establish at least 1 project through linking relevant Departments and voluntary organizations in service of conservation practices</p> <p>Implement a ward greening project within year 1</p>
To enhance Tourism and investment in the economy	<ul style="list-style-type: none"> <li>▪ Actively promoting tourism development through:               <ul style="list-style-type: none"> <li>▪ Comprehensive marketing strategies</li> <li>▪ Encourage and support the development of eco- tourism</li> </ul> </li> <li>▪ Facilitate the development of Parks</li> </ul>	Tourism promotion programme	<p>Facilitate at least two Tourism-promoting initiatives per year</p> <p>Target at least 1 park per year for development</p>
Expanding and diversifying the agricultural sector	<ul style="list-style-type: none"> <li>▪ Commonage development</li> <li>▪ Collaboration with relevant departments, guidance and skills training to emerging farmers (small scale farming)</li> <li>▪ Development of agri-processing industries</li> <li>▪ Assistance to potential entrepreneurs in product development and marketing</li> </ul>	Agricultural diversification programme	<p>Investigate the viability of commonage development in year 1</p> <p>Facilitate at least 1 comprehensive Research for agro-processing per year</p>
To enhance industrial and commercial development	<ul style="list-style-type: none"> <li>▪ Development of the CBD</li> <li>▪ Support anchor businesses with functional infrastructure and effective municipal service delivery</li> <li>▪ Assistance to potential entrepreneurs in product development and marketing</li> <li>▪ Development of industrial Parks</li> </ul>	Industry and commercial promotion programme	<p>Target at least 2 areas for CBD upgrading per year</p> <p>Measure service-delivery efficiency through surveys in year 1</p>

## 9.5. Community Consultative Identification Process

Through workshops and discussions with representatives of the Setsoto local municipality several projects have been identified for the development of the local economy in Setsoto. Projects and activities relating to Local Economic Development (LED) are indicated in the table below. Also indicated are the economical impacts the projects will have, as well as other concerns regarding some of the proposed projects.

The identified projects related directly to the IDP and display an economic impact. These are summarized in the table below.

Table 10: LED Projects identified for 2007

PROGRAMME	Project No.	LED Project	Economic Impact
Land, Infrastructure, Housing and Service development programme	1.2.1.8	Metered water connections	<ul style="list-style-type: none"> <li>Job creation (local labour)</li> <li>More control over the water used</li> <li>Paying for the water will generate an income for Setsoto</li> </ul>
	1.3.1.9	Acceptable sanitation system	<ul style="list-style-type: none"> <li>Job creation</li> <li>Investment in infrastructure and thus in the area</li> </ul>
	1.5.1.10	Maintenance of streets	<ul style="list-style-type: none"> <li>Job creation (perhaps by paving streets)</li> <li>Accessibility encourages tourism and thus investment</li> <li>Overall increase in production</li> <li>More accessible for emergency services, SAPS, etc.</li> <li>More and better public transport</li> </ul>
	1.6.2.13	Waste removal	<ul style="list-style-type: none"> <li>Employment through recycling of waste</li> <li>Better control over waste</li> </ul>
	1.1.1.4	Sparta Regional Water Project	<ul style="list-style-type: none"> <li>Job creation</li> <li>Better infrastructure</li> <li>Improving of natural resources</li> <li>Tourism</li> </ul>
	1.9.2.18	Housing	<ul style="list-style-type: none"> <li>Job creation, through SMME's and local contractors</li> <li>Utilization of local manufacturers for windows, roofs, etc.</li> </ul>
	Tourism promotion programme	2.1.1.3	Cultural Tourism Development
2.1.2.4		Establishment of Imperani Tourism and Training Centre	<ul style="list-style-type: none"> <li>Job creation</li> <li>Less crime</li> </ul>
Organisational Development	2.3.2.9	Incentive policy	<ul style="list-style-type: none"> <li>Attracts investment</li> </ul>
Agricultural diversification programme	2.3.3.10	Product development and marketing	<ul style="list-style-type: none"> <li>Job creation</li> </ul>
	3.3.3.5	Removal of livestock	<ul style="list-style-type: none"> <li>Creates self-sustainability</li> </ul>
Industry and commercial promotion programme	2.4.1.11	Business forums	<ul style="list-style-type: none"> <li>Creates employment</li> <li>Attracts investment</li> </ul>
	2.4.2.12	Beehive center	<ul style="list-style-type: none"> <li>Creates employment</li> <li>Less businesses in residential areas</li> </ul>
SMME-Promotion programme	2.4.3.13	SMME development programme	<ul style="list-style-type: none"> <li>Creates employment</li> <li>Skills development</li> </ul>
	2.4.4.14	Training and mentorship programmes	<ul style="list-style-type: none"> <li>Skills development</li> </ul>
	3.5.1.9	Adult Based Education and Training (ABET) and skills training programme	<ul style="list-style-type: none"> <li>Creates an economically active working force</li> <li>Optimal utilization of infrastructure</li> <li>More skilled labour force</li> </ul>

## 9.6 Financial and other support for Projects

To sustain the identified programmes, financial and other support is indicated accordingly (see the last column).

Table 11: Financial and other Project support

PROGRAMME	Project No.	LED Project	Financial and other support
Land, Infrastructure and Service development programme	1.2.1.8	Metered water connections	▪ Budgetary process
	1.3.1.9	Acceptable sanitation system	▪ Budgetary process
	1.5.1.10	Maintenance of streets	▪ MIG
	1.6.2.13	Waste removal	▪ Budgetary process
	1.1.1.4	Sparta Regional Water Project	▪ Sparta
	1.9.2.18	Housing	▪ Department of Housing
Tourism development programme	2.1.1.3	Cultural Tourism Development	▪ ?
	2.1.2.4	Establishment of Imperani Tourism and Training Centre	▪ ?
Organisational Development	2.3.2.9	Incentive policy	▪ Budgetary process
Agricultural programme	2.3.3.10	Product development and marketing	▪ ?
	3.3.3.5	Removal of livestock	▪ ?
Industry and commercial programme	2.4.1.11	Business forums	▪ ?
	2.4.2.12	Beehive center	▪ ?
SMME-Development programme	2.4.3.13	SMME development programme	▪ SEDA?
	2.4.4.14	Training and mentorship programmes	▪ EPWP?
	3.5.1.9	Adult Based Education and Training (ABET) and skills training programme	▪ ?

Obviously, detailed implementation and action plans needs to be developed for each programme and project. For each project objectives and indicators need to be developed and are essential for the implementation and monitoring of project success. The level of success reached through the projects ultimately contribute to the success of the programme and thus to the overall success of LED in Setsoto. Strategic LED tools and approaches could be followed to enhance the success of these projects.

## 9.7. LED tools and approaches

Setsoto Municipality and their personnel need to see themselves as delivering a service to enterprises as their customers. Their services influence the performance of businesses in many ways: being relevant to business needs (also in terms of quality), on time (saving time to business-people, allowing them to act promptly and focus on real business problems), and cheap. To change the established administrative procedures, it requires attention and support at the highest political level, e.g. the full determination of the mayor and to develop a business –like administration.

Setsoto Local Municipality could act along the following directions:

- to represent interests of the (local) business community toward the central government on legislation, regulatory practices and tax policy
- the staff in municipal administration should be made aware of the circumstances of business through training, information and awareness
- best practices among municipalities should be readily identified and subsequently adapted in other municipalities as well;
- the public procurement process should be open to SMMEs through better information on tendering opportunities;
- Setsoto Municipality could establish “one -stop-shop” approach, one single location for registration purposes for business start-ups with staff experienced in procedures, as well as for other permits, licenses and various documents;
- all administrative procedures have to be simplified as much as possible within existing regulation, made more transparent, time left to the administration to act should be shortened, with the focus on avoiding bribes and corruption;
- Setsoto municipality has to allocate appropriate resources to improve this area of public administration (staff, training, ICT equipment);
- the information about standard procedures has to be readily available through the leaflets (with the localized contents), practical guides as well as mass media to raise the “business literacy” among would -be entrepreneurs and existing owner-managers;
- Setsoto municipality could establish “round-tables” as means to exchange information, experience, complaints, to enable business to consult with administration before issuing new administrative practices/obligations.

Other approaches to assist with the implementation of the plan are identified:

- Attract investment into the local area;
- Support local businesses through research, loans, grants, premises, technical infrastructure, etc;
- **Link urban and rural development plans;**
- Developing human resources to improve local skills base;
- Community-based approaches;
- Linking profitable growth to redistribution.
- Aligning LED programmes with EPWP

From Minister Manuel’s 2005 Budget Speech (Manuel, 2005) the following importance can be drawn: “ We must address the barriers to small business development and job creation that arise from cumbersome municipal planning and approval procedures, or from overly burdensome administration of the tax laws, environmental regulations or labour market controls.”

## 10. CONCLUSION

Local economic Development is a locally driven process designed to identify and utilize resources to stimulate the economy and to create employment opportunities.

The Local Economic Development (LED) Strategy is a micro development strategy; it support the IDP and intended to establish measures whereby LED programmes and projects can be streamlined in such a way that it promotes local economic development and employment. Through implementing these measures, together with the principles as guidelines, there will be a great improvement in economic development and employment, and that will ultimately lead to a reduction in poverty and in crime.