

NAMA KHOI



MUNICIPALITY

DONATIONS & INCENTIVES COMBINATION POLICY

INDEX

POLICY	PAGES
1. DONATION POLICY	1-10
2. INCENTIVES POLICY	1-21
3. ADDENDUMS: APPLICATION FORMS (Attached)	



NAMA KHOI

MUNICIPALITY

DONATIONS POLICY

1. PREAMBLE

- 1.1 **WHEREAS** the Municipality regularly receives requests for donations from a variety of organizations, and
- 1.2 **WHEREAS** circumstances occur which may justify financial support to bodies or organizations outside the normal grants-in-aid process; and
- 1.3 **WHEREAS** the Municipal Council on an annual basis appropriate funding in dedicated budget votes to be utilized for such purposes by the Mayor, Deputy Mayor (where applicable), Speaker, and
- 1.4 **WHEREAS** it is appropriate to lay down rules and guidelines for the consideration and allocation of applications or requests for donations, now
- 1.5 **THEREFORE** Nama Khoi Municipality adopts the policy as set out below.

DISCUSSION

Donations usually refer to a financial contribution that does not need to be repaid and which incurs no formal obligation. It is a once-off grant to add value to the objective of the group/organization and serves to enhance the image of Nama Khoi Local Municipality as a caring corporate citizen in the local communities. A donation is usually for relief or charitable purposes, promoting Nama Khoi Local Municipality's image and creating goodwill in the public eye. No return on the donation expenditure is expected.

The policy will enable Council, through the Mayor and the Municipal Manager, as accounting officers to allocate Donations to various groups within the community.



NAMA KHOI

MUNICIPALITY

OBJECTIVES OF THE DONATIONS POLICY

This policy aims to provide a framework to receive and give donations to and from institutions, non-governmental organizations, (NGOs), community-based organizations (CBOs), Non-Profit Organizations (NPOs), and other bodies as envisaged by Section 12 and 67 of the Local Government: Municipal Finance Management Act, 2003 (Act no 56 of 2003).

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A donation is usually for relief of charitable purposes, promoting Nama Khoi Local Municipality's image and creating goodwill in the public eye. No return on the donation expenditure is expected.

The policy will enable the council, through the Donations Committee, to allocate Donations to various groups within the community.

This policy aims to complement the goals, objectives programs, and actions of the Nama Khoi Local Municipality to create a sustainable, credible, and caring municipality by empowering and building communities and enhancing growth and sharing through partnerships.

SCOPE

The municipality applies to donations received to and made by the Municipality. It applies to financial contributions as well as goods and services if appropriate including assets of the Council that the Council may no longer have use for.

2. LEGAL FRAMEWORK

All donations made in terms of this policy must comply with:-

- 2.1 The Constitution of the Republic of South Africa;
- 2.2 The Local Government Municipal Systems Act 2000 (Act 32 of 2000) as
- 2.3 Local Government Municipal Finance Management Act 2003 (Act 56 of 2003) as amended. 2.4 Any other applicable legislation or regulations that may govern the transfer of Municipal Funds.



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MUNICIPALITY

2.3.1 LEGISLATIVE FRAMEWORK

All transfers of funds in terms of this policy shall be read in conjunction with relevant legislation, and comply with the following:

- Constitution of South Africa, Act No 108 of 1996
- Local Government Municipal Finance Management Act (MFMA), Act No 56 of 2003
- Municipal Systems Act, Act No 32 of 2000
- Municipal Systems Amendment Act, Act No 44 of 2003
- Municipal Structures Act, Act No 117 of 1998
- Municipal Structures Amendment Act, Act No 33 of 2000
- Division of Revenue Acts
- Disaster Management Act, Act No 57 of 2002
- Income Tax Act, Act No 58 of 1962
- Prevention and Combating of the Corrupt Activities Act, Act No 12 of 2004
- Municipal Supply Chain Management Regulations

2.3.2 Section 12 of the Local Government Municipal Finance Management Act (MFMA), Act No 56 of 2003 prescribes the following:

- “No political structure or office-bearer of a municipality may set up a relief, charitable, trust or another fund of whatever description except in the name of the municipality. Only the municipal manager may be the accounting officer of another fund.
- A municipality may, in terms of Section 7, open a separate bank account in the name of the municipality for relief, charitable, trust, or another fund.
- Money received by the municipality for a relief, charitable, trust, or another bank fund must be paid into a bank account of the municipality, or if a separate bank account has been opened, into that account.
- Money in a separate account opened may be withdrawn from the account without appropriate in terms of an approved budget, but only)
 - a) By or on the written authority of the accounting officer acting by decisions of the municipal council; and

For which, and subject to any conditions on which the fund was established or the money in the fund was donated



NAMA KHOI

MUNICIPALITY

3. DEFINITIONS

3.1 In this document, the following words shall have the following meanings:

“Donation” refers to an amount, other than amounts granted to organizations in terms of the Grants-In-Aid Policy, donated to an organization or body for financial support, event, project, activity, or special merit cases as provided for in Section 67(4) of the Municipal Finance Management Act 2003 (Act 56 of 2003) as amended,

“Office bearers” refers to councilors elected by the Municipal Council to the positions of Mayor and Speaker as provided for in terms of Schedule 3 to the Municipal Structures Act 1998 (Act 117 of 1998 as amended).

4. BUDGET

- .1 The Municipality may appropriate funding in its annual budget for donations to be considered and approved by Council. Special expenditure votes may be created for this purpose.

5. CONSIDERATION OF APPLICATIONS FOR DONATIONS.

- 5.1 The office bearers of the Municipality may consider applications for donations to organizations and bodies complying with the following guidelines:-
 - 5.1.1 The functions of the applying organization or body, as well as the purpose of the donation, must align with the strategic goals and objectives of the Municipality as contained in the most recent Integrated Development Plan (IDP);
 - 5.1.2 The organization or body operating as a legal entity according to its constitution must be based in Nama Khoi or at least have a local office; and
 - 5.1.3 Non-profit organizations, educational organizations, libraries, museums, cultural organizations, social clubs, community-based organizations, special needs organizations, and charitable organizations serving the poor may be considered for donations.



NAMA KHOI

MUNICIPALITY

5.2 DONATIONS MAY NOT BE GRANTED FOR THE FOLLOWING:

- 5.2.1 Individuals,
- 5.2.2 Political parties or party political related activities or projects,
- 5.2.3 Where any member of Council or official of the Municipality or close family member of such councilor or official will benefit from such donation,
- 5.2.4 Organisations and corporations for gain and/or not serving the poor, and
- 5.2.5 Organisations or activities/projects that infringe on the Bill of Rights or any other legislation of any sphere of government.

6. CONSIDERATIONS OF APPLICATIONS FOR DONATIONS

6.1 The office bearers of the Municipality may consider applications for donations received from organizations and bodies complying with the following guidelines:

- 6.1.1 the functions of the applying organization or body as well as the purpose of the donation must align with the strategic goals and objectives of the Municipality, and provided for in the approved Integrated Development Plan (IDP),
- 6.1.2 the organization or body operating as a legal entity according to their constitution must be based in the Nama Khoi Municipal area or at least have a local office in the Nama Khoi Municipal area, and
- 6.1.3 Non-profit organizations, educational organizations, libraries, museums, cultural organizations, social clubs, community-based organizations, special needs organizations, charitable organizations serving the poor, can be considered for donations.

1 Subsection 1(a) does not apply to an organization or body serving the poor or used by the government as an agency to serve the poor, provided- (a) that the transfer does not exceed a prescribed limit, and (b) that the accounting officer –(i) takes all reasonable steps to ensure that the targeted beneficiaries receive the benefit of the transferred funds, and (ii) certifies to the Auditor -General that compliance by that organization or body with subsection 1(a) is uneconomical or unreasonable.

Section 12 of the Local Government Municipal Finance Management Act (MFMA), Act No 56 of 2003 prescribes the following:



NAMA KHOI

MUNICIPALITY

- “No political structure or office-bearer of a municipality may set up a relief, charitable, trust or another fund of whatever description except in the name of the municipality. Only the municipal manager may be the accounting officer or other fund.
- A municipality, may in terms of Section 7, open a separate bank account in the name of the municipality for relief, charitable, trust, or another fund.
- Money received by the municipality for a relief, charitable, trust, or another bank fund must be paid into a bank account of the municipality, or if a separate bank account has been opened, into that account.
- Money in a separate account opened may be withdrawn from the account without appropriate in terms of an approved budget, but only)
 - a) By or on the written authority of the accounting officer acting by decisions of the municipal council; and
 - b) For which, and subject to any conditions on which the fund was established or the money in the fund was donated”.

7. Procedure for Council to Receive a Donation

- 7.1 Any member of the public or organization may donate money to the Council / Fund for relief, charitable trust, or another fund.
- 7.2 The Nama Khoi Local Municipality may actively canvass for donations for relief, charitable trusts, or other funds.
- 7.3 If a donor specifies conditions in respect of any donation, the donated amount may only be utilized in terms of those conditions.
- 7.4 The Municipal Manager or Council may refuse any donation where the donations attached to the donations are unacceptable to the Municipal Manager or Council, for example:
- a) Where the conditions attached are against Council policies;
 - b) Where the conditions attached are of such a nature, given the municipality's capacity constraints, skills, and resources, the municipality will be unable to deliver on the proposed timeframes.
- 7.5 A budget vote must be created for making donations and receiving monies for relief, charitable trusts, or another fund.
- 7.6 This budget vote may not be overspent and the Chief Financial Officer shall provide a monthly report to the Council on the state of the vote, as part of the statutory financial reporting requirements.



NAMA KHOI

MUNICIPALITY

8. Procedure for Council to Make a Donation

The following bodies are eligible to receive donations:

- 8.1 Any municipal association approved by the local government Minister;
- 8.2 Any registered association or welfare organization;
- 8.3 Any fund, NGO, institution, organization, banking institution, club, or society that has a presence in the district and has been established for the benefit and interest of the blind, deaf, dumb, disabled, aged, destitute, sick, orphaned, alcoholic, infirm, or other mentally or physically unfit persons; and
- 8.4 Any NGO, institution, organization, banking institution, club, or society in the district which inter alia:
 - a) Promotes public health, including the nursing of the sick;
 - b) Promotes education, science, technology, or literature;
 - c) Promotes sports and recreation;
 - d) Promotes arts and culture, including music, film, and drama;
 - e) Controls or maintains a museum, zoological garden, botanical garden, public library, or art gallery;
 - f) Acts in the interest of the youth promote child care, and
 - g) Promotes the safety and protection of the public.
- 8.5 Donations can also be granted in respect of national, provincial, or local public causes such as disasters.
- 8.6 The attached schedule provides a guide as to the kind of activities that can be eligible for donations.
- 8.7 Any NGO, institution, organization, banking institution, club, or society that is eligible to receive a donation, must:
 - a) Operate as a separate legal entity and be recognized as such by South African legislation;
 - b) Be governed by their constitution;
 - c) Have regular meetings with their membership;
 - d) Subscribe to sound accounting practices, and
 - e) Must comply with applicable legislation including where appropriate Registrar of Close Corporations, CIPRO, South African Revenue Services (SARS), Unemployment Insurance Fund (UIF) and VAT Act.



NAMA KHOI

MUNICIPALITY

9. No donations can be made to:

- 9.1 Any political or ratepayers organization;
- 9.2 Bodies in cases where a member of Council or an official of Nama Khoi Local Municipality receives any financial or another gain;
- 9.3 Individuals;
- 9.4 Where a project or organization is already receiving funds from the Council in terms of the Council's functions;
- 9.5 Where an organization receives sufficient funds from other sources to sustain its activities or the project applied to;
- 9.6 Where expenses have already been incurred; and
- 9.7 Projects outside the boundaries of Nama Khoi except in situations of disaster relief.

10. The application process for donations

10.1 for a donation shall be in writing and be on the letterhead of the organization, institution, or body; and

10.2 Application for a donation must include the following information:

- a. The applicant's legal name and a brief description of the applicant's business;
- b. If the applicant is a non-profit organization, the registration number;
- c. Date of establishment;
- d. Contact details including a contact name, street address, telephone number, and if available fax and email address;
- e. References independent of the head of the applicant and its executive or leading members;
- f. A summary of past achievements;
- g. Other sources of funding; and
- h. A declaration by the head of the applicant that it implements effective, efficient, and transparent financial management and internal control mechanisms to guard against fraud, theft, and financial mismanagement.

10.3 If funding is required for a specific project, a brief description of the project must be included which should information on inter alia

10.3.1 Aims, objectives, and anticipated outcomes of the project;

10.3.2 Duration of the project;

10.3.3 Project activities;

10.3.4. Detailed budget; and

10.3.5. Other sources of funding if applicable.



NAMA KHOI

MUNICIPALITY

10.4. Applicants must provide supporting documentation which may include:

- 10.4.1. Most recently audited financial statements;
- 10.4.2. Most recent annual report;
- 10.4.3. Details of the applicant's members; and
- 10.4.4. Founding documents such as the Constitution or Certificates of Incorporation.

10.5. To facilitate the application process, the Council may produce an application form that can be used by applicants.

10.6. The Council may place advertisements in local newspapers indicating that relevant bodies may apply for grants etc.

11 Approval Process for Donations

11.1. The Municipal Manager shall establish a Donations Committee to assist him/her.

11.1.2 The Donations Committee shall consist of:

- Chief Operational Officer, who shall chair the Committee
- Head of Community Services
- Office of the Mayor
- Office of the Speaker
- Chief Financial Officer

11.2. The Donations Committee shall recommend to the Municipal Manager for approval.

11.3. The Donations Committee shall be convened when necessary.



NAMA KHOI

MUNICIPALITY

12. LIMITATIONS

- 12.1 An application for a donation must be submitted by completion of the application form attached hereto;
- 12.2 Donations to any organizations or bodies may not be approved more than once during a cycle of 24 months.
- 12.3 The amount of any donation approved by an office bearer may not exceed the amount of R5 000 save for special merit cases which must be duly motivated and recorded.
- 12.4 The donation amount may not be deposited into any personal bank account.
- 12.5 The special budget votes may not be supplemented by way of virements.

13. ADMINISTRATION

- 13.1 The offices of the political office bearers must keep a record of all applications received, applications granted, date granted, the amount allocated as well as applications not approved.
- 13.2 A report reflecting the above information must be submitted to the Executive Mayor and Mayoral Committee at least every quarter.
- 13.3 Documents to process payment of donations must be approved by the Municipal Manager or Executive Manager of Corporate Services after indicating the granting of a request by the Political Office Bearer.

14. PRINCIPLES

- 14.1 The Policy is underlined by the principles of:
 - a) Transparency and openness;
 - b) Accountability;
 - c) Fairness to all.



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MUNICIPALITY

EVALUATION

The success of this policy shall be measured by the number of ventures succeeding as a direct result of the donations granted under this Policy to an applicant.



INVESTOR / INVESTMENT

INCENTIVES POLICY

PROBLEM STATEMENT

The statistics of the South Africa Quarterly Labor Force Survey (QLFS) for the second quarter of 2016 reflected an official unemployment rate of 26.6% for the country. These aggressive statistics mask a problem that is even more pronounced among the country's youth, who face an unemployment rate of 50.2%. Aside from its inherently destabilizing impact on society, high youth unemployment also represents a missed opportunity of utilizing the District's demographic dividend. Nama Khoi Municipality recognizes that employment creation must be a priority to build an inclusive society and drive economic growth and productivity.

Unemployment is not only concentrated among the youth but also in certain spatial areas within the District of Namakwa. Leading to the poor performance of several of Namakwa's industrial nodes, many of which lie close to low-income residential areas. Increased job creation in the manufacturing sector is key to uplifting these areas.

Intercity competition to attract investment and business talent is expected to intensify alongside the rapid expansion of urban economic activity, a trend that demands that Nama Khoi develops a consolidated position on the use of investment incentives.

Desired outcomes

The Investment Policy aims to attract job-creating investment into the Namaqua economy with a specific focus on making it a preferred business destination. In particular, it desires investment that addresses the objectives and development challenges articulated in the key documents such as its Integrated Development Plan, the Municipal Spatial Development Framework, and the Economic Growth Strategy. At the forefront of these objectives, and in alignment with the National Development Plan and New Growth Path for South Africa, is the creation of sustainable employment opportunities.

The purpose of the Investment Incentives Policy will assist and guide the district in managing incentive-related activities efficiently and effectively so that the desired outcomes can be achieved. The purpose of the Investment Incentives Policy is not to develop a package of subsidies to support unsustainable business models but rather to encourage investment in job-creating enterprises that meets the Municipality's vision and objectives.

Furthermore, the Investment Incentives Policy will assist in the targeting of desirable investments in particular spatial locations that require intervention and that can at the same time contribute to improving urban efficiency in terms of the movement of people and goods.



NAMA KHOI

MUNICIPALITY

Strategic Focus Area

This policy document aims to outline and guide the provision of incentives for job-creating investment, particularly within the manufacturing and development sector in the Namaqualand area.

While incentives packages can play a role in encouraging investment that is critical for driving economic growth and job creation. The Municipality must also be cognizant of the cost implications of these programs and how this impacts the administration's capacity to address its other strategic policy priorities and service delivery.

While research tends to indicate that incentives are rarely the most important factor in location decisions by businesses, they do influence decision-making and are often a "tipping point" factor. Non-financial incentives, particularly concerning transparent, efficient, and consistent administrative procedures are often considered by investors to be more important than incentives with direct financial benefit. It is the role of the Municipality to identify the best mix of both non-financial and financial incentives. The context-specific investment incentive package detailed in this policy document is designed to respond to investment-limiting challenges on the ground at a local level in the City. Utilizing investment incentives to create a more conducive environment for private sector investment, particularly in the manufacturing sector will position Springbok as a preferred destination for investment both in South Africa and globally.

The Investment Incentives Policy will also aim to embody the five values identified in the Organizational Development and Transformation Plan. These five values are:

1. Service excellence;
2. Integrity;
3. Accountability;
4. Trust; and
5. Accessibility

Regulatory Context

This policy is developed in the context of and guided by the following legislation and regulations:

1. The Constitution of the Republic of South Africa, 1996
2. Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003) (MFMA) and Regulations
3. Local Government: Municipal Property Rates Act, 2004 (Act No 6 of 2004)
4. National Policy framework for Municipal Development Charges
5. Provincial and National Built Environment Legislation
6. Nama Khoi Municipal By-laws



NAMA KHOI

MUNICIPALITY

Background

Defining an Investment “Incentive”

An incentive is broadly understood to be a special intervention designed to change the behavior of economic actors or to influence their decisions to achieve specific outcomes. Defining an “investment incentive” as compared to incentives more generally is complex and there is no standard definition. The United Nations Conference on Trade and Development (UNCTAD) however, defines an investment as “any measurable advantage accorded to specific enterprises or categories of enterprises by or at the direction of government” (Barbour, 2005:2). According to this definition, an across the board reduction in taxes or an improvement in other investment-related conditions for all investors, is not considered an incentive. This implies that incentives must be ‘specific’ i.e they must be restricted to investors who meet given criteria such as locating in a specific area or operating in a specific economic sector.

Investment incentives are often defined according to their typology or the nature of the outcome they are trying to achieve. The following types of investment incentives are recognized: (Barbour, 2005:2)

1. Direct financial incentives: Including grants; loans at low interest;
2. Indirect fiscal incentives: including tax rebates and tax holidays
3. Other non-fiscal incentives: including regulatory and administrative concessions; and subsidized or reduced service costs.

Rationale for Incentives

Local governments use incentives to achieve an outcome with the market may not achieve on its own. Market failure is regarded as the primary justification for the use of investment incentives by local governments. Barbour (2005) identifies examples of market failure which may be addressed by incentives. These are listed below:

1. **Positive externalities:** This refers to businesses’ inability to account for the broader social impact of their investments, leading them to undervalue the return on their investment and under-invest as a result.
2. Positive externalities are often observed in research and development spending where the social return is significantly higher than the private return. Incentives would look to optimize the level of research and design spending by narrowing the gap between private return and social return.
3. **Infant Industry:** Barriers to entry and anticipated risk for new businesses may result in under-investment in a sector or geographic locality. Incentives can be used to address this market failure by supporting businesses in overcoming barriers to entry in the start-up phase. This assumption underpinning this thinking is that once these barriers to entry are dealt with the market will self-correct.



NAMA KHOI

MUNICIPALITY

4. **Information Asymmetries and uncertainty:** A lack of information regarding a particular under-development geographic area or emergent economic sector may result in under-businesses. Even though the net investment return may be positive, in the face of poor information investors remain risk-averse. In particular, companies may face a ‘first-mover disadvantage’ whereby the first company to invest takes on all the risk of investment in the new area, while other companies benefit from improved information as a result of the first business initial investment. Incentives may be used to overcome this first-mover disadvantage and enable the subsequent creation of ‘agglomeration effects’ as other companies take advantage of improved information availability.

Other reasons for investment incentives:

1. **Equity consideration:** Investment incentives may not only be used to correct market failure but also to address the inequitable distribution of the market and to reverse historically engineered inequalities.
2. **Regulatory barriers to entry:** Regulatory failure as much as market failure can impede new investment to new investment. Onerous applications and registration for new developments can act as barriers to entry for new investment in an area or sector.

Generally, as outlined in the problem statement to this policy document, the Nama Khoi Municipality desires to improve competitiveness in a bid to attract national as well as international investment in our district.



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A functional definition of Investment Incentives

To transparently guide this investment incentives policy, it is imperative to provide a functional definition of an investment incentive for the NKLM.

Henceforth in this document, an investment incentive will refer to:

A time-limited measurable advantage, aimed at the rectification of market or regulatory failure, afforded to a business by the municipality either through administrative/regulatory; financial or fiscal means for job-creating investment or [other] / infrastructure within a targeted geographical area and/or industry.

There are two crucial elements of the above definition, namely, addressing market failure, and targeting. The World Bank (2015) refers to a 90-10 investment decision-making guideline whereby 90 percent of an investment decision is based on the economic and financial fundamentals and 10 percent is about the softer factors or the 'last mile. Investment incentives fall into the 10 percent category, which is not to underplay their importance but to stress the critical importance of getting the economic fundamentals of a location right. As such investment incentives should only be used to address instances where the market or regulatory failure discourages investors from investments that could yield significant private and social returns. Addressing actual barriers to entry or disincentives to investment would avoid the 'free-rider' problem often associated with incentives. This can occur when investors, who had already planned to invest in an area, take advantage of the incentives on offer but do not create any additional jobs or output. Effective targeting, by focusing on areas or sectors in which disincentives exist, will ensure that the municipality does not unnecessarily lose revenue as a result of free-riding. Targeting is also essential in tying investment incentives to the Municipality's broader spatial and sector development goals, such as spatial transformation through the development of transit-oriented development corridors.

Policy Parameters

The purpose of this investment Incentives Policy is to:

1. Define the range of non-financial incentives available
2. Define the range of financial incentives available
3. Establish criteria concerning the spatial and sectoral targeting of the incentives to ensure the Municipality's broader goals are achieved.
4. Provide a schedule of incentives available to eligible investors describing the scope of the financial and non-financial incentives offered by the NKLM



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MUNICIPALITY

Existing investment enabling environment

Attracting job-creating or infrastructure investment to NKLM necessitates the development of a comprehensive and multi-faceted investment attraction and promotion strategy. Investment incentives are only one component of such a strategy. Crucial to the success of any investment incentive policy, is the need to foster a conducive environment for investment. Incentives are never a suitable substitute for physical infrastructure provision, access to consumer or labor markets, or good governance. Indeed, a strong investment/business environment incorporating these factors is a critical enabling factor for a successful package of incentives. The creation of an enabling environment for investment is a key focus of the NKLM.



POLICY DIRECTIVES:

To promote effective management of incentives in the Municipality, the details of the following directive will apply.

1. General Principles

1.1 Employment Creation

The investment incentives must be tied to the attainment of the Nama Khoi Local Municipality's [*jurisdiction*] developmental goals of which job creation is foremost. The goal of incentive provision is not to simply enhance business profit margins with little or no broader socio-economic impact. Rather, investment incentives must be margins with little or no broader socio-economic impact. Rather, investment incentives must be used to support and enhance sustainable job-creating private sector investment. In this respect, a business 'eligibility for incentives should be conditional upon the creation of a prescribed number of jobs -, And a certain percentage of locally employed individuals.

1.2 Affordability

The incentives package must not place undue pressure on the Municipality's finances such that the Municipality is not able to meet its service delivery targets and the long-term sustainability of the budget is jeopardized. To respect this, the Municipality should not sell services below the cost of the business. Finance incentives should be prudent and aim at removing a barrier to entry or counterbalancing a locational disincentive as opposed to simply subsidizing businesses. The impact of financial incentives should be carefully modeled and limited financial incentives should be implemented where, if unlimited, they could be deemed to jeopardize the sustainability of the Municipality budget.

1.3 Transparency and uniformity

The incentives should be non-discriminatory and should be applied with uniformity and transparency. The UNCTAD (2015) identifies the establishment of clearly defined and transparent criteria and conditions and the granting of incentives automatically as much as possible, as keys to ensuring the efficiency and effectiveness of incentive schemes. As such the granting of the investment incentives should be done according to a set of predetermined criteria. This set of criteria will be consistently applied to all businesses applying for incentives. Information on the nature of the granted incentives should be public knowledge.



1.4 Sectoral Targeting

Research (SAIIA, 2012:12; World Bank 2015:11) on investment incentives has found that incentives are more effective when targeted at efficiency-seeking (manufacturing) investment as opposed to market-seeking (retail) or resource-seeking (mining; agriculture) investment. The Investment Incentives Policy should, in particular, prioritize the development of the Municipality's comparative advantage industries in the manufacturing sector. Effective industry agglomeration can greatly enhance the attractiveness of a location for investors. The investment must enhance the Municipality's value-added productive capacity.

1.5 Spatial Targeting

International best practices have found that investment incentives are most effective when they are spatially targeted. Spatial targeting ensures that incentive provision, by having defined parameters is affordable for the Municipality. It maximizes the socio-economic return of incentives by focusing on areas with strong potential but which are currently underperforming. It can assist in removing area-specific blockages to investment or systemic market or regulatory failure. Enables the Municipality to achieve its development objectives in specific areas thereby addressing issues of spatial inequality. Investment incentives should be provided in areas where there is significant potential for job-creating investment but where impediments to investment currently exist.

1.6 Simplicity

Ascertaining whether a business is eligible for an incentive and subsequently obtaining an incentive should not be an onerous task for investors. The criteria should be easy to understand and should not require excessive administration.

1.7 Legality

The incentives that are provided must be subject to the relevant legislation and planning parameters. It cannot conflict with legislation nor should it be provided to companies that are not legislatively compliant.



1.8 Continuous review

To stay competitive in a global economy that is consistently changing, this policy should be reviewed regularly. The reasons:

- 1.8.1 the need for investors are dynamic and responds to changes in the global economy. A shift in production techniques may result in a particular incentive no longer being an effective factor in influencing the decision of where to locate.
- 1.8.2 That the true impact of the incentives on investment decisions will only be apparent when the investment Incentive Policy is implemented. As such it may be necessary to make adjustments to the original policy specification in light of lessons learned post-implementation.

1.9 Incentive design

The previous section outlined the general principles guiding the formulation of incentives. While these general principles speak of incentives; administration of incentives; and the type of criteria which should be applied to the incentives; they are not specific to the design of the incentives.

1.10 The incentives Package

Details of the incentives offered by the Municipality to the investors (Annexure 2) for brevity, the type of incentives, and not the specific of each incentive are described below.

Non-Financial

1. One-stop investment shop
2. Fast tracking of development applications
3. Investment facilitation officers
4. Provision of regularly updated economic information
5. Expedited Municipal owned land disposals agreement



Financial

1. Waived building plan application tariff
2. Waived land use management application tariff
3. Development charge deferral and partial write-off
4. Reduced broadband fibre rental fees.
5. A rand value reduction in taxes/rates, spent by an investor on municipal infrastructure for upgrades or replacement.

The cost of these waived fees and reduced charges will be recovered from the investor should the agreed employment targets not be sustained for the agreed period.

The impact and ongoing fiscal sustainability of the provision of the financial incentives will be determined in a revenue impact modelling exercise. This will be an ongoing process and will directly inform the outcome of a 6 (six) monthly review.

Spatial targeting

Principles:

- 1.1 Conceptualize spatial targeting of incentives as a component of a bigger package;
- 1.2 Focus, for economic reasons, on lagging areas;
- 1.3 Striking a balance between leading and being led by the market;
- 1.4 Ensure that incentives are applied consistently and fairly, but remain cognizant of the specific needs of certain industries.
- 1.5 The importance of timing and phasing

Process of dealing with incentives

Submissions for incentives for investments in the Municipality's priority tertiary sector industries, which by their nature will not be located in the industrial area, will be approved by the Council and the implementation of that decision will be guided by a standard operating procedure. The submission will also be informed by the following considerations, to be established within the SOP and led by the IDP. Furthermore, the SOP should have an investment incentive agreement, detailing the intention of the investment amount and the agreed incentive from the municipality.



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Monitoring evaluation and review

1. The area in which incentives will be provided will be determined by a separate report to Council and will be reflective of the principles and criteria laid out in this policy.
2. Some incentives will be automatically applied to the new development, but others will have to be the result of an application process.
3. A standard SOP for the administration of the policy will be approved by the Executive Committee that will address inter alia:
 - 3.1 administrative process and system(including forms)
 - 3.2 the recording system
 - 3.3 roles and responsibilities of decision making
 - 3.4 the progress tracking and follow-up system
 - 3.5 The audit system
 - 3.6 The monitoring and evaluation framework.
4. This policy will be supplemented by an implementation framework that will provide details of the administration process, the overall administration of the investment incentives package; as well as the monitoring and evaluation of the individual applicant process and the overall programme.
5. Policy should be reviewed and updated every 6 (six) months.

Non-performance measures

- a) Incentives will expire if a project does not commence within 12 months after approval of the application.
- b) If the incentive application is canceled, the land owner and/or developer will be liable to repay any rebates received.



Contract Incentives Legitimacies

The purpose of incentive contracts is to tie a financial reward to the completion of an objective. Incentive contracting typically involves a fixed price or cost reimbursement contract. Upon completion of the contract, the incentive payment will be calculated and paid. A combination of the actual cost of completion and a sliding scale profit determines the incentive payment.

To obtain a specific objective, an incentive contract outlines several issues:

- Targets that are communicated and are reasonably attainable by the contractor.
- Appropriate incentives that will motivate the contractor to complete objectives.
- Discouragement from waste and inefficiency when pursuing objectives.

When using an incentive contract, there are three basic rules to follow:

- Aligning the incentive with cost, performance, or results.
- Ensuring that the cost-benefit of completing the objective justifies the incentive.
- Documenting the incentive