



MEDIA RELEASE

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The role of Municipalities in Economic Development

Prior to 1994 Municipalities had a lesser role to play with regards economic planning and development, beyond certain town planning responsibilities. The post-1994 government however placed a far greater emphasis on community and grassroots initiatives and participation. Local government has since been allocated a range of roles and responsibilities with respect to economic and social development, and this is confirmed in the Constitution and the Local Government: Municipal Systems Act of 2000. The Systems Act makes it compulsory for all local authorities to draw up an annual and five-year Integrated Development Plan (IDP), which must contain an LED strategy. The strategy is also to be reviewed regularly.

Until very recently, the main focus of most municipal local economic initiatives was community-based, small-scale economic development projects, the majority of which proved unsustainable once donor or public-sector funding disappeared, and so had no real long-term impact on poverty reduction.

It has become clear that should municipalities wish to ensure sustainability and resilience within their respective economies they have to play a key role in creating a conducive environment for investment through the provision of infrastructure; economic development friendly policies; and quality services, rather than by developing projects and attempting to create jobs directly.

Over the past three years Knysna Municipality has been focusing on the following to promote our town's economy:

- Creating a more supportive and competitive business environment via leadership and policy making;
- Investing in basic infrastructure that will reduce the cost of business and increase the ease of doing business;
- Regeneration of urban and township areas to make them more liveable and suitable for conducting business;
- Undertake research around institutional support to emerging sectors with high growth and employment potential; and
- Initiate economic development via public spending, regulation and promotion of various pro-business initiatives.

Knysna, like any other town or community, has a unique set of local conditions that either enhance or reduce the potential for economic development, and it is these conditions that determine the relative advantage of the area in its ability to attract, generate and retain investment. In order to maximize the local potential, Knysna Municipality has undertaken the following initiatives:

- Recognising that economic growth is determined not only by the formal economy (those economic sectors that are legally registered and pay taxes) but also by the informal economy (those activities that are not legally registered). In some cases the size of the informal economy is far greater than the formal economy. A study by Finmark Trust in 2010 indicated that as much as 1 in 3 households are sustained

through small-scale business and the resulting capital remains within townships – in other words spaza shops and the like. The Municipality is trying to encourage greater interaction between the two economies.

- A significant portion of the budget is targeted at poor areas with year on year increased spend in townships in order to increase growth in the existing businesses, as well as encourage new business of various capacities.
- The Integrated Strategic Development Framework identifies targeted areas for investment. One notable intervention is the Neighbourhood Development Grant that will be used to upgrade the Northern Corridor, from Grey Street to the Uniondale Road/ Noetzie/ N2 road network, thus integrating the spatial environment as well as the economies.
- Offering appropriate education, mentoring, internships, training and research facilities for human resource development both internally and externally. The Municipality runs a number of bursary and internship schemes for local students undertaking tertiary education. Emerging businesses are also offered training and capacity building opportunities to enhance their business skills. Irrespective of the nature of the skills development, the outcome is a better-educated, more capable population and local entrepreneurs.
- Pro-local and development policies, such as the Supply Chain Management Policy which favours the use of local businesses, services and goods, as well as a policy on emerging contractor development.
- For a number of years, the Municipality has offered new businesses a rebate. The rebate is targeted at new businesses establishing themselves in Knysna, irrespective of the type or sector or activity.
- The Draft Integrated Strategic Development Framework (ISDF) has been presented to Council at a workshop, and includes a new Economic Development Strategy (EDS). The aim of the ISDF is to integrate current and future plans and frameworks, as well as to generate new ideas and concepts regarding the strategic direction the municipality should be following for the two decades ahead. The EDS profiles the town and its economy to create a basis for future economic analysis and identification of opportunities in the service sectors linked to opportunities relates to tourism, IT and education as well as the focus on rural development linked to niche agricultural activities.
- Other initiatives include programs such as the Nedbank Incubator project the municipality actively targeted and supported informal and newly emerging businesses from certain disadvantaged groups; the installation of fibre optic networks to develop a world class broadband network within the greater municipal area to act as a catalyst for service related businesses; and the Comprehensive Rural Development Projects in Rheenendal and Karatara to unlock potential in poor rural communities.

ENDS

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