

LOCAL ECONOMIC DEVELOPMENT FUNDING POLICY



FINANCIAL YEAR 2022/2023

PHOKWANE LOCAL MUNICIPALITY

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THE POLICY

1. PREAMBLE

LED is about local people working together to achieve sustainable economic growth that brings economic benefits and an improved quality of life all the members of the community. LED is an ongoing process and not a single project or a series of steps to follow. It involves identifying and using local resources, ideas and skills to stimulate economic growth and development.

The main objective of the LED is to create employment opportunities for local residents, alleviate poverty, and redistribute resources and opportunities to the benefit of all local residents. The LED funding Policy was developed in line with National Development Plan which stipulates that the creation of an inclusive and integrated rural development be stimulated. The National Small Business strategy also requires that the advancement of small businesses be prioritized and support in order to realize real changes.

2. DEFINITIONS

Management-	The organization and coordination of the activities of a business in order to achieve defined objectives.
Beneficiaries-	a person or group that receives benefits, profits or advantages. It can also be defined as someone who receives government funding.
Community-	a body of persons or nations having a common history or common social, economic, and political interests.
Economy-	the management of the resources of a community or a country especially with a view to its productivity.
Local Economic Development -	is about local people working together to achieve sustainable economic growth that brings economic benefits and an improved quality of life for all the members of the community.
Partnership -	an association of two or more persons engaged in a business enterprise in which the profits and losses are shared proportionally
Leadership-	is the ability to guide others without force into a direction or decision that leaves them still feeling empowered and accomplished.

All terminology of this policy shall bear the same meaning as in the applicable legislation.

3. LEGAL FRAMEWORK

- ✓ Constitution of south Africa
- ✓ National Development Plan (NDP)
- ✓ Medium Term Strategic Framework (MTSF) 2006to 2009
- ✓ National LED policy guidelines
- ✓ National LED policy framework
- ✓ National Spatial Development perspective
- ✓ Broad Based Black Economic Empowerment act (BBBEE)
- ✓ Micro Economic Reform strategy
- ✓ Provincial Growth Development Plan
- ✓ Small Enterprise Development Agency (SEDA)
- ✓ Integrated Development Planning (IDP)

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- ✓ Provincial LED strategy guidelines
- ✓ Phokwane Local Municipal LED Strategy
- ✓ Municipal System Act
- ✓ Municipal Structures Act
- ✓ Municipal Finance Management Act
- ✓ Northern Cape SMME strategy
- ✓ FBDM LED strategy
- ✓ Integrated Sustainable Rural Development Programme (ISRDP)
- ✓ Expanded Public Works Programme (EPWP)
- ✓ The Accelerated and Growth Initiatives for South Africa (ASGISA)

4. SCOPE AND APPLICATION

LED funding model strive to accelerate economic growth in Phokwane Municipality in a manner that benefits the poor. The targeted beneficiaries must be local community members who are residents of Phokwane Local Municipality who want to establish or expand their project or businesses, either in the form of individual or groups of community members.

The potential beneficiaries must be willing to submit inter alia the following to the Municipality's LED office

- ✓ The copy of business registration certificate and tax clearance
- ✓ Proof of residents
- ✓ Business plan and or copy of their financial statements / financial records
- ✓ Financial Projections
- ✓ Budget
- ✓ The business expansion plan and total number of jobs envisaged to be created

TYPES OF BUSINESSES ELIGIBLE FOR FUNDING

- ✓ Businesses that promotes the agricultural sector
- ✓ Manufacturing
- ✓ Tourism
- ✓ Trade
- ✓ Transport
- ✓ Retail
- ✓ Construction

5. OBJECTIVES OF POLICY

- ✓ To support local communities to provide basic infrastructures needed to sustain local economic growth.
- ✓ To promote the integration of excluded individuals and groups into the mainstream of the economy.
- ✓ To facilitate the transfer and acquisition of LED and business management skills to local groups and communities from historically disadvantaged backgrounds.
- ✓ To promote community enterprise and job creation.
- ✓ To provide support to emerging SMMEs and Cooperatives to increase their output and market at competitive prices
- ✓ To promote the sustainability of job creation and local economic growth.

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6. POLICY CONTENT

National and provincial government develop policies and programmes that determine how the public sector will invest, how infrastructure and services will be developed, how different economic sectors will be promoted, and how government will regulate and support various aspects of economic activity.

6.1 PROHIBITED BUSINESSES

The municipality will not fund the following:

- ✓ Businesses that promotes the selling and use of alcohol and cigarettes
- ✓ Businesses that promote selling and use of any illegal substances.
- ✓ Political related businesses
- ✓ Any business which does not promote or address the objectives of municipal local economic development.

6.2 SELECTION CRITERIA OF BUSINESSES

The selection criteria are intended to assist the Phokwane Local Municipality with the evaluation as well as to assess the viability, feasibility and most importantly sustainability of the LED projects.

Economic Development and Planning will form an Evaluation Committee (EC) consist of Local Economic Development Manager, Town Planning or Land Use, Manager IDP, Manager Technical Department and Manager from financial department, representative from three different business support agencies, a representative from the district municipal LED, Agricultural sector. Evaluation report will be forwarded to the office of the Municipal Manager for approval.

6.3 CATEGORIES OF SELECTION CRITERIA

The municipality will select business based on the following criteria:

- 6.3.1 Relevance
- 6.3.2 Technical and operational capacity
- 6.3.3 Financial capacity
- 6.3.4 Sustainability and partnership
- 6.3.5 Leadership and management

6.3.1 Relevance

The businesses will be funded according to the objectives of local economic development.

SCORES	1	2	3	4	5
Is the business legally registered?					
How does the LED project contribute to local growth and development priorities					
To what extent does the LED project address local needs?					
To what extent are local resources used, developed and enhanced by the project?					
TOTAL					

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6.3.2 Technical and Operational Capacity

SCORE	1	2	3	4	5
Does the applicant have adequate technical (Sectoral) capacity or expertise relevant to the LED project?					
Does the applicant have operational project planning capacity?					
Does the applicant have overall operational management competencies to implement and administer the LED projects?					
Does the applicant have sufficient competencies, including competent staff, tools and equipment to execute the projects?					
TOTAL					

6.3.3 Financial Capacity

SCORES	1	2	3	4	5
Does the applicant have a cash flow plan (Expenditure and revenue) for the LED project?					
Is the cash flow plan realistic and in line with the business life cycle					
Does the applicant have financial competencies to fulfil the LED projects					
Does the applicant have the technical ability to handle budgets for the LED projects					
TOTAL					

6.3.4 Sustainability

SCORE	1	2	3	4	5
Are the proposed activities appropriate to the local needs, LED project objectives, results and/or outcomes?					
Did the applicant conduct a feasibility study to inform the LED project proposal?					
Are the expected results of the action activities likely to produce desired results or outcomes as anticipated					
How established are the links between the applicant and the target community?					
What proof is there of buy-in from the applicant's targeted communities?					
What proof is there of buy-in from local governance structures, i.e. ward councillor or ward committee?					
Total					

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6.3.5 Leadership and management

SCORE	1	2	3	4	5
Does the applicant have sufficient and relevant project leadership experience					
What are the arrangements in place to oversee the smooth running of the project?					
What proof is there of buy-in from local governance					
Total					

Summary Scores

Criteria	Total Possible	Total Actual
1. Relevance	20	
2. Technical and operational capacity	20	
3. Financial capacity	20	
4. Sustainability	20	
5. Leadership and management	20	
Total	100	

7. IMPLEMENTATION AND MONITORING

The businesses financed by the municipality LED fund will be subjected to regular monitoring and evaluation by the Economic Development and Planning (EDP) officials from the municipality.

The beneficiaries will be requested to submit quarterly progress report to the municipality.

8. COMMUNICATION

This policy will be communicated to all Community members using the full range of communication methods available to the municipality.

9. POLICY REVIEW

This policy will be reviewed annually and revised as necessary.

10. BUDGET AND RESOURCES

- ✓ All businesses to be financed will be funded in line with Municipal Financial Management Act (MFMA 2003).
- ✓ Approved total budget R140 000 for 2021/2022.
- ✓ The minimum amount that will be allocated per business will be R5 000 and to a maximum of R140 000 depending on the nature of the businesses.
- ✓ The above shall be reviewed annually subject to availability of budget.
- ✓ In order to promote proper management of funds, no cash in hand will be given to an individual or organization.
- ✓ In promotion of job opportunities, a business must be able to create job opportunities to qualify.

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- ✓ All successful beneficiaries will be required to submit list of items to be purchased or procured by the municipality in line with the SCM processes.

11. ROLES AND RESPONSIBILITIES

The Municipal Manager or his/her delegate assignee accepts overall responsibility for the implementation and monitoring of the policy.

12. PENALTIES

If the project should fail to comply with the conditions of funding;

- ✓ The municipality will revoke the funding
- ✓ The municipality can allocate the funding or goods to a similar business that can make use of that property.

The municipality will only fund businesses upon the availability of funds and within the limits of the budget.

13. DISPUTE RESOLUTION

Any dispute arising from this policy due to ambiguous wording or phrasing must be referred to the Municipal Manager.

14. AUTHORITY

This policy was approved by the Council of **PHOKWANE LOCAL MUNICIPALITY** during a Council meeting that took place onAs per Council Resolution number