



UMZIMVUBU

— LOCAL MUNICIPALITY —

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ABBREVIATIONS AND ACRONYMS

LED	LOCAL ECONOMIC DEVELOPMENT
IDP	ANDM INTERGRATED DEVELOPMENT PLAN
SDBIP	SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN
ULM	UMZIMVUBU LOCAL MUNICIPALITY
SMME	SMALL MICRO and MEDIUM ENTERPRISE

1. DEFINITION OF THE LED FUNDING POLICY

The LED Funding Policy serves as a guideline and framework to its custodians and promotes the development of economically sustainable and emerging SMMEs, co-operatives and initiatives to operate in commercial activities. The Policy is aimed at ensuring that funding for the Umzimvubu LED Programs are in a standardized manner.

2. EXECUTIVE SUMMARY

The Umzimvubu municipality is an underdeveloped and deeply rural area consisting of dispersed settlements. The municipality is located in the Alfred Nzo District Municipality, as presented in Map 1.1 and is bordered by the following local municipalities:

- Matatiele to the North
- Greater Kokstad to the North-East
- Ntabankulu to the East
- Mhlontlo to the South-East
- Elundini to the West

Umzimvubu municipality is an inland Local Municipality in the North-Eastern extremities of the Eastern Cape Province, bordering Kwa-Zulu Natal.

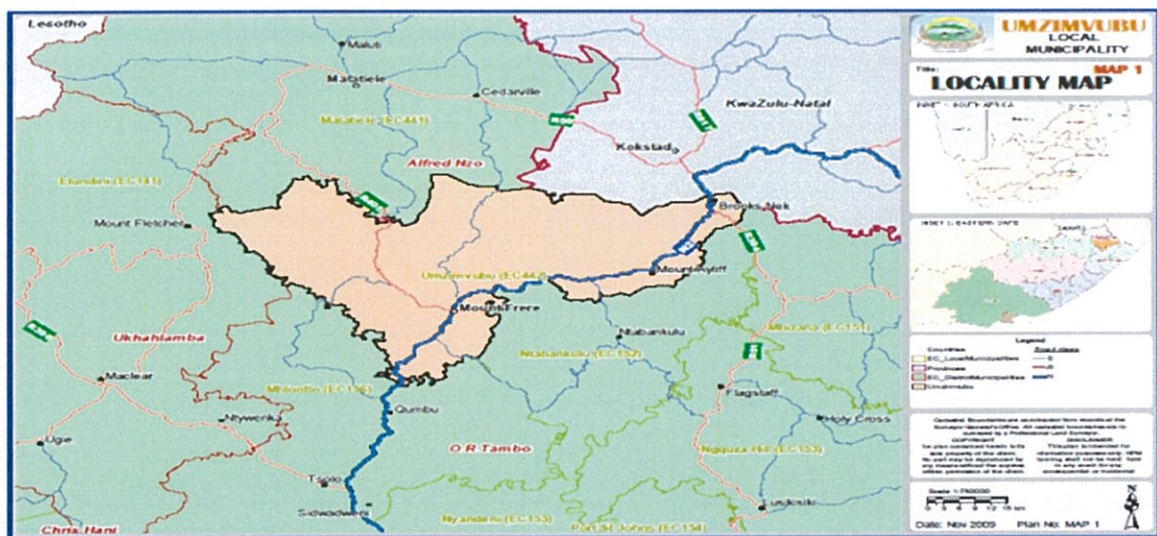


Figure 1.1: Umzimvubu in the Alfred Ndzo District Source: Urban Econ EC CGIS Map

The map above shows the ULM as one of four municipalities within the Alfred Nzo District, with the three other local municipalities being Matatiele, Mbizana and Ntabankulu.

The municipal area covers an area of approximately **2506 km²**. The National Road (N2) traverses the southern part of the municipality, and provides connectivity between Kokstad and East London, and on a broader scale, to the cities of Cape Town, Port Elizabeth, East London and Durban.

There is no rail linkage within ULM and no operational airstrip. There are two primary settlement nodes within Umzimvubu, namely the town of Mount Frere and Mount Ayliff, which are both situated along the National N2 route

BACKGROUND

The main responsibility of the LED Department is to create a conducive environment for economic development to take place within Umzimvubu Local Municipality. It is however worth noting that although committed to its mandate and purpose, the Local Municipality is faced with a number of socio-economic challenges. High levels of poverty are one of the greatest challenges facing the ULM's economy, where the population that falls below the poverty line of R400 a month is high at 22%, compared to 21% for the province. The average weighted monthly household income in Umzimvubu is R4 256, in line with the district average of R4 278, however this is almost half the size of the Eastern Cape average of R7 195.

In light of its socio-economic pervasive challenges, ULM is assisting local SMME's from various sectors which is an initiative that is intended to provide small scale support to emerging SMMEs, Co-operatives and Projects which demonstrate potential to grow into better and more established business entities. The initiative also seeks to support Local Municipalities and the Alfred Nzo Development Agency (ANDA) to achieve economic development objectives through the transfer of funds for program implementation.

Local economic development (LED) in South Africa has been a term used to define interventions to promote economic development in a specific area ranging from a small neighbourhood through to a region or district. LED Funding Programme possesses the similar intention of the latter carrying the LED mandate to create a conducive environment for SMMEs and Co-operatives development.

However it is vitally important that the programme of this nature has to be guided by the credible policy which in its intention will not to limit and dissuade the custodians and beneficiaries of the programme but rather to ensure that the latter contribute vigorously to the entire economic growth and development of the district. According to the recent survey conducted by the Finscope South African Small Business in 2010, estimates the number of SMMEs operating in South Africa at 5.6 million. This is the highest figure from the survey conducted in year 2000 and 2007 which indicates the importance of this sector in the South African economy.

3. PURPOSE OF THIS POLICY

- The purpose of this document is to provide the policy and guidelines of the LED Funding to Local SMME's, Projects and Cooperatives. The Funding provides financial support through the provision of resources as required and non-financial needs (trainings, business advice, mentorship and coaching) to SMMEs, Co-operatives and any other form of initiative.
- The guidelines set out in this document aim to enable Local SMMEs, Co-operatives and any form of initiative to present their business case to the **ULM**, and provide a framework for the **ULM** to evaluate such business case. It is thus not a guarantee that the Funding will be granted, and the **ULM** reserves the right to allow or prohibit the Funding, in its sole discretion, and any such decision will be decisive.
- The guidelines for the ULM LED Funding Policy may be amended from time-to-time, as required.
- These amendments will be published on the ULM website and through ULM Economic Stakeholder Fora, and upon approval by council, will be of immediate effect upon publication.
- Where the guidelines lend themselves to varying interpretations or do not deal with specific subject matter, the interpretation of the **ULM** must be requested and such interpretation will be decisive and final; and may, from time-to-time, be published on the **ULM** website and through ULM fora.
- Approval of applications or requests will be subject to the availability of funds. The **ULM** will endeavor to communicate to the public, in good time, should there be a likelihood of the exhaustion of funds available for allocation to new approvals.
- SMMEs and Co-operatives or any form of initiative that forwarded a populated application form to ULM is required to be verified prior the application is processed to reconcile the content that is populated in the application form against the realities of the business.
- No fees or charges are levied for the processing or evaluation of any LED Funding applications or claims.
- SMMEs and Co-operatives are welcome to contact the **ULM** with the process of how to populate an application form or articulate request.
- The **ULM** will only disclose information to the applicant or requester directly.

4. OBJECTIVES OF THE LED FUNDING POLICY

3.1. OVERALL OBJECTIVES

The overall objective of the ULM LED Funding Policy is to stimulate the number of businesses and the level of economic activity within the ANDM, in order to rapidly eradicate poverty, reduce unemployment and create additional sources of income generation for the poor communities of the district.

It is therefore at the forefront of this funding to aim at improving the viability and competitiveness of initiatives to ensure that they graduate to the next level of

development – thus enabling them to participate in the main-stream economy and essentially reducing dependency and poverty levels.

4.2. SPECIFIC OBJECTIVES

Against the overall objectives highlighted above, the project wishes to address the following:

- To enable projects, SMMEs and co-operatives to present their business case to the ULM, and provide a framework for the ULM to evaluate such business case, thus enabling ULM to review the business case for funding as required.
- To single out business entities that are interested to develop and contribute robustly to the less-thriving economic growth of the area that is faced with a number of pervasive socio-economic challenges.
- Economic and social inclusion of individuals, groups or small businesses from marginalised communities.
- To instil an entrepreneurial culture and increase levels of business confidence, self-belief and initiative amongst these entities.
- To address the issue of lack of operating capital to projects, SMMEs and co-operatives.
- Elevate the competitiveness of Projects, SMMEs and Co-operatives.
- To ensure that market failures for SMMEs and Co-operatives development are reduced.
- To unearth small entities that have no access to funds for start-up and secluded in the market predominated by well established businesses.
- To increase access to other funding opportunities

4. APPLICATION OF THE LED FUNDING POLICY

4.1. UMZIMVUBU LED FUNDING POLICY

The Umzimvubu Local Municipality (ULM) SMME Sector Plan identified the promotion of SMME's and Co-operatives development as one intervention that would stimulate economic growth within the district. The brief for the said flagship projects also identified the development of SMME's and Co-operatives as an initiative to address the needs of the second economy. The objective of LED Funding Programme is to improve the viability and competitiveness of co-operatives and SMMEs by lowering the cost of undertaking business through the funding that supports Broad-Based Black Economic Empowerment.

Furthermore the LED Funding Program is designed to address the following market failures encountered by co-operatives and SMMEs:

- Lack of working capital to allow effective market entry;
- Lack of access to finance to undertake business;

- Lack of participation in the formal economy by co-operatives and SMMEs, in particular those owned by black persons (especially those in rural areas), women, persons with disabilities and youths;
- Low or non-participation of co-operatives and SMMEs on current funding programmes.

4.1.1. ULM Funding Application Process

The ULM LED Fund is a support program that offers inputs as informed by the needs of the applicants. Following is a break-down of the process followed in identifying beneficiaries:

- ULM issues a call on local media, inviting Projects, SMMEs and Cooperatives to apply for funding
 - When submitting the applications, applicants sign a submission register within the LED Unit in ULM
- A master-list of all applications received is drafted, sighting all supporting documentation submitted
- Shortlisting is undertaken internally in the LED Unit, as guided by the criteria in Section 6.1 herein
- ULM LED Unit undertakes verification of all short-listed candidates to determine legitimacy of the business or project
- Management within the LED Unit provides recommendations as informed by the requests and verification, and presents these to the LED Standing Committee for approval
- Successful candidates are informed, where ULM then undertakes to appoint a Service Provider to procure items as requested by the beneficiaries

**It is important to note that funding limitations may exclude some requests regardless of all the requirements being met

5. LEGISLATIVE AND POLICY CONTEXT

Section 152 (c) on the South African Constitution highlights the importance of the promotion of social and economic development initiatives.

The purpose of this document is to ensure that ULM realizes SMME and economic development objectives as set out in the ULM LED Strategy, ULM SMME Sector Plan, ULM Tourism Sector Plan and ULM Agriculture Development and Support Policy.

It also seeks to ensure alignment with the National and Provincial development direction; aligning the programme with the objectives of the National Development Plan as well as those of the Provincial Growth and Development Plan.

6. INITIATIVES TO BE SUPPORTED

6.1. ELIGIBILITY CRITERIA

To be eligible for FUNDING, a project, SMME or co-operative must satisfy all the mandatory requirements as set out below:

- Must be an initiative within the ULM jurisdiction
- Must be a Local Municipality within the ULM
- Be owned by historically disadvantaged individuals (HDIs).
- Must be biased towards women, youth and people with disabilities.
- 60% of funding support awarded will give preference to youth/women/people with disabilities
- If not already registered, an SMME, co-operative or project must be registered at least within three months after it acquired the funds and registered in terms of the South African Co-operatives Act of 2005 and small business act.
- If not already in possession, an SMME, co-operative or project must have tax clearance at least within six months after it has acquired the funds.
- An SMME, co-operative or project must have an autonomous bank account after its registration if not already in possession
- Must have potential to create job opportunities.
- Ability to sustain and maintain the business.
- Business must be competitive advantageous.

6.2. ELIGIBLE INITIATIVES

The intended project activities must aim to enhance the viability of an SMME or Co-operative through:

- Agricultural/ Livestock/ Poultry initiatives
- Technological improvements
- Construction linked projects
- Recycling Projects/initiatives
- Crafting and sewing Projects
- Manufacturing
- Any other project that demonstrates potential to address objectives of economic development, employment creation, income generation and skills development

7. CONSULTATION

The LED Funding Programme is one that in its nature carries a political motive and buy in. The programme also appears and is recognized by the municipal IDP, budget and SDBIP. The institution leadership has a prolonged responsibility to position their commitment fully towards participating to the programme using collective effort to lead,

provide guidance when delivering the services to the community members. The programme is suggested to be used and incorporated in the Municipal Outreach Programme and given a week for its completion with at least one council member and official being accompanied during the outreach programme to each project beneficiary.

8. MUNICIPAL RESOURCES

ULM will use its resources such as transport, storeroom and general assistant workers to deliver the goods requested by the community cooperatives or any form of entity that has forwarded application and approved by the municipality.

9. INTERNAL DEPARTMENTS AND UNITS ROLES AND RESPONSIBILITIES

DEPARTMENT/UNIT	KEY RESPONSIBILITIES
1. Local Economic Development (LED) 2. Infrastructure Development and Municipal Services (IDMS) 3. Supply Chain Management (SCM) 4. SPU - Social Facilitation 5. Office of the Municipal Manager: <ul style="list-style-type: none"> ▪ Office of the Mayor ▪ Communications 	<ul style="list-style-type: none"> ▪ LED – Responsible for receiving, processing and compiling list of initiatives ▪ LED – Submitting the list to various platforms for approval ▪ Working together with the SCM unit to undertake the procurement of requested inputs for support ▪ Working together with Social Facilitation to undertake the necessary logistical arrangements for the delivery ▪ Working together with the Office of the Executive Mayor, Communications and Social Facilitation, to undertake Social Facilitation and publicity during delivery

10. MONITORING AND EVALUATION

Initiatives supported through the LED Fund will be subject to regular monitoring and evaluation within ULM with relevant stakeholders. This activity is part of monitoring and evaluation on the project implementation which will enable to identify challenges encountered by the project or entity and be corrected in early stages. Funded projects or entities are required to submit well-articulated written report to Umzimvubu Local Municipality on quarterly basis on the third month post to the date of provision of non-financial funds. Umzimvubu Local Municipality is responsible for undertaking visits to the funded projects or businesses on quarterly basis and develop necessary reports on the progress of the initiatives.

The Local Economic Development Unit within ULM will incorporate this programme in its schedule by undertaking unexpected visit assessing the sustainability of the project or entity that is in a form of Co-operative. ULM will have to partner with Small Enterprise Development Agency that plays role of assessing the day to day running of business activities for a proposed period of five years on a quarterly basis.

Furthermore Standing Committee as part of oversight role will visit projects for a period of a year (once a quarter) after support has been provided.

11. VIOLATION OR NON-COMPLIANCE

The ULM LED Funding Policy is subject to compliance with the standards as set out herein.

Compliance with the Fund will be monitored through the regular Monitoring and Evaluation sessions to be conducted by the relevant unit, as well as the progress reports required.

Violation of the Policy includes:

- Re-selling of items procured by ULM for reasons other than in cases of business liquidation
- Vandalism of item procured
 - This may result in the termination of the contract between the parties and ULM reserves the right to request a full refund of the funds transferred.
- Consequences of violation will lead to withdrawal of funding.

12. PERMANENT OR TEMPORARY WAIVER OR SUSPENSION

ULM may waive the LED Funding initiative permanently or temporarily in the event where the Municipality does have sufficient funds to support the initiative.

13. CONCLUSION

Umzimvubu Local Municipality is therefore committed to position its efforts, resources and budget in SMME and Co-operative development towards creating conducive investment climate. The funding is a tactical tool and strategic approach used by the District Municipality to identify and build or retain existing SMMEs and Co-operatives to stimulate economic growth and development. This policy framework should provide directions and guidelines in the SMME and Co-operative support of non-financial funding materials which address the issue of poverty and subsequently reduce the high level of unemployment. LED Funding promotes the full participation of youths, women and people with disabilities in the business fraternity.

Prepared by:

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Senior Manager: LED & Environmental Management

POLICY APPROVAL

The Umzimvubu LED Project Funding Policy was adopted by Council at the Council Meeting held on the:

Date of Meeting.....

Signatures:

.....

Municipal Manager

.....

Council Speaker

.....

Mayor

APPROVAL OF THE POLICY

The Municipal Council has approved this policy and amendments thereof.

AUTHENTICATION

The amendments of the policy and or the new policy was adopted by the Council on the 29-01-2021


As per Council Resolution number ULMC: 359/2020/2021

Signed off



Mr. G.P.T. Nota

Municipal Manager



Cllr. N.F Ngonyolo

Speaker of the Council

