

Local Economic Development (LED):
bringing marginalised communities
into the mainstream economy

The experience
of the Limpopo LED Programme
(EU for South Africa)



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Limpopo: the poorest province in the richest African country

Limpopo is a South Africa province, lying within the great curve of the Limpopo River in the northernmost region at the border with Botswana, Zimbabwe and Mozambique. In 1996, the Limpopo Province had a population of 4.9 million and the youngest age profile in South Africa, with 43% of the population comprising children of 15 years or younger.

Despite huge natural resources (fertile land, extensive hardwood forests, mineral deposits, platinum group metals, gold, emeralds etc), heritage (the Mapungubwe Cultural Landscape) and wildlife (half of the Kruger National Park lies in Limpopo), for long time it has been a typical developing area, exporting primary products and importing manufactured goods and services.

In recent years, the Province has experience a faster average economic growth than other provinces, particularly in the mining and energy sectors. This growth however has enshrined a strong social contradiction as it has not been pro-poor: it has coincided with poverty rising.

In 1996, official statistics identified, in Limpopo, the highest poverty rate in South Africa with over three-quarters of the population (78%) living below poverty line. Personal income per capita was only some 38% of the South African average and only half of the population was active on the labour market. A composite index of access to all services indicated that access to basic services in the Province was 30% below the national average.



Limpopo Local Economic Development (LED) Programme

Obstacles to local development

A feasibility study, emphasised that Limpopo Province had numerous and inter-related obstacles to pro-poor growth. Some of the more significant included:

- High level of poverty and unemployment;
- Limited public sector support to sustainable development projects;
- Almost complete lack of articulation between the world class formal business sector and the survivalist emerging business sector;
- Limited levels of private investment in the jobs-rich sectors, despite the presence of significant business opportunities.

In order to successfully overcome these barriers, a single programme was designed with an unusually wide variety of activities.

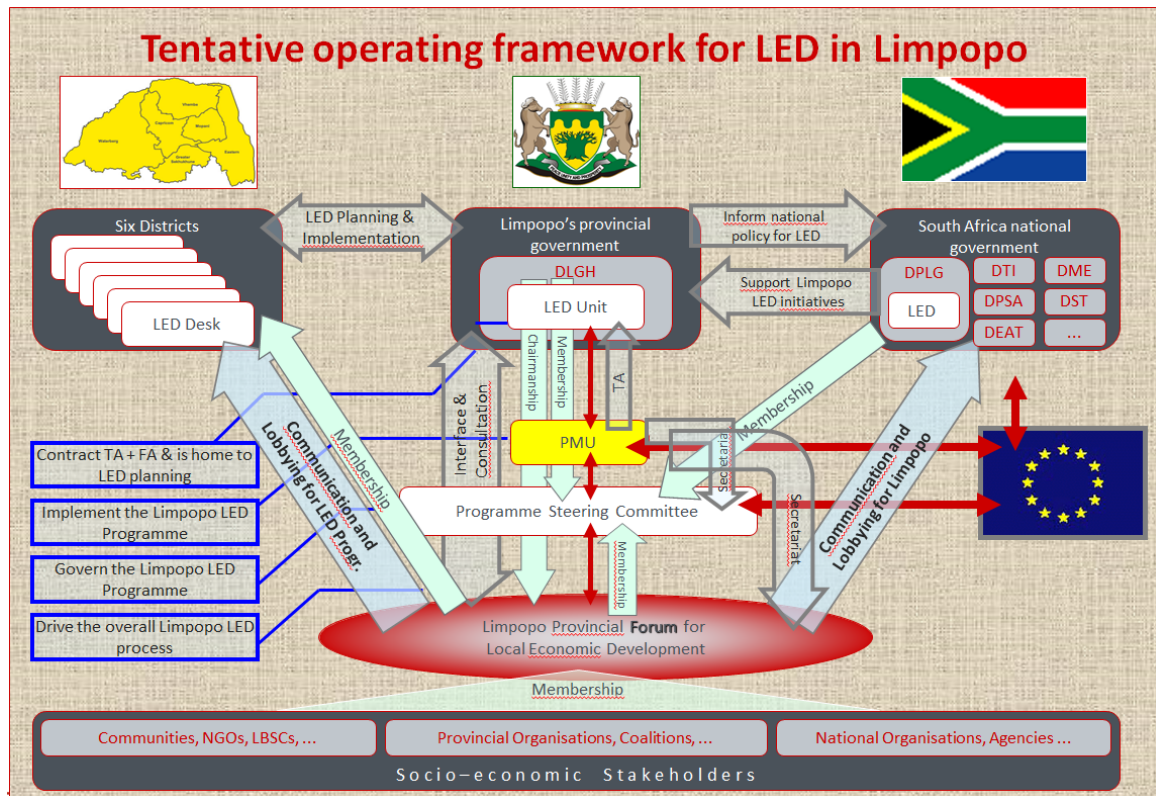
Funded by the European Union and implemented from 2003 to 2010 by the Department of Local Government and Housing (DLGH) with technical assistance from Eurecna, the 34m€ Local Economic Development (LED) Programme had the fundamental aim of reducing poverty through pro-poor economic growth.

Key Programme's objectives were:

- Reducing poverty through pro-poor economic growth;
- Reinforcing the entrepreneurial basis of Limpopo;
- Creating new sustainable jobs;
- Facilitating integration between first and second economy;
- Removing administrative obstacles to business activities;
- Promoting efficient business support & facilitation services;
- Building capacity to deliver future LED programmes.

Complex web of institutional relations

The main challenge for effective local economic development (LED) policy in the post-apartheid system was the intricate web of institutional relations, with overlapping competences between spheres of government (national, provincial and municipal) and the poor interaction between young democratic institutions and the most disadvantaged communities.

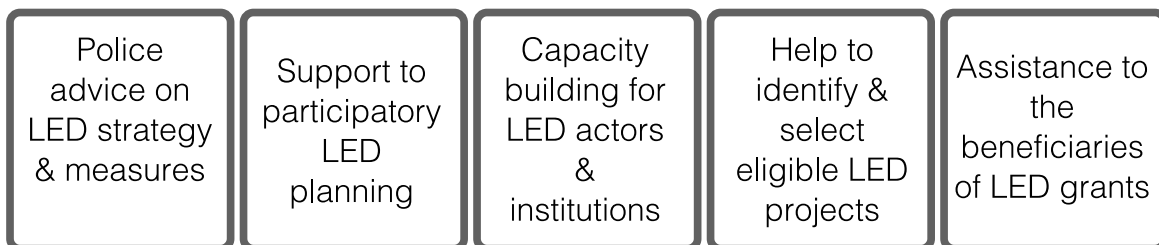


To overcome communication barriers and maximise inclusion, Eurecna designed and tested innovative participatory planning methodologies and tools, whereby local communities and all relevant shareholders were actively engaged with the decision-making and implementation processes.

Key principles of implementation were:



Within this framework, Eurecna delivered:



Three main grant funds

Our first challenge was to build the confidence of the local authorities and of the people of Limpopo in the LED Programme. The communication and awareness campaign was centred on the definition and promotion of three grant funds, each one addressing a specific segment of the provincial society and economy.

MCF

Marginalized
Community Fund

LCF

Local
Competitiveness
Fund

LGSF

Local Government
Support Fund

Marginalized Community Fund - MCF

"Bringing Marginalized Communities into the Mainstream Economy"

Priorities of the MCF were aimed to support initiatives which:

- Improve the functioning of economies in marginalised areas;
- Mobilise community assets and bring them into productive use;
- Improve the linkage between these economies and the formal economy;
- Create jobs through enterprise expansion and retention;
- Benefit, and have an impact on, the community as a whole;
- Promote cooperation and partnership between business and communities;

Number of projects funded: 36

Total funds Disbursed: 51mZAR (93% of funds committed)

Average Value of Grant: 1.4 mZAR

Examples of projects funded by the MCF:

Restituted community land to supply large mining companies

The South African platinum industry needed beans – particularly 1,000 tons of processed guar per months.

MCF funded a project for small-scale farmers to produce, process and sell 300 tons per month to Limpopo smelters.



Traditional Mopane worms for export to Europe

MCF supported a community to meet EU requirements for exporting this traditional South Africa meat (a colourful worm dried in the sun) to ethnic restaurants and dedicated food stores in the European Union.

Examples of projects funded by the LCF:

Plataurex jewellery making factory

LCF provided funding and TA for a new diamond cutting and polishing factory in Polokwane.

Emergent jewellery makers are now mentored in Plataurex, which is responsible for marketing products of the Limpopo jewellery cluster.



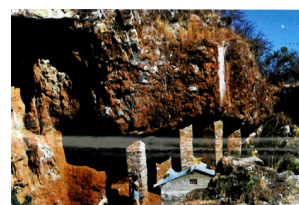
The new Greater Nwanedi - eco-tourism resort

In collaboration with LTP (Limpopo Tourism & Parks) the Program provided a grant to forge a public-private-community partnership to develop a 25,000 ha eco-tourism attraction in the Vhembe district.

Examples of projects funded by the LGSF:

Boost for the Makapan Valley world heritage site

Grant for the conservation and promotion of the Makapan Valley caves, in the Waterberg Biosphere Reserve, encapsulating an almost unbroken record of proto-human and human presence since Australo-pithecine times 3.5 million years ago.



Skills for mining

LGSF has funded a mineral and mining development centre in the municipality of Sekhukhune, at the core of a new mining region.

It developed a skilled labour force for the needs of the expanding platinum mining industry.

Elements of transferability

LED monitoring & Evaluation System

Jobs created during the implementation period: 1,020

Projected Permanent Jobs: 1,758

Projected Seasonal Jobs: 1,353

People Trained: 1,935

Average Cost of any new Permanent Job: 54,400 ZAR

Average cost of a new permanent job created by the LED program

in Agriculture: 58,400 ZAR

in Tourism: 136,000 ZAR

in traditional SMMEs: 15,000 ZAR

in Mining: 151,000 ZAR

Success Factors for the EU-funded Limpopo LED Programme

**Good Design of the Programme and of its Instruments
(Grant Funds and TA)**

Sharing of the Programme Vision and Objectives

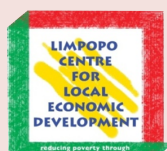
Flexibility and Adaptability in Implementation

Timeliness of Delivery to achieve Quick Results

**Competence and Commitment of the TA Team
(80+% of expert-days from SA)**

Empowerment of Local Beneficiaries

Sustainability



...to keep the rich legacy of the Programme alive and continue with further LED activities



*“Real success stories.
Real, real projects for real, real people.”*

Mr. Gerard McGovern

Head of Operation, European Union Delegation to South Africa

*“The Limpopo LED Programme is an integral part of the province’s
strategy to reduce poverty through pro-poor economic growth ...
... LED programmes are an important means to get citizens out of
the poverty trap and to reduce their dependency on the State.”*

Ms. Maite Nkoana-Mashabane

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